

Funding - a key that opens many doors

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In South Africa there are many initiatives to support entrepreneurial development from different educational, professional and business angles - and almost always one of the most pressing issues experienced by participants is that of financing. Annie McWalter, CEO of SAICA Enterprise Development, addresses this issue.



It is a topic covered at business schools, in boardrooms and at national decision-making bodies. It features in discussions around dining room tables and in every newspaper and magazine focusing on business and decision-making. Funding relates directly to sustained growth.

Yet surveys have shown some startling facts. A 2010 FinMark survey found that 87% of small formal sector firms have never accessed credit. There are also issues with traditional forms of money lending: while most banks see the SMME market as good prospects, they often still use very traditional credit scoring models using collateral, and one-size-fits-all approaches.

Smaller businesses complain that they cannot access formal funding, cannot find funding that will suit the nature of their businesses, or are experiencing cash flow and other financial management issues. Many lack knowledge about different types of funding, and waste time and effort approaching the wrong funders, or funding products that don't match their needs. Some find creative solutions to obtain the necessary resources: solutions such as barter trading or long-term arrangements

with suppliers. Others need more formal funding, but lack the skills to make the necessary breakthroughs for their businesses.

SAICA Enterprise Development, an entity within SAICA's (the South African Institute of Chartered Accountants) Nation Building division, has a practical view on funding and related topics. It starts with knowledge and skills development.

"In short, we believe that creating financially savvy entrepreneurs will help businesses to grow sustainably, access funding and ultimately employ more people," says Annie McWalter, CEO of the entity.

"The problem is not so much the availability of funds from financial institutions and others that support SMMEs, but rather the financing gap. Entrepreneurs often lack the knowledge and financial skills to raise and manage funding, while many cannot afford accounting services," comments McWalter.

This is often also linked to a lack experience of working with other small and larger businesses. The launch earlier this year of the Business Leadership SA (BLSA) portal illustrates the importance of working together to create solutions for entrepreneurs. Via this trading portal, the supply chain opportunities of large South African corporations become more accessible to entrepreneurs.

"As BLSA Connect we believe that a robust, inclusive and innovative economy is dependent on a growing SMME sector," they say, while also stressing that the initiative is aimed at creating market opportunities for black-owned SMMEs through networking with large firms.

Not working in isolation

Yet, the urgent problems experienced by SMMEs accessing finance remain skills development and mentoring. McWalter

explains: "In fact, 67% of small businesses closed in 2016 due to lack of financial management. SMMEs often don't have proper financial records. Their owners don't have the skills, and often don't separate their personal and business finance."

McWalter uses an example: "A key platform for an SMME to access funding is FINFIND, but they would need to be compliant and prove compliance. They have to have their financial accounting in order, and be up to date with SARS and CIPC requirements." This is a bridge too far for many, even despite the fact that there are free resources available, "such as the DTI website that provides a funding guide for business start-ups."

SAICA Enterprise Development therefore runs programmes to assist black entrepreneurs to gain financial excellence and ultimately be able to apply for funding.

"We measure our impact in terms of new business clients they attract; their increase in turnover and net profit, and increase in the number of new jobs they create. We aim at businesses who are struggling with this aspect of financial management and financial records, and sponsor them to get to a place where they can afford accounting services."

McWalter stresses that they work with current businesses that have been operating for minimum of a year. Their aim to help entrepreneurs to go on other programmes to assist with other areas of the business. "We can plug in to other incubation programmes too," she adds.

Thus, SAICA Enterprise Development does not work in isolation and is geared towards specific acknowledged international aims. It forms part of SAICA's responsible leadership thrust and contributes to the United Nation's Sustainable Development Goals (SDGs). "In this, we directly contribute to Goal 8 (to promote inclusive and sustainable economic growth, and full and productive employment and decent work for all). We are also involved in financial education, which falls under Goal 4 (quality education and lifelong learning) and Goal 10 (to reduce inequality). We do this through partnering with the SAICA profession, which is Goal 17 (partnerships for goals)."

The younger generation is included in the SAICA mindset: part of its Nation Building initiative is the highly successful Thuthuka programme that focuses on training tomorrow's decision-makers from a young age. It addresses the national demographic imbalances in the accounting profession of the past, while ensuring that those professionals who will support tomorrow's entrepreneurs will also master the skills to run successful businesses – including how to access funding.

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