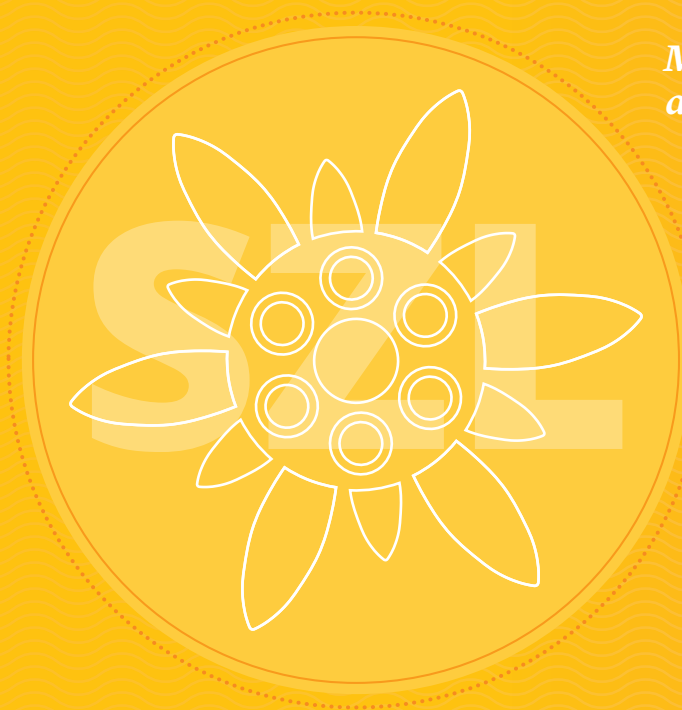


FinScope

*Micro, small
and medium
enterprises
(MSME)
survey*



Swaziland 2017



Partnering for a common purpose

FinScope MSME Swaziland was designed to involve a range of stakeholders engaging in a comprehensive consultation process. This enriches the survey and ensuring appropriateness and stakeholder buy-in. The Ministry of Finance through its arm Micro Finance Unit (MFU) chaired the steering committee (SC) which comprised of the Ministry of Commerce, Industry and Trade, Financial Services Regulatory Authority, Central Bank of Swaziland, Central Statistics Office (CSO), Small Enterprise Development Company with technical assistance from FinMark Trust. The survey was funded by the RFEDP/MFU and IFAD. The data was collected by Ipsos with statistical oversight (sampling and weighting) and quality control from the CSO.



The cover symbol

The cover graphic features a flower called the Edelweiss synonymous to a flower of purity that instills a great sense of patriotism with its meanings. It is rare and symbolises great sacrifice. Together with the circle, the flower symbolises growth and development while the circle represents inclusive growth. Each flower is an example of the successful growth in a unique environment. By combining the the flower with the currency symbol of Swaziland we depict the characteristics of the country, linking financial inclusion with successful growth.



Introduction

The MSME sector is recognised as an significant contributor to economic growth and development and mass employment. With this knowledge, the crucial role of MSMEs in the national economy anchors on the roles of government, the business community and the public at large to harness and optimise the sector's development. The lack of recent, holistic and reliable information about the MSME sector was identified to be a significant barrier from past consumer surveys and the MAP process. It is in this pursuit that the Government of Swaziland initiated the first FinScope MSME Survey Swaziland 2017.

Published: August 2017

Methodology

The FinScope MSME Survey Swaziland 2017 was conducted with a sample of 3024 adult business owners who were selected at household level across the country. The sample for the survey was designed by the Swaziland Central Statistics Office and had the following characteristics:

- 18 years or older
- Consider themselves to be business owners/

generating an income through small business activities

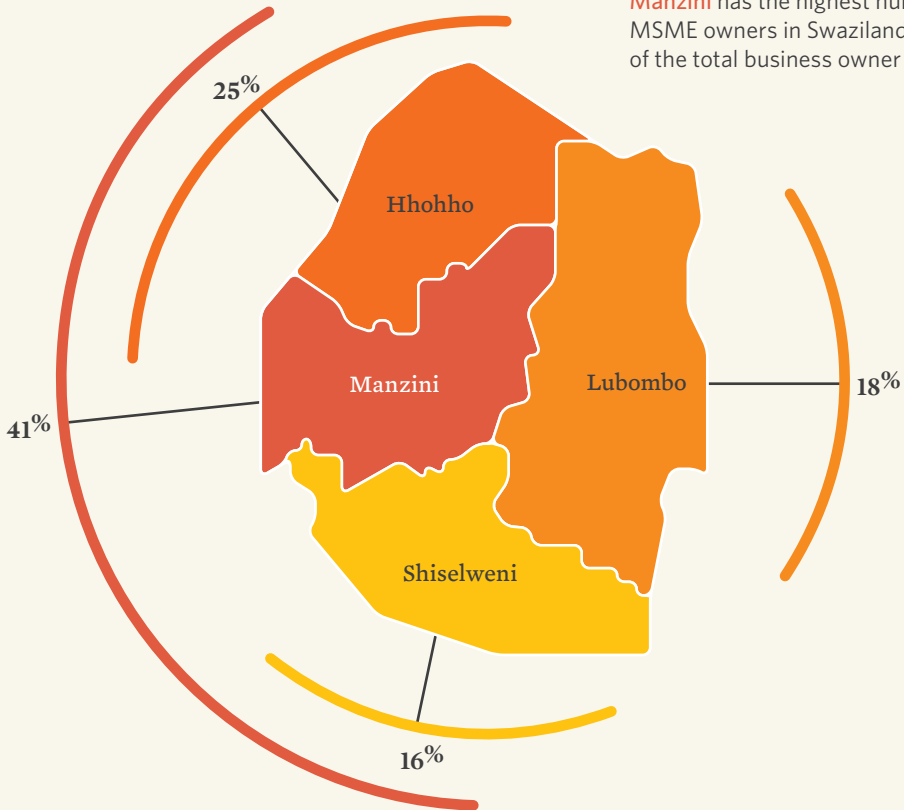
- Employing less than 50 employees
- National, regional and urban/rural representative sample

Survey objectives

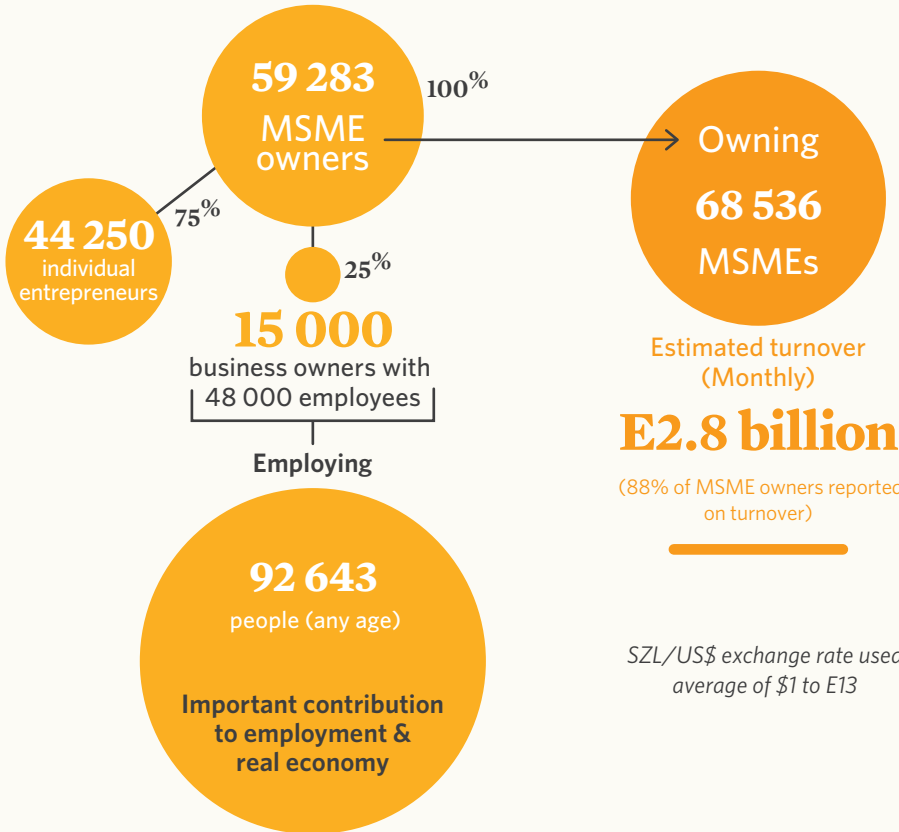
- To assess the **size and scope** of micro, small, and medium enterprises (MSMEs) in Swaziland
- To describe the levels and landscape of **access to financial products and services** (both formal and informal)
- To identify the most binding **constraints** to MSMEs development and growth with a focus on access to financial markets
- Identify the **drivers and barriers** to financial access for MSMEs
- Segment the MSME sector into market segments and identify the needs of different segments to stimulate related product innovation
- To identify and describe different **market segments** with specific development needs in order to stimulate segment related innovation

