



More than 20 years of  
making financial markets  
work for the poor

## FinScope MSME Survey South Africa 2024

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10 September 2024

Abel Motsomi

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FinScope

# Welcome and introduction



**Lesego Mashigo**

Head South Africa Financial Inclusion  
*FinMark Trust*

## House rules

- All participants will be muted by default.
- Please feel free to post your questions in the Q&A and chat box. These will be addressed by the FinMark Trust team.
- The recording and presentations will be shared after the event.

## Agenda

Time	Session	Speaker
10h00 – 10h10	Welcome and introduction to FinScope MSME South Africa 2024 Virtual Launch	<b>Ms Lesego Mashigo</b> Head of South Africa Financial Inclusion, FinMark Trust
10h10 – 10h40	Presentation of the FinScope MSME South Africa 2024 Results	<b>Abel Motsomi</b> Senior Data and Analytics Specialist, FinMark Trust
10h45 – 11h00	<b>Keynote address</b>	<b>Ms Mosa Makhele</b> DDG: Sector Policy and Research, National Department of Small Business Development
11h05 – 11h10	Early reactions to the results and keynote address	<b>All participants</b> Q&A function or chat function
<b>Panel discussion</b>		
11h00 – 11h50	<i>The data and challenges faced by MSMEs (both formal and informal), their ability to be a key driver of reducing unemployment and their contribution to the economy – and the future of the MSME sector.</i>	<b>Panel moderator: Obert Maposa</b> Senior Data and Analytics Specialist, FinMark Trust  <b>Panellists:</b> <b>Mr Alroy Dirks</b> Small Enterprise Finance Agency (sefa)  <b>Ms Nontobeko Lubisi</b> Director for Financial Inclusion at National Treasury  <b>Dr Pali Lehohla</b> Former Statistician-General of South Africa, member of the MPPN steering committee
<b>Closing remarks</b>		
11h50 – 12h00	Wrap-up and closure	<b>Phumelele Ngcobo</b> Specialist in Programme Development and Implementation, FinMark Trust



# FinScope MSME South Africa 2024 Results Presentation



## Abel Motsomi

Senior Data and Analytics Specialist  
*FinMark Trust*

# Overview

- Objectives and background
- Methodology
- Size and scope of the MSME sector
- MSME sector attributes
- Hurdles and challenges faced
- Financial inclusion
- Summary

# FinScope MSME objectives

- Assess the **size** and **scope** of the MSME sector in South Africa.
- Identify the **main binding constraints to MSME development and growth** with a focus on access to markets.
- **Segment** the small business market into **homogenous market segments** and identify the financial needs of the different market segments to stimulate segment-related product innovation.
- **Track the progress** of both sector developments and financial inclusion in South Africa using the FinScope MSME 2020 as a benchmark and provide an assessment of changes and factors in the future (including possible impacts of future interventions).
- Support **evidence-based policy** and provide a reliable baseline for **monitoring** and **evaluation** of initiatives and contributions to critical studies on the sector.

# Sample and weighting

## Target population

A nationally representative sample of small business owners who:

- Are 16 years or older
- Perceived themselves to be business owners/generating an income through business activities
- **Definition of MSME as applied in South Africa.**

## Multi-stage sampling process

**Enumerator areas (EAs)**  
Using probability proportional to size (PPS)



**Business/households**  
Using systematic random sampling  
8-12 qualifier businesses or households from each EA were selected



