ENTRENEURSHIP 101

ACCESS TO FINANCE

with
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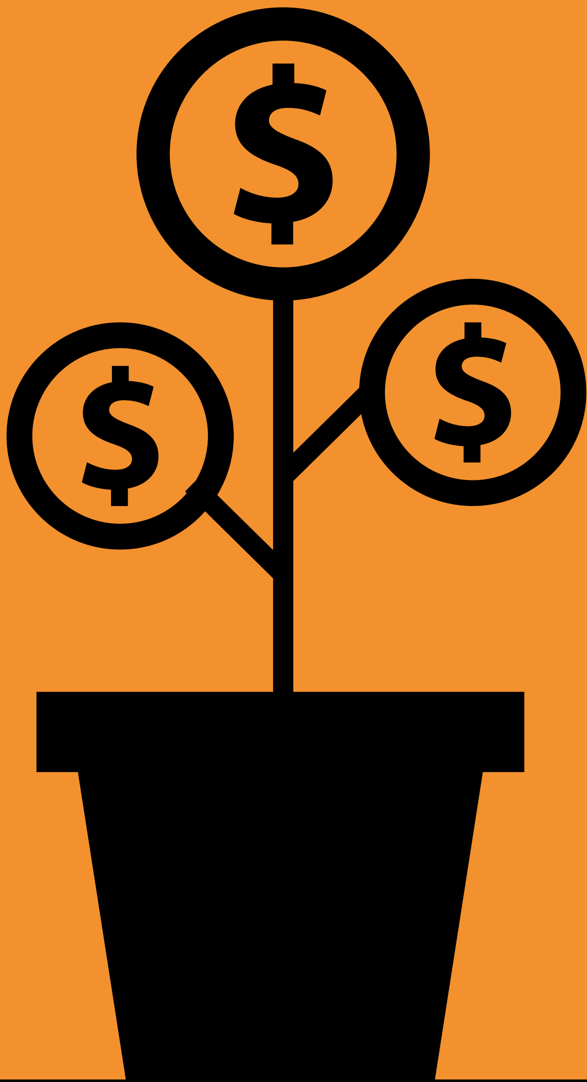
Based on Bookings Africa's Entrepreneurship Masterclass



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CHAPTER ONE

STARTING WITH $0;
HOW TO RAISE CAPITAL

1 BOOTRAPPING

Bootstrapping is starting your business from the ground up with nothing but your personal savings. That is, you provide your own resources as the founder.

2 FAMILY AND FRIENDS

This is funding gotten from people who already know you and can help you with financing your business when your savings are not enough. The downside of this is they might not have the technical know-how or have the non-monetary resources to support you with what it is you are trying to do.

3 GRANTS

Grants are non-refundable money that you access to build your business. There is a difference between grants and loans; with loans, you have to pay back with interest but for grants, you do not necessarily have to pay back, however, there are some other costs to it. You would have to invest time into itemizing what it is you want the grant money for and also show how you intend to spend it. Sometimes the grant is given in phases. It can be broken down into 4 - 5 stages, etc. When you win a grant, you go under a lot of scrutinies.

4 BANK LOANS

This simply involves going to a bank and agreeing to the interest rates (depending on your sector or industry), in order to secure funding. Unfortunately, most SMEs do not meet the criteria of most banks (luckily this will be addressed in depth later on in this book).

5 AWARDS

It is when you as a business owner wins prize money according to certain awards from organizations that recognize the work you have done.

6 CROWD FUNDING

The practice of funding a project or venture by raising money from a large number of people, typically via the internet. Do note that crowdfunding is regulated. In Nigeria, raising money is security. So we have a commission called the security and exchange commission.

7 ANGEL INVESTORS AND VENTURE CAPITALISTS

Angel investors and venture capitalists are people who invest money into businesses. Angel investors and VCs both take calculated risks when investing in the hopes of earning a healthy return on investment (ROI). A business owner can buy them out. Venture capitalists could want 10x the amount they put in. The good thing about venture capitalists is they come with a lot of expertise. They help with strategy, marketing, government regulations, and several things that you need to succeed.

8 MATCH FUNDING

Match funding is defined as when funding is given to the business in order to match the financial contribution made by you or gotten from other sources.

9 CUSTOMER VENDOR

As a small business you might only need money from someone that can afford it at a particular point in time. Try to look for somebody who is in need of the product or service that you offer, who can afford it at a certain price and at a particular time. Reach out to the individual and say to the person and pitch to him/her about getting the product in advance and then

CHAPTER TWO

ACCESS TO GRANTS

WHAT IS A GRANT?

A grant is a non-repayable fund given to an individual or company for a specific purpose.

Most organizations that give out grants are looking to create impact by solving a particular problem.

ELEMENTS OF A SUCCESSFUL GRANT APPLICATION

#1 - Background

You need to talk about the background of your organization. What is your story, how did you start, the objectives of what you are trying to solve. You can put it in two paragraphs if you aren't given a word count.

#2 - Financial health

Talk about the financial health of your organization- your historicals and projections. This is to show that your organization is sustainable and trustworthy.

#3 - Budget

Another thing you should talk about is your budget for the amount you’re asking for, you have to itemize what exactly each figure is going to go into, for example, you asked 10,000, what would you use the money for. Books, generators

#4 - Project description

Explain what the project is about and what you are trying to achieve. Here you go in-depth talk about your **monetary and evaluation plan.** Specifics such as who is responsible for what, if you have volunteers and if they are all going to be monitored by you. It is also important to make sure they do what they need to do and know who is going to do it.

