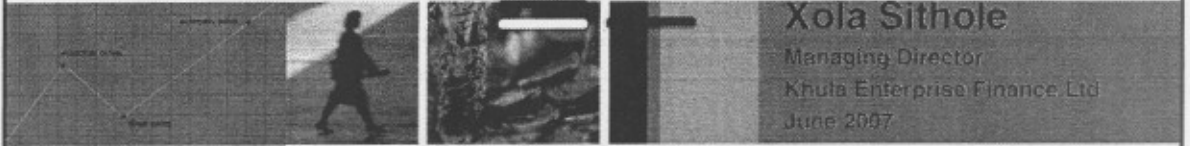


MAXIMISING ACCESS TO FINANCE FOR SMALL MEDIUM ENTERPRISES



Xola Sithole

Managing Director
Khula Enterprise Finance Ltd
June 2007

Outline

- Introduction
- Corporate Profile
- Our Mandate
- Our Target Market
- Our Delivery Channels
- Approval and Disbursement Trends
- Binding Constraints
- Strategic Thrust
- Concluding Remarks

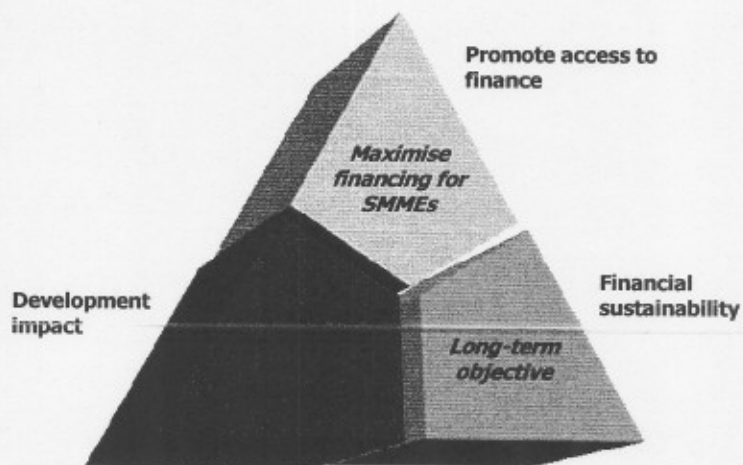
Corporate Profile

- Established in 1996 by the Department of Trade and Industry
- 100% state-owned DFI
- Created to facilitate access to finance SMEs
- Independent Board of Directors
- Subject to normal corporate governance practice & Public Finance Management Act
- Pays tax at normal company rates
- Staff complement 70
- Total assets at R1,1 billion (31 March 2006)



Our Mandate

The three key focus areas of our mandate as a wholesale financier are:



*Purpose: Act as a **complementary** development financial institution that **bridges financing gaps** that are not addressed by other financial institutions*



Khula Target Market

Loan sizes in the range of R10K-R3m, with particular emphasis on facilities less than R1m, especially <R250k

Start-up and development / expansion capital

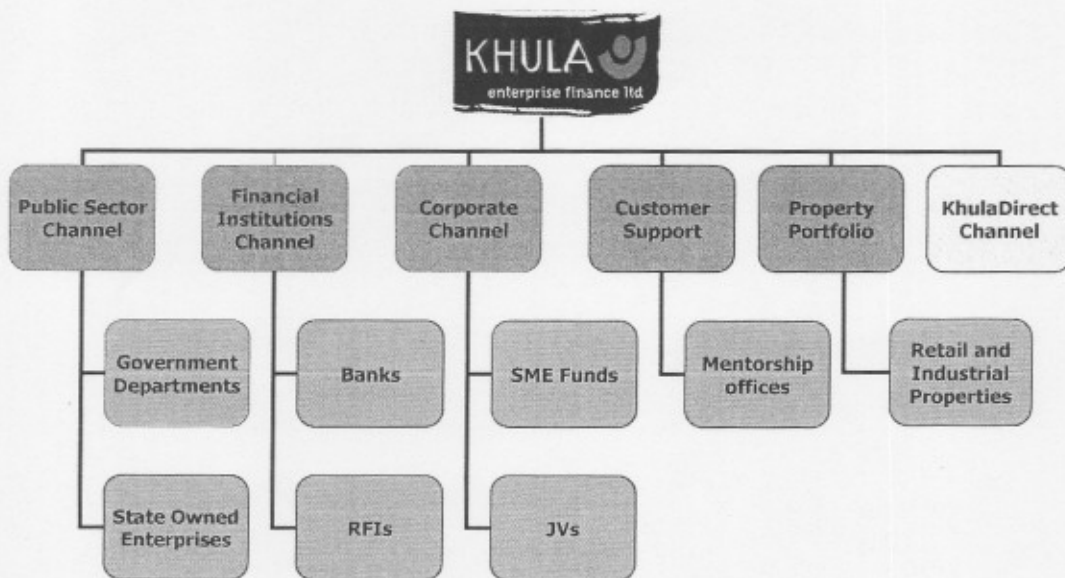
Bias towards underserved provinces / rural / townships

