

# Sources For Startup Financial Funding / An Exploratory Research

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## Abstract

India has an estimated 26,000 startups. After China and the United States, India has become the world's third-largest ecosystem. The government recognized 14,000 new startups in the year 2021-22 against 733 in 2016-17. India was ranked 23<sup>rd</sup> in the global economy in 2020 and India was ranked 20<sup>th</sup> in the global economy in 2021. startups in India have increased every year and the employment growth also increasing day by day. India is giving more funds to entrepreneurs to start their new businesses. Startups are the best way to increase the technology in our country. It contributes to the country's economic development. Indian government encourages entrepreneurs to get success in their startup companies.

**Keywords:** - Startups, Fundings, Growth, Entrepreneurship, Venture Capital.

## Introduction

My topic is about the sources for startups' financial funding / exploratory research. Startups are one of the most important and effective companies. They used to give more employment to the people and help to develop the country. Startups face financial limits, a lack of commercial expertise, and managerial challenges, as they rely on financial resources and enabling infrastructure to survive. The government is issuing many sources of funding for startup companies. Startup companies are owned by one person and started by a group of people many startup companies get funds from different sources.

Funding sources for startups come from family, friends, loans, venture capital, and crowdfunding. Start a startup company there are more risks as well as profits.

The life cycle of startup India is: -

1. Ideation and Development
2. Validation
3. Growth or Exist
4. Early Traction

➤ **Ideation and Development:** - The first stage of the startup lifecycle is ideation. It is classified according to the importance of determining the viability of the items or services being offered. At this point, gathering a diversity of viewpoints to better examine a business model takes precedence. Testing an entrepreneur's business for viability might help answer bigger questions.

As the company progresses, think about government assistance, legislation, and other assisting variables.

➤ **Validation:** - It is critical to validate the product or service given after an entrepreneur has assessed the feasibility of the idea and highlighted a large-scale commercial strategy. The process entails identifying objectives, creating a value proposition, and testing it with customers. This stage of a business is extremely important because it leads to a better grasp of prospective outcomes.

➤ **Early Traction:** - A group of target customers can test the efficacy of the product/service delivered during the Early Traction stage.

Validation of a product can show the outside world definitive results, but it's a stage that comes with its own set of obstacles and can show revenue and cash flow. It may be useful to repeat that a market for this product is currently being formed and developed.

➤ **Growth or Exist:** - The company has achieved full economic health, has sufficient size and product-market penetration to ensure economic success, and makes average or above-average profits in the fourth stage of the startup lifecycle. The company can remain at this stage indefinitely if environmental changes do not obstruct its market niche or inefficient management does not impair its competitive powers. The company may decide to scale up or expand its market at this point through mergers and acquisitions or by preparing for an IPO (IPO).

## Definition for startup

Start-up is nothing but a newly established business. A startup is a young company established by one or more entrepreneurs to create unique products. Its purpose is to encourage creativity and speedy idea development. Startups works not only to create products they also to provide many services to the many big companies. Most startup companies are funded by their founders. There is more risk to start a startup company.

There are more opportunities in a startup company. We can improve our skills in a startup because every day technology changes. So, these companies work to increase their products so that they use innovative technologies to improve their products and services. Startup India initiative was launched in the year 2016 on January 16<sup>th</sup> by the prime minister of India Narendra Modi. The main aim of initiative the start-up is to create jobs instead of job seekers.

These startup programs are managed by the startup India team under the report of the Department for industrial policy and promotion (DPIIT).

Startups help large-scale economic growth and more employment opportunities in India. It helps to increase the employment rate in India.

There are 6 types of startups are there. They are: -

1. **Scalable startups:** - This category frequently includes tech companies. Technology businesses can readily access the global market because they frequently have significant potential. Investors can assist IT companies in becoming global organizations.

2. **Small business startups:** - These firms are self-funded and started by ordinary individuals. They progress at their speed and usually have a functional website but no app.

3. **Lifestyle startups:** - People with hobbies who want to concentrate on their passion can establish a lifestyle business. They can support themselves by doing what they enjoy.

