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KHULA ENTERPRISE FINANCE LTD'S MEETING WITH PARTNERS

Today Khula Enterprise Finance Ltd (Khula) met with its financing partners. This is a historic meeting that occurred for the first time and was attended by all the four major retail banks, retail financial intermediaries and joint fund managers. This is part of Khula's initiative to find solutions to the main challenges faced by small and medium enterprise (SME) sector. The key challenges focused on relate to SMEs' ability to access finance from both the private and public financial institutions.

In a meeting that was well represented by the banks, retail financial institutions and joint fund managers, the common issues faced by these institutions are:

- Lack of experience and skills by SMEs to competently run the businesses that they want to start. There is a need for training of the entrepreneur, especially for first time applicants;
- SMEs do not do sufficient research and feasibility studies into the businesses that they want to run and as a result have unrealistic expectations with regards to the success of the business;
- Poor cash flow management by entrepreneurs;
- Lack of commitment to put in collateral to secure funding or commitment to use their own contribution;
- Non existence of a common business screening/assessment tool to assess businesses before funding can be approved;
- Mentorship - the need to review mentorship programmes, including by Khula, and to introduce governance measures to monitor the effectiveness of mentors;
- The need for a central point where SMEs can access information on all providers of finance, including each provider's qualifying criteria;
- The requirement to have aligned funding processes and criteria;
- The need for Khula to support retail financial institutions reduce their cost of delivery of finance to entrepreneurs;
- The need for Khula to review the Credit Indemnity Scheme especially the process and the risk sharing mechanism. There is a suggestion that Khula should accept a first loss in the event of default.

There was agreement on the way forward; for Khula to work more closely with its partners in tackling the challenges in the SMEs. Amongst other things, Khula to:

- Invest in a credit bureau or credit sharing information platform that can be shared by both non-profit and banking institutions;
- Conduct a survey to measure access to finance, hurdles and improvements from a client perspective;
- A central repository of information on sources and requirements to access information; and
- Agreement on cost sharing with the non-governmental financial intermediaries.

All present committed themselves to keep working together to find solutions.

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