

Breaking the Funding Barrier: How to Get the Cash to Start Your Business

Starting a business is thrilling—until you realize you need money to make it happen. Suddenly, banks are side eyeing your credit score, asking for collateral you don't have, and acting like you're asking for a million bucks instead of a reasonable startup loan.

But don't let rejection kill your dream. There are plenty of ways to get the cash you need, even if the banks say no. The good news is there's a ton of options that aren't bank related. From microloans to crowdfunding to getting your customers to pay you before you even deliver, there's a solution for almost every entrepreneur. Let's dive into a few ways you can get your business off the ground without losing sleep (or your sanity).

Think Beyond Banks: Smarter Ways to Fund Your Startup

If banks don't give you the time of day, that's fine. There are other ways to get funding—ways that don't involve sitting through another rejection meeting where someone in a suit tells you, "Come back when you have more assets."

Microloans are a great option if you need less than \$50,000. The [SBA Microloan Program](#) is a solid place to start, offering loans with flexible terms. If you'd rather keep interest rates at zero (because, who wouldn't?), check out [Kiva](#), a peer-to-peer lending platform that offers no-interest loans through crowdfunding. [Accion Opportunity Fund](#) is another lender that helps entrepreneurs with less-than-stellar credit.

If you're looking for even more flexibility, [Community Development Financial Institutions \(CDFIs\)](#) exist to help small businesses that banks ignore. They specialize in working with entrepreneurs from underserved communities, offering loans with more forgiving credit requirements. [Here's a list of CDFI's in Kentucky.](#)

Not into borrowing? Consider crowdfunding. Platforms like [Kickstarter](#) and [Indiegogo](#) let you raise money from future customers in exchange for perks or early access to your product. If you're open to giving up a small piece of ownership, [Wefunder](#) and [StartEngine](#) help you raise money from everyday investors.

And let's not forget grants. Unlike loans, grants are free money—no repayment, no interest, just cash to help you build your business. Government programs like those listed on [Grants.gov](#) are a good start, and private initiatives like [Hello Alice](#) and the [FedEx Small Business Grant](#) can also provide funding. If you're lucky, your local city or state may have grants specifically for new businesses.

If you're already generating revenue, you might qualify for [revenue-based financing](#). Companies like **Pipe, Clearco, and Uncapped** will give you upfront capital in exchange for a percentage of your future sales. This can be fast and easy, but beware!

Your Customers: The Investors You Didn't Know You Had

You know who already believes in your business? Your future customers. And if you play your cards right, they can help fund your business before you even deliver a product.

Offering **prepayments** is a fantastic way to bring in cash fast. Give customers an incentive—like a nice discount—to pay for services or products upfront. This works wonders for subscription-based businesses, coaching services, and even product launches.

Deposits are another smart move. If your business involves custom work or long production timelines, require a **30-50% deposit** before you start. This helps cover materials and labor costs while ensuring customers are committed. It's also a great way to weed out indecisive clients (because nobody wants to do a ton of work just to have someone flake at the last minute).

For businesses with larger projects, **tiered payments** are the way to go. Instead of getting paid in one lump sum at the end (which can leave you broke for weeks), break it into milestones—maybe **30% upfront, 30% at a key stage, and the rest at completion**. This keeps your cash flow steady and keeps customers invested in the process.

And if you're launching a product, **pre-sale campaigns** can bring in a wave of early adopters willing to pay now for something awesome later. Limited time offers and exclusive bonuses make pre-sales even more attractive.

Cash Flow Hacks: Turning Invoices & Orders Into Instant Cash

Running a business can feel like a game of financial gymnastics—especially when customers take forever to pay. If waiting 30, 60, or 90 days for payments is making your wallet cry, **invoice factoring** can be a lifesaver. Instead of waiting for clients to pay, a factoring company gives you **80-95% of your invoice value upfront**, then collects the payment from your customers. You get the cash immediately, and they handle the waiting game.

For product-based businesses with large orders but no cash to fulfill them, **purchase order financing** is a game-changer. If a big retailer places an order but you don't have the funds to produce it, a financing company **pays your suppliers directly**. Once the order is delivered and paid for, you get the remaining profits after fees. It's a great way to grow without needing a pile of cash upfront.

Fixing Your Credit: Because It Still Matters (Unfortunately)

If credit scores are holding you back, don't panic. You can improve your credit and increase your funding chances by taking a few smart steps.

First, check your credit report for errors (mistakes happen more often than you'd think). Make timely payments on existing debts and try to keep your credit utilization below 30%—meaning, don't max out your cards if you can help it. If your credit is really struggling, consider using a **secured credit card or credit-builder loan** to establish positive history.

Separating personal and business finances also helps. Get an **EIN (Employer Identification Number)**, open a **business bank account**, and apply for a **DUNS number** from Dun & Bradstreet to build your business credit.

And if your credit still isn't where it needs to be, bringing in a **co-signer or guarantor** with a strong credit history can help get lenders on board. Just make sure it's someone who trusts you (and who you won't let down).

No Collateral? No Problem. Here's How to Start Anyway.

If you don't have assets to secure a loan, don't stress. Many successful businesses started with **bootstrapping**—keeping costs low, reinvesting early profits, and growing strategically. Starting with a **service-based business** can also help, since they typically require less upfront investment than product-based businesses.

Angel investors and startup incubators are another option. Platforms like **AngelList** and **SeedInvest** connect startups with investors looking for exciting new opportunities. If you're open to mentorship and funding, incubators like **Y Combinator** and **Techstars** provide both.

Where do I Start?

Acquiring the funding you need is a step-by-step process! Follow these steps to get started:

1. **Figure out exactly how much you need.** Be precise—break down costs for equipment, inventory, marketing, licenses, and operations.
2. **Explore alternative funding first.** Apply for **microloans, grants, and CDFI financing** before going after high-interest loans.
3. **Strengthen your business credit.** Open a **business bank account**, get an **EIN** and **DUNS number**, and start working with vendors that report payment history.
4. **Work on personal credit too.** Even if you don't need it now, better credit opens more doors later.
5. **Consider no-collateral options.** Use **factoring, revenue-based financing, or strategic partnerships** to get cash without traditional loans.
6. **Keep learning.** Free resources like **SBA, SCORE, and [Louisville Small Business Development Center \(SBDC\)](#)** can help you sharpen your funding strategy and avoid common mistakes.

Final Thoughts: The Money Is Out There—Go Get It!

Finding funding might seem intimidating, but the truth is, **there's more money available to startups than ever before**. Whether it's microloans, crowdfunding, revenue-based financing, or simply getting your customers to pay upfront, there's a way to fund your business **without going into a financial panic**.

The key is to **get creative, explore multiple options, and take action**. Your business idea is worth it—and with the right funding strategy, you'll be on your way to success.

Need help identifying **the best funding options for your industry**? Let's find the perfect fit!

Are you looking for financing resources? We're all in this together! The Small Business Development Center team can help! If you'd like to chat via Zoom to start your funding journey, you can find some time for us [Schedule a Zoom Call](#) with a me! Or, reach out at david.oetken@uky.edu. I'd love to hear from you!

