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## PRIVATE EQUITY AND VENTURE CAPITAL INVESTMENT TRENDS IN POST-PANDEMIC STARTUPS

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### 1. ABSTRACT

The present research paper looks at the developments of the Private Equity (PE). Trend of Venture Capital (VC) investment in India during pre-pandemic, The periods of pandemic, post- pandemic. The COVID-19 pandemic constantly redid the Private Equity (PE) and Venture Capital (VC) significantly. Fundamental dynamics of investment in the Indian startup ecosystem. This study analyzes tendencies of investments in three periods - pre-pandemic (20182019) to learn... pandemic (2020), and post-pandemic recovery (2021-2024). investor behavior alteration, capital distribution across industries, and the investment round preferences. Based on secondary data from industry reports and financial databases, the study shows a clear shift from aggressive growth-focused investments to more disciplined and profit-focused investment strategies. The results further indicate that even though total funding levels returned to their course following the First wave of shock in the pandemic, the risk appetite among investors fell and with a higher degree. focus on governance, long-term unit economics and long-term value. creation. Strong sectors like HealthTech and other technology-based industries received more investment. The recovery of sectors such as Travel and Hospitality was slower. The study concludes that COVID-19 created a major change in the Private Equity and Venture Capital environment in India. It had a long-term impact on investment strategies and made investors focus more on financial discipline and flexible business strategies in startup financing.

**KEYWORDS:** Venture Capital, Post-Pandemic Investment, Startup, Private Equity. Ecosystem, Investor Risk Appetite, Sectoral Shift, Sustainable Growth, India.

## 2. INTRODUCTION

Within the last 10 years, Venture Capital (VC) and Private Equity (PE) have become pivotal forces of innovation, entrepreneurship and economic expansion especially in the new markets, including India. This has however been interrupted by the occurrence of the COVID-19 pandemic in 2020. trajectory. As well as economic uncertainty, lockdowns, supply chain breakdowns, etc. reduced consumer expenditure caused the investment to shrink significantly. activity. Some industries, such as HealthTech and digital services, grew faster during the pandemic. However, other sectors, especially Travel and Hospitality, faced major losses and recovered more slowly. These sectors faced major losses during the pandemic.

The pandemic also created new challenges for investors. Investors became more careful about the risks they were taking. They paid more attention to company valuation, funding stages, and long-term business growth. Earlier, many startups focused on rapid growth and spending more money to expand, but the pandemic made investors focus more on sustainable and profitable business models. The key research question in the given study is to analyze the impact of the pandemic. re-modeled PE/VC investment patterns, risk appetite of investors, and industry. capital distribution in the startup ecosystem of India.

The study suggests that COVID-19 was not just a temporary disruption but a major change in the investment environment. As a result, investors moved from aggressive growth-focused investing to more careful, profit-focused, and stable investment strategies.

## 3. LITERATURE REVIEW

Extensive research highlights the growing importance of Private Equity (PE) and Venture Capital (VC) in driving startup innovation and economic growth. Pre-pandemic studies show strong global expansion in private markets, supported by high liquidity and aggressive growth strategies (Bain & Company, 2024). Venture analytics reports indicate that investors heavily favored technology-led startups, often prioritizing market share over profitability.

(CB Insights, 2024; PitchBook & NVCA, 2024). Previous research shows that Private Equity (PE) and Venture Capital (VC) have become very important for innovation and the growth of startups. Before the pandemic, private investment markets were growing strongly around the world because of high funding availability and aggressive growth strategies (Bain & Company, 2024). Reports from venture analytics also show that investors mainly preferred technology-based startups, which usually focused more on increasing market share than on

making profits.

(CB Insights, 2024; PitchBook and NVCA, 2024). Analyses of post-pandemic show that there was a major recalibration. McKinsey & Slower deal activity is reported in company (2024- 2025) and Preqin (2024),. increased investor selectivity, longer holding periods, and increased investor selectivity. EY (2024) and PwC (2024) emphasize additional due diligence, governance due diligence, and. focus on the sustainable unit economics. Deloitte (2025) and KPMG (2024) monitor industry trends to Fin Tech, HealthTech and digital. The Travel and Hospitality had to deal with a contraction in funding, in contrast to infrastructure. The report about startup ecosystems.

(Startup Genome, 2023; NASSCOM, 2024). Underline the strength of India despite the volatility in the world. Policy- focused studies according to the World Bank (2020) and OECD (2021 liquidity shocks to discuss are. The importance of governments in stabilizing markets through SMEs. In spite of the available literature discussing the volumes of funding, sectoral specifically, there is a limited research that analyses performance, and ecosystem growth. How have the underlying capital structurally responded to investor risk appetite in India? After COVID-1 9. The present study is a follow-up of these findings based on. Long term investment strategy shifts and behavioral transformation.

