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A Study on New Sources of Finance for Startup Business in Kerala

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ABSTRACT

Finance is the life blood of every business. So while considering sources of finance it is important to select the best source of finance. In this modern world there are many new sources of financing. Conventional sources of financing such as loan, own capital etc. were replaced by new sources as the time demands it. Because nowadays many are coming forward with new startup business with minimum investment by themselves and remaining amount is getting financed by these new generation financial sources. In this era of modern science and technology everybody enhanced to start a business if they have innovative ideas. Funding agencies are ready to provide funds to them. Angel investors, venture capitalists, Business incubators are some of the new generation financial sources. Their operations are totally different from that of conventional financiers. Angel investors are those who have succeed in their business and interested to invest in new startups; the amount invested by them will be less compared to venture capitalists. Venture capitalists are those who invest in venture projects. Venture capitalists are more attracted towards new startups as they are in search of new and risky projects which give high return if it succeeds. Startups use conventional source of finance too but the way of approach has been changed as the times changes. Financial Bootstrapping and Buyouts are also considered as source of finance. It is not good to forget governmental support for startups. Make in India, Digital India plans are enhancing the growth of startup businesses in our nation. This study focuses on the various aspects of financing and new sources of financing as it is important for this current scenario.

Keywords: New Sources of Finance, Startups, Investment Strategies, Areas of Business And Source of Finance.

1. INTRODUCTION

Finance is the lifeblood of all business enterprise. A startup is a company that is in the first stage of its operations. Basic foundation of all kinds of economic activities is finance. Source of Financing for startup business can be divided into two parts, Equity Financing and Debt Financing. Personal investment, business angels, assistant of government, commercial bank loans, financial bootstrapping, buyouts are some of the commonly used source of financing in startup business. Sources of finance are classified based on time period, ownership and control, and their source of generation. On the basis of different parameters capital sources are classified such as long-term, medium term, and short term. As the time changes need of new source of fund increased. Because nowadays many are coming forward with new startup business with minimum investment by themselves and remaining amount is getting financed by these new generation financial sources. In this study this new source of finance for various startup businesses is analysed.

2. STATEMENT OF THE PROBLEM

As the growing trend towards StartUp's are increasing by day to day life. Conventional source of financing were not enough. It should be enhanced with new source of finance. Which will make the businessman free from the thought of availability of fund. Here the research problem is new source

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of finance. This study will help to find new source of finance for startup business, initially in Kerala.

3. OBJECTIVES OF THE STUDY

- To study the various new source of finance used for startup businesses in Kerala.
- To study the accessibility of debt financing for startup business in Kerala.

4. RESEARCH METHODOLOGY

SELECTION OF SAMPLE

A sample of 200 respondents has been selected by adopting convenience sampling method for the purpose of study

COLLECTION OF DATA

The primary data are collected from the respondents based on structured interview Schedule of entrepreneurs of Startup businesses in Kerala. The Secondary data were collected from published sources like reports, journals, magazines, books etc.

TOOLS OF ANALYSIS

The data collected are suitably classified and analyzed keeping in view the objective of the study using SPSS for the analysis.

PERIOD OF STUDY

The survey was conducted during the period from 1st September to 30th September 2019.

5. LIMITATION OF THE STUDY

The selection of the units from the population on the basis of availability and /or accessibility is the major disadvantage as convenience sampling method was used.

6. REVIEW OF LITERATURE

Dr. V. Santhi 2017: source of finance should be considered as an important decision of every business as business is run on the basis of finance. Sources of capital are different for all businesses.

Dr. Nanda Gopal L 2017: every source of financing as its own challenges and prospects. Only a minority of the companies in which the venture capitalists investments will be successful.

RESULTS AND DISCUSSIONS

AGE OF THE RESPONDENTS

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PARTICULARS	RESPONSES	RESPONSES (%)
Below 25	23	11.5
25 to 35	118	59
35 to 45	43	21.5
45 to 55	11	5.5
55 and above	5	2.5
TOTAL	200	100

Source: Primary survey

TABLE NO 1

Inference: From the survey, it is revealed that 11.5% of the respondents are below 25, 59% are between the ages of 25 to 35 years. Only 2.5% of the respondents are aged above 55 years.

GENDER OF THE RESPONDENTS

PARTICULARS	RESPONSES	RESPONSES (%)
Female	24	12
Male	176	88
TOTAL	200	100

Source: Primary survey

TABLE NO 2

Inference: From the survey, it is revealed that 88% of the respondents are male and 12% are female.

