

What is Funding Winter?

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About Funding Winter

- Funding winter refers to a **period of market correction in capital inflow**, which lowers the probability of startups getting higher valuations in the short to mid-term.
- Simply put, **founders find it difficult to raise funding** and achieve sky-high valuations.
- It often leads to **investors avoiding firms without a set path** chalked out **for profitability**. This, in turn, prompts a need to correct the value of the start-up.
- Further, one of the prominent effects of funding winter is that it requires business owners to reset their priorities in terms of profit maximization.
- Effects:
 - With the funding winter in place, **start-ups resort to measures** which help them **save their working capital**, as the expectations of funding from investors are minimal.
 - The advertisement expenses, capital expenditures, and expansion plans are put to a halt in order to increase the sustainability of the firm.

- **Only the expenditure essential to the survival** of the firm **is undertaken**, and all possible steps are put in place to ensure unnecessary expenses.
- Funding winter is not a new concept but a **cyclical effect** that happens **due to multiple factors** which **impact the free flow of investments** in the market.
- These factors may **either be generically applicable** to the entire market, **such as geopolitical unrest** in countries, **monetary policies, or financial irregularities**, or **may be centric to the relevant sectors**.

The **duration of a funding winter is unpredictable**, and it may last for a long time depending on the multiple factors acting upon it.

Q1: What are capital expenditures?

A capital expenditure, or Capex, is money invested by a company to acquire or upgrade fixed, physical or non consumable assets. Capex is primarily a one-time investment in non-consumable assets used to maintain existing levels of operation within a company and to foster its future growth.

Source: [Bets from big global VC firms fall 80% in India in 2023 amid funding winter](#)

Source: <https://vajiramandravi.com/current-affairs/funding-winter/>

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