

Small business funding â?? A list of organisations that could finance your business

Description

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Small business funding is increasingly taking centre stage in economic policies around the globe. Matter of factly, small businesses as a whole have captured the zeitgeist. This is because itâ??s broadly accepted that small businesses are the true vehicles of growth in any economy.

Youâ??ve probably heard it yourself, thatâ??s why like us you wear your entrepreneurship hat with pride. Small and medium-sized enterprises (SMEs) account for over 95% of firms

and 60%-70% of employment and generate a large share of new jobs in OECD

economies. Additionally, they contribute up to 60% of GDP.

This is no small feat in economies with companies larger than most developing economies combined.

In the South African economy though, the figures are curiously opposite. While the general sentiment is that small businesses are contributing, more, they actually pale in economic participation to their larger counterparts and government agencies.

This puts a real threat to the National Development Planâ??s goal of 90% employment in small business by 2030.

The upside is both government and the private sector have been stepping up small business funding efforts. With one of the key causes of small business failure being lack of funding to scale, letâ??s look at some organisations you can turn to.

Small Business Funding that Qualifies

Generally, small business funding is not that hard to find, itâ??s affordable funding thatâ??s impossible. Most banks and financial institutions will gladly issue you a loan to get your venture growing, but the requirements are steep.

For most entrepreneurs, you simply do not qualify. Even if you do, the terms are likely so steep your business might fall into the traps of early business funding.

So for this list, we are looking for those funding sources directly geared towards small businesses. They can be government or private sector, provided their mandate is the promotion of grassroots entrepreneurship.

This can be explicit, like government agencies created specifically for this task. It can also be implicit, like funding schemes whose terms are so favourable for small businesses they help them excel, even though not directly marketed as such.

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At their core, these funding options should meet the principles of getting the right business funding to grow your business. Some of the required criteria weâ??ll be looking at includes;

1. Interest rates low enough not to significantly impact business cash-flows and profitability
2. Payment terms that allow small businesses to gain traction before outflows
3. Reasonable collateral terms accessible to small business
4. Offer any training or support services for business, even without a cash injection

If this is small business funding that could make a difference for your fledgeling startup, dust off that business plan. Hereâ??s a list of organisations you should be sending it to ASAP.

The Department of Trade and Industry (DTI)

The DTI is a government agency whose mandate is to promote the establishment and success of competitive businesses in South Africa. One of the core themes of the DTI is broadening participation.

Itâ??s aimed at increasing the economic footprint of marginalised economic agents through various empowerment schemes.

â??It further seeks to transform the largely informal economy via Small, Medium and Microâ??sized Enterprise (SMME) development and the channelling of support measures to the Co-operatives sector.â?•

In line with this theme, the DTI is one of the biggest stakeholders in small business funding and empowerment as a whole. The DTI is responsible for a great deal of funding, grant and incentive schemes for small businesses in the South African economy.

A number of them will feature independently on this list, but as a funding vehicle, the DTI simply can not be ignored. Itâ??s worth your while visiting their website to find out criteria for qualifying for their various schemes.

Industrial Development Corporation (IDC)

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The IDC, as stated on their website is a partner for development finance. Itâ??s owned by the South African Government and was put together to finance economic growth and industrial development. Two mandates of the IDC are particularly beneficial for small businesses,

1. Leading the creation of viable new industries;
2. Taking up higher-risk funding projects.

Small businesses are both high risk, and with good planning can be a viable new industry. Like the DTI, the IDC has a number of funding, grant and incentive schemes, some of which will feature on this list.

Small business funding with the IDC takes the shape of;

- Debt
- Equity and quasi-equity
- Guarantees
- Trade finance
- Venture capital

Their requirements broadly match those of traditional financing institutions like collateral, proper business planning and shareholder contribution.

An important distinction is they tend to be significantly lowered, making funding accessible to small businesses and disadvantaged individuals.

You should note that the IDC doesnâ??t engage in refinancing. In line with their mandate of economic and industrial development, their interest is more in projects that expand the economic base.

So while you can get funding for business growth, funding for existing assets will not be provided. Over and above financial assistance, the IDC looks to foster sustainable business networks that can lift the economy.

