



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore – 641 107

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DEPARTMENT OF MANAGEMENT STUDIES

COURSE NAME : 19BA205 - ENTREPRENEURSHIP DEVELOPMENT

I YEAR /II SEMESTER

Unit IV – FINANCING OF ENTERPRISE

Topic 1: ED –Need for Financial Planning.



Business Finance



- Business finance is the funds required to establish, operate business activities, and expand in the future.
- Funds are specifically required various purchase type of tangible assets such as furniture, machinery, buildings, offices, factories, or intangible assets like patents, technical expertise, and trademarks, etc.



Need for Financial Planning



- Determination of amount of finance needed by an enterprise to carry out its operations smoothly.
- Determination of sources of funds
- Determination of suitable policies for proper utilization and administration of funds



Need for Financial Planning



- The financial planning begins with determination of total capital requirement. For this the finance managers do the sales forecast and if the future prospects appear to be bright and expect increase in sale, then firm needs to increase its production capacity which means more requirement of long term funds.

- After estimating the requirement of funds the next step of financial planning is deciding how to raise this finance



Objectives of Financial Planning



➤ **To ensure availability of funds whenever these are required**

The main objective of financial planning is that sufficient fund should be available in the company for different purposes such as for purchase of long term assets, to meet day-to-day expenses, etc.

➤ **To see that firm does not raise resources unnecessarily**

Excess funding is as bad as inadequate or shortage of funds. If there is surplus money, financial planning must invest it in the best possible manner as keeping financial resources idle is a great loss for an organization.



Sources Of Financing For Start-ups



Personal investment

When starting a business, your first investor should be yourself—either with your own cash or with collateral on your assets. This proves to investors and bankers that you have a long-term commitment to your project and that you are ready to take risks.

patient capital:-.

This is money loaned by a spouse, parents, family or friends. Investors and bankers considers this as "[patient capital](#)", which is money that will be repaid later as your business profits increase.



Sources Of Financing For Start-ups



Angels

Angels are generally wealthy individuals or retired company executives who invest directly in small firms owned by others. They are often leaders in their own field who not only contribute their experience and network of contacts but also their technical and/or management knowledge.

In exchange for risking their money, they reserve the right to supervise the company's management practices. In concrete terms, this often involves a seat on the board of directors and an assurance of transparency.



Sources Of Financing For Start-ups



Business incubators

- providing support for new businesses in various stages of development.
- Commonly, incubators will invite future businesses and other fledgling companies to share their premises, as well as their administrative, logistical and technical resources. For example, an incubator might share the use of its laboratories so that a new business can develop and test its products more cheaply before beginning production.
- Generally, the incubation phase can last up to two years. Once the product is ready, the business usually leaves the incubator's premises to enter its industrial production phase and is on its own



Sources Of Financing For Start-ups



Government grants and subsidies

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

Ex – **DDUGKY**

Getting grants can be tough. There may be strong competition and the criteria for awards are often stringent. Generally, most grants require you to match the funds you are being given and this amount varies greatly, depending on the granter.



Sources Of Financing For Start-ups



Bank loans

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

In general, you should know bankers are looking for companies with a sound track record and that have excellent credit. A good idea is not enough; it has to be backed up with a solid [business plan](#). Start-up loans will also typically require a personal guarantee from the entrepreneurs.



RECAP

QUESTIONS???

THANK YOU

05.04.2024 Need for Financial Planning/Dr.V.Shanthaamani/Prof MBA/SNSCE

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