SME ACCESS TO FINANCING

REPORT II 2021 ON STRATEGY PULSE

December 2021

Disclaimer

This research does not attempt to produce a comprehensive overview of the state of the Small and Medium-sized Enterprises (SMEs) access to financing in Kenyan entrepreneurship, but gives a general perspective on financing needs, opportunities, gaps, role of business strategy in funding, as well as develop key strategic recommendations that are critical in planning, effective resource mobilization and accessing adequate funds needed for growth of SMEs.

The report prepared will be used by WYLDE International and other relevant ecosystem players to create awareness and embed strategy planning as part of the business development processes especially when engaging with potential financiers.

Special gratitude goes to all the businesses through their owners who shared their valuable data and information that has been used to prepare this report.

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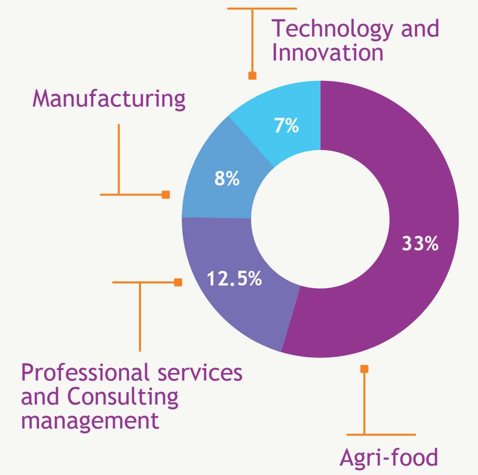
Contents

Glossary

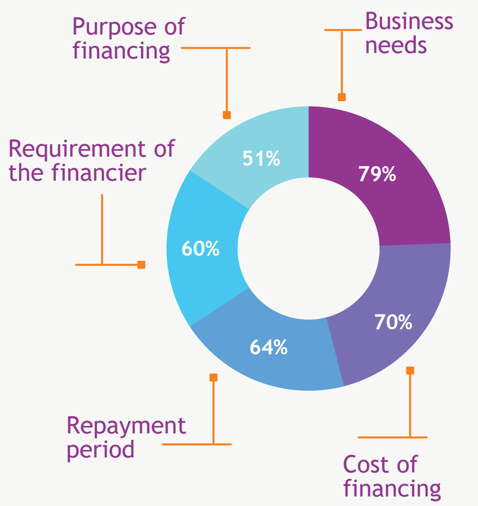
CRB	Credit Reference Bureau
GDPR	General Data Protection Regulation
ICT	Information and Communications Technology
KES	Kenya Shillings
LPO	Local Purchase Order
MFI	Micro Finance Institution
MSME	Micro, Small and Medium-sized Enterprises
SGB	Small and Growing Businesses
SME	Small and Medium-sized Enterprises

Key Data Insights - Descriptive Summary

SECTOR FOCUS



DETERMINANTS OF FINANCING FACILITY



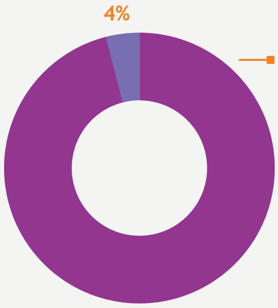
PERFORMANCE OF FINANCING

93% agreed that the funding they received helped them achieve their business objectives

53.4% agreed that the facility received was adequate for the purpose it was needed for.

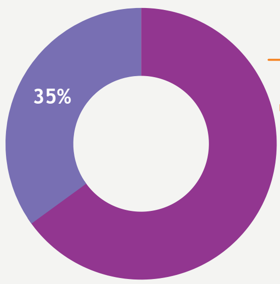
75.5% agreed that they are likely to use the same financier for their future needs.

NEED FOR FINANCING



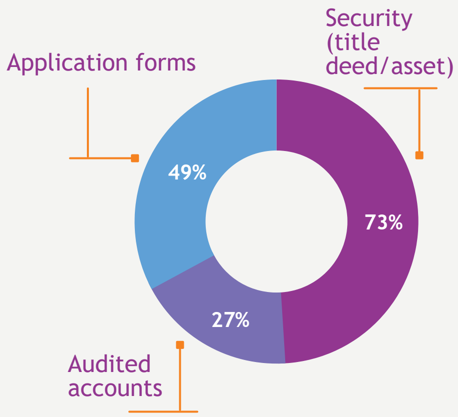
96% of businesses need financing, out of which, 43% reported to have received any financing in the last 3 years

KNOWLEDGE OF FINANCIERS



65% agreed that they are fully aware of the different financial suppliers and options available

LEVEL OF DIFFICULTY IN MEETING FINANCING REQUIREMENTS



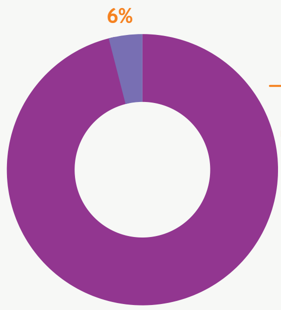
Business plan - 1 out of every 5

PURPOSE FOR FINANCING

71% Working capital stood out as the dominant purpose for the financing received

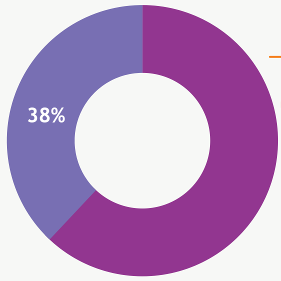
half used the financing for capital assets/investment purposes

NEED FOR BUSINESS STRATEGY



94% agreed that having a business strategy is the most important part of financial planning

FUNDING OPPORTUNITIES



62% agreed that there are many available funding opportunities in the market.

SUPPORT NEEDED TO ACCESS FINANCING

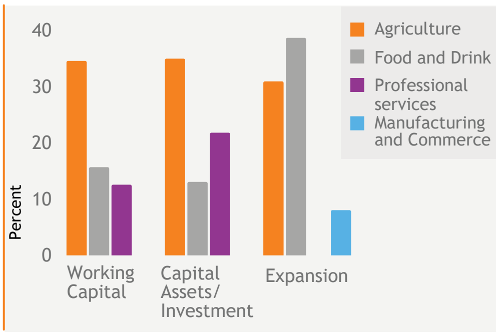
7 in every 10 businesses that plan to get financing need linkage to financiers

47% preparing a winning business plan

FINANCING RECEIVED IN THE LAST 3 YEARS

8 out of 10 received a debt facility

22% grant
18% equity



Purpose for financing received against business sector

Key Data Insights - Research Hypothesis

In line with the objectives and research hypothesis on access to financing amongst SMEs, the study established that:

1. There is no significant association between age of business and need for funding (Chi-Square = 3.524, p-value = .318), the age of businesses is not dependent (independent) on the need for funding. However, proportional difference showed that businesses aged 1 - 3 years needed more funding for 48% vis-a-vis other businesses with above 3 years of operation.