***Distribution of businesses
by region***

Manzini has the highest number of MSME owners in Swaziland with 41% of the total business owner population







92 600 people work in the sector
(this number includes 48 000 employed and
44 250 individual entrepreneurs)





Defining MSMEs for this survey

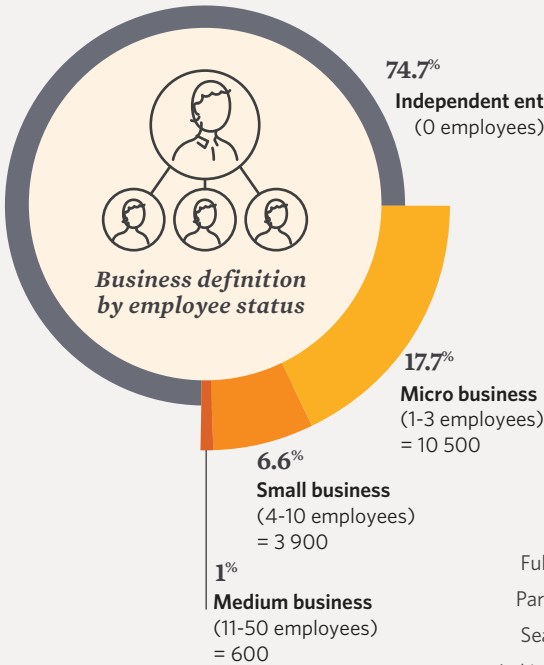
By the number of employees and annual turnover

	 INDEPENDENT ENTREPRENEUR Formal & professional	 MICRO Informal	 SMALL Formal	 MEDIUM Formal
Employees	0	0 - 3	4 - 10	11 - 50
Value of assets	<E50 000	<E50 000	E50 000 to E2 million	E2 million to E5 million
Turnover	<E60 000	<E60 000	< E3 million	Up to E8 million

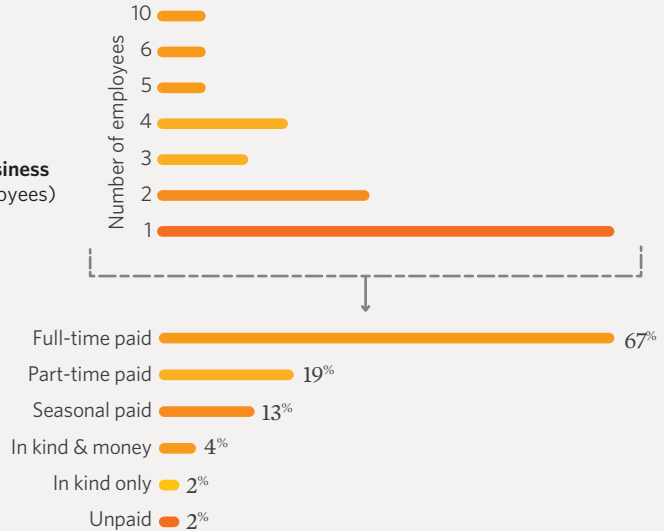
Source: MSME Policy (2009)

-  **START UP: 0 - 2 years**
-  **GROWTH PHASE: 3 - 5 years**
-  **ESTABLISHED: 6 - 10 years**
-  **MATURE: >10 years**

SIZE AND SCOPE OF THE MSME SECTOR



Percentage of MSME owners



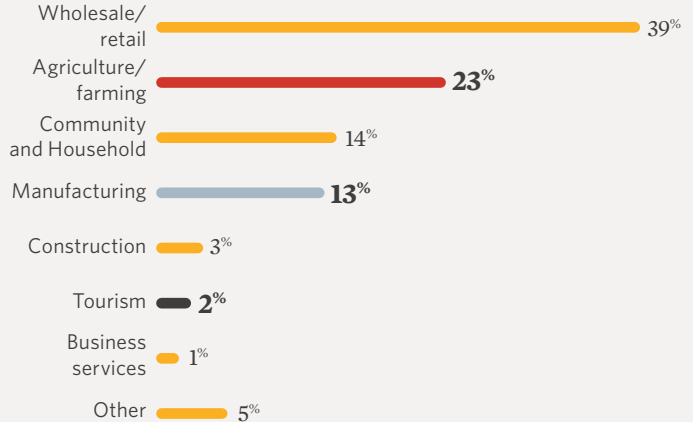
- 25% of MSME owners have employees (excluding the owner)
- Around 44% of these have one employee with a further one in five MSME owner employing two employees
- Two in the three employers (67%) have full-time paid employees and almost one in five (19%) having part-time employees

Business sector

Perceived sector belonged
to by Business Owner



Actual sector belonged
to by Business Owner



SIZE AND SCOPE OF THE MSME SECTOR

**Business size
by region**


**INDEPENDENT
ENTREPRENEUR**
(0 employees)


**MICRO
Business**
(1-3 employees)


**SMALL
Business**
(4-10 employees)


**MEDIUM
Business**
(11-50 employees)

Hhohho

76%

 17%

 6%

 1%

Manzini

67%

 23%

 8%

 2%

Shiselweni

79%

 15%

 5%

 1%

Lubombo

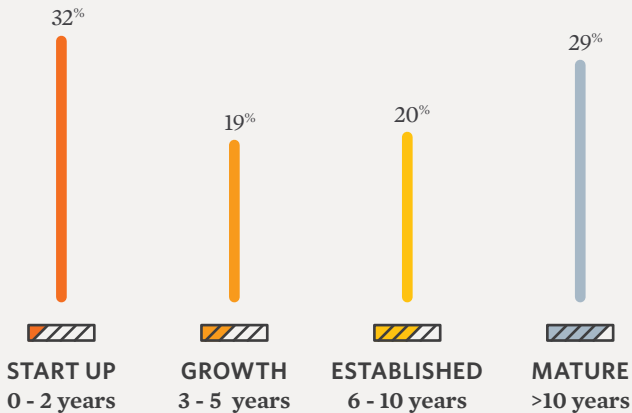
86%

 9%

 5%

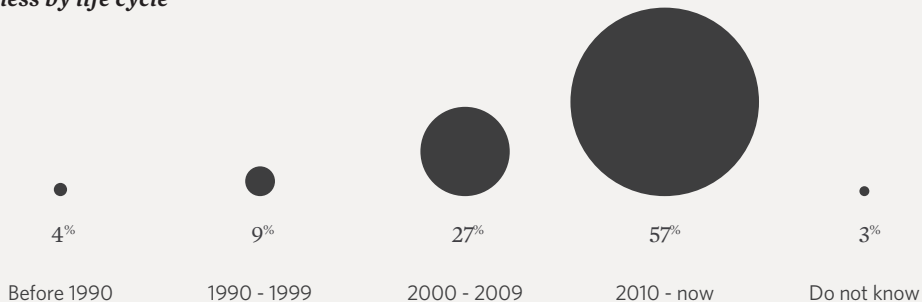
Year business started (age)

Number of years in business







- About a third (32%) of the MSME's businesses are start-up (i.e. under 2 years since inception)
- Swazi MSMEs show that almost half (49%) of them are established or mature ranging from 6 years or older

