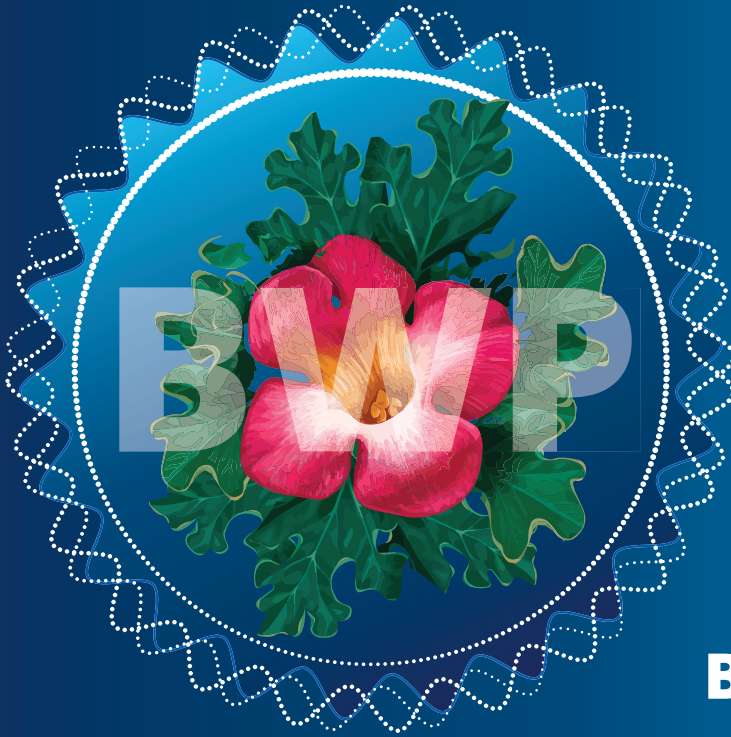


FinScope

*Micro, Small and
Medium Enterprises
(MSME) survey
highlights*



Botswana 2024



Partnering for MSME development

FinScope MSME Botswana was designed to involve a range of stakeholders engaging in a comprehensive consultation process. This enriches the survey and ensures appropriateness and stakeholder buying.

The Ministry of Finance chaired the steering committee which comprised of the Ministries of Trade and Entrepreneurship, Higher Education, Child Welfare and Basic Education, Lands and Agriculture, Labour and Home Affairs, Communications and Innovation, the Bank of Botswana, Non-Bank Financial Institutions Regulatory Authority, Insurance Institute Botswana, Statistics Botswana, Banking Ombudsman, Business Botswana, Competition and Consumer Authority, Botswana Communication Regulatory Authority, Non-Bank Financial Institutions Regulatory Authority, Bankers Association of Botswana, Citizen Entrepreneurial Development Agency and Local Enterprise Authority with expert technical assistance and project management from FinMark Trust (FMT).

The data was collected by a consortium of short-term experts, appointed through the SADC SIBE Programme (Support to Improving Investment and Business Environment Programme). Statistical oversight (sampling and weighting) and data collection quality control was done by Statistics Botswana (SB) and FinMark Trust (FMT).

This survey was funded by the Government of Botswana and the SADC Secretariat through the SIBE Programme.



Government of Botswana



SADC Secretariat



European Union



Published July 2025

Introduction

The MSME sector is recognised as a significant contributor to economic growth, 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 a holistic and reliable information about the MSME sector was identified to be a significant barrier from past consumer surveys. It is in this pursuit that the Ministry of Finance initiated the first FinScope MSME survey to set a baseline of both MSME sector developments and financial inclusion.

Methodology

The FinScope MSME Survey Botswana 2024 was conducted with a sample of 2 390 adult business owners who were selected from their businesses and at household level across the country. The sampling frame and data weighting was done by Statistics Botswana (SB) in collaboration with FMT and had the following characteristics:

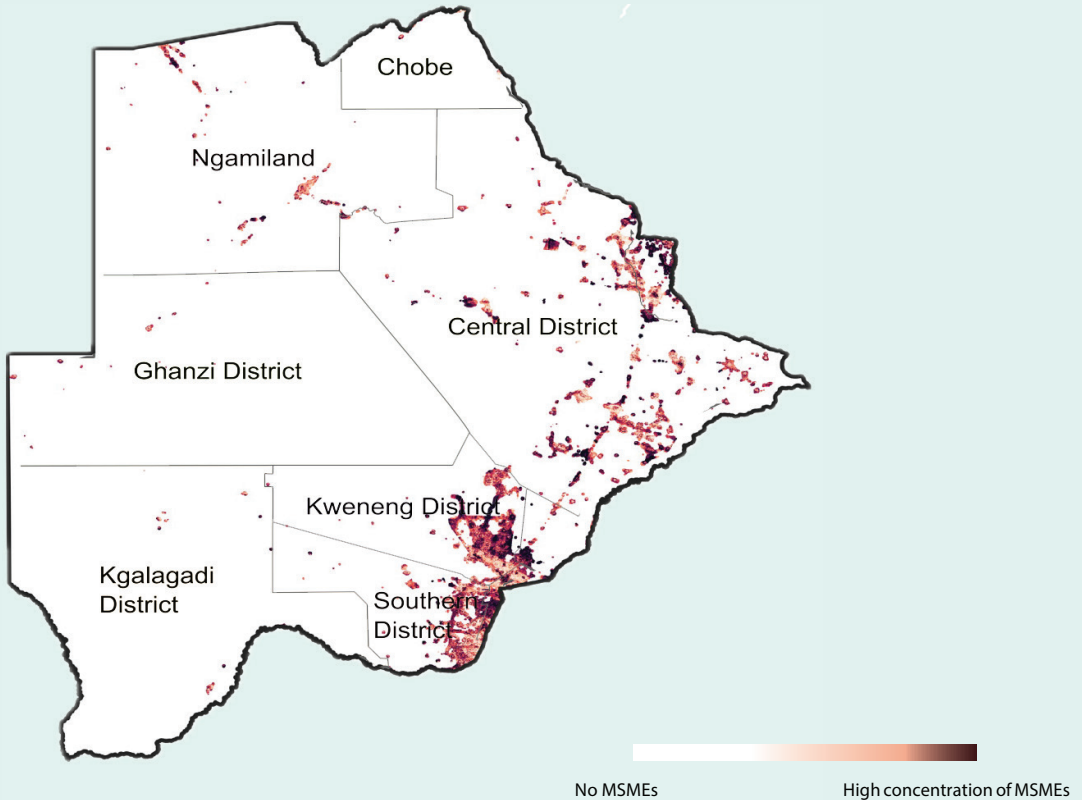
- Business owners are 18 years or older
- Business owners consider themselves to be business owners/generating an income through small business activities
- Businesses employ less than 50 employees

- National, district and settlement (city/town, urban village and rural) levels using geospatial modelling.

Survey objectives

- To assess the size and scope of micro, small, and medium enterprises (MSMEs) in Botswana
- 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 markets
- To support evidence-based policy and provide reliable baseline for monitoring and evaluation of initiatives and contribution to critical studies on the sector
- To segment the MSME sector into market segments and identify the needs of different segments to stimulate related product innovation
- To set a baseline of both sector developments and financial inclusion in Botswana using the FinScope MSME Botswana 2024 as a benchmark and to provide an assessment of changes and factors in the future (including possible impacts of future interventions)

Geospatial distribution of MSMEs in Botswana



Using geospatial modelling, the distribution of MSMEs is concentrated in the districts of Gaborone and Francistown and border towns.

Business definition by the number of employees

Note: For purposes of this report, analysis was based only on definition using number of employees.



Micro-enterprise



Small enterprise



Medium enterprise

Number of employees	0 to 5	6 to 20	21 to 50
Annual Turnover (BWP)	<i>Less than 200 000</i>	<i>200 001 to 2 000 000</i>	<i>2 000 001 to 12 000 000</i>

MSME size (%)

Small enterprise

Number of businesses

9 798

8%

Medium enterprise

Number of businesses

1 487

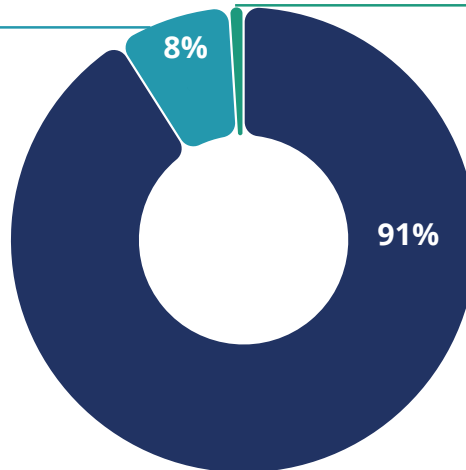
1%

Micro-enterprise

Number of businesses

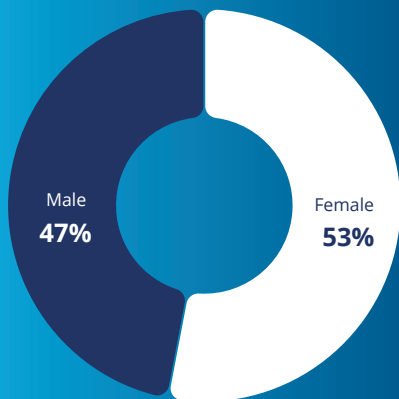
113 515

91%

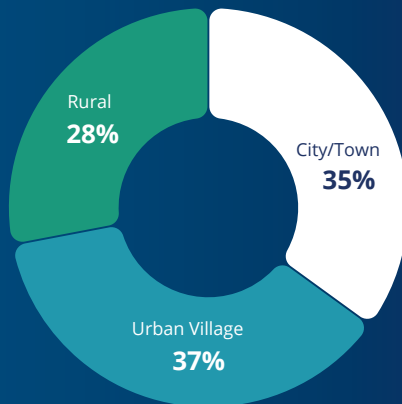


MSME distribution

MSME owner by gender (%)

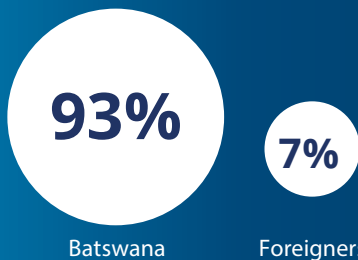


Distribution of businesses by area type (%)



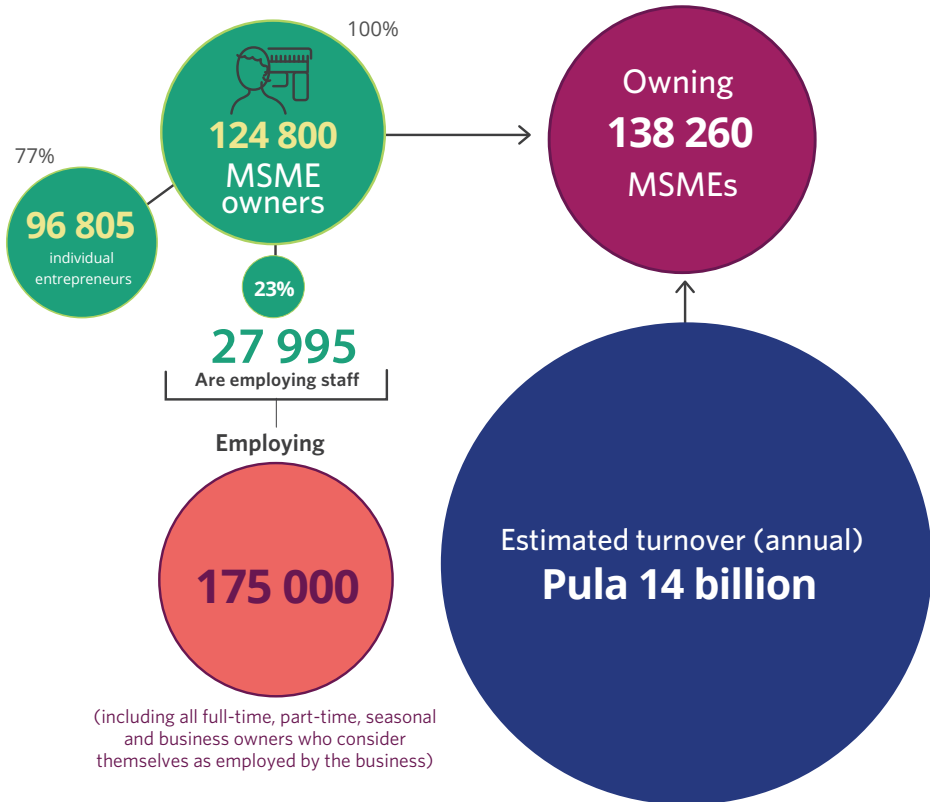
A higher proportion of female business owners own formal businesses (56%) compared to males (51%).