2. There is no significant association between the business turnover and need for funding (Chi-Square = 2.204, p-value = .820), the business revenue turnover is independent on the need for funding. Nevertheless, proportional difference revealed that businesses with turnover of below KES 5 million needed funding more compared to other businesses with turnover of above KES 5 million, followed by businesses with turnover of KES 5 – 10 million, then KES 30 – 50 million.

3. There is a moderately direct association between availability of funding and progress of business (Chi-Square = 21.120, p-value = 0.007, Gamma = .424), availability of funding increases with the progress of the business. Noteworthy, majority of businesses (91.3%) agreed that availability of funding positively correlates with progress of their businesses.

4. There is no significant association between having a business strategy for financial planning of funding and seeking for funding (Chi-Square = 1.349, p-value = .853). Laudably, about 94% of the entrepreneurs surveyed at least agreed that having a business strategy on financial planning contributes to seeking for financing amongst SMEs.

5. There is a moderately direct association between awareness of available financiers and accessing funding (Chi-Square = 13.459, p-value = 0.009, Cramer’s V = .343), accessing to financing increases with increased awareness of available potential financiers. Again, majority of the businesses (77.7%) agreed that awareness of the available financiers positively correlates with access to funding.

02 Introduction

Background & Study Purpose

WYLDE International is a strategy and entrepreneurship development consulting firm based in Kenya, that equips and empowers entrepreneurs and their support institutions to succeed.

This study sought to understand the current state of your financing needs, opportunities, gaps, role of business strategy in funding, as well as develop key strategic recommendations that are critical in planning and accessing adequate funds needed for business growth.

This study report has been prepared to help create awareness and embed strategy planning as part of the business development processes especially when engaging with potential financiers.

Data collection was conducted throughout November 2021 targeting SMEs operating in Kenya.

03 Methodology

Data Collection and Quality Control

This sub-section gives a summary of the process and key activities that were implemented to produce quality data:

Data collection tool was co-created by both WYLDE and Tectona study teams before being digitized for online survey on KoBo Toolbox platform.

The eligible study participants were first pre-qualified, then survey form shared with them via email and WhatsApp platform.

104 Total business respondents who completely filled and submitted the survey forms remotely.

Follow-ups were made with the pre-qualified study participants who had not submitted their forms or to clarify and/or correct the data points which seemed inconsistent or outliers.

Accurate data cleaning, sorting, analysis, interpretation and reporting without any form of manipulation was highly adhered to.

The survey exercise strictly adhered to the fundamental research ethics as well as GDPR data protection and privacy requirements.

Data Processing, Analysis & Reporting

This sub-section highlights the methods and tools that were employed to produce this report documents:

- ✓ The raw quantitative data collected was verified, cleaned, coded, and analyzed using SPSS version 26.0.
- ✓ Descriptive summary which included proportions, frequencies, means and median where extreme outliers are observed.
- ✓ Inferential statistics entailed proportional differences, tests for significance differences and hypothesis at P-value=.05 (Sig. 2-tailed) using Crosstabulation and Chi-square test to establish if there is significant association/relationship between two variable/indicator measures.
- ✓ Qualitative data gathered was organized and synthesized using Content Analysis technique to triangulate and enrich the quantitative data analyzed.
- ✓ Both qualitative and quantitative analyzed data was integrated into one report based on thematic areas pre-identified according to the research objectives and hypothesis.
- ✓ The final report was presented and visualized in tables, charts, graphs, and infographics.

Part 1: Descriptive Summary of Key Findings

OVERVIEW OF BUSINESS BACKGROUND

Main Industry/Sector of business

Looking at the top 5 sectors/industries focus for the businesses engaged, agri-food stood out as the most dominant sector for most businesses accounting for about 33% in overall, followed by professional services and consulting management (12.5%) as the 3rd, manufacturing (8%) as well as technology and innovation (7%).

Other specified industries/sectors included branding and supplies, health and wellness, insurance/insurtech, décor, pets, retail, supplies and contracting, and freelancing.

