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KA220-YOU - Cooperation partnerships in youth

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Aim of Module

Hello and welcome to the Youngpreneurs Youth Enterprise Programme Module "Financial Literacy and Access to Funding!"

In this module we will explore the fundamentals of financial management, strategies for accessing sources of funding, and the skills you need to effectively manage the costs and risks associated with starting a business.

Activities in this module include interactive sessions on the key principles of financial management, case studies and practical exercises to help you research and apply for funding sources, and scenario-based simulations to help you identify any potential pitfalls. We hope you enjoy the content, and remember, you can return to this course at any time if you want to brush up on your financial know-how!

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Learning Outcomes

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Learn strategies for accessing grants and loans tailored to startup needs

Understand the fundamentals of financial management

Develop skills to effectively manage startup costs and financial risks

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Key Learning Elements

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Fundamentals of Financial Management

If you have ever done some cursory research into starting your own business, you've likely come across these recurring buzzwords: budgeting, cash flow management, and financial planning. These three concepts make up the core fundamentals of financial management. But what do they *actually* mean?

The vocabulary of business can feel like an entirely different language, and in many ways, it is! In fact, it's possible to attend foreign language lessons that teach you specifically how to speak in business terms abroad. But don't let this alarm you! It's entirely possible to simplify this topic with the right guidance.

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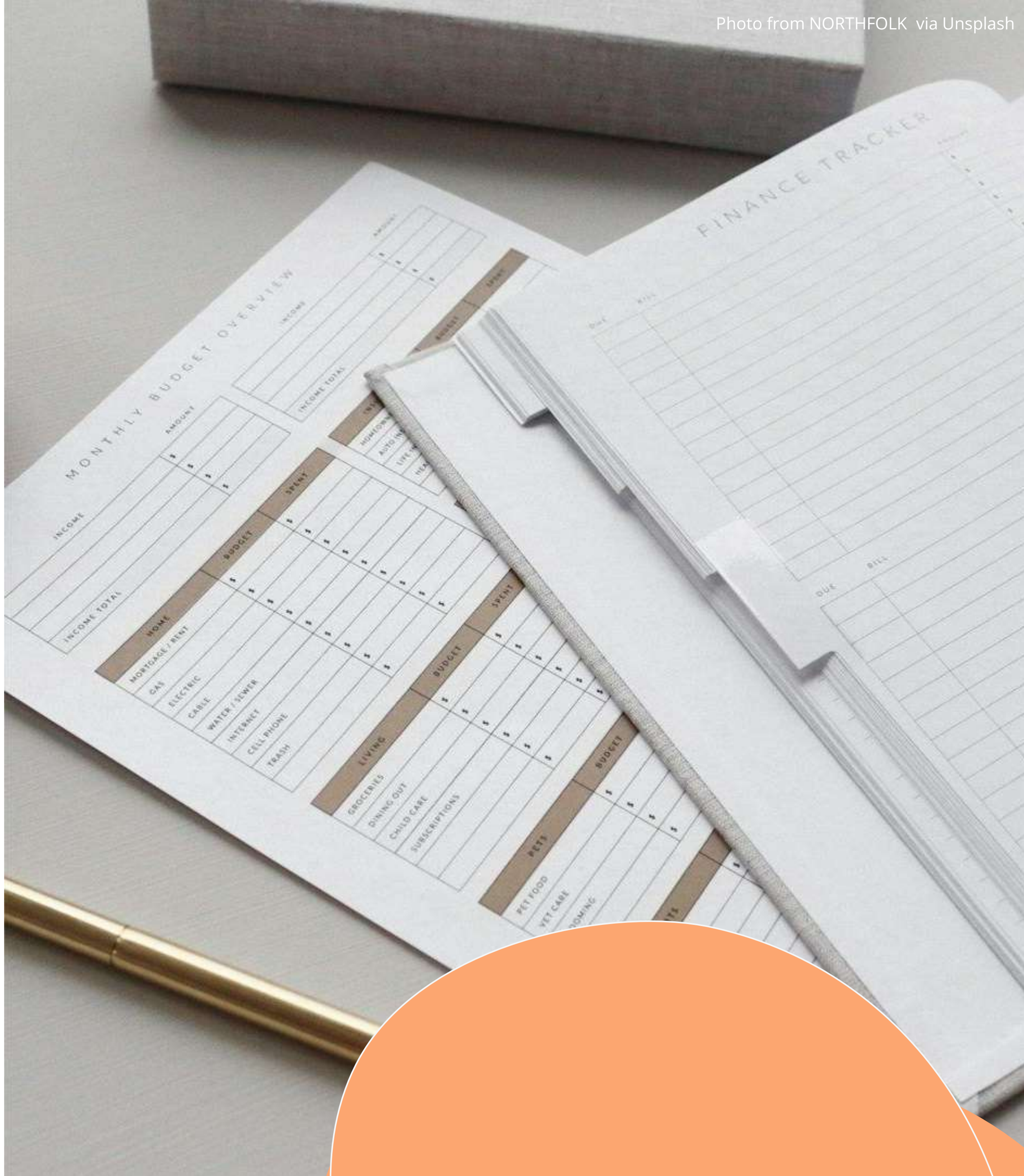
Fundamentals of Financial Management

