

Funding a Software Startup

"It is easier said than done." That's what most people think about [starting a business](#). According to statistics gathered by Fundera, only two-thirds of the small businesses survive in 2 years, and most of these fail because of cash flow problems. Although sobering, facts like that should not discourage anybody. Those determined to push forward with their software startup have a good shot at succeeding provided they know how to acquire sufficient funding.

Just like how your operating system is the lifeline of your computer, money also gives life to your software business. The million-dollar question is: where do you get the funds to make your business launch and growth feasible? In this article, you will be enlightened with the options that can help you achieve your goals, both in a conventional and unconventional way.

Bank loans

In general, the interest rate of a bank loan will never be above 10%, and this makes banks a wise source of funds for business owners. For startup companies, the bank loan process can get tricky with its strict compliance. Banks will first check the excellent credit history and existing properties of the borrower as collateral.

In the U.S., the government supports startup companies as well because of the employment opportunities they create and due to their tax contribution to the economy. The Small Business Administration, or SBA, partners with several banks to guarantee loans of startup companies. As long as you pass its standards such as a useful company purpose and a [business plan](#) of quality, you will have easier access to capital.

Crowdfunding

One less risky way of gathering capital for your software business is by raising small amounts of money from a large number of people. These kind Samaritans won't demand shares in your company, making this funding method a safe one. However, they will expect free use of your software or some form of recognition once your business becomes successful. Also, with the power of the internet, you can gather funds quickly by signing up on crowdfunding sites.

Venture Capital Funding

Venture capital is a type of funding that is provided by investment banks and firms. As stated by Investopedia, this debt instrument is famous for startup companies and ventures that have been operating for less than two years. These financial institutions support startup companies with outstanding growth potential, and in return, they get a share or equity of your enterprise's net income.

Family and Friends

One of the most popular ways of funding your business is through your family and friends. Since these people already know you personally, it won't be hard for them to trust you with their money. Their financial support can come as your loan, a proposed business partnership, or donation for your venture.

To avoid disputes in your personal relationships, it is best if the agreement is put in writing. In other words, arrange a [contract](#). This document will give both parties peace of mind and will also serve as your legal reference. Another advantage of getting funds from your personal connections is the higher chance of reaching potential investors in the future when they see that people can trust you because you can settle your liabilities on time.

Personal Savings / Self-Funding

Tapping your personal savings and assets is the easiest way to fund your software business capital. Selling existing properties, vehicles, or other material possessions are common alternatives to self-fund besides from personal savings. The downside here is that a lack of thorough planning and [accounting](#) on your part will lead to immense financial loss--or worse.

However, this becomes convenient should you have more than enough savings in your bank account, or if you are confident in your return on investment. For those who are currently employed, tapping a percentage of your income until you reach your goal is wise. Putting a substantial investment in your own business is also a useful reference when asking for loans from different institutions because investors will see that you have massive trust in your venture.

Investors

Some people are high-risk takers and these are the well-off individuals who aim to be part owners of startup companies and get a percentage of the business's equity. An article in Forbes states that many intelligent and successful investors fund startups to make their money work for them. Therefore, this means that an appealing software business [proposal](#) will let you attract more backers. These investors are on the web of top business schools, can also be the entrepreneurs in your community, and they are found in online platforms like LinkedIn too.

Joining a Startup Incubator or Accelerator

Startup incubators are firms that aim to develop businesses that are on their early stage in the business cycle through professional [guidance on project management](#) from the business experts. According to Entrepreneur, these are often funded by universities and economic development entities; these firms don't take a percentage of your equity.

Once your business plan becomes chosen, it will not only be brought to the market, but you will also gain connections to potential financiers for your software business. On the other hand, startup accelerators are managements that aim to speed up the development of an existing entity with the mentors and investors. These mentors also provide small seed investment to startup companies, and in return, they get a small percentage of equity from your business's net income.

Small business Grants

In this lifetime, you can only get easy money for your business capital when your family or friends hand it to you as a gift, or when you win the lottery. However, there's still a light at the end of this tunnel of financial struggles, and that is through small business grants. Fundera states that grants are given to businesses that have unique ideas or products. If you believe that your software can be used for educational improvement or can be a good asset in big-time companies, then all you have to do is apply for these grants. These establishments are willing to let your software business come to life!

Yes, it is tough to generate funds for a business. But you reap what you sow, and by tapping these funding ways, your [cost estimation](#) will surely thrive. Not only will your software be in the marketplace, but you will have the financial freedom to [grow your business](#) as well.