

The Future of Growth-Stage Financing

The startup ecosystem is standing at a crossroads. The era of cheap money and inflated valuations is making room for one that is defined by discipline, diversification and durability. Over the next decade, startup financing will evolve from chasing growth at all costs to sustainable growth.

As funding becomes more diversified and sophisticated, founders have multiple options in addition to equity, which has been the primary source of funding. Today, startups are blending venture capital, venture debt and other tailored financing solutions to optimize for use cases and dilution.



“The ecosystem is maturing, with larger funds, sovereign wealth players, and family offices bringing deeper pools of late-stage capital, alongside a growing appreciation for alternative financing such as venture debt”

Ben Cheah, Partner of Innoven Capital SEA

Navigating a More Complex Global Landscape

Higher interest rates and tighter liquidity have reset valuations in the region. Investors are now more selective, channelling capital toward startups that can demonstrate disciplined growth, solid unit economics, and responsible cash management.

This recalibration is taking place amid a confluence of factors. The U.S.–China technology divide continues to reshape global supply chains and investment flows. Currency volatility quietly erodes returns, while ASEAN's digital transformation offers new opportunities for scale. Add to that a growing web of trade tariffs, tech regulations, industrial incentives, and election cycles, and the result is a world defined by overlapping regimes rather than clear blocs.



“China will likely remain in a structurally different cycle -one characterised by relatively low interest rates and ample liquidity - over the next decade. This environment enables investors to continue making bold, innovation-driven bets in technology”

Cao Ying Xue,
Managing Partner of Innoven Capital China

What's Driving The Next Wave

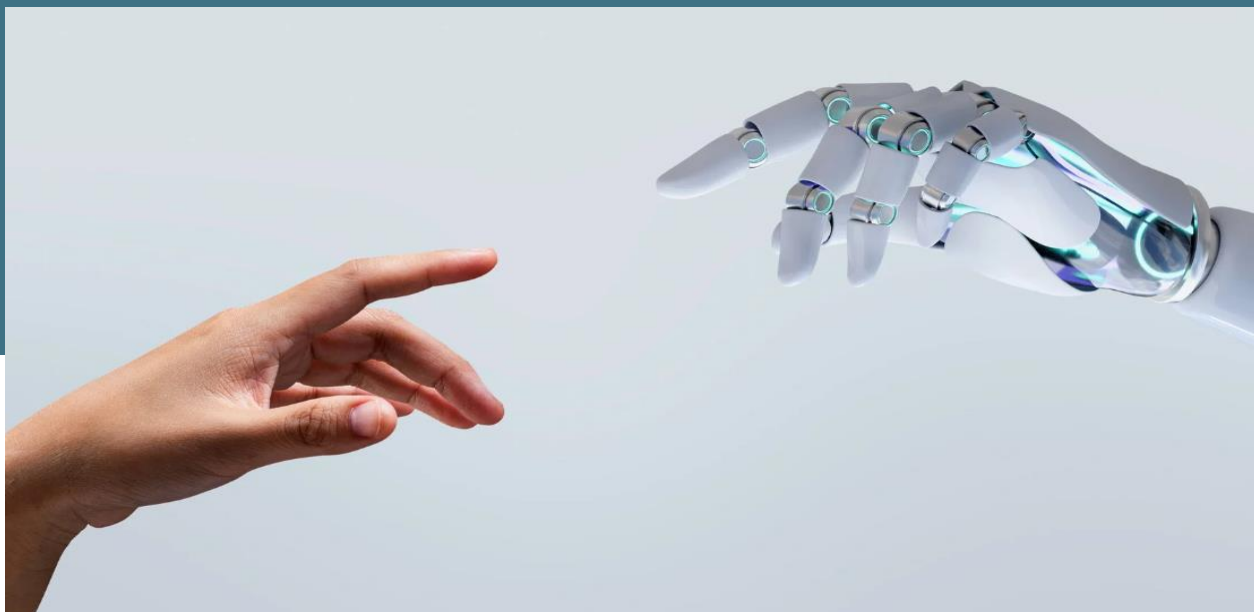
As investors adapt to a more complex macro environment, their approach to exits is changing as well. Exit timelines are lengthening, and investors are preparing for longer hold periods. In Southeast Asia, IPO markets like Indonesia and Singapore will play a larger role, while cross-border acquisitions will remain key exit routes.

In China, there is cautious optimism for an improvement in the next five to ten years as the market transitions from IPOs to more diversified exits, like M&A and alternative financing. India's IPO market, meanwhile, continues to be vibrant for high quality startups.

Technology, especially artificial intelligence, is steering this next wave of growth stage capital activity. AI is no longer optional. It is reshaping entire industries, redefining efficiency and scalability, and even transforming how investors assess risk.

From the lender's perspective, AI enables granular, real-time risk analysis and sets new underwriting standards. For startups, it raises expectations for scalability and capital efficiency. And for investors, AI is revolutionizing portfolio management by improving performance tracking and risk oversight. Increasingly, every investor expects portfolio companies to have an AI DNA, whether to cut costs, improve productivity or maintain a competitive edge.

AI will continue to attract outsized investment across both horizontal infrastructure as well as vertical applications from, healthtech and fintech to manufacturing. Meanwhile, climate tech is another sector that will draw attention. Propelled by policy support and ESG mandates, its asset-heavy models lend themselves naturally to alternative and debt financing.





Growth Capital 2.0

As venture equity evolves, the next decade will see the rise of alternative financing. Founders today have more tools than ever to fund expansion on their own terms.

Revenue-Based Financing is gaining traction among SaaS and D2C businesses with predictable revenue streams, offering growth capital without dilution. Tokenisation is unlocking liquidity and fractional ownership in fintech, Web3, and digital asset sectors. Asset-backed financing is also proving vital for climate tech and deep tech companies, where tangible assets or intellectual property can be leveraged for funding.

In regions like Southeast Asia, where cash-flow businesses are common, these models bring valuable flexibility. Founders are becoming more financially sophisticated – strategically layering equity, debt, and non-dilutive capital to extend runway and preserve ownership.

Founders as Capital Architects

Tomorrow's founders will need more than bold vision to succeed; they will need deep financial fluency. Understanding term sheets, managing covenants, and optimizing blended capital stacks will become essential leadership skills.

The fundraising climate may be tougher but it is much healthier, with founders prioritizing break-even faster and pursuing efficient growth. In the long run, this focus on quality strengthens the entire ecosystem. Those who can negotiate from a position of knowledge, align investor interests, and manage capital efficiently will stand out.



“In this more complex ecosystem, growth isn’t just about capital, it’s about exercising control. Founders who learn to treat financing as a strategic instrument rather than a survival tool will define the next decade of innovation”

Ashish Sharma, Managing Partner, Innoven Capital India