

# A Guide to Simplistic Startup Investment For All Through Affordable & Innovative Technologies

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**Abstract:** Over the past few years Indian startup industry have experienced some massive rise both in terms of number of startups and the amount of funds invested into these startups. This whole boom has given rise to so many different kinds of startups we see around and use services of everyday and has pushed our country's ranking way ahead of what it was before.

But what we have found is there are only a few who are getting the complete exposure to this opportunity, while the everyday person seeks an entry into the industry, there is only a little one can do.

Start Invest is an equity-based crowdfunding platform made exclusively to disrupt how the Start-ups receive funding and the way investors invest into these startups. What we are trying to achieve is to bridge the gap between early-stage startups and retail investors through our platform. Unlike any other crowdfunding platforms, Start Invest aims to deliver best of both worlds i.e., the investors will get equity shares in the startup and the startups will get investors who genuinely believe in their idea and the product.

**Index Terms** — Cost-equity calculator, Equity, Investor, Minimum Investment, Startup, Investor Deck.

## I. INTRODUCTION

The Indian startup industry is currently one of the most talked about industries around the world, as it is home to the world's third largest startup ecosystem, which is projected to expand at a steady annual rate of 12-15 percent YoY.

In 2018, India had about 50,000 registered startups, with around 8,900–9300 of them being technology-driven. In 2019, alone, 1300 new tech startups were created, meaning that there are 2-3 tech startups being built every day.

A few notable indicators of this high growth can be:

- The growth in the Indian startup space was seen at an outstanding 15% YOY in 2018, alongside a growth of 11% for that of number of incubators and accelerators.
- Female participation in entrepreneurship is stood at 14%, which is a great rise from 10% and 11% in the years before that.
- The biggest contributing factor to this pace of growth is the increased employability adding over

40,000 jobs per year getting the no. of jobs in the ecosystem to over 2 lakhs.

- One city which has completely embraced the ecosystem is Bangalore, it has been listed as one of the 20 leading startup cities in 2019 across the globe by Startup Genome Project Ranking. Not only that, it has also claimed the name of being one of the five fastest growing startup cities.

If we look at how these startups are with raising capital, we find that:

Indian startups have gone on to raise significant amounts of money from a variety of international and domestic investors. The top 15 deals accounted for roughly 40% of overall deal value, showing that most funds place a higher value on deal quality than quantity.

The number of private equity deals in India increased for the second year in a row in 2018, and although the overall transaction size fell marginally from the previous year, the total amount of \$26.3 billion was the second highest in the last decade. In comparison to the previous year, the number of transactions worth more than \$50 million increased.

StartInvest, has been developed keeping in mind these huge surges and give normal everyday people a chance to join in the opportunity. Through our platform a retail investor can invest into the most trending startups in the country.

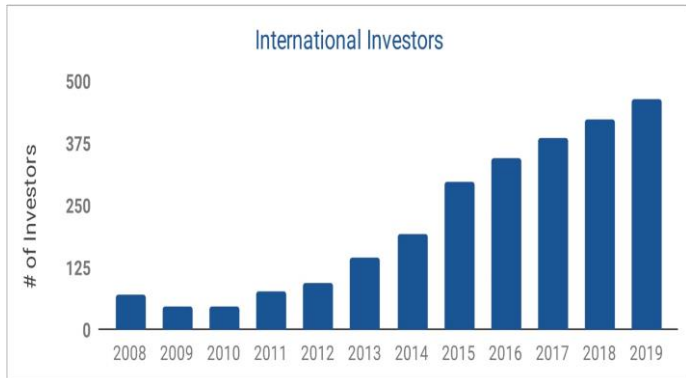


Figure 1 – Growth in no. of Investors over the years

## II. INDUSTRY STUDIES AND FINDINGS

Upon researching on the Indian Startup ecosystem, I have come across a few ways on how these startups are raising funds in the current scenario:

### A. Bootstrapping

This is a method by which most traditional startups are built, it basically means using your own funds or taking help from a friend or family with no share agreement or interest rates, completely out of their will. This way is also preferred by businesses who are sure of making profits at a very early stage or at a specific amount of time as per their financial modelling. The profits that the company makes initially are invested back into the operations of the company till the company is generating enough profits to work and scale the business as well.

