

Assessment of Loanable Business Plan and its Correlation with Bank Loan Provision

Sakiru Abiola Lawal, Ph.D

Department of Banking and Finance, Lagos State Polytechnic

Undie Stephen Bepeh, PhD

Department of Vocational Education, University of Calabar

Abstract: Loanable business plans are an equilibrium between how rooted a business will be and how successful it will be in the future. The effect of not having a loanable business plan on business is corrosive and can be seen as one of the major reasons most businesses fall through within the first five years of their creation. The study assessed the loanable business plan and its correlation with bank loan provision. The study revealed that a well-structured business plan serves as a roadmap for the company's growth and provides assurance to lenders that their investment will be wisely used and repaid. It encompasses various elements, including market analysis, financial projections, and risk assessment. In conclusion, the assessment of a loanable business plan is a comprehensive process that involves evaluating various aspects of a business's operations and strategy. It is a critical determinant of a bank's decision to provide a loan, as it demonstrates the borrower's ability to plan, manage risks, and generate returns. One of the recommendations made in the study was that entrepreneurs should clearly identify potential risks their business may face and outline strategies to mitigate them for this shows lenders that they have considered various challenges and have a plan to address them.

Keywords: Business Plan and Bank Loan Provision.

Introduction

For entrepreneurs and company owners looking for capital, evaluating the viability of a loanable business plan and its relationship to bank loan provision is essential. A bank's decision to approve a loan can be greatly influenced by a well-written business plan. Knowing what to do to attain these goals is basically vital to the expansion of any entrepreneur that wishes to obtain financing, requires investors to invest in their venture, or both. It is not necessary to explain why attracting investors to your business or obtaining a loan is important. One of the ten businesses that has failed is because of a lack of access to funds to finance the growth of the business. Loanable business plans are an equilibrium between how rooted a business will be and how successful it will be in the future. The effect of not having a loanable business plan on business is corrosive and can be seen as one of the major reasons most businesses fall through within the first five years of their creation. To overcome this trauma, entrepreneurs should ensure that their business plans are in line with the bank loan provisions to enable them to easily access finance.

Having a well-organized business plan guarantees lenders that their investment will be used and returned, and it also acts as a roadmap for the expanding firm. It includes a number of components, including as financial forecasts, risk assessment, and market analysis. The executive summary is a crucial component that provides a concise overview of the plan's main ideas (Hisrich, Peters, & Shepherd, 2017). Before agreeing to invest in any business, investors will want to see a formal document outlining the goals both short- and long-term, as well as the business's values, ideologies, and objectives. As such, new entrepreneurs must make sure that they prepare this kind of document. A business plan, as defined by the Corporate Finance Institute Com (2023), is a synopsis that describes the methods and motivations for starting a new company. The business plan highlights the tactics that must be used to accomplish organizational objectives, spot any issues, and come up with unique solutions for them. Business plans are viewed by potential investors as a tool to assess an entrepreneurial venture's risk profile.

Concept of Business Plan

A business plan, as defined by the Corporate Finance Institute Com (2023), is a synopsis that describes the methods and motivations for starting a new company. It is mandatory for newly established businesses to create official written papers that specify their long-term goals and the strategies they plan to use to achieve them. The business plan highlights the tactics that must be used to accomplish organizational objectives, spot any issues, and come up with unique solutions for them. Business plans are viewed by potential investors as a tool to assess an entrepreneurial venture's risk profile. Business plans are used by startups to support their assertions about the potential profitability of a certain business concept in an effort to draw in investors and personnel. Business plans may help established businesses manage themselves or their suppliers better. A business plan, according to Hayes (2023), is a written document that outlines a company's goals and its strategies for achieving them. A business plan provides a documented roadmap for the company's operations, marketing, and finances. Business plans are used by both new and existing enterprises. A business plan is a crucial document that is written with both internal and external audiences in mind. For example, before a firm has established a track record of success, it uses a business plan to obtain financing. Additionally, it can support obtaining financial institution loans.

