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HOW TO FUND STARTUP COMPANIES TO SUCCESS

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Introduction

According to the “Earth Web" article written by Jason Wise 10th October, 2023 it says that globally about 305 million start up business are created each year and only 10% survive and become fully fledged business enterprises, while the remaining 90% are unfortunately closed down. There are a lot of reasons why companies fail but one of the main reasons is a lack of funding. Start-ups are an important driver of innovation, they challenge the status quo and stimulate economic growth. However, one of the biggest obstacles entrepreneurs face is securing adequate funding to turn their revolutionary ideas into successful businesses. The purpose of this article is to provide a complete guide to successfully funding startups.

By exploring a variety of funding options, including traditional and alternative sources, we are committed to providing entrepreneurs and investors with the knowledge and insights they need to navigate the dynamic world of startup funding. From bootstrapping and angel investing to venture capital and crowd funding, this article highlights the variety of funding options available, their pros and cons, and strategic considerations for entrepreneurs and investors. We also look at emerging trends such as social impact investing and government grants and shows how these innovative approaches can further boost startup financing. The ultimate goal of this article is to give people the tools and the knowledge to successfully obtain funding for their startups, supporting an ecosystem where disruptive ideas can thrive.

Funding Challenges

As stated above, 305 million are startup companies created each year globally and only 10% are able to survive their first year as business. There are several factors why startup companies fail; it may be a lack of raw materials, closeness to market or lack of infrastructure and so on and so forth but the biggest reason why many of them fail is a lack of capital. In an article written by Eric Dickmann called ‘Top 10 Reasons for Startup Failures' (2021), it says ‘Another reason why some businesses fail is because they run out of cash. If your expenses exceed your allocated budget, cash flow becomes a major problem. To prevent this, you need to be wise about your cash inflow and outflow.'



Insufficient funds harm companies in various ways like the cost of getting a license or permit to work, depending on the kind of business you want to start up it will require some money not to mention the implementation of safety measures, and hiring of specialist can put a strain to the company's finances. Companies will also need money to run the day to day activities of their organization like rent, salaries, purchase of raw materials, etc. Without funds, what happens will be the disruption of the company's operations and its ability to deliver products or services?

Sources of Funds

Financing a startup company can be a daunting and crucial endeavor. Entrepreneurs have various options at their disposal to secure the necessary funding for launching and expanding their startup. Below are some of the most effective ways to finance a startup company:

1. Self-Funding:

In an article called 'A Research Project Examining Small Businesses Owned By women In Coimbatore And Their Practice Of Self-Funding' by Ashvini Sundararaju and Dr. Theivanayaki M (2022). It says that (Self-financing, in layman understanding, is funding a business at founding of growing stage, using personal funds (savings, friends and family) or operating revenue.' It also says that 'Acquiring capital funding for initiation and growth of a business, remains one of the most important and to ugh aspects for an entrepreneur. Self-funding involves utilizing personal savings, credit cards, or borrowing from friends and family to finance the startup.' This article analysis women entrepreneurs who own small business in Coimbatore by understanding their challenges in funding and organizing their bootstrapped funds. They have identified that most of the entrepreneurs use their salary from previous/existing jobs or seek loans from their friends or family.

The sample for this article surveyed were small businesses owned by women of Coimbatore, Tamilnadu. They used a questionnaire based on survey by Winborg and Landstrom (2001); and Ebben and Johnson (2006) was distributed through an online google from link to over 95 respondents, out of which 61 respondents sent in their responses. Out of 61 respondents, 7 responses were discarded for lack of information and irrelevance to the study. There were a total of 54 small business entrepreneurs whose responses have been finalized. The research design was qualitative methodology, using questioners and checklists. After the data collection it was noticed that 54 out of the 24 respondents were of the age group of 18-24 years of age, which in total is 44.4% of total respondents. 4% of the respondents were over 60 years old and had small business and the rest where between 25 to 60 years old.

In Coimbatore 66.7% of the total respondents are full time business owners. 50% of total respondents are sole proprietors, 39% of which are in a partnership form of business and the rest have not registered their company yet. 50% of the respondents business falls under food and beverages industry.

Majority of the respondent's business belong to retail industry and rest of the business as are from manufacturing, advertising, and insurance and education industry. 56% of the respondents have just started their business, 17% of them have achieved the maturity stage of business and the rest are either growing or losing their businesses. It showed that self-financing is an easy resort when it comes to funding a new business. **(Findings are located in PG 3 – 7).**

This approach allows entrepreneurs to retain complete control over their company and avoid relinquishing equity or accruing debt. While self-funding may limit the initial scale and growth potential, it can be a viable option for early-stage startups with minimal capital requirements.

Success Stories

Over the years we have seen the rise of several organizations that have been self-funded without being given any money from banks, angel investors etc. In an article written by Dan Norris called 'No funding no worries check out these multiple 7-figure self-funded startup success stories' (2016), it looks into companies that have grown into 7 figures and more by self-funding e.g.

a) DRIP : this is an email automated platform and visual campaign builder and is one of the best email management tools out there. The company's founder Rob Wailing and co-founder and developer Derrick Reime, maintained ownership in the company and bootstrapped it from the ground up. The company arrived at their winning formula when they switched their from being in email auto responders to developing lightweight marketing automation solutions after listening to feedback from lapsed customers and this move made them become a seven figure software services.

b) BuzzSumo: this is a very powerful marketing tool that allows you to search for what content topics are receiving the most traffic, shares and engagement. It was founded in the year 2014 and without any outside investors they exceeded $2.5 million in revenue within 12 months.