4. **Buyable startups:** - Some persons in the technology and software business create a startup from the ground up to sell it to a larger company later.

5. **Big business startups:** - Customers' preferences, technologies, and rivals change with time, therefore large organizations have a limited existence. As a result, businesses must be ready to adapt to shifting conditions. As a result, they produce cutting-edge products that satisfy the needs of modern customers.

6. **Social startups:** - Despite the widespread perception that the primary goal of all companies is to make money, these businesses exist. There are still companies that exist to help others, and these are known as social startups.

### Pros and cons

Establish a startup there are more advantages and disadvantages. Listed below are a few of them: -

#### Advantages

1. Ability to move quickly and easily.
2. Efficiency
3. Team culture is more important in startup companies.
4. Personalization of their products and services.
5. They should have the ability to adopt more no. of activities (versatility).
6. Startups are very flexible to do work.
7. Fun
8. Increased job satisfaction
9. Minimal supervision.
10. Unique experience.
11. More opportunities to gain experience in new things.
12. Increase our knowledge.

#### Disadvantages

1. Heavy workload
2. Long hours of work

3. Lack of structure
4. Salaries are less
5. Uncertain job securities
6. Constant change in technology or work
7. They have limited resources
8. Risk is high
9. Feweress profits for 1-2 years
10. Compensation is low.
11. Stress is very high in startups.

## Review of literature

### Sources of funding

There are many sources of funding in startup India. Mainly the fund for a startup comes from friends, family, and personal investment. we can also get it from loans through banks. The government gives more loans to entrepreneurs to start their businesses to encourage them.

The 5 major funding sources for a startup are

1. **Crowdfunding:** - it is an easy way to raise a substantial amount of money for your startup through small contributions from many people over the internet.

- Kickstarter
- Go fund me
- Patreon
- Seed invests
- Funding Circle

2. **Angel Investors:** - Angel investors are high net worth individuals who provide financial backing for small startups or entrepreneurs, typically in exchange for ownership equity in the company.

- Amit Lakhota - Paytm
- Anjali Bansal – Bata, Tata Power
- Anju Srivastava – home decor, lifestyle brand
- Binny Bansal – ed-tech startup plant, skill-Lync
- Deep Kalra – extoel, eka. Care, planet spark

3. **Startup incubators:** - These are collaborative programs designed to help new startups succeed by providing workforce, seed funding, mentoring, and training. There are 326 startup incubators are there in India.

- Amity Innovation Incubator – Apana circle.com, anduril technologies. (It has funding up to 1cr INR.)
- Angel Prime - ezetap, Hacker Earth.
- Indavest – Vyoma, General Sentiment.
- NSRCEL – Amagi, Nextgen.
- Seed fund – Mydenesist, Level 10 Entertainment.

4. **Venture Capital:** - It refers to the funding provided company to the startup companies. it is private equity financing. Venture capital companies have high growth potential in exchange for an equity stake. It could be funding for startup ventures or small companies to grow their business or to start their companies. It is one of the best sources of startup funding in India.

- Helion Venture Partners – yepme, Make My Trip, komali.

- Accel Partners – Flipkart, Freshdesk, Myntra, book my show.
- Blume Ventures – Carbon Clean Solutions, Audio Compass, Exotel.
- Sequoia Capital India – Justdial, iyogi, bankbazaar.com.
- IDG Ventures – yatra.com, First Cry, Zivame, Ozone Media.

**5. Family Offices:** - It is another way of funding startups. India is having a history of family business. to start company family offices also help the entrepreneurs to start their dream projects with the support of their family and friends. India has more than 140+ family offices but the trick is to approach a family office. is the best option for the people because they give much time and money, resources. This startup actively involved 50+ startup companies since 2015.

- Adithya Birla Group
- Hero
- Piramal group
- DLF
- Baja

The government provides funds to support startups giving NR10,000cr from the fund of funds. But it has not given 10,000cr directly to them they have given 2,500cr per year. This 10,000cr is given over 4 years. These funds are in a natural form. which does not invest directly into startups we should invest through venture capital registered in a SEBI. A life insurance corporation (LIC) is the co-investor in the fund of funds.

