

ALTERNATIVE INSIGHTS

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Challenges in Small Businesses Seeking Loans

One of the most common problems that entrepreneurs face is that they don't know how to assess the financial health of their business. One of the reasons is that often, small business owners don't have a benchmark for their business and are not routinely sitting down to analyze how their enterprise is doing.

The only way to properly diagnose a business and know how it's doing is to know the numbers. Although this might seem intuitive, many small business owners are good at delivering a story or providing a product but don't have a good understanding of their numbers, which means they have no real notion of the viability of their business. Some business owners have a lot of enthusiasm and excitement but overlook their financials which ultimately may show that their business is vulnerable to a host of economic and market factors.

Alternative Lenders: A Step to Becoming More Bankable

Experienced alternative lenders can be helpful in not only getting access to capital but also in helping a business set up to be more bankable. A good alternative lender understands that by helping a business strengthen its financial position it decreases the risk of default. It teaches entrepreneurs the set of metrics that banks utilize to make credit decisions when lending to small businesses. Understanding how they are going to be judged provides a great deal of insight and empowerment. This then leads to a system of reporting which places them in a better position of control, helps them to make informed decisions and makes them more accountable.

Additional Ways to Make Your Business More Bankable

As stated, entrepreneurs should place a lot of attention on their financials and make sure they understand their numbers, since they will help make the strongest case for their business. Another thing that lenders ask for that surprises a lot of small business owners is a business plan- even in an existing business. Entrepreneurs often overlook the fact that their business plan is a living and breathing document. Business owners spend so much time working in their business, they often overlook the obvious which is to measure their success in reference to their plan.

Having a detailed plan is a good way for small business owners to be able to execute on the vision that they have for their company and provide a nice checklist of things they plan on accomplishing. An effective practice is to document short- term goals as well as long-term goals in order to share with lenders and make their case more compelling.