MSME owner by nationality (%)

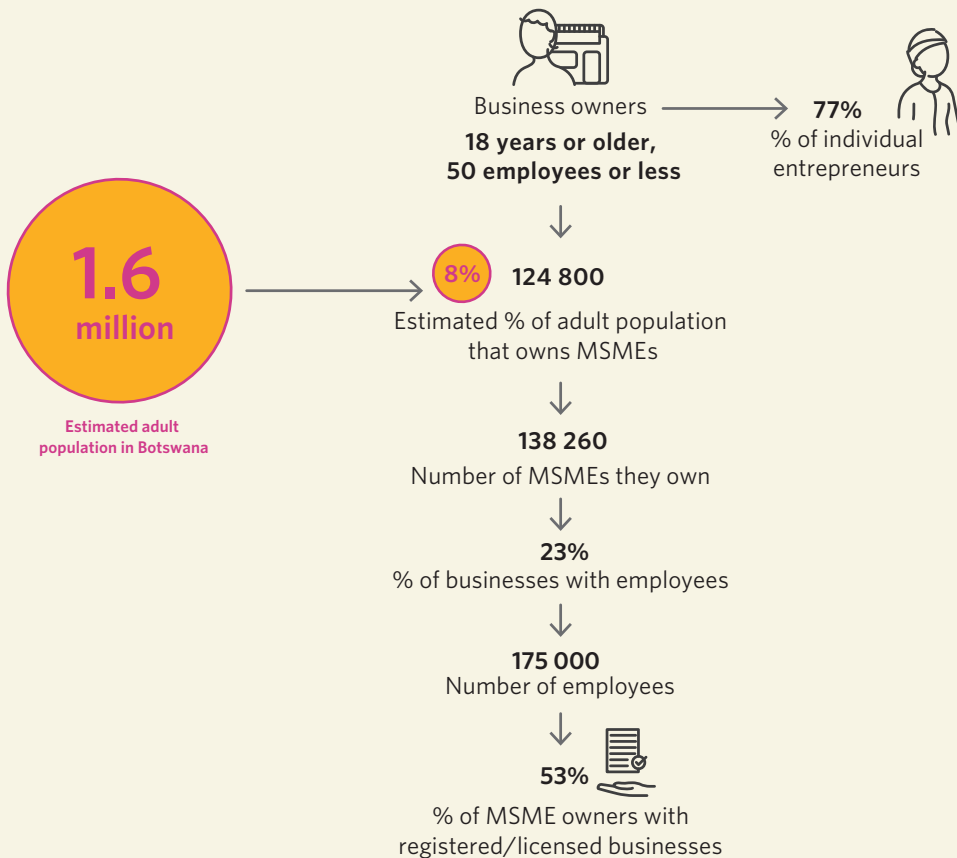


Size and scope of the MSME sector

175 000 people work in the sector



Size and scope of the MSME sector





Size and sectorial distribution of the MSME sector

MSMEs operate predominantly in the Wholesale / retail sector.

Wholesale/retail

55%

Community & household

17%

Agriculture/farming

11%

Manufacturing

10%

Business services

3%

Tourism

2

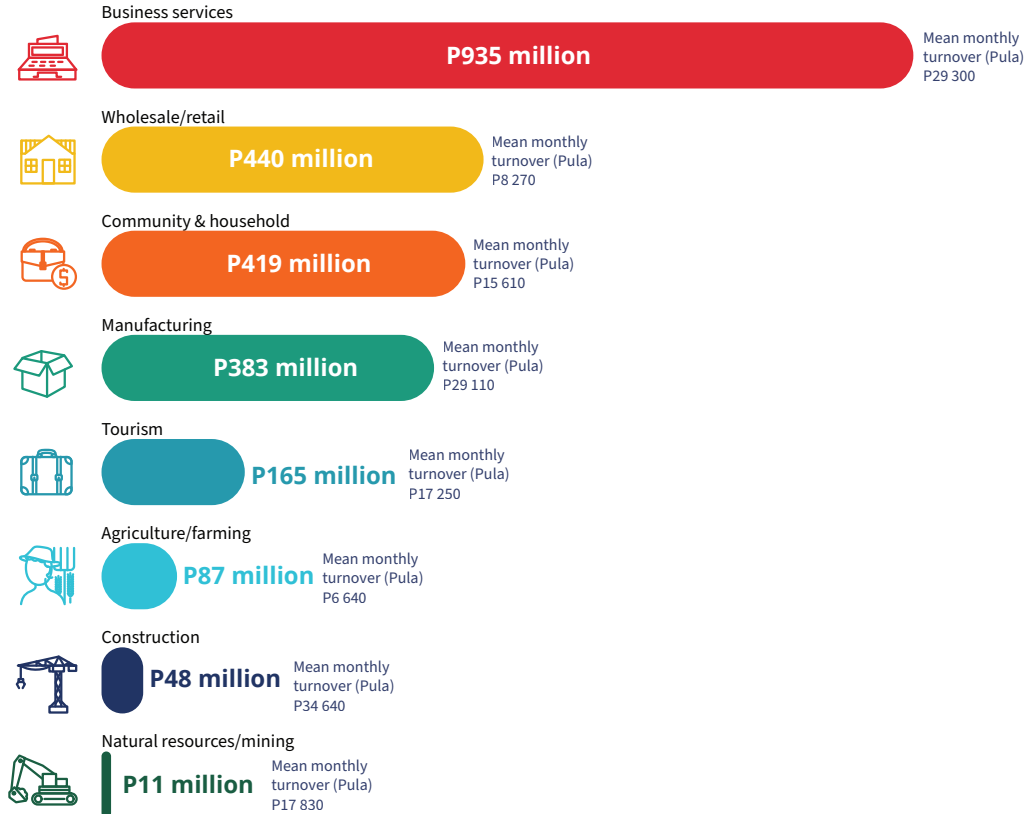
Construction

1

Natural resources/mining

1

MSME turnover by sector



MSMEs by sector: Profit

Size	Mean monthly Turnover (Pula)	Mean monthly Expense (Pula)	Mean monthly Profit (Pula)	Mean monthly Turnover (USD)	Mean monthly Expense (USD)	Mean monthly Profit (USD)
Individual entrepreneur	4 590	2 275	2 320	340	170	170
Micro enterprise	18 085	8 200	9 765	1 340	605	725
Small enterprise	106 790	66 090	47 400	7 910	4 895	3 510
Medium enterprise	613 970	186 180	427 790	45 480	13 790	31 690

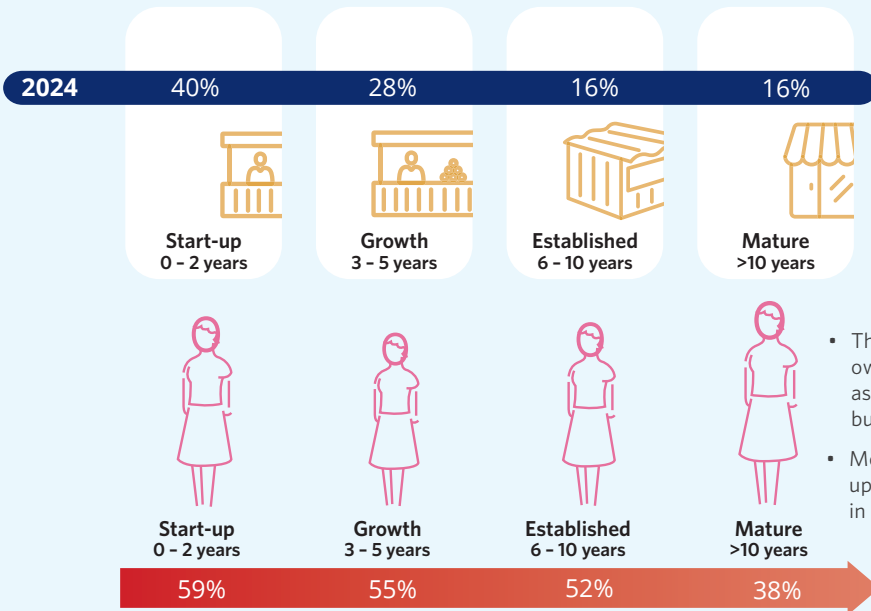
BWP 911 million
profit from
MSMEs monthly

USD 67.5 million
profit from MSMEs
monthly

*Average Annual Rate : 1 USD = 13,50 BWP

Business life cycle

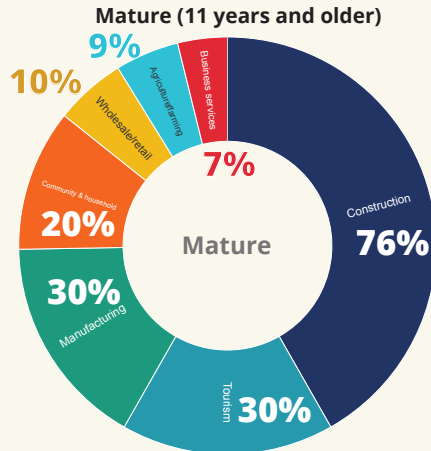
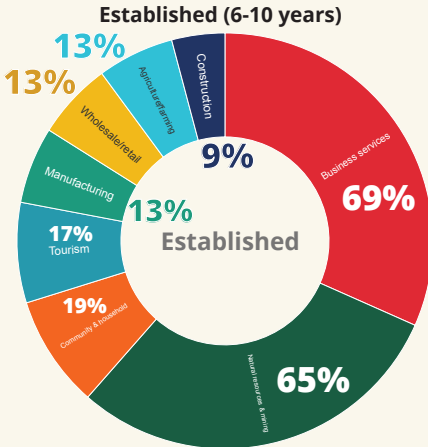
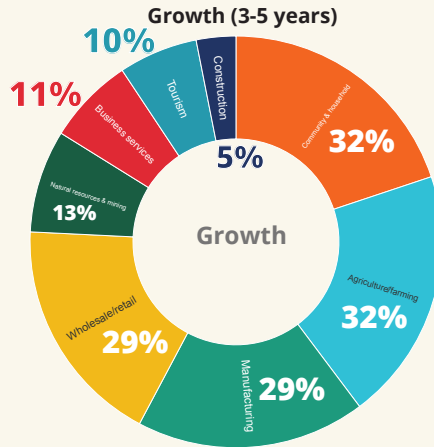
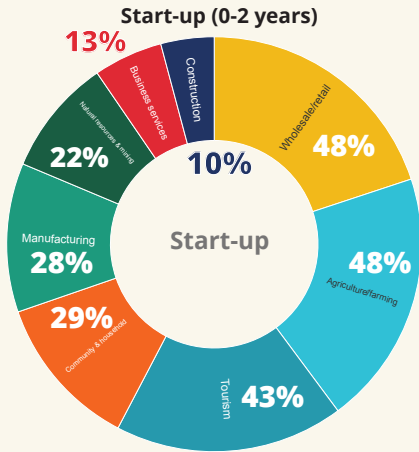
- Segmenting MSMEs by age is the simplest way to differentiate businesses that are in the process of establishing and formalising their processes.
- Age is another dimension that can be used as a requirement for funding and business support especially businesses that have survived beyond the 3 years of existence.



