

Borrowing Money to Build Your Business

Contributed by Webmaster

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Starting a business always involves money. Many small business owners have started their companies from scratch, acquiring assistance from a bank or a lending company. Today, there are several business financing options available for entrepreneurs such as bank loans, business credit card, angel investors and capitalists.

Perhaps you may be hesitant to borrow money thinking that it is a risky move. However, when funds are utilized effectively, getting financial assistance through borrowing does have its advantages. It is worth nothing that business loans generally have lower interest rates than those required by business capitalists or angel investors. The interest on business loans often range form 8-12% while investors may demand as much as 20-30% from the money they invested.

Borrowing is also a practical move because it is often easier to get approved for a business loan than it is to close a deal with capitalist or an angel investor. Even if youve found a potential investor for your planned business, it may take some before an agreement is completed. With regards to loans, you can be assured that youll obtain the financing help you need as long as you can submit the necessary requirements such as a business plan, business loan proposal, business permit, and a good credit history.

In fact, even established businesses also resort to borrowing to support their needs. For instance, those with a limited budget may need to acquire short-term loans or cash advances to accommodate customer orders. With the help of a short term loan, a business can continue its operations even with a limited cash flow.

To invest or to borrow?

Should you invest or borrow to start a business? The decision of course will depend on your situation. If you have a brilliant business idea but you dont have the means to finance your plan, perhaps finding an angel investor who will support you is a practical choice. IF you have bad credit history, you may prefer this option since you wont be qualified for low-interest business loans.

On the other hand, if you need additional financing with a good credit, then acquiring a business loan is a viable choice. You may also opt to get a business credit card so you can start the business at a much sooner time. While waiting for your bank loan to get approved, you can start the operations using your business credit card for financing.

But what if you have bad credit? The good news is you can still get approved for a secured business credit card even with bad credit history. In fact, a secured business credit card is a great tool in helping your rebuild your credit. As soon as you have improved your credit score, you can pursue a bank business loan to finance your large projects or your long-term business goals.

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