

SME banking requirements need to grow with business

South Africa's SME (small and medium enterprises) market has varying financial needs and often its banking requirements, though simple at the outset, require more sophisticated solutions as turnover grows. SME owners turn need to recognise the importance of technology and financial skills.

Latest trends reveal that about 95% of the South African business market is comprised of SMEs. With the high levels of unemployment, they are crucial from a national perspective, as they are seen as major job creators.

SME business needs vary compared to those of large enterprises. "The key difference is that SMEs have simple banking requirements when they start out. As they grow and mature, their needs evolve, which gives us the platform to help these SMEs grow further through our Business Banking offering," says Sanjeev Orie, head of products, FNB Business Banking.

Access to simple banking services is a priority for SMEs. "We have found that business factors such as cost, banking fee service, access to credit are of importance to SMEs. The bank has recognised these factors and tailored products and solutions that will help emerging SMEs understand the business environment quicker."

To make their mark, SMEs need to have certain skills and knowledge of the industry, which will help them lay the foundation to starting and maintaining their business.

Guidelines

- Conduct market research to help determine issues such as the potential size of target market, pricing and what competitors are doing. Market research is vital to determine issues such as the process of setting up your company, including its legal form, its tax identification numbers, its permits and/or licenses, branding and so forth.
- A well thought out business plan that explains/tells the company's story, including its organisational, financial and market-related details.
- Financial management, accounting, marketing, legal and tax issues are important. No one is an expert in these fields but it is important to "know what you don't know" so that one can engage the help of professionals in these areas.
- Use technology in business. The bank offers its business clients access to some of the most innovative products and rewards that it has introduced to the personal banking market in the last two years. Tools such as its Instant Accounting, which help complete financial statements together with Instant payroll, will make running a business more efficient. These can be accessed easily via its Online Banking.

Through its online facility, the bank offers SMEs instant access to an overdraft facility, up to a certain value, available on opening an account. Any business must watch and manage its cash flows, especially payments to suppliers, to ensure it does not find itself in situations where it has adverse credit records.

The Business Banking offering is focused on businesses between R0-10 million in turnover and ranges from start-up businesses to well established businesses, mainly in the professional and personal services, small manufacturing and small retail industries.

Its simple solutions are available across all channels (online, ATM, cellphone and more recently a mobile app). "The bank has been aggressive in the SME market with its products and services. The drive towards digital and affordable banking has been a key motivator, which has helped us develop products and solutions for all ends of the target market," concludes Orie.