Angolan banking system: a perspective of granting credit to new entrepreneurs

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ABSTRACT
The main focus of this study is to understand how the banking system works in the perception of financial institutions (BANKS) regarding lending to new ventures or businesses. Considering the forms and methods of granting credits available by Angolan banks, taking into account that the stage of business introduction, ends up being the most difficult and risky, after the business needs the future time to make its operations sold, thus increasing the risk for both financial institutions, when for those who assume the risk of financing, investors. The study sand delimits in researching alternatives or availability of credit in some of the banks. One of the objectives is to explore the market and the behavior of financing institutions since private investors need to use the economic and financial system to provide means or conditions that facilitate the collection and application of savings. Qualitative and descriptive research models will be used. The research will be applied to some of the banks with greater financial soundness in Angola, which have their headquarters or headquarters in their territory, to answer the research objectives.

Keywords: Financial system, Funding, Business.

1 INTRODUCTION
The Financial System consists of all existing financial institutions in the market, thereby promoting the relationship between the participants of the financial markets, through the transfers of surplus economic agents to the deficits and providing adequate conditions to ensure the maintenance of the flow of resources in circulation. Considering it is a system of great importance for the development of a country's economy.

The Angolan financial system is now more resilient and developed, taking into account the structural reforms and implemented transformations of initiatives by the Angolan executive to safeguard the stability of the sector.

Currently, in Angolan soil, there is a lot of talk about diversifying the economy, to make the market wider and the national economy less dependent on a single resource (Oil). It draws attention to the fact that to develop any business, in addition to an excellent idea, you need many other resources to sustain it. Among these resources, finances are of great importance, being considered an essential means to give sustainability and initiative to the idea.

The lack of these means can cause great challenges for those who have the will to undertake and manage a big business or make real a dream that can positively impact society. Given that the banking market is responsible for the intermediation of currencies, both for storing, distributing, or lending to the
popular, it is interesting to understand how and what the difficulties, what degree of confidence, and what disadvantages these institutions find within the market when making their resources available as a loan.

Given the facts mentioned, the research is justified by the need to clarify the main reasons that impact and the difficulties that financial institutions encounter in the provision of financing of new businesses, highlighting the risks and benefits, obtained by banks and their clients with the provision of financing. Also highlighting the main body created for the control and movement of the banking system.

The general objective of this article is to understand the perception that Angolan banks have regarding the availability of financing for new businesses. The specific objectives were based on the general objective: (a) to improve the functionality of the financial system; (b) the Angolan banking system; identify the ratio of companies versus banks; (c) to present the results found with the application of the search.

2 THEORETICAL REFERENCE

2.1 ENTREPRENEURSHIP

Entrepreneurship has been a journey taken by many young recent graduates, successful professionals, or even retirees who, after a long journey working as employees, decide to undertake it on their own.

Dornelas (2001), states that "the term entrepreneur comes from the French entrepreneur which means: one who takes risks and starts something new", in a clear position of the individual, whose choice was to explore an uncertain and risky scenario in the development of a business before the proposition of dependence, passivity, stability, predictability, and security, presupposed in the context of employability.

According to Salim et al. (2004), the decision to open its own business matures from circumstances that arise over time, from personal events to those required by the environment in which we are inserted. Some visualize the dream of what it would be like to run their own business or be their boss, while others are caught up in unexpected situations and the time has come to take the risk.

Within the labor market, according to Degen (1989 apud Degen, 2010, p. 211), entrepreneurs are identified as those who engage in the activity by opportunity, usually, not a greater experience, and are better prepared to face any condition when if they encounter some uncomfortable situation, they will be able to solve wisely, they know what risks they will take, and with that, it has a greater impact on the development and economic growth of the country. Therefore, entrepreneurs driven by the need, to develop business without innovation, due to lack of experience and knowledge in the area, will not be prepared to face the risks that will arise and may lead their business to the bankruptcy, thus causing an impact of little value to the labor market.
2.1.1 New Developments

Entrepreneurship does not mean creating something or a business endowed with innovation, as much as the market is constantly changing and the demand for the differential in the market, this does not mean those who raise an existing business do not survive the market. An entrepreneur identifies a market opportunity and applies the principles of investment in it.

