**Training Fiche**

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| **Title** | Access to finance | |
| **Keywords** | Finance, Entrepreneurship, Business Plan, Companies, Funding Crowdfunding, Business Angels, Venture Capitalist, Grants | |
| **Provided by** | CDI and IHF | |
| **Language** | EN | |
| **Objectives** | * Enhanced financial literacy competences * Understand the basic principles of entrepreneurship * Acquire abilities to recognise self-employment opportunities * Acquired knowledge about basic concepts of finance which can help women access to finnace * Support women in the search for alternative means to credit * Develop key competences for the exploitation of alternative funding opportunities | |
| **Learning outcomes** | * Ability to plan and manage finances * Acquired competences to identify entrepreneurship opportunities * Increased interest, motivation and self-confidence in establishing own business * Understanding of the concepts, rules and procedures for creating a business plan * Better understanding about the company's capital and assets * Knowledge of the main alternative means to credit * Ability to search for and exploit funding opportunities related to crowdfunding, business angels, venture capitalists, grants. | |
| **Training Area** | Digital Entrepreneurship in rural setting |  |
| Female Entrepreneurship |  |
| Access to Finance |  |
| Sharing economy |  |
| **Content index** | **ACCESS TO FINANCE**  **Unit 1: Financial Literacy**  Section 1: Role and structure of entrepreneurship  Section 1.1: Selection of a business idea  Section 2: Money and transactions  Section2.1: Planning and managing finances  Section 2.2: Equity Finance vs Debt Finance  Section 3: Risk and reward  Section3.1:Financial safety net  **Unit 2: Alternative means to credit**  Section 1: Crowdfunding  Section 1.1: How to start a crowdfunding campaign  Section 2: Business Angels & Venture Capitalists  Section 2.1: EU Support network  Section 3: Grants  Section 3.1: EU grants, two examples  **Extra Tools**  EU database to search for funding opportunities  *Your Europe Business – The “Access to Finance” tool* | |
| **Content development** | **UNIT 1: FINANCIAL LITERACY**  **Section 1:** **Role and structure of entrepreneurship**  Entrepreneurship is the process of developing, organizing, and running a new business to generate profit while taking on financial risk.  An entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits. The best example of entrepreneurship is the starting of a new business venture. The entrepreneurs are often known as a source of new ideas or innovators, and bring new ideas in the market by replacing old with a new invention.  4 Types of Entrepreneurship:   * **Small Business Entrepreneurship**   (These people run or own their own business and hire family members or local employees)   * **Scalable Startup Entrepreneurship**   (This start-up entrepreneur starts a business knowing that their vision can change the world)   * **Large Company Entrepreneurship**   (These huge companies have defined life-cycle)   * **Social Entrepreneurship**   (Focuses on producing products and services that resolve social needs and problems. Their only motto and goal is to work for society and not make any profits)  **Section 1.1: Selection of business idea**  Business idea is the start of the most fundamental and most exciting part of the business. This is crucial as the profitability and quality of an idea makes or breaks the success of a company.  **1. What makes a business idea?**  Business idea is a short and precise description of the basic operation of an intended business. Before you start a business, you need to have a clear idea of the sort of business you want to run.  **2.** **What Is a Business Plan?**  Business plan is a document that defines in detail a company's objectives and how it plans to achieve its goals.  **3. How to Write a Business Plan?**  While there are templates that you can use to write a business plan, try to avoid producing a generic result. The plan should include an overview and, if possible, details of the industry of which the business will be a part. It should explain how the business will distinguish itself from its competitors.  Start with the essential structure: an executive summary, company description, market analysis, product or service description, marketing strategy, financial projections, and appendix (which include documents and data that support the main sections).  **Section 2: Money and transactions**  A transaction is a completed agreement between a buyer and a seller to exchange goods, services, or financial assets in return for money. The term is also commonly used in corporate accounting. In business bookkeeping, this plain definition can get tricky.  **1. How Do I Cancel a Pending Transaction?**  Pending transactions are those that have been made but aren't posted to your account. These include payments, purchases, pre-authorized debits, and any other related transactions. Purchases made with a debit or credit card are held for a certain period of time before they work their way through the electronic system from your bank to the recipients. Contact the merchant and/or your bank to request a reversal if, for whatever reason, you want to cancel the transaction.  **2. What Is Income?**  Income refers to the money that a person or entity receives in exchange for their labor or products. Income may have different definitions depending on the context—for example, taxation, financial accounting, or economic analysis.   * For most people, income means their total earnings in the form of wages and salaries, the return on their investments, pension distributions, and other receipts. * For businesses, income means the revenues from selling services, products, and any interest and dividends received with respect to their cash accounts and reserves related to the business.   **Section 2.1: Planning and managing finances**  Planning and managing finances incorporates day to day financial planning competencies relating to creating and using a budget and managing income and expenditure, as well as longer term planning competencies such as saving, investing and making long-term plans. Specific core competencies related to retirement, credit use and debt management are also included.  **1. What Is a Budget?**  Budget is a spending plan based on income and expenses. In other words, it’s an estimate of how much money you’ll make and spend over a certain period of time, such as a month or year. (Or, if you're accounting for the incoming and outgoing money of everyone in your household, that's a [family budget](https://www.nerdwallet.com/article/finance/how-to-create-a-family-budget).)  **2. Why is budgeting important?**  Budgeting benefits everyone, not just those who struggle financially. It encourages you to live within your means and put your money to work in the best way possible. Think of a budget as a stepping stone to your [financial goals](https://www.nerdwallet.com/blog/investing/financial-goals/). It can help you:   * **Understand your relationship with money.** Tracking your income and expenses paints a clear picture of how much you have to save or spend. Once you spot patterns, you can identify where to make adjustments. Maybe you spend less than you earn (way to go!) but you’re paying for that subscription beauty box that you no longer need. * **Save enough for the future.** A good budget coaxes you to earmark money for an emergency fund and savings goals like a vacation or retirement. Here's how to work out [how much you should save each month](https://www.nerdwallet.com/article/finance/how-much-should-i-save-each-month). * **Get — or stay — out of debt.** Mapping out expenses in advance reduces the risk of overspending and can help you [pay off debt](https://www.nerdwallet.com/blog/pay-off-debt/) you already have. * **Relieve stress.** Budgeting isn’t a cure-all, but it can help you manage financial decisions and prepare for challenges.   **Section 2.2: Equity Finance vs Debt Finance**  A company funds its operations through two different sources  **EQUITY FINANCING**   * **Capital in exchange for equity** (% of ownership in the business) * **No debt** payment required * Cost of financing: % of future earnings   Equity financing is suggested when:  1. Willing to avoid debt that can hurt the company cash flow  2. The business is not yet profitable or it is a start-up  **DEBT FINANCING**   * **Conventional loan** through a **traditional lender** (i.e., a bank) * Cost of financing: **interest rate** (fixed cost) * Capital can be obtained at **a lower effective costs and quickly**   Debt financing is suggested when:  1. A positive return is expected  2. There is the possibility to deal with the risk  (in case of collateral and failure in the repayment of the debt)  **3. Equity Financing vs. Debt Financing**  -Equity financing involves selling a portion of a company's [equity](https://www.investopedia.com/terms/e/equity.asp) in return for [capital](https://www.investopedia.com/terms/c/capital.asp). The main advantage of equity financing is that there is no obligation to repay the money acquired through it.  -Debt financing involves the borrowing of money and paying it back with interest. The most common form of debt financing is a loan. Debt financing sometimes comes with restrictions on the company's activities that may prevent it from taking advantage of opportunities outside the realm of its core business.  **4. What is the difference between saving and investing**   * **Saving** — putting money aside gradually, typically into a bank account. People generally save for a particular goal, like paying for a car, a down payment on a house, or any emergencies that might come up. Saving can also mean putting your money into products such as a bank time account (CD). * **Investing** — using some of your money with the aim of helping to make it grow by buying assets that might increase in value, such as stocks, property or shares in a mutual fund.   **Section 3:** **Risk and reward**  Identifying risk, creating financial safety nets and balancing risk and reward. It covers the risks inherent in certain financial products, and other kinds of risk that may impact on personal and household financial well-being such as damage caused by flooding or earthquakes or the loss of household income through ill-health, disability or death of a family member.  **1. What is risk identification?**  Risk identification is the process of documenting any risks that could keep an organization or program from reaching its objective. It's the first step in the risk management process, which is designed to help companies understand and plan for potential risks. Examples of risks include theft, business downturns, accidents, lawsuits or data breaches.  **2. Balancing risk and reward**  All investments have risks. In order to figure out how to manage risk, you must first understand it. Investment risk – or the risk of losing investment value – comes in many forms, including:  Market risk, or the likelihood that a security’s value will move in tandem with its overall market.   * Interest-rate risk, or the risk that the price of a bond will fall with rising interest rates. * Inflation risk, or the chance that the purchasing power of an investment will be eroded by inflation. * Credit risk, which refers to the risk that a bond issuer will not be able to repay its debt when the bond matures.   **Section 3.1: Financial safety net**  The global financial safety net is a set of institutions and mechanisms that provide insurance against crises and financing to mitigate their impact.  **Key Takeaways**   * A safety net is a group of plans or factors that can protect you if a catastrophe should occur, such as an illness that prevents you from working. * An emergency fund is a common part of a financial safety net. This means having enough savings to meet your budget for three to six months. * Having insurance policies, such as life and disability, in place can also be an important factor.   **UNIT 2: ALTERNATIVE MEANS TO CREDIT**  **Section 1: Crowdfunding**  Crowdfunding includes internet-based initiatives aimed at funding a project/business idea by raising small amounts of money from a large number of people.  This financing mechanism is characterized by lower intermediation costs and lesser emphasis on risk assessment. Other features:   * **Reward based investments**   (investors receive a final product rather than repayment)   * Suitable for **product-based businesses** rather than service-based activities * Good **communication and marketing skills** required      * Little barrier to entry * Gaining costumers while crowdfunding * No repayment requirements      * Crowdfunding platforms fees * High effort to organize an successful campaign * Suitability for only some businesses   **Section 1.1: How to start a crowdfunding campaign**  To choose the right platform for a crowdfunding campaign, the following factors should be consider:  ***1. Which is the platform’s crowdfunding model?***  Reward-based (the most suitable for small businesses), equity-based, donation-based  ***2. What happens if the target is not reached?***  All-or-nothing campaigns are often more successful that keep-it all campaigns  ***3. Which are the target audiences of the platform?***  Generalised Platform vs Specialised Platform\*  ***4. How much will it cost?***  Search for the exact fees of the platform, also considering the taxes on the money raised.  \*An example of a specialised platform is[IFundWomen](https://ifundwomen.com/start-crowdfunding), which is widely recognized as the crowdfunding industry leader for female founders and creators. It also offers to its members an online course on how to crowdfund.  **Section 2: Business Angels & Venture Capitalists**  Business angels are:   * Private investors (typically managers or entrepreneurs) investing their own money in innovative ideas with high profitability potentials, **in exchange for equity**; * They tend to invest **lower amounts earlier** in the fundraising process; * Within the business, they will provide for **mentorship and networking** opportunities.   Venture Capitalists are:   * Institutional investors, investing **large amounts** in businesses later in the fundraising process and in exchange for **more equity**. * They tend to ignore small business and can lead to a **loss of company control**   To start financing a business idea, Business Angels can offer a great support.  