|  |  |
| --- | --- |
| **Advantages of Personal Sources of Finance** | **Disadvantages of Personal Sources of Finance** |
| There’s no cost to using this money in terms of an interest rate | It’s not strictly true there’s no cost to an owner using his/her own money. There’s the opportunity cist in terms of the alternative uses to which the money could have been put. |
| An entrepreneur putting his/her own money into a business start-up is a sign of confidence. If they’re willing to put their own money at risk maybe others will? | Most entrepreneurs have limited finance at the start which limits what the business can purchase. |
| The entrepreneur doesn’t have to worry about the money being withdrawn, which could happen if the money was borrowed. | New business start-ups are risky, so the entrepreneur could lose everything. |
| There’s no risk of interference in decision making by a lender. | Borrowing from friends or family can cause a strain on relationships if the business does not do well. |
| The entrepreneur does not have to pay out anything from profits if he/she does not want to; it’s all available for reinvesting. |  |
| Borrowing from friends or family rarely means interest has to be paid |  |
| Friends and family may be more willing to lend than other lenders. |  |