A business plan is regarded as a crucial tool for every enterprise. It is a written document that provides a detailed explanation of the goals, nature, and financial situation of a firm, especially one that is just getting started, as well as how it plans to accomplish those goals. An existing company that wants to expand its operations, apply for a business loan, or seek finance can also create a business plan (Basic-concept.com, 2023). A business plan is a written strategy that outlines the objectives of the company and how it intends to reach them. It describes the go-to-market strategy, financial safeguards, market analysis, corporate goal, and mission statement of an organization. A timeframe and a list of key personnel who are accountable for reaching the objectives may also be included in the business plan. Without a doubt, the business strategy is essential to the launch of any venture. In order to turn that brilliant company concept become a reality, it is essential to define your business model, outline your financial predictions, and get finance (HubSpot, Inc., 2023). A business plan is also a road map that provides directions so a business can plan its future and helps it avoid bumps in the road. The time you spend making your business plan thorough and accurate and keeping it up-to-date is an investment that pays big dividends in the long term (Entrepreneur Media, LLC, 2023).

Concept of Loanable Business Plan

A loanable business plan is an essential document for entrepreneurs and small company owners looking to secure funding from lenders or investors, claim Hisrich, Peters, and Shepherd (2017). This plan provides a detailed overview of the company's goals, tactics, and financial forecasts. A organized strategy and the inclusion of crucial elements such the executive summary, business description, market analysis, and

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financial forecasts are necessary to produce a successful loanable business plan. A loanable business plan's executive summary, which appears first, provides an overview of the full document. It need to include a succinct synopsis of the company's goals, offerings, target market, and funding requirements. Potential lenders or investors should find the executive summary intriguing and be enticed to continue reading. Entrepreneurs must include comprehensive details about their firm, including its ownership, legal structure, and history, in the business description section. They ought to draw attention to their competitive advantages and unique selling proposition (USP). This part may be strengthened by referencing market research and industry trends, which will show that you have a thorough awareness of the company environment (Pinson, 2018).

An additional essential element of a loanable business plan is market study. The demands, tastes, and demography of the target market should be covered in detail in this section. Along with identifying possible possibilities and challenges, it should evaluate the competitive environment. Citing trustworthy industry studies and market research might help the study gain credibility. Entrepreneurs need to show that their company strategy is feasible in the financial predictions area. This comprises balance sheets, cash flow statements, and anticipated income statements. Reliable financial estimates supported by past performance or industry standards are necessary to persuade lenders or investors of the company's potential for expansion. A loanable business plan is an extensive document that acts as a guide for business owners looking for funding. Businesses may make a strong case to lenders or investors by adding important elements including the executive summary, business description, market analysis, and financial predictions. Citing references to market research and industry reports can further bolster the plan's credibility and increase the chances of securing the necessary funding for their business venture (Spinelli & Adams 2012).

Concept of Bank Loan

Gigli (2021) defines a bank loan as any amount of money given by a bank to a person or entity with the understanding that the money would be repaid. In this lesson, learn about borrowing money, secured and unsecured loans, and the reasons they should always be repaid. A bank loan is described as a bank offering to lend money to customers for a specific amount of time by Economicshelp.org (2023). The borrower will be required to pay a specific amount of interest either monthly or annually as a condition of the bank loan. A loan is a quantity of money taken out from banks or other financial organizations by one or more people or businesses to handle unforeseen or scheduled expenses. As a result, the borrower accrues debt that must be repaid within a predetermined time frame and with interest (CFI Education Inc., 2023). As per ACCAGlobal.com (2023), they are often a simple and expeditious means of obtaining the required funds and are typically granted for a certain duration. Bank loans can be tailored to the needs of the business and might include an interest-only or capital/principal repayment option. Commercial mortgages are widely accessible and often provide flexible terms for firms looking to acquire real estate. In order to qualify for a bank loan, you often need to offer collateral in the form of goods or machinery. The lender will seize and sell these assets in the case of failure in order to recover its losses (Tsang, 2023). A bank loan is a fundamental aspect of modern financial systems and plays a pivotal role in enabling individuals and businesses to access capital for various purposes, such as starting or expanding a business, purchasing real estate, or covering unexpected expenses. In essence, a bank loan involves a financial institution lending a specific amount of money to a borrower with the expectation that the borrower will repay the loan amount along with interest over a predetermined period (Mishkin& Eakins 2015). These loans are typically subject to terms and conditions that outline interest rates, repayment schedules, collateral requirements, and other relevant terms, which can vary depending on the type of loan and the borrower's creditworthiness. The process of obtaining a bank loan involves a comprehensive evaluation of

