

Small Business Banking

The global 'Credit Crunch' is having an impact on many businesses and it is now as important as ever that businesses manage funds as efficiently as possible.

Managing money has always been a major responsibility for businesses of all sizes, but it is of even greater importance for smaller companies with limited finances, as they often do not have the surplus funds needed to grow without borrowing.

The lack of credit in the markets at the moment has meant that companies of all sizes need to take a good look at their business banking arrangements in order to ensure that they are making the most of their funds. Rather than seeing the credit crunch as a barrier to profit and growth, it can be an opportunity for companies of all sizes to re-examine their business model in order to find savings and to look at areas where they can reduce costs in order to find additional money to fund their plans, without the need to borrow.

Perhaps the first place that a company should look for savings is in their banking arrangements. Many of the high street banks have a number of fees that apply every time you pay in a cheque or deposit money in your account. Overdrafts can also be a significant cost due to interest charges. By switching to a bank that offers a free business current account to customers, it is possible to save a decent amount of money each month that can be used elsewhere.

Another area that all businesses should look at is the way in which their customers pay. Many small businesses do not have sufficient time to chase invoices, or give their clients 90 days in which to pay for goods or services. Where possible, try to get clients to pay more quickly – that way you will have the money in your account earning interest as soon as possible.

When you have identified savings within your business, and implemented the changes necessary to your structure to get the most out of every pound of revenue, you should think about what to do with the additional cash you have in your operation.

The best thing to do with spare funds is to open a special business deposit account that will pay you interest on your savings. This way, rather than simply having the money lying around doing nothing, you can earn interest on it that can be used for bills and other costs. With an instant access savings account, you can put the money in as soon as you receive it, and then simply transfer it into your current account as required – that way all of your spare cash can be working for you.

One of the main things that you need to consider when choosing a business bank to suit the needs of your business is the ease with which you will be able to contact them and manage the day to day running of your accounts. While most banks now offer the ability to access money and accounts online, it is important to be sure that they also offer a dedicated business manager that you can talk to when you need additional help or advice.

About the Author

Alliance & Leicester are a leading UK provider of [business banking](#) services including [business current accounts](#), [business deposit accounts](#) and a range of finance products designed for companies of all sizes.

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