They did it by converting 160,000 free subscribers, into 2,000 paid subscribers. Steven Rayson owner of Buzzsumo made this statement 'we are lucky to launch content marketing tool as ad-blocking grew and businesses focused more than ever on content to engage with their audiences.

c) Jungle Scout: is a product research tool that identifies online sales opportunities on amazon via metrics such as review count, estimated sales and revenue. Its founder Greg Mercer, believed that the initial phase of product research is the most important factor to selling successfully on Amazon. He reinvested heavily back into the software in the early days delivering a unique, world class product with outside funding. In 20 months jungle scout went from scratch to $800K in monthly revenue.

d) Tony Elumelu: Tony Elumelu is a Nigerian entrepreneur and philanthropist who is known for his self-funded approach to business. He started his career in the banking sector and later founded the United Bank for Africa (UBA). Through his investment firm, Heirs Holdings, he has made significant investments in various sectors, including finance, energy, hospitality, and agriculture, among others.

e) Aliko Dangote: Aliko Dangote is one of Africa's richest individuals and is known for his self-funded business empire. He started his entrepreneurial journey in the 1970s by trading in commodities such as cement, sugar, and flour. Today, he owns the Dangote Group, which has diversified interests in sectors such as cement, sugar, flour, salt, and oil and gas. Dangote's success story is often cited as an example of self-funding and perseverance in the face of challenges.

f) Ibukun Awosika: Ibukun Awosika is a Nigerian businesswoman and entrepreneur who is the founder and CEO of The Chair Centre Group. She started her career by selling furniture and gradually expanded her business to include interior design, real estate, and manufacturing. Awosika is also known for her involvement in various boards and organizations, including serving as the first female Chairman of First Bank of Nigeria Limited.

g) The Mittal Family: This Indian business family owns one of the largest steelmaking company in the world. The family is headed by Lakshmi Mittal, who is the chairman and CEO of ArcelorMittal. Born in Rajasthan, India, Lakshmi Mittal has built ArcelorMittal into a global powerhouse through a series of strategic merger and acquisitions in the steel sector. He started by acquiring struggling steel companies around the world, turning them around with more efficient operations and modernization efforts. Here are some factors contributing to their families success;

- **Global Expansion:** Lakshmi expanded operations, took advantages od growth opportunities in emerging markets and acquiring companies in regions like Europe, America and Asia.

- **Diverstification**: Lakshmi diversified their investments into other sectors such as mining, energy, and real estate, leveraging their initial success in the steel industry.

- **Efficiency and Innovation:** Lakshmi focused on improving operational efficiency and adopting innovative technologies to drive down costs and increase productivity.

These are the various ways in which the Mittal family became a powerhouse in the steel industry.



2. Crowdfunding:

In an article written by Tim Smith called 'Crowdfunding: What It Is, How It Works, and Popular Websites.' (2023) It says that 'Crowdfunding is the use of small amounts of capital from a large number of individuals to finance a new business venture. Crowdfunding makes use of the easy accessibility of vast networks of people through social media and crowdfunding websites to bring investors and entrepreneurs together, with the potential to increase entrepreneurship by expanding the pool of investors beyond the traditional circle of owners, relatives and venture capitalists.' I agree with this statement because this approach allows startups to tap into a wider pool of potential investors and generate buzz around their product or service. Crowd funding can be an effective way to validate market demand and secure initial capital.

In another definition, it says 'Crowdfunding is the practice of raising small amounts of money from a large number of people. The money raised typically funds a specific project, goes toward general donations, or drives support for a time based initiative.' This statement was written by Hannah Durbin in an article called 'What is crowdfunding and How does it work?' (2023). This type of funding has become very popular with but individuals, companies and organizations that different apps have come out of it for example Kickstater, Gofundme, Patron etc.
Another thing we should look at the benefit is the benefit of Crowdfunding there is a research paper called 'Crowdfunding - Startups' Alternative Funding Source Beyond Banks, Business Angels and Venture Capitalists.', written by Alban Metelka (2014).

According to this research crowdfunding has become very popular since 2008. The crowd fund different ideas, which they think are worth to get realized. The global scale surpasses $5.1 billion in industry revenue by the end of 2013. Compared to traditional financing, crowdfunding allows not only getting debt and equity-based financed.

Also donation- or reward-based financing is possible. This research looks into entrepreneurs, who opt for crowdfunding, is going to be researched. The thesis involves crowdfunding in a debate if it is an appropriate tool for ventures.

In other to get in-depth information, 60 entrepreneurs in Germany where asked to participate in interviews. The research method was qualitative method. They had to be reliable which is hard for social scientist because the world is changing everyday which affects the results of the research all the time. In other to minimize any external impacts of variations. To provide validity, evidence that demonstrates the trustworthiness of the results was included. The results show that 'The financing gap, which appeared for startups, can be bridged through crowdfunding. Crowdfunding can be a consideration for the first financing rounds. It matches perfect in combinations of other financings sources. It can be provided as seed money – the required capital is too small for venture capitalists to get involved – until liquidity is increasing.' This research is still relatively new and not much research on it has be done on it yet, but any further study into this topic should include a deeper and wider study into finance structure of crowdfunding and functionality of it as finance tool or service.

Success Stories

For the past two decades, Crowdfunding has become a powerhouse for individuals and businesses looking to raise much-needed capital to get their projects off the ground. Of course there are some risks to this method but there are also countless success stories. Here are some of them in an article written by Money Penny Resource called 'Four Crowdfunding Success Stories to Inspire You' (2014).

a) Marillion: They were the pioneers of crowdfunding, British rock band Marillion harnessed the power of fan support in 1997 by launching the first successful crowdfunding campaign to finance a North American tour. The group's fans managed to raise a total of $60,000, which enabled the group to organize a concert tour. And this is not the last crowdfunding project the team has participated in. In 2001, due to tensions between the group and their label, they asked fans to pre-order their next album twelve months in advance, self-funding the project with 12,000 signatures.

b) Monzo: The mobile bank Monzo broke crowdfunding records before its launch and offered three of them to investors.33% of the company shares if the campaign is successful. The campaign itself ran on Crowdcube in 2016 and resulted in an incredible £1 million investment in just 96 seconds! The bank also pursued this approach at the end of 2018, when account holders were offered the opportunity to purchase company shares. With a target of £20 million, crowdfunding experts raised the sum in just 163 minutes.

