

Top 10 Ways to Finance Your Business

A recent article from The Washington Post dated a few months back—November 2019 to be exact—discusses the current economic state of the U.S. Although steady, given that citizens still enjoy the benefits of wages and jobs, the economy isn't really growing. For those entrepreneurs with plans of [starting a business](#), looking at the present economy of the country is crucial. After all, one factor that affects the success of a business venture is the market where the company stands. If the economy is constant, entrepreneurs can find ways to finance their businesses. With that said, here are several methods that companies can apply to gather the capital they need for particular projects and plans. Learn these techniques and choose the ones you can use for your company.

Personal Savings



In most cases, newcomers in business often get their funds from personal savings. As a form of self-investment, some entrepreneurs choose to fund themselves instead of applying for loans, sending [business proposals](#), or borrowing from friends. According to a study conducted by Fundable, more than fifty percent of startup businesses had funding from the owner's personal savings and loans. Since the process of getting credit is tedious for some entrepreneurs, using their own money is often seen as their most preferable option.

Friends and Family



When the entrepreneurs still lack additional funds, they turn to some of their family members and friends for support. Making colleagues or family members creditors of the business is risky. It can lead to misunderstandings and can sometimes destroy relationships. However, having such close ties as financiers can also be a relaxing notion for others. An [investment agreement](#) with these close people can lessen conflicts, especially in terms of pay and interests. But before deciding on this, the entrepreneur must prepare and present a foolproof [investment proposal](#) to said family members and friends to avoid rejections and unpleasant surprises. When finalized, an [investment contract](#) is signed between the two parties.

Bank Loan



The National Small Business Association (NSBA) 2017 report discusses how small business bank loans play a relevant role in the development of growing companies. As business funding, bank loans come in lump sum amounts and have interests, depending on the loan proposal and the contract signed by the business owner. Although acquiring a bank loan can be tricky—involving many documents and requirements—it is a secure method for businesses. But before applying for bank loans, the company should do a cost estimate of the needed funds for the plan or project. In that way, the approximation of the required funds narrows down to a specific amount.

Crowdfunding



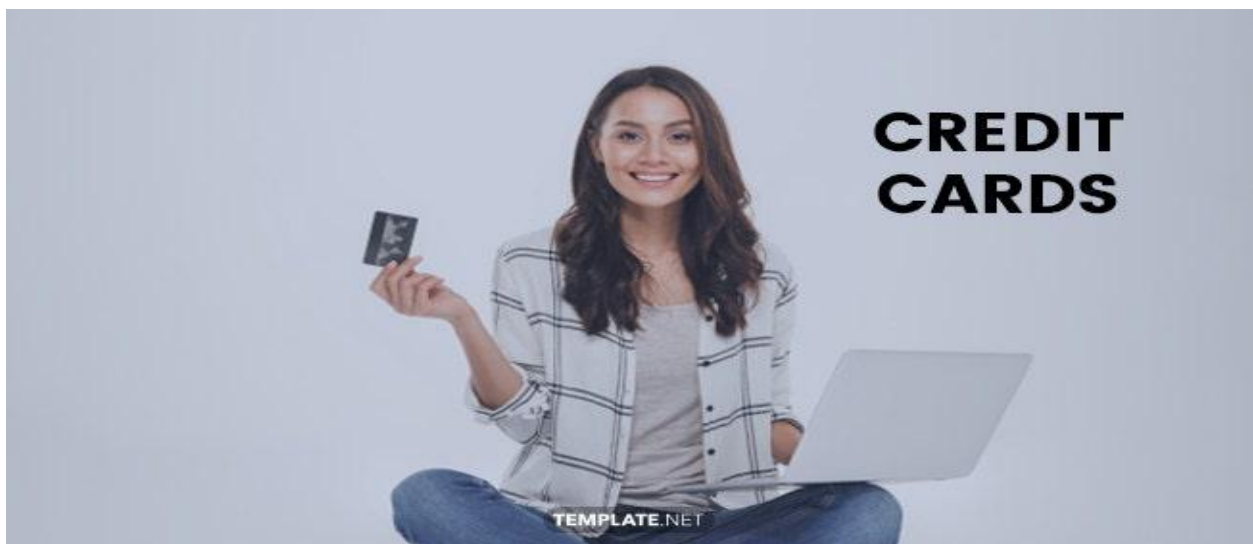
The history of crowdfunding goes back to a famous British rock band, a concert on US grounds, and the year 1997. Marillion had released their seventh album, but will not include the US in their tour because of insufficient funds. Through the persuasion of the fans and the Internet, around \$60,000 was raised for the band. After many years, many people and businesses still apply the concept of crowdfunding when raising funds for particular purposes. In this case, when business finance needs additional resources for projects and plans, they try doing crowdfunding to gather enough money. The project management does [cost analysis](#) to determine the lacking funds for the company. Afterward, they do crowdfunding by asking different people small portions of money through the Internet or personal meetings. When aggregated, the money will be large enough for the business.

