

# Module 8

## I budget for my green business

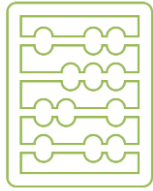
### Learning outcomes

You learn:

- To understand basic about financing and budget planning.
- How to manage your money.
- To use helpful digital tools to calculate your green business.
- How to find funding possibilities.



## Basic Information



You have to develop a budget for your green business.

You will need 15 h to finish the module.



You need 66% correct answers to pass this module.

Your lecturers are Amer, Ahmad and Peter.



## Basics of budget and calculation

Welcome to module 8. Here you will learn a lot about financing and budget planning. To run a successful business, sound financial planning is an absolute must.

Why planning is so important

According to the Small Business Administration, studies have shown that only 5 out of 10 small companies survive longer than five years, and only a third make it to 10 years or longer. (Horton, 2021)

This is even more important for refugees and migrant business owners because there is a much smaller family- and friend network in their host country to rely on - if things go wrong. (Andura, 2020). The key to a successful business is preparation.

### Costs of Running a Business

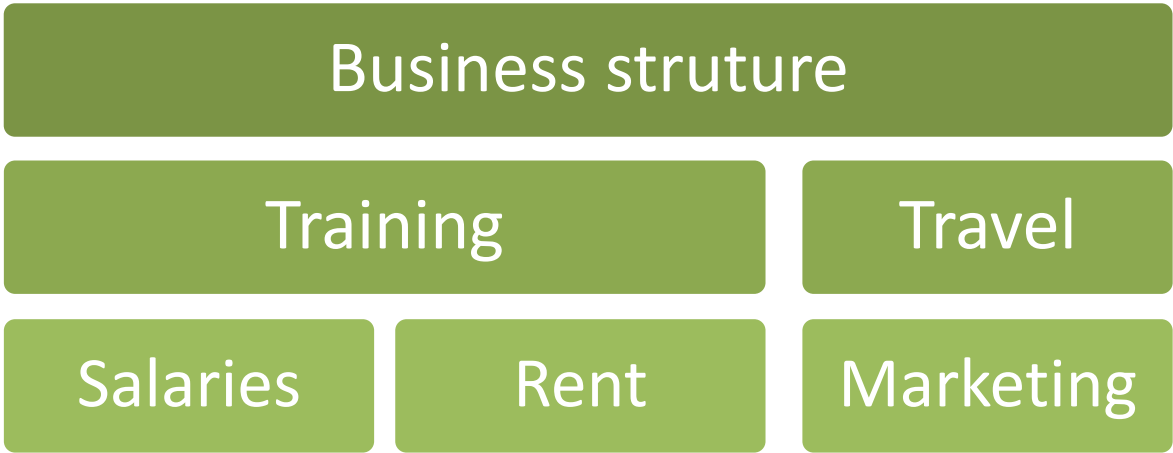
All business owners must have good financial planning skills and understand how much money they need to run their business (this is called expenses) and how much money is coming into the business (this is called income).

The first step in turning your business idea into life is to think about all the costs of setting up a business.

Business cost and personal budget

You will also need to think about a personal survival budget for the months when you dedicate all your efforts to set up your business. What are the essential costs you will need to cover so that you and your family have enough money to survive?

This section helps you to think about these costs. Here are some typical expenses related to starting up and running a new business that you might need to think about. Some of them might be essential costs; others might be desirable.