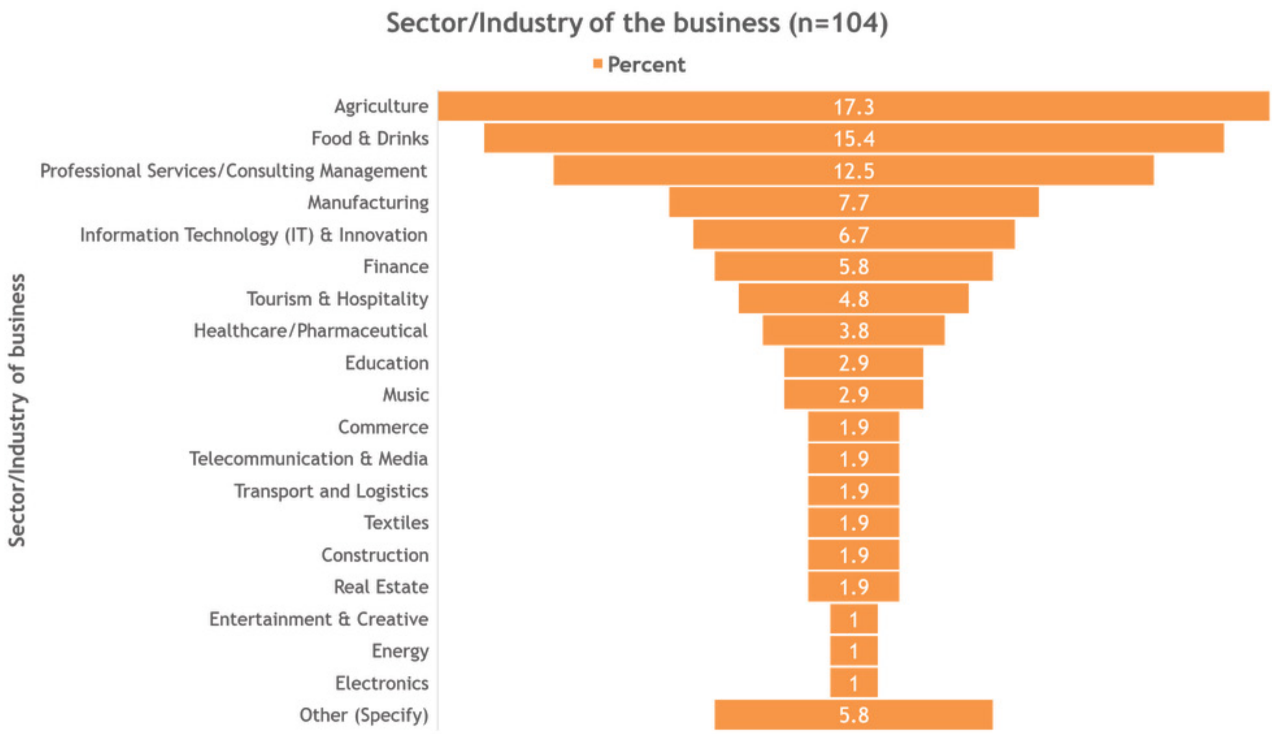


Figure 1: Sector/Industry focus for businesses

Counties of business operations

The businesses which participated in the study operated from the 47 counties of Kenya except for Mandera county.

Figure 2 shows the top 15 counties

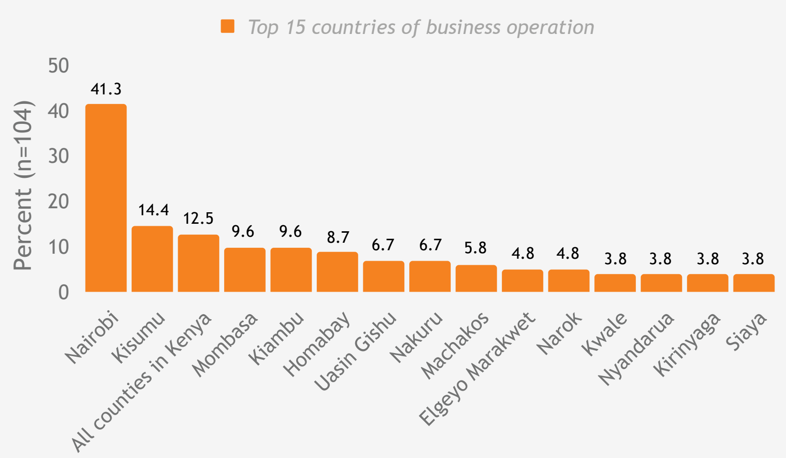


Figure 2: Counties of business operation

Business turnover

Most of the businesses engaged (64.4%) indicated that their turnover was below KES 5 million with about 32.7% reporting a turnover of KES 5 to 100 million. This could imply that most businesses surveyed were still at start-up phase with limited working capital and asset base.

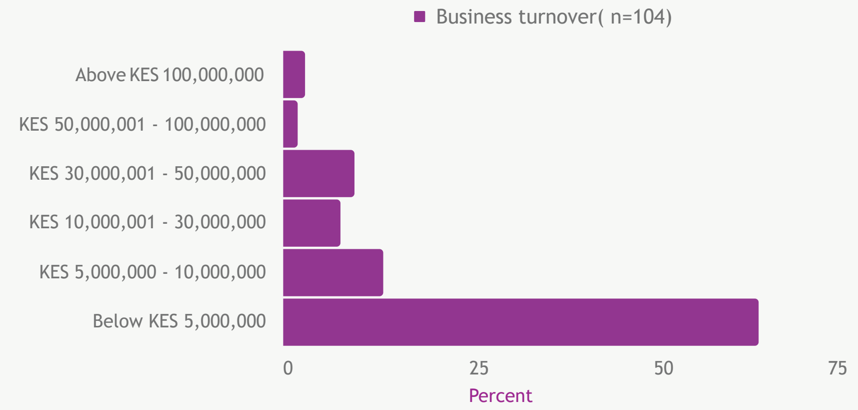


Figure 3: Business turnover

Number of employees by category

In Kenya, MSMEs can be defined as enterprises that have 1-99 employees with Micro enterprises having less than 10 employees, small enterprises having 10-49 employees while medium sized enterprises having 50-99 employees.

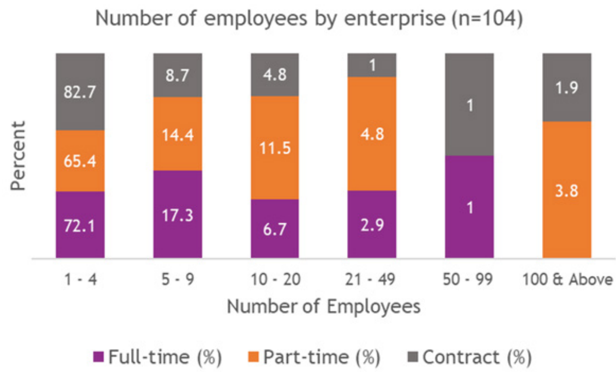


Figure 4: Number of employees by enterprise

Figure 4 shows distribution of number of employees by enterprises. As much medium-sized businesses are fewer and relatively tend to create more secure full-time job equivalents, the study implied that micro and small sized enterprises (1 – 49 employees) contributes to about 95% of businesses and cumulatively create a spectrum of more jobs in the economy ranging from full-time, part-time as well as contractual engagements.

FINANCING NEEDS

Businesses in need for financing

In view of the businesses which received financing and those that are still seeking financing at the time of study, the survey established that 96.2% of businesses need financing.

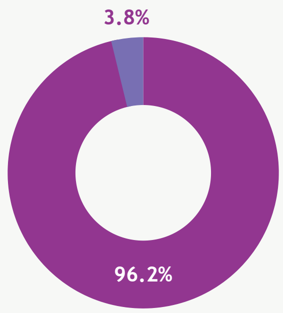


Figure 5: Proportion of businesses in need of financing

The survey revealed a very high demand by SMEs to secure financing at an early stage of development either as working capital or capital for financing assets. In Kenya, access to finance by SMEs are mostly through grants, debt and equity financing in form of venture capital which tend to have a stringent investment assessment criterion for potentially investable enterprises. This financing bottleneck has prompted most MSMEs to opt for debt financing that is mostly provided by the banks, Micro-finance Institutions (MFIs) and non-banking institutions. Noteworthy, access to credit facilities is very limited especially for small and growing businesses (SGBs) due to the existing unfavourable requirements for the provision of debt (Deakins, 2008) as corroborated in this study.