Budgeting: “the process of calculating how much money you must earn or save during a particular period of time, and of planning how you will spend it”

- Cambridge Dictionary

You might not even realise it, but you’re probably already budgeting every day! Have you ever decided to save up your money to purchase something? This is essentially budgeting, even if budgeting for a business can be a little more complicated.



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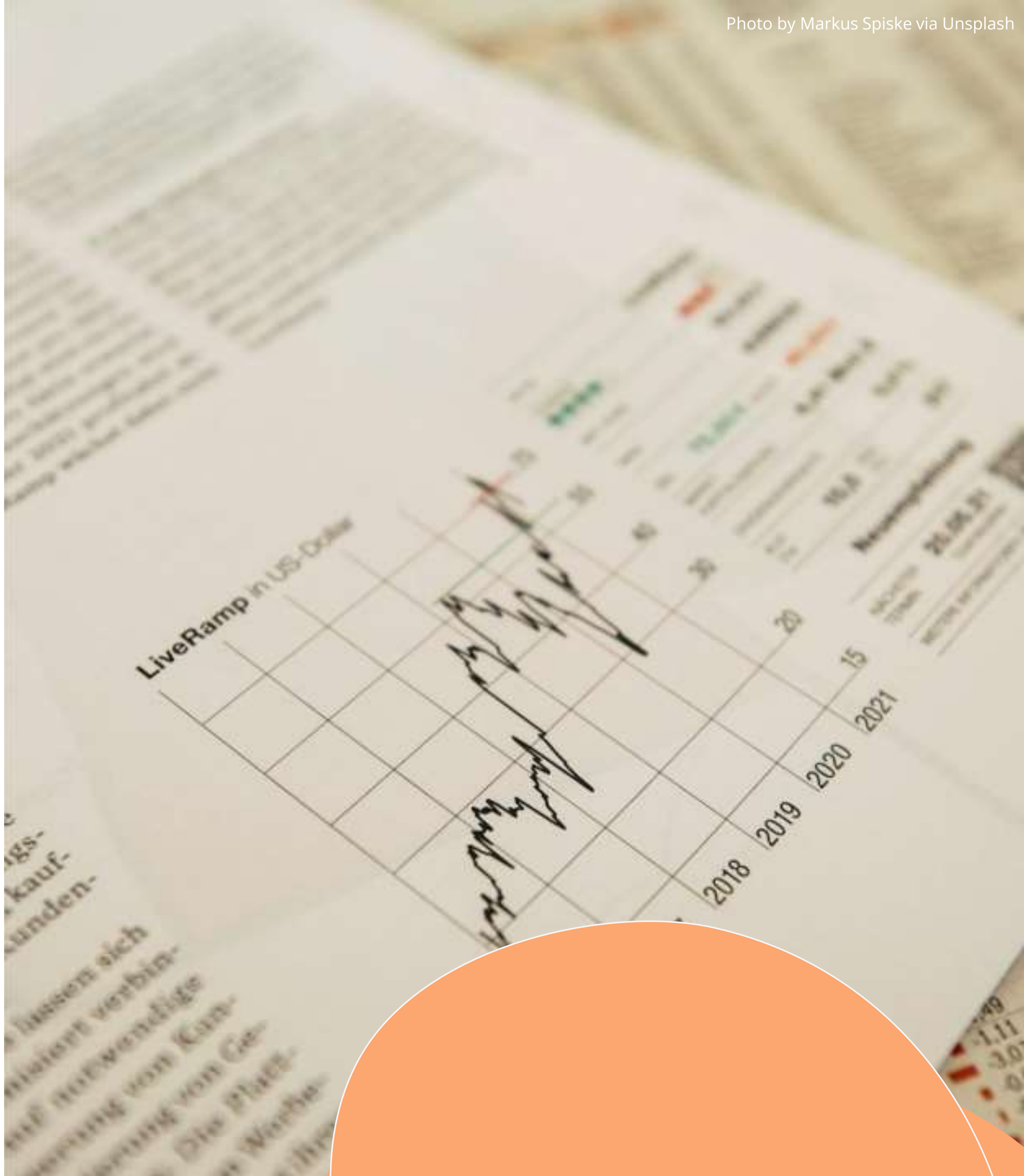
Fundamentals of Financial Management

