

# No shortage of money



By [Anton Ressel](#)

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So why is accessing finance such a challenge for most SA businesses? Non-profits and social enterprises seem to be taking particular strain.

A recent snap survey by enterprise development specialists Fetola, showed that 93% of small businesses are uncertain about where and how to access finance. "It seems that in South Africa a primary challenge is the difficulty associated with accessing funds, as opposed to the actual availability of funds for businesses," says Catherine Wijnberg, Fetola CEO.

This finding was confirmed in the 2011 Global Entrepreneurship Monitor (GEM) report released by the University of Cape Town's Graduate School of Business, which found that a key obstacle to small business development is not a lack of available finance, but rather the knowledge on where and especially how to access it (GEM Report 2011, pg 44).

## Knowledge is key

Simpiwe Somdyala, head of the Masisizane Fund, which supplies soft loans to high potential black-owned and community-based businesses, is forthright in terms of the challenges faced by the financing sector. "In our experience it is proving more and more difficult to find suitable emerging businesses for our loans. The problem is that many organisations just don't understand their own finances or indeed the needs of the banking sector - so much education is needed," he explains.

Victor Mzimela, head of Enablis business incubator concurs. "A lot of our work is about educating business owners how best to manage their finances, how to retain records and how to build a solid offering so that they become attractive to sources of finance such as banks or investors," he says.

According to Cynthia Olmesdahl, business management specialist, financial management is a common challenge at SMME and non-profit level alike. "Smaller organisations often confuse the need for better financial management with the need for finance. Some simple tools to help with the management of cash flow and stock levels, for example, can sometimes negate the need for major finance and ultimately unlock a whole new business future," she explains.

## Lending at record lows

In spite of numerous financing options available, from commercial banks to government funding agencies, equity investors or venture capitalists, more advanced businesses are also currently struggling to gain finance, for a range of reasons. Naturally, the global credit crunch has had a huge impact on lending , but other reasons may be that some businesses are

deemed too risky, others are early stage start-ups or perhaps don't fit the BEE criteria laid down by government to access support.

In fact, Minister of Economic Development Ebrahim Patel recently noted at the Launch of new SME funding body SEFA (Small Enterprise Funding Agency) that "in a very short space of time, lending has dropped from near all-time highs to record lows. For example, growth in credit extension last year was the lowest in over 50 years."

For a country that desperately needs to accelerate growth in the small business sector, this is not good news. What use are the dozens of funding agencies and options, if getting money out of them is so challenging for the average entrepreneur or non-profit leader?

## **Non-profit sector under strain**

Non-profits and social enterprises seem to be taking particular strain. "Funding seems to be more and more difficult to access these days," says Louise Batty of Keep the Dream 196, a child-focussed non-profit based in Limpopo. "Most of our funding now comes from overseas donors, and I find that we need to be increasingly proactive and creative with our fund-raising if we want to maintain our programmes at their current levels."

"From a corporate social investment (CSI) perspective, funders increasingly look at return on investment just like a banker or investor would - not from a monetary gain perspective, but from a social and economic impact perspective. If we give a certain organisation R250,000 in funding or financing, will that translate into a positive return in terms of job creation, sustainability or building a better community?" explains Clarence Tshitereke, head of the Old Mutual Foundation which funds numerous ED and CSI projects nationally.

## **Practical solutions**

The starting point to financial success in business is a solid understanding of the fundamentals of money, knowing where to find it and how to use it in the organisation.

Simple tools, practical training and basic access to information are sorely needed.

"South Africa has a wealth of opportunity, a growing population and a growing economy. Now is the time for business leaders to get help, get wise and manage their finances in a practical and positive manner," says Wijnberg. "What is needed is much more clarity in terms of when and where to use loan finance, where the money is and most importantly, how to get hold of it.

We also need to translate the language of finance into the language of small business. For example, when a potential investor talks about "Equity-based finance" they really mean "we give you money in exchange for part of the ownership in your business" - but many emerging entrepreneurs and SMEs do not understand this language, and so feel at a disadvantage in discussions. These are just some of the gaps that need to be filled," she concludes.

## **Resources available**

Luckily, there are some innovative local solutions that are making inroads, such as Angelhub - a South African initiative that attracts collective private investments into high potential, high growth local businesses, mostly in the Tech and IT sector ([www.angelhub.co.za](http://www.angelhub.co.za)).

Other solutions include the growing internet-based fund-raising, or crowd-funding opportunities that attract large numbers of small investors into profit and non-profit enterprises, who pitch their business proposition on the net. (Eg: [www.kickstarter.com](http://www.kickstarter.com)). For black-owned businesses, there are also numerous government agencies that can assist with start-up and other funding requirements, provided the business case is compelling and all criteria are met.

For individuals and organisations wishing to learn more, an upcoming Access to Finance workshop and interactive conference for SMMEs and non-profits will be held in Johannesburg in September. This practical event forms part of the Legends business development programme and will feature a number of business leaders, financing agencies and other experts who will cover how, when and where to get the necessary finance to grow an organisation. For more information visit

[http://fetola.co.za/legends\\_magic\\_workshop/](http://fetola.co.za/legends_magic_workshop/).

Other resources for entrepreneurs wishing to learn more about finance include ABSA Enterprise Development Centres (see [www.absa.co.za](http://www.absa.co.za)), FABCOS

([www.fabcos.co.za](http://www.fabcos.co.za)), Small Enterprise Funding Agency (SEFA) - Tel: +27 (0)12 394 1807 and many of the SEDA branches nationally ([www.seda.org.za](http://www.seda.org.za)).

## ABOUT ANTON RESSEL

Anton Ressel is an experienced business development consultant, mentor and SME specialist. He is the Senior consultant at ED and CSI specialist agency Fetola ([www.fetola.co.za](http://www.fetola.co.za)), a winning mentor on the SAB Kickstart Entrepreneur Competition, and a published author across multiple publications. His passion is helping small businesses become big ones. Follow @antonres on Twitter.

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