**TRAINING IN FINANCIAL AND BUSINESS MANAGEMENT FOR ROAD CONTRACTORS**

**MODULE FIVE: SESSION SIX TO NINE PARTICIPANTS’ NOTES**

**ROLE PLAY BETWEEN A BANKER AND ENTREPRENEUR**

**INTRODUCTION**

Many individuals have the capability to originate an idea or concept upon which to base a business enterprise.

The process of obtaining the funds necessary to actually start a business is a step upon which many business owners stumble. A constant concern for business owners in many countries is expressed by the statement; the relationship between some bankers and business owners is in most cases a difficult one. Business owners need bankers, and bankers need business owners; but these two parties sometimes see each other as adversaries. Business owners may accuse some bankers of being unsympathetic, conservative, and interested only in collateral. Bankers may describe some business owners as being unrealistic, unprepared, and risk insensitive. However, a middle position has to be found because both parties need each other.

**THE ROLE PLAY**

It will involve the process of obtaining a bank loan by an entrepreneur.

Review of the basics of a loan application, the banker's analysis of the loan application, and the owner's analysis of the loan agreement.

**Step 1 - Preliminary Step**

* Two individuals will play the roles of the banker and the entrepreneur for the exercise.
* The banker and the entrepreneur will be provided with role sheets, and briefed on the purpose of the exercise. (see appendix 1)

**Step 2 - Introduction**

* The audience is briefed on the process of how a business is formed and operates.
* Emphasis is placed on the need of entrepreneurs to obtain money to finance their business concept.
* The audience is informed that they will see a demonstration of the process of obtaining a loan from a bank by witnessing a role play.
* The audience will play the role of the **Business Loan Committee** to assist the banker in the decision of whether or not to grant the loan request.
* The audience is provided with financial projections or a business plan for five years of the firm.
* The factors to be considered in making the loan decision are reviewed with the audience **(see Appendix 2).** These factors are based on discussions found in most **SMEs** business texts about what behaviors, characteristics, and variables are often associated with SMEs business success.
* The rating scale will be used to evaluate the loan candidate (**see Appendix 4), is a standard 5-point** Likert-type scale with associated descriptive adjectives to anchor the scale points.

**Step 3 - The Role Play**

The role play between the banker and the entrepreneur proceeds for about 40 minutes. The banker attempts to elicit the information which she/he feels is necessary to evaluate the entrepreneur's business concept. The entrepreneur attempts to convince the banker of the worthiness of his/her business concept to obtain a bank loan.

**Step 4 - Audience Evaluation**

 The audience evaluates the entrepreneur's presentation on the evaluation form (see Appendix 4). These evaluation sheets are collected from the audience for further analysis.

**Step 5 - Discussion**

The evaluation of the presentation of the entrepreneur is conducted with the audience. A general discussion of whether or not the loan should be granted is held. The audience is quizzed on what they thought that the entrepreneur did right and wrong during the role play. A general discussion of the factors used in the evaluation is held with the audience.

A briefing of the results from the audience is held. Generally, a guideline for the evaluation is that the entrepreneur should receive a **total score of 75**, which is an average score of 5(good) on **the fifteen factors** used in the analysis.

**Group Assignment for sessions seven eight and nine:**

Each group will present their business plan and bank application while the rest do evaluate it and score. After the presentation the trainees will assess what was done right and what was done wrong. This exercise will take a whole day.

**Appendix 1 (a) BANKERS ROLE SHEET**

The basic questions to be asked by the banker during the interview:

1. Self introduction by the entrepreneur (one minute)
2. How much to borrow
3. Purpose of the loan
4. Period of time
5. Repayment plan
6. Security offered
7. Demonstration of financial stability (provide copies of audited financial statements for the past 2 years).
8. Availability of business plan
9. Education background of the entrepreneur
10. Relevant business experience
11. Business contacts/networks
12. Goals and vision
13. Current loan commitments
14. Credit/loan history
15. Source of income
16. Business line and market potential
17. Income level.

**Appendix 1(b) ENTREPRENEUR’S ROLE SHEET** The entrepreneur will present a loan application form to the banker.

The will applicant will provide answers to the attributes asked by the banker.

