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Recommendations for entrepreneurial finance stakeholders and entrepreneurial policy makers

EXECUTIVE SUMMARY

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Introduction

Entrepreneurship is a driving force behind economic growth, job creation, and societal development. However, global financial education remains limited, with only a small proportion of the population receiving proper training in finance. Access to this education is often restricted to students studying Economics and Business Management. A report by JA Europe revealed that 94% of young people lack essential financial skills when starting their careers, regardless of their career path. Entrepreneurial finance has been recognized as a crucial field that should complement entrepreneurship education by bridging the gap between intuitive entrepreneurs and financial understanding. To address this issue, the FINANCEn_LAB project offers a comprehensive solution strategy, extending its scope to vital stakeholders within the financial system and promoting a strong entrepreneurial ecosystem in Europe in line with the EU2020 strategy. Additionally, the project responds to the impact of the COVID-19 pandemic, emphasizing the need for innovative digital approaches to practical education.

FINANCEn_LAB is an Erasmus+ Strategic Partnership project aimed at enhancing entrepreneurial education for young entrepreneurs in higher, vocational, and adult education. It offers an advanced open educational simulation platform driven by AI, providing personalized learning experiences in a risk-free environment. The project includes practical recommendations for educators, finance professionals, and policymakers, fostering collaboration and informed decision-making. Its main objectives are to tackle financial illiteracy in the EU, extend entrepreneurial education, and empower individuals with essential financial skills for successful ventures. The project emphasizes online learning for accessibility and inclusivity, contributing to economic stability, self-employment, and societal progress. Access the simulator at: <https://sim.financenlab.com/>.



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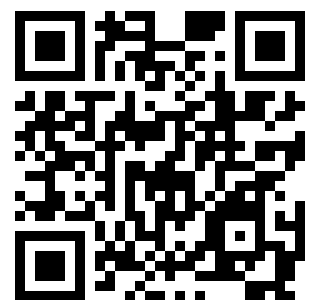
Ambition of the FINANCEn_LAB project and its resources

The developed project resources target two main groups: aspiring entrepreneurs and professionals in the finance sector. For aspiring entrepreneurs, the simulation platform provides essential skills and knowledge for navigating financial aspects, including financing options, budgeting, decision-making, and risk management. This empowers them to make informed financial choices, secure funding, and increase their chances of success. The resources also benefit finance professionals, educators, and policymakers by offering practical insights and recommendations to support and guide entrepreneurs. It fosters collaboration and understanding between entrepreneurs and financial agents, promoting a mutually beneficial relationship and continuous professional development in entrepreneurial finance.

The report for entrepreneurial finance stakeholders and entrepreneurial policy makers offers comprehensive recommendations for policymakers, financial agents, and higher education professionals in entrepreneurial finance. Based on rigorous research involving 124 entrepreneurs and 881 university students from Spain, Poland, Romania, and Germany, the report identifies challenges and gaps in entrepreneurial finance education. It presents a detailed needs analysis, methodology, research results, and actionable recommendations to foster collaboration and create a supportive ecosystem for aspiring entrepreneurs. By implementing these recommendations, stakeholders can unlock entrepreneurial potential, promote innovation, and drive economic growth within the European Union.

The recommendations of the report target three key groups: policymakers, financial agents, and higher education teachers and mentors, as they play pivotal roles in shaping the entrepreneurial ecosystem and addressing financing gaps. Policymakers can create a supportive environment through incentives, streamlined regulations, and funding programs. Financial agents, including banks and investors, must embrace innovative financing methods and build stronger relationships with stakeholders. Higher education teachers and mentors can enhance entrepreneurship education by incorporating practical sessions, experiential learning, and updated financial knowledge in the curriculum. By collaborating with these stakeholders, we aim to create a holistic approach that empowers aspiring founders, fosters innovation, and drives economic growth within the European Union.

Access to the simulation platform:
<https://sim.financenlab.com/>



Needs and Methodology

Financial literacy encompasses the awareness, knowledge, skills, attitudes, and behavior needed for individuals, specifically entrepreneurs, to make effective financial decisions for their businesses' sustainability and growth. It includes various competence areas such as financial and business planning, risk management, and understanding the financial landscape. Financially literate entrepreneurs can benefit from better knowledge of financial products and services, make informed decisions in financial planning, savings, and investments, and access finance and utilize financial services more effectively.

However, financial literacy levels vary significantly across EU member states, with North-western countries showing higher levels compared to South and Central Eastern European countries (both categories are represented in this project). Limited financial literacy poses challenges for MSMEs in accessing finance and understanding alternative financing options. Many entrepreneurs heavily rely on traditional bank lending, and recent crises have further reduced the availability of credit, impacting MSMEs. Low financial literacy can lead to unawareness or misunderstanding of financing possibilities, hindering access to finance and the ability to assess suitable financing options. Addressing financial literacy gaps is essential to support entrepreneurship and promote sustainable business growth within the EU.