Business Partners



Instead of borrowing money from banks and friends, other entrepreneurs choose to [find business partners](#) to shoulder some of the burdens of having inadequate funds. In compensation for that responsibility, the other company will receive sufficient rewards and returns on investment. Through the partnership agreement, both entities will have profit sharing and division of business operations. Before reaching that state in the working relationship, the company must provide efficient business and [marketing plans](#) to find a suitable business partner.

Credit cards



In 2018, Forbes Magazine published an article about using credit cards as a funding option for businesses. In a way, having a credit card on hand provides more opportunities for the business owner, saying, of course, the fast transaction of money and the flexibility of the credit and collection methods. However, entrepreneur Daniel Wesley countered that this approach works best with businesses that have an active market and ready-to-pay clients. If the company is in a rough patch, choosing credit cards as financial aid can jeopardize the business. To improve future borrowings, the enterprise should first assess their status in the industry.

Equity financing



Some companies opt for equity financing as a way to raise funds for the enterprise. The process involves selling company stocks to other stakeholders or interested investors. After purchasing the stock, the investor becomes part of the company—he or she is, in part, an owner of the firm. Through the shareholders' agreement, the investor has a glimpse of the assets and liabilities, responsibilities, and benefits of getting the company stock. Equity financing is the technique that companies engage in to save the business from going under. For accounting purposes, the company writes down the name of employees that purchased the company asset.

Micro Loans



If bank loans are too much for the company, they can pick microloans. Microloans are one of the financial services that cater to small businesses and have interests ranging from eight to thirteen percent. The intermediary lenders can loan \$500 to \$35,000 depending on the maximum capacity of their lending agency. Before the company can apply for microloans, they have to produce [legal documents](#) such as permits and licenses to prove the existence of the enterprise. Acquiring a microloan is an effective way for small businesses that have pending projects and plans.

Consider Factoring



Unlike other procedures, consider factoring demands more effort and patience. In this method, the company sells its receivables to another company at a discounted price to get the funds right away. Invoice discounting in the purchase order is an example of this approach. Although the firm obtains the funds, the revenues are relatively lower than expected. The process may work in the short run, but if the enterprise is looking at the bigger picture, it will not be efficient.

Angel Investors



The last method that businesses can utilize is attracting an angel investor. In this strategy, the business owner encourages an upscale individual to invest in the company. The affluent personality provides financial backing for the enterprise in exchange for something hefty in return. For instance, the provider can become one of the owners of the company. But first, the company must conduct a [market analysis](#), network, and come up with accurate forecasts to provide information to the angel investor. When the wealthy backer approves the proposal, the company will have nothing to worry about anymore—except earning exceptionally high profits at the end of the fiscal year.

Investopedia ranks four common pitfalls for small, emerging companies. The first on the list—which some say is the greatest obstacle for entrepreneurs—is the inadequacy or absence of funding. Having read this article, you're now better aware of the options available as remedies for such a problem. The items listed above are some excellent methods that companies can use to gather enough resources for the firm. Together with [SMART goal planning](#), a morale-boosting [mission statement](#), and effective [marketing strategies](#), the enterprise will surpass financial challenges. Growing your business means taking risks and learning from failed endeavors. Business is never easy, but a strong, well-informed, and financially independent company can always find ways to withstand the tides.