**Individual (MSME owner)**  
via Kish Grid

## Comprehensive listing exercise

300 EAs covered

Businesses or households to be listed and identifying MSME owners

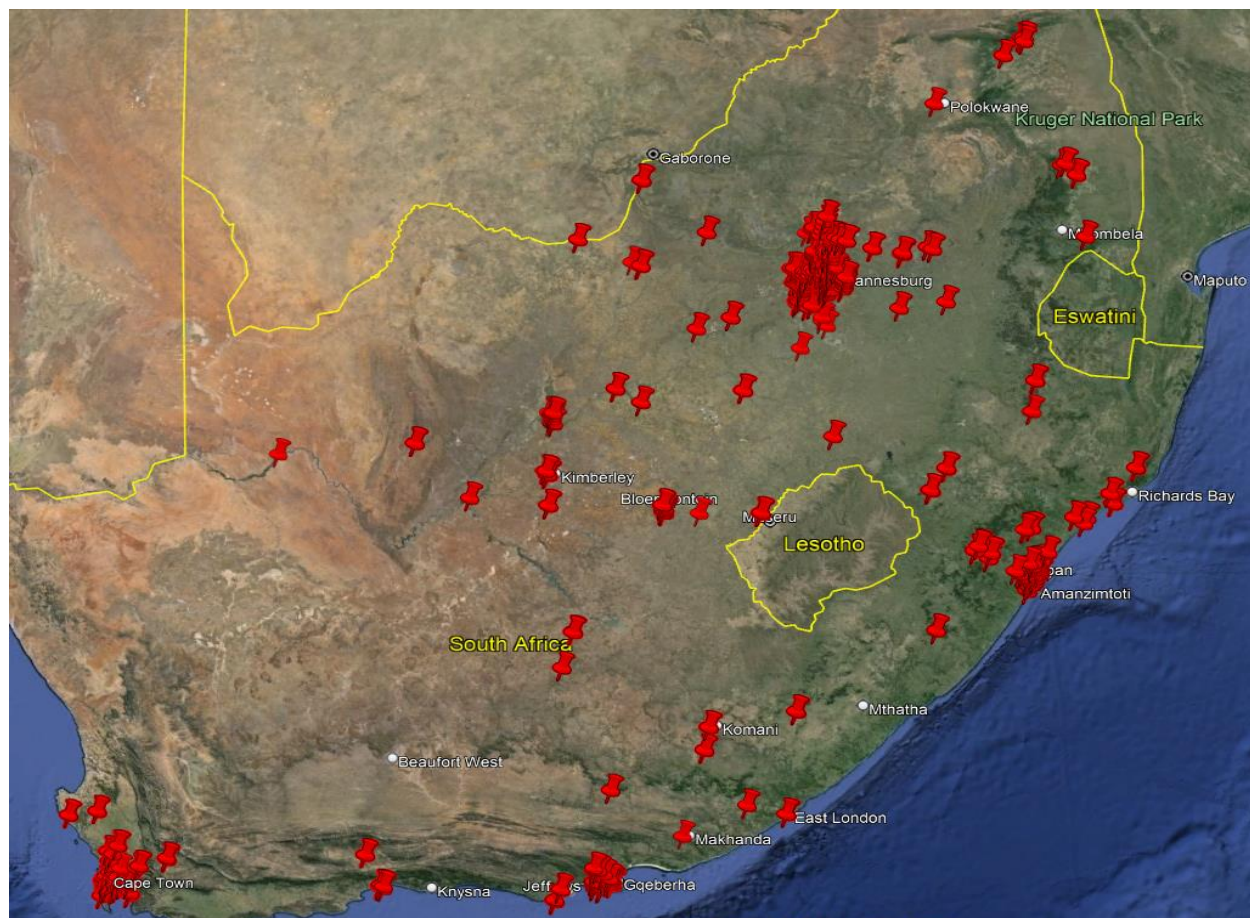
**TOTAL: 4,027**

Face-to-face interviews completed

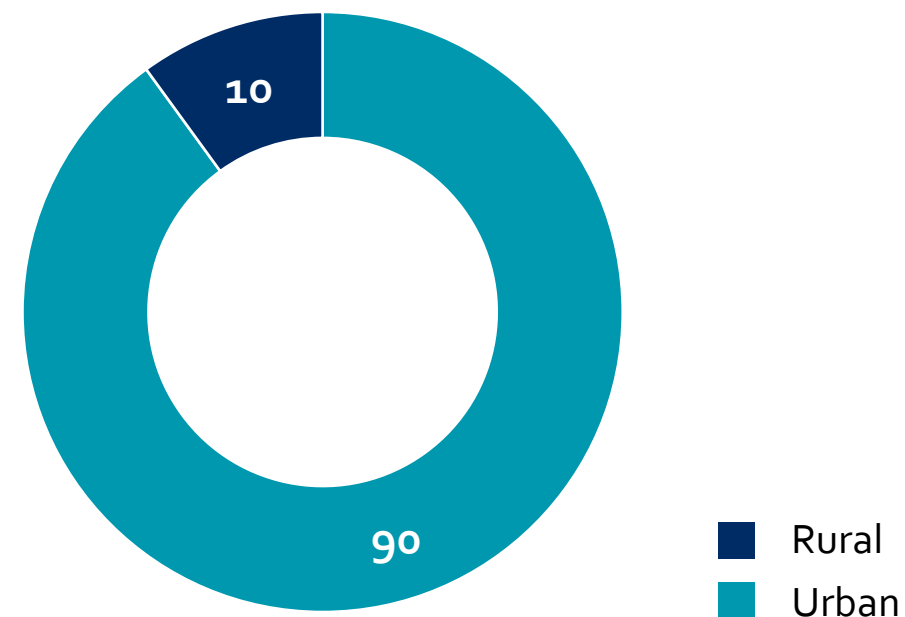
- *Sampling frame and data weighting was done by a sampling expert in consultation with FinMark Trust*
- *Geospatial sampling is also used to identify EAs that have (i) high, (ii) moderate and (iii) low probability of finding businesses.*



