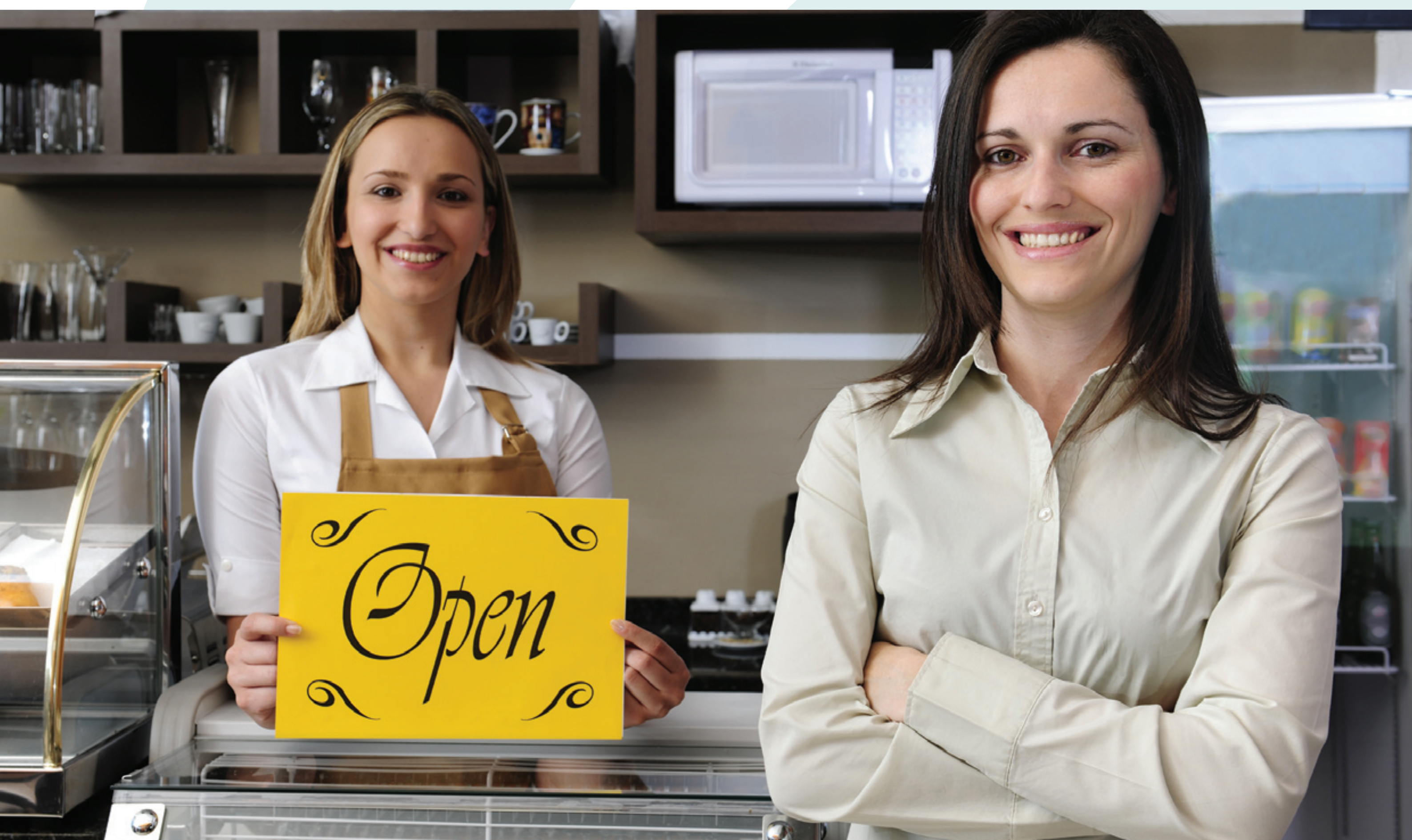
The Women's Business Finance Guide

Written by Erika Watson



Prowess 2.0
Women's Business

www.prowess.org.uk

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Prowess 2.0 is the online portal for women in business. We provide top-quality information, links to local support and networks and we develop helpful online resources.

Note This book seeks above all to inform, not to advise. Inclusion of products does not constitute endorsement. I've set out the information in this book in good faith for general guidance and no liability can be accepted for loss or expense incurred as a result of relying in particular circumstances on statements made in the book.

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Why a Business Finance Guide for women?

When it comes to succeeding in business, whether you're a man or a woman doesn't matter a bit. Women's businesses are just as successful as those led by men. But, there are some very important differences in the way we access and approach finance for business and the types of finance we use.

Women in the UK start businesses with much lower levels of funding - across every size and sector of business. This undercapitalisation, not gender, means that women's businesses are less likely to grow. Of course, many women do not want to grow too much. Neither do most men. But for those who do want to grow, that initial undercapitalisation is a problem.

You might be surprised to know that women are also more likely to be offered a business loan and also more likely to turn it down!

And while financing levels are about the same for male and female led established businesses, the fact is that women use a much narrower range of finance options.

So for women in business, finance is a particular issue and it matters - a lot.

Understanding and, if necessary, dealing with those distinctions could make all the difference for the long-term success of your venture. Make sure you are as fully informed as you can be to make the most of all the financial opportunities open to your business.