The project used surveys and focus group sessions to gather valuable data and insights from 881 university students and 124 entrepreneurs. The development of the simulator involved collaboration between financial researchers, experts, and developers to create authentic and engaging virtual reality models. Agile methodologies were employed in software development to ensure teamwork and continuous improvement. Storytelling was integrated into the simulator to provide immersive narratives for decision-making scenarios. Additionally, an artificial intelligence system based on decision trees was implemented in the Learning Management System to offer personalized advice to students. The multidimensional approach resulted in an engaging and realistic simulator, enabling users to explore decision-making in a safe virtual environment.





Results and Recommendations

The surveys reveal moderate financial literacy levels among students and entrepreneurs. Around 60% of entrepreneurs claim proficiency in managing personal and business finances, while 90% rely on personal funding for business development, and only 10.5-17% explore alternative financing options like crowdfunding. Lack of knowledge about these options (20-25%) hinders their usage. Comparatively, students display lower financial literacy, with only 4-10% familiar with non-traditional financing sources. Merely 17% feel confident discussing financial concepts. Initiatives to enhance financial literacy for students and entrepreneurs are vital for informed decision-making, improved business creation, and efficient financial management, promoting business growth and sustainability.

The survey findings underscore the necessity for specific initiatives aimed at enhancing the financial literacy of students and entrepreneurs. In response, we present focused recommendations derived from the data. A summary of the recommendations is provided below, and for detailed insights, we encourage referring to the complete report.

To address this, we propose recommendations for policymakers:

- Long-term and holistic financial literacy approach: Embed financial literacy deeply into the education system, covering basic skills for business creation and management. Tailor programs for different stages of entrepreneurship and target underserved groups.
- Online platforms with free resources: Build and promote platforms offering practice-oriented training, videos, articles, and templates for entrepreneurs to access information when needed.
- Promote alternative financing channels: Encourage the use of crowdfunding, peer-to-peer lending, and impact investing through tax incentives and supportive regulations. Raise awareness about funding opportunities through effective communication strategies.
- Measurement, monitoring, and evaluation: Develop tools to assess financial literacy levels and monitor progress. Use the EntreComp framework as a reference and involve qualitative research for context-specific insights.
- Continuous evaluation and collaboration: Regularly assess policy effectiveness, adapt to changing needs, and collaborate with stakeholders to refine interventions.



By implementing these recommendations, policymakers can create a supportive ecosystem for entrepreneurs that fosters innovation and economic growth. But the active participation of financial stakeholders also plays a critical role in supporting entrepreneurs.

The following set of recommendations is aimed at financial agents:

- **Increased involvement in financial literacy education:** Active collaboration with educational institutions to integrate financial literacy education into their curriculum through guest lectures, workshops, and internships. Additionally, Financial agents can provide training, mentoring, and coaching to help entrepreneurs understand different financing instruments and meet investor requirements.
- **Facilitated access to diverse funding sources:** Active promotion and facilitation of access to various funding options, including venture capital, angel investments, crowdfunding, and grants. Educating entrepreneurs about these options and connecting them with suitable investors expands their financial opportunities.
- **Promote ongoing financial monitoring and performance evaluation:** Emphasize the importance of establishing effective financial tracking systems and regularly evaluating key metrics. This proactive approach helps entrepreneurs make informed decisions, adjust strategies, and ensure long-term financial sustainability.
- **Foster a supportive ecosystem and fair financial practices:** Organize networking events, mentorship programs, and knowledge-sharing platforms to create opportunities for entrepreneurs. Additionally, they should prioritize transparency and fair practices to build trust and credibility.
- **Link financial literacy education to loans:** Offer loans tailored to entrepreneurs' needs, requiring participation in financial literacy training and support. Pre- and post-investment technical assistance can reinforce management skills and support the capital-raising process.



Finally, Higher Education Teachers and Mentors play a crucial role as a bridge between policy and financial agents, and they serve as a direct connection to students.

Thus, the following set of recommendations is specifically directed towards Higher Education Teachers and Mentors:

- Utilize the FINANCEn_LAB simulator as a complementary and self-learning tool to enhance the practical side of financial education for entrepreneurs. The simulator provides virtual contexts for students to practice financial decision-making, apply theoretical concepts, and gain hands-on experience in financial planning without real financial risk.
- Encourage students to use financial analysis tools like Excel, Google Sheets, or specialized financial software to analyze financial data more efficiently. The FINANCEn_LAB simulator can complement these tools, offering tutorials and support for calculation and analysis of different aspects.
- Foster increased interaction between teachers and students by creating discussion forums and utilizing social media platforms for peer-to-peer learning. These platforms can be used to accompany students in their exploration of the FINANCEn_LAB simulator, enabling discussions and sharing of insights.
- Highlight the significant experience gained through the FINANCEn_LAB simulator by encouraging students to obtain diplomas upon successful completion of each case. Including these achievements in their CVs emphasizes the value of transversal training, enhancing their employability and professional profile.

Collaboration among policymakers, educational institutions, financial intermediaries, and entrepreneurs is crucial for comprehensive financial literacy, accessible financing options, and essential financial management skills. These data-backed recommendations empower entrepreneurs, drive innovation, and fuel economic growth, fostering a thriving ecosystem for businesses.

To access detailed information about the project, including resources and methodology, we encourage you to refer to the comprehensive report. Additionally, you can visit our website at www.financenlab.com and join our LinkedIn group to network and stay connected!





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Project: FINANCEn_LAB

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