Although, there can be one sub category to the bootstrapped startups, i.e., Seed Funded. These are the startups with generally the same ideation and projections as bootstrapped but are unable to arrange funds on their own. They seek a third-party involvement in getting them up and running. The starting capital can be paid by an individual or an organization and the money raised is called Seed Investment.

Few notable examples of these kind of startups in the Indian Market are – GrabOn, HappyFox, Zerodha, Zoho among others.

### B. Venture Capitalists/Angel Investors

The second way these startups receive funds is by getting funded by Angel Investors or Venture Capital funds. In a nutshell, Angel Investors are High Net Worth Individuals who have the capacity and interest in being part of the ecosystem. They generally make use of their money and connections in the industry as resources on offer for the receiving startups. On the other hand, Venture capitals are financial institutions run and managed by professionals who

have a single goal of getting stakes in the emerging startups of the industry and in return provide them with funds and other resources in exchange of shares or equities of that startup.

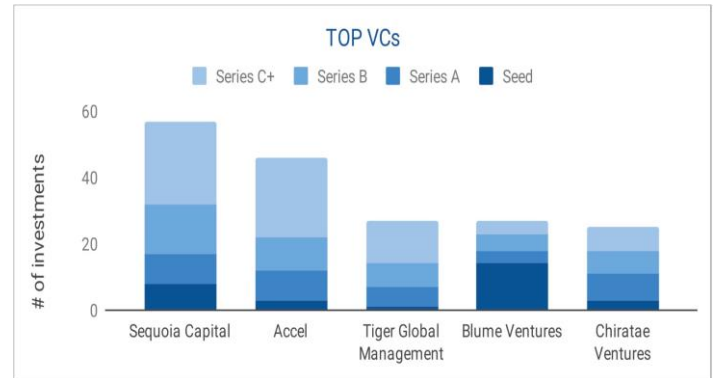


Figure 2- Top VCs in Indian Startups

## III. THE PROBLEM AND STARTINVEST

Despite being so many ways for a Startup to raise capital they often experience disadvantages from getting these investments. Major one being losing sight of control over their startup, the company they built from the ground up to Investors and Stakeholders. That's why founders often look for a better way out or Bootstrapping.

But one cannot deny Bootstrapping is not for everyone especially when you know you are in a competitive market or you are the new player. You have to spend a lot of marketing and customer acquisition so you can move forward.

But what a startup founder do in such a scenario?

Well let's talk about that, the main purpose of a Startup should always be to focus on the problem they are built to solve in the first place then later take care of the Stakeholders in the company. So, we land at a very interesting opportunity in front of us, **StartInvest**.

While these startups grow on an ever-ending pace, the everyday investor sees and thinks what a great thing will it be if they anyhow be a part of the growing economy. Given the situation they are less likely to have loads of capital or Industry connections to pull of something like this, enters **StartInvest**.

It is basically an equity-based crowd funding platform designed specially to address these pain points in the Startup ecosystem of the country. How it helps a startup is by giving them a way to raise capitals while giving up some equity in the company to the public. Thus, maintaining complete control over the operations and decisions in the company, helping them focus on what's important, i.e., the problem they are there to solve.

And, when it comes to investors, they can easily invest into the trending startups and new innovations with as little as Rs 50k. Which will give them an equal equity into the startup as per their investment amount. This opens new doors for

investors to grow their money and diversify their portfolio in newer ways. This also attracts a lot of young investors who are looking for alternate opportunities to store their money and challenge their risk appetite.

What's more interesting is they get to experience something which has always been reserved for the Ultra rich and the Corporate giants of the economy.

How it works? Well, it's not very much complicated either, I'm attaching a detailed Flow Chart (refer fig 3) to clear out on the flow of the platform then later will be explaining what needs to be addressed.

