Modernise your business' financing strategy to boost growth

In the past century, the way business is done has changed a great deal. How businesses manage and take advantage of data, how they market and sell products, and how they hire and manage human resources has been transformed. It's surprising, then, that most businesses still finance their businesses the same way they did at the end of the 20th century.

Most entrepreneurs still use personal savings and informal loans from friends and family to finance their businesses. Those who use financing rely on traditional business loans from banks, both to found the business and to finance its operations later on. This means that, for most SMEs, getting access to funds is a slow and inefficient process that can limit their growth, and make them less able to compete. To address this issue, alternative finance institutions like Fifo Capital have stepped up to work directly with entrepreneurs to provide nearly instant financing solutions that are accessible to businesses of any size in any situation.

Traditional financing hasn't kept up with businesses

In a modern business environment, business owners are forced to wade through weeks or months of bureaucracy to get their loans approved, and they commonly secure these loans with major personal assets, such as their homes. This not only exposes them to incredible personal risk, it's also such a slow process that business owners often won't have time to take advantage of limited-time growth opportunities. To compete, businesses need rapid access to financing.

Traditional business loans limit growth

Improvements in technology have created an economy where business is done much more quickly than in the past. Payments can be made instantly, and products can be shipped internationally in just a few days. A potential client often won't want or need to wait for a supplier to spend months first getting a business loan, and then expanding to accommodate their needs. Instead, they can simply find a competitor, perhaps a larger business in another country, who can more readily accommodate them.

Businesses need cash to deal with fluctuating cash flow

Even businesses that have growth capital on hand are typically under a great deal of financial strain during this time, funding their growth efforts while simultaneously managing their regular operations. This commonly leaves businesses without the funds they'd typically have available to manage cash flow interruptions due to late client payments, equipment issues, or other everyday emergencies.

These situations are problematic for businesses at any time, but they're especially dangerous for growing businesses. Overworked business leaders can't afford to scramble for funding solutions, potentially disrupting their growth efforts, their operations, or both. To grow in a sustainable manner without undue risk, they need fast and accessible funds.

Modern financing tools provide solutions

Fortunately, businesses aren't actually forced to rely on slow, limited financing tools. While many do, Fifo Capital and other progressive financial institutions offer a wide range of modern financing tools that address these problems specifically. Not only do these allow businesses to access the funds they need in a matter of hours or days, they also don't require entrepreneurs to go through time consuming credit checks, or to borrow money against their personal assets.

Invoice financing

Loans are complex arrangements. The borrower needs to apply, pass a credit check, negotiate rates, and provide collateral. Invoice financing, on the other hand, can be done in a single step. Rather than a complex contractual arrangement, a business simply trades an outstanding invoice to a financial institution for most of its value—minus some predetermined percentage as a fee. This allows a business to get paid instantly for outstanding invoices that either aren't due for some time yet, or haven't been paid in a timely manner.

The financial institution then goes on to collect the funds from the client on their own. This allows businesses to give themselves an advance on their incoming revenues when they need it. Additionally, it frees up valuable time that business owners otherwise spend chasing down late-paying clients.

Supply chain finance

Another particularly versatile financing tool is supply chain finance. This allows a business to pay suppliers out of an investor-furnished credit fund, rather than out of their own working capital. At need, payments on that fund's balance can then be deferred, temporarily freeing up working capital for other uses, such as dealing with a cash flow interruption, or hiring additional workers.

Ultimately, these tools allow businesses to respond to growth opportunities and cash flow interruptions within hours or days, rather than weeks or months. The result is a more competitive, flexible, and solvent business that can pursue growth more aggressively and successfully, even while better controlling financial risk. Other tools, such as trade finance, and unsecured business loans are also great ways to get fast access to additional funds. The best solution, or combination of solutions, differs depending on the business and its specific situation. In light of this, it's a good idea to work with your financial representative to determine what will work best for you.

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