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Hardships Faced by Entrepreneurs in Marketing Projects for Acquiring Business Loans

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Abstract : Capital is the primary fuel for starting and running a business. Since capital is crucial for every business, entrepreneurs must successfully acquire adequate capital for executing their projects. Sources for the necessary capital for entrepreneurs include their own personal funds from existing bank accounts, or lines of credit or loans from banks or financial institutions, or equity funding from investors. The most commonly selected source of capital is a bank loan. However, acquiring a loan by any entrepreneur requires adhering to strict guidelines, conditions and norms. Because not only they have to show evidence for viability of the project, but also the means to return the acquired loan. On the bank's part, it requires that every loan officer performs a thorough credit appraisal of the prospective borrowers and makes decisions about whether or not to lend money, how much to lend, and what conditions should be attached to it. Moreover, these credit decisions in general were often based on biases, analytical techniques, or prior experience. A loan can either turn out to be good or poor, irrespective of what type of credit decisions were followed. However, based on prior experience, the loan officers seem to differentiate between a good and a bad loan by examining the borrower's credit history, pattern of borrowing, volume of borrowing, frequency of borrowing, and reasons for borrowing. As per an article written by Maureen Wallenfang on postcrescent.com dated May 10, 2010, it is observed that borrowers with good credit, solid business plans and adequate collateral security were able to procure loans very easily in the Fox Valley region. Since loans are required to run businesses, and also with the propensity of loans to become bad, loan officers tend to be very critical and cautious before approving and disbursing the loans. The pressure to be critical and cautious, at least partly, is a result of increased scrutiny by the Securities and Exchange Commission. As per Wall Street Journal (Sidel & Eaglesham, March, 3 2011, online), the Securities and Exchange Commission scrutinized banks that have restructured troubled loans in order to make them appear healthier than they really are. Therefore, loan officers' loan criteria are of immense importance for entrepreneurs and banks alike.

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