

# [Intermediaries in funding](https://assignbuster.com/intermediaries-in-funding/)

Intermediary acting as primary source of working capital for small business. Obstacles which impede the use of other intermediaries, and large companies' relationship development.
Introduction:
Small and medium size businesses face many challenges and must try hard to compete in the turbulent and highly competitive business environment. There is the direct fight to secure market share from large businesses that are engaged in the same core business activity. Larger companies will benefit from definite advantages among which are the economies of scale, the greater visibility on the market which in parallel promotes customer trust. That is why; one of the main aims of small business is to grow as large as possible. However, growth is directly associated to the introduction of financial asset or capital.
Intermediaries in funding:
The selection of right intermediary to obtain finance is not a straight forward process though, it is universally agreed that a commercial bank may serve that purpose well. Banking institution provides a certain amount of confidence and trust both to borrowers and lenders, due to the legal and ethical framework that normally regulates it. Bank provides loan as working capital to small and medium enterprises but also also provides some elements of institutionalised flexibility which greatly facilitates the concerned business as " intermediary are usually less risky"( Schenk. n. d). Many other intermediaries are available to obtain working capital for businesses. However, certain hindering factors come to surface seriously especially when it comes to guaranteed resettlement of borrowed capital and certain companies will have limitations depending on the stage they have reach in finance cycle. The extent of growth will influence thus the relationship with financial institutions and others. The larger the companies the bigger are the trust customer and other institutions have in them mainly when there is joint venturing during which occurs mostly during diversification.
Steps to analyse cash flow problems to prevent business failure.
Introduction:
Businesses at large are faced with extreme internal and external challenges. The management always struggle to control and closely regulate internal parameters for example stock, correct reordering level for peak season and so on. Any failure at these level may result in liquidity problem . In this context managers should carefully analyse the cash flow which is " the cycle of cash inflows and cash outflows that determine your business' solvency" (Ward, 2008). In serious cases where cash flow is not well control severe consequences may be felt.
The identification of area that could cause cash flow problem:
Several factors may cause limitation in liquidity level at the end of each month or season. Thus, there should be an early attempt to primarily identify the parameters that would or could contribute to the issue of cash flow problem. The operations which are concerned in generating revenue and the others where expenses are incurred should be detected. However, this process of identification of possible problem source should be done in parallel with the identification of guiding principles or business habit and procedure associated to each.
Analysis of figures associated to each factor, weighage and contextualisation:
Efforts should be provided in gathering accurate figures for each possible source of problem for instance creditors and debtors' figures. There should be an attempt to benchmark figures with the best known practices. Furthermore, each of these factors plays a varied role and weighs differently in the cash flow crisis at the end of each term
Generation of possible solution, application and follow up:
Solutions to these problems may be as simple as decreasing ordering level to reach economic order quantity or as drastic as eliminating debtors. Results should be observed in the long run with ultimate objective to keep the business afloat.
Bibliography
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