

# Seeking Financing as a SME

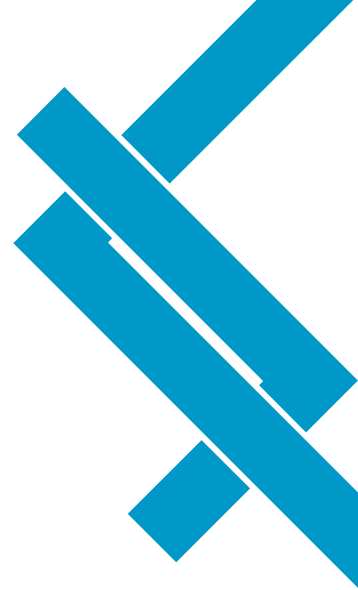
What Bankers Look For in Granting A Loan



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# The 5 C's of Lending

- **Character** : Willingness to Repay/ Track Record
- **Capacity** : Ability to Repay /Debt Servicing Ability
- **Capital** : Equity or Contribution; Savings / Assets
- **Collateral**: Security for the Loan
- **Conditions**: State of Borrower / Business / Industry/ Economy



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# Character

- Repayment record of previous debts; other bills
- Stability
- Experience in your field / business / job
- Attitude towards debt; Integrity – Judgements / Cautions



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# Capacity

- Financial Statements –  
Balance Sheet / Profit &  
Loss
- Cash flow Projections /  
Bank Statements/ Copies of  
Contracts / Purchase Orders

*The lack of financial records (properly prepared) is one of the biggest challenges banks face in providing financing to SMEs as their debt servicing ability cannot easily be established*



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# Capital

- Net Worth – Assets minus Liabilities, Savings; How much you own vs How much you owe
- Equity or Contribution towards the purpose of the loan



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# Collateral

- Tangible / Easily Realisable (e.g. Cash, CSV on Life Policies, Stocks traded on Stock Market)
- Intangible (e.g. Guarantees; Assignment of Contract Funds or Purchase Orders, etc)



***Banks do not lend on the sole basis of security.***

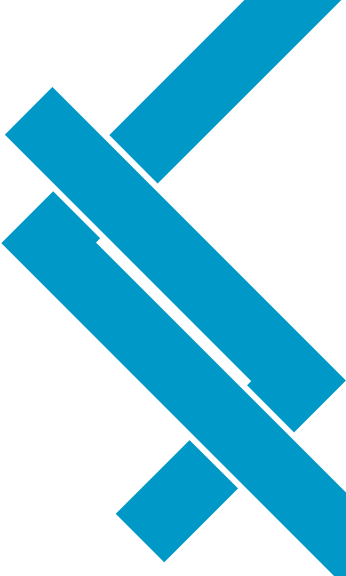


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# Conditions

Banks will consider other circumstances that may impact the servicing of a debt. This may include the general state of the borrower's industry or the economy as a whole.

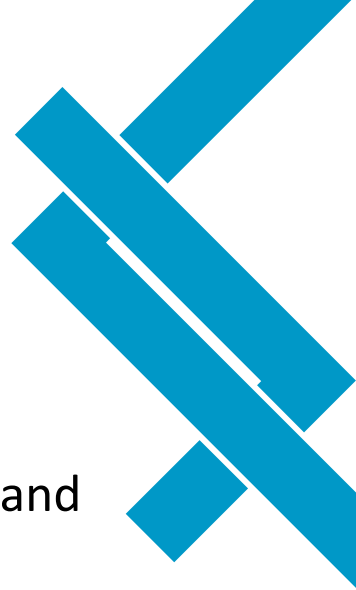
***E.g. Even the best producer of VHS Video Players may not receive a loan to purchase new stock***



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# Your Financing Proposal

## Do's & Don'ts



- **DOs:**

- Demonstrate your ability to repay the debt
- Show your contribution towards the cost
- Clearly state what amount you are seeking and the purpose of the loan
- Be positive

- **DON'Ts :**

- Under disclose your assets and liabilities
- Anticipate 100% financing of cost. Its considered on a case by case basis
- Be unrealistic about the risk of your lending request
- Anticipate the worst





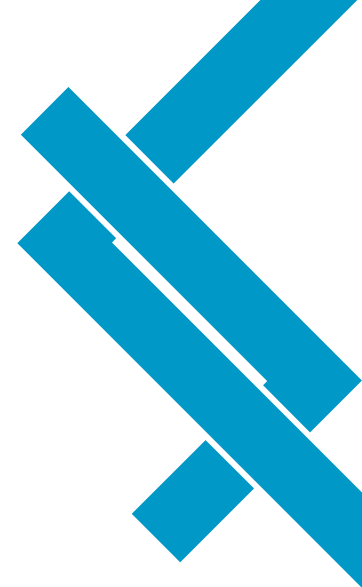
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