



Learn why your business may need more money than expected !



Know the key criteria in selecting the RIGHT financing source !



"What are the financing options my business can consider ?"



Avoid the headache of running around to source for the suitable loan for your business. Be WISE SMART, Leverage !

# SOURCE NEW FUNDS for *Your business*

## Why businesses need finance



Finance is the money available to spend on business needs.

Right from the moment someone thinks of a business idea, there needs to be cash. As the business grows there are inevitably greater calls for more money to finance expansion. The day to day running of the business also needs money.

### Expansions to production capacity



As a business grows, it needs higher capacity and new technology to cut unit costs and keep up with competition.

New technology can be relatively expensive to the business and is seen as a **long term** investment, because the costs will outweigh the money saved or generated for a considerable period of time. And remember new technology is not just dealing with computer systems, but also new machinery and tools to perform processes quicker, more efficiently and with greater quality.

## Want to develop new product ?



To keep up with new innovation, business needs to spend money on developing and marketing new products e.g. to do marketing research and test new products in “pilot” markets. These costs are not normally covered by sales of the products for some time (if at all), so money needs to be raised to pay for the research.

## Develop new market



When a business seeks to expand it may look to sell their products into new markets. These can be new geographical areas to sell to (e.g. export markets) or new types of customers. This costs money in terms of research and marketing e.g. advertising campaigns and setting up retail outlets.

## Moving to new premises



Finance is needed to pay for simple expenses such as the cost of renting of removal vans, through to relocation packages for employees and the installation of machinery.

## Taking Over or Acquisition



When a business buys another business, it will need to find money to pay for the acquisition (acquisitions involve significant investment). This money will be used to pay owners of the business which is being bought.

“ Build good relationship with bank and financial institution. Borrow even when not required. Show to the bank your credit payment behavior.. ”

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ESTATE DISTRIBUTION

# Choosing Right Source of Finance

We will explore the criteria to determine the right source of financing for your business.



## ① Amount money required

Large amount of money is not available through some sources and the other sources of finance may not offer enough flexibility for a smaller amount.

## ② How fast money is needed

The more time a business has to raise the money, normally the cheaper it is. However it may need the money very quickly (say if had to pay a big bill to get the supply of raw materials for a order or else it may mean losing the order). The business would then have to accept a higher cost of funds

## ③ The amount of risk involved in the financing

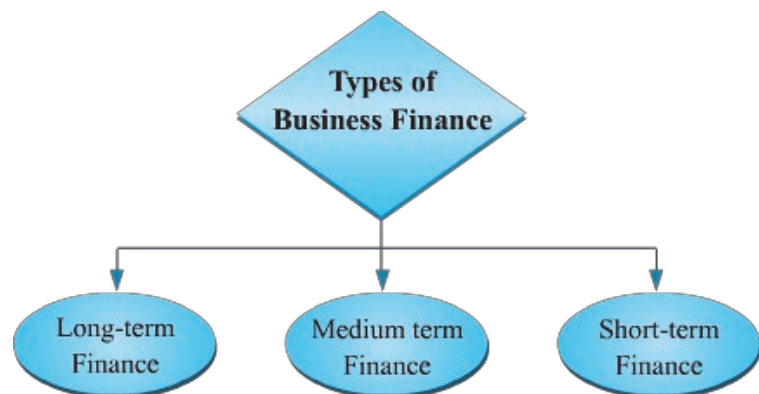
A project which has slim chance of profit is deemed more risky. Potential sources of finance (especially external sources) take this into account and may not lend money to higher risk business projects, unless there is some sort of guarantee that their money will be returned.

## ④ The cheapest option available

The cost of finance is normally measured in terms of the extra money that needs to be paid to secure the initial amount – the typical cost is the interest that has to be paid on the borrowed amount. The cheapest form of money to a business always comes from its trading profits.

## ⑤ The duration of the requirement for finance

A good entrepreneur will judge whether the finance needed is for a long-term project or short term and therefore decide what type of finance they wish to use.



# Source of funds for your business

## FUNDING BY INVESTORS



This involves raising funds by selling a part of your business to individuals or companies or venture capitalists (VCs) who see potential in your intended business. To seek funding from investors, you'll need to prepare a business plan to be presented. Your business plan must include the following:

- Executive Summary – highlighting the main points to capture the reader's attention
- Market Research – details of the market, competitors and potential customers
- Marketing Plan – how you will sell your products or services to your target market
- Financial Information – including profit/loss and cash flow

## BANK LOAN

Banks lend money to existing businesses but for a start-up, it may be very difficult to get a bank loan without a track record. Just as venture capitalists, banks also require a sound business plan and must be convinced of the viability of your business before they agree to lend you money. Banks normally need collateral, which is something of value to hold against the loan. It's important to establish a good working relationship with your banker.



Your business can approach SME Bank, which is a development financial institution and a wholly-owned subsidiary of Bank Pembangunan Malaysia Berhad. SME Bank's mission is to facilitate the development and promotion of enterprising, committed and innovative SMEs across industries and phases of business growth. SME Bank offers the SME Start-Up, which is targeted at new businesses and start-ups that have a prototype and are ready to commercialize their products or services. The bank may be able to assist even those who do not have sufficient collateral or track record. To support greater entrepreneurship in Malaysia, the SME Start-Up has been designed for all new businesses across SME classifications and industries including ICT and agro-based activities and is specially targeted towards businesses with market-viable products or services ready for commercialization.

