



ATTRACTING FINANCING FOR GROWTH

Presentation By

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OUTLINE

- **The Concept of SME**
- **Characteristics Of SMEs**
- **Importance of SMEs**
- **Problems of SMEs in Raising Finance**
- **Sources of Funds**
- **Factors Affecting Choice of Finance**
- **Amalgamated Capital Fund Story**
- **Conclusion**

Concept of SMEs

- **There is no universally accepted definition of SME since it is relative and dynamic. Categorization is a function of**
 - **Industry Profile**
 - **Country Profile**
 - **Time Frame**
 - **Country's Level of Development (to a large extent)**
- **Criteria often adopted in the definition include**
 - **Number of employees**
 - **Relative size of the business**
 - **Initial capital outlay**
 - **Sales volume**
 - **Financial strength**
 - **Type of industry**
 - **Independent ownership**

Characteristics of SMEs

- **Ease of entry and exit**
- **Limited access to finance**
- **Use mainly local resources (low import content)**
- **Use simple and linear technologies**
- **Mostly labour intensive**
- **Prevalent in manufacturing than in service sector**
- **Informal relationship between employee and employer**
- **Fusion of both ownership and management into one person or individuals**
- **Exist mainly in form of sole proprietorship and partnerships but increasingly limited liability companies lately**

Relevance of SMEs

- Stimulation of indigenous entrepreneurs
- Offer greater employment generation per unit invested fund
- Development of local technologies
- Achieve industrial dispersion
- Moderate rural-urban drift
- Mobilization of domestic savings
- Generate industrial linkages
- Production sectors serve as import substitution
- Provide good value chain for poverty alleviation
- Provide variety of choice for consumers
- Provide training medium for local entrepreneurs

Problems of Raising Finance for SMEs

- **Less attractive to institutional investors**
- **Higher interest rates due to perceived risks**
- **High costs of lending especially hidden costs**
- **Lack of adequate collaterals**
- **Not qualified for capital market (can't afford it)**
- **Inability to satisfy lending conditions**
- **Possibility of loan misapplication**
- **Poor loan repayment records**
- **Competition for funds with less risky sectors**

Sources of Funds

- **Personal Savings**
- **Retained Earnings**
- **Overdraft**
- **Trade Credits**
- **Leasing**
- **Sale and Lease Back**
- **Venture Capital**
- **Term Loan**

Factors Affecting Choice of Fund

- **Length of the Project**
- **Pattern of Cashflow**
- **Risk Profile of the Project**
- **Cost of Finance**
- **Existing Shareholders**
- **Existing Assets**
- **The Need for future Finance**

