

Accessing Finance for Local Business

Written by  UT Bank

**THE SMALL BUSINESS HEROES
GUIDE TO SMALL BUSINESS FUNDING**

	SELF FUNDING	CROWDFUNDING	GRANTS	INVESTMENT	LOANS
BEST FOR	Start-ups who don't want to or can't get investment or bank loans. Good for simple, self-sufficient business models.	Anyone embarking on a business project that needs funding	Businesses in need of a cash injection for a project	Those willing to give away equity and/or looking for experienced stakeholders	Businesses in need of a one-off cash injection to get off the ground or to grow
WHERE DOES THE MONEY COME FROM?	Your own assets or savings, or money from friends or family	A 'crowd' of backers all willing to invest a small amount of money in your project	Government-backed organisations who are responsible for deciding who is awarded money	Individual angel investors or venture capitalists	Banks and building societies, but also other public and private lending institutions
DO I RETAIN CONTROL OVER BUSINESS DECISIONS?	Yes	Yes	Yes	No	Yes
HOW EASY IS IT TO SECURE?	Easy – so long as you have the existing funds/assets	Difficult – convincing a large group of people to support you can be hard	Difficult – grants often have strict criteria and are very competitive	Difficult – pitching is time-consuming and competitive	Moderate – many banks and other organisations are willing to lend to small businesses
DO I NEED TO GIVE AWAY EQUITY?	No	Dependent – some crowdfunding projects promise a return in equity to backers	No	Yes	No
DO I RECEIVE MENTORING AS WELL AS MONEY?	No	No	Sometimes	Yes	No
WHAT LEVEL OF PERSONAL FINANCIAL RISK IS INVOLVED?	High	Low	Low	Moderate	High
WILL IT SUPPORT MY MARKETING AND NETWORKING EFFORTS?	No	Yes	No	Yes	No
DO I HAVE TO PAY IT BACK?	No	Depends on the type of crowdfunding	No	No	Yes
WILL I HAVE TO PUT IN MY OWN MONEY TOO?	Yes	Usually	Usually	Usually	No
IS IT USEFUL FOR B2B PRODUCTS OR SERVICES TOO?	Yes	No	Yes	Yes	Yes

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Introduction

For many Ghanaian businesses obtaining and securing the right source of finance remains a major challenge to growth. This guide by UT Bank is aimed at supporting local business to understand the various options available to Ghanaian businesses on how and where to source finance.

Financial institutions products

Financial institutions have numerous products to suit most local businesses per the nature of their business. These include;

- a. **Import Financing** for customers who are involved in the importation of raw materials or finished goods. The credit facilities are made available via short term facilities collateralised by an asset on shipping documents, LCs, Bills for collection, etc.
- b. **Invoice Discounting Finance** are credit facilities made available via invoices that have been duly accepted for payments.
- c. **Guarantees** for customers who are contractors to major company's that require guarantees from a Bank on their contractor. Contract for which guarantee is being given must be legitimate and tenor of guarantee does not exceed one year.
- d. **LPO Financing** involves the provision of short term finance to carry out supply orders. Such loan amounts do not exceed 70% of supply order. There is usually an **irrevocable tripartite domiciliation** of agreement in respect of contract proceeds.

- e. **Commercial Mortgage** empowers Local businesses to finance the acquisition of landed property for commercial purposes. In this instance the source of repayment should be from business sales proceeds and not rent.
- f. **Short Term Loans**
- g. **Secured Overdraft** to finance working capital requirements of the business, etc.

This is necessary for businesses to have a client financial history. They should also have:

1. A business plan detailing their revenues,
2. Expenses
3. Future cash flow projections.

Businesses should be aware of industry competition, size of firm, collateral, owners financial situation (where applicable), effective bookkeeping, proper organisation structure & character, business should be properly registered, tax obligations met, etc.

How to reduce rates of interest for Local businesses with high risk business

Local businesses have been associated with high risk business thus resulting in the extension of high rates to them quiet often.

1. **Management risk** – ability to employ & maintain efficient staff to avoid deterioration of services and subsequent loss of its clientele and future revenue
2. **Risk of fire outbreak** – insurance of goods against fire and allied perils to avoid loss of assets and inability to pay debt
3. **Credit risk** – cash flow assessment to access ability to pay debt
4. **Performance risk** – ability to deliver & previous track record
5. **Market risk** – competitive abilities such as quality of products, wide distribution network, etc.

How local businesses can access funding for their business

Local Businesses can access funding for their business via diverse ways. These include:

- 1. Government grants**
 - [Skills Development Fund](#)
 - [List of Govt linked funds and grants in Ghana](#)
- 2. Peer-to-Peer lending**
- 3. Crowd funding:**
 - [Slice Biz – crowd funding platform](#)
 - [Financing In Africa](#)
- 4. Microfinancing:**
 - [Ghana Microfinance](#)
- 5. Supplier financing**
- 6. Business plan competition:**
 - [Ghana Start Up](#)
 - [Innovations for Poverty Action](#)
 - [African Diaspora Marketplace](#)
- 7. Bank loans**
- 8. Bootstrapping** (using personal finance or revenues from the new company)
- 9. Friends & family**
- 10. Investors through Private Equity**
 - [Enablis](#)
 - [Ghana Capital Partners](#)
 - [The Ghana Growth Fund Company](#)
 - [Private Equity Africa](#)
- 11. Angel investors;**
 - [Ghana Angel Investor Network](#)
 - [The Dain Network](#)

Thank you for reading!



Readers of this guide also found the following IIA reports useful:

- o Embedding strong governance structures
- o Meeting tax and accounting regulations

Many thanks to UT Bank for the contribution to this report