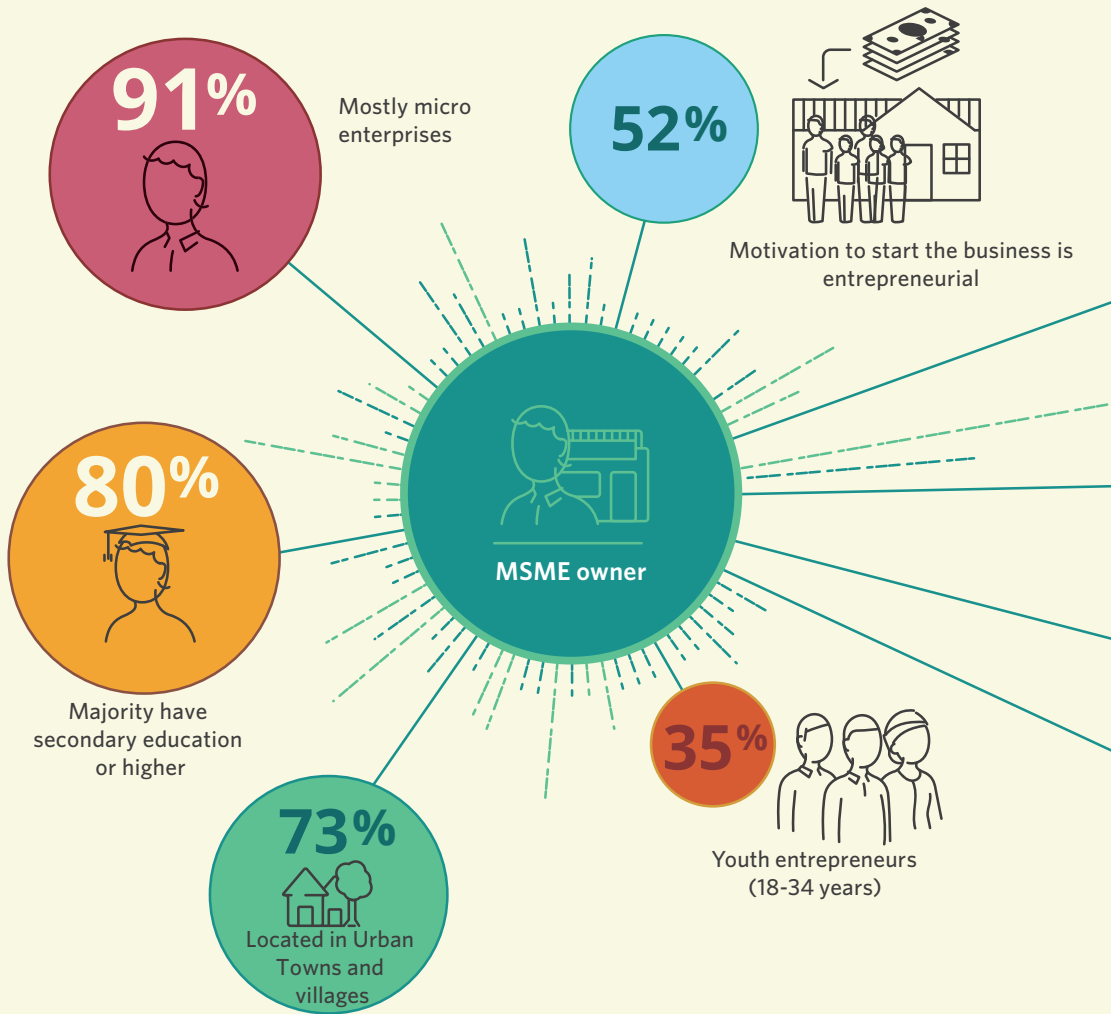
- More than half (68%) of MSMEs in Botswana are in infancy stages, of start up and growth stages, ranging from zero to five.

- The share of female business owners typically decreases as firms progress through the business lifecycle.
- More female owners in start up phase - 59% versus 38% in the mature phase.

Business lifecycle (business age) by sector



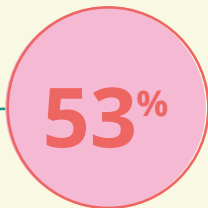




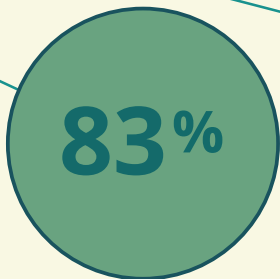


88%

Business is their only source of personal income



Are females
(largely micro—97%)



7%

Own more than one small business

Earn P5 000 per month or less

Legal structure



53% Formal MSMEs:
BWP 792 million contribution to GDP

Formal MSME sector (66 590 businesses)

19% formally registered

34% semi-formal (licenced only)



Average Annual Rate: 1 USD = 13.50 BWP



47% Informal MSMEs:
BWP 119 million contribution to GDP

Informal MSME sector (58 209 businesses)



53% are registered/licensed MSMEs

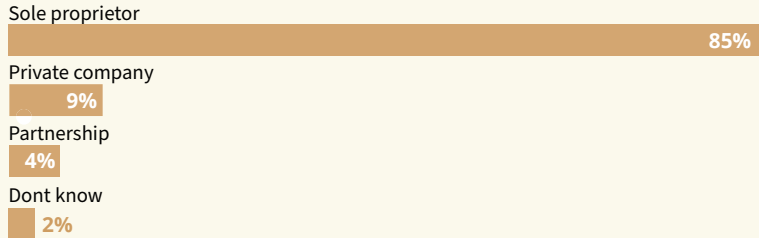
Registration



Most MSMEs are registered with the local council (2 in 5), which may be a license/permit and can be reallocated to licensing than business registration and only 11% are registered with MTE.



TYPE OF REGISTRATION (%)



Comply with the law



OF THOSE REGISTERED, THE PERCEIVED BENEFITS OF REGISTERING (%)

Legal and Compliance

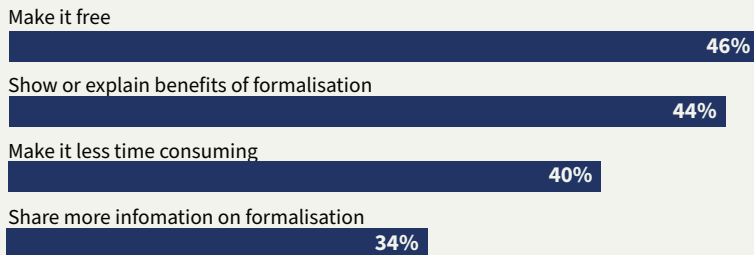


Barriers to registration (%)



BARRIERS TO REGISTRATION (%)

47% of MSMEs are informal with 83% willing to formalise their business if government:



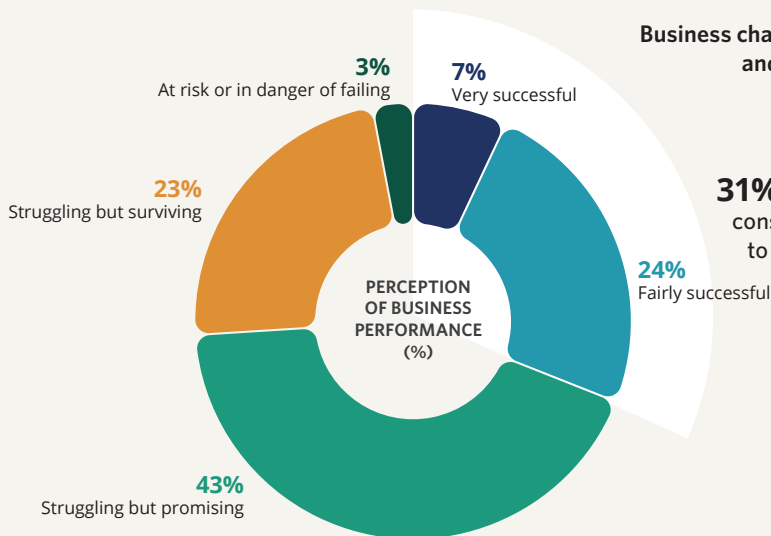
GOVERNMENT ASSISTANCE TO FORMALISE (%)

How businesses are doing

Business challenges and needs



31% of MSMEs consider their business to be successful



Access to markets



Sourcing finance



Cashflow



Equipment



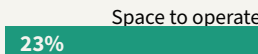
OPERATIONAL CHALLENGES (%)



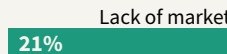
Competition



Access to finance



Space to operate

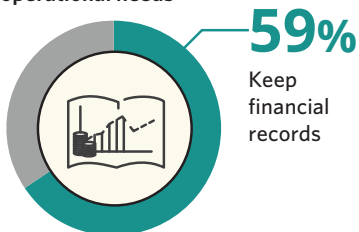


Lack of market

GROWTH OBSTACLES (%)

Capacity to grow & challenges

Business operational needs

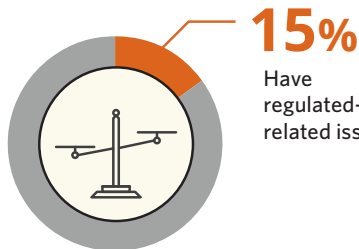


Keep financial records

Of which 55% always keep records and 45% do so sometimes.

- 16% do so electronically while 84% use a manual system

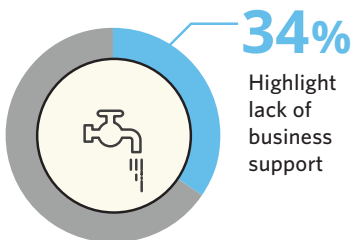
FINANCIAL RECORD KEEPING



Have regulated-related issues

Claim laws and regulation to be an issue since they started a business.