This practical 21 page e-book includes:

- **A plain-English overview of all the main types of UK business finance, including loans, grants, equity, bootstrapping, crowdfunding and more.**
- **The pros and cons of the main types of funding and whether there's a women's angle or route.**
- **Links to help you move forward.**
- **Exercises to help you understand and deal with your own financial psychology.**

How do you feel about money?

I met Jane Morrow as she started her second year as a self-employed management consultant. In year one she had managed to spend her entire redundancy cheque of £35,000 on a new car, top of the range laptop, embossed stationery, an office space and membership of an exclusive networking group. It was almost all a waste of money. She hardly used the office space as clients preferred to meet in their own offices and she also found it was easier to work from home. The networking group resulted in lots of fattening breakfasts, but no new business.

Julie Adeyemi, on the other hand, watched every penny in the early days of her sandwich bar café. She sourced second hand furnishings, got an artist friend to do her signage and worked every waking hour preparing, serving, doing the books or updating social media. By the end of her first year she was exhausted and the business was barely scraping by. Fortunately a friend of hers offered to come on board as a partner and inject some money into giving the sandwich bar a professional redecoration. The business took off from that moment on and has gone from strength to strength.

The finance needs of both Jane and Julie's businesses were initially emotionally rather than rationally defined. For both it was almost fatal.

Their approach is far from unusual.

Before looking for finance for your business you need to be very clear about what you need it for. This may seem a statement of the obvious, but having worked as a business adviser for a few years, I'm amazed at how many people begin their financial planning either with a sum of money – often a redundancy cheque – or a hard-set debt aversion, rather than a well-researched and costed plan.

For most of us money is an emotional topic. When I teach business start-up courses, attendance generally plummets for the finance sessions, unless I disguise the title! Just like Jane and Julie, money is a subject that many of us would rather avoid than face up to. And money is a topic which academics are agreed is more emotionally loaded for women than it is for men.

Women make around 90% of all consumer decisions. We like to shop. This can be a great advantage when it comes to being in business: we are very close to the market and have enhanced understanding of consumer behaviour.

But research also finds that women often shop when emotions are running high – both positively and negatively.[1] Four out of five women admit to shopping to cheer themselves up, three quarters shop to treat others. Seventy percent say they would shop less if they had more control. Most, like Jane, say they buy to impress others and bolster their own self-esteem.

Julie represents the other key group of women I see. It's a group that includes many creative types. They are people with strong social values and those who've become used to living on low-incomes. This group are more likely to suffer from what the coaching community terms 'self-limiting beliefs' rather than shopping fever. Again there are some advantages to a frugal approach to business, at least in the very early stages when you are still proving your business model and establishing whether you are likely to have a customer base at all. But self-limiting beliefs can stop women building on that early potential.

The income gap

It's not all in our head. Women are often careful about money because they simply have less. On average women still earn around 18% less than men in comparable jobs. If they work part-time, and most women do, the gap is over 40%. Combined with lower access to employee benefits like pensions, this amounts to a deficit of £250,000 over a lifetime for the average woman. So if you are the average woman, or close to, you will have a quarter of a million pounds less to play with.

In addition, you know deep down that if things go wrong in your relationships, you're much more likely to be left holding the baby. You're also much more likely to take responsibility for the care of elderly parents. So not only do you have less to play with, you have a deeper sense of responsibility for others too. This doesn't make you risk averse, it does give you a very real sense of risk awareness.

Women and business finance

While there's little doubt that women approach finance differently to men, the reasons remain a complex mix of limited resources and social expectations. For women who want to start or grow a business, some of the implications are as follows:

- **Women are around ten percent more likely than men to see finance as their only barrier to entrepreneurship. Education and training reduce the difference.[2]**
- **Women start businesses with around one third of the level of finance of their male counterparts, in every size and sector of business.[3]**
- **Women use a narrower range of types of finance in their businesses. They are much less likely to use private equity or venture capital.[4]**
- **Women are more likely to be offered business bank loans and also more likely to turn them down.[5]**
- **Fear of debt is the single largest barrier to entrepreneurship for both men and women, although women are significantly more fearful than men.[5]**

Taking control

When it comes to your own attitude to finance there are a few practical things you can do to make sure that money is a tool that works for you, rather than the other way around.

First take a rational approach to your money. Set a budget and, within reason, stick to it. If you've already got that approach in place, your business will be off to a great start.

At the same time, if you are one of the 80% of us who sometimes spend – or avoid spending - in an emotional way, you could tackle that too. Financial beliefs can become reality and many of them will narrow your options.

