Tips to help get your small business funded in South Africa

By Rean Bloem

10 May 2022

You'll understand what it means to have your credibility intact when seeking funding if you've watched the Netflix sensation *Inventing Anna*. At the risk of being a spoiler alert, in short, the protagonist Anna Sorokin's dream of building her society club, through securing millions of dollars of finance, comes crashing down when she is found out not to be what she claims to be.

Source: Unsplash

Every SME looking for funding can learn a lesson from this: make sure what you present to the outside world, even in your personal capacity, is legit, and that you look, or more importantly are, credible to the highest degree. Else, it could affect your ability to secure finance for your small business.

Online business profile

Let's start with your business's online profile. Every online social platform tells a story about how successful, or sustainable, your business is. When looking for investment for your enterprise it pays to build your brand from the get-go instead of cobbling it together just in time to apply for finance.

Therefore, using a Gmail, or other generic email address; putting up a LinkedIn site the day before applying for funding; or even an Instagram page – is not a good idea. The same goes for your website: make sure it looks professional, is mobile-friendly and portrays your business in a good light. Otherwise, it could put potential fintech funders off, impacting your ability to secure finance and grow your enterprise.

Personal credit score

Other than your brand's credibility, you also need to ensure that your personal credit score is in good standing. Yes, your personal score. If you have taken on lots of debt, say through store or credit cards, and have not paid the loans back in time, this could hamper your ability to secure finance for your business.

Fintechs like Retail Capital look at your personal financial behaviour because as a small business owner, your payment habits could be mirrored professionally. It thus pays to have a clean personal audit of any debt you may owe a creditor. Visit My Credit Check to check your credit score for free to understand your credit score.

Making business funding pay off for your business
21 Apr 2022

SMEs are exceptionally susceptible to economic challenges as we’ve witnessed over the last couple of years. Many small businesses were affected by Covid-19 and ceased trade for lengthy periods, and some in the KwaZulu-Natal region were impacted by the July 2021 riots and/or the recent freak floods. If you do owe any of your creditors money, such as a landlord, it is essential that you can prove you have made a plan to pay back what you owe.

It is then key to engage your creditors and negotiate re-payment plans by working out a viable solution, together. In the case of a landlord, they don’t want a vacant office, so are likely to meet you on your proposed terms. By showing your would-be financier you have put a plan in place, you are demonstrating that you are responsible and have taken action instead of being an ostrich and putting your head in the sand.

Digital transaction footprint

Another area to monitor closely is your digital transaction footprint. While cash remains the preferred payment method for many small businesses in South Africa, it remains challenging when securing any finance solution to help you grow, or for working capital. Cash leaves no financial record, which makes it impossible for financial institutions to understand your transactional data, or in other words your monthly turnover. Given that Retail Capital grants funding on this basis, it is necessary to find a digital alternative to cash.

You could use a mobile point-of-sale device, an online payments or even cash drop provider. In the case of the latter, once you drop your cash into a unit, it becomes digitised as it reflects in your bank account within 24 hours which can then prove transactional history. Without any transactional footprint, securing finance from alternative funders is challenging as there is no way to analyse your monthly turnover patterns.

All your eggs in one basket

Lastly, when looking for funding for your small business, avoid putting all your eggs in one basket. While it may be exciting to secure a large contract, such as with a national retailer, having 80% of your turnover come from this one client, will expose you to concentration risk. This means that, if you lose this one client, your business could collapse – and you won't be able to meet your financial obligations. It is thus wiser to have a diversified client base and income stream.

Securing finance to help grow your business is a natural step in your scalability and future success. It will help open you up to new markets and customers, which in turn increases revenue. By following these few steps you can improve your trust score and make yourself more fundable, unlocking funding opportunities and positioning your business for long-term growth and success.

ABOUT THE AUTHOR

Rean Bloem is the general manager of funding at Retail Capital.