

Approaching a bank

In most cases the bank provides the most important single source of funds for people in small business. But this is not the only function of a bank. Usually a bank can become a convenient partner to the small business owner.

In Queensland many banks have developed specialist services to assist small business owners, including a range of advisory services, particularly in start up situations. Others can also perform a helpful role in arranging and planning essential cash supply, controlling cash flow and investing surplus cash.

To request a loan for your business it is essential that you know how to approach the bank with the right information. Sometimes business people are unsuccessful in their attempts to borrow money, not because they are unworthy of credit, but because their loan applications are not clearly and effectively presented.

The essentials in preparing a case for finance are to:

- Prepare thoroughly for meeting with bank staff.
- Prepare a detailed submission which puts the business's case across as convincingly as possible, including amount of funds required, its purpose, preferred repayment terms, security offered for the loan.
- Know the accounts and financial statements of the business in detail to inspire confidence in the bank manager, including projected profitability and cash budget, details of existing borrowing, latest balance sheet or statement of business assets and liabilities, latest tax return and details of previous years' trading performance.
- Be honest with the bank manager.

Often the bank may ask to see your business plan. In this case it's important that you can show the bank the history of the business, your previous business experience, how the business' goals will be achieved, market research and contingency plans to compensate for market changes and other external factors which could affect the business.

Developing an open business relationship with a bank is one way of assisting its growth. On the flip-side it's important to keep the bank fully informed, even if the news is not good. Financiers will usually try and do everything possible to keep businesses in business and can often offer solutions for the business.

Further information

The following fact sheets provide further information on these issues:

- Business finance options
- Business planning