



## **ANNEX II - GUIDELINES FOR M(SME)'s & BUSINESSES WHEN RESEARCHING AND APPLYING FOR FUNDING**

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### **GENERAL TIPS**

As an SME, you will experience that when researching online for funding with commercial banks, the information provided on their websites is often minimal. It is important to note that this is an intentional strategy because banks are competing with each other to gain as many customers as they can. Therefore, you will be encouraged to go into the branch in person to negotiate the terms of the deal between both the bank and your business.

When going into the banks in person, be prepared that:

- Many banks do not provide brochures or even have leaflets/catalogs to share. This is mainly due to cost efficiency but also to avoid the “fixed” rates as mentioned.
- Remember, they can customize the solution for your business. So be ready to push back and be confident in your negotiation.
- Do not be surprised when the details of the products vary significantly among financial service providers - i.e. amount fundable, duration and interest rate charges, banking history of the client, and collateral requirements. For example, some financial service providers require a customer to have been banking with them for 3 months to a year, whereas others do not have this requirement.

### **MSMEs (Micro Small and Medium Enterprises ):**

- MSMEs product nomenclature varies significantly. For instance, by amount borrowed, number of employees, and turnover of business. etc. Some FSPs defined SMEs as those given to businesses and not on the amount.; Some banks define the loans based on the purpose as opposed to amounts e.g. any loan that is for agriculture is an agricultural loan whether e.g whether UGX 30m or Ugx 1bn.

### **SME's (Small and Medium Enterprises)**

- SME loans are loans provided to businesses, and their definition may not always be based on the loan amount. Instead, some banks may categorize loans as SME loans based on factors like the purpose of the loan or specific thresholds set by the bank. Other definitions of SME vary depending on the number of employees or business turnover
- Develop a comprehensive business plan outlining your company's goals, strategies, financial projections, and the potential impact of your business on the local community.

## **SEEKING FINANCE FROM COMMERCIAL BANKS?**

### **Relationship Building:**

Remember that many bank relationship managers for SMEs rely on referrals. Build a strong relationship with the bank's loan officers. Developing trust and rapport can improve your chances of loan approval.

### **Document Preparation:**



Ensure that all required documentation, including financial statements, tax records, and legal documents, are well-prepared and readily available for the bank's review.

### **Loan Terms Negotiation:**

Be prepared to negotiate loan terms, including interest rates, repayment periods, and other conditions, to ensure they align with your business's financial capabilities. It is important to be aware that banks intentionally do not provide much information on their website about their products for this exact reason of encouraging the customer to come into the branch in person and negotiate your terms as a business.

Remember that each funding source has its unique criteria and preferences, so tailor your approach accordingly when seeking investment through an impact fund or securing a loan from a commercial bank in Uganda.

### **Strong Financials & Business Viability:**

Place a strong emphasis on your business's financial health. Commercial banks typically prioritize businesses with a solid financial track record.

For a smaller business, being able to show your cash inflows and outflows is necessary. For a bigger business, banks require that you bring your audited financial statements.

### **Collateral and Guarantees:**

Be prepared to provide collateral or personal guarantees to secure the loan. Commercial banks often require these forms of security.

Collateral securities include land title, fixed deposits, motor vehicle log books, warehouse receipts/collateral management, etc).

However, there are banks which offer loan facilities without traditional collateral, please enquire on the terms and conditions.

### **Repayment Plan & Creditworthiness:**

Present a well-structured repayment plan that clearly outlines how you intend to repay the loan, including interest rates, repayment schedules, and sources of repayment.:

Ensure that both your personal and business credit histories are in good standing, as this is a critical factor for commercial bank loan approval.

### **Loan Purpose:**

Clearly state the purpose of the loan and how it will benefit your business. Banks want to see that the funds will be used strategically.

### **Legal Compliance:**



Ensure that your business is fully compliant with all legal and regulatory requirements, as banks will conduct due diligence on this aspect.

### **Risk Mitigation & Assets**

Address potential risks associated with your business and present a clear plan for risk mitigation. Banks want to know how you will manage challenges that may arise.

Be prepared to provide a list of personal and business assets that can be used as collateral, including property, equipment, or inventory.

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## **SEEKING FINANCE FROM IMPACT FUNDS?**

### **Alignment with the Fund's Mission:**

Look through the impact funds listed in the portal and find one whose mission aligns with your business's objectives and values. Please note that this list may be exhaustive. Tailor your pitch to show how your business complements their goals.

### **Storytelling and Narrative:**

Craft a compelling narrative that conveys your passion for making a positive impact. Impact fund investors are often drawn to businesses with a strong story.

### **Track Record and Proof of Concept:**

If applicable, showcase a track record of successful impact initiatives or pilot projects that demonstrate your commitment and ability to drive change.

### **Social or Environmental Impact:**

Emphasize the positive social or environmental impact of your business. Impact funds are often interested in businesses that align with their mission of creating meaningful change alongside financial returns.

### **Impact Metrics:**

Clearly define and measure the specific impact metrics of your business, demonstrating how you plan to track and report on your contributions to society or the environment.

### **Local Partnerships:**

Highlight any local partnerships or collaborations that enhance your ability to create impact in the community.