

FINANCING IS A FORMULA

When you are starting your business, most likely you'll need capital. But how to go about getting it, and where to apply? The options outlined below give an overview of the possibilities. However, before you set out to get funding, it is important to prepare. What do you need money for? And how much do you need? How will you repay your loans?

Preparation:

- Write a financial plan (see also <https://business.gov.nl/starting-your-business/writing-a-business-plan/financial-plan/>)
- Seek advice from other entrepreneurs / the Chamber of Commerce / mentoring and coaching platforms
- Learn how to pitch to investors

Finance sources:

Start by determining when you need money. Do you need money to start up your business, or to scale up? Do you need money for the coming years, or for the even longer term? For a general overview of funding possibilities, check also <https://business.gov.nl/financing-your-business/>

Step 1: Your own business

- Liquid assets
- Using debtor / creditor position (spend wisely – defer payments)
- Pre-payment by your customers
- Warehouse optimisation
- Sale of company assets



Step 2: Subsidies and fiscal arrangements*

- [Research and development \(R&D\)](#)
- [Energy, environment, sustainability](#)
- [International](#)
- [State guarantees](#)



Step 3: External financing – longer / long-term

- Banks and insurance companies:
 - Credit -> short term
 - Leasing / Invoice financing
 - Credit insurance
 - Loan
- [Microcredit](#) (up to € 50,000.)
- [SME credit guarantee scheme](#) (up to € 250,000.)
- Private financing:
 - Family and friends
 - [Crowdfunding](#)
 - [Informal investors \(business angels\)](#)
 - Credit union
 - Private equity or [Venture capital](#)
 - [SME loan](#)
 - [Seed capital](#)
 - [Proof-of-Concept funding](#)
 - Initial Public Offering (IPO)
 - [SME Exchange](#)



My finance needs

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See also: <https://business.gov.nl/financing-your-business/funding-and-loans>

*Check your council for local subsidies



SETTING UP YOUR BUSINESS FINANCIALLY: ESSENTIAL STEPS

Debtor/creditor management Lay down clear agreements with your suppliers and customers about payment terms, credit and interest rates. Send out your invoices on time, and make sure your customers pay on time.

Paying in advance Do you have steady customers who are financially reliable? Maybe your customer will be prepared to pay in advance, for instance by issuing a payment guarantee. A guarantee like that facilitates financing by a bank or other investors.

Warehouse optimisation If you sell products, stock is essential; potential customers will not return if you are out of stock. On the other hand, keeping a large stock costs you money. Try to find the right balance by comparing your sales figures to your stock. Don't be surprised if it turns out you can do with 20% less.

Credit Credit allows you to draft extra money from your bank account, up to a specified maximum. Contrary to a loan, there is no obligation to draft the full amount or to specify the credit purpose. Credit can be used for buying company assets, stock or for renovation purposes. The financing party receives interest as a compensation for giving credit. How much interest you pay varies per financial institution.

Current credit account The current credit account is a well-known type of credit. It allows you to overdraw your business bank account up to a certain maximum. You can draft and repay money at any given moment. Repayment must be done within a specified amount of time. You agree the credit runtime with your financier. You pay interest over the credit you have used over a certain period, usually per month.

For whom? A business credit can help businesses that need money in the short term for relatively small expenditures. A current credit account is useful for businesses whose expenses fluctuate. These businesses only have to use the credit when the expenses are higher.

What to take into account? Current credit account interest rates are often variable. This can cause your monthly expenses to go up, when the interest rises. Take this into account before applying for a current credit account. Every type of credit involves repayments plus interest over a period of time. Does the income of your business cover these costs? Make sure your business can meet the recurring obligation to pay.

Liquid assets A liquid asset is an asset that can be converted into cash quickly, for instance stock market shares and government bonds.

Friends and family If you ask friends or family to invest in your business, don't forget to draw up a contract. If they give you a loan without interest, the Tax and Customs Administration may regard the interest benefit as a gift, which you have to declare.

Suppliers of credit can be:

- Banks
- Your own network
- Credit union
- Suppliers
- Qredits

Credit insurance Credit insurance is a way to ensure you will receive your money when you extend credit to a client. If it turns out your customer cannot pay, the credit insurance company will pay. The claim is then transferred to the insurance company, that may try to redeem the sum from your customer. You can only take out credit insurance if your customers are also businesses.

Invoice financing/factoring Your business can transfer its invoicing and debtors risk to a specialised invoice financing company. The company will pay you the money owed on your invoices, in return for a percentage. The advantage is that you don't have to wait for your debtors to pay their invoices.

Initial Public Offering (IPO) If you want to raise capital for your business, one option is to turn your private company into a public one, making it possible for the general public to buy shares into your company. By issuing an initial public offering or IPO, you launch your business onto the stock market.

SME Exchange NPEX NPEX is the Netherlands' only stock exchange for small and middle-large enterprises (SMEs). Via NPEX, businesses looking for growth capital can issue shares or obligations for sums of over € 500,000 to the general public, or a limited environment.

Leasing Leasing means buying business goods in terms. In the case of a financial lease, you remain owner of the product and receive any tax benefits. In the case of an operational lease, the leasing company is the owner. N.B.: In the Netherlands, 'leasing' refers exclusively to a let-to-purchase arrangement.

Credit union A credit union is a member-owned financial cooperative, providing credit to its members at competitive rates, as well as other financial services.

Private equity investment In private equity, private investors provide risk capital to a starting or growing business, usually in return for shares. Private equity for young companies is also called Venture Capital.



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