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the borrower's creditworthiness and the purpose of the loan. Banks assess factors such as the borrower's credit score, financial history, income, and ability to repay the loan. The terms and conditions of the loan are then established based on these assessments. Bank loans come in various forms, including personal loans, business loans, mortgages, and lines of credit, each tailored to specific needs and requirements. The availability of bank loans has a significant impact on economic growth and development, as it provides individuals and businesses with the necessary capital to invest in opportunities and contribute to economic expansion (Saunders & Cornett 2016).

Purpose of Business Plan

According to HubSpot, Inc. (2023) purposes of Business Plan are numerous including:

➤ *Securing Financing from Investors:*

A business plan is utilized as a tool for obtaining financing since it focuses on how businesses prosper, break even, and generate a profit. An entrepreneur uses this document to demonstrate to possible leaders or investors how their money will be used and how it will support the growth of the company. Before transferring funds, banks, investors, and venture capital companies will all want to see a business plan, and investors usually demand a 10% return on investment (ROI) or more. These investors therefore need to know if and when they can expect to get their money back, plus some. Additionally, they'll want to read about the process and strategy for how the business will reach those financial goals, which is where the context provided by sales, marketing and operations plans come into play.

➤ *Documenting a Company's Strategy and Goals:*

A business plan should leave no stone unturned. Business plans can span dozens or even hundreds of pages, affording their drafters the opportunity to explain what a business's goals are and how it will achieve them. To show potential investors that they've addressed every question and thought through every possible scenario, entrepreneurs should thoroughly explain their marketing, sales, and operations strategies, from acquiring a physical location for the business to explaining a tactical approach for marketing penetration.

➤ *Legitimizing a Business Idea*

Everyone's got a great idea for a company until they put pen to paper and realize that it's not exactly feasible. A business plan is an aspiring entrepreneur's way to prove that a business idea is actually worth pursuing. As entrepreneurs document their go-to-market process, capital needs, and expected return on investment, they likely come across a few hiccups that will make them second-guess their strategies and metrics, and that's what the business plan is for. It ensures an entrepreneur's ducks are in a row before bringing their business idea to the world and reassures the readers that whoever wrote the plan is serious about the idea, having put hours into thinking of the business idea, fleshing out growth tactics, and calculating financial projections.

Components of Business Plan

Starting and running a successful business requires well-laid actions and supporting documents that better position a company to achieve its business goals and maximize success. A business plan is a written document with relevant information detailing business objectives and how it intends to achieve its goals. With an effective business plan, investors, lenders, and potential partners understand your organizational structure and goals, usually around profitability, productivity, and growth. Every successful business plan is made up of key components that help solidify the efficacy of the business plan in delivering on what it was created to do, (Luenendonk, 2022).

