

Assessment of the financial literacy needs of SAIBL SMEs

Background

USAID’s Financial Sector Program (FSP) has been established to improve access to finance for small and medium enterprises (SMEs) by, for example, improving the quality of business development services offered to SMEs in relationship to access to finance, and by enhancing the financial literacy of SMEs.

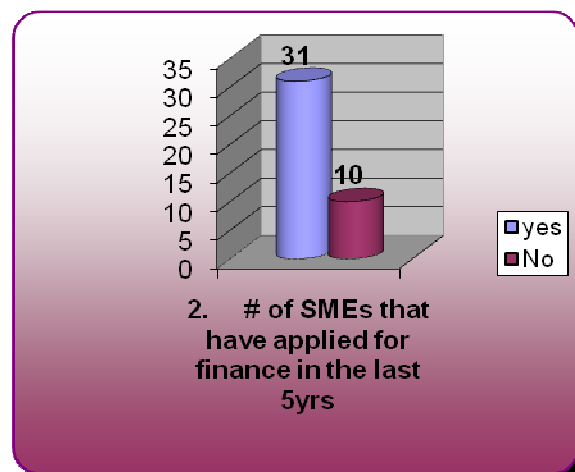
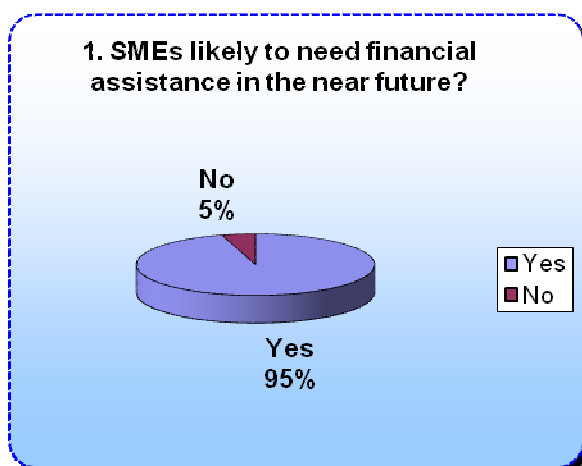
In partnership with its sister program USAID’s South African International Business Linkages (SAIBL), FSP undertook a short survey late last year with SAIBL’s SME clients, to assess what information SMEs need to assist them with applications for finance.

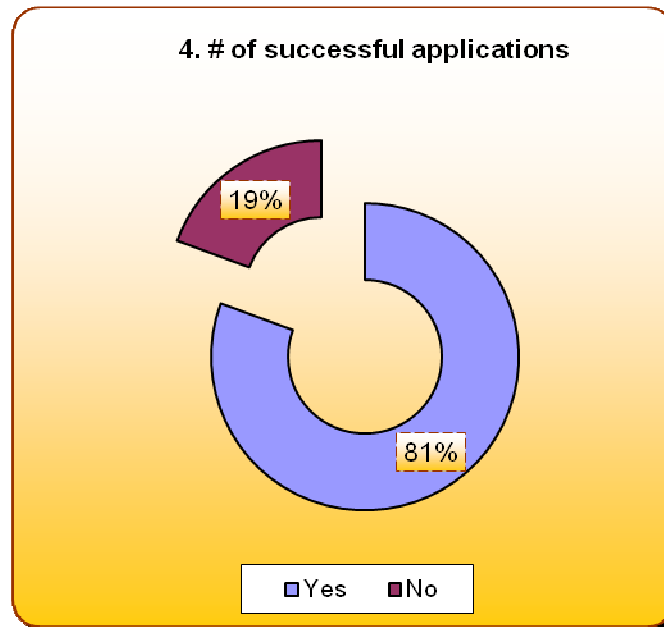
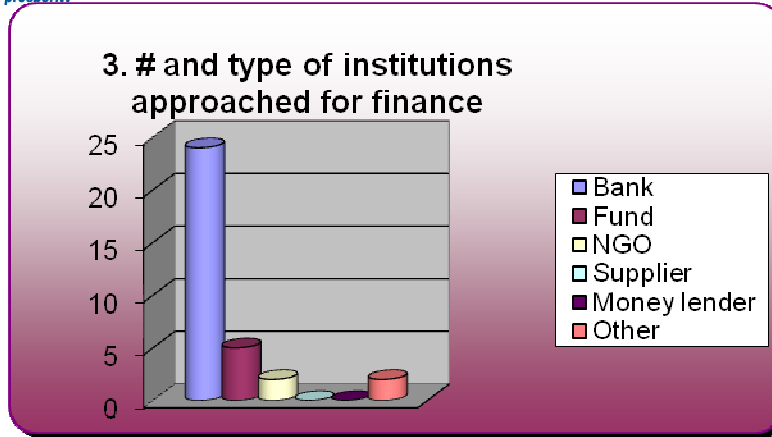
The survey answers the following questions:

1. How many answering the survey would be likely to need finance in the near future?
2. How many have applied for finance in the past 5 years?
3. What type of institution did they approach for a loan?
4. How many of these applications were successful?
5. If it was turned down, what reasons were given for turning the loan down?
6. What specific information would help to apply for finance?
7. What method is preferred for getting the information given in #6 above?