Their funding comes with business naturing, pre- and post-investment assistance based on the evaluated needs of each project/enterprise.

National Empowerment Fund (NEF)

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The NEF was specifically created to fund and develop small businesses. The fund creates innovative investment and transformation solutions to advance sustainable small business participation in the economy.

The NEF supports the pillars of enterprise by providing finance and financial solutions across a range of sectors. It also provides project finance, to allow early-stage entrepreneurs to participate in high impact projects without paying a premium for funding.

Like with the first two, the NEF has a number of funding, grant and incentive schemes, some of which will feature on this list. Their funding criteria are for businesses inline with Broad-Based BEE in terms of government legislation.

They observe principles that promote real economic empowerment while observing sound investment principles. They, therefore, provide small business funding for those business owners with viable businesses. Like you. Important considerations include;

- The commercial viability of the business
- Operational involvement at the managerial and board levels by black people
- 50.01% black ownership
- Ability to repay funding
- Employment creation
- Preference for rural and economically depressed areas

National Youth Development Agency (NYDA)

The youth are the future of the nation, while small business is the future of the economy. No organization marries these two in their small business funding like the NYDA.

The NYDAâ??s mandate is broad, tackling all challenges faced by the youth, and youth entrepreneurship is front and centre.

The NYDA views entrepreneurship as a means of tackling sustainable livelihoods, reducing poverty, and ending inequality among the youth.

The NYDA focusses on grant finance for small businesses. Microfinance grants support survivalist youth entrepreneurs and support corporation of youth in the cooperatives sector.

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Their objective is to afford young entrepreneurs access to financial and non-financial support to thrive in their survivalist business.

This is particularly important because survivalist entrepreneurs are usually overlooked because of their limited economic impact. They can even be overlooked for small business funding aimed at emerging businesses because they are not as glamorous.

The grant scheme is unique in that itâ??ll support you from the planning stage. The NYDA is one of the few organisations that fund ideas in the development stages.

Itâ??s also unique in that it allows for applications for very low levels of funds, from R1 000.00.

Small Enterprise Development Agency (SEDA)

SEDA is a full-scale entrepreneurship support scheme aimed at providing assistance to starting, building and growing businesses. Because their processes are well balanced between financial assistance, mentorship, training and availing access to facilities, they make a great small business partner. Their programs include;

1. SEDA Talk: Ideal for those looking to start a business and looking for information on what it takes.
    1. Where should I start?
    2. Starting Your Business
    3. Entrepreneurship
    4. Business Plans

5. Forms of Business
6. Cooperatives

2. SEDA Business Start: Ideal if you are ready to jump into business, and need help getting started.
    1. Marketing Small Businesses
    2. Financing Your Business
    3. Managing Your Business
    4. Franchising
    5. Frequently Asked Questions
3. SEDA Business Build: Ideal for entrepreneurs who have already started their journey and need assistance on sustainability and strong business models
    1. Management Skills
    2. Targeted Procurement
    3. Tender Opportunities
    4. Quality
4. SEDA Business Grow: Ideal for entrepreneurs who have a good understanding of their business and are looking for growth opportunities.
    1. Business Management
    2. Management Systems (STP)
    3. Trade Point Programmes
    4. Human Resources
    5. Legal Issues

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Itâ??s easily noticeable that SEDA offerings are geared towards every stage of the entrepreneurial journey. Before approaching them, take a good assessment of your exact needs to fully reap the benefits of their offering.

Skipping a stage will only shortchange your business, taking one before you will stunt your growth. Additionally, Itâ??s important to not only take advantage of their small business funding but their incubation as well.

In terms of qualification criteria, SEDA accepts all small businesses with a viable idea. However, they do specify that each program and supported incubator has specific vetting processes.

Still, SEDA has a notable departure from the heavy emphasis on BBBEE central to most government small business funding. This greater accessibility is a win for entrepreneurship as a driver of economic development.

Because SEDA assists with loan funding, so an ability to pay back funds is a huge determinant of application success.

