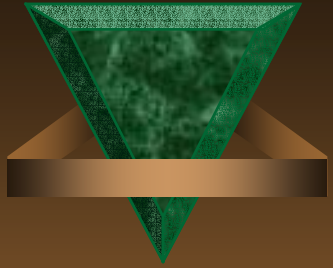


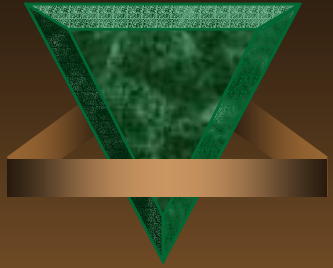
Africa's Investment Prospects
Access to Finance Perspective

Presented by:
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- ✔ Banking Institutions



Outline

- ▼ Global & South African Perspective
- ▼ SMME Index
- ▼ Access to Finance Challenges
- ▼ The Role of the Banking Sector
- ▼ Opportunities



Global perspective

- ✦ About that 95% of companies in Australia are from the SME sector;
- ✦ America has the largest number of SMEs in the world;
- ✦ After the second world war the growth of both Japan and Germany were SME led;
- ✦ More tax revenue is generated from SMEs in the developed countries compared to tax from big business;
- ✦ SMEs create more employment compared to big business;

The above implies that SMEs are, truly, the engine of economic growth!!!!



South African Perspective

- ✔ Seen as a means to stimulate economic growth;
- ✔ A vehicle for distribution of wealth and attaining more equitable growth;
- ✔ A means to address rising unemployment.



It is estimated that there are more than 2.5 Million SMMEs in the country;

They contribute between 52 to 57% to GDP and provide about 61% of employment;



South African Perspective

- ✓ Labour absorptive capacity is high;
- ✓ Average capital cost per job created is lower than in big business;
- ✓ SMME's have a role to play in technical and other innovation which is vital for our economy.

THE

Promotion of SMMEs is a key element in the Government's strategy for employment creation and income generation;

HOWEVER

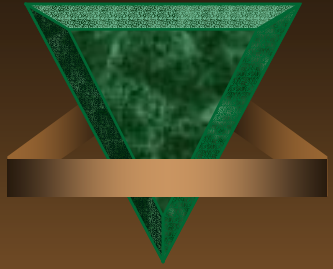
SMME development is hampered by a number of factors including finance, lack of managerial skills, equipment and technology, regulatory issues and access to international markets.



Outlook....

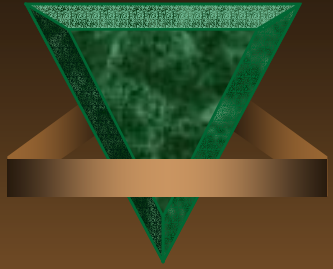
- ✔ In all, SMMEs in the various sectors expected an average decline of about 6% in the present business conditions;
- ✔ It appears that one of the major sources of pessimism about business situations is the financial situation of firms.

Hence financing seems to be a major constraint.



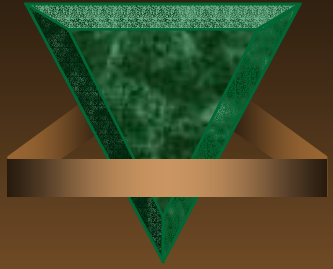
Access To Finance Challenges

- ▼ Lack of entrepreneurial skills and ability to understand the type of funding needed for each business is a major stumbling block to efficiently fund SMME's.
- ▼ The need to know the different funding vehicles available appropriate for each business
- ▼ International Research: Financial, Marketing and entrepreneurial skills is as important as the financing itself



Access To Finance Challenges

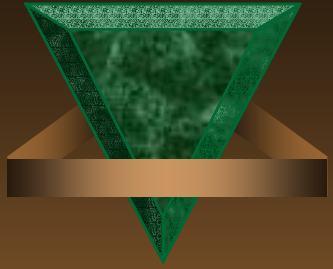
- ✦ No track record makes credit ratings difficult
- ✦ Calls for more innovative financing solutions
- ✦ Success rate of SMME's lower in South Africa about 50% of business fail in their first year



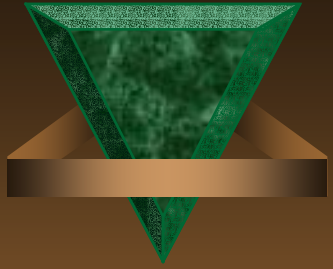
Government cannot fill the gaps on its own...



