

Entrepreneurs need assistance to access funding

The latest findings by the Global Entrepreneurship Monitor (GEM) South Africa Report have indicated that approximately 30% of South Africa's entrepreneurial businesses shut their doors in 2013 due to difficulties in accessing the funding they needed.



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GEM also reports that, with an established business rate of just 2.9%, South Africa significantly lags behind the sub-Saharan African average of 16%. The low level is significant because it is these businesses that are providing the bulk of the country's employment opportunities.

Low established business rate and high unemployment go hand-in-hand. While the country's trend for established business activity has increased since 2001, the discontinuance rate also continues to increase, which means that in South Africa, we are losing more small businesses than we are creating.

It's clear that improvements need to be made to assist South African small business owners in accessing the funding they made need to avert cash flow crises, or to take advantage of opportunities to strengthen and grow their businesses.

Biggest challenges

"Out of all business sectors, small businesses face the biggest challenges in raising funding, with the least resources available to them," comments David Lewis, CEO of Retail Capital. "A lack of available working capital funding can have significant consequences for small businesses, directly impacting their survival and growth prospects."

According to a Retail Capital survey sent to over 20,000 small businesses, almost half of the respondents said that access to working capital and cash flow was the single biggest challenge that they faced. This is counter-productive considering that small business contributes over 65% of South Africa's employment and 50% of the country's GDP. Small business owners' lack of access to finance is a significant problem for the South African economy, hindering job creation and growth.

What was interesting to note was that the most common uses for a lump sum of working capital were opportunistic - 44% of those surveyed selected desire for expansion as a reason for expenditure of working capital, with 37% citing equipment and 37% renovation. Only 22% identified that they would utilise the lump sum for debt settlement.

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