



CASH PROBLEMS STILL PLAGUING SMEs

Small businesses are currently spending an up to three weeks per year chasing overdue payments.

If that were not bad enough, the latest research suggests that they are waiting some thirty days longer than their agreed payment terms before they actually receive the money. These factors are contributing to massive cash flow problems.

EASING THE BURDEN

There are some golden rules that can ease the burden of chasing payments and help maintain a healthy cash flow:

- Plan well in advance for the worst case scenario. It is important to know exactly what impact late payers are going to have on the business.
- To encourage late payers, why not offer discounts for early payment or indeed a discount for those making upfront payments.
- Always print terms and conditions for payment on every invoice submitted.
- In all cases of late payment, it is vital to follow up on the invoice immediately. Having regular contact with the customer can help and makes the whole process easier and far more effective.
- Invoice finance might allow some businesses to cash outstanding invoices so they can access capital much faster. This provides a percentage of the money that a business is owed within 24 hours of submitting an invoice. However, invoice finance will not suit every business.

APPEALS FRUITFUL

Bank lending is not the easiest route to funding for many small businesses.

Figures clearly show that whilst many small businesses seeking funding are turned down for bank loans and overdrafts, many who appeal against the bank's decision manage to get the rejection overturned.

REVIEW

An independent review by the British Bankers Association has shown that of the 2,177 SMEs who appealed against a bank's lending decision, around 847 of them managed to appeal successfully. This led to the agreement of alternative credit terms and allowing access to the funding required.

SUCCESSFUL APPEALS

Given that almost forty percent of appeals are successful this is a process well worth investigating further. It shows that banks are not giving many small businesses a fair assessment in the first place.

FAIR ASSESSMENT

Currently we have an over-centralised banking system that is relying too heavily on automated risk criteria and upon data from credit rating agencies, many of which appear to use wildly different factors to assess a firm's creditworthiness.

THE RIGHT CRITERIA

Businesses require a fair assessment from their banks based on the right criteria. If this is not provided then they must not hesitate to appeal against unfair decisions.