Small Enterprise Finance Agency (SEFA)

SEFA seeks to eliminate poverty and create jobs by fostering the establishment, survival and growth of small businesses. Because businesses face a high mortality rate and limited opportunities for growth, this is a very important mandate.

SEFA has a broad product range, which encompasses survivalist entrepreneurs. Like many government funders, SEFA offers post-funding support for businesses.

Small business funding is provided through a hybrid of wholesale and direct lending channels within the following sectors:

- Services (including retail & wholesale trades and tourism);
- Manufacturing (including agro-processing);
- Agriculture (specifically land reform beneficiaries and contract-farming activities);
- Construction (small construction contractors);
- Mining (specifically small-scale miners); and
- Green industries (renewable energy, waste and recycling management).

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Because of this hybrid system, SEFA can also provide small business funding by facilitating lending through your traditional financial intermediaries. This partnership is meant to strengthen sustainable access to regular financing for small businesses.

Because of this, your business can get anywhere between R500.00 to R5 million from SEFA partnerships. As for SEFA direct loans, they range from R50 000.00 to R5 million.

Intermediaries that provide SEFA funding include;

- Commercial banks
- Co-operative financial institutions (CFIs)
- Micro-finance intermediaries (MFIs)
- Retail financial intermediaries (RFIs)
- Strategic partnerships and;
- Structured Finance Solutions (SFSs)

All entrepreneurs with a viable business and business plan are eligible to apply for funding and support.

Business Partners

Business Partners prides itself in giving entrepreneurs individualised innovative financing solutions. They offer flexibility, using proprietary models to offer tailored solutions for your small business.

This deviation from traditional small business funding models makes their products available to small businesses and new entrepreneurs. In addition, they offer non-financial assistance to businesses to make sure you are set up for success.

These include basic mentorship programs and access to resources. Mentorship is provided by a curated network of industry leaders, putting the best industry knowledge at your fingertips. Business Partnerâ??s funding products include;

1. General finance â?? Funding for all entrepreneurs who have a viable formal business and who require financing for expansion, working capital, equipment, takeovers, or management buy-outs
2. Brands and Franchise Fund â?? Finance and support for aspiring entrepreneurs to own their own franchise.
3. Education SME Fund â?? Support for businesses in the education and skills transfer sector
4. Green Fund â?? Support for businesses looking to have an environmental impact while contributing to economic growth
5. Manufacturing Fund â?? Commercially sustainable financing and developmental needs support for SMEs in the manufacturing sector
6. Property Fund â?? Up to 110% funding afforded to entrepreneurs looking to purchase premises for their business
7. Property Joint Venture Fund â?? Co-investment with entrepreneurs looking to go into the property space
8. Venture Fund â?? Aimed at high impact entrepreneurs bringing high risk, high innovation projects to life
9. Women in Business Fund â?? A fund aimed at levelling the funding field for female entrepreneurs and increase the number of female-owned viable businesses

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These financing solutions are delivered using shareholder loans, equity, royalties and term loans â?? or any combination of these.

South African Investment Network

If you have an innovative idea, ahead of its time or just on the cutting edge, then the SAIN is your funding angel. Thatâ??s metaphorical because its structure allows innovative entrepreneurs to get funding for projects that may be too out there for most lenders.

Thatâ??s also quite literal because that structure is to connect entrepreneurs with angel investors. This is important because entrepreneurs can find like-minded individuals who will not only fund their projects on merit. Passion will play a big role, and for the entrepreneur, that eases a lot of hurdles in small business funding.

A quick glance of their testimonials reveals the wealth of projects theyâ??ve helped fund. Their portfolio includes clean energy, the food industry, online platforms, engineering and service firms. The last one, in particular, is a testament to the diversity of the platform.

Many entrepreneurs, including us, know how tough it is to get funding for a consulting firm. With the SAIN, youâ??ll definitely have flexibility. The type of projects and the amounts you can request are not limited, provided you can make a good case for your business.

