

SMEs face troubled year

South Africa's economy continues to face setbacks on various fronts, reducing the optimism that 2014 could be a year of a thriving small business sector. This is according to Lee Bromfield, CEO Core Lending Products at FNB Commercial and Wealth.



Lee Bromfield

"The impact of a sluggish economy is likely to impede potential growth and keep the small business sector highly vulnerable. In our line of business, we're already detecting that a number of small businesses are in distress and in need of help," says Bromfield.

"We saw the first signs of distress during 2013, when we had to increase our lending book to help small business, which needed urgent assistance to keep operating. Interestingly, we often found that some businesses are not properly identifying the kind of financial help they require. For instance, most apply for a loan when their situation is ideal for an overdraft or a business credit card."

He encourages businesses to do an appropriate assessment of their needs before seeking financial assistance. Here is an outline of the different forms of financial assistance that businesses could consider when in distress.

Business overdraft

This convenient, short-term credit facility is ideal for emergencies and unforeseen circumstances. A business overdraft offers the following benefits:

- Linked to your Business Account
- Enables payments even when there are no cash funds available in your account, thus avoiding penalty fees and additional charges
- No minimum monthly payment as long as you remain within the agreed limit
- Payments into the overdraft facility make funds available for use again
- Flexibility: you can deal with unexpected expenses

Loans

- **Small Business Loan:** This product was designed to suit our smaller business client needing access to lending below R100 000. It is quick and simple to get without onerous collateral requirements.
- **Business Loan:** Suited to Business Account holders looking to raise capital to inject into a business for growth or expansion purposes, acquire assets or additional business opportunities or finance other business-related expenditure over the medium term.
- **Business Bond:** Suited to Business Account holders looking to unlock equity in residential property for additional capital to expand or refinance their business.

- Flexi Business Loan: gives you access to capital you have already repaid on the loan. Once you have repaid 15% of the loan, you have access to these funds again to use in your business.

"It's important to remember that all businesses are unique and their needs also vary. Dedicate time to assess the core needs of your business before deciding on the best possible option. Never assume that a loan is the only way out of tough times because there are a number of options," concludes Bromfield.

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