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Here are some of the components of an effective business plan:

✓ **Executive Summary**

One of the key elements of a business plan is the executive summary. Write the executive summary as part of the concluding topics in the business plan. Creating an executive summary with all the facts and information available is easier. In the overall business plan document, the executive summary should be at the forefront of the business plan. It helps set the tone for readers about what to expect from the business plan. A well-written executive summary includes all vital information about the organization's operations, making it easy for a reader to understand. The key points that need to be acted upon are highlighted in the executive summary. They should be well spelled out to make decisions easy for the management team. A good and compelling executive summary points out a company's mission statement and a brief description of its products and services. An executive summary summarizes a business's expected value proposition for distinct customer segments. It highlights the other key elements to be discussed during the rest of the business plan. Including your prior experiences as an entrepreneur is a good idea when drawing up an executive summary for your business. A brief but detailed explanation of why you decided to start the business in the first place is essential. Adding your company's mission statement to your executive summary cannot be overemphasized. It creates a culture that defines how employees and all individuals associated with your company behave when carrying out its related processes and operations. Your executive summary should be brief and detailed to catch readers' attention and encourage them to learn more about your company.

Components of an Executive Summary:

These are some of the information that makes up an executive summary

- The name and location of your company
- Products and services offered by your company
- Mission and vision statements
- Success factors of your business plan

✓ **Business Description**

Your business description needs to be exciting and captivating as it is the formal introduction a reader gets about your company. What your company aims to provide, its products and services, goals and objectives, target audience, and potential customers it plans to serve need to be highlighted in your business description. A company description helps point out notable qualities that make your company stand out from other businesses in the industry. It details its unique strengths and the competitive advantages that give it an edge to succeed over its direct and indirect competitors. Spell out how your business aims to deliver on the particular needs and wants of identified customers in your company description, as well as the particular industry and target market of the particular focus of the company. Include trends and significant competitors within your particular industry in your company description. Your business description should contain what sets your company apart from other businesses and provides it with the needed competitive advantage. In essence, if there is any area in your business plan where you need to brag about your business, your company description provides that unique opportunity as readers look to get a high-level overview.

Components of a Business Description:

Your business description needs to contain these categories of information.

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- Business location
- The legal structure of your business
- Summary of your business’s short and long-term goals

✓ **Market Analysis**

The market analysis section should be solely based on analytical research, as it details trends particular to the market you want to penetrate. Graphs, spreadsheets, and histograms are handy data and statistical tools you need to utilize in your market analysis. They make it easy to understand the relationship between your current ideas and the future goals you have for the business. All details about the target customers to whom you plan to sell products or services should be in the market analysis section. It provides readers with a helpful overview of the market. In your market analysis, you provide the needed data and statistics about industry and market share, the identified strengths in your company description, and compare them against other businesses in the same industry. The market analysis section aims to define your target audience and estimate how your product or service would fare with these identified audiences. Market analysis helps visualize a target market by researching and identifying the primary target audience of your company and detailing steps and plans based on their location. Obtaining this information through market research is essential, as it helps shape how your business achieves its short-term and long-term goals.

Market Analysis Factors:

Here are some of the factors to be included in your market analysis.

- The geographical location of your target market
- Needs of your target market and how your products and services can meet those needs
- Demographics of your target audience

Components of the Market Analysis Section:

Here is some of the information to be included in your market analysis.

- Industry description and statistics
- Demographics and profile of target customers
- Marketing data for your products and services
- Detailed evaluation of your competitors

✓ **Marketing Plan**

A marketing plan defines how your business aims to reach its target customers, generate sales leads, and, ultimately, make sales. Promotion is at the center of any successful marketing plan. It is a series of steps to pitch a product or service to a larger audience to generate engagement. Note that the marketing strategy for a business should not be stagnant and must evolve depending on its outcome. Include the budgetary requirement for successfully implementing your marketing plan in this section to make it easy for readers to measure your marketing plan's impact in terms of numbers. The information to include in your marketing plan includes marketing and promotion strategies, pricing plans and strategies, and sales proposals. You need to include how you intend to get customers to return and make repeat purchases in your business plan.

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✓ **Sales Strategy**

Sales strategy defines how you intend to get your product or service to your target customers and works hand in hand with your business marketing strategy. Your sales strategy approach should not be complex. Break it down into simple and understandable steps to promote your product or service to target customers. Apart from the steps to promote your product or service, define the budget you need to implement your sales strategies and the number of sales reps needed to help the business assist in direct sales. Your sales strategy should be specific on what you need and how you intend to deliver on your sales targets, where numbers are reflected to make it easier for readers to understand and relate better.

