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Navigating financial uncertainty : A qualitative exploration of funding challenges faced by entrepreneurs

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Abstract

The paper tries to understand an overview of how entrepreneurship works, funding of Biosyl Limited, and locational funding from agencies. Post Covid there is an increase of business particularly in North Karnataka. Funding always plays a crucial role in sustenance of any business. The paper explores how Biosyl [4] [5] Limited has made its own funding from the owners and succeeded in doing its business.

Subject Classification: *91B05, 91B06, 90B50.*

Keywords: *Entrepreneurship, Start ups, Funding.*

Introduction

Every business of whatever size, location [3], and type of business faces funding challenges to establish and expand. There is no exception for early stage start-ups as well in North Karnataka. The paper tries to explore [7][8] different funding alternatives specially for businesses in North Karnataka.

Objectives of the Study:

1. Explore concept of early stage businesses.
2. Examine Capital Budgeting Concepts.
3. Investigate Capital Budgeting Techniques for Start-ups.

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Linking Financial Uncertainty to Capital Budgeting in Startups

Financial uncertainty is a pervasive issue for startups, and its effects are far-reaching. This study explores the intricate relationship between financial uncertainty, funding challenges, and capital budgeting techniques in startups [2].

Startups often face financial uncertainty due to:

1. Unpredictable revenue streams
2. Limited access to funding [11]
3. High operational costs

These challenges can lead to funding shortages, forcing startups to rely on alternative funding sources, such as:

1. Bootstrapping
2. Crowdfunding
3. Angel investors

Investigating Capital Budgeting Techniques

To mitigate financial uncertainty, startups must employ effective capital budgeting techniques.

By investigating different time based and non-time based techniques, startups can optimize their capital allocation, prioritize projects, and minimize financial risk.

Research methodology:

This study is based on both descriptive and exploratory research. This study was conducted through interviews, structure questionnaires. Many personal interviews were conducted with the entrepreneurs during the project. This study is based on both the type of data i.e., primary data and secondary data. Cases were built on two start-ups – BIOSYL [6][9].

Case-study:

Venture Name: BIOSYL TECH. PVT LTD

Name of the founders: Amit Vernekar, founder and CEO of Biosyl Technologies

Sarah D'souza, co-founder and director of Biosyl Technologies

Sector: Biotechnology
Employees working: 8 in Hubli Branch 6 in Bangalore branch
Headquarters: Hubli, Karnataka
Type: Privately Held
Founded: 2013
Founding Team: Biosyl Technologies
Mr. Amit Vernekar (Founder & CEO)

Amit Vernekar is the visionary leader of the company. A 29-year-old native of Hubli, he holds a Bachelor of Engineering degree in Biotechnology from KLE'S BVB College. Notably, Amit embarked on his entrepreneurial journey without prior work experience.

Sarah D'souza (Co-Founder & Director)

Sarah D'souza is the co-founder and director of Biosyl Technologies. A fellow B.E Biotechnology graduate from KLE'S BVB College, Sarah also hails from Hubli. Currently based in Bangalore, she oversees the company's operations from its Bangalore branch.

Introduction:

Biosyl Technologies: Revolutionizing Food Quality Testing

The business was founded in July 2012. Biosyl Technologies Pvt. Ltd. is an innovative bio-technological enterprise incubated at the Centre for Technology Entrepreneurship, BVBCET, Hubli. The company's primary focus is on Food Quality Testing, driven by a vision to provide cutting-edge products and solutions for Food Quality Analysis, catering to customers nationwide.

Biosyl's Integrated Solutions

Mission and Vision

Biosyl Technologies aims to become a leader in the life science/ biotech industry by providing innovative ideas, creative solutions, and exceptional quality analysis and contract research services.

Products/services offered by them:

- Milk Test Kit
- Dairy Test Kit
- Protein test kit
- Honey testing kit

- Water testing kit
- Hand sanitizers

The Origins of Biosyl Technologies

The Biosyl story began in 2011. Hailing from middle-class families in Hubli, they were classmates who frequently participated in technical events, showcasing their innovative models. This exposure helped them identify prototype loopholes and sparked entrepreneurial ambitions.

Awards and Initial Investment

Their award-winning models earned them cash prizes, which they invested in their fledgling venture. Biosyl Technologies Pvt. Ltd. registered its own name and business in 2013.

Incubation and Growth

Centre for Technology Innovation and Entrepreneurship (CTIE) provided all necessary support to Biosyl in incubating its business.

The Journey:

Pivotal Shift to Service Sector

Biosyl decided to pivot to the service sector within three months. This strategic shift led them to secure a project with J-PAL (Abdul Latif Jameel Poverty Action Lab), a global research center focused on poverty reduction.

