



Botswana MSME Pulse

Pocket guide



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Background

Beyond the devastating health crisis of the COVID-19 pandemic, the lockdown and restrictions on the free movement of people ushered in economic and social crisis.

To mitigate the economic impacts of the pandemic the Botswanan government responded by introducing the COVID-19 relief fund on 2 April 2020.

Early in 2021 FinMark Trust, with support from the FCDO, set out to understand the effects of the pandemic on Micro, Small and Medium Enterprises in Botswana with a telephonic Business Pulse survey and qualitative interviews.

Methodology

831

survey interviews were conducted with MSME owners using computer aided telephonic interviews (CATI).



The respondents were contacted off of a list of companies provided by Statistics Botswana.



Respondents qualified for the survey if they were 18 years of age or older, considered themselves to be business owners or generating income through small business activities and employing less than 100 people.

60

of these respondents, who agreed to be recontacted, were then recruited to participate in qualitative follow up interviews.





Lockdown timelines and fieldwork

Timeline event

Mar Apr May Jun July Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep

Most points of entry closed

● **24 March 2020**

State of emergency with curfew declared

● **31 March 2020***

2 April 2020 - 30 September 2021**

Lockdown declared

■ **2 April 2020 - 22 May 2020**

Gaborone under lockdown

■ **30 June 2020 - 12 July 2020**

Survey

■ **4 February 2021 - 1 March 2020**

Qualitative

■ **3 March 2020 - 15 March 2020**

*State of emergency with curfew declared

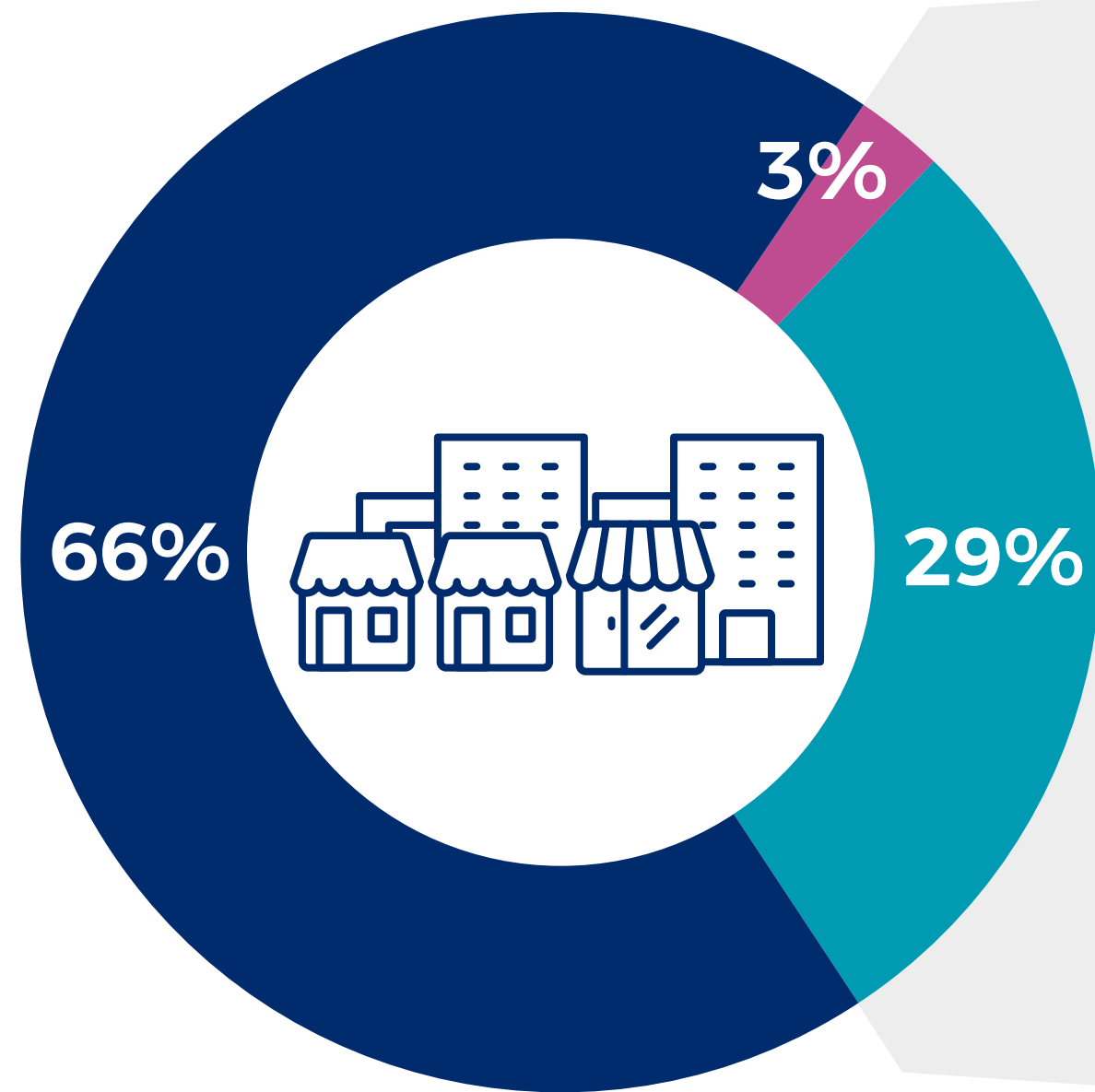
**State of emergency with curfew implemented