Credit guarantee loans are also given to startup companies. Debt funding causes more risk than credit loans it is given by banks through the National Credit Guarantee Trust Company (NCGTC). It gives only INR500cr for the next four years.

Rajasthan, Gujarat, Maharashtra, and Jharkhand are the leader of the main state in the venture capital.

Bengaluru is the biggest city with a maximum no of deals in the startup company. In 2017 each day 2 startups are founded. The total no of funds raised in the year 2107 is 13.5\$ billion. Fintech received a maximum no of deals. 885 total nos of deals happened in the year 2017. 1078 total no of investors participated in 2017.

In 2018 \$11billion was raised across 743 deals 2018. Bengaluru secured the top slot with 247 deals and \$4.75 billion in total funding. The number of deals and investments in 2018 plunged by 20% and 16% respectively compared to 2017. 25% of the funding in 2017 is raised in 2018.

In 2019 Indian startups raised to \$11billion up until November 30, 2019, across 736 deals. Paytm is ranked the top in 2019 and received a total of 1BN \$ in funding. Ola India ranked Next with received \$597 Mn in funding across 7 deals in 2019. The first cry secured \$ 395.7Mn funding this year. Oyo managed to receive \$1.7 Bn in funding in 2019. In India, startups increased, and their funding sources also increased.

In 2020 Indian startups are grown more. Technology is increasing day by day, so these startups are also

increasing rapidly. Startups are grown to 55,000 in the year 2020. There is funding also increased to \$11.5 billion than in previous years. Which is 10% lower than 2019, but across 924 deals. Which is a 14% increase from previous years. In 2020 there are 38,815 startups are running. 11 new unicorns are added in the year 2020. 1050 new startups are launched in the year 2020. Chennai is the most promising emerging startup hub in India in the year 2020. Fintech is a top startup in India.

In the year 2020, the Indian startups are affected very much by the covid -19 pandemic. In 2021 the economic growth increased 2020. The economic year 2021 recorded the highest venture capital inflow in the year 2021. The economic growth raised to \$42billion across 1583 deals. This year 42 new unicorns were added to the startups. Overall startups raised \$1 billion raised to \$75billion. 1436 new startup launched this year. 2487 startups get funded. New startup launches in India increased to 15%.

In the year 2022, both the funding amount and deals have been increased to 186% and 64% respectively compared to previous years. In 2022 the main three startup hubs Mumbai, Delhi, and Bengaluru made up 90% of startups in India. They made \$3.7 billion out of \$4.1billion. The shares of these top three hubs are 78%. These shares are \$9.1billion out of \$11.7billion. \$12 billion has been raised across 506 deals this year. And 13 new unicorn startups were added this year. 1245 investors participated this year. In the first four months of 2022, funding nearly doubled from \$7.33 billion in the same period last year.

Startup India is the government of India's flagship project aimed at creating a robust ecosystem for nurturing innovation and startups in the country, resulting in long-term economic growth and large-scale job creation. The government, via

This project attempts to help startups flourish via design and innovation.

### Need for the study

From the literature, it is evident that startups are growing day by day. This indicates that competition is growing at a faster pace, which throws a challenge to investors to identify the industry in their respective sectors. This arises the need to explore the top sectors, industries, and investors.

### Objectives

1. To explore overall cities sorted by investments.
2. To explore the top 10 start-ups by investment.
3. To find out the top 10 investors by investment.
4. To find out sorted Investment type by investment.
5. To explore the top 10 investments by investment.
6. To find out the start-ups by industry by investment.
7. To explore the top 10 start-ups by industry by investment.

## Research methodology

### Research Design

The present study has adopted the literature review method of exploratory research in conducting the study.

### Sample Design

The study has collected data from start-ups from the year 2017-to 2021.

### Data collection

The data has been collected from a standard source named trak. in and start-up India .com.