Business by life cycle

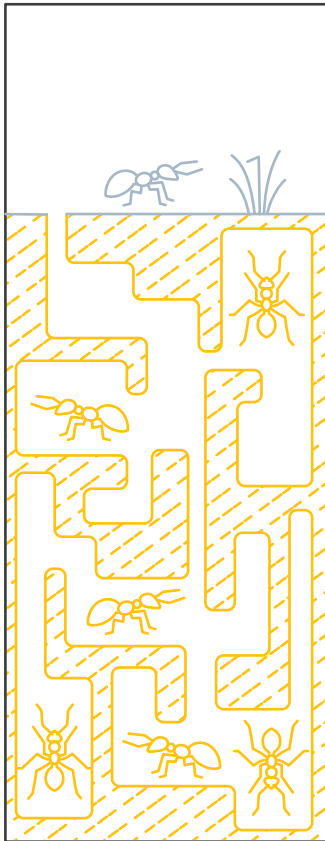


Personal monthly income by size

<i>Personal monthly income</i>	 INDEPENDENT ENTREPRENEUR (0 employees)	 MICRO Business (1-3 employees)	 SMALL Business (4-10 employees)	 MEDIUM Business (11-50 employees)	TOTAL
Refused/don't know	4	7	10	10	7
No personal income	8	3	3	-	7
Less than E2 500	62	32	15	7	53
E2 501 - E5 000	16	23	21	13	17
E5 001 - E10 000	7	22	23	8	10
E10 001 - E25 000	2	10	13	38	4
E25 001 - E50 000	1	2	8	7	1
E50 001 - E100 000	-	1	4	13	1
E100 001 - E200 000	-	-	1	2	-
E200 001 - E500 000	-	-	2	2	-

LEGAL STRUCTURE

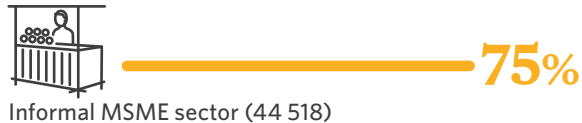
Below the surface



< *Current focus of interventions*

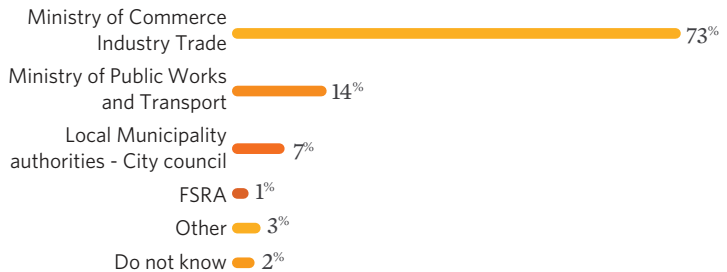


< *FinScope MSME Survey*



Limited (financial) resources and information preclude the possibility of spreading policy initiatives to include the entire MSME sector.

Type of registration



Registration



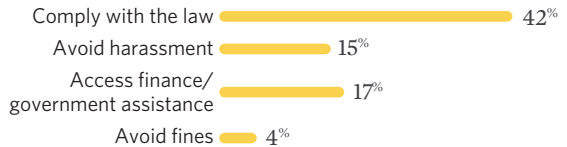
75%

businesses are not registered/licensed

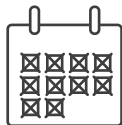


25%

Perceived benefits of registration



Reason for not registering/licensing



About
10
Days

TIME TAKEN TO REGISTER

Total monthly turnover per sector (in US\$)



Agriculture/farming

134 million



Wholesale /retail

50.5 million



Community & Household

20.9 million



Construction

4.3 million



Business Services

6.1 million



Manufacturing

3 million



Tourism

750 thousand

Other

1.1 million

Estimated monthly turnover
(2017)



**US\$
221 million**

(88% of MSME reported
turnover)

**Total monthly turnover per
business size (in US\$)**



**INDEPENDENT
ENTREPRENEUR**

(0 employees)

52.2 million



**MICRO
Business**

(1-3 employees)

14.5 million



**SMALL
Business**

(4-10 employees)

150 million



**MEDIUM
Business**

(11-50 employees)

4.3 million

SZL/US\$ exchange rate used average of \$1 to E13



74%

Mainly individual entrepreneurs

62%



Motivation to start the business is mainly needs driven (unemployment and to take care of family)



MSME owner



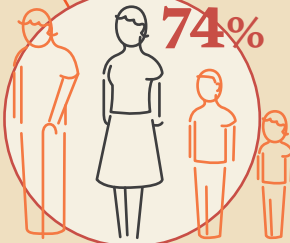
72%

Majority have some secondary education or better



74%

Located in rural areas



74%

Usually older (35 years and older)

SIZE AND SCOPE OF THE MSME SECTOR



75%

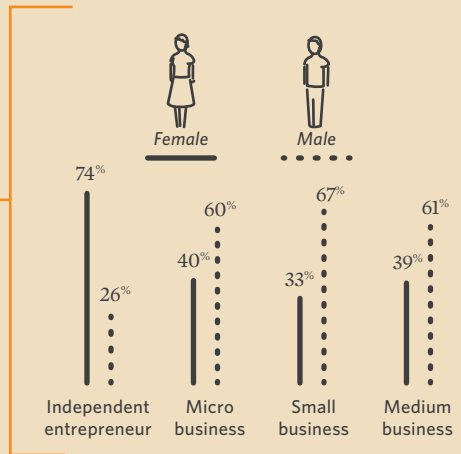
Business is their only source of income



74%

Majority are female (independent only)

MSME owners



53%

Low levels of monthly income (7% do not have a monthly income)

23%

Work full time (8 hours a day or more). 87% work more than 5 days a week



How businesses are doing

Opinions about the business

At risk or in danger of failing ● 1%

Struggling but surviving ● 12%

Struggling but promising ● 24%

Fairly successful ● 38%

Very successful ● 25%



The owners with successful business are more likely to be registered, keeping financial records and claim that their businesses performed better than the previous season

- 53% of business owners considered their business to be growing

- 25% considered their business as very successful, while 38% considered it fairly successful

- 17% believed that big

investment projects created business for them (only micro to medium sized enterprises

Reasons for those not benefitting from big investment:

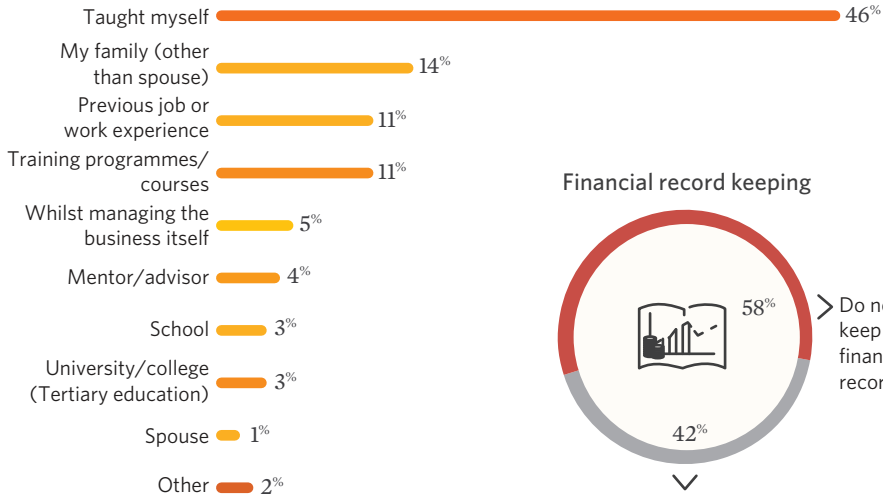
- Business is too far from these projects 37%

- Business is not relevant to them 34%

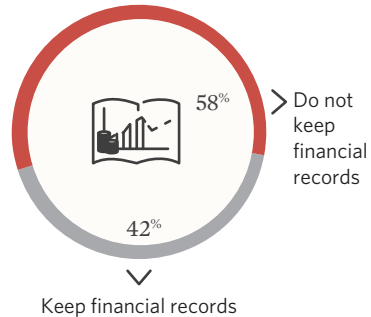
- 21% would close the business if employment was offered to them

