

What Are the Different Types of Corporate Funding?

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Among the various types of corporate funding are private funding and grant funding. Corporate donations or sponsorships are also valuable ways of raising business capital. Corporate funding may also come from government loans and contracts.

When corporations need money to start, operate or expand business platforms a variety of different approaches may be taken to raise the capital needed. External funding sources, which include government and bank loans, private grants and private donations are often sought. The terms that accompany each of these funding sources may vary and sometimes more than one type of corporate funding is used in order to raise the capital that a business needs.

Private funding is one of the most desirable ways of attaining the finances for a business. Principals may choose to provide their own capital or may seek funding support from friends and family members in the form of short-term personal loans. In some instances, a limited partnership or a silent partnership may also be formed in exchange for corporate funding.

A very popular way of raising business capital is through sponsorships. Essentially, a corporate sponsorship involves an outside source investing funds in a business in exchange for advertisement or some other special recognition. A corporate sponsorship may come from an individual sponsor, a group of private individuals or from another business.

When grants are secured for financing a business, money does not have to be repaid to the grantor. Such an arrangement differs from other corporate funding sources, such as a bank loan, a personal loan or a government loan that must be repaid and that usually includes interest payments. In exchange for some grants, however, certain stipulations may apply. For instance, a grantor may give a land developer money needed to begin a new development, but may specify that a portion of land acquired with the funds be designated as a community park, a library or some other purpose.

Government programs that provide business financing are also popular sources of corporate funding. Many of these are offered as government contracts where a business is expected to perform certain services in exchange for funding. As with most funding programs, this type is particularly competitive as similar businesses also apply in the hope of being awarded a contract.

Corporate funding from an individual or a business specializing in hard money loans are sometimes sought by businesses. This type of loan requires a business to secure the loan with an asset, such as real estate. Often, businesses that apply for these types of loans do not have a strong credit history or are in need funding for a project that other lenders deem to be too much of a financial risk.