

NEWSLETTER

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DON'T ASK BANKS TO DO MORE THAN THEY CAN!!

The Westcap client base is an asset we treasure. The many separate bits of anecdotal information we hear in client conversations adds up to a clear global picture.

We are increasingly convinced that one factor holding back the world economy is finance or rather *poor allocation of assets around the world*. Banks are still the chief capital intermediaries for many businesses.

Many, but not all, banks allocate capital inefficiently based on prioritizing bank needs rather than those of the client. In the Eurozone we hear this from clients in Ireland, Italy and Iceland, and well as many countries not beginning with the letter 'I'. We hear similarly from friends in Asia.

In Africa, it's a tired old story, in a place where there's never been enough capital. The only difference overall is that sometimes banks are not well capitalized, other times, they've just tightened up lending.

Since so much of our finance relates to international shipments, our private money partners are not subject to the same restrictions in providing capital. So we're actually in a key position to assist in our clients' growth when they have that

potential through customer orders.

Here's a scenario that can be multiplied thousands of times the world over. When the journey from supplier to end customer can be as long as 4 to 6 weeks, many banks can't tie up their capital that long. Private money can step in to bridge that expense and relieve pressure from a local bank, which can then fund the oftaker for a shorter term while goods are sold locally.

IT'S THE TURNOVER VELOCITY!

What we just described refers to when the financial system is running smoothly. Bridge capital from supplier to destination frees up local banks to increase the velocity of their capital turnover.

Increasing capital turnover is another way of saying the economy is improving, with higher revenues and profits.

If it's so simple you might wonder why economies aren't already improving.

First, banks will be banks. They may react to market conditions, but they're unlikely to create market conditions.

Second, many businessmen/women believe that their local banks are the go-to sources for capital.

Third, surprisingly, most businessmen/women are not born understanding the strategic use of capital.



The result is that many businesses are, to paraphrase a popular country-western song, *looking for cash in all the wrong places.*

If SMEs look to the banks and ignore a class of private investment companies who are becoming the true capital providers, the world economy suffers from a curable capital mismatch.

It doesn't have to be that way as many of our clients know.

Get in touch, and perhaps we can assist you in solving your own capital mismatch by reviewing your needs, recommending the deal structures that will allow you to get funding, and bringing our partners into play to execute the plan.

Get in touch to review what we can do to help expand your turnover.

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Credit: Doug Friedenberg