Business skills

Acquiring business skills



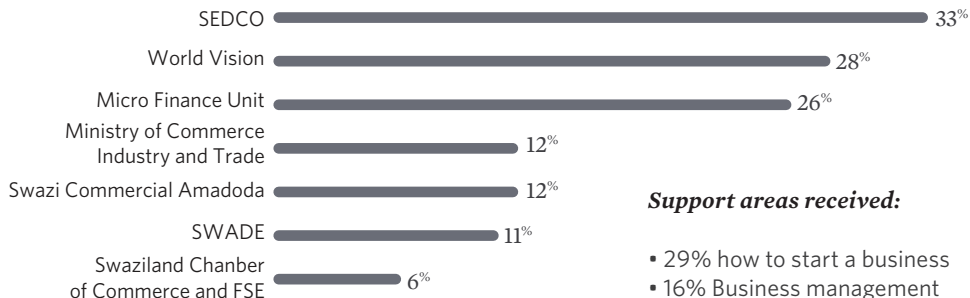
Financial record keeping



Of the 42% that keep financial records:

- 21% keep the financial records themselves unassisted
- 96% keep records manually
- 9% use a computerised system

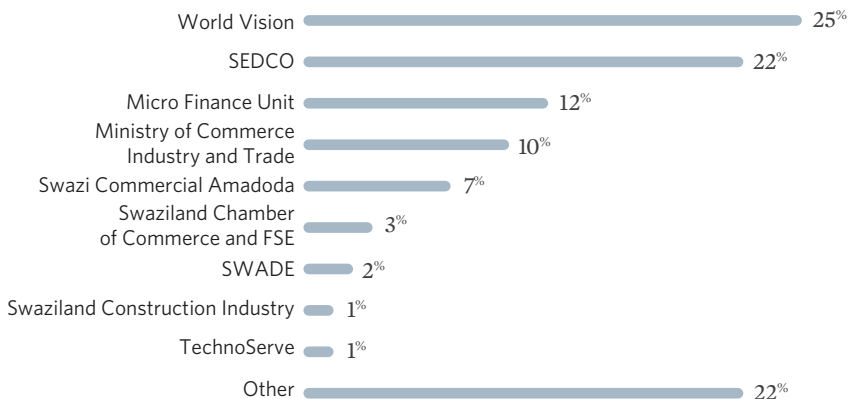
Awareness of institutions offering MSME support



Support areas received:

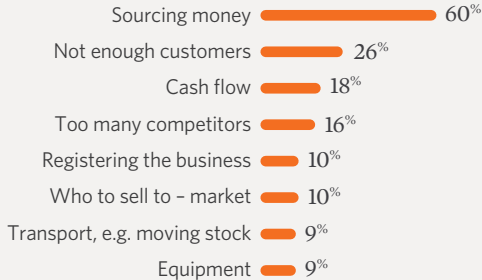
- 29% how to start a business
- 16% Business management
- 14% book keeping
- 12% Budgeting & forecasting
- 11% Quality management

Usage of the support institutions (of those that used/received help)



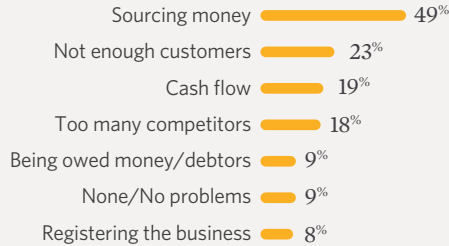
Main constraints facing MSMEs

Start-up



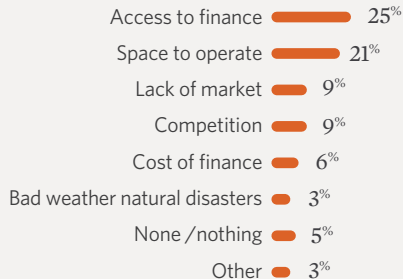
- The main constraint for MSMEs at start-up is sourcing money

Operation/management



- Sourcing of money and cashflow show to be the biggest operational constraints
- Competition and markets have been cited as limiting operations for MSMEs

Growth

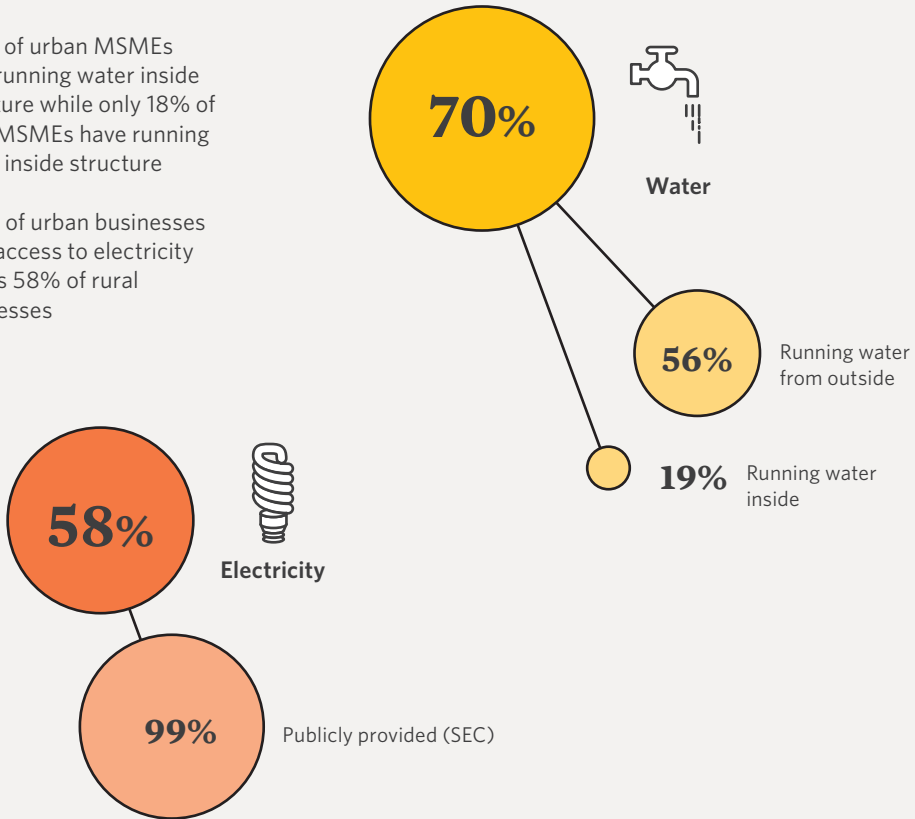


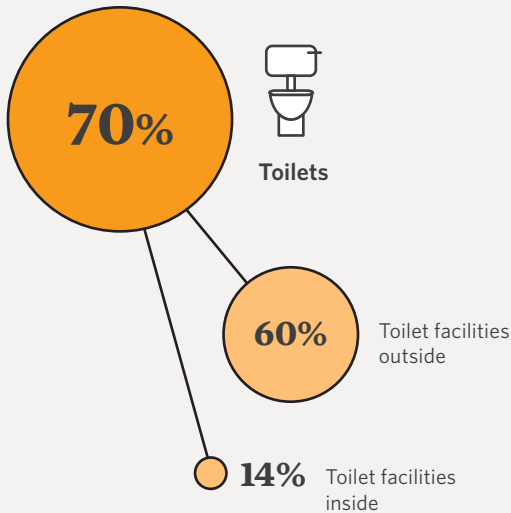
- Spaces to operate at reasonable costs were also stated to be constraining business growth

Access to amenities

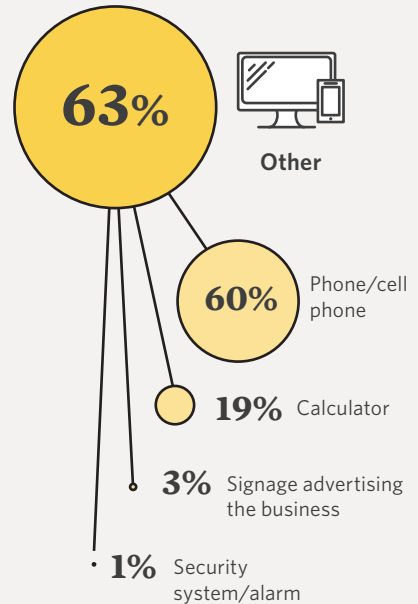
- Half of urban MSMEs have running water inside structure while only 18% of rural MSMEs have running water inside structure

