

Fund for entrepreneurs developing their businesses

A total of 100,000 young entrepreneurs will take their businesses to new heights with funding through the Small Business and Innovation Fund (SBIF).



Source: pixabay.com

“The fund targets under-served Small, Medium and Micro-sized Enterprises (SMMEs) in the early stages of the business development cycle but it also includes funding for business expansion. It provides a range of financial instruments,” Minister of Small Business Development, Khumbudzo Ntshavheni said.

Announcing the measures to improve access to finance for SMMEs last week during a media briefing in Katlehong, the Minister said the SBIF is aimed at promoting and facilitating funding of entrepreneurship and innovation in key industry sectors, and enhance financial inclusion by increasing access to finance for enterprises owned by women, the youth in the townships and rural areas.

“For the early stages of the business life cycle, the SBIF will target funding for ideation, proof of concept, early-stage market entry and business scale-up. A range of financial instruments will include debt, quasi-equity, mezzanine and conditional grants,” Ntshavheni said.

The Small Enterprise Finance Agency (SEFA) has started approving applications for funding and has a target to have approved R450 million on the SBIF and R560 million across the other SEFA funding instruments by December 2019, which total R1 billion approvals and at least 70% disbursements.

The Minister said to date, the SBIF approvals sit at R100 million covering the provinces of the Eastern Cape, KwaZulu-Natal and Western Cape and targeted at creating/maintaining 7,517 jobs.

“Through the total SEFA allocations - including the SBIF which will collectively amount to R11.5 billion over five years - we are planning to fund 590,000 SMMEs which we project, they will create/maintain 665,000 jobs.

“However, if we can leverage an additional R10 billion over the five years, we should be able to maintain/create one million jobs,” she said.

Improving communication for SMMEs

The Minister said SEFA has started to improve on the time it takes to make and communicate funding decisions.

“For the online applications, an applicant is guaranteed to receive feedback on the completeness of their application form within two days of submitting the application. If the form is hand-delivered at the SEFA offices, an applicant should get immediate feedback,” the Minister said.

She said as a start, SEFA has committed to a turnaround time of 20 days on bridging finance and 30 days on terms loans from the date of submitting a complete application, to communicating a funding or non-funding decision to the applicant.

“Our goal is to have SEFA boost turnaround times of five days on bridging finance and 10 days on terms loans within the next three years,” the Minister said.

The Small Enterprise Development Agency (seda) and SEFA will avail its services in all of the incubators of the Department of Small Business Development as well as municipal offices.

A business template has been adopted in an effort to assist entrepreneurs who often have to pay consultants to complete applications for funding or business ideas but lack the money.

“The common template is ready. Seda, SEFA and National Empowerment Fund (NEF) will start to use it while the Land Bank and the Industrial Development Corporation (IDC) are finalising their processes to adopt it where SMME applications are concerned.

“This is a critical measure that should significantly reduce red tape for our SMMEs in terms of time it takes to develop business plans for various development finance institutions (DFIs) but this measure will also reduce the financial cost of sourcing support from DFIs,” the Minister said.

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