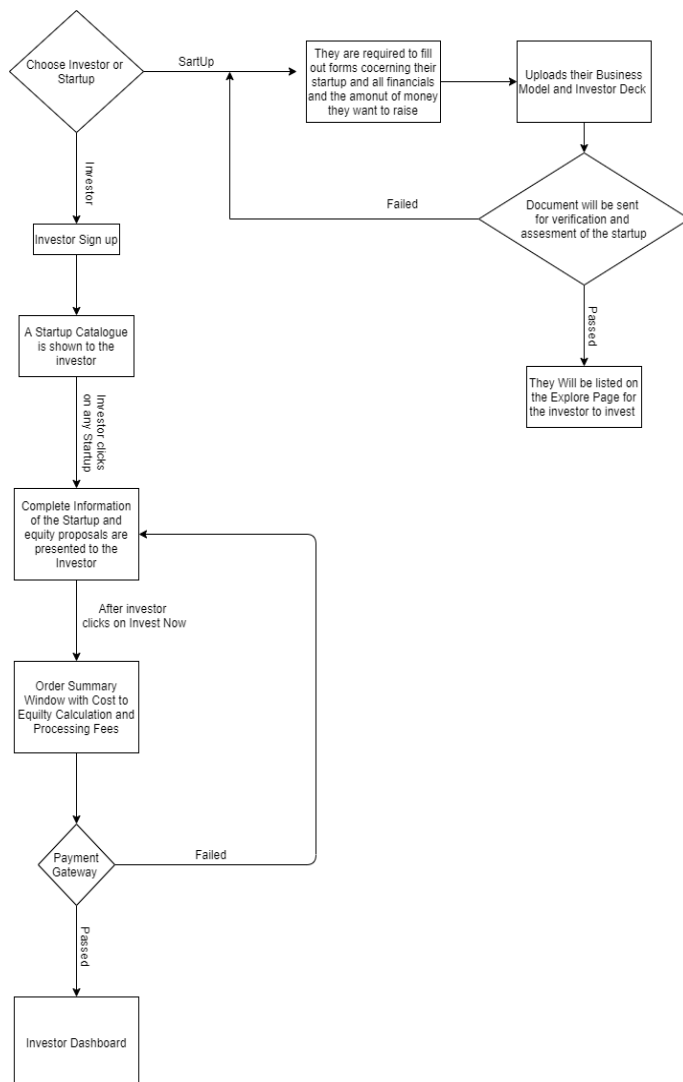


Figure 3 – Flow Chart of the Platform

#### IV. FUNCTIONALITIES AND INNOVATION

The platform is created keeping in mind existing technologies along with the addition of few newer ways to get the job done.

As soon as a user opens up the application, they are presented with two options, either to join as a Startup or sign up as an Investor.

*If Startup is selected:*

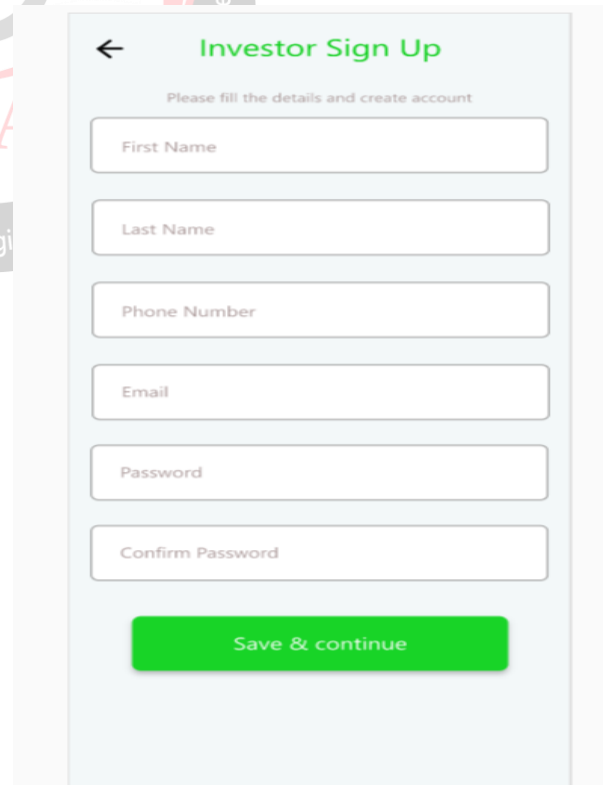
- A form is presented wherein they are required to submit their business details along with the money

they are proposing to raise through the funding round

- After completing the form an Investor Deck/Pitch shall be uploaded for the investors to get to know more about the startup
- Once the application form is submitted it then goes to internal panel of investors for assessment and approval
- Once approved the startup is listed on the platform for the investors to view and invest accordingly

