

GUIDE 4

HOW TO FINANCE YOUR BUSINESS



GOLD LEVEL

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In this guide, you will think about **how to finance your business**. After that, you will be able to fill in **Section F** on your **GOLD Business Idea Template** and then **SUBMIT** it to us. We can't wait to read it! 😊

1. Thinking about how to finance your business

So, you've chosen your final business idea! Great! It is now **really important** to think about how you will finance this idea. There are **three main strategies** for raising 'start-up capital' to finance the growth of your business:

1. **Re-Invest a percentage of your Profits from your existing business / a previous business**
2. **Raise Additional Capital**
3. **Re-Invest a percentage of your Profits and Raise Additional Capital**

Option 1: Re-Invest your Profits

All good businesses invest a percentage of their profits in developing their business. You may need to spend money on advertising, pay for new materials or send members of your team on trainings. These are all good investments as they will increase your business' profits in the future.

As a social enterprise you may wish to split the profits of your business between supporting your school, donating money to a charity cause and re-investing in your business.



Example: DLF Public School in India generated a net profit of \$1,000. They donate 50% of their profit to charity. They also wanted to spend 25% on educational trips for the students that took part in the business. This left them with 25% to reinvest in the business. They decided to spend the \$250 on advertising and marketing.

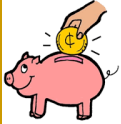
Option 2: Raise Additional Capital

Another great way to develop your business is to raise additional capital. Raising additional capital is very similar to raising start-up capital. (If you've not seen our additional resource '**Raising Start-up Capital Guide**', login to our website and check it out for lots of great ideas!).

Raising capital represents a great opportunity for your students to **gain skills** in fundraising! **Fundraising** is also a great way to market your business, because when people donate money they will be interested in what you are doing. **Here are a few ways you could generate the funds to finance your business launch or growth:**



Hold a one-off fundraising event. Ask your students' parents and the wider community if they would like to be involved in this. Some of the schools that Teach A Man To Fish has worked with in the past have raised extraordinary amounts of money with the help of their local community. For example, you could host a 'welcome day' at your school and invite members of the community to pay a small entrance fee. You can do fun activities such as sell food and drinks, play games to win small prizes, play music or put on a play for an audience.



Ask local businesses for a donation or an investment - in return you might agree to help promote their business. For example, you could offer to print their logo on your promotional material or products as a sponsor of your business. Many businesses like this because it gives them free marketing and they become known for being associated with a charitable enterprise!

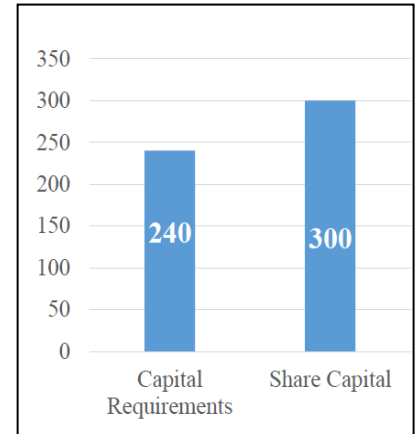


Ask your school for a loan which can be repaid over time as your school business generates greater profit.



Ask students, parents or other people in the local community to buy shares or bonds in the business – doing this would be a beneficial learning exercise for your students, and might show them a way that they could finance a business venture of their own when they leave school.

For example, students at **Lusoti High School** in **Swaziland** required \$240 to cover the costs of seeds and transportation needs for their organic vegetable business. To raise this money they issued 200 company shares to be sold at \$1.50. Each company member was expected to buy at least 1 common share that would enable them to have voting power. The school managed to raise \$300 and became one of the winners of the 2013 School Enterprise Challenge!



Crowd fund - Crowd funding is a way of raising money from a large number of people through the Internet to support a project. This can be money to start or grow a small business, money for a charity, cause or campaign or a school or social service. Crowd funding can enable you to raise a small amount of money quickly! People will invest because:

- They believe in the idea, business or charity.
- If the idea, business or charity is successful, they will receive something e.g. recognition on a website, or in a book and/or a free or special product.
- Crowd funding websites usually ask you to make a video about your project and write a short summary – potential investors will be watching this video so make sure it's concise and impactful!
- Ask for an *achievable* amount of money that you think can be raised in 20-40 days. This is very important as on some websites, you will only receive the money IF you reach your fundraising goal.
- Almost all crowd funding websites will charge money for their service – make sure you check how much they will charge and consider this when you set your fundraising target!
- Make sure you thank investors with things like personal messages and special gifts and keep them updated on your progress – they want to see you have used the money well!



Here are some crowd funding websites you might like to use:

www.indiegogo.com

www.crowdfunder.com

www.kickstarter.com

www.rockethub.com



Here is a great crowd funding pitch for a cupcake business. The young girl tells the story of her business and why it has been successful and explains what she will be using the money for.

https://www.youtube.com/watch?v=eRxhjeHle_8



Check out this video on Facebook <https://www.facebook.com/GSofM1/videos/2013192492281938/> of the students at The Gateway School of Mumbai, India. Watch as they pitch their business idea ("Able to be Awesome", a children's book sharing inspirational stories about individuals with disabilities) to a panel of investors. A great way for your students to hone their presentation skills and raise capital at the same time!

Option 3: Re-Invest a percentage of your Profits *and* Raise Additional Capital

Later on in the programme you will learn how to calculate your Start-up Budget so you know how much money you will need to launch/grow your business. You may find the percentage of past profit which you have allocated to (re)invest in the business is not enough for your needs. In that case, you will need to raise additional capital.



Example: Jambani High School in Uganda generated a net profit of \$150 in the first year of their fruit growing business. They decided to re-invest 75% of their profits, \$112, into their business. They spent the other 25% on exercise books for the students. However to develop their business they wanted to buy two bicycles for \$200 so that they could deliver fruit to their customers' houses. Therefore they needed to raise additional capital. They sold shares in the business to the community and have now increased their business by 20% by providing delivery services!



Now that you've thought about how to raise the money needed for your school business, it's time for your students to fill in 'Section F: Financing our Growth and Development' (Question 6) on your **GOLD Business Idea Template**.

Well done! You have successfully completed Step 1 of the programme! You have a Business Idea!

Now it's time to SUBMIT your GOLD Business Idea!

Login to your account at <http://www.schoolenterprisechallenge.org/join/login/>
and submit online NOW!

If you have problems submitting, check out our [Frequently Asked Questions](#), email us at info@schoolenterprisechallenge.org or send us a WhatsApp message to +44 77 22 481 841.

What happens next?

In Step 2, you will learn how to write and submit a detailed Business Plan using our **GOLD Business Plan Template**. Our Business Guides will support you every step of the way!