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One On One

IFS Capital Limited's Chief Executive Officer, Singapore Zeng Renchun shares pandemic insights

5 questions to ask your business loan broker

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Lendingpot

5 ways SME owners can recover and thrive in a post-pandemic world

BY *Belinda Wan and Zeng Renchun*

There is a saying that nothing is certain in life but change and taxes. Well, perhaps we can add a third thing to the mix: That we are going to have to live with the pandemic for quite some time yet – perhaps even permanently.

In the last few months, virus variants have been wreaking havoc in India, Taiwan, Thailand, Vietnam, and of course, Singapore – exerting great strain on economies and impeding their recovery.

In Singapore, SMEs are struggling to stay afloat amid a depressed, uncertain outlook and stricter measures as they wait for the outlook to improve and things to get better.

But despite the challenges ahead, there are plenty of lessons SME owners can take away from the pandemic, says Mr Zeng Renchun, Chief Executive Officer, Singapore of IFS Capital Limited, a member of PhillipCapital.

In a recent interview with MONEY FM 89.3, Mr Zeng said SMEs have always faced more difficulties when it comes to accessing credit, but the pandemic has amplified some of these financial challenges.

"Throughout this year, SME owners have been fire-fighting on multiple fronts – starting from supply chain disruptions, to reduced consumer demand, changing consumer preferences, and to manpower crunches – just to name a few."

Multiple ripple effects

The far-reaching impact of the pandemic has had serious economic and financial consequences.

Firstly, the two-month circuit breaker that was enforced in Singapore last April, as well as the phased reopening of the economy, posed financial challenges to most SMEs, said Mr Zeng.

Noting that while some SMEs quickly transitioned to online services and sales, there were sectors and businesses that had "little to no revenue" during the two months.

"The government acted quickly with relief measures, and while they were helpful to some extent to cover overheads, they were not sufficient to ride out the long-term business impact."

Secondly, firms – especially those in the construction, F&B and hospitality industries – have also had to contend with new costs borne from having to adhere to safe management requirements, restrictions to operating hours, and hygiene measures.

"With this in mind, SMEs will need to plan ahead for alternative funding solutions to solve possible short-term financial concerns," he said.

Mr Zeng also observed that with Singapore

Mr Zeng believes that with better risk management and financial literacy, SMEs can start their business recovery even during the pandemic.

entering its "deepest recession on record", business sentiments among SMEs have also fallen to a low.

He said: "Most SMEs are adopting a wait-and-see approach, with aspirations pertaining to growth and expansion remaining neutral.

"There will be some business owners that will have to decide between injecting fresh capital to sustain the business while waiting for the environment to improve, or to cut losses, and conserve financial and mental capital for other opportunities."

5 ways to stay afloat

That said, not all is lost. With these tips, SME owners can take active steps to prepare for business recovery as Singapore learns to live with the pandemic.

1. Maintain healthy cashflow

The old saying "cashflow is king" still holds true today. Cashflow has become a key concern for many SMEs, as there is a tendency for business owners to underestimate their companies' short- and long-term liquidity requirements, he explained.

"One key lesson is that companies will need to build funds or a buffer for rainy days, and plan ahead with alternative funding solutions."

2. Manage risks astutely

Secondly, Mr Zeng cited the importance of risk management and having a greater awareness of downside risks.

This is because the economic uncertainties and cashflow problems that many SMEs face today are likely to persist for a while.

"For the medium-term, there is a need to minimize and eliminate any risks that may permanently put SMEs out of business. I call this the 'game-over' type of risks."

He gave an example of such risks: An SME with 10 good customers who have been paying on time in the past may think about stretching its cashflow to take on three more new customers.

Under normal business circumstances, a high probability outcome is that all 13 projects will go smoothly and the SME will score a good year. However, there is the possibility that one or more projects may run into problems, resulting in cashflow issues that may cascade.

"SMEs that were resilient and generally aggressive in pursuing asymmetric risk-return opportunities, will now need to balance between probabilities and possibilities.