Types of Bank Loans

According to VanSomeren & Tarver (2021)

❖ **Personal Loans:**

The most general loan category is personal loans, which often have durations of 24 to 84 months for payback. They can be used for almost anything, excluding illicit or college-related activity. People commonly use personal loans for things like:

- Vacations
- Weddings
- Emergencies
- Medical treatment
- Home renovations
- Debt consolidation
- Relocating to a new city
- Computers or other pricey electronics

Personal loans generally come in two forms: secured and unsecured. Collateral, such a car or savings account, is used as security for secured loans, which the lender may seize if you fail to pay back the whole loan balance. However, unsecured loans don't need any collateral because they are just secured by your signature; this is why they go by the other term, signature loans. Because the lender is taking on greater risk, unsecured loans are typically more costly and require stronger credit. Applying online for a personal loan from a bank, credit union, or internet lender is usually simple and quick. The greatest personal loans, which have affordable interest rates and a variety of repayment alternatives, are available to borrowers with good credit.

❖ **Student Loans:**

At approved colleges, student loans are intended to cover living expenses in addition to tuition and fees. This implies that paying for particular kinds of education, such coding boot camps or unofficial classes, is typically not possible with student loans. Federal and private student loans are the two varieties available. By completing the Free Application for Federal Student Aid (FAFSA) and corresponding with the financial aid office at your school, you can apply for federal student loans. Federal student loans have marginally higher interest rates but often offer greater advantages and safeguards. Although private student loans have far less advantages and safeguards, you may be able to get better rates if your credit is strong.

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❖ **Payday Loans:**

Payday loans are a type of short-term loan, usually lasting just until your next paycheck. These loans aren't credit-based, so you don't need good credit to qualify. However, these loans are often predatory in nature for a couple of reasons. First, they charge very high finance fees, which can work out to around 400% APR in some cases (the finance fee isn't the same thing as an APR). Second, they allow you to roll over your loan if you can't pay it off by your next paycheck. It sounds helpful at first until you realize even more fees are tacked on, which trap a lot of people in debt obligations that can be higher than what they originally borrowed.

❖ **Small Business Loans:**

There are several types of small business loans, including small business administration (SBA) loans, working capital loans, term loans, and equipment loans. These loans help small businesses, typically companies with up to 300 employees, fund their operations. Local businesses like landscapers, hair salons, restaurants, or family-owned grocers and sole proprietors such as freelancers who still have a traditional day job can also apply. Small business loans typically have more qualification requirements than personal loans, especially if you're applying for an SBA loan. However, the rewards are well worth it because these loans can give your business the financing it needs to grow. Alternative business financing methods, like invoice factoring or merchant cash advances, may be costly, leaving small business loans as the best option for business financing.

These loans are different from traditional auto or RV loans for a few reasons:

- They charge very high rates.
- You give the title to the lender as collateral for the loan.
- They're short-term loans, typically up to 30 days.

Thus, title loans generally fall in the same category as payday loans: they're very expensive, short-term, small-dollar loans that are often considered predatory.

❖ **Recreational Vehicle (RV) Loans:**

RV loans can either be unsecured or secured. Smaller RV loans are typically unsecured and work similarly to a personal loan, while expensive, luxury RVs are secured with the RV serving as collateral and work more like an auto loan. Depending on the lender, you can find RV loans for around \$25,000 that you repay over a few years, but you can also find loans up to \$300,000 that you repay over 20 years. RVs are fun, and they can help you and your family enjoy quality time together. But it's important to keep depreciation in mind, especially if you're buying a new RV and you think you'll be selling it at some point down the line.