# Areas of data collection



## Sampled enumeration areas by geographical area - 300 EAs



Listed over 48,000 structures and close to 10,000 businesses

# Size and scope of the MSME sector

FinScope MSME 2024



**3,027,298**

MSME owners

15.7% ↑

**2,615,751**



Employing

**13,429,013**

employees\*

\* Full-time, part-time and seasonal

3.7% ↑

**12,947,12**



Owning

**3,912,277**

MSMEs

21% ↑

**3,223,001**



Estimated turnover

**R5.29 trillion**

**R3,1 trillion**

# MSMEs impact on the economy



Contribute  
around **80%**  
of the  
workforce



Formal  
businesses  
contribute  
**R3 trillion**



Informal  
businesses  
contribute  
**R2.3 trillion**



Township  
economy  
contributes  
**R2.4 trillion**



Rural economy  
contributes  
**R256 billion**

# Entrepreneurship in South Africa

## Level C economies GDP per capita <\$20,000

Established Business Ownership (EBO)

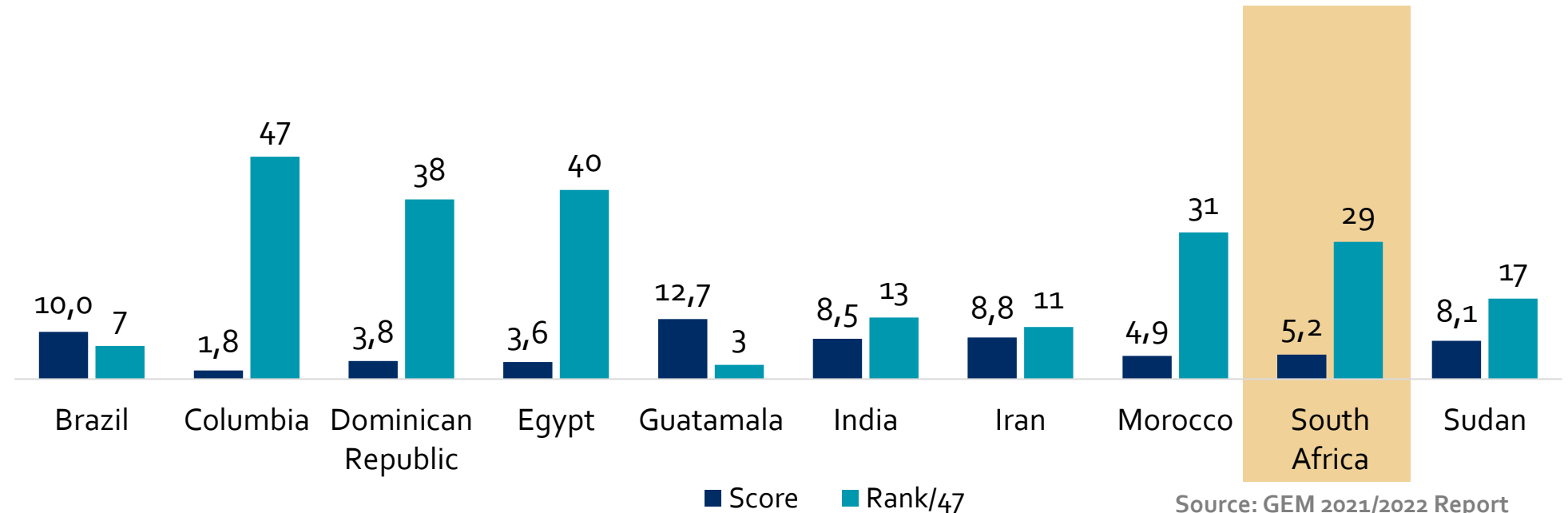
Business ownership rate =

$\frac{16 \text{ years and older with a business}}{\text{Total adult population}}$

$$= \frac{3,027,298}{44,770,000}$$

$$= 6.77\%$$

Compared to peers, South Africa is fairing on par or average.



