

1.

Presented by Economic Visionaries

Funding the Future

Empowering MSME Growth Through Investment



PROBLEM STATEMENT

Despite the significant role that Micro, Small, and Medium Enterprises (MSMEs) play in economic development, many struggle to secure funding due to a lack of visibility and structured communication with potential investors.

Traditional funding methods, such as loans from banks, can be difficult to obtain due to stringent requirements and lengthy approval processes. This lack of access to capital hinders MSMEs' ability to innovate, create jobs, and contribute to economic growth.

Specific Challenges

Limited access to funding

MSMEs often face difficulties in securing loans from banks due to insufficient collateral or credit history

Time-consuming application processes

The application process for traditional loans can be lengthy and complex, deterring many MSMEs from seeking funding.

High interest rates

MSMEs may be charged high interest rates on loans, making it difficult to manage their finances and achieve profitability

Lack of visibility and investor interest

Many MSMEs struggle to attract investors due to limited visibility and difficulty in showcasing their potential

01.

USER
REGISTRATION
AND
PROFILE CREATION



02.

BUSINESS
PLAN
SUBMISSION

03.

INVESTMENT
MATCHING
ALGORITHM



04.

INVESTOR
REVIEW
PROCESS

Suggested Solution Workflow

05.

INNOVATIVE
FINANCING
SOLUTIONS

06.

INVESTMENT
PROPOSAL
AND
NEGOTIATION

07.

CLOSING
THE
DEAL

08.

MONITORING
AND
EVALUATION
MECHANISMS



Suggested Solution Workflow



09.

LIQUIDITY
SOLUTIONS FOR
INVESTORS

10.

FRAUD
PREVENTION
MEASURES

11.

INVESTOR
PROTECTION
FUND (IPF)

12.

POST
INVESTMENT
SUPPORT



Suggested
Solution
Workflow

1. User Registration and Profile Creation

MSME OWNERS:

- Sign-Up: MSME owners create an account by providing basic information such as their name, business name, contact details, and location.
- Profile Setup: They complete their profile by adding details about their business, including industry type, years in operation, and current financial status.

INVESTORS:

- Sign-Up: Investors register by entering their personal information, investment preferences, and areas of interest.
- Profile Setup: They can specify their investment criteria, such as preferred sectors, investment amounts, and desired return on investment.

2. Business Plan Submission

TEMPLATE ACCESS:

- MSME owners access a structured business plan template within the app.

FILLING OUT THE TEMPLATE:

- They fill in essential sections like market analysis, financial projections, and funding requirements. The app may offer guidance and resources to help them create a compelling plan.

DOCUMENT UPLOAD:

- Owners can upload supporting documents (e.g., financial statements, licenses) to strengthen their proposals.

3. Investment Matching Algorithm

ALGORITHM FUNCTIONALITY:

- Once the business plan is submitted, the app uses an advanced matching algorithm to connect MSMEs with suitable investors based on predefined criteria.

NOTIFICATIONS:

- *Both parties receive notifications when a match is found, allowing investors to review the business plan.*

4. Investor Review Process

BUSINESS PLAN ACCESS:

- Matched investors can access the submitted business plans directly through the app.

EVALUATION TOOLS:

- The app provides evaluation tools that allow investors to assess key metrics such as projected ROI, risk factors, and market potential.

DIRECT COMMUNICATION:

- Investors can communicate directly with MSME owners through in-app messaging to ask questions or request additional information.

5. Innovative Financing Solutions

BLENDED FINANCE MODELS:

- The app may incorporate blended finance approaches that combine public and private funding sources to reduce risks for investors while providing capital to MSMEs.

DIGITAL LENDING PLATFORMS:

- Leveraging technology to streamline the loan application process allows for quick assessments of creditworthiness based on alternative data sources. This enables faster funding decisions for MSMEs that may not have traditional credit histories

6. Investment Proposal and Negotiation

INVESTMENT OFFERS:

- Interested investors can submit investment proposals outlining terms such as amount, equity stake, or profit-sharing arrangements.

NEGOTIATION TOOLS:

- The app includes features for negotiation, allowing both parties to discuss terms and reach a mutual agreement.

7. Closing the Deal

DOCUMENTATION SUPPORT:

- Once terms are agreed upon, the app facilitates the creation of necessary legal documents (e.g., investment agreements) using templates provided within the platform.

SECURE TRANSACTIONS:

- The app may offer secure payment gateways for fund transfers between investors and MSMEs

8. Monitoring and Evaluation Mechanisms

PERFORMANCE TRACKING TOOLS:

- After securing investment, MSME owners can use built-in tools to monitor their financial health and track growth milestones. Investors can also access these metrics to assess how their investments are performing over time.

REGULAR UPDATES:

- The app encourages MSME owners to provide regular updates on their progress through reports or dashboards that showcase key performance indicators (KPIs). This transparency helps build trust between investors and MSME owners.