c) Veronica Mars: Fans of True TV are definitely familiar with the Veronica Mars series. In response to numerous fan requests for a film adaptation of the series, creator Rob Thomas and leading actress Kristen Bell have launched a crowdfunding campaign on Kickstarter. By offering incentives to donors who gave more than $10, the $2 million goal was reached within the first two hours. The campaign then continued to break records, becoming the fastest Kickstarter project to reach its $1 million and $2 million goals and then being christened campaign in which the most people supported a single project (91,585 investors). A total of $5,702,153 was invested in the film.

d) Farmcrowdy: Farmcrowdy is an agritech platform in Nigeria that connects farmers with investors. It uses crowdfunding to raise funds to support small-scale farmers and provide them with the necessary resources to grow their agricultural businesses. Since its launch in 2016, Farmcrowdy has successfully raised millions of dollars through its crowdfunding platform, attracting both local and international investors.

e) Printivo: Printivo is an online printing company that offers customized print products. In 2015, Printivo launched a crowdfunding campaign on Kickstarter to raise funds for a new line of products. The campaign was a success, surpassing its funding goal and enabling the company to expand its product offerings and improve its operations.

f) Grit Systems: Grit Systems is a Nigerian startup that develops smart home automation solutions. In 2017, the company launched a crowdfunding campaign on Kickstarter to raise funds for its flagship product, GRIT. The campaign received significant support from backers around the world, allowing Grit Systems to bring its innovative smart home solution to the market.





3. Angel Investors:

Angel investors are individuals who provide financial backing or investment capital to early-stage startups or entrepreneurs. These people have high-net-worth and have a strong interest in supporting innovative business ideas and helping them grow OR Angel investors are affluent individuals who invest capital in startups in exchange for equity. They often possess industry expertise and connections and can provide valuable mentorship and guidance to the entrepreneur. Angel investors are generally more inclined to invest in early-stage startups and assume higher risks compared to traditional venture capitalists. Sometimes they offer more than just money but expertise, industry connections, and mentorship to the table.

In an article written by Akhilesh Ganti called 'Angel Investor definition and how it works' (2023). It says that 'an angel investor provides initial seed money for startup business, usually in exchange of ownership equity in the company. The angel may be involved in a series of projects on a purely professional basis of may be found among an entrepreneur's family and friends. The investor's involvement may be a one-time infusion of seed money or an ongoing injection of cash to get a product to market.' I agree with this statement, Angel Investor provide capital for some ownership of equity. It's his/her money they must get something out of it.

In a research paper called 'Returns to Angel Investors in groups' written by Robert Wiltbank, Ph.D. and Warren Boeker, Ph.D. (2007). This article goes in debt of the benefits of angel investing, they evaluated three factors that appear to impact these angel investors' outcomes like due diligence time, Experience and participation. The angel investments reported in the study were in start-up ventures. Forty-five percent of the companies that received financing from angels had no revenues when they received the angel investment. This study also provided some statistics on the investors who belong to angel groups and size, stage, and industries of the ventures that received funding. In the article it was also noted that the data and analysis used where of angel investors that where connected to an organization and not all angel investors.

The researchers contacted 276 angel investor groups and asked their members to confidentially share their experiences as angel investors through an online questionnaire. Eighty-six angel groups participated. Thirteen percent of the members of those eighty-six groups, or 539 individual angel investors, responded. The survey had several issues like missing data, self-selection bias, so they used information from seven of the eighty-six groups. They did not find any significant differences between these high-and low-response-rate groups. The primary goal of the research was to identify the returns from investments made by angels affiliated with angel organizations.

This is commonly assessed as the multiple of the sum of cash returned from a venture divided by the sum of capital invested in that venture by the angel investor (e.g., $500,000 returned on a $100,000 investment would be a 5X multiple). Through the data they gathered, they identified that the investments they made in the year and the type of exit, along with the amount of cash they received back from the venture both during the investment period and at that exit event. In conclusion angel investors make multiple of the money they made as with other forms of equity investment. While clearly not for the faint of heart, this research suggests that angel investing can be done well in the pursuit of legitimate financial returns.

Success Stories

Many people are afraid of doing Angel Investment, because you are basically putting all your eggs in one basket making sure that it doesn't fall and brake and you lose everything. It's understandable but the reward at the end if everything goes well will be very luxurious. Here are some success stories that we can relate with.



a) Google: In the early stages of its development, Google received an angel investment of $100,000 from Andy Bechtolsheim, co-founder of Sun Microsystems. This investment helped Google establish its operations and develop its search engine technology. Today, Google is one of the world's largest technology companies.

b) Uber: In 2010, Uber received an angel investment of $1.6 million from a group of investors, including Chris Sacco and Naval Radiant. This investment helped Uber expand its services and gain traction in multiple cities. Uber is now a global ride-sharing platform valued at billions of dollars.

c) Whatsapp: In 2009, Whatsapp received an angel investment of $250,000 from Brian Acton, who later became one of its co-founders. This investment enabled What Sapp to continue its development and growth. In 2014, Facebook acquired Whatsapp for $19 billion.

d) Facebook: In 2004, Facebook received an angel investment of $500,000 from Peter Thiel, co-founder of PayPal. This investment allowed Facebook to scale its operations and develop its social media platform. Facebook is now one of the largest social media companies in the world.

e) Paystack: Paystack, a Nigerian fintech company, received an angel investment of $120,000 in 2016 from international angel investors and accelerators such as Y Combinator and Tencent. Paystack provides online payment solutions for businesses in Nigeria and has grown rapidly since its founding. In 2020, Paystack was acquired by global fintech giant Stripe for over $200 million, marking one of the largest acquisitions in Nigeria's tech ecosystem.

f) Flutterwave: Flutterwave, a Nigerian fintech company, received angel investments from seasoned investors such as Y Combinator and Greycroft Partners. Flutterwave provides payment infrastructure and services to businesses in Africa, enabling seamless online transactions. The company has experienced rapid growth and raised substantial funding, becoming one of the leading fintech companies in Africa.

