

# Strategies to Accrete Investors and Startup for Seed Funding through an Android App

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**Abstract** – In the past few years, the startup industry is booming at a faster pace, and the biggest hurdle for a startup is early-stage financing. The startup has minimal access to funds and not bankable without security; the business angel and venture capitalist easily would ensure funds without protection for a high potential business being a partner to make the business success. However, there is a significant communication lacuna between investors and startups. There is no organized digital system in which the investor can get to know about good startup ideas. A system can be developed in which the investor and startup can communicate in a closed environment without regular hassles.

**Keywords** – Stage Financing, Business Angel, Venture Capitalist, Startups.

## I. INTRODUCTION

Startup companies want to acquire equipment, rent offices and hire staff. More importantly, they need to grow. In nearly every state, they require external funds to do these tasks. The initial money raised by a company is typically called “seed” capital[3]. Venture capital investments made by either private investors or investment firms — focus on giving new businesses the money they need to generate. Of course, investors expect the value of their investments; they watch mainly for firms with potential for meaningful growth so that they can realize a profit of the industry.

## II. PROBLEM STATEMENT

The traditional methods of getting funding from an investor are through ground level funding events, funding competitions, and Investor forums. The startups are in the belief that they might get funded; however, these processes are full of hassle and consume lots of time [6]. The startups send their ideas or concepts to the investors, and in many cases, it becomes difficult for the investors to get to know about every startup idea or notion. Due to this, it generates an atmosphere where the startups begin to doubt their plans, which later on leads to a lack of self-confidence [4]. Therefore there is a requirement for a centralized and organized system that can help startups to understand the investors and vice versa better.

## III. PROPOSED SYSTEM

This project aims at developing an Android-based application that would be able to connect early-stage startups[1] with investors for seed funding. The app helps

to overcome the traditional methods of funding rounds. The primary feature is that the startups can find the investors by their location and by their domain of interest. When a startup pitches an idea to an investor, the startup can keep track of its progress and would get notified about being funded or not. They would also get valuable feedback about their idea from the investors. The secondary feature is the investor’s page would list all the startups, and the investors can directly contact them or can directly fund them accordingly.

## IV. EXISTING SYSTEM

The current system has proposed that crowdfunding outlines[2] mostly succeed by narrow margins, or else fail by significant numbers and that crowdfunding success seems to be connected to project class, i.e., projects of a higher degree level are more funded probably[6]. Nevertheless, the background of a crowdfunding project is not easy to estimate because individual backers usually lack relevant expertise owned by venture capitalists and their contribution decisions are typically based on factors such as feeling and preference which, because of the limited backer data on the crowdfunding platform, are challenging to evaluate and quantify. As an option, researchers lean to other constituents[7] that may directly or indirectly impact the funding success of a project. Some researchers discover that project assets, such as project class, funding object, and campaign term, are linked with funding progress.

## V. SYSTEM ARCHITECTURE

1. **Registration** The registration step is the first step. During the registration process, the investors have to answer a set of specific questions. Similarly, the

startups will have to answer a collection of particular questions. These questions are based on the subjects related to startups and investors i.e.,

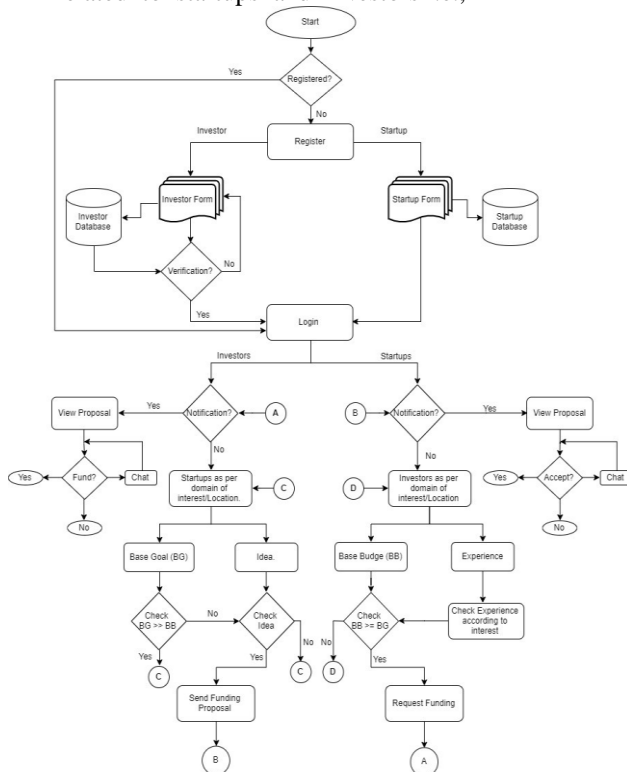


Fig. 1. System Architecture.

