

*First Five Things To Do With Your*  
**Business Loan**

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# Table of Content



***S.M.A.R.T Business Goals***

2



***Our Poll Findings: Borrowing Loans for Small Businesses***

4



***First Five Things To Do With Your Business Loan***

*Topics covered under this section are:*

<i>Follow Your Business Plan</i>	7
<i>Put Together a Repayment Plan</i>	8
<i>Create and Follow a Timeline</i>	9
<i>Build Business Credit</i>	10
<i>Be Responsible</i>	11



Business owners, are you sticking to S.M.A.R.T goals while asking for loans?

2

# S.M.A.R.T Business Goals



## Specific

A business owner needs to be specific about what he expects his business to be, where does he want to take it and how. The lenders are keen on knowing what the borrower's goals are, how the money would be used and the roadmap to pay back the amount. It's the clarity of plans and specifics that interests lenders and builds their confidence in the borrower.

## Measurable

It is easier to reach a goal if you know where you are going. Setting up tracking mechanisms after defining success will help you understand how successful your efforts have been. Whether you define success as more clicks on a new banner as or an increase in conversion rate, knowing how you measure it, is half the battle won.

## Actionable

The goals should be actionable. Creating a plan that cannot be executed is harmful for sustaining a business. Thus, goals are required to be practical and reasonable, aiming towards constructive growth.

## Realistic

Keep your business goals in line with reality and avoid making any unreasonable predictions. For example, when planning revenue projections for a start up, you should actually reduce the revenue by 50%, increase expenses by 50% and then see if the business is still sustainable

## Time Bound

Adhere to timelines strictly or else plans may go haywire. It is important to work towards goals while following set timelines to avoid wasting resources and to be able to maintain a consistent pace towards conceived targets.



# Our Poll Findings: Borrowing Loans for Small Businesses

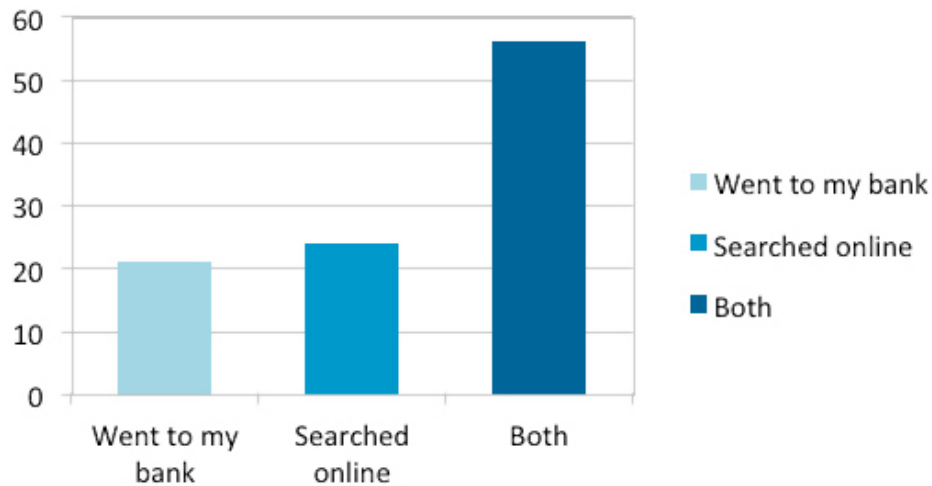
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# Our Poll Findings

*This poll was conducted during a recent webinar by Biz2Credit in partnership with Palo Alto Software. Figures represented here are based on the opinions of 100+ small business owners.*

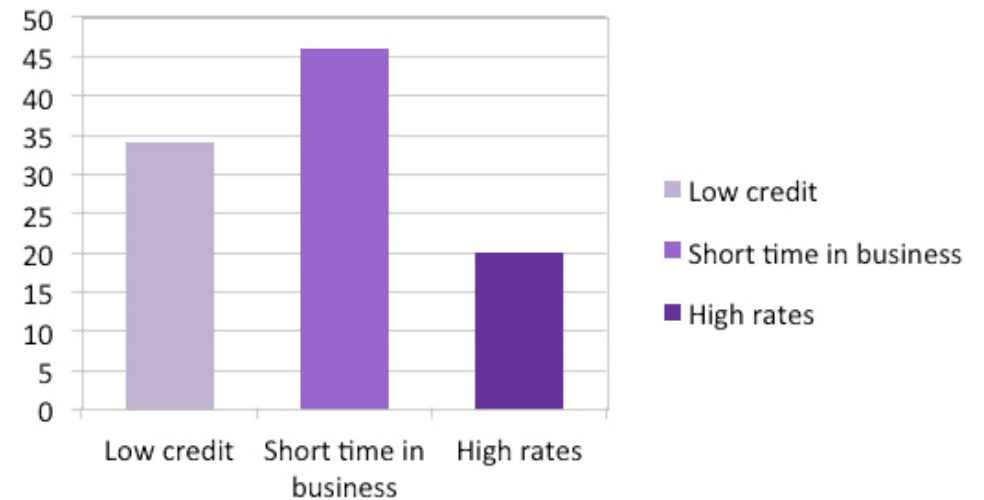
## How did you look for a small business loan?