REGULATION ISSUES

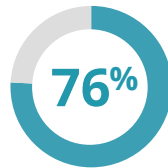
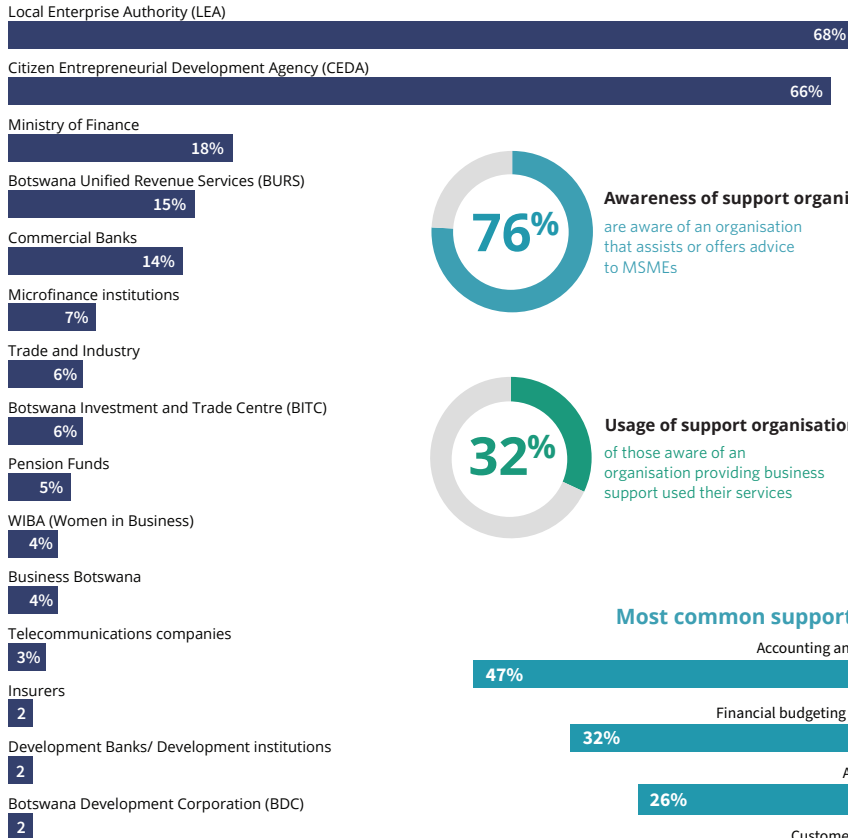


Highlight lack of business support

Lack of business support impeding on successful business operations.

INFRASTRUCTURE ISSUES

Business support and awareness



Awareness of support organisations

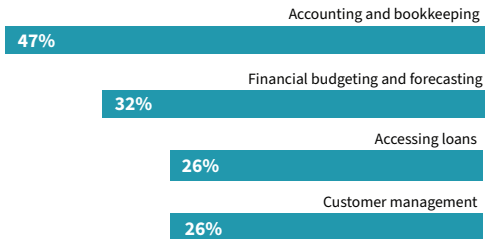
are aware of an organisation that assists or offers advice to MSMEs



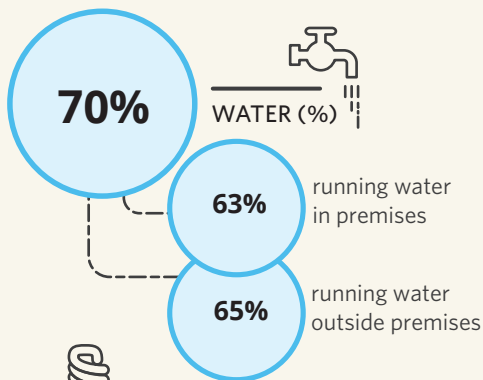
Usage of support organisations is low

of those aware of an organisation providing business support used their services

Most common support received



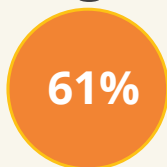
Access to amenities and resources



Access to amenities is limited and highly skewed towards urban businesses. Lack of basic services might affect productivity



ELECTRICITY (%)



Energy is key to business growth and only 61% of the MSMEs have access to electricity.

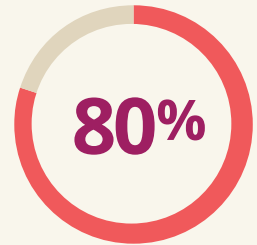
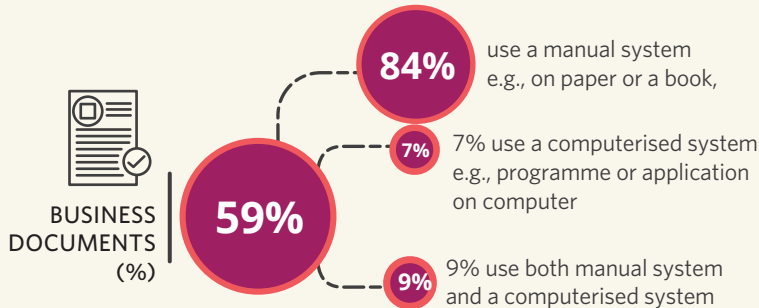


national grid

2% generator

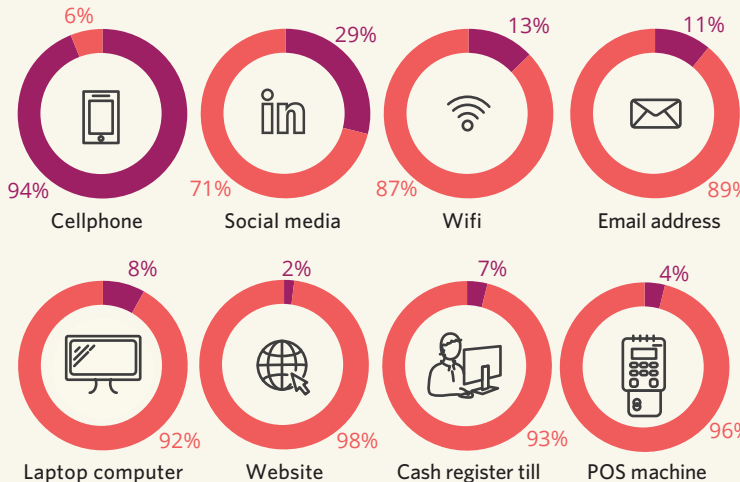
Sector	Proportion with electricity access that claim it is sufficient for business		
	Have electricity access	Main supply of electricity	
Wholesale/retail	57%	98%	98% National grid, 1% battery, 1% generator
Manufacturing	63%	98%	88% National grid, 12% generator
Agriculture/farming	64%	95%	97% National grid, 1% generator, 2% Solar
Natural resources & mining	38%	100%	68% National grid, 16% generator, 16% Solar
Business services	98%	100%	100% National grid
Community & household	63%	94%	100% National grid
Construction	88%	96%	100% National grid
Tourism	82%	99%	100% National grid

Business documents and technology



of MSMEs use some form of technology in their business

- About 41% of small businesses do not keep business documents such as accounting records, business plans among others.



USE OF TECHNOLOGY (%)

- Have access
- Do not have access

- Use of basic technology in business is driven by the ownership of the cell phone which gives access to communication and social media platforms for business.
- Productivity technologies such as machinery that improve efficiency e.g. computers, have low usage.

Impact of COVID-19 on business



of MSMEs were/are classified as Essential Service

- 9 in 10 MSMEs considered the pandemic to have had a negative net impact on their business, while others considered it positive (6%) or of no major impact (2%).

I could not operate at all due to lockdown

33%

My client/ customer base was affected

26%

I could operate partially due to lockdown

11%

I had to temporarily close operations due to restrictions

10%

I could not get supplies for my business

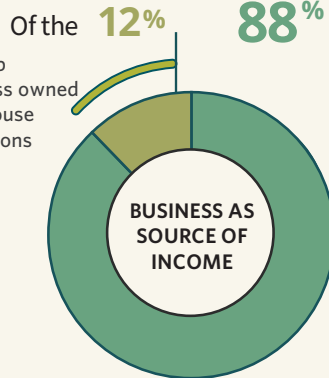
4%

NEGATIVE IMPACT ON BUSINESS (%)

- **A positive impact** was mainly experienced due to increased demand for business products, opportunities arising from supply-chain disruptions or more labour available at home due to the lockdown.

Business owner personal monthly income

- 40% have income from another job
- 25% get money from other business owned
- 9% dependent on income from spouse
- 8% dependent on family contributions
- 4% government pension



of MSME owners have the business as the only source of income.

- Business owner sole dependency on one business is high showcasing the importance of the sector as a source of livelihood.

P50 001 - P100 000

0.4%

P20 001 - P50 000

2%

P10 001 - P20 000

3%

P 5 001 - P10 000

7%

P2 001 - P5 000

21%

P501 - P2 000

41%

Under P500

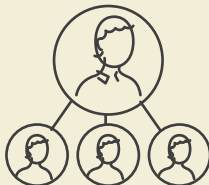
21%

Refused/Do not know

5%

PERSONAL MONTHLY INCOME (%)

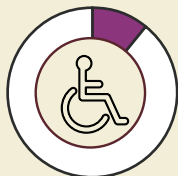
Employees



There are about 24 400 full-time employers (20%) with 91 940 full-time employees (FTE). 49 950 business owners regard themselves as employees of the business.



56%
of full-time employees are male

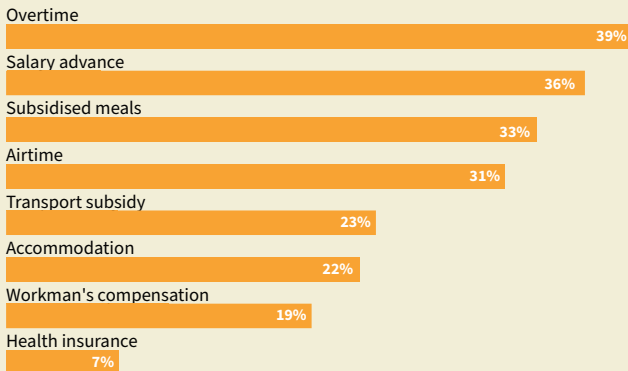


11%
of full-time employees are people with disabilities



46%
have contracts for their employees (FTE)

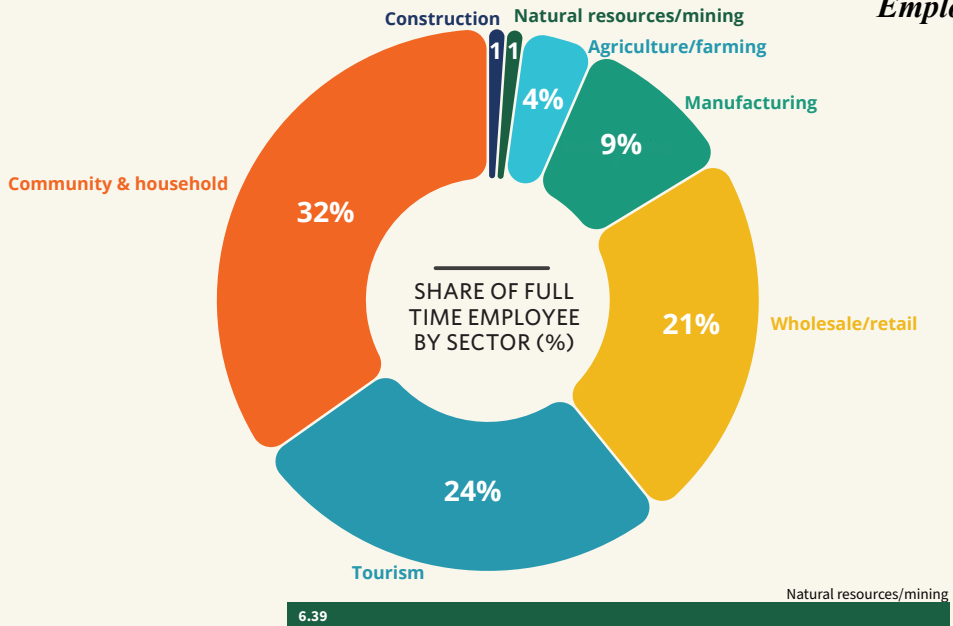
Employee benefits include:



71%
of full-time employees paid largely in cash
87% part-time

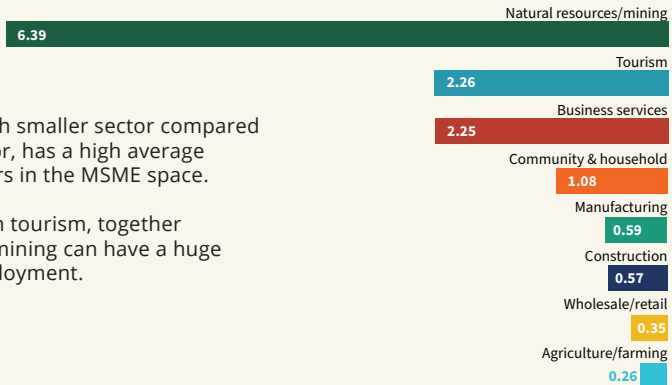
25% of full-time employees paid through DFS vs **12%** of part-time employees





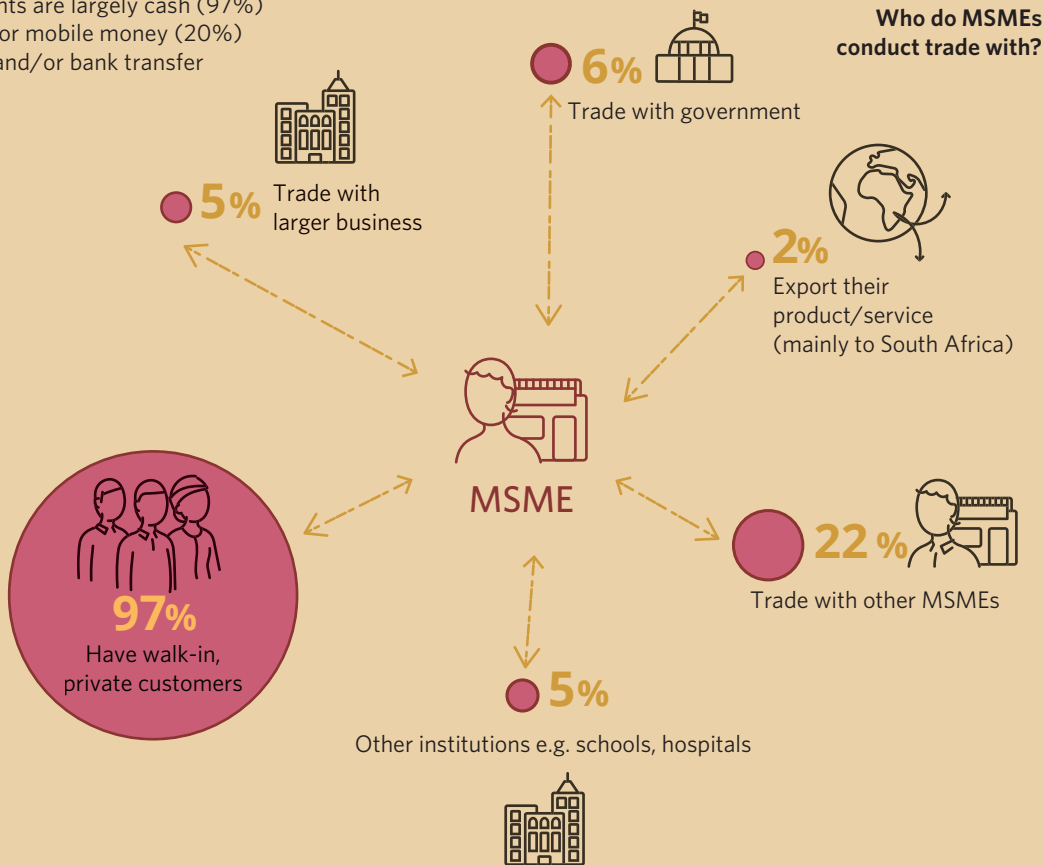
Tourism although a much smaller sector compared to the agri/farming sector, has a high average employment to all sectors in the MSME space.

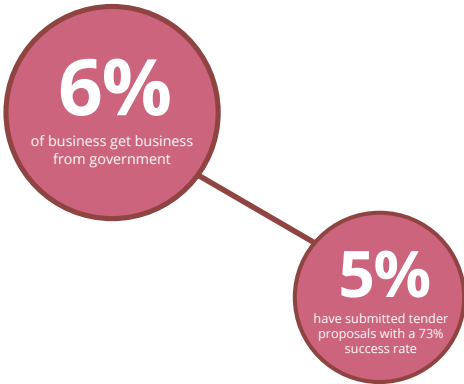
It shows that focusing on tourism, together with Natural resources/mining can have a huge impact in providing employment.



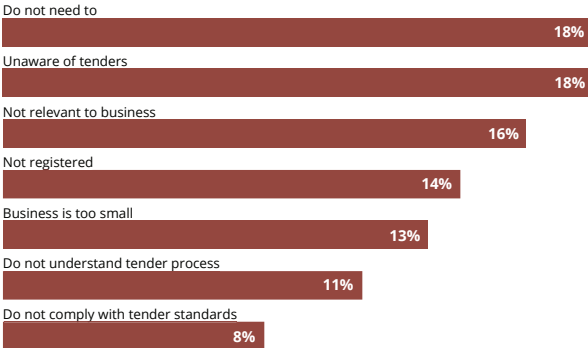
Access to markets

Payments are largely cash (97%)
and/or mobile money (20%)
and/or bank transfer

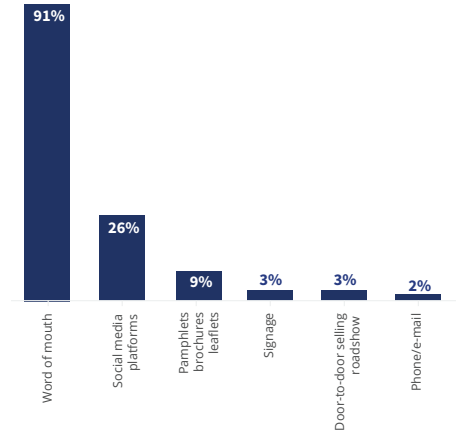




Of those that have not tendered (95%)



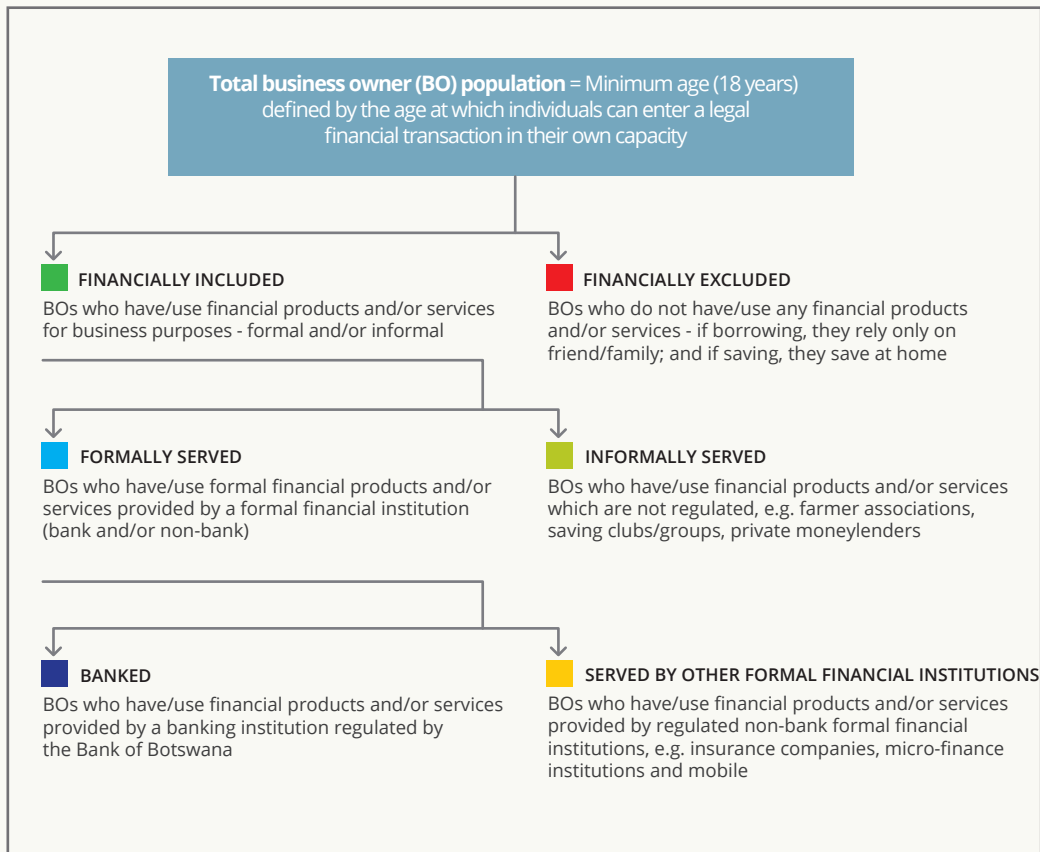
Marketing tool used (%)



Financial Inclusion

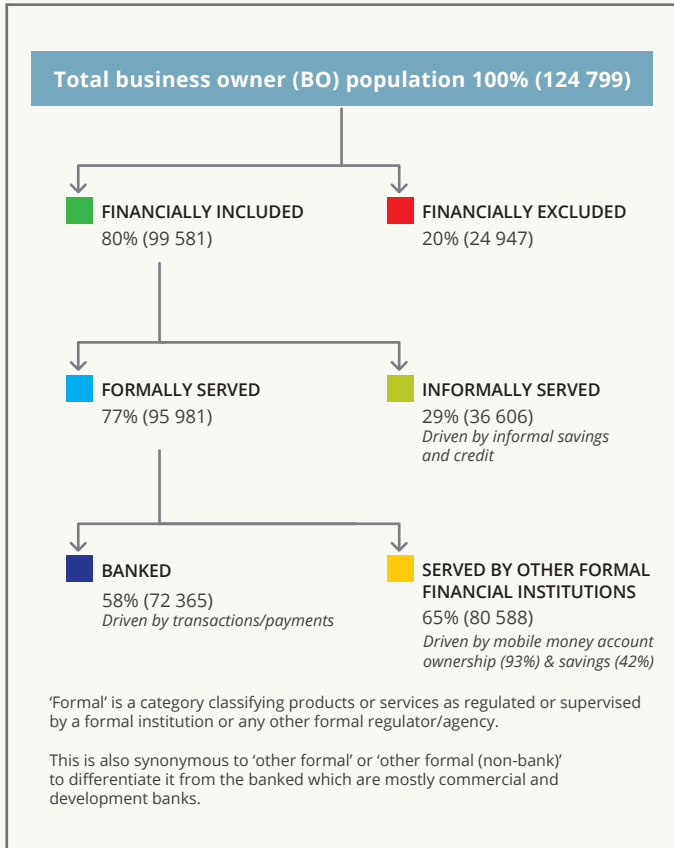


Financial Inclusion





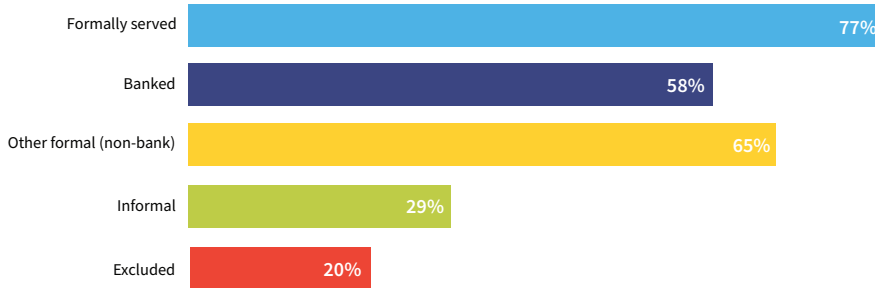
Financial Inclusion of Botswana MSMEs (with overlaps)