Cash Flow Management: “Cash flow management is the process of monitoring, analyzing, and optimizing the inflow and outflow of cash within a business… ensuring that a company has sufficient funds available to meet its financial obligations”

- Shopify, 2023

Do you have any subscriptions or direct debits, such as a monthly phone bill or streaming service account (Netflix, Amazon Prime, etc.)? Cash flow management is taking stock of these types of regular outgoing payments (for a business this could mean wages, insurance costs, cost of materials, and so on) and ensuring that one has enough incoming capital to cover them.



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Fundamentals of Financial Management

Financial Planning: “the activity of making decisions about how someone should manage their financial arrangements”

- Cambridge Dictionary

An umbrella term, financial planning can include the two previous concepts, budgeting and cash flow management (as well as many other things). Crucially though, financial planning is an *ongoing* process which is used to develop financial strategies and prepare for the future.

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Strategies for Accessing Grants and Loans

Of course, understanding the fundamental concepts of financial management is helpful for anyone interested in starting a business, but perhaps the most important questions is a simple one:

How do I get revenue to begin with?

Thankfully, lots of information is available to help you with this query. So much so, in fact, that it might feel a little overwhelming. That’s OK! We’ll explore this topic together and help to demystify the world of accessing grants and loans.

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Strategies for Accessing Grants and Loans

There are many financial supports available to new businesses. Here's a short list of some examples with definitions for each.

Small Business Grant: Funding provided freely by the government, other businesses, or charitable organisations / individuals, with the express purpose of supporting new startups. They do not require repayment but are, accordingly, highly-specific and often come with strict limitations.

Crowdfunding: Funding secured from many voluntary contributors, typically via an online campaign. Platforms such as Kickstarter allow users to provide funding to various projects in exchange for a promise of goods / services once they are officially launched. Failure by the business to honour this agreement could result in the capital being refunded to contributors.

Personal Investments, Funding from Family & Friends, etc.: As the title suggests, if they are lucky enough to be in such a position, some entrepreneurs will seek informal, voluntary support from their nearest and dearest at the outset of their new business venture. Please remember to be appreciative of any contributions provided in this way, as not everyone is lucky enough to have this option.

Business or Startup Loans: Capital provided by a bank or similar institution that, unlike grants, must be repaid in installments, typically with interest on top. Accordingly, this type of funding could be said to carry a higher associated risk and should be considered very carefully and with the support of a financial professional. It is also worth considering Microfinance lenders as they are there to support start-ups without established credit ratings or operating track records.

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Strategies for Accessing Grants and Loans

As stated in the previous slides, where grants and loans are concerned, it’s often best to contact a financial professional. Here are some other methods you can consider to find out more information about these crucial financial supports:

- Most countries have a Local Enterprise Office, Business Support Agency or equivalent. These government-run organisations offer advice and information to the public on how to secure the support they need for their startup.

- Some voluntary services arranged by accounting firms, etc., provide free financial advice and assistance. Research whether any exist in your local area.

- Consider finding a mentor. Get in touch with local business people that you believe have something to offer you in terms of advice and see if they’re willing to support you with information.

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How to Manage Costs and Risks Effectively

Now that you know the basics of financial planning and some of its components such as budgeting, cash flow management, and securing funding, it's time to broach one of the more difficult topics in this area; *risk*.

Financial risk (in the context of business) "is the possibility of losing money on an investment or business venture"

- Investopedia

Common forms of financial risk include **credit risk**, **liquidity risk**, and **operational risk**. Business and risk could be said to go hand-in-hand. If you've stepped out of your comfort zone and started a business, you've already taken a risk to begin with. There is a fine line between risk and opportunity that savvy business leaders know how to navigate.

