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SME FINANCIAL LITERACY PROGRAM

DEVELOPMENT OF A PROGRAM FRAMEWORK

FINAL REPORT

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FINANCIAL SECTOR PROGRAM

SME FINANCIAL LITERACY PROGRAM

DEVELOPMENT OF A PROGRAM FRAMEWORK

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ACRONYMS

BDS	Business Development Services
BSO	BDS Organization
BDSP	Business Development Service Provider
CE	Chief Executive
CEO	Chief Executive Officer
CPD	Continuous Professional Development
DFI	Development Finance Institution
FABCOS	Foundation for African Business and Consumer Services
FASSET	Sector Education and Training Authority for Finance, Accounting, Management Consulting and Other Financial Services
FSP	Financial Sector Program
IBA	Institute of Business Advisors
IFC	International Finance Corporation
SAIPA	South African Institute of Professional Accountants
SEDA	Small Enterprise Development Agency
SMEs	Small and Medium Enterprises

EXECUTIVE SUMMARY

This report contains a framework for a financial literacy curriculum aimed at increasing historically disadvantaged small and medium enterprises' (SMEs') knowledge about the world of business finance, as well as thoughts and recommendations on the best way to deliver the knowledge to the market.

As part of USAID's Financial Sector Program (FSP's) aim to increase access to finance for historically disadvantaged SMEs, the need for a comprehensive financial literacy program was identified. At the start of this assignment, the concept was further refined to focus specifically on knowledge of the outside world of business finance, as opposed to financial management skills, or financial literacy pertaining to the inner workings of a business. The question of whether these two spheres of financial literacy could be dealt with separately was debated and tested in the market through a series of consultations with key role players. These key informants were also asked to comment on a draft curriculum framework, and canvassed about their thoughts on how best to package and deliver the program to the market.

The draft curriculum that was drawn up consisted of five main sections, based on the process SMEs go through when seeking finance: Identifying the need for finance, identifying the type of finance that best suits the need, identifying sources of finance, understanding those financiers and, lastly, how to approach a financier.

The draft curriculum was shown to seven key informants for their thoughts and comments. Four were financiers (Business Partners, Blue Financial Services, Khula Direct and First National Bank - FNB), two were associations of business advisors (South African Institute of Professional Accountants and the Institute of Business Advisors) and one was an association of SMEs (Foundation for African Business and Consumer Services - FABCOS). The financiers were chosen because of their close perspective on the problems of dealing with SMEs who lack financial knowledge. The financiers were also canvassed to explore the possibility of using financial institutions as a possible delivery channel for the program. Business-advisor organizations and the SME association were approached primarily as channels through which the program can be offered.

The reaction of the key informants was largely positive and, among the business-advisor associations and the SME association, enthusiastic. Although they differed as to which sphere of financial literacy (external and internal) is the most important for access to finance, all agreed that they could be separated, and that a stand-alone program to deal with the external world of business finance is needed. Apart from minor adjustments, the framework was seen as comprehensive and sound.

Four key informants emerged as eager partners in the implementation of the program: Khula Direct, SAIPA, IBA and FABCOS. FNB indicated the possibility of collaboration once more details of the program is known. The feedback crystallized the format and delivery mechanism into the following two options, with the third as the central option around which the first two would fit:

1. IBA and SAIPA expressed interest in a one- or two-day workshop aimed at increasing the knowledge of business advisors. FNB is interested in using it to capacitate their loan officers. In this scenario, FSP would develop the content, package it into a workshop, and facilitate the training of IBA and SAIPA members and possibly FNB loan officers.

2. IBA, FABCOS and Khula Direct expressed interest in an information seminar that business development service providers (BDSPs) can offer to SME clients. With this option FSP would develop the content, package it into a workshop, and facilitate a training of trainers from the three organisations.

3. IBA, SAIPA, FABCOS and Khula Direct expressed interest in a web-based toolkit or guide, aimed at both business advisors and their SME clients. FSP's involvement would be to develop the content, and build a web based resource around the concept of a guide to the world of finance.

All of the prospective participants supported the idea of a web-based resource, which makes it easy to recommend Option 3 as the home of the program's content. But the informants all wanted it as the "text book" or "reference resource" to back up a training course. It would probably be a mistake to set up a web-based toolkit on its own without the active engagement that a roll-out of training courses brings.

But which training course? The main advantage of the first option - the opportunity to roll out to a huge pool of active business advisors (probably a first for small business development in South Africa) - needs to be weighed against the uncertainty that it brings, not only with regard to the potential take-up, but also around whether the eventual beneficiaries will in fact be the historically disadvantaged, at least as far as SAIPA is concerned. The fact that the IBA is also committed to the first option, and their eventual beneficiaries are indeed mostly historically disadvantaged, mitigates the disadvantage.

There are two main advantages to the second option. First, delivery of the information to the ultimate SME target group is more direct and easier to verify. Second, there is no doubt that the eventual beneficiaries will be mainly historically disadvantaged. Unfortunately the disadvantages, which centre around Khula Direct as implementing agent, seem to outweigh the advantages. Whether Khula itself offers the workshop to SMEs or whether they do it through SEDA, they will provide it free of charge, which will undermine the implementation of the workshop through the IBA, the members of which will want to charge a market-related fee to participating SMEs. A second disadvantage is that Khula Direct wants to implement the training through SEDA, an organisation not known for its efficiency.

Ideally, all three options should be rolled out. But if a choice must be made between option 1 and 2, Option 1 would likely have a larger impact.

Therefore it is recommended that a web-based resource be developed within the framework contained in this report, together with a training course aimed at improving the access-to-finance knowledge of business advisors.

SECTION 1: BACKGROUND

1. Introduction

FSP supports the accomplishment of the US Government's Economic Growth Objective in South Africa by aiming to expand access to financial services and lower financing costs for small and medium enterprises (SMEs) through reforming the legal and regulatory framework affecting the financial sector and business environment and improving the commercial viability of lending to historically disadvantaged SMEs in South Africa, thereby expanding SME access to a range of high quality and affordable financial services.

FSP focuses on improving and expanding financial services and products; managing and mitigating financial risk and transaction costs; improving bankability of SMEs and business services by linking financial services with business service activities that can build SME capacity, productivity and competitiveness; supporting the emergence of an efficient credit industry regulator that promotes an enabling environment for financial intermediation and risk management and boosts the private sector's role and participation in the provision of financial services to SMEs; promoting reforms to commercial laws, regulations, and administrative practices affecting the private sector and SME development; and improving knowledge management through an accessible repository of knowledge about SMEs and finance in South Africa.

Research consistently shows that historically disadvantaged SMEs in South Africa identify lack of access to finance as their biggest problem. The analysis of this finding has shifted from an initial acceptance at face value of SMEs' complaints that they are being deliberately excluded, to a more nuanced view in recent years that the perceived need for finance may in many cases be a symptom of a skills deficit on the part of the business owner (especially financial management skills). But this shift has not altered the widespread acknowledgement of fundamental, structural problems with access to formal finance for historically disadvantaged SMEs. In a study undertaken among the sector in Gauteng, only 2% of the most sophisticated (and by implication the most bankable) SMEs claimed to have a formal business loan.[1]

In support of FSP's aim to increase access to finance for historically disadvantaged SMEs, the need for a financial literacy intervention was identified. This follows, among other things, a survey of financial (literacy) offerings to SMEs in Gauteng which concluded that "the opportunity … exists to develop a focused SME financial education programme with comprehensive content which is both actively distributed and available on an as-need basis"[2].