Registration of your green business

- Business structure:** There will be costs associated with setting up your business if you decide to be self-employed or a Limited company. It will be different for each country within the European Union, but you need to look at the best structure. If you choose to be self-employed, you and the business are seen as the same entity, and all your assets will also be business assets. Because of this, you are likely to pay a more significant amount in personal tax; the big benefit is that it is straightforward to set up your business as self-employed. You need to register as self-employed and ready to trade. A limited company structure does limit your liability as you and your business are seen as two separate entities. Look at the valuable resources listed below to learn more about the benefits of different business structures. The most significant disadvantage for refugee and migrant business owners with the Limited Company structure is the need to set up a business bank account which requires much more detailed documentation and evidence, and this might prove difficult to establish at the beginning

Training of you and your staff

- Salaries and associated costs:** Think about full-time and part-time staff salaries and other costs such as national insurance and pension costs if relevant. Will you be hiring casual or temporary workers? Do you know how much these workers will cost the business? There may likely be periods when you don't pay yourself a wage as the business owner because the company can't afford it. It is essential to be aware of this and the impact on your family and personal finance

- **Training and development:** include a small budget for the training and development of you and your staff. For example, if you are going to set up a food catering business, your team will need to be trained in Food Hygiene. These are referred to as sunk costs as you cannot recover them once they have been incurred
- **Travel costs:** It might be necessary to include a small budget for travel. For example, if you need to source your suppliers from across the country or broader, you might need to travel to meet with them
- **Marketing:** You should cost out how much money you will need to raise awareness and promote the business, do think carefully about how much to put aside. You will be able to do a great deal of promotional activity through social media and online marketing, and you might not need a big marketing budget. If you have an exciting story to tell, local and national newspapers might pick this up, and you will reach many people. You might want to spend some money on your website
- **Rent or mortgage:** You will need money to pay rent, or if you have bought a building, the mortgage payments will have to be paid each month. Think carefully about whether you need to have a business space, operate the business from home, or share space with another company. Nowadays, there are many spaces you can rent monthly, so you don't need to spend a lot of money upfront. There are also many enterprise competitions where you can get free space for a year, alongside business support such as mentoring and coaching, which would be worthwhile exploring.
- **Business Rates:** You might have to set aside some money to pay for business rates
- **Utility bills:** You will need to think about and estimate how much money you will be spending on electricity gas put aside money for your water rates if these are not included in the rent
- **Supplies and Services:** This could include costs such as paper, postage, stationery, telephone costs, courier costs, and then depending on what type of business you are setting up, there will be

Paper, post,  
telephone...

Laptop,

other costs (e.g., a food production business will need to buy suppliers, a digital company will need to purchase software)

- **Equipment:** Think about what equipment you will need, tables, chairs, IT equipment, catering equipment? To get the business up and running, think about what you need as a minimum for setting up, the rest you can purchase later (e.g., can you get some of this equipment second hand, using e-bay, gumtree, and other online services?)
- **Meeting rooms:** Your business might need to rent meeting room space, or can you think of ways around this? (E.g., meeting in cafes, sharing space with other companies, asking for meeting room costs to be included in the rent, or partitioning off existing space to have a small meeting room?)
- **Bank charges:** If you have a business bank account, there are likely to be bank charges
- **Professional services:** You might need to use accountants, lawyers, buy insurance for your business. These are all costs that you can think about and include under this heading
- **Contingency:** It is helpful to set aside some money to deal with any unplanned activities or events that arise (e.g., equipment breaking down).



Click this link to get more information: [www.sba.gov](http://www.sba.gov)

Once you have identified all your costs, you can calculate what needs to be charged for the service or product you are selling. You will have to ask yourself how much customers are willing to pay for the value your product provides. You can also request to think about what your competitors are currently charging?

Now that you have thought about all your costs for the business, you can estimate how much it is going to cost to run your business.

## Tools for calculation (Amer, please continue)



Here you find some helpful tools to calculate your green business and your personal budget.

Knowing your Survival Budget will first indicate how much sales and profit your business needs to achieve.

These costs will also have to be covered when setting up a business. It is crucial to have a clear idea of these costs.

Start your calculation:

[identifying financial needs.xlsx](#)

## Financing your green business



This part of the resource aims to understand how you will finance the business. Your enterprise's primary funding source will ultimately come from within the company through the sale of products and services.

However, until you get to that point where the business is generating enough income to cover all the company's costs and create a profit, you will need to think about external funding sources.

