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SMEs AND ASSET LEASING: HOW TO KEEP BUSINESSES STEADY AND STABLE



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Asset leasing gives SMEs affordable access to the latest technology and equipment necessary for growth.



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The health of the UK's economy depends on the success of its small to medium-sized businesses (SMEs). Most of these companies make up what is known as the 'real economy', performing vital tasks that keep the pulse of the nation pumping. Let's look at the numbers: according to government statistics they account for over 99% of all private sector companies across all industries, 47% of the country's overall private sector turnover, and 60% of all private sector employment. The total number of SMEs has grown by 55% since 2000 and 3% since 2014.

While their survival is crucial and their appetite to grow is strong, SMEs must constantly battle to access the financial assistance they need to stay in business and reach their targets, especially in today's uncertain economy.

SME owners have a number of different financial routes to consider, from the traditional bank loan, invoice finance, leasing or newer options such as crowdfunding. Now, more than ever before, they need to ensure that their businesses remain steady and stable, and that they are aware of all their options to help their businesses grow.

1. THE LENDING LANDSCAPE

The National Association of Commercial Finance Brokers' (NACFB) released their annual figures showing that lending to SMEs has increased by almost 30% (29.8 per cent) to £20.7 billion. This suggests that the lending landscape is improving – though there's still work to be done.

The NACFB noted strong growth in invoice finance (up 22.8%), leasing & equipment finance (up 10.5%), development finance (up 49.8%) and bridging finance (up 74.6%). SMEs should be encouraged to explore these options. The British Business Bank's 2015/16 Small Business Finance Markets report found that more than half of the UK's SMEs in need of financial assistance only approach their main bank for a loan. About half of those who have their applications rejected – or approved but with untenable payment terms – stop looking at this point, rather than find an alternative solution.

When SMEs miss opportunities to grow, they are doing their own businesses and the wider UK economy a disservice – which in turn will only hamper their future growth prospects even further.

2. MORE CHOICE, MORE GROWTH

There is more than one way for an SME to access finance. Should a loan not be forthcoming, an SME owner can still afford the assets they need – and take advantage of all their business benefits – by leasing them. The 2015/16 Small Business Finance Markets Report shows that the number of SMEs using asset finance has steadily increased over the last 4 years. Using data from the FLA, the report shows new asset finance volumes were £16.3 billion in 2015, up from £12.7 billion in 2012.

Asset leasing gives SMEs affordable access to the latest technology and equipment necessary for growth. The various payment models allow them to manage their budget with fixed interest and tax efficient repayments.

Maintenance costs can also be included in the finance package. Should a cement mixer or computer need fixing, businesses won't be left trying to find the budget to cover the costs – or have to worry about overseeing the repairs. When it comes to leasing IT hardware, businesses can even arrange for the reseller to take back the equipment at the end of the lease for it to be disposed of safely, helping companies abide by Corporate Social Responsibility practices.

SMEs in need of a sustainable and robust source of finance to help them grow need to consider all their options: a bank loan might not be the most suitable or best form of funding. A steady, positive cash flow will enable businesses at the heart of the 'real economy' to plan for long-term growth with greater confidence, and leasing is one way of achieving this. With access to all the products and services they need today, their businesses will be stronger in the face of any economic swing coming tomorrow.



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