Schumpeter (1985) states that entrepreneurship is associated with economic development, innovation, and the use of opportunities. It moves the existing economic order through the introduction of new goods in the market, the creation of new organizational forms, or the use of new materials.

According to Salim et al. (2004), developing a business plan is a structured way of thinking about the business, minimizing the chances of error. Implementing the plan, and constantly adhering to the business reality, is the biggest challenge for the entrepreneur.

2.2 CORPORATE FINANCE

Not all companies are corporations. Businesses can be managed by individual persons or by a group.

2.2.1 financing for new ventures

Before starting any business, it is essential to analyze the market of operation, seeking to understand deeply its needs, possibilities for change, and opportunities and return.

According to Brealey, Myers, and Allen (2013), for companies to develop their activities, require a variety of real assets, these assets are known as financial assets or securities, which must be purchased and the company needs to have assets and generate its cash flow. A financing decision is not only limited by fundraising but includes the satisfaction of bonds against banks, bondholders, and shareholders.

2.3 FINANCIAL MARKET

Since the market, we find it very difficult to start a commercial activity, often due to lack of financial resources, which ends up being difficult for those who have an excellent idea, which benefits both him and society, but does not face means that can facilitate in the financial part.

A sustainable society is made up of social transforming agents, among which are government, companies, people, and financial institutions. These are interdependent and responsible bodies for methods and politics that improve life in society. Financial institutions end up having a direct influence on the creation of standards and are seen as a link between the monetary means of companies or people, but when a company does not offer a secure system, it hinders the operations of companies, regardless of which sector operates.

The financial market consists of a set of institutions and instruments aimed at offering or creating policies for the implementation and raising of financial resources (ANDREZO; LIMA 2007). It is also defined as a large fund, where you can withdraw and deposit amounts according to a prescribed fee.
The financial market is the body that aims to exchange monetary transactions between investors and borrowers.

Nest the order of idea, Groppelli (2002), states that the Financial Market encompasses all transactions that are made with bonds issued by deficit agents or financial intermediaries seeking to channel resources to them.

Assaf Neto (2001), says that the Intermediation subsystem is characterized as operational and acts in financial intermediation operations, so the subsystem was structured as Banking or Monetary Institutions or non-Bank or non-Monetary Institutions.

For Assaf Neto (2001), banking institutions are called those that hold the power of creating currency through the receipt of cash deposits, are institutions represented by commercial and multiple banks, operate with monetary financial assets that are the means of payment of the economy, that is, the money that is in public power plus cash deposit in banks.

Non-banking institutions, on the other hand, are those that do not have the power to create currency, because it is not allowed to receive cash deposits, these institutions are made up of all financial institutions operating in the financial market, except commercial and multiple banks, working with non-monetary assets that are shared, bills of exchange, bank deposit certificates, debentures.

Over time, the Financial System has shown itself to be the method, a very effective tool for the development and movement of a country's financial operations, directly affecting its economy and is of great impact on the business sector. Understanding its functionalities and effects is of paramount importance, because the depth of its operations has effects within society, since they are responsible for the distribution and monetary control, outside other services involving currency transactions.

According Lopes and Rossetti (2005), they claim that use due to the need to use currency in the society in which we live, it becomes difficult to imagine it without financial or monetary instruments, needed to go back a little in history to understand how these exchanges worked in the beginning. It is an economy in which exchanges are established through barter, there is no possibility of the formation of a financial market creation or the intermediation of financial assets.

3 METHODOLOGICAL PROCEDURES

This chapter will address the methodological procedures necessary for the research, verifying the elements involved in the development of the research, as well as the type of research and methodological approach.

The means of investigation, the article was carried out through bibliographic and documentary research.

It is made of documentary research which is carried out through internal documents of public and private companies, being memos, photographs, records, crafts, balance balances, reports, and others (VERGARA, 2009).
Bibliographic research is one whose thesis is based on concepts already written on the subject addressed, from loose publications, bulletins, books, research, monographs, etc., being fundamental for the elaboration of scientific projects (MARCONI; LAKATOS, 2010).

Research with a qualitative and descriptive approach. The analysis of the data will be carried out based on the analysis of secondary data, which are available directly on the portal of Angolan financial institutions.

