

Credit crunch could impact on UK entrepreneurs

Entrepreneurship in the UK could be affected by the recent credit crunch, it has been claimed. According to Richard Litchfield, managing director of small business support service Eastside Consulting, a lack of credit and the high cost of borrowing may result in fewer people taking the gamble of setting up a business of their own.

He believes that the impact of the credit crunch on enterprise will be largely determined by its effect on the mortgage market, suggesting as he does that entrepreneurs are often reliant on their homes to finance their ventures.

"The issue comes back to what affect the credit crunch has on the wider economy," Mr Litchfield confirmed.

"If we find that a much higher number of people are defaulting on mortgages and losing their jobs, then you'll find that that this will feed into the enterprise marketplace. Less people will be in a position to take the entrepreneurial risk.

"In a sense, the indirect asset base of the SME marketplace is the houses of the business owners, because they're often used as security. And just on a psychological level, if people have more equity in their house they're more likely to be willing to take an entrepreneurial risk."

However, Mr Litchfield emphasised that the most common way to finance an entrepreneurial venture remains the support of friends and family - as well as drawing on the help of those more easily led.

"[The] first place to go is FFF: that's friends, family and fools... If people have either savings, or family and friends with a bit of capital that will back them, then that's 100 per cent the most common way to start any business," he said.

In addition to this, there are a number of other opportunities - and further [small business advice](#) given by the expert includes the notion that the most obvious course of action is often the most sensible.

"Beyond that there is a wide range of different sources of finance, and different agencies to assist people raise the finance. Loan finance is perhaps the most obvious, and people should start by visiting their local bank," he commented.

Another tip for entrepreneurs looking for finance given by Mr Litchfield is to attempt to secure money from high net worth individuals - otherwise known as business angels.

This could be achieved by pitching ideas to wealthy individuals, local to the entrepreneurs who operate in the same sector. Regional Development Agencies were also suggested as good starting points.

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About the Author

Andrew Regan is an online, freelance author from Scotland. He is a keen rugby player and enjoys travelling.

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