Business closures

COVID-19 lockdowns and the state of emergency doubled the number of formal MSME closures as compared to 2019 and before.

Micro enterprises are more likely to have closed and informal businesses may be more likely to pivot than formal ones.

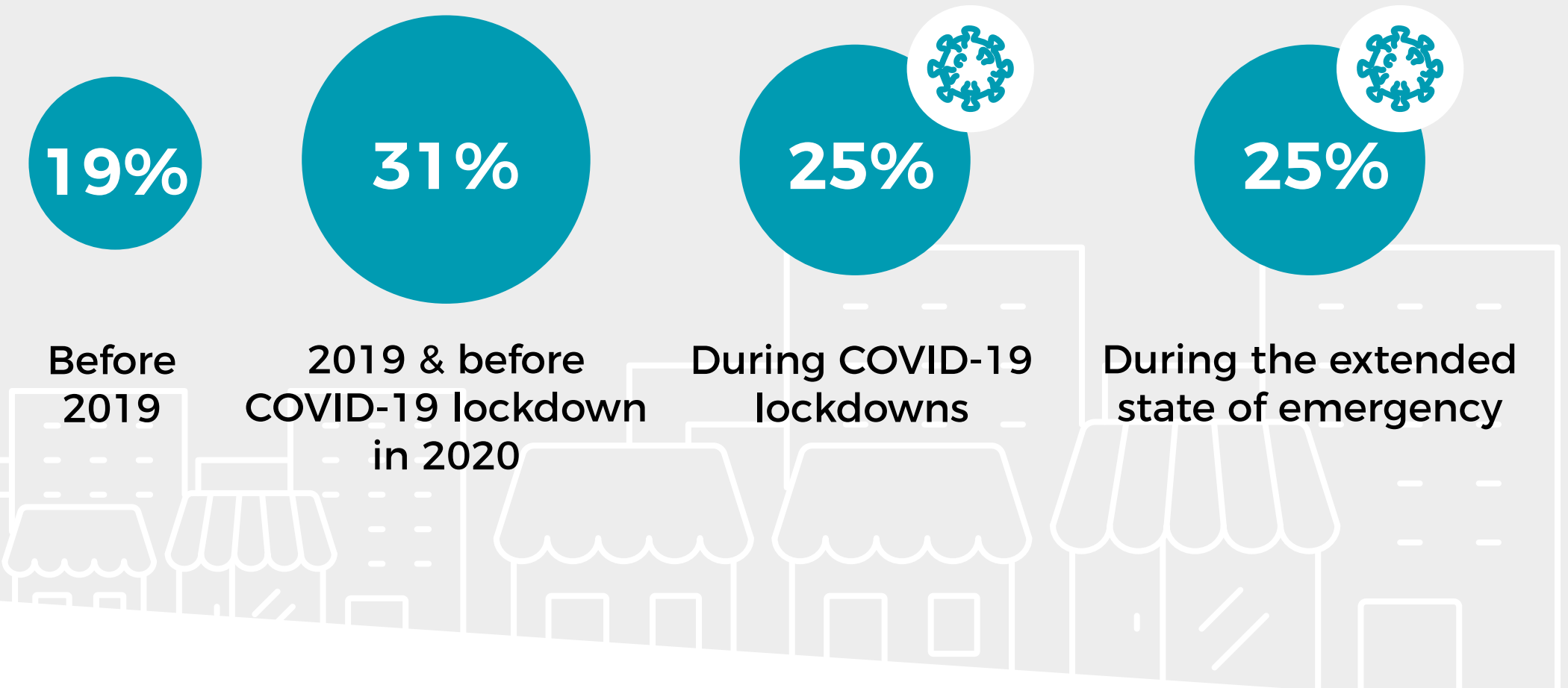
Number of operating businesses



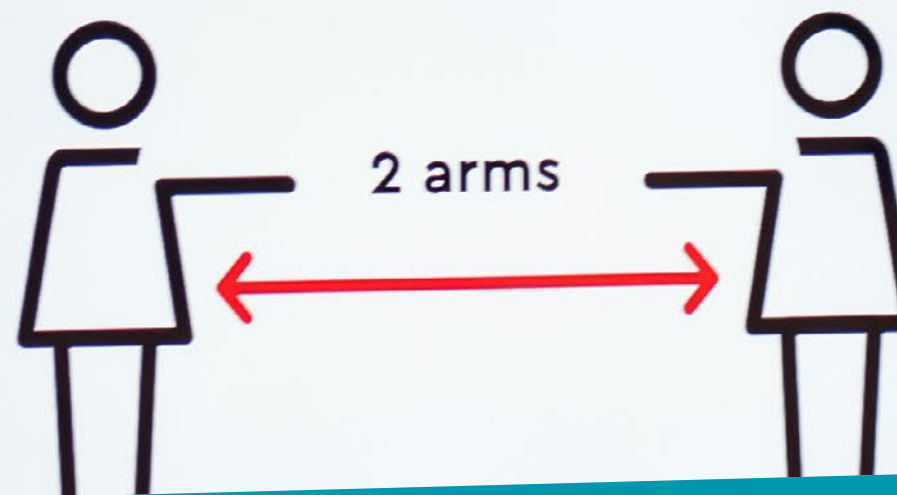
● Business still operating ● Business closed ● Business closed but started new business



Nearly a third of formal businesses reached had closed or pivoted. More than half of these closed during or following lockdown



