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TRADE & INVESTMENT JAMAICA

Export Financing: Alternative Financing Options

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OUTLINE

Some considerations in the financing of export transactions

Challenges faced by SMEs in accessing financing

Alternative financing options



SOME CONSIDERATIONS IN THE FINANCING OF EXPORT TRANSACTIONS

The trade or transaction cycle is typically longer for export than for local trade

International transactions usually involve risks not present in local transactions e.g. exchange rate fluctuations, issues of cross border, shipping, customs, etc.

Export transactions therefore require more cash resources than local transactions



CHALLENGES FACED BY IN ACCESSING FINANCING



Stringent and difficult collateral requirements and personal guarantees

Low recognition of Intellectual Property

Difficulty in meeting documentary requirements

Lack of credit history

Higher associated risks/higher priced debt

Low loan demands which is not appealing to the financial institutions

Alternative Financing Options

ADJUSTMENTS TO WAYS OF DOING BUSINESS



Reduce unproductive and non-essential assets



Negotiate longer payment terms



Cut expenses – both business and personal



Consider outsourcing or contract manufacturing



REVENUE BASED FINANCING

Invoice Factoring

- The purchase of credit worthy accounts receivable (by a financier) in exchange for immediate cash.

Purchase Order Financing

- A financier guarantees the order of a buyer by paying for the product to be manufactured, then taking their cut.

HOW ABOUT ASKING YOUR CUSTOMERS TO FUND YOUR BUSINESS?

Request a **Deposit**



They may want to

INVEST

CREDIT CARDS

A number of companies provide credit cards designed for business use offering low to zero percent introductory rates

Interest rates after this introductory period is often in the double digit.





An online platform that aids the access of finance via small amounts donated by a large number of people

Attractive & Engaging Story

Use videos, images and photos

Network

Recognition of Lenders/Givers



GRANT FUNDING

Non-repayable financing provided by government, nonprofits or other organizations to eligible applicants

Usually targeted to specific industries/sectors

Highly competitive and requires extensive reporting and tracking on how funds are being used

Usually available on a reimbursable basis

COMPETITIONS



- Most business competitions have a cash prize
- Time and preparation required
- While a good short term financial option, not a long term financing strategy

Scotiabank Entrepreneurial Challenge; CEDA Breakpoint Series; NCB Capital Quest



AWARD PROGRAMMES



In-Kind Benefits

- Marketing/Visibility
- Increase Credibility
- Mentoring and Coaching
- Discounts

EQUITY FINANCING

- Investors provide the capital you need for a stake in the company
- A number of options exist:
 - Sell shares in the business
 - Offer employees shares in the business
 - Do not overlook family, friends and business acquaintances
 - Look for a partner
 - Other sources include venture capitalists and angel investors



THANK YOU

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