



# FINANCE FOR BUSINESS

## 1 Your own cash or savings

All businesses need cash, and your savings are usually the first cash a business uses you may find it extremely difficult to get a business started if you do not have some cash of your own, and cannot expect someone else to front up with the whole amount.

## 2 Family, friends and associates

Family members and friends are often willing to help business ventures start up and succeed, and therefore make a good starting point for raising further funds. Alternatively your idea may spark the interest of an associate or client of a lawyer or accountant. Contributors of finance in this area often need to be rewarded with some form of shareholding, but in return they may be able to contribute with administration or a relevant process. Make sure you establish and agree on clear guidelines to avoid any business direction conflicts.

## 3 Loans

Banks and other lending institutions are obvious sources of funding. Banks tend to be conservative in providing loans to start up businesses and are usually not prepared to take greater risk than you (i.e. a maximum loan of 50 per cent of capital required). For this reason you may need to approach another financial institution, either way you will need security to offset any loans obtained. Check with these lenders first and find out what their lending criteria are. It is also important to remember that lenders need to see your financial commitment and usually require a detailed business plan, particularly a cash flow forecast (biz has a forecast template available). Alternatives to a straight out loan include refinancing your current assets to raise necessary business finance or coming to an agreement with your suppliers to provide advance credit, although in return they are likely to expect a continuing supply contract.

## 4 Angel investors - [www.bizangels.co.nz](http://www.bizangels.co.nz)

Angel investors provide capital for start up or expansion business ventures and are looking for a higher rate of return than more traditional investments. They are often looking for a personal opportunity as well as an investment and can add value to the business by contributing their business experience in an active management role. It is important that you are very clear about what the angel investor is bringing to the deal besides money before you accept investment from them. You are also need to be clear about what you are prepared to offer them: shares, part ownership. Incubator organizations can also provide access to angel investors [www.incubators.org.nz](http://www.incubators.org.nz)

## 5 Venture capitalists - [www.vcapital.co.nz](http://www.vcapital.co.nz) or [www.nzvca.co.nz](http://www.nzvca.co.nz)

Venture capitalists invest in high potential, high risk business ventures which have the opportunity to yield high returns. They are professional investors and typically invest in young and rapidly growing companies with potential to become large companies. Most are either investment companies or fund managers that give cash in return for part ownership, and invest in businesses that are often not established enough to obtain bank credit. They may have no business experience applicable to the industry your company is involved in and are focused on the potential rate of return your company can provide.

It is important to note that there is a rigorous due diligence process similar to that seen on the TV show

“Dragons Den”, with a relatively low success rate.

## **6 Government Grants and Assistance**

### **A: Work and Income - 0800 559 009 – [www.workandincome.govt.nz](http://www.workandincome.govt.nz)**

Work and Income has grants available to help eligible unemployed people train, start up their own business and access business advice.

- Enterprise Allowance - Enterprise allowance helps unemployed job seekers\* who have been enrolled for at least 6 months (with some exceptions) start their own business by providing a weekly allowance to help cash flow while the business gets off the ground. The amount available for a business depends on your personal circumstances, and can be used to help with meeting business expenses such as rent or power or used to live off while you get your business established. \* Check with WINZ for latest eligibility criteria, due to change to include non WINZ enrolled.
- Business Training and Advice Grant These are available for job seekers who are considering or intending to start their own businesses. The grant can be used to fund training in management, marketing, and any relevant business skill or to hire a business adviser. The grant can be used before you apply for the Enterprise Allowance or while you are getting it.

### **B: New Zealand Trade and Enterprise - 0800 555 888 - [www.nzte.govt.nz](http://www.nzte.govt.nz)**

Enterprise Development Grant

The Enterprise Development Grants programme consists of two components:

- The Capability Building Component is available for entrepreneurs and established businesses to gain additional business skills and obtain external expertise and assistance in developing business projects. This component allows you to employ mentors, to engage a small business advisory board, undertake advanced management or technology training, get specialist advice or undertake market development activities.
- The Market Development component is to assist businesses with the implementation of significant international market initiatives including expenditure related to market visits, in-market representation, advertising and promotion, marketing materials, trade fairs & events and market research.

Meeting the basic eligibility criteria does not guarantee a grant, which can be used to fund a wide variety of activity, details of eligible / ineligible costs are provided.

### **C: Technology New Zealand - [www.frst.govt.nz](http://www.frst.govt.nz)**

Technology New Zealand provides a comprehensive suite of schemes that aim to help businesses develop and adopt new technology. SmartStart - supports the investigation and resolution of early stage barriers to technological R&D projects, and covers technology project design, planning and assessment, gap and opportunity assessment, advice and guidance, feasibility, acquisition and strategic technology planning.

Technology Expert - assists companies to undertake commercially focused research or technology development projects.

TechNet (expert access) - assists businesses that need advice to solve technical problems that are impeding innovations and future growth.

Grants for Private Sector Research and Development (GPSRD) – support the technological or technical development of new products, processes and services in small and medium sized firms. The GPSRD Scheme is targeted at firms who are making a new investment in R&D.

Technology for Business Growth - targeted towards projects that move companies towards high added value, high-margin, technology-based products. (The term 'product' also includes new processes and services.)

TechNZ Collectives - assists groups to evaluate and unlock the potential of their collective resources, assets and other unique opportunities through the application of research and development (R&D). These R&D services are provided in most primary sector industries by the Crown Research Institutes (CRIs). The primary purpose of a project is to move the entity closer to instigating a new commercial development from the R&D results.

Technology for Industry Fellowships (TIF) - enables students to complete R&D projects in companies. A business identifies a project then approaches a tertiary education institute to see if a suitable student is available

## **D: Maori**

Poutama Business Trust - 0800 476 882 - [www.poutama.co.nz](http://www.poutama.co.nz)

The Poutama Trust offers grants for Maori business development. Grants are available for investigating new business opportunities, training in business skills and purchasing products or services to aid business growth.

The Maori Women's Development Incorporation - 09 307 7014 - [www.mwdi.co.nz](http://www.mwdi.co.nz)

Provides loans to Maori women and Maori men who wish to enter into or expand a business. Security is required and interest is charged.

Grants for Maori research - [www.frst.govt.nz/Maori](http://www.frst.govt.nz/Maori)

Research funding is available from the Foundation for Research, Science and Technology for Maori collectives which support innovative and technically challenging research and development projects.

## **E: Pacific Islanders**

- 0800 287 7526 - [www.pacificbusiness.co.nz](http://www.pacificbusiness.co.nz)

The Pacific Business Trust has loans and scholarships available for Pacific Island business people to build business. They also have Business Advisors who are able to assist in working out the next steps that you need to take in your business, and run Enterprise Training seminars. There are offices in Auckland, Wellington and Christchurch.

Business Loans. A professionally managed loan programme is operated by the Pacific Business Trust for business start up or expansion to New Zealanders of Pacific descent. Applicants must be able to contribute at least 15 percent of the total cost of the project and provide security to cover the amount borrowed

## **F. Workbridge**

- 0508 858858 - [www.workbridge.co.nz](http://www.workbridge.co.nz)

Self Start Fund

Workbridge administers support funding on behalf of Work and Income. This funding can be used to help with additional costs directly relating to a person's disability when entering self employment. The Self Start fund has set targets to assist people who have higher support needs. There is a focus on ensuring that the funds are used to cover the applicant's "cost of disability".