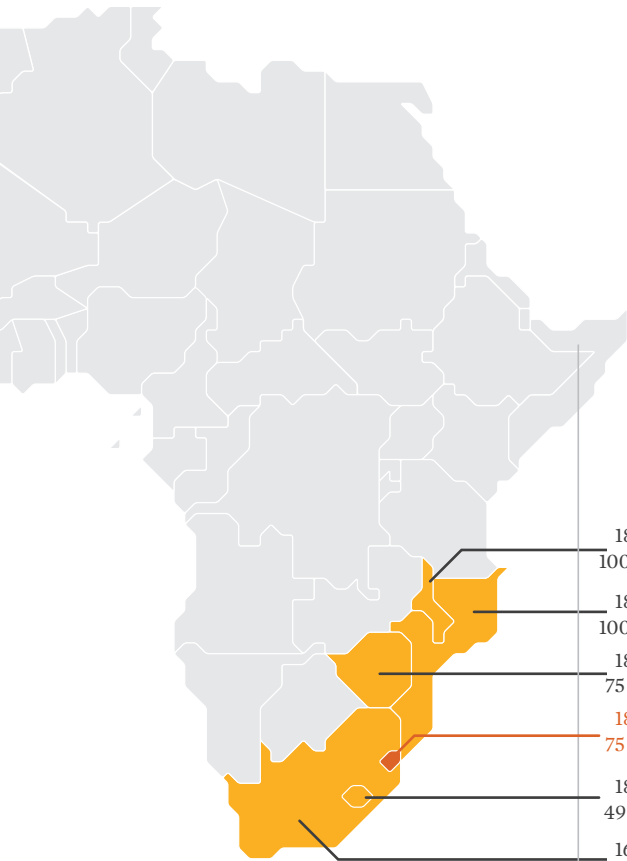
- 71% of urban businesses have access to electricity versus 58% of rural businesses





• Access to amenities is limited and highly skewed towards urban businesses. This affects productivity and also affects businesses in tourism where basic amenities are required for service provision.

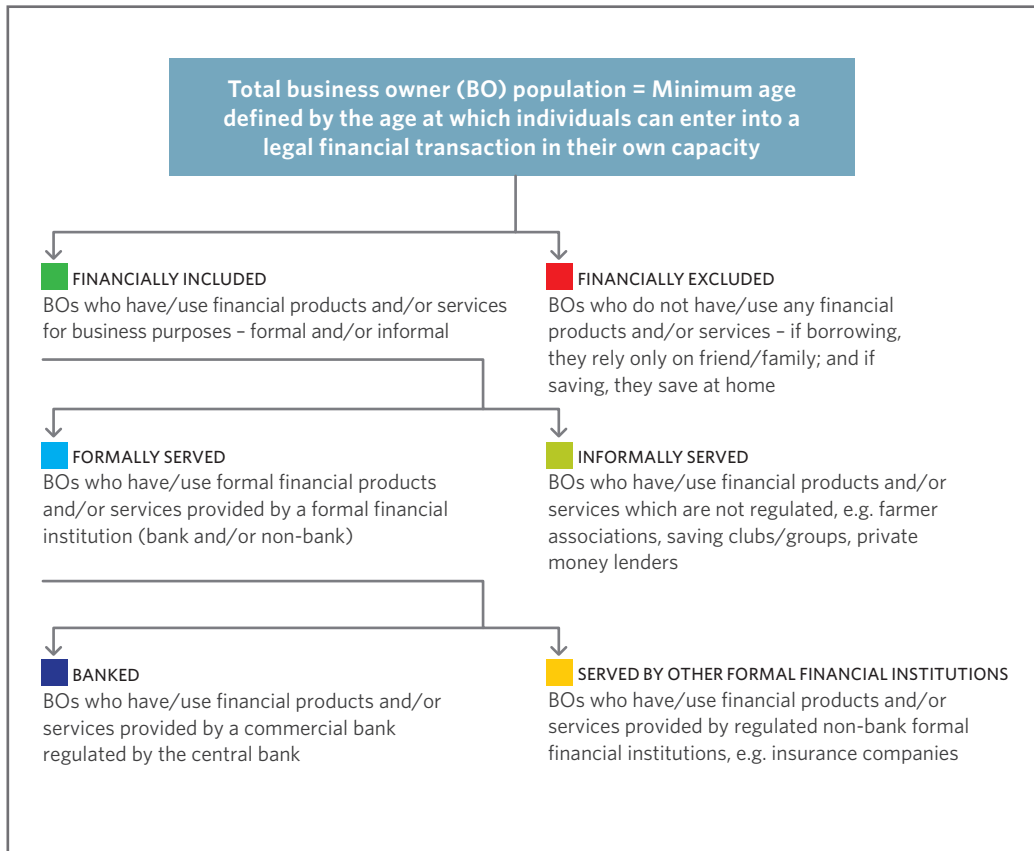




Business owners	Estimated adult population (million)	Estimated % of adult population that owns MSMEs (%)
18 years and older 100 employees or less	6.1	13
18 years and older 100 employees or less	10.8	42
18 years and older 75 employees or less	5.9	46
18 years and older 75 employees or less	600 000	10
18 years and older 49 employees or less	1.1	7
16 years and older 200 employees or less	33.5	17

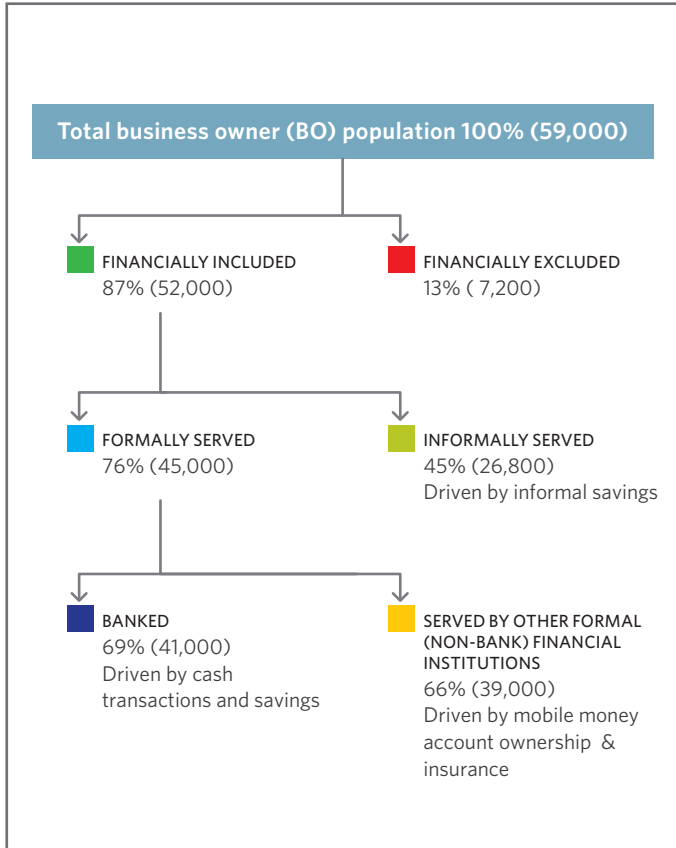
	Number of MSME owners	Number of MSMEs they own	% of MSME owners with registered businesses (%)	Number of employees (excluding the owners)	% of individual entrepreneurs	% of businesses with employees	
	760 000	1m	3	1m	59	41	Malawi 2012
	4.5m	4.9m	14	850 000	93	7	Mozambique 2012
	2.8m	2.8m	15	2.9m	71	29	Zimbabwe 2012
	59 000	68 000	25	93 000	75	25	Swaziland 2017
	76 000	85 000	18	118 000	83	67	Lesotho 2016
	5.6m	6m	17	6m	67	33	South Africa 2010

Financial inclusion
- Framework





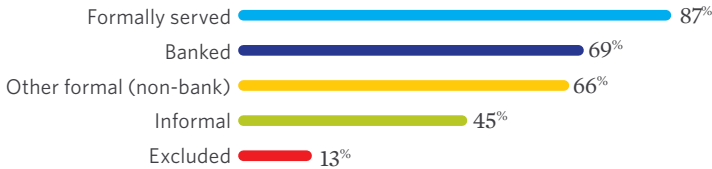
Financial inclusion among MSME owners in Swaziland



‘Formal’ is a category classifying products or services as regulated or supervised by a formal institution or any other formal regulator/agency. This is also synonymous to ‘other formal’ or ‘other formal (non-bank)’ to differentiate it from the banked which are mostly commercial and development banks.

