

FINANCE FOR BUSINESS START-UP

Key Revision Facts: GCSE Business

Funding sources for a business start-up:

Personal investment

The first person to invest in a business is typically the business owner using either their cash or collateral on their assets. Personal investment proves to investors and bankers that the business owner has a long-term commitment to the project and is ready to take risks.

Love Money

Love Money is money loaned by a spouse, parents, family, or friends. Investors and bankers consider this as "patient capital," which is money that will be repaid later as your business profits increase.

Venture Capital

Venture capitalists take an equity position in the company to help it carry out a promising but higher risk project. Venture Capital investment involves giving up some ownership or equity in your business to an external party. Venture capitalists also expect a healthy return on their investment, often generated when the company starts selling shares to the public.

Angels

Angels are generally wealthy individuals or retired company executives who invest directly in small firms owned by others. Angels are often leaders in their field who contribute their experience and network of contacts and their technical and management knowledge. Angels tend to finance the business's early stages.

Business Incubators

Business incubators (or "accelerators") will invite future businesses and other fledgling companies to share their premises, as well as their administrative, logistical, and technical resources. Many Universities offer business incubators to help students convert their studies into successful businesses.

Government Grants and Subsidies

Government agencies provide financing such as grants and subsidies that may be available to your business.

Bank loans

Bank loans are the most commonly used source of funding for small and medium-sized businesses.

Crowdfunding

Crowdfunding is a way of raising money to finance projects and businesses. It enables fundraisers to collect money from a large number of people via online platforms. Crowdfunding platforms are websites that allow interaction between fundraisers and the crowd. Financial pledges can be made and collected through the crowdfunding platform.