FINANCIAL AVENUES FOR START-UPS

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ABSTRACT

Many start-ups and unicorns having headquarters in Bangalore city of India has topped the charts in the world with the highest number of start-ups and unicorns. Bangalore is known as Start-up and Unicorn capital of India belonging to various sectors of the industry. However, for entrepreneurs or founder of a company to succeed with the business idea and accelerate in their businesses, there is a huge requirement and demand to raise the capital for various activities like conceptualization, hiring team, marketing, finance and accounting and administrative works. Therefore, this paper is a desk research with an aim to identify financial avenues for emerging start-ups and unicorns. This paper also guides for future entrepreneurs on the existing financial funding sources in Karnataka who has a plan, a proposal or a vision to transform their concepts or ideas and begin their dream company one day. By reviewing numerous literatures, the paper summarizes insights for options on acquiring the financial capital for a company from self-funding, friends/family, start-ups incubators, venture capital firms, angel investors, etc. The paper also describes the Government of Karnataka support to start-ups in various sectors such as Semiconductor venture fund, KITVEN fund, Bio venture fund, AVGC venture fund, IDEA2POC grant. Start-ups are formed in different sectors such as FinTech, EdTech, Enterprise Tech, E-commerce, agriculture and many. The investment for a start-up corresponds to the level of its operational activities: Ideation, Validation, Early Traction and Scaling. The paper also estimates the strengths, Weakness, Opportunities and Challenges for start-up funding in Karnataka, India.

Keywords: *Start-ups, funding, KITVEN, Meesho, Government of Karnataka*

1. INTRODUCTION

In today's world, Technology entrepreneurship is becoming a worldwide phenomenon, with start-up ecosystems springing up all over the world. According to the Economic Survey 2015-2016, start-ups are increasing at a rapid rate compared to 20 years ago. Silicon Valley, New York City, London, Singapore, Bangalore, Moscow, Paris, Chicago, and Berlin have the most active start-up ecosystems. Start-ups are one of the most important sources of employment creation and economic growth. Uber, Airbnb, Snapchat, Flipkart, and Xiaomi, all backed by venture capital, have taken the market by storm, spawning entire new businesses that are shaping the way we live and work today.

The United States of America is the leading

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country to have the greatest number of start-ups with 63,000 companies approximately. India is the second most emerging start-up hub on the list having 38,815 active start-ups approximately where Karnataka is home to 13984 registered start-ups and the United Kingdom with 5300 start-ups is third on the list. Canada, Indonesia, Germany, Australia, France, Spain, and Brazil are next on the list of top 10 start-up countries. Recognized start-ups have now spread throughout 623 districts since the commencement of the Start-up India project. The states with the most start-ups include Maharashtra, Karnataka, Delhi, Uttar Pradesh, and Gujarat. Bangalore and the surrounding state of Karnataka are also home to more than 400 global R&D centers, making it the world's fourthlargest technology and innovation cluster. Bangalore is known as the Start-up Capital of India.

As we know, a start-up firm is a freshly founded company that has gained a lot of traction due to apparent demand for its product or service by an entrepreneur. A unicorn is a word used in the venture capital business to indicate a privately held start-up company having a market capitalization of more than $1 billion. India has 81 unicorns with a combined valuation of $ 274.17 billion as of December 29, 2021. Bangalore is India's unicorn capital, geographically the heart of the country's high-tech industry, with the most unicorn headquarters, followed by Delhi (NCR) and Mumbai.

Start-up funds are used by individuals or groups of individuals to raise funding for their new firm, allowing it to flourish. When investors contribute to the funding of a start-up, they do so in the hopes of receiving a larger sum of money from the company in the future. Start-ups can acquire capital through various sources from financial institutions, angel investors, family and many more.

2. PROBLEM STATEMENT

The performance of Start-ups and Unicorns are greatly dependent upon financial options connected to the business and the cash inflows and outflows within the company. Most of the start-ups fail in the initial years of establishment due to lack of capital. The Entrepreneurs and business owners perceive it difficult in arranging the required capital for the Start-up Enterprise. The funding investment for new businesses in the early stage is completely based on successful and thorough Business Plan that contain detailed information on the distribution of the capital among various activities in the business process. The gaining of financial investment for a Start-up from the Venture Capitalist and financial institutions is difficult.

