



Exploring finance options for small businesses: A guide to fuelling growth

Shawbrook Bank recently conducted research that indicated that half of small business owners have had to raid their savings to fund their businesses.

Their survey found that small businesses applying for finance from lenders over the last year said that it didn't meet their needs. So, they were using savings and credit cards to provide the necessary funds to grow their business.

For small businesses, the path of growth is often obstructed by financial constraints. Whether it's investing in new equipment, expanding operations, or hiring more staff, accessing the right funding is crucial.

What are some viable options available to small businesses?

- 1. Traditional bank loans:** Perhaps the most common form of financing, bank loans provide businesses with a lump sum that is repaid over a predetermined period with interest. While they offer stability and structured repayment plans, securing a bank loan can be challenging due to stringent eligibility criteria and lengthy approval processes.
- 2. Government Schemes:** The government has introduced schemes to facilitate access to finance. For instance, the Growth Guarantee Scheme, which is the successor to the Recovery Loan Scheme, launched with accredited lenders on 1 July 2024. The scheme provides lenders with a 70% government backed guarantee, thereby reducing the risk associated with lending to small businesses and making finance easier to obtain.
- 3. Alternative Lenders:** With the rise of fintech, alternative lending platforms have emerged as a viable alternative to traditional banks. Known as marketplace lending, peer-to-peer lending, or P2P lending, alternative lending typically takes place through online platforms that bring borrowers and loan investors together.
- 4. Angel Investors and Venture Capitalists:** For businesses with high growth potential, seeking investment from angel investors or venture capitalists can provide the necessary capital injection. In exchange for equity ownership, investors offer funding along with their own strategic guidance and industry connections.

5. **Crowdfunding:** Crowdfunding platforms have gained popularity as a means of raising capital by pooling small contributions from a large number of individuals or investors. These platforms offer businesses the opportunity to showcase their ideas and garner support from the crowd.
6. **Grants and Subsidies:** Various government grants and subsidies are available to small businesses across different sectors. These can range from grants for research and development projects to subsidies for hiring apprentices or investing in energy-efficient technologies. While it can be competitive trying to obtain one, securing a grant can provide businesses with non-repayable funds to fuel growth.
7. **Asset-Based Financing:** Asset-based financing allows businesses to leverage their assets, such as inventory, equipment, or property, to secure funding. Options like asset-based lending and sale-and-leaseback arrangements enable businesses to unlock the value of their assets without relinquishing ownership.
8. **Revolving Credit Facilities:** A revolving credit facility provides businesses with access to a pre-approved line of credit that can be drawn upon as needed. Unlike a traditional loan, where funds are disbursed in a lump sum, revolving credit offers flexibility and allows businesses to manage cash flow fluctuations effectively.
9. **Personal Savings and Friends/Family Loans:** Coming back to where this article started, of course personal savings and friends/family loans are often a practical option in the early stages of business growth. While this option may lack the formality of traditional financing, it can provide a quick source of capital without the need for extensive paperwork or collateral.

In conclusion, obtaining finance isn't always straightforward or easy as a small business. However, there are options out there and by carefully assessing your funding needs and being open minded about the options, you can find the right financing solution to fuel your growth ambitions.

As experienced business advisers we've helped many businesses get the finance they need to fuel their business growth. Please feel free to call us and we'll be happy to help you.