4. Venture Capital Funding:

Venture capital firms provide funding to startups with high-growth potential in return for equity. VCs typically allocate larger amounts of capital to help fuel the expansion of a startup. In addition to financial support, venture capitalists can bring strategic guidance and access to their network of contacts. Adam Hayes wrote in his article 'Venture Capital: What is VC and How does it work?' (2024). It is says that 'Venture Capital (VC) is a form of private equity and a type of finanacing that investors provide to startup companies and small businesses that are believed to have long-term-growth point.

Venture capital generally comes from well-off investors, investment banks and any other financial institutions. Venture capital doesn't always have to be money. In fact, it often comes as technical or managerial expertise. VC is typically allocated to small companies with exceptional growth potential or those that grow quickly and appear poised to continue to expand.' I agree with this statement because venture capital plays a crucial role innovation and funds for startups to grow the scale of their business.

In an article written by Bob Zider called 'How Venture Capital Works' (1998), this article takes an indebt look at Venture Capital and is functions. It says 'Invention and Innovation drive the U.S. economy. What's more, they have a powerful grip on the nation's collective imagination. The popular press is filled with against –all-odds success stories of Silicon Valley entrepreneurs. In these sagas, the entrepreneur is the modern-day cowboy, roaming new industrial frontiers much the same way that earlier Americans explored the west. At his side stands the venture capitalist, a trail-wise sidekick ready to help the hero through all the tight spots-in exchange, of course, for a piece of the action.' This statement showed that Silicon Valley was a crucial partner and supporter for entrepreneurs, they help them navigate the challenges and tight spots that came with building a startup. Venture capitalist plays a crucial role in the innovation system by providing the necessary capital to help grow promising capital.

The article also stated that venture capitalist invested more than $10 billion in 1997 but 6%, or $600 million, went to start-ups. The money plays an important role is in the next stage innovation life cycle. The period in a company's life when it begins to commercialize its innovation. 80% of the money invested by venture capitalists goes into building the infrastructure required to grow a business. Venture capital fills a void between sources of funds for innovation and traditional, lower-cost sources of capital available to ongoing concerns. The article shows how venture capital boosts the economy by funding business innovation and growth and the importance of perseverance and risk taking to foster entrepreneurial success.

Success Stories

Venture capitalist has helped several companies become big powerhouses due to their support at the early stages of development, operations, innovation etc. Here are some of the companies they have helped

a) Facebook: In its early stages, Facebook received venture capital investments from firms such as Accel Partners and Peter Thiel's Founders Fund. These investments helped Facebook scale its operations and expand its user base. Today, Facebook is one of the largest social media companies in the world, with billions of users and a market capitalization in the hundreds of billions of dollars.

b) SpaceX: SpaceX, the aerospace manufacturer and space Transportation Company founded by Elon Musk, received significant venture capital investments from firms such as Founders Fund and Draper Fisher Jurvetson. These investments helped SpaceX develop its space technologies and launch capabilities. SpaceX has since achieved numerous milestones, including being the first privately-funded company to send a spacecraft to the International Space Station.

c) Uber: Uber received venture capital funding from firms such as Benchmark and Google Ventures. This funding enabled Uber's rapid expansion and global scaling. Today, Uber is one of the most recognized ride-sharing platforms, operating in numerous countries worldwide.

d) Spotify: Spotify, the popular music streaming service, received venture capital investments from firms such as Accel Partners and Kleiner Perkins. These investments helped Spotify expand its user base and secure licensing agreements with major record labels. Spotify is now one of the leading music streaming platforms globally, with millions of active users.

e) Interswitch: Interswitch is a Nigerian fintech company that received venture capital backing from firms such as Helios Investment Partners and TA Associates. The company offers electronic payment solutions and has become a leading player in Nigeria's digital payment ecosystem. In 2019, Interswitch reached a valuation of $1 billion, making it the first tech unicorn (a privately-held startup valued at $1 billion or more) in Nigeria.

f) Jumia: Jumia, often referred to as the "Amazon of Africa," received venture capital investments from firms such as MTN Group, Goldman Sachs, and AXA. Jumia operates an e-commerce platform across several African countries, offering a wide range of products and services. In 2019, Jumia became the first African tech company to be listed on the New York Stock Exchange (NYSE).

g) Wakanow: This is a Nigerian online travel agency that provides travel services such as flight booking, hotel reservations, holiday packages, and visa assistance. It's one of the leading travel companies in Nigeria, catering to both domestic and international travelers



Special Categories of Venture Capitalists

1. **Warren Buffet:** Warren Buffett is one of the most successful investors of all time and a leading figure in the financial world. Born on August 30, 1930 in Omaha, Nebraska, Buffett showed an early flair for business and investing. Buffett is chairman and CEO of Berkshire Hathaway, an international conglomerate based in Omaha. Berkshire Hathaway owns several businesses including insurance, railroads, utilities, energy and consumer products. Buffett has led Berkshire Hathaway since 1965 and under his leadership the company has generated significant profits for its shareholders. Buffett is known for his long-term investing approach, which emphasizes fundamental analysis and focuses on buying high-quality companies at attractive prices. His investment philosophy is often summarized in his famous mantra: “Be afraid when others are greedy, and greedy when others are afraid." In addition to his investing success, Buffett is also known for his philanthropy. In 2006, he pledged to donate the majority of his fortune to charity, primarily through the Bill & Melinda Gates Foundation, which focuses on global health, education and poverty reduction.

Warren Buffett made his money primarily through his investment prowess and leadership at Berkshire Hathaway, but his wealth accumulation can be attributed to several key factors:

- **Investment Philosophy:** Buffett's success stems from his adherence to the principles of value investing, which he learned from his mentor, Benjamin Graham. He looks for companies with strong fundamentals, durable competitive advantages, and competent management teams. Buffett famously invests with a long-term perspective, often holding onto investments for many years.