3. OBJECTIVES

- To understand the concept of Start-ups and Unicorns
- To explore the financial avenues for start-ups
- To measure the sustainability of Startups and Unicorns in Bengaluru

4. PURPOSE OF THE STUDY

This study focuses on entrepreneurs who are willing to start up a new venture and provides information regarding available financing options to raise capital for their business.

5. RESEARCH METHODS

The study is conducted through descriptive method and qualitative research. The study focuses on financing sources that help in various funding stages for the start-up. Secondary data collection is adopted in the study by referring journals, articles, research books and websites, etc. The study focuses on sources of fund for FinTech, social e-commerce and social media sector of start-ups in

Karnataka which also covers start up schemes which are offered by the Government of Karnataka.

6. FINDINGS

6.1. Sources of funds for Start-ups in Karnataka

6.1.1 Self-financing: For the entrepreneurs, self-funding is the first step on the path to success. It focuses on utilizing the savings to start from the base and build the firm. It appears to be a natural growth with no strings connected. There are no loans or investors involved, so the entrepreneurs retain complete control of the company. This is an excellent option for start-ups in the idea or pre-seed stage.

6.1.2 Friends and Family: Because people who invest in the start-ups trust in ideas the most with the least amount of evidence, several firms choose to take investment from family and friends. The funds can be collected as an investment, with a percentage of the revenue gained being paid out as equity or interest dependent on the amount invested.

6.1.3 Start-up-Accelerators: Incubators are non-profit organizations dedicated to aiding entrepreneurs in the development and launch of their businesses. Incubators not only provide a variety of value-added services such as office space, utilities, administrative and legal support, and so on, but the Accelerators also frequently make grants, debt, and equity investments. The ideal start-up incubator will carefully foster the business so that it may thrive in a new setting. Working with incubators and accelerators has many advantages, including mentoring from experts in a variety of business fields such as product development, go- to-market strategy, and sales, as well as excellent networking opportunities with other entrepreneurs, coaches, and investors who are part of the program.

6.1.4 Venture Capital: A venture capital firm is a limited partnership or limited liability company that invests in technology start-ups and market disruptors that have the potential to generate a significant return on investment for its investors. The venture capital firms actively scout for businesses that wish to raise money in exchange for stock, and start-ups can locate them directly on their websites or at start-up events.

6.1.5 Convertible Note: A convertible note is a type of financial investment that allows the start-up investor to convert the capital and interest paid into equity over time. It is a short-term loan that can be converted into stock. A convertible note is transformed into discounted Series A stocks in the context of start-up funding. Instead of receiving a return of the loan with interest, the investor will receive preferred stock in the firm on the terms outlined in the convertible note agreement. It allows investors to get economic exposure to equity investments while also increasing their chances of getting their money back in the form of the original investment or shares with a lower cap or discount.

6.1.6 Loans: A typical bank loan is an alternative solution to receive money directly from private or public investors for owners of start-ups. Larger financial institutions require the security of their investment, and the start-up owners are required to have a significant amount of assets or a track record of consistent revenue over time, and with a solid pitch of an overview of the rest of the business is necessary. This funding option is a formal repayment schedule with the interest on the funds received.

6.1.7 Pitching Competition: A pitch competition is an event in which innovators present the business proposal to a panel of judges in a limited amount of time in exchange for a cash reward or investment capital. Pitch competitions have certain boundaries and rules, and entrepreneurs will be competing against a large number of other entrepreneurs who have their own business ideas. To win this competition, individuals must possess a viable Business Plan.

