

The future of business finance:

How to fund your business growth with on-demand lending solutions

By Adrian Floate MICM*

Strong cash flow is critical for any business. Without it, businesses will have difficulty meeting their regular expenses, let alone have the capital to make larger investments in growth. And while various financiers may provide the cash bridge businesses need at times to keep operating, it doesn't address one of the biggest blocks to strong cash flow: ageing receivables.

SME lending in Australia peaked in 2015 at a total of [over \\$90 billion](#). Over the next three years, and as a result of the COVID-19 pandemic, new business lending declined to around \$77 billion.

A [Sensis survey](#) conducted in August 2020 concluded that 40 per cent of regional respondents have found it more difficult to access finance since the start of the

pandemic in early-2020. Further, 26 per cent of businesses had applications for finance rejected.

While policy responses such as JobKeeper, changes to the instant-asset write off and SME guarantee may deliver some assistance, they are not always viable options to address immediate cash flow challenges, which is often the most pressing financial issue SMEs face.

Addressing cash flow issues with non-bank business finance solutions

A non-bank lender is a third-party lender who is not a bank, building society or credit union, that does not hold a full banking licence and is able to provide direct funding to businesses through a range of flexible and more accessible financial solutions as and when they



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are required. This helps businesses unlock cash that would otherwise be tied up in receivables or inventory, and is good news for businesses, especially as new small business loans through traditional lenders continue to decline.

With these solutions, business owners and credit managers can benefit from transforming each step of a transaction into powerful opportunities to reduce credit exposure and get paid faster. And at a time where uncertainty continues to be the only constant, especially in parts of Australia like Sydney and Melbourne, where lockdowns make

it increasingly difficult for businesses to trade and grow, tapping into accessible finance solutions can provide the cash flow boost so many companies need.

Credit managers, review your current finance channels and consider on-demand business finance

With traditional channels, your repayments are due whether you have the cash flow or not. Further, to access these forms of credit, your business needs to meet specific balance sheet requirements.

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On-demand business finance solutions can help credit managers better support their organisation by being able to turn receivables and payables into cash faster. These solutions help suppliers get paid on time, while buyers get the cash flow boost they need to fund their purchases.

Access cash for your business whenever it's needed

Businesses typically have cash locked up in two key areas: receivables and inventory. When these receivables and inventory are ageing, it can cripple cash flow and increase a business's credit risk. Apart from creating immediate cash flow problems for a ►

business, late payments also cause [other problems](#), including:

- Delayed investments in new and better equipment
- Inability to hire staff as quickly as needed
- Inadequate capital for other growth activities such as marketing and branding.

If all of a businesses invoices remain unpaid, 60 per cent of small businesses would not survive more than three months, and six per cent would not make it through one week, emphasising that tight cash flow is an immediate problem that requires immediate solutions.

On-demand finance allows suppliers to get paid on time by having a third-party finance provider assume the financial risk. Once a

transaction is funded, the provider then manages payments directly with the customer. Similarly, for business customers, on-demand finance provides a cash flow boost by having a finance provider pay your invoice in full with the supplier, while the buyer has the flexibility to delay or spread your payments over instalments.

Accurately forecast cash flows

By using your business transactions to generate immediate cash through on-demand finance, you'll be able to accurately forecast future cash flows. In transactions where your business is the supplier, on-demand finance enables you to get paid what you are owed immediately. As a buyer, using business finance enables you to order enough stock to satisfy the

demands of your end customers and then easily schedule your repayments in accordance with your cash inflows.

Aligning transactions with other cash inflows and outflows will give your business greater cash flow certainty over the immediate and long term. Further, having an accurate view of cash flow allows you to see exactly what can be adjusted to manage credit risk proactively. For many businesses, this may mean aligning finance solutions with large expenses such as rent and insurances or investments such as research and development (R&D) projects.

Limit your credit exposure

By accessing on-demand finance,

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your business can limit its credit exposure because instead of accessing credit in lump sums, you'll be able to access finance as needed. This means your business only ever needs to leverage in line with its immediate cash flow needs, no more and no less.

Your business might still require other finance channels as an added security and stability measure, but with on-demand business finance, you no longer need to take on as much risk to access the cash required for more efficient operations and improved long-term growth. And when these solutions are implemented through one connected platform, as many are, it becomes a win-win-win: Your business has the cash flow it needs, the businesses you transact with have the cash flow they need, and your team has better systems and processes to excel in their roles.

Accessing on-demand financing solutions through established payment software allows businesses to choose to activate the funding when needed. This is done through entering into Pay Later arrangements at the point of completing a sale or purchase.

Give your business the resources to invest in R&D and growth

R&D expenditure by Australian businesses [in 2019-20 was \\$18.17 billion](#). This level of investment hasn't grown since 2012, which is likely due to the need for businesses to pay regular expenses and as well, the structure of current R&D incentives in Australia. For example, the R&D tax incentive and industry-specific innovation grants may help a business, but these often require a 1:1 funding commitment (business: government) at a minimum. If an SME is understandably focused on meeting their immediate expenses, it's reasonable to see how Australia's

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current R&D funding landscape isn't ideal for SMEs.

Many businesses would love to have the capital available to explore new ideas. Whether it's R&D for new products or advancing the way your business delivers its products and services, these initiatives can require significant capital investment. To remain competitive, however, businesses need to innovate and develop new competitive advantages. Investing in R&D is a crucial part of this process.


By accessing finance as and when you need it, your business will be able to turn receivables into cash fast. Combined with accurate cash flow forecasting, you will have access to the capital your business needs to invest in growth.

Manage your business's finances through one connected platform

Integrated business software and payment solutions provide businesses with multiple ways to optimise their business. And by implementing one connected digital platform across your business, it provides the functionality to drastically improve several systems and processes, including inventory management, service delivery, point of sale, and payment practices. Realising a range of efficiencies in these areas while having easy access to on-demand finance will give your business everything it needs to better manage its credit risk, get paid faster and grow.

Solutions, such as [Spenda](#), enable businesses to work smarter, not harder and support activities across the entire transaction (before, during, and after a payment event) with smart software applications, flexible B2B payments and on-demand lending solutions. And by removing the high costs associated with debt collection, on-demand finance can provide the capital that buyers and sellers need at some of the most competitive rates available. This is a game changer for the business finance landscape, and it allows businesses to reap the benefits of strong cash flow and take advantage of new avenues of growth without overleveraging themselves.

Beyond the immediate positive cash flow impacts of on-demand finance, businesses that use integrated systems can also derive greater strategic insights by using the data generated to make stronger commercial decisions.

Technology in business doesn't just have to be about squeezing more productivity out of your people, systems and processes. It has the power to transform your finances so you can reduce your credit risk and ensure your business delivers on its vision now and into the future. 

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