



# Micro equity to boost job creation and impact

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# MSEs financing needs

Financing structure  
and missing middle



# Micro Equity (micro cap) and Small Equity (small cap)

*Definition taking into account the sales revenue of the investee*

	Micro enterprises			Small enterprises		
	Lower end	Middle micro	Upper end	Lower end	Middle small	Upper end
<i>(Euro)</i>	<100k	100k-1m	1-2m	2m - 4m	4m – 6m	6m – 10m

*Definition of Equity segments taking in to account amount of equity to be absorbed by enterprise*

	Micro equity			Small equity		
	Lower end	Middle micro	Upper end	Lower end	Middle small	Upper end
<i>(Euro)</i>	<100k	100k-1m	1-2m	2m-4m	4m-6m	6m-10m

# Why micro-equity matters?

- *It can be used to finance expansion. When a **company** sells stock, it sells **equity** to investors **for cash or crypto currency** that it can use to fund growth. **It can be used in crisis or post crisis like COVID.***
- *Amount of equity determines the **ability to incur debt.***
- *It can finance a professional top management team and it can finance R&D or high growth and development.*
- *It is a form of **long term, patient capital** that can better implement and monitor impact on society and environment.*

Funding business expansion by selling shares of stock to investors is "**equity financing**" and "**equity investment**".

# Micro-equity vs. micro debt: features

## Debt

1. usually monthly repayment schedule with due date and fixed amounts.
2. Repayment schedule, also quarterly / bullet, grace periods offered.
3. Debt is limited by the amount of equity (debt to equity ratio, leverage) and collateral.
4. Ownership of a business remains with the owner.

**Return:** Interests and fees.

**Exit:** from business cash flow, from remittances, selling the loan, selling the assets (collateral)

## Equity

1. No repayment schedule however due date for exit exist (7-10 years with 2 years prolongation period).
2. Return of capital via a Exit strategy or after paying all debtors.
3. Owner may loose control of the company if selling majority stakes in the company but **may get a strong partner**
4. Knowledge transfer via Board, new top managers, advisors, consultants, access to market. Value creation in the hands of more people not only of the initiator of the business
5. Develop or **improve strategy and business plan together with equity provider.** Better control and monitoring.

**Return:** dividends, revenue sharing.

**Exit:** Sale of equity or sale of assets.

# Business models: cases

## Micro-equity models:



*Funded by Municipality local gove*



*Funded by farmers, it is a cooperative*

**FORESTEFFECT  
FUND**

## Revenue participation models:

*Weareuncapped - EU*



## Quasi equity banks

*Social purpose model:*



*Life science and industrial technology*



## Equity crowdfunding platform

*Founded ex top managers and serial entrepreneurs*

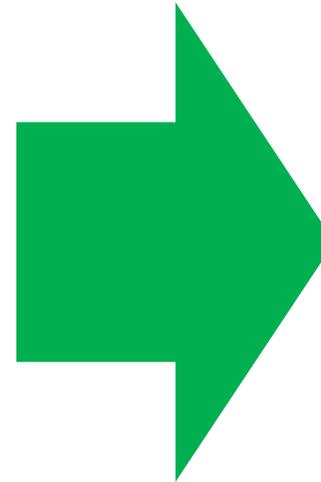


**Founderbeam**

## In conclusion:

MSEs financing needs can be solved with:

Micro equity and mezzanine including and revenue participation loans funds and or platforms



Funds and platforms - need support in term of catalytic capital (comercial and grant money) to start and grow the financial infrastructure and have greater impact on social aspect and environment

