INAUGURAL SOUTH AFRICAN SMME ACCESS TO FINANCE REPORT

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CONTENTS

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Report Sponsor: SA SME Fund (www.sasmefund.co.za)

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GLOSSARY OF ACRONYMS

BCG	The Boston Consulting Group
BEE	Black Economic Empowerment
BDSP	Business Development Service Provider
BER	Bureau for Economic Research
CIDB	Construction Industry Development Board
DFI	Development Finance Institute
ECDI	Entrepreneurship and Co-operative Development Institute
ESD	Enterprise and Supplier Development
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
HDI	Historically Disadvantaged Individual
HRDC	Human Resource Development Council
ICT	Information and Communication Technology
IFC	International Finance Corporation
ILO	International Labour Organisation
NDP	National Development Plan
OECD	Organisation for Economic Co-operation and Development
QLFS	Quarterly Labour Force Survey
ROA	Return On Assets
SAVCA	The Southern African Venture Capital and Private Equity Association
SMME	Small, Medium and Micro Enterprise
STATS SA	Statistics South Africa
TEA	Total Early-Stage Activity
USAID	United States Agency for International Development
VAT	Value Added Tax
VCC	Venture Capital Company

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PREFACE

BACKGROUND

SMMEs are the backbone of the country's economy, providing the majority of job opportunities and contributing significantly to the GDP. For South Africa to resolve its high rate of unemployment and to alleviate poverty, a supportive environment needs to be created to facilitate small business survival and growth in order to ensure increased, sustainable job creation. SMME funding is a critical component of this growth. Access to finance is one of the primary challenges for startups, micro, very small, small and medium businesses in the country, and one that needs urgent attention.

The purpose of the Report is to map the landscape of providers and seekers of SMME funding in the country, and to identify the access to finance challenges, gaps, opportunities and potential solutions in order to promote increased funding success in this vital sector.

The SA SME Fund has sponsored an independent research study of Finfind's 2017 data sets of SMME funders and finance seekers. The cleaned data sample is notably larger than the GEM South Africa sample or any of the other South African research studies and reports included in the literature review.

The Report is being published and made freely available for the benefit of stakeholders across the SMME ecosystem including; private sector lenders, government funding agencies, DFIs, incubators, accelerators, SMME business advisors and accountants, BDSPs, ESD managers, SMMEs and policy makers, amongst others.

OUTLINE OF KEY FINDINGS

Credit gap is significant
The SMME sector in South Africa provides a compelling, largely untapped market opportunity for innovative funders who are able to develop new lending models and risk assessment tools tailored to address the challenges of this complex and burgeoning market. The report provides estimates of the SMME credit gap in South Africa of between R86b to R346b.

High risk market to fund
The SMME funding environment is complex and needs to consider a number of diverse factors. The SMME sector is not only varied in terms of geographic location, size of business and industry categorisation, but it is also a highly segmented market where the stage of business growth impacts significantly on the perceived risk of lending. While the potential opportunity of this large and growing market is appealing, the higher risks and costs associated with funding this sector remain a deterrent for funders. Greater adoption of fintech solutions is needed to drive down the high transactional costs associated with processing large volumes of smaller size funding applications.

Startups and micro businesses in the formal* sector are underserved
Startups and micro businesses are the most underserved in the formal business market and represent the largest funding gap. While there is a large demand for SMME funding which should make servicing this market attractive to funders, a high percentage of the demand is from early stage SMMEs that battle to meet the traditional credit risk assessment requirements. These businesses situated at the base of the pyramid are considered very high risk funding prospects that few funders have an appetite to serve. Whilst a few innovative, early-stage SMMEs may qualify for venture capital funding, the funding opportunities for less scalable SMMEs are less promising. This opens the door for new, innovative funding models to service this section of the SMME market. Startups and micro businesses represent a significant potential market for innovative funders who are able to develop new lending models tailored to address this growing market.

* The report focuses on SMMEs in the formal sector.

SMMEs lack the knowledge needed to raise funding

Many SMMEs lack strong finance skills and struggle with financial literacy, financial planning and management. The same is true when it comes to funding knowledge. Most do not know who the funders are, what the different types of finance are, or which of these fit their funding need, and what the qualifying criteria are. They waste a lot of time and effort approaching the wrong funders, applying for funding products that do not match their needs, or for funding they do not qualify for.

Low human capital and lack of skills are a barrier to accessing finance

A key challenge for the SMME eco-system as a whole is the raising of the skills levels of many of the startup and early-stage businesses, to equip them to build companies: that are better managed; that have viable business models; that maintain up-to-date financial records; that understand how to manage their cash flow; that can articulate their funding need; that can prepare a business plan that is properly positioned for funding; and that develop the trading history and track record necessary to secure funding.

Finance readiness is a challenge for SMMEs

The qualitative research showed that many SMMEs who are eligible for funding (that have viable business models, match available finance products, and have the necessary security) are still unable to secure the finance they need, due to their lack of finance readiness i.e. they are unable to produce the financial documentation required by funders to assess bankability and affordability, in order to approve their funding applications. These documents include up-to-date management accounts, latest financial statements, budgets, forecasts and tax clearance certificates, amongst others.

New credit scoring and risk assessment models are needed

The report shows that two of the key (traditional) instruments used by funders to assess SMME lending risk, namely credit records and collateral, represent a major hindrance to SMMEs securing funding. For funders to close the credit gap, alternate/innovative credit scoring models will need to be developed that are designed specifically for this target market, that enable more accurate assessment of the risks.

Data gaps

Whilst this report and others, such as the SAVCA Venture Capital Survey and the OECD Economic Survey of South Africa, are contributing to understanding access to finance in the SMME market, a number of questions still remain unanswered. This initial study on the Finfind's 2017 data set focuses on the composition of providers and seekers that make up the SMME funding landscape. In order to provide a more complete picture of the SMME funding challenges, research studies on the success rate of financing is required, analysing the approval and rejection rates/reasons, as well as the funding supply and demand fit across all stages of SMME business growth, amongst others.

Data on SMME access to finance in South Africa is limited. Key measures on SMME funding should be disclosed in order to assess the progress in the sector. For example, many OECD countries report on SMME interest rates, share of SMME loans outstanding (% of total outstanding business loans), new SMME lending, non-performing long and short-term loans, interest rate spread, SMME collateral (% of SMME needing collateral to obtain bank lending) and rejection rate (SMME loans authorised/requested). Transparent data on a number of SMMEs applying for loans, the reasons they are applying, financing terms, rejection reasons and rates, interest rates, non-performing loans and factoring volumes does not exist in the public domain in South Africa, despite this information being crucial for policy making. If this information was available, it would give clear macro benchmarks with which to measure country level progress in SMME funding[1]. The relevant data sets need to be built, or made public, in order for a clear picture of the access to finance challenges to be formulated. Effective lending rates or indicator rates for small business loans should be published by the Reserve Bank or National Credit Regulator to allow borrowers to compare offers[2 & 3].

1. Financing SMEs and Entrepreneurs 2018: An OECD scoreboard
2. OECD (2017) Economic SA Survey
3. OECD (2017) Financing SMMEs and entrepreneurs

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Some of the key unanswered questions include:

- How many businesses seeking funding are bankable and have the capacity to repay loans?
- What percentage of SMMEs that apply for finance are funded and by whom?
- What are the main reasons for funders rejecting funding applications?
- If all businesses eligible for funding were able to access the finance they are seeking, how much would they contribute to job growth and GDP growth?

ABSTRACT

The report examines access to finance for SMMEs in the South African context. The study data is based on the data set collected from the Finfind funder matching platform in 2017, where SMMEs seeking finance completed an online questionnaire and were provided with the details of matching funding products.

A further data set of funders collected by the Finfind team is summarised and discussed. We have shown the types, size and demographics of SMMEs seeking finance, and looked at the funders and types of finance being offered to SMMEs in South Africa.

In addition, qualitative research was conducted, in which common problems experienced by SMME finance seekers and funders were discussed.

Several solutions are proposed. We analyse a number of research and policy issues, review the literature and suggest topics for future research.

INTRODUCTION

REPORT PURPOSE

The purpose of this report is to map the landscape of providers and seekers of SMME funding in South Africa and identify and map the challenges and potential solutions to access to finance for SMMEs.

REPORT CONTEXT

The context of this report takes into consideration the following critical points:

High unemployment

South Africa has one of the highest unemployment rates in the world with a 2017 unemployment rate of 26.7%. This is a tight definition of unemployment, with a broader definition of unemployment putting the figure at 36.3% of the population[1].

SMMEs are the key to job creation

SMMEs are widely regarded in the research as a mechanism to generate new jobs in society. Globally, over 95% of enterprises are SMMEs and employ 60 - 70% of the working population[2]. The National Development Plan envisioned by 2030 that SMMEs will contribute 60 - 80% GDP increase, and generate 90% of the 11-million new jobs[3].

Financing SMMEs increases growth

A number of studies has shown that increasing access to finance results in an increase in revenue and job growth in SMMEs[4].

There is a large financing gap

Despite a well-developed banking sector, the OECD report[5] and South African GEM report[6] both suggest that access to finance is more difficult in emerging countries. A 2010 FinMark trust survey found that 87% of small formal sector firms had never accessed credit[7], while the 2016 GEM survey found "problems with finance" led to 28% of entrepreneurs closing their businesses in 2016.

The credit gap in sub-Saharan Africa is estimated at between $80 to $100 billion. While most banks see the SMME market as a large one with good prospects, many still use traditional credit scoring models and distribution channels resulting in market failures[8].

1.   Stats SA (2018) Quarterly Labour Force Survey, Quarter 4 2017
2.   ILO (2016) Enabling an environment for sustainable enterprises in South Africa
3.   National Planning Commission (2012) National Development Plan 2030
4.   Berstern, Harms, Liket, Mass (2017) Small Firms, Large Impact? A systematic review of the SMME finance literature
5.   OECD (2017) Economic Survey of South Africa 2017
6.   GEM Report (2016) South Africa Report 2015/2016
7.   FinMark Trust (2010) FinScope Small Business Survey 2010
8.   IFC (2010) The SME Banking Knowledge Guide

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RESEARCH METHODOLOGY

Research questions and context

Multiple briefing sessions were held with the research sponsor to discuss the context and the purpose of the study. These sessions informed the questions to be answered in the study.

Literature review

A comprehensive, in-depth literature review was undertaken, using a snowballing methodology. One hundred and six reports, studies and data sets were reviewed.

Interviews

Multiple interviews were conducted with SMMEs, funders and BDSPs, adding to the qualitative data gathered from the Finfind research team, based on their direct engagements with stakeholders across the SMME funding ecosystem. This qualitative information provided useful insight to understand the challenges facing SMMEs and funders in South Africa.

Data analysis

Comprehensive data analysis was conducted on the data sample, with descriptive statistics, correlations and the graphing of the data. A preliminary report was prepared in the form of a detailed slide presentation which included the research findings, summaries and graphs.

Peer review

The preliminary report was reviewed by an SMME Research Consultant and a Research Professor of Entrepreneurship to check the validity and accuracy of the calculations and research findings. The reviewers' inputs were incorporated into the final report.

Final report

The final report was written up, based on final report content in the slide presentation following the peer review.

LITERATURE REVIEW

GLOBAL RESEARCH FINDINGS – ACCESS TO FINANCE CHALLENGES

The funding gap is a global problem

- The total global SMME credit gap is estimated between $900 billion to $1.1 trillion, with a large gap being found in emerging and developing markets[1]. SMME credit markets suffer from market failures due to high search costs, perception of high risk, information asymmetries*, inadequate or unrecognised collateral and high transaction costs for small scale lending.
- Smaller businesses struggle to access financing.
- Both local and international research confirms that it is far more challenging for smaller businesses to access finance than it is for medium size businesses to do so, and that the true 'missing middle' is closer to the base of the pyramid than the middle.

Banks struggle to serve SMMEs

- Banks struggle to serve SMMEs as they treat commercial (business) as a single market, and as such apply traditional lending methods that use collateral and traditional financing scorecards as a one-size-fits-all approach. This approach is detrimental to micro, very small and small businesses accessing finance[2].

Costs are high for both SMMEs and funders

- Costs have been identified as a problem for SMMEs and funders. Funders report high transactional costs of finding and screening entrepreneurs i.e. quality lead generation is expensive. Similarly, SMMEs have high search costs, exacerbated by a lack of awareness of the type of financing and qualifying requirements needed to successfully raise funding[3].

GLOBAL RESEARCH FINDINGS – ACCESS TO FINANCE SOLUTIONS

Some banks focused on the SMME market have succeeded, but few are innovatively targeting this market

- Banks successfully serving SMMEs report higher return on assets (ROA).
- Leading SMME banks are using collateral-free lending methods and building alternate income streams, through value-add products, to bolster lending to deliver profits, while growing this riskier segment[4].

Credit guarantee schemes have worked

- Well-designed credit guarantee schemes have had a big impact on solving SMME access to finance. In some countries, guarantee schemes under-scored large percentages of the SMME lending and have reduced the cost and the risk of lending to SMMEs[1, 6 & 7].

Digital technologies and fintechs reducing financing costs

- 800+ digital SMME lenders are developing a wide variety of business models that are able to successfully lend to SMMEs at scale, using new sources of data, channels and credit models[2].

SMME finance is a large opportunity

- The SMME finance credit gap in the banked and the unbanked SMME sector represents a large opportunity for growth for governments, banks and digital SMME lenders[1 & 2].

Credit information infrastructure

- SMME markets lack information to enable lenders to properly assess risk. Augmentation of traditional credit risk models, and the development of alternate scoring models and credit risk assessment infrastructure, plays a key role in enabling access to finance. Both Japan and France have launched credit information infrastructure initiatives to solve the problem[7].

*Information asymmetries refers to funders and SMMEs not having access to information required to find each other, and make the correct funding decisions.

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SOUTH AFRICA – MACRO

SMMEs are struggling to access finance

- A number of studies cite access to finance as a major challenge to SMMEs[5, 8, 9 & 10].

SMME lending is low in South Africa

- Compared to similar economies, SMME financing is relatively low in SA, with little growth in the last few years. This has been contrasted to corporate lending which has increased in the last few years[5 & 11].

SMME lending data

- Macro level SMME data is available in South Africa with the Reserve Bank's supervision department requiring lenders to submit BA200 forms. The percentage of SMME loans compared to total loans is 10.4% as of November 2017. Research has shown that SMME lending has remained almost flat since the 2008 recession, but has increased for large businesses[22].

Access to finance data is limited

- While many countries have transparent data on a number of SMMEs applying for loans, the reasons they are applying, financing terms, rejection reasons and rates, interest rates, non-performing loans and factoring volumes, this information does not exist in the public domain in South Africa (despite this information being crucial for policy making). The Reserve Bank or National Credit Regulator should publish effective lending rates or indicator rates for small business loans, which would allow borrowers to compare offers[5 & 11].

Government guarantee schemes are a very small part of SMME lending

- Despite the SA Government's attempt at credit guarantee schemes, there has been very little up-take by the private sector, with these schemes accounting for 0.03% of GDP. Contrasted with other countries' schemes, the impact has been small[5 & 12].

SOUTH AFRICA – SMMES

Startups, formal micro and very small businesses, as well as informal businesses, access little formal financing

- SMME surveys suggested that access to finance is a greater problem for very small and informal firms[10]. The FinScope 2010 study showed that only 1% of SMMEs access formal financing, and 87% do not access financing - many by choice, as they do not believe they will be successful[13].

Startups and early stage businesses use alternative forms of funding

- Most startups use own savings, pension funds and money from family and friends in the set-up and early phase of business.
- A 2016 study of startups reports 87% self-funded; 8% family; 2% angel funding; 2% bank loans; 1% development finance institutions[14].

Smaller firms have a harder time accessing financing

- Similar to other emerging economies, smaller firms have a harder time accessing financing than medium size businesses[21].

SMME obstacles to finance have been identified

- A number of reasons have been identified for SMMEs not accessing formal funding including; high search costs, lack of credit history, bad credit history, inadequate collateral, lack of skills and knowledge to produce financial statements, poor domain expertise, poor business models, inability to produce high quality business plans and lack of access to markets[8 & 15].

SMME research gaps

- A number of research gaps exist in the SMME literature, including up-to-date research on search costs, application rates, rejection rates, types of loans and loan terms.

SMMES, ACCESS TO FINANCE AND JOB CREATION

Young and high growth SMMEs create the majority of new jobs

- High growth SMMEs and new SMMEs are more likely to create new jobs[23]. The Finfind data supported this research showing 28% of the jobs were created in the last four years by new SMMEs. When we account for self-employment, we find that high growth SMMEs create 86% of the new jobs by businesses less than 4 years old.

Access to finance and job creation

- Data around the world has shown that SMMEs that access finance grow faster and create new jobs faster[24]. This, however, has not been found to be the case with informal micro-SMMEs[25]. This is not to say that we should not fund them, as helping a person to become sustainably self-employed and stabilise their income can been

seen as success in itself.

SOUTH AFRICA – SMME FUNDERS

Highly concentrated banking sectors negatively impact SMME access to finance

■ In South Africa, six banks hold 90% of the assets[5]. A highly concentrated banking sector has been found to lower access to finance in SMMEs[16].

