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**BANK-BASED SHORT-TERM FUNDS: SUPPORTING WORKING CAPITAL AND BUSINESS CONTINUITY**

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Efficient working capital management is crucial for business continuity, particularly in economies like Malaysia, where small and medium-sized enterprises (SMEs) form the backbone of the industrial structure (SME Corp Malaysia, 2023). Bank-based short-term funds serve as a mechanism for financing operational expenditures and bridging cash flow gaps for SMEs and other businesses. A bank generally offers credit facilities to finance working capital, capital investments, property acquisitions, transactions, or contract-based financing, as well as to support seasonal needs (Bank Negara Malaysia, 2023). The nature of the business and the industry in which it operates significantly influence its financial requirements, whether for operational expenses, capital investment, or other financial needs. Working capital is the amount of funds required to finance a business's day-to-day operations and is calculated as the difference between current assets and current liabilities. A positive networking capital indicates that a business has sufficient short-term assets or liquidity to meet its current obligations. The amount of working capital facilities is typically assessed based on the cash conversion cycle (CCC) relative to sales. The CCC represents the period from the purchase of raw materials to the collection of sales proceeds, which essentially shows the number of days during which the company does not generate cash inflows from operations.

Businesses with longer cash conversion cycles generally require more financing to cover operational gaps. In such cases, banks must also assess the quality of trade debtors (ageing reports) and inventory turnover to ensure that the firm can generate sufficient cash flow for loan repayments by the end of each cycle. Working capital financing plays a critical role in trading and retailing enterprises, where core business operations are predominantly driven by current assets such as raw materials, finished inventory, and trade debtors. Efficient management of these components facilitates a smooth operating cycle and sustainable cash flow.

To meet the short-term funding needs of businesses, banks offer structured cash credit facilities such as overdrafts, revolving credit, and trade financing instruments.

## Overdraft

An overdraft facility is typically linked to a current account, providing businesses with the flexibility to cover expenses such as raw material purchases, utility payments, and other operational costs. Interest is charged only on the amount utilised. An overdraft facility does not have a fixed repayment schedule. The borrower is required to pay only the interest, which is calculated daily based on the outstanding balance and typically debited at the end of each month. The principal amount can be repaid and redrawn at any time within the approved tenure, offering substantial operational flexibility (Bank Negara Malaysia, 2023). However, borrowers must ensure that the overdraft limit is not exceeded (i.e., the account does not fall into an excess position), as this may result in additional charges, higher interest rates, or even account suspension. The bank does not exercise direct control over the utilisation of overdraft funds, meaning it is the borrower's responsibility to manage fund usage responsibly.

**Revolving Credit**

Revolving credit facilities are flexible short-term financing tools that allow borrowers to draw, repay, and redraw funds up to a pre-approved credit limit during the loan tenure. This type of facility is especially beneficial for businesses with fluctuating cash flow needs, as it provides immediate access to funds without requiring reapplication each time (Organisation for Economic Co-operation and Development, 2023). Similar to an overdraft, revolving credit does not require a fixed repayment schedule, making it ideal for covering inventory purchases or bridging delays in receivables collection. The interest is calculated based on the utilised amount and only for the duration the funds are used, making it a cost-effective solution.

**Trade Financing**

Trade financing, on the other hand, supports both domestic and international trade by providing liquidity and risk mitigation instruments such as bankers' acceptance, letters of credit, trust receipts, bills of exchange, bank guarantee (performance bond), and documentary collections. These instruments enable businesses to procure goods and services without immediate full payment and assure suppliers of guaranteed payment (International Chamber of Commerce, 2023). Trade finance is crucial in facilitating cross-border transactions and enabling firms to maintain steady operations even in volatile market conditions.

Bank-based short-term financing is important for helping businesses to stay financially flexible and stable. Facilities such as overdrafts, revolving credit, and trade financing give businesses the support they need to manage daily expenses and keep operations running smoothly. Overdrafts are helpful for quick cash needs, especially for smaller or retail businesses. Revolving credit suits companies with ongoing cash flow gaps, while trade financing supports local and international trade by reducing payment and delivery risks. When used wisely alongside good working capital management, these tools can improve cash flow, alleviate financial pressure, and help businesses remain competitive, particularly during periods of uncertainty such as supply chain disruption or seasonal demand fluctuation. Selecting the right bank working financing product is essential for maintaining efficiency and achieving steady growth.

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