

Blog: The Best Ways to Raise Finance for Business

alldayPA

Target Audience: Small business owners and entrepreneurs.

Purpose: To create content for a popular search query, showcase ADP's business expertise, and boost wider site optimisation via linking.

Target Keyword: 'raising finance for business'

Whether we like it or not, [raising finance for business](#) is one of the most essential aspects of entrepreneurship. But how do you get started? And, what financial solutions might be available to you?

Let's take a look.

The Challenges of Raising Finance for Business

The process of raising finance for your business can be an [arduous task for small businesses](#). You may feel like you are spending more time networking than you do doing your job. Even if you apply for multiple grants, you aren't always guaranteed to get that capital.

So, if you are on the search for capital but seem to have hit a dead end with all your current funding sources, alldayPA is here to help. We will detail all you need to know to avoid the challenges you might face when trying to raise finance for your business.

Effective Ways of Raising Finance for Your Business

No matter your capital structure, whether you are looking for acquisition funding or funding for growth - or are a private or public company - there are several solutions for raising finance for business.

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Bootstrapping and Raising Capital Yourself

Bootstrapping is essentially using your [own personal finances to launch or support your business](#). If you don't have access to much capital personally, you might also ask your friends, family, and business partners, or turn to your credit cards for a quick financial boost.

Advantages

- As you won't need to woo any potential investors or produce any professional materials to entice people to finance your business, [bootstrapping can be one of the most inexpensive ways to raise financial capital](#).
- You will be relying on your own sources of finance, meaning that you won't have to deal with multiple private investors, finance suppliers, and sources of funding. Due to this, you will have more control over your cash flow.
- Similarly, knowing where your money is coming from personally will allow you to more effectively manage and organise your finances.

Disadvantages

- Though it might be one of the most inexpensive finance options, it's also one of the riskiest forms of finance. If your business doesn't do too well, not only will your business be losing money, but so will you, your friends, family, and whoever else you managed to raise capital from.
- Using credit cards for business funding can be incredibly difficult and expensive if you find that you cannot pay it off, and it could also affect your personal credit score.
- Borrowing money from people you know personally can put a strain on your relationship, especially if you cannot pay them back.

Venture Capital Firms and Business Angels

There are typically [two types of conventional venture capital](#) one might consider:

- Venture capital firm
- Individual venture capitalist

Both of these options are available to high-risk startups and small businesses.

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The idea here is to convince active investors that the prospects of future growth outweigh the risk of failure – so, you must be armed with a growth strategy or growth plan, have a comprehensive business plan highlighting each stage of growth, and outline the money needed for business growth.

After the term of your agreement, the venture capital (VC) firm or individual investors might have the opportunity to buy the now larger companies outright or may become an influential shareholder with a large number of shares.

On the other hand, [business angels – otherwise known as seed, private, or angel investors](#) – are individuals with a high net worth who invest their own money into early-stage small companies in exchange for minority shares in the company – and thus might be considered as share capital.

There are several ways that you can find private investors or private companies for your corporate finance. However, arguably the best way to do so is through a registered company that can provide business advice – advice through seminars or one-to-ones – to ensure your corporate finance team is making the right decisions, especially when potential investors are based in another country, like an American angel investor, for example.

Advantages

- As [angel investors are not part of a wider firm](#), they will often consider businesses considered to be much higher risk, and thus would not receive alternative funding.
- Both angel investors and venture capitalists are highly knowledgeable, and so can provide accounting advice, tax advice, advice on tax schemes, and much more advice to businesses.
- Typically, both business angels and VC firms will *not* require repayment in the event that your business fails.

Disadvantages

- The cost of capital in both cases here is that VC firms and business angels will typically have some form of controlling stake, or a large number of shares, in your business. This will mean you will have less control over your company, so you will need to weigh up the capital requirements against the flexibility of your and your management team's leadership role.

Bank Loans

When we think of 'debt', we don't associate it with a positive experience. However, debt financing can be a great way to finance your business. Whether debt holders have an agreed overdraft or a long-term loan, your debt advisory nominee will be able to help you find the best solution for you.

