

New R88m SAB Foundation fund to fuel small business growth in SA

The SAB Foundation has announced the launch of an R88m Financing for Impact Fund in partnership with Lead Impact Capital and the National Treasury's Jobs Fund. SAB said the purpose of the fund is to provide affordable financing to qualified alumni of its entrepreneur programmes.



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Eligible candidates are graduates from the SAB Foundation Tholoana Enterprise Fund, the Tholoana Enterprise Programme, the Social Innovation and Disability Empowerment Awards, and the Social Innovation Fund looking to grow their businesses and create new employment opportunities.

The finance can be used for asset and equipment financing, growth financing or purchase order and cash flow financing. Loan sizes will range from a minimum of R200,000 to a maximum of R10m and entrepreneurs will need to be able to provide sufficient documentary proof to support the loan amount applied for.

Through its work with entrepreneurs over many years, the SAB Foundation has become very concerned about the financing gap that exists in South Africa. Small businesses often don't have much collateral and are perceived as high risk by the investment community, the SAB Foundation said in a statement.

“This perceived risk translates into businesses either not qualifying for finance, or when they do, interest rates can often exceed 20%, with some short-term cash flow lenders charging interest rates as high as 30%. This leads to a high default rate, further discouraging investors from lending into this market, which creates a vicious cycle, says Bridgit Evans, executive director of the SAB Foundation.

“Lastly, while most financiers only meet the business owner for the first time when they come to borrow money, this Fund is only lending to entrepreneurs that SAB Foundation has already spent at least two years mentoring and training,” she explains. “This offers the advantage of using other metrics to assess the entrepreneurs character and their likelihood of honouring the loan.”

“We have partnered with the SAB Foundation to tackle a key funding gap that affects SMEs, specifically those referred to as the ‘missing middle,’” says Najwah Allie-Edries, the Head of the Jobs Fund.

“These enterprises are generally too small to access funding from traditional financiers and too large to access microfinance options. Through the Jobs Fund partnership with the SAB Foundation, SMEs will secure the capital and support they need to drive enterprise growth and further job creation.”

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