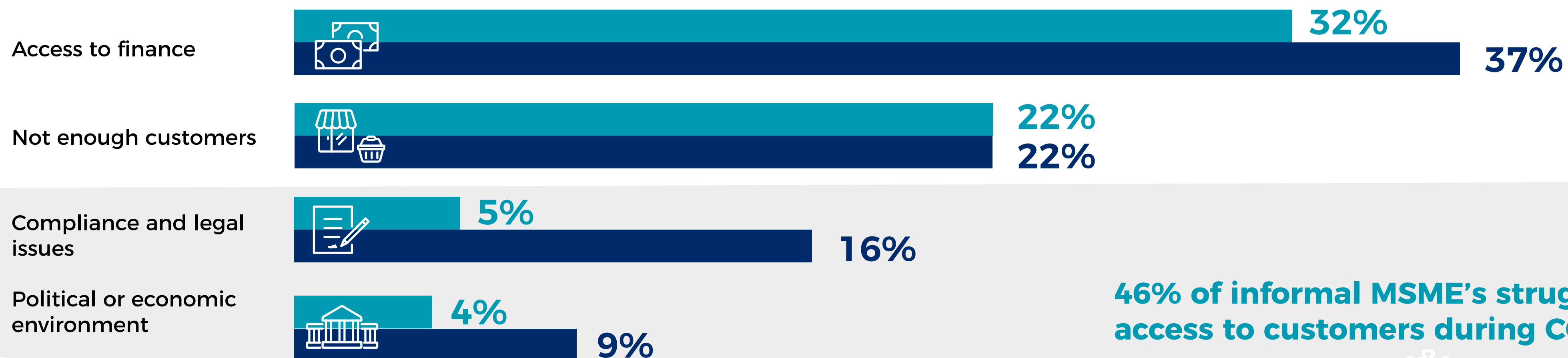
Business closures



Access to finance and markets are the strongest drivers of closure but legal compliance and the political / economic environment contributed more to closures post COVID-19 lockdown.

For those businesses that closed before lockdowns poor management and competition were key drivers of closure, post COVID-19 difficulties with compliance or navigating the political/ economic environment are more likely to drive closure.

