

# QUESTION OF THE MONTH

ANSWERED BY S. KHUGAN

## ***ARE TRADITIONAL BANKS STILL THE BEST OPTION FOR BUSINESS FINANCING IN 2025?***



Dear Mr. Khugan,

I have been following your articles for some time now and see that you keep talking about alternate financing for businesses. I understand what you are saying. I am a business owner. For the last seven years, I keep going through the run around whenever I need loans from my banks in order to expand or fulfill certain orders. My question is, in your opinion are Banks no longer the best option for business owners like us?

**Charoen. B**

**Chiang Mai- Thailand**



**Dear Charoen,**

Thank you for your email. I believe that I have touched on this matter in some of my earlier articles as well. Nevertheless, in my opinion, traditional Banks have always been the key financing option for all us business people, as that is what has been passed on to us by the generations before us.

However, times are changing rapidly in all areas including that of business financing. Thus, in 2025 there are other options for business owners to seek funding for their business. The following are several factors that are making traditional banks less attractive for business owners seeking funding. Here are some key reasons:



## 1. STRICT LENDING CRITERIAS:

Especially after the Covid-19 Pandemic, Traditional banks have stricter lending requirements, including high credit scores, substantial collateral, and extensive documentation analysis.

This can be a significant barrier for SME businesses that may not meet these criteria easily at this current economic situation.

## 2. SLOW PROCESSING AND APPROVAL PROCESS:

Due to the cutbacks of experienced staff at many banks, the process for loan approval and disbursements have become very lengthy.

Now, it often taking weeks or even months just for an approval. In the fast-paced business environment of 2025, businesses need quicker access to capital to seize opportunities and manage cash flow, which they are unable to comply with.

## 3. ACCESS TO ALTERNATIVE FUNDING OPTIONS:

In 2025, businesses have access to a wider range of financing options, including:

- **Peer-to-Peer Lending:** Platforms that connect businesses directly with individual lenders, often offering more favorable terms.
- **Crowdfunding:** Raising small amounts of capital from a large number of investors, often with fewer requirements than traditional loans.
- **Invoice Financing:** Selling outstanding invoices to a lender to get immediate cash flow.



- Merchant Cash Advances: Receiving an upfront sum in exchange for a percentage of future sales.
- Venture Capital and Angel Investors: Equity financing options that provide not just capital but also mentoring and networking opportunities.

Most of these options were not easily accessible even say 10 years ago. Therefore, a Business owner such as yourself can look into an area that would benefit your business rather than traditional banking methods.

#### 4. CUSTOMIZED SOLUTIONS:

Alternative lenders as given above, often offer more personalized and customized financing solutions tailored to specific industries or business models, making them more appealing to businesses with unique needs.

Though their interest rates may be a little more than a traditional bank, but their fast solutions make them worth it.

Well Charoen, in my conclusion, while traditional banks will always play an important role in business financing, business owners need to understand the evolving financial landscape of 2025. It is a new and promising arena that presents numerous alternatives that are often more favorable, accessible, flexible, and cost-effective.

Businesses looking for financing should also consider these options to find the best fit for their needs and goals in the event their banks are delaying the process of their loans.

