

Unlocking funding for innovation: A guide for brokers

STEPH BROWN,

regional director for the Midlands at Reward Finance Group, provides guidance on how brokers can support innovation-led SMEs



From technology to manufacturing, SMEs are constantly seeking to innovate – whether to propel themselves forward or disrupt their market. However, the challenge often lies in securing the necessary funding as they embark on this journey of innovation and business success.

In today's economic landscape, accessing commercial finance has become more complex for SMEs. A year of political and economic uncertainties, coupled with seven Bank of England Base Rate rises, which followed an upward trend since December 2021, has led to traditional high street banks reducing their appetite to lend to SMEs, even though the need for finance remains high. Recent data from finance brokers indicates that 45% more SME finance applications were rejected in the past month compared to the previous one. Borrowing criteria has also tightened and deals are taking longer to complete. Yet, speed is crucial for SMEs looking for funding to innovate at pace.

Innovation is not limited to entrepreneurs or businesses in the early start-up phase. Many established SMEs continuously generate fresh ideas, launch new products, or harness

both new and existing technology to propel their business to the next level.

To assist forward-thinking SMEs in navigating the funding landscape, we've compiled the following tips:

1. Share key information:

Advise the SME to plan and come prepared to the initial meeting, ready to share business growth plans, financial forecasts, and other essential data. This demonstrates their ability to create and grow a profitable business to both you and the lender

2. Estimate cash flow requirements

If the SME is looking to use a revolving credit facility, they will be drawing down, or repaying, different amounts from the funding facility over a set period. The SME should estimate their expected cash flow requirements and anticipate potential financial hurdles for the business in the coming year.

3. Be transparent

Encourage the SME to be as transparent as possible. Building a relationship based on trust with both the broker and the lender is

crucial and the client must demonstrate that it can afford the loan payments.

4. Communicate innovation ideas clearly

The SME needs to ensure they have a clear growth path. Businesses looking to borrow for innovation need to articulate their ideas and expansion plans clearly, giving confidence that their innovative idea will be in high market demand and could potentially generate jobs.

5. Be honest about your funding needs

Many SMEs we work with need short term, flexible working capital to bring new ideas to market at speed, so it's crucial they are honest with you and the lender about the amount to borrow and timeframe they need.

Looking into 2024, while we continue to navigate uncertain times, we may have reached the current interest rate hikes. Research suggests that rates are likely to remain at the current level until the fourth quarter of next year, with a gradual reduction thereafter. The outlook for SME growth appears optimistic yet steady.

Despite the hurdles in this market, there should be no reason why SMEs can't access the funding they need to innovate and unlock growth opportunities.

For more information on Reward's fast and flexible funding solutions, please get in contact with myself and the team here www.rewardfinancegroup.com



Reward
finance group