International Journal for Innovative Engineering and Management Research

PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL

www.ijiemr.org

IJIEMR Transactions, online available on 26th Nov 2021. Link :http://www.ijiemr.org/downloads.php?vol=Volume-10&issue=Issue 11

10.48047/IJIEMR/V10/ISSUE 11/60

Title *DISCUSSION ABOUT THE STARTUP AND ITS FINANCING SOURCES*

Volume 10, ISSUE 11, Pages: 385-389

Paper Authors **JAGJEET KAUR DR. PRAMOD GUPTA**

International Journal for Innovative Engineering and Management Research
PEER REVIEWED OPEN ACCESS INTERNATIONAL JOURNAL
www.ijiemr.org

DISCUSSION ABOUT THE STARTUP AND ITS FINANCING SOURCES

CANDIDATE NAME = JAGJEET KAUR

DESIGNATION = RESEARCH SCHOLAR SUNRISE UNIVERSITY ALWAR

GUIDE NAME= DR. PRAMOD GUPTA

DESIGNATION= PROFESSOR SUNRISE UNIVERSITY ALWAR

ABSTRACT

The purpose of this research is to examine investor habits in the context of crowdfunding for new businesses. Crowdfunding has grown in popularity as a means for startups to raise money, and it provides a wide variety of advantages for both startups and investors. Crowdfunding businesses and platform administrators alike may greatly benefit from a deeper understanding of investor behavior. The study uses a mixed-methods strategy by analyzing large-scale crowdfunding datasets quantitatively and conducting in-depth interviews and surveys with investors who have backed startup crowdfunding campaigns qualitatively. The key goals are to investigate the elements that play a role in investors' choices, study investors' engagement patterns and investing habits, and better understand investors' motives and perspectives on risk. The quantitative study looks at how factors including investors' ages, incomes, and levels of expertise affect their decisions to put money into crowdfunding projects. It also looks at how things like project qualities, social signals, and the length of a campaign affect investors' choices.

Keywords: - Startup, Economy, Capital, India, Investment.

I. INTRODUCTION

The word "startup" has become ubiquitous in recent years. It will have far-reaching effects on the national economy. Innovators often launch their businesses with very little capital. The only way to build a strong economy is to provide entrepreneurs with the knowledge and experience necessary to launch successful new ventures. On January 26, 2015, India's current prime minister, Shri Narendra Modi, unveiled an initiative called "Standup India-Startup India" with the goal of inspiring aspiring and established business owners to launch new ventures. Investment research and portfolio management serve as a crucial analytical tool for corporate management in order to get a more in-depth understanding of the important qualities of the various investment initiatives they undertake. This is not a simple task, and it requires familiarity with not just the many asset classes and investing philosophies but also the theories behind portfolio management.

1. Investment

The goal of each investor is to get a return on their capital. According to the rule of spending, money must be spent if it is to be multiplied into additional money. Regarding Money and Finance To save is to put aside money now so that you may spend it later on something that will benefit you. It's not easy for investors to decide where to put their money. The reason why traditional investing methods have been put to the test is so that investors may compare and contrast their characteristics and choose the one that best suits their goals and risk tolerance. An investor tailors an investment to meet specific needs based on factors such as the investor's demographic, socioeconomic background, style of life, etc.

II. STARTUP ECOSYSTEM

India has recently made changes to its culture and environment to make it more conducive to startup businesses. In order to combat youth unemployment and inspire the next generation of business leaders, it is necessary to foster an environment conducive to entrepreneurship. The Confederation of Indian Industry's (CII) long-term goal is to create a governmental framework at the federal and state levels that will aid the startup economy. It is far simpler for a developing country to look for possibilities than it is for developed nations. Every day, new problems appear, requiring answers, and new business models are born in attainable settings, but many entrepreneurs are unaware of where to turn for funding.

Entrepreneurs, a network of investors and developers, and a network of mentors and incubation spaces all make up the components of a startup ecosystem. Included in this category are government initiatives, academic partnerships, and programmatic initiatives. The entrepreneur tries to raise money from his or her family, friends, and acquaintances. As a nation, we can do better by creating an environment where new businesses may thrive. The World Bank's 2015 report on the ease of doing business indicated that India had difficulties in the areas of accessing credit and paying tax but had made progress in the areas of starting a business and dealing with basic amenities. However, the introduction of the Goods and Services Tax (GST) on July 1, 2017, which will be implemented nationally and will aid entrepreneurs in avoiding complex tax regimes, holds significant promise to simplify taxation policies for businesses. In 1982, the National Science and Technology Entrepreneurship Development Board (NSTEDB) introduced it, and since the late 20s, thanks to liberalization, India has seen a dramatic increase in the number of opportunities available to its IT professionals, who are now able to share their work with European and American clients. This has been seen as the impetus for the rise of India's tech startup scene, since it demonstrates the country's confidence in its ability to sell technology items of a high standard.