FSP will therefore develop a financial literacy program focused on the provision of

1 FSP's SME Finance Needs Assessment – Qualitative and Quantitative Study in Gauteng Province (2008)

2 FSP's Development of Strategy Options for SME Financial Literacy(2009)

financial literacy information, which will be offered to business service organization (BSO) partners to build their capacity to offer relevant and effective financial literacy as a business development service (BDS) to their SME clients.

Program development will be conducted over a series of phases:

Phase 1: Development of a curriculum outline (or framework) of financial literacy modules for presentation to BSO partners to verify which modules would most meet their needs and by what method;

Phase 2: Development of content for selected modules and packaging of the material into appropriate format (i.e. training course, booklet or seminar);

Phase 3: Delivery of content via a training course, booklet or seminar.

Several subsequent phases are anticipated in which development, packaging and delivery of additional content will be undertaken so that during the life of FSP, material will be progressively introduced to the market as a means of deepening the BSO sector's capacity to provide information needed by SMEs to access finance.

2. Scope of Work

The purpose of this assignment is to complete Phase 1 only. That is, to develop a curriculum outline (or framework) of financial literacy modules in consultation with FSP and selected BSOs, and to recommend the most appropriate format in which to package the resource, as well as the best way to disseminate the resource.

This assignment is set within the following parameters described in the Scope of Work:

- Financial literacy is defined as follows:

  A financially literate SME owner-manager understands basic financial concepts and knows what the most suitable financing and financial management options are for his or her business at the various growth stages of the business; s/he knows where to obtain the most suitable products and services; and s/he interacts with confidence with the suppliers of these products and services. S/he is familiar with the legal and regulatory framework and his/her rights and recourse.

- The intervention must be aimed at Business Service Organizations and Business Development Service Providers, and not directly to SMEs.

- Flowing from the definition of financial literacy above, the intervention should cover financial terms and concepts, types of finance and their uses, where and how to access them, as well as services that support access to finance. The emphasis of the intervention is more on the provision of *information* rather than on the transfer and honing of *skills*. The idea is therefore to develop an information resource which BSOs and BDSPs can use to improve their own financial literacy, as well as that of their SME clients. Any training conceptualized would be closer to an 'information workshop' than a 'training course', and would ideally centre on further use of the resource.

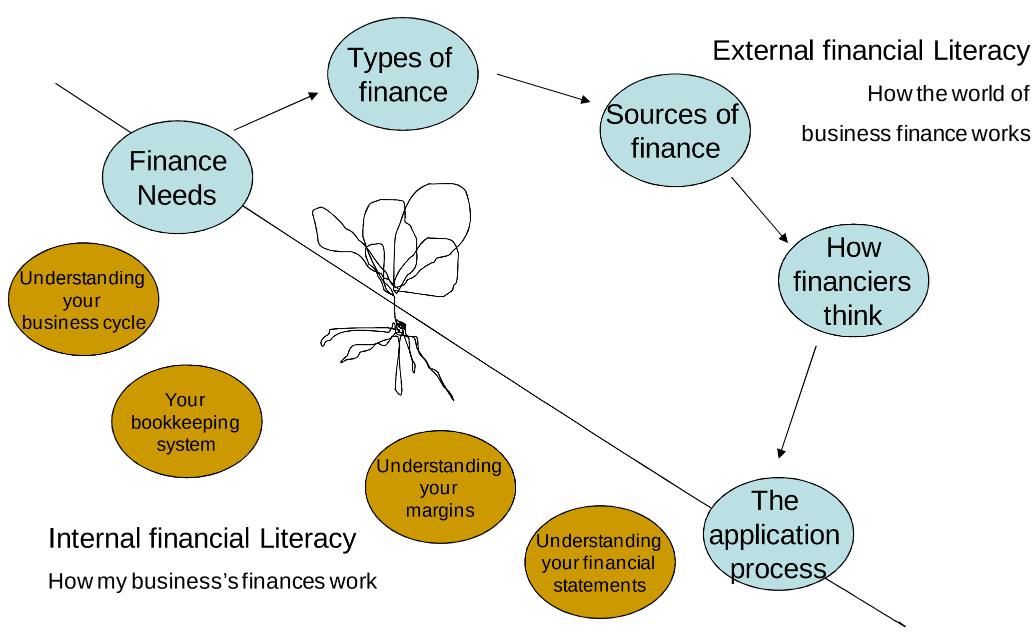
- The design should be modular so as to facilitate a phased roll-out of the program.

- The target range are those SMEs with an annual turnover of between R200 000 and R20m.

3. Program Assumptions and Rationale

Any program aimed at helping SMEs gain access to finance needs to acknowledge that the problem of access is complex, with many possible causes and influencing factors ranging from the culture of financial institutions to the lack of business skills among SMEs. Care should be taken that the assumptions informing the design of the program does not oversimplify the problem and the program itself is clear about exactly which aspect of the problem it aims to address, and which not. Some further discussion of financial literacy, how it relates access to finance, and the rationale of this particular program is therefore called for.

One way of understanding the complex problem of financial literacy and access to finance is through the following metaphor, where a seedling represents an emerging SME:



The financial literacy of a business owner - in its broadest sense - can be divided into two "spheres", the one relating to the business owner's understanding of the finances inside his or her own business. This "internal financial literacy" is depicted in the diagram as the soil which nourishes and supports the root system of the emerging SME. Obvious components of internal financial literacy include the ability to read financial statements, understanding the margins built into the business's pricing structure, knowing how a good bookkeeping system works, and having a feel for the cycles of the business.

The other sphere can be described as "external financial literacy", because it relates to the business owner's understanding of the outside world of business finance – the world of bankers, financiers and financial products. In the diagram it is depicted as the atmosphere and light which nourishes the leaf system of the plant. Subcomponents of external financial literacy are the ability to accurately and correctly identify a need for finance in a business, knowledge of the types of finance in the market that can best meet the need, where to find those types of finance, understanding how those financiers work, and finally, understanding how the application process works. These subcomponents happened to be ordered in the diagram according to the steps in the process that a business owner would normally go through when thinking of and working on an interaction with the outside world of finance.

The strength of the metaphor is its ability to illustrate how different the two spheres of financial literacy are, yet how intricately they are linked. External financial literacy starts with the accurate identification of a need for finance inside a business, which is what sets the business owner off on his or her quest for finance. Often, the need for finance is a misdiagnosis of an underlying malaise in the business, usually the result of a lack of internal financial literacy. The identification of finance needs thus straddles both the internal and external spheres of financial literacy. The process of external financial literacy also ends with a deep reach into the sphere of internal financial literacy, because in order to apply successfully for business finance, the business owner has to show the financier that he or she understands the internal financial workings of his or her business.

So the metaphor also illustrates how both spheres of financial literacy are crucial to an emerging SME's ability to access finance – the plant will not grow unless both its root system and leaf system are nourished and supported by two different ecosystems: Financiers will not fund a business if the owner does not understand his or her business, even if the business owner handed in a perfect application drawn up by an expert. The Umsobomvu Youth Fund taught South Africa a useful, albeit expensive, lesson. Millions of rands spent on a burgeoning rent-a-business-plan industry have not improved access to finance. Financially illiterate business owners' applications are turned down the moment the financier becomes aware that they do not understand the fancy cash flows drawn up by consultants.

The explanation above serves to clarify the limitations of the financial literacy program outlined in this document and where it fits into the broad picture. While the connection between internal and external financial literacy and how both are crucial to an SME's ability to access finance are acknowledged, this program will aim to address external financial literacy only.

The main reason is that, as identified in FSP's financial literacy gap study[3], no coherent program exists to explain fully the business finance landscape in South Africa. Some financiers have guidelines that list products and application requirements, but these are presented mostly as marketing material. Despite huge amounts of frustration among business owners about access to finance, and among financiers who have to turn away many inappropriate applications, there is no comprehensive tool to guide the finance seeker and his or her support network.