Reasons for closure



46% of informal MSME's struggle with access to customers during COVID-19

● During COVID-19 n=122 ● Before COVID-19 n=121

Operational challenges

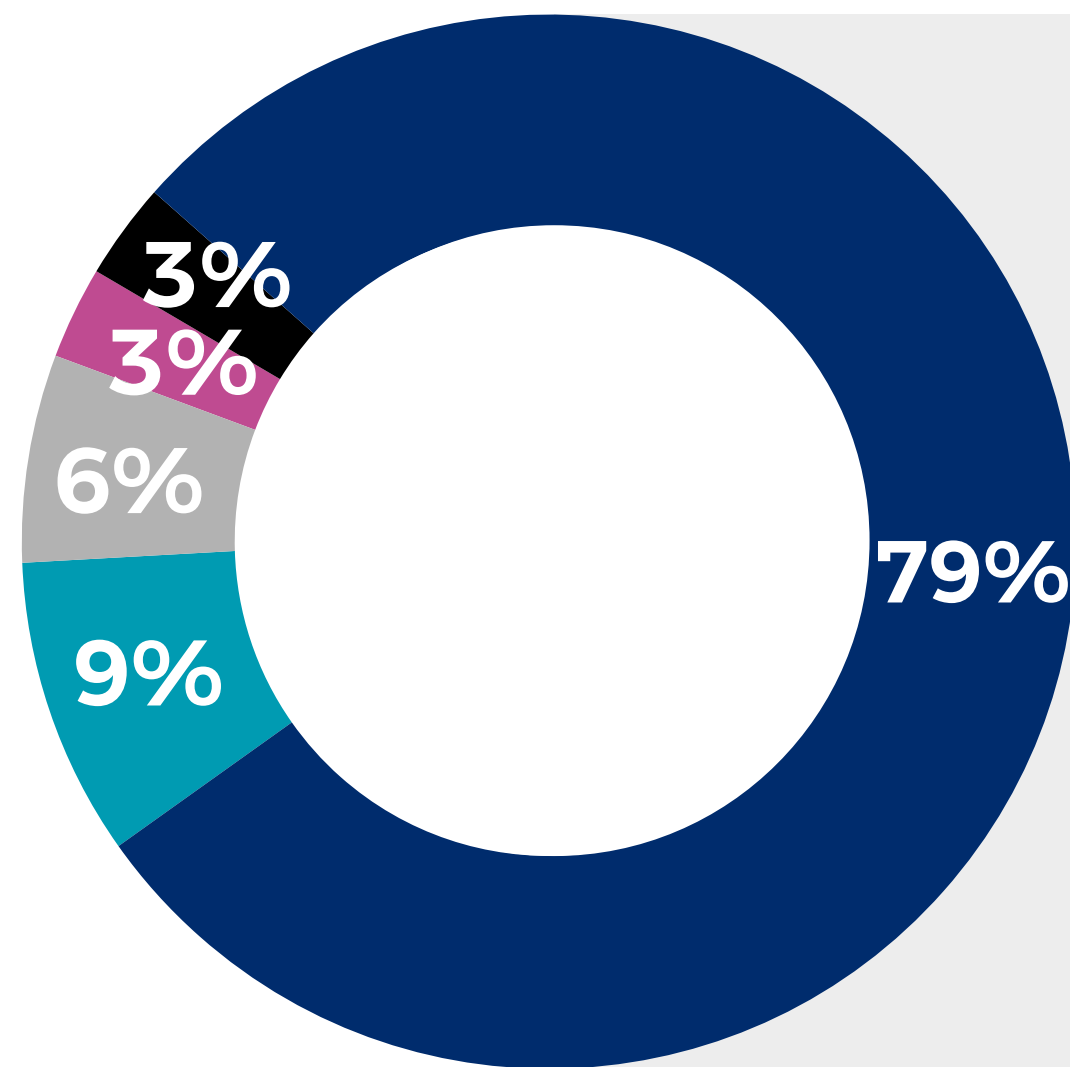
8/10 MSME's have seen a decrease in revenue due to the pandemic