Banks face obstacles to lending to SMMEs

■ High failure rates, higher risks, high transactional costs, lack of collateral, lack of SMME experience and poor financial literacy[17].

Informal lending is underdeveloped in SA

■ While there is limited up-to-date data on micro-financing, studies would suggest that this sector is underdeveloped and declining[13 & 18].

Credit scoring models and SMME credit record data

■ SMME funders continue to use traditional scoring models developed for medium and large businesses that are largely prejudicial for the majority of micro, very small and small businesses. There is also insufficient quality business credit record data in South Africa for funders to access, which further exacerbates the challenge of accurate and appropriate credit scoring[19].

Venture capital is growing

■ The size of the venture capital industry in South Africa compares favourably with many economies. The SJ12 legislation has played a part, with a 139% growth in venture capital deals in 2017[5 & 20].

Digital SMME lenders aiming to solve access to finance channels

■ A number of digital SMME lenders have gained some traction in the South African marketplace, to help solve the access to finance challenge. Examples include Lulalend and Merchant Capital[19].

1. World Bank Group (2015) Credit guarantee schemes best practice
2. World Bank Group (2017) Alternative data transforming SMME finance & IFC (2010) The SME banking knowledge guide
3. Xiang, Worthington, Higgs (2015) Discouraged financer seekers & Lee & Brown (2017) Innovation, SMMEs and the liability of distance
4. BCG (2017) Getting big in small business banking
5. OECD (2017) Economic SA Survey
6. Kuniuoshi & Daisuke (2014) Information asymmetry in SMME credit guarantee schemes: Evidence from Japan
7. OECD (2017) Financing SMEs and entrepreneurs 2017: An OECD scorecard
8. Bureau of Economic Research (2016) The Small, Medium and Micro Enterprise sector of South Africa
9. SBP (2017) Growth and competitiveness for small business in South Africa
10. GEM Report (2017) South Africa report
11. Timm, Stephen (2017) Growth in lending to big firms outpaces that to SMMEs
12. World Bank Group (2015) Principles for public credit guarantee schemes for SMEs
13. FinScope (2010) 2010 South Africa Small Business Survey
14. Seed Academy (2016) Seed Academy startup survey
15. USAID (2010) Financial institutions hurdles to SMME financing
16. Ngonyama, Simatele (2017) Competition in the bank sector: A literature review
17. Coetsee and Buys (2017) The impact of the independent review on SMME access to bank finance
18. Bank SETA (2013) Microfinance review
19. Finfind (2018) team interviews
20. SAVCA (2017) Venture Capital survey
21 ILO (2016) Enabling environment for sustainable enterprises in South Africa
22. Timm (2018) Growth in lending to big firms outpaces that to SMEs & Timm (2016) SA banks lending to SMEs just about flat since 2008
23. Fetsh (2016) The economic impact of high-growth startups & OECD (2018) Enabling SMMEs to scale up
24. Adelino, Ma, Robison (2014) Firm age, investment opportunities and job creation & OECD (2014) Young SMMEs, growth and job creation
25. Grimm, Paffhausen (2014) Creating jobs in small business

RESEARCH QUESTIONS

The following key questions were posed by the research sponsors, as key questions that needed to be answered to understand the access to finance gap and find appropriate solutions.

SMMEs Seeking Funding in South Africa	Report Focus	Future Research
How many SMMEs are requesting access to finance in South Africa?	✓	
How much finance are they wanting to access?	✓	
What do they need the finance for?	✓	
What types of finance products do they need?	✓	
What is the profile of the entrepreneur/business owner requesting to access finance?	✓	
What is the profile of the SMME needing finance?	✓	
Funders Funding SMMEs in South Africa		
How many SMME funders are there in South Africa?	✓	
How many SMME funding products are offered by these funders?	✓	
What SMMEs are funders wanting to finance?	✓	
Where are the opportunities for funders to finance SMMEs?	✓	
Do funders use different criteria for different size businesses?		✓
What are funders that are successfully funding SMMEs doing differently to those that are not?		✓
The Access to Finance Challenges/Opportunities		
Are there gaps between the funding that SMMEs need and the current funding offering available?	✓	
What are the access to finance supply and demand mismatches, what are the largest gaps/opportunities?	✓	
What are the primary reasons SMMEs that match for funding do not receive funding (why are these applications rejected)?	✓	
How many SMMEs that match for funding cannot access it because they are not finance ready?		✓
How much funding could be dispersed if the SMME finance ready challenge was addressed?		✓
How many jobs and additional GDP would be generated if an increased number of SMMEs were able to access finance?		✓
Solutions		
What solutions could solve the access to finance challenge for SMMEs in South Africa?	✓	
What solutions could solve the funding supply and demand mismatch?	✓	
What solutions could reduce the cost of SMME funding (for the provider and the seeker)?	✓	
What solutions could solve the issue of matching leads not qualifying (e.g. collateral or credit record issues) for matching leads to increase deal flow?		✓
What solutions could solve the issue of finance readiness (e.g. SMME documentation) for matching leads to increase deal flow?		✓
What further research needs to be undertaken to address the future research questions?		✓

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RESEARCH DATA SET

Finfind's 2017 data set of SMME finance seekers and SMME funders was used for the study. Finfind has an exclusive data set on SMME funding in South Africa. The data set has arisen from their work to solve the gap between SMME funders (both public and private sector) and finance seekers, since November 2015. Certain aspects of the data set are confidential due to the Finfind business model, and is only available to their contracted partners.

The unique data set covers a wide spectrum of indicators on access to finance that cannot be comprehensively covered in a single study or report. Additional studies are required to provide further insights. The growing Finfind SMME data set contains detailed information on entrepreneurs and businesses that is also useful for studies outside of the access to finance arena.

Organisations and researchers interested in more information can visit www.accesstofinancereport.co.za.

SMME DATA SAMPLE

How was the Finfind SMME data collected?

Finfind collects data from SMMEs requesting funding who complete an online funding request form on the Finfind website, www.finfindeasy.co.za. The form collects detailed information about the business owner, the company, and its state of funding readiness i.e. documents required by the funder.

How big was the SMME data sample?

A filtered, cleaned data sample of 11 033 completed funding requests was analysed from the total 2017 Finfind data set. This cleaned data sample size was significantly larger than the South African GEM report and any of the other South African reports and studies that were reviewed.

In 2017, Finfind had a total of 126 916 visits with 18.8% of the total being returning visitors, and 81.2% being first time visitors. The average time spent consuming Finfind services was 5 min 2 seconds per user i.e. accessing finance education content, finance advisory services and inputting data for funding requests.

Data cleaning of SMME data sample:

- Removed all testing data.
- Removed all incomplete funding applications.
- Removed all loan requests under R50 and over R50 million.

FUNDER DATA SAMPLE

How was the funder and finance product data collected?

- Finfind has a full-time dedicated team of research experts who update their funding product data through ongoing desktop research, and daily email and telephonic engagement with funders.
- Automated monitoring of any changes made to online funder data sources, with manual investigation and follow up by the research team.
- Face-to-face interviews with funders by partner account managers.

Funder sample size:

- 148 active funders.
- 328 active products (from a total funder base of 495 products).

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IS THE DATA SET REPRESENTATIVE OF THE SOUTH AFRICAN SMME MARKET?

The SMME data sample analysed for the report was compared with credible data samples that represent the SMME market in South Africa. The report's data sample was compared with the formal compliant SMMEs in the SARS data set, the QLFS and StatsSA data samples used in the BER report and the GEM South Africa data sample. The results of the comparisons indicated that the SMME data sample analysed for the report is considered as a credible, representative sample and as such the study findings can be generalised for formal SMMEs in South Africa.

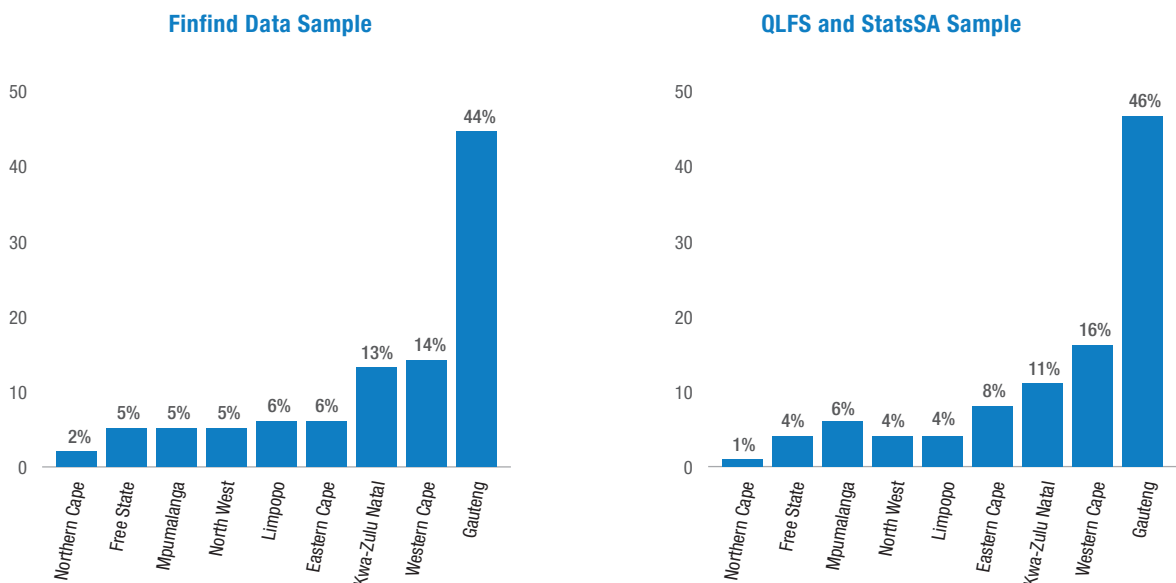### FINFIND DATA SAMPLE VS SARS DATA SAMPLE
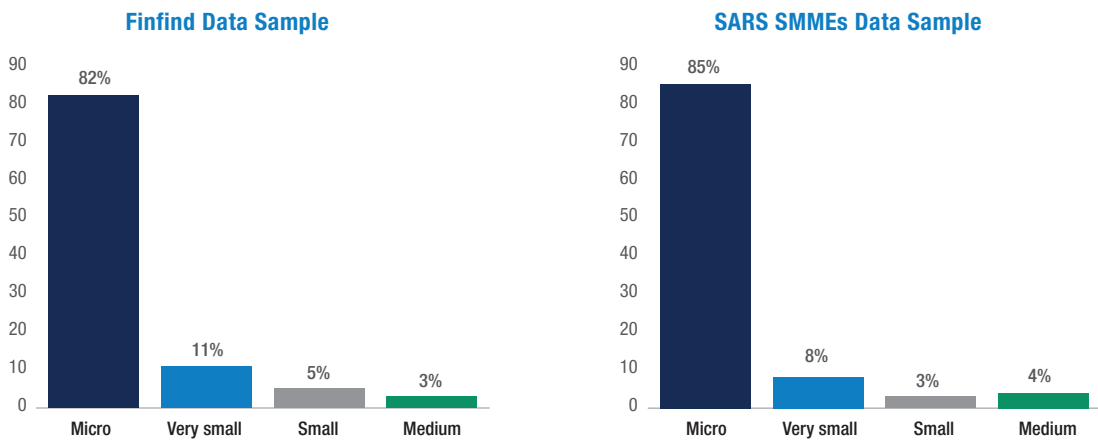
The Finfind data set has a very similar percentage of micro, very small, small and medium size businesses compared with the total population of formal compliant SMMEs in the SARS data set, which indicates that the Finfind data is a credible representative sample and the study findings can be generalised for formal SMMEs in South Africa.

Sources: Finfind data (2017), SARS (2017) Tax statistics: VAT & SARS (2017) Tax statistics: company income tax

*SARS SMME figures are based on revenue figures only and not the greater of revenue and job figures as in the Finfind data sample. The Finfind definition for medium size businesses is over R10 million in revenue and/or between 51 to 200 employees; the SARS data definition for a medium size business is defined as one with a revenue between R10 to R50 million.

### FINFIND DATA SET COMPARED TO TOTAL POPULATION BY PROVINCE

The Finfind data set has a very similar percentage of SMMEs by province as per the BER data sample, that would suggest that it is very representative of the geographic spread of SMMEs in the country.
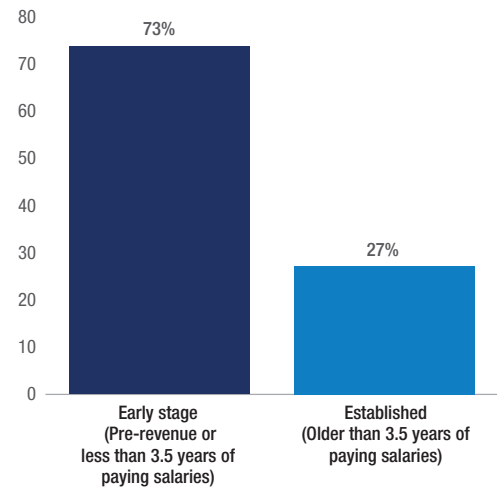
Sources: Finfind data (2017) & Bureau for Economic Research (2016) The SMME sector of South Africa (Used QLFS and StatSA)

FINFIND DATA SAMPLE VS SARS DATA SAMPLE

Established vs Early Stage: % of Finfind Database Applying for Loans
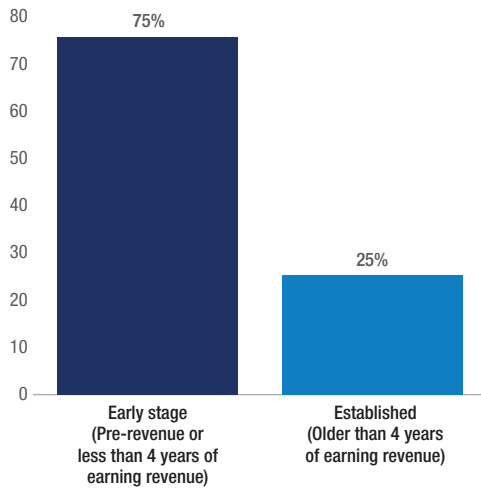
GEM Report: Comparison of the % of Early Stage Businesses to Established Businesses

The Finfind data set has a very similar percentage of new and established SMMEs compared to the GEM data. The slight % difference may be explained by the GEM sample measuring the business age by months, compared to the Finfind sample measuring in years.

Source: Finfind data (2017) & GEM (2017) South Africa report 2016/2017

ESTIMATING THE TOTAL NUMBER OF SMMES IN SA

Total number of SMMEs: 2.9m to 3.4m (Informal and Formal)

Note: The blue area denotes the Finfind sample.
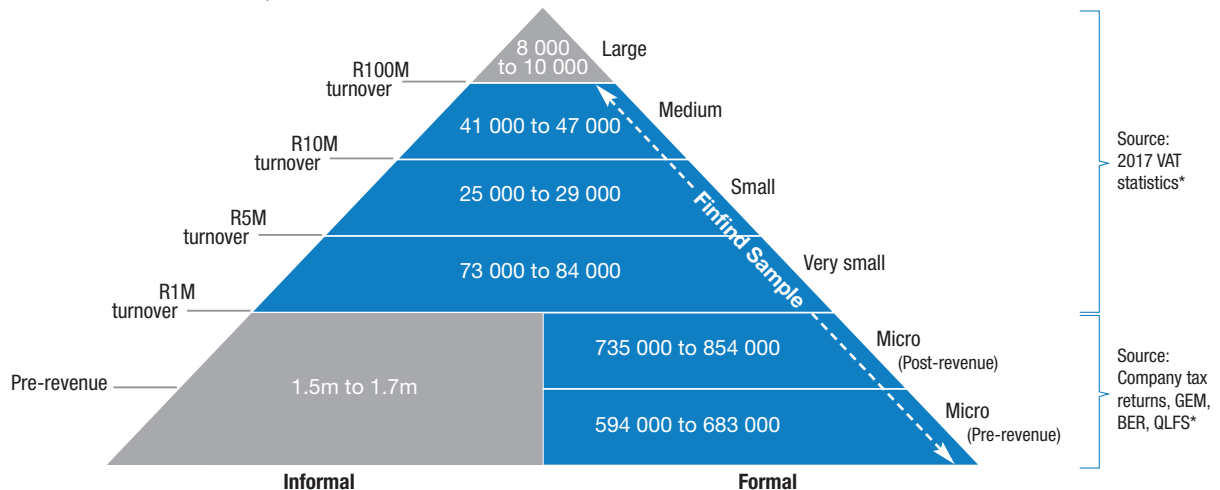
Note: The Finfind report is focused on startups and businesses in the formal sector.

Sources: SARS (2017) Tax statistics, GEM (2017) South African 2016/2017 GEM report, Stats SA (2017) Mid-year population estimates & BER (2016) SME sector of South Africa

*Definitions are based on revenue or job figures, not the greater of job and revenue as per the Finfind definition (this was due to data not being available on SMMEs in all sectors of the economy). The Finfind definition for medium size businesses is over R10 million in revenue and/or between 51 to 200 employees; the SARS data definition for a medium size business is defined as one with a revenue between R10 to R50 million.

