Financing Of Small And Medium Businesses By Financial Institutions In Kinshasa

[Financement Des Petites Et Moyennes Entreprise Par Les Institutions Financières A Kinshasa]

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Résumé – Notre nation est à ce jour placé dans la catégorie des pays sous développer. Il est à signaler que la grande partie des grandes entreprises existante, sont l'héritage de l'époque coloniale dont l'économie nationale a pour fondement. Cependant, celle-ci à elle seul, au vue des évidences ne peut assurer un lendemain meilleur à l'ensemble de la nation. Simplement, sa contribution au revenu national demeure inferieur face aux attentes du pays. En particulier en ce qui concerne la création des nouveaux emplois, elle se livre au contraire à la réduction des effectifs. Par contre les petites et moyennes entreprises sont porteur des créations de multiples emplois d'où au sens élevé de créativité, diversification et tant d'autre, et pourtant, confronté au problème de recherche des revenus financière pouvant soutenir leur émergence.

Mots clés – Financement, Petite Et Moyenne Entreprise, Institution Financière, Kinshasa

Abstract – Our nation is currently placed in the category of underdeveloped countries. It should be noted that the majority of existing large companies are the legacy of the colonial era on which the national economy is based. However, this alone, in view of the evidence, cannot ensure a better tomorrow for the entire nation. Simply, its contribution to national income remains lower than the country's expectations. In particular with regard to the creation of new jobs, it is instead engaged in downsizing. On the other hand, small and medium-sized businesses are responsible for the creation of multiple jobs, hence the high sense of creativity, diversification and much else, and yet, confronted with the problem of finding financial income that can support their emergence.

Keywords – Financing, Small And Medium Enterprise, Financial Institution, Kinshasa.

I. INTRODUCTION

Small and Medium Enterprises in the DRC are a vector for economic and social development, which is currently the subject of several studies, particularly through its effectiveness in bringing together human determination and creative aptitude.

This finds its importance in the existence of a certain number of irreplaceable assets. The small and medium-sized business is not very capitalist, a significant contribution to employment, such as in our country. It mobilizes private savings, rationalizes production by reducing costs which promotes competition in the economy.

The small and medium-sized business operates in a very competitive environment which involves careful observation of it, with a view to maintaining it and contributing to its development.

Faced with this situation, companies are forced to develop other new products and diversify existing products in order to meet customer expectations and needs. Which requires additional investment costs.

Hence the obligation to find a necessary means of financing, with a view to implementing the above. Otherwise, either in the absence of financing, the small and medium-sized business will find itself in difficulty in the face of competition and even disappear from the market.

Small and Medium Enterprises in Africa in general and in the Democratic Republic of Congo in particular suffer from limited access to financing which thus constrains their emergence and further development. According to the survey carried out among micro-enterprises in Kinshasa, self-financing and informal credit remain their main sources of financing.

The difficulty in accessing bank loans for small and medium-sized businesses does not spare the DRC. This is why, aware of the major role that SMEs play in the country's economy and concerned about the difficulty of access to financing and public markets, the Democratic Republic of Congo is committed "... to promoting 'SMEA access to financing through the simplification of the various procedures and basic conditions relating thereto in agreement with banking institutions,...'.

However, despite the presence of texts, small and medium-sized businesses still experience enormous difficulties in evolving and even surviving their activities due to lack of financing. We can allow ourselves to say that financing presents itself as a real economic issue for the development of Small and Medium Enterprises in the DRC.

In view of the facts stated above, we are allowed to question the cause of the difficulty for SMEs in accessing financing.

II. PRESENTATION OF KEY CONCEPTS

2.1. Small and medium-sized businesses according to Congolese law

Several definitions of SMEs in the Democratic Republic of Congo, some of which are formulated according to the financial capital or the workforce employed, others according to the nationality of the owner or the management method. We note three of them, namely[1]:

The SME charter of March 2006 defines an SME as any economic unit whose ownership belongs to one or more natural or legal persons and which has the following characteristics:

- Number of permanent jobs from 1 to 200 people;

- Turnover excluding taxes between 1 and 400 thousand USD;

- Maintaining accounts according to the accounting system in force in the DRC;

- Value of investments put in place for the company's activities less than or equal to 350 thousand USD;

- Concentrated management mode or open to decentralization.

Law No. 004/2002 of February 21, 2002 on the investment code means by SME, economic entities constituted either in the form of individual companies or in the form of a corporate company. In the first form, ownership reverts to natural persons and the business manager is required to carry out financial and administrative management functions himself. In the second form, this is the company employing at least 5 workers[1].

Decree-law No. 086 of July 10, 1998, relating to the tax regime applicable to SMEs in terms of tax on professional income and taxes on internal turnover as amended to date, defines the SME like any company whatever its legal form, which employs a staff of less than 200 people and whose total balance sheet value does not exceed 448 million Congolese francs.

