

Title:

Can a factoring company help you grow your business?

Word Count:

392

Summary:

Are you looking for a way to finance your business? Read this article to learn about a little know tool to finance business growth.

Keywords:

factoring, invoice factoring, accounts receivable factoring

Article Body:

Sooner or later, every business will need financing to grow. Most owners will try to qualify for venture capital or angel financing. Others will try to get a business loan or line of credit, since business loans are popular with business owners.

All these business financing tools work well, but they also have a very important trait in common. They are hard to get and out of reach for most owners.

There is an alternative way of financing your business growth. Financing that is easy to qualify for, quick to set up and very cost effective. Not only that, it's financing that grows with your business. And most of the time, you won't get it from your local bank. This form of financing is called invoice factoring and you can get it from a factoring company.

Factoring is different than a bank loan and it works well if your biggest problem is that you can't wait the 30 to 60 days that commercial clients take to pay their invoices. Basically, invoice factoring cuts the payment time to two days.

Factoring is simple. The factoring company buys your invoices (at a small discount) and pays you for them immediately. Then, the factoring company waits to get paid by your client. The net result: you get immediate working capital to pay business expenses and grow. You also eliminate the stress of having to wait to get paid and can count on a predictable cash flow.

As a form of financing, factoring offers two very distinct advantages over bank

loans. First, it's very easy to qualify for. Your main requirement is that you do business with strong commercial clients (or the government). Second, factoring financing grows with your business. As your invoicing grows, so does your financing. This enables you to easily cover the increasing costs of running a business that is growing.

A similar type of financing that is also offered by factoring companies is purchase order financing. Purchase order financing provides you with financing based on your purchase orders from large commercial clients. Purchase order financing is ideal for re-sellers and distributors that are growing quickly.

Whether you need financing because your customers pay you in 60 days or because you have a large purchase order from your biggest client, a factoring company will be able to offer alternatives to traditional financing.