

APPROACHING THE BANK FOR FINANCE

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To gain the support of your bank, they will need to have a clear understanding of your business, a positive view of your ability to run it and an expectation that the business will generate profits. You are the most important of these three elements. The bank will want to know that you have the business experience and management ability to make it work; as well as a knowledge of the business environment and marketplace you are proposing to enter.

THE BUSINESS PLAN

To give your banker an understanding of your proposal, it is best to prepare a business plan. Essentially, this plan provides a benchmark for the business against which you can measure its progress. The bank will encourage you to view your plan as the blueprint for your business and to review it regularly. The more involved you are in writing the business plan, the more it is likely the plan will reflect your view of how the business will proceed. It will also make you much more capable of presenting your ideas to investors, grant agencies, and your bank.

In a start-up situation, the financing needs of your company will fall into three categories.

1. WORKING CAPITAL

This is the life blood of your business as it funds its day-to-day needs, i.e. stock, wages, overheads, etc., all of which may need to be paid before your customers pay you. It is vitally important that you assess your working capital needs accurately. Information leaflets are provided by the banks to help you prepare a 'Cash Flow Plan', which will highlight your working capital requirements.

In a growing business your working capital needs will increase, particularly if your business expands rapidly. This aspect of your business will need to be reviewed with your bank on a regular basis. An overdraft facility is one way to deal with this requirement as it offers flexibility to the business and you only pay for it when you use it.

2. ASSET FINANCE

Asset finance, through leasing and hire purchase, is an effective way to finance your requirements for vehicles, equipment, computers, etc. In addition to the help and support you will receive from the County Enterprise Board most banks can provide finance to suit start-up businesses; no down payments, flexible terms and, in most cases, tax relief is available. Leasing allows you to access the right equipment and the ability to up-date regularly to ensure your business remains competitive.

3. FUNDING A PREMISES

This is likely to be the biggest investment your business will make and the banks are often happy to fund it provided your business is strong enough to support the repayments. Funds are made available through a commercial mortgage, over a term of years (usually 10-15) and for up to 75% of the cost of the premises. Interest rates can be fixed or variable and there are often valuable concessions available for small and medium sized enterprises.

THE BANKING RELATIONSHIP

A good banking relationship is based on trust and communication. In order for a bank to provide you with the appropriate products and services, it will need a good understanding of your business and your ' Business Plan' will be very useful in this regard. The bank will also need regular up-dates of information and may even visit your workplace from time to time.

It is not always "plain sailing" so if difficulties arise talk to your bank immediately. Believe it or not banks really do understand the problems faced by new and developing businesses, so whether you need to review your facilities or simply need some advice, keep in touch with your bank all the time.