6.2. Government Support to Start-ups

Government and state government schemes that can help start-ups build and expand their business are SAMRIDH Scheme, Startups India Seed Fund Scheme, ASPIRE Scheme, and MUDRA Yojana. Government of Karnataka initiatives for start-ups are as follows:

6.2.1 Semiconductor Venture Fund: KARSEMVEN Fund (Karnataka Semiconductor Venture Capital Fund) is a SEBI registered Venture Capital Fund with a corpus of Rs. 92.95 crore. This scheme investments in firms in the Semiconductor, Electronics System Design & Manufacturing (ESDM), Embedded Systems, and other related industries in Karnataka. Karnataka Biotechnology & Information Technology Services (KBITS), Small Industries Development Bank of India (SIDBI), CanBank Venture Capital Fund (from the Electronic Development Fund of the Government of India), Life Insurance Corporation of India (LIC), Union Bank of India (UBI), Canara Bank, Punjab National Bank, Andhra Bank, and KSIIDC Ltd. have all pledged to the Fund.

During the initial stage, KARSEMVEN Fund invests in the range of Rs. 200 lakhs to Rs. 500 lakhs each firm, which can be increased to Rs. 920 lakhs per company at a later stage / follow-on investment.

Equity, preference capital (convertible/ redeemable), debentures, or a combination of any of the above instruments shall be used to invest in firms, according to the guidelines set by the Securities & Exchange Board of India (SEBI) from time to time. The average investment horizon is 3-5 years, while shorter periods are occasionally explored.

6.2.2 Kitven Fund: Since 1999, the Karnataka Information Technology Venture Capital Fund (KITVEN Fund) is a State and Central Government-backed Venture Capital Fund (VCF) operating in Karnataka. Premier institutions such as the Karnataka State Industrial and Infrastructure Development Corporation Limited - KSIIDC, the Karnataka State Financial Corporation - KSFC, the Small Industries Development Bank of India - SIDBI, and Karnataka Bio-technology & Information Technology Services (KBITS) all contributed to the Fund. As a partner, KITVEN Fund made long-term investments in rising firms in order to provide commercial value to our investors and contributors. The Kitven Fund concentrates on seed/rapid development possibilities in the state of Karnataka, and aid a diverse range of enterprises in the knowledge-based industry, including Information Technology, Biotechnology, and other high-end products/solutions.

6.2.3 Bio Venture Fund: The SEBI-registered KITVEN Fund-3 (Biotech) is a Venture Capital Fund with a target corpus of Rs. 35.55 crore. The Fund intends to invest in companies in the state of Karnataka that are involved in biotechnology and related industries. Currently, state and central government firms/institutions such as Karnataka Biotechnology & Information Technology Services (KBITS), Small Industries Development Bank of India (SIDBI), and KSIIDC BIRAC have committed to the Fund.

During the initial stage, KITVEN Fund-3 (Biotech) invests in the range of Rs. 100 lakhs to Rs. 350 lakhs per firm, with the potential to increase to Rs. 500 lakhs per company at a later stage / follow-on investment. Equity, preference capital (convertible/redeemable), debentures, or a composite of any of the above securities shall be used to invest in firms, according to the guidelines set by the Securities & Exchange Board of India (SEBI) from time to time. The average investment horizon is 3-5 years, while shorter periods are occasionally explored.

6.2.4 AVGC Venture Fund (Animation, Visual effects, Gaming and Comics): The KITVEN Fund-4 (AVGC) is a Rs.20 crore Venture Capital Fund. The Fund intends to invest in companies in the state of Karnataka that are involved in animation, visual effects, gaming, comics, and other related industries. The Fund was started by the Government of Karnataka's Department of IT, BT, and ST, with cooperation from other State Government firms/institutions.

KITVEN Fund-4 (AVGC) makes an initial investment of Rs.50 lakhs to Rs.100 lakhs per company, which can be increased to Rs.200 lakhs per company at a later stage / follow-on investment. Equity, preference capital (convertible / redeemable), debentures, or a combination of any of the above instruments shall be used to invest in firms, according to the guidelines set by the Securities & Exchange Board of India (SEBI) from time to time. The average investment horizon is 3-5 years, while shorter periods are occasionally explored.

6.2.5 IDEA2POC Grant: The 'Idea2POC' project is part of India's first multi-sector Start-up Policy, introduced in November 2015 by the Government of Karnataka. The goal is to support inventors who may require early-stage funding to assist them commercialise their discoveries and validate Proof of Concept. The programme allows entrepreneurs and technology innovators to develop a potential technology idea and establish proof of concept (PoC). The funding will be released in installments based on the project milestones agreed upon in the Memorandum of Understanding between the Start-up and KBITS. The Department's monetary assistance under this plan is in the form of grant-in-aid, up to Rs. 50 lakhs in funding.