Apart from SME Bank, corporations such as the Malaysian Industrial Development Finance Berhad (MIDF) also offer loans to start-up SMEs.

# The Government Helping Hand

## GOVERNMENT GRANTS

One of the Government's overall strategies of supporting local SMEs is in facilitating easier access to financing. The Government, through various ministries and agencies, provides financial assistance such as loans and grants to support the development of SMEs.

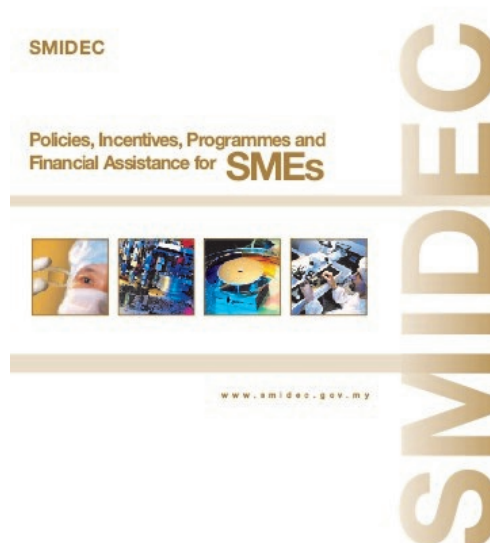
### Matching Grant for Business Start-Ups

This scheme is offered by the Small and Medium Industries Development Corporation (SMIDEC) and provides assistance for business start-ups in the manufacturing and service industries (excluding insurance and financial services). Assistance is given in the form of a matching grant where 50% of the approved project cost is borne by the Government and the remainder by the applicant. For enterprises in the manufacturing sector, incorporated under the Registration of Business Ordinance 1956, assistance is given up to 80% of the approved cost. The maximum grant allocated per application is RM100,000.



### Cradle Investment Programme (CIP)

If you're creative, innovative and aspire to be a technopreneur, you can get a head start for your idea with the CIP. The CIP is Malaysia's first development and pre-seed funding programme for technology ideas. It enables budding innovators and aspiring innovative entrepreneurs to make the jump from just having an innovative technology idea to becoming a successful start-up. The CIP offers conditional grants of up to RM50,000 per tranche per idea (up to a maximum of three conditional tranches) for innovative technology ideas with good commercialization potential, submitted by aspiring groups of technopreneurs. The CIP is managed by Cradle Fund Sdn Bhd, which is wholly-funded by the Ministry of Finance.



### MDeC Pre-Seed Fund

This fund is introduced by the Multimedia Development Corporation (MDeC) to develop ICT business plans into commercial projects. The programme offers up to RM150,000 of conditional funding for local individual technopreneurs (not existing companies) to turn their business plans into viable projects. This is a development programme that is not a pure grant and recipients will also benefit from mentoring services and the use of shared lab facilities at MSC Malaysia Status Incubators provided through MDeC's Technopreneur Development Programme.

# Increase Success Rate to get a Loan

Listed below are some of the factors that can increase your chances to secure a financing or loan.

## ① Understand the 5 “C”

Bank or financial institution are evaluating your business with the 5 criteria.

- Character – willingness and determination to repay the loan on time
- Capacity – ability to pay and manage new debts
- Capital – financial position, asset quality, level of working capital, liquidity.
- Conditions – how viable is your business giving future economic, financial challenges
- Collateral – security pledge to bank on the loan in case of payment default

## ② Establish good relationship with bank

For the bank to lend money to business, it is important for them to practice KYC (Know Your Customer). Thus it is important to start building good relationship with the bankers and borrow even not required. Obtain a short term business loan. It is a great way to show to the bank your business payment behavior and that your business is capable to handle the monthly payments.



## ③ Study your business debts-to-payment ratio

Your payments on company cars Hire Purchase will add to the business debts and determine the additional capacity for your business to secure new loan. In principle, the lower your business debts, the better chance it has to secure a loan.

## ④ Willingness to protect against the loan borrowed

Establish upfront to the bank or financial institution your business are willing to assign business credit insurance to protect against the loan borrowed. This will add peace of mind to the bank in granting the loan. Important point to note : Under Bank Negara Malaysia Directives, it is **NOT compulsory** for your business take the business insurance through the bank. As a business consumer, your business have the choice to select your suitable insurer.

## ⑤ Spread your business borrowing with different banks

The banking industry is a competitive market, so use it to your advantage. The more you make it known to lenders that you could go elsewhere for your loan, the more they'll be willing to approve and granting the loan. Shop around, spread the borrowings and compare terms that different banks offer - both interest rates and costs. Remember, shopping, comparing, and negotiating can save your business long term interest and financing costs.

This special report aim to provide information of funding for your business.

You now learn that be it a start up or growing business in the process of expansion, there are sources of financing you can take advantage of. If your business is in the process of getting additional financing, you can take the next step to claim your Free, No-Risk And No-Obligation Business Funding Analysis.



With the Business Funding Analysis, you'll find out the actual situation of your business readiness on securing a loan.

Our team of mortgage and business loan partner expert will also research better or alternative financing method to help you getting the loan required. If we found a suitable solution, we'll let you know. There's absolutely no obligation on your part, whatsoever.

We hope through this special report, you have gained better understanding of getting a loan for your business. We are capable of giving you the right kind of advice while being asked and the right advice at the right point of time. We're instructed to take care of the financial limitations of the clients and there are always solutions in most circumstances !

We are here to help you!



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