#5 - Project partners

Mention those who partner with you on the project. Community participation is also important for most people that are giving out grants.

#6 - The sustainability of the project

You need to show how you intend to sustain the business. if you don’t know how you are going to carry it on into the future, then there is no need to start it.

MONETARY AND EVALUATION PLAN

What are the things that should be in there:

- Your project summary

- Your progress indicators- these are checks put in place to ensure that your project is going according to plan.

- Risk and assumptions- your knowledge of the risks involved in managing the project and the strategies in place to manage those risks.

- Your output and input - what is the immediate results from the efforts put in and who are the people that are going to benefit from it immediately.

- Outcomes- the long-term effect of the project.

- The activities - the steps that you take towards your goal. Everything that will be carried out to ensure that that project is successful.

- Key performance indicators - the numbers that let you understand whether or not your project is going according to the goals and objectives that you've set down for that project.

- Responsibilities- who is going to be doing what?

WHAT ASSESSORS LOOK OUT FOR IN AN APPLICATION

- Your thought process - they want to know that you've been thinking throughout the entire project from the beginning to the end.

- Double duty - Always check if there's someone else in your community or country who is doing something similar to solve the problem you've highlighted. This way you can avoid duplicate projects. Hence, it is always good for your submitted projects to be unique and necessary. Access and check out the need.

- Your reach - You need to show that with the minimal amount of money, you can actually reach a lot of people and make an impact. Also, you need to show that you've already laid the foundations and are currently reaching a decent amount of people from the overall goal.

- Your budget- is it realistic?

- Community support - Whether or not it is a nonprofit project, an if people in your community in support of the project. Do you have volunteers?

- Accountability - They want to see if you are accountable and a person of integrity.

- Track record and team.

What should an applicant look out for when applying for a grant:

- Check if your interests and goals are similar
- Check the grantors' values - what do they stand for?
- Research the founders of the organizations
- Check your eligibilities

Where you can find grants for your business online?

A good place to start is with the AGStribe founded Ifedayo Durosimi-Etti

Visit the AGStribe on Instagram and join the community

https://www.instagram.com/agstribe/

CHAPTER THREE

GETTING A BANK LOAN

In choosing to lend to businesses, banks generally look at what is known as the "Five Cs of Credit."

The Five Cs of Credit

1. Character
2. Capital
3. Capacity
4. Collateral
5. Conditions

1) Character - Character is all about one's integrity in relation to the willingness to repay a loan.

A credit check on the business and personal endeavours of the applicant would be performed to evaluate their history with borrowing loans and repaying the loans. If the check carried out reveals any suspicious tendency, it will have an adverse impact on the loan request. For example, issuing of dud cheques. If it is discovered that the applicant for the loan has a habit of issuing dud cheques, the chances of them getting a loan is very limited.

Also, account officers would carry out visitation to the said business location and they would most likely have engagement with your staff, vendors and ask questions that would inform them about the nature of your character.

These procedures carried out by the bank are very important because over time it has been noted that most credit that goes bad, don’t go bad because of the business going under, but rather due to the business owners. Unfortunately, a lot of people want to borrow money without having any intention of paying it back.

2) Capital - In order to give out a loan, the bank tends to look into your net worth. Questions like what is your net worth, can you manage the sum of money you are requesting, etc, would be investigated.

For example, if all you’ve been able to manage over the years is 10 million Naira and you are requesting a loan of 10 billion Naira, how sure is the bank that you can manage such funds successfully?

Therefore, if there appears to be a huge variation between your net worth and the loan you are requesting, the bank is most likely to reject that request. Also, what is your stake in the business, banks are not into equity funding.

3) Capacity- Capacity is the cash flow of the business.

Can the business repay the loan it is seeking, would the business generate sufficient revenue over the tenure of the loan to be able to repay it? To ascertain this, the bank places requests for your financial statement or bank statement. Invoices, receipts, purchases, basically anything the shows the cash flow in your business, how much goes in and goes out are a necessity. Also, you need to have been in business for a minimum of one year.

4) Collateral - This is basically a backup. The funding is not the bank's, the bank doesn't own the money. These are customers' money, so if peradventure the loan goes bad, the bank needs a cushion to fall back on.

5) Conditions - Talks about the terms of the lending, what is the interest rate, tenure, repayment plan, etc. For most banks in Nigeria, the tenure is not more than 5 years for SMEs, as the financing is short-term.

THE MAJOR REASONS WHY BANKS REJECT LOANS FROM SMES

#1 - Businesses that are not registered

The regulatory agencies forbid banks from giving business financing to individuals. Therefore, to get a loan in Nigeria, you have to be registered with CAC

#2 - Businesses that are not registered with the relevant governing/regulatory bodies

If it is a school, you need state government approval. If it's in the health sector you need to have a regulatory license. If it's manufacturing you need to have NAFDAC/MAN etc.

#3 - Lack of proper financial statements; you should keep your records

#4 - A lack of a business plan

You can visit www.accessmezone.com for suitable business plan templates required for loans application.

#5 - Lack of experience and competence management

if you do not have the required business capacity, you don't have the financial management skills, you don't have digital marketing skills or sales skills, etc.