A co-operative and unified approach is needed to achieve economic objectives..

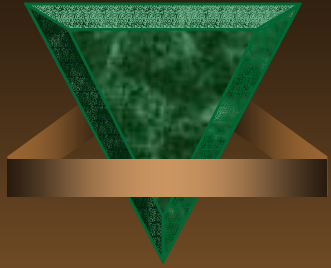


Since the dawning of our democracy we have seen minimal growth within this sector and it is becoming more and more Apparent that we (government & private sector) intensify our Interventions towards more strategic approaches as we move Into the next 10 years of our democracy...



The Role of the Banking Sector (Access to Finance)

- ✓ The Banking sector is increasing their pace with regards to SMME development
- ✓ Partnerships are becoming more and more prevalent
 - ABSA/IKAPA fund (start ups)
 - ABSA RED DOOR initiative
 - Small Business fund



Small Business Fund

The Fund will:

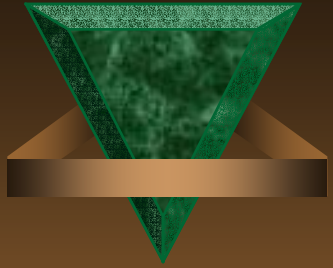
Facilitate the awarding of finance and
Transactional products

TO

Black Emerging Entrepreneurs

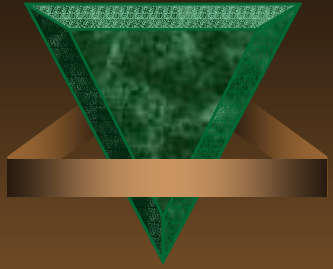
IN ORDER TO

Assist them to **establish** and **grow** their businesses



Target Market

- ▼ Emerging entrepreneurs with good business proposals that lack sufficient security to provide collateral for loans
- ▼ Emerging entrepreneurs that do not have access to mainstream banking facilities
- ▼ Emerging entrepreneurs that do not have a financial track record to support the application for finance

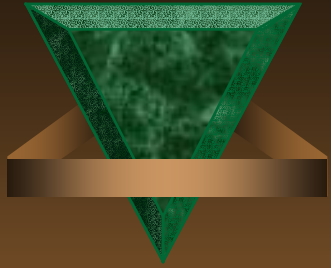


Parameters Target market

- ▼ **Black South African** Entrepreneurs

WHO

- ▼ Lack or have limited **collateral**
- ▼ Lack or have limited **own contribution**
- ▼ Have **NEVER accessed** business finance before
- ▼ Are willing to run their business on a **full-time** basis



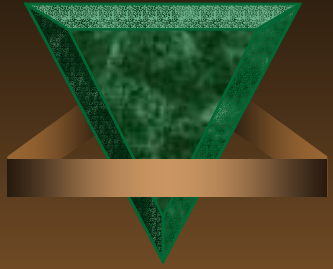
Parameters – Fund

- ✓ Loan amounts
 - Maximum R500,000-00
 - Minimum R5000-00
- ✓ Term
 - Maximum 60 months
 - Minimum 3 months
- ✓ Interest
 - To be determined by an Investment Committee



ABSA & IDC PARTNERSHIP

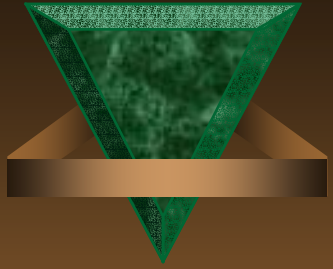
- ▼ 400 million rand product 50:50;
- ▼ Supporting the entry of SMME's into the Transporting Sector;
- ▼ Companies can lend up to 30 million to prospecting & existing black entrepreneurs who are struggling to secure affordable finance;
- ▼ It has a fixed finance structure.



Is it Enough To Become The Growth Engine of the Economy..

- ✔ An increase in FDI (foreign direct investment) supported by an “easy to do business with culture” ;
- ✔ the banks assist in developing a mindset where the youth think about starting their own business instead of seeking employment;
- ✔ an integrated holistic strategy where SMME development becomes the core of our country’s growth strategy;
- ✔ An improved infrastructure within banks that supports the development and growth cycle of SMME’s

Underpinned by active involvement and participation (private sector, government, educational institutions and Not for Profit companies)



Thank You !!