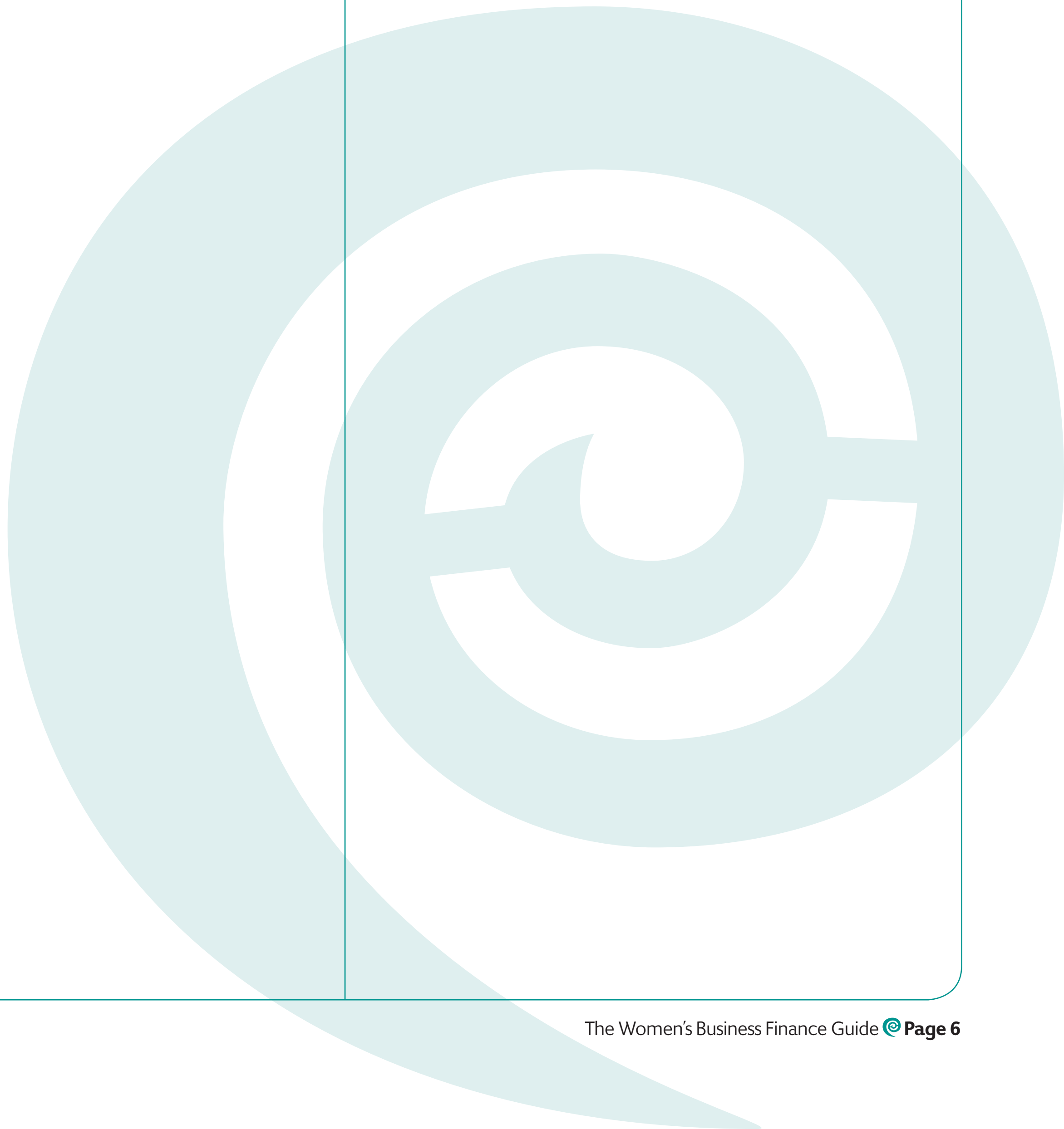
Exercise – Dealing with limiting beliefs

Do any of the following statements chime with your view of money?

"I'm no good with numbers"
"You have to rip people off to make money"
"Money is the root of all evil"
"People like me will never have any money"
"You can't have time and money"
"I'll never have enough money to start or grow my business"

Those are the kind of beliefs that come from what you see, hear and experience about money when you're a child. Do you have any other of those mantras playing in your head? Be honest and list them on the left column overleaf:

My money beliefs



OK, now let's deal with those beliefs. Think through each one and come up with reasons why, or instances where, it's not true. If you really can't come up with anything, ask someone else for their view and discuss. (Below, I give a few examples if you're stuck, but you really will get a lot more out of this exercise if you come up with your ideas.)

Now replace each limiting belief with a positive statement, supported by some evidence. So instead of 'I'm no good with numbers' you might put something like: 'I'm good with numbers – I manage the household budget really well.' When you've finished the list, score out the side of paper with the limiting beliefs on it. Those beliefs don't do you any good. So get rid of them.

Shattering financial self-limiting beliefs

"I'm no good with numbers." The way we were taught at school used to reinforce the stereotype that girls were no good at maths. That's been shattered, with girls now doing just as well as boys. But a lot of older women are left feeling like numeric dunces. You don't need to take responsibility for bad teaching and poor expectations!

Business numbers are simple arithmetic not complex maths, not much different from a household budget. If you can keep your household afloat you can do the same with a business. For most businesses, finance is a simple matter of total money in (sales), minus total expenses (the costs of delivering your service or product), and when you will pay or receive that money. What's left over is your own income and profit and that gets taxed.

You can free up time by getting a bookkeeper or accountant to manage your accounts for you. Make sure you are always well informed and on top of your own numbers though. If your accountant can't explain clearly what's in the accounts, get someone else who can.

"You have to rip people off to make money." There are lots of unscrupulous people in business, and TV shows like the Apprentice certainly don't give business a good name! But the truth is that there is a lot more good than bad business. Research tells us that most people who start a business say that making a difference for society or the environment is one of their key business objectives (even more so for women).

"Money is the root of all evil." Money certainly helps if you do want to make a positive difference: Bill Gates couldn't come close to eradicating Polio without the billions he's made from Microsoft. Success will help many more people benefit from your product or service than obscurity!