Advantages

- One of the biggest advantages of debt and loans is that, after you have agreed on the amount you will borrow, you can get back to running your business, and encouraging organic growth.
- Another advantage of bank debt is that it is an extremely popular option for commercial finance, and so the process and services can be tailored to your capital requirements.
- Repayments on loans for companies can be categorised as business expenses, which will be advantageous to your taxes.

Disadvantages

- As with all loans, bank loans often come with a high-interest rate, which you will have to pay back on top of the borrowed amount.
- It will affect your credit rating, which can affect your cash flow and additional funding options in the future.
- If your business sadly fails, you will have to pay the bank back the full loan amount. In addition to this, you are often obligated to make repayments to your bank before any shareholders.
- Most often with long-term loans, you will have to take the loan against [your business, its premises or possessions](#), with solutions like equity finance and mezzanine debt. If you cannot repay the loan, this runs the risk of your property being repossessed by the bank.

Asset Finance and Invoice Finance

Following on from the above point, if you have capital tied up in possessions such as machinery, stock, and [even property](#), you may be able to release some of these funds for business growth. This is done by taking a loan out with the bank against these items, known as asset finance.

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Almost every real company has a large amount of money that is owed to them, such as with a leasing company, invoices, project management, and debtors. This is where invoice financing comes into play; essentially, you will [outsource the control](#) over your credit to a third party, who will then give you around 80 to 90% of this money to inject into your business.

Advantages

- It can bridge the gap between sending out invoices and receiving payments to keep cash flow steady.
- As your business experiences growth, so too will the potential for additional capital.

Disadvantages

- If the assets that you borrow against lose value, this can affect your funding.
- Similarly to bank loans, if you do not receive the money you expect to and don't make your repayments, you will run the risk of losing your funding and your assets being repossessed.

Crowdfunding

[Crowdfunding is extremely popular nowadays, despite being a fairly modern financing solution.](#) It is quite simple, people will donate to a business online to help them find their feet in exchange for a perk or benefit.

Advantages

- It is quick and easy to set up, which is why it is immensely popular.
- It is easy to share via [digital communication methods to allow people to click and support your business.](#)

Disadvantages

- Noone will donate if they cannot see your crowdfunding link, so you must have a strong social media presence in order for it to work.
- You may only end up with your family and friends donating, which then runs the same risks as [personal financing.](#)

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- You might require several rounds of funding before you raise the goal amount.

Raising Money from Friends and Family

One of the first places many business owners (and small business owners in particular) will look to raise money is from friends and family. This kind of funding is a very accessible source of income. This is because those close to you are most likely to have a strong interest in helping you and your business succeed.

However, [like all funding methods, there are some things to consider before raising money from your loved ones.](#)

Advantages

- When compared to financing from investors, finance from friends and family can be turned around considerably more quickly.
- Most loans from friends and family will not have the same security terms as those from professional lenders and banks. You are unlikely to have to secure these loans with any personal assets.
- Friends and family are likely to offer you more flexible repayment terms as they're aware of how your business is getting on.

Disadvantages

- Taking money from friends and family often requires a level of emotional involvement from both sides, which can be of detriment to the business.
- Your loved ones are unlikely to be business experts, but by investing in your business, they may feel entitled to input on business decisions. Their input may not necessarily result in the best business decisions and may lead to personal and professional conflict.
- If the business fails, you may see a strain on your personal relationships, particularly if you're finding it difficult to pay your friends and family back.

Looking to Grow Your Business? Get in Touch with alldayPA

Here at alldayPA, we are committed to assisting businesses in their growth and development from startups to global enterprises. [Based in the North West, we are](#)

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[passionate about helping sole traders and small businesses across the UK](#), freeing up your time to run and grow your business for many years to come.

When raising finance for business, it is important to have as much time as possible to focus on your business - which is where we come in. By partnering with alldayPA, you can benefit from [call answering, message taking, answering frequently asked questions](#), and even booking appointments ([depending on your business support package](#)), allowing you more time to do what you do best.

To find out more about how alldayPA can support your processes during your fundraising journey, don't hesitate to [get in touch today](#).