



The entrepreneur
and the need of
financing.



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Each business initiative has different requirements, and no financial solution is unique. The entrepreneur's situation and his vision of the company will determine the future of the business.

More than half of entrepreneurs start their businesses with a loan. In the same way, a large part of the SMEs (small and medium businesses) at some point need financing either to

guarantee the continuity or growth of their operations.

Starting a business is a challenging task, and the need for support from the financial system will continue to grow as there is good progress.

Despite the implications that the concept of borrowing entails, applying for a loan has a strategic value. According to the details of the guide informative on **SME Banking of the International Finance Corporation**, it is worth studying, backed by the World Bank. There are general and fundamental reasons put forward

by them that deserve the management of a credit:

Internationalize: When companies enter new markets, it is common for them to face cycles of longer charges for products or services that they place, which can weaken the liquidity necessary for purchasing production or replacement inputs.



Higher working capital: It can happen when an SME needs to increase the number of workers or the rate of production of Commodity because of having expanded your business to new markets or simply increasing the capacity to meet the growing demand for your product or service.

Purchase of supplies: The acquisition of new equipment to increase production or modernize processes will need financing.

Refinancing: It is a way to amortize the existing debt or make prepayments. It consists of paying old debts with new debts and helps to improve the cash flow.

Credit history: If a company has not taken pr we are before, doing it for the first can help you develop a good track record of credit, facilitating the access to credit funds in the future.

We found some data interesting about entrepreneurship in our region in the publication "**Resilience and reinvention of the Entrepreneurs Latin Americans in the context of the impact caused by the pandemic**" published by the Inter-American Bank Development in 2021. It is indicated that,

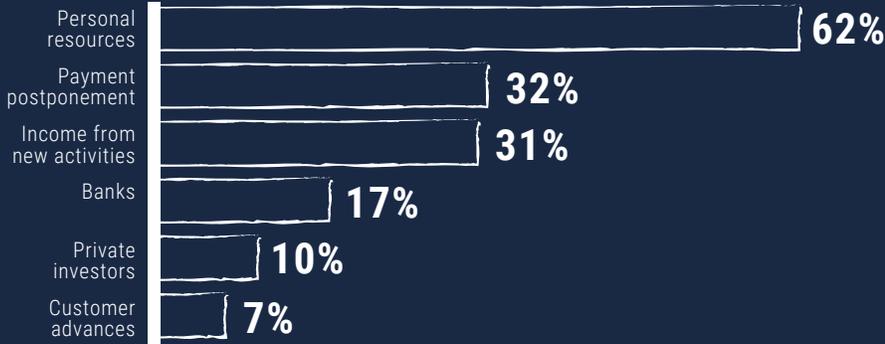
“*In the region, the primary economic resources used by the companies to deal with the situation of the last two years have been on their own (60% of the time), either through new injections of funds by partners or through further injections of funds or profits from previous periods.*”

The report also indicates that another strategy adopted has been the postponement of payments (present in the third

part of companies surveyed) to either tax or providers and, to a lesser extent, to the same partners. **The novelty is transcendence that acquires the income derived from other activities carried out by companies during the pandemic.** Both actions were implemented temporarily, and others remained stable within the company's activities. **I know it is a sample of resilience.**



SOURCES OF FINANCING USED BY COMPANIES TO OVERCOME THE CRISIS.



The figures are generally positive regarding the number of entrepreneurs it achieves, relying on external credit sources.

However, they were below the real true financing potential, both in the case of bank loans (in 17% of companies) and the investors' personal (10% of companies).

This meant that the use of financing funds by companies in Latin America was underutilized. Nevertheless, the companies that did manage to access loans from financial entities benefited since the banking entities relaxed their demands given the conditions of low demand for loans during the pandemic stage.

“*The choice of the kind of financing can influence your company's future.*”

In line with what was said above, one must begin by clearly stating why funding is needed and assigning priorities, and then think about how to get it.