“It is important to consider and minimize, and try to eliminate ‘game-over’ type of risks for sustainability and build resilience for their businesses.”

3. Improve financial literacy

This starts with SME owners understanding i) the funding gap for their business and the purpose of financing requirements; and ii) the financing options available in the market, and how to match them with the purpose and timeframe required.

These are not easy tasks, but Mr Zeng says help is available to SMEs through various digital platforms.

He encouraged SMEs to visit Lendingpot (https://www.lendingpot.sg), a digital platform built by a team within IFS Capital that is passionate about SMEs and their needs.

“The Lendingpot team engages the SME community with regular content and guides: for example, info packs on the available government COVID-19 support schemes, useful information on how to position the company to be able to better secure a loan from financiers, and a SME Champions series that profiles personal stories about SMEs.

“All these services are free of charge, and have been very popular with SMEs in helping to build financial literacy, and enabling SMEs and financiers to connect and find a solution to cashflow problems.”

4. Reduce financial barriers to growth

Financial inclusion is key, stressed Mr Zeng. This involves having access to “appropriate, affordable and timely financial products and services” to reduce barriers to growth and success.

“With digital innovation, fintech, and the impending introduction of digital wholesale banks by 2022, financial inclusion for SMEs has improved significantly.”

For instance, a neutral platform like Lendingpot – built with the aim to bridge the information gap between SMEs and financiers – connects small businesses with more than 45 financial institutions in Singapore to find the best business loans for them.

5. Build strong relationships

SMEs should invest effort to maintain relationships with financiers, and build trust through transparency and track records over a period of time – especially crucial during temporary cashflow crunches.

They should also make their businesses known to financiers, said Mr Zeng.

“Entrepreneurs tend to focus more on communicating growth opportunities about their companies, but most financiers will place more weight on the historical performance of a business.

“It is important to communicate your business needs and goals to financiers so that they can provide the right advice and approach, as well as help you understand the various solutions that are available today.”

He recommended that SMEs start by building a comprehensive financial and business profile over time that can be shared promptly and transparently with financiers.

Helping SMEs survive and succeed during the pandemic – and beyond

BY *Belinda Wan & Syed Saleem Ali Shah*

Part of a network of 12 SME Centres set up by Enterprise Singapore, SME Centre @ Singapore Indian Chamber of Commerce and Industry, also known as SME Centre @ SICCI, was set up in 2008 to help SMEs in Singapore.

It offers complimentary business advisory services to Singapore-based SMEs that are looking to grow their companies locally and expand overseas.

Impact of the pandemic

Since the pandemic, SME Centre @ SICCI (https://www.smecentre-sicci.sg/) has noticed an increase in companies reaching out for guidance on pivoting and exploring other business opportunities, says Mr Syed Saleem Ali Shah, Manager, Business Advisory, SME Centre @ SICCI.

"The pandemic has forced many business owners to urgently consider other angles, products or services to better cater to the needs of their customers or explore an entirely different market altogether," he says.

"While there is no one area of focus that could apply to all, we highly encourage business owners to act promptly and consider change should their traditional 'tried-and-true' approaches start to fail."

SME Centre @ SICCI is actively involved in strategizing and assisting owners in planning out alternative measures to cope (or even scale) amidst the pandemic.

Mr Shah believes business owners should act promptly and consider change if their "tried-and-true" approaches fail.

Mr Shah tells us about four useful services SME owners can look forward to at SME Centre @ SICCI.

1. Business advisory services

Rendered by business advisors across all SME Centres for business owners in Singapore, these advisory services are complimentary and typically last for an hour.

"Business advisors work with business owners to identify gaps or inefficiences and recommend actionable steps that the company could take to raise their internal capabilities," says Mr Shah.

After these sessions, the business advisors craft a customized report for the company's referencing moving forward.

The report details the company's strengths and weaknesses, with the advisor recommending appropriate methods to tackle problem areas.

2. Capability Workshops

Respective SME Centres organize Capability Workshops (CWs) that aim to improve the knowledge and capabilities of businesses.