In contrast, many resources exist to address "internal" financial literacy. They may well be uneven in quality, take-up and accessibility, but programs that focus on, say, the ability to read financial statements of a business are available. Development routes for accountants and business advisors are well chartered through established degree and diploma courses. They may not all be fully standardised, but they are ubiquitous and they all teach financial management skills. Aimed directly at business owners, books such as *Basic Financial Management for Entrepreneurs* (Juta, 2004) and *Starting Your Own Business in South Africa* (Oxford University Press, 2008) are but two of the many that attempt to explain in layman's terms financial management to business owners. Training resources such as UNISA's diploma course in small-business management and Damelin's Financial Management for Small Business Owners have existed for years. Web resources such as the IFC's SME Toolkit® and even SEDA's online factsheets deal with compiling and understanding financial statements.

The problem is not so much the availability of financial management training but rather the low impact of it on SMEs. This may have to do with the way in which the material is compiled and packaged. It could also be that financial literacy, like general literacy, becomes extremely difficult to acquire if it had not been part of basic training and education. It is also plausible that the common mistake of business owners to put too much store in technical knowledge of the core operation of the business and too little in general and financial management skills lies behind the apparent lack of impact of these resources on financial literacy among South African business owners.

Added to this is the largely dysfunctional relationship between business owners and their accounting service providers. Accountants and bookkeepers throughout South Africa are financially highly literate. Yet there seems to be very little skills transfer between service provider and business owners. Shahied Daniels, CE of SAIPA, confirms that only a limited number of accountants have so far joined the growing trend in the profession towards an advisory role, away from mere bookkeeping. The problem also stems from the attitude of many business owners, who tend to palm off books, financial statements and tax requirements onto the accountant, expecting them to "sort it out" with the minimum of involvement or interest from the business owner.

In this context, a stand-alone resource for "external" financial literacy, in other words,

3 ibid

a program aimed at raising the understanding of the world of the financier, would not only fill a clear gap in the market without having to duplicate "internal" financial management resources that already exist. It could actually enhance the take-up of financial management training by emphasising to its users that "internal" financial literacy is crucial to the success of a loan application. Without dealing directly with the "internal" financial literacy, an access-to-finance resource will have to refer the user, often and with great emphasis, to resources for improving internal financial management skills.

4. Other Assumptions

Other assumptions made in the design of the framework include:

The content should be modular. Although originally thought of in order to allow for a phased roll-out of the program (for example, by implementing a section on types of finance first, and later a section on, say, collateral), this need fell away after a clear indication from key informants that a phased approach will not work. The first offering should be comprehensive and light, rather than sectional and detailed, they said. However, a modular approach is still followed, based on the assumption that business owners – and by proxy their advisors and supporters – tend to need information in a modular way, usually when some crisis arises. It is seldom that a business owner will sit down and read a general book about labour laws, for example, but a concise factsheet offered to the business owner when a worker needs to be dismissed will definitely be consumed. The resource should ideally be designed so that the information is packaged in useful and accessible units.

At the same time, the resource would be most versatile if it could also form a coherent whole, with a logical flow for a user who does want to gain an overview of the whole subject. The framework was therefore designed according to the assumption that a business interacts with the outside world of finance usually according to the five steps outlined in the diagram above – identifying a need for finance, identifying the type of finance best suited to the need, followed by identifying sources of that type of finance, getting to understand the source of finance, and ending with the application process to the financier.

It is assumed that the resource will work best if it ultimately builds in as many case studies as possible. This will prevent the resource from being dry, academic and theoretical – the criticism leveled at existing financial management material by more than one key informant. Furthermore, the ultimate beneficiaries of the resource are SMEs, even though it will be implemented through BSOs. It is well known that business owners tend to listen to their peers rather than consultants. A resource containing many examples of real business owners operating in the South African finance landscape will assist a business advisor better in conveying concepts to a business owner.

SECTION 2: METHODOLOGY

Within the parameters described above, the broad framework of the curriculum was designed and packaged into a presentation to key informants in the market, which included financial institutions for their perspectives on dealing with SME finance applications, as well as potential partners through which the program may be implemented. The presentation led into a semi-structured interview with the key informants in order to:

- Acquire general feedback on the outline – determine whether it was useful, practical, and complete;
- To learn whether they agreed with the need to separate internal financial management literacy from knowledge and understanding of the world of business finance, and which of the two spheres were the most problematic for SMEs;
- To gauge their thoughts about how the resource should be pitched; Should it be designed:
  - to train business advisors, or
  - as a tool for business advisors to use in their interaction with SMEs, or
  - as a standalone resource to be accessed by SMEs directly?
- To discuss possible formats of the resource, such as a booklet, website, or information seminar;
- To gauge their need for the resource, their enthusiasm for the idea, how they would use it in their organization and how they would monitor and measure its use.

Altogether seven key informants were interviewed (see list in Annex A) over a period of a week. Their opinions helped refine the framework, and informed the recommendations on delivery mechanisms contained in this report.

The key informants were chosen based on identified enthusiasm for the concept, their potential as partners in the roll-out of the project, as well as for their role in the market and access to FSP SME target businesses. It was determined that while financiers may not necessarily want to offer business support and advice through such a resource, they have good insight into the problems that the lack of financial literacy presents to financiers approving credit applications and could therefore offer useful feedback on the outline and suggestions on the format. Four of the informants were financiers: Nazeem Martin from Business Partners, Kenneth Fisher of Blue Financial Services, Septi Bukula from Khula Direct, and Marcell Klaassen of FNB. (See Annex A for a list of key informant institutions, and Annex B for summaries of the interviews).

The IBA and SAIPA were chosen as organizations representing professionals who work with SMEs and therefore as potential delivery channels for the resource. Septi Bukula was again interviewed wearing the hat of FABCOS, an association of previously disadvantaged SME owners, to gauge the possibility of roll-out through chambers and associations as BSOs.

SECTION 3: THE FRAMEWORK

A draft framework was designed based on the logical process that a business goes through in its interaction with the world of finance. The five stages of seeking finance therefore form the main sections of the resource. If it were a training course, for example, each section would constitute a lecture, or work session. In a book, the five sections would be parts, and the underlying modules would form the chapters. For the purposes here, each section equates to a level where it is envisaged that each module be a “fact sheet” representing light but critical information.

Section	Objective	Modules
1) Identifying the need for finance	This is where the process of seeking finance starts; it therefore constitutes the logical entry point of the program. Because the need for finance stems from the internal workings of the business, the section will place great emphasis on the possibility that it is a symptom of an undiagnosed malaise in the business. Without going into detail, the section will point to the need for financial management skills and where to find them.	Do you really need this finance? Starting up Buying a machine Working capital (paying the bills) Financing a contract Finance to expand Buying a building Emergency money
2) Types of finance	This section is about financial products that have evolved, and which of them are most suitable for what kind of financial need. For example, an overdraft is good for dealing with working capital needs during seasonal fluctuations. Each product is explained, including its pros and cons, as well as its direct and embedded costs.	Equity finance Term loans Overdraft Factoring Supplier credit Bridging/contract finance Asset finance Lease finance Personal credit
3) Sources of finance	This section will deal with each kind of financier available in the market, describe them generically, and also describe the subsector of the financial industry in which each operates. Each module could also contain a list of financiers in that particular industry. Depending on the level of detail in the program, which in turn is a function of budget and time available, modules could be dedicated to certain major financiers.	Family and friends Private investors Home loan Suppliers Banks Factoring houses Niche SME financiers Government agencies and DFIs NGO and Private Funds Venture capital funds Export credit providers