6.3. Strengths, Weakness, Opportunities and Challenges for Sources of Funds for Start-ups

6.3.1. Strengths

6.3.1.1 Large Sums of Money Can Be Raised: Fast-growing start-ups require huge capital to run a business and venture capitalists and angel investors are a good source to acquire them rather than financial institutes.

6.3.1.2 Can assist with risk management: Obtaining venture financing can assist start-up entrepreneurs in managing the

risk that comes with most businesses with an experienced team overseeing their growth and operations. The failure rate for businesses will reduce by having a partner or investor who has aided start-ups succeed might increase the chances of making the right decision.

6.3.1.3 Exposure to Publicity: Most Venture Capital companies have a public relations team and media contacts, and it's in their best interests to get the start-up noticed. Working with a venture capital firm can help a start-up get credibility, especially if the founders haven't developed any prior successful businesses. Increased visibility may attract the attention of potential workers, customers, partners, and other venture capital companies looking to raise funds.

6.3.1.4 Networking: A large number of investors are interested in start-up funding. Investors introduce start-ups to the outside world of markets. More number of clients can be obtained through referrals. The network allows entrepreneurs to meet people who have excellent ideas and are ready and prepared to share their talents to aid their company. The emerging entrepreneurs connect with each other in pitching competitions, crowdfunding, and various organized meetings.

6.3.2. Weakness'

6.3.2.1 Control of Business: Investors will have control over every rupee they invest in the business. No investor wants to lose money, so they must keep an eye on activities and processes inside the company. Investors will always have a voice in the way the organisation will run. The proportion of saying and control they have in the company is determined by the amount of capital received.

6.3.2.2 Time to Acquire Funds: Investigating the acquirable state of funds for the company involves long processes, formalities and procedures which consumes a long time. Running up and down is a tiresome activity. A lot of effort is spent going after money when the time should be spent sourcing customers and learning about their needs and requirements.

6.3.2.3 Agreement with Investors: Entrepreneurs must return every dime they get from an investor. Investors make the business owners sign a lot of papers before they lend money to spell out the payback methods. Signatures are added to show that the owners of start-ups are adhering to the funding's terms and conditions. Failure to follow the formalities and rules result in unfavorable consequences.

6.3.2.4 Wise Use of Funds: The process of acquiring finance is secured, it might be difficult to resist going on a shopping spree for everything from company technology to office chairs. The proprietors have a strong desire to spend everything on numerous activities among different departments and processes without having a monetary budget to work with. Entrepreneurs sometimes lose sight of what is most important to their business. Operating with insufficient finances or poor overall fiscal management is one of the most typical mistake a failed firm can make. The majority of business owners do not compare the software upgrades they purchase to the actual demands of the company.

6.3.2.5 Illiterate on Process of Funding: Rural Entrepreneur who wants to start up his/her business will not be aware of the available funding resources. Knowing the process and procedures of the event will provide entrepreneurs insight into how it will run and what the competition's strategy and undercurrent will be.

6.3.2.6 Repayment of Loans: Interest is the most important source of income for lenders. Any tiny business's backbone can be shattered by these interests. It might be difficult for a small business owner to balance competition and interest rates at the same time. Every business eventually experiences a period of low revenue. High-interest rates at these low periods can wreak havoc on an organization's operations and even lead to bankruptcy. As entrepreneurs delay payments, interest accumulates, and they may soon find themselves in a financial black hole.

6.3.3. Opportunities

6.3.3.1 Central Government and State Government Initiatives: Various state governments in India have launched initiatives, plans, and programs to kick-start innovation in their respective states, which is laudable. State governments are now implementing programs at ground level to re-energize the spirit of starting new businesses and creating jobs.

6.3.3.2 Foreign Investments: With the advent of fresh ideas in the various Start-up sectors, in particular, the Indian startup environment has been booming in the recent decade. Foreign investors believe in Indian start-up enterprises and provide the financing push that these companies require to expand their operations. Foreign investments in Indian start-ups have benefited both the government and the start-ups, and they are critical to the development of the Indian start-up ecosystem.