"People like me will never have any money." Try telling that to Michelle Mone, who was brought up in abject poverty in a Glasgow slum. Michelle launched her Ultimo lingerie company in her 20s and is now a multi-millionaire. Or JK Rowling who started writing the Harry Potter books when she was a lone parent living on benefits. Self-made female entrepreneurs are the UK's fastest growing group of millionaires.

"You can't have time and money." There are times when you may well have to put a lot of time into a new business. But many women start businesses because they want to work and have time for their family and other priorities. Having judged the Prowess Mumpreneur awards for two years – always by far the most popular category – I can tell you that very large numbers of successful women business owners do succeed in getting that balance right.

"I'll never have enough money to start or grow my business." For a start, you don't always need money to start a business. Read the chapter on lean start-up! And by the time you've finished reading this ebook, you'll have plenty ideas of where you can go to get funding for your business.

Having a plan

If you want to raise external finance for your business you will generally need a Business Plan. Unless you have a business that is likely to attract significant investment, the good news is that this plan should be as useful and as short as possible.

Banks in particular will generally be happy enough with such a practical approach; those days Banks usually only want to know that you have the collateral in place to guarantee borrowing.

A much more detailed approach will be required if you are seeking an unsecured loan or equity investment. Those backers and investors will want to know that you have a proven market for your product or service. They will also closely examine the validity of your financial projections. Investors will want to be able to assess how soon and how much profit they can expect. If you're looking for equity investment you'll probably also need additional professional advice.

At their best, Business Plans are written and owned by the business owner. They set a direction for the business, paint a clear picture of how you are going to get there and motivate others to get involved. They are 'live' documents that are reviewed and updated regularly.

As a minimum your Business Plan should include:

- An executive summary
- Your USP – what's unique or different about what you do
- Your vision and values – where are you going and how will you get there
- The Market – customers, competitors and industry
- Marketing plan
- Financial forecasts
- Your team – key people and advisers

If you find the whole idea of putting together a business plan daunting, then perhaps some women-friendly business training or one-to-one support, which will take you through the process of developing a plan step-by-step, could help. Check out the **business support map** on the Prowess 2.0 website, or contact us if you'd prefer to talk to one of Prowess's team of accredited business advisers.

If you're ready to get started on your plan, you'll find many of the high street banks have easy to use free templates on their websites. You could also check out the wide selection of completed business plans available at the **Carnegie Library** and **SMARTA**.

Bootstrapping and Lean Start-up

What is it?

Bootstrapping and lean start-up are approaches to starting a business that require little or no initial funding. You use the minimum amount of resources first to test your business idea and, critically, to find customers who want to buy it. It builds on a fundamental truth of all business models: without customers there is no business!

"The first branch of The Body Shop opened in Brighton in March 1976. Everything was determined by money, or rather lack of it... I painted the whole place dark green, not because I wanted to make an environmental statement – the word 'green' was not a metaphor for the movement then – but because it was the only colour that would cover up all the damp patches on the walls. The cheapest containers I could find were the plastic bottles used by hospitals to collect urine samples, but I couldn't afford to buy enough so I thought I would get around the problem by offering to refill empty containers or fill customers' own bottles. In this way we started recycling and reusing materials long before it become ecologically fashionable. Every element of our success was down to the fact that I had no cash". Anita Roddick in 'Business as Unusual'.

Just like Anita Roddick, businesses that develop in this way often start with a semi-developed model of their product or service, which they further develop in response to early sales and feedback from customers. Anita's customers liked the idea of refilling bottles, so she built on that.

In technology they call it 'beta'. Money from those early sales, is often used to fund further developments and iterations. When, and if, the product or service becomes viable may be the time to seek external investment and ramp up and scale the business.

However many companies that start this way, continue to build and grow at their own pace, based on revenues rather than external investment.

Pros and Cons of Bootstrapping

Pros

- **Risk reduction – most businesses fail in the first year. Lean lets you fail fast and fail often, until you get the model right.**
- **A very tight budget forces innovative thinking and tight foundations.**
- **Ongoing customer feedback and continuous learning is built in from the early days of the business.**
- **Bootstrapping enables you to test the market. It will be easier to raise external funding if you have a proven business model with existing customers.**

