

Making business funding pay off for your business

With South Africa continuing to battle a dampened economy, small to medium enterprise (SME) business owners are having to be both resourceful and creative in their approach to remain successful. For many SMEs wanting to grow during this period, ensuring that they have access to funding and a clear plan on how to use it is absolutely vital.



Source: [Pexels](#)

“Business funding can come with quite a few roadblocks,” says Tom Stuart, chief marketing officer at Lulalend.

Stuart explains that many traditional banks don’t offer funding to small businesses because of the risky nature of an SME: “Investors are also very selective, so it’s not wise to rely on this category as a source of capital either. If you want business funding, you must have a clear plan in place and you must work with a partner who understands the challenges of your sector.”



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Alex Fraser 24 Mar 2022



What to do before looking for funding

Funding for a small business is influenced by aspects such as how long the business has been operating and how healthy the company’s balance sheets look. Before looking for funding, it’s important to decide what you intend to use it for.

Common use cases include settling business expenses while you wait for customers to pay you, investing in inventory or materials needed for your operations or paying salaries when cash flow is tight.

“By having a clear idea of what you need, how much it will cost and how much you can afford, you can set-out a payment plan to make sure you can both cover the cost of your funding and your day-to-day business expenses,” Stuart adds.

Find a funding partner that understands SMEs

Finding a lender who understands your business, its challenges and its strengths will pay off in the long run.

According to a report by McKinsey in 2020, most South African SME owners feel that traditional banks are unable to accommodate their unique business needs. An alternative lender with an approach tailored to SMEs can act as a business partner and offer the best value.



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“A lender that is focused on servicing small businesses is in a better position to understand their business challenges. This also sets up small business owners for a long-term partnership with a funding partner, as the relationship can grow through this deepened sense of understanding,” Stuart says.

As the fintech landscape in South Africa continues to scale, business owners can utilise the unique approach of fintechs geared towards SMEs funding.

Working with a lender who can offer the services of a traditional bank with the insight of a small business owner is the clearest way for SMEs to procure the help they really need and to be set-up for a clear financial growth path.

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