

# GUIDELINES FOR INVESTING IN A LOCAL BUSINESS – ESPECIALLY IN THE INFORMAL SECTOR

INVESTING IN A LOCAL BUSINESS CAN BE PROFITABLE, ESPECIALLY AS IT WILL BE EASIER FOR YOU TO FOLLOW UP THE DEVELOPMENT OF THE BUSINESS.

NEVERTHELESS, THERE ARE CERTAIN RISK THAT ARE SPECIFIC TO LOCAL BYSINESSES, ESPECIALLY REFERRING TO THE INFORMAL SECTOR.

FIRST, PEOPLE ARE NOT BUSINESS-EXPERIENCED, AND THEREFORE OVERESTIMATE THEIR ABILITY TO DO BUSINESS. THE SECOND, MORE IMPORTANT ISSUE IS THAT MANY IN THE INFORMAL SECTOR DO NOT HAVE ANY OTHER INCOME, AND SO, THEY ARE LIVING ON THE MONEY OF THE BUSINESS, AND OFTEN LIYERALLY “EAT” INTO THEIR CAPITAL. THIRDLY, THEY ARE OFTEN UNABLE TO CALCULATE THE EXACT PRICES FOR THEIR GOODS AND SERVICES. AND FOR THE FOURTH PROBLEM WHICH IS ALREADY THE FIRST POINT TO LOOK AT IF YOU INTEND TO INVEST IN LOCAL – ESPECIALLY INFORMAL – BUSINESSES: NEVER INVEST IN VENTURES THAT SELL SOMETHING LIKE SECOND HAND DRESSES OR THINGS LIKE THAT. THERE ARE SIMPLY TOO MANY PEOPLE SELLING SECOND HAND DRESSES ON THE MARKET PLACES, ETC. IT WOULD TAKE TWO MANY EFFORTS, AND PROBABLY ALSO TOO MUCH MONEY TO INVEST IN RESEARCH WHETHER IN YOUR AREA, THERE IS AN EXCEPTION TO THE RULE, AND WHETHER IT IS WORTH WHILE TO INVEST IN SOMETHING LIKE SELLING OF SECOND HAND DRESSES.MOST OF THE ISSUES IN THE GUIDELINES ARE TO BE CONSIDERED GENERALLY FOR ANY INVESTMENT IN BUSINESSES, BUT SOME ARE PARTICULAR FOR LOCAL INVESTMENTS.

LET US GO OVER NOW TO THE VARIOUS POINTS OF THE GUIDELINES; THEY WILL START ON THE NEXT PAGE:

1. ALWAYS MAKE A WRITTEN CONTRACT, WITH BOTH PARTIES SIGNING THE CONTRACT. THIS CONTRACT SHOULD INCLUDE THE AMOUNT INVESTED IN THE BUSINESS, AS WELL AS THE PERCENTAGE THE INVESTOR WILL HOLD IN THE BUSINESS IN CASE OF INVESTMENT. IT SHOULD ALSO INCLUDE WHAT WILL HAPPEN IN CASE THE INVESTOR PASSES AWAY.
2. NEVER INVEST IN COMMON LOCAL INFORMAL BUSINESSES LIKE SELLING OF SECOND HAND DRESSES. INSTEAD, LOOK FOR NICHE BUSINESSES TO INVEST IN.
3. LET THE PEOPLE YOU WANT TO INVEST IN REGISTER AT LEAST THE BUSINESS NAME OF THEIR BUSINESSES. REGISTRATION OF BUSINESS NAMES WITH THE REGISTRAR GENERAL OF GHANA IS NOT EXPENSIVE – ABOUT 200 GHANA CEDIS – AND IN DISTRICTS, THERE WILL BE OFFICES ESTABLISHED – BUSINESS RESOURCE CENTERS OR BRC, WHERE YOU CAN PROBABLY REGISTER LOCAL BUSINESSES FREE OF CHARGE.
4. MAKE SURE THAT YOU ONLY INVEST IN BUSINESSES THAT KEEP SOME KIND OF REASONABLE BOOKKEEPING FOR AT LEAST SIX MONTHS, BETTER FOR ONE YEAR. IN THIS WAY, YOU CAN OBSERVE WHETHER THE BUSINESS WAS INDEED PROFITABLE. FURTHERMORE, ONLY A BUSINESS THAT KEEPS SOME KIND OF REASONABLE BUSINESS WILL BE ABLE TO ACCESS LOANS OR ADDITIONAL INVESTMENT FOR FURTHER EXPANSION.
5. MAKE SURE THAT YOU VISIT THE BUSINESS YOU INVEST IN REGULARLY, AT LEAST TWO TIMES A WEEK, IF POSSIBLE MORE OFTEN. IN THIS WAY, YOU CAN GET AN OVERVIEW HOW THE BUSINESS IS PROGRESSING.

