Good Debt, Bad Debt, and the Money Sitting Idle

Discover how the right funding can help your business grow faster and smarter.

Many business owners believe that the less debt they have, the better. While that sounds sensible, the reality is that debt is simply a financial tool. The difference between good debt and bad debt comes down to one question:

> **Is the money helping your business grow, or is it only helping you survive?**

What Good Debt Looks Like

Good debt is an investment in your business. It is money used to generate more income than it costs. Examples include:

- Purchasing stock that can be sold at a healthy profit.
- Buying equipment that increases production or efficiency.
- Investing in vehicles to expand deliveries or services.
- Funding business growth that creates higher revenue.

When the return on your investment exceeds the interest you pay, debt becomes a powerful growth strategy rather than a burden.

What Bad Debt Looks Like

Bad debt drains your business instead of strengthening it. Warning signs include:

- Borrowing to cover ongoing cash flow shortages.
- Paying personal expenses with business loans.
- Using debt to solve problems that continue month after month.

If you're borrowing just to keep the doors open, it's time to address the underlying issues before taking on additional finance.

The Opportunities the Right Funding Creates

Strategic funding can help your business:

- Purchase stock in bulk at lower prices.
- Open a second location.
- Invest in new equipment.
- Expand into new markets.
- Acquire another business and its customer base.

Many businesses grow slower than they need to simply because they wait to fund every opportunity from existing profits. Sometimes the opportunity cost of waiting is greater than the cost of borrowing.

Borrow With a Plan

Before taking on finance, ask yourself:

- What will the funds be used for?
- How much additional income will they generate?
- How quickly will the investment pay for itself?
- Can the business comfortably manage repayments if sales are slower than expected?

Lenders are far more confident when business owners have a clear strategy backed by realistic financial projections.

Final Thought

> **Debt is neither good nor bad, it's how you use it that matters.**

Used wisely, finance can become one of the most valuable tools for growing your business, increasing profitability, and creating long-term success. The key is to borrow with purpose, invest in opportunities that generate returns, and ensure every rand works harder than the interest you pay.

If you're considering expanding your business or investing in your next stage of growth, make sure your funding strategy is working for you—not against you.