

## Invoice financing helps firms grow

By Tom Addyman on Wednesday, July 08, 2009

A few weeks back I attended an industry event in Dubai. I am sure by now you can all guess what the main topics of conversation were. It seemed that the predominant questions and concerns were variations on questions such as, "When will things pick up?" or "How will businesses in the UAE survive?" It is easy to get pulled into the mob mentality of focusing on how bad things might get or when those "green shoots" of recovery will begin to sprout – which sounds to me like a lot of armchair-botany rather than commercial reality. I understand that we are living in difficult times. The economic decline has had major repercussions on a number of aspects of the business world, and subsequently, on all aspects of the real world, that is, the day-in and day-out intricacies of our lives.

There were several interesting questions from small business owners, and here is one that I would like to share with you:

**I need a more consistent flow of cash into my business, but I cannot rely on my clients to pay their invoices on time. How can I be sure that a few late payments are not going to cripple my business?**

I find this to be a general concern within the SME community right now. Let us say your business is performing well, but your money is tied up with your clients who have not paid their bills on time. This can be a real source of frustration for a small business owner. Who wants to feel like their business may be jeopardised by something as common as late payments? A novel and increasingly popular option to look at is taking the cash tied up in your invoices and getting a temporary loan or overdraft facility secured on them. There are a handful of financial firms in the UAE offering this service, which is called invoice financing. Now, if you allow me to enlighten you for a minute, I will explain how it works:

Basically, you issue an invoice to your client and at the same time a copy of that invoice to the bank or financial services company you are working with. That company then lends your business a set percentage of the invoice value (usually up to 70 per cent). When your client finally pays you the amount due on the invoice, you repay the money to the lender. This can quickly release cash for you to keep your business going, your cash-flows flowing, and the green shoots growing. But seriously, it can be a life saver.

There are also other benefits from invoice financing. Cash in your account means you can grow your business, recruit and train additional staff, buy that much needed piece of equipment or anything else you want to do to make your business better. You can also pay your suppliers on time, which gives you the ability to negotiate better terms. Paying your bills on time equates to good business relationships, which translates into referrals, discounts and other friendly benefits at a later stage.

How about this benefit: Will a firm lose clients to other companies who can offer them credit, or who can offer expanded credit terms? In these difficult times, absolutely. All things being equal, the

business will go to the company with broader or better credit terms. Think about it. Would not you? Invoice financing can give you a competitive edge when it comes to billing your clients. In today's climate everyone is looking for a way to hold onto cash a little longer, to make it stretch. Naturally, when times are uncertain, clients will appreciate not having to pay invoices immediately.

You can also stop being afraid to stock up on supplies. Many businesses feel that they cannot keep a healthy level of stock, which may cause them to put off finishing a job or not accepting new jobs. As a business owner, you must be able to keep up with demand. Turning down jobs because you cannot afford to buy needed supplies right now does not make for good business. Imagine all the business you are missing out on. So get on with it and make your business a success.

Lastly, rather than spending time chasing invoices, invoice finance allows you to focus more on growing the relationships you have with clients, as well as thinking up creative ways to keep your company ahead of the competition. Maintaining peace of mind with regards to your business ensures that you can grow it with confidence and fortitude.

I will wrap up this column by saying to SME owners and managers that there are various options to help support your growing business. For the business-minded, where there is one problem, there are several solutions. Perhaps we just need a little more enthusiasm in this downturn, and a lot more inspiration, that is borne out of encouragement.

Sometimes it is just a matter of a little creativity and a good old dose of hard work. One of my favourite subjects, which I briefly touched on, is how to keep your company competitive and set it apart from the competition. So in my next column I am going to share with you some ways of making sure you are staying ahead of the game. In the meantime, if you have any comments or questions, drop me a line.

*- The author is Managing Director of Commercial Finance at Gulf Finance*

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