



BANK OF SIERRA  
LEONE

# Financial Literacy

Core Messaging: Module 6, Edition 1

# Financial Literacy for Businesses



*Developed by the Financial Education, Financial Literacy and Consumer Protection Technical Working Group, under the implementation of the National Strategy for Financial Inclusion (2022 – 2026).*



## ABOUT THIS MODULE

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Do you have a business idea? But you don't know how to start or build on the idea?

Do you want to improve your existing business model but don't know how?

This module shares information on expanding on your business idea, starting your business and learning how and when to finance your business.

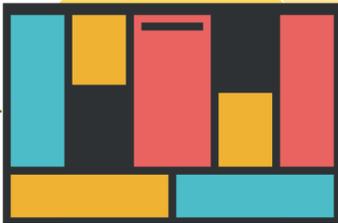
## WHAT IS A BUSINESS MODEL CANVAS?

When you have a business idea, it is best to start expanding on that idea using a business model canvas.

A business model canvas is a guide to expand on your business idea and a simple way to describe how your business will operate.



**Why is it important for me to develop a business model canvas? How will it be helpful?**



- It provides a quick overview of the business.
- It helps everyone understand the different aspects of the business.
- It is easy to adapt as the business grows, helping turn the idea into reality

➔ **A simple canvas can have eight (8) key sections:**



### **Value proposition**

*What makes your business different from others?*



### **Key activities**

*What are the activities that your business will deliver to its customers?*



### **Key resources**

*What are the main inputs that are required for the business to operate?*



### **Key partners**

*Who are your partners and stakeholders to help carry out the activities?*



### **Customer segments**

*Who will you be targeting and selling your products to?*



### **Channels**

*How will you communicate and sell your products to your customers?*



### **Costs**

*What are all the costs that are associated with running your business?*



### **Revenues**

*How will your business make money?*



## PRACTICE EXERCISE

Using the template below, complete a business model canvas for your business idea or concept. Each box has questions that will help you think about some responses.



### Value proposition:

The value proposition is what makes the business different from the competitors (e.g., price, customer service, etc.)

- What value does the business provide?
- What is the problem the business is trying to solve?
- Which customer need is the business satisfying?



### Key activities:

Key activities focus on reaching customers, generating revenue, and fulfilling the value proposition.

- What are the activities of business?



### Key resources:

These are the inputs needed for the business to operate. The different types of resources include human (employees), financial (cash), physical (machine, building, etc.) and intellectual (patents).

- What are the key resources that are needed from each group?



### Key partners:

Key partners include any organization that will help carry out the key activities (e.g., suppliers, NGOs, other companies, etc.).

- Who are the key partners?
- Who are the key suppliers?
- What kind of resources are needed from them?



### Customer segments:

These are the types of people that the business will try to sell to.

- Who are the main people buying the product or service?
- How old are they? What are their needs?



### Channels:

Describe how the business will communicate and sell its products.

- How will the business sell its products? Retail stores? Online? Social media site? Wholesale distribution?



### Costs:

Identify all the costs that are related to the business.

- What are the important costs?
- Are there any raw materials? Production costs?
- Which resources cost the most?



### Revenue streams:

These are sources from how the business will make money. This can be selling a product or getting money for providing a service.

- Will it be a one-time payment? Based on a transaction?
- Will it be on-going revenue like a contract or subscription?
- What kind of fees are involved?

## HOW CAN I REGISTER MY BUSINESS?

Now that you have expanded your business model and idea, it is important to learn how to set-up and register your business.

In Sierra Leone, if you want to register for a:

- Corporation or limited liability company – you can register at the Corporate Affairs Commission (CAC).
- Sole trader or proprietor – you can register at the Office of the Administrator General at the Roxy Building.

