

Small business finance without the bank [1]



While SMEs account for 97 per cent of Australian businesses, it can still be difficult to make a case to a bank when looking for finance to start a new business or invest in the growth of an existing one. The good news is that applying for commercial finance through a bank is far from the only option.

Personal loans

A relatively young enterprise that doesn't have a track record of success may not be looked upon favourably by banks, which make lending decisions based on risk. A lack of documented history doesn't aid a business loan application, so for those who still want to go through the bank they use for transaction accounts, a personal loan could be the way to go.

The downside may be slightly higher interest rates and lower loan amounts, but a personal loan can provide a good buffer for start-ups and application is relatively easy.

"If someone told me that they're going to run off and start a new business, I'd suggest, while still working in PAYG, to secure a personal loan before doing so," advises Nick Kirlew Darwin Mortgage Broker. "Banks like to see at least two years' worth of company tax returns, which could prove problematic for new businesses."

Private funding

Private funding is when individuals lend generally through a trust account. While it can be a little more costly than the average business loan, it carries the advantage of flexibility.

“If it’s a ridiculously difficult deal to put together, with no banks wanting to touch it due to not having the appropriate documentation or being outside LVRs, then [private funding] would be an option I’d advise,” says Nick Kirlew Darwin Home Loan Mortgage Broker. “In saying that, however, I would strongly recommend speaking with a broker who has experience in private lending because, as a consumer, you’re kind of flying blind and you need to know that they’re going to be trustworthy.”

Raise the money

Crowdfunding can help raise the funds needed to finance a startup or a product. The two main types are equity crowdfunding, where a share of the business is offered in return for funds, and rewards crowdfunding, where a product or service is pre-sold prior to the launch of the business or product.

While it may seem like the most hassle-free approach, with no applications or forms required to be filled out, it does entail high risk. According to crowdfunding platform Indiegogo, the success rate for small businesses is extremely low, with only 3.1 per cent reaching their goals in 2015.

Talk to a broker

Skipping the banks entirely and talking to a commercial finance broker means gaining access to myriad finance products and loan types, as well as expertise in matching your needs to the right loan type. An experienced finance broker can take a broad view of a business’s finance, assist in business planning, and use their deep knowledge of a client’s needs to look beyond a simple ‘lowest interest rate’ formula in selecting a finance product, ensuring that business owners have access to the capital they need, when they need it.

For more information on a Darwin home loan from a Darwin mortgage broker call today on 0447 499 794. You can access our Mortgage Calculator [here](#) [2].

- [Blog](#) [3]

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[1] <https://arafin.com.au/small-business-finance-without-bank>

[2] <http://arafin.com.au/mortgage-calculator>

[3] <https://arafin.com.au/tags/blog>