



10 Ways to increase your loan application success chance.

Description

To increase your success rate when applying for a bank loan, ensure you have a solid business plan and financial plan. Improve your chances by preparing a detailed business plan, maintaining a strong credit score, and demonstrating low risk to receive lower interest rates on your loan.

So you need funding, capital or investment for your business? Think why the bank will loan you the money (debt). Bank favors low risk approaches. Showing low risk increases your success chance when you do a business loan application. With a lower risk you could get lower interest rates on your business loan, thus making your life easier, and lowering the cost of the loan. Be conservative in your estimations.

First start out with a [solid business plan \(foundations\)](#), then add [a financial plan](#).

There are several steps you can take to increase your chances of getting a business loan:

Prepare a detailed business plan: A clear, well-written business plan demonstrates to lenders that you have a solid plan for your business and are committed to its success.

Have a strong credit score: Lenders want to see that you have a history of responsible credit management. Make sure to check your credit score and address any issues before applying for a loan.

Show financial stability: Lenders want to see that your business has a track record of financial stability, including steady revenue and profits.

Have collateral: Lenders may require you to provide collateral, such as business assets or personal assets, to secure the loan.

Shop around: Different lenders have different requirements and loan terms. It's important to

shop around and compare offers to find the best fit for your business.

Consider alternative lenders: If traditional lenders are not willing to provide a loan, consider alternative lenders such as online lenders or microloan programs.

Success factors

Factors that increase your success rate when you consider applying for a business loan:

1. Add financials ([download a financial template here](#)), have a cashflow statement, a P&L, a balance sheet, work out the margins, revenue and budget conservatively.
2. Make profit / revenue (show you already have revenue, this can be hard when you are starting out).
3. Have [a business plan](#) ready – this shows you are more serious and have it thought out – do your homework.
4. Work in a growth industry. This increases your success chance, just by being in a growth industry. Some sectors have a high failure rate. Check your sector.
5. Show an investment expenditure (where you will spend the investment money on (say x% on inventory, y% on labor, z% on marketing/promotions, etc.).
6. Show you have prior work experience in the field or sector(the ‘about me’ in the businessplan).
7. Show you have put in some of your savings in it (This is called ‘skin in the game’).
8. Work with a partner (this also increases your success chance and lowers the stress levels and lightens the workload).
9. Show you have traction already. Do you already have sales? Distribution? How many sales already, how much revenue, what is your cost level?
10. Have collateral available (decrease the repayment risk), like a house.
11. Can show you could repay the loan (you’ll need to show (free) cashflows for this).
12. Ask the bank manager way in advance before **the business loan application** on feedback where to improve.
13. Find network sessions in your area, go to the chamber of commerce and try to get an appointment with a business advisor, bring your plan and go through the financials. This really helps!
14. Have a business case / or investment sheet where you show how you will spend the loan on. (for example, like staffing, product development, marketing, inventory, production facilities)
15. Have a fellow entrepreneur (or seasoned professional) check your [business and financial plan](#) before going to the bank.

Alternatives for a Bank Loan

Consider family, fools and friends as an option to get funding (easier) – also consider other options business loan companies like Qredits, Geldshop, (Netherlands) etc. but then for your country.

Also you could consider other funding options like Crowdsourcing, Getting a Grant (non profits) or Subsidy.

And it even is helpful, if you try to get the cost as much down as possible (being frugal), so you don't need a large loan. This saves you a lot of financial stress, risk, and headaches later on.

Good luck!

Category

1. Finance
2. Managing Growth

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