#### **4. Research Objectives**

1. To study the trend of Private Equity (PE) and Venture Capital (VC) investments in India before, during, and after the COVID-19 pandemic.
2. To analyze the impact of the COVID-19 pandemic on investment patterns in the Indian startup ecosystem.
3. To examine changes in investor behavior and risk-taking after the pandemic.
4. To identify sector-wise changes in investment, especially in sectors such as HealthTech, FinTech, Logistics, and Travel & Hospitality.
5. To understand the shift in investment strategies from aggressive growth-focused investments to more disciplined and profit-focused investments.
6. To evaluate the long-term impact of the COVID-19 pandemic on PE/VC investment strategies in India.

## 5. Data Analysis and Findings

Objective 1: To research the trend of PE and VC investments. Analysis:

PE/VC investments experienced a high growth during the pre-pandemic stage, a downturn in 2020 during the COVID-19 Greek and a slow pick-up during the post-pandemic stage.

### **Findings:**

The trends in investment show that it will decrease temporarily and then the recovery will be slow and cautious.

Objective 2: to examine the effects of the COVID-19 on investment patterns. Analysis:

COVID-19 caused cyclical hits, a decline in deal activity and more uncertainty in the startup ecosystem.

### **Findings:**

The pandemic transformed the patterns of investments greatly in the sense that they became more discriminatory and demanding.

Objective 3: To explore the fluctuation in investor behavior and risk-taking. Analysis:

Investors also moved out of risk-taking, growth-oriented investments and moved towards risk-taking investments that are managed.

### **Findings:**

Indisciplined and risky behavior in investment is strongly eschewed. Objective 4: To establish sector changes in investment.

### **Analysis:**

Logistics, HealthTech, FinTech and other sectors have received more investments and Travel and Hospitality recovered slower.

### **Findings:**

Investment was moved to more resilient and technology oriented sectors. Goal 5: To gain knowledge of the change in investment policies.

### **Analysis:**

The previous strategies were aimed at the fast expansion whereas the current strategies are concerned with profitability and sustainability.

### **Findings:**

Changes in investment policies were not based on aggressive growth but profit-generating

models. Objective 6: to measure the long-term effect on investment strategies.

**Analysis:**

The new long-term strategies are directed at the governance, due diligence and stable returns.

**Findings:**

Pandemic resulted in more stabilizing and structured investment policies.

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**6. Research Gap**

The available books and journals speak at length about volumes of funding, growth of the sector. and the emergence of unicorn startups during the pre- and post-pandemic times. A number of industries reports study deal activity, valuation trends and the. resurgence of technologically driven industries. However, limited research focuses, in particular, on the way the COVID-19 pandemic changed the structure. risk tolerance to investors, capital stage choices and investments. trends in India startup atmosphere.

Majority of studies concentrate on macro investment trends and not the micro one. PE/VC investment behavior change towards aggressive growth-oriented. principles of discipline to profit oriented strategies. Additionally, comparative analysis of reallocation of sectoral capital is not commendable. through pre pandemic, pandemic and post-pandemic periods in the Indian. context.

Consequently, the research therefore fills the gap in discussing the changes in structure. in investor conduct and industry wise investment patterns in the Indian startup. ecosystem following COVID.

**7. Data Collection (Secondary Data)**

It is an analysis of the secondary data that will analyze based on the 2018-2024 data. Pandemic, pandemic and post-pandemic trends of investment in the PE/VC of India. ecosystem. The results indicate a robust growth before COVID, a strong drop in. It is uncertain in 2020, and a selective recuperation in the post-pandemic period. In sectoral analysis, reallocation of capital is shown in the form of resilient and Whilst, technology-oriented industries like Health Tech, FinTech and Logistics prosper, Travel and Hospitality experienced slowness in funding recovery. Thematic review of reportedly there is a definite change in investor behavior- from aggressive growth- caused-oriented strategies to disciplined and profitability oriented investment decisions. Further, preference on fund went

into growth and late-stage. startups, which signify less risky appetite. In general, the secondary data supports the idea that COVID-19 caused a structural Eco logistic reaction. change of strategy in investment and not an interruption.

## **8. Research Methodology**

This study is based entirely on secondary research. A descriptive research design was adopted to examine changes in Private Equity (PE) and Venture Capital (VC) investment trends in India from 2018 to 2024, covering the pre-pandemic, pandemic, and post-pandemic periods.

Data were collected from credible secondary sources, including industry reports, venture capital databases, startup ecosystem studies, government publications, and financial news articles.

