

BANVEG CONSULT

EDUCATION

What is Business Registration?

This means formal certification by the Registrar General's Department that a Business entity has attained and maintained status as a registered Business in accordance with the Acts of the country governing Businesses. It is essential for every start-up to legally operate a Business in the country

Importance of Business Registration?

1. It gives you a unique Identity

There is an overwhelming pride that comes with the identity of your Business. It is no longer that imaginary idea you have in your head over the years. It is now a real thing that legally exists.

In choosing a Business Identity (Name to be precise) some people do so on emotional grounds (like their mother, father, children or even their own names). Some use abbreviations of their names and others prefer using names that inspires and portrays good qualities about the business. Whatever identity you choose and for whatever reason is up to you.

Once your Business is ready to be registered, the first thing the Registration Office does is to check that no other business already exists with the same name. Under the law, no two businesses should have the same name to avoid confusing the public

Once it is confirmed that the name you've chosen for your dream business is available (that is, nobody else is already using it, The registration process can then commence.

Once registered with the name you chose, you're legally free to go ahead and design a logo, create business cards and letterheads, and do anything you want with the name.

Can you imagine your business card with an inspiring logo and the name of your business boldly written across it and your name as CEO? That's truly unique and inspiring.

2. It protects you from personal liability

This is arguably the biggest reason why many people have to register their business.

Without the legal protection of limited liability, you could lose your business and personal property if something goes wrong (say somebody sues you to court for heavy damages).

Imagine you started a Delivery Service Business and your dispatch drivers carry goods to clients across the country.

Unfortunately, one day, one of the riders knocked down someone on the street with the motorbike that resulted to death of the person.

Your biggest problem is the case brought against you in court by the relatives of the person killed in that accident. They are suing you for damages of up to €250,000. Even if you sold the other remaining motorbikes, it wouldn't still be enough to settle such a high sum.

How much money you lose in this scenario really depends on the nature of your business.

If your business is registered as a limited liability entity, the worst that could happen is that **ONLY** your business will be responsible for paying the damages because it is a separate entity from you.

However, if you were running an unregistered business, you may not be entirely safe. Why? Because your personal stuff (house, cars, money in the bank etc) maybe used to settle any outstanding debts the business cannot settle.

Don't forget, not all company types can offer this protection. Only Limited Liability type companies can do this. Sole-proprietorships and partnerships (except Limited Liability Partnerships) cannot provide protection from personal liability.

3. It makes you look serious and attracts more customers

In today's modern world, most customers, especially corporate customers, expect a serious and responsible business to be registered.

In fact, most companies will not do business with an unregistered business. In certain cases, it's against the law for regulatory and tax reasons.

Imagine your business is not registered, how can you issue receipts to customers for products you sell or services delivered?

And who exactly pays for something these days without demanding a receipt? Unless your plan for your business is to become and remain a petty trading business that sells stuff off street corners, you just have to register it to attract more discerning customers.

Nobody says you can't survive with a business that isn't registered. The likely outcome is that you may not grow and will probably remain small for a long time.

4. It's easier to get bank credit and investment from investors

For banks, there are basically two categories of loans; Personal and Business loans. They're both totally different and one cannot be used to represent the other.

As a result, most banks will gladly lend you money to buy a new car or house but none will give you money to fund a business that isn't registered. To qualify for a business loan, the Number 1 and non-negotiable requirement is that your business must be registered. Period!

For investors, it's the same thing. Investors are interested in giving you money for a share of your business, and not to finance your personal lifestyle.

If there's no registered business, what exactly will you be giving them a share of?

Investors want to know that your business is organized, exists legally and is separate from your personal life and finances.

No investor would take you seriously if you're asking for investment but you don't already have your business registered. To them, it's a sign of unseriousness and a lack of professionalism. You don't want anybody to have that impression of you.

5. It's important for continuity sake

Apple Inc, Nestle, Ghandour, Shell and Toyota. Do these names ring a bell?

Of course they do.

These names are big multi-billion dollar businesses that have existed for years. In fact, most of the people who formed these companies have been dead for a long time.

Nevertheless, these businesses, which were quite small when they started many years ago, remain very big and successful today.

It's called continuity; human beings live and die but businesses have the ability to last forever as they are transferred from one generation to another.

In Africa, it's hard to come across businesses that outlast their founders. Just a few have.

A registered business is an asset (like a house, car and other properties) that can be passed down (as an inheritance) or sold by its owners to a new generation of people who can continue to own and run the business.

Registering your business will help you achieve your dreams of continuity.

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