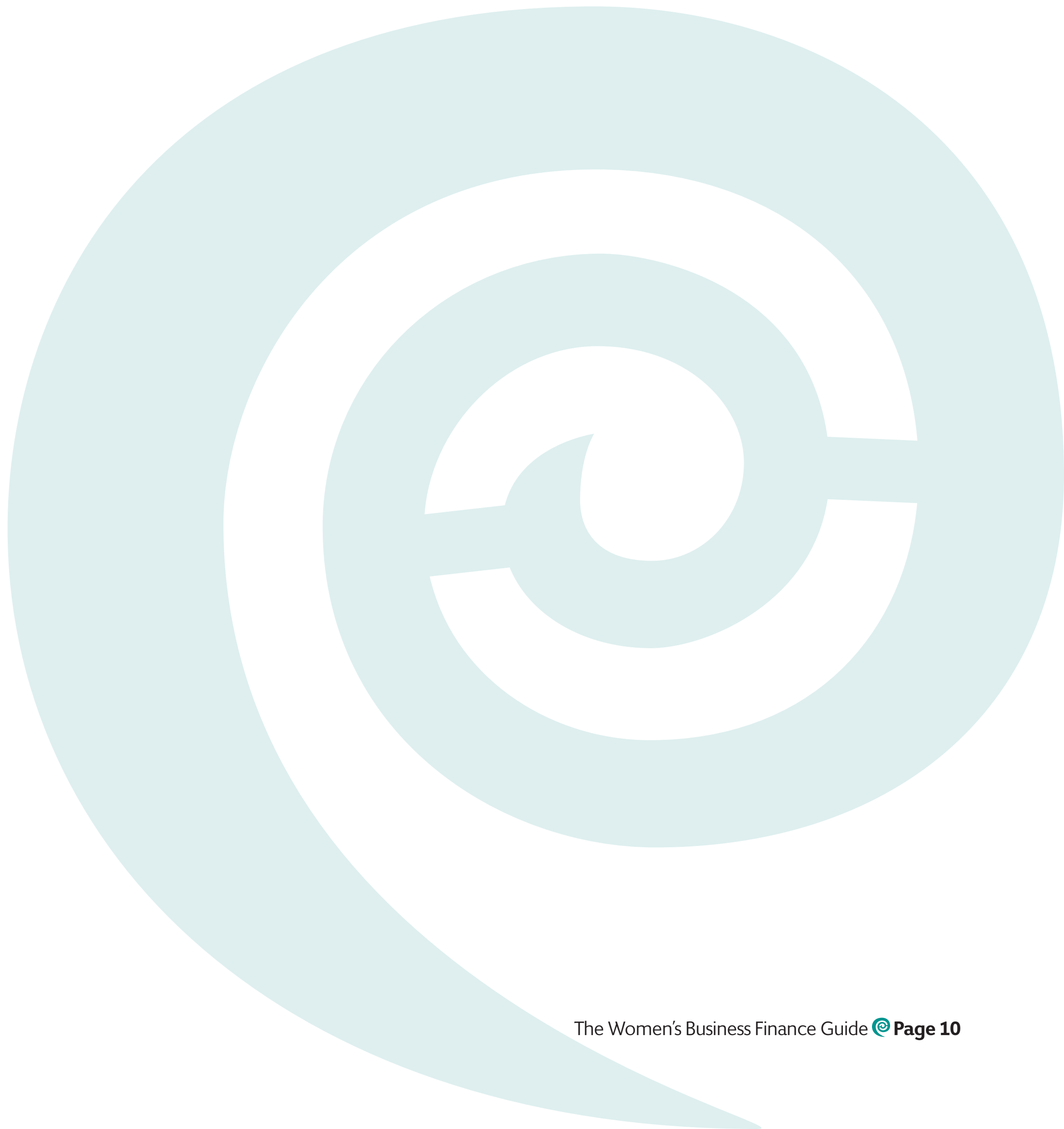
Cons

- **Not suitable for all business types. For example businesses with a long-product development cycle that need significant up-front investment.**
- **Little or no personal income in the early days. It may mean starting part-time while you work, living with or being supported by relatives, stretching out savings etc.**
- **There's a fine balance between managing resources efficiently and looking cheap. If you get the balance wrong you may damage your business image and turn off potential customers.**

Women's angle – A lot of women are natural bootstrappers in the early stages of business start-up. And women who had successfully grown their businesses through revenues were more resilient when the downturn hit. But, excessive caution means that too many women's businesses don't make it that far. Irrational caution stops a lot of women seeking sensible, timely business finance that would make all the difference between business success and failure. Lack of the right investment at the right time is the main cause of women's business underperformance and failure. Lean start-up is not about scrimping for its own sake: it is about efficiency and timing; the right mix of resources at the right time for your business.

More information

Eric Reis – The Lean Startup: How Constant Innovation Creates Radically Successful Businesses
Anita Roddick – Business as Unusual: My Entrepreneurial Journey. Profit with Principles
5 step simple business planning for bootstrappers



Grants

Grants are free money, in the sense that you don't need to pay anything back. There are over 6,000 schemes open to UK businesses, so that's a lot of free money to go around, albeit highly competitive. Grants are offered by the Government and EU, Charitable Trusts and Foundations, Agencies like the Arts Council and NESTA and also by private companies.

Grant funders often require a proportion of matching finance, typically around 50%. ie. They will give you half of the total cost of the project if you can raise the rest of the funding elsewhere, or contribute it yourself. And even when they provide 100% of the cash, grants are rarely entirely free. Usually there are all sorts of strings attached and hoops to jump through.

You will need to fill in an application form; ranging from a single page to over one hundred pages long. You'll also need to meet or support the funder's eligibility criteria, which may include:

- **The business or project stage - a lot of funding is for proposed initiatives, so if you've already started it may be too late**
- **Where you live – it's worth contacting your local authority to check if there are any local grant programmes**
- **Age - there are lots of business funding schemes for young people at the moment**
- **Business sector**
- **Impact – eg. innovative new products, jobs, social and environmental impact**

Funding schemes sometimes include a package of training or mentoring to help you make the most of the grant. If your business objectives are perfectly aligned with the funding scheme, then grants with a support package are wonderful and will really help you to make progress. But if you are following the funding and adapting your business to fit into the box, then it's going to feel like a pain as well as distort your business, leaving potential customers confused about what you do and who you are.

It's better to start your search for a grant with the needs of your business in mind. Popular needs are research & development, innovation, training and development, carbon reduction etc.