Overall levels of financial inclusion, overlaps and Swaziland MSME Access Strand

Overalls with overlaps



In constructing this strand, the overlaps in financial product/services usage are removed, resulting in the following segments:

- Financially excluded business owners (13%)

- Business owners who have/use informal mechanisms only but *no* formal products/services (11%)

- Business owners who have/use other formal (non-bank) products/ services but *no* commercial bank products

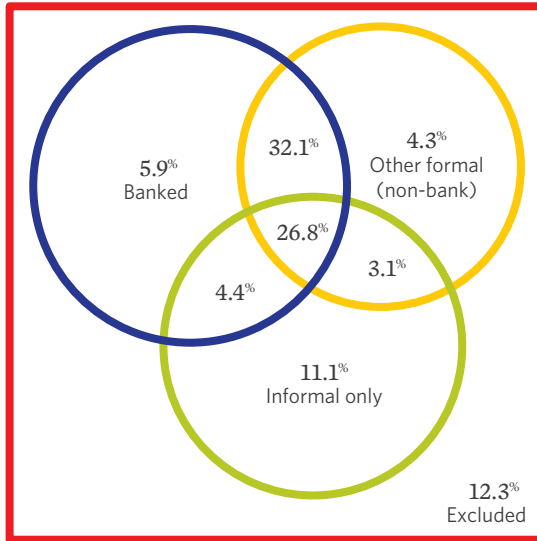
(7%) - they might also have/use informal mechanisms

- Business owners who have/use commercial bank products/services (69%) - they might also have/use other formal (non-bank) and/or informal mechanisms

Access Strand



Overlaps

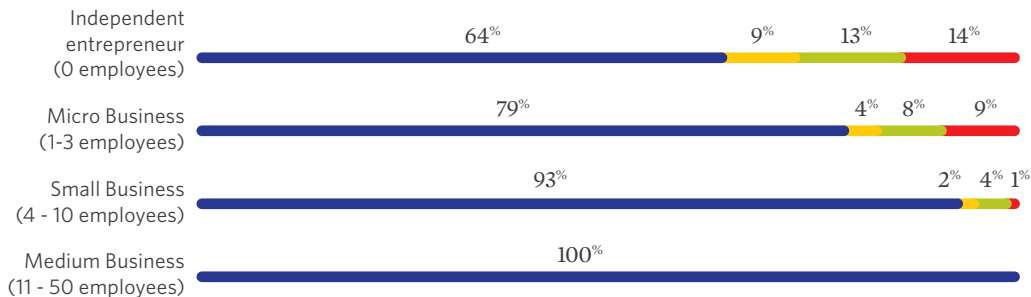


“Business owners generally use a combination of financial products and services to meet their financial needs”

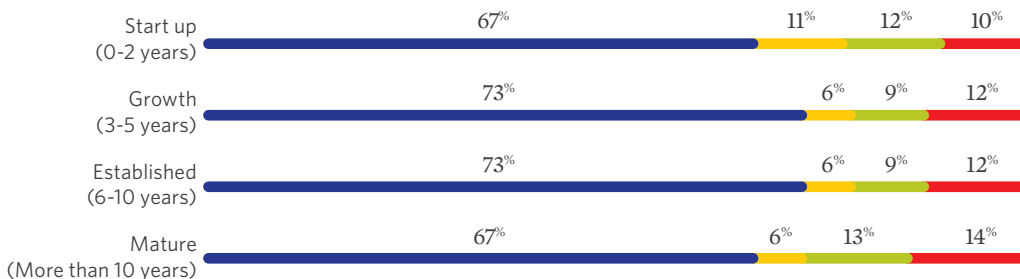
- Only 6% (about 3 500) of business owners rely exclusively on banking services
- Around 34% use a combination of formal and informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone
- 11% (6 600) of the small business owners ONLY rely on informal mechanisms such as savings groups and loan sharks

Note: Due to rounding off numbers of ‘Banked’ and ‘Other formal’ the ‘Excluded’ population is 13%

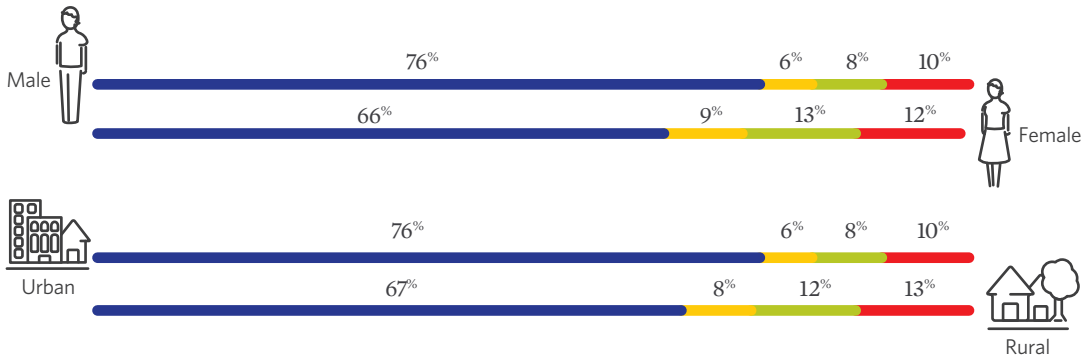
Access Strand by MSME sector and age of business



Access Strand by MSME classification

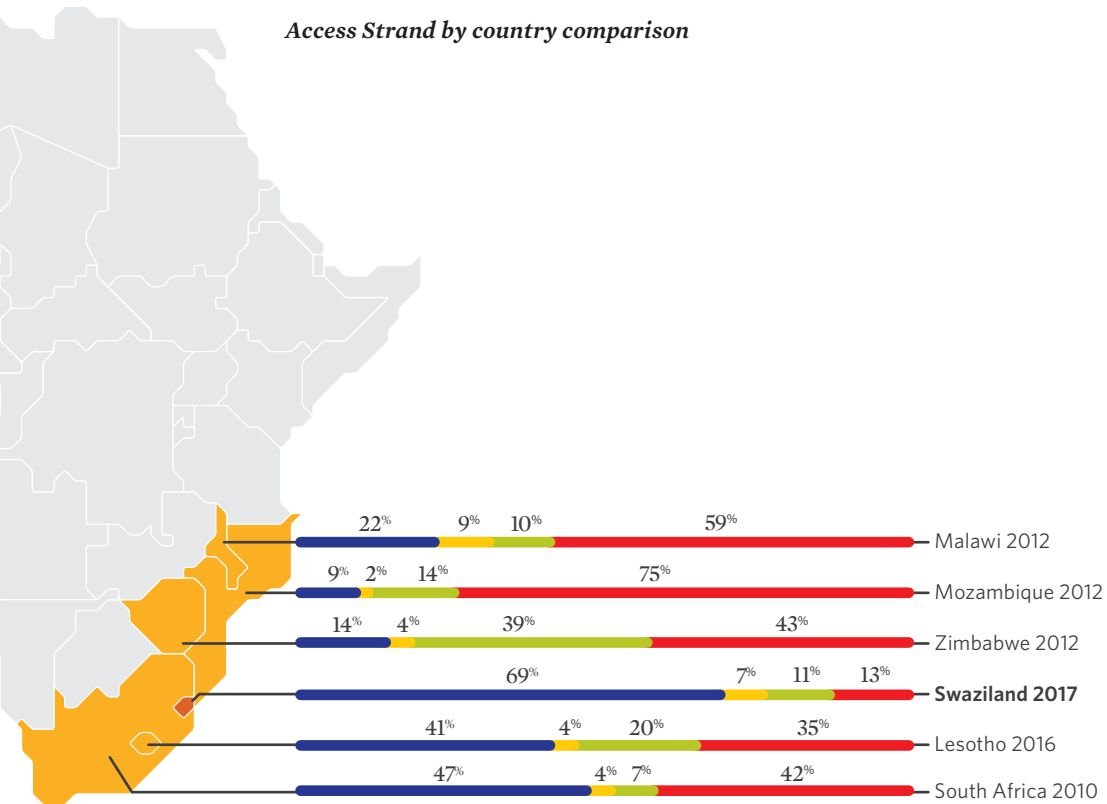


Access Strand by MSME owner's gender and area type

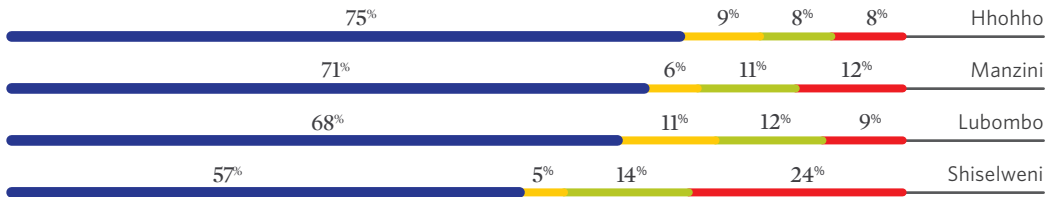


Formal financial inclusion is largely skewed towards the male BOs and those operating in urban areas. This is particularly with those accessing bank products and services. A higher dependency on informal mechanisms only is noted for females and those in rural areas.

