HOW TO RAISE CAPITAL

WITH

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Chapter 1:

Bank Loans

Every business starts with a small team and a great idea, but not always extensive business experience. If you previously worked in a different industry or haven't worked in a small business before, you face a steep learning curve in order to bring your idea to life. Starting a business means finding staff, premises, suppliers, and so many other things that can only be secured with capital. In this training, you'll learn about the most popular options small businesses can use to raise capital and begin their work. Module one will look at loans, module two will look at investment opportunities, and module three will look at how you can raise capital from within your community. Let's start off by looking at the kinds of loans a small business can secure.

Bank Loans

This might be the first option you consider when it comes to securing capital, particularly if you don't have much small business experience. It's a logical step, given that bank loans often have the lowest interest rates. The two most common types of business bank loans are fixed and flexible. Fixed loans have pre-determined payment schedules and interest rates, whereas with flexible loans, these factors are decided according to your business and financial needs. Fixed loans tend to have more widespread repayment schedules, and with either type of loan, the repayment term can be between one and fifteen years, depending on the loan amount. Interest rates on business bank loans tend to be between seven and twelve per cent, though this figure will depend on a variety of factors such as the loan amount and the financial climate.

However, it’s often very difficult for new and small businesses to secure bank loans. Many banks have drastically reduced their small business loan approval rate, citing the high risk of failure as the reason. In order to qualify for a bank loan, your company will need great credit, revenue, profitability, cashflow and experience- if you have all that, you probably don’t need a start-up loan. A good example of this situation is securing your loan. A secured loan requires you to offer “security”- an asset that the bank can seize if your company fails to repay as planned. Secured loans offer larger amounts and lower interest rates, but loans can only be secured by companies with property or substantial assets. In reality, bank loans are a rare choice for small businesses.

SBA Loans

The SBA (Small Business Administration) is an independent agency of the U.S. government that offers a variety of services to small businesses. It does not offer loans, but works with commercial lending partners to offer loans to public and private organizations. The SBA vets its lenders and all loans must follow its requirements, making the process less risky for borrowers and lenders. SBA loans are