Some details you will need when registering your business are:



- Proposed name of your business
- Type of business you are engaged in
- Name, address and contact details of the primary owner(s)
- Address of the business



**There are three common types of business entities: sole proprietorship or trader, corporation and partnership.**

	Definition	Advantages	Disadvantages
Sole trader	You are the sole owner of the business	<ul style="list-style-type: none"> <li>• Very easy to set up</li> <li>• Fewer administrative requirements</li> </ul>	<ul style="list-style-type: none"> <li>• You are fully responsible for all debts and obligations</li> </ul>
Corporation	The business is a separate legal entity with 1+ shareholders / owners	<ul style="list-style-type: none"> <li>• You are separate from the obligations of the company</li> <li>• Easier to raise money</li> </ul>	<ul style="list-style-type: none"> <li>• More legal requirements</li> <li>• More expensive and complicated</li> </ul>
Partnership	Normally 2 or more owners as partners	<ul style="list-style-type: none"> <li>• Protected as an individual owner</li> <li>• Less complexity from corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Harder to raise money</li> <li>• More legal requirements</li> </ul>



When registration for your business is complete, including payment, you will receive a certificate of registration.

You will also be issued a Tax Identification Number, which is important for your business for paying tax to the National Revenue Authority.



## Is registering my business necessary?

It may seem like a lot of work, but it is very important to register your business. Three main advantages are:

- Legitimacy. Having a registered business makes your business more legitimate. This will give your business a positive reputation and help build trust with your customers.
- Protection. If you are registered, your business is protected from others trying to start a business with the same name. This will also help you join other networks such as Chambers of Commerce, Small and Medium Enterprise Development Agency, and other organisations that provide support.
- Access to finance. Many banks or investors will ask for your business registration before providing a loan. Without being registered, it becomes very hard for your business to access any formal forms of finance.

## HOW DO I MONITOR AND KEEP FINANCIAL RECORDS FOR MY BUSINESS?

Accurate recordkeeping is the key to a successful business. Make sure you record details of every financial transaction. This will help you:

- Understand the costs and revenue of your business
- Better plan your business and maintain cashflow
- Grow your business and attract funding



There are three factors to consider when understanding the financials of your business:

↑ REVENUE    −    ↓ COSTS    =    ↑ PROFITS

- (1) Revenue or income measures all the money that you get from the sale of a product or service.
  - It is determined by the price of the product or service and how much (quantity) that you sell.
  - Sometimes you might want to sell a higher quantity at a lower price or lower quantity at a higher price.
- (2) Costs are the total expenses spent by your business.
  - Direct costs such as materials that were used for making a product or service (e.g., wood, labour, etc.)
  - *Indirect costs* are regular costs of running a business (e.g., rent, electricity)
- (3) Profit or net income is the difference between your total revenue and your total cost.
  - This is the money that is made by your business and is a key indicator of success.
  - Managing your costs and revenue to maximize profit is the key to your business.



## PRACTICE EXERCISE

*Refer to your business model canvas.*

- *Write down all the costs associated with your business for one month (e.g., salary, rent, electricity, etc.).*
- *Write down all the different products and services you offer and what price you will sell them.*

It is very common and easy for individual business owners to mix their personal expenses with their business expenses.

The separation of your business expenses and your personal expenses is the best practice for you and your business to succeed!



### Why should I stop mixing my business expenses with my personal expenses?

- It legitimises your business. This makes your business more professional and helps build confidence that money is going towards growing the business.
- It gives an accurate picture of your business. When there are many personal expenses being spent out of the business funds, it will not reflect your business' true and accurate performance.
- It protects both you and your business. Keeping separate accounts, spending and records helps you plan, save, and budget your own personal expenses. In the same way, if the business needs money, it should not come out of your own personal savings or budget.