These external sources of finance will come in handy, not just at the early development stages of the business but also when the company is seeking to develop and expand.

Having access to sufficient finance enables a business to remain operating in the market. However, where and how you finance a business can differ between success and failure.

The most important source of income for your business will be what you generate

Business  
income



through selling to your customers.

The key to making money from your customers is by understanding their problems and making sure your product or service provides them with the perfect solution.

The business must get this right and understand the value they are adding to the customer from the business perspective. Once this is understood, it makes establishing pricing structures much easier.

There are two different ways to decide on the prices of your products or services. These are cost-plus pricing or value-based pricing.

## Types of pricing

Each business owner should think about their market and what pricing best suits their product or service.

Cost-plus pricing	Cost-plus pricing is where you add up all the costs to your business of making a product or service, and then you add to this a mark-up percentage which is the amount you think is reasonable to add a profit. This will, of course, depend on what similar products or services are charging as well.
Value-based pricing	Value-based pricing is where you price your product or service according to how much the customers value it; for example, certain goods have an “expected cost,” i.e., a cup of coffee. This approach is most successful when a product is sold on emotions, for example, a feel-good factor, or if it is sold when there is a shortage, e.g., on a hot day when most ice cream cones have entirely sold out, a seller using value-based prices could increase the cost of ice cream by 300%.

Table 1. Types of pricing

## Income generated externally

You are your first investor



It would help if you were the first investor of your business, either through cash or any valuable belongings, e.g., a house.

This proves to investors and bankers that you genuinely believe in your business and have a long-term commitment to it.

However, this is practically impossible for many refugee business owners as they are likely to have very little cash or assets in their host country.

There are other ways in which you could demonstrate personal investment; you could, for example, commit to not drawing a wage until a loan is repaid, but this would depend on your circumstances.

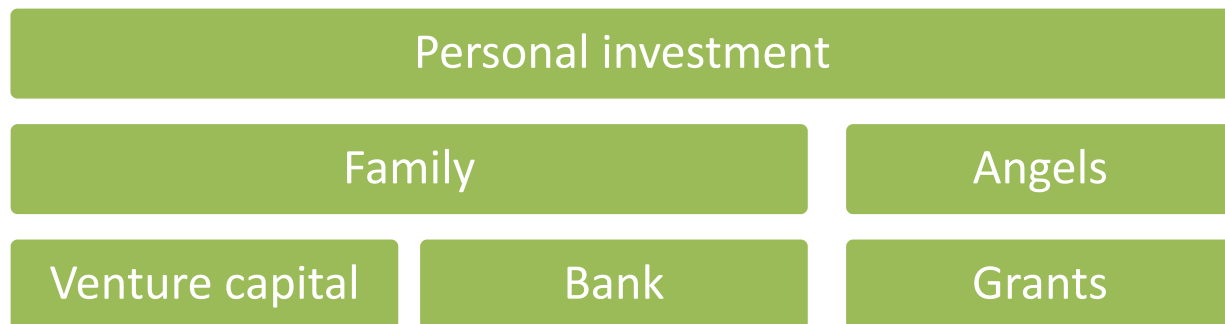
Getting to the stage where you generate enough income from your customers

might take a while, so you might need to access money outside the business. You also might need to access finance externally when you plan to expand quickly. Make sure you know the different ways you can access money externally, and the advantages and disadvantages of each could be the difference between business success and failure.

Depending on your stage of migration and the stage of your green business, you find different opportunities to finance your enterprise. Look at this figure.