This definition, which is based on well-defined criteria, remedies the summary and inappropriate nature of the first definition. It opens the doors of the SME sector to foreigners.

Law No. 004/2002 of February 21, 2002 on the investment code means SME Economic entities constituted either in the form of an individual enterprise or in the form of a company.

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In the second case, these are companies employing at least five workers.

The threshold for eligibility of SMEs and FMIs to the General Regime of this law is set at a minimum of the equivalent of ten thousand (10,000) US dollars and a maximum of the equivalent of two hundred thousand (200,000) US dollars.

Despite all the details and clarifications that this last definition brings us, a weakness is criticized: the use of a foreign currency (American Dollar) in the text defining SMEs in the DRC.

2.2. SME CLASSIFICATION

2.2.1. Formal sector SMEs

In the DRC, it is very difficult to make a distinction between structured and unstructured, formal and non-formal businesses in the sense that all businesses operate in the same economic branches. The only difference is that for formal SMEs the accounting is solid, there is often control from the public authorities. They are officially recognized by the tax system and the administration of the country[2].

According to the Action Center for Directors and Executives of Christian Enterprises, acronym CADICEC, formal SMEs are companies whose activity requires a minimum of organization and trained staff.

2.2.2. SMEs in the informal sector

The SME in this sector carries out spontaneous economic activities largely escaping the control of the administration, following legal obligations not recorded in the new statistics, rarely benefiting from the promotional activities of the State. The majority of Congolese SMEs operate in this sector.

2.3. THE CHARACTERISTICS OF SMEs

Small and Medium Enterprises present a certain number of characteristics that we can summarize as follows[3]:

2.3.1. The manager of the SME

In many cases, the manager of the SME is its initiator. It is in the desire to perpetuate his work that he often takes charge of his company alone. To arrive safely, a certain number of qualities are required of the entrepreneur, namely: probity, self-control, appetite for risk, broad understanding, etc.

2.3.2. The size

In the DRC, the size of the company is determined by the number of employees and turnover. In this small table below, let's see the categorization:

Table n°1: Size of the SME

Categories Criteria	Microbusiness	Small business	Medium business	Big business
Number of employees	1 to 5	6 to 50	51 to 200	201 to more
Turnover in (usa)	1 to 10,000	10,001 to 60,000	60,001 to 400,000	400,001 or more

Source: data from the SME charter of March 2006.

In this table, it is clear that any company that hires up to 200 workers whose turnover cannot exceed 400,000 USD is indeed in the SME category.

2.3.3. The organization

Small and Medium Enterprises often do not have good administrative or management organization. Most management tasks are carried out by the manager himself or a person very close to him.

2.4. Business financing

Financial problems in a company involve vital issues since their resolution is a necessary condition for its survival, its future prospects, its present and future performance as well as for the autonomy of its owners and managers.[3], [4], [5].

Thus, to finance its needs, the company has a diversity of resources from different sources. Basically, there are three sources of financing consisting of equity, debt and other alternative methods of financing.

III. METHODOLOGICAL APPROACH

Any scientific research work aims to provide solutions to the problems it poses, to this end, it must have a resolution method which would allow reliable and valid results to be obtained, capable of contributing effectively to decision making.

In order to verify the hypotheses of this study, two methods were used and two techniques which allowed us to collect the information in order to meet the objectives of the study.

To carry out research, the researcher must use well-defined and precise methods that are appropriate to the subject matter. All science is based on a working method, the method being "an intellectual approach by means of which a researcher pursues a truth, verifies and demonstrates it"[6].

As part of this study, analytical, historical and comparative methods were used:

- the analytical method made it possible to analyze the data collected within the company and other structures as well as the information which was collected during surveys of Internet users in the city of Kinshasa;

- The historical method made it possible on the one hand to retrace the historical facts about SMEs in the city of Kinshasa, and on the other hand to describe their financing policy.

As for the techniques, we used the documentary technique and the interview technique and which will be entirely transcribed and will be the subject of a thematic content analysis by open and axial coding, using the SPSS 21 software, in order to link concepts and respond to our research proposals[7].

3.1. Identification of the target for the study

The population is the totality of inhabitants of a country, a region or a given part of the territory.

The study population is a set of subjects or objects to which a study applies.

For the case of this study, the target population constitutes all SMEs in the city of Kinshasa.

3.2. Sampling technique and sample selection

In the case of this work, 10 SMEs were surveyed who were available to answer questions that were available to them.

After describing the technique by which the sample for this study was extracted, it will be very useful to address the technique used in data collection.

With regard to this study, the questionnaire as a basic instrument was chosen, because this tool seems the most adapted not only to the theme exploited in this research but also to the means (material and financial resources) available and to the general context of the environment. in which this study is carried out.

3.3. Counting

Data processing is an operation which aims to identify, verify, and classify this data, in order to be able to carry out statistical processing under the best conditions of reliability.

