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News letter.

Startup India : The law front

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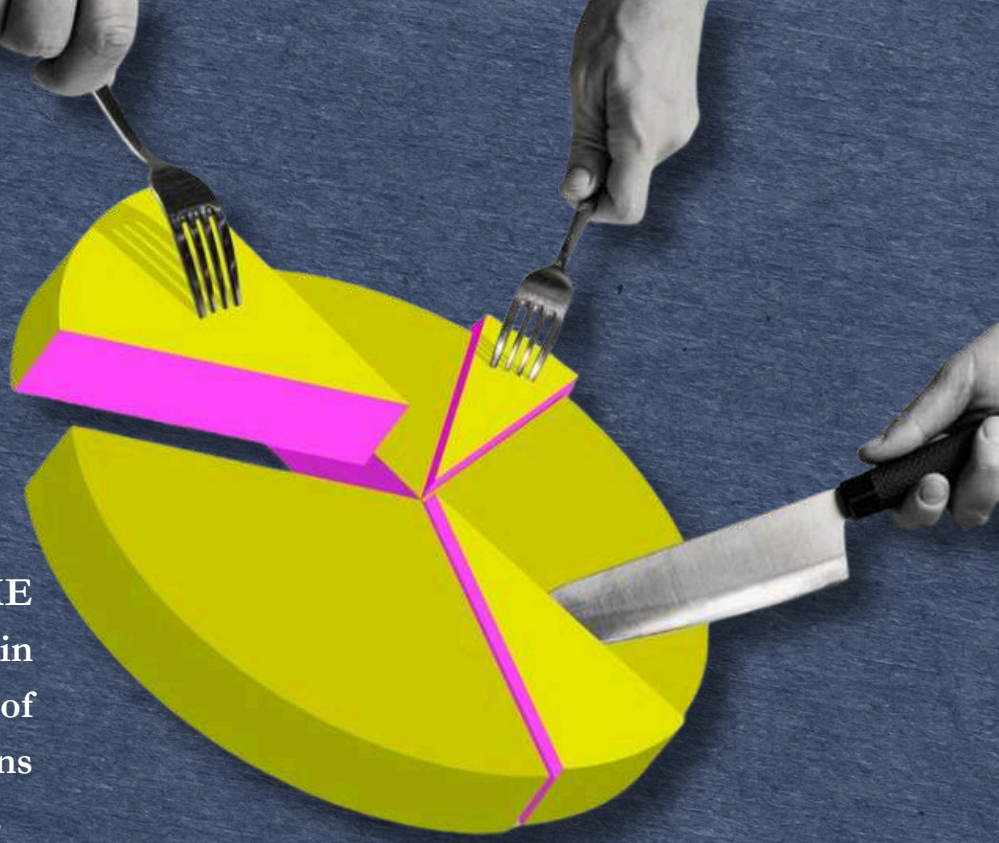
March 2026

LITIGATION FUNDING FOR
STARTUPS & MSME

Converting Legal Claims into Strategic Capital

India's startup and MSME ecosystem is one of the largest in the world, yet the enforcement of commercial rights remains structurally expensive and slow.

India hosts more than 6 crore MSMEs, contributing over 30% of the country's GDP and employing more than 11 crore people. Despite this scale, many smaller businesses do not pursue legitimate legal claims because litigation competes directly with operational capital.



50
Million

pending
cases across
Indian
courts

1445
Days

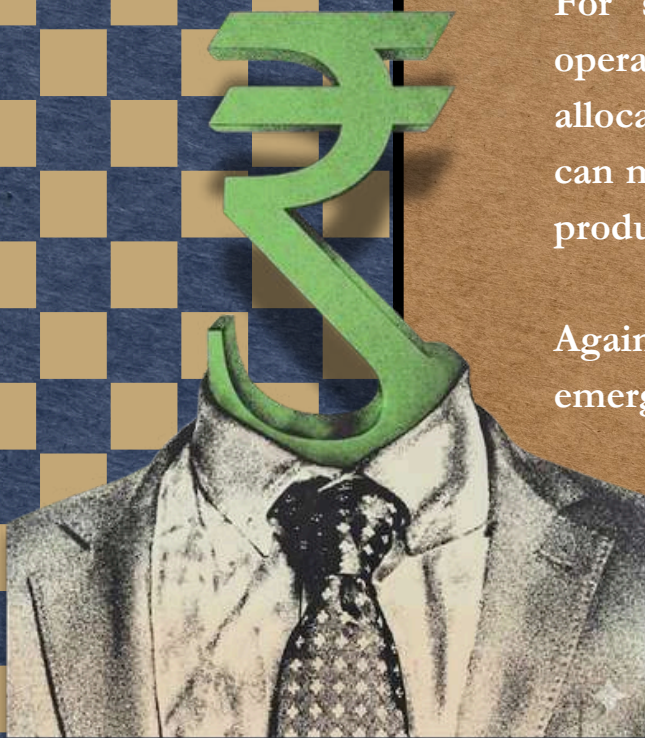
Average
commercial
dispute
resolution
time