Determinants of suitable financing facility selected

When the respondents were asked on how they determine what financing facility that suits them best, top 3 factors that stood out included business needs (79%), cost of financing (70%) and period of repayment (64%), requirement of the financier (60%) and purpose of financing (51%).

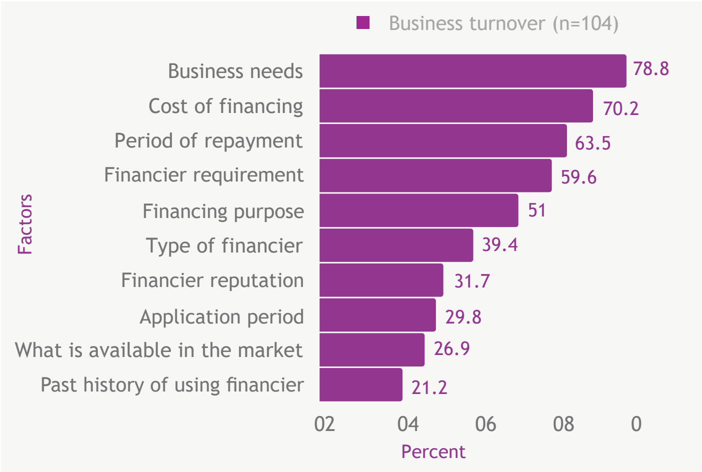


Figure 6: Determinants of suitable financing facility

Extent of agreement with the 3 statements on financing opportunities

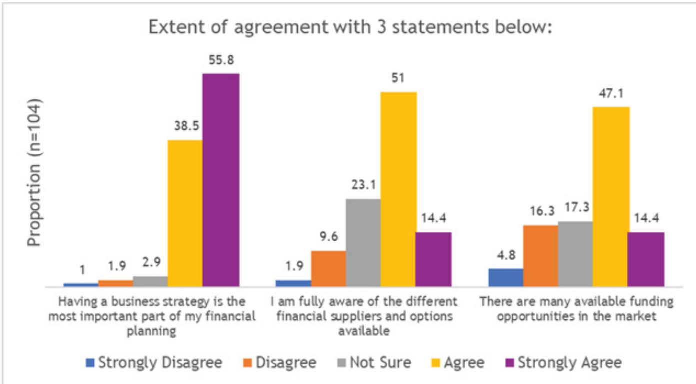


Figure 4: Number of employees by enterprise

Commendably, the study further established that:

- 94.3% agreed that having a business strategy is the most important part of their financial planning. Importantly, a good business strategy leads to action including highlighting how the loan being sought fit into their company's overall strategic plan. This is key in helping SMEs address issues of where they are going to find their clients and number of targeted customers, how to add more value to their customers, reason for choosing their business location among others.
- 65.4% agreed that they are fully aware of the different financial suppliers and options available.
- 61.5% agreed that there are many available funding opportunities in the market

Financing received in the last 3 years

As much as 96% of the businesses indicated their need for financing, while less than half (43%) reported to have received any financing in the last 3 years. This leaves majority with still unmet business financing needs.

This finding corroborates the reservations that financing institutions have towards SMEs in general and start-ups due to risk exposure in terms of repayment. Accordingly, financing institutions have also put stringent measures for accessing loans making it harder for businesses to meet requirements and access finance (OECD, 2016). It is therefore ideal that supply-side interventions should be integrated by providing support services aimed at upgrading the skills of disadvantaged entrepreneurs, including financial education.

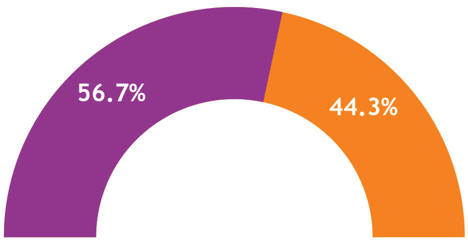


Figure 8: Proportion of businesses that have received financing in the last 3 years

Type of financing received

Of the businesses which had received financing in the last 3 years, about 8 out of 10 received a debt facility, followed by grant (22%) and equity (18%).

Other specified kinds of financing received included capital financing, from family members, personal savings, and mobile loans and goods on credit.

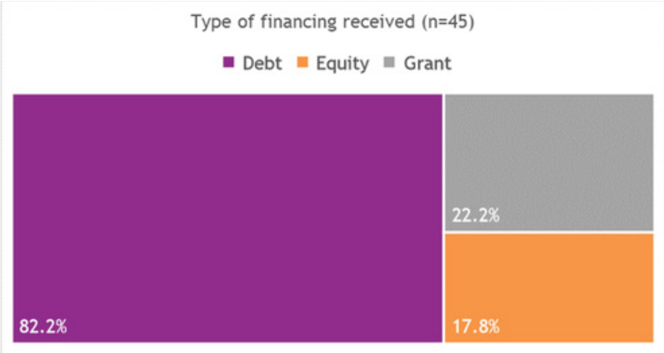


Figure 9: Type of financing received

The survey affirmed that debt financing is the most common and preferred source of external finance for many SMEs and entrepreneurs that seek to fulfill their start-up, cash flow and investment needs. This study revealed that as much as debt financing is accessible for most start-ups and MSMEs, accessing that credit facility is very limited to many SMEs due to stringent requirements for the provision of that financing type.

Purpose of the financing received

Moreover, figure 10 shows that working capital (71%) stood out as main purpose for the financing that was received, with about half of the businesses indicating to have used the funding for capital assets/ investment purposes.

Other specified purpose of financing included asset financing, diversifying line of products, to bridge financial gaps between payments by a customer or low months in business performance (e.g. in May, June, July), and school fees.

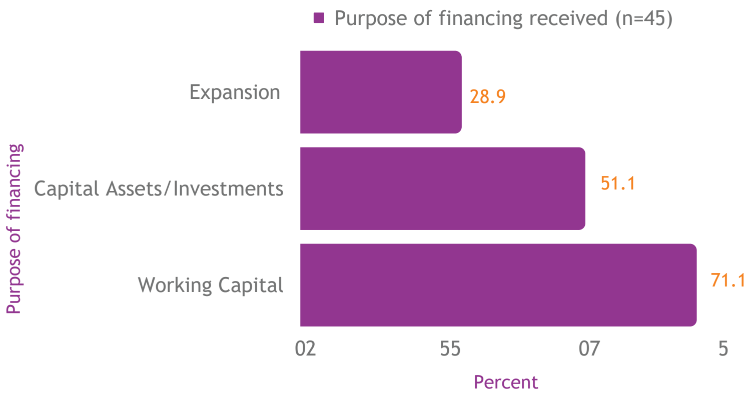


Figure 10: Purpose of financing received

Access to finance is the most serious barrier to expansion of businesses and start-ups which have been mentioned by existing SMEs and potential operators (Deakins, 2008).