As for the research approach that will be applied from a qualitative perspective.

That for Oliveira (1999), qualitative research consists of taking the researcher a series of readings on the subject of the research, permitting to perform the analysis of the results and obtain a better understanding of the subject to be presented.

Para this research will also be used for the research descriptive, which according to Oliveira (1999), is a type of study that allows the researcher to obtain a deep understanding of the behavior of factors and elements that influence a given phenomenon.

The research will be applied in Angola, in some Financial Institutions (BANKS), whose head office or subsidiary is located in Angolan territory.

4 PRESENTATION AND ANALYSIS OF DATA

4.1 ANGOLAN BANKING SYSTEM

According to the National Bank of Angola (BNA), the Angolan banking system had its first physical installation on August 21, 1865, a dependency of the National Ultra Maritime Bank (BNU) in Luanda, issuing currency called a national currency, thus starting banking activity in Angola. However, the uncontrol of the monetary issue led to an unsustainable financial situation in the colony, to change this situation, the colonial authorities created the "Currency Board" that carried out a process of monetary reform, the first action of which was the establishment of an independent issuing bank, the "Bank of Angola".

Banco de Angola was officially created on August 14, 1926, through decree law no. 12131, having exclusivity in banking trade in Angola until 1957 when the Angolan Commercial Bank of Angola emerged in the market.

With this achievement, Banco de Angola, in addition to having the exclusive right to issue banknotes, also exercised banking trade, in competition with five commercial banks (Banco Comercial de Angola, Banco de Crédito Comercial e Industrial, Banco Totta Standard de Angola, Banco Pinto & Sotto Mayor, and Banco Inter Unido) and four credit institutions (Instituto de Crédito de Angola, National Development Bank, Agricultural credit and fisheries bank and Montepio de Angola).

According to statements made by the BNA, after the fall of the colonial regime, Angola became independent on November 11, 1975. This change has had a major impact on the Angolan banking system,
due to the evasion of monetary resources abroad, making the system weakened and at serious risk of bankruptcy.

To meet this situation, it was created by Joint Order No. 80/70 of the Ministries of Planning, Finance, and The Economy, the 'Coordinating Committee on Banking Activity-CCAB', with commercial banks being managed by Management Committees.

Taking into account the importance of the monetary and financial system for the country, the system has undergone many changes, the Angolan government confiscated the assets and liabilities of the Bank of Angola and created the National Bank of Angola, through Law No. 69/76, published in diário da República no. 266 – 1st Series, of November 10, 1976, has also approved the respective Organic Law, which assigned to BNA functions of Central Bank, Issuing Bank, Treasury and Banking Trade. Implementing numerous measures to ensure monetarily and exchange rate stability, increasing competition among banks.

Currently, the banking and non-bank financial system consists of 25 commercial banks, 52 exchange offices, 44 exchange offices authorized to carry out remittance activity of values, 20 microcredit companies, 1 credit cooperative, 2 funds (Credit Guarantee Fund and Agrarian Development Support Fund) and 13 companies providing payment services.

4.2 CREDIT PROGRAM IN ANGOLAN

According to MERCADO (2019), CIRC is a database in the custody of Banco Nacional de Angola, whose objective is to centralize information related to credit operations. It presents information about an individual or legal persons, passed on by financial institutions regarding credit operations, potential identities, and their risks. CIRC is a system that facilitates access to information on the risks that financial institutions may suffer in cases of granting credits to natural or legal entities. CIRC ensures that the customer's information is also protected from the maximum accuracy of the information collected, processed, and disclosed, and shall not, under any circumstances, mention the name of the institution that has granted the credit.

All clients of financial institutions have the right to be informed free of charge of what is in the CIRC, and they are guaranteed access via electronic communication from the financial institution to which they are linked, and may register with the National Bank of Angola to obtain information concerning them (MERCADO, 2019).

According to Barros (2022), The National Bank of Angola (BNA) issued a note, which obliges commercial banks to grant credit to support treasury and the acquisition of raw materials to companies. The purpose of this notice is to make investment projects financeable, given the concerns of some entrepreneurs, including financing the acquisition of raw materials, and support for the treasury, another aspect that entrepreneurs and banking have been complaining about, which the old notice did not include.