Went to my bank - 21% | Searched online - 24% | Both - 56%



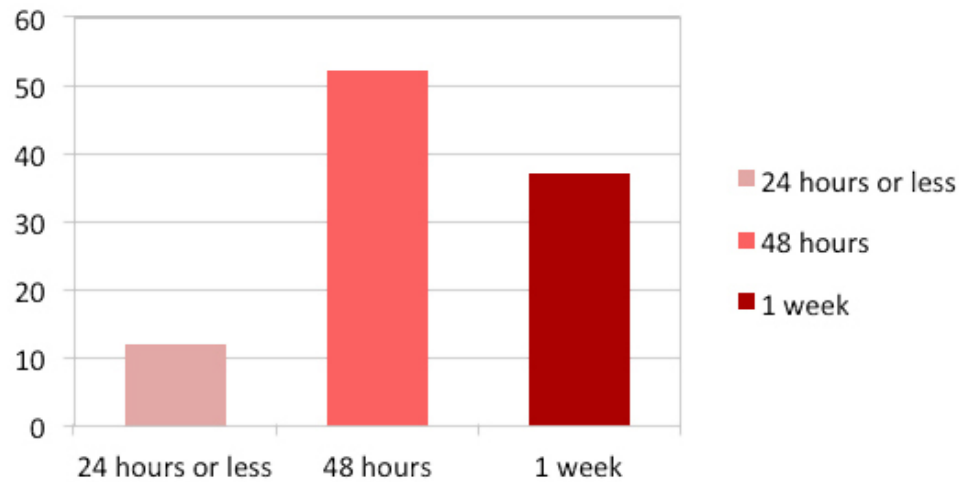
## What is the top issue for you when looking for a loan?

Low credit - 34% | Short time in business - 46% | High rates - 20%



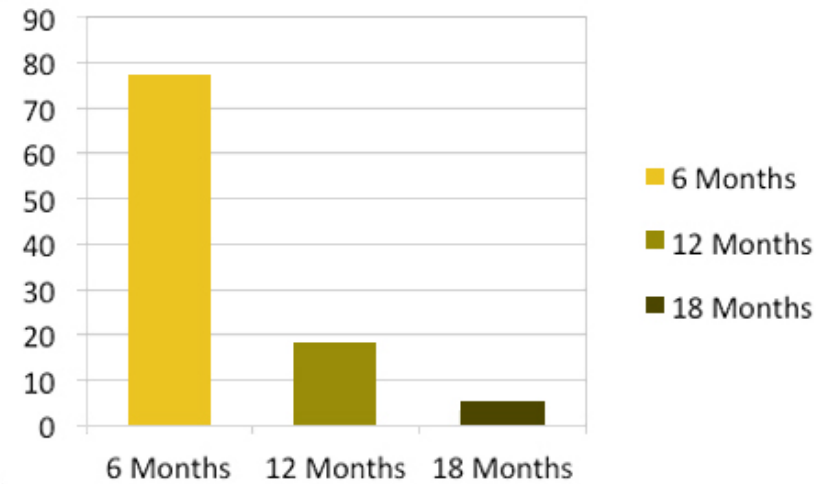
### What is reasonable response time for you from a loan organization?

24 hours or less – 12% | 48 hours – 52% | 1 week – 37%



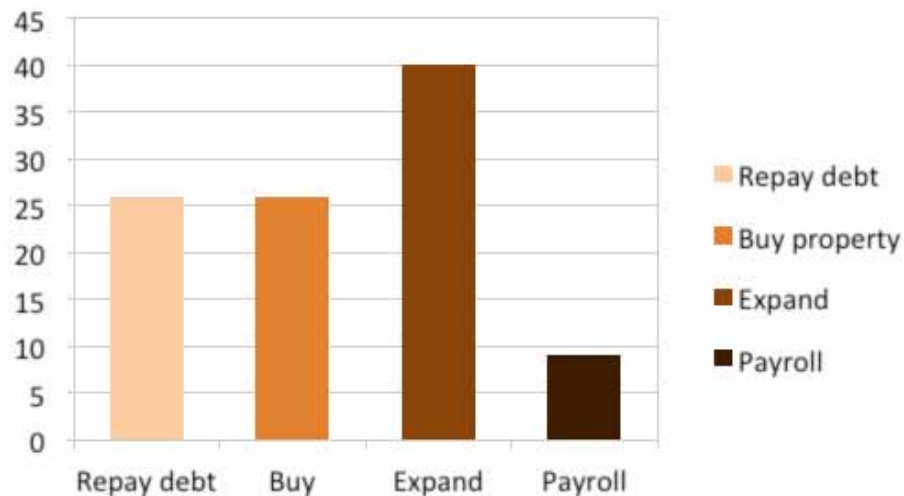
### If you get a significantly lower interest rate from a bank, as opposed to an alternate lender, how long are you willing to wait?

