

4. MANAGING LENDER AND INVESTOR RELATIONS

This section provides coaching on communication with lenders investors, beyond statutory reporting, to build a positive image of your business and management style. This will help you raise future financing and investment, and encourage talent, suppliers, and customers to want to work with you.

Sharing information with lenders and investors build trust and leads to easier, better, and cost-efficient lending decisions. SMEs are, therefore, encouraged to build up their reputation through open and clear communication. The section below breaks down how to manage investor relations.

Once you have completed all the basic documentation about your business, remember to keep it up to date - refreshing it every 3 months at least. Keep all the documentation up to date, not just your social media pages as you never know when you are going to need it quickly.

4.1. Business communications and visibility

Prepare the following basic documentation and Internet content to support your business

- **Create an outline of your business** and its ownership on two pages. Use one version for external communications with lenders and investors and use the other for communications with suppliers and customers.
- **Create a second shorter outline** that realistically markets your business. This will be useful for marketing purposes. You could borrow content from the first set of documents you created. A professional photographer or videographer would also be key in ensuring high resolution photographs and video clips that present your company, its products, and services.
- **Draft similar concise official information** about your business in letter format on headed notepaper. An introductory letter or company profile explaining what the business needs will suffice for the initial meeting with financiers.
- **Build and keep a digital database and scrapbook** of company information, including media reports and social media addresses. Positive media reports will increase the catalogue of reliable information about your business history especially and its performance. It should detail business interactions, people, dates, and times to be a support for financing as well. This information could also include photos, undertakings and signing of expressions of interest.
- **Compile a file of references and customer feedback.** References of customers in the supply chain will reinforce the reliability of the entrepreneur, while testimonials from satisfied customers reinforce the value the business brings to the market.

Create and keep all the above materials in a secure cloud storage space, but also keep physical and digital back-ups in a separate location on a secure hard drive away from your business premises if possible so that even if your business is destroyed, or you have to leave quickly, you can still link to the information.

4.2. Loan performance and reporting communication norms

Reporting on progress during and after financing

Your financier is deeply interested in the growth of your business and it is likely that he/she has paid a visit at your physical location. Depending on the type of financing requested, it is possible that the financier may release funding in phases or may be interested in advancing further financing should you need it.

For instance, if the funds are for a major construction project or importation of machinery, there will be more regular visits to ascertain the progress of the project. Remember to:

- Keep the financier updated on the developments relating to your project
- Avail yourself if the financier wants to visit and view project progress
- Provide professional verification from quantity surveyors or engineers as needed
- Fulfil the conditions outlined in the terms of agreement
- Submit monthly or quarterly management accounts as agreed upon
- Properly plan your project to avoid frequent requests for increased credit
- Use the funds advanced for business purposes, not personal use
- Keep a record of the milestones to be achieved and work towards achieving them.

Maintaining a good reputation and credit assessment

There are many benefits from maintaining a good reputation and credit history with lenders. Apart from being able to access more diverse forms of credit, the business can also enjoy more cost-effective terms and swifter decisions over future financing requests.

Businesses that have no formal banking arrangements, are unregistered, or operate without audited accounts can still collect good information to influence the calculation of their credit rating when they apply for a loan. *Section 5.8* covers some of the financial technology solutions and mobile applications that enable businesses build digital transaction records, which can then be shared with financiers.

To maintain a healthy credit score, you need to avoid factors that can trigger a negative flag on your business' credit score. Pay particular attention to:

- Missed or late payments for existing loans and credit cards
- Non-compliance with obligations such as late payments of taxes or pension contributions
- Any forms of insolvency, including bankruptcy
- Filing financial accounts at the Registrar of Companies and Reports after the due date
- Having high debt relative to your reported net asset value, or loan interest and principal repayments above 60% of your average net reported annual revenues
- Making several applications for credit at one time – different credit scoring systems usually retain your data for one day, so if you apply to four lenders in one day there is a risk that the systems temporarily see a business loan size four times the actual requirements, therefore re-rating your credit score accordingly