6.3.3.3 Pitching Competitions: Entering an entrepreneurial pitch competition is a common technique for innovative firms to acquire awareness and funding. Pitching events are a terrific opportunity to break into the investing industry and create contacts that can benefit the firm in the long run. Pitch competitions have pitch decks, and these are excellent opportunities to fine-tune the business idea in terms of presentation and messaging in an eye-catching manner.

6.3.3.4 Women Entrepreneurship: In India, a constantly rising tribe of female entrepreneurs has been carving out a name for themselves in a variety of fields and industries. Women are now in charge of everything, from traditional woman-friendly businesses like cottage industries with cutting-edge start-ups.

6.3.3.5 Soonicorns: Start-ups have the potential to flourish and become members of the Soonicorn unicorn club because of the increasing valuation and funding from the investors. Soonicorns have the opportunity to make a difference the way for larger publicly traded companies and unicorns by focusing on unit economics and long-term scaling.

6.3.3.6 Diversified Sectors: The diversification of start-ups can be a possibility with the use of capital. There are a number of sectors available in India like Agriculture, Textiles, Food and Beverages, Information Technology, and many Industries. It is up to the start-ups to enter any market with a product or service and also have a diversified product line to sustain in the market. One of the advantages of diversification is that it protects a corporation from severe fluctuations in a single industry segment.

6.3.4. Challenges

6.3.4.1 Debt Financing: In the case of debt financing, the investor or venture capital firm essentially lends money to the entrepreneur for a specific length of time at a fixed rate of interest, using the company's assets as collateral. To borrow the money, the founder must sell firm bonds, which serve as a loan certificate. The start-up must pay back the loan amount plus interest at predetermined rates.

6.3.4.2 Change in Government Policies and Regulations: National policy will always be influenced by the current political climate. Unstable systems pose difficulties for the government's ability to maintain law and order. The business climate suffers as a result of this. Trade rules, financial yearly budget, the federal minimum wage, and permit or license requirements all have an impact on the company.

6.3.4.3 Business Ownership: It is crucial to keep in mind that the investors own the company's capital. As a result, they will own a portion of the company's management. They will eventually determine what must be done in the firm. Venture capital investors will have their own set of goals and objectives that firms must accomplish. Differences between business owners' long-term goals and investors' desire to make a profit may be unsettling and a constant source of contention for business owners. The investors will have the choice of taking over the company usually when a start-up reaches saturation stage undergoing huge losses.

6.3.4.4 Unique Selling Proposition: The formal business plan will begin with an executive summary, which should explain quickly and clearly what a start-up's unique selling proposition (USP) is, especially if the entrepreneur is seeking VC capital or loan financing. If business owners are pitching to new employees, potential partners, or co-founders, the USP must be compelling enough to entice them to join the company.

6.3.4.5 Scout for Investors: Finding someone to support an entrepreneur's endeavor might be difficult. Many people fail to do so but proceed with the launch anyhow, only to run out of money. Finding a solid source of start-up finance will almost certainly be critical to a company's success.

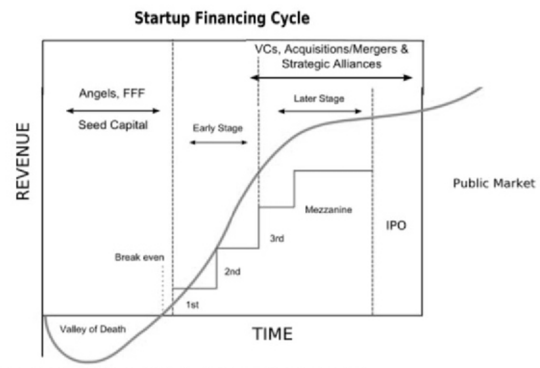
7. Outcome

7.1 Objective 1: To understand the concept of Start-ups and Unicorns The term startup is defined as a newly set up company by an individual or group of people commonly known as entrepreneurs or intrapreneurs with innovative ideas to develop a unique or differentiated product, process, or service from the existing market to be offered to the public. According to the Government of India, Startup can be defined as a Private Limited Company under the Company act, 2013, a Partnership Firm Registered under Partnership Act, 1932, a Limited Liability Partnership registered under Limited Liability Partnership Act, 2008, a One Person Company (as defined in Companies Act, 2013. The span of the company must be less than 1o years from the date of establishment having an annual turnover of fewer than 100 crores by bringing in Innovation in new products/processes/services or development of new products/processes / services or improvement of existing products/processes/services.