Among some of the tracks more common, we can find:

1. Credit Card Financing:

Credit cards can be an effective way to finance a business and expand your cash flow. They can be used to pay providers and can even get discounts and certain protections.

2. Microcredits:

Microcredits are small loans with relatively low limits. They are usually oriented to companies that have needs for personnel, working capital, inventory, or equipment. Many online lenders and even traditional banks offer some form of these small start-up loans.

3. Crowdfunding:

Crowdfunding raises funds for a business from many people, called crowd funders. The money is not a loan, but a donation in exchange for something from



your company, such as early access to your product or service. Crowdfunding is also popular because it involves very low risk for entrepreneurs. Not only do you retain full control of the company, but if the plan fails, you are not required to repay the funders. Each crowdfunding platform is different, and you must be clear about the details.

4. Friends and family:

Although sometimes it is not easy, many of our loved ones are the right people to support our business projects with some financial backing, but it must be considered that, by turning them into creditors, they are risking their financial future and putting important relationships at risk. personal.

5. Traditional Bank Loans:

The first path most of us think of is a bank loan. These are available in many forms (short, medium or long term) and for a wide variety of purposes (working capital, expansion, equipment purchase or commercial real estate)

As far as loans from banking entities are concerned, they have their advantages, among which we can find:

- **Initial support:** It is a way to ensure the essential elements to start, such as a computer, a car, or the marketing campaign to publicize your services.
- **Flexibility:** Banks usually give greater payment flexibility to entrepreneurs.

- **Faster than other sources:**

Requesting it is typically simple, and a quick response is received, especially as a client of the institution.

- **Security:** Requesting a loan from a bank or other financial institution will always be safer than other alternatives.

- **Financial independence:**

The credit is issued in the company's name and not of the entrepreneur. Mixing personal finances with entrepreneurship finances is never healthy.

- **Accessibility and versatility:**

Processes no longer require eternal forms or unattainable requirements.





Among some of the collections and supports that banks request to deliver credits to small businesses, we can find:

Credit history: It is solid, that it is old, that it does not reflect erroneous data, and that it can be corroborated.

Business Plan: The entrepreneur can present a clear, concise plan that projects his idea and business, covering all the necessary areas.

Profits and Losses: Financial statements are usually requested to establish the amounts and conditions of the loan.

Tax situation: The company and/or its partners have a clean tax history, that they have fulfilled their obligations and can prove it.

Personal and/or corporate accounts: If the person and/or their company are already clients of the bank, the application process and probable credit approval are much more straightforward and more feasible.

“*The best financing option depends on the amount of money required, how quickly you need the loan, and the payment conditions.*”

Some factors that entrepreneurs and small business owners should consider when deciding which financing option is right for them are:

- **The money's objective** is to determine if it is to solve a cash liquidity problem (weekly payments, salaries, monthly expenses) or if the funds are to invest in working capital.

- **The return capacity of the investment of the funds obtained from the credit** is the most important factor when applying for a loan since the funds obtained must yield enough (and within the necessary period) to justify the need. Initial credit.

- **The speed with which the money is needed:** Getting a line of credit loan is usually faster than getting a term loan; this depends on the use that will be given to the money obtained.

- **Flexible terms:** Interest rates can be fixed or variable. Return terms and conditions may vary.

- **Request for guarantees:** Determine if they are necessary and/or required. There are loans that a company can obtain without guarantees, such as the different types of term loans.

- **Costs and interest rate:** It is possible to find wide interest ranges, and sometimes the loan may require other commissions.

“*Obtaining financing for businesses is part of growing.*”



Business loans are instruments that perfectly fit the needs and solutions of entrepreneurs.

Taking time to fully understand the big picture and make the right decisions is critical to business success.

If you are ready to move forward and understand how to accelerate your company's growth at **Nodusbank**, we are prepared to support you.

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