DATA DEFINITIONS

SMME DATA DEFINITIONS USED BY FINFIND (IN THE 2017 DATA SET)

Size of Class	Full Time Employees	Turnover Per Annum
Medium	51 to 200 employees	Over R10 million
Small	11 to 50 employees	R5 million to R10 million
Very Small	6 to 10 employees	R1 million to R5 million
Micro	0 to 5 employees	Less than R1 million

* Enterprises are categorised by the larger of the two characteristics

A wide variety of definitions are used to describe the entrepreneurial and small business sector in South Africa. Various definitions are also used in the local and international research and the policy arena depending on the objectives of the study. For the purposes of this research we have defined business size by employee and turnover brackets that are aligned to the World Bank definition, and the definitions used in the Finfind 2017 data set. Finfind notes the importance of being able to use their data in other policy contexts, and is currently updating their data collection fields to allow for alignment with other definitions, such as the SARS and GEM definitions. This will enable enrichment of other data sets with the Finfind data, encouraging a more nuanced debate around small business and entrepreneurship.

FUNDER DEFINITIONS

Funder definition
A funder is a person or organisation that provides money to an entrepreneur or business for a particular purpose.

Finance category definitions
- **Asset finance:** Funding solutions that finance business assets such as equipment, machinery, and in some cases property.
- **Debtor finance:** Funding solutions that provide cash for an invoice, a group of invoices or the entire debtors' book.
- **Enterprise and Supplier Development finance:** Funds made available by the private sector to develop the BEE SMMEs in their supply chain - in return they can claim points for their BEE scorecard.
- **Equity finance:** Funds given in return for shares in the company.
- **Franchise finance:** Funds to enable SMMEs to purchase a franchise or create a franchise.
- **Property finance:** Funds to purchase, build, renovate or refinance properties.
- **Retail finance:** Cash flow funding for retail stores based on regular income received from subscriptions and/or card machines.
- **Trade finance:** Funds to enable importing and exporting of goods/services. Covers costs such as transport, insurance, purchase of goods, letters of credit etc.
- **Working capital:** Short term funding to cover the operational costs of the business.
- **Other:** Funds that target very specific financial needs e.g. research and development, filing a patent or commercialising research.
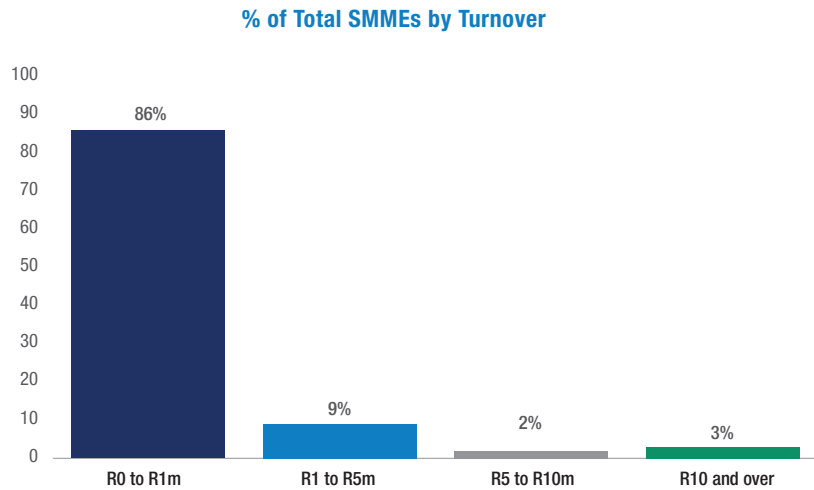
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Definitions of finance product types

- **Cost-sharing grant:** Funds made available to new SMMEs or co-operatives to encourage entrepreneurship and economic inclusivity, hence there is a BEE requirement in order to access these funds. These are once-off grants that can only be accessed once in the lifetime of the business. The grant only covers a portion of the full costs required by the SMME/co-operative, and in many cases the money is not given directly to the applicant, but rather is paid to the suppliers of the required goods or services.
- **Cost-sharing incentive:** Funds made available to SMMEs operating in key priority sectors. These are project specific, and a portion of qualifying project costs is provided by the government. These costs are paid up-front by the applicant and are refunded upon completion of designated milestones, therefore is not really suitable for startups, unless they have good cash flow.
- **Cost-sharing loan:** Loan provided by government funding agencies to qualifying SMMEs, whereby the SMME must make an own contribution as part of the terms of receiving the loan.
- **Enterprise Development funding:** This is funding made available by the private sector in return for points on their BEE score-card. Hence they only fund BEE entrepreneurs.
- **Equity investments:** Funds given in return for shares in the company.
- **Grant:** Funds provided to SMMEs that do not have to be repaid.
- **Guarantee fund (government fund known as the Collateral Guarantee Scheme):** Funds that secure up to 90% of the collateral required to obtain a loan. This is typically a three-way arrangement between the guarantee fund, the funder and the applicant.
- **Impact funding:** Also known as Social Enterprise funding. Funding only provided to commercial businesses that can show their work has a positive social impact.
- **Incentive:** Funds provided to incentivise SMMEs to develop and grow a specific sector e.g. export incentives and manufacturing incentives.
- **Long term loan:** Loan is provided for a period of 5 years or longer.
- **Medium term loan:** Loan is provided for a period of 2 to 5 years.
- **Private lender loans:** Funds provided by private sector finance organisations.
- **Revolving loan:** Once a certain percentage of the loan has been repaid, the SMME may borrow again from the same fund without submitting another loan application e.g. access bonds on houses, credit cards etc.
- **Seasonal:** Fund only accepts applications at specific times of the year. Many government and ED funds operate on this basis.
- **Short term loan:** Loan is provided for a period of up to 2 years.
- **Tax incentives:** These types of funds are provided by government as an incentive for companies to fulfil specific mandates.
- **Term loan:** A loan granted for a set period of time.

SMME DATA ANALYSIS

PROFILE OF SMMES LOOKING FOR FUNDING

SMMES BY TURNOVER

% of Total SMMEs by Turnover

Startup and micro entities represent the largest number of businesses.

Source: Finfind data (2017)

SMMES BY ESTABLISHED VS NEW

Established vs Early Stage:
% of Finfind Database Applying for Loans
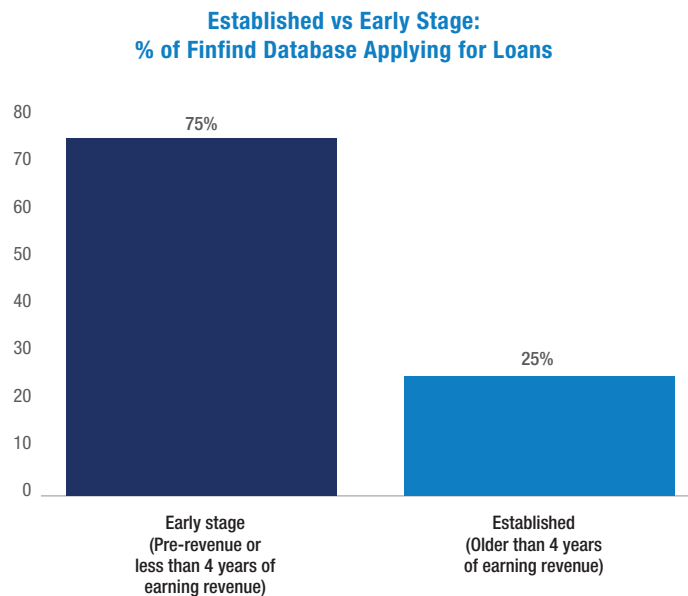
The majority of funding requests are from early stage businesses, whereas 25% of funding requests are from established businesses that present a lower risk for funders.

Source: Finfind data (2017) & GEM (2017) South Africa report 2016/2017

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SMMES BY BUSINESS AGE

Business Age (New vs Established) by SMME Categories

Businesses that are fewer than 4 years old and are doing over R5 million in revenue were defined as high growth.

Category	Established (4 yrs+)	New (0 - 4 yrs)
Micro	17%	83%
Very small	55%	45%
Small	65%	35%
Medium	76%	24%

■ Established (4 yrs+)   ■ New (0 - 4 yrs)
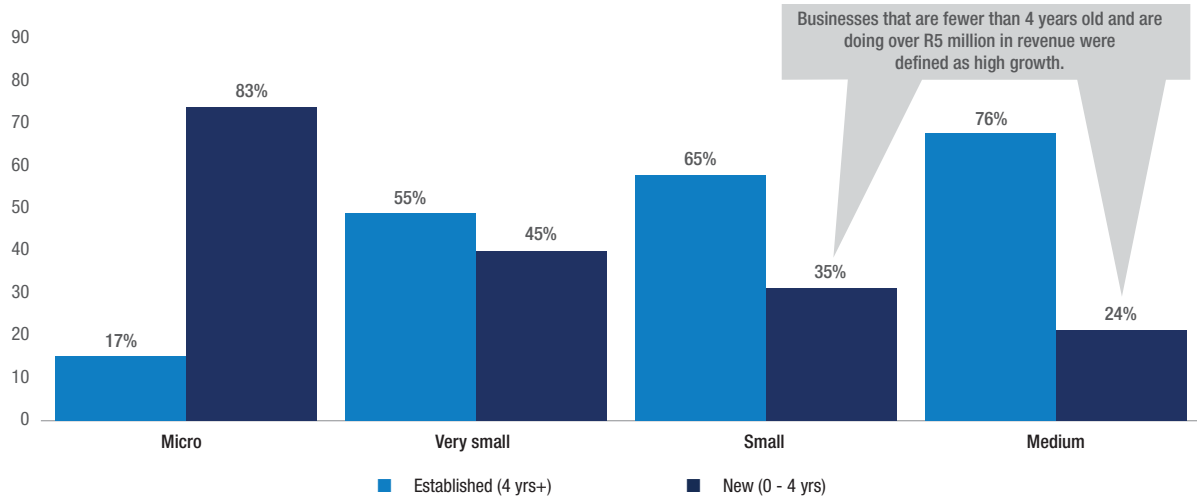
The data showed that as businesses get older they are more likely to grow, and as a result most of the older (4 years or more) businesses are medium sized businesses, and most of the younger businesses (fewer than 4 years old) are micro sized businesses.

Source: Finfind data (2017)

SMMES BY PROVINCE

Finfind Data Sample

Province	Percentage
Northern Cape	2%
Free State	5%
Mpumalanga	5%
North West	5%
Limpopo	6%
Eastern Cape	6%
Kwa-Zulu Natal	13%
Western Cape	14%
Gauteng	44%
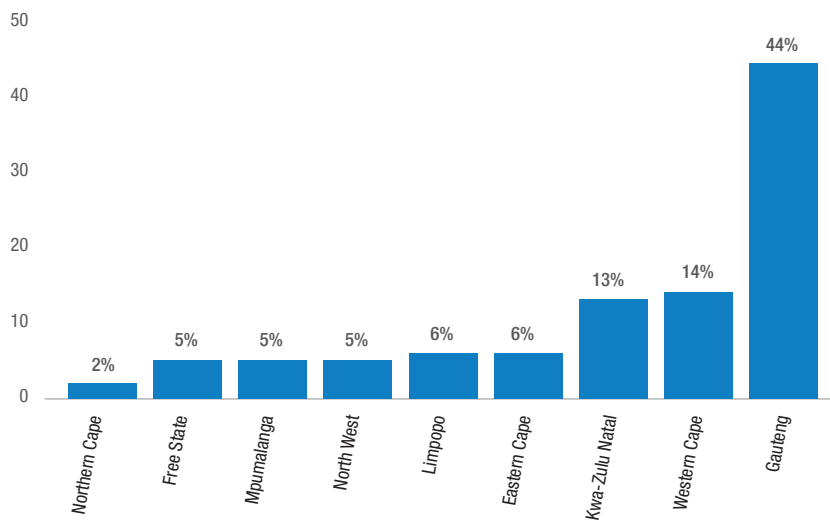
The majority of businesses seeking finance are located in South Africa's economic hubs.

Sources: Finfind data (2017) & Bureau for Economic Research (2016) The SMME sector of South Africa (Used QLFS and StatSA)

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SMMES BY GENDER AND RACE

SMMES by Gender

SMMES by Race
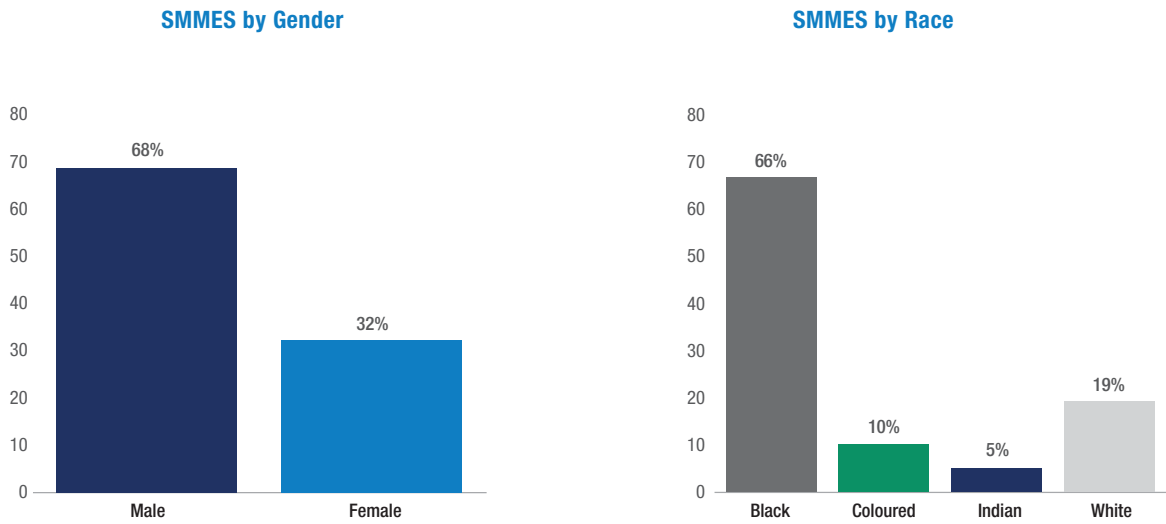
The data sample showed that majority of business were owned by males and were owned by black individuals. With 81% of businesses being owned by historically disadvantaged individuals. It was also noted that 21% of businesses were owned by black women and black women accounted for 66% of the total number of women-owned businesses.

Source: Finfind data (2017)

It was also noted that 21% of businesses were owned by black women and black women accounted for 66% of the total number of women-owned businesses.

SMMES BY RACE AND TURNOVER
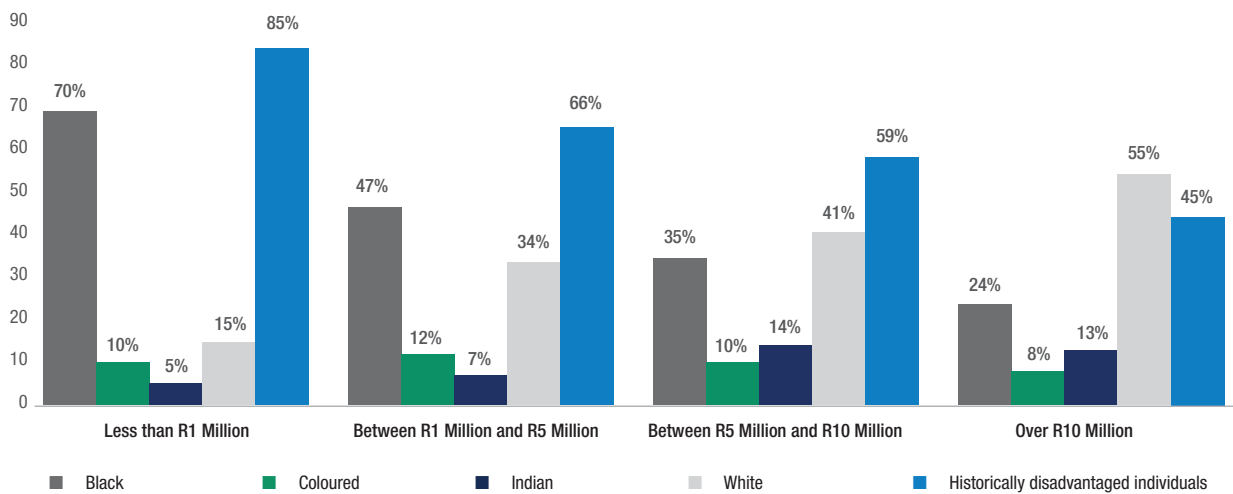
The data indicates that there is a large number of Black, Coloured and Indian businesses that could be supported in Enterprise Development programmes and incubators, especially those with an annual turnover of between R1m – R10m.