❖ **Family Loans:**

Family loans are informal loans that you get from family members (and sometimes friends). You may choose to turn to family if you can't qualify for a traditional loan from a bank or lender, for example. Family loans can be useful because you don't need any credit to get one. If your family member trusts you and they have the financial means to do so, they can choose to give you the loan. But that doesn't mean you should take advantage of your family member's generosity. It's still a good idea to draft up and sign a loan agreement, including interest payments, due dates, late fees or other consequences for non-payment. You can find draft agreements and payment calculators online to help you do this.

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❖ **Land Loans:**

There are a lot of reasons people buy land. Maybe they want to build a house on it, harvest its natural resources, or lease it out to other people and businesses. But land can be expensive, and that’s where a land loan can come in handy. Land loans generally come in two forms: improved and unimproved land loans. Improved land loans are for plots that are ready to build on. For example, they might have a well and septic tank already installed, power lines, or a driveway. Unimproved land loans, on the other hand, are for a plot of vacant land, which may or may not be easy to access. If you choose to take out a land loan, you can expect to have higher interest rates and stricter down payments and credit requirements than other property loans because they’re a very risky transaction for a lender.

❖ **Pool Loans:**

Unless you’re buying an inflatable kiddie pool, chances are you’ll need to take out a loan if you want to add a pool to your property. Pools can run anywhere from \$3,000 up to \$100,000 or more depending on how fancy you want to go, according to Fixr. Just like with RVs, boats and other lifestyle loans, it’s a good idea to consider the resale value of your house if you add a pool onto it. Not everyone wants to own a pool, so if you plan on selling your house in the future, you could be limiting the number of people who want to buy your home.

Advantages of Bank Loans

✓ *Allow you to grow your business*

Bank loans are a convenient way to get extra finance, without needing to wait until your business has generated enough profit to fund expansion yourself. Taking out a loan means you can put your plans into action much earlier and take advantage of any business opportunities that present themselves, enabling faster and more accelerated growth. Even though it can take weeks, or even months, to apply and get approval for a bank loan, this is still a practical way to raise funds to grow your business.

✓ *You keep full control of your company*

The main advantage of a bank loan, as with any kind of small business loan, is the ability to get an injection to their cash flow without losing any control of your company. With some other funding options, like equity finance, you will be selling company stock to investors to get immediate funding which means you will have to share out the profits while you have the investor(s) on board. A small business loan is a more temporary measure, so once you pay off the loan you will have no more obligation to the lender.

✓ *Favorable interest rates*

The interest rates on a small business bank loan can be more favorable than other online lenders. Especially if you are looking for a more long-term funding option, taking out a bank loan will normally work out much better value than using an overdraft, credit card, or a personal loan. You will find banks a particularly cost-effective option if you have an existing business with a good credit score and a good financial history. The more established and successful your business, the less of a risk you will appear to banks, and so they are more likely to approve your application and offer you attractive interest rates. Taking out a secured loan will also help you to get lower interest rates. Another perk of a bank loan for small businesses is that the interest you pay on the loan repayments is tax-deductible.

Disadvantages of Bank Loans

✓ *Strict eligibility criteria*

One of the major disadvantages of a bank loan is that banks can be cautious about lending to small businesses. Their strict lending criteria can make it particularly difficult for start-ups and newer businesses

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to be accepted for a loan as they don't have the financial or trading history to back up their application and, if they are accepted, the interest rates are likely to be increased to compensate for the added risk. As a result, it's more established businesses with a good credit history and good growth prospects that are likely to benefit the most from the advantages that a traditional bank loan can offer.

✓ ***Lengthy application process***

Preparing for a business loan application can also be a long and time-consuming process. Not only will you need to fill out an application form for each lender, but you will also need to provide a business plan, your account history, and your financial forecasts to show your business is a viable lending prospect. Traditional banks can take a long time to process this information and make a decision, especially if your business is applying for a large sum of money. Because of this, businesses wanting a quick injection of cash may struggle to get this from a high-street bank lender.