Financial Inclusion

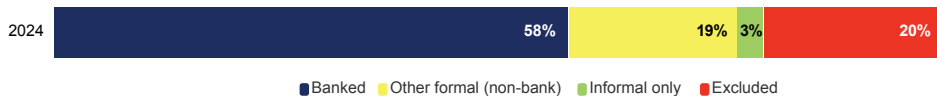
Overall levels of financial inclusion, overlaps and MSME Financial Access Strand

Overalls with overlaps



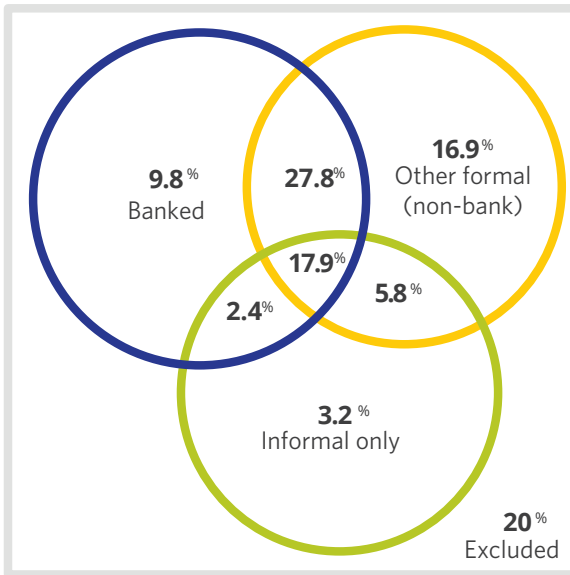
- 80% of business owners are financially included.
- High uptake, 58% of business owners have/use commercial bank products/services.
- 65% of business owners use other formal (non-bank) products/services.
- 20% of business owners do not use any formal or informal financial products though they may borrow from family and friends or save at home.

Access Strand





Overlaps

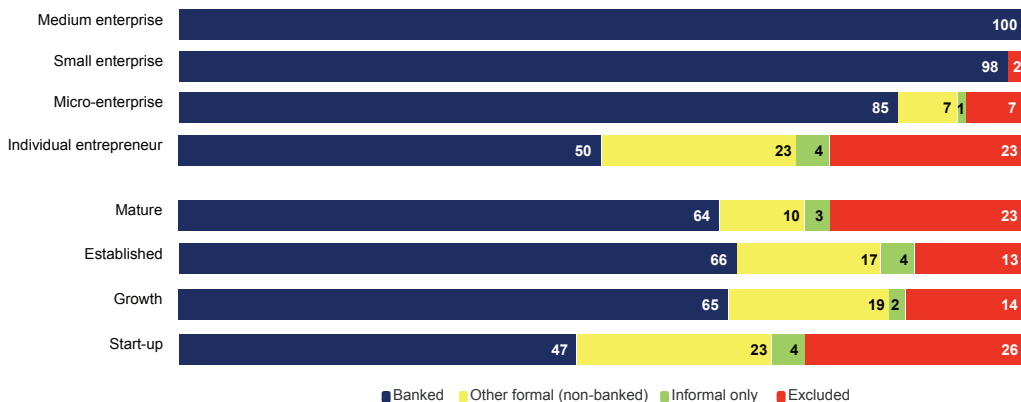


“Business owners generally use a combination of financial products and services to meet their financial needs”.

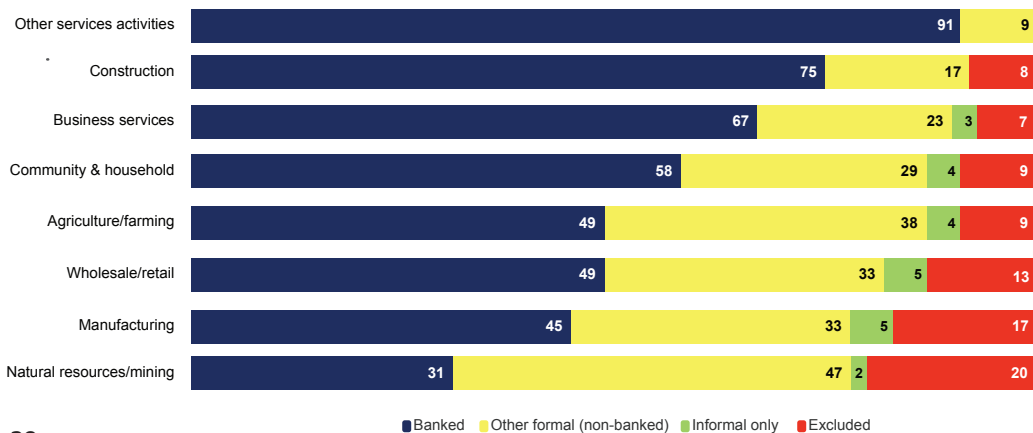
- Only 10% of business owners rely exclusively on banking services.
- Around 54% use a blend of formal and informal mechanisms to manage their business financial needs, thus indicating that their needs are not fully met by the formal sector alone.
- About 3% of the business owners rely only on informal mechanisms such as savings groups and loan sharks.

Access Strands

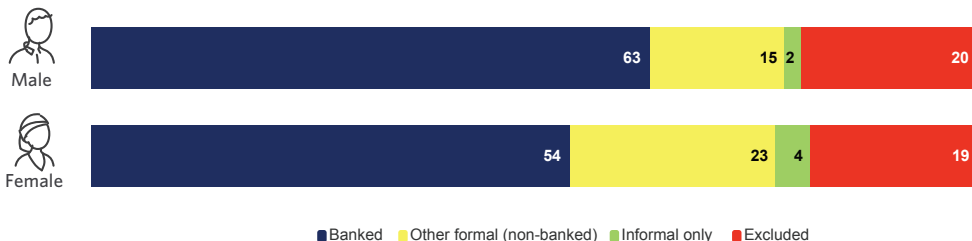
Access Strand by business size and life cycle (%)



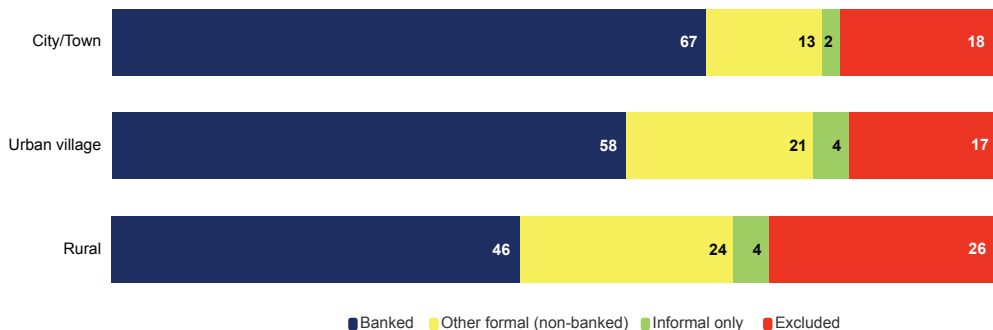
Access Strand by sector (%)

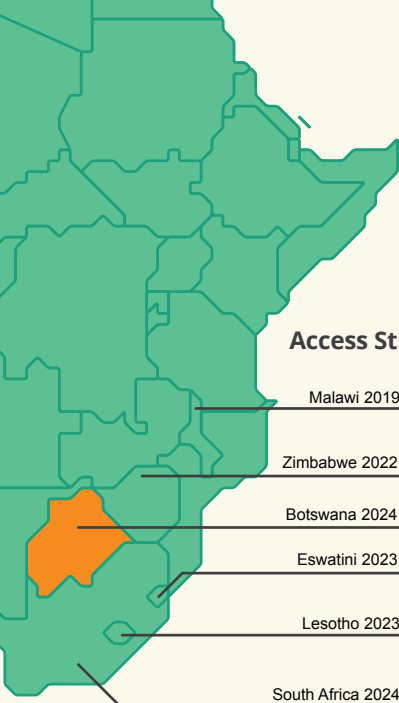


Access Strand by gender (%)

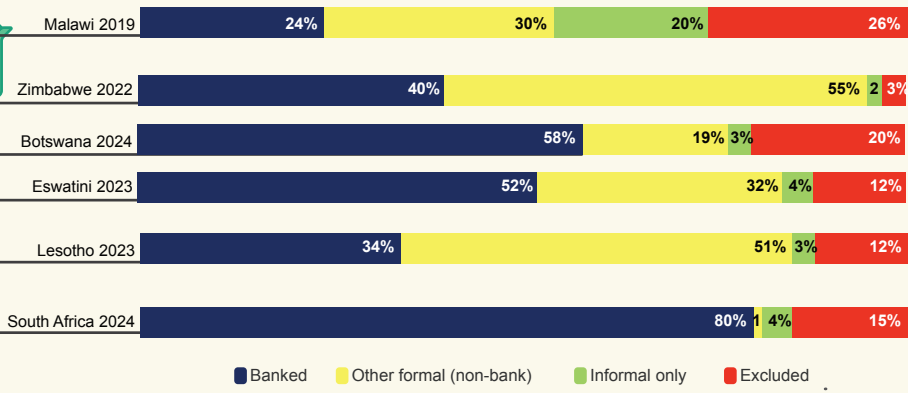


Access Strand by area (%)

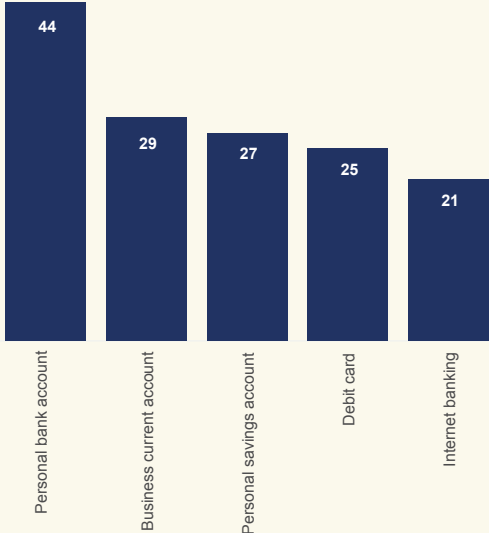




Access Strand by country comparison



Main bank products (%)

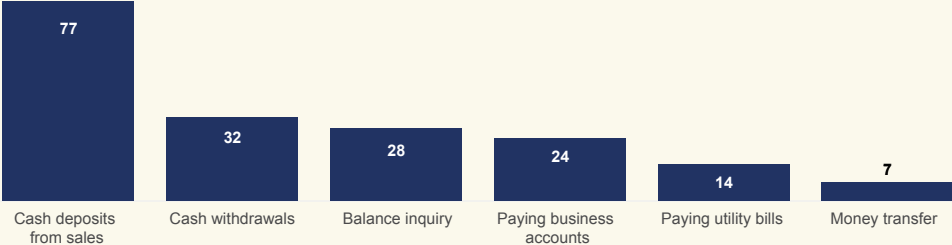


99% of banked businesses use bank digital financial services, i.e. electronic transfers, online banking, etc.