Pros and Cons of grants

Pros

- **If you find a grant pot that is a good fit then this can be a good way of financing your plans.**
- **No repayments to make.**
- **Credibility and reputation enhancement of winning support.**
- **Possible networking opportunities with other grant recipients and supporters.**

Cons

- **Applications can be complex and time-consuming and even then you may not succeed. The process can be a massive distraction from finding customers.**
- **Mission drift – adapting your business objectives to meet funders' requirements will distort and undermine your business.**

Women's Angle - Grants are one of the few areas of finance where women generally do better than men. Training and development grants are popular with women at the start-up stage; we're more likely to sign-up for training and it's more likely to make a positive impact on the success of our businesses. There aren't any specific women's business funding schemes but there are several Women's Business Awards programmes, which provide credibility and PR, sometimes cash or products and valuable packages of support and advice.

More information

A good place to start are some of the grant-finding databases. They enable you to search by your personal and businesses characteristics and what it is you want to achieve. The following sites are free.

www.grantsnet.co.uk
www.j4bgrants.co.uk
www.grantfinder.co.uk

Those databases seem to pick up most major and small schemes, but it's worth having a good search on the internet as well, especially if you belong to a particular target group or your business is very niche. Also, take a close look at what's available locally: talk to the local enterprise agency or your Council Economic Development Unit and keep an eye on the local media.

The Bank

Banks are the main providers of business finance in the UK. Their core business finance products are loans and overdrafts. Those bank products account for over half of all UK business finance, with credit cards accounting for another 15%.

Your high street bank isn't a risk taker and will generally ask you to provide full security for a business loan. So if things don't work out they will be able to call in your security, which is often your home. Before the downturn there was lots of equity available in UK homes and that bubble funded quite a bit of business investment. However now the bubble has burst it's becoming more and more difficult for people to find adequate collateral to support loan applications. As a result of that, and the on-going credit crunch, banks are lending less.

The Government has stepped in with the Enterprise Finance Guarantee (EFG), which provides the security for up to 75% of any losses on loans of up to £1million over 10 years. The minimum loan amount is £1,000. Standard bank lending interest rates apply, plus a small quarterly charge. The bank makes the decision on whether to lend or not. They will look at two things:

- **viability (based on your business's track record and a good business plan); and**
- **that all your available assets are already pledged as personal guarantees before Enterprise Finance Guarantee lending is considered**

Banks remain tough on their viability scoring but it is worth persevering. Sahar Hashemi was rejected by 19 banks - many were different branches of the same chain - before finally getting support for what became the first outlet in the Coffee Republic chain. In her book, Anyone Can Do It, she explains: "We decided that getting a 'plain vanilla' loan from a high street bank was best for us." They qualified for the previous incarnation of the EFG and approached all of the banks. "It was a very demoralising task, as one bank manager after another told us our idea would not work!"

Banks can't use your principal private residence for a new EFG backed loan, but it seems they will ensure it's used to secure their own loans before they'll consider you for an EFG. So while business lending isn't a high risk for the banks, it can be high risk for business borrowers. When they say 'your home is at risk', they mean it.

That may explain why such a high proportion of businesses are prepared to pay high credit card interest rates to finance business survival or growth. As long as you have access to the balance you require, there are no questions, no viability tests and no direct guarantees. Of course, miss a few payments and the consequences can be just as dire.

Pros and Cons of Banks

Bank Loan

Pros

- Bank loans and overdrafts have comparatively reasonable interest rates
- Reasonably quick decision making process
- You retain full ownership of your business

Cons

- If you have business or personal assets you will have to use them as security and you could lose your home

Overdraft

Pros

- Quick and relatively easy to organise
- You retain full ownership of your business

Cons

- The bank can demand instant repayment at their discretion.
- Relatively high charges

Credit Card

Pros

- Can be quick and easy to organise
- Not *directly* secured against your assets
- Private – you don't need to say what the money is for
- No business plan required

Cons

- Relatively high interest rate
- If you get behind with payments, your credit record will be affected and the lender will take steps to seize your assets

Women's angle – Women tend to look for smaller loans which can be subject to relatively higher administration charges. Women's relatively lower earnings in the workplace, combined with the fact that they tend to start businesses at a younger age, mean that they often have less security against which to borrow and less of a track record. However, women are more likely to be offered business bank loans and more likely to turn the loan down.

More information

Online comparison sites, such as **Moneyfacts Business** are a good place to start. But be aware that not all lenders are featured.

SMARTA How to apply for a business loan

Sahar Hashemi – Anyone Can Do it: Building Coffee Republic from Our Kitchen Table.

Equity

What is it?

Equity finance is investment in your business in return for a share of the business and a share of the profits. Equity can come from the owners of the business, or outside individuals, companies or investment bodies. It includes business angels, other informal investors and venture capital.

Equity is a form of finance which is generally used to catalyse growth, either at the start of a business or to fund expansion, an acquisition or a management buy-out. Much media attention focuses on high return venture capitalists, but other types of equity investors can provide more patient capital with some element of risk sharing and may not require the kinds of control needed by purer forms of venture capital.

An equity investor becomes a partner in your business. Your business's success is also their success, so they will generally do what they can to help it to get there. For them it's a risky investment where success is by no means guaranteed. As a result, formal investors will be looking for a good return on their investment and for you to have an 'exit strategy' so that they can access that return reasonably quickly, through sale or floatation on the stock market.

Friends and family

There's thought to be a huge amount of informal investment provided by family, friends, work colleagues or others. This kind of support is often below the radar and not picked up by formal statistics, although informal investors could and should take advantage of the generous tax breaks available (see Business Angels section). This finance may be more or less structured like a loan or an equity investment and be related to a share in profits, often with delayed payments.