*If Investor is selected:*

- A signup form is presented wherein the investor can fill basic details about themselves and experience the platform.
- Though any investor if wishes to invest in any desired startup, he/she will have to complete the KYC by going in the My Profile option in the screen mandatorily.
- Upon logging in the investors are provided with the Startup Catalogue where they can view various startups listed on the platform and get their details along with the Investor Deck previously uploaded by the Startup.
- They can then go ahead and invest their desired amount into that company and get equity percentage for the same.  
(Min - Rs 50,000/-)
- The Equity is calculated using Cost-Equity Calculator integrated with the platform.



Investor Sign Up

Please fill the details and create account

First Name

Last Name

Phone Number

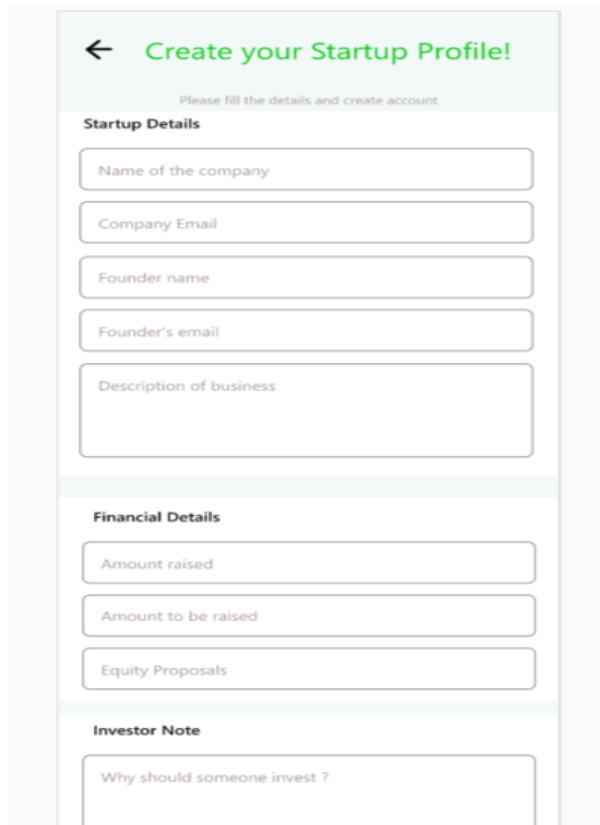
Email

Password

Confirm Password

Save & continue

Figure 4 – Investor Signup Form



**Create your Startup Profile!**

Please fill the details and create account

**Startup Details**

Name of the company

Company Email

Founder name

Founder's email

Description of business

**Financial Details**

Amount raised

Amount to be raised

Equity Proposals

**Investor Note**

Why should someone invest ?

Figure 5 – Startup Signup Form

#### Cost-Equity Calculator:

Cost to Equity Calculator as pronounced is a calculator made exclusively for the platform which gives an investor exact equity percentage that would be allotted to them upon investing a particular amount equal to or greater than 50,000/-.

We have kept Rs 50,000 as a threshold amount for an investor to be able to invest into any Startup to evenly distribute the equity among investors and maintain a minimum starting barrier which will prove to be a safe categorization of people who know what they are getting into.

For this, we take the total amount the startup wants to raise and divide that with the percentage equity on proposal. That way we get the amount that would be required to acquire 1% of the equity.