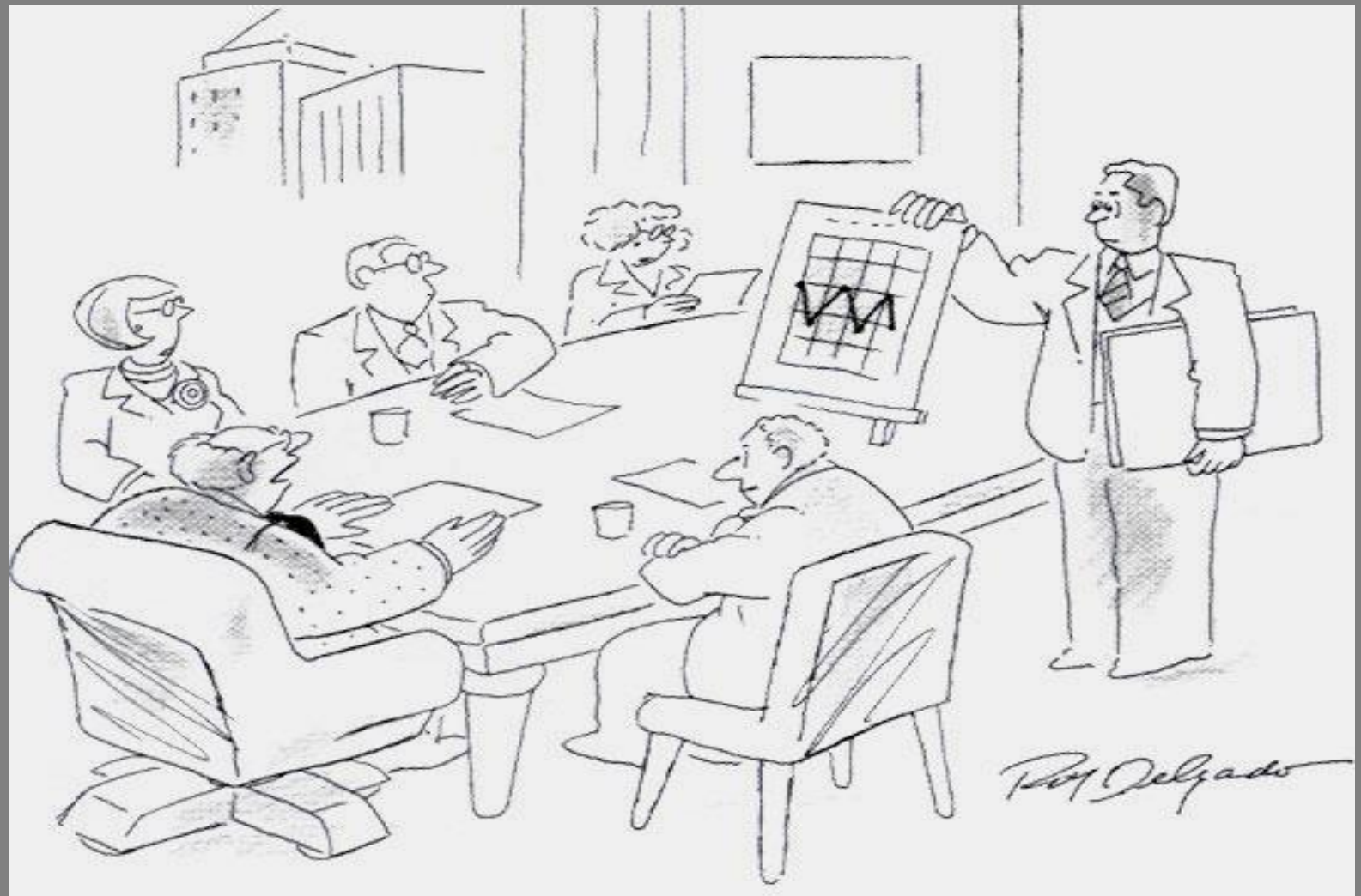
Attracting Attention of Financiers

- **Prepare Good Business Plan**
- **Ensure adequate knowledgeable in the sector**
- **Be extremely transparent**
- **Prepare to dilute ownership**
- **Plan to produce marketable and qualitative products/services**
- **Strengthen management with professionals**
- **Be receptive to ideas and changes**
- **Ensure proper book keeping**
- **Develop good marketing strategies**
- **Deploy modern technologies in production**
- **Develop good corporate plan**

A WORD ON BUSINESS PLAN

For SMEs, a Business Plan is a loser if.....

- Projections are in Billions**
- The BP weigh more than a Yellow Page**
- There is no competition**
- The BP is prepared by an unemployed graduate**
- The fund request is N1 billion**
- The BP starts with ‘Dear Sir’**
- All the management staff are unemployed**
- You cannot identify the products or services after reading Executive Summary**



- The facts are impressive, but we need instinct to back them up

Do You Know that in U.S., SMEs...

- Account for over 30.9 million business units**
- Are basically funded by Small Business Admin SBA with over \$94.6 billion as at 2000**
- Provide nearly 75% of net new jobs created**
- Represent over 99.7% of all employers**
- Employ 50.1% of the private work force**
- Provide 40.9% of private sales**
- Account for 39.1% of jobs in high tech sectors**
- Hire a larger proportion of employees**
- Represent 97% of all U.S. exporters**

A dramatic landscape with a sunset or sunrise over mountains and a bare tree in the foreground. The sky is filled with soft, glowing clouds, and the sun is low on the horizon, casting a warm light. The mountains are silhouetted against the sky, and a bare tree stands in the foreground.

Do You Also Know That....

**If SMEs work in United States,
They can also work in Nigeria!!**



Thanks For Your Attention

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