#### Some tips to help you separate your expenses:

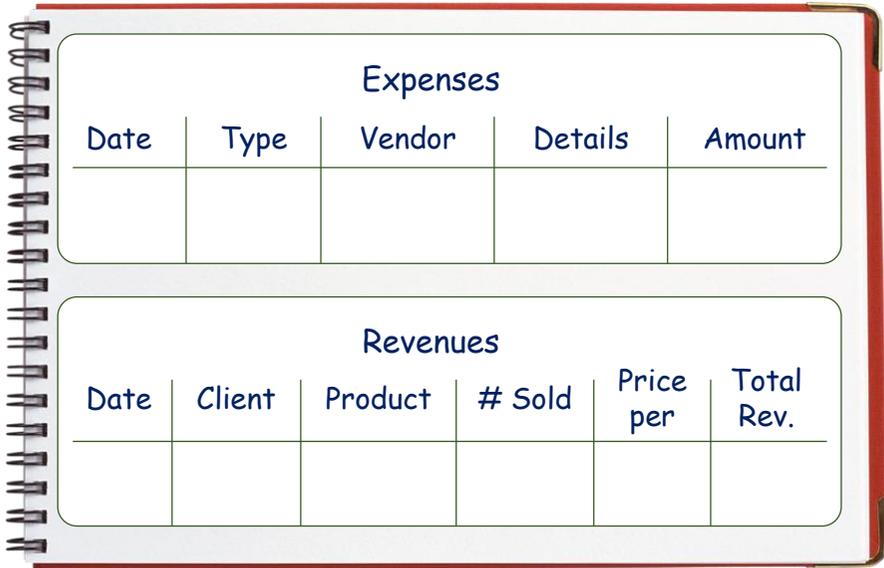
- Open two bank accounts – *one for personal; one for business.*
- Keep two different records – *one for personal tracking and another for your business*
- Pay yourself a salary – *based on your personal budget, take a weekly or monthly salary, and record it as a salary expense*
- Set a budget for both your personal life and business
- Separate your receipts, and reimburse yourself if you pay for business expenses out of your personal account





## PRACTICE EXERCISE

Create a template to track your expenses and revenues. Use these templates to record whenever you pay for something or sell a product or service related to your business.



Expenses				
Date	Type	Vendor	Details	Amount

Revenues					
Date	Client	Product	# Sold	Price per	Total Rev.

## HOW CAN I MANAGE MY BUSINESS FINANCES?

One of the best ways to manage your business is to open a separate bank account registered in the name of your business.

- Find a commercial or community bank or MFI where you can open a (Micro), Small, Medium Enterprise (SME) business account.
- You can open a merchant account with a mobile money operator.
- If a bank does not have an MSME account, then as a sole proprietor you can open an individual account. But make sure to use it only for your business expenses. Have a separate account

When opening a business account, you will be required to provide the following information:



- All business-related registration certificates
- Tax Identification Number (TIN) certificate
- National ID/Passport/Voter's ID of business owner
- Passport-sized photographs
- Completed Know-Your-Customer (KYC) forms

## HOW CAN I FUND MY BUSINESS?

Identifying the correct financial products and services for your business is important – this will often depend on the stage of your business.



### What stage is your business at?

Study the table below to see which stage of the business you are at and then see which funding options are best for your business.

	START-UP	GROWTH	MATURITY
FOCUS	<ul style="list-style-type: none"> <li>• Business set-up</li> <li>• Start-up money</li> <li>• Getting customers</li> </ul>	<ul style="list-style-type: none"> <li>• Growing customers and profit</li> <li>• Finding more finance</li> </ul>	<ul style="list-style-type: none"> <li>• Refining the business</li> <li>• New products</li> <li>• Managing for success</li> </ul>
FUNDING	<ul style="list-style-type: none"> <li>• Personal savings</li> <li>• Family or friends</li> <li>• Grants, start-up loans</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvesting profits</li> <li>• Grants</li> <li>• Small business loans</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvesting profits</li> <li>• Larger business loans</li> <li>• Investors</li> </ul>
THINGS TO CONSIDER	<ul style="list-style-type: none"> <li>• Consider use different sources of financing in addition to loans</li> <li>• Repaying a loan without cashflow can be harmful</li> <li>• Try not to use your entire savings</li> <li>• There are many grant and training opportunities available</li> </ul>	<ul style="list-style-type: none"> <li>• Try to keep the money inside the business</li> <li>• Evaluate your cashflow before you get a loan – are you able to make the monthly payments? If not, do not get a loan</li> <li>• Continue to explore grants, accelerator, incubator programs</li> </ul>	<ul style="list-style-type: none"> <li>• Do not grow your business more than you can handle</li> <li>• Reinvest your profits</li> <li>• Relying on loans is not sustainable</li> <li>• Find specific loan products to grow</li> <li>• Investors are useful but the right partner is very important!</li> </ul>



## How do I know if a business loan is right for my business?

Are you looking for a business loan? Before you apply for one, ask yourself some questions about your business.

