

Business empowerment workshop engages entrepreneurs in financial management

Struggle with sound financial management has been sighted among the key challenges for small, medium and micro enterprises (SMMEs), which often than not, has led to their demise.



Source: [Pexels](#)

Research reveals that more than 70% of SMMEs fail within their first two years of operation due to challenges around access to capital, cash flow, improper budgeting, poor tax compliance, and mounting debt. This phenomenon became exacerbated by the harsh economic environment brought on by the Covid-19 pandemic with many small businesses closing shop since 2020.

Against this background, financial management took centre stage at Eskom's annual two-day Business Connect Dialogue where entrepreneurs were engaged on the importance of proper management of finances to ensure solvent, profitable and productive businesses.

Speaking at the Business Connect Dialogue, an Eskom Development Foundation (ESDEF) initiative that empowers entrepreneurs with critical business skills to navigate the challenging business environment, financial expert Maya Fisher-French underscored that the Covid-19 pandemic highlighted the need to manage our finances according to best practice and that it made us realise that it matters how one manages personal and business finances.



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Fischer-French delved into an array of financial management guidelines to help entrepreneurs better navigate both

personal and business finances:

1. Separate personal and business finances

Entrepreneurs are often found utilising business finances interchangeably for private matters. This was flagged as one of the most flippant errors committed by small business owners which causes disorder between personal and business finances.

2. Treat yourself as an employee

Although you're a business owner, it is important to identify yourself as a cost to the business and pay yourself a salary for time spent on the business. This also helps manage monthly funds drawn by the business owner from the business.

3. Individual savings accounts linked to your transactional account

Creating separate "wallets" linked to your main transactional business bank account assists with cash flow management for your business. For entrepreneurs, this approach is also handy for personal banking to compartmentalise personal costs.

4. Budgeting

Budgeting for both personal and business purposes assists with tracking expenditure, eliminates unnecessary expenditure and boosts savings.



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5. Credit Record

"The funder backs the jockey". Entrepreneurs need to live within their means and ensure that they service their credit appropriately as that has a bearing on funding or loan applications for the business. The personal finances of entrepreneurs are scrutinised to decide on loaning funds to a business, therefore business owners must ensure that their credit record is spotless.

6. Credit

Entrepreneurs need to be cognisant of what loan facilities are good and bad for the business. There is what is considered good as well as bad credit.

7. Insurance

As an entrepreneur, you are the income-earner, and it is crucial to protect yourself if you are no longer able to generate income. Options include UIF, an income protection cover, and credit insurance.

8. Retirement annuity

Entrepreneurs need to understand that their businesses are not retirement plans. It is important to have a retirement fund in place as a safety net for retirement. Additional benefits to having a retirement annuity are the tax benefits, and that funds invested in a retirement annuity are protected from creditors. The type of retirement annuity taken is important - a flexible one and investment linked to a fund manager is recommended.

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