Source: Finfind data (2017)

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SMMES AND JOB CREATION

FULL-TIME EMPLOYEES

% of Full-time Jobs Created by SMMEs by Turnover
(Finfind sample)
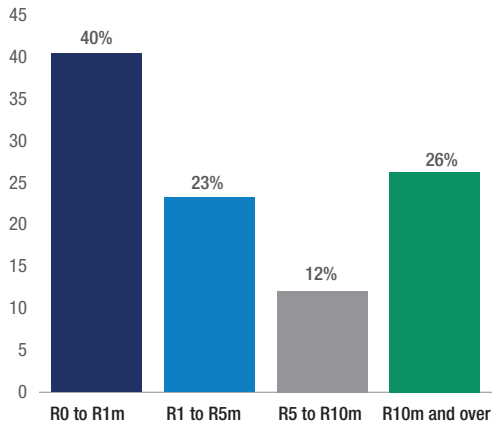
% of Full-time Jobs Created by SMMEs by Turnover
(Finfind sample less one employee per business)
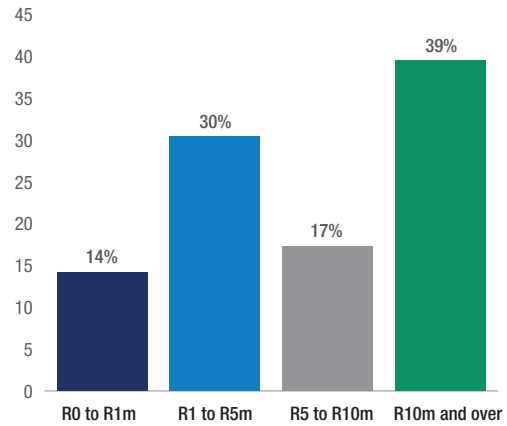
The Finfind 2017 data set shows that micro businesses appear to be creating a large number of jobs. However, this is most likely due to self-employed entrepreneurs including themselves as full-time employees. The updated 2018 version of the Finfind system clearly identifies whether the owner is employed by the business or not.

Source: Finfind data (2017)

ESTIMATING THE TOTAL NUMBER OF JOBS CREATED BY SMMES

Estimated Number of Full-Time Employees by Formal SMMEs: 2 to 3 Million

Note: The blue area denotes the Finfind sample.

	Average Employees per SMME*	Estimated Number of Full-time Employees by SMMEs Size (000s)
Large		
Medium	26.21 – 27.21	1 074 – 1 278
Small	12.08 – 13.08	302 – 379
Very small	5.74 – 6.74	419 – 566
Micro (Post-revenue)	0.28 – 1.28	191 – 760
Micro (Pre-revenue)		
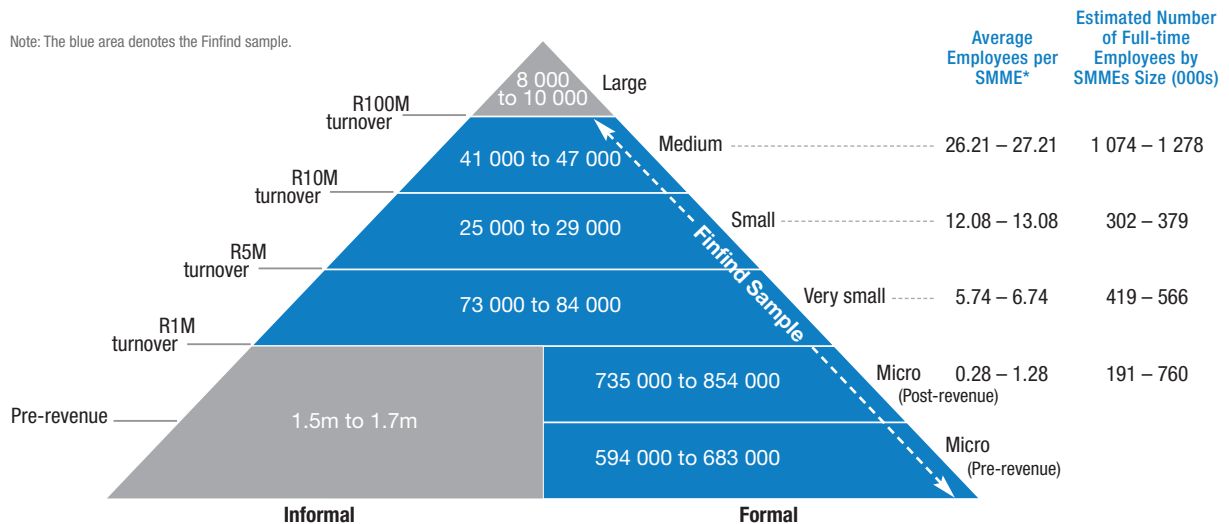
Note: The Finfind report is focused on startups and businesses in the formal sector.

Note: *SMMEs are defined by turnover due to the SARS data only publishing turnover data.

Sources: SARS (2017) Tax statistics, GEM (2017) South Africa 2016/2017 GEM report, Stats SA (2017) Mid-year population estimates, BER (2016) SME sector of South Africa & Finfind data (2017)

A note on variance in job numbers follows on the next page.

Variance in average job numbers

The funding request form completed by SMMEs in the 2017 version of the Finfind system asked SMMEs to provide their number of full-time employees. The question did not clarify whether this figure should include the business owner/s or not.

As a result, some entrepreneurs may have included themselves in the full-time employee figures, while others may not have done so.

To account for this ambiguity, two graphs have been created. The first graph represents the data as it was collected, while in the second graph, one employee has been removed from the total number of full-time employees provided by the SMME (90% of SMMEs in South Africa are started by a single founder[1]).

Note: Finfind has updated their data collection fields to clearly indicate whether business owners are employed in the business or not. This includes whether the employment is on a full-time or part-time basis. The updated questions in the SMME funding request form will be published when the new Finfind system is launched on 1 August 2018.

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1. FinMark (2010) FinScope small business survey

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ESTIMATING TOTAL FUNDING REQUESTS IN SOUTH AFRICA

Estimated SMME Annual Funding Requests: R86 bn to R346 bn
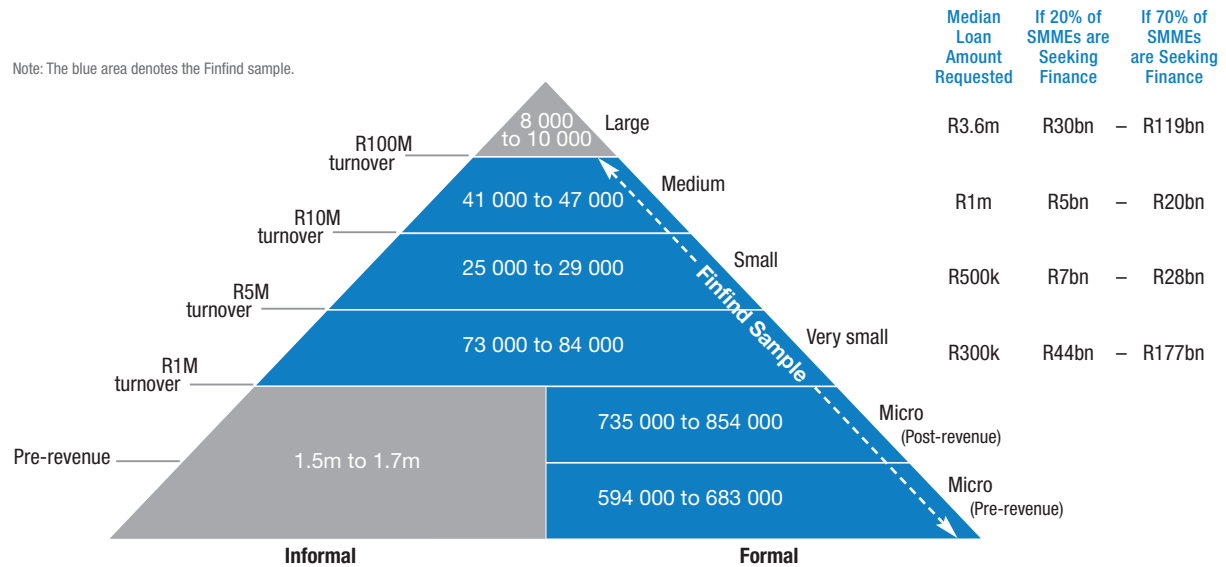
	Median Loan Amount Requested	If 20% of SMMEs are Seeking Finance	If 70% of SMMEs are Seeking Finance
Large	R3.6m	R30bn –	R119bn
Medium	R1m	R5bn –	R20bn
Small	R500k	R7bn –	R28bn
Very small	R300k	R44bn –	R177bn

Note: The blue area denotes the Finfind sample.

Pyramid labels: R100M turnover, R10M turnover, R5M turnover, R1M turnover, Pre-revenue

8 000 to 10 000 (Large)
41 000 to 47 000 (Medium)
25 000 to 29 000 (Small)
73 000 to 84 000 (Very small)
1.5m to 1.7m (Informal)
735 000 to 854 000 (Micro Post-revenue)
594 000 to 683 000 (Micro Pre-revenue)

Finfind Sample

Informal | Formal

The Finfind report is focused on startups and businesses in the formal sector.

Sources: SARS (2017) Tax statistics, GEM (2017) South African 2016/2017 GEM report, Stats SA (2017) Mid-year population estimates & BER (2016) SME sector of South Africa

Finfind data set is generated from SMMEs seeking funding. To get a picture of the total size of funding that SMMEs are trying to access in South Africa, we reviewed previous research to get an indication of what percentage of SMMEs are seeking and accessing funding.

According to the FinScope (2010) study, 13% of formal businesses had accessed funding and 7% of businesses do not borrow because they don't qualify. 22% of the sample reported they would only borrow or take out loans for high value purchases[1].

The GEM report found that of the entrepreneurs discontinuing their businesses, 25.9% stated that they had problems getting finance, which would be an estimated 350 000 entrepreneurs[2].

Other studies with smaller samples show a far higher need for financing, with a Lulalend report[3] stating that 76% of businesses sought funding and were rejected. KPMG research[4] on family businesses found 58% of family businesses were currently looking for finance. A 2015 Seed Academy report showed that 70% of SMMEs required funding to grow their businesses[5].

The review of the literature would suggest that the percentage of SMMEs seeking funding is a key research question that has not been adequately answered. This literature review showed that answers varied, with 20 - 70% of formal SMMEs seeking funding.

1. FinMark (2010) FinScope small business survey
2. GEM (2017) South Africa report 2016/2017
3. VentureBurn (2017) SME failure rate set to spike unless funding is addressed – Lulalend survey
4. Futurewave (2014) 60% of family owned businesses struggle to find external finance to fund investment
5. Seed Academy (2016) Startup survey results

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WHAT FUNDING ARE SMMES SEEKING?

WHAT SIZE LOANS ARE SMMES REQUESTING?
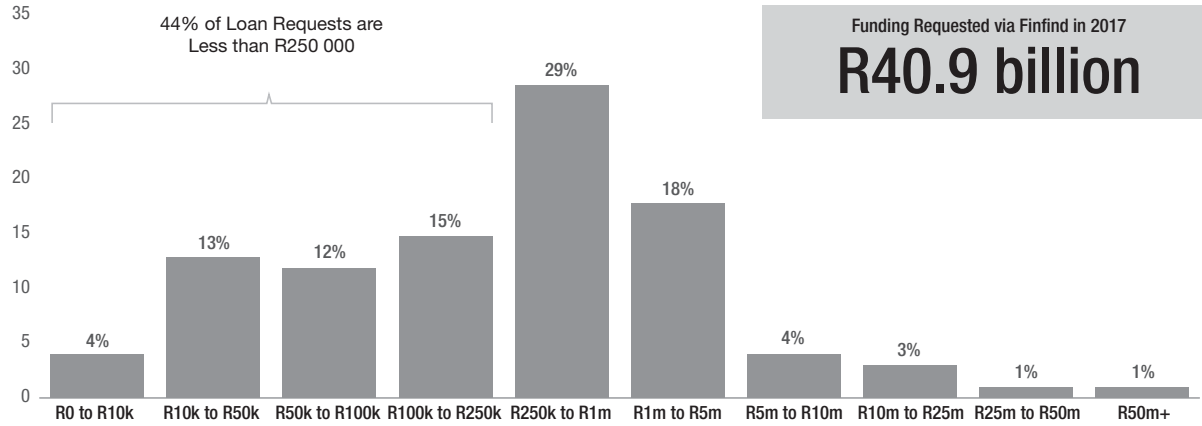
SMME Loan Requests by Size of Loan Amount

44% of Loan Requests are
Less than R250 000

Funding Requested via Finfind in 2017
R40.9 billion

A large number of SMMEs are requesting loans for less than R1 million, and of these,
the majority of the loans requested were for less than R250 000.

Source: Finfind data (2017)

SMME BY FUNDING AMOUNT REQUESTED

Loan Size Request by Micro, Very Small, Small and Medium Size Businesses

● R0 to R250k   ● R250k to R1m   ● R1m to R5m   ● R5m to R10m   ● R10m to R25m   ● R25m to R50m   ● R50m+
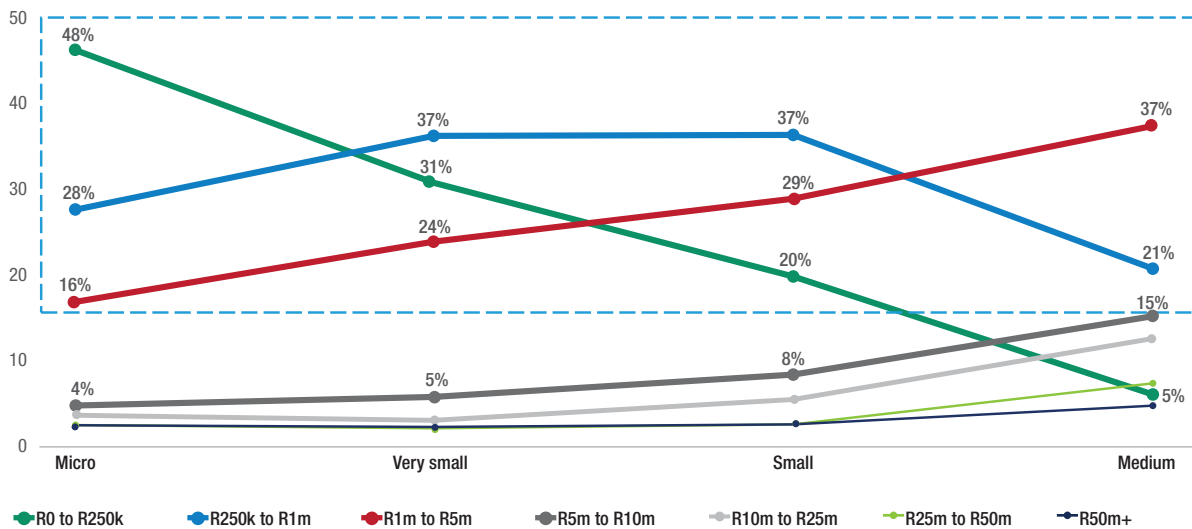
As the size of the business increases, the size of the loan requests increase. This highlights the need for a new model
of lending to be able to service the micro and small business segment of the market as this is where a large number
of smaller loans are needed.

Source: Finfind data (2017)

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LOAN REQUESTS BY SMME CATEGORY

Total Amount of Money Requested by SMME Category

R Billion

The amount of money requested is far larger for micro businesses than very small, small and medium sized businesses.

R30.762 bn — Micro

R4.109 bn — Very small

R2.798 bn — Small

R3.289 bn — Medium
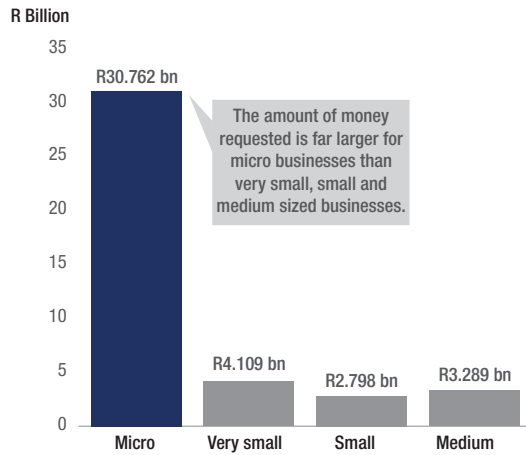
Median Loan Size Request by SMME Category

R Million

Full Sample:
Median R400 000

R0.3 m — Micro

R0.5 m — Very small

R1 m — Small

R3.6 m — Medium
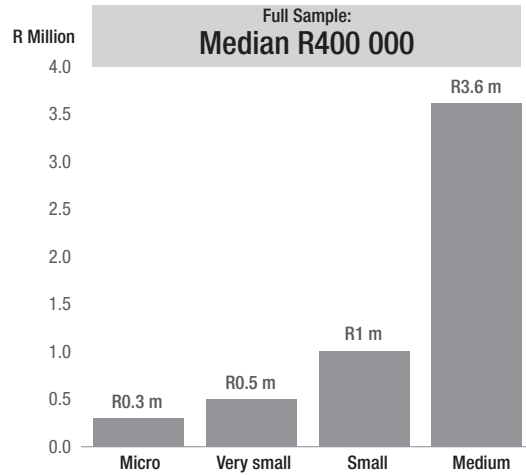
The largest need for funding is being requested by micro with a median amount of R300 000.