Small business loans are useful to help manage cashflow, purchase expensive equipment and expand/grow. But remember that receiving a loan will not always solve your problems. There are many responsibilities that come with funding – sometimes it can be more harmful for the business.

### 1 Assess your needs.

- Ask yourself – how much money and why do I need it?
- Use your business canvas to develop a business plan to help determine exactly what you will need the money for and how much it will cost.

### 2 Consider your options.

- Then think – what is the right type of financing for my business?
- Taking a loan comes with responsibilities; there may be other options for financing that are more useful. Look for grants, a portion of your savings, or accelerator or incubator programs.

### 3 Evaluate your business.

- If you have decided that a loan is the best for you – evaluate and analyse your business to determine how to get a loan.
- Ask yourself – do I have any other loans? Am I looking for a short-term or long-term loan? Will I be able to make the repayments? Can my business meet the loan requirements?

These steps will help you understand the needs of your business before looking for a loan. It will also help you to determine how much money to ask for and how long it will take to repay the loan.

## WHAT IS A BUSINESS PLAN?

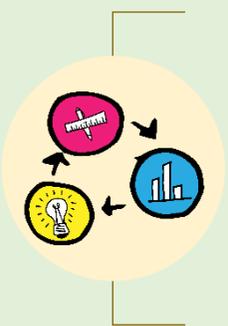
It is common for a financial institution to ask for a business plan as part of your business loan application.

A business plan is a document or tool that provides details on your company's objectives and how it will achieve them.

- Think of your business plan as a roadmap – it will guide both you and external audiences.
- Your business plan expands on your business model canvas.
- It is best to develop your business plan before you start operating because it will guide you on your journey.
- A good business plan will outline strengths, weaknesses, threats and opportunities for the business. The plan will also outline the company's operations, financial projections and goals.

**i** **There are different ways and types to start thinking about business plans.**

Don't worry – there are no right or wrong way to create your business plan. There are two types of business plans:



- (1) Traditional. These often contains more details in each section and tend to be longer. Typically, a traditional business plan will require more work and research.
- (2) Lean start-up. These types of business plans use similar elements as a traditional business plan but only highlights the key information. Lean business plans are much shorter, easier to read and give a good overview of the business but lack detail.

Remember – your business is unique, and your business plan should be too! The best business plans are not created from templates. Your plan should attract the readers with your passion and vision.



Here are some key elements that are common for most business plans:

### **Executive summary / company overview**

- This section will include the mission statement, objectives and goals, and basic information about the business leadership or operations.
- Your executive summary should not be long but have a clear understanding of what are the goals and purpose of the business.

### **Value proposition**

- The value proposition is what makes the business different from the competitors (e.g., price, customer experience, etc.).
- Discuss what value your business will bring to your customers, the needs you are trying to satisfy, and outline the products offered.

### **Market analysis**

- Identify who are your target market(s) – show some research about pricing for your product and service, and how the business will compete.
- Include your strengths, weaknesses, industry threats and opportunities.

### **Marketing strategy**

- Discuss how you will attract and keep your customers. Outline what type of channel(s) you will use to sell your product or service.
- Discuss some marketing or advertising campaigns such as using social media or developing flyers, pictures, etc.

### **Budget**

- Use your recordkeeping to identify the key costs for your business.
- A budget is typically prepared on a monthly or annual basis. When developing your budget, it is useful to break down the costs (e.g., estimate your staff cost by calculating the monthly wage of one staff member).
- Consider costs such as rent, raw materials, advertising, electricity.