Then we take the amount the investor is looking to invest ( $\geq 50,000$ ) and calculate the following:

- 1% equity amount = Total amount to be raised/Total equity proposal
- Equity allotted = Amount entered/ 1% equity amount

For Example, if a startup is looking to raise 7,50,000 as the total investment and giving away 10% equity for the same

Then, Total amount to be raised = 7,50,000

Total equity proposal = 10%

We calculate,

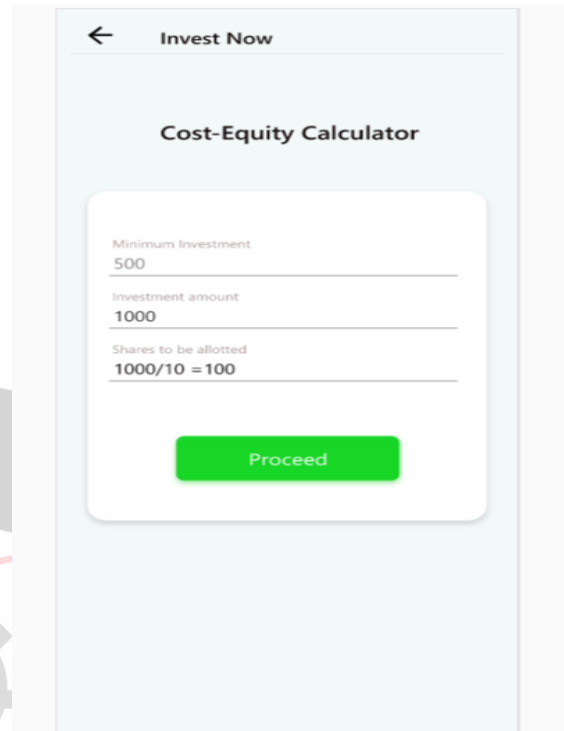
$$1\% \text{ equity amount} = 7,50,000/10$$

= 75,000 (i.e., to get 1% equity an investor will need to invest this much amount)

Now Suppose the investor wishes to invest 1,12,000/-

So, the equity to be allotted =  $1,12,000/75,000 = 1.49\%$

(This much equity the investor will get upon successful transaction)



**Invest Now**

**Cost-Equity Calculator**

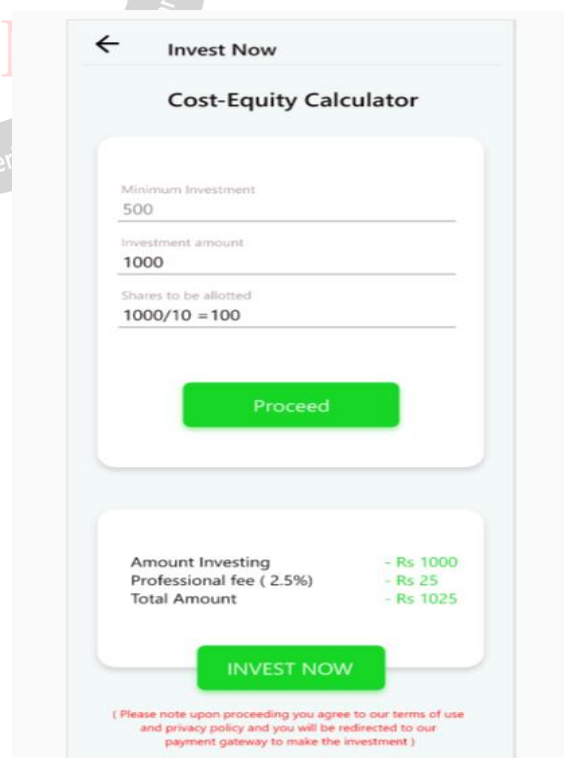
Minimum Investment  
500

Investment amount  
1000

Shares to be allotted  
 $1000/10 = 100$

**Proceed**

Figure 6 – Cost-equity Calculator I



**Invest Now**

**Cost-Equity Calculator**

Minimum Investment  
500

Investment amount  
1000

Shares to be allotted  
 $1000/10 = 100$

**Proceed**

Amount Investing - Rs 1000  
Professional fee ( 2.5%) - Rs 25  
Total Amount - Rs 1025

**INVEST NOW**

( Please note upon proceeding you agree to our terms of use and privacy policy and you will be redirected to our payment gateway to make the investment )