- **Berkshire Hathaway:** Buffett took control of Berkshire Hathaway, a struggling textile manufacturing company, in the 1960s and transformed it into a diversified conglomerate. Under his leadership, Berkshire Hathaway acquired numerous businesses across various industries, including insurance (such as GEICO), utilities (such as MidAmerican Energy Holdings Company), railroads (such as Burlington Northern Santa Fe), and consumer products (such as Dairy Queen and See's Candies).

- **Compound Interest:** Buffett has always emphasized the power of compound interest in wealth accumulation. By reinvesting profits and dividends from his investments over many decades, Buffett has seen his wealth grow exponentially.

- **Contrarian Investing:** Buffett is known for his contrarian approach to investing. He often buys stocks when they are undervalued or when the market sentiment is negative. His famous quote, "Be fearful when others are greedy and greedy when others are fearful," reflects this approach.

- **Financial Acumen:** Buffett has a deep understanding of financial markets, economics, and business strategy. He carefully analyzes financial statements, assesses competitive advantages, and evaluates management teams before making investment decisions.

- **Philanthropy:** While Buffett's wealth is primarily derived from his investments, he has also made significant contributions to philanthropic causes. He pledged to give away the majority of his fortune to charity, primarily through the Bill & Melinda Gates Foundation.

By using this method Warren Buffett became one of the wealthiest individuals in the world and a revered figure in the world of finance.



By using this method Warren Buffett became one of the wealthiest individuals in the world and a revered figure in the world of finance.

2. Mo Ibrahim: He is a Sudaneses-British entrepreneur philanthropist, best known for this telecommunications business and his work promoting good governace and leadership in Africa. He is the founder of Celtel international in 1998, a mobile phone company that provided services in serveral African ccountries, it plays a significant role in expanding access to telecommunications across the continent and sold to the Kuwaiti company Zain group for $3.4 billion which made it one of the largest Afrcan-owned businesses at the time.

He also established the Mo Foundation in 2006, which deals with the promotion of good governance and leadership in Africa. It assesses the governance performance in African countries based on criteria such as safety and rule of law, participation and human rights, sustainable economic opportunity, and human development. He has received numerous awards and honors for his philanthropic work and contributions to business and governance. These includes being named of of time magazine's 100 most influential people and receiving the David Rockefeller Bridging leadership award from the Synergos Institute. Here's an overview of Mo Ibrahim made his money:

- **Founding Celtel International:** He founded Celtel international which provided affordable and accessabile mobile phone services through the entire region which was was lacking infrastructure in traditional landline.

- **Expanding Across Africa:** He expanded Celtel rapidly, by establishing operations in multiple African countries. The company aimed to provide affordable and reliable mobile communication services, in rural areas across Africa's remote areas which contributed to it's success.

- **Innovative Business Model:** He was able to create a business strategies tailored to the African market such as prepaid mobile phone services, which made moble services , which made mobile phone usage more accessible to a broader segment of the population. He also worked on the customer service and network reliability, distinguishing itself from competitors
.
- **Selling Celtel International:** He sold the Celtel company to Kuwaiti telecommunications for $3.4 billion. Which was one of the largest business transactions in Africa.

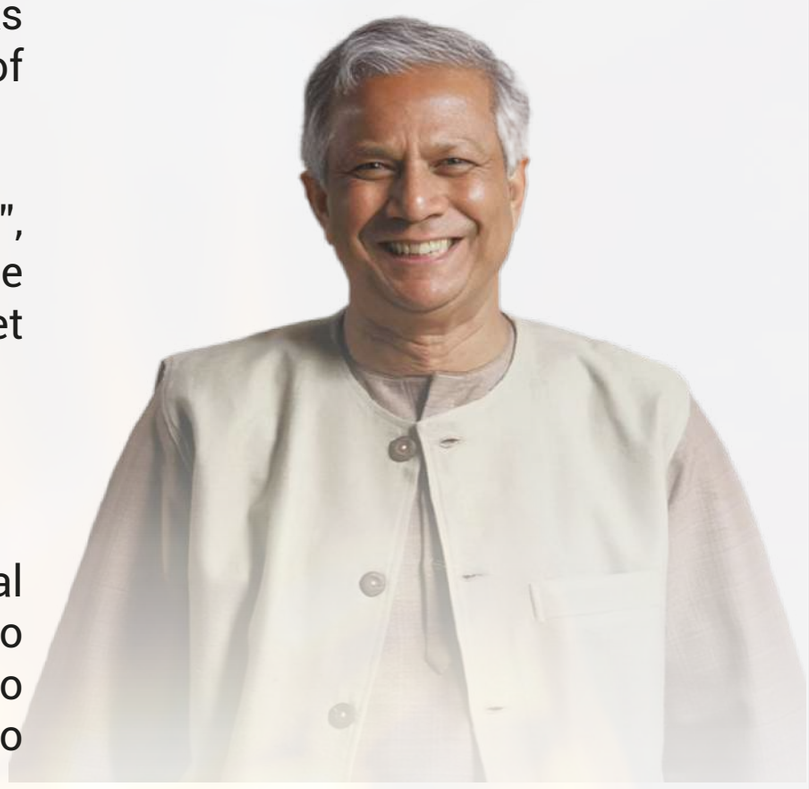
- **Subsequent Ventures and Investment:** After selling Celtel, Mr Mo Ibrahim continued to be involved in various business ventures and investments. He also focused on philanthropy and initiatives focused on promoting good governance and leadership in Africa through the Mo Ibrahim foundation.

Mr Mo Ibrahim's contributions to business and philanthropy have made him a prominent figure in the business world and his efforts to social and economic development in Africa.



3. **Professor Yunus:** He is the founder of the Grameen Bank and a pioneer of microfinance, didn't accumulate wealth in the same sense as traditional entrepreneurs. His contributions have primarily been focused on social impact and poverty alleviation. He founded Grameen Bank in Bangladesh in 1983, which provides small loans kown as microcredit, to impoverished individuals, particularly women, to help them start or expand their business.