4) Understanding the financier	Once the type of finance is identified as well as where to find it, the user is guided to understand the business model of the financiers he or she chooses. Typical requirements of each kind of financier are described. The way a bank sees collateral, for example, is different from the way a risk financier such as Business Partners sees it.	Market conditions favour the financier, not the finance seeker
		How financiers make (and lose) money
		Collateral
		Viability
		Track record (rehabilitating your business; understanding credit bureaus)
5) The application process	Here the user is back at the internal workings of the business seeking the finance, because a business owner usually has to describe his or her business to the financier in detail through financial statements, among other things. The resource will not directly deal with the understanding of internal financial systems; the modules in this section will help the user to understand where the gaps are, and will advise on where to find help in such a way that an understanding of the internal business finances are part of the outcome. It is envisaged that the last module, *What to do if you get turned down* can serve as an alternative entry point to the program by leading back to the first section and suggesting improvements and serious consideration of alternative finance options.	Gathering information for your application (Your bookkeeping system; You and your accountant; Understanding financial statements)
		Putting it all into your business plan
		Where to find support to help you with your application
		How to choose between financiers
		Preparing for and dealing with the interview
		Dealing with the answer: How best to handle the finance if you are successful
		Dealing with the answer: What to do if you get turned down

More details are available in Annex C: A draft outline for a web-based resource.

It is important to keep in mind that the outline above is conceptualised to cover basic information in broad strokes. The resource can in later stages be expanded into greater detail, even to the extent that each financier in South Africa could be profiled in a separate module.

The outline is presented in this particular structure mainly to explain its ambit. It may very well be that the structure of the eventual resource follows this outline, but depending on the format, the delivery method and resource constraints such as time and budget, the basic information represented in the outline could also be packaged in other, perhaps more effective ways, such as Frequently Asked Questions.

SECTION 4: KEY FINDINGS AND CONCLUSIONS

The following key findings and conclusions were drawn based on the presentation of the framework and implementation options to the key informants through the interview process.

1. External versus internal financial literacy

The key informants largely agreed that a financial literacy program about the external world of business finance was needed, and that it could stand on its own without a training course of internal financial literacy. It is interesting that the informant from Business Partners reckoned that internal financial literacy was by far the most important for access to finance, in contrast to Khula Direct's informant, who believed that the most urgent intervention needed was for external financial literacy. However, they agreed that both were needed and that they could be offered separately.

The outlier was the informant from Blue Financial Services, who acknowledged the huge lack of insight among SMEs about external financial literacy, but was sceptical about whether an intervention would make any difference.

2. Phased approach versus a comprehensive offering

The key informants were all of the opinion that it would not be practical to implement the programme in phases, for example, offer a training course first on types of finance, and later follow it up with one on how to apply for finance.

Furthermore, when they were asked to identify which section of the resource they thought was the most important (in other words, which one would they prioritise if it were to be delivered in phases), no one favourite emerged:

Key informant	Section prioritized
Business Partners	Identifying finance needs
Blue Financial Services	The application process
FABCOS	Understanding financiers, Application process
SAIPA	No preference
FNB	Identifying finance needs

The key informant from Khula Direct and FABCOS stressed that the resource should be launched containing all the sections, but that it should be "light" – accessible, digestible and user-friendly.

3. Format and delivery preferences

The key informants were asked about whether they would implement such a resource through their own organisations and if so, in which format and delivery mechanism they would prefer it.

The informants who indicated that their organisation probably would not use the resource were Business Partners and Blue Financial Services. FNB indicated interest, but stressed the need for further discussions before committing in any way.

The informants who made it clear that they would almost certainly implement the resource are IBA, FABCOS, Khula Direct and SAIPA.

The potential partners all preferred a website as the basic receptacle and store of the information, either as a stand-alone toolkit for business advisors and SMEs, or as the "text book" or "reference notes" for an information workshop or training course.

Two kinds of information workshops emerged from the suggestions of the potential partners:

1) IBA and SAIPA expressed interest in a **one- or two-day workshop aimed at increasing the knowledge of business advisors**. FNB identified the need for such a workshop for their "relationship managers" (loans officers).

2) IBA, FABCOS and Khula Direct expressed interest in an **information seminar that BDSPs can offer to SME clients.**

4. Potential impact

The potential partners were asked to indicate how many business development service providers they would be able to put through the program. They stated the full tally of BDSPs associated with their organisations, but the membership-based organisations, IBA and SAIPA, were unsure of what the take-up would be among their members.

SAIPA indicated that the duration of the workshop will directly influence the number of BDSPs who will take part. A two-day workshop would attract the least participants, a one-day workshop more, and half a day most.

It was even harder to obtain estimates from them about how many SMEs could benefit, either indirectly by virtue of the fact that BDSPs were better informed, or directly by participating in a workshop designed for SMEs. The clearest answer came from FABCOS, who indicated that they had 2 000 SME members.

Potential partner	No. of BDSPs
SAIPA	6200[4]
FABCOS	9
FNB	Hundreds

It is important to note that none of the potential partners had a fully functioning management information system to track the distribution and use of an access-to-finance programme. SAIPA had one, but admitted that they were struggling to monitor members' continuous professional development (CPD) points.

The general benchmark of number of SMEs served by a BDSP varied from 10 to 20 SME clients at any one given time. In the case of FABCOS, the ratio of SME to business development officer in a province is much higher, given its membership of nearly 2000 SMEs.

5. Sustainability issues

The world of finance, particularly at the level of specific financiers, changes fast, and the resource will have to be updated at least once, preferably twice a year if it is to remain relevant and useful over an extended period. This will also allow the resource to improve as it evolves with the market.

The key informant interviews did not go directly into this important issue with the potential partners. Further exploration of it is needed.

However, one aspect of sustainability did arise. The IBA and SAIPA indicated that they would charge market-related fees for attending a workshop, while FABCOS and Khula Direct would not. This creates a potential clash if the program were to roll out through all of the potential partners. BDSPs hoping to offer a workshop to SMEs as a commercial product would be undermined if the same workshop is available through Khula Direct at a highly subsidised rate, for example. The IBA specifically mentioned it as a potential problem.

See the next section on Recommendations for a further discussion of sustainability.

4 As noted above, an increasing number of SAIPA members are assuming a role over and beyond that of providing pure accounting services and are seeking to assume a business advisory role as well.

SECTION 5: RECOMMENDATIONS

1. Characteristics of the program

The potential partners, as well as the other key informants, made it clear that a program would be most useful and practical if it covered all aspects of external financial literacy, rather than being made available incrementally.

If there were to be any phased roll-out, it should rather happen in the level of detail contained in it, so that the first roll-out is a light version, covering all aspects, but in the manner of an overview. In later phases the resource can be developed into an in-depth resource, possibly split into specialist information sessions. A workshop dedicated to factoring, for example, could be offered in later phases.

Any workshop or training-course component should be limited to one day. This falls within the program's parameters of being an information workshop offered rather than a training intervention. Even as an information session, two days would probably be ideal to cover the whole range of information, but the drawback is that far fewer participants would sign up, especially the most active, busy BDSPs – exactly the kind of participant that would pass on the benefit to SMEs. A series of shorter sessions could be explored to overcome this hurdle.

2. Format

It is clear that the content should be housed on a website in the form of an accessible, searchable guide that can serve both business advisors and SMEs. The need for this was expressed by all as a "textbook" or "reference resource" for a training course, or as modular, packaged information that trained business advisors can pass on to their SME clients.

A web-based guide has the further advantages of:

- Being easy to update;
- A user-friendly design can make it useful to all business advisers and SMEs with internet access, not only those who have gone through the workshop component of the programme.

See Annex C for a draft concept of such a web-based resource.