and

7/10 MSME's are experiencing challenges to their financial liquidity

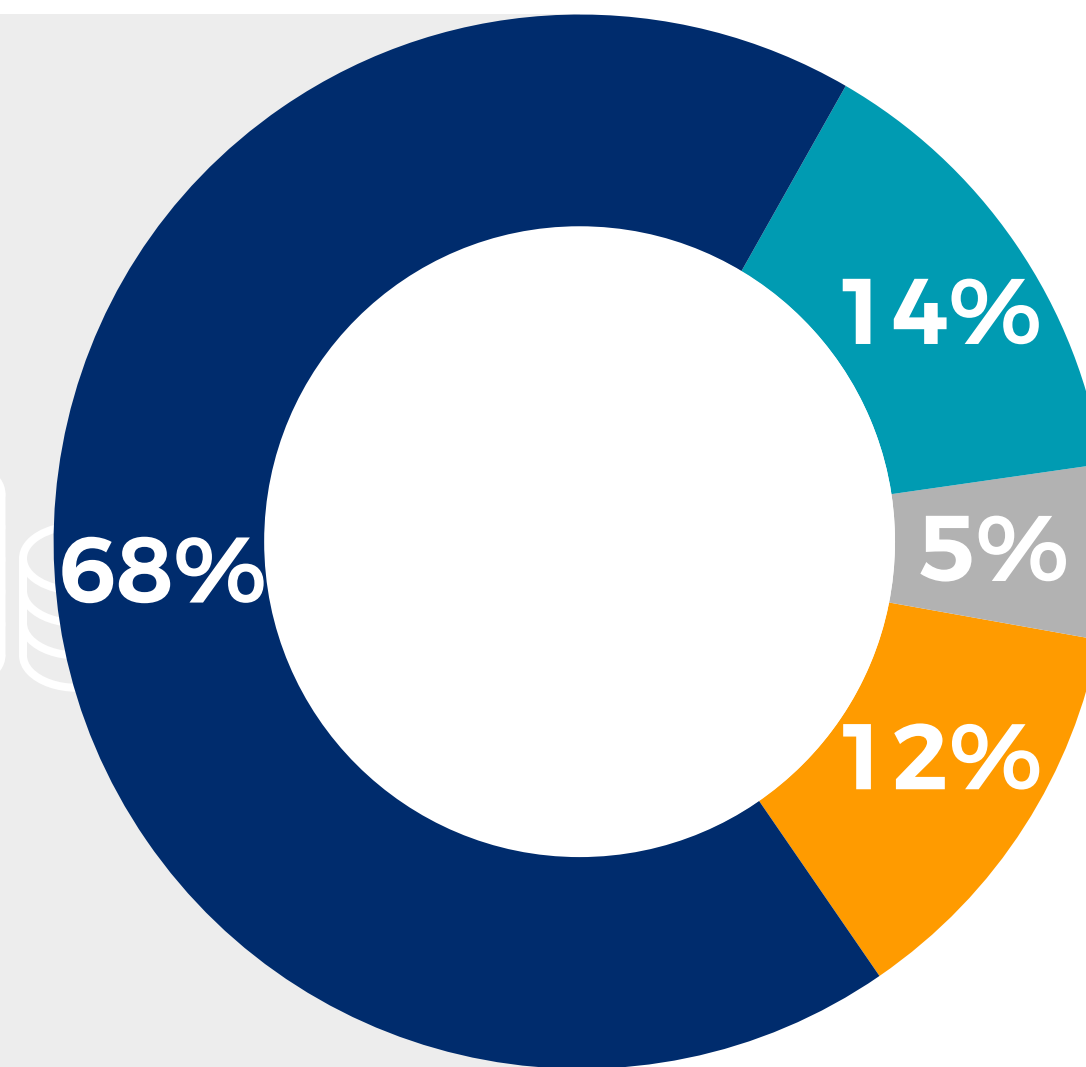
COVID-19 impact on revenue

Liquidity challenge due to pandemic



Informal MSME's have more uncertainty about their revenue. 14% claim it is difficult to assess and 6% don't know

Informal MSME's struggle more with liquidity (71%) claiming severe to major challenges