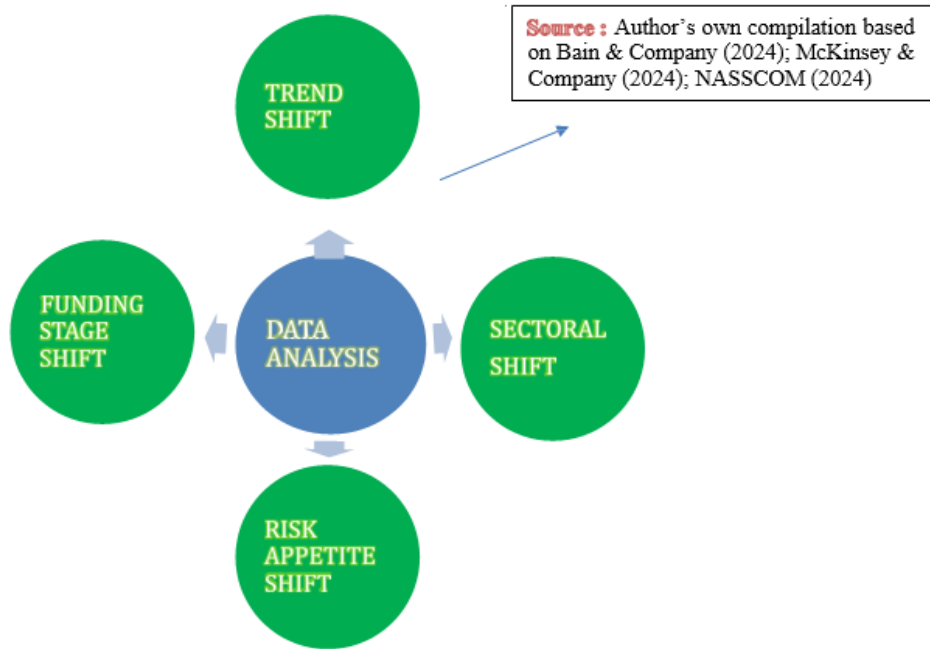
These sources provided information on investment volumes, sectoral allocation, funding stages, valuation trends, and investor behavior.

The analysis was conducted using trend analysis to compare different time periods, comparative sectoral analysis to identify capital reallocation patterns, and thematic review to understand shifts in investor risk appetite and investment strategies.

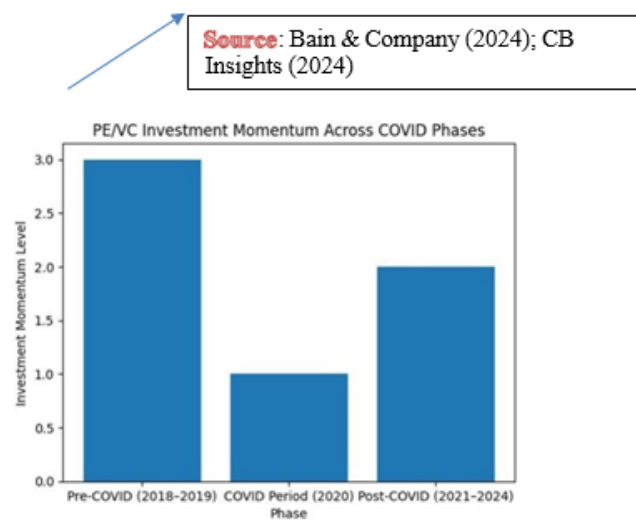
No primary data (such as surveys or interviews) were conducted in this study. The findings are entirely based on published secondary data.

## **9. Data Analysis**

The data analysis demonstrate that PE/VC funding in India after was recovering. the weakening of the COVID-19, the conduct of investors shifted. Capital pivoted to strong and technology- centred industries like HealthTech. and Fin Tech, high-risk and cyclical were slower to recover. Investors got a bit more liberal and put their money in places that mattered more in terms of profitability, governance and green development instead of greenbelt development. In general, it can be determined that the results show. that Covid-19 resulted in a change in investment strategy and not a structural one temporary disruption.