Crosstabulation of purpose of financing received and business sectors

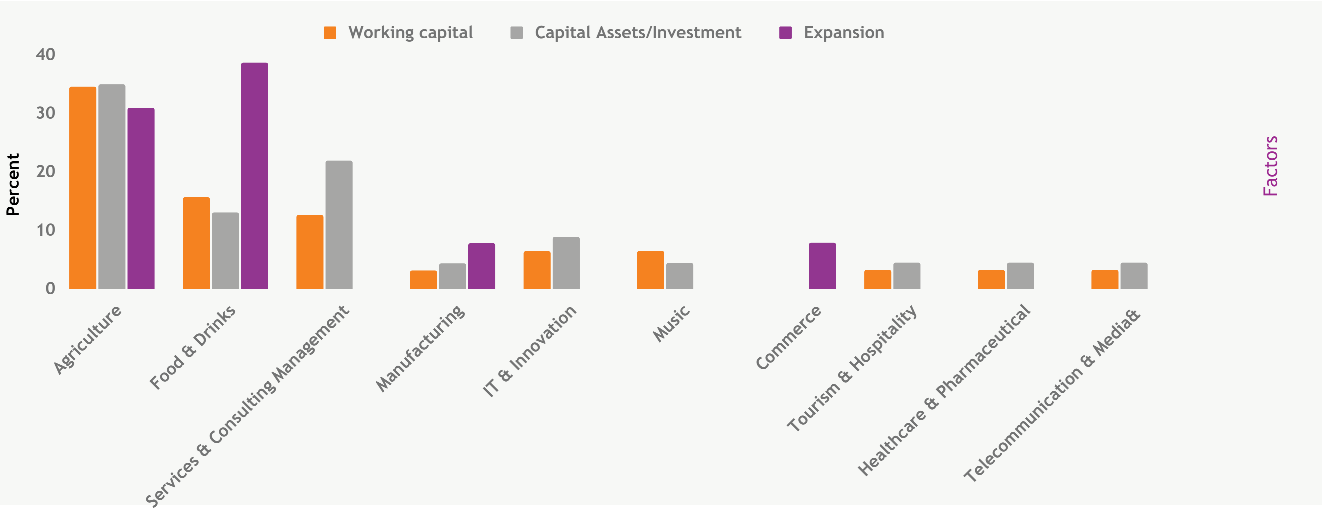


Figure 11: Purpose of financing received according to business sector

Further crosstabulation analysis sought to compare the purpose of financing received according to the top 10 business sectors. The survey, illustrated in Figure 11 above, revealed that:

- Agri-food and manufacturing sectors sought financing for the three main purposes assessed, unlike other sectors which purposefully received financing for upto 2 main reasons.
- Agriculture sector widely received financing for working capital and investments/capital assets.
- Working capital was mostly sought by agriculture (34.4%), then food and drinks (15.6%), followed by professional services (12.5%) sectors.
- Financing for capital assets/investments were majorly received by the agriculture (34.8%), professional services and consulting management (21.7%), then food and drinks (13%) sectors.
- Sectors that major sought and received financing for expansion included food and drinks (38.5%) toping the list, then agriculture (30.8%), followed by manufacturing and commerce each accounting for about 8%.

Major business financing requirements

Figure 11 summarizes the major requirements that applied to the businesses that received financing in the last 3 years.

Other specified requirements that applied for the financing included:

- Business registration ownership
- Business records
- Business and project location
- Years of operations
- Guarantors to the loan application
- Existing business stock
- Business data room

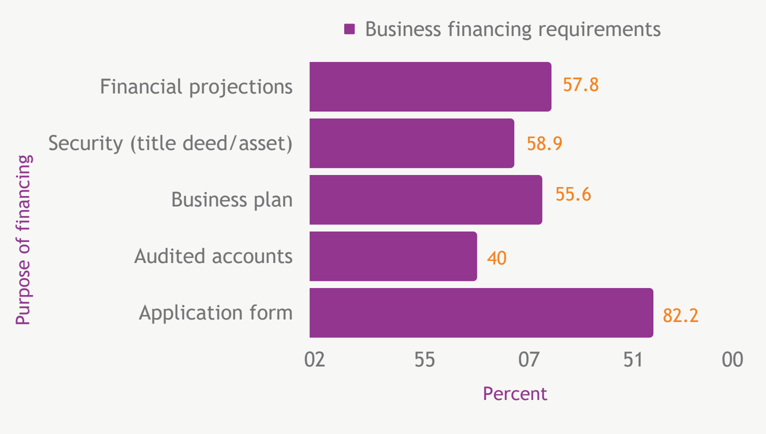


Figure 12: Requirements that applied for your financing

Level of difficulty in meeting financing requirements

Majority (73%) reported that security (title deed/asset) was the most difficult (73%) financing requirement to meet, followed by audited accounts (27%).

In terms of the least difficult requirement, application form stood out for most businesses (49%), then business plan as alluded by 1 out every 5 businesses engaged.

Generally, there is high level of difficulties in accessing financing by SMEs especially from the existing financial institutions like banks.

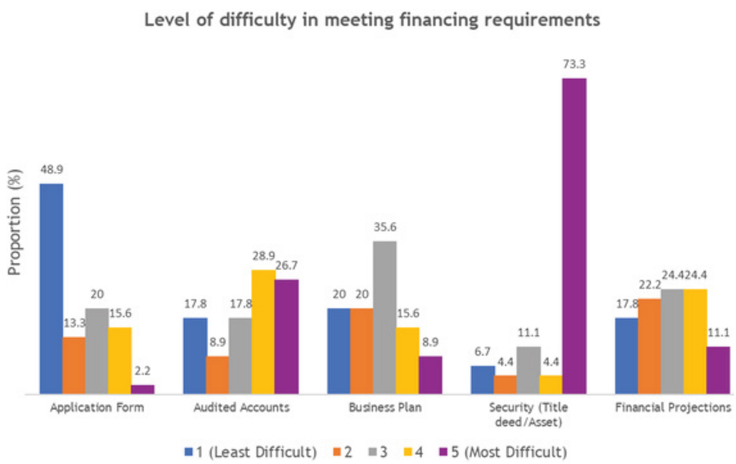


Figure 13: Level of difficulty in meeting financing requirements

I stopped going to bank to borrow because they will say I don't qualify while I know I do or likely to take too long. One time I wanted only KES 100,000, but the bank said minimum loan was KES 200,000. With my average monthly revenue of KES 110,000 from training, consultancy and projector rental, they said I don't qualify. I was evaluated as a trader while I provide services where all income money is mine unlike a trader who holds stock.