Having a poor credit rating can inhibit the growth of the business and make it difficult to secure funding, suppliers credit terms, investment, and international trade contracts. Apart from avoiding the above negative factors, the entrepreneur can:

- Frequently check the official business credit score to avoid surprises. e.g., at least every six months, or at least six months before applying for any credit. Mistakes in credit scoring can happen and you should have a legal right to review your credit score and the data behind it
- Pay all invoices on time, not just credit cards and loans
- Maintain a healthy cash flow: as a business owner or manager, cash flow is the most important thing to review every day and project into the future. Cash flow is the determining factor on whether a potential borrower is likely to repay a loan
- Keep written records of government repayment moratoria announcements
- Document the reasons why repayments were delayed or missed and communicate those with your financing provider as soon as possible
- Inform your lender immediately and send explanatory documentation if you know in advance that you are not going to make a repayment when it is due. They may be willing to re-schedule payments to avoid giving you a “Non-performing loan” or NPL status, which will affect your future credit rating.

Meet your obligations as they fall due and always anticipate when they are payable and provide enough liquidity to cover the repayment amount and your other usual obligations

- Monitor the financial performance of your business daily to avoid any financial shocks
- Avoid withdrawing large amounts of cash from your business to finance long term assets such as land and vehicles. If you divert funds to buy personal or luxury goods, lenders will raise questions about your motivation to grow your business
- Avoid the temptation to expand your business without sufficient resources
- Negotiate longer payment duration with your creditors and shorter payment periods with your debtors. This will improve business cash flows
- Discuss with your financiers any major projects or changes in your business to get some insights on how to approach and undertake them. Contact your lender or investor at the earliest opportunity when you sense some financial distress.

Country and sector Insights, links, and references

The hyperlinks and references below show where you can find more information, enterprise insights and assistance:

Country	Link or reference
Burundi	Credit reference bureau regulations Credit reference bureaus
Rwanda	Credit reference bureau regulations Credit reference bureaus
Tanzania	Credit reference bureau regulations Credit reference bureaus
Uganda	Credit reference bureau regulations Credit reference bureaus
Kenya	Credit reference bureau regulations Credit reference bureaus

4.3. References and customer feedback

Feedback and references are valuable, especially for a business' decision-making process. Top performing companies consistently look out for this feedback to improve their services to customers.

Effective feedback benefits business in many ways including:

- Measuring and understanding customer satisfaction
- Making evidence based and data-driven decisions.
- Improving products and services
- Improving customer retention
- Discovering new business opportunities

Customer feedback helps improve products and services, leading to customer satisfaction and loyalty. Satisfaction and loyalty are crucial determinants of the company's financial performance. It is therefore important to have a process in place for systematically collecting suppliers' and customers' data and quantitative and subjective feedback. More importantly, put this information to use to improve customer service and serve other needs of the business, like expansion into new products and services or for obtaining financing. Feedback can be collected through:

- Sending periodic product updates and announcements and requesting comments or suggesting a call to discuss attractiveness for your customers. However, keep the frequency to levels that do not annoy your customers and ensure relevance
- Texting customers immediately after service completion for performance comments
- Encouraging social media commentary about your company by activating a live chat feature on your company website, for example
- Engaging a marketing entity to collect client comments on other social media
- Doing periodic physical or "virtual" visits to customers

Record your suppliers' and customers' data digitally either in simple spreadsheets or in proprietary small business management applications or databases so that you can analyse their characteristics, get insight into new opportunities, and manage better business risks. For example, over-dependence on any one supplier, customer, or country market.

Clients and suppliers appreciate enterprise interest in their experience – it can drive new sales and your businesses reputation. When customer feedback is collected systematically it is a good support for attracting financing, investment, and new customers.

The following reference points are considered important for a financier:

- Successful prior business experience
- An existing or past relationship with the lender, including credit history
- Referrals by respected business or financing community members
- References from professionals who have reviewed your proposals
- Community involvement or development initiatives
- Evidence of your care and effort in planning and managing your business