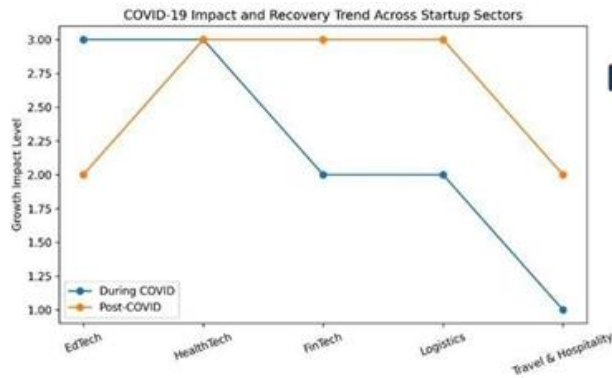


## 10. Findings



### ● Investment Trend Shift:

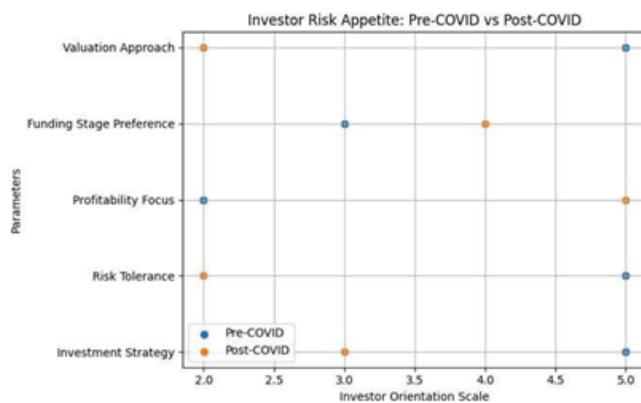
Funding decreased in the COVID-19 but post-pandemic recovered with greater caution. It evolved selectively as opposed to aggressively.



Source: NASSCOM (2024);  
Deloitte (2025)

● **Sectoral Shift:**

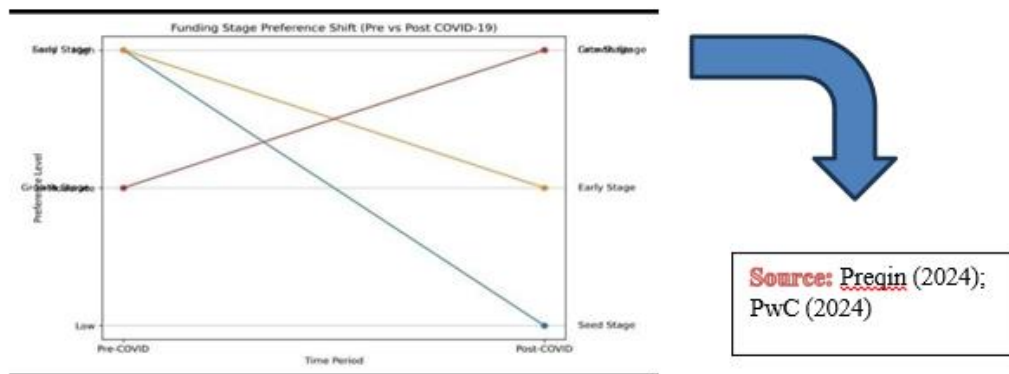
The capital shifted to sustainable industries such as Health Tech, Fin Tech, among others. Logistics. The positive recovery and slowdown were experienced by Travel and Hospitality. investor confidence.



Source: McKinsey &  
Company (2024); EY (2024)

● **Risk Appetite Shift:**

Investors abandoned high-risk and growth based approaches to disciplined approaches. profitability-focused approaches. Focus was laid on governance and sustainable unit economics.



● **Funding Stage Shift:**

Start-up capital became lower and expansion and venture capital increased. gained preference. De-risked and tested business models were preferred by investors.

**11. CONCLUSION**

The paper concludes that the COVID-19 pandemic had a structural impact. change in the Indian exposure to the considered Private Equity and Venture Capital. Instead of a temporary slackness. The investment activity resumed after. the first fall in 2020, the behavior of investors has changed dramatically to. management by discipline and profitability and Risk s/he. Capital investment shifted in the direction of the robust and innovative industries including.

Whereas Health Tech, Fintech and Logistics are cyclical sectors realized. slower recovery.

The results show a distinct shift of aggressive growth-oriented. investment into sustainable value creation and enhanced governance benchmarks. Altogether, it is evident that the investment climate in the post-pandemic era is more mature. selectivity, and commitments to long-term stability, renewal of the future of. startup financing in India.

**12. SUGGESTIONS**

- For Startups
  - Startups Change its current fast growth towards sustainable and profitability-oriented growth. models
  - Become more financially prudent, cutting and reinforcing cash burn. unit economics.
  - Build good governance, transparency and adherence. investor trust.
  - Use technology and digital develop into a competitive force. resilient.
- For Investors

- For Investors Concentrate on business ventures that have definite revenue models and can be scaled in the long-run.
- Become disciplined valuation practitioners and due diligence.
- Portfolio diversification in the robust portfolios of Health Tech, Fin Tech, etc. and Logistics.
- Offer strategic and operational assistance other than capital investment.
- For Policymakers
- Streamline the compliance processes and make business easier..
- Energize early-stage investment facilities by public-sponsored programs.
- Foster the innovative sectors and maintain policy to attract. local and foreign investment.

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