Decrease Difficult to assess No impact Increase Dont know

Severe to major challenge Moderate challenge Minor challenge No challenge

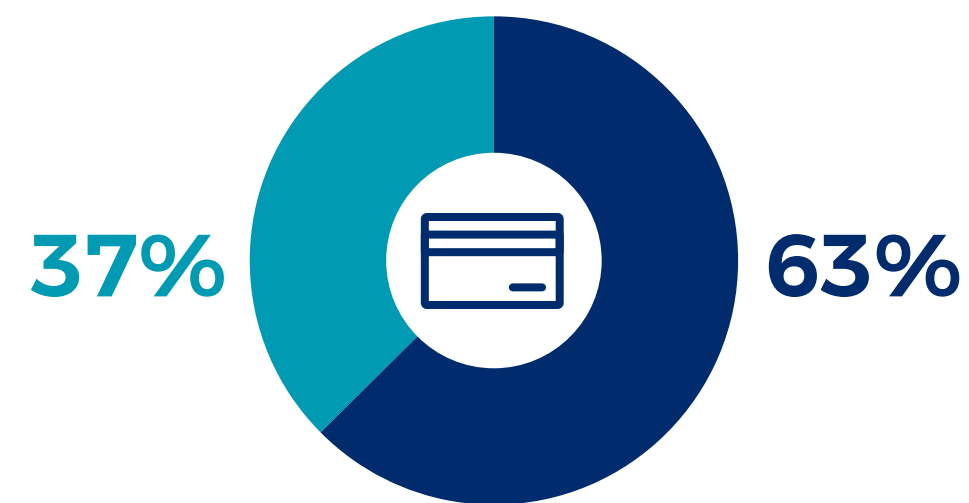
Operational challenges

More than 2/3 of debtors are unable to repay their loans

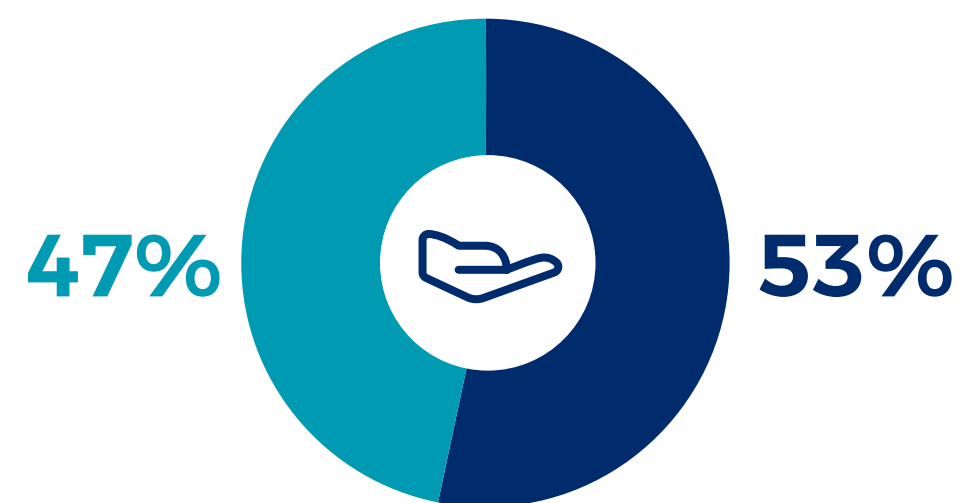
73% have either sought relief or defaulted on their loans,
33% have done both

Credit use, defaults and debt relief

Currently using credit



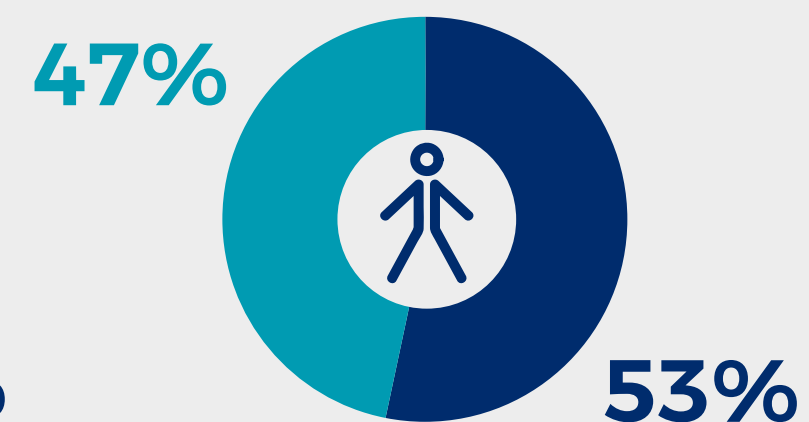
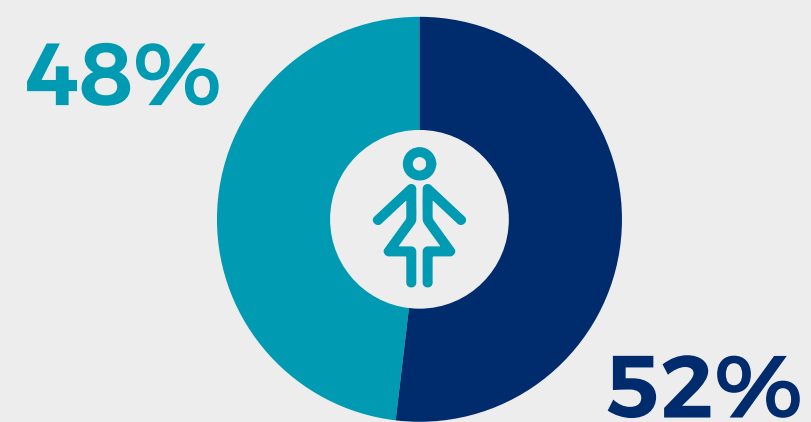
Sought debt relief n=201 (total)



