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BOOTSTRAPPING: AN INNOVATIVE SOURCE OF STARTUP FINANCING

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ABSTRACT: *Now a day 'Startup' is a buzz word wherein we can see that many youngsters are getting motivated to turn toward to be job giver then job seeker. Bootstrap is new concept of startup financing where a business is started by the entrepreneurs by utilizing their own funds without depending on the outside investors. This give a freedom to the entrepreneur to do his business independently without any external control. Bootstrap has its own strength and limitation but it's the entrepreneurs responsibility how handle the various situation because at time bootstrapping can be a boom but if not planned and tackled properly it can also be put the entrepreneurs startup into loss.*

Keywords: *Startup, sources of finance, bootstrap*

I. INTRODCUTION:

Startup is the newly emerged business model which evolve around innovate product, service, process, or platform. They are usually a small business which are started by limited funds. Starts up business are initially the one who offers product, or provide service, or process that is not being offered elsewhere in the market. Through bootstrapping entrepreneur is able to take fast decision, develop business, control cost and help to build better customer relationship

The startup ecosystem integrates various categories of individuals and organization like universities, IIMs, IITs, funding organizations, support organizations like incubators, accelerators, co working spaces etc.

Features of startups is to be unique, innovative, different and competitive. It targets quick growth. As it is many time started with team efforts with little experience there is also uncertainty about market product, competition people and most important finance as well. Through bootstrapping entrepreneur is able to develop business faster and develop better customer relationship.

II. STATEMENT OF PROBLEM:

Finance is one of the biggest problem that most of the start-up face during their early stage. It's a very crucial part for any entrepreneur who want to start business. Now a days there are various options available to raise funds. Through this research an attempt is made to analysis how 'Bootstrap' can be an effective sources of raising funds in the initial stage of their business.

III. OBJECTIVES:

1. To know the various sources from where finance can be raised by the young entrepreneurs for their start-ups
2. To study in detail about BOOTSTRAP- an innovative source of raising finance for start-ups.

IV. METHOD OF DATA COLLECTION

This is the conceptual paper and hence the data is collected from all the secondary sources like research journals, thesis, dissertation, and newspaper articles.

V. FINANCING STARTUPS:

Finance is one of the biggest concern for any startup. Entrepreneurs have excellent idea, skill manpower, have acceptance of product in market but may fall short of finance in-spite of all other resources being in place.

Due to innovative financial services in this digital era raising funds is not a matter of concern now. There are various sources of funds that are made available for the startups. And one of the sources of fund raising for startups are "Bootstrapping". As many of the business used to dies at the initially stage only due to finance, bootstrapping can be one of the best option of financing startups.

'Bootstrap' is a business launched by an entrepreneur with no outside cash. It is starting a business from a scratch and stating a business with minimum outside investment. It is finance model where more than 75% of the business operation is funded by the entrepreneurs himself.

Bootstrapping is basically a process of starting a new business without any external funding. A Bootstrap startup completely rely on the internal revenue only. As most early stage startups needs little funding so typical bootstrap start-up may rely on the entrepreneur's overdraft, credit cards or saving. Alternatively the business might be started while the founder is still working part time, or is doing some freelance work to cover the bills.

➤ **NOW THE QUESTION IS HOW TO MOBILIZE THE RESOURCES UNDER “BOOTSTRAPPING”?**

There are three modes of resources acquisition

1) Internal mode of resource acquisition

Internal resources mobilization takes place under three dimension like:

- a) Owner related resources acquisition methods: this include getting loan from friends or relatives, using credit card of the manager or withholding manager salary, getting services of relatives without any salary.
- b) Customer related resource acquisition methods: Like leasing the plant and equipment's instead of buying, or offering cash discounts to customers for encouraging cash delivery, or priorities the customers who pays quickly and making good rapport with supplier.
- c) Payment related mode of resource acquisition: like quick preparation and delivery of bills and vouchers, or charge interest on overdue amounts or delay payment of suppliers.

2) Social mode of resource acquisition:

- a) Joint utilization of resources with other firms
- b) Borrow equipment's from other organisation
- c) Common ownership of equipment's
- d) Co-ordinate purchase with others
- e) Share premises with others
- f) Share employees with others
- g) Share power and energy with others
- h) Practice bartering instead of buying/selling

3) Quasi market mode of resource acquisition:

- a) Taking advantage of the rules, regulation, provisions and other privileges.
- b) Avail subsidies from local/regional/national authorities and take advantage of all legal provisions like rebate/concession/allowances, exceptions etc.

➤ **WAY TO GROW BOOTSTRAP:**

- a) Be financially disciplined: It is very important that bootstrap company plan their expenditure as they never know when they will need money. Hence they need to be more disciplined while dealing with their funds in startup.
- b) Target profits: It's important to focus on profit then to focus on growth. They may require money at any point of time and hence bootstrap companies should concentrate on making quick profit first. They should first try to tackle easy to acquire market and then jump into the challenging markets which has high potential growth.
- c) Use second hand equipment's: Do not jump to purchase new equipment or purchase new office space and all. As you are just in nascent stage and using your own personal funds try to focus on saving money while chasing your dreams.
- d) Concentrate on cost effectiveness: As the business is bootstrapped it is important for the entrepreneurs to have proper control on cost. They have to find out the ways in which the cost can be lowered down without hampering the quality of the product or service that they are providing
- e) Learn as many skill as possible. Bootstrap companies owner should try to learn as many skill as possible instead of outsourcing the work. The person should be skill full in all area like marketing, accounting salesmanship and so on. This well lessen your spending at the immediate start.
- f) Build an efficient team: a bootstrapped business many not have the large team due to limited resources but it is very important for them to build and small but efficient team that can delivers results.

➤ **STRENGTH**

- a) You get to be your own boss and do not have to constantly explain or take advices from a banker or venture capitalist
- b) When you bootstrap, it gives you a better control over the expenses and the cost involved in the day to day operations of the business and make you more efficient.
- c) When you bootstrap you tend to learn more since you do not have resources at your disposal and you learn from your mistakes.

➤ **CHALLENGES:**

- a) Financial risk: If the business is bootstrap, the entrepreneurs uses their own funds and if the business fails the entrepreneurs is at a financial risk.
- b) Depended on customer revenue: when the business is bootstrap an entrepreneur has to fully depend on his customer revenue to bear all the expenditure and if the business is slow it many create a financial stress on the entrepreneurs.
- c) Growth is very slow: As the business is bootstrap the growth of such business is very slow. They have to fully depend on the limited funds that they have. Sometime with limited resources the entrepreneurs may hesitate to invest in some important resources like marketing or product development and this may impact business very badly. The entrepreneur will not money for a longer period of time.
- d) Limited access to outside experts: Bootstrap business funds are limited and hence they cannot avail the expert advice in field of marketing or designing and so on as in the case of investor.

VI. CONCLUSION:

Bootstrapping is one of the best source for the entrepreneurs to raise finance at earlier stage. This will help the startup entrepreneur to seek control on their business and also helped to avoid giving ownership or equity to the investors. There are many advantages attached like the entrepreneur has full control and ownership, various decision can be taken fast, and can have proper control on the cost.

Bootstrapping startup is not an easy task though it is much convenient for the entrepreneurs but it requires very careful strategic planning, and smart spending.

Lastly we can say that bootstrapping for startup is the easier way of raising finance for the business. It may seem rewarding but it is also very challenging. An entrepreneurs should be aware of both the benefits and the challenges that are involved in it. The best ways to make bootstrapping successful is strategic thinking in order to make business successful.

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