Financing requests declined in the last 3 years

The study also showed that about 45% of the businesses engaged have had their request for financing facility declined in the last 3 years.

This was majorly attributed to the high difficulties in meeting the financing requirements such as security (title deed/asset) and audited accounts as reported by the respondents.

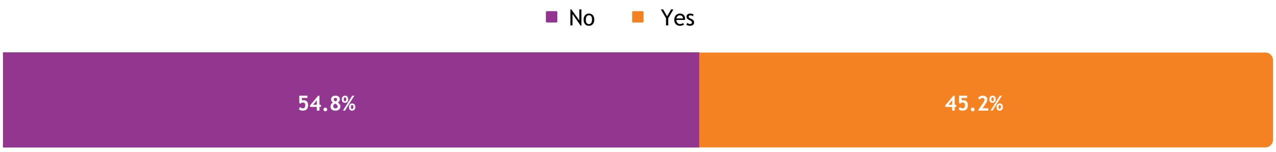


Figure 14: Proportion of financing requests declined in the last 3 years

There is need for capacity building support services that focuses on reskilling and upskilling of SMEs in preparation of audited accounts, filling application forms and developing business plans to increase their prospects of accessing adequate finance. Businesses may also need to be supported on low risk alternative financing incases where they cannot commit required collateral by financiers.

Reasons for declining the requested financing facility (1/2)

The study further delved into establishing the specific reasons for declining their requested financing.

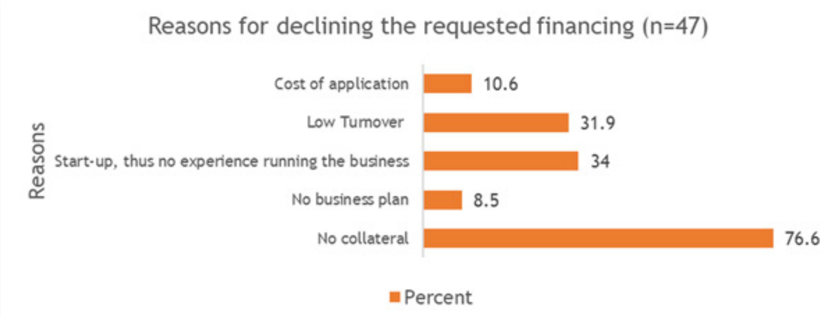


Figure 15: Reasons for declining the requested financing facility

Lack of collateral remains the major reason for declining the much-needed financing amongst most businesses (77%), followed by the start-up state being associated with limited experience in running the business as well as low business turnover (32%) following closely as the third reason.

Collateral is viewed as a disincentive to majority of SMEs in accessing loans (Osano and Lunguitone, 2016). Consequently, alternative less restrictive financing requirements should be reimagined and adopted to enable businesses access financing.

Reasons for declining the requested financing facility (2/2)

Summary of qualitative data on other reasons for declining the applied facility included:

- Lack of consistency in the bank statements due the seasonality of the business – export of fruits
- Bank used one standards loan evaluation criteria that is not relevant in the type of business operated
- Being listed on credit reference bureau (CRB)
- Lack of business permit
- Poor past loan repayment records
- Lack of evidence of a good business cash flow
- Lack of book keeping and proper business records
- Lack of bank account
- Lack of awareness
- Less amount applied than their minimum loan amount
- Low turnover due to Covid-19
- Number of years in operation
- The security provided was not sufficient for the ask and some financial ratios were not supportive to the amount requested. Instead, a lower ask was offered.

PERFORMANCE OF FINANCING

Extent of agreement with the 3 statements on performance of financing

Laudably, the study established that:

- 93.3% agreed that the funding they received helped them achieve their business objectives.
- 53.4% agreed that the facility received was adequate for the purpose it was needed for.
- 75.5% agreed that they are likely to use the same financier for their future needs.

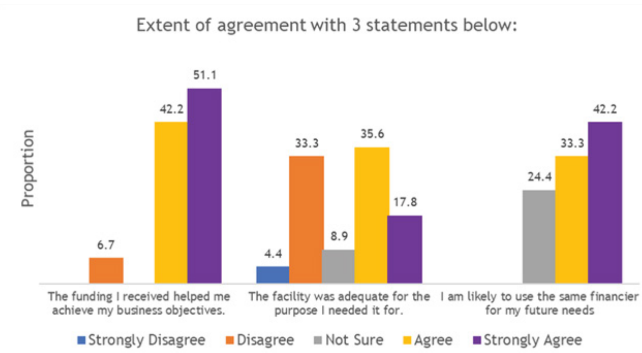


Figure 16: Extent of agreement with the 3 statements on performance of financing

Businesses planning to get financing in the next 12 months

At the time of study, 93% of the businesses affirmed that they are planning to seek financing in the next 12 months, affirming the high demand for financing amongst SMEs.

Figure 17: Proportion of businesses planning to get financing in the next 12 months

Main purpose of the sought financing

Out of the businesses that are planning to get financing in the near future, most of them are seeking the funding for expansion (39%) while 36% of them are looking for working capital for their businesses.

Business expansion is the most preferred purpose of looking financing, however, sufficient working capital is a key aspect of any business's financial health; and not having enough working capital can have a serious adverse impact on the future of your business. Many businesses choose to apply for external funding to create enough working capital to enable them fulfil their growth ambitions (OECD, 2016). Working capital funding can also allow SMEs take advantage of new opportunities that arise, investing in new products or services that propel their expansion.