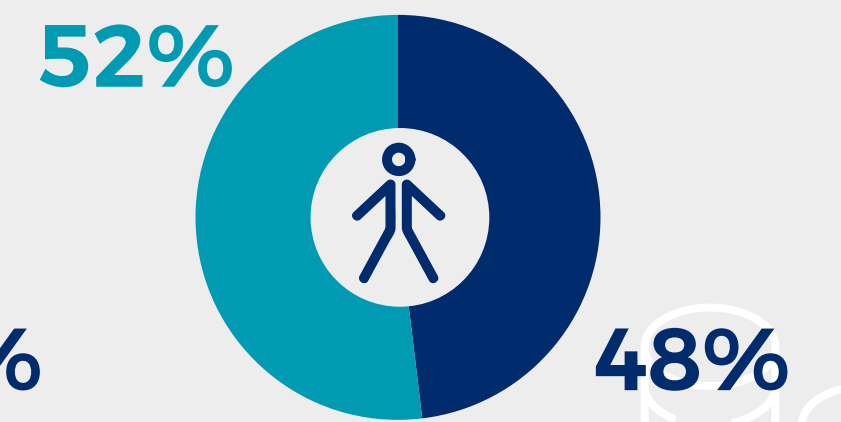
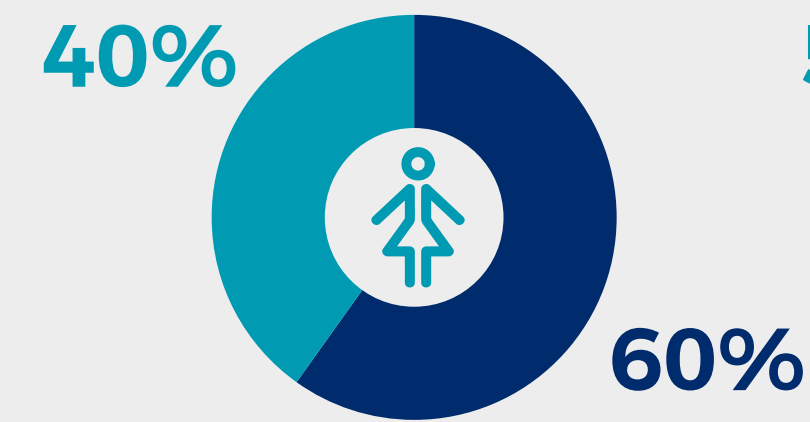
Defaulted due to COVID-19 n=201 (Total)



Sought debt relief n=201 (by gender)



Defaulted due to COVID-19 n=201 (by gender)



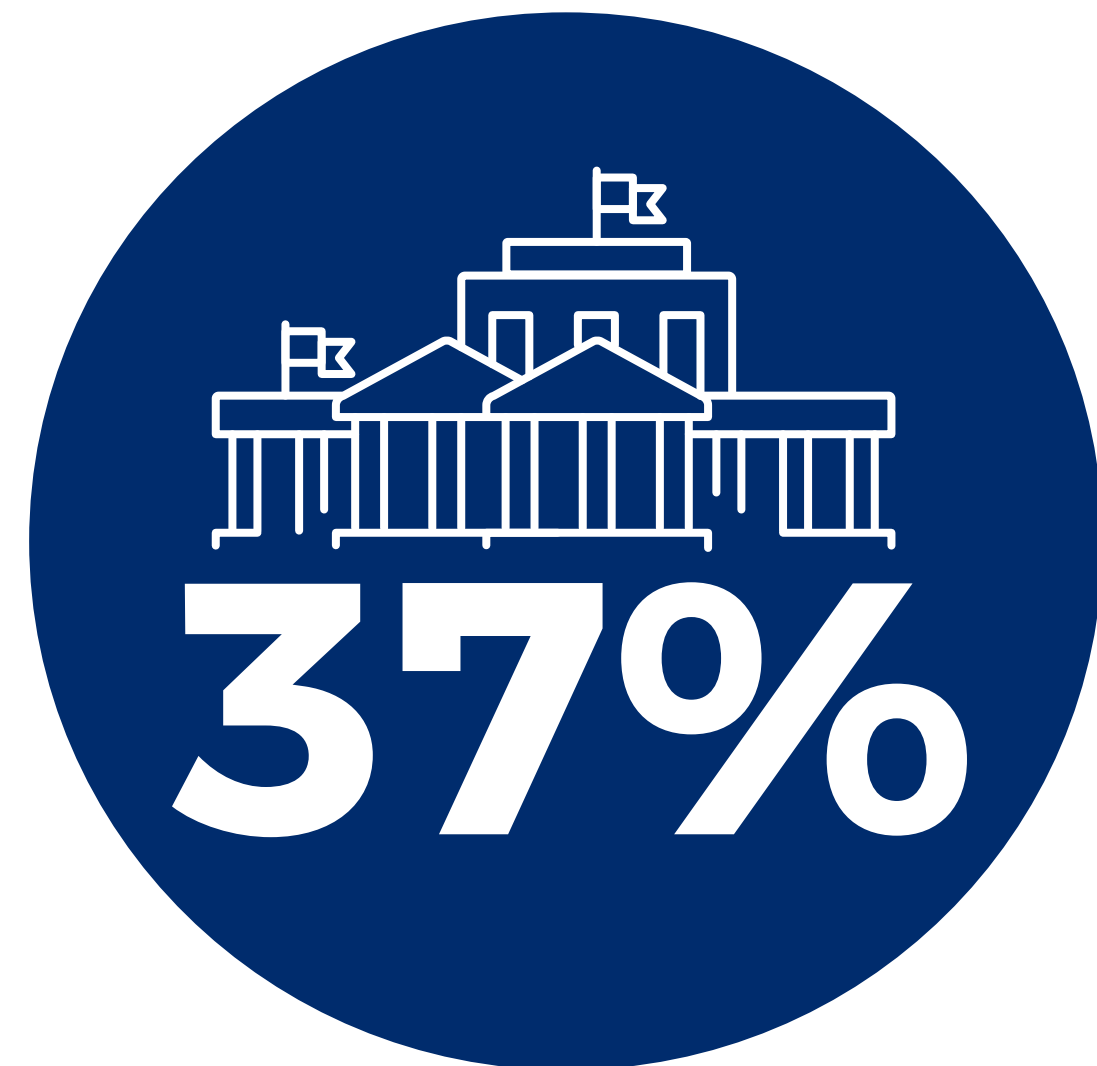
More women than men have defaulted on loans