III. CROWDFUNDING

Crowdfunding is an alternate method of investing in startups and growing businesses. It encourages investment by creating a platform where small contributors and people may pool their resources to fund the project in exchange for equity in the idea for a predetermined period of time, "which is often a few weeks. Crowdfunding is used by companies, particularly social ones, to raise money for their services and campaigns, but it is also used to draw in customers who are interested in the idea rather than the financial reward. An investor that is passionate about a project will likely continue to back it and hope to buy some of the first units produced. Developing a neighborhood enthusiastic about the planned events is the first step in gauging interest. When compared to other sources of fundraising, this is crowdfunding's greatest strength.

Crowdfunding has grown at an exponential rate in recent years as new technologies and social media platforms have made it easier for entrepreneurs to reach a large number of people at little cost. Fundraising is often facilitated by third-party internet networks that monitor transactions and established businesses before to their release to the public. According to Crowdsource.org, 1,5 billion euro was invested in projects and businesses via crowdfunding and crowdsourcing platforms in the year under review. A request is issued for monetary services to be provided in the form of contributions (for no compensation) or in exchange for benefits or voting rights, preferably through the Internet, in order to support projects with specific goals. Without the help of a conventional financial intermediary, businesses and creators in a wide variety of fields (social, political, economic, cultural, scientific, etc.) have turned to online crowdfunding to raise money for their endeavors. Crowdfunding relies heavily on Network 2.0 since it enables mutually beneficial group interactions.

IV. FINANCING SOURCES FOR START-UPS

What kinds of financial resources do new businesses employ, and why do certain companies have an easier time getting financing than others? (Cassar, 2004; Denis, 2004) This is a common core topic in the study of entrepreneurship. These funds are crucial for the growth and upkeep of the company. Given the crucial role entrepreneurs play in driving innovation and economic progress (king and Levine, 1993), the financing choices they make for their companies have far-reaching consequences for the economy. It has been proven that the choice between debt and equity funding has a significant impact on a company's ability to survive and thrive in its early stages.

Identifying a reliable source of funding is a crucial first step for every aspiring entrepreneur. When comparing entrepreneurs with and without start-up experience, Kotha and George (2012) found that those with experience were more successful at raising capital (from both official and informal sources). Investors who can significantly speed up the development of a startup project or product through their investments are more appealing to startups. Investors also tend to have strong business relationships, which are crucial to the growth of startup products. Multiple variables, as shown by Atherton (2012), affected a startup's founder's choice of funding source (formal or informal). Similarly, there is a large gap between the well-funded and the poorly funded startups. Finding investment money to develop or grow a business is a major challenge for many entrepreneurs. Internal finance sources (the founders' personal cash) are used by startup founders more often than external financing sources.

V. CONCLUSION

Due to the novelty of crowd funding as a fundraising strategy, it is not yet a well investigated phenomena. Due to the fact that conventional financing channels have changed their focus from the beginning to the end of a project's life cycle, a funding gap has opened up. Seed-funded and early-stage startups often lack the maturity to successfully operate without assistance. There is a lull in the frequency with which businesses actively seek external finance while they are in the liminal period between success and failure. Crowd funding is one option for companies to fill the newly available cash void. Crowd funding is a potential source of initial investment. It works well when combined with other sources of financing. This cash might be used as seed money to get things started until they gain momentum, since the required quantity is too little to draw the attention of venture capitalists. Crowd funding is an innovative way to raise capital, but it works especially well for new businesses. If a business has something of value to give the public, crowd funding might be a viable fundraising strategy. It's appealing and practical, making it a safe bet. By streamlining the lengthy process of raising financing, it frees up young businesses' time and energy to concentrate on what matters most: turning a profit. Crowd funding is a great way to spread awareness about and support for your cause or concept. It's an opportunity to introduce your company to the individuals who will ultimately buy your goods or services. Along with financial gain, it is a fundamental motivation. Here, the audience may invest and provide feedback as companies put their products to the test. It's a fantastic low-cost strategy for attracting more interest. For startup companies, expanding their customer base is essential. Customers are devoted to the business and will spread the word if they had a good experience.

REFERENCES

1. Camilleri, Mark Anthony & Bresciani, Stefano. (2022). Crowdfunding small businesses and startups: A systematic review, an appraisal of theoretical insights and future research directions. European Journal of Innovation Management. 10.1108/EJIM-02-2022-0060.
2. Pasmawati, Yanti & Tontowi, Alva & Hartono, Budi & Wijayanto, Titis. (2022). Strategy for Improving Crowdfunding Investments in Startup Business. European Journal of Management Issues. 30. 17-24. 10.15421/192202.
3. Chaabi, Wodad. (2017). The power of the crowd - how crowdfunding drives innovation in startups.
4. Salaheddine, Abdelaziz. (2022). Crowdfunding as an innovative mechanism to increase funding opportunities for startups.
5. Hossain, Tanjela & Noor, Asad. (2022). Crowdfunding: A New Approach to Entrepreneurship's

Startup Phase. ABC Journal of Advanced Research. 11. 83-96. 10.18034/abcjar.v11i2.646.

6. Kalyani, P. (2020). Startups Fund Raising – Options and Challenges. BSSS Journal of Commerce. 10.51767/joc1208.