

## Start-Up Funding: 9 Realistic Ways To Achieve Your Goals

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Does your start-up need funding but don't know whom to approach?

The process of acquiring funding to support a business idea is known as "start-up funding". Funding is essential for monetary investments in a company's inventory, office space, sales and marketing, manufacturing, product development, and expansion. Considering the significant growth of India's start-up ecosystem necessitates a comprehensive examination of start-up funding in India. The most prevalent sources of such financing are banks, other financial institutions, angel investors, and venture capitalists. The best way to start the process of obtaining funding for your start-up is to approach a start-up law firm in India and seek legal advice for start-ups in India.

Finding investors is the initial step in the search for financing. In India, investors will only finance start-ups if they have trust in the idea and are confident that they will earn a return on their investment. Given the continuously growing number of start-ups in India, acquiring funding from investors requires aggression and passion when proposing your idea, whether through a functional prototype or a solid business plan. It is best to also seek legal help for start-ups in India to decide the best way for start-up funding.

The booming start-up ecosystem has forced the government to introduce multiple schemes to support start-ups in India, such as Start-Up India, which contains several provisions for government funding for Indian start-ups.<sup>[1]</sup> Despite that, start-up funding can often be a challenging process and may potentially lead to its failure as well.

Here are 9 realistic ways to fund your start-up and help you decide which one is the best for your venture.

## Ways to Fund a Start-up

There are several ways to obtain funding for a start-up. However, not all of them may be suitable for a particular venture or business idea. Considering this, it becomes important for the organization to determine what best suits their interests and what stakeholders would be most attracted to their idea before aimlessly looking for funding.

Following are 9 realistic ways to obtain start-up funding, that will help organizations broaden their base for obtaining funding.

### 1. Friends and Family

The most basic way to start a business from a small level is by borrowing money from friends and family. The entire concept of 'attracting' investors, formally pitching your idea, convincing them of the start-up's monetary stability, returns for investors, etc., are all issues that will not require dealing with while borrowing money from friends and family. They may believe in your dream and be more willing to help you grow.

That being said, monetary borrowing from friends and family comes with the risk of relationships being at an end. Irrespective of who is investing, be it, family or friends, obtaining proper legal advice is always advisable.

### 2. Small Business Loans

Certain banks do offer loans to help kickstart small businesses. However, with the multitude of formalities involved, like credit ratings, etc., it may be difficult to qualify for such a loan.

An alternative scenario involves taking business loans from microfinance providers or Non-Banking Financial Corporations (NBFCs). The number and strictness of the formalities and requirements are significantly reduced with these kinds of organizations. However, it is crucial to be aware of all the terms and conditions of loans from such lending organizations to ensure that they are not predatory. For this purpose, it is advisable to seek legal help for start-ups in India, so that all the minute details can be taken care of.

### 3. Bootstrapping

Bootstrapping is also called "self-funding" where the owner(s) of the start-up use their own funds to run the business initially. This could be from personal savings, credit cards, mortgages, etc. Bootstrapping involves stretching resources substantially, both in monetary and other terms. This method of funding would work only in a scenario where the initial requirement is small. However, there is a significant risk of incurring a huge debt in the event the business fails.

### 4. Incubator or Accelerator

Business incubators and accelerators are spaces that function both as mentorship development centres and communal workspaces. Here, start-ups may collaborate with some incredible individuals and get off to a terrific start. Although the names are used interchangeably, there are a few significant differences between them. Incubators are like parents in the sense that they provide a firm with a place, resources, training, and connections.

Whereas Accelerators function similarly to incubators, with the exception that incubators teach a company to walk, whereas accelerators urge it to run or make a large leap.

Participating business owners must commit their time to these programs, as they normally last between four to eight months.

### 5. Crowdfunding

If there is an interesting idea and social media marketing is an option for a

particular start-up, crowdfunding would be a good option. Several websites can be used to attract funding from the general public.

However, in this age of globalization and start-ups, several organizations choose crowdfunding to finance their start-up. Therefore, to be able to attract the general public to fund, the business idea and the marketing must be exceptional to overshadow all other potential start-ups.

#### 6. Small Business Grants

Grants for small enterprises owned by women, minorities, or veterans are occasionally provided by the Small Business Administration and other groups. There are several business grants available in India, such as Multiplier Grants for IT-related businesses, Unlimited Indian Organization for social enterprises, and so on.

Parallely, to ensure that no repayment is required and all conditions are conducive, it is advisable to involve an approach to start-up legal services in India.

#### 7. Local Contests

Maximizing the fundraising opportunities has been greatly aided by an increase in the number of contests. In such competitions, either a product must be built or a business plan must be prepared that must stand out from others. This may also lead to some media coverage for the company.

They are also an excellent opportunity to rehearse your pitch for other investors. Even if a particular start-up is not the top pick, people will be aware of the company and serves as good marketing.

#### 8. Government Schemes, Angel Investment or Venture Capital

There are several government schemes to aid with start-up funding, such as Pradhan Mantri Micro Units Development and Refinance Agency Limited (MUDRA), Start-Up India Seed Fund Scheme 2022, and so on.

Angel investors are individuals with surplus money and a great desire to invest in new businesses. In addition, they evaluate the plans before investing collectively in networks.

Venture capital funds are professionally managed funds that invest in enterprises with significant potential. Typically, they invest in a firm's stock and then exit after the company goes public or is bought. By evaluating a company's feasibility and scalability, venture capitalists serve as a gauge for the organization's future direction. Small businesses that have progressed from the start-up phase and are generating revenue can benefit from venture capital investments.

Approaching start-up legal services in India might be a good step to learning more about these schemes and opportunities.

#### Conclusion

There are several ways to fund your start-up. However, it is important to determine what best suits the interests of a particular enterprise. Funding mechanisms such as bootstrapping, etc. may not work in the long term, and start-ups progressively have to look for other funding options as well.

The best way to go about this is to seek legal advice for start-ups in India. Start-up law firms in India will be best equipped to understand the start-up's requirements and give appropriate advice on how to go about start-up funding.

#### FAQs

What are the 5 sources of funding?

There are several sources of start-up funding, however, the following are the

most common ones:

1. Bootstrapping and/or borrowing funds from friends and family
2. Small Business Loans from Banks, NBFCs etc.
3. Incubator or Accelerator
4. Government Schemes providing funding
5. Angel Investors and Venture Capitalists

How do start-ups usually get financed?

The most common and formal ways of funding include venture capitalists, angel investors, traditional banks and NBFCs, and government schemes. Other common and comparatively informal ways include bootstrapping, borrowing from friends and family, crowdfunding, etc. Enterprises often approach start-up law firms in India to seek legal help and determine the best way of funding them.

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[1]<https://www.startupindia.gov.in/>.