However, there are some challenging factors, like how to find them or how to approach them. Here there are some tips:   * Make sure to **know your potential Angel’s background** and experience; * Communicate the importance of your product   (a **good Business Plan** is the key);   * **Keep it simple**   “Would a child understand your business proposition?”  It is possible to reach for Business Angels by attending networking events in order to meet face-to-face the potential investors or consulting one of the many specialised platforms:   * [Crunchbase](https://www.crunchbase.com/)   <https://www.crunchbase.com/>   * [Angel List](https://www.angellist.com/)   <https://www.angellist.com/>   * [Seed Invest](https://www.seedinvest.com/)   <https://www.seedinvest.com/>   * [Funders Club](https://fundersclub.com/)   <https://fundersclub.com/>  **Section 2.1: EU support network**  The European Commission offers plenty of networking initiatives for women entrepreneurs, which can support them also in finding the right Business Angel:  [**WA4E**](https://www.businessangelseurope.com/wa4e)  <https://www.businessangelseurope.com/wa4e>  The Women Business Angels for Europe's Entrepreneurs (WA4E) is the Business Angels Europe programme unlocking female angel investment and access to risk capital for women entrepreneurs.  [**WEgate Platform**](https://wegate.eu/)  <https://wegate.eu/>  The European Gateway for Women’s entrepreneurship WEgate is an e-platform launched by the European Commission, a growing network of stakeholders that are engaging to support women entrepreneurs across Europe. WEgate provides information and links on access to training, mentoring, advice and business networking opportunities at EU level as well as national level.  **EEN Women Entrepreneurship Thematic Group**  <https://www.facebook.com/profile.php?id=100066948882938>  The group connects women entrepreneurs to the Enterprise Europe Network and provides concrete services, (business partnering, access to foreign markets, cooperation with local networks and access to EU funding)  **Section 3: Grants**  Get a grant and obtain debt-free money sounds like the most preferable option. However, there are some factor to keep in mind:   * Eligibility requirements; * Stiff competition; * Long and detailed application processes that may be time-consuming; moreover, the planning and writing of a proposal may require the external support of a consultant/expert and therefore additional costs.   Grants are often addressed to groups that face obstacles in getting traditional loans, as in the case of women - in particular if coming from disadvantaged areas (e.g., rural areas).  ***Where to search for this opportunity?***  The WEgate Platform (introduced in the previous slide) represents a practical tool also to monitor specific grants opportunities for women at national level. Information can be filtered by country and keywords at the following links:  “Financing and funding” section  <https://wegate.eu/start/financing-funding>  “Starting a business” section  <https://wegate.eu/start/starting-business>  **Section 3.1: EU grants, two examples**  **1. Women TechEU**  <https://eismea.ec.europa.eu/programmes/european-innovation-ecosystems/women-techeu_en#funding-opportunities>  A new initiative of the European Union funded by the Horizon Europe Programme.  Among its several services, it offers financial support to female company as an individual grant of EUR 75,000 to support the initial steps in the innovation process, and the growth of the company.  Requirements for applications:   * Be a woman * Be a founder/co-founder of an early stage deep tech start-up * Hold a top management position (CEO, CTO or equivalent) in the company   **2. EIC Accelerator**  <https://eic.ec.europa.eu/eic-funding-opportunities/eic-accelerator_en>  The initiative, that is part of the European Innovation Council pilot, supports high-risk, high-potential small and medium-sized enterprises and innovators to help them develop and bring onto the market new innovative products, services and business models. Startups and SMEs with female CEOs are particularly welcomed.  The EIC Accelerator provides blended finance composed of:   * An **investment component**   (direct equity or quasi-equity such as convertible loans)   * A **grant component to reimburse eligible costs** incurred for innovation activities (e.g. demonstration of the technology, prototyping, R&D and testing required to meet regulatory requirements, intellectual property management, marketing approval. etc   **Extra Tools**  *Your Europe Business – The “Access to Finance” tool*  <https://europa.eu/youreurope/business/finance-funding/getting-funding/access-finance/search/en/financial-intermediaries?shs_term_node_tid_depth=795>  The “Access to Finance Tool” is the database - integrated in the Your Europe Business service a practical guide to doing business in Europe - to search for EU funding opportunities.  It allows filtering the search per country and region / company category / amount of finance / type of finance / investment focus. | |
