

FEMELA.

The Money Academy

Take a chance on me !

Financing for SME

Osnat Peled - March 2017

"Whenever I go at my bank and ask for something...I always get a "NO"...I'm starting to feel something is wrong with me, why don't they help me grow my business? "

Dana (32) was very upset.

She have been managing in the last 7 months a small boutique PR agency, having already 2 clients who are paying her a monthly fee (retainer) and pitching to more than 20 other projects (with a current pending answer) .

Now she must hire another 2 workers to help her coordinate upcoming events, and she started to feel stressed, as she understood she must pay their salaries before she actually see the income or open invoices to be paid by her clients.

" I came to my bank, asked them to provide me an investment loan of 3 years ...but without even looking at my file they refused on the spot..."

shared Dana



Why the bank keep refusing to help you?

Dana may think that this is a personal issue between her and her banker. When the actual truth is that there is nothing personal standing in such refusal. The bank is not refusing her; they simply refuse to take risks in her business. It is closely to assume, that WHAT Dana has requested from the bank was the first actual mistake she did.

but how can we know how the bank “think’s, what is their way to make the decision on whom to help and who they don’t help....instead of putting false ideas (such as – I need to be friends with the branch manager...) it is better to understand a bit the mechanism of financing and the correlation between the stage your business is placed in, to the relevant financial solutions available for each stage.

The Seed & startup challenge

When you are planning to start a business (seeds) and when you actually open your firm and started the activity (startup), your possibilities to get access to finance are very limited. The most common way for entrepreneurs in this stage is using their own savings or asking their close circle (family/friends) for financing. This early stage business is considered to be the most risky one in the eyes of financiers (like banks), simply because you cannot guarantee anything, as your business is not established yet. Banks might agree to lend you money in exchange to solid guarantees, but this method is also blocking your own resources. This is the main challenge facing any entrepreneur. When you look around you and see the “lucky ones”, meaning start up companies who manages to resolve the first 3 years of activities, it actually means they managed to have enough funds to cross the first year (which is usually in the zone of loss). Most of them are doing this using their own funds, but in some cases having partners or an angel to help can be a good solution as well. Recently the state aid funds also launched a startup program, which you can try and apply to. As long as you keep a realistic approach, understanding no one will take the risk on your own “dreams” only then; your plan might start to work.

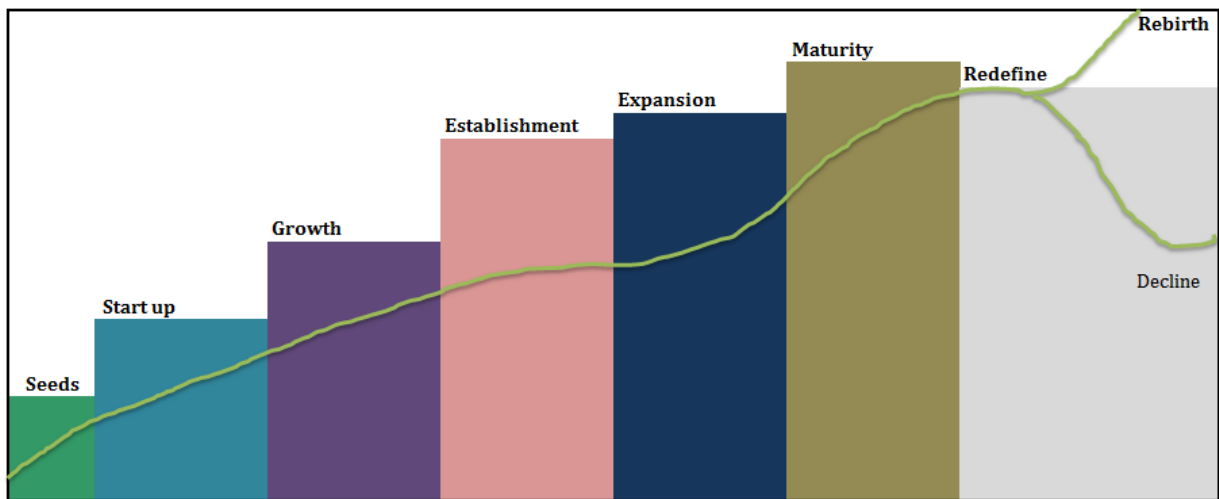
From Start up to growth – the sky looks so blue again...

Dana doesn’t feel this right now, but once her PR agency will pass the startup phase, things will get much better. From the financing options point of view, she will be able to get better supports from different types of financiers, not only the bank but also non-banking solutions such as – leasing, factoring & equity investments.

The key factor for her success is based on a realistic acknowledging first, that she must create secure income sources before she takes more risks, before he take other financial obligations (every loan must be also paid back...). In many cases this represents the “egg and the chicken” situation, because any growth within her business will require an investment, but the good news are, the key to success is actually in her hands. Understanding the options, acknowledging her business stage is the first step for her actual success.

Want to learn more? Join us at Business Women Forum Romania – for the Money academy workshop – Financing for SME – 13.4.2017 18:00 (www.bwfr.org)

In collaboration with Femeia !



- Own funding
- Family/friends
- Startup funds
- Angles
- EU/public funds
- Angles

- Bank - Credit lines
- Equity finance
- Credit financing
- Leasing
- Factoring
- EU / public funds
- Mezzanine finance

- Private equity
- Improve equity ratio
- New market opportunities

Osnat Peled (Israel) serves as - General Director of Mentor Finance Private Equity Investments, an expert advisor in Mentor Capital & Business Advisory (www.mcba.ro) & the President of Business Women Forum Romania (www.bwfr.org)