Attributes:

* Background
* Education
* Experience
* Income
* Purpose of the loan
* Loan period
* Repayment terms
* Financial statements (audited)
* Security
* Business plan
* Business line (Occupation) and market potential
* Credit history
* Current commitments
* Guarantors
* Sources of income

APPENDICE 2 **LOAN APPLICANT EVALUATION FACTORS**

* Education
* Experience
* Knowledge
* Skills
* Goals
* Personality
* Self-confidence
* Attitude,
* Motivation
* Contacts or Network
* Support Staff
* Feasibility of Business Plan
* Collateral
* Income
* Sources of income

**Appendix 3** **METROPOLITAN BANK** **LOAN APPLICATION FORM**

|  |
| --- |
|  Personal details  |
| Name:  | Bank A/C: |
| Education: | Date of loan application: |
| Occupation: |  |
| Marital status: |  |
| Date of Birth: |  |
| Telephone: |  |

**Loan Details**

I hereby apply for a loan shs………………for a period of…………weeks/month/years for the following purpose:………………………………………………………………………………….

I propose to repay this loan by installments of not less than shs………………..plus interest/including interest by installments on a weekly/fortnightly/monthly/other basis.

Name and address of proposed guarantor if any ………………………………………………………………………………

Security:……………………………………………………………………………………………..

 **Account Details**

|  |  |
| --- | --- |
| Existing loan balance (if any): shs | Amount applied for:UG. Shs |
|  | New loan balance: shs |

 **Business Details**

|  |  |
| --- | --- |
| Nature of business: | Income shs: |
| Specify if registered: | Average weekly/monthly income: shs |
| Name and address of the business: | Other payments: |
| Other income: shs |
| Outlays (weekly/monthly): shs |
| Date of registration: |  |
| Tel. no.: |
| Length of operation |

**Business Premise Details**

|  |  |
| --- | --- |
| Type of accommodation:Owner/tenant/other (please specify)(delete whichever does not apply) | Mortgage: yes/no |
| Name and address or mortgage company: |
| Amount of rent ( if any): shs | Amount of mortgage (original amount): shs |
| How long at pre sent address: | Term of mortgage: |
| Previous address: | Year of issue: |
| Balance: shs |

Purpose of loan

|  |
| --- |
| House purchase |
| Site purchase |
| Purchase of equipment |
| Car purchase |
| Other (specify) |

Please provide a detailed description of how the loan will be spent, estimates and quotes obtained, etc ……………………………………………………………………………………………………………………

 **Declaration of other creditors**

I declare that I am not indebted to any other credit union, bank or loan agency either as a borrower, or guarantor, except as stated below. I declare that I am indebted to the following creditors (list debts, such as car loans, hire purchase, overdrafts, credit cards, etc)

|  |  |  |  |
| --- | --- | --- | --- |
| Name of creditor | Original debt | Balance due | Amount/frequency of payments |
|  |  |  |  |
|  |  |  |  |

The statements made here are for the purpose of obtaining the loan, and are true to the best of my knowledge and belief.

Signature of applicant:……………………………..Date signed:………….................................

Name of applicant……………………………….Date…………………………………………..

Name of guarantor:……………………………………………………………………………………

**Appendix 4**  **LOAN APPLICANT AND EVALUATION FORM**

Please answer the following questions that relate to the application and interview and indicate your rating by ticking the most appropriate box.

|  |  |
| --- | --- |
| How satisfied are you on the following: | Level of satisfaction-5 point rating |
| 5 | 4 | 3 | 2 | 1 |
| RATING FACTORS | Very satisfied | satisfied | Neutral  | Dissatisfied  | Extremely dissatisfied |
| 1 | With the education of the applicant |  |  |  |  |  |
| 2 | With the knowledge of the entrepreneur |  |  |  |  |  |
| 3 | With the skills of the entrepreneur |  |  |  |  |  |
| 4 | That the applicant is trustworthy |  |  |  |  |  |
| 5 | That the applicant has good concept of budgeting |  |  |  |  |  |
| 6 | With the purpose of the loan |  |  |  |  |  |
| 7 | With the business plan of the entrepreneur |  |  |  |  |  |
| 8 | With the collateral |  |  |  |  |  |
| 9 | With the cash flow projections |  |  |  |  |  |
| 10 | That the applicants have contacts/networks |  |  |  |  |  |
| 11 | That the entrepreneur practices planning |  |  |  |  |  |
| 12 | With the character/ personality |  |  |  |  |  |
| 13 | With financial stability of the applicant |  |  |  |  |  |
| 14 | Goals / vision |  |  |  |  |  |
| 15 | Communication ability |  |  |  |  |  |
| 16 | Attitude/ motivation |  |  |  |  |  |
| 17 | With experience of the applicant |  |  |  |  |  |
| 18 | Problem solving |  |  |  |  |  |
| 19 | Self confidence |  |  |  |  |  |
| 20 | Amount needed |  |  |  |  |  |
| Total score. |  |  |  |  |  |