

Title:

How Invoice Discounting Helps Your Business' Cash Flow

Word Count:

574

Summary:

Invoice discounting helps to identify trade-financing deal that is right for you. It does not require any security and offers lower rates as compared to a loan or an overdraft. Since an external agency takes care of the total transaction it reduces the administration, book keeping costs and the most important benefit of the total deal is that the business owner does not need to chase the debtors. This helps the small or any medium business owner to concentrate more on the bus...

Keywords:

Factoring Services, Invoice Factoring, Invoice Discounting, Factoring, Accounts Receivable Factoring

Article Body:

Invoice discounting helps to identify trade-financing deal that is right for you. It does not require any security and offers lower rates as compared to a loan or an overdraft. Since an external agency takes care of the total transaction it reduces the administration, book keeping costs and the most important benefit of the total deal is that the business owner does not need to chase the debtors. This helps the small or any medium business owner to concentrate more on the business.

This method of invoice discounting provides immediate cash flow, which helps in generating working capital for the business. It also helps in providing salary for the employees, paying to the suppliers, obtain discount from suppliers for payments in cash. An important part of invoice discounting is that it solves the cash crunch problems for the business owners. An invoice details the goods or services that had been rendered to a company. It is a legal document that can be used to prove the incurred debt. Invoice discounting can help up generate cash up to the 90% of the invoice value. Invoice discounting is carried out at which rate depends totally upon the discounting agency or the factor.

There are various benefits of invoice discounting. A small business owner can reduce bad debts on his business. It provides professional collections and invoice processing. Invoice discounting offers credit terms to customers as well

as meet increasing sales demands. It helps in taking advantage of early payment discounts and advantages of volume discounts. It helps in stopping early payment discounts to customers as well. The business owner whether small or medium does not need to give up equity or incur any debt on the business. Invoice discounting helps clients build credit for themselves as well the business. Invoice discounting is an easy and fast, leverage off the customer's credit. It does not require any personal guarantees or detailed management reports. It helps in getting the invoices paid faster and the business owner can concentrate on growth of the business. Invoice discounting is par any geographical limits so it can be done internationally as well. It helps in early detection and warning of customer service problems. It is also an effective tool for credit screening and credit monitoring.

Invoice discounting also helps to build a credit line from the invoice to the customers for the goods or services rendered to them. It helps to draw cash and manage the business. It offers the flexibility to pay only for the amount used and as much needed. Invoice discounting requires less collateral and also reduces paperwork. It also has a faster turnaround time and grows with the business. With the increased credit line it helps the business owner to avail any loans from the banks. Invoice discounting also free the credit limit and helps the business to avoid the debt trap.

Invoice discounting is an important credit worthy tool. When a business owner offers credit to the customer he becomes a bank himself. This is because when the business owner offers credit to the customer it offers payment terms to the customer. This is what exactly a bank also does. But here the businessman suffers the loss unlike a bank because the business owner loses the interest for the amount of time he has to wait. With the help of invoice discounting the business owner gets paid immediately and rest is paid when the actual goods are delivered.