You also get a broader consideration criterion, because angel investors generally have a higher risk appetite. However, his flexibility has an immediate drawback. Unlike most funds, on an angel investor network, you can never know your chances of getting funded. Whatâ??s more important to note is how the network values;

1. Its position as an important touch point for entrepreneurs
2. The importance of entrepreneurship
3. And, is position as an important touch point for investors,

And with a good idea, you are likely to come out on top. The application process is online and seems simple enough;

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- Register
- Create a pitch
- Publish your pitch
- Connect with investors
- Get funded.

Lulalend

Fast & easy finance for your business. This is what this online lending platform promises. Their model is based a lot on accessibility and convenience. They understand how small business funding is often an emergency, and their turnaround times are lightning quick.

Using their online interface, you can quickly figure out how much funding will cost you. This is especially convenient for new entrepreneurs, who are more often than not just doing research. Itâ??s very inconvenient to have to fill in paperwork just to have an interest payment to plot into your business plan.

This openness boards well for transparency and competitiveness, qualities usually lacking in small business funding. Lulalend loans are up to a million rands, strictly as term loans. However, Lulalend distinguishes itself from traditional lenders by not imposing early payment penalties.

Most entrepreneurs know how important this is because small business lending can be very erratic. You can borrow to cover a late invoice that literally gets paid minutes later, with Lulalend, you donâ??t have to be saddled with the interest.

Youâ??ll also get access to a blog that covers a broad range of topics to help you make the most of your funding. Unlike traditional lenders, algorithms are used to determine qualifying criteria, and this allows them to â??say yes more oftenâ?•. This however does make them not ideal for businesses just starting out, because past performance is a consideration.

More important though is their customer stories, above practicality, you can find inspiration. With the applicationâ??s simplicity and being online, you really donâ??t have anything to lose by approaching them.

Even if you donâ??t get funded, youâ??ll get some pretty sage advice out of it. Thatâ??s right, in addition to their commitment to transparency, Lulalend wonâ??t just shove funding down your throat. Theyâ??ll give you access to consultation about your funding needs.

The SAB Foundation

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The SAB foundationâ??s main thrust is the empowerment of the previously disadvantaged. They have a number of efforts to achieve this, and one such method includes the promotion of entrepreneurship. This includes;

> the development of a culture of entrepreneurship by supporting the growth of a critical mass of small and medium enterprises (SMEs); developing entrepreneurial role models; and stimulating and rewarding innovation

The main focus of these efforts are women, the youth, people with disadvantages, and people in rural areas. The foundation supports innovative businesses, that disrupt the norm while promoting economic growth and social justice.

Your business qualifies if your mission extends to improving the quality of life for the greater community. This focus on growing economic standards means the foundation focuses on businesses filling gaps in the local economy. Your products or services can be;

- Existing, provided you are operating in underserved areas
- Or completely new and innovative should you want to operate in competitive markets.

Over and above a good revenue model, you as an entrepreneur need to show a willingness to achieve growth and bring about social innovation.

The foundation provides continuous support, constantly communicating to ensure they assist you in overcoming the struggles of entrepreneurship. This includes developing your managerial skills,

negotiating for fair contracts and helping you access new markets. While the general qualification criteria are innovation and social stewardship, disqualifying factors include;

1. SAB Foundation, SAB Pty Ltd, SABMiller Plc employees
2. Second-time applicants
3. Idea stage entrepreneurs
4. Alcohol, sex, gambling, tobacco or illegal businesses
5. Franchise businesses
6. Not for profit enterprises
7. Entrepreneurs seeking donations, sponsorships or scholarships

The Land Bank of South Africa

Small business funding in agriculture is incredibly important in an economy that identifies agriculture as a pillar of empowerment. As agricultural methods become more technical, with a need to produce more with less, proper entrepreneurial support is important for new farmers to thrive.

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Failure to build sustainable and innovative business structures for new farmers not only threatens food security but also economic growth. The Land and Agricultural Development Bank of South Africa takes agricultural finance with this in mind. Their mission is to consistently innovate their financial products to allow a more inclusive agricultural sector.

This makes for a more sustainable agricultural empowerment platform. This a platform that gives farmers support and access to resources so they can succeed. If you are looking to break into farming or agro-processing, then this is your funding partner. Their mandate includes developing finance vehicles that widen participation in the sector for new entrants like you.

