FNB steps up to help SMEs manage cash flow with FNB Business Call Account

08 June 2021 – As we edge towards a new normal after the pandemonium of 2020, small to medium businesses (SMEs) and entrepreneurs around the country should be reviewing their cash flow management, having learnt the value of emergency savings last year. FNB, named SME Bank of the Year at the Global SME Finance Forum Virtual awards last year, is rising to meet this need with the FNB Business Call Account, tailored to cater to specific business needs.

“In terms of good business management, reducing spending during a difficult financial period is a great first step but you should ideally have a savings buffer that can cover two to three months’ worth of salaries and working expenses. During the lockdown, we observed that businesses with prudent financial management were better able to weather the storm, while those businesses operating on a month-to-month basis found themselves suddenly floundering financially,” says Vaughan David, CEO of Cash Investments: Business at FNB.

“Rather than keeping surplus cash in a transactional account, we encourage our business customers to use a separate account such as the Business Call Account which carries an attractive interest rate, no monthly account fees and a minimum opening deposit of R1. This is the first step towards smart cash management, allowing your money to work for you instead of sitting idly in your transactional account,” David says.

Proper cash flow management means planning your business finances in advance and then managing your money so that you always have money on hand to pay suppliers and employees. However, just as an individual needs an emergency fund, SMEs need to build up their emergency savings or manage their cash surpluses prudently. For example, if you have a 20-day window to pay a supplier, you could leave that money in your Business Call Account and earn interest for 20 days, rather than just leaving the money dormant in your transactional account.

Why you need an emergency savings account

Money that is not sitting in your transactional account is more likely to be saved and not spent. An emergency savings account serves to ring fence your savings, ensuring that the cash is on hand when you need it most.
This surplus cash could prove handy in the following situations:

- **Unexpected emergencies**: these could range from the Covid-19 lockdowns last year to having essential machinery and equipment needing repairs or replacement.

- **Expansion plans**: while some SMEs are struggling to survive, there is opportunity in times of crisis and other SMEs are expanding or have pivoted only to find themselves in a wholly new successful expansion. Surplus cash means you don’t have to access finance at high interest rates but can immediately invest in the growth of your business.

- **Late receipts**: if you are a business that supplies other businesses, it is not a given that you will be paid immediately. Often you may have to supply your business client with services or deliver products and you might only receive payment one or two months later. In this scenario, you still need to pay your current expenses now.

- **Take advantage of opportunities**: a large cash reserve puts you in the position where you can seize opportunities when they appear. For example, picking up inventory at a deep discount, taking on a large order or taking on new clients because their supplier has closed doors.

- **Diversified revenue stream**: a cash reserve earns interest. While this may be minimal initially, the interest will start building up as your reserve grows and you start managing your cash flow more effectively.

- **Tax costs**: you can set funds aside to use towards your VAT payments each month or every second month, or you can use the funds towards your provisional tax.

In addition to meeting the above needs, the FNB Business Call Account offers the following bespoke features:

1. Immediate access.
2. You can save from as little as R1, at your own pace.
3. Competitive interest rates.
4. Digital management so that you have convenient, cheap and quick access to your account.
5. Capital and quoted returns on your savings are guaranteed.

ENDS.