The bank focused on requiring collateral, relying instead on trust-based relationship and group lending. In 2006, The Nobel committee recognized Professor Yunus efforts to improve the economic and social development in the country. They viewed the microcredit as a tool to for poverty alleviation and empowerment, particularly for women and for that he was awarded the Nobel Peace Prize. He is also an author and speaker on topicsrelated to poverty alleviation, social entrepreneurship, and sustaindevelopment. His books include “Banker to the Poor”, “Creating a worl without poverty”, and “A world of three zeros” . Here is how he made his money.



- **Author and Speaker:** He made money from his books“Banker to the Poor", “Creating a world without poverty", and “A world of three zeros", where he outlines his vision for a world with zero poverty, zero unemployment, and net carbon emission.

- **Microfinance and Grameen bank.**

- **Social Business:** Professor Yunus is a proponent of concept of social business, which he defines as a non-loss, non-dividend company dedicated to solving social or environmental problems. The social business aim to generate revenue to cover their costs while reinvesting any profits into furtherimg their social mission.

- **Advocacy and Impact:** He serves on various international boards and advisory bodies, working to advance social and economic justice on a global scale.

Professor Yunus's has had a siginificant impact on economic development and poverty alleviation. He has has not amassed generational wealth in a traditional sense, instead he focused on creating sustainable solutions to address social challenges and improve the lives of marginalized communities.

5) Banks/Government Grants and Programs:

The common way of funding startups companies is going to get loans from banks. Entrepreneurs can obtaining small business loans from banks or other financial institutions. These loans provide the necessary capital to start or grow a business, with repayment terms typically structured over a fixed period. However, securing a small business loan often requires a solid business plan, collateral, and a good credit history. In an article called ‘Measuring The Default Risk Of Small Business Loans: A Survival Analysis Approach, written by Dennis Glennon and Peter Nigro (2019), this paper examined the loan performance of small firms which were received from Small Business Administration (SBA) guaranteed loans.

To put into context, the study compares the default rates of SBA loans with those of rated corporate bonds. The findings reveal that the cumulative default rates of SBA guaranteed historically between the Ba/BB and B grades assigned to corporate bonds by the Moody's and S&P rating agencies. SBA loans were considered low grade, but due to their historically good credit compared to other loans they were placed at the high end of the speculative grade loans. In addition large commercial banks exhibit similar credit quality to SBA loans.

The cumulative default rates (which is the probability of default from time a group of clients chosen by the company chooses for analysis far a task cumulates of aggregates up to a final point in time) and non-parametric analysis indicate that medium maturity SBA default time is dependant.This is crucial for SBA's because Federal Credit Reform Act (FRCA), need to estimate expected payment flows, which involves modeling timing defaults which is a key element in the credit-risk modeling for all lenders. This becomes relevant with proposed changes to bank rules and allocates reserves effectively.

They considered utilizing a discrete-time risk show to analyze anticipated default rates of medium-maturity SBA ensured credits all through their life expectancy, considering borrower, moneylender, and credit characteristics, as well as financial changes. The discoveries uncover an introductory increment, top, and consequent decay within the SBA's presentation to default, shaping an altered U-shaped danger work. Eminently, unused businesses display higher default dangers than built up ones and bigger SBA-qualified firms shockingly encounter more noteworthy default risks. Specialized SBA loan specialist programs illustrate lower risk rates, whereas higher ensure rates and credits beneath certain programs are related with expanded default dangers.

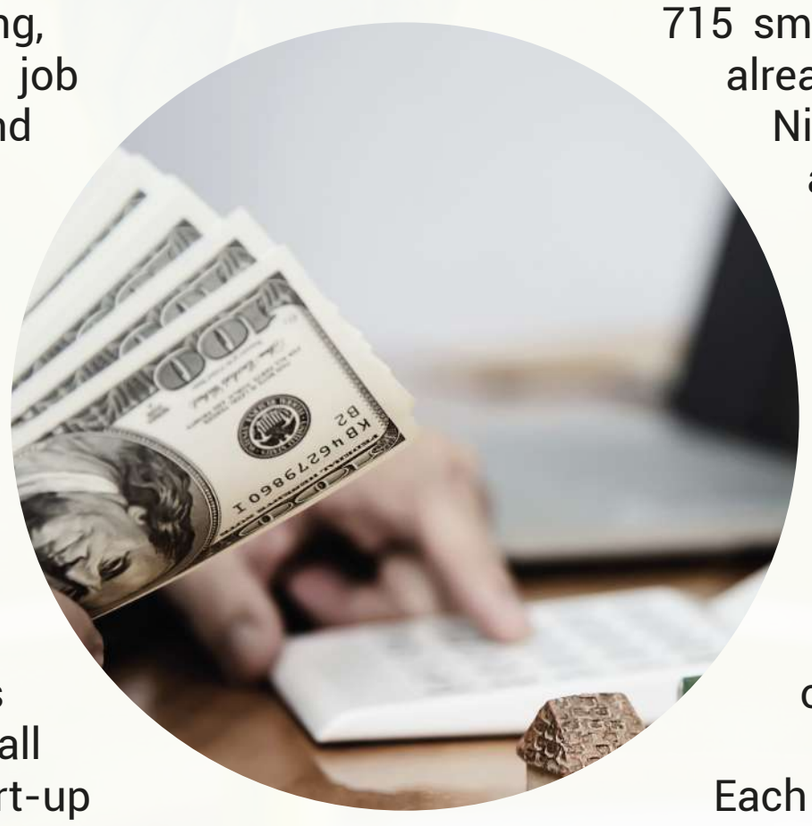
Territorial and industry financial conditions too altogether affect default dangers, with an administration switch famous after the execution of FCRA and Basel risk-based capital rules in 1991. Future inquires about suggestions incorporate amplifying the examination to prepayment gauges and joining a degree of misfortune given default for a comprehensive assessment of credit chance.