It is important to keep in mind, however, that the website/web-based resource was only mentioned in tandem with a training course or information workshop. The potential partners seem to intuit that a website on its own would not have the same impact, or at least not have the same value to them as a web-resource in combination with an active engagement of their members.

Two options emerged as the active-engagement component of the programme: 1) a workshop aimed at increasing the knowledge of business advisors, and 2) an information seminar that BDSPs can offer their SME clients. It would be ideal if FSP could roll out both training options, but if a choice has to be made, the following factors should be considered:

a) A workshop aimed at increasing the knowledge of business advisors

Input required from FSP for this option is the development of the content, the packaging of the content into a training workshop and delivering the training to SAIPA and IBA members, and possibly to the loan officers of FNB.

The biggest advantage of this option is that it is delivered to SAIPA, which has 6 200 members, and to the IBA, with 420 members, giving a total of some **6 600** potential business advisors. FNB's participation would add hundreds to the number. This is against the second option's roll-out to the IBA (420), FABCOS (9) and Khula/SEDA (200), which comes to a potential pool of just over **800** BDSPs. These figures are maximums, and it is difficult to gauge what the actual take-up will be. It is even more difficult to estimate the ultimate number of SMEs that will be reached, as none of the organisations have fully functioning management information systems.

Another advantage is that the participation of SAIPA opens up one of the most problematic areas of small-business development in South Africa – the often dysfunctional interaction between accountants and business owners, as discussed earlier in this report. A programme aimed at improving this relationship has the potential of far-reaching impact.

The major disadvantage is the difficulty of monitoring the ultimate impact on SMEs, except through a carefully designed research project. However, the website could provide an on-going indication of take-up if a monitoring mechanism for its use is built in.

There is a possibility that the roll-out through SAIPA could miss the intended beneficiaries. Although most SAIPA members serve SMEs, it is probably the more established, white SME sector that interacts with SAIPA members. On the other hand, there is an argument to be made that an access-to-finance resource with its holistic approach to all forms of finance would better equip SAIPA members to deal with the needs of emerging, historically disadvantaged businesses.

b) An information seminar that BDSPs can offer to SME clients

Input required from FSP for this option is the development of the content, the packaging of the content into an SME training workshop and delivering a training-of-trainers course to IBA members, FABCOS business development officers and Khula or SEDA advisors.

The main advantage of this option is its clear positioning in the community of historically disadvantaged SMEs, although it runs the risk of then benefiting those below the target range of R200 000-plus in annual turnover.

Another advantage is that monitoring of the impact on SMEs is easier than the first option; at least in as far as the number of SMEs attending the sessions goes. However, the organisations will probably require some support in setting up monitoring systems.

The biggest disadvantage of this option is that the IBA indicated that their members would charge a market-related fee to SMEs for the workshop. While they do not need exclusive rights to the programme, they will find it problematic if the same resource were to be offered free or heavily subsidised by the likes of SEDA. This issue will need to be cleared up before implementation.

Another disadvantage is that the roll-out is through organisations that at best hold no recognition value among SMEs and at worst have a negative image due to past inefficiencies. There is anecdotal evidence, however, of slight improvement in the reputation of SEDA.

In summary, the recommendation regarding the website is clear. The market needs the resource and the preference for the format is beyond doubt. The decision about which form of training to prioritise is more difficult. After a careful consideration of the pros and cons, the better option is probably the first – a training course aimed at business advisors in partnership with SAIPA and the IBA linked to an electronic resource/tool.

3. Further thoughts on sustainability

There is a small chance that an access-to-finance workshop and resource offered to the market more or less as a once-off intervention could gain a life of its own, rather like the export-readiness programme developed in the early days of Ntsika, the forerunner of SEDA. According to Septi Bukula of Khula Direct, the workshop has survived the ups and downs of both Ntsika and SEDA, and is still being offered today. It may be worth investigating why this particular course survived, and if and how the content kept pace with changes in the exporting landscape.

The chances of sustainability increase if the workshop and resource prove popular and an organisation comes to view it as an income stream. But then the roll-out should steer clear of government agencies, whose instinct it is to disseminate as widely as possible and for free, undermining the building of a long-term resource. There is a breadth of distribution, but no depth over time. Conversely, implementing the programme through a more exclusive arrangement with an industry body or a commercial avenue makes for a narrower distribution, but sustainable over time. The programme will probably have a far greater reach through the latter option, especially since government agencies often lack the capacity to implement effectively.

It is recommended that sustainability is investigated further as follows:

1) Develop the BDSP intervention and pilot it through an organisation that will charge a market-related fee.

2) Use the pilot as a commercial viability study; (Uptake, price sensitivity, running costs, maintenance and updating costs, marketing costs and further research and development costs should be included in the analysis).

3) Do the same for the SME intervention.

4) If they prove to be commercially viable, use the findings to explore two options:

   a) Housing the program exclusively in one of the partner institutions, under an agreement that would tie them over a certain period to its implementation, maintenance and development.

   b) Licensing the program to a commercial entity which could run it as a white-label offering to BDSPs. This model has been tried before by Cobweb, a UK-based commercial company that packages business information into factsheets aimed at adding value to SMEs by their service providers. For example, if a banker sees an SME struggling with, say, the VAT system in his or her business, the relevant factsheet is pulled from Cobweb's database, branded as emanating from the bank, and handed over to the SME as a value-added service. In this way, banks, accountants, consultants and even internet and cellphone companies that service SMEs all use the same white-label factsheets, but brand them as their own before dissemination. The companies pay an annual subscription fee to Cobweb who ensures that the database remains up-to-date and relevant. Cobweb's agreement with its subscribers limits the dissemination to one-on-one interactions with clients, for example, so that the offering is not undermined by free dissemination on the web.

In conclusion, identifying a host for the program should not delay development of its content and implementation in the market, but could be investigated by FSP in parallel to this process.

ANNEX A: LIST OF KEY INFORMANT INSTITUTIONS

Name of Institution	Type of Registration	Type of Institution (BSO/FI)	Access to Credit	Offer BDS to SMEs	No. of BDSPs
Blue Financial Services	Private	FI	Yes	Yes	Low
Business Partners	Private	FI	Yes	Yes	Medium
Enablis	NGO	Both	Yes	Yes	Low
FABCOS	Member based	Both	Yes	Yes	Low
FNB	Private	FI	Yes	Yes	High
Instititute of Business Advisors	Member based	BSO	No	Yes	High
Khula Direct	Govt	FI	Yes	Yes	High
SAIPA	Member based	BSO	No	Yes	High

Format	**One or two-day workshop for business advisors**	**TOT to offer one-day workshop to SMEs**	**Toolkit for BSO to pass on to SMEs**
Target	Business advisors	Business advisors and SMEs	Business advisors and SMEs
Partners	IBA, SAIPA, Khula Direct, Enablis (?)	IBA, FABCOS, SAIPA (?)	IBA, FABCOS, SAIPA, Khula
Action	Develop content; Package & deliver training course	Develop content, package & deliver TOT	Develop content; Build website
Impact BDOs	IBA 420 SAIPA 6 200 Khula 200	IBA 420 FABCOS 9 SAIPA 6200	IBA 420, FABCOS 9 SAIPA 6200 Khula 200

ANNEX B: KEY INFORMANT INTERVIEWS

Nazeem Martin of Business Partners

Nazeem was generally positive about the concept, but did not show great enthusiasm for it, probably because Business Partners already has various ways of dealing with the lack of financial literacy among SMEs:

- Business Partners' loans officers and mentors are highly trained professionals who undergo stringent development through the organisation's own academy.
- They are the South African custodians of the IFC's SME Toolkit®, a web-based resource. (Most of its financial-literacy factsheets are on financial management, though, with very little on the world of business finance.)
- SMEs whose applications for finance are turned down are given a factsheet with alternative sources of finance.
- Black SMEs who are turned down are given a Business Partners mentor for a day, free of charge.