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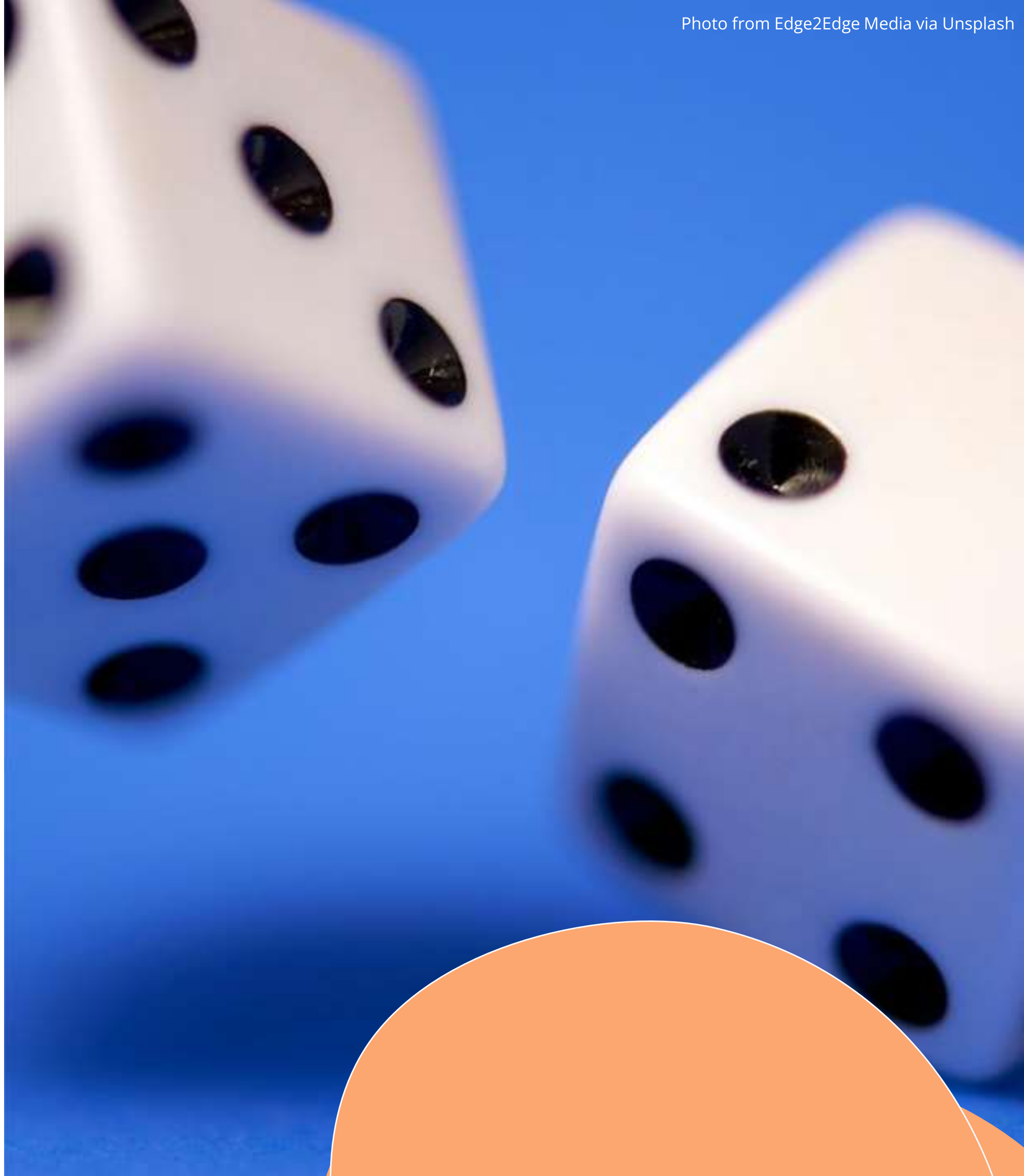
How to Manage Costs and Risks Effectively

Credit Risk: “the probability of a financial loss resulting from a borrower's failure to repay a loan” (Investopedia, 2024).

Liquidity Risk: “Liquidity risk is the risk of loss resulting from the inability to meet payment obligations” (Council of Europe Development Bank, 2024).

Operational Risk: “the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events” (European Banking Authority, 2024).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How to Manage Costs and Risks Effectively

So, in summary:

- **Credit Risk:** The risk of loss posed by borrowing money
- **Liquidity Risk:** The risk posed by being unable to cover payment obligations
- **Operational Risk:** The risk of losses that could arise that relate to a business' daily operations

But how do we safeguard against risk? It's important to note that risk can never be removed completely from the equation, but it is possible to minimise its capacity to negatively impact one's business. Here's some tips you can employ to settle any risk-related nervousness you're experiencing on the topic of starting a business!

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How to Manage Costs and Risks Effectively

Risk Management Measures:

- Identify potential risks at the outset of the business and develop a strategy to tackle each according to their level of urgency. This, combined with a financial management strategy, equips the business with a base level of preparedness that will reduce the potential negative impact of risks.

- Ensure all staff members are aware of their responsibilities and regularly check-in to make sure they are operating effectively and comfortable with these obligations.

