

No financials, no finance

South African entrepreneurs looking to access finance to grow their business, won't make much progress if their financials are not in order.



Ken Brown, master franchisor at SME.Tax

This is the advice shared by Ken Brown, master franchisor at SME.Tax, an innovative South African accounting franchise group.

“We see it all the time, high-potential businesses can’t access finance for growth because they can’t provide up-to-date financial records,” says Brown.

This is often driven by the fact that many small businesses neglect the accounting and bookkeeping functions as they focus on securing new business and fulfilling orders.

Brown points out that many SMEs win a contract at a corporate and then can't get on to the vendor system because they haven't kept their SARS or CIPC submissions up-to-date.

"While technology has driven a lot of innovation and the development of new tools, bookkeeping or accounting at its core hasn't really changed much in terms of its purpose, which is to provide an accurate financial statement of a business at a point in time," says Brown.

When it comes to applying for finance, here are some common mistakes that entrepreneurs make:

- If your returns for CIPC, SARS and even B-BBEE certificates are not kept up-to-date, you will find it very hard to get onto vendor systems. Entrepreneurs need a system such as the SME Snapshot tool or regular reminders from their bookkeeper or accountant to keep these current so as not to miss out on orders or finance
- One of the real innovations in the world of fintech is the ability to use technology to access finance quickly – often inside of 72 hours – but many of these new online systems require you to upload your current financials into secure databases. If you don't have up-to-date financials stored on a recognised financial platform such as Xero or Sage, these automated systems cannot apply their credit scoring systems and disburse funds
- Lenders want to know that you have fiscal discipline and ultimately positive cashflow. An immediate red flag for lenders is a bank statement which shows the owner or entrepreneur making regular cash withdrawals and using the company bank account for lifestyle expenses. A good bookkeeper or accountant will help instil this discipline in your processes, immediately making you more attractive and lower risk in the eyes of a lender
- If you are looking to access venture capital or bring in a new investor, these parties are going to want to know what they are investing in. Being able to present financials and realistic forecasts will be a critical part of your pitch
- As part of their credit-scoring metrics, lenders have a relatively good idea around profit margins in various industries. Financials which have been hurriedly put together and reflect margins which are either wildly high or unsustainably low, will both be flagged during credit vetting processes.

"In the quest to find new business, entrepreneurs often neglect the financial administration side of their businesses and this is unfortunate as they could very easily be accessing growth finance, if they just put the right processes in place or partnered with teams who can do this for them," concludes Brown.

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