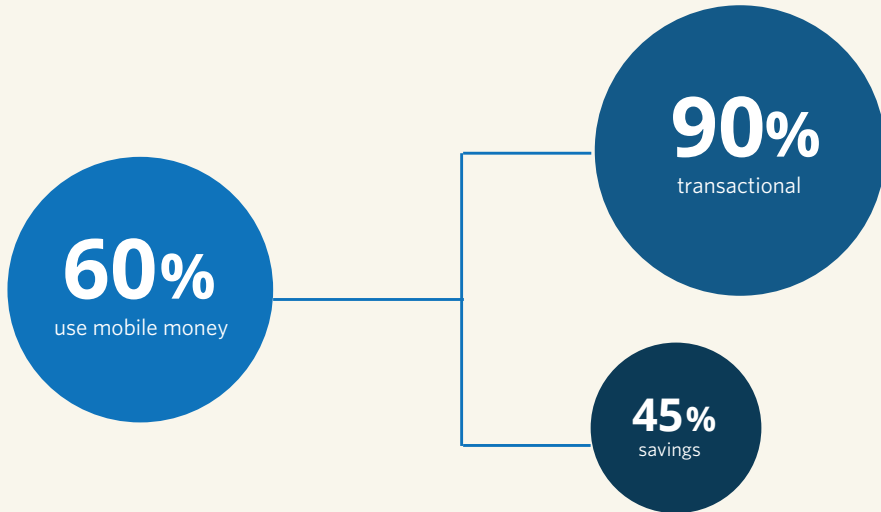
Banked business owner population largely uses digital financial services to receive and make payments albeit the low ownership of POS machines.

Bank penetration is largely through personal bank account access vs business bank account.

Main transactions performed in 2024 (%)

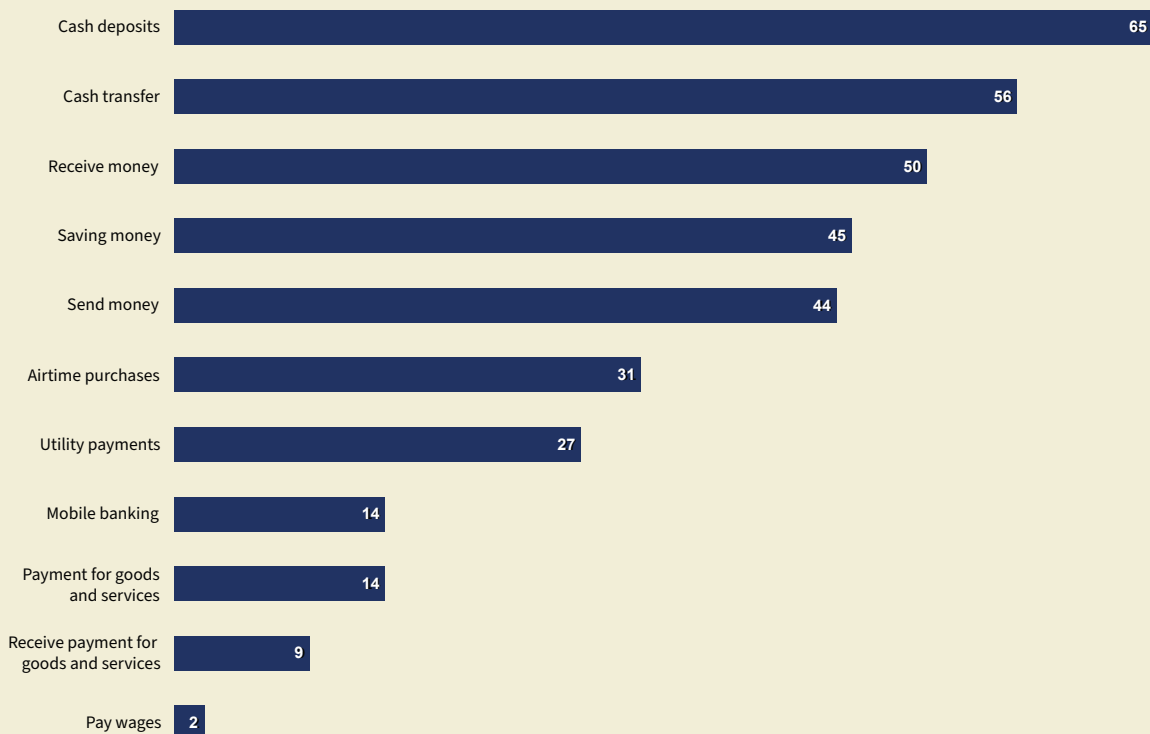


Mobile money



- 52% of business owners remit through their accounts.
- 2% access credit through mobile money services as well as insurance.

Usage of mobile money (%)



Landscape products



Credit Strand (%)



■ Credit at bank ■ Credit at other formal (non-bank) ■ Credit at informal mechanism ■ Credit from family/friends
■ Do not borrow

· Currently, 73% of MSMEs are not borrowing, mainly due to perceptions around debt and fear of debt or defaulting. ·



Savings Strand (%)



■ Savings at bank ■ Savings at other formal (non-bank) ■ Saving through informal mechanisms
■ Savings with family/friends ■ Do not save



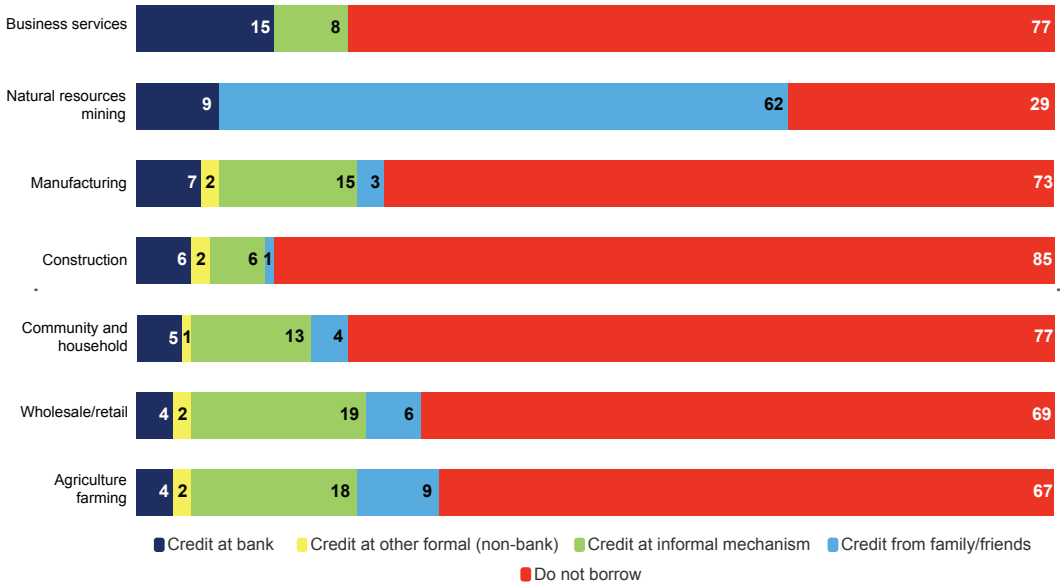
Insurance Strand (%)



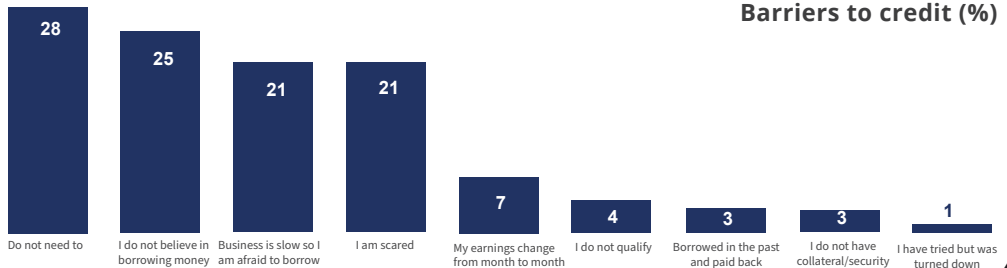
■ Insured through formal (non-bank) ■ Insured through informal mechanisms ■ Not insured

Access to credit by sector

Access to credit (%) *MSMEs in the mining sector are more able to access credit than other sectors even though this is informal credit, from family and friends.*



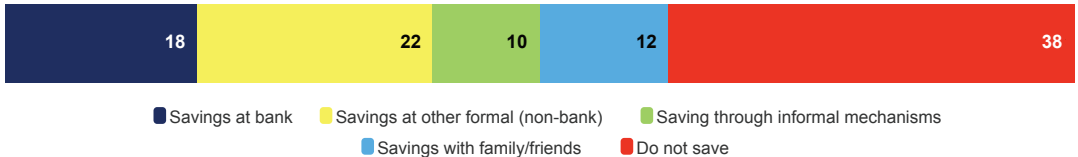
Barriers to credit (%)



Landscape products



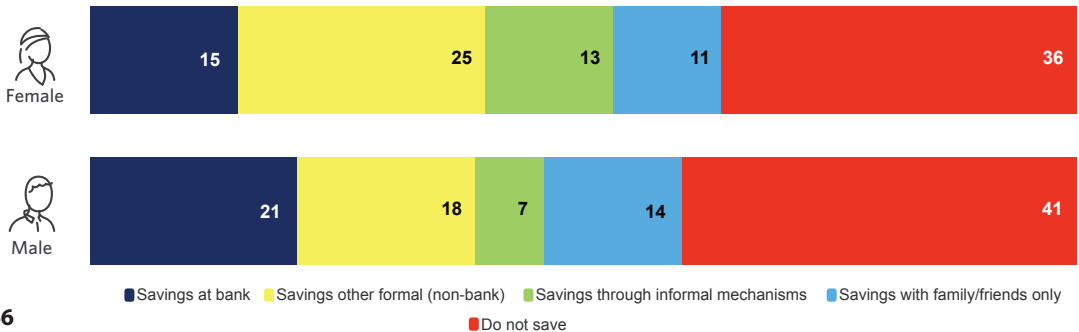
Savings and investments (%)



About 62% of business owners are saving.

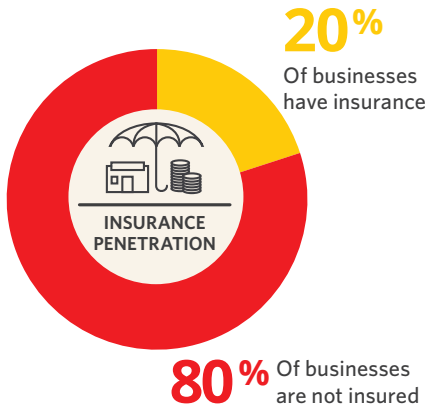
- 18% of the business owners save at banks, while 22% utilise other formal non-bank institutions.
- 38% of business owners did not engage in any saving activities
- Informal saving methods are used by 10% of people, and 12% prefer to save at home.