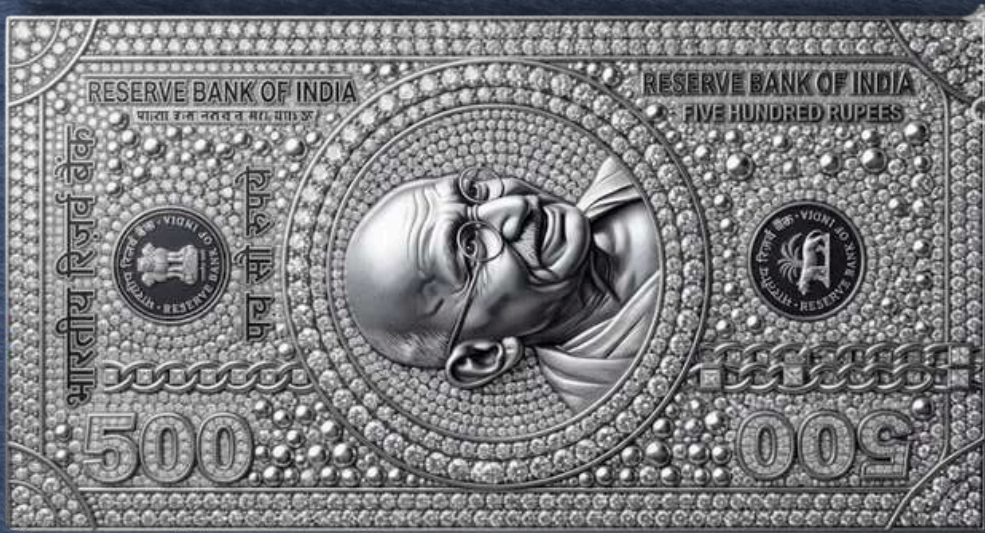
31%

of the claim
value is
absorbed by
litigation costs
in India.

For startups and growth-stage companies operating on constrained capital cycles, allocating resources to multi-year litigation can materially disrupt payroll, expansion, and product development.

Against this backdrop, litigation funding is emerging as a financial tool that enables businesses to pursue legitimate claims without deploying their own capital.





The Concept of Litigation Funding

Litigation funding, also known as third-party litigation funding (TPLF), is a financing arrangement where an independent funder provides capital to pursue a legal claim. In return, the funder receives a pre-agreed share of the monetary recovery if the claim succeeds.

The model operates on a non-recourse basis. If the claim fails, the claimant has no repayment obligation.

Funding typically covers legal fees, court costs, expert witness expenses, and arbitration charges. For businesses, this transforms a legal dispute from a cost centre into a financially supported enforcement strategy.

Commercial and Contractual Disputes

Claims arising from unpaid invoices, breach of supply agreements, and distributor or vendor disputes.

Debt Recovery Matters

Recovery of outstanding payments from corporate counterparties, particularly where delays significantly impact cash flow.

Intellectual Property Disputes

Patent, trademark, copyright, and trade secret enforcement actions involving technology or brand-driven businesses.

Types of Litigation Suitable for Litigation Funding



Arbitration Claims

Domestic and international arbitration proceedings involving commercial contracts or infrastructure projects.

Government or Regulatory Disputes

Claims against government bodies or public sector undertakings involving payment obligations or contractual breaches.

Funders typically evaluate disputes above ₹50 lakh to ₹1 crore, depending on the strength and enforceability of the claim.



How Third-Party Litigation Funding Works ?

Claim Assessment

The claimant compiles contracts, correspondence, financial records, and other evidence establishing the dispute.

Legal and Commercial Due Diligence

The funder evaluates the merits of the case, probability of success, claim value, and the defendant's ability to satisfy a judgment or award.

Funding Agreement

A non-recourse agreement is executed specifying the scope of funding, cost coverage, and the funder's share in the recovery.

Litigation or Arbitration Proceedings

The funder finances the legal process while the claimant and legal counsel conduct the proceedings.

Recovery and Distribution

If the claim succeeds, the recovery is distributed in accordance with the agreed structure between the claimant, counsel, and funder.

Advantages of Litigation Funding

Litigation funding offers both financial and strategic benefits for startups and MSMEs.

Preservation of Working Capital

Businesses can pursue legitimate claims without diverting operational capital toward litigation expenses.

Access to Experienced Counsel

Funding enables engagement with specialised legal teams, senior advocates, and expert witnesses.

Risk Transfer

The financial risk of the litigation shifts to the funder under the non-recourse structure.

Access to Experienced Counsel

Funding enables engagement with specialised legal teams, senior advocates, and expert witnesses.

Improved Negotiation Leverage

Funded claimants are better positioned to resist delay tactics and negotiate stronger settlements.

Intellectual Property Asset Protection

For technology and brand-driven startups, enforcing property rights can directly strengthen competitive advantage. Litigation can protect proprietary technology and convert intangible innovations into defensible assets.