Survey Results

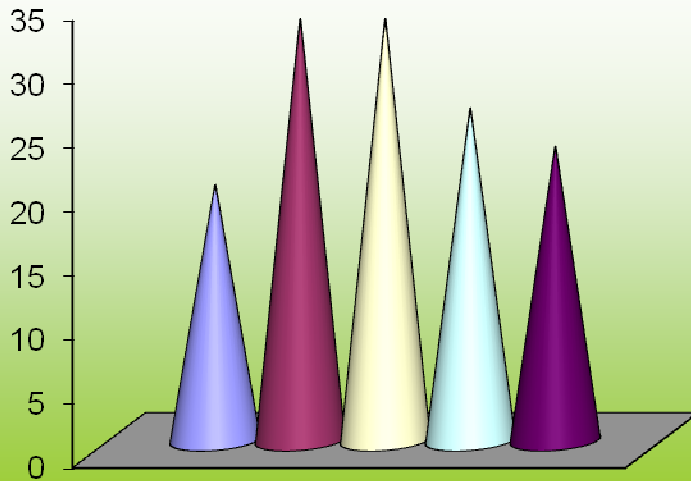
The following graphs illustrate the results to the survey. In total, 320 questionnaires went out (to each SAIBL client); 44 clients responded.





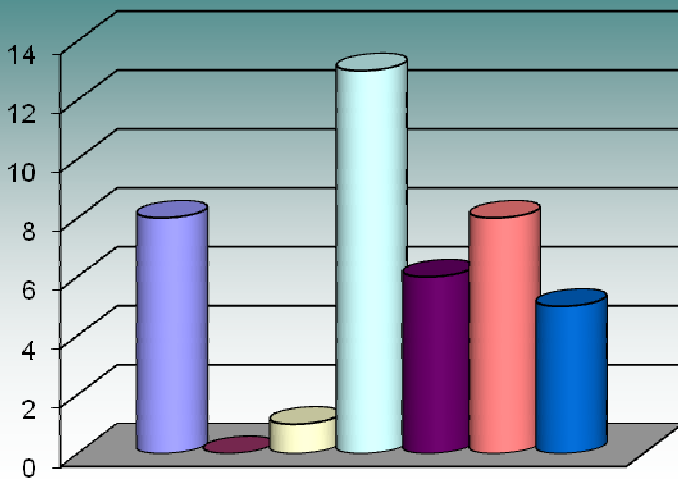
Question 5: reasons given for why loans were turned down
I did not own the land; government owned the land (needed for collateral)
The bank said I provided insufficient information
I had insufficient profitability to repay the loan
My financials were not supported as the business was too new
The company could not provide a guarantee for the funds I was requesting

6. Information needed to assist when applying for finance



- a) Terms and concepts used by the financial sector (banks, lenders, etc.)
- b) Information about different types of loans/ financial assistance offered to SMEs
- c) Information about sources of financial assistance for SMEs
- d) Information about what the lender needs from you before they will assist you with finance
- e) Information about where to get assistance to apply for finance

7. Preferred method to receive information



- Information seminar
- Printed pamphlet
- Information in a newspaper like Big News for Small Business?
- Advice from your business advisor
- Printed information from the finance provider
- Electronic brochures/website
- SME networking events

Next Steps

FSP is in the process of developing a program to promote financial literacy of SMEs in order to improve their access to finance. Its purpose is to provide information on how the world of business finance and financing of SMEs works, rather than instruction on how to improve the internal financial workings of a business.

The program has the following features:

1. It will be offered through business advisors to their SME clients;
2. It will be offered as an electronic and/or web based resource;
3. It will cover the areas mentioned in question 6 above, including
 - a. Is it finance you really need / what type of finance you need
 - b. Type of financial products and services available
 - c. Providers of financial products and services ... and understanding how they think
 - d. The application process for finance
4. It will be offered in a modular format so that you can focus only on the information you need and want at any given point in time.

FSP intends to launch the program on the market during the first quarter of 2010. Please speak to your SAIBL advisor if you wish to know more.

Final Word ...

THANK YOU to all those SAIBL clients who took the time to complete the survey. Your responses have helped us to identify what is important to you and what will be of service to you when you apply for finance in the future.

THANK YOU to SAIBL for assisting FSP in distributing the questionnaire and compiling the graphs.