Source: Finfind data (2017)

TOTAL AMOUNT OF FUNDING REQUESTED BY INDUSTRY

R2 Billion to R3 Billion	R1 Billion to R2 Billion	R500 Million to R1 Billion	R250 Million to R500 Million
1. Construction	6. Agriculture	14. Business services	28. Entertainment
2. Property	7. Automotive	15. Agro-processing	29. Wholesale and retail
3. Mining	8. Real estate	16. Education	30. Social entrepreneurship
4. Food and beverage	9. Transport	17. Renewable energy	31. Retail and distribution
5. Manufacturing	10. ICT	18. Retail	32. Media
	11. Healthcare	19. Biofuels	33. FMCG
	12. Engineering	20. Community economic development	34. Mining value chain
	13. Financial services	21. Tourism	35. Clothing and textiles
		22. Logistics	36. Energy efficient projects
		23. Tourism and high level services	37. Industrial
		24. Agriculture value chain	38. Aquaculture
		25. Consulting and advisory services	39. Aerospace
		26. Service and retail	40. Pharmaceuticals
		27. Information security	41. Technology
			42. Beauty industries

Source: Finfind data (2017)
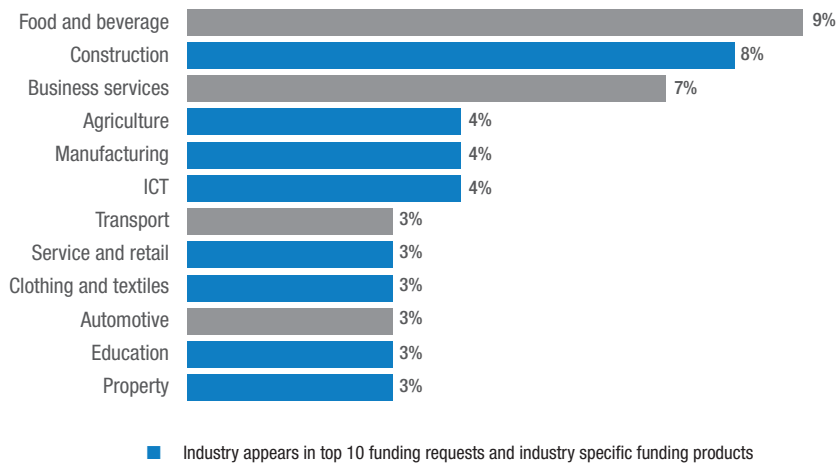
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% OF SMME FUNDING REQUESTS BY INDUSTRY

Industry	%
Food and beverage	9%
Construction	8%
Business services	7%
Agriculture	4%
Manufacturing	4%
ICT	4%
Transport	3%
Service and retail	3%
Clothing and textiles	3%
Automotive	3%
Education	3%
Property	3%

■ Industry appears in top 10 funding requests and industry specific funding products

Additional research looking at funding requests by SMMEs in under-funded and high-growth industries could provide valuable insights to funders looking for new market opportunities.

Source: Finfind data (2017)

SMME FINANCE REQUESTS BY FUNDING NEED

Funding need	%
Starting a business	28.4%
Buying equipment	14.3%
Expanding my business	12.2%
Working capital	7.5%
Cash flow assistance	6.4%
Franchise funding	6.2%
Developing a new product/process	5.3%
Funding a contract	5.1%
Buying a business	4.5%
Buying a building	3.0%
Property development	2.2%
Growing my startup	1.0%

Startup capital, buying equipment, expanding businesses and working capital are the largest funding requests in the country, making up 62.4% of all funding requests.

Source: Finfind data (2017)

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SMME FINANCE REQUESTS BY FUNDING NEED CATEGORISED BY BUSINESS SIZE

Micro	%	Very small	%	Small	%	Medium	%
Starting a business	34	Expanding my business	24	Expanding my business	25	Expanding my business	25
Buying equipment	13	Buying equipment	20	Buying equipment	19	Cash flow assistance	21
Expanding my business	10	Working capital	15	Cash flow assistance	18	Working capital	12
Franchise funding	8	Cash flow assistance	14	Working capital	14	Buying equipment	10
Developing a new product	6	Funding a contract	9	Funding a contract	7	Funding a contract	7
Working capital	6	Buying a building	5	Buying a building	4	Partner buy-out	6
Buying a business	5	Property development	4	Property development	3	Property development	6
Other	18	Other	9	Other	10	Other	13
Total	**100**	**Total**	**100**	**Total**	**100**	**Total**	**100**

The majority of fund use for very small, small and medium businesses
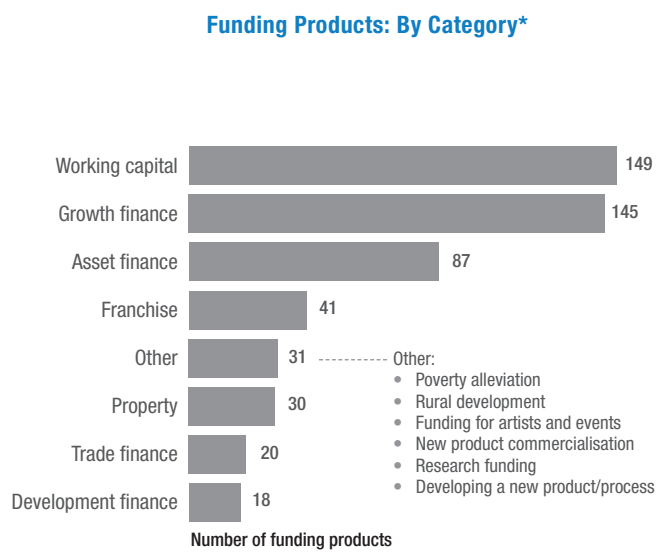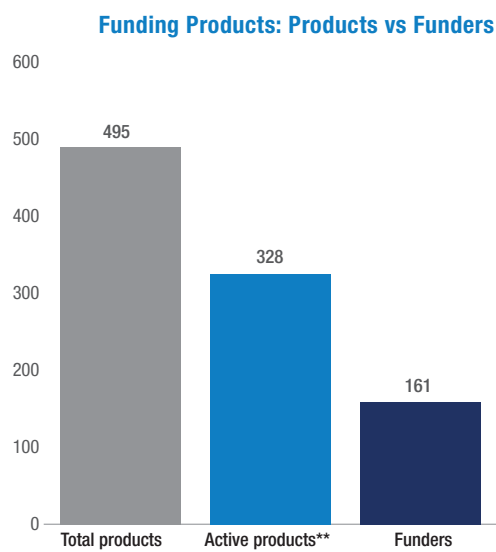is to purchase equipment, expand a business, for working capital and cash flow assistance.

Source: Finfind data (2017)

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DATA ANALYSIS OF FUNDERS AND FINANCE PRODUCTS

WHO IS LOOKING TO FUND SMMES?

The funder data set included 148 funders who provided 328 different finance products - the biggest differentiator being the split between government and private sector funders whose business models and strategic intents differ. The purpose of government funders is to stimulate the growth of businesses as set out in the National Development Plan, and as a result many of these funds are sector specific and have economic inclusion and job creation as a strategic priority. The majority of private sector funders, on the other hand, are profit-making concerns, with their primary mandate being revenue generation and high returns from their funding transactions.

TOTAL FUNDING PRODUCTS

Funding Products: Products vs Funders

Funding Products: By Category*

Other:
- Poverty alleviation
- Rural development
- Funding for artists and events
- New product commercialisation
- Research funding
- Developing a new product/process

Number of funding products

Source: Finfind data (2017)

 *Categories will sum to greater than 328 as many funding products fit into more than one category.
**Finance products (offered by public or private sector funders) that are currently available to SMMEs and have been checked and updated in the funder database by the Finfind research team.

GOVERNMENT VS PRIVATE SECTOR

Number of Funding Products

Percentage of Funding Products
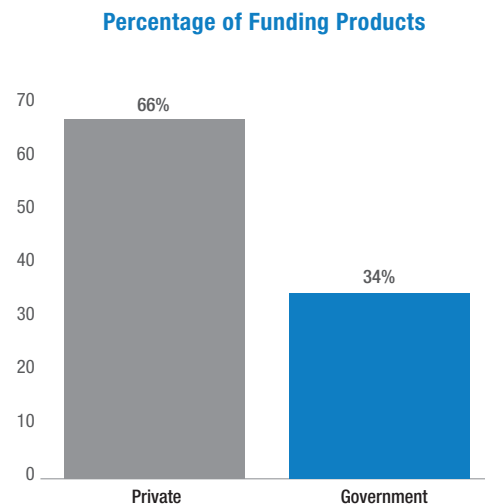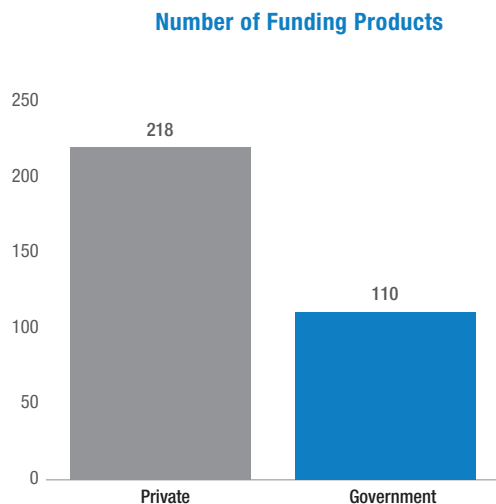
Source: Finfind data (2017)

WHAT FUNDS ARE SECTOR SPECIFIC FUNDS?

Number of Funding Products:
Sector Specific vs Non-Sector Specific

Percentage of Funding Products:
Sector Specific vs Non-Sector Specific
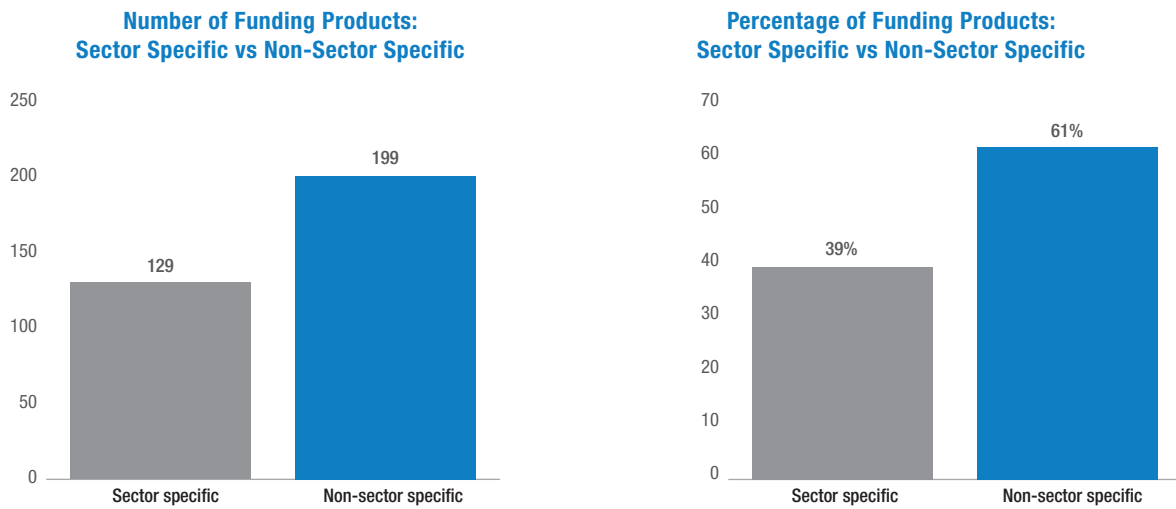
Sector specific venture capital funds have tended to have higher returns or default rates than non-sector specific funding.
However, in the South African context funders have stated that the market is too small to focus on a single sector.

Sources: Finfind data (2017), HRDC (2014) Assessing the effectiveness of SMME support programmes & Gompers, Kovner, Lerner (2009) Specialisation and success: Evidence from Venture Capital

NUMBER OF FUNDING PRODUCTS IN THE SAMPLE WITH AN INDUSTRY FOCUS*

	Industry Rank	Product Number		Industry Rank	Product Number		Industry Rank	Product Number
1.	Manufacturing	43	16.	Energy efficient projects	11	31.	Chemicals value chain	8
2.	Technology	37	17.	Logistics	11	32.	Film and television	8
3.	ICT	27	18.	Mining	11	33.	Tourism and high level	8
4.	Agro-processing	26	19.	Waste and recycling	11	34.	Wholesale and retail	8
5.	Agriculture	25	20.	Automotive	11	35.	Aquaculture	7
6.	Financial services	20	21.	Green and energy saving	10	36.	Biofuels	7
7.	Tourism	20	22.	Infrastructure	10	37.	Media and motion pictures	7
8.	Healthcare	17	23.	Mining value chain	10	38.	Service and retail	7
9.	Media	17	24.	Telecommunication	10	39.	Clean technology	6
10.	Retail	17	25.	Chemical	9	40.	Education	6
11.	Renewable energy	15	26.	Media and telecoms	9	41.	FMCG	6
12.	Construction	14	27.	Property	9	42.	Food and beverage	6
13.	Transport	14	28.	Real estate	9	43.	Paper	6
14.	Forestry	12	29.	Telecommunications	9	44.	Pharmaceuticals	6
15.	Agriculture value chain	11	30.	Business services	8	45.	Pulp and furniture	6

Source: Finfind data (2017)

*Many funding products will fund across multiple industries hence industry focus totals more than the number of funding products

FUNDERS WITH A SOCIAL IMPACT MANDATE

**Number of Funding Products
by Social Impact Category**
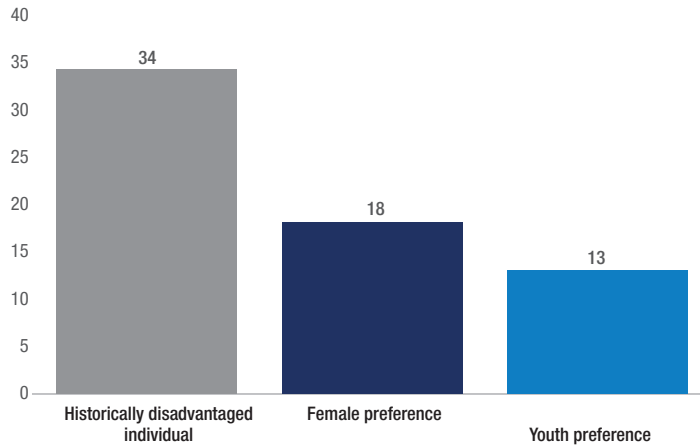
There are a number of finance products aimed at funding for female, historically disadvantaged individuals and youth-owned businesses.
Additional research is required to determine if these are sufficient to achieve social objectives.

Source: Finfind data (2017)

FUNDING PRODUCTS BY PROVINCE

Number of Funding Products by Province
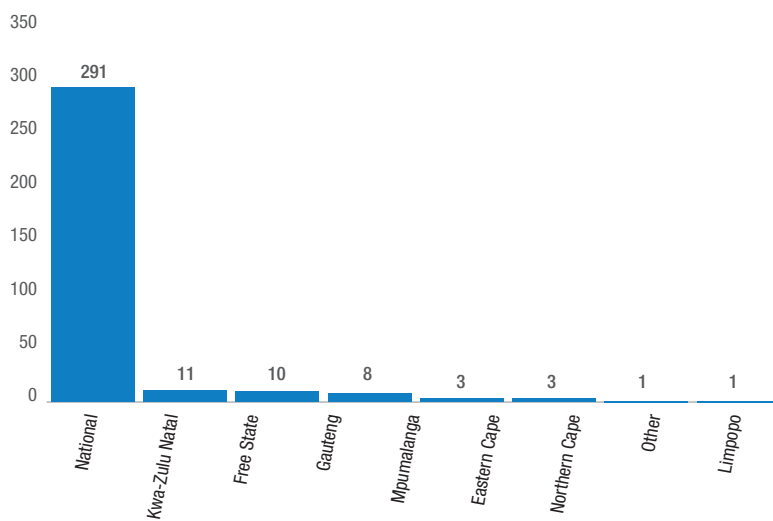
**% of Funding Products:
National vs Province Specific**
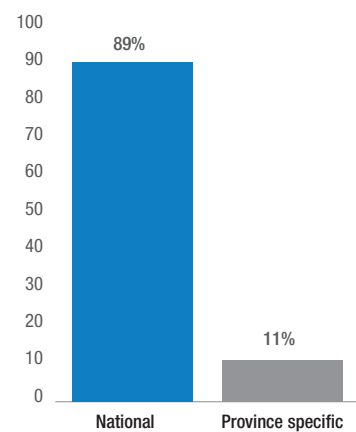
While many products are reported as national products, the qualitative research with the Finfind team suggests that
many reported national products are not equally available in non-urban areas, and smaller towns and cities.

Source: Finfind data (2017)

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INDUSTRY SPECIFIC FUNDING PRODUCTS

Industry	%
Manufacturing	13%
Technology	11%
ICT	8%
Agro-processing	8%
Agriculture	8%
Tourism	6%
Financial services	6%
Retail	5%
Media	5%
Healthcare	5%
Renewable energy	5%
Construction	4%

■ Industry appears in top 10 funding requests and industry specific funding products

Additional research looking at funding requests by SMMEs in under-funded and high-growth industries could provide valuable insights to funders looking for new market opportunities.

