Miss: Guessoum Khawla

Lecture 03: Funding.

1_ The meaning of Funding:

Funding refers to the financial support or resources provided to an individual, organization, or project for a specific purpose. This support can come from various sources such as government grants, loans, investments, donations, or revenue generated from sales or services. Funding is essential for businesses, organizations, projects and other initiatives to operate and achieve their goals.

2_ Uses of funding:

Funding can be used for various purposes, depending on the individual or the organization's needs. Here are some common uses of funding:

- Starting a business: Funding can be uses to cover initial expenses like purchasing equipment, renting a workplace, or hiring employees.
- Expanding a business: funding can help businesses grow by expending their operations, opening new locations, or entering new markets.
- Marketing and advertising: funds can be allocated to marketing companies, advertising strategies, and promotional activities to increase brand awareness and attract customers.
- Acquiring assets: funding can be used to acquire assets such as property, vehicles, machinery, or technology to support business operations.
- Education and training: Funding can be used to invest in education and training programs to enhance skills and knowledge.

3_ Types of funding:

Funds can be classified according to their use into personal use and investment use:

Funds for personal use: Funds used for personal use are typically used for everyday expenses such as : food, housing , transportation and healthcare . These funds are used to meet the basic needs of an individual or family and are not typically expected to generate a return on investment. The following are examples of funds commonly used for personal purposes:

1. **Emergency funds**: are personal savings vehicles created by individuals used to cover periods of financial hardship, such as job loss, prolonged illness, or a major expense. The rule of thumb is to create an emergency fund that contains at least three months' worth of net income.
2. **College funds**: are usually tax-advantaged savings plans set up by families to allocate funds for their children's college expenses.
3. **Trust funds** : are legal arrangements set up by a grantor who appoints a trustee to administer valuable assets for the benefit of a listed beneficiary for a period of time, after which all or a portion of the funds are released to the beneficiary or beneficiaries.
4. **Retirement funds**: are savings vehicles used by individuals saving for retirement. Retirees receive monthly income or pensions from retirement funds.

Funds for investment use: In the realm of investments, some types of funds include:

- **Pre _Seed funding:** This type of funding is typically the earliest stage of investment where founders use their own savings or funds from friends and family to get their business off the ground.
- **Seed Funding:** seed funding is the initial capital raised to develop a business idea or prototype. It can come from angel investors, venture capital firms or crowd funding platforms.
- **Series A, B, C Funding:** these funding rounds occur as a company grows and needs additional capital to scale operations. Each round involves raising funds from venture capital firms or institutional investors in exchange for equity.

- **Debt Funding:** Debt funding involves borrowing money from banks or other financial institutions and repaying it with interest over a specific period. It can be in the form of loans, lines of credit or bonds. There is are several types of debt funding :

  Venture debt: This debt acts like equity in the short term, but requires repayment in the long term. One to three years is the common repayment time for this type of loan.

  SBA loan: The Small Business Administration (SBA) provides guaranteed bank loans with a low interest rate. The advantage to SBA loans is some companies get approved for loans they couldn't otherwise receive.

  Asset loan: Asset loans get their collateral from the company's equipment. Companies that have large amounts of expensive equipment can use it to guarantee loan repayment.

- **Equity funding:** Equity funding is where a company receives financing from investors, and in exchange, the investors receive shares of the company's stock, or equity. There are several types of equity funding, including:

  Crowd funding: generates capital through the efforts of a large group of individuals, like family, friends, customers and investors. It also uses networks for more exposure and greater reach to help create more interest among investors.

  Angel investors: Angel investors are usually individuals with a high net worth who invest thousands to millions of dollars in startup companies.

  Venture capital: Venture capital firms are private companies that specialize in investing in new businesses. They are best for startups planning to scale big and fast.