| **Glossary** | **entrepreneurship:** Entrepreneurship is the process of developing, organizing, and running a new business to generate profit while taking on financial risk.  **entrepreneur:** An entrepreneur is defined as someone who has the ability and desire to establish, administer and succeed in a startup venture along with risk entitled to it, to make profits.  **business idea:** Business idea is a short and precise description of the basic operation of an intended business.  **budget:** Budget is a spending plan based on income and expenses. In other words, it’s an estimate of how much money you’ll make and spend over a certain period of time, such as a month or year.  **equity financing:** involves selling a portion of a company's [equity](https://www.investopedia.com/terms/e/equity.asp) in return for [capital](https://www.investopedia.com/terms/c/capital.asp). The main advantage of equity financing is that there is no obligation to repay the money acquired through it.  **debt financing:** involves the borrowing of money and paying it back with interest. The most common form of debt financing is a loan. Debt financing sometimes comes with restrictions on the company's activities that may prevent it from taking advantage of opportunities outside the realm of its core business.  business angels: private investors (typically managers or entrepreneurs) investing their own money in innovative ideas with high profitability potentials, in exchange for equity  **crowdfunding:** includes internet-based initiatives aimed at funding a project/business idea by raising small amounts of money from a large number of people | |
| **Self-evaluation (multiple choice queries and answers)** | 1. Transferring the idea into reality represents:  a) Organizing the business.  **b) Business planning.**  c) Coordinating the business  2. The person who is ready to start activities and deal with the risks and difficulties arising from them is called:  a) Businessman  **b) An entrepreneur**  c) Manager  3. The difference between equity and debt finance is:   1. **Equity financing involves selling a portion of a company's**[**equity**](https://www.investopedia.com/terms/e/equity.asp)**in return for**[**capital**](https://www.investopedia.com/terms/c/capital.asp) **/ Debt financing involves the borrowing of money and paying it back with interest.** 2. there is no difference 3. Debt financing involves selling a portion of a company's [equity](https://www.investopedia.com/terms/e/equity.asp) in return for [capital](https://www.investopedia.com/terms/c/capital.asp) / Equity financing involves the borrowing of money and paying it back with interest   4. Crowdfunding campaigns best suit to  a) Service-based businesses  **b) Product-based businesses**  c) Both  5. Business Angels invest:  **a) Modest amounts earlier in the fundraising process**  b) Modest amounts later in the fundraising process  c) Large amounts later in the fundraising process | |
| **Bibliography** | OECD, *Guidance note: Facilitating access to finance for women entrepreneurs*  https://betterentrepreneurship.eu/en/node/248  European Commission (2020), *Gender Smart Financing Investing In & With Women: Opportunities for Europe*  [file:///C:/Users/User/Downloads/dp129\_en.pdf](about:blank)    Access to finance  <https://www.investopedia.com/terms/b/business-plan.asp>  <https://www.investopedia.com/terms/b/budget.asp>  <https://www.bankrate.com/investing/saving-vs-investing/>  <https://www.investopedia.com/terms/r/riskrewardratio.asp>  <https://europa.eu/youreurope/business/finance-funding/getting-funding/access-finance/index_en.htm>  <https://unctad.org/topic/enterprise-development/entrepreneurship-policy-hub/5-Access-to-Finance> | |
| **Resources (videos, reference link)** | To know more about crowdfunding <https://www.nesta.org.uk/blog/how-to-find-the-right-crowdfunding-platform-for-your-good-cause/>  How to approach Business Angels  <https://coara.co/blog/how-to-approach-angel-investors>  The difference between Business Angels and Venture Capitalists  <https://www.business.org/finance/loans/what-is-the-difference-between-an-angel-investor-and-venture-captialist/>  List of business angels in Europe  <https://www.eu-startups.com/2017/12/top-40-business-angels-that-are-rocking-europe-and-help-startups-grow/>  <https://sifted.eu/articles/female-angel-investors-europe/> | |