

*SMEs CLAIM THAT THE BIGGEST  
IMPEDIMENT TO THEIR GROWTH  
IS THE LACK OF ACCESS TO  
FINANCE*

# *SOURCES OF FINANCE*

- *Personal sources*
- *Friends and Family*
- *Business Credit*
- *Investors*
- *Bank Financing*

## *Impediments for the Banks to take up SME financing as a major line of business*

- Size of loan is small in comparison to the processing and maintenance cost*
- SMEs are geographically dispersed and their businesses are diverse. Banks lack capacity to deal with such diverse scattered market.*
- Lack of ability to reliably assess risk associated with lending due to inadequate availability of information*

- *SME OWNERS FIND BANK PROCESSES COMPLICATED AND TIME CONSUMING*
- *CROSS OVER TO THE FORMAL SECTOR IS NOT ATTRACTIVE ENOUGH BECAUSE OF HOSTILE AND COMPLEX LEGAL, TAX AND ADMINISTRATIVE ENVIRONMENT*

- *COMMERCIAL BANKS WOULD GENERALLY LEND TO ENTITIES THAT HAVE PROVEN COMMERCIAL VIABILITY*
- *NEW VENTURES OR VENTURES WITH PERCEIVED HIGH RISK ARE GENERALLY NOT THE DOMAIN OF COMMERCIAL BANKS*

# *PERCEIVED RISK OF LENDING TO SMEs IS HIGH*

- *SMEs EXIST BECAUSE THE OWNER HAS PARTICULAR TECHNICAL SKILLS*
- *USUALLY THE OWNER IS THE MANAGER AND THERE IS NO FORMAL STRUCTURE FOR MANAGEMENT OR GOVERNANCE*
- *FOCUS ON A SMALL RANGE OF PRODUCTS WHICH ARE SOLD TO A SMALL RANGE OF BUYERS*
- *GENERALLY LACK AN UNDERSTANDING OF FINANCE AND ACCOUNTING*

**SUCCESSION  
RISK**

**SUCCESSION  
RISK**

**REVENUE  
RISK**

**FINANCIAL  
RISK**

*A BUSINESS PLAN IS THE SINGLE MOST IMPORTANT DOCUMENT FOR ANY BUSINESS PLANNING TO RAISE FINANCE. IT SHOULD ADDRESSES THE QUESTIONS THAT FINACIERS ARE LIKELY TO RAISE*

# *PURPOSE OF A BUSINESS PLAN*

*A BUSINESS PLAN ALLOWS AN OBJECTIVE VIEW OF THE PROPOSED BUSINESS. SIGNIFICANT ELEMENT OF A BUSINESS PLAN ARE:*

- CONCEPT OF THE BUSINESS*
- PROVIDE A STEP BY STEP PLAN TO START THE BUSINESS*
- HELP CONSIDER ALTERNATES TO REDUCE AND ELIMINATE DIFFICULTIES*
- PROVIDE AN EFFECTIVE TOOL TO COMMUNICATE WITH POTENTIAL INVESTORS*
- SERVE AS A MANAGEMENT TOOL FOR PERIODIC EVALUATION OF PROGRESS.*