

# Funding Options

## 1. Introduction to Funding

### Definition

Funding is the money or financial capital required to **start, run, or grow** a business, project, or venture.

### Why Funding Is Important

Funding bridges the gap between:

- Having an idea
- Building a self-sustaining business

Since most businesses are not profitable from day one, they need capital for survival and growth.

## 2. Purpose of Funding

### A. To Get Started (Startup Costs)

Covers initial expenses such as:

- Legal and registration fees
- Business permits and licenses

### B. To Build the Product (Development)

Supports R&D activities including:

- Creating and testing prototypes
- Manufacturing initial product batches

### C. To Grow the Business (Scaling & Expansion)

Funding helps in:

- Entering new markets
- Scaling operations
- Acquiring companies

## 3. Main Categories of Funding

### A. Debt

- Borrowed money that must be repaid with interest

- No ownership dilution  
**Examples:** Small business loans, Venture debt

## B. Non-Dilutive Funding

- Capital received without giving up ownership or incurring debt
- **Examples:**
  - Bootstrapping
  - Crowdfunding
  - Grants
  - Accelerators & Incubators

## C. Equity (Selling Ownership)

- Capital given in exchange for company equity  
**Examples:**
  - Venture Capital
  - Angel Investors
  - Friends and Family

# 4. Funding Options

## A. Bootstrapping

### Definition

Building a business using:

- Personal savings
- Revenue reinvestment
- Minimizing costs
- Avoiding external funding

### Sources & Usage

- **Personal Savings & Sweat Equity:** Using founders' money and hard work
- **Lean Operations:** Low expenses, small team, cost-effective tools
- **Friends & Family:** Early informal support
- **Revenue Reinvestment:** Using earnings to scale
- **Delaying Payments/Credit Use:** Supplier negotiation, postponed expenses

## **How to Bootstrap**

- Start with a Minimum Viable Product (MVP)
- Use free/affordable tools
- Reinvest profits for growth

## **Ideal Stage**

Best for early-stage businesses where:

- Capital needs are low
- Founders want full control
- External funds are unavailable or unwanted

## **Successful Indian Examples**

- Zoho Corporation
- Zerodha
- Amul

## **B. Angel Investors**

### **Who They Are**

High-net-worth individuals investing personal money in early-stage startups.

### **What They Provide**

- Equity funding
- Mentorship
- Industry connections
- Fast decision making

### **Why They're Valuable**

- Ideal for pre-seed/seed stage
- Help build strategy and traction

### **Real Examples**

- Peter Thiel → Facebook
- Jeff Bezos → Google
- Naval Ravikant → Uber, Twitter
- Reid Hoffman → Airbnb

### **Impact on Startups**

- Early capital for MVP

- Boosts credibility
- Helps achieve product–market fit

### **Best Fit For**

- Strong founders
- Low early revenue
- High-growth ideas

## **C. Venture Capital (VC)**

### **What is VC?**

Investment from large firms into startups in exchange for equity.

### **Who Gets VC Money?**

Startups with:

- Innovative ideas
- Large market potential
- High growth capability

### **Why Startups Need VC**

To fund:

1. Product development
2. Team hiring
3. Market launch

## **VC Funding Rounds**

### **1. Seed Round**

Used for:

- Building MVP
- Testing idea
- Getting first users

### **2. Series A, B, C...**

Used for:

- Rapid scaling
- Hiring
- Market expansion

## D. Crowdfunding

### Definition

Raising small amounts of money from many people via online platforms.

### Use Cases

- Product launches
- Startups
- Social causes

### Example

Ketto COVID-19 relief campaign: Raised ₹420+ crores for oxygen supplies.

### Steps to Raise Crowdfunding

1. Idea
2. Choose platform
3. Set funding goal
4. Create campaign
5. Promote
6. Get backers
7. Use funds & deliver

### Popular Platforms

- Kickstarter
- Indiegogo
- Ketto
- Milaap
- Wishberry

### Types of Crowdfunding

#### 1. Donation-Based

- Donors give without expecting returns

**Example:** Ketto campaigns for medical/social causes

#### 2. Reward-Based

- Backers receive rewards/early-access products

**Example:** Pebble Smartwatch on Kickstarter

#### 3. Equity-Based

- Backers get company shares  
**Example:** BrewDog's "Equity for Punks"

#### **4. Debt/Lending Crowdfunding**

- Contributors lend money and earn interest  
**Example:** Funding Circle loans

### **Advantages & Disadvantages of Crowdfunding**

#### **Advantages**

- Easy access to capital
- Built-in marketing
- Market validation
- Low financial risk
- Community building

#### **Disadvantages**

- High risk of idea theft
- Heavy promotion needed
- Time-consuming
- High failure rate
- Platform fees (5–10% + processing)