Turning Point: Milk Testing Project

The J-PAL project, which lasted 15 months, involved testing milk samples for hygiene parameters. Biosyl earned 15,000-20,000 per day, enabling them to build their team and laboratory. This project became a turning point, as they utilized the discarded milk samples to explore other testing parameters, ultimately leading to the development of adulteration testing kits.

Developing Milk Testing Kits

In 2015, Biosyl began developing milk testing kits, which took 15-18 months to finalize. The kits aimed to:

- Operate outside laboratory settings

- Require no technical skills
- Eliminate boiling procedures for testing
- Provide easy-to-use results

Exhibition Strategy and Success

Before launching, Biosyl showcased their product at exhibitions in 2017. Initially, they struggled to convince customers with technical explanations. However, by adopting a storytelling approach, they successfully attracted customers and achieved daily sales of 100 kits.

Strategies adopted:

Recruitment:

Company is supported by interns at the initial stage, where the company provided internship to engineering graduates from biotech branch. It consist a batch of 10-12 students for duration of 6 months. Condition is that, interns should have willingness to working in Hubli and with Hubli level salary. They usually recruit people from their contacts or through putting the advertisement in BVB College's notice board. As the organization is very small it makes them difficult to hire experts. And also they do not have sufficient fund to invest in recruitment. According to them, interns are the best source of knowledge as well as utility for the company to get the work done in very short period.

Marketing: Biosyl believes that the online marketing is the best mode of advertising their product. So, they spend most of their sale budget in promoting their products through online.

Challenges at the initial days

Registration Challenges

During the registration process, Biosyl's founders faced two significant hurdles.

Address Registration Issue

The first challenge arose from a registration requirement that mandated the use of a home address. However, the founders were reluctant to register their company at their personal residence. Fortunately, their college, intervened and provided with an alternative address, facilitating the registration process.

Trademark Issue

The second obstacle emerged when they discovered that another company had already trademarked the name "BIOSYL." As the founders had already established recognition and goodwill under this name, they were determined to retain it. After negotiations, the owner of the existing trademark graciously allowed Biosyl to use the name for registration purposes, enabling them to officially register their startup as BIOSYL Technologies Pvt. Ltd.

Overcoming Knowledge Gaps and Building a Team

Amit and Sarah, with their biotech background, faced challenges in developing the chamber due to knowledge gaps in mechanical engineering, electronics, and instrumentation. Fortunately, their campus environment provided access to valuable resources and expertise.

Design Challenges and Solutions

To overcome design hurdles, they acquired basic design skills using high-tech software. With the help of AutoCAD professionals recommended by friends and faculty, they learned to design their model using AutoCAD.

Hiring and Training Challenges

Initially, hiring employees was difficult due to limited funds. To address this, they offered internships to interested students, providing opportunities to around 45 students.

Training and Development

Post hiring, the company had given all necessary training so that the new recruits can give their best so that the company improves its performance. This helps the new recruits to learn and also excel.

Funding Challenges: Bootstrapping and Limited Access to Capital

The company face significant and enough challenges during its inception and growth. Arranging 3 lakhs was also very difficult. The owners from their pocket arranged 1.5 lakhs each ampounting to Rs.

3,00,000. The other strategies involved includes delayed payment of creditors which gave them time to sustain their income [10]. The support from vendors was very much needed due to cash shortage or revenue shortage [1].

Another strategy they followed is revenue getting re invested in the business again. Whatever profits were made, the owners didn't withdraw the amount but reinvested again back to the business.

Biosyl Technologies' primary focus is on shifting its domain to healthcare, specifically medical devices.

Future Plans: Diversification and Expansion

The company's future plans include:

1. Diversification into Medtech: Developing a home-based urine analysis device.
2. Exporting Test Kits: Exporting strip-based test kits, distinct from the chemical-based kits currently produced and marketed in India.

Findings:

1. Intern Hiring: Biosyl finds hiring interns to be a cost-effective and efficient solution, providing valuable support while keeping costs low.
2. Online Marketing: The company leverages online platforms as their primary marketing channel, successfully selling most of their products through digital means.
3. Self-Funding: Biosyl's founders opted to invest their own money, avoiding loans or external investments due to perceived difficulties and costs associated with securing funding.
4. Adapting to Market Demand: During the COVID-19 pandemic, Biosyl capitalized on the high demand for hand sanitizers by producing and selling them, resulting in significant profits.

Conclusion:

The company raises funds through own capital with the fear of high borrowing costs. The demand increased post Covid of testing instruments which also leads to expansion of the business.

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