Figure 1: Source of income Source: Microfinance Centre

Stage of migration	Arrival	Setting up	Established
Stages of enterprise			
Start-up	<ul style="list-style-type: none"> <li>Basic account / debit card / mobile account</li> <li>Saving groups</li> </ul>	<ul style="list-style-type: none"> <li>Bank account / mobile payment for business transactions</li> <li>Subsidies / government loans</li> <li>MFI loans / Saving groups</li> </ul>	<ul style="list-style-type: none"> <li>Bank business account / mobile payments</li> <li>Subsidies / government loans</li> <li>MFI loans / Personal loans</li> </ul>
Early stage	<ul style="list-style-type: none"> <li>Bank account / debit card / mobile account</li> <li>Saving groups</li> <li>Subsidies</li> <li>crowdfunding</li> </ul>	<ul style="list-style-type: none"> <li>Bank business account / mobile payments</li> <li>Subsidies / government loans / MFI loans / crowdfunding</li> </ul>	<ul style="list-style-type: none"> <li>Bank business account / mobile payments</li> <li>Government loans / Bank / MFI loans</li> <li>Micro-investments</li> </ul>
Development	<ul style="list-style-type: none"> <li>Bank account / debit card / mobile account</li> <li>Government loan</li> <li>Crowdfunding</li> </ul>	<ul style="list-style-type: none"> <li>Bank business account / mobile payments</li> <li>Government loans / Bank / MFI loans</li> <li>Micro-investments</li> <li>Factoring</li> </ul>	<ul style="list-style-type: none"> <li>Bank business account / mobile payments</li> <li>Government loans / Bank / MFI loans</li> <li>Micro-investments</li> <li>Factoring</li> </ul>



There are different forms of how you could generate money externally.

- Family and Friends – Money loaned by family and friends is another primary source of finance for start-ups. This is money that will be repaid later as business profits increase. As a refugee or migrant business owner, accessing this type of borrowing is harder as networks of trusted family and friends might be virtually non-existent in the host country. Many migrants and refugees might have family and friends at home or other countries willing to loan them start-up money. Money transfer organisations such as Western Union have simplified the way this can be done, making these funds more accessible
- Venture capital – You can also source money for your business through venture capital. This is where you give up a share of your business in exchange for financial and sometimes expertise. Venture capitalists tend to prefer larger-scale projects
- Angels – Angels are generally wealthy individuals looking to invest in small businesses. They are likely to have significant knowledge, expertise, and valuable contacts and networks in the sector they are looking to invest in
- Business incubators – Incubators across Europe support new business starts in various stages of development. Incubators are likely to invite companies to locate within their premises and take advantage of shared workspace and shared administrative resources. The incubators tend to offer support programs that could include mentors and coaches, advice, and guidance to accelerate the development of the business. Business Incubators tend to be selective by sector, geography growth, and business

scale. Increasingly incubators across Europe are supporting Refugee and Migrant entrepreneurs.

- Government grants and subsidies – Many government agencies provide financing such as grants and donations that may be available to your business. Each country will have its business support programs for small start-ups provided by each government, and it is worth looking at whether your business qualifies. Make sure you allow for significant amounts of your time to be taken up with applying and keeping the proper paperwork for grants
- Bank loans – Bank loans are the most used funding source for small and medium-sized businesses. This is simply a sum borrowed and paid back, usually with interest. A bank loan can be quick, you are likely to need a business plan, and you will, of course, have to set up a business bank account. This might be difficult if you are new to the country and have limited documentation to evidence the bank's requirements and a limited track record in the country you are now living in. Depending on cultural norms, there are alternative banking options, e.g., Islamic Banking, where Sharia Law does not charge interest. It is helpful to talk to a business advisor about how different ways in which you can overcome this
- Crowdfunding is an instrument of early-stage financing and provides venture capital for establishing young companies or funding innovation and expansion projects in SMEs. It is usually handled by crowdfunding platforms, which provide contracts, offer advice, and support implementation with technology and standardised processes.
- Microcredit - is a small loan given to those who lack a steady source of income or any credit history. It aims to support and kickstart entrepreneurs who cannot obtain the financial backing needed to start a small business or capitalise on an idea.
- Savings groups - support people who don't have access to financial services to save money and learn vital financial skills. They are a form of microfinance involving small groups of 15 to 25 members with well-defined procedures, allowing members to make basic rules about saving and borrowing and operating in transparent and democratic ways. This leads

to a secure system that encourages responsible use of the savings, borrowing and social insurance services offered by the group.