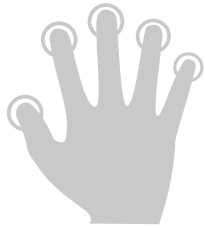
Low credit – 34% | Short time in business – 46% | High rates – 20%



### What is the first thing you would do once you get funding?

Repay debt – 26% | Buy property – 26% | Expand – 40% | Payroll – 9%





# First Five Things To Do With Your Business Loan

<i>Follow Your Business Plan</i>	7
<i>Put Together a Repayment Plan</i>	8
<i>Create and Follow a Timeline</i>	9
<i>Build Business Credit</i>	10
<i>Be Responsible</i>	11



# Follow Your Business Plan

## *Why Do You Need to Follow Your Business Plan?*

- *To track if you are going in the right direction*
- *To plan how you are going*
- *To have a financial forecast*
- *To set specific objectives for yourself and your managers*

*A business plan is one of the most crucial aspects of setting up a business as it acts as a yardstick that benchmarks the where, when and how of a business.*

*A business plan puts in perspective the answers to questions like - Where do you plan to take your business, at what point in time and how. **Rohit Arora, CEO Biz2Credit**, suggests to make a business plan, follow it and then after a year, go back and check if the assumptions that were set have been met or not. The business plan should evolve as your company grows. It is important to assess whether you are reaching your goals or falling short.*





# Put Together a Repayment Plan

## *The Repayment Plan Checklist*

- *Don't borrow until you have a repayment plan in place*
- *Figure out how you are going to repay the money you have borrowed*
- *Work out repayment frequency (daily, weekly)*
- *Work with platforms that give you repayment flexibility*

At times, business owners do know the use of funds but don't know how to repay it. Thus, it is imperative to maintain cash reserves to repay the loan amount on set periods of time. Without cash reserves, you cannot buffer any unforeseen damage that might happen to your business. For instance, if your business slows down, or shuts down for a certain period of time, having cash reserves in place will still keep you in a position to make minimum payments.

Also, one needs to work out the frequency of repayment, as well. For example, retail businesses repay on daily basis as they receive money everyday, the amounts are small and they keep the liabilities in control. While other businesses which have bigger account receivables and don't get their money on daily basis can pay on a weekly, fortnightly or monthly frequency. These payment decisions are important as they eventually decide which loan product one should opt for.

Repaying the debt actually builds your business credit. However, if repayments are not made on time, it can also damage the business credit. Hence, it is suggested to work only with those platforms that give you repayment flexibility. You'll find a number of online platforms, business brokers and financial brokers available but, it is wise to work only with those where you can check the experiences of previous customers. Platforms that are associated with reputed lenders can be trusted.

# Create and Follow a Timeline

## *Why Do You Need to Follow a Timeline?*

- *The money you borrow wouldn't last forever*
- *Lets you assess when and why you would need more money*

When you borrow money for the first time or the second time, that's not the end of the process, it is just the beginning. So when you borrow the money, you need to figure out how long it will last as working capital and then, when would you need more money thereafter.

Here the role of business plan again comes into picture. It is not just written once, it is written and rewritten many a times. In fact, a business plan should be updated on half yearly or yearly basis. This helps in figuring out exactly when you would need more money. The desperation of getting money at the last minute usually results in expensive money, most often on the terms that you don't like or that you can't afford. Thus, it is extremely important to follow a timeline and plan it in advance.



# Build Business Credit

## *Checklist for Building Business Credit*

- *Each on-time payment helps build business credit, so repay on time*
- *Ensure utilities are in the company's name*
- *Do not make late payments*

Maintaining business credit is as similar to maintaining personal credit which means, paying all the business related utility bills (electricity, telephones, etc.) on time.

On time bill payment helps build a track record for your business, thus, helping you get accredited with bureaus like D&B and Experian. Avoid late payments by all means because if you become habitually tardy, it reflects negatively on your business credit report. If you feel like you won't be able to make a payment, it is better to talk to your lenders rather than avoid them. Lenders want to help you, and it is possible to work something out with them. If they do not hear from you, vendors can report you to the credit bureau on defaults, which would then reflect negatively on your business credit. It is important that you plan on how you are going to maintain a stellar track record on your business credit report to get money at the right terms and the right price.



# Be Responsible

## *How Can You Become a Responsible Borrower?*

- *Do not settle personal debts – settle only those that you took for business*
- *Do not buy personal real estate*
- *Spend company money only when relevant to your business*
- *The loan proceeds should be spent only for the growth of the business*

If you are borrowing money for business, settle only those personal debts that you took for business. It shows your character and clarity to follow set rules and norms between the lender and you. Do not buy personal real estate as it reflects very badly on both the business and the business owners. Use loan proceeds only to grow your business. Lenders need to be able to trust you and that trust can be earned by growing your business with the money that you borrowed. Lenders like to invest in financially savvy borrowers who know how to utilize money in order to keep growing their companies.



# Thank you !

To hear Rohit Arora, CEO Biz2Credit, talk about First Five Things To Do With Your Business Loan at a recent webinar, [click here](#).

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