He was emphatic about the fact that the greatest need among SMEs are for internal financial literacy as opposed to external financial literacy. He agreed that internal financial literacy resources are available, but that it tends to be dry and academic, and often not very relevant to SMEs. However, he acknowledged the lack of external financial literacy resources, and agreed that a greater understanding of the world of business finance among SMEs would decrease the number of inappropriate applications received by Business Partners.

Nazeem generally agreed with the approach of the outline, and suggested an additional chapter on owner's equity as a criterion for bankability.

He felt that Business Partners' mentors and loans officers are trained beyond the need for such a resource themselves, but he did see some use of it as a tool for them to engage with business owners who lacked financial literacy. He therefore favoured a design that could both be used by business advisors as a value-adding device and by SMEs themselves. He saw potential in building the resource into their feedback to unsuccessful applicants, who number between 3 000 and 5 000 a year. He suggested that further inquiries would be needed among his loans officers to gauge their need for such a resource.

Each of the 100 Business Partners loans officers has a network of 20 to 30 "intermediaries" – accountants, lawyers, consultants – who refer potential clients to Business Partners in return for an introduction fee. Nazeem was unsure about whether these intermediaries would find a finlit resource helpful in dealing with their SME clients, and seemed to suggest that Business Partners would not push for opening the network as a channel for rolling out a finlit program.

Nazeem volunteered a booklet or DVD as preferred format, but was not averse to the idea of a web-based resource, which he said could link to the SME Toolkit® (http://southafrica.smetoolkit.org/sa/en/). He was sceptical about a training course aimed directly at SMEs, especially if it were longer than a day.

In summary, Business Partners agreed with the approach and the need for such a resource. It could even use the resource as a tool in dealing with their unsuccessful or marginal clients. About 100 loans officers and business advisors could use the resource, dealing with between 3000 and 5000 SMEs per year.

Kenneth Fisher of Blue Financial Services

Kenneth and his colleagues were sceptical about whether an access-to-finance resource would work, mainly because, in their experience, business owners tend to be technically knowledgeable about their field of business, but remain generally "clueless" when it comes to both financial management and knowledge of the external world of business finance. This is more of an attitude problem on the part of the business owner than lack of learning opportunities and resources, they say.

They find that the material developed by Blue to educate their potential clients about their application procedures has very little effect – business owners still approached them without much overview, plan or strategy, and needed to be sent back several times to get their application in order - even those who were fairly certain of the type of finance that they needed.

They highlighted the application process as the most important section of the framework, but stressed that the resource would only work if the content were of an exceptionally high quality.

Even then, Blue would not be interested in disseminating or using it, because the resource could send Blue's prospective customers to their competitors. And if they were to offer the information to the applicants they turn down as a gesture of goodwill and a contribution to possibly building a future client, they fear the constant return of business owners whom they would rather not deal with.

With this last point, Blue provides an important insight into the likely difficulties of trying to convince commercial financiers to become users of the resource. Although financiers decry the lack of understanding among business owners for their position, they would be hard pressed to back a program that gives their competitors just as much mileage as themselves. The resource could be tailored and sanitised from any mention of competitors, but chances are that it would then become bland and theoretical.

This is a pity, because there is potentially a great opportunity to cut through a lot of the inertia and apathy of business owners at the very moment that their applications for finance are turned down. If a financier were to hand over a relevant factsheet, for example, which explains why they were not successful and offering alternatives, the business owner may be spurred to actually internalise more of the information than they normally would. This could be verified with politically more sensitive financiers such as Business Partners and Khula Direct, before selling the concept to commercial financiers. The alternative is to let a neutral body such as the Banking Association champion the resource, but even then the individual banks will need to commit strongly to the program if it is to work.

Martin Theron, CEO of the Institute of Business Advisors

Martin was very positive about the concept as a guide for business advisors to steer SMEs through the landscape of business finance and agreed that there is a clear need for it even as a stand-alone program, separate from financial management interventions.

He was very critical of the damage done to the role of business advisors in applications for finance through dysfunctional programs such as the Umsobomvu business-plan voucher scheme, which saw many fly-by-night operators emerge to milk the scheme while adding very little value. He saw the access-to-finance guide as contributing to restoring business advice as a value-adding service.

In direct contrast to Nazeem Martin from Business Partners, Martin highlighted the three last sections in the framework as the most important – sources of finance, understanding of financiers and the application process. He thought that the framework covered all of the important issues.

Martin envisaged, firstly, a training course aimed at boosting the knowledge of the IBA's business advisors so that they can better advise their SME clients. He believed that a two-day workshop could draw a substantial number of members, and cited a recent financial-ratio workshop for business advisors in a similar format that proved popular.

Second, he believed that a seminar could be packaged for SMEs, with IBA business advisors trained up to deliver the seminar as an added product to their clients. IBA members would charge a market-related fee for the workshop. Martin said in this scenario, the IBA would want to be sure that the same workshop would not be offered free of charge or at a heavily subsidised rate by government agencies, industry bodies or NGOs.

Both of these training interventions would need a resource to back them up, and he suggested a web-site. Martin thought that the material for both the business-advisor workshop and the SME seminar could be more or less on the same level. But his colleague, Div de Villiers, disagreed. He believed that there are concepts that business advisors must be trained in, but trying to do the same with SMEs is over-ambitious and a waste of their time. Rather, it is more realistic to merely inform SMEs of certain intricate concepts (he used *net present value* as an example) than to painstakingly train them in the use thereof.

This valuable point is certainly true for training seminars and workshops – both the level and angle will have to be carefully differentiated when aiming it at business advisors on the one hand and their SME clients on the other. But a web-based resource can deal with such a differentiation through a hierarchical structure where top-level overview-type factsheets can be used by both SMEs and advisors, who can then choose to drill down to more detailed, complicated factsheets if they need to. See Annex C for an outline of a web-based resource.

The IBA has 420 members, roughly half of whom are themselves in need of some financial literacy upgrade. The other 200 do not need the financial literacy as such, but would find the resource useful as a guide in their interactions with their SME clients.

Septi Bukula of Khula Direct

Septi was very positive about the concept, and wanted to see it come to fruition as soon as possible, in time for the launch of Khula Direct's operations.

He saw the need for an external financial literacy resource as more important than improved financial management training for SMEs. Although it is true that financial management lies at the heart of successful business and successful finance applications, the reality was that most SMEs will remain "underprepared" when applying for finance. Rather than wait for general financial literacy to rise, the most pressing need now is for a programme that will increase the understanding of the world of finance so some of the "incredible frustration" on the part of SMEs can subside.

Commenting on the framework, Septi suggested that Development Finance Institutions be added to Sources of Finance, and that the program deal explicitly with credit bureaus to teach users how to deal with them, and to understand the important function they play creating access to finance.

He did not like the idea of phasing in the program section by section. It would only really make sense if it were delivered as a whole. The pilot could be a "light" program, which could subsequently be built out into something more substantial.

Septi was adamant that it be packaged as an information workshop of not more than two days for SMEs, rather than training up business advisors to pass the knowledge on in consultations with SME clients. He felt that too many resources are being spent on the business-advisor industry which tends to act as a sponge rather than passing value on to the SME sector. The workshop must be accompanied by a back-up resource – "nothing heavy" – ideally web-based. He said despite the fact that many of Khula's clients are less sophisticated and lacked internet access, the web remains a much better distribution mechanism than printed material, which tends to date quickly. SMEs lacking internet access can get printouts of relevant factsheets from Khula and SEDA offices.