If you want to borrow money, watch this video: [Borrow Wisely](#).

## Managing the Money - Budgets and Cashflow Forecasting

Revenue

Once you have estimated the costs of running your business and know how you plan to generate revenue internally and externally through other sources, your next step is to manage the money tightly and cash out within the business.

To do this, we will introduce some processes and tools that will help you to manage your money. This section will introduce you to budgets, cash flow forecasts, profit and loss, and the break-even point.

What is a budget?

**Budgets** – A budget is a financial plan for spending your money; it allows you to see if your organisation is worthwhile in money terms. It provides you with a way of measuring your forecasted spend against the actual spend.

A budget is a financial map and tends to be 12 months in duration linked to the Tax Year of the country you are working in. Part of the planning and financial management processes is that funding is a crucial decision-making tool. The budget translates the planned activities of the organisation into economic terms.

What is cash

So, profit can be defined as how much money the business makes once all expenses are deducted from the income earned. If this number is negative, the company is not making a profit but a loss. There is a difference between gross profit and net profit. Gross profit is calculated by looking at the money you have made by selling your services or goods (Total Revenue) and subtracting this from the cost of goods or services sold. Net profit is calculated by subtracting your operating costs and the cost of goods or services sold from revenue.

What is break-even point

**Cash**, all income generated by the business activity, is the amount of money available and accessible to pay the bills. It is important to note that profitable businesses can fail if there is not enough cash in the bank. Therefore, cash flow

What is cash flow

management is critical to the success of any business.

**The break-even point** is when total sales revenues (income) are sufficient to cover all business costs (expenditure), including both fixed and variable costs.

**Cash flow** is the amount of money flowing in and out of your business at any given time. Forecasting what this might be is a handy tool to help your business stay on top of its finances and understand where the pinch points are. Cashflow forecasts are used to predict the ability of a company to pay its bills and expenses.



Understanding cash flow is crucial for sound financial management meagre money. To summarise, a budget plan sets out which sources of income fall into which period; the reality is that money does not always change hands simultaneously as the transaction; a cash flow forecast will map when the money changes hands. It shows how much money you will spend and receive, broken down into monthly amounts and the balance you expect to have each month. Its role is to help you plan your expenditure so that bills can be paid on time, and you can see the impact of these timings on the overall cash position.

The cash flow forecast is an essential financial and project management tool; for example, although the budget might show a business is viable (money in is more significant than money out each year), if you receive a grant or loan late, you may not be able to pay your staff.

This could lead you to shut down. It is essential to look at the timing of money going in and out is vital. When you apply for cash, ask funders and investors how they plan to release funding to successful applicants (e.g., total payment upfront, quarterly payments, payment upon completion of work or on meeting targets, etc.).

Cash flow forecasts can be used to decide things like when to take preventative action, understand what would happen if income or expenditure was higher/lower in each month, and if specific spending could be paid earlier or later or in instalments to manage 'money in' and 'money out.'

## Some practical tips for getting paid on time include



1. Submit an invoice as soon as your work is done
2. Make sure you have clear payment terms and conditions on an invoice or in an email that confirms the work to be done – e.g., the invoice must be paid within ten days
3. Wherever possible, get an upfront payment for part of the overall cost of the work
4. Pick up the phone and talk to your customers when things are not going well as it is easy to be misunderstood in e-mail communications
5. Be polite and friendly - remember people buy from people. This is especially important if you are likely to be working with the individual or business again.



## Useful links

### Crowdfunding

6. [www.indiegogo.com](http://www.indiegogo.com)
7. [www.kickstarter.com](http://www.kickstarter.com)
8. [www.startnext.com](http://www.startnext.com)
9. [www.wemakeit.com](http://www.wemakeit.com)
10. [www.companisto.com](http://www.companisto.com)

### Microcredit



Click here to find a list of microfinance institutes [European-microfinance](#).