Savings Strand by Gender (%)



Landscape products

Insurance and
risk management



The uptake of insurance is primarily driven by personal insurance (73%), the most common types of insurances are:

- Workman's compensation (62%)
- Business office equipment (55%)
- Property / business structure insurance (55%)
- Business tools and machinery (49%)

Insurance barriers for business owners (%)

Insurance too expensive

44

I do not need insurance

28

Do not know if there is any insurance like this

17

It is not insurable or no product exists for this business risk

8

Do not know where to get insurance

5

Do not know how to get insurance

5

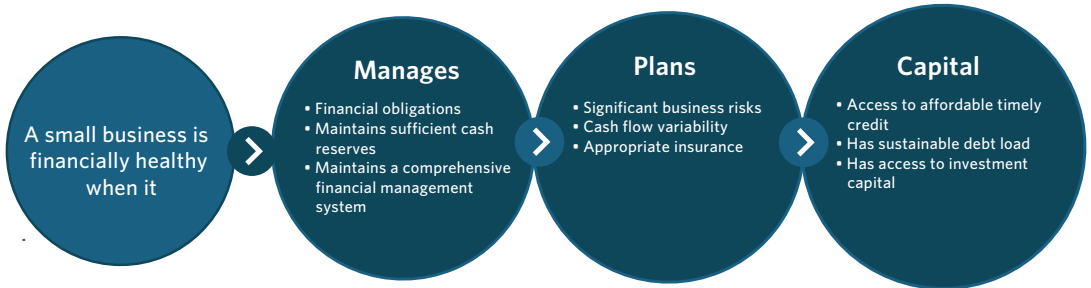
Landscape products



Financial Health

The financial health (Finhealth) of MSMEs includes all aspects of the stability, viability and efficiency of the financial affairs. The business owner's capacity to meet short-term obligations, generate profits, manage debt, and sustain long-term growth contributes to the health of the business's financials.

Economic shocks are more likely to be resisted by financially resilient MSMEs, which are also better positioned for expansion and innovation, and are more likely to attract funding.



According to the Financial Health Network (FHN) framework, a small business is financially healthy when it effectively manages its financial matters, maintains sound financial systems, plans and manages cash flow, takes measures to protect against risk, and has access to diverse financial resources

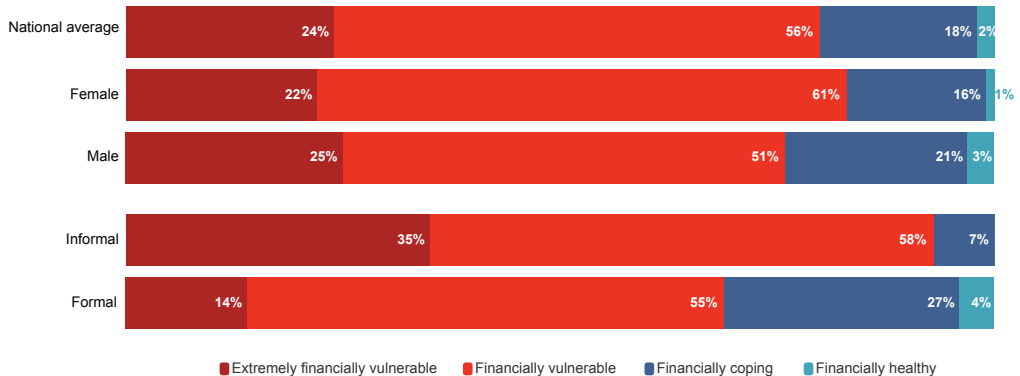


MSME Financial Health Framework - Construction and segments

The financial health business indicator can be segmented, which could help financial services providers offer the most beneficial products to MSMEs. A simple segmentation would be to identify stability- and growth-oriented entrepreneurs using the framework's opportunity and goals questions.

Extremely Financially vulnerable	Financially vulnerable	Financially coping	Financially healthy
0 to 24	25 to 49	50 to 74	75 to 100
<i>Health scores between 0-24.</i>	<i>Health scores between 25-49.</i>	<i>Health scores between 50-74.</i>	<i>Health scores between 75-100.</i>
A firm is financially unhealthy and should embark on a programme to improve its financial and market situation as its survival may be at risk in the short or medium term.	A firm is in poor financial condition that may be a result of health that offers substantial of weak financial indicators, poor financial management, or market conditions.	A firm enjoys good financial health that offers substantial cushion against unpredicted events, but there are elements which could be improved.	A firm shows high levels of financial stability and market resilience, it appears to be financially well-managed and has a solid market position. These MSMEs scored nearly all or all of the 11 sub indicators.

Financial Health levels (%)



Conclusion



General

- A high proportion of MSMEs are in the wholesale/retail and community and household sectors. These sectors also have the highest monthly turnovers, but much lower profits per business. This is largely due to a higher proportion of enterprises in this sector being micro in nature.
- Women-owned businesses are the majority of Batswana MSMEs but comprise mostly individual and micro-enterprises. They also earn four times less on average compared to men-owned enterprises.
- The highest full-time employment-generating sector is the community and household sector. However, for employment to be boosted, focusing on the natural resources and mining, together with tourism, will have a multiplier effect.
- Overall, the MSME sector offers significant employment and contributes to the country's GDP and exhibits a growing job creation dimension despite the impact of COVID-19 pandemic and social and political unrest. Challenges faced by the sector include sourcing finance, cash flow and complying with laws and regulations.
- Access to finance is a key operational and growth barrier. Unpacking the financial needs shows the business owners require other financial instruments to deal with cash flow, cost of finance that is not packaged as credit, such as leasing.



Product uptake

- Formal financial inclusion is high, mainly led by personal bank account ownership. There is a high digital financial services rate for both banked and mobile money MSMEs, although payments to suppliers and employees are largely in cash.

- For MSMEs, the informal sector, particularly savings and credit clubs like stokvels, serves as a crucial source of financing. One approach to enhance and regulate MSME access to finance is to integrate informal financial services, such as stokvel accounts, with the formal financial sector. Understanding the social capital and value systems underpinning these informal savings and credit organisations can inform the development of tailored formal financial products and services.
- Only 20% of MSMEs are insured, while a significant 80% remain uninsured. This stark disparity highlights the limited adoption of insurance among MSMEs, potentially exposing the majority to financial risks and vulnerabilities.



Financial inclusion

- Financial inclusion among the MSME owner population in Botswana is high, with 77 per cent having formal financial products.
- Overlaps have shown that business owners use both traditional banking and mobile money solutions, together with fewer than 10% of the businesses being solely reliant on bank products. This trend highlights the effective synergy between banking and non-banking platforms, such as mobile money, which has positively contributed to improving access to formal financial services.
- 52% of business owners also remit through their accounts. While mobile money has three in five MSMEs using it, a good proportion of the usage is linked to remittances, which is a source of capital injection or cashflow. 2% also access credit through mobile money services as well as insurance.

Recommendations



Key takeouts & discussion points

- Women-owned business are the bulk of Batswana MSMEs but occupy mostly individual and micro- level enterprises.
They also earn four times less on average compared to men-owned enterprises.
- Business sophistication is low – most businesses do not keep financial records, market their services or products or apply any technology to improve work efficiency or productivity.
Segmenting the sector from survivalist businesses can show a different lens to identifying SMEs that are more likely to grow.
- A high proportion of MSMEs are in the wholesale/retail and community and household sectors. These sectors also have the highest monthly turnovers but much lower profits per business. This is largely due to a higher number of the enterprises in these sectors being micro in nature.
- High ‘formally registered’ MSMEs (over 50%) with other entities, yet only 11% are registered with MTE (CIPA) – is this registration acceptable or should we only consider CIPA registration as formal and registered?
- The highest full-time employment generating sector is the community and household sector. However, if employment is to be boosted, focusing on the natural resources and mining together with tourism will have a multiplier effect.
- Access to finance is a key operational and growth barrier. Unpacking the financial needs shows the business owners require other financial instruments to deal with cashflow, cost of finance that is not packaged as credit such as leasing.
- Formal financial inclusion is high but mainly led by personal bank and mobile money access (transaction and savings led). A high DFS rate for both banked and mobile money MSMEs although payments to suppliers and employees are largely in cash.



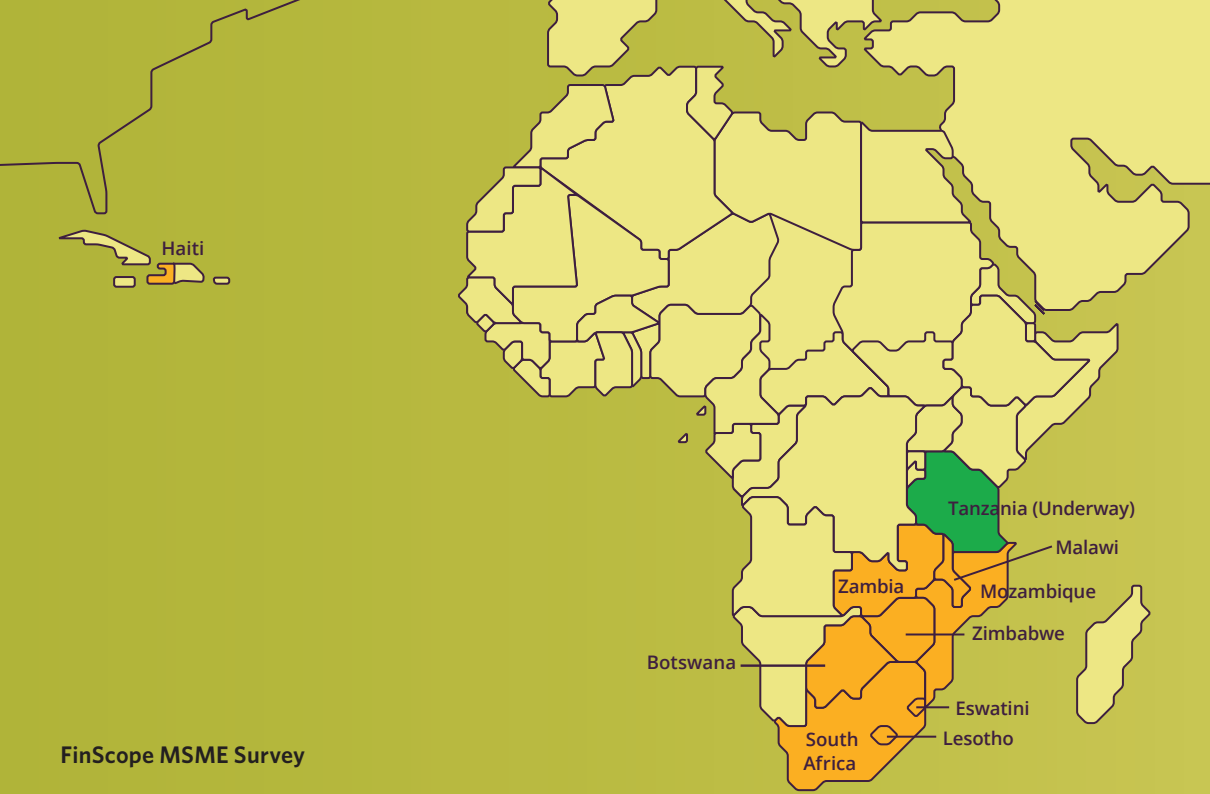
Recommendations for policy makers and regulators

- Strategic inclusion of MSME indicators in the National Financial Inclusion Strategy (NFIS) and Roadmap.
- Invest in stage-specific platforms to assist MSMEs in registrations, compliance, resilience building and growth-oriented support.
- Capacity building organisations and MSME training institutions to live up to mandate, align with real-world challenges that MSMEs face: informal operations, low financial literacy and lack of exposure and structured business development services.




Recommendations for private sector

- Use data to close the finance access gap.
- Aid the access levels, usage remains low on financial services – especially credit and insurance.



FinScope MSME Survey

Comprehensive study focusing on individual entrepreneurs, and owners of Micro, Small, and Medium Enterprises (MSMEs) and their financial services needs.

 Completed

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