



ARTICLE: An Opportunity for Small Business Growth

Through Accounts Receivable Financing

Have you ever seen a great growth opportunity for your business, but had to pass it up because you were unable to finance it? Have you ever looked at a large balance for your accounts receivable, but a much smaller number in your bank account? Have you recently started your business, have it successfully operating, but struggled with ways to finance it to reach the next level?

If you can relate to any of these scenarios, there are alternative financing solutions that you may be able to utilize. As a small company there are many times when traditional financing is not available, cannot be obtained quickly enough or is not sufficient.

Adequate working capital is often the biggest issue facing any business, but especially the small business. One of the reasons most businesses falter or fail, particularly in the early years, is inadequate working capital. Often it is completely preventable by having an increased cash flow through accounts receivable financing or factoring

If your business has accounts receivable from other businesses or government, these are valuable assets that can be quickly turned into cash. It is a process that is centuries old and has been utilized by larger companies for years. It is now available to small businesses and can alleviate cash flow issues. This form of financing is usually more costly than the traditional types of financing, but it is more readily available, more flexible and more opportunistic.

The approval process can be quick and uncomplicated. After filling out a short application, your business, customers and accounts receivables are evaluated. Funding can usually start within a two week period and ongoing funding is available whenever you need it, limited only by your company's growth. As soon as you issue an invoice, it is verified and funds can be advanced to your bank account usually within 24 hours. Instead of waiting 30, 60 or 90 days to receive payments from your customers, you can have immediate access to cash, usually for 70%-80% of the invoice amount.

Once these funds are advanced to you, they are available to you for whatever you choose. They can be used for business expansion, meeting payroll, increasing sales therefore increasing your profit, new product development, purchasing additional inventory, seasonal fluctuations, purchasing at a trade discount, marketing or advertising expense, paying taxes, or buying/repairing equipment. Once your customer makes a payment, you are advanced the remaining funds less a transaction fee.

Factoring and accounts receivable financing can be utilized by many industries such as distribution, manufacturing, and professional services. It is also ideal for more difficult to finance industries such as construction, transportation, staffing and medical.

The best feature of this form of financing is that YOU maintain the control and equity in your company. You do not accumulate any debt, therefore your balance sheet improves. It is an ideal situation to assist in improving or establishing a credit rating. Even though bank loans or credit lines may be less expensive, this is another option to quickly and easily grow your business.

Remember.....nothing is more costly than a lost opportunity!

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