Source: Finfind data (2017)

FUNDING PRODUCTS BY FUNDING TYPE

Number of Funding Products by Funding Type

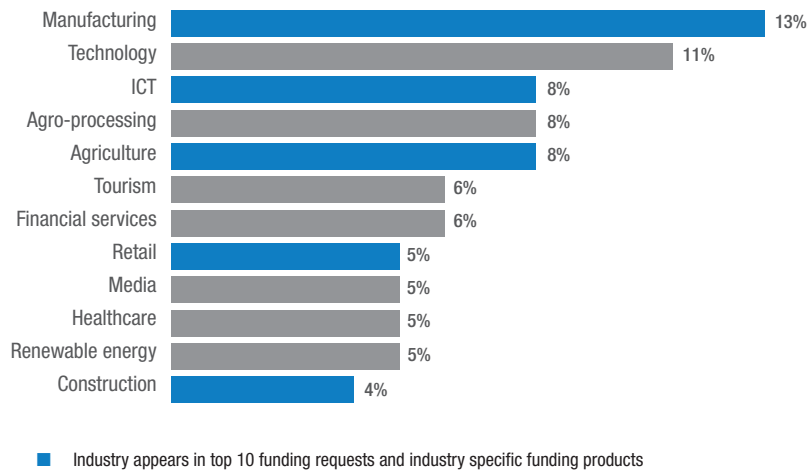| Funding Type	Number
Long term loan (more than 5 yrs)	103
Equity investments	77
Short term loan (less than 2 yrs)	56
Medium term loan (2 - 5 yrs)	53
Term loan (for a defined period)	44
Grant only	25
Private lender loan (unspecified)	20
Incentives	11
Cost-sharing grants	9
Revolving loan	3
ED funding	3

Number of Funding Products

% of Funding Products by Funding Type

Funding Type	%
Long term loan (more than 5 yrs)	31%
Equity investments	23%
Short term loan (less than 2 yrs)	17%
Medium term loan (2 - 5 yrs)	16%
Term loan (for a defined period)	13%
Grant only	8%
Private lender loan (unspecified)	6%
Incentives	3%
Cost-sharing grants	3%
Revolving loan	1%
ED funding	1%

Percentage of Funding Products

Source: Finfind data (2017)

Note: The total number of funding products in the first graph is 404, whereas the total number of active products in the data set for this research study is 328. The reason for this difference is due to some funding products applying to multiple finance categories.

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SUPPLY AND DEMAND OF FUNDING OF SMMES IN SA

This section compares the demand and supply of SMME funding in South Africa to identify how well the funder offerings match the needs of the SMMEs.

DEMAND VS SUPPLY: SIZE OF FUNDING REQUEST

WHAT LOAN SIZES ARE SMMES REQUESTING?

SMME Loan Requests by Size of Loan Amount

44% of Loan Requests are Less than R250 000

Funding Requested via Finfind in 2017

R40.9 billion

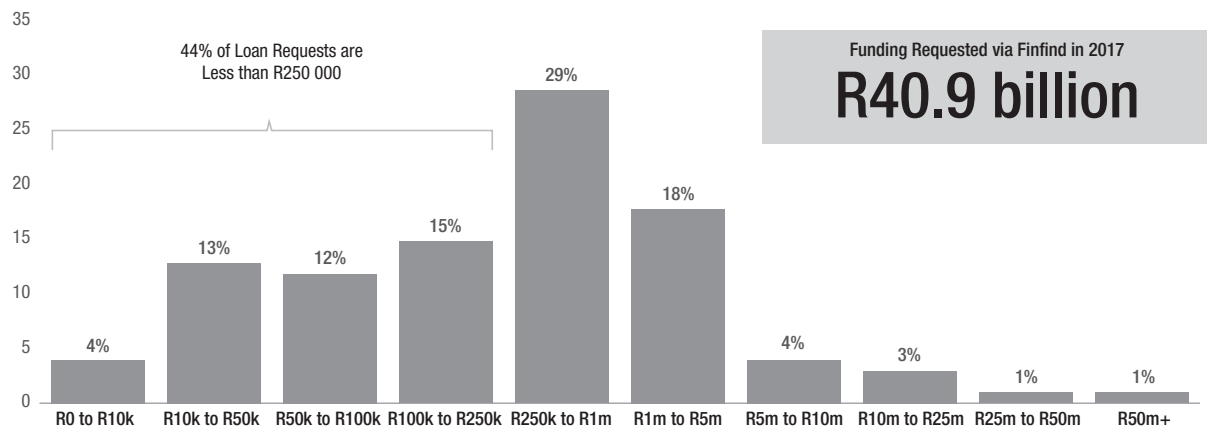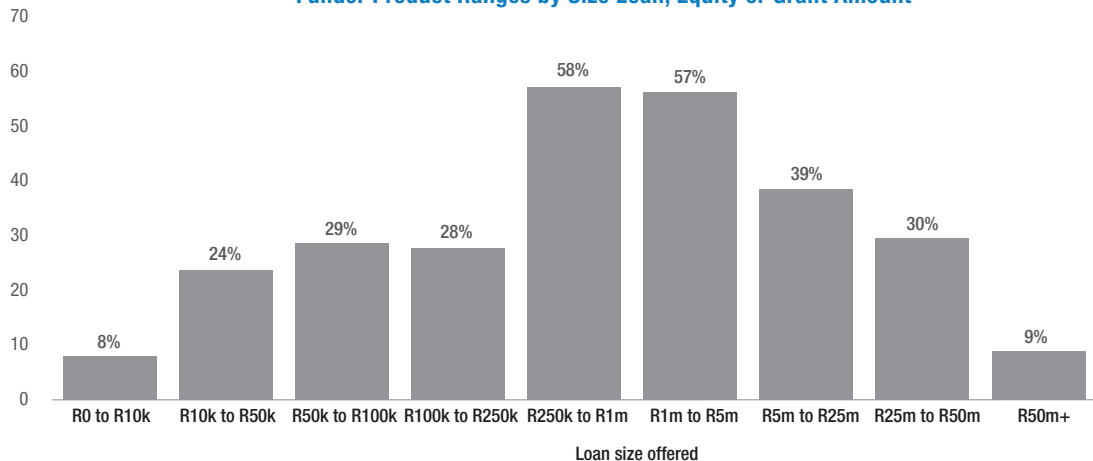| Range	Percentage
R0 to R10k	4%
R10k to R50k	13%
R50k to R100k	12%
R100k to R250k	15%
R250k to R1m	29%
R1m to R5m	18%
R5m to R10m	4%
R10m to R25m	3%
R25m to R50m	1%
R50m+	1%

A large number of SMMEs are requesting loans for less than R1 million, and of these, the majority of the loans requested were for less than R250 000.

WHAT LOAN SIZES ARE FUNDERS OFFERING?

Funder Product Ranges by Size Loan, Equity or Grant Amount*

Range	Percentage
R0 to R10k	8%
R10k to R50k	24%
R50k to R100k	29%
R100k to R250k	28%
R250k to R1m	58%
R1m to R5m	57%
R5m to R25m	39%
R25m to R50m	30%
R50m+	9%

Loan size offered

While most funding products say that they do offer funding for requests under R1 million, qualitative evidence suggests that many SMMEs are still struggling to raise funding in this range.

*Total is greater than 100% due to some funding products offering product across many different loan size amounts.

The appetite to fund smaller funding amounts is significantly less than the appetite for larger loan sizes, albeit that 44% of the total SMME funding requests are for amounts less than R250 000. Whilst many funders claim to offer funding for requests under R1m, most SMMEs battle to raise funding in this range.

Funding for between R250 000 to R1m represents the highest percentage of the loan sizes requested by SMMEs, as well as the highest offered by funders. Whilst the supply appears to be meeting the demand, the qualitative research

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shows that the reality in terms of the funding offered compared to the funding secured for this size funding is very different. There are a number of reasons for this difference which include, but are not limited to, low levels of human capacity in SMMEs; the SMME profile not matching for the requirements of funding product offered; the SMME not meeting the qualifying criteria in terms of collateral required and/or credit record checked; and the SMME not being able to produce the financial documentation required by the funder to assess bankability and affordability in order to approve the funding request.

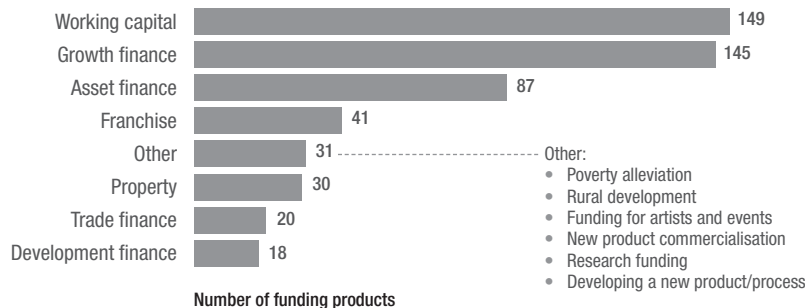## DEMAND VS SUPPLY: REASON FOR FUNDING REQUEST

SMME FUNDING REQUEST BY FUNDING NEED
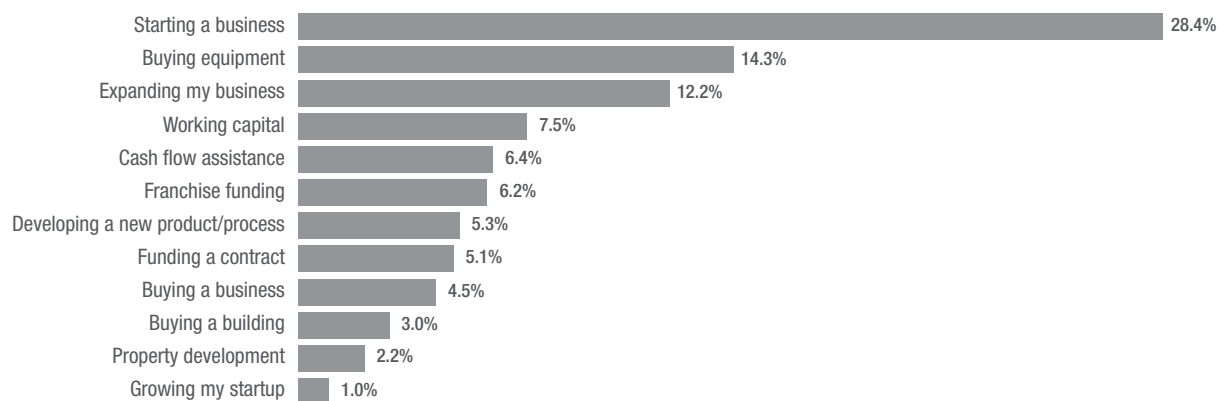
Funding Need	Percentage
Starting a business	28.4%
Buying equipment	14.3%
Expanding my business	12.2%
Working capital	7.5%
Cash flow assistance	6.4%
Franchise funding	6.2%
Developing a new product/process	5.3%
Funding a contract	5.1%
Buying a business	4.5%
Buying a building	3.0%
Property development	2.2%
Growing my startup	1.0%

Startup capital, buying equipment, expanding businesses and working capital are the largest funding requests in the country, making up 62.4% of all funding requests.

Source: Finfind data (2017)

FUNDING PRODUCTS BY SMME FUNDING NEED

Funding Product	Number of funding products
Working capital	149
Growth finance	145
Asset finance	87
Franchise	41
Other	31
Property	30
Trade finance	20
Development finance	18

Number of funding products

Other:
- Poverty alleviation
- Rural development
- Funding for artists and events
- New product commercialisation
- Research funding
- Developing a new product/process
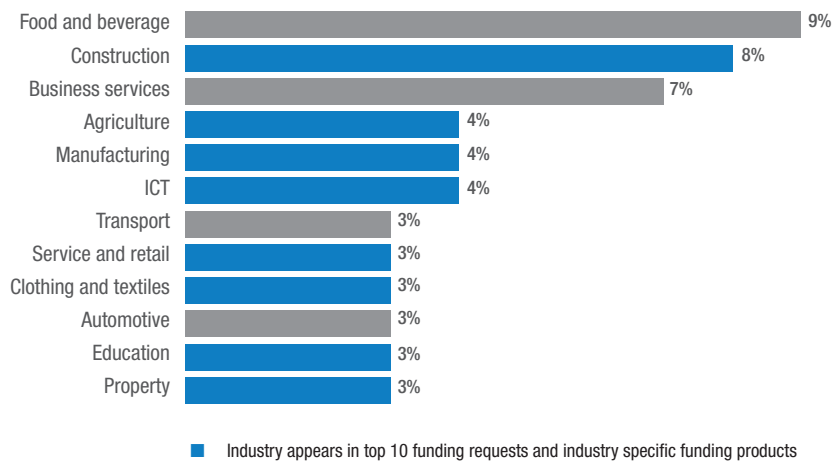
Source: Finfind data (2017)

*Categories will sum to greater than 328 as many funding products fit into more than one category.
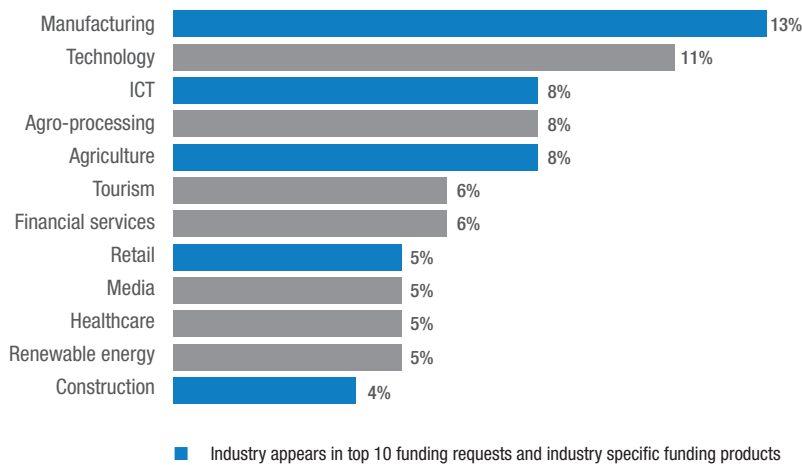
This comparison shows that there are definite SMME funding gaps. Whilst there is a good supply of funding for working capital, asset finance and growth finance, there is a lack of appetite for funding startups and early-stage businesses.

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DEMAND VS SUPPLY: INDUSTRY SPECIFIC FUNDING

NUMBER OF SMME FUNDING REQUESTS BY INDUSTRY

Industry	Percentage
Food and beverage	9%
Construction	8%
Business services	7%
Agriculture	4%
Manufacturing	4%
ICT	4%
Transport	3%
Service and retail	3%
Clothing and textiles	3%
Automotive	3%
Education	3%
Property	3%

■ Industry appears in top 10 funding requests and industry specific funding products

INDUSTRY SPECIFIC FUNDER PRODUCTS

Industry	Percentage
Manufacturing	13%
Technology	11%
ICT	8%
Agro-processing	8%
Agriculture	8%
Tourism	6%
Financial services	6%
Retail	5%
Media	5%
Healthcare	5%
Renewable energy	5%
Construction	4%

■ Industry appears in top 10 funding requests and industry specific funding products

Food and beverage, business services, transport and automotive represent opportunities for funders to focus on new products. Technology, agro-processing, tourism, financial services, media, healthcare and renewable energy represent opportunities for SMMEs looking to raise funding.

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DEMAND VS SUPPLY: FUNDING FOR SOCIAL IMPACT

% OF SMMES SEEKING FUNDING IN EACH OF THE SOCIAL IMPACT CATEGORIES
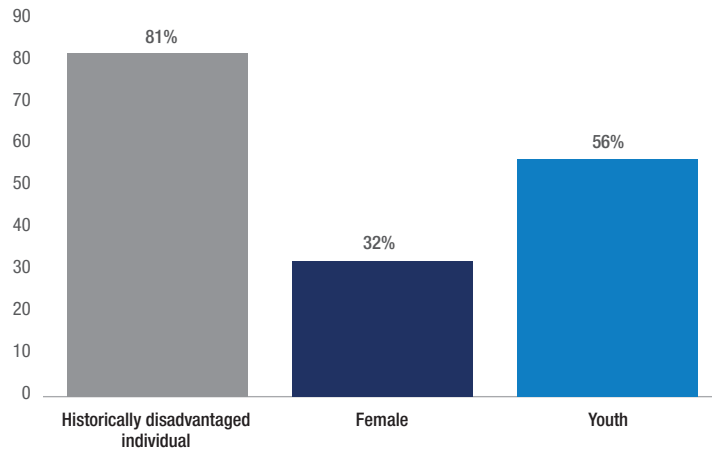
NUMBER OF FUNDING PRODUCTS BY SOCIAL IMPACT CATEGORY
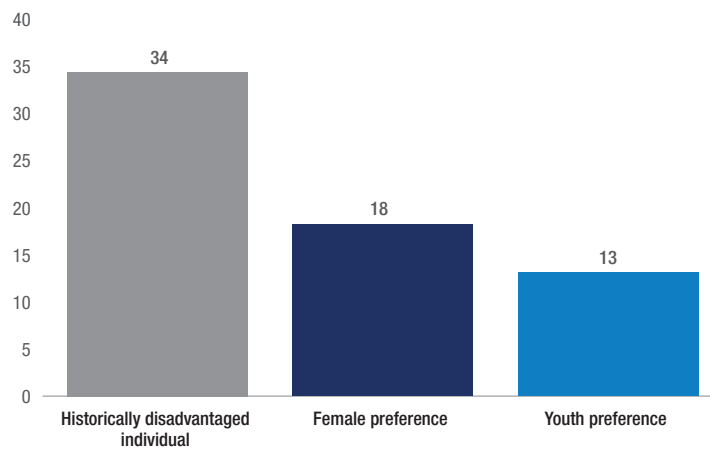
The number of finance products developed to fund youth-owned businesses is disproportionately low in comparison to the high number of youth-owned businesses seeking funding. This is especially apparent when compared to the number of finance products developed to fund female-owned businesses vs the number seeking finance.