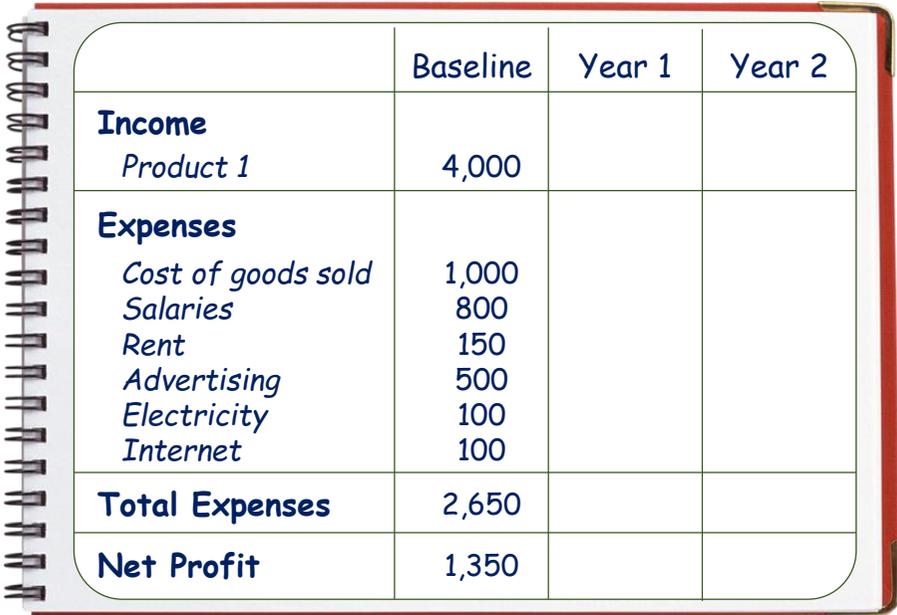
### **Financial planning**

- A strategy and financial plan is critical for your business plan. It outlines how your business will make enough profit to repay loans.
- Financial planning and projections includes your revenue and expenses for at least the next three years.
- Accuracy is important; you can be optimistic but realistic.



## PRACTICE EXERCISE

Try to forecast or make a financial plan for your business. Use the template below to estimate how much money your business will make over the next 1-3 years. Start with your latest month or period as a baseline.



	Baseline	Year 1	Year 2
<b>Income</b>			
<i>Product 1</i>	4,000		
<b>Expenses</b>			
<i>Cost of goods sold</i>	1,000		
<i>Salaries</i>	800		
<i>Rent</i>	150		
<i>Advertising</i>	500		
<i>Electricity</i>	100		
<i>Internet</i>	100		
<b>Total Expenses</b>	2,650		
<b>Net Profit</b>	1,350		

### For your previous / current year:

- Use your latest period or previous year as your baseline
- Calculate the total sales and expenses that your business recorded in the most recent period

### For forecasting your future years:

- When estimating your revenues for the future years, consider:
  - What is the total number of units you expect to sell each month and at what price?
  - Do you expect to sell the same or more every month?
  - Do you expect an increase in your price every year? If yes, by how much?
- When estimating your expenses for the future years, consider:
  - How much does it cost you to make or delivery your product or service?
  - Will the costs increase in the next year? By how much? What about the year after?
  - What is the initial cost monthly for some expenses such as rent?
  - Do you expect these costs to go up every month or year? If yes, by how much?



### Some tips / best practices for forecasting:

- Will there be any new costs or expenses in future years (e.g., interest payments)?
- Use indicators such as inflation to estimate the price of products for the next year.
- Try to create two scenarios – a best case and a worse case.
- Use the budget you created to help determine your costs.
- Be realistic – do not overstate or understate your numbers.

Bank of Sierra Leone (BSL)'s *Financial Literacy Core Messaging* is an initiative under the National Strategy for Financial Inclusion (2022 – 2026). Topics and messaging presented have been developed in consultation with the Financial Education, Financial Literacy and Consumer Protection Technical Working Group. The Working Group consists of a variety of stakeholders and partners from different sectors. The Financial Inclusion Secretariat is grateful for the knowledge, input and support of the Working Group in the development of these core messages.

**Disclaimer:**

BSL's *Financial Literacy Core Messaging* only provides the foundation for key topics. It is expected that consumers and businesses continue to seek out other resources to further develop their financial literacy skills. It is the responsibility of the Bank of Sierra Leone to provide accurate and unbiased information in alignment with existing legal frameworks. While the BSL does not guarantee that the core messaging will result in greater levels of income or prosperity, guidance from the core messaging will allow individuals and businesses to better manage their finances.

For inquiries, comments and/or suggestions on the *Financial Literacy Core Messaging*, please email: [fkamara@bsl.gov.sl](mailto:fkamara@bsl.gov.sl)



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