The data is collected for the variables namely  
The following link will help us in collecting data  
<https://trak.in/india-startup-funding-investment>  
Data analysis

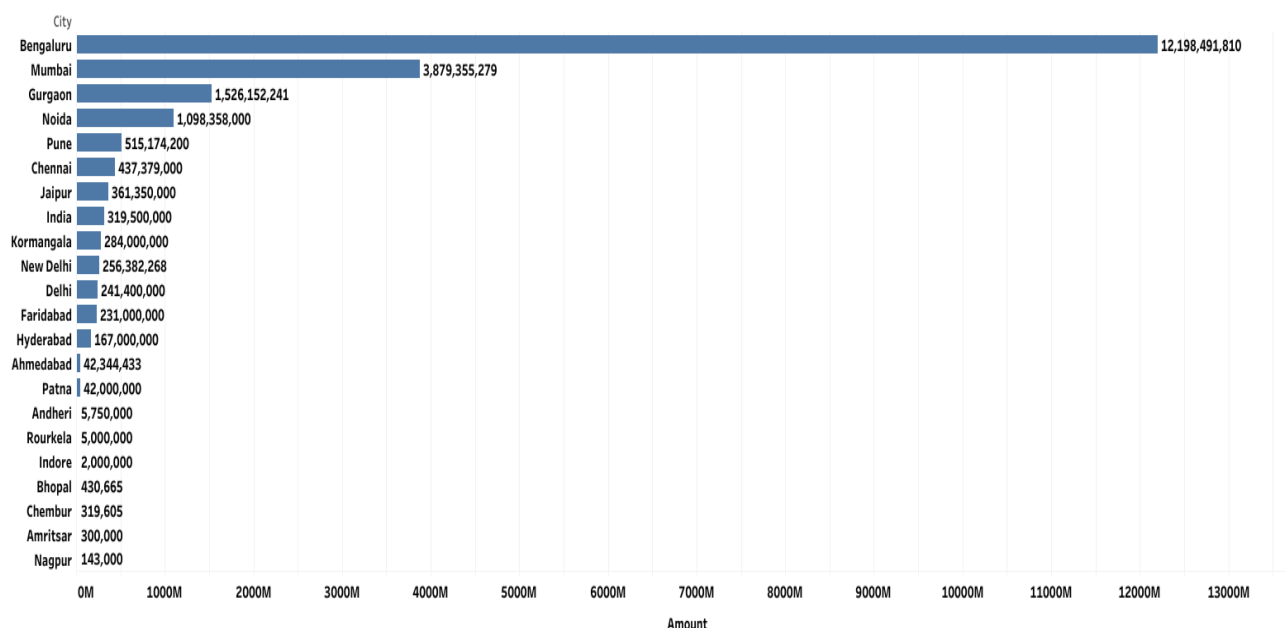
The collected data has been analyzed by using a data visualization tool called "Tableau".

In the tableau, we have used horizontal bar charts under which top filters are used

## Results and discussion

**Objective 1-** To explore overall cities sorted by investment Bengaluru city is with the highest investment in start-ups.

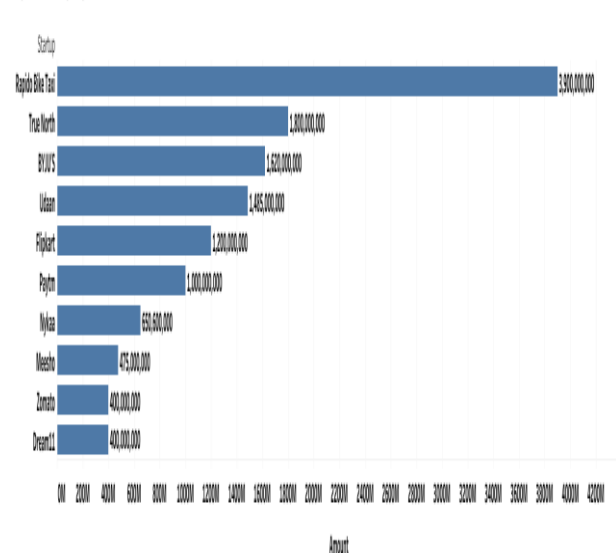
Overall Cities sorted by Investment in Start-Ups