CWs typically include a sharing session by both a business advisor and an industry professional who has in-depth experience or knowledge on the topic at hand. They focus on the key pillars of a business – productivity, human resources, branding and marketing, financial management and internationalization.

"CWs involve a knowledge-sharing session within a webinar or seminar environment with SMEs on key business pillars to strengthen their internal capabilities and know-how," explains Mr Shah.

These sharing sessions often focus on establishing fundamental understanding and strategizing towards achieving objectives or outcomes – for example, retaining and attracting talent, fund raising, internationalization, etc.

"The two-part sharing sessions are open to all interested companies and aspiring entrepreneurs who are considering kickstarting their own business ventures."

3. Group-Based Upgrading projects

Quite often, challenges or problem statements cited by a SME could be a repeat of other businesses within the same sector or vicinity.

"This is why the business advisors often brainstorm and work with potential solution providers to roll out these projects, which aim to solve these common pain points and strengthen the business operations of affected SMEs collectively."

4. Business diagnostic sessions

Due to many reasons, including their involvement in day-to-day operational issues, SME owners may not be aware of certain blind spots of their businesses.

"For example, a software company's founder may not be knowledgeable or appreciative of the importance of branding and marketing," says Mr Shah.

"At diagnostic sessions, the business advisors help to explain the importance of such business aspects and establish basic fundamentals to help the business owner kickstart his or her efforts."

The sessions aim to deep-dive into key aspects of the business, providing an overview of the strengths and weaknesses of the company in that particular field and most importantly, help the business owners to prioritize.

"Beyond merely pinpointing their weaknesses, business advisors work with the business owners to formulate actionable plans moving forward to remedy the situation at hand and better strengthen the business."

Similar to other services rendered by the SME Centres, the diagnostic sessions (and their accompanying reports) are rendered on a complimentary basis.

Exciting plans ahead

Besides these services, the team is actively working with external partners such as start-up accelerators, coworking spaces and Institutes of Higher Learning, to name a few, shared Mr Shah.

"We are often on the lookout to roll out business presentations and business clinics for the benefit of aspiring entrepreneurs and SMEs. We urge business owners or aspiring entrepreneurs to keep an eye out for us!"

Real success stories

Mr Shah shares two examples of SMEs that have benefited from the services offered by SME Centre @ SICCI.

New horizons

"A portfolio company of SME Centre @ SICCI had moved its traditional retail business (selling camera devices) online, through e-commerce. The company noted that its sales had dipped sharply amidst the pandemic and there were little to no walk-in customers at its physical space in Chinatown.

"Through advisory sessions with SME Centre @ SICCI, the business owner made the leap of faith into the e-commerce space and over a span of six months, saw his revenue numbers double from the previous year.

"The company has since moved to grow its team to accommodate for greater demand and is looking into expanding its presence beyond Singapore's shores."

Small but promising

"The co-founders (a husband-and-wife duo) of a fairly young and lean start-up that provides a job-matching platform targeting rank-and-file employees first approached SME Centre @ SICCI as aspiring entrepreneurs, without having incorporated an entity at the time.

"While the duo managed to tap on some government assistance (with the SME Centre's guidance) to kickstart the company in their start-up journey, they quickly found themselves compared to the 'big boys' in the recruitment space and struggled to differentiate themselves.

"Through the diagnostic services and many rounds of brainstorming, the company managed to refine its marketing approach and brand identity to best target the blue-collared market, a sub-sector that is often overlooked.

"Even with the pandemic in 2020, the company soon caught the notice of established companies (for example, food delivery companies), which have reached out to them for assistance to secure relevant staff for their operational needs.

"The company is still in frequent contact with SME Centre @ SICCI, now with a focus on raising investment rounds to expand its team."

5 questions to ask your business loan broker

BY *Belinda Wan*

Short on time, energy and patience after being rejected countless times when applying for a business loan?

If so, it may be time to put your case in the hands of an experienced business loan broker.