- Take responsibility for problems when they arise and make the appropriate changes so that they do not reappear in the future. This could also include conducting feedback sessions with staff to identify any issues they may foresee.

- Monitor and review business activities and change practices that are not working and/or potentially contributing to additional risks. Mistakes happen, the important thing is that we use them as opportunities for improvement!

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Case Studies

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Case Study 1 - Bolt

Background: Bolt, originally known as Taxify, is an Estonian ride-hailing company founded by Markus Villig in 2013. Bolt aimed to provide a more affordable and accessible alternative to traditional taxi services.
Challenge: As a young entrepreneur, Markus faced the challenge of entering a highly competitive market dominated by established players like Uber.
Outcome: Markus secured an initial funding of €5,000 from his family, which helped him launch the business. Bolt later received a €2 million investment from local venture capital firms, allowing the company to expand rapidly across Europe and Africa. Today, Bolt operates in over 40 countries.

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Bolt

Reflection

Read more about Bolt by scanning this QR code, and then answer the questions below

- How did Markus Villig's approach to securing initial funding differ from traditional methods?
- What strategies did Bolt use to compete with established ride-hailing companies?
- What lessons can be learned from Bolt's rapid expansion and success?
- How did securing venture capital funding impact Bolt’s growth and development?

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Case Study 2 – Revolut

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Background: Revolut, founded in 2015 by Nikolay Storonsky and Vlad Yatsenko, is a UK-based fintech company offering banking services like prepaid debit cards, currency exchange, stock trading, and cryptocurrency exchange. The company aims to provide a seamless, mobile-first financial experience.

Challenges: Regulatory Compliance: Navigating different financial regulations across countries.

Funding: Securing capital for rapid expansion and technological development.

Market Penetration: Competing with established banks and other fintech companies.

Outcome: Revolut overcame these challenges to become a leading fintech company. The company raised $500 million in a Series D funding round in 2020, valuing it at $5.5 billion. This funding facilitated their expansion and enhanced their technological infrastructure.

Key Factors in Business Model That Attracted Investors:

- Innovative Services: Multi-currency accounts, cryptocurrency trading, and commission-free stock trading.
- User-Centric Approach: A seamless mobile app experience, transparent fees, and real-time notifications.
- Scalable Technology: Cloud-based infrastructure and easy API integration.
- Aggressive Growth Strategy: Rapid global expansion and innovative marketing techniques.
- Strong Leadership and Vision: Founders' expertise in finance and clear vision for creating a global financial super app.

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Reflection

Watch a video about Revolut by Scanning the QR code, and then answer the questions below

- What innovative aspects of Revolut's business model attracted early-stage investors?
- How did Revolut's user-centric approach contribute to its rapid user base growth?
- What role did technology play in Revolut's ability to scale its operations globally?
- How did Revolut's founders leverage their background and expertise to overcome industry challenges?

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Activities

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Activity 1 – Financial Planning

The aim of this activity is to help you develop a personal financial plan, which is crucial for understanding how to manage business finances.

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Activity 1 – Financial Planning

Steps

- On a sheet of paper, write down your short-term and long-term financial goals (e.g., saving for a new laptop, funding a business idea).
- Scan the QR code to the right, to access a template you can use to plan your monthly budget. List your expenses, income, categories, and descriptions, and track and debt that you currently owe.
- Monitor your progress over the next few months, making any adjustments needed to stay on course.
- Share your monthly budget plan with an educator or youth worker for feedback and suggestions on improvement.

Template

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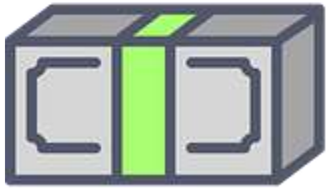
Activity 2 – Funding Source Comparison

The aim of this activity is to help you understand and evaluate various funding sources for a startup or small business.



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Activity 2 – Funding Source Comparison

Steps

- Identify funding sources: Research grants, loans, and crowdfunding platforms.
- Evaluate each source: For each funding source, provide details on eligibility criteria, application process, advantages and disadvantages etc.
- Create a comparison table using the template provided
- Analyse suitability
- Seek feedback

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Additional Resources

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Additional Resources

Budgeting Tool	Crowdfunding Platform	Financial Management Software	Entrepreneur Resources
Mint	Kickstarter	QuickBooks	Entrepreneur.com

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Additional Tips

- Leverage technology for financial management
- Join online communities
- Continue educating yourself
- Seek mentorship and guidance

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References

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Our Partnership

This is a subtitle that can be edited

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