



Financing your Enterprise

Where to Get Money?

Have you ever-borrowed money from a bank? If yes; it is unlikely that it was easy, quick and inexpensive? Interest has to be paid, security is required, it takes a long time to get a decision and the repayment schedule is inflexible.

But there are other sources, and other ways of raising money for your business, for examples:

- Your own savings
- Family money
- Deposits from customers
- Credit (that is, in effect, loans) from suppliers
- Hire-purchase finance
- Profits of the enterprise itself.

The most frequent source of money for a business is, in fact, the business itself; cash is taken from one use and put to another, or is earned from profit and re-invested. The ways in which money is used in a business, that is the assets of a business, are for example:

- Stocks of materials
- Stocks of goods ready for sale
- Goods in the process of being made
- Cash
- Equipment and tools
- Motor vehicles
- Money owed by customers
- Buildings

These assets can be converted into cash:

• Material stocks:	Turn into goods and sell them, or sell any excess for what it will fetch.
• Work in progress:	Finish off and sell half-made goods, and do not start new goods until bills have been paid.
• Finished stock:	Sell off, for cash, reducing prices if necessary.
• Money owed by customers:	Sell only for cash, press late payers to settle their accounts.
• Machines and equipment:	Sell off or lease out any under-used machines.
• Buildings:	Sell them, and rent premises instead.

You should examine each of these possibilities and identify the 'mix' of sources of finance that is most suitable for your circumstances.

Bankers will not lend money to anyone who is not making the best possible use of what s/he already has.

Although your business might be set up with a start-up grant, in future you may need to look at the above options if you wish to continue to finance your business.