6. IF YOU ARE CAPABLE TO DO SO, OFFER THE BUSINESS OWNER TO ASSIST HER OR HIM IN RUNNING THE BUSINESS; BY THAT, YOU WILL GET A BETTER INSIGHT INTO THE BUSINESS.
  
7. IF YOU ARE NOT ALREADY INVOLVED IN A FAMILY BUSINESS, DO NOT INVEST IN A BUSINESS RUN BY A CLOSE RELATIVE. BY AVOIDING INVESTING IN SUCH A VENTURE, YOU WILL AVOID INVOLVEMENT OF MORE FAMILY MEMBERS, AND ABOVE ALL, ANOTHER CAUSE FOR QUARREL WITHIN THE FAMILY.
  
8. FOR THE SAME REASON, DO NOT INVEST IN A BUSINESS RUN BY A CLOSE FRIEND – THAT IS IF YOU WANT TO KEEP THE FRIENDSHIP.
  
9. ON THE OTHER HAND, YOU MAY INVEST IN THE BUSINESS OF YOUR SPOUSE. WITHIN A MARRIAGE, YOU WILL ALWAYS FIND MEANS TO IRON OUT DIFFERENCES ABOUT HANDLING THE BUSINESS.
  
10. DO NOT INVEST IN THE DRINKING BAR YOU FREQUENTLY VISIT; BUT YOU CAN INVEST IN A RESTAURANT IN YOUR AREA WHERE YOU DINE FROM TIME TO TIME.
  
11. TAKE YOUR TIME TO CHECK THE FIGURES AND APPEARANCE OF THE BUSINESS YOU WANT TO INVEST IN; DO NOT LET YOURSELF PUT UNDER PRESSURE BECAUSE THE OWNER SAYS HE OR SHE NEEDS MONEY. IF THE PERSON PUTS YOU UNDER STRESS BECAUSE OF MONEY, IT MIGHT BE A BAD SIGN. THE BUSINESS MIGHT BE COMPLETELY ILLIQUID AND DROWNED IN DEBTS.
  
12. MAKE YOUR OWN NOTES ABOUT THE DEVELOPMENT OF THE BUSINESS, AND DO NOT RELY SOLELY ON INFORMATION GIVEN TO YOU BY THE

BUSINESS OWNER. DO NOT HESITATE TO QUIZ THE BUSINESS OWNER ABOUT THE DEVELOPMENT OF THE BUSINESS.

13. MAKE INVESTIGATIONS ABOUT THE CHARACTER AND THE CAPABILITIES OF THE BUSINESS OWNER. IN THIS WAY, YOU WILL GET ADDITIONAL INFORMATION ABOUT HOW THE BUSINESS IS RUN.

14. BE INTERESTED IN THE POLITICAL AND SOCIAL ENVIRONMENT YOUR FUTURE INVESTMENT IS WORKING IN. THE DEVELOPMENT OF THE ISSUES SURROUNDING THE BUSINESS MIGHT BE ESSENTIAL FOR ITS DEVELOPMENT.

***AND NOW GOOD LUCK WITH YOUR INVESTMENT!***