

## Loan or Equity Finance... Which is right for me?

### Big question!

The answer has to be what is best for the overall Business Plan and who you want as your stakeholders.

Should you want your Banks to be the major stakeholder (assuming you can win their agreement) then you will own all the shares and therefore can benefit from all the profits when the business flies.

The downside to the Bank being the major stakeholder is that you are more beholden to them and when cash gets tighter they can restrict your cash very effectively.

That said, Stakeholders can inject money at a cheaper cost to the business (really important for start ups) and you don't have to pay a dividend unless the business can afford it.

You will also ensure that you have committed stakeholders who want to see the business succeed because it is their personal money.

A Bank is far more relaxed if it sees a large amount of outside equity going in because the business is more stable and is likely to have a good cash foundation to build on rather than relying completely on the Bank from day one.

The conclusion is therefore a mixture of the two! The best product for this sold by many Financial Institutions is the Small Firms Loan Guarantee Scheme which provides an equity type slug of money with the shareholding untouched.

Should you like to discuss any matter then please do not hesitate to contact;