● Yes ● No

Coping mechanisms

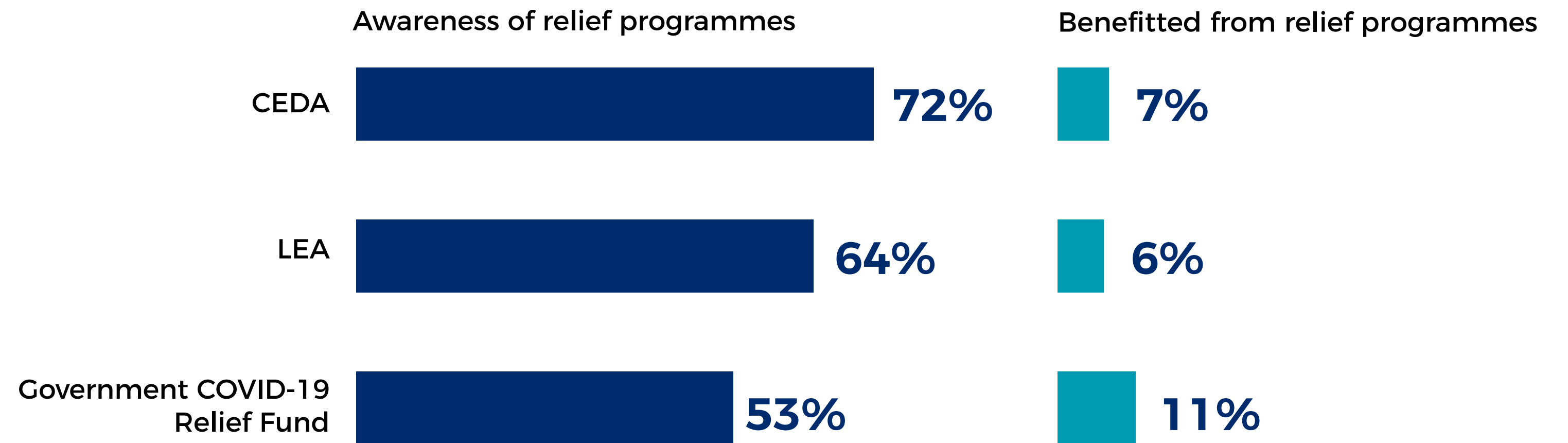
4/10 have applied for government support. CEDA and LEA relief funds have the highest awareness but the Government COVID-19 Relief Fund has supported the largest portion of formal MSME's

More than a third have reached out for support. Changing approaches to business is more common than reducing spend.



Applied for government support

While many are aware of CEDA and LEA, the Government COVID-19 Relief Fund is providing the most support to MSME's





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