The bankâ??s financial products enable farmers to finance land, equipment, improve assets and obtain production credit. Because of their commitment to sustainable agriculture, the Land Bank is a partner to approach for instituting your green projects. This is particularly important because as an Agro Entrepreneur, a commitment to sustainability is a priority.

In addition to funding, the bank is involved with skills initiatives aimed at increasing participation in the agricultural sector. While not direct small business funding, this infrastructure is equally important for entrepreneurs. Agriculture is a skills intense field, and new entrepreneurs can easily be overwhelmed by skills development fees.

Worse yet, small farmers can be forced to overlook skills development altogether, to the detriment of their business. You can take advantage of this offering to make sure you and your team have the skills to run your agri-business with modern methods.

IDF Capital

IDF Capital partners with entrepreneurs to find profitable small business funding opportunities. Their self-identity is explicit on the role they want to play in SME development, not just in South Africa, but the African continent.

Because IDF is a growth catalyst, they partner with businesses through their journeys. This means going beyond innovative financial solutions to help small businesses access resources and markets.

With an increasing global footprint, IDF is poised to be one of the most comprehensive business partners. Social entrepreneurship is also an important consideration criterion. As a profit-driven business, IDF benefits small business partners by the investment they make in their ability to identify high yield projects.

Not only will this give your business immediate validation, but they can also advise you on making your business more viable. For small businesses, IDF has venture capital investments from R250,000 to R10 million. Your business could qualify for this partnership provided it;

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- Is 51% Black Owned and Controlled
- Is focused on growth
- Is potentially profitable and sustainable
- Has the ability to scale
- Has a good management and governance structure
- Is open to value-added services beyond funding

Iâ??M In Accelerator

Entrepreneurs in the tech space often find small business funding a huge hurdle to starting their businesses. Because their ideas are often riskier, with less traditional models, traditional investors tend to shy away from tech start-ups.

Iâ??M IN Accelerator seeks to bridge this gap. The fund is geared strictly towards entrepreneurs in the tech space. A tech application needs to be the primary offering of your business. Even businesses with a tech-heavy emphasis, do not qualify. You need to be solving your clientsâ?? problems via tech applications.

Iâ??M IN Accelerator partners with entrepreneurs by facilitating access to seed funding through early-stage equity, in conjunction with business development support and one-on-one mentorship from industry specialists.

This includes enabling entrepreneurs to test the viability of their products in the market as well as commercialising promising projects. This is particularly important because monetizing an application can be tough. Building a good application is one thing, but turning it into a commercially viable venture is another.

Applications are usually limited to particularly industry sectors per year. As a result, you may need to align your business model to available sectors. Conversely, a bit of luck will come in handy if you already have an app idea in mind.

Applications are available online, and when submitting your application, you will need to provide;

- Pitch Deck
- 3-year financial projections
- BBBEE Certificate
- Proof of residence (for all founders)
- Certified ID copies (for all founders)
- CIPC docs

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Royal Fields Finance

Royal Fields Finance is a darling in small business funding. This is because it was started specifically to assist SMEs struggling to raise finance from traditional lenders. They strive to help clients achieve financial success while creating employment and advancing socio-economic justice.

The fund finances entrepreneurs in a wide range of sectors but seeks out high-yield projects. Royal Fields Financeâ??s sectors of focus include;

- Infrastructure;
- Manufacturing;
- Small-scale farming;
- Renewable and clean energy; and
- Telecommunications.

RFFâ??s qualification criteria include small-medium scale enterprises with revenue of less than R60 million a year that require funding between R70 thousand and R2,5 million. All their loans consist of specialised short term funding.

RFF prides itself in quick turn around times and tailored solutions that beat traditional balance sheet funding. This is aimed at helping your business tackle short term cash flow problems or take advantage of sudden growth opportunities. Your business can approach RFF for project finance, supply chain finance, bridging finance, invoice discounting and working capital.

Even the application process is catered for SMEs and startups. Applicants can receive assistance with their applications, and an incubation period can be included to ensure sustainability, though limited.

