

Applying for Finance

Small Business Development Corporation

Applications for finance should provide a potential lender with sufficient information to adequately assess the applicant and the viability of the business venture.

Applying for finance? The following key points for preparing an application for finance will improve your chances of success.

The applicant

The lender will assess the applicant's strengths, weaknesses and past business performance as relevant to the project. The lender will have to be confident that the applicant has the skills and ability to ensure the success of the project.

The business/project

Describe the business or project in some detail. Make sure that the lender understands precisely the nature of the business and the reasons for the loan. Information extracted from the IBIS World database can be useful in providing a broad overview of the industry. The overview should include forward projections, comments about barriers to entry, and current industry conditions and opportunities. (IBIS is a database of industry and enterprise information. It is available in read only format in the Small Business Development Corporation (SBDC) Business Information and Licence Centre, and through Business Enterprise Centres).

The feasibility/marketing strategy

This probably is the most difficult section to complete. Provide quality data, because unsubstantiated estimates do not inspire confidence in a lender.

The financials

If appropriate, include historical information relative to the past performance of your business, including statements of financial performance and statements of financial position (also known as profit and loss statements and balance sheets). For new businesses, show all forward estimates including cashflow forecasts, budgets and a breakeven analysis. The projections are often best presented on a three scenario basis, best case, worst case, and something in between. The financial information must demonstrate the business will be able to generate sufficient funds to repay the loan and the interest.

The loan and repayment details

Specify precisely the amount required to achieve the objectives of the project, and how the loan, plus interest, will be repaid. The type and mix of finance should be specified, for example, an overdraft, a fully drawn advance or a fixed term loan. If you intend to operate from rented premises, advise the lender of the term of the lease as this will impact on the term of the loan.

Do not underestimate the amount you want to borrow. Lenders lose confidence when you have to return for additional funding to cover costs underestimated in the original financial forecasts.

Security

Finally, provide full details of available security, including any encumbrances currently attached to the title. Provide details of any life, sickness and accident and disability insurance cover for any key people.

Publications

Publications available from the SBDC bookshop at 553 Hay Street Perth, or online at www.sbdc.com.au, include the following titles:

Financial budgeting in small business:

training in management package; no. 4

PLU 85\$8.60

Presenting a case for finance: managing the small business series; no. 22

PLU 22\$5.35

Small business banking: all you need to know about finance for your business

PLU 21\$16.95

Sources of finance for small business:

managing the small business series; no. 2

PLU 2\$8.60

For further information and guidance contact:

Small Business Development Corporation
553 Hay Street (Cnr Pier Street)
PERTH WA 6000

Tel: (08) 9220 0222

Toll free: 1800 199 125

Fax: (08) 9221 1132

Email: info@sbdc.com.au

Website: www.sbdc.com.au

Disclaimer

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Current at August 2002

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