Business angels

Angel investors are generally well-off people who provide small investments for start-up or growing businesses. In return they usually receive equity – a percentage of the ownership of the business. There are generous tax breaks to encourage business growth with this kind of investment through the Government's Enterprise Investment Scheme. A study by NESTA in 2009 found that the average investment was £42,000 and the average equity stake was 8%. There's no 'set amount' for angel investment which can be as small as £5,000 and go up to several £million. The tax break for investors was doubled to £1 million in 2011. Angel investors will be looking for a good return on their investment and they are generally looking for an exit, or sale of their shares, within 5 years.

Most business angel relationships are sourced by the business seeking investment through their own networks. There are also several Business Angel Networks that help to match-make businesses with potential investors. Those networks also enable angel investors to share research efforts and pool capital.

Venture capital

Venture capital (VC) is generally aimed at early stage companies with high-growth potential. Investable companies need to have a novel or disruptive idea or business model which has the potential to become highly profitable. VC investment is high-risk, most investments fail. As a result VC funders are quite hands-on, taking a significant role in decision making as well as their portion of ownership and value. The level of risk means they also need and demand high rates of return. As a result VC is only really suitable for sectors and business models with high growth potential. Investors will also want to see a high quality management team. Less than 1% of UK businesses use this form of finance.

Pros and cons of Equity financing

Informal investment from friends and family

Pros

- Convenient
- You may be able to negotiate better terms
- Doesn't usually require collateral

Cons

- Can get messy if things go wrong. Make sure you have a formal agreement and everyone understands the worst as well as best case scenarios.
- Potential interference by well-meaning amateurs!
- Some loss of control over your business, depending on the level of investment.

Business Angels

Pros

- Doesn't usually require collateral, although investors will want to see that you have invested your own funds if available
- Mentoring, support and access to networks

Cons

- Some loss of control over your business, depending on the level of investment.
- Fees and paperwork can be onerous – make sure you have professional support.

Venture Capital

Pros

- Doesn't usually require collateral, although investors will want to see that you have invested your own funds if available
- High level of management support and external expertise

Cons

- Some loss – possibly complete loss - of control over your business.
- Fees and paperwork can be onerous – make sure you have professional support.

Women's angle –When it comes to formal equity investment there is a very clear women's angle. The figures speak for themselves: best estimates suggest that no more than 5% of VC and Business Angel investment goes to women owned businesses. Similarly the vast majority of investors are men.

Some of that disparity is explained by the fact that many women tend to start businesses in sectors with unattractive risk/reward ratios for growth-focused investors. Also women are less likely to want to cede control of their business and they are often put off by the style of the VC industry, which is at odds with the way they want to run their business. Laura Tenison, founder and managing director of Jo-Jo Maman Bebe, sums up this view:

"I came to the conclusion that we wouldn't get what we wanted out of them although they would get what they wanted out of us. It just wasn't in line with our business practice and our business ethos. Your average equity partner is looking for a three to five year exit for their capital. And they're looking to at least increase their capital five-fold during that period. So, in effect, high stakes. They're going to work the business extremely hard, they're looking for a short-term exit strategy. On top of that, they expect one in five businesses to make a lot of money and the rest to more or less tick along and one or two of those five to go under. I'm building this business as a brand. I'm building it for longevity. I'm building it for the benefit of our employees, who might have children who come into the business in ten or twenty years time. And I've found that that attitude and the attitude of the equity partners did not meet".[7]

But research tells us that even women who feel that VC investment is right for their business, who tick all the boxes investors look for – high-growth potential, ambition, management experience etc – can find it more difficult to access VC investment.

There are few differences between men and women when it comes to informal investment from family and friends, which forms around 18% of all business investment. This type of investment can be particularly attractive to women

without collateral. Equity investment is also an important funding vehicle for Muslim women who cannot access debt for religious reasons.

The low level of formal equity investment and the low level of female investors have been identified as critical issues for UK economic growth.[8] It's clear that much untapped potential is going unsupported. As a result a number of initiatives have sprung up either to help women access and negotiate growth capital directly or to provide more holistic and supportive funding packages. For women looking for investment they may be a good place to start.

More information

Astia aims to provide access to the networks and expertise that high-growth women entrepreneurs need to succeed. It supports eligible businesses at any stage of development. The businesses need to be able to demonstrate high-growth potential and have at least one woman in a leadership role. The Astia network links supported businesses to growth opportunities including investment.

Addidi Business Angels is a women-only angel investment club, which brings together 20-30 female investors, who each commit to invest £20,000. The club pool investments in small growth companies. Addidi recently invested in Karen Hastings business 'Cupcake', which runs clubs and cafés for new mums and their families in London.

New **research** also suggests that women are no less likely to win investment from mainstream business angel groups than men. Women are less likely to ask. So if you think that business angel investment may be right for your business, don't hold back. The female-focused funds may well provide the approach and type of support that best suits you, but if the funds can't help, don't hesitate to take your pitch to the mainstream. The **British Business Angels Association** represents 100 investment networks across the UK.

Trapezia The trapezia venture capital funds are the first of their kind in Europe, dedicated exclusively to investing in high-growth women-focused businesses. Trapezia is currently raising funds for a second investment round.

Aspire co-investment venture capital fund for women-led businesses.

BVCA The industry body for the private equity and venture capital industry in the UK.