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DOCUMENTS REQUIRED BY FUNDERS

Funders request various supporting documents from SMMEs in order to assess the SMME's eligibility for funding, and to confirm their statutory compliance. The funder needs to examine whether the business is bankable, if it can afford the funding it is applying for, and to determine the credit risk.
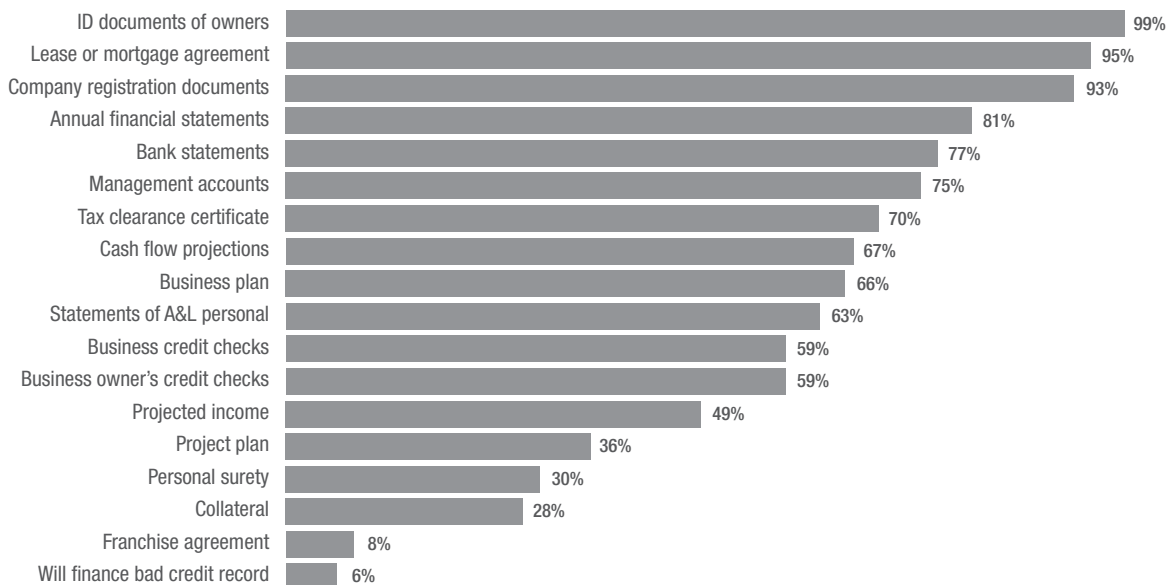
Documents used to assess the SMME's bankability and affordability

- The funder needs to determine the bankability of the business – the viability of the business to ensure that it will generate future income/cash. It also needs to assess the funding affordability – the business' ability to repay the funding it is applying for i.e. that the business can afford to make the loan repayments if the finance is approved.

- To do this, they examine the SMME's business plan/project plans, income/cash flow projections, outstanding debtors, signed customer contracts, the latest annual financial, statements, latest VAT statements, management accounts and latest bank statements.

Besides the documents listed above, SMMEs also provide a number of other supporting documents to funders to confirm statutory compliance and to validate the information on their funding applications. These may include ID documents of owners, marriage certificates of owners, company registration documents, lease or mortgage agreement, tax clearance certificate, existing shareholder agreements, share register, proof of address and any relevant business licences, accreditations or registrations required, amongst others.

DOCUMENTS REQUIRED BY FUNDERS FROM SMMES WHO REQUESTED FUNDING

Percentage of funding products that report using the following criteria to assess credit worthiness

Criteria	Percentage
ID documents of owners	99%
Lease or mortgage agreement	95%
Company registration documents	93%
Annual financial statements	81%
Bank statements	77%
Management accounts	75%
Tax clearance certificate	70%
Cash flow projections	67%
Business plan	66%
Statements of A&L personal	63%
Business credit checks	59%
Business owner's credit checks	59%
Projected income	49%
Project plan	36%
Personal surety	30%
Collateral	28%
Franchise agreement	8%
Will finance bad credit record	6%

Management accounts, followed by annual financial statements and bank statements, were the most common financial documents requested by funders.

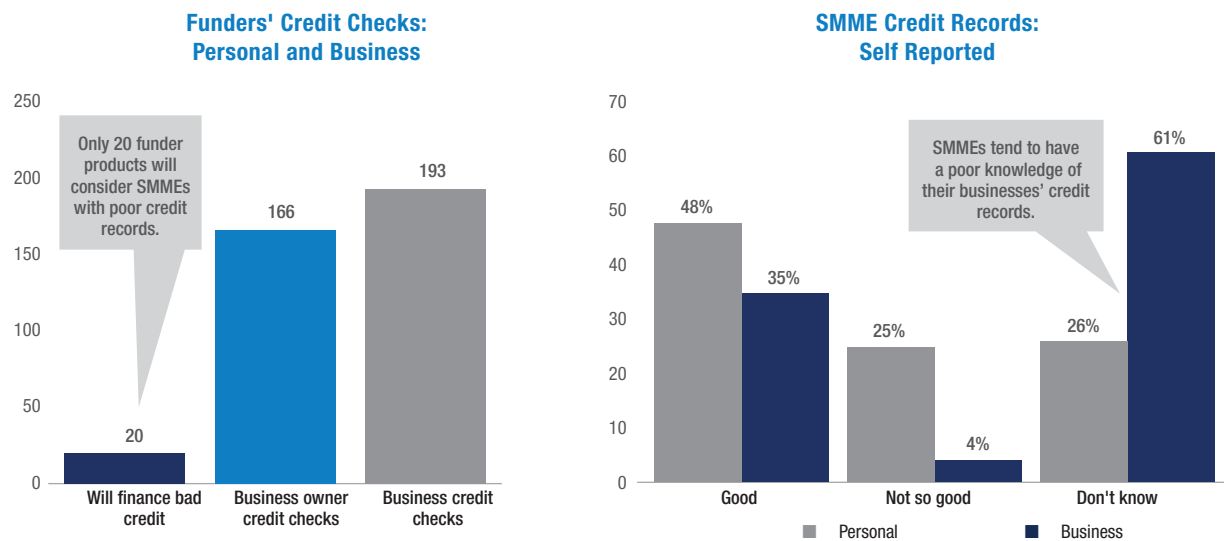Source: Finfind data (2017)

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CREDIT CHECKS

Funders need to calculate the level of risk they would be taking if they granted the finance the SMME is applying for. To do this, funders request credit reports (credit checks) from the Credit Bureau for the owner and the SMME, in order to assess credit conduct. A credit report is simply the printed or visual version of the credit record. The credit record is information held by the Credit Bureau of an individual or business' conduct of any credit transactions they have previously entered into. It is a record of their credit history from a number of sources, including banks, credit card companies, collection agencies, and governments.

Prior to the National Credit Act update, credit was readily available without sufficient safety checks to ensure people did not become overly indebted. This has resulted in a high number of defaults and subsequent poor credit ratings. More education is required to equip SMMEs to understand how the credit system works, and the importance of maintaining a good credit record. It is interesting to note that the most commonly accessed page of the Finfind finance literacy modules is the one entitled, 'what if I have a bad credit record'**(https://www.finfindeasy.co.za/site/what-if-i-have-a-bad-credit-record).**

Although SMMEs are permitted one free credit record per annum from the Credit Bureau, the graph below shows that a high number of SMMEs do not know their credit score.

FUNDER AND SMME CREDIT CHECKS AND RECORDS

**Funders' Credit Checks:
Personal and Business**

Only 20 funder products will consider SMMEs with poor credit records.

Will finance bad credit	20
Business owner credit checks	166
Business credit checks	193

**SMME Credit Records:
Self Reported**

SMMEs tend to have a poor knowledge of their businesses' credit records.

	Personal	Business
Good	48%	35%
Not so good	25%	4%
Don't know	26%	61%

Funders are more likely to use business credit checks when funding SMMEs, albeit that SMME credit record data in South Africa is sparse and currently unregulated. Most SMMEs are not familiar with their business credit records.

Source: Finfind data (2017) & Finfind team interviews (2018)

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COLLATERAL AND PERSONAL SURETY

Lending to SMMEs is considered high risk by funders, especially banks. Funders mitigate this risk through surety and securing collateral. While the majority of funders in the data sample do not publicly indicate that they require collateral or personal surety (refer to the graphs below), this does not mean that these are not mandatory eligibility requirements. A funder's credit scoring process, which is not publicly disclosed for competitive reasons, often includes screening for collateral and surety.

Findings from the qualitative research highlighted collateral as a major barrier to viable businesses securing funding. A number of case studies were discussed in which very profitable and well managed businesses with good credit records were denied funding, because they did not have the required collateral.

Concentrated banking sectors increase lending requirements for SMMEs

It is worth nothing that countries with concentrated banking sectors are less likely to lend to SMMEs that don't have collateral[1]. In the South African context, where most of the banking is concentrated with a few players, the majority of lending is still governed by traditional credit models where SMMEs are required to provide a business plan, proof of collateral, managerial competency and have a good credit score in order to obtain credit[2].

FUNDERS REPORTED COLLATERAL REQUIREMENTS

Funder Products that Require Collateral
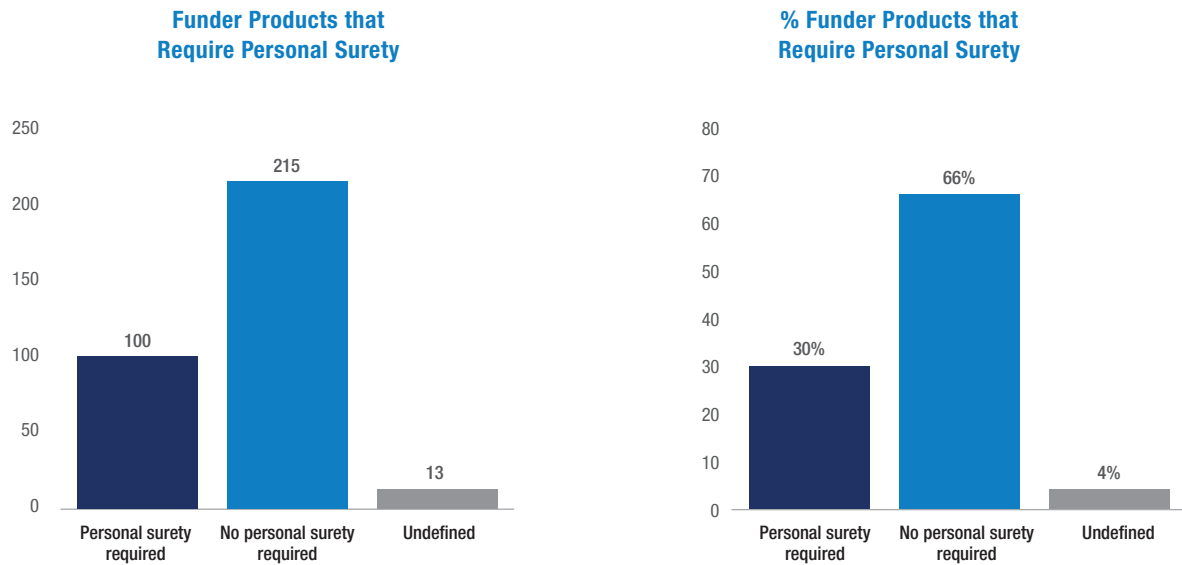
% of Funders that Require Collateral
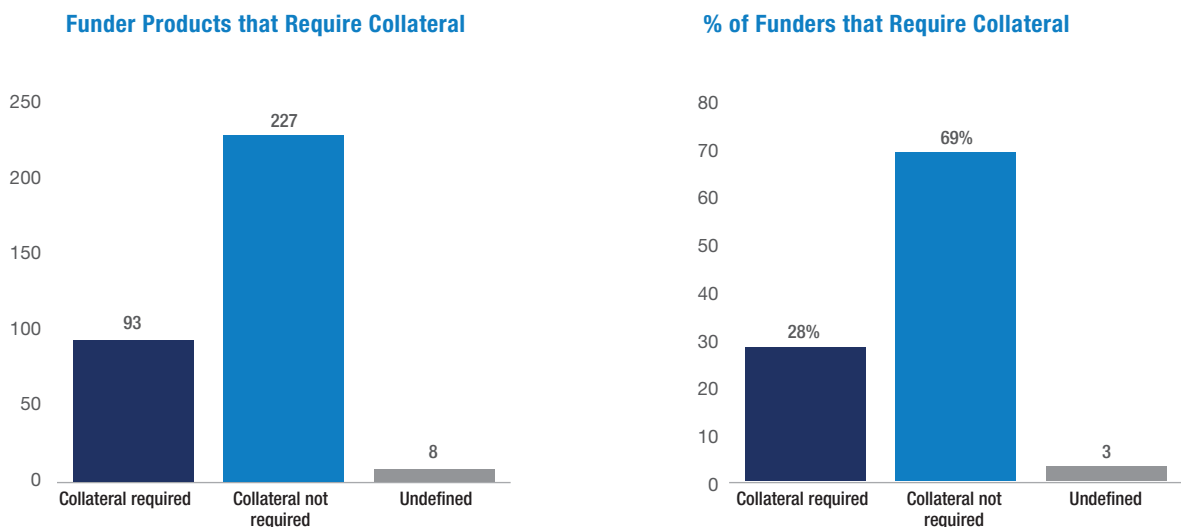
The majority of funders are not requesting collateral or if they are, they are not disclosing this requirement publicly. In addition, the credit scoring, which often involves screening for collateral, is not disclosed by funders for competitive reasons. Note that this data does not take into account that some of the funding products are invoice factoring products or grants which skew the data.

Source: Finfind data (2017)

Please note that this data may be skewed as some of the funding products are invoice factoring products or grants which do not require collateral. While the majority of funders in the data sample do not publicly indicate that they require collateral, this does not mean that these are not mandatory eligibility requirements. A funder's credit scoring process, which is not publicly disclosed for competitive reasons, often includes screening for collateral.

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1. Rahman (2017) Collateral requirements for SME loans
2. Fatoki (2014) Factors influencing the financing of business startups by commercial banks in South Africa

FUNDERS REPORTED SURETY REQUIREMENTS

**Funder Products that
Require Personal Surety**

**% Funder Products that
Require Personal Surety**

The majority of funders are not requesting personal surety or if they are, they are not disclosing this requirement publicly. In addition, the credit scoring which often involves screening for personal surety is not disclosed by funders for competitive reasons. Note that this data does not take into account that some of the funding products are grants which skew the data.
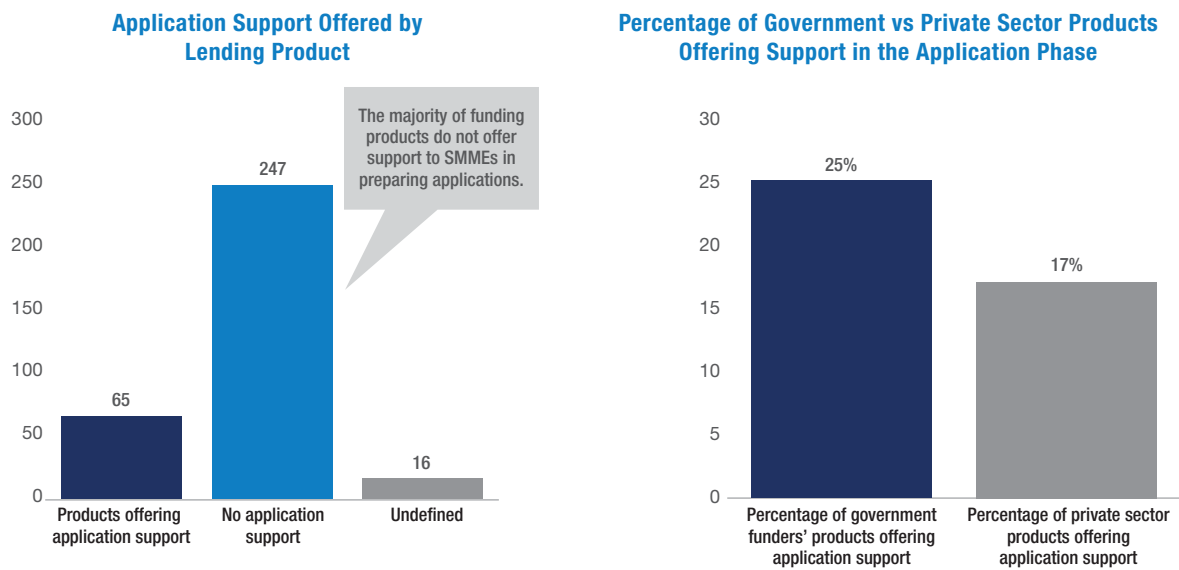
Source: Finfind data (2017)

Please note that this data may be skewed as some of the funding products are grants which do not require surety. While the majority of funders in the data sample do not publicly indicate that they require surety, this does not mean that these are not mandatory eligibility requirements. A funder's credit scoring process, which is not publicly disclosed for competitive reasons, often includes screening for surety.