9. Liquidity Solutions for Investors

MINIMUM BALANCE REQUIREMENT:

- *MSME owners are required to maintain a minimum balance or threshold amount in the app as part of their initial agreement with investors. This amount acts as a safety net for immediate cash withdrawals by investors.*

INSTANT WITHDRAWAL OPTIONS:

- *Investors can withdraw small portions of their investments instantly without complications up to a mutually agreed-upon limit within the minimum balance requirement. The duration and frequency of these withdrawals can be set by both parties during initial negotiations.*

SECONDARY MARKET TRANSACTIONS:

- *The app may facilitate a secondary market where investors can sell their stakes in an MSME to other interested parties if they need liquidity before an exit event occurs. This feature enhances liquidity options for public investors.*

10. Fraud Prevention Measures

VERIFICATION PROCESSES:

- *Implement robust verification processes for both MSME owners and financial data submitted through the app. This could involve third-party audits or utilizing blockchain technology for transparency in transactions.*

REAL-TIME MONITORING SYSTEMS:

- Establish real-time monitoring systems that track financial activities within the app to identify any suspicious transactions or discrepancies quickly.

11. Investor Protection Fund(IPF)

FUNCTIONALITY:

- *A small percentage of each investment made through the app is allocated to the IPF.*
- *In case of fraudulent activity or default by an MSME, investors can file claims against this fund for compensation*

IMPACT:

- Enhances trust among investors by providing assurance that there is a financial buffer in place.
- Encourages more participation in funding MSMEs by mitigating perceived risks associated with investing in small businesses

12. Post-Investment Support

ONGOING GUIDANCE:

- *After securing investment, MSME owners receive ongoing support through resources such as mentorship programs or advisory services.*

FEEDBACK LOOPS:

- The app may include channels for feedback from both MSMEs and investors to continuously improve financing models and adapt to changing market conditions.



LITERATURE SURVEY

1. *Traditional Bank Lending*

- **Disadvantages:** Traditional banks often impose stringent collateral requirements and lengthy approval processes, making it difficult for MSMEs to secure funding.
- **Comparison:** The proposed solution simplifies the application process and utilizes alternative credit assessment methods to provide faster funding decisions, improving accessibility for MSMEs.

2. *Peer-to-Peer (P2P) Lending Platforms*

- **Disadvantages:** P2P platforms may have limited liquidity options for investors, and the lack of investor protection can deter participation.
- **Comparison:** The proposed solution incorporates innovative liquidity solutions, such as minimum balance requirements and instant withdrawal options, alongside an Investor Protection Fund to safeguard investors' interests.

3. *Crowdfunding Platforms*

- **Disadvantages:** *Crowdfunding can be time-consuming for MSMEs, with success heavily dependent on marketing efforts*
- **Comparison:** The app leverages an advanced matching algorithm to connect MSMEs with suitable investors based on predefined criteria, reducing the need for extensive marketing.

Revenue Model

1. Transaction Fees

- **Investment Fees:** Charge a fee on each investment made through the platform.
- **Withdrawal Fees:** Implement a fee for investors when they withdraw their funds.
- **Success Fees:** Charge a fee upon successful exit or acquisition of an MSME.

2. Subscription Fees

- **MSME Subscription:** Offer subscription plans for MSMEs, providing access to additional features or premium services.
- **Investor Subscription:** Provide premium features or analytics tools for investors.

3. Investor Protection Fund Fees:

- **Due Diligence Costs:** Charge a small percentage of each investment as a contribution to the Investor Protection Fund, which can be used to compensate investors in case of MSME defaults or fraudulent activities



- MSMEs contribute approximately 62% to employment in India, providing jobs to over 20 crore people. This includes significant employment in micro-enterprises, which form the backbone of the sector
- The MSME sector contributes around 30% to India's GDP and is responsible for about 50% of total exports. This highlights their crucial role in enhancing economic growth and global trade position
- Despite their contributions, MSMEs are only about 26% as productive as large companies, indicating a significant opportunity for improvement that could boost overall economic performance by narrowing this productivity gap
- The primary challenges faced by modern MSMEs are financial in nature. If these financial issues are addressed, many other problems would also be resolved. The proposed solution effectively tackles these contemporary challenges faced by MSMEs,

CONCLUSION

01.

- The proposed solution **simplifies** the loan application process and utilizes alternative credit scoring methods that do not rely solely on collateral or credit history, making it easier for MSMEs to secure funding.

02.

The MSME owners to maintain a minimum balance in the app and allowing instant withdrawals for investors, your solution enhances liquidity for both parties, ensuring that MSMEs have access to necessary funds when needed

03.

- The app can provide guidance on navigating regulatory requirements, helping MSMEs comply with necessary regulations more efficiently and reducing barriers to accessing financial assistance.

Presented by Sandra Haro

Thank you
very much!