Some state measures have been noted that drive banks in the availability of credits, to encourage entrepreneurs to invest in the medium and long term, directly impacting the diversification of the economy.
BPC, the state's main financial partner, and as a public bank supporting the executive's initiatives, BPC in partnership with the ADB, created the SME's credit with a focus on helping and leveraging the business growth of customers and partners. This line of credit has two philosophies available, one is the SME's which is intended for companies in need of medium and long-term investment, and the line Women entrepreneurs, aimed at companies led by women in need of investment.

These credit lines are intended for companies working in sectors and can cover up to 80% of the overall value to invest, whose purpose of the project is expansion, diversification, and innovation in the eligible sectors, with a repayment period between 2 and 8 years, through the requirements of guarantees, which meet the requirements and on an interest rate to be combined.

According to the Ministry of Economy (2019), the government has learned a lot from the lessons given by previous experiences, and to prevent credit incentive initiatives from being implemented in dispersed ways, in various sectors of the economy, it aims to focus on productive sectors that impact the diversification of the economy. For this fact, the Ministry of Economy and Planning defends the idea organized the national system of support for business financing, defining and regulating various aspects of all the agents involved.

It was in this context that the implementation of the credit support project, inserted in the program to support production, diversification of exports, and import substitutions (PRODESI), intending to support access to credit to projects that cover the row of 54 products defined by decree no. 23/19, of January 14.

4.3 DEPOSIT GUARANTEE FUND - FGD

According to the days of the republic, presidential decree No. 195/18 of August 22, argues that the protection of individuals' deposits, is a fundamental practice not only for the existence of an efficient banking market but to make the banking system credible. You need to create a fund that guarantees reimbursement to all citizens enrolled in a financial institution based in Angola.

FGD has its head office in Luanda, together with bna, responsible for ensuring its technical and administrative services are indispensable for its proper functioning.

According to Article 4 of the decree in person no. 195/18, all banking financial institutions authorized to capture deposits, subject to bna supervision.

In an article in the FGD (2022), they state that f.G.D.'s financial resources come essentially from:

a) initial and periodic contributions collected to its participants;
b) Income from the application of resources;
c) Liberalities;
d) any other income, income, or amount stemming from your activity or by law or contract is attributed to you.

When its resources are insufficient to fulfill its obligations, the F.G.D. may resort to:

a) special contributions from banking institutions;
b) bank loans or funds raised on the capital and interbank markets, and;
c) State loans or guarantees.

According to BIC – Savings and Credit Bank, the repayment guarantee covers customers’ bank deposits up to the limit of 12,500,000.00 Akz (Twelve Million and Five Hundred Thousand Kwanza), in case of financial incapacity on the part of the bank of the respective domiciled accounts.

4.4 ANGOLAN INVESTMENT BANK - BAI

BAI, Banco Angolano de Investimento was created on November 14, 1996, and belongs to one of the largest groups of companies in the country. According to bai's platform, its services are intended to meet the needs of individuals with innovative solutions to support small and medium-sized enterprises.

It is a bank with national and international coverage, with dedicated and qualified professionals. In the national territory, the bank has 171 service points distributed throughout the territory. The service channels of its services are divided into agencies, business service centers, premium service centers, stations, ATM's centers, and a virtual channel (BAI DIRECT).

According to information collected on the BAI platform (BANCO AngolaNO DE INVESTIMENTO, 2022), there are numerous credit offers for its clients, covering credit for automobiles, housing, personnel, insurance, salary, double salary, renewals, bank overdraft uncovered compensated, national credit letter and credit already advances.

Among the credit modalities provided by the bank, the ones that best adapt to the study are the national letter of credit and the personal credit modality.

The personal credit modality was created to remove projects or ideals from the drawer, providing the debtor to allocate the use of these values, without restrictions regarding the purpose. Because it is a medium-term credit for the acquisition of goods or services that do not fit the car or housing credit.

Of its advantages, it is noteworthy that the use of credit for any purpose, a longer repayment period than those practiced in the consumer credit modality, and the limit is defined by the client's indebtedness capacity.

In this credit modality, the interest rate is set according to the current price, your return time goes up to 60 months with an effort rate of up to 35% of the customer's base salary.

