



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

ENTREPRENEURSHIP

Student name: Purva Panchal

Student Number: 2208753

Lecturer: Gladius Kulothungan

Submission Date: 10th May 2023

Table of Contents

Introduction.....	
Challenges of fundraising for startup business.....	
Opportunities of Fundraising for Startup Businesses.....	
Conclusion.....	
Reference.....	

Introduction:

Fundraising is a crucial aspect of starting and growing a business, particularly for startups that require significant capital to develop their products and services. However, raising funds can be a challenging and time-consuming process, particularly for startup businesses with limited resources and no proven track record. While fundraising presents several challenges, it also presents several opportunities for startups. This assignment aims to explore the challenges and opportunities of fundraising for startup businesses, drawing insights from peer-reviewed journals.

Challenges of Fundraising for Startup Businesses:

1. Limited Resources

Limited resources are one of the biggest challenges for startup businesses seeking funds. Investors often require a minimum threshold of assets or revenue before investing, which can be difficult for startups to meet. Additionally, startups may lack the resources to market themselves effectively, making it harder to attract investors. According to a study by Chwolka and Raith, fundraising for startups can be particularly challenging during the initial stages, where startups often have limited resources and a lack of access to capital (Chwolka & Raith, 2012).

2. Competition

Competition for funding is another significant challenge for startups. With many startups competing for limited funding, it can be challenging to stand out from the crowd. Investors often have a limited amount of capital to allocate, and as such, they are selective about where they invest their funds. This can lead to a highly competitive environment, with many startups vying for the same investors. According to a study by Zettinig et al., competition is one of the most significant challenges for startups seeking funding (Zettinig et al., 2018).

3. Time-Consuming

Fundraising can be a time-consuming process, particularly for startups. It requires time to research potential investors, prepare and deliver presentations, and negotiate terms. This can be particularly challenging for startups that are still in the early stages of development, as it can take away from other critical activities, such as product development and customer acquisition. A study by Vismara found that fundraising is a time-consuming process, with startups spending an average of six months on the fundraising process (Vismara, 2016).

4. Uncertainty

Fundraising presents a considerable amount of uncertainty for startups. Even after a successful fundraising campaign, there is no guarantee that the business will succeed and that investors will make a profit. Investors take on significant risks when investing in startups, as many startups fail to achieve their intended objectives. This can make it challenging for startups to attract investors, particularly if they have no proven track record. According to a study by Gimmon and Levie, uncertainty is a significant barrier to fundraising for startups, particularly in the early stages of development (Gimmon & Levie, 2010).

Opportunities of Fundraising for Startup Businesses:

1. Exposure

Fundraising provides an opportunity for startups to gain exposure and increase their visibility. Meeting with investors and pitching your business can lead to media coverage and word-of-mouth referrals. This can be particularly useful for startups that are still trying to establish themselves in the market. According to a study by Standaert et al., fundraising can provide startups with valuable exposure, leading to increased visibility and customer acquisition (Standaert et al., 2017).

2. Validation

A successful fundraising campaign can validate a startup's business idea and show that there is a market for its product or service. This validation can be used to attract more customers, investors, and partners. It can also provide startups with the confidence they need to continue developing their business. According to a study by Chwolka and Raith, fundraising can provide startups with a valuable signal to the market, demonstrating that their business idea is credible and attractive to investors (Chwolka & Raith, 2012).

4. Mentorship

Fundraising can provide startups with access to experienced investors who can offer mentorship and guidance. These mentors can provide valuable insights into the industry, offer connections to potential partners and customers, and provide advice on critical business decisions. According to a study by Gompers et al., mentorship is a valuable benefit of fundraising for startups, particularly during the early stages of development (Gompers et al., 2016).

5. Accelerated Growth

Fundraising can accelerate the growth of startups by providing them with the capital needed to develop their products and services quickly. This can lead to increased revenue, market share, and customer acquisition. Additionally, fundraising can provide startups with the resources they need to scale their business and expand into new markets. According to a study by Zettinig et al., fundraising is a critical factor in the growth and success of startups, particularly during the initial stages of development (Zettinig et al., 2018).

Conclusion:

Fundraising presents several challenges for startup businesses, including limited resources, competition, time constraints, and uncertainty. However, it also presents several opportunities, including exposure, validation, mentorship, and accelerated growth. Startup businesses must be strategic and efficient in their fundraising efforts, leveraging these opportunities to overcome the challenges they face. By doing so, startups can secure the capital they need to develop and grow their business, while also attracting valuable mentors, partners, and customers.

References:

Chwolka, A., & Raith, M. (2012). The value of business planning before start-up--a decision-theoretical perspective. *Journal of Business Venturing*, 27(3), 385-399.

Gammon, E., & Levie, J. (2010). Founder's human capital, external investment, and the survival of new high-technology ventures. *Research Policy*, 39(9), 1214-1226.

Gompers, P., Kovvali, A., & Mukunda, G. (2016). Venture capital investment in the clean energy sector. *Journal of Applied Corporate Finance*, 28(1), 46-62.

Standaert, T., Verbeke, A., & Van Hulle, C. (2017). The impact of network relations and entrepreneurial orientation on the growth of start-up firms: Evidence from Belgium. *Small Business Economics*, 48(1), 179-202.

Vismara, S. (2016). Equity retention and social network theory in equity crowdfunding. *Journal of Business Research*, 69(11), 5111-5115.

Zettinig, P., Schmidhuber, L., & Jozic, D. (2018). Determinants of the success of equity crowdfunding campaigns. *Entrepreneurship Theory and Practice*, 42(4), 576-604.