

SMEtoolbox

An ADFIAP publication featuring ideas, news & tips for small & medium enterprise financing

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ADFIAP's SMEserv and SME/FI



ADFIAP is embarking on a project called "SMEserv, the main objective of which, is to set up

and operationalize SME service facility units in member-DFIs of ADFIAP.



From the standpoint of the member-banks, the SMEserv units will provide for new leadership role for them, a value-added service to their existing and potential SME-clients, and a potential source for increased earnings.

Function and Components

The SMEserv units in DFIs are envisioned to undertake the following main tasks:

- design of financing schemes and packages for SMEs with attention to their special requirements;
- conduct of regular consultations with SME clients in an advisor-client relationship; and
- provision of other services for SMEs such as new business-related information, training, and necessary updates, e.g., Internet, etc.

In short, the SMEserv unit will be a SME finance window, an advisory/consulting desk and an information/knowledge provider rolled into one. This will allow

for a more SME-focused unit in the DFI. The unit will be composed primarily of bank staff who will undergo retooling and updating on the SMEserv project.

SME Finance Initiative (SME/FI) is another activity of ADFIAP together with its sister organizations—the Istanbul-based ADFIMI (Association of National Development Finance Institutions of Member Countries of the Islamic Development Bank) and ADFIM (Association of DFIs in Malaysia).



The SME/FI will have three main elements, i.e., the CEO Forum, an SME/FI Portal and the SME Finance Training Centre.

The CEO Forum—is the dialogue cum business networking event where chief executives meet and learn from their own experiences as well as from experts of other organizations worldwide.

The SME/FI Portal—will be the Initiative's "official" website with links to ADFIAP, ADFIMI, and ADFIM. It is envisioned to be the "knowledge Net on SME Finance" and will contain relevant resources (readings, training events, experts, etc).

The SME Finance Training Centre—will cover the required training programs and tools on SME finance that will assist ADFIAP, ADFIMI, and ADFIM members to strengthen their capabilities in SME financing.

For more details, please contact the ADFIAP Secretariat at: inquiries@adfiap.org

What is the role of a Credit Line?

Credit lines can be an effective way to generate financing for small businesses that are poorly served by local financial institutions — whether due to inadequacies within local banks or to macro problems that discourage lending to small firms. In some cases, banks do not have access to term finance or to foreign exchange, and this becomes a critical constraint in situations where SMEs need term finance or foreign exchange loans. In other cases, banks are unfamiliar with SME lending, and they need assistance and external funds to take their initial steps in this market.



Both IFC and the World Bank have sought to address these kinds of problems by extending credit lines to selected banks that then use the funds to on-lend to SMEs. IFC maintains a portfolio of SME credit line projects to financial institutions who count SMEs as their most numerous clientele.

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Effective Business Plan

A business plan outlines exactly **what** your company does and **how** it will succeed. The average plan is from 25 to 40 pages long, should be updated yearly, and includes the following:

➤ **Executive summary**

A summary of the other sections and gives a brief overview of your business or project.

➤ **Mission statement**

Two or three sentences that summarize your company's mission, vision, and values. It should include what you do, for whom, and why.

➤ **Key business activities**

Details on what your company sells or the services you offer. What is your specialty? How do you fit into your market?

➤ **Products & services**

Demonstrates the advantages of your products, how they add value, and why customers will choose you over others.

➤ **Management**

Who the top management team is, their experience, skills, and how they help the business succeed.

➤ **Business environment**

Describes the nature of your industry, your markets, trends, and your competition. Show that you understand your industry, why you will succeed, and how you will adapt to changes.

➤ **Sales & marketing**

Gives your sales projections, pricing scheme, customer analysis and marketing/advertising plan. Prepare 3 sets of annual forecasts: optimistic, pessimistic, and expected. Be sure to show that your business can handle the expected growth.

➤ **Operating plan**

Outlines the facilities, resources, and processes you use to run your

business (pre-mises, equipment, technology, suppliers, advisors) Support any budgeted



costs with price quotations.

➤ **Human resources**

Describes who does what. Show that you have the people and the structure to operate efficiently and mention your compensation and benefits costs. If you are in a high-demand industry where employee retention, expertise and creativity are crucial, show any pertinent policies that will guarantee a competent workforce.

➤ **Financial plan**

This section is of most interest to potential investors. It must include sound, credible projections to show your financing needs. It includes your personal investment & balance sheet, the business' projected income, expenses, profits, and break-even point, and your cash flow budget.

➤ **Future growth**

Demonstrates how you expect your company to grow in the next 3 to 5 years. Position your company with industry-specific statistics: growth rates, sales levels, cost ratios, and expense levels. Include performance indicators and potential problem analysis and your long-range goals. Will you become ISO 9000 certified? Will you export? Diversify?

Source: Business Development Bank of Canada's Profit\$

Designing a Trademark

Small businesses often use a portfolio of trademarks for diversifying their market strategy to meet the expectations of different target groups in the same or different target groups in the same or different countries.

Use of trademarks for effective marketing of products requires an excellent knowledge of trademark law and practice at the national and international levels seeking professional guidance becomes necessary, as this is a specialized task. However, a few basic elements must be kept in mind for the design of a good trademark.

Trademark should:

- Be inherently distinctive
- Be easy to memorize and pronounce
- Fit the product or image of the business
- Have no legal restrictions, and
- Have a positive connotation.

A brand/trademark may be a word, letter, symbol (logo), number, color, shape or, where the legislation of the country so allows, sound or smell, or a combination of one or more of these elements.

Source: WIPO Magazine

“Empower the Entrepreneurs. Support and Help Grow the Small and Medium Enterprises (SMEs)”