BUSINESS SENSE by TIM KELLY

Cash is king

Cash flow is a major issue for many of you at the moment; not only to run your business but to invest in it.

The good news is that there are plenty of funding options available – the first being debt funding. Debt funding is when a business raises capital via a loan, usually from a bank or another lender. Over the term of the loan, the borrower is expected to pay back the full amount, as well as any interest that is accrued – much like a personal loan.

Raising capital this way does not affect overall ownership of the business, and whoever lends the money has no rights over your business (a key difference to having investors). This means that you do not dilute your equity in your business. If your company is growing fast, having access to capital will help you grow quicker, you can then repay the loan and interest through increased turnover.

The next possible option is equity funding. The difference between debt funding and equity funding is that the investor will take a percentage ownership of your business. Equity funding can be done in a number of ways, including private equity, angel investors or venture capitalist.

The benefit of equity funding is that because the investor gets equity, you are not paying money out on a regular basis or paying interest. This is a good way of raising cash without impacting cash flow. You also get the benefit of the investors' experience (think *Dragons' Den*).

Crowdfunding is another good option whereby you sell a small stake in the business rather than to single investors.

If you're a start-up, you could go down the "venture debt" route. These businesses do not generally meet the eligibility criteria for traditional loans. This is a good match for firms with a strong business plan that can demonstrate how they will be making profit. The costs are usually more, due to increased risk, but it can provide good options with the right lender.

Invoice financing and discounting is the most common solution in our industry. If your business relies on invoice payments as its main source of income, it may be among the 36% of UK SMEs which wait between 30 and 90 days to get paid. These long payment terms can play havoc with cash flow and leave very little in the pot to reinvest in growth or business expansion. Factoring (as it is commonly known) solves this problem, putting your money back in your hands to spend it where it is needed.

If you have a specific use for the funding in mind, such as expansion or the hiring of additional staff, then a growth loan could be an option.

If you need cash to cover basic day-to-day operations, then working capital is an alternative.

Whichever you go for, Google is your friend; make sure you do your research before signing on the dotted line.

Research all of the aforementioned options, as well as getting in contact with a financial advisor. Understanding what is out there, who to speak to, and the differences are key to making the right choice for you.

Tim Kelly is founder of motorclaimguru.co.uk and an expert in insurance and assessing vehicles, a consumer advocate and bodyshop consultant whose goal is to change the industry and put repairers back in control of their profits.