

# How to fund

## business growth

### 8 ways to grow your business without a bank loan

#### Equity finance



Businesses can gain investment for growth from venture capitalists in return for a share of the company.

##### Pros

- Private equity companies earn dividend payments, ensuring their commitment and dedication to your company's success
- As well as funds, investors provide expert advice and support

##### Cons

- You hand over a stake in your business in return for the equity

#### Invoice finance



Invoice finance allows you to access the cash tied up in your sales ledger within 24 hours of issuing invoices.

##### Pros

- Bridges the cash flow gap between paying suppliers and receiving payment from your customers
- Cannot be recalled on demand
- More flexible than other forms of finance as the amount you can access grows in line with your sales ledger
- Can include additional services such as dedicated sales ledger management service or bad debt protection

##### Cons

- Better suited to certain industry sectors
- Only for B2B and those trading on credit terms

#### Friends and family



If they're in a position to help, your friends and family may be willing to lend you the money to grow your business.

##### Pros

- Often more flexible than other lenders
- Likely to be cheaper than other funding as interest is often lower
- Less stressful to pitch to friends than a bank manager or investor

##### Cons

- Unlikely to provide a constant source of funding in the long-term
- Losing the money of someone close to you can damage relationships
- The person funding your growth may need the money back unexpectedly
- The lender may also want to get involved and try to oversee aspects of the business

#### Peer-to-peer lending



P2P lending is a way for SMEs to borrow money to grow their business without the bank acting as a middle-man. Instead investors lend money directly to businesses.

##### Pros

- As the bank is cut out of the process, borrowers often get slightly lower rates
- Interest rates are normally fixed so you don't have to worry about rates rises

##### Cons

- Less onerous security requirements could mean businesses borrow more than they can afford
- Repayment periods are often quite short so monthly repayments may be high

#### Asset finance



As a business grows, additional plant, machinery and equipment may be needed in order to sufficiently meet increased demand. Asset finance allows businesses to make these purchases without damaging cash flow.

##### Pros

- Purchase new plant, equipment and machinery without tying up working capital
- Or release cash against existing assets through asset refinance
- Equipment can be leased for a short period if only required for a limited time
- Finance leases and operating leases avoid the issues relating to asset depreciation

##### Cons

- Only suitable for businesses that use plant, machinery and equipment

#### Crowdfunding



Crowdfunding is a good option for early stage businesses looking to grow quickly. You "pitch" your business to potential investors and, if interested, they will contribute.

##### Pros

- Often avoids the need to give away equity or intellectual property rights
- Backers can often help spread the word about your business
- Feedback on your business is often provided so you can make improvements

##### Cons

- Creating an attractive campaign can be time-consuming and costly
- Tax must be paid on any pledges that are not donations or used to reward backers
- Not a viable long-term funding solution

#### Overdrafts



Overdrafts allow you to pay for something when you would otherwise have no money in your bank account.

##### Pros

- You only borrow what you need at the time which can be cheaper than a loan
- It's usually quick to arrange
- Banks don't normally charge you for paying off the overdraft early

##### Cons

- Only a short-term solution as overdrafts aren't particularly flexible
- The bank has the right to reduce your limit or ask for repayment at short notice
- The interest rate applied is nearly always variable, making it difficult to accurately calculate your borrowing costs

#### Government initiatives



The government offers a whole range of initiatives and schemes to help businesses grow. For example, the Enterprise Finance Guarantee, Start Up Loans Scheme, UK Export Finance and GrowthAccelerator.

##### Pros

- Many schemes also include mentoring
- Can make you more attractive to investors
- If repayments are required it's normally at a much better rate than a loan

##### Cons

- Can be difficult to locate a suitable funding programme that is available
- Eligibility criteria may mean your business does not qualify for all initiatives

fs

HB

Hilton-Baird Financial Solutions

For more information about funding for growth contact [Hilton-Baird Financial Solutions](http://Hilton-Baird Financial Solutions) on 0800 9774833 or [info@hiltonbaird.co.uk](mailto:info@hiltonbaird.co.uk) to discuss your options in more detail