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ASSISTANCE TO PREPARE FUNDING APPLICATION

Many SMMEs require assistance to complete their funding application, and to prepare their business plan and supporting documentation, to meet a specific funder or finance product's needs. Few have the skills and experience needed to properly package and present their funding request to ensure funding success. This is not a support service traditionally offered in Business Development Support Programmes and as a result, many SMMEs struggle to access the finance they need.

The graphs below show the number of funders that offer support with funding applications.

SUPPORT WITH APPLICATIONS

Application Support Offered by Lending Product

The majority of funding products do not offer support to SMMEs in preparing applications.

- Products offering application support: 65
- No application support: 247
- Undefined: 16

Percentage of Government vs Private Sector Products Offering Support in the Application Phase

- Percentage of government funders' products offering application support: 25%
- Percentage of private sector products offering application support: 17%

Source: Finfind data (2017)

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SMME AND FUNDER CHALLENGES AND RECOMMENDATIONS

SMME FUNDING CHALLENGES

Research findings and conclusions from data analysis and interviews conducted. Some of the key SMME challenges are highlighted below including the recommended solutions and role players discussed.

1.   SMMEs struggle to find funders and to choose the right funding products.

Lack of knowledge about the funders and the finance products available

- Many do not know who the funders are, or that there are different types of funders; they are commonly only aware of banks and some government agencies.
- They have little or no knowledge about the different types of finance products, making it difficult for them to determine which finance product best suits their funding need.
- They don't know where, or how, to start to find funding, most resort to Google searches.
- Searching is difficult, time consuming and yields poor results.
- Waste a lot of time engaging funders and applying for funding they do not qualify for.
- Publicly available information about funders and their products is limited, vague, hard to find, difficult to understand and often out of date.
- This adds to the challenge of determining funding matches and to compare competing funder offerings.

Recommended Solutions

Practical funding guides specifically developed for SMMEs

- Simple funding information guides that are easy to understand, available via mobile devices, accessible from anywhere at any time.
- Step-by-step instructions on how to choose the funding products and how to apply for funding.
- Summary information on the finance products – who they fund, funding amounts, application process, qualifying criteria, what documents are needed, contact details.

Access to fintech solutions that automate SMME funding matches

- To eliminate the need to search for funders and finance products.
- Reduces funder decision making time and get responses within minutes rather than days.
- Reduces the need for funding knowledge.
- Reduces funding mismatches and eliminates the risk of missed opportunities.
- Broadens funders' reach and facilitates scale.

Role Players

- Funders (public sector, private sector and DFIs).
- Seda.
- ECDI.
- BDSPs (public, private and civil society sector).

2. **SMMEs struggle to produce financial statements.**

As discussed earlier in the Report, funders require certain financial documents in order to assess the SMME's funding eligibility. Without these documents, the funder is unable to process the funding application, and the SMME is unable to secure the funding they need. Many of these are viable businesses that match for available finance products, and would qualify for funding if they could produce the necessary financials.

Many SMMEs struggle with financial recordkeeping and as a result are unable to produce up-to-date management accounts and other vital financial documents. Without these, they are not only unable to access finance, but they are also ill-equipped to make decisions in their business or properly manage their cash flow. As a result, SMMEs fall behind on VAT and PAYE commitments as they are unaware of what amounts are owing. Many viable businesses liquidate due to liabilities owing to SARS and other creditors due to poor financial recordkeeping.

Recommended Solution

SMMEs need access to subsidised/affordable bookkeeping services and practical training on financial recordkeeping. They need assistance to set up accounting systems, capture paperwork backlog and produce up-to-date financials to enable them to access finance.

Role Players

- Seda.
- ECDI.
- BDSPs (public, private and civil society sector).
- Small business accountants.

3. **SMMEs have little or no collateral and no third party to stand surety.**

Few SMMEs have access to sufficient collateral to enable easy access to finance. In many cases, due to the historical economic imbalances caused by Apartheid, business owners do not own assets, and few have the necessary support networks able to meet the funder surety requirements.

In a number of other countries, government guarantee schemes have managed to significantly increase access to finance by enabling private sector lenders to reduce their risk exposure. While the South African Government does run a government guarantee scheme, it has not reached the scale required to make a significant impact. In general, SMMEs are unaware of this scheme and do not know which funders are participating in it.

Recommended Solution

Sefa Credit Guarantee Scheme to scale this product by broadening the partnership base of private sector funders that participate in the scheme. Funders to proactively partner with Sefa to access credit guarantees for SMMEs.

Role Players

- Sefa Credit Guarantee Scheme.
- Funders.

CHALLENGES EXPERIENCED BY FUNDERS

1. Market is large and dispersed, finding the right business to fund is a challenge.

- SMME market is large and is highly dispersed and fragmented.
- There are hundreds and thousands of entrepreneurs and SMMEs at different stages of business growth seeking finance.
- The majority of finance seekers are startups, self-employed, early stage or low revenue type businesses with low prospects for growth.
- It is difficult for funders to find the business they are mandated to/able to fund.
- Traditional advertising strategies are ineffective as they produce large volumes of poor quality funding leads.
- Highly targeted marketing approaches are needed to yield high quality funding leads, targeted marketing is expensive.

Recommended Solutions

- Transition from traditional marketing to targeted, paid digital marketing.
- Partner with corporates/organisations who have large SMME databases.
- Partner with fintech companies who manage funding leads.

Role Players

- Corporate partnerships.
- Digital marketing agencies.
- Fintechs.

2. Managing high volumes of funding requests is time consuming, resource intensive and expensive.

Funders receive funding requests from SMMEs through multiple channels, including email, online forms, phone calls, events, walk-in centres, partners etc. The subsequent filtering, matching, follow-up, management and reporting of these requests is a challenge for most funders.

Email, web forms and spreadsheets are common electronic methods used by funders to collect and manage funding request leads. Few, including the large banks, have online solutions specifically designed to manage the automated matching and management of their funding requests. This remains a largely manual process. While many funders have customised solutions to manage loan application processing, few have invested in automated leads management solutions.

Recommended Solutions

- Develop their own, customised solutions to automate leads management.
- Partner with existing fintech solutions (white-label).

Role Players

- In-house software development team or outsource development.
- Fintechs.

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3. **South Africa has good consumer credit record data but that is not the case for SMME credit record data.**
    South Africa has comprehensive consumer credit record data that is well organised and regulated. This enables funders to profile the risk of lending to an individual. However, this is not the case for business credit data. The lack of a comprehensive data set that can be used to assess the business risk needs to be addressed.

    Recommended Solution

    It is critical that significant effort is put into improving the quality of business credit record data, and more importantly, ensuring the same level of regulation that consumer credit data enjoys. Comprehensive, well-regulated business credit records would provide funders with good risk mitigation tools, and SMMEs with an alternative credit score that could balance a poor personal credit record. SACRRA with a few other partners are in the initial stages of a project to replicate that regulation rigour, systems and credit provider buy-in that consumer credit enjoys. This initiative should be supported to ensure it receives the funding and buy-in required to expedite its implementation.

    Role Players
    - NCR.
    - SACRRA.
    - Credit bureaus.
    - Credit providers.
    - Fintechs.

4. **Traditional credit models are widening the SMME credit gap.**
    Qualifying for credit is a challenge for SMMEs, especially those that are less than three years old and are not profitable. In a traditional lending model, banks and other funders rely on financial data from balance sheets, bank transactions and credit bureaus to make lending decisions, but earlier stage businesses that don't have a financial history end up being disqualified for most traditional sources of finance. Financial institutions relying on traditional credit reports to make credit decisions have had limited, to no, visibility on the new credit usage behaviour of SMMEs from alternative data sources. Banks struggle to serve SMMEs as they treat business as a single market, and as such apply traditional lending methods that use collateral and traditional financing scorecards as a one-size-fits-all approach. This approach is detrimental to SMMEs trying to access finance.

    Recommended Solution

    A combination of traditional credit risk models and the development of accurate new predictive models of credit assessment using new sources of data/alternative data. Alternative data refers to the inclusion of non-financial payment reporting data in credit files, such as telecommunication and energy utility payments, average salaries paid per month to employees, litigation and compliance defaults and social media ratings, amongst others.

    Role Players
    - Funders.
    - Other credit providers.
    - Fintechs.

FUTURE RESEARCH QUESTIONS

- What are the search costs for SMMEs to access funding?
- How simple is it for SMMEs to compare finance products?
- What percentage of SMMEs match the criteria of funders?
- What percentage of SMMEs that apply for finance are funded and by whom?
- What terms are SMMEs receiving from funders?
- What are the main reasons for funders rejecting funding applications?
- What models can funders use to successfully fund micro and early stage businesses?
- What credit infrastructure will be required to enable funders to successfully manage risk without using collateral?
- How many businesses seeking funding are bankable and have the capacity to repay loans?
- If all businesses eligible for funding were able to access the finance they are seeking, how much would they contribute to job growth and GDP growth?

THE FINFIND DATA SET: USE CASES AND FUTURE RESEARCH

IMPROVEMENT OF FUTURE FINFIND DATA SET

Increasing sample size

SMME data set:
The 2018 data set that will be used for the next Access to Finance Report is expected to be at least 25% larger than the 2017 data set used for this Report. Finfind has received 25% more funding request from SMMEs for the first six months of 2018 vs the first six months of 2017.

Funder data set:
The 2017 Finfind funder data set comprised of 148 active funders and 328 active funder products. This data set has grown (as at end June 2018) to 175 funders and 370 active funder products.

Expanding the amount of data collected

Finfind is launching a new version of their website for SMME finance seekers in August 2018. The revised system includes an increased number of data fields for the SMME funder request to provide an enriched data set and enable more refined funder matches.

Aligning operational definitions

Finfind notes the importance of being able to use their data in other policy contexts and is currently updating their data collection fields to allow for alignment with other definitions, such as the SARS, StatsSA and GEM definitions. This will enable enrichment of other data sets with the Finfind data, encouraging a more nuanced debate around small business and entrepreneurship.

Data verification

Verification of SMME data increases the credibility and the quality of the funding requests provided to funders. Finfind is developing a number of channels to improve data verification. An example of this is new partnerships with the Credit Bureaus which includes integration with their systems to verify ID, company registration, address and other SMME data.

FUTURE RESEARCH ON THE FINFIND DATA SET

Additional research

The 2017 Finfind data set has 176 fields on the funders and SMME fund seekers. A single report was not able to properly deep dive into the number of different relationships between the data set and sectors. There is a large potential for future studies on specific topics.

Some examples of these future potential reports include:

- Focus on high growth businesses.
- Focus on black-owned and black-women owned businesses.
- Focus on SMME finance readiness.
- Different types of funding – focus on equity finance, debt and grant finance.
- Sector specific report (ICT, construction, property and agriculture).
- Alignment of the Finfind data with other data sets (SARS, QLFS, GEM, etc.).

2017 REPORT: DATA OWNER AND CO-PUBLISHER

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- Finfind (Pty) Ltd is a South African fintech business
- Registered in February 2015
- 43.9 % black-owned
- Majority women-owned
- Employs 15 people
- Finfind's online SMME platform was launched on 30 October 2015

Finfind was developed based on the findings of a five-year research project by USAID's Financial Sector Program (FSP) in South Africa, aimed at identifying the major causes of SMME access to finance failure in the country and recommending solutions to address them.

One of the major challenges identified was that providers and seekers of finance struggled to find each other. The concept of a web-based platform to match the providers and seekers of SMME finance was subsequently developed and was called Finfind.

Finfind is an innovative, online access to finance platform that gathers data from SMMEs who are looking for business finance, and automatically links them with all the available, matching finance products stored in the Finfind funder database.

Finfind has built a comprehensive funder database of more than 360 different finance products and over 200 public and private sector funders. Each finance product is mapped by a number of parameters such as funding need, funding amount, owner and business demographics and eligibility criteria. The funder database is updated daily by a team of researchers.

The SMME database contains comprehensive information collected from SMMEs seeking finance and provides detailed insights into the make-up of the SMME sector in South Africa.

Finfind was launched by the Minister of Small Business Development to provide an online platform to educate and assist SMMEs in South Africa to access the finance they need to survive and grow, and to facilitate increased deal flow for SMME funders.

Finfind is owned by Finfind (Pty) Ltd, a South African fintech business.

2017 REPORT: LEAD RESEARCHER AND PEER REVIEWERS

**BIOGRAPHY:
PAUL SMITH**

Paul Smith is an entrepreneur, writer and researcher. He is the co-founder of Ignitor, a startup and innovation consultancy that helps entrepreneurs and corporate innovators to launch and scale new products. He has coached hundreds of entrepreneurs and product managers.

His primary research interests include new product development methodology, and understanding the behaviour of disruptive entrepreneurs, as well as how to support high potential startups and corporate innovators most effectively.

Paul has a BCom from Rhodes University. He completed his master's degree in Entrepreneurship at the University of Pretoria and graduated top of his class (2007 to 2009). He was accepted into the University of Pretoria PhD programme to develop new statistical models that can more accurately predict startup success (2011).

Paul was invited to serve as an expert advisor on the Human Resource Development Council Entrepreneurship and Education Technical Task Team, under the chairmanship of Deputy President Kgalema Motlanthe (2012). He was subsequently selected to do a study on behalf of the HRDC to look into the effectiveness of entrepreneurship training programmes around the world (2013).

Paul has presented multiple key note addresses, he is a lecturer and is quoted in the national press on matters of entrepreneurship, small business development and innovation. He is regularly invited as a judge and mentor for various national SME competitions and programmes.

**BIOGRAPHY:
DR MARIUS PRETORIUS**

Dr Marius Pretorius is a Professor in Strategy, Leadership and Turnaround in the Department of Business Management, University of Pretoria, South Africa. As a strategy consultant and facilitator, he focuses on distressed ventures in search of rescue and growth. Research interests from his publication record suggest turnaround modelling, leadership, entrepreneurial strategy and simulation as focus areas.

**BIOGRAPHY:
KAJAL KOTECHA**

Kajal Kotecha is a researcher, data analyst and report writer. Her primary research interests include social entrepreneurship, education, impact investing and monitoring and evaluation. She is a high achiever, who has a BBuSci (Hons) (Cum Laude) from Monash South Africa and an MPhil in Human Resource Management (Cum Laude) from the University of Johannesburg. In addition, her three articles from her master's dissertation have been published in an academic journal.

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CO-AUTHORS

**BIOGRAPHY:
DARLENE MENZIES**

Darlene Menzies is a technology innovator and serial entrepreneur. The World Economic Forum named Darlene as one of six Top Female Tech Breakthrough Entrepreneurs in Africa in 2017. She has 15 years of corporate ICT experience and since leaving corporate employment in 2001, she has established several technology businesses and has firsthand experience of what it takes to start and grow a successful enterprise, and understands the difficulties entrepreneurs have to overcome to do so. Darlene has used this experience to develop multiple easy-to-use digital solutions that address some of the large gaps in the startup and SMME market. Two of these include SMEasy, the award-winning small business accounting system, and Finfind.

She has raised over R40m in early stage funding from ten venture capitalist companies to develop and commercialise disruptive innovations. She has been awarded a South Africa Innovation Entrepreneur of the Year Award and was a top five Finalist for SA ICT Person of the Year, alongside the MDs of Microsoft and EOH. One of her fintech solutions won the World Summit's Country Award for Best Business Product, and her first mobile-based innovation won Nokia's Global Judges' Choice Award placing top 10 out of 1700 solutions from 85 countries. Darlene is a public speaker, media spokesperson, small business mentor and recognised SMME sector expert.

**BIOGRAPHY:
ROBYNNE ERWIN**

Robynne Erwin is an experienced business consultant and SMME mentor. She successfully ran her own ICT business for 11 years that was sold to one of the big five international accounting firms, and then set up her own consulting practice. She was part of the industry task team that designed the DTI's Youth Internship programme and was also involved in developing industry-based ICT learnerships to enable young people to access qualifications in the ICT sector. Thereafter she joined SmartXchange (an ICT Hub and SMME Incubator) where she devised their incubator tier system and put in place the articulation processes that informed interventions and tracking through to graduation. Under her leadership, the incubator trebled the funding and the number of SMMEs in the incubator and was recognised in the World Bank Report on Incubation as being one of five incubators in the developing world with a replicable model for the ICT industry.

She now consults to Finfind and has a second business that focuses on sustainable business models and mentoring for small businesses. Robynne recently co-authored a weekly column on Entrepreneurship for the Sunday Tribune. She also wrote a syndicated weekly computer column for nine years and published "User Friendly – the South African Guide to Using your Computer". This book was used as a textbook at Technikons and Universities to introduce students to the world of computing. Robynne is the recipient of a number of awards for her ICT and ED work, including the prestigious KZN Personality of the Year award.

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