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Article 11: Getting Funding in a Digital World

The challenge of funding

The United States Agency for International Development (USAID) conducted comprehensive research in South Africa to identify the challenges faced by SMMEs wanting to access finance. The findings revealed the main reasons for SMMEs struggling to access finance as:

- A lack of finance literacy i.e. not understanding financial terminology.
- A lack of knowledge about who the funders are, how to access them and what lenders require from them.
- A lack of knowledge about the different types of loan products and which are appropriate for their lending needs.
- A lack of finance readiness in terms of the documentation required by the funders.

Funding is the lifeline for any business and access to funding is a fundamental obstacle to the survival and growth of SMMEs. Never has it been more prevalent that right now, during the COVID-19 lockdown period. Entrepreneurs are finding it extremely challenging keeping their business alive, let alone thriving, and many need financial assistance and fast! The big question on everyone's mind is how and where can a business owner go to find funding in a digital landscape?

The good news is that there are many private and public organizations that offer financial support under normal circumstances, and more recently financial relief during the immediate crisis to keep the economy afloat and stimulate the economic recovery post-COVID-19. Whether you are looking for start-up, cash flow, supplier, expansion or any other type of finance, there are funds to explore and funders that are ready to inform and assist you to take your business to the next level.

Accessing financing opportunities

The majority of the private organizations in the financial services space offer some form of business loan facility and have an online presence. It is recommended that those seeking funding conduct some research into commercial banks, asset management companies, long term insurance companies and other institutions such as micro-lenders to find out more about the solutions they offer, their respective terms and conditions, as well as the application process and supporting documents required. This can all be done online.

Public funding is also available from a host of organizations that are also ready and geared to assist you where possible. This is commonly offered through grants (full or partial) or incentives, some provided up front and others at the end of the service or after an event. They are usually not repayable. You can find out more about some of these institutions, who they are and how you can apply for finance from the following link:

<https://www.fundingconnection.co.za/funding-agencies-in-south-africa>

Digital financing tools

Below are two examples of new digital tools aimed at bridging the gap between finance demand and supply.

1) The Western Cape Government (Department of Economic Development and Tourism) have developed a business support app called *Jump for entrepreneurs* to provide new and existing companies with powerful digital tools, applications, services, link them to real work networks and to assist them in starting, growing and scaling their business through digital adoption towards a new way of operating and thriving.

The Funding Assist feature allows an entrepreneur to complete a funding readiness assessment and then automates the matching to suitable funders. This is a secure and mobile agnostic aggregation service, available 24/7, providing more than 600 different funding products from more than 400 funders, each updated automatically daily. It is easy to use and provides an instant response. You then engage directly with the matched funder you choose from the match result. Visit the Jump information page on www.bizjump.co.za or download the FREE app from the Apple or Google playstores (suitable for Android and IOS). Note that registration is required.

With the matching exercise, the person seeking funding should consider the primary reason that they need funding. The following types of funding are provided through Funding Assist:

- Working Capital
- Asset Finance
- Franchise Acquisition Partner Funding
- Growth Finance
- Research and Innovation Funding
- Other Business Finance

More details of the funding types are provided overleaf:

Types of funding accessible via Funding Assist

Working Capital	Asset Finance	Franchise Acquisition Partner Funding	Growth Finance	Research and Innovation Funding	Other Business Finance
Cash advance for an invoice	Buying business property	Buying a franchise	Business expansion	Developing a new product /process	Business Process Outsourcing (BPO)
Cash flow assistance	Buying equipment	Funding to bring on a BEE Partner	Product / service expansion	Filing a patent	Export funding - trade finance
Cash for retailers with a card machine	Buying machinery	Funding to buy an existing business	Refinancing existing debt	Funding for green initiatives	Funding for artists and events
Money to buy stock	Buying vehicle or fleet finance	Partner or management buyout		New product commercialisation	Import funding - trade finance
Money to help with a contract	Property development	Starting your own franchise		Research funding	Poverty alleviation and rural
Money to help with a tender	Property refinancing			Tech innovation	
Purchase order funding	Shopfitting/ renovations				

