

# TYPES AND FORMS OF FUNDING

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1. Entrepreneurship in South Africa
2. Business Plan Contents – From a funding perspective
3. Contents of a business plan
4. Funding approaches used by banks and financing institutions
5. Types and forms of financing
6. Where can finance be sourced

# 1. **Entrepreneurship in South Africa**

- There are 1.6 million entrepreneurs in SA
  - Small, medium and micro sized businesses employ over 12 million in South Africa
  - It is estimated that 800 000 – 900 000 of these businesses are survivalist businesses
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# 2. **Business Plan Contents**

- Very few business plans are written from a funding or financing perspective
- Emphasis is placed on sales and marketing activities as well as the operations of the business
- The core principles of obtaining funding (loan or equity) are overlooked and poorly addressed in the business plan

### **3. Executive Summary**

#### **Table of Contents**

- ❖ Organisational Structure
- ❖ Business Vision
- ❖ Business Purpose Summary
- ❖ The Business Environment
  - Industry outlook and growth potential
  - Regional economic trends
  - Legal and regulatory environment
- ❖ The Business
  - Description of the business
  - Description of the products
  - Target market and geographic focus
  - Competition analysis
  - Competitive advantages
- ❖ Marketing Strategy
  - Situation Analysis: SWOT
  - Marketing Plan
- ❖ Financial Analysis
  - Application of Funds
  - Utilisation of Funds
  - Financial Forecasts
  - Accounting and Administrative Policies
  - Findings
- ❖ Annexures
  - Annexure – “A” Financial forecasts – Year One
  - Annexure – “B” Sensitivity forecasts – Year One

## **4. Approaches used by Financial Institutions**

Generally there are three types:

4.1 Secured / Collateral Approach

4.2 Business Approach

4.3 Facilitation Funding

- Sizanani Advisory Services
  - Thuso Mentorship (Khula Enterprise Finance Ltd.)
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## **5. Types and Forms of Funding**

5.1 Bridging Finance (Overdraft)

5.2 Asset Based Finance (ABF)

5.3 Terms Loans

5.4 Trade Finance

5.5 Letters of Credit

5.6 Debtor Factoring / Finance

5.7 Khula Secured Financing

5.8 Venture and Equity Funding

5.9 Industrial Development Corporation (IDC)

## 6. Where Can Finance Be Sourced

- The five leading banks in South Africa (Primary source of most types of funding)
    - ABSA Bank
    - Standard Bank
    - Nedcor – Nedbank – BOE – Peoples Bank
    - First National Bank
    - African Bank
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## Venture and Equity Funding

- ❖ Venture and Equity Funding can be sourced from the following institutions:
  - Equity Africa (ABSA Bank)
  - RMB Equity Funding, Corvest & Ethos
  - Zimele Equity Funding (Anglo American)
  - FNB & Umsombomvu Youth Fund
  - Investec Equity Funding
  - Brait Financial Services

Khula Equity Funding