The above-given figure is a general representation of how our system will work. Let us now understand it.

for startups the question set would include names, idea, base goal (funding amount), no. of people, project domain, etc. and the investors question set would consist of name of the organization/ name of the person investing, previous investments, Domain of interest, year of experience, etc. The answers are then stored into the respective database for verification.

2. Verification Nowadays, as data security is becoming one of the biggest concerns, the main goal of the verification process is to maintain safety for both investors and startups. This is done to assure the startups that if they have not protected their idea through patent or copyright, their ideas will be shown only to the valid investors. Similarly, this is also done to assure the investors that the funding which they are providing is to a compelling startup.
3. Login After the registration and verification process is successfully done, the user (investor/startup) can log in to the system.

System Mechanism:

1. Investor's mechanism Let us now understand the investor's mechanism; as the user opens the

application, they might have received funding request proposals from startups. Based on their interest, they can either accept it or reject it or can further chat and get more clarification about it. If they have not received any funding request proposals, then they can view startups based on locations as well as based on their Domain of interest. They can also see a particular startup, and if they are interested in that specific startup's idea and are okay with the base goal, then they can send a funding proposal to that particular startup. This funding proposal will then reflect in the notification section of that specific startup.

2. Startup's mechanism Let us now understand the startup's mechanism; as the user opens the application, they might have received funding proposals from investors. Based on their interest, they can either accept it or reject it or can further chat and get more clarification about it. If they have not received any funding proposals, then they can view investors based on locations as well as based on their Domain of interest. They can also see a particular investor; if they are okay with the base budget (Base funding amount) and are okay with his/her experience for a specific domain/industry, then they can send a funding request to that particular investor. This funding request proposal will then reflect in the notification section of that individual investor. This is how the entire system would work.

## VI. DISADVANTAGES OF CROWDFUNDING

1. The crowdfunding platforms process will not necessarily be an easy process to walk through for startups as compared to the more traditional way of raising funds.
2. The startups don't know who their investors are, and even if they know some of them, they cannot benefit from them except for funding.
3. In some crowdfunding platforms, if you don't reach your funding goal, then any funds which you have received would be given back to the investors. So basically, there is some uncertainty.
4. If the startups have not protected their ideas or concepts through a patent or copyright, then there is a high chance that their idea might get stolen.
5. Most of the investors on these platforms do not have any idea about the startup's process and the various difficulties that they would be having during execution.

## VII. ADVANTAGES OF OUR PLATFORM

1. As our platform is the digitization of the traditional ways for raising funds, it is somewhat a more

straightforward process to go through rather than the crowdfunding platforms.

2. In our system, the startups will know who their investors are and can benefit from their experiences, along with funding.
3. In our system policy, there are no criteria as funding goals; either you will get funded, or you will not get funded, so basically, there is no uncertainty.
4. If the startups have not protected their ideas or concepts through patent or copyright, then there is a low chance that their plan might get stolen as we ensure that we show the ideas to only valid investors.
5. All the investors getting on to our platform have some experience in his/her respective domain/industry, so they have a general idea about the startup's process and the various difficulties that they would be having during execution.
6. The investors can be a great mentor to the startups and can also provide great mentor-ship.

### VIII. FEATURES

1. Authentication: All the users would have to create an account for authentication, and all the credentials like passwords will be stored in hashes.
2. Startup Account: This section in the application will display all the investors according to their categories. It will also show investors queries and requirements.
3. Investors Account: This section will display all the startups which are actively looking for funding and those who have applied to him/her for funding.
4. Geolocation: This feature will help startups to target investors based on location.

### IX. RESULT

The outcome would be an Android application that will be able to demonstrate all the startups and investors. The startups would be able to target investors according to their own needs and interest and will be capable of keeping a record of the funding process.

The investors will get to connect with new startups every day. This medium will help to create a combined closed environment where investors get to know about startups and for startups to understand more about investors and to get to them, and this reduces the time consumption for funding at the early stage of financing.

### X. CONCLUSION

While seed funding is critical to transforming a business idea into a reality, don't rush in to close the funding deal or don't get lured by the number of funds blindly. It is essential to estimate your payment cycles, returns, holding in the company, and the vested powers of the investors. Entirely, the vital factors to consider before

closing the deal, is to ensure that the investor also firmly believes in the startup idea and execution plan.

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