**Objective-2 -** To explore the top 10 start-ups by investment.

**Inference:** Rapido bike taxi is one of the start-ups with the highest investment

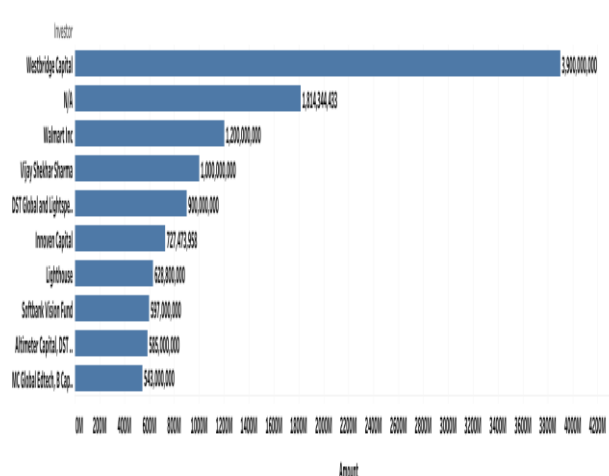
Top 10 start-ups by Investment



**Objective -3 -** To find out the top 10 investors by investment.

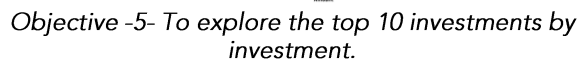
**Inference:** West bridge Capital is ranking in the first position in the top 10 investors

Top 10 Investors by Investment

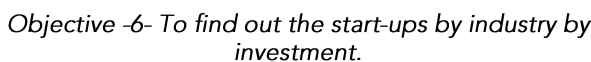


**Objective-4-** To find out sorted Investment type by investment.

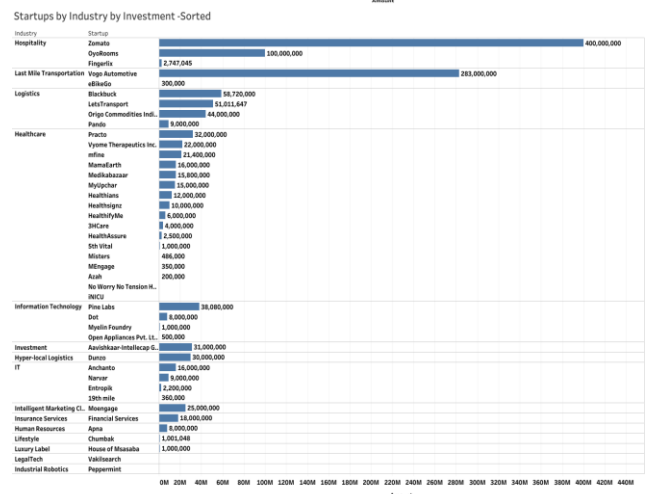
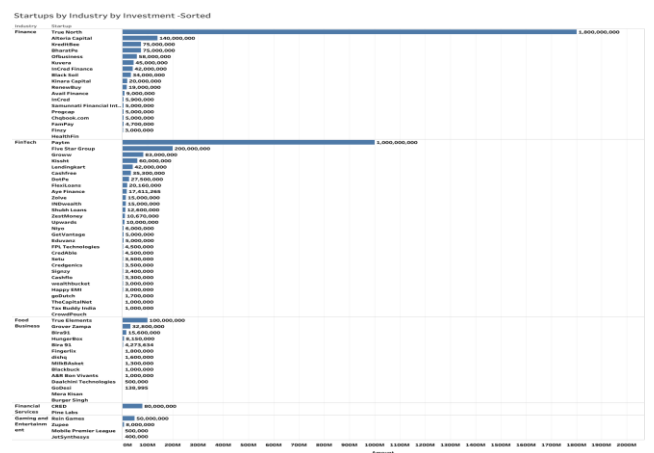
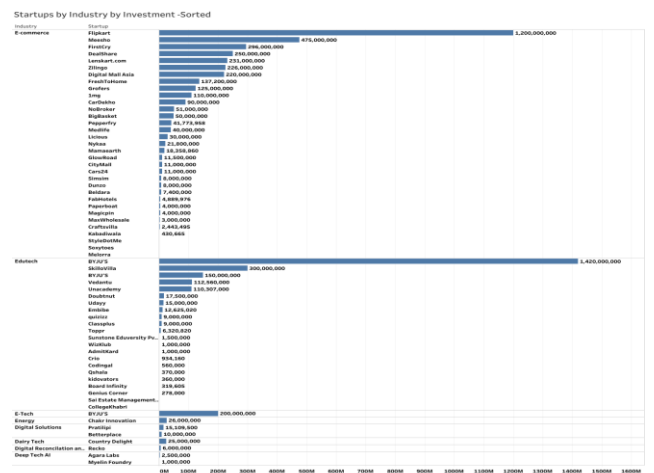
**Inference:** Most of the investment is invested in the private equity sector with an investment of 6568 million.