### Investment Agencies List

Country	Name of institution and address	Description
Austria	<b>ABA – Invest in Austria</b> <a href="https://investinaustria.at/en/about-aba/">https://investinaustria.at/en/about-aba/</a>	ABA – Invest in Austria is the national investment promotion agency of the Austrian Business Agency (ABA). We are the first contact for foreign companies aiming to establish their own business in Austria. We are owned and operated by the Republic of Austria and report directly to the Federal Ministry for Digital and Economic Affairs.
Belgium	<b>Invest in Belgium</b> <a href="http://business.belgium.be">http://business.belgium.be</a>	You are investing in Belgium. How can you invest in Belgium? Why invest in Belgium? What are the tax benefits? What do you receive in the way of tax support? Home / Investing in Belgium. Investing in Belgium. How can you invest in Belgium? Why invest in Belgium? What would you like to know about Belgium?
Bulgaria	<b>Invest Bulgaria Agency</b>	Invest Bulgaria Agency (IBA) is a government

	<b>(IBA)</b>	organisation established to attract investment to Bulgaria, to assist project set-up and to ensure successful project development resulting in new jobs, exports and know-how transfer for the Bulgarian economy. We help potential and existing investors explore the investment opportunities in Bulgaria and carry out greenfield investment projects in the country.
Greece	<b>Invest in Greece Agency</b> <a href="https://www.linkedin.com/company/invest-in-greece-agency">https://www.linkedin.com/company/invest-in-greece-agency</a>	Invest in Greece is the official Investment Promotion Agency of Greece that promotes and facilitates private investment. Invest in Greece identifies market opportunities and provides investors with assistance, analysis, advice, and aftercare support free of charge. It identifies potential partners, locates sites, assists in legal and licensing procedures, analyses investment proposals, furnishes pertinent economic information, and thoroughly explains incentives available to investors. The professionals at Invest in Greece guide investors at every step of the investment process and provide essential support for ongoing operations or expansion projects.
Poland	<b>The Polish Investment and Trade Agency</b> <a href="https://www.paih.gov.pl/about_us">https://www.paih.gov.pl/about_us</a>	Polish Investment and Trade Agency (PAIH) supports the foreign expansion of Polish business and the inflow of FDI into Poland. We also aim to boost Polish exports. Supporting entrepreneurs, the Agency assists in overcoming administrative and legal procedures related to specific projects and helping to develop legal solutions to find a suitable location, reliable partners and suppliers.
Spain	<b>Invest in Spain</b> <a href="http://www.investinspain.org/invest/en/cabecera/about-us/mission-and-">http://www.investinspain.org/invest/en/cabecera/about-us/mission-and-</a>	Invest in Spain is an Executive Directorate of ICEX Spain Trade & Investment, a Government Body chaired by the Secretary of State for Trade of the Ministry of Industry, Trade and Tourism. Our chief mandate is to

	scope/index.html	attract foreign direct investment to Spain. Our services include information, advice and support to industrial and financial investors interested in the Spanish market. We serve as a point of access to central and regional administrations and potential local partners.
Germany	<b>Germany Trade and Invest</b> <a href="https://www.gtai.de/gtai-en/meta/about-us/who-we-are">https://www.gtai.de/gtai-en/meta/about-us/who-we-are</a>	Germany Trade & Invest (GTAI) is the economic development agency of the Federal Republic of Germany. With more than 50 offices in Germany and abroad, and its network of partners throughout the world, GTAI supports German companies setting up in foreign markets, promotes Germany as a business location and assists foreign companies setting up in Germany.

Table 2: Investment Agencies List

## Reference list

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## List of tables/figures

Table 1. Types of pricing

Table 2: Investment Agencies List

Figure 1: Source of income