✓ ***Not suitable for ongoing expenses***

One of the other disadvantages of a bank loan is that you can only use the funds for certain projects or purposes that will help grow your business, and not usually to cover any ongoing expenses. Banks will want to lend to businesses that will be able to repay the money, and so they will look for businesses that will use their money to invest, grow, and generate returns. If a small business wants funding to cover a temporary cash flow problem or wants a short-term injection of cash, other financing options such as overdrafts, credit cards, or working capital loans may be more suitable.

✓ ***Secured loans carry risk***

Although taking out a secured business loan from a bank can be beneficial with its lower interest rates, businesses should remember that this puts their assets at risk should they fail to make the necessary repayments. Clearly, businesses will intend to make every payment, but it is still something you should bear in mind when applying for a loan. Despite this risk, by securing a loan against your business assets you should ensure your personal assets (such as your house) will remain unaffected if you default on the business loan. There is an exception to this as, in some cases, banks may secure a loan against your personal assets if the business does not have any collateral to offer. Also known as a director, or personal, guarantee, this kind of business loan would require a personal asset (such as your house) to be used as collateral, which could put your home at risk if you miss your repayments for example.

Challenges of Access to Bank Loan

✓ ***Lack of consistent cash flow***

Banks tend to favor SMBs that have a steady revenue stream and consistent cash flow coming in every month. SMBs that can't demonstrate this consistency are denied loans significantly more often than not.

✓ ***Insufficient collateral***

For SMBs, lack of sufficient collateral excludes them from obtaining financing because loan applications usually include a request for a viable piece of collateral in order to complete the transaction and receive funding. That's not a problem for large businesses that own property or other big-ticket assets, but it can be an insurmountable hurdle for SMBs.

✓ ***Debt-to-income ratio***

Banks are wary of lending to businesses that have existing debt with other lenders. In many cases, they won't even consider lending to a business that has already taken financing. Since many SMB owners seek

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credit from multiple sources, especially during the start-up phase, this can be a major strike against them when applying for a loan or cash advance from a traditional bank.

✓ ***Customer concentrations***

Banks are often skeptical of businesses that report a significant bulk of their sales from only a select number of customers. Lenders, in general, like to see diversity in a business's clientele as opposed to the same customers. For example, a local pub or restaurant that relies mainly on its "regulars" for steady income can present a perception problem with traditional banks.

✓ ***Insufficient credit***

In the wake of the recent recession, banks have increased their credit score standards, but many small businesses have credit scores that are still suffering from the aftermath of the financial crisis. In most cases, a business will need a credit score of at least 720 even to get a foot in the door for a bank loan. That's too high for many SMBs.

✓ ***Personal guarantees***

Personal guarantees from business owners are requirements from banks, but that also makes the owner personally responsible for paying back the loan. That's a precarious position for those struggling to stay on top of expenses every month.

Conclusion

The study comes to the conclusion that evaluating a loanable business plan is a thorough procedure that entails analyzing a number of operational and strategic elements of a company. It is a crucial factor in a bank's decision to provide a loan as it shows the borrower's capacity for risk management, planning, and return generation. In the current era of fiercely competitive marketing, it is imperative to implement strategies to prevent business collapse. One such strategy is to ensure that your business plan aligns with bank loan requirements, which will enable your company to secure the necessary funding to compete in the market on an equal footing. Obtaining bank loans may present challenges, but not obtaining loans may also present difficulties for businesses. Therefore, it is essential to consider whether the advantages outweigh the drawbacks and make that decision.

Recommendations

1. Business owners should explicitly identify any hazards that their company could encounter and provide a plan of action to reduce such risks. This demonstrates to lenders that you've thought about a range of obstacles and have a strategy to overcome them.
2. Begin your company strategy by conducting in-depth market research. Recognize the trends in your industry, your rivals, and your target market. Provide information and research that shows you have a firm grasp on where your company stands in the market. Make sure your appraisal of the market is in line with the state of the economy now and what lies ahead.

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