



Entrepreneurship 101

Session 13. Sources of Finance



Sources of Finance

Owner Funds

- The personal investment of the founder/entrepreneur.
- Often the first port-of-call for financing.
 - Upside: retain full ownership & control.
 - Downside: slower to scale.



Sources of Finance

Bootstrapping

- Funding other than external investments.
- Savings, borrowings from family, initial sales.
 - Upside: retain full ownership & control.
 - Downside: slower to scale.

BOOTSTRAPS



Sources of Finance

Debt

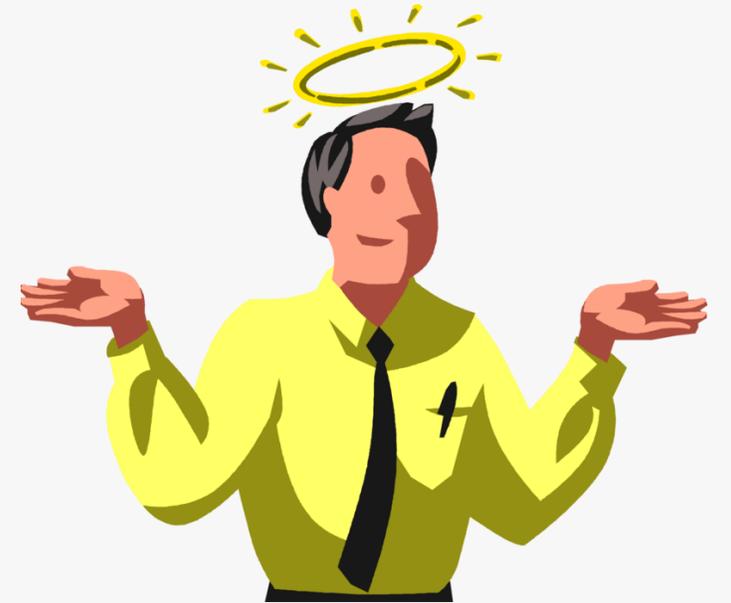
- Money lending.
- Pledging to pay back a loan with interest.
 - Upside: retain full ownership & control.
 - Downside: unexpected financial downturns inhibit payback.



Sources of Finance

Business Angels

- Private investment early in a start-up.
- In return for ownership or shares.
 - Upside: scale quickly, access to mentorship.
 - Downside: dilution of business ownership and control.



Sources of Finance

Venture Capitalists

- Invest in start-ups with high growth potential.
- In return for ownership or shares.
- Invests more than angel investors.
 - Upside: scale quickly, access to mentorship.
 - Downside: dilution of business ownership and control.



Sources of Finance

Grants/soft loans/microfinance

- Apply for grants and soft loans.
- Enterprise agencies, governments or development banks.
 - Upside: no payback with grants.
soft loans with little or no interest.
 - Downside: grants limited to smaller amounts.



Sources of Finance

Crowdfunding

- Raise small sums from a large group.
- Example: the website, Kickstarter.
 - Upside: access to a wide investment pool.
 - Downside: fees and stipulations for use of website.



Factors to consider with financing

DEBT FINANCING



Security



Ability to repay loan



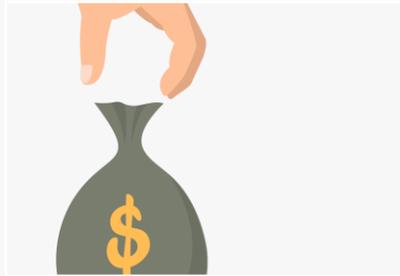
Schedule of payments



Credit history

Factors to consider with financing

EQUITY FINANCING



Amount



Control



Valuation



Return on Investment



Exit Strategy



Timing

Exercise – Defining key sources of finance

1. List sources of finance for your business.
 - In an ideal world, I'd use...
2. Rank these key sources of finance.
 - Start with 1 for most appropriate.
 - In descending order to least appropriate.
 - Consider its availability, accessibility & desirability.
 - Consider the business' nature and intended growth.

