



Here to build business.

Strategic Banking
Corporation of Ireland

Invoice Finance for SMEs

Cash is King, cash is more valuable than any other investment tool

Benefit of Invoice Financing

Invoice financing is a finance tool that is used to release funds tied up in the working capital cycle and to control cashflow while allowing flexibility to provide adequate credit to customers. Invoice financing may be utilised by SMEs in the early stage of operations to alleviate cash constraints but it may also be utilised as a finance option by SMEs in a more mature phase of operation, particularly during a growth/innovation phase, as a means of cash injection.

How it works?

Invoice Financing is operated through a financial intermediary and is operated in two ways as follows:

- 1. Invoice discounting** is where a financial intermediary will advance payment for invoices (less a discount for fees and commission for this facility). The responsibility for collection of the invoice remains with the SME. This option may be more suited to an SME that has sufficient resources to track and control invoice payments from customers.
- 2. Invoice factoring** is similar to invoice discounting however the financial intermediary will take control of the invoice collection process on behalf of the SME. This option is particularly useful for smaller SMEs or those in the early stage of operations where staff time may be better focussed elsewhere or where the SME may not have the resources available in-house to manage this process.

Fee Structure

The fee structure will vary from financial intermediary. However, it is important to consider the various invoice financing providers and ensure that you are choosing the best option for your business.

Ancillary services

Financial intermediaries may provide export finance which will release cash tied to invoices overseas and may alleviate foreign exchange exposure where a fixed exchange rate is agreed.

What are possible next steps if I am interested in invoice financing as part of my business?

The leading providers of Invoice Financing in Ireland will be part of the Asset Based Finance Association(ABFA) www.abfa.org.uk, which represents invoice financing in both Ireland and the UK. In Ireland, the main providers are the pillar banks and independent financial institutions. The SBCI has secured an on-lending partnership with Bibby Financial Services Ireland who offer invoice financing options at competitive rates – the case study link below outlines the invoice financing process from the perspective of an SME who has secured invoice financing with Bibby Financial Services Ireland <https://www.bibbyfinancialservices.ie/>. To view the full list of on-lending partners of the SBCI visit our website <http://sbci.gov.ie/>.