The startup era began way back in the 1920s and 1930s but the evolution of startups occurred in the late 1990s to 2000 due to the rise of information technology and dot-com companies with a possibility that the internet could change or grow business to greater heights. The United States of America is the leading country to have the greatest number of startups with 63,000 companies. India is the second most emerging startup hub on the list having 38,815 active startups and the United Kingdom with 5300 startups is third on the list. Canada, Indonesia, Germany, Australia, France, Spain, and Brazil are next on the list of top 10 startup countries. A unicorn is a word used in the venture capital business to indicate a privately held startup company having a market capitalization of more than $1 billion. A Decacorn is a startup enterprise with a market capitalization of greater than $10 billion. India has 81 unicorns with a combined valuation of $ 274.17 billion as of December 29, 2021. Bengaluru is India's unicorn capital, geographically the heart of the country's high-tech industry, with the most unicorn headquarters, followed by Delhi (NCR) and Mumbai. Unicorns in India are also looking into public listing options as a next step in realizing their growth potential. Zomato, Nykaa, Policy Bazaar, Paytm, and Freshworks are among the notable unicorn brands that have issued an IPO, and many more are on the way, including Delhivery, Mobikwik, and CarDekho.

7.2 Objective 2: To explore the financial avenues for start-ups The important source of capital for any new company are retained earnings of the entrepreneur, debt capital and equity capital. The state of funds for any entrepreneur acts as a catalyst to start their own business. A startup's retained earnings are generated by offering a product or providing a service at a greater price than the actual cost incurred to produce the goods. The corporation can distribute the retained earnings as dividends to shareholders, or it can start a stock repurchase programme to lower the number of outstanding shares. The issuer (borrower) provides debt securities such as corporate bonds or promissory notes such as Debentures, leases, and mortgages in debt financing. Startups raise funds from the general public after a startup is eligible for Initial Public Offering. Investors and public become shareholders when they purchase the shares of the company in exchange for a proportionate piece of the firm's ownership stake.

Various ways a new business can get access to funds are through personal savings, Bootstrapping, friends and family, accelerators and incubators, crowdfunding, silent partners, grants, angel investors, venture capital funds, and financial loans. Government and state government schemes in India that can help startups build and expand their business are SAMRIDH Scheme, Startups India Seed Fund Scheme, ASPIRE Scheme, and MUDRA Yojana. Fintech ($1.89 billion), Edtech ($1.41 billion), and Foodtech ($1.05 billion) are the top three sectors in terms of capital raised. Top investors of the year 2021 were recognized as Kunal Shah, Tidal Capital, Sequoia, Inflection Point Ventures, Venture Catalysts, and 9 Unicorns.



FFF- Friends and Family; VCs- Venture Capitalists; IPO- Initial Public Offering[2]

The above graph observes that Investors are essential in bridging a start-up's finance gap.

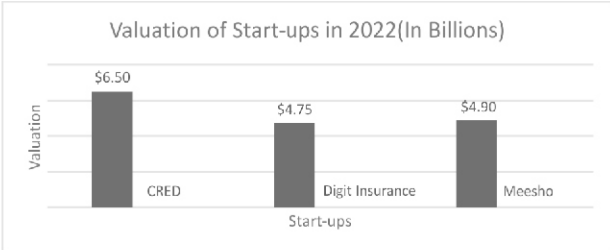
They incubate, invest in, and supervise start-ups in order to generate measurable revenues. The start-ups have different stages in which different financing sources are present. The seed stage of start-ups receive seed capital investment from Angel investors, Family and friends/Bootstrapping. As the product is developed and launched in the market, the start-ups enter earlystage of three rounds such as Series A/1st Round and Series B/2nd Round where investment is procured by Institutional investors such as financial institutions and Banks to fuel business growth. Start-upsin the growth or late stages are financed by venture capitalists or private equity firms. Start-up has generated some money and established market traction by this point. The Unicorns issue Initial Public Offering for Public and Investors to invest and become Public Limited Company to get accessibility to large sum of money giving investors a return on their investment, and it can help raise brand awareness and open up new markets for customers. The Break-Even Point for astart-up is at least three to four years.

