Short-term business loans: options and costs | Natloans

Canonical: https://www.natloans.com.au/short-term-business-loans-the-what-the-when-and-the-how/

Details:

If your business needs funds to bridge a timing gap or complete a defined project, we can help you compare short-term finance. We start with when the money is needed, where the repayments will come from and what the facility will cost. A short term can mean frequent, substantial repayments, so the cash flow needs to work week by week.

What does "short-term" actually mean?

There's no single universal definition. In practice, short-term business finance generally refers to facilities that run for somewhere between a few months and a couple of years. The right timeframe depends on the product, the lender and the purpose of the borrowing. What matters more than the label is whether the repayment schedule fits your actual cash flow — not just your average monthly turnover, but the specific weeks when money comes in and goes out.

Turnover is not the same as available cash. After wages, suppliers, tax and existing debt commitments, the amount left to service a new loan may be considerably less than your revenue figures suggest. A cash flow forecast over the proposed loan period — including quieter trading weeks — is a more honest starting point than a headline revenue figure.

Three common short-term options

Business credit card

A business credit card works differently from a fixed-term loan, but using one is still borrowing. The balance you carry must be repaid, along with any applicable interest and fees. Many cards offer an interest-free period on purchases, but that benefit depends on paying the full statement balance by the due date. Carrying a balance, making only minimum repayments, or using the card for cash advances typically attracts interest from a different date and at a different rate. Read the actual card agreement rather than assuming all transactions are interest-free.

A business credit card suits regular, smaller business purchases — stationery, supplies, short-notice bookings — where the balance can be cleared within the interest-free window. It's less suited to large one-off capital requirements where a fixed repayment schedule gives you more certainty.

Unsecured business loan

An unsecured business loan provides a lump sum without requiring a specific asset as collateral. That doesn't mean there's no liability — the debt is still fully repayable, and lenders will typically assess your business's financial health, trading history and ability to repay. Personal guarantees or other obligations may apply even when no physical asset is pledged. Confirm the full terms of any agreement before signing.

This type of loan can work well for a defined project or expansion cost where you know the amount needed and can map the repayments against expected income. The lender will want to understand the purpose, and you should be clear on the total amount repayable, the payment frequency, any establishment or ongoing fees, and whether early repayment attracts a charge.

You can find more detail on our business loans page .

Line of credit

A line of credit is a revolving facility: you draw funds up to an approved limit as you need them, repay, and draw again. You generally pay interest only on the amount drawn, not the full limit. An overdraft attached to a business bank account operates on the same principle.

A line of credit suits businesses that experience recurring timing gaps — for example, paying suppliers before customer payments arrive — rather than a single defined purchase. The approved limit is set by the lender based on their assessment of your business, which may include bank statements, trading history, existing commitments and the purpose of the facility. The limit a lender approves may differ from any preliminary estimate, and the facility can be subject to review or reduction. Confirm what security, if any, applies, how interest is calculated, and what conditions govern access and repayment.

Repayment frequency and cash flow

Short-term business loans are often structured with weekly repayments. This can help spread the obligation, but weekly payments still remove cash from the business — and they fall on a fixed schedule regardless of when your customers pay you. A month with five payment dates requires more cash than one with four, and if revenue collection is delayed that week, the gap can matter.

Before agreeing to a repayment schedule, map it against your actual expected receipts week by week. Identify the periods where cash is tightest and test what happens if a major customer pays late. That exercise is more useful than a monthly average.

A shorter loan term may reduce the total interest you pay when all other terms are equivalent — but rate, fees and the amount borrowed all affect the final comparison. Always ask for the total amount repayable, not just the interest rate or the weekly payment figure.

How lenders assess your application

Lenders look at more than your turnover. Depending on the product and lender, they may ask for recent bank statements, financial reports, a business plan, cash flow projections, proof of identity and details of existing debt. The business.gov.au loan application guide outlines the typical steps and documents involved, which is a useful reference regardless of which lender you approach.

For a line of credit, the lender decides the limit after assessing your cash flow, commitments and credit profile. A percentage of turnover is not a universal lending rule, and a preliminary estimate is not an approved limit.

Alternatives worth considering first

Before taking on new debt, it's worth checking whether other options could close the gap more cheaply. Collecting overdue invoices, negotiating extended supplier payment terms, staging a purchase over time, or using existing reserves may reduce or eliminate the need to borrow. If the underlying issue is recurring operating losses rather than a temporary timing gap, additional borrowing adds repayments without resolving the cause. In that situation, getting advice on the business's financial position before adding debt is the more useful step.

The business.gov.au funding guide covers a broader range of funding options — including invoice finance and trade finance — that may suit specific situations better than a standard short-term loan.

What to check before you proceed

The exact loan term, not a general range

Repayment frequency and the total amount repayable

All fees — establishment, ongoing, early repayment

Whether security or a personal guarantee is required

Permitted use of funds and any restrictions

For a line of credit: when the facility can be reviewed, reduced or closed

Your actual cash flow over the repayment period, tested against delayed receipts

Approval and loan terms depend on lender assessment. An enquiry or preliminary indication is not a commitment to lend.

Talk with us about your options

We work with a panel of banks and non-bank lenders to find finance that fits your business situation. If you're weighing up a short-term loan, we can help you understand the options, what lenders typically look for and what the actual repayment obligation looks like before you apply.

Call us on 1300 955 791 , Monday to Friday 9am–5.30pm, or use our contact page to book a free consultation. We'll clarify applicable fees and how we're remunerated before you proceed.