Khula Direct is currently considering the most appropriate ways to offer non-financial support services to their prospective clients. The current thinking is that all non-financial support, including this access-to-finance resource, would be delivered by SEDA, which has about 200 business advisors nationwide who can be trained as trainers.

If the enthusiasm of Septi is anything to go by, the program could find a fertile channel in Khula Direct, but the fact that SEDA may be the delivery agent casts an uncertainty over that avenue.

Septi Bukula as director of the FABCOS Academy

Septi also delivered input from the perspective of FABCOS, a business association of 1 500 – 2000 historically disadvantaged SMEs. His views on the format and delivery remained the same. FABCOS has nine business development officers, one in each province, who will be trained up to deliver the information workshop to FABCOS members.

Shahied Daniels of SAIPA

Shahied was strongly positive about the program, and had clear ideas as to how it would best serve SAIPA:

- It should be packaged as a "refresher course" for SAIPA members who not only want to earn CPD points, but also want to offer value-added services to their SME clients.

- The name of the program should not contain "financial literacy" – it will be viewed as a waste of time by SAIPA members, who are all qualified accountants.

- The course should be accompanied by a "basic toolkit" that SAIPA members can use to engage their SME clients.

SAIPA has 6 200 members, but Shahied warned that a limited set of members will take up a "refresher course", or any training course for that matter. Firstly, a large section of the membership is still stuck in a mindset of offering narrow accounting services only to SMEs. Only those who have evolved their practices to offer value-added services will be interested.

Furthermore, SAIPA charges about R800 for a half-day CPD course and R1 200 for a full-day course. Many SAIPA members sidestep these fees by going on Fasset CPD courses which are offered free of charge.

Nevertheless, Shahied was certain of a sizeable take-up, especially if the course could be packed into half a day. He warned against a workshop of more than one day.

Marcell Klaassen of FNB

Marcell saw the value of the program as an opportunity to upgrade the skills of the bank's loan officers, called relationship managers. He hinted at the fact that the levels of insight and training among the relationship managers were very uneven, and that the bank would value a program that could orientate relationship managers in the whole finance landscape in South Africa so that they are better able to interact with SMEs seeking finance. He said the bank should not have a problem with the program referring to other financiers, essentially competitors of FNB. (This is, of course, easier said than done).

If the resource were to be aimed also at the bank's loan applicants, in other words, a loan officer can draw out a relevant factsheet as a value-adding take-away for the client, the loan officers should be trained up at a level higher than the content of the resource, so that they can use it intelligently.

Marcell was sceptical about the possibility of summarising the finance landscape into a useful resource, and wanted to see the nature and level of the content before committing further to the idea.

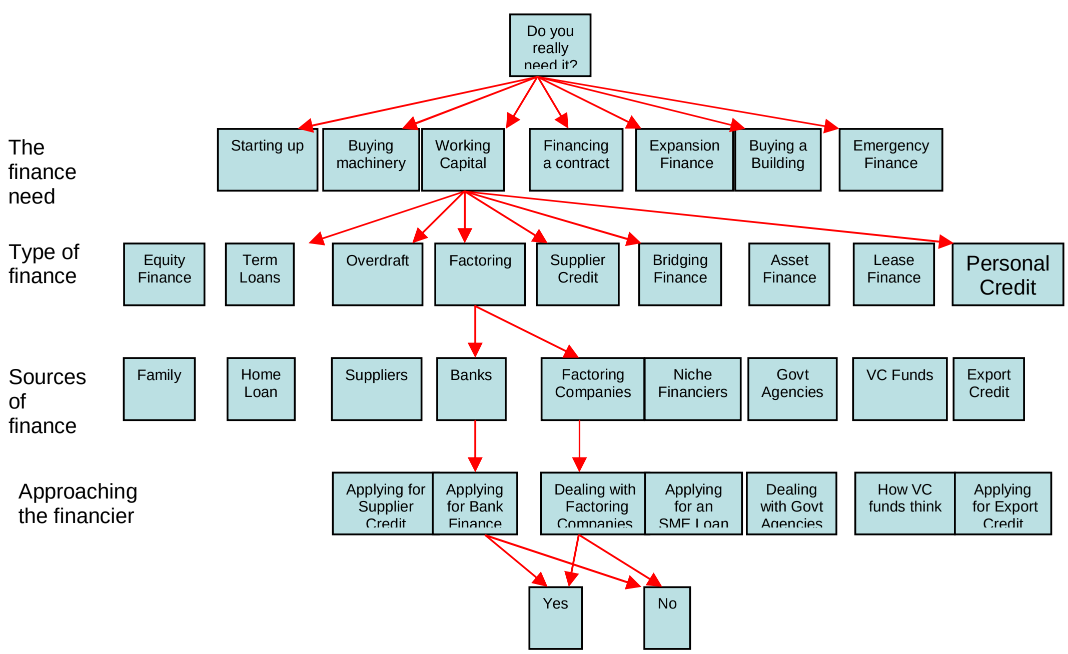
The world of finance, particularly at the level of specific financiers, changes fast, and the resource will have to be updated at least once, preferably twice a year. A sustainable offering would not only remain up to date, but will also improve and evolve with the market.

ANNEX C: DRAFT OUTLINE OF A WEB-BASED RESOURCE

A web-based access-to-finance resource offers the opportunity of modular information (so that business owners can easily find and pull out information on a specific topic) and a navigation tool (so that someone who wants an overview of the finance landscape can work his or her way through the information in a logical fashion).

The envisaged structure puts overview-type summary factsheets at the top of the pile. These factsheets then point to more detailed, specialised factsheets that can drill down to even more detailed modules. At the same time, a well-developed search function will allow a user to pull out a relevant specialised module directly without having to work through the structure.

A draft outline is illustrated in the chart below, with the arrows pointing out the route a user might take through the resource. The "front page" is a module that prompts the user to consider whether the finance is really needed, and guides the user to identify the nature of the need. If, for example, the user identifies working capital, he or she can read an overview of the topic, which may include examples, issues, and common problems, or he or she can go straight to a list of types of finance suited for working capital. The list summarises the types and links to separate factsheets on each type. If the user chooses to find out more about factoring, for example, he or she drills down to the factsheet on factoring which summarises among other things the sources of factoring finance, while pointing to factsheets on each of the sources. They, in turn, drill down to factsheets explaining how best to approach the sources of finance. Finally, the user is led to modules dealing with the two possible outcomes of a finance application. If yes, information is offered on how best to manage the finance. If no, the user is prompted to go back to the resource and to consider alternatives.



It is important to keep in mind that this outline represents merely the top-level, overview type information, which, in later phases of the program, can be extended to ever-deeper levels of detail.

For example, the module *Dealing with Government Agencies* will summarise the topic into one digestible factsheet of probably not more than 1 500 words. In the first phase it would point simply to the directory of financial institutions, as well as the *Yes* and *No* factsheets. But it could in later phases also point to a host of deeper-level factsheets, for instance, one on each of the government agencies.

ANNEX D: PROPOSED MODULES FOR A BASIC WEB-BASED RESOURCE

The table below attempts to show a possible basic design of a web-based guide to the world of business finance. It contains 40 modules, or factsheets, the content of which is described in the second column.

For the purposes of an initial, basic design, the sections Sources of Finance and Understanding the Financier have been amalgamated, so that a factsheet about where to find a factoring house, for example, will also explain the business model of such an institution.

In the third column, a list appears of other modules to which each factsheet points, so that the user can decide if and how to read further.