7.3 Objective 3: To measure the sustainability of Startups and Unicorns in Bengaluru Digit Insurance: Insurtech start-up Digit Insurance has headquarters located in Bangalore and was founded by Kamesh Goyal in 2016. It raised around $102.5 million on January 15, valuing the company at $1.9 billion. This round of fundraising was led by A91 Partners, Faering Capital, and TVS Capital Funds. It is the first insurance start-up in India to achieve unicorn status. With options like smartphone-enabled self-inspection and audio claims, the platform uses technology to streamline the process of getting general insurance.

Digit Insurance has received a total of $244.5 million in funding. It claims to be a profit-generating venture, with profits in each of the first three-quarters of FY21. It also increased by 31.9 percent between April and December 2020, resulting in a $186 million premium. It claims to have a 1.5-crore customer base.

CRED: CRED, a financial technology start-up, located in Bangalore and was founded by Kunal Shah in 2018. CRED allows credit card members to pay bills using an app while also providing them with benefits in the form of Cred coins and gems. These virtual coins can be redeemed at a variety of locations, including coffee shops, movie theatres, and eCommerce sites. It has raised $215 million on April 6 at a valuation of $2.2 billion. Falcon Edge Capital led the Series D fundraising round, which also included Coatue Management and Insight Partners. CRED has raised a total of $471.2 million to date. Cred reported revenues of Rs 52 lakh in FY2020, with interest earnings from fixed deposits being for the majority of the total.

Meesho: Meesho is a platform for social commerce. Meesho is a Bangalore-based start-up founded by IIT-Delhi grads Vidit Aatrey and Sanjeev Barnwal in 2015. Meesho provides a virtual shop for would-be entrepreneurs who might otherwise struggle to launch a business. Small-scale enterprises. Individual enterprises owned and operated by women entrepreneurs and homepreneurs are among Meesho's aims. SoftBank Vision Fund 2 led the investment round, which included current investors Prosus Ventures, Facebook, Shunwei Capital, Venture Highway, and Knollwood Investment, for a total of $300 million at a valuation of $2.1 billion. Meesho has so far raised $515.2 million in total investment. Meesho has provided merchandise, logistics, and payment solutions to over 20 million clients and 10 million entrepreneurs across India, allowing them to sell via WhatsApp, Facebook, and Instagram.



The above chart represents different Start-ups and Unicorns situated in Bangalore that belong to different sectors. Fintech sector is performing extremely well due to rapid changes from traditional banking to digitalisation era providing automated financial services. CRED and Digit Insurance are two of many good fintech start-ups in Bangalore having valuation $6.5 Billion and $4.75 Billion respectively. Also, the E-commerce sector have changed the face of shopping for many Indians since 2015 because of various reasons such as ease of payment, eliminating travelling hours, home delivery and so on. Meesho is a Bangalore Unicorn with valuation of $4.9 Billion that is competing at a positive rate compared to its competitors such as Flipkart and Amazon with its unique features.

The below table is a list of all unicorns having headquarters in Karnataka from 2012 to 2021.