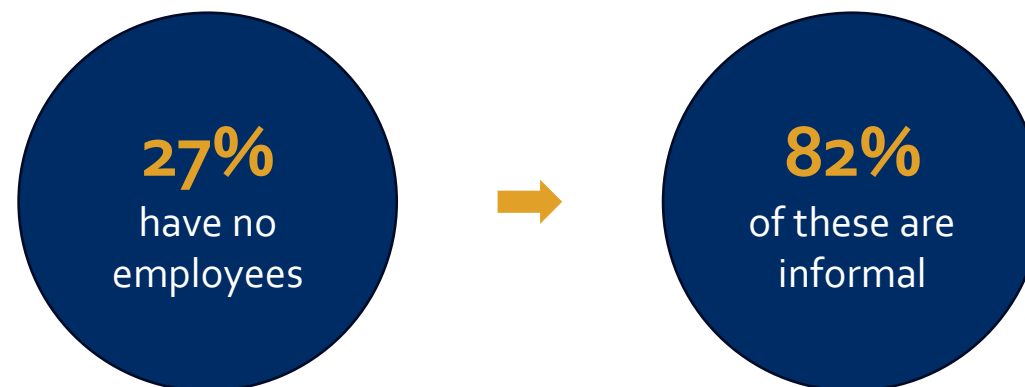
Source: GEM 2021/2022 Report







# MSME size by number of employees

Focus on growth and high-impact businesses

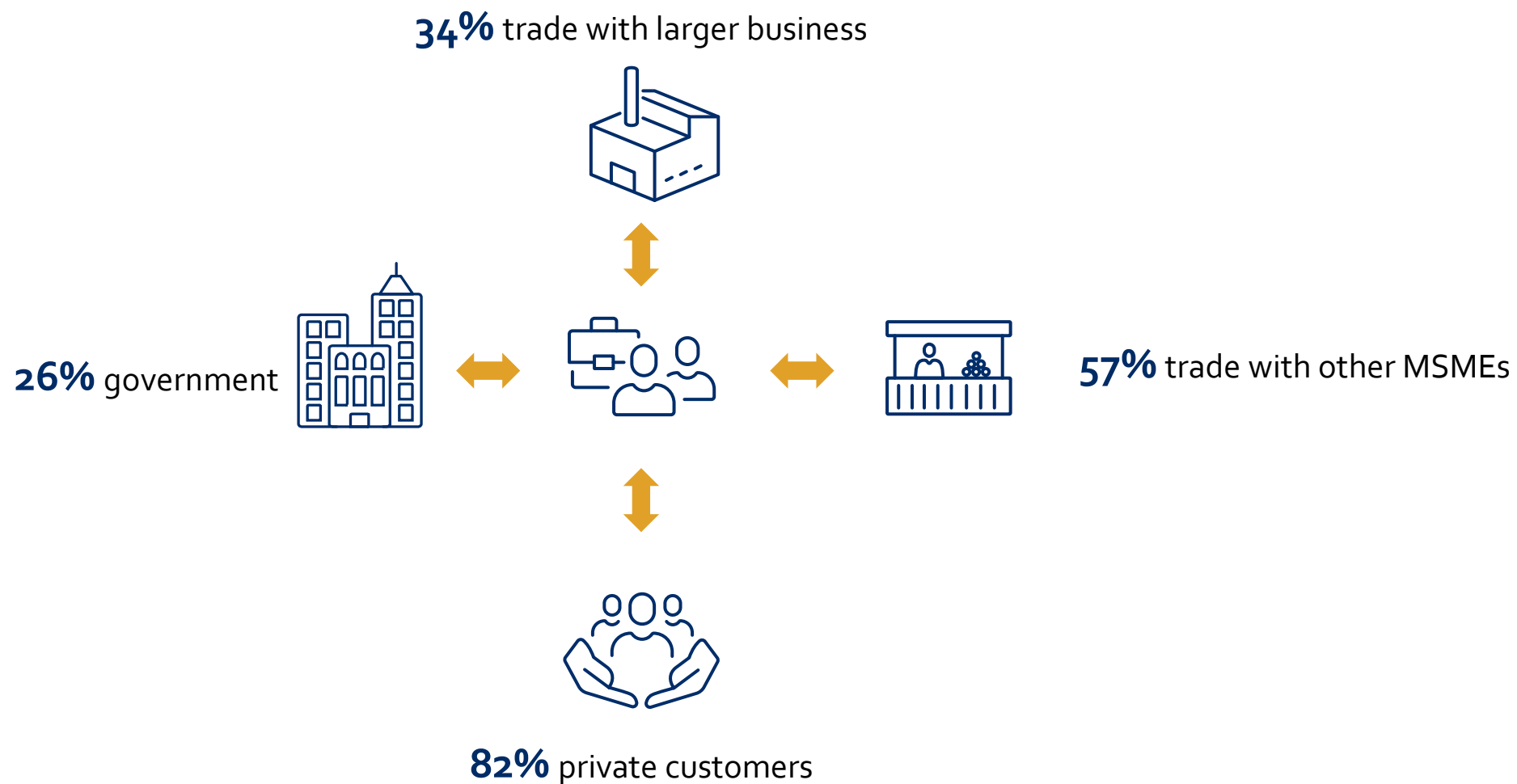
Category	Employees	Size	Number of businesses
Micro-enterprise	0 to 10	84%	2,544,033
Small enterprise	11 to 50	14%	422,755
Medium enterprise	51 to 250	2%	60,510



