



FACTORING FINANCING FOR CANADIAN COMPANIES

Running a business in Canada has always had its particular set of challenges. One of the biggest challenges has always been finding the right business financing. The market has been dominated by banks and institutions, which have very tough and strict lending criteria. Obtaining a business loan or almost any other type of business financing in Canada is pretty difficult. However, that is changing. Quickly.

Recently, Canada has seen an increase in the number of independent financing companies that specialize in business financing. Some offer business loans, but the majority have focused on offering invoice discounting (also known as invoice factoring). Although a relatively young industry, the Canadian factoring industry is growing quickly. But, what is invoice discounting?

One of the biggest problems for small and mid sized businesses is waiting up to 60 days to get invoices paid by their commercial clients. This can affect their ability to pay rent, suppliers or salaries on time. This problem is common for many businesses, such as trucking companies, staffing agencies, manufacturers, consultants and others. Invoice discounting is a financial product that eliminates slow paying invoices by financing them.

The factoring process is very simple. Once you invoice an approved client, you send a copy of the invoice to the financing company (also known as the factoring company). The factoring company advances you a significant portion of the invoice while they wait to get paid by your customer. The transaction is settled once the customer pays the invoice. The factoring company offers this service for a small fee or discount.

An invoice discounting arrangement provides you with the necessary funding to pay expenses such as rent, suppliers and employee salaries. This enables you to operate your business efficiently, without worrying about when your clients will pay. Furthermore, invoice discounting can help you win bigger clients, because it eliminates the worries of having to wait for them to pay.

As opposed to bank financing, invoice factoring is relatively easy to obtain. The biggest requirement is that you do business with established clients who pay their invoices regularly. Invoice discounting is truly a flexible product that is within easy reach of small and mid sized businesses.

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