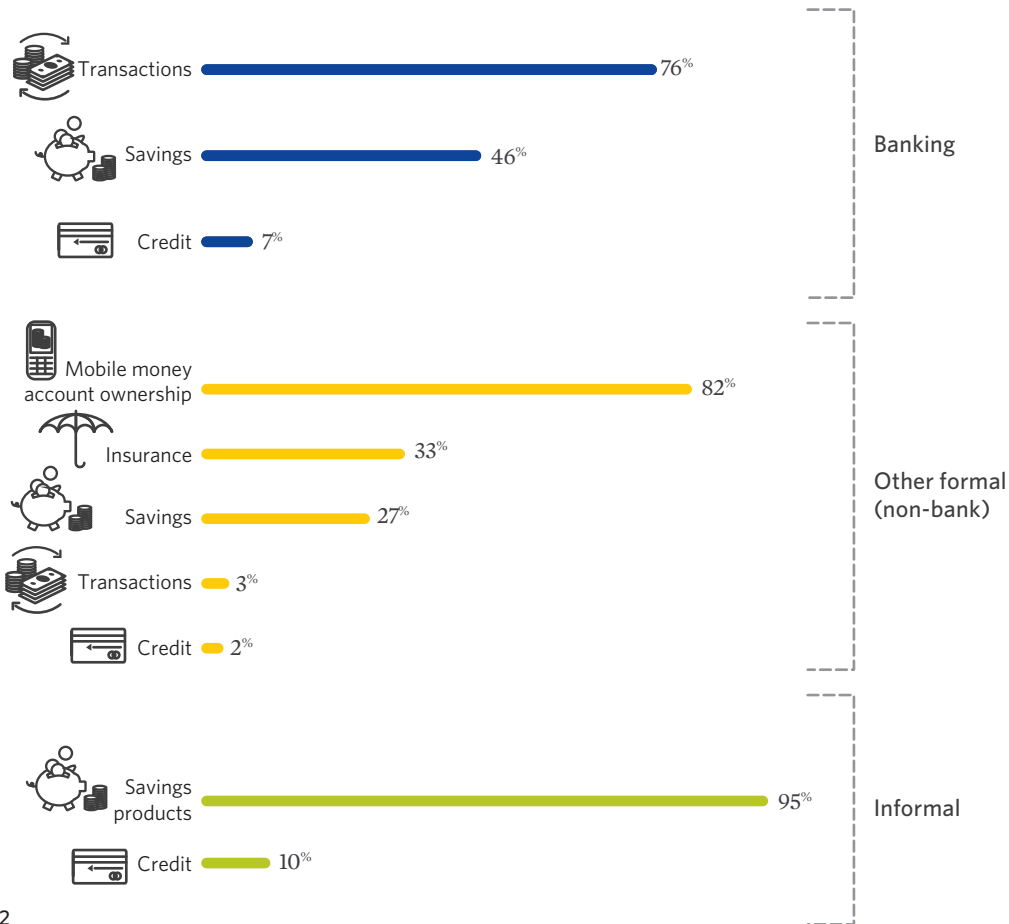
Access Strand by country comparison



Access Strand by MSME distribution: regions



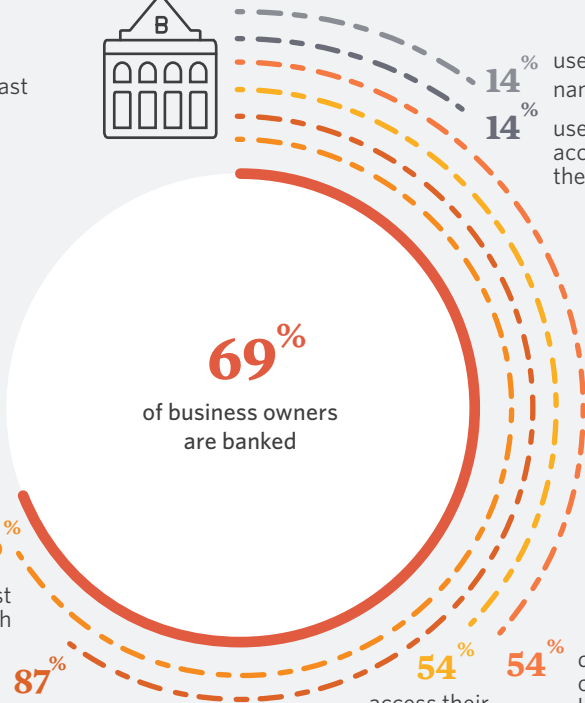
DRIVERS OF FINANCIAL INCLUSION



Banking Status

▪ **Drivers:**

38% advertising,
30% family/friend
recommendation,
12% use the bank
personally or in the past



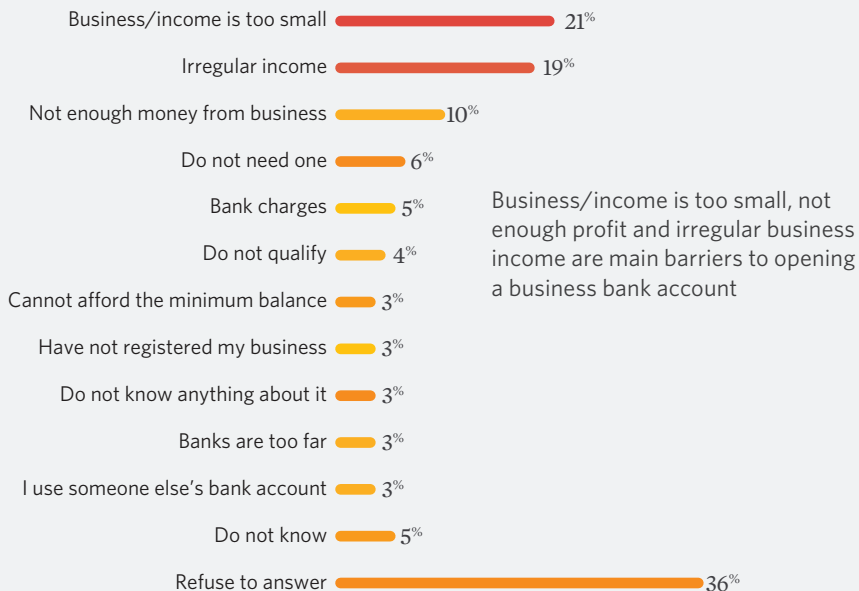
of the banked
business owners
transacted in the past
month indicating high
active bank usage

