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Australia urged to rethink funding for tech start-ups

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— *Categories: Finance*

Australia risks losing homegrown innovation and talent unless new investment strategies are adopted to help start-ups survive the critical “valley of death,” according to the 2025 Digital Pulse report released by the Australian Computer Society (ACS).

The report highlights that over the past two decades, around 11,000 Australian start-ups and businesses have relocated overseas to markets such as the US, UK and Canada in search of capital. Limited domestic funding and risk-averse investors continue to push entrepreneurs offshore at the point where they are ready to scale their ideas.

ACS chief executive Josh Griggs said while Australian start-ups often secure early-stage investment, they struggle to raise capital once they reach commercialisation. “Financial markets in Australia are relatively small, plus they are conservative and risk-averse because we don’t like to fail,” he said. “Meanwhile, investors in countries like the US are much more open to taking a risk on innovative businesses before they have established revenue streams.”

The ACS report calls for stronger government and private sector co-investment vehicles, recommending a “cohort” model that spreads risk across groups of start-ups rather than

backing single ventures. Griggs argues this would boost the chances of success while overcoming investor hesitancy.

Procurement policy is also seen as a barrier. Small and medium-sized firms often face difficulties competing for government contracts due to high compliance requirements and reference demands. Platforms such as ACS's mySFIA tool could help businesses build technical capacity to meet these standards.

Australia currently invests just 1.7 per cent of GDP in research and development, below the OECD average. The Technology Council of Australia (TCA) estimates that lifting R&D expenditure to 2 per cent could deliver an economic dividend of \$6.3 billion by 2035.

Damian Kassabgi, CEO of the TCA, said the country cannot afford to fall behind. "Without stronger investment in R&D and tech adoption, Australia risks falling further behind. We know Australia punches above its weight in innovation, and we have shown it's possible to build and scale global tech businesses such as Atlassian and Canva. To truly compete on the world stage, we need stronger investment."

The federal government has flagged start-up support as a national priority, with a Strategic Examination of Research and Development due later this year. Industry leaders hope the review will lead to reforms that keep more Australian businesses and intellectual property onshore.