



Portal boon for SMEs

A NEW online portal that instantly compares finance options available to small and medium enterprises is helping to address the number one challenge that SMEs in South Africa face – access to finance.

The business-to-business portal is the first of its kind and compares loan products that many business owners and entrepreneurs don't even know are available to them. These include merchant cash advance, unsecured SME loans, invoice discounting and asset finance.

It is the brainchild of the founders of the financial comparison website for consumers, www.Fincheck.co.za, launched earlier this year.

Michael Bowren, Fincheck CEO, said: "Capital and financing is vital for a small business to scale. We recognised the need to house all loan options available to SMEs in one portal and provide accurate information about the terms, nature, requirements and costs of these products for business owners to compare. And so, Fincheck Business was born.

"We found that many small business owners are taking out personal loans to finance their businesses because they don't know that other options exist. This tends to put a business poised for growth into survival mode and seldom leads to its expansion and sustainability.

"SMEs are supposed to be the drivers

Many small business owners are taking out personal loans to finance their businesses

of South Africa's economy, but the hurdles they face when it comes to accessing not only finance, but reliable information about finance, are significant."

A merchant cash advance (MCA) is not technically a loan, but it allows a business to get much-needed funds for cash flow, operations and revenue-generating activities like marketing, expanding and acquiring stock.

The business receives a cash advance, based on previous turnover. The cash advance is made upfront as a lump sum with no fixed interest rate and no fixed repayment term. Repayment is made via a small, fixed percentage of incoming transactions until the cash advance is paid off.

SMEs can go for unsecured SME loans, which do not require them to own an asset – they do not need collateral.

In South Africa, invoice discounting is a popular option for merchants to improve their cash flow.

"By taking out a loan against their sent invoices, it works like bridging finance. Invoice discounting can be a relevant option for a business when its capital is tied up in stock or when it is working on customer payment terms of 30, 60 and even 90 days," said Bowren.

"Companies with a consistent turnover of over R100 000, that have established supply chain structures and reliable systems for collecting payments are most likely to be suitable for invoice discounting. It is a great resource for an SME to continue operations, but it must be handled responsibly."

Asset finance is used to buy assets, such as equipment, that are vital for a business to function and grow.

■ For more information go to: www.fincheck.co.za/business; or e-mail: info@fincheck.co.za

