



Vincent Kiyingi, Country Manager, BPI Uganda

## Closing the financial bridge for entrepreneurs

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he East African market is majorly composed of the Small and Medium Enterprises (SME). And one of the biggest challenge for SME businesses is access to cheap financing sources. Most entrepreneurs have ideas, and can make more money. But the problem still persists; lack of access to cheap funds.

Therefore, the Central Bank of Uganda has taken several steps to regulate the bank rate as low as 9%. Despite all these attempts, the lending rates have significantly remained

high. Summit Business met with Vincent Kiyingi, Country Manager, Business Partners International (BPI) to discuss about how BPI intends to help finance entrepreneurs.

### What is BPI and what exactly do you do?

BPI was established in 2004 as a subsidiary of Business Partners Limited to apply the investment model refined in South Africa to other African countries. Funds have been

established in Kenya, Rwanda, Malawi, Namibia and Zambia.

We are a specialist risk finance company for family-owned businesses and boasts of over 30+ years' experience of offering financial solutions to Small and Medium Enterprises (SMEs). We understand traditional financiers refrain from lending to this segment because of the perceived risk associated with SMEs, or prefer not to deal with complexities of family owned businesses. Most SMEs do not have acceptable collateral, lack formal management structures among others. That is where BPI specializes in, and the same service offer we are working to expand to SMEs across Africa.

That means we are willing to take on more risk based on the skills and dedication of the entrepreneur, viability of their business and integrity of the entrepreneur. We are therefore extending funding to an entrepreneur with the above attributes but lack the adequate security to their borrowings.

Our commitment is to extend financing to

businesses that have a development impact on the community by creating more job opportunities. We have already invested in schools, an advertising firm, restaurant and real estate development in the central business district.

### Bank lending is the most common source of external finance for many SMEs and entrepreneurs. How does BPI intend to change this trend?

Traditionally, SMEs raise capital through different ways. Some raise capital through personal savings, liquidation of assets or family consortium. Externally, SMEs have been going to commercial banks to get financing.

BPI proposition for SMEs is not directly competing with commercial banks, we extend funding to formal SME businesses that cannot easily attract financing from traditional financiers because of the above mentioned challenges. That means we are willing to take on more risk based on the skills and dedication of the entrepreneur, viability of their business and integrity of the entrepreneur. We

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Above the proposed funding, we offer a Technical Assistance Programme which is 30% above the financing. Its interest free financing that provides value-added services for the entrepreneur (business owner) ranging from accounting support, marketing plans and mentorship programmes.

### **Most banks use the principal of Asset – Based Lending. What exactly is BPI's business model?**

Our lending model is different from commercial banks, it's based on the entrepreneur how well they understand their

business and environment, integrity of the entrepreneur and viability of the business whereby they have identified gaps and opportunities they are seeking to address.

We are willing to take on more risk with less security coverage but based on the strength of the entrepreneur, integrity and business viability.

Our risk financing model is regarded as one of the most innovative in the world and has been internationally accepted as a working financing solution for SMEs in developing countries and we carry out a thorough due diligence process that gives us insight into inherent risk in each investment .

Based on these three parameters, we get comfort this entrepreneur /business fits our profile to do business with. This model is contrary to the traditional financiers model of lending against security. We are likely to take on more risk in situations where the entrepreneur has less security.

### **Banks are reporting an increase in the non-performing assets, a lot of which is attributed to commercial business. Don't you think the launch of BPI is untimely?**

It is not untimely. There has been an improvement in the sector. The Central Bank noted that NPL ratio had dropped to 5.8% from 10% by close of December 2017. It was on this account that BOU reduced its CBR by 50 basis points to 9.0% in order to stimulate lending to private sector to spur the desired economic growth.

Our target market and model of lending is different. The way we access risk is different. We look at the entrepreneur not the collateral security. We undertake due diligence so as to mitigate the risks associated with SMEs. We are looking at the underserved market segment that can't easily access financing from bank institutions.

### **What is the turnaround time?**

After submission of a business plan, you will meet with our investment officer for free initial investment advice and within 7 days you will have feedback on your business plan and on how to proceed with your application.

All applications will be assessed based on the viability of the business, entrepreneur integrity and experience.

Upon approval your application, we shall develop a bespoke investment and added value for the business. Capital and security are not necessarily required for an application to be considered.

We accept applications for financing of viable owner managed businesses between USD 50,000 and US 1M (disbursed in Uganda Shillings only)



Trading activity is on the boom in downtown. BPI is working closely with such segment to empower them.