The article employs a discrete-time hazard model to analyze the time-dependent likelihood of default for medium-maturity SBA guaranteed loans. Utilizing cumulative default rates and non-parametric analysis, the study reveals that the risk of default initially increases, peaks in the second year post-origination, and subsequently decreases. Notably, the hazard of default is found to be influenced by various borrower, lender, and loan characteristics. Surprising findings include higher default hazards for loans to new businesses and larger SBA-qualified firms. Lender characteristics, such as specialized SBA programs, impact hazard rates, with higher guarantee percentages associated with increased default risks.

Regional and industry economic conditions also play a crucial role. The article suggests the importance of considering time dynamics in assessing credit risk and proposes further research to incorporate prepayment estimates and loss given default in the analysis. Governments at various levels offer grants and programs specifically designed to support the growth of startups. These grants can provide non-dilutive funding, meaning entrepreneurs don't have to give up equity in their company.



Additionally, government programs often offer resources and support to help startups succeed an example of these programs are Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigeria Investment Promotion (NIP), National Youth Service Corps (NYSC) Skill Acquisition and Entrepreneurship Development Programme (SAED), Youwin Connect Nigeria, Tony Elumelu Foundation (TEF), Industrial Training Fund (ITF), Bank of Industry (BOI) and Youth Entrepreneurship support (YES). These government programs have played a crucial role in supporting and nurturing entrepreneurial ventures. Here's how these programs have generally benefitted startups by **(a)** giving the access to funds, **(b)** by providing training and mentorship programs, **(c)** networking, **(d)** promotion of innovation, **(e)** job creation, **(f)** empowering youth and women entrepreneurs, **(g)** facilitating access to markets and so much more.



In an article called 'SMEDAN empowers over 440 Small Businesses with Start-Up Equipment across Nigeria' written by Blessing Joseph (2024). It says that 'SMEDAN has empowered more than 440 small businesses by providing start-up equipment and training under the National Business Skills Development Initiative (NBSDI).

The Director-General of SMEDAN, Mr. Charles Odii, announced the empowerment at the Federal Capital Territory (FCT) distribution center in Abuja.

In the FCT, 55 individuals, including Persons with disabilities (PWDs), were empowered with equipment in various trades to support small business and enhance their chances of success. 35 individuals trained in fashion design received industrial machines while participants who are into catering received ovens, gas cylinders, mixers, 5 individuals trained in leather work received the necessary machines for their business.

The SMEDAN training and empowerment programs spans 13 states across Nigeria, with a total of 715 small business set to benefit. It has already provided to business in Katsina, Niger, FCT and five other states with another five expected soon. While addressing the beneficiaries Charles Odii stated that, 'India and China changed their economies because they focused on people like you, the small businesses.' He also urged the beneficiaries to utilize the provided kits to expand their businesses and create job opportunities in Nigeria.

Each startup is unique, and the best financing option will depend on factors such as the stage of the business, capital requirements, and the entrepreneur's goals. It is crucial to thoroughly research and evaluates each option before making a decision.



Comparative Analysis

In today's rapidly changing economic landscape, entrepreneurs and decision makers often have many options available to them to finance their businesses. Regardless of whether you are looking for financing to launch a startup, expand an existing business or implement a new project, the choice of financing source can have a significant impact on the success and development trajectory of your company. In this comparative study, we analyze five different financing options: self-financing, crowdfunding, venture capital, angel financing and government financing. Each financing option has unique advantages and disadvantages, and understanding the differences between them is crucial for business owners who want to make informed decisions about their financial strategies. By comparing these financing options across dimensions such as access to capital, control, risk and support, our goal is to provide entrepreneurs with valuable insights to help them navigate the complex startup financing landscape.Using real-world examples and in-depth analysis, we analyze the trade-offs associated with each financing option and offer entrepreneurs practical considerations when evaluating alternative sources of financing. We explore benchmarking to better understand the strengths and limitations of each financing option and to identify factors that entrepreneurs should consider when choosing the most appropriate approach to financing their business. This will also be associated with a table representing these funding agents.

Self funding and Crowdfunding:

Table 1

ITEMS	SELF FUNDING	CROWDFUNDING
Sources of Funds	This involves personal savings or assets or borrowing money from friends and family.	This involves raising a small amount of money from a large number through online platform.
Control	Full control over the business. The decisions are made by the founder	Partial control over the business, various projects may have stake holders involved and they may want update on how it's going
Speed and Reach	The process is quick since decisions can be made easily, but due to limited funding, it doesn't have a massive reach	The process can attract funds more quickly due to collective contributions and crowd funding platforms are able reach supporters worldwide
Risk	The founder bears all the risk	The risk is spread across the many contributors not meeting funding goals and failing to deliver your promise to backers
Validation	Lack of validation since it is not tested across the market	Successfully reaching funding goals serves as validation of the idea and project
Cost	No fees or commission to be paid to intermediaries.	It is very expensive due platform fees and processing fees.
Flexibility	It is more flexible in decision making and allocation of resources	It comes with certain restrictions or expectations

Angel Investor and Venture Capital

Table 2

ITEMS	Angel Investor	Venture Capital
Sources of Funds	Invest their own personal funds, often from their own successful business ventures or other sources of personal wealth.	Manage money raised from institutional investors such as pensionfunds, foundations and high net worth individuals. Venture capital funds invest other people's money, not their own
Control	They tend to be more active and involved in the companies in which they invest. In addition to capit al, they can provide mentorship, advice and connection. Angel investors often take minority stakes in startups and may not have as much control over the direction of the company.	While venture capital firms can also offer advice and support, they generally take a more strategic approach. Venture capital firms can compete for board seats and have greater influence on key decisions through increased i nvestments.They can also provide access to valuable networks and resources.
Speed and Decision Making	They tend to make decisions faster because they are investing their own money and have fewer decision-making layers.	Due to larger investment amounts and multiple stakeholder involvement, decision-making in venture capital firms can take longer and require greater due diligence.
Risk	They generally have a higher risk tolerance than venture capitalists. You are willing to take risks in early-stage startups and are more tolerant of mistakes.	Have a slightly lower risk tolerance and typically look for startups with a proven business model, market traction and significant profit potential. The goal of venture capital is to invest in companies that have a higher probability of success.
Investment stage	Typically, investments are made in the early stages of a startup, often in the seed or pre-seed phase when the company has just started. They can also provide financing in later stages.	They invest primarily in companies that have progressed beyond the start-up phase and have shown significant growth potential. Venture capital firms typically invest in Series A, B or later stages after the company has already developed a product or service and proven its attractiveness.
Investment Size	Generally, they invest smaller amounts of capital than venture capitalists. Angel investments can range from a few thousand dollars to several million dollars.	Invest larger amounts of capital, often in the millions. Venture capital firms have the resources to provide significant funding to support the growth and expansion of startups.

