

Choosing A Bank For Your Startup: Here's Some Things To Consider

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As a newly established startup, there are some key elements that your business requires to ensure your short and long-term success. A detailed business plan, a launch plan, early funding, and the right talent and equity from founders are among the basic ingredients that can help get a startup off the ground.

Aside from the basics, finding the right bank, and pairing it with the right bank account is a consideration many startup entrepreneurs and small business owners often overlook during the initial induction phase of their company.

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Following the collapse of California-based bank, Silicon Valley Bank (SVB) in early March 2023, startups and organizations that were caught in the middle of the catastrophe showed many other entrepreneurs and new business owners the importance of partnering with the right financial institution.

Although the fall of SVB has sent shockwaves across the economy and banking sector, for many small startups it's crucial to find the right bank that offers them a range of tailor-made products and services. Banks that equip businesses with the right tools and resources, other than financial

support and backing, can help small startups leverage financial capital to build towards a long-term goal.

While the broader economy is still battling with stubbornly high inflation and soaring interest rates, startup owners will need to consider some key aspects when choosing a bank for their business going forward.

Industry authority

When it comes to finding the right bank for your business, size matters, and in this case, the authority a bank has within the financial system.

Many large banks often provide capital resources for specific businesses depending on their industries. In some instances, more established banks will often have a range of products and services that cater to a wide variety of businesses, regardless of whether they are early biotech startups or small-scale e-commerce businesses.

Although smaller community banks may be centered around the direct market, focusing on providing businesses in the area with the right capital and resources, it's often riskier to place long-term bets on these institutions, especially if you're considering expanding in the coming months or years.

Look for banks with a longstanding track record of operations and who have provided customers with the right services to get their business going.

Location. Location. Location

Another thing to consider is the location of the bank. If you reside in a rural part of the country and have limited access to bank branches and ATMs, you might want to consider partnering with a bank that's widely available in your area.

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Although a lot of today's banking is done online, for small startups and businesses, it's a safer option to choose a bank that they can directly find in their area in case of any disputes or discrepancies.

Different products and services

As mentioned, not all banks will offer their clients the same type of services. Some providers will have a range of businesses-related products, with less focus on individual banking solutions.

Then some banks may offer attractive business loans at low-interest rates, but product selection may be somewhat limited. The easiest way to approach this is to list a few services you may require for your business and match this with a bank that can provide you with affordable solutions.

Fees and costs

Another thing that comes to mind when choosing a bank is how much you will end up paying in fees and additional bank account charges. There are no standardized or base-level fees for opening bank accounts, and prices will differ across the board.

In some cases, banks will have pricing structures designed to cater to small businesses and new startups. Typically these services and products have more affordable fees, less additional costs, and come with a limited selection of banking services.

Digital features

With so much of the banking and financial ecosystem relying on digital infrastructure, it's important to think about how these digital features will enhance your business, its performance, and forward-going growth.

For startups, it's always better to side with a bank that provides native digital tools, such as a banking platform for online transactions, and other digital integrations. These services make it a lot easier for startups and small businesses to communicate with institutions and give them direct and on-demand access to the tools they require in their day-to-day operations.

Interest rates

Navigating ongoing interest rate hikes has been a challenge for many new startups and businesses, especially for those that have taken out loans during the early months of the pandemic when interest rates were near zero percent.

Now that the so-called free-cash era is over, it's difficult to find a financial institution that can provide businesses and individuals with interest rates that can help them grow their savings.

Online banks often provide more attractive interest rates, but these should be cautiously approached, especially for new and young businesses. Shop around, and see which bank can offer you the best possible interest-rate deal. Not only will this help you find the most applicable bank, but it's also a way to weigh out different options.

Customer support

Customer service is another aspect worth considering. Some

banks don't have brick-and-mortar stores and purely rely on digital communication such as instant messaging, chatbots, and artificial intelligence (AI).

If you're comfortable with using these tools to resolve any problems or issues before being put in contact with a human agent, consider your options carefully.

You'll want to make sure that you have access to the best customer service agents to help you resolve any disputes or answer any queries. On top of this, some banks may provide around-the-clock service, while others may limit these operations to designated business hours.

Check your credit

A low credit score may often mean you have access to a limited range of products and services. On the other hand, the opposite is true for those individuals that have a higher credit score.

Larger banks will often want to partner with business owners and their companies that have a stronger line of credit. Other smaller community-orientated banks may be more lenient towards locals that have lower credit scores.

Your credit score will impact which loans you can apply for and what interest rate is offered to you. It's often advised for startup entrepreneurs and small business owners to check the credit requirements of their banks and to see whether or not they qualify for the necessary services they require.

Final thoughts

Finding the right bank for your startup at a time when household names are falling apart can leave any business owner and startup entrepreneur feeling uneasy. Having a few options is always better, and making sure that you partner with the

right people that will help your business grow while fostering a longstanding relationship is crucial for any young startup.

Consider the needs of the business, and how the services and products these banks offer can match them. It's best to shop around at first, to widen your options and to see what is available.

The more information you have, and know what you want for your startup, the easier it will be to find a bank that checks all the boxes and delivers financial services specifically tailored for your new business.

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