Sl. No.	Name	Headquarters	Valuation ($B)	Industry	Entry
1	Flipkart	Bangalore	37.6	E-Commerce	2012
2	Byjus Classes	Bangalore	16.8	Edtech	2018
3	Ola	Bangalore	6.7	Ride Hailing	2015
4	Postman	Bangalore/San Francisco	5.6	SaaS - API Development & Testing	2020
5	PhonePe	Bangalore	5.5	Fintech - Payments	2020
6	Swiggy	Bangalore	5.5	Foodtech	2018
7	Meesho	Bangalore	4.9	Social Commerce	2021
8	Digit	Bangalore	3.5	Insurance - General	2021
9	Unacademy	Bangalore	3.4	Edtech	2020
10	Udaan	Bangalore	3.1	E-Commerce (B2B)	2018
11	Dailyhunt	Bangalore	3	Content - News	2020
12	RazorPay	Bangalore	3	Payments (B2B)	2020
13	Ola Electric	Bangalore	3	Mobility	2019
14	ShareChat	Bangalore	2.8	Social Media	2021
15	Lenskart	Bangalore	2.5	Eyewear	2019
16	Mobile Premiere League	Bangalore	2.3	Gaming	2021
17	BigBasket	Bangalore	2	Groceries	2019
18	CoinSwitch	Bangalore	1.9	Cryptocurrency Exchange	2021
19	Quikr	Bangalore	1.6	Classifieds	2015
20	Mu Sigma	Bangalore	1.5	Analytics	2013
21	Zeta	Bangalore/San Francisco	1.4	API - Financial Services - Banking	2021
22	Apna.co	Bangalore	1.1	Marketplace - Jobs	2021
23	Vedantu	Bangalore	1	Edtech	2021
24	Zetwerk	Bangalore	1	Marketplace - Manufacturing Services	2021
25	BlackBuck	Bangalore	1	Logistics Services	2021
26	Groww	Bangalore	1	Personal Finance - Mutual Funds	2021
27	Glance InMobi	Bangalore	1	Content - News	2020
28	InMobi	Bangalore	1	Mobile Ads	2011

8. Suggestions

The following suggestions are made to all stakeholders as follows:

- The start-up's investors must look for a good team of staff members working in the company, whether the product is innovative and has the capability to disrupt the existing players in the industry, the market structure the company is entering and the return on investment or equity from the start-ups. Investors need to look for proof of the entrepreneur's previous financial commitments and sacrifices. Investors should look for a prototype of the system or a Minimum Viable Product(MVP) as it verifies the idea's commercial viability.
- Entrepreneurs must create a trust in the mind of investors in order to acquire huge sum of money for the business. The trust gained helps in getting further funds down the start-up journey also gives access to wide range of experts, financial advisors, more potential investors. They should have good relationship with the business partners so as be assisted with help when required. The business owners must possess a solid business plan with

information regarding scaling of the business to show growth of the company.

- o Customers should support home-grown brands by purchasing local products/desi products and availing services from Indian companies. The growth of the start-ups are seen when large number of customers invest in them and thus increases market share 'in the industry.
- o The concept of entrepreneurship and start-ups must be educated to students as a process of career counselling in Pre-University. New courses related to Start-up management in Colleges and Universities must be added.
- o The Government of Karnataka must increase the number of incubators and accelerators and must be accessible in all the districts and cities across the state. An awareness campaign must be carried out in rural areas to enlighten the people living in villages on how various sources of funds are available to start a new business.
- o Financial Institutions must reduce the document procedures for the start-ups and also reduce the interest rates of loans.

9. CONCLUSION

Start-up funding is a vital process that benefits many new businesses. The funding process acts as a catalyst to kickstart a business and gives a long leap towards its product or service development. The various Government funding schemes for Start-ups include KITVEN fund, bio-venture funds, etc to boost economical development of the Start-ups presiding in Karnataka. The first step any owner takes is to gather cash from in and around their surroundings such as the personal savings, family, friends, and bootstrapping methods. The next step for a founder is to take loans from financial banks, attend various pitching desk competitions and get support from incubators or accelerators to get guidance. The various financial avenues for an entrepreneur to build a venture are government schemes, bootstrapping, crowdfunding, angel investors, partnership financing, financial institutions, Initial Public Offering (IPOs). The moment an investor sees the potential of the company to grow at greater heights, they invest in the company and thus a start-up gets valued. As the start-up grows, it goes to various stages and attends different series of funding from various investors. The amount a start-up raises eventually gains a status and valuation increases. Despite the fact that start-ups are small firms that require more possibilities to grow, they contribute to a country's prosperity on many levels, regardless of whether the economy is developed, developing, or recovering from a crisis. Technology is the key factor to boost start-ups and unicorns.

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