Venture Capital and Government Funds

Table 3

ITEMS	Venture Capitalists	Government Funds
Sources of Funds	Raise funds from institutional investors such as pension funds, foundations and high net worth individuals. Venture capital firms invest these funds in high-growth startups and early-stage companies in exchange for equity shares.	it comes from public sources, usually in the form of government grants, loans or grants. These funds are often intended to support specific sectors, technologies or socio-economic objectives.
Flexibility and Control	Providing financing in exchange for ownership of shares, meaning entrepreneurs may have to give up some control of their company. Venture capital firms often play an active role in the strategic direction of portfolio companies and may be required to have representation on the company's board of directors.	May have fewer restrictions than venture capital investments. While recipients may be required to comply with reporting requirements or meet certain milestones, government funding generally does not mean foregoing equity ownership or board mandates. However, government-funded projects may be subject to regulatory oversight or compliance requirements.
Decision Making	Make investment decisions based on potential financial return. Venture capital firms conduct detailed due diligence to assess the viability of the business model, market opportunity, management team and competitive environment. They typically look for companies with scalable business models and clear paths to profitability.	State funding decision-making processes may vary by program or agency. However, government funding decisions can be influenced by factors such as the alignment of projects with government priorities, potential economic impact, and public policy objectives.
Risk	Accepting a higher level of risk in exchange for a higher potential return. Venture capital firms are aware that many startups fail. However, their goal is to identify companies with significant growth potential and successful exits such as acquisitions or initial public offerings (IPOs).	In general, it involves less risk for recipients as it can take the form of grants or low-interest loans without repayment. However, government financing may have less upside potential than venture capital investments because it is often provided without the company's own equity.
Investment Objectives	They seek a financial return on their investments. The goal of venture capital is to invest in startups and companies with rapid growth potential and significant profitability. They typically focus on high-growth sectors such as technology, biotechnology and consumer goods.	It often has a broader purpose beyond financial gain. Public money can stimulate economic growth, promote innovation, support job creation or solve social problems.It can target sectors or projects aligned with national priorities or strategic initiatives.
Availability and Accessibility	They are usually aimed at fast-growing startups that offer disruptive technologies or innovative business models. While venture capital is abundant in some regions and sectors, access to venture capital funding may be limited for companies based outside these areas or operating in less scalable sectors.	May be more accessible to a wider range of companies, including those operating in traditional industries or sectors with longer development cycles. Government funding programs may target specific populations, such as minority-owned or rural businesses, to promote inclusion and diversity.

Categories and Structure of Funding

These sources of funds offer valuable support, but challenges and limitations will still exist. There are various factors that can affect their effectiveness on startup companies for example;

Self-funding

a) Limited resources: this may hinder the growth of startups are constrained by the founder's personal resources.
b) Risk Aversion: the owner may be afraid to take risks because of potential loss.
c) Slow Growth: due to lack of external investment, the business may struggle to compete with funded competitors and achieve rapid growth.

Crowdfunding

a) Campaign Management: to carry out a successful campaign requires significant time effort and content that can capture the fans and backers.
b) Fulfillment: meeting delivery deadlines and ensuring product quality can be demanding and costly after campaign.
c) Market Saturation: creating content to attract backers can be challenging

Angel Investor

a) Limited Availability: not many people are willing to risk investing into early startups.
b) Loss of Control: to have an angel investor means risking some degree of control over the business and decision-making.
c) Alignment of Interest: to meet inventor's requirements can be challenging, and potentially leading to conflicts down the line.

Venture Capital

a) High Expectations: they expect to receive high returns on their investments; this will make startups chose growth over profitability.
b) Loss of Ownership: this type of funding involves giving up a significant portion of equity and control over the business.
c) Strategic Fit: to find a VC that can align with a startup companies goals and vision in the long term is quite challenging.

Banks/Government Grants and Programs

a) Limited Funding: due to lack of funds government may not be to help a number of startups that are need of assistance.
b) Bureaucratic Processes: the lengthy bureaucratic behavior can hinder the effectiveness of these programs and discourage startups from participating.
c) Lack of Awareness: some startups may not be aware of these programs and may face challenges in information and meeting the deadlines
d) High completion: due to the limited number of slots of resources available, this leads to intense competition among startups applying for funding or support through these programs
e) Sustainability: The long-term sustainability by these programs remains a challenge and many startups struggle to maintain growth beyond the initial stages.

Conclusion

This articles shows the different funds that are available their successes and their challenges be it government funding programs, self-funding, angel investors, ventures capital and crowdfunding. Each option have their own advantages and disadvantages like availability to market and losing control of your or being provided tools need for your various professions to not meeting the requirement set. However, despite all the challenges, startups can navigate the funding landscape by successfully by carefully considering their options, aligning with supportive investors, remaining focused on long term vision. Seek advice from experienced mentors and advisors that can give valuable insights and guidance along the way.

Government agencies and policy makers should concentrate their efforts to streamline processes that increase funding availability, improve infrastructure and create a supportive regulatory environment for startups to thrive. The funding of startups may be challenging, it also a crucial step towards achieving growth success in the competitive business landscape.



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