A savvy broker can make your loan application much easier (and probably less traumatic). Here are a few reasons why.

First of all, he or she can offer important tips with regard to the type of business loan you should apply for after considering your business model and needs.

Secondly, a good broker knows who best to approach for various types of loans – be it a bank, private lender or peer-to-peer (P2P) lender because of the connections and relationships he or she would have forged in the financial sector.

Thirdly, a seasoned broker should be able to dispense tips on what you can do to get your loan approved by looking through your business documents, paperwork and credit reports of your company's business directors.

But before you hire a business loan broker, here are five questions you should get ready to ask him or her to align both your expectations.

1. "What type of loan is best for my business?"

Not all businesses are created the same; and the same goes for a loan.

Knowing the jargon is a great start, but understanding which loan works best for your needs (and why) is crucial.

How long your company has been operating, what it requires in the next stage of its expansion, its liabilities, and profit and loss, all play a part in determining the loan you should apply for.

For short-term cashflow needs such as payroll, a business credit line may work. But to shorten the arduous waiting period between the signing of a new business deal and awaiting payment from a buyer, invoice financing or invoice factoring may be good options for growing your company.

To improve your chances of applying for a loan that is most appropriate for your business needs at a specific point in time, be thorough when briefing the broker.

Tell him or her about your cashflow issues, business needs and challenges, and company performance so that he or she can offer the most suitable loan recommendations.

2. "What can I do to increase my chances of getting my loan approved?"

Every financial institution (FI) – be it a bank, private lender, P2P lender or even family office – has its own set of criteria and considerations before they decide to grant an SME a loan.

Unfortunately, such criteria is often not disclosed explicitly by these FIs for security

Asking your business loan broker these questions may help to expedite the loan approval process. Photo credit: Pexels

and competitive reasons.

But in general, they have these considerations in mind when reviewing your application.

First and foremost, FIs need the assurance that your company will be able to pay off the loan. So it will help immensely if your company has a good track record so you can attest to the fact that it is indeed profitable, and hence can repay the loan.

There are a few documents that FIs use to gauge your company's creditworthiness and that of its directors.

These are: The last two years of your company's financial statements; at least six months' worth of bank statements; the last two years of your company directors' Notice of Assessment (NOA); and lastly, your company profile information as listed on the Accounting and Corporate Regulatory Authority.

Part of the business loan broker's job is to help you review these aspects of your loan application – and improve on them – so that you have a better chance of getting the loan.

3. "What are your fees like?"

No one works for free; and the same goes for a business loan broker.

It is important to be clear about each others' expectations at the outset. Communicate your concerns and problems to the broker clearly. Do also let the broker know how urgently you need the loan so he or she knows how much time there is to work with.

Likewise, the broker should let you know how much he expects to be paid once the loan has been given the green light by the lender. Make sure you are happy with the fee.

Ask any questions you may have and read the contract carefully, including all fine print so you don't end up paying for anything unexpected.

4. "Should I opt for a secured loan?"

Business term loans generally fall into two categories – secured and unsecured term loans.

If you have collaterals or assets such as invoices, property, equipment or a car, you can consider applying for a secured loan.

Secured loans come with their own set of pros, and can be a viable option for both the borrower and lender.

But again, this depends on your needs. If in doubt, ask your broker if this is a good option given the state of your company's finances and the reason you need a loan.

Bear in mind that you risk losing the asset you pledged if you are unable to make your repayments on time.

5. "What will happen if I default on repayment?"

Defaulting is something that neither the lender nor yourself ever wants to happen.

However, the possibility, or risk, of defaulting should be factored in for any loan you apply for – specifically in relation to the loan principal, interest rate and tenor.

Ask the broker about what will happen if your company unfortunately runs into cashflow problems and is unable to make repayment for a month or two.

Check with the lender if there is any possibility of having a grace period or more flexible payment options for such circumstances before you commit to a loan.

Sign up with digital business loan broker Lendingpot to connect to more than 45 partner lenders with just one application – at zero cost.