### Top 10 Investment-type by Investment-Sorted



Startups by Industry by Investment -Sorted

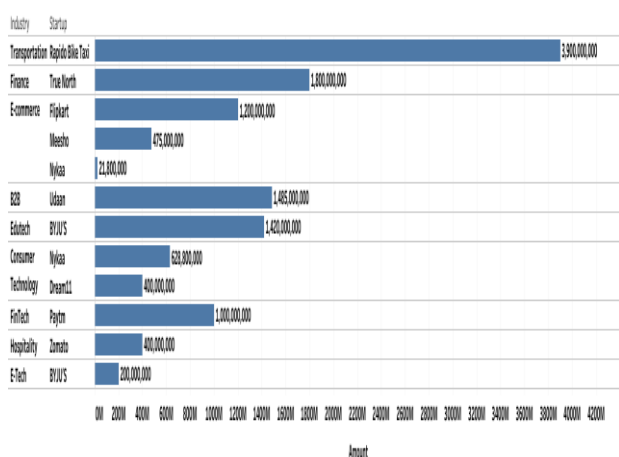




Startups by Industry by Investment-Sorted

Industry	Startup	Investment
Transportation	Rapido Bike Taxi	5,900,000,000
	Bluebird	1,000,000,000
	CityRide	7,000,000
	GoBike	1,000,000
	GoBike	1,000,000
	GoBike	1,000,000
	GoBike	1,000,000
	GoBike	1,000,000
	GoBike	1,000,000
	GoBike	1,000,000
Online Food Delivery	Zomato	1,000,000,000
	Swiggy	1,000,000,000
	FoodPanda	1,000,000,000
	FoodPanda	1,000,000,000
	FoodPanda	1,000,000,000
	FoodPanda	1,000,000,000
	FoodPanda	1,000,000,000
	FoodPanda	1,000,000,000
	FoodPanda	1,000,000,000
	FoodPanda	1,000,000,000
E-commerce	Flipkart	1,200,000,000
	Meecho	475,000,000
	Nykaa	21,600,000
	Urban	1,485,000,000
	BYJU'S	1,420,000,000
	Nykaa	632,000,000
	Dream11	400,000,000
	Paytm	1,000,000,000
	Zomato	400,000,000
	BYJU'S	200,000,000

Top 10 startups By Industry By Investment



**Objective-7- To explore the top 10 start-ups by industry by investment.**

**Inference:** The transportation industry ranks first in the top 10 investments.

## Findings and suggestions

- Bengaluru city is with the highest investment in the startups.
- Rapido bike taxi is one of the startups with the highest investment.
- West bridge capital is ranking in the first position in the top 10 investors.
- Most of the investment is invested in the private equity sector with an investment of 6568 million.
- The transportation industry ranks first in the top 10 investments.

## Conclusion

The present study has moved intending to explore the top industry by investment type, by city, and by investor point of view too. the results have shown that the transportation industry is the top industry from investors' perspective. Even, it is explored that west bridge capital is the top investor. Finally, it is suggested to startups to invest that money in Bangalore for a better future.

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