2) The COVID-19 Content Centre has been developed by the Department of Economic Development and Tourism (DEDAT), Wesgro (Cape Town and Western Cape Tourism, Trade and Investment Promotion Agency), City of Cape Town Metropolitan Municipality, GreenCape and the private sector, with the sole purpose of providing support to Western Cape businesses during and post the Covid-19 crisis. They have designed the 'COVID-19 Support Finder' to help businesses find support and disaster relief funding. You simply complete a few quick questions, receive a list and contact details of organizations that may be able to assist you and then contact them directly. Click on the following link to access the tool: <https://www.supportbusiness.co.za/covid-19-support-finder/>

Financing specifically aimed at start-ups

In addition to the opportunities and tools mentioned previously, a start-up business would typically source funding from an angel investor, venture capitalist or business accelerator. An angel investor (also known as a private or seed investor) is typically a high net worth individual that provides a once off or regular investment in the fledgling company, usually in exchange for equity in the business. Similarly, a venture capitalist also exchanges capital for equity but to a business that has high growth potential, and that is usually more

mature than those of interest to angel investors. A business accelerator is slightly different in that it provides businesses with mentorship, investment and other support opportunities to nurture the early stages of getting the business up and running. Companies that have been through a business accelerator programme, and have demonstrated leadership and growth, are often candidates for funding from venture capitalists.

These investors can be found through events (specifically webinars during the lockdown period), an online directory, investment networks or even your own professional and private networks. When seeking funding, it is recommended to let people around you know that you are looking to raise funds for your business as personal connections are a common route of matching new businesses with lenders.

In most cases, you will be required to develop and present a compelling strategy and business plan, after which the investor will decide whether to back you or not. There is no need to feel overwhelmed as you can access many useful resources available online to guide you and provide tips on making your case powerful. This technique is often called a 'pitch deck' and is a brief overview of the vision of the company, the 'USP' (unique selling points) and track-records of the management team. Entrepreneurs should be ready to use their pitch deck at all opportunities that present themselves.

Provided below are some examples of websites where you can find angel investors and venture capitalists, this is by no means an exhausted list but a starting point:

<https://www.investmentnetwork.co.za/>

<https://www.afsic.net/>

<https://www.siliconcape.com/>

<https://angel.co/south-africa/investors>

If you would like to explore an accelerator programme please take a look at these articles and websites to find out more about some of the opportunities currently available, there are many others too, so please explore more if you prefer:

<https://www.entrepreneur.com/article/327566>

<https://ventureburn.com/2020/01/accelerators-incubators-african-startups-2/>

Early Stage Investing Course

In support to the above, the Western Cape Government has put together a FREE course that provides an introduction to early stage investing. This comprises 7 online modules featuring video interviews with 20 leading local experts, and includes 3 hours of learning plus additional resources. For more information on this programme please visit the link below. The information presented is relevant to those looking to add early state investing to their portfolio as well as those looking for funding and needing to know how this mechanism functions.

<https://www.westerncape.gov.za/site-page/early-stage-investing-course>

Hopefully this article has provided some valuable insights into getting the funding you need to ignite or keep your dream going!

Important Notice:

Funding Assist offers a comprehensive database of more than 600 funding products available to SMMEs seeking finance in South Africa, that is updated on a daily basis. The service is provided in partnership with FinFind (Pty) Ltd.

It is important to understand that FinFind is not a funder.

This is a specialist linkage service designed to save business owners the time and money usually spent on frustrating, fruitless searches for the right funder.

FinFind's primary purpose is to match and link the providers and seekers of SMME funding. The more accurate and current the information you provide, the more precise the list of funding options available to you.

Users are required to provide details of their name, surname, e-mail, cell and a password. This registration is required to enable us to protect your data.

Then, answer the simple questions that follow, to enable us to link you with suitable funders. At the end of the questionnaire, you will be provided with a list of funders to contact directly, with funding options and the application process

Disclaimer: There are many website and Internet resources available and this article is by no means exhaustive. The information, company and brand names of many products and services are mentioned, without their express permission, and other companies and brands are available. The intent of providing this information is to inform the public and business communities, thereby driving digital adoption. Their understanding is greatly appreciated.