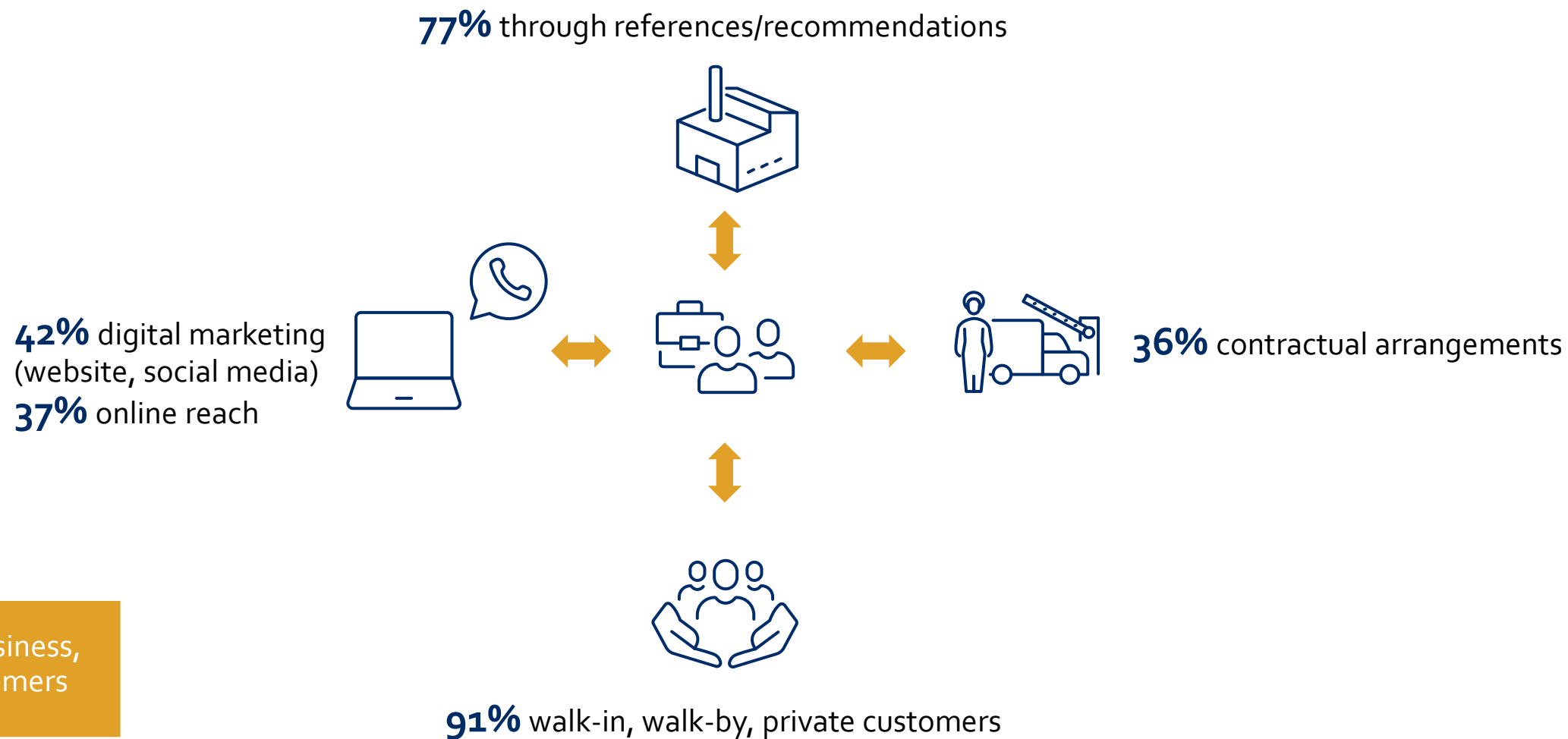
## MSME main sectors – size and employment contribution

		Size	Employment	Potential
	<b>Service</b>	1.6 million	5.1 million	1: 3.19 new jobