

Six c's of Credit

Character

The first thing the lender judges will focus on is your character and dependability. Your character should exemplify trustworthiness and you should have no unlawful financial disputes in your history, and you must ensure that all previous debts and credits have been fully paid. The key factors for character include:

- A proper account of the business owner
- No involvement in illegitimate activities
- Reference and resources
- No out standing debts

Capability

You must prove your capability to the lender when you request for credit, assuring them of your ability to run a successful business. Good marketing and promotional skills can help a great deal in this regard. If you have limited experience, getting credit can be a relatively difficult task. The factors that need to be considered here are:

- The successful promotion of expertise
- Effective advertising skills
- Marketing mechanism

Credibility

Investors are always interested in the credibility of your business before issuing you any credit. You must fully comprehend the capacity of your business and its potential impact before seeking any kind of credit. Failure to prove the credibility of your business can result in the rejection of your loan.

Collateral

Collateral is necessary for banks to give credit. Most of the time the collateral will be personal belongings which have some financial value such as a car or a house. Many banks want the collateral to be large to cover the losses if your business fails to return the money owed.

Context

The context of your small business greatly influences the manner in which you get credit. Most banks are interested in small businesses that are offering something unique or new to the market place.

Conditions

The conditions on which credit is requested for is very important. Repayment, current financial status of the small business and possible business growth opportunities are conditions which need to be considered before credit is issued to a small business.