Community Development Finance Initiatives

What is it?

CDFI's lend money to businesses, social enterprises and individuals who struggle to get finance from high street banks and loan companies due to poor credit histories, lack of collateral, or lack of business experience. They can also be a source of additional loan finance if a business is waiting for finance to come through from another source, or if a bank is only willing to lend part of the finance they need (these are sometimes known as 'co-financing', gap financing' or 'bridging loans').

There are 55 CDFI's operating in the UK. They are generally independent social enterprises: organisations that are driven primarily by a social mission, but operate as businesses. CDFI's extend access to finance. Each of the CDFI's has a slightly different approach, different target groups and terms. However, they all charge reasonable rates of interest, though they are sometimes a little higher than high street lenders to take into account the higher risks CDFI's take. Some CDFI's offer business support and financial advice in addition to loans.

The industry trade association, the CDFA, is supported by the UK Government and some of the larger CDFI's are regulated by the Financial Services Authority (FSA).

Pros and Cons of CDFI's

Pros

- Accessible loans if you have a poor credit history, lack collateral or business experience
- Comparatively reasonable interest rates
- Reasonably quick decision – making process in most cases
- You retain full ownership of your business.
- You may be offered additional independent business support or financial advice

Cons

- Some CDFI's may charge interest rates which are at a higher level than high street lenders
- Some CDFI's require collateral if you have it

Women's angle – Many CDFI's offer an integrated package of loans with business support and financial advice. This holistic approach works well for women. Women often seek very small loans when initially setting up a business and find that banks are not interested in setting up loans for such small amounts. Many CDFI's, however, do provide microloans of £500 or less and support women to scale up to larger amounts when their business is ready. CDFI's are often financial innovators and several offer targeted programmes for women in business.

More information

CDFA members list

Credit Unions

Credit Unions are mutual savings and loans institutions, owned by their members. There are almost 500 of those small institutions in the UK with around 1 million members. And they are set to expand. New legislation introduced in February 2012 enables them to offer products in a way that is more directly comparable to high street lending and to open up their services to small businesses and community groups as well as to individuals.

Credit unions are not-for-profit. Any surpluses are shared between members. They are also protected by the UK Financial Services Compensation Scheme. So any savings are safe up to £85,000 per person, per institution. Interest rates are 'fair and reasonable', they are usually around 12.7% per annum (1% per month), but can be as low as 6% and there is a statutory maximum of 26.8% per annum (2% per month). Credit unions aim to instil good financial habits in their members, and in some cases you need to save for a few months before you can take out a loan or qualify for a lower rate of interest.

More information

Find Your Credit Union website from the trade body ABCUL, or you can call on 0800 015 3060.

Peer to peer lending

New technology and the credit crunch have led to the emergence of peer-to-peer (P2P) funders in recent years. P2P connects people or businesses that need loans with individual investors.

Funding Circle is the best-known UK peer-to-business funder. It has lent almost £24 million to UK small businesses since launch in 2010. Funding Circle offers loans of between £5,000 and £250,000 to established businesses, which must be Limited Companies or LLPs and have two or more years' accounts filed with Companies House. Loans can be for: working capital, expansion, asset finance or one-off business expenses.

Interest rates are generally a little lower than the high street; the current average rate is 9% plus a 2% fee. Decision making is faster. Loans may be secured or unsecured depending on the value and purpose.

More information

Funding Circle

Crowdfunding

Crowdfunding brings together businesses or projects with groups of investors who pool funds and knowledge to support the initiative. Your initiative is promoted on the crowdfunding portal and if it gains traction it will gain both seed funding and considerable word of mouth support.

This approach to building support levers the internet and social media and is increasingly being used as a mechanism for grant applications, where applicants upload a video pitch and then solicit votes from the public. It is also becoming a popular method of raising investment for creative industry projects - such as films, books and music – and social enterprise.

Crowdcube launched last year, with a web based platform offering small investors the chance to make equity investments in small business. In that time it's attracted over 10,000 investors and invested £2.3million. One of the earliest investments, fairtrade bodycare business Bubble & Balm, raised £75,000 from 82 investors who each contributed between £10 and £7,500, giving them a joint 15% stake in the business. There is no cost to pitch your

business through Crowdcube. They take a 5% success fee if you meet your target.

More information

Crowdcube
Crowdfunder Funding for creative and social projects.
Indiegogo Global funding platform for ideas and campaigns.

Debtor Financing

If you're an established and growing company with reliable customers who pay you on invoice, debtor finance may be an option. It essentially enables you to get part of the money owed to you as soon as it is invoiced, speeding up your cashflow.

There are two methods. Factoring is where you basically outsource the management of your sales ledger. The Factor takes responsibility for collecting debts on your behalf.

With invoice discounting, the discounter effectively lends your business funds against the security of issued invoices.

In both cases, the quality of your customers or debtors will influence costs. If you're accepted, you may be able to borrow up to 85% of approved debts. There are several dedicated Debtor Financing companies and many of the high street banks also offer those services. Shop around to get the best deal.

More information

The Asset Based Finance Association, with links to its 50 UK members that comprise 95% of the UK industry.
Business Link Factoring & Invoice Discounting information.

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Prowess 2.0 is the online portal for women in business. We provide top-quality information, links to local support and networks and we develop helpful online resources. Sign-up for our monthly ezine for regular updates and opportunities **http://eepurl.com/ijwHU**

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