Like any proper small business financing solution, RFF can provide up to 100% funding without requiring collateral. Because information systems may not be s robust for startups and small businesses as it is for their larger counterparts, RFF eases compliance requirements for applicants.

You can, for example, use bank statements in place of financial or management statements. Despite RFF clams that their enterprise development program is limited, we found it very competent and worth considering.

National Urban Reconstruction and Housing Agency (NURCHA)

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The National Urban Reconstruction and Housing Agency (NURCHA) is a finance partner aimed at businesses in the construction industry. Specifically, it is aimed at construction businesses and contractors involved in affordable housing and community infrastructure and facilities.

NURCHA provides innovative bridging finance and construction support services. These support services include account administration and project management to government and the public sector.

Although NURCHA deals with small, medium and large enterprises, the organization ideally partners with developers or contractors who have proven track record and ability to deliver. The level of funding you can get versus your equity contribution will be dependant on the profile of your business.

This is an extension of the track record and ability to deliver criteria, extended to include the ability to settle debts. As a bridging finance provider, NURCHA loans do not exceed 24 months. This means the organisation is not ideal for financing the bulk of your project but should be approached for short term financial needs.

More specific criteria and forms can be found on the NURCHA website, here. Ultimately though, NURCHA is equally concerned with making sure your business becomes a viable economic unit as it is in making sure specific projects they are involved in succeed.

Women Empowerment Fund (WEF)

The Woman Empowerment fund is aimed at furthering female entrepreneurship in the country by funding female-owned or co-owned businesses. The WEF funds businesses at various stages including start-ups, expansions or acquisitions, which pretty much qualifies every business stage.

Women-owned business for the purposes of qualifying for the WEF requires a minimum 51% shareholding by a woman. WEF funding is available from a minimum of R250 000 to a maximum of R75 million.

While the business may be a start-up or expanding, a solid business plan that demonstrates a viable market is needed. The plan also needs to clearly demonstrate a concise strategy to capture the market and thrive.

Details of financial projections planned capital expenditure and working capital needs should also be included in the plan. The female owner of the business needs to detail their operational involvement in the business. Itâ??s necessary to not only own the required share but actively run the business to qualify.

The WEF does not offer grants but rather finances through various investment vehicles. As a result, you will need to be able to demonstrate an ability to run the business sustainably and pay back the funding. These funding vehicles can be paired with private sector investment. In fact, approaching the WEF and private sector funds could boost your chances

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The cost of capital is not predetermined but is commensurate to the risk your investment carries. Focusing on areas in need of economic development, such as rural areas will boost your chances of getting funding.

Qualifying sectors for Women Empowerment Fund funding include:

- Franchising
- Pure acquisitions
- Construction
- Import and export
- Retail
- Primary agriculture
- Property development and consulting services such as recruitment and engineering.

The application process follows six steps, including;

1. Screening of application form
2. Submission to the investment committee
3. Due diligence process
4. Resubmission of the final report
5. Legal process and procedure
6. Disbursement

But Before you Apply

Make sure your business is adequately prepared for funding. Always remember that getting funding too early and unprepared can hurt your business. If possible, try bootstrapping your business for a while.

But if you are convinced small business funding is necessary for you to proceed, have a solid plan. Budget and forecast, create a plan for how much you need and what you are going to use it for. Put in place policies for proper financial management and accountability.

The last thing you want is to squander precious funds and not achieve anything, or worse yet, go into debt. Be specific, and avoid estimates where ever possible. Remember youâ??ll almost always have to pay back these funds, donâ??t incur unnecessary interest from estimates.

Most importantly, remember we are counting on you to be tomorrowâ??s employer, so make the most of your funding.

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Over to you. What outlet did you turn to when you needed small business funding to bring your vision to life? And donâ??t forget, this list is always expanding, check back regularly for more options.

Category

1. Business Funding
2. Business Insights
3. Business Planning
4. Financial Management
5. Financial Reporting and Analysis

Tags

1. Business Growth
2. Business Insights
3. Business Management
4. Business Models
5. Business Planning
6. Entrepreneurship
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