

CASH SQUEEZE MAKES IT TOUGH ALL ROUND

By ORYANA ANGEL

NO MATTER how great your business idea, securing funding is often a hurdle.

It's an issue for both start-ups and ongoing businesses, according to the most recent economic survey by the Australian Chamber of Commerce and Industry (ACCI).

"Since the GFC, the banks have continued to apply reasonably strict lending criteria," says director of economics and industry policy, Greg Evans.

To gain bank funding, applicants have to carefully address the credit application process, clearly demonstrate the viability of the business, highlighting associated revenue projections and security. The problem, says Mr Evans, is that even with all that, you may still be outside the lending guidelines of the banks.

In this climate, small businesses are expressing an unwillingness to borrow, too. Mr Evans says: "This is partly because it's difficult to obtain finance and they're also worried about the economic outlook and concerned about their debt exposure.

Many businesses have become more conservative," he adds. "We're also seeing evidence of some businesses foregoing opportunities

because they can't secure required finance. There needs to be a better balance.

Economy-wide, this could be restraining economic growth."

Joe Kaleb, chartered accountant and CEO of business resource site

australianbiz.com.au, advises small business owners to be careful about



giving away all their security. "It's very important to keep some security up your sleeve and not to give it all to the bank," he says.

He advises businesses against getting into the situation where they're unable to expand because the bank has denied additional funds and are so tied up with the institution - both in security over business and personal assets - that they have nowhere else to go.

"Always look at your security. Keep the bank up-to-date so they know your position. It will make it easier to negotiate with them later," says Mr Kaleb.

Know how your business is travelling, he adds. Do regular financial reporting, keep an eye on cashflow and know what your break-even sales are.

If the business isn't able to secure a bank loan, there are other options: "Business owners are looking at alternative forms of borrowing, such as factoring (where accounts receivable are sold to a third party to raise capital).

"The other option is outside equity - bringing someone else into the business as an equity partner," says Mr Kaleb.

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