normally go to the
bank branch/ATM
themselves

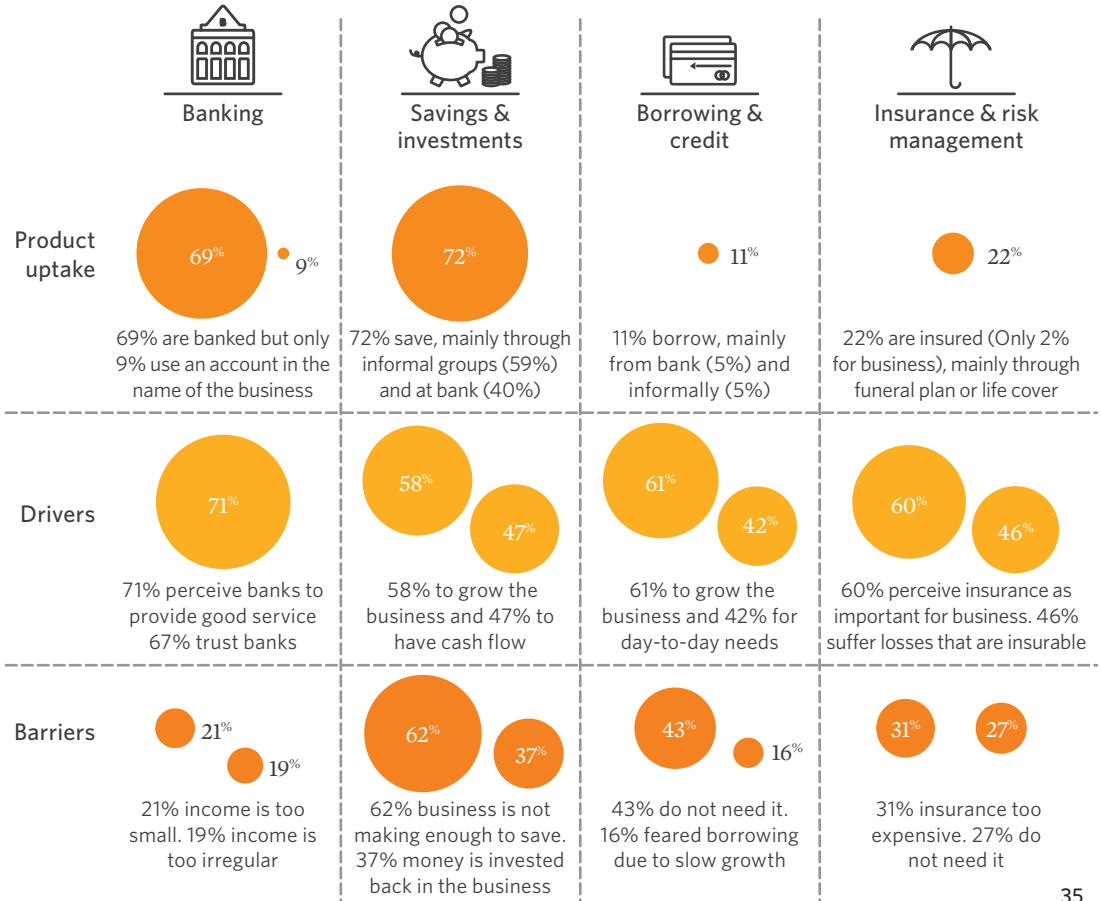
access their
bank branch
in 30 minutes
or less

deposited all or some
or the revenue for the
business within the
past month

Barriers to banking



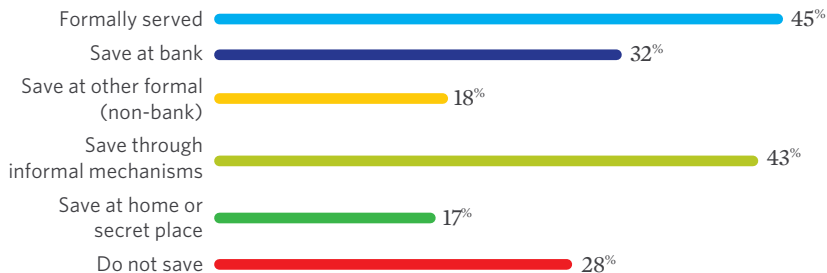
Drivers and barriers for financial landscape products



SAVINGS



Overalls with overlaps



In constructing this strand, the overlaps in financial product/services usage are removed

- 28% of business owners do not save for business purposes

- 2% keep all their savings exclusively at home

- 24% rely on informal mechanisms such as savings groups (they might also save at

home, but they do not have/use any formal savings products)

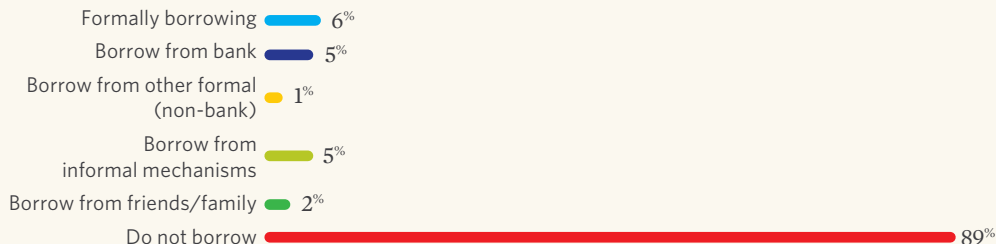
- 46% have/use formal savings products (32% commercial bank and 14% other formal (non-bank))

Saving Strand





Overalls with overlaps



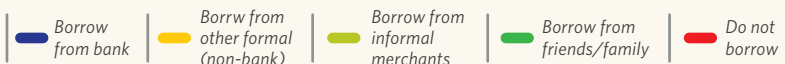
Credit Strand

In constructing this strand, the overlaps in financial product/ services usage are removed

• 89% of business owners did not borrow money in the 12 months prior to the survey

- 1% rely on friends and family only
- 4% rely on informal mechanisms

• Only 6% of business owners have loans from formal institutions such as a commercial bank



CREDIT

Barriers to access credit



- The majority of business owners cited source of funds to be the main constraint in start-up, growth and operations. It appears they do not perceive credit to be a source of funds with 44% stating that they do not need to borrow money

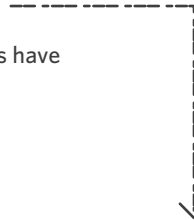


Insurance penetration

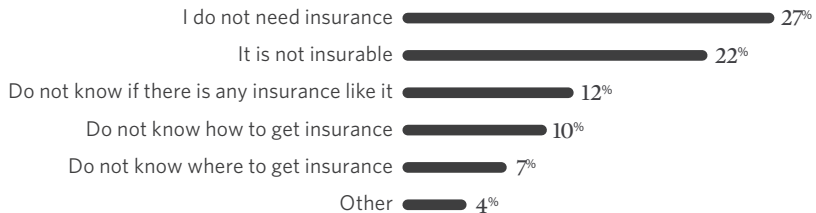


22%

Businesses have insurance



Insurance barriers for business owners



- The biggest barrier for those without insurance is awareness or knowledge of insurance and knowing its benefits

RECOMMENDATIONS



Lack of operational space

Tackle operational space issue with regards to availability and affordability



Limited use of sophisticated marketing techniques

Support MSME owners in their venture to market their business (networking, referrals, local business directories, radio, billboards, local newspapers)



Only a few MSMEs are registered/licensed

Review registration (benefits & processes)

Sensitising the benefits of registration particularly access to support and how these outweigh the perceived costs



High levels of personal access but LOW business account usage of financial products/services e.g. high mobile money penetration low business use case

Support development of financial products and services that are:

- Affordable** (given the low levels of income)
 - Appropriate** - flexible (given the irregularity of income and seasonality)
 - Accessible** (given proximity issues, e.g. mobile banking)
-



Need for skills training and financial capability

Formulate MSME training strategy focusing on financial capability (business management, book keeping, record keeping, etc.)



Access to credit/loans as key constraint to start-up, operation, and growth

Minimise lending risks (e.g. improve access to information to establish credibility - credit bureaux, and PCGs) + ensure responsible credit provision



Importance of informal mechanisms

Leverage potential (linkages) but not over-formalise



Importance of agriculture

Need for affordable and flexible solutions to cover seasonal input and fixed assets (agri finance), as well as tailored agricultural insurance



Completed ●

FinScope MSME Survey

Comprehensive study focusing on individual entrepreneurs, and owners of micro-, small- and medium enterprises (MSMEs) and their financial services needs.

For further information about FinScope MSME Swaziland 2017 please contact:

Mr David Mfanimpela Myeni
 davidmyeni@mfu.org.sz
Mr James Sicelo Manyatsi
 jamesmanyatsi@mfu.org.sz

Tel: +268 24049615
 www.mfu.org.sz

Dr Kingstone Mutsonziwa
 kingstonem@finmark.org.za
Mr Obert Maphosa
 obertm@finmark.org.za

Tel: +27 11 315 9197
 www.finmark.org.za

