

FINANCING A SMALL BUSINESS WITH LITTLE OR NO CAPITAL





Starting a business without any capital is a daunting task. How do you pay your staff? Where do you find money for stock? What can you do to improve cashflow? These are just some of the questions you'll face. Read on for a few ideas that will help you.



Insist on Deposits

(To Cover your Expenses)

Deposits are a great way to finance your company without ever approaching a bank or a venture capitalist.

Especially in the service industry, it's very useful to ask for a percentage of a job as a deposit. I always make sure that this amount covers ALL of my hard costs and that it's paid before any work is done.

Hard costs are costs that you definitely have to pay for the project. For example, your time isn't a hard cost but materials and contractors needed for the job are.

In some cases, this isn't practical because it forms a large part of the entire purchase amount, but a small deposit in these instances could still prove very useful.

Offer Monthly Payment Terms

to Improve your Cashflow

Customers always appreciate flexible payment terms, so offering different monthly payment options can help you get more accepted quotes as well as improve your cashflow.

It's important if you decide to offer payment terms to set an effective debt-collection strategy in place. Mine is to simply get my bookkeeper to handle it. They're often asked to do this sort of thing and tend to be quite good at sending nasty, effective letters of demand.

To cover the expenses of debt collection, it may prove useful for you to add 10% to the quote if a client requests payment terms. This is a very commonly accepted practice and shouldn't hurt your sales at all.

Re-Sell Other People's Services

Find companies that offer complimentary services to your own and work out some sort of reseller deal with them. Normally you can arrange this so that your clients never even know that it's not you providing the service at the end of the day.

The beauty of doing this is that you can offer a great service without investing large amounts of money in having your own equipment, stock & staff. The downside is that you seldom have any control over the final product.

Pay Employees on a Per-Contract Basis

Paying employees for the work they've done is a great way to ensure that you don't end up liquidating your business around the quiet season. It also helps your employees (or contractors) feel motivated to do what is required of them and to do it well.

I recommend checking with your local authorities as to how to structure this. The easiest way is often to have a standard contract drawn up which you change on a per-project basis. This allows you to end the relationship with your contractor as soon as they stop performing. It also allows contractors to move on once they feel they've out-grown your company.

I usually include my contractors' fees in the deposit so I know that if the deal falls through, at least they've been paid.

Use Credit Cards as Bridging Capital

Credit cards are a great way to finance a small company, but you need to be careful that you don't use them for personal or unnecessary purchases.

As long as you keep them paid-up and in-check, you can expect the following benefits from your credit cards:

- **Get up to 30 days interest-free!**
- **The more cards you have, the easier it is to get more.**
- **Get rewarded for using them.**

The biggest problem with credit cards is their high-interest but, as long as you pay the full amount within the interest-free period, they're MUCH cheaper than any other form of finance!

Running a business with little or no capital is difficult but not impossible. Start using these ideas in your business today and watch it grow!

About Dawgen Global

Dawgen Global is an integrated multidisciplinary professional service firm in the Caribbean Region. We are integrated as one Regional firm and provide several professional services including: audit, accounting, tax, Information Technology, Risk, HR Solution, Performance, M&A, corporate finance and other advisory services.

Our Caribbean regional network covers Jamaica, Trinidad and Tobago, Bahamas, Bermuda, the Cayman Islands, the Eastern Caribbean (Barbados, Antigua, St Lucia, Grenada, and St Kitts & Nevis), the Netherlands Antilles (Bonaire, Curacao, and St Maarten) and Aruba and the Turks and Caicos Islands.

Our regional focus is to improve services to local, regional and international clients. Through our affiliation and membership in other Global Networks and Associations, we offer a global perspective while maintaining our regional insight by seeking alternatives for you – we tap the power of both.

Our multidisciplinary teams of professionals leverage a wealth of industry-tailored, practical approaches to help you discover opportunities for your business. Whether your organization is strong and healthy, under stress or facing difficult choices, we work with you to find financial, strategic and operational solutions that improve your liquidity, financial flexibility and stakeholder returns. We're here to help you build a sustainable business – in the short and long-term.

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Services