3.4. Data processing

More generally, the term "data processing" refers to any process that converts data from one format to another, which should be called "data conversion" or even "data encoding".

For data encoding, SPSS software (version 21) was used.

3.5. Data analysis

Data analysis is a set of statistical methods applied to a data set with the aim of extracting relevant information; This extraction is called data mining. The objective is to identify trends, profiles, detect behaviors or find links and rules.

In relation to this study, descriptive analysis was used. This analysis makes it possible to present the overall structure of the sample using higher order analyses.

IV. PRESENTATION OF THE RESULTS

At this level we present for each question the opinions of everyone (entrepreneur, client and bank) on each of the questions in the survey.

The presentation and analysis was done on a question-to-question basis, using relative frequencies expressed as percentages for all closed questions. And the content analysis technique for open-ended questions.

Table n°2: Univariate analysis

Variables	Modalités	Fréquencé	Fréquence en %
sur l'existence d'une cellule réservée aux petites et moyennes entreprises	Oui	2	20
	Non	8	80
	Total	10	100
avis des institutions sur le crédit	Oui	9	90
	Non	1	10
	Total	10	100,0
Relation entre PME et institutions financières	Partenariat	3	30
	Clientèle	5	50
	Autres	2	20
	Total	10	100,0
Avis des institutions financières sur la capacité de remboursement	Entrepreneur	11	16,9
	Oui	10	100
	Non	0	0
	Total	10	100,0
Avis des institutions financières sur le suivi des activités des PME	Oui	1	10
	Non	9	90
	Total	10	100,0
types de crédit octroyé	Court terme	6	60
	Moyen terme	4	40
	Long terme	–	–
	Total	10	100,0
les garanties exigées aux pme	Bien matériel	7	70
	Autres	3	30
	Total	10	100,0
sources d'obtention de l'information	Etat financiers	8	80
	Autres	2	20
	Total	10	100,0

Source: by the author.

From this table, a finding emerges according to which 8 companies out of the 10 questioned, or 83%, do not have a unit reserved solely for small and medium-sized enterprises (SMEs); and only 2 institutions have the said cell, i.e. 20% of the total workforce.

The results of this question reveal that 90% of institutions, or 9 institutions out of 10, gave a favorable opinion on granting credit and 1 institution, or 10%, said they do not grant credit to small and medium-sized businesses.

It appears from this table that 5 institutions, or 50%, maintain a customer relationship with SMEs; 2 institutions, or 20%, have not clearly defined the type of relationships they maintain with small and medium-sized businesses; and only 3 institutions say they maintain a partnership relationship with small and medium-sized businesses.

The results of this table indicate that 10 institutions out of 10, or 100%, have information on the repayment capacity of small and medium-sized enterprises to which credit is allocated.

The results of this table indicate that 9 institutions out of 10, or 90%, do not carry out the task of monitoring the activities of the SME during the repayment of the loan, while only 1, or 10%, says they monitor the activities of the SME when they are still in their wallet.

The results in the table above show us that 60% of institutions that grant credit claim to grant short-term credit to small and medium-sized businesses, and 40% say that they grant medium-term credit. None of them claim to grant long-term credit.

The results contained in this table show us that 7 institutions or 70% require credit coverage by material guarantees and 3 institutions or 30% have not specified the type of guarantees they require from small and medium-sized businesses.

We find that 8 institutions, or 80%, find information on the profitability of SMEs through financial statements and 2 institutions, or 20%, did not specify the source of their information.

Table no. 3: the different criteria of financial institutions for granting credit to small and medium-sized businesses

Criteria	Frequency	percentage	Rank
Existence of a viable commercial activity	10	100%	1
Hold commercial documents	10	100%	1
Being a bank customer	8	80%	2
Be convinced of the good faith of the customer to repay the credit	10	100%	3
Be of Congolese nationality	6	60%	4

Source: developed based on our survey.

When reading the table, we note that 100% of financial institutions are based on the existence of a real activity operating in the formal sector; 100% seek to detect the willingness of the entrepreneur to pay when due; 60% of institutions also take into account the nationality of the entrepreneur and finally 80% require small and medium-sized businesses to have an account with their institution to obtain credit.

V. CONCLUSION

We have now reached the end of our work which was devoted to the problem of financing small and medium-sized businesses in the Democratic Republic of Congo, precisely in the city province of Kinshasa.

When approaching this study, on the financing of SMEs by financial institutions, the general question was to know the real obstacles which prevent small and medium-sized enterprises from accessing institutional credit. To this concern we have formulated the following provisional responses:

- Lack of information on the repayment capacity of businesses (SMEs) by credit institutions;
- The absence of monitoring of the activities of SMEs being in the loan portfolio of financial institutions, through supervision;
- The lack of confidence on the part of credit institutions following the insolvency of already financed small and medium-sized businesses.

The elements mentioned above would be the cause of this discord, the main cause of the non-accessibility of small and medium-sized businesses to institutional credit.

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