The national letter of credit is a form of credit whose objectives are to financially enhance peasants, farmers, and service providers in related areas. For it is a conditional order of payment made by a financial institution on behalf of a buyer, in favor of a seller, with a commitment to honor the payment in his favor, upon presentation of the required documentation.

As for the limit of the amount borrowed and stipulated fees, this is information that is made available to customers at the company's counter. From the advantages described by the bank itself, we highlight the practicality through the ease of shopping, reduction of the most relevant risks within the national trade, and reinforces the buyer's ability to negotiate.
According to the BAI platform (2022), this modality is aimed at private customers, buying companies, and sellers of goods and companies in the public or private sector.

4.5 ANGOLAN DEVELOPMENT BANK - BDA

According to the BDA portal, numerous credit lines are available, to facilitate and meet the financial needs of companies inserted in the Angolan market.

The objective of the credit lines available is to use medium and long-term investment to Commercial Banks for the financing of projects properly structured and with the technical, economic, and financial viability of Small and Medium Enterprises, mainly owned by national citizens.

The BDA provides financing to structure investment projects from scratch or expansion, which leverages production chains, in the various sectors of activity with grace periods and attractive reimbursements.

The financing conditions of the BDA in the sector of activity of its interest: Agriculture, Fisheries and Forestry, Manufacturing Commerce and Services Infrastructure, and social services.
4.6 ANGOLAN COMMERCIAL BANK - BCA

According to the BCA portal (2019), Banco Comercial Angolano - BCA, a limited liability company, is a private equity bank of national residents, based in Luanda. It was created on March 3, 1997, and began its activities on March 23, 1999.

According to the BCA portal, the bank offers four forms of credit intended for companies. Existing modalities include Subscription Credit, Short Term Financing, Medium/Long Term Financing, and Real Sector Of Economy Credit.

According to the requirements or prerequisites of credit modalities, the Credit real sector of the economy is the crédito aimed at promoting the diversification of the real economy and aiding to reduce the excessive dependence on imports of goods and services. Medium/long-term financing, on the other hand, aims at the financing of investment projects and permanent assets of companies.

**Advantages:**
- Long maturity credit;
- Subsidized Interest Rate;
- Amounts suitable for investment;
- Opportunity to leverage your business;
- Contribute to the diversification of the national economy.

**Guarantees:** To negotiate, but consensually personal and actual guarantees. Subscription of endorsed promissory companies, pledges, mortgages, captive financials, or other investments. Life insurance and equipment, facilities, and stocks may be required.

**Documents required:**
- Company's cover letter
- Economic and financial feasibility study (Investment Project)
- Proof of payment of taxes
- Identification documents of the company and partners
- Contracts whose rights are being an attachment to the Bank
- Financial elements of the last three years preferably audited
- Budgets and invoices proforma justifications of the amounts presented

4.7 RURAL INVESTMENT BANK - BIR

Bir is a banking institution that covers different sectors of activity. It seeks to differentiate the solutions we present according to market requirements and provide technical and financial skills capable of meeting the specific needs presented to us.

According to the BIR platform, to support companies BIR provides medium/long-term financing, the credit that helps you achieve your company's strategic objectives.
Medium/Long Term Financing is financing that allocates a certain amount of credit for a specified period of more than one year. The objective of this type of credit is to assist in the acquisition of goods or services associated with projects of development of the company's activities.

5 FINAL CONSIDERATIONS

Entrepreneurship is a very complex task, it ends up requiring much more than the simple desire to have a business of its own or a need, requires a lot of intelligence to make decisions and very explicit planning that meet the need and capacity of the company.

Enterprise can be seen as a tool that moves the economy of a given country because through it arise new jobs, diversification, and competitiveness in the market and society. There must be incentives because many have the ability and business vision, but do not find financial availability or lithium that facilitates access to the financial system.

According to the research done the Angolan system has improved and offered incentives to entrepreneurs from the National Bank of Angola - BNA and the Angolan Development Bank - BDA, which are responsible for creating political control and financial movements.

However, in the data obtained through the platform of commercial banks, there was a certain difficulty in finding incentive policies for new entrepreneurs, because most of the credit modalities made available are for their consumption. This ends up limiting those who have the right to invest, without disregarding the risks that these institutions can face.
REFERENCES


