

Want to get funding for your small business? Do this first

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Lack of funding support is a major obstacle for small business owners in South Africa. According to the [new 2023 State of Entrepreneurship in South Africa Survey](#) conducted by the Entrepreneurs' Organisation (EO) South Africa, only 10.1% of respondents reported to ever receiving government support.



Half of the entrepreneurs (49.1%) said they needed more public or private funding support to grow their businesses, and majority (24.3%) said lack of funding was their biggest business constraint.

This is despite the fact that there are between 2.4 and 3.5 million small, medium and micro enterprises in the country, with the largest number in the informal and micro sectors – as reported by the [2023 State of the Nation Address](#).

SMMEs offer the greatest untapped potential for growth, employment and fundamental economic transformation, however, lack of funding could stifle this growth.

There is hope for funding-seekers

Entrepreneurs are not without options: there are various [funding](#) options like business [loans](#), [government funding schemes](#), [grants](#), [venture capitalists](#) and [crowdfunding](#). However, the competition can be steep.

It is therefore best for business owners and entrepreneurs to prepare to get funding; it is essential to know what could stand in the way of them getting the financial investment they need.

A survey commissioned by the Adclick Africa Media Group was conducted with 1157 South African SME owners in SME South Africa's database and revealed that there were four primary reasons for funding rejection:

- Insufficient operating history – Banks give preferential treatment to businesses with lengthy and significant track records.
- Inadequate cash flow – Financial institutions tend to favour businesses with a steady revenue stream and consistent cash flow coming in every month.
- Limited collateral – Many loan applications include a request for a viable piece of collateral to complete the transaction and receive funding.
- Bad credit score – The minimum credit score needed is often too high for many SMEs.

Even if small business owners manage to dodge all these issues, they still need to work on giving themselves a competitive edge. Investors go through a ton of pitches and business plans daily, so to stand out, entrepreneurs should take note of the following:

1. Have a well-thought-out business plan

A [business plan](#) is a blueprint for a small business and creating one should be one of the first steps taken when embarking on the entrepreneurship journey.

Investors are more likely to invest in a business projected to be profitable within a certain amount of time, has a specified [marketing strategy](#) and will exist in a receptive market. This information should be provided in the business plan to pique interest straight away.

2. Take care of your finances

To show potential funders or investors an overview of your business's finances, start by separating your personal from your [business expenses](#) - make sure that the funds are divided into separate, designated bank accounts.

[Accounting](#) plays a vital role in running a business as it helps keep track of income and expenditures. It ensures small business compliance and provides all invested parties with quantitative financial information which can be used in making business decisions.

There are three key [financial statements](#) generated by your records.

- The [income statement](#) provides you with a tangible view of how your business is growing.
- The balance sheet gives you a clear picture of the financial position of your business.
- The cash flow statement summarises the amount of cash and cash equivalents entering and leaving a company.

Keeping an eye on these factors will allow the entrepreneur to give possible investors a better overview of how profitable the business is and can be. Therefore, investing in accounting software that is affordable would be a good option for your business.

3. Invest in a business mentor

A [mentor](#) will take a holistic view of the business and based on their specific expertise can help small business owners set themselves up for the best chance at funding success.

One of the main advantages of mentorship and business coaching is to share experiences, knowledge and know-how. Enlisting the assistance of a mentor who specialises in funding means you can save time on running the business while they help streamline the process and keep entrepreneurs from focusing on the wrong things.

In addition to saving the entrepreneur time, these experts are often able to advise on how to manage the business or on the best strategy to be adopted to guarantee success.

4. Do the research

There are many places to get information on funding. SME South Africa is a one-stop-shop for business owners to access advice, business tools and resources they need. The platform demystifies the funding process by giving business guides, templates and overviews of everything you may need to start your process. Get information on:

- An overview of the various loan options
- Guides to government funding in South Africa
- How to keep an eye on your company financials
- How you can access alternative funding such as crowdfunding
- How to work with venture capitalists

Lastly, SME owners can also go online and submit their details to receive up to four quotes from companies that offer funding for small business startups in South Africa.

[Click here to find out more about SME South Africa's funding solutions](#)

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