Figure 7- Cost-equity calculator II



This is how the *Investor Dashboard* would function:

Investor Dashboard is the presentation layer which is presented to the user when he signs in with the present investor's mail ID. It presents everything which might be required for an investor to know about. Bottom navigation makes it convenient for the investors to run through the app. It basically contains the following sections:

**Portfolio / My Investments:** This is the first section in the investor's dashboard whose main purpose is to show the list of investments the logged in investor has already made. Each of these list items shows the name and basic info about the startup along with the investment details like the total amount of investment made along with the percentage of equity the investor got after the investment.

**Explore:** This section is the major section of the dashboard which actually provides the list of approved startups who are in need of investments. Tapping on any of these startups will open up another screen on the application which provides complete details of the startup like the name, description, amount raised, and the total amount the startup needs also the reason why an investor would invest and also the most important thing 'Investor's Deck'. Investors can download this deck to understand more about the startup so that they can make up their mind by understanding the fundamentals. This is the screen where any investor will gain access to the 'invest option' for the final investments.

**My Account:** This section will serve the investors as a control panel where any investor can edit their basic details like profile picture, email id etc. Along with this the KYC details of the investors has also to be added here.

As per RBI we will need to have KYC documents for each investor who invests with the platform. Therefore, upon going to the profile section of the platform the investor can edit their details and also get their KYC done:

KYC of the investors will be done by prompting the investors to upload their Aadhaar Card (UID in India) followed by the PAN card and the basic bank details. Once the KYC is done the investor's profile will be evaluated then approved. This approval is mandatory for the investors to be able to have the platform investment rights.

This section will also contain a few platform specific options like Help and Support, Laws and legalities, privacy policy, Information about the platform etc. which will be helpful for the users to understand it better. This will gain users trust and provide transparency

And if we consider *Startup Dashboard*:

Startup Dashboard is the presentation layer which is presented to the user when he signs in with the present startup's mail ID. It presents everything which might be required for a startup to know about. Bottom navigation makes it convenient for the startup to run through the app. It basically contains the following sections:

**Home page:** This is the first section of the startup-dashboard flow which shows the complete startup details like the name, description, logo as well as the cover image. Startups can update these basic details in the platform using the options present in this home screen. Also, they can download/update the investor's deck when required.

**My Investors:** The second section of the bottom navigation menu which shows the list of investors already invested in the current logged in startup. All the required details will be showcased here like the investor's name, designation and their contact details. The amount they had invested in and finally the equity they hold in the startup. Startups can easily spot all the investors in this section.

**My Account:** This section is just a profile view of the startup where they can find their basic info. The main purpose of this screen is that it contains major links like Legal, Privacy Policy, Help Section, About the app etc. which the user might need to know about the platform. This will bring in more transparency to the user which in turn will gain trust.

## V. CONCLUSION

We find that there are certain loopholes in the current situation which can be changed and improved for everyone. Like early stage startups can start getting the desired funding for the idea by retail investors who can get equities in the startup and grow their investments exponentially if the startup make it big.

At the end we can conclude that StartInvest would serve to bridge the gap between the two, i.e., the investor and the startup and also help to build a community of like-minded people on the platform. The idea that a regular person can invest into early-stage startups and be part of their growth sounds too good to be true but with the help of this platform and the right technology we can make that happen.

## APPENDIX

Definitions for Key Terms used in the project-

*Cost-equity calculator* - Used to calculate Equity shares based upon investment amount.

*Equity* - A part ownership into a company, mainly on paper.

*Investor* - Individuals or Corporations that own part(equity) of other companies

*Investor Deck* - A document containing all related information about a startup that a potential investor might need

*Minimum Investment* - The minimum amount of money required to be invested to be able to get equity into a company

*Startup* - Disruptive businesses that are solving a need in the society (here: early-stage businesses looking to raise

capitals)

## ACKNOWLEDGMENT

The preferred spelling of the word “acknowledgment” in American English is without an “e” after the “g.” Use the singular heading even if you have many acknowledgments.

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