Primarily Black-owned owner-managed formal SMEs

Underserved segments of the SME market

KHULA
enterprise finance ltd

Our Delivery Channels and Access Points

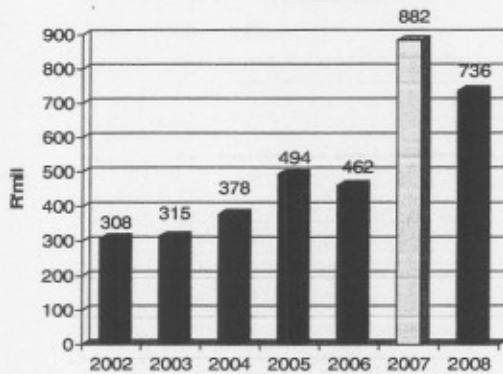


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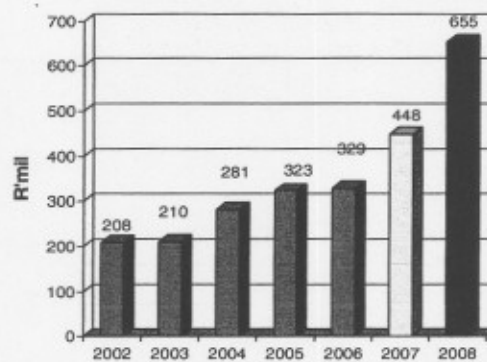
Operational Achievements

- Business loan approvals and disbursements continue to grow without additional funding
- Three new funds were launched and capitalised at close to R300 million
- Approvals in 2007 are almost double the 2006 figures
- For the first time, approvals to RFIs exceed approvals under the guarantee scheme

Business Approvals



Business Disbursements



Binding Constraints

- Credit Indemnity Scheme**
 - Suited to more established businesses
 - Limited influence on credit decision
- RFI Network**
 - Mixed bag of successes and failures
 - Economies of scale
- Wholesale Model**
 - Distorted market perceptions of Khula
 - Distance from end-users and assumed risk
 - Fragmented small business initiatives
- Khula Capitalisation**
 - Quality of balance sheet
 - Amount of funds available for disbursements limited



Strategic Thrust

- **Ensure that the portfolio of investments grows steadily and is sustainable through:**
 - selecting the right **commercially-oriented development-focused partners**
 - ensuring that the **appropriate lending/investment criteria and risk management practices** are in place and adhered to by the partners;
 - putting in place **firm targets for investment** by our partners that are aligned to Khula's corporate objectives and ensuring that these are met consistently;
 - providing **effective pre- and post-financing business support services** to SMEs to help them grow their businesses successfully



Strategic Objectives

- To grow Khula's outreach and impact thus fulfilling our mandate as the flagship development finance institution for small business
- To build an effective institution that achieves its SME development mandate in a financially sustainable manner
- To invest in the development of our people to create and retain high performance teams
- To establish effective and efficient processes to support operational activities
- To increase awareness of Khula and its products within its target market and achieve high client satisfaction levels



Concluding remarks

- Khula is a development finance institution dedicated to the needs of small business
- The wholesale financing model has limited the ability of the institution to make optimal impact
- The organisation has implemented a number of key strategic interventions to enhance delivery and impact within the constraints of wholesale model
- Khula has built a strong delivery platform to increase access to finance to SMEs
- A direct lending business model is being developed in order to raise delivery to the next level



THANK YOU

