

Entrepreneur Development: Financial Plan Development

Every entrepreneur need to develop a financial plan for his or her business idea. Financial plans help entrepreneurs to:

- Have an idea of how much they need to put into their business project
- How much money they might make
- How much they will need to produce in order to make what they have forecast

This help them to know the level of difficulty in starting a business and also to know if it makes sense going in for it.

Financial plans are just estimates that used for forecasting a business' success or failure. Before venturing into a business idea, entrepreneurs need to have an idea on the cost of producing a unit of output or service. They need to figure out what they will be charging for the product or service that has been created.

Why Is Financial Planning Important To Entrepreneurs?

Making a financial plan is one of the last things in a business plan. A financial plan includes:

- At least a 3-5 years profit or loss statement
- A cash flow statement
- A balance sheet (optional)

Additional Reading: [Entrepreneurship Development: Business Plan](#)

A financial plan establishes the financial goals of a business. Below are some reasons why entrepreneurs need a financial plan for their business:

It Helps to Determine the Feasibility of the Business

At the creation of a business, many have it in mind that it will be a success. After creation, many find that success doesn't come like this. It is necessary for entrepreneurs to create a business plan including a financial plan. A financial plan could be seen as a feasibility study of what it takes for the business to be successful. The financial plan will clarify many things:

- If resources are out of reach
- If the market is unstable

With a financial plan, you can know if the price you plan to charge is higher than what your competitors are charging. On the other hand, your price might be good, but the cost of production or provision of the service may be too high and difficult for you to make a profit.

Requirements for Financing Forecast

One of the main problems entrepreneurs face is getting finance. You need money when you plan to start a business. The financial plan helps the entrepreneur to know how much is needed to start and when. If your finance is limited, you could begin at a smaller scale with what you have. Having a financial plan will help you identify where you could have a shortfall. With that known, you will have to adjust the revenue and expense projections in order to

avoid such shortfalls. Or, you can try other methods of getting funds such as loans or your own savings.

Read Also: [How to Get Free Funding For Startup: Startup Competitions For 2017](#)

Apply for Funding

Entrepreneurs who request for funding from investors or lenders will need a business plan that includes a financial plan. The financial plan contains projections and assumptions behind the forecasts. If your financial plan looks unrealistic, you should not be expecting any investment or loan. This is a very common mistake entrepreneurs make – giving an unrealistic financial plan. The financial plan also helps you to identify the type of financing that would be appropriate for your business idea.

Additional Reading: [Entrepreneurship Development: Identify Your Target Market](#)

Obtaining Financing For Your Business

Entrepreneurs in Cameroon find it very challenging getting finance for their business idea. It is not easy to obtain a start-up fund, running cash for your business or even capital to expand your business. There are many ways

entrepreneurs especially start-ups can use to find money for their business ventures.

Additional Reading: [How to Get Free Funding For Startup: Startup Competitions For 2017](#)

Some Sources of Finance for Entrepreneurs

Bank Loan

Banks or credit unions are the most used methods by start-up entrepreneurs to get funding for their business in Cameroon. This method is not that easy as banks in Africa and Cameroon in particular have put in place very strict standards for loans to be issued. It is very difficult, especially for entrepreneurs that have new products to obtain loans. You need to have a very good and practical business plan in order to get finance for your business from various financial institutions.

Friends and Family

Family and friends are usually the most lenient source of finance. If an entrepreneur is lucky enough, he can get interest-free loans or loans with very small interest from family or friends. They rarely ask for collaterals or even a stake in your business.

Government or Organization Grants

Some government and organizations offer grants at little or no interest rate to start-ups that can help impact the society.

Read Also: [10 ERREURS A EVITER SI TU VEUX CRÉER TA PROPRE ENTREPRISE](#)

Government also give subsidies geared towards entrepreneurial development in target areas like agriculture, health care and other projects that can help in community development.

Read Also: [Israel to Support Incubators in Cameroon](#)

Customers & Vendors

Customers can give you advance payments to help you start or grow your business. Getting an advance from a customer shows the level of commitment by the customer to your product or service.

Vendors of your product can also help finance you as they are suppliers. This happens in the case where your business is at its growth stage and your product is booming in the market. The strategy allows start-ups with limited resources to grow faster without being indebted with high-interest loans.

Crowdfunding

Crowdfunding is a practice whereby entrepreneurs get funding for a project or a venture by raising money from many people who contribute a relatively small amount, usually through the Internet. An example of an online crowdfunding site is [Kickstarter](#) that funded about 1000 projects just last year. Crowdfunding is not long-term funding. It is all about giving support for single project ideas. What crowdfunders usually get back as an incentive for pledging their money to project creators is may be the product of the project itself. Example can be

you pledging \$10 and you get a copy of the book or CD in the case of an author or a musician.

Example of a crowdfunding project: [Cameroon-made Video game 'Aurion: Legacy of the Kori-Odan' to Become a Hollywood Movie](#)

Angel Investors

Angel investors or business angel or seed investors are private individuals who provide business capital for start-ups. Their investment is usually in exchange for a convertible debt or ownership equity. In other words, they become shareholders in the business. Angel investors are growing as they organize themselves into small groups called Angel Groups or Angel Networks in order to share research and pool their investment capital. They also offer advice to companies that they have invested into.

[OpenHub Co-working Space](#): *Where project and funding ideas are built. See [5 Reasons Co-working Space are Beneficial to Startups](#)*

Venture Capital (VC)

Just like angel investors, VC is a kind of private equity. It is a type of financing whereby firms provide funds to small, emerging or early-stage firms that are seen to have high growth potentials. High growth is seen in terms of annual revenue, number of employees or both. Venture capital firms invest in exchange for equity (an ownership stake) in the businesses that they get involved in. They take risk in financing very risky start-ups in the hope that some of them may become successful. Most of the start-ups they fund are

usually based on innovative technology and usually the high technology sector like information technology, biotechnology and social media.

Important: [How To Attract Funding For Your Business – FREE Online Course Reveals Powerful Strategies and Opportunities](#)

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