



Close Invoice Finance

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Press Article

Lifeline to SMEs as squeeze on cash flow continues with payment delays

Harry Parkinson, Managing Director of Close Invoice Finance in Ireland, looks at how corporate giants are taking longer to pay their small suppliers and how a double whammy of reduced cash flow and profitability is threatening to put many SMEs out of business.

Mr Parkinson offers businesses an alternative solution to traditional bank lending in the form of invoice financing which he says will help them weather this latest assault on their liquidity.

The number of days it takes large firms to pay an invoice has increased from 81 to 88 since June, according to financial information company Experian, with some predicting that this could rise to more than 100 days by next year.

As corporate giants take longer to pay their small suppliers and banks tighten their lending criteria, SMEs are being left with real cash flow problems. The net effect is that some will experience difficulty in financing their short-term debt and risk going bust.

It is critical therefore that, as the backbone of our economy, SMEs get as much help and support as possible in addressing what is one of their biggest challenges. ►



Harry Parkinson
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The Government's call for all public sector organisations to pay their suppliers within 10 days is of course to be welcomed but it's not legally enforceable and is of cold comfort for those businesses operating largely in the private sector.

This is where invoice finance comes in. The banks aren't really helping with their expensive overdrafts and loans and so invoice finance is becoming an increasingly attractive option for small and medium sized enterprises.

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Far from being a last-resort solution, savvy businesses see invoice finance as an excellent solution to overcome their funding challenges. It is a smart decision which puts control of the company's revenue stream back in the hands of the finance department and MD, rather than leaving it at the mercy of those taking longer to pay.

Simply put, invoice finance works when a company sells its unpaid invoices and in return receives immediate payment of up to 95 per cent of the worth of those unpaid bills. The beauty of it is that businesses have instant access to cash flow and, if necessary we chase the payment of the debt leaving them to get on with the running of their business.

It is an alternative to borrowing that many businesses have forgotten about but which could prove the saviour of many SMEs in the current economic climate. As the pressures of an instable world economy, soaring electricity and gas prices, fluctuating oil prices and delayed payments all take their toll.

Small enterprises are traditionally vulnerable to financial downturns because they operate on tight margins. However larger companies are not immune. Our advice would be for all businesses to review their financial practices, especially those with financing arrangements that will need to be renegotiated in the next 18 months. Companies that adopt a wait and see approach face the greatest risk. Businesses need to refinance early to ensure their liquidity.

For further information on Close Invoice Finance and our portfolio of products, contact us on 0800 220 257 or info@closeinvoice.co.uk. www.closeinvoice.co.uk ●

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