

Small finance institutions to help beat the economic crisis

A report released on March 10 by the New Economic Foundation (NEF) urges the government to back up the Community Development Finance Institutions (CDFI) which could in their opinion, offer the boost the financial system requires at the moment.

The CDFIs, although they may be unfamiliar to many entrepreneurs, have been conducting business for a decade now, financing various regions in the UK in need of capital; CDFIs provide financing for small companies, individuals and social enterprises who do not have access to other types of funding, with the purpose of creating wealth in the communities where it does not exist. Their main focus is not on maximizing their commercial benefits and as opposed to high street banks, they manage to maintain a more personal relationship with the clients so as to better understand their needs.

These "hidden lenders" as they have been called, have kept a low profile so far, but with banks finding it more and more difficult to come through for struggling companies, NEF representatives recommend a proper support from the government for these institutions which can play a decisive role in the recovery from the current crisis. They believe that if part of the public money that has been put at the disposal of high street banks - through various schemes meant to release the lending sector - would be channelled towards CDFIs, the impact would be much more powerful as that money would be quickly put to productive use by financing those in need and generating guaranteed social return for the future.

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Editors Note: Beanstalk Management is an innovative, expert corporate finance house specialising as a business broker. Founded in 2005, Beanstalk are industry experts in buying and selling businesses, raising finance and strategy consulting.

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