EDUCATION QUALIFICATION OF RESPONDENTS

PARTICULARS	RESPONSES	RESPONSES (%)
Illiterate	0	0
SSLC	6	3
Upto 12 Standard/ Diploma	17	8.5
Graduation	123	61.5
Post Graduation	50	25
Above Post Graduation	4	2
TOTAL	200	100

Source: Primary survey

TABLE NO 3

Inference: From the survey, it is clear that 61.5% of the respondents are graduated, 25% are post graduated and no one is illiterate.

ANNUAL FAMILY INCOME BEFORE STARTUP

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PARTICULARS	RESPONSES	RESPONSES (%)
Upto 50,000	2	1
50,000 – 1,00,000	20	10
1,00,000 – 2,00,000	22	11
2,00,000 – 3,00,000	86	43
Above 4,00,000	70	35
TOTAL	200	100

Source: Primary survey

TABLE NO 4

Inference: 43% of respondents were having annual income between two lakhs to 3 lakhs before their startup business and 35% of them were having annual income above 4 lakhs.

AREA OF STARTUP BUSINESS

PARTICULARS	RESPONSES	RESPONSES (%)
Electronic	63	31.5
Textile	17	8.5
Travel and Tourism	29	14.5
Technological	57	28.5
Food and beverages	19	9.5
Others	15	7.5
TOTAL	200	100

Source: Primary survey

TABLE NO 5

Inference: Most preferred area of startup business is electronic followed by technological and textile industry.

ANNUAL FAMILY INCOME AFTER STARTUP

PARTICULARS	RESPONSES	RESPONSES (%)
Upto 50,000	0	0
50,000 – 1,00,000	0	0
1,00,000 – 2,00,000	6	3
2,00,000 – 3,00,000	64	32
Above 4,00,000	130	65
TOTAL	200	100

Source: Primary survey

TABLE NO 6

ACCESSIBILITY OF DEBT FINANCE FOR STARTUP BUSINESS

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PARTICULARS	RESPONSES	RESPONSES (%)
Highly accessible	60	30
Moderately accessible	98	49
Neutral	4	2
Slightly accessible	27	13.5
low accessible	11	5.5
TOTAL	200	100

Source: Primary survey

TABLE NO 7

Inference: 49% of respondents revealed that debt finance is moderately accessible and 30% says that it is highly accessible.

PREFERENCE ON TYPE OF FINANCE

PARTICULARS	RESPONSES	RESPONSES (%)
Owners Fund	66	33
Debt fund	134	67
TOTAL	200	100

Source: primary survey

TABLE NO 8

Inference: The table shows that 67% of the respondents prefer owners fund for startup business and remaining 33% prefer debt funds

PREFERENCE TOWARDS CONVENTIONAL AND NEW SOURCE OF FINANCE

PARTICULARS	RESPONSES	RESPONSES (%)
Conventional Source of Finance	72	36
New Source of Finance	128	64
TOTAL	200	100

Source: primary survey

TABLE NO 9

Inference: 64% of the respondents prefer new source of finance and remaining 36% prefer conventional source of finance.

TYPE OF CONVENTIONAL SOURCE OF FINANCE PREFERRED

PARTICULARS	RESPONSES	RESPONSES (%)
Personal Investment	24	33.3

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Commercial Bank Loans	37	51.4
Assistant of Government	11	15.3
TOTAL	72	100

Source: primary survey

TABLE NO 10

Inference: 51.4% of respondents prefer commercial bank loans as conventional source of finance for financing startup business and 33.3% prefer Personal Investments.

TYPE OF NEW SOURCE OF FINANCE PREFERRED

PARTICULARS	RESPONSES	RESPONSES (%)
Venture Capital	40	31.2
Angel Funding	29	23
Business Incubators	42	33
Factoring	1	0.8
Financial Boots strapping	9	7
Buyouts	7	5
TOTAL	128	100

Source: primary survey

TABLE NO 11

Inference: 33% of respondents prefer Business incubators as new source of finance for financing startup business and 31.2% of respondents prefer venture capital and 23% prefer Angel Funding.

7. CONCLUSION

This study were conducted to determine the various new source of finance used in Startup business and its accessibility. From this study it is clear that nowadays businessman prefer new source of finance over conventional source of finance for funding startup business in Kerala and more of them choose debt financing instead of owners fund. Accessibility of debt fund were moderately rated. Electronic and technological industries are most preferred areas of startup business. From this study it is revealed that annual income of respondents were increased after starting their startup business so that it is clear that they are earning profit from their business even though they are using debt fund for their business.

8. REFERENCES

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