SECTION 1: FINANCE NEEDS		
Module	**Content**	**Points to modules:**
Do you really need the finance?	An overview is given of the various financial needs that arise so that the user can quickly navigate to the module relevant to his situation. This module will therefore point directly to all the other modules that deal with financial needs. But not before prompting the user to ask the question: Is this finance really necessary? Strong case studies must be included to illustrate how often the need for finance is a symptom of an undiagnosed malaise inside a business. The need for understanding the finances of the business is emphasized.	Where to find financial management training
		You and your accountant
		Starting up
		Buying a machine, vehicle
		Working Capital
		Financing a contract
		Financing expansion
		Buying a building
		Emergency finance
Starting up	A description of the financial needs that arise when starting up, with an emphasis on the importance of ensuring that all possible expenses are considered. The case study will highlight the danger of starting up undercapitalized, and the tendency of start-ups to underestimate their expenses. Mentions the importance of own contribution. Summarizes financing options for start-ups.	Equity
		Term loans
		Overdraft
		Factoring
		Supplier credit
		Bridging/contract finance
		Personal credit
		Personal savings

SECTION 1: FINANCE NEEDS		
Module	**Content**	**Points to modules:**
Buying a machine, vehicle	A discussion of the financial considerations when buying machinery, including the choice between new and second-hand, buying and renting, with or without maintenance. A good case study could highlight the thinking that goes into making these choices. A summary of the financing options available.	Equity Term loans Supplier credit Asset finance Lease finance Personal credit Personal savings
Working Capital	A description of working capital needs and the discussion of the importance of cash flow. Case study could highlight the danger of running out of working capital. Summary of the financing options available.	Equity Term loans Overdraft Factoring Supplier credit Bridging/contract finance Personal credit Personal savings Client finance
Financing a contract	Essentially working capital, but with an emphasis on the importance of negotiating progress payments and deposits as a way of mitigating the need for financing the contract.	Equity Term loans Overdraft Factoring Supplier credit Bridging/contract finance Personal credit Personal savings Client finance

Financing expansion	Essentially working capital, but could include asset finance or property finance. A mention of the dangers of expanding too fast – a case study to illustrate this could be helpful. A summary of the options available. May have to consider dropping this module, as all SME finance is basically expansion finance	Equity Term loans Overdraft Factoring Supplier credit Bridging/contract finance Asset finance Lease finance Personal credit Personal savings Client finance
Buying a building	A summary discussion of property finance and the options available. A good case study would be a business owner who takes on tenants in order to make the acquisition affordable. Perhaps this module should also point to a specialized ''property loan'' module, instead of the generic ''term loan'' one.	Equity Term loans Personal credit Personal savings
Bail-out finance	Essentially working capital, but the most difficult kind of finance to get. Also happens to be one of the most common needed for finance, so this is a particularly important module. A discussion of some of the special strategies that may be necessary to convince financiers. A case study illustrating some of these strategies essential.	Equity Term loans Factoring Supplier credit Personal credit Personal savings

SECTION 2: TYPE OF FINANCE		
Module	**Content**	**Points to modules:**
Buying a business or franchise	Essentially start-up finance, but of a particular kind. Could touch on valuation issues, which can later be built into a separate module. Discuss own contribution and gearing.	Equity Term loans Personal credit Personal savings Valuating a business
Equity	A discussion of equity, the pros and cons, calculating share values, and options for structuring shareholding, including clawback provisions and calculations.	Family, friends and private investors Business Partners IDC VC Taking on a partner
Term loans	How term loans work, cost and interest calculations, different forms they take, repayment options, revolving credit options. NCA implications	Family, friends and private investors Home loan Banks Niche SME financiers Government agencies What is repo and prime?
Overdraft	How an overdraft works. Automated overdraft calculations vs. secured overdrafts. Cost calculations. Use strictly for fluctuations in working capital only. The danger of immediate withdrawal. NCA implications	Banks What is repo and prime?
Factoring	What is factoring, how it works, cost calculations. Whether or not to include debt collecting services. NCA implications	Banks Factoring houses
Supplier credit	How it works, cost calculations, outsourced credit vetting, outsourced credit, NCA implications	Suppliers
Bridging/contract finance	How it works, cost calculations, NCA implications	Banks Niche SME financiers Government agencies Clients
Asset finance	How it works, cost calculations, NCA implications, in-house finance vs. independent financing. Compared with lease finance	Banks Niche SME financiers

SECTION 2: TYPE OF FINANCE		
		Government agencies
		Asset finance houses
Lease finance	How it works, cost calculations, NCA implications, in-house finance vs. independent financing. Compared with lease finance	Banks
		Asset finance houses
Personal Credit	Options, dangers, NCA and other legal implications	Home loan
		Banks
		Micro financiers
Personal Savings	Spend directly vs. invest and use as collateral. Pension fund laws	Family, friends and private investors
Client finance	Deposits and progress payments. How it works, options	Clients

SECTION 3: SOURCES OF FINANCE AND HOW THEY WORK		
Module	**Content**	**Points to modules:**
Family, friends and private investors	How to approach them, personal implications, how formal, informal	
Home loan	Remortgage in personal capacity vs. using home as collateral for a business loan. Legal implications	Applying for bank finance
Suppliers	What to look for in a supplier, where to find them, and building a long-term relationship	Applying for a supplier account
Banks	A generic description of an SA bank and the range of products its different units offer. An overview of the banking landscape in SA. How banks view collateral, track record, viability	Applying for bank finance
Factoring companies	An overview of the factoring landscape in SA. Who does it, where to find them and how to choose between them. How they view risk	Dealing with factoring companies
Niche SME financiers	A description of the landscape of specialist SME financiers, with particular reference to Business Partners, Blue, Grofin and New Business Finance. How they view collateral, track record, viability	Dealing with niche SME financiers
Government agencies and DFIs	An overview of the sector, with specific mention of Khula, IDC, DTI incentives and the major DFIs with SME outreach. How they view collateral, track record, viability	Dealing with government Agencies
Private and NGO Funds	An overview of the sector, with specific mention of Masisizane, PPC Ntsika, Siyakhula and Enablis	Dealing with private and NGO funds
VC funds	A description of the VC landscape, a list of funds and a warning that they look for very specific types of businesses	Applying for VC
Export credit houses	An overview of the export credit market, listing the most accessible sources. How they view collateral, track record, viability	Applying for export credit
Clients	A discussion of the conditions under which clients can be asked for a deposit or progress payments	Negotiating deposits

SECTION 4: APPLYING FOR FINANCE		
Module	**Content**	**Points to modules:**
Applying for bank finance	A detailed description of the application process of a bank	Yes, or No
Applying for a supplier account	A detailed description of applying for supplier credit	
Dealing with factoring companies	A detailed description of applying to factoring companies	
Dealing with niche SME financiers	A description of the application process of the main niche SME financiers	
Dealing with government Agencies	A description of the application process of the relevant government agencies	
Applying for VC	A detailed description of applying for VC, and what a due diligence entails	
Applying for export credit	A detailed description of applying for export credit	
Negotiating deposits and progress payments	How to structure deposit and progress payment agreements	
Yes: if you application is successful	A discussion of how best to manage your finance, including where to get support to improve your financial management skills	A module dealing with how best to manage a business loan once it has been approved
No: What to do if you are turned down	A prompt to the applicant to insist on detailed feedback from the financier, and how to use the feedback to improve bankability. The user will be urged to start again and consider alternative sources.	A module advising the user how to handle rejection from a financier – demand feedback, go back to the drawing board, and work on a strategy to improve your business or your finance application

Additional factsheets and features		
How to clear a bad credit record		
The problem with business plans		
The NCA		
Signing personal surety		
Credit bureaus		
Where to find financial management training		
You and your accountant		
How interest rates work		
FAQs		
Financial literacy test		