



RAISING CAPITAL FOR YOUR START-UP (MICRO-ENTERPRISE)

When starting a new business, most often, owners will need to seek out cash and resources to launch business activities or keep it going through a rough patch. The subject of raising capital is therefore one of the crucial topics to answer before taking more steps.

A business has a variety of options to choose from when it comes to this, however, the right choice is determined by the state of the business and what it can accommodate at the point in time.

Here are some of the options for raising capital for your micro-enterprise:

Bootstrapping

This is one option in which the business funds itself. Some businesses have the capacity to fund themselves within a short period of time, especially if they require little initial expenses to launch e.g Sale of intellectual products online.

As the business grows, it throws off cash that enables further growth. Bootstrapping is advisable for businesses who do not need too much capital to start up. For such businesses, there is no need to sell equity for funds.

Have a side income

One thing you can do to raise capital for your start-up is to have a side hustle, which could be a skill you offer as a service to those who need it. For example, if you're great at building websites and mobile apps, instead of waiting endlessly for investors to pour in their money into your startup, you could market your skills to people who need your service, make some money from them, and put a large part of it back into your business.

Freelancing is a great way to raise funds for your business and stay afloat while you're still sourcing startup capital for your startup in Nigeria or Africa.

Participate in Entrepreneurship Funding Programs

Entrepreneurship programmes are usually sponsored by government agencies or corporate bodies to give back to fledgling entrepreneurs and business owners who need capital, financial and otherwise.

Their purpose is simple: to encourage and support small business ownership, thereby creating jobs and fostering economic growth. Simply going online and searching out trustworthy and recent programmes will produce a sizeable number of results.

These programs are like startup competitions and are most often, willing to contribute to your business without demanding payback. They usually judge based on business ideas or proposal entries which are sent in during a submission window.

Some examples of such in Nigeria are the Lagos State Employment Trust Fund (LSETF). We have programmes set up that help with financing startups and small businesses in Lagos State. Other initiatives include Tony Elumelu Entrepreneurship Programme (TEEP), Shell LiveWIRE, Business Fund for Women and YouWiN! Connect.

Get A Business Partner

Instead of starting a business alone and keeping all the profits (and contribution responsibilities) for yourself, why not spread the risk and responsibilities? It's good to know that there's someone else who is as committed to the success of the business as you are.

However, before any partners have invested significant time or money, you need a partnership agreement that sets out expectations and responsibilities. Decide who will do what, how these inputs will be measured, who has the right to make what decisions, how profits and losses will be shared, and what happens when partners disagree.

A partner can even invest much-needed skills in the business as a contribution, in addition or as an alternative to financial funding.

Loans

Loans are still a major source of funding for most businesses, even though getting loans from traditional banks to finance a new business can sometimes be challenging.

Getting funding from banks can be challenging also, as most banks have tightened lending policies. Banks aim at safeguarding the depositors' funds and making some profit on loans, by ensuring you can pay back both the principle and the interest that will accrue.

There are also government loans or government guaranteed loans that are more accessible to micro-entrepreneurs such as the [LSETF loan initiative](#) which attracts only 5% interest rate per annum and is available to business owners who are registered residents of Lagos State.

Besides meeting the application conditions and going through the loan application processes, this option does not pose many challenges.

The following tips can increase your chances of securing a loan from a bank:

- Have a good relationship with your banker and ensure your account has a good track record.
- Have a concise statement of how much you need, why you need it and when you need it.
- Have a plan of how you intend to repay the loan.
- Have records of your business (previous activities or projects, account statements, cash-flows etc)

Angel investors

These are typically affluent individuals willing to invest in new or growing businesses which show potential. Increasingly, angel investors have evolved into investment groups to spread risk, and to pool research. Search online for local 'angels' in your industry or country or do some asking around with business mentors who might know people in that category which they can refer you to.

On a final note, some external sources of capital, require that your business be duly registered i.e. have a Certificate of Registration, before you can have access to their loan facilities.

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