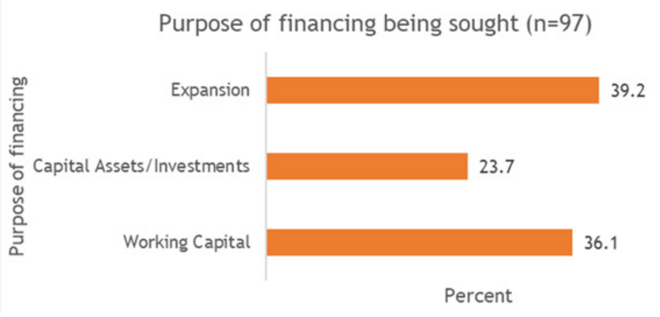


Figure 18: Purpose of the sought financing

Support needed to access financing (1/2)

Furthermore, about 7 in every 10 businesses that plan to get financing are need additional support with linkage to financiers, followed by preparing a winning business plan (47%) in order to access financing.

Having a direct linkage and interaction with financiers is potentially help both parties to have a mutual in-depth understanding of expectations and business needs the financing seeks to address. Moreover, it helps solve the challenges of information asymmetry between SMEs and financiers including negotiating for repayment plans.

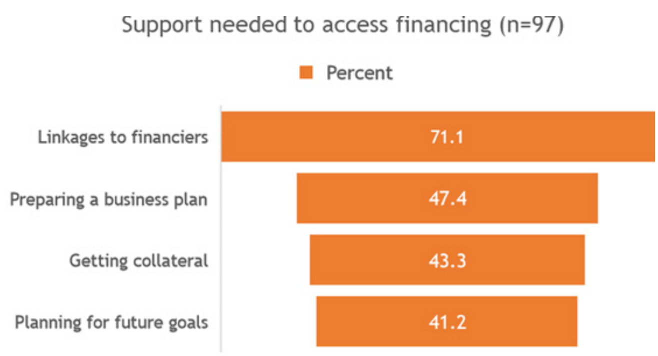


Figure 19: Support needed to access financing

Support needed to access financing (2/2)

Qualitative summary of the support needed to access financing included:

- SME friendly policies on financing that enables an entrepreneur to get funds at low interest rates, minimal on collateral and less restrictive requirements.
- Networking and sharing ideas with like-minded entrepreneurs who have consistently received adequate financing for their businesses.
- Targeted advisory on SME financing. Developing a good pitching presentation.
- Financiers hardly funds anything new (new ideas and green start-ups, etc.), this is a gap in the ecosystem. There is need to get a grace period of at least 4 months before repayment starts.
- One-on-one communication about financing and institution visit for further advise in alignment with SME needs.
- Payment to be based on milestones according to the business plan. Skilled personnel to manage resources well.
- Planning for loan funds. Understanding of unique SMEs needs.

> I have work in progress inventories worth KES 98 million but cannot access funding. I have signed LPOs worth over KES 192 million but still cannot find a financier. So, if I get a reasonable financier, I would like to engage as soon as possible.

> SME friendly policies on financing that enables an entrepreneur to get funds at low interest rates, minimal on collateral and less restrictive requirements.

Reasons for not planning to get financing

However, for the few businesses that showed no intention to get financing in the next 12 months, 43% of them believed that their businesses did not need financing at the time of the study, followed by their understanding on not meeting the eligibility criteria needed by most financiers.

Other specified support needed included:

- Current revolving fund is adequate
- Inconsistent income flow
- Lost a pie of their market share.

Figure 20: Reasons for not planning to seek financing

Part 2: Research Hypothesis Testing

STATISTICAL INTERPRETATION OF ANALYSIS

Interpretation of associations, significant differences, and strength of relationships

- The study further tested for research hypothesis using Chi-square test to determine whether there was a significant association/relationship between two variable/indicator measures at significance level of P=.05. Cramer's V, Phi and Gamma coefficients were used to test for the strength and direction of the association between the two variables of interest at p-value = .05.
- The null hypothesis (the two variables are independent/no association) is rejected if the P- value is less than the significance level.
- Positive value denotes direct relationship (as one variable increases, the other variable increases) while negative value denotes inverse relationship (as one variable increases, the other decreases).

The classification below was used to make inferences

Cramer's V, Phi values & Gamma Coefficients (+ / -ve)	Interpretation of effect size (ES)
ES ≤ 0.2	Weak association
0.2 < ES ≤ 0.6	Moderate association
ES > 0.6	Strong association
ES = 1.0	Perfect association

Source: IBM Knowledge Center

◆ HIGHLIGHTS OF RESEARCH HYPOTHESIS

In view of the aforementioned key findings, the study formulated and clustered hypotheses based on the five (5) pre-determined research hypothesis outlined below:

Hypothesis 1: Age of business and need for funding

Further analysis revealed no significant association between age of business and need for funding (Chi-Square = 3.524, p-value = .318). This implies that the age of businesses is independent (not dependent) on the need for funding.

Age of business	Need for funding		Total (n=104)
	Yes (n=100)	*No* (n=4)	
Less than 1 Years	Nil	Nil	Nil
1 - 3 Years	48.0%	50.0%	48.1%
> 3 - 5 Years	21.0%	50.0%	22.1%
> 5 - 10 Years	19.0%	0.0%	18.3%
Above 10 Years	12.0%	0.0%	11.5%
Total	**100.0%**	**100.0%**	**100.0%**

Table 1: Cross tabulation of age of business and need for funding

Businesses aged 1 - 3 years needed funding more vis a vis other businesses with above 3 years of operation. This accounted for 48% of the total proportional need for funding.

Hypothetically, the SMEs between 1-3 years would need more capital to develop ideas into solid product lines, hire more specialist, invest in production costs and keep operations steadily running as well as increase marketing and sales efforts. This forms the basis for high appetite of more funding for stability at the formative stages.

Hypothesis 2: Business turnover and need for funding

Again, the study showed no significant association between the business turnover and need for funding (Chi-Square = 2.204, p-value = .820), the business revenue turnover is independent of the need for funding.

Business turnover	Need for funding		Total (n=104)
	Yes (n=100)	*No* (n=4)	
Below KES 5,000,000	64.0%	75.0%	64.4%
KES 5,000,000 - 10,000,000	13.0%	25.0%	13.5%
KES 10,000,001 - 30,000,000	8.0%	0.0%	7.7%
KES 30,000,001 - 50,000,000	10.0%	0.0%	9.6%
KES 50,000,001 - 100,000,000	2.0%	0.0%	1.9%
Above KES 100.000.000	3.0%	0.0%	2.9%

Table 2: Cross tabulation of business turnover and need for funding

Proportionally, businesses with turnover of below KES 5 million needed funding more compared to other businesses with above KES 5 million turnover.

This was followed by businesses with turnover of KES 5 – 10 million, then KES 30 – 50 million.

Hypothesis 3: Availability of funding and progress of business

Progress of business was assessed based on how well the funding received helped the business to achieve its business objectives it sought to address.

The study revealed a moderately direct association between availability of funding with progress of business (Chi-Square = 21.120, p-value = 0.007, Gamma = .424), availability of funding increases with increasing progress of the business.

The findings depict the importance of availability of finance to the business growth and expansion in the SME sector. However, it is critical for SMEs to find balance on optimum level of debt financing without exposing the company to too much debt since this might bring a range of problems for start-ups including being over-leveraged (OECD, 2016).

Availability of funding	Progress of business			Total
	Disagree (n=3)	*Agree* (n=19)	Strongly Agree (n=23)	(n=104)
Strongly Disagree	33.3%	0.0%	0.0%	2.2%
Disagree	0.0%	21.1%	17.4%	17.8%
Not Sure	33.3%	15.8%	8.7%	13.3%
Agree	33.3%	52.6%	34.8%	42.2%
Strongly Agree	0.0%	10.5%	39.1%	24.4%

Table 3: Cross tabulation of availability of funding and progress of business

It is worth noting that in overall, majority of businesses (91.3%) agreed that availability of funding positively correlates with progress of their businesses.

Hypothesis 4: Presence of a business strategy and seeking for financing

The study revealed no significant association between having a business strategy of funding and progress of business (Chi-Square = 1.349, p-value = .853), having a business strategy on financial planning is independent of seeking or planning to get financing.

In as much as there was no statistically significant correlation between the 2 indicator variables, proportional difference established that about 94% of the entrepreneurs surveyed at least agreed that having a business strategy on financial planning contributes to seeking for financing amongst SMEs. Having a business strategy gives businesses clear future performance and explains financial planning for SMEs (Nassr & Wehinger, 2015).

Having business strategy	Seeking for financing		Total
	Yes (n=97)	*No* (n=7)	(n=104)
Strongly Disagree	1.0%	0.0%	1.0%
Disagree	2.1%	0.0%	1.9%
Not Sure	3.1%	0.0%	2.9%
Agree	39.2%	28.6%	38.5%
Strongly Agree	54.6%	71.4%	55.8%

Table 4: Cross tabulation of presence of a business strategy and seeking for financing

Hypothesis 5: Awareness of available financiers and accessing funding

The study revealed a moderately direct association between awareness of available financiers and accessing funding (Chi-Square = 13.459, p-value = 0.009, Cramer's V = .343), access to financing increases with increasing awareness of available potential financiers.

Awareness of available financiers	Accessing funding		Total
	Yes (n=45)	*No* (n=59)	(n=104)
Strongly Disagree	0.0%	3.4%	1.9%
Disagree	11.1%	8.5%	9.6%
Not Sure	11.1%	32.2%	23.1%
Agree	53.3%	49.2%	51.0%
Strongly Agree	24.4%	6.8%	14.4%

Table 5: Cross tabulation of awareness of available financiers and accessing funding

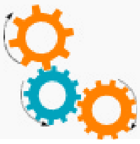
Again, majority of the businesses (77.7%) agreed that awareness of the available financiers positively correlates with access to funding. Seemingly, there is an increasing agreement among the SMEs that increased awareness of financiers potentially leads to increased access to funding.

05 Recommendations

Key actionable recommendations

The recommendations have been based on the data insights and suggestions drawn from the respondents. These have been clustered in two categories as outlined:

A.  Recommendation for people and businesses looking for financing

B.  Recommendation to ecosystem SME support actors e.g. Policy makers, BSOs, Trade Promoters, and financial intermediaries/financiers

KEY ACTIONABLE RECOMMENDATIONS (1/2)

A For people and businesses looking for financing

	Key recommendation	Specific actions to be taken
1.	Businesses need to develop strong business strategy with clear business plan, financial and repayment planning	• SMEs need to conduct income to debt ratio to determine required loan. • SMEs should only apply for money that will create return on investment. • Consider loan that you can comfortably repay. Conduct analysis of loan repayment season. • Assess collateral and asset base to determine the level of debt financing for their businesses. • SMEs should draw business plan forecasting on cash flow projection to seek financing.
2.	Strengthen business financial accountability and reporting procedures.	• SMEs should properly account for project financing and maintain proper financial records for financial accounting, auditing and reporting purposes to the involved stakeholders.
3.	Having a good pitching presentation to financiers.	• SMEs need to develop winning financial proposals, presentations and pitches to potential financiers.
4.	Create linkages and network with potential financial partners and entrepreneurs.	• Enhance peer-to-peer networking and sharing of ideas with like- minded entrepreneurs that seek to learn from the best practices and challenges encountered. • Strengthen linkages with potential financiers to enhance an in- • depth understanding of the financing requirement and how to • prepare winning applications.

◆ KEY ACTIONABLE RECOMMENDATIONS (2/2)

B To ecosystem SME support actors

	Key recommendation	Specific actions to be taken
1.	Improve access to relevant financing services on appropriate terms.	• Facilitate collateral-free loan screening mechanisms for SMEs with low business experience.
2.	Promote funding for innovation in SMEs sector.	• There is need for a performance-based loans and incentives for innovation in SMEs growth.
3.	Targeted SME financing forums bringing that bring together financial intermediaries, interested ecosystem actors, and entrepreneurs/businesses.	• Periodic multi-stakeholder knowledge and information sharing platform will help bridge the information asymmetries that potentially exist between the entrepreneurs (borrowers) and financiers (lenders) which according to Matthews and Thompson (2008), is argued as the main stumbling block to SME financing in Sub-Saharan Africa.
4.	Lobbying and capacity building support to the financial sector actors on better service to the start-ups and SMEs that meets their needs.	• There is need to provide capacity-building grants and technical assistance to expand lending activities to reach all SMEs.
5.	Financial literacy and accounting training to SMEs	• Provide trainings and coaching to SMEs and entrepreneurs on financial literacy and accounting mechanisms that encourage responsible borrowing and lending. • Undertake appropriate supervision of financial products offered to SMEs and start-ups.
6.	Strengthen SME-friendly policies on financing.	• Create and lobby for SME-friendly policies on financing that enables entrepreneurs to get funds at low interest rates, minimal on collateral and less restrictive requirements. • Reviewing and removing legal and regulatory obstacles that hinder access to finance by SMEs.
7.	Support and promote the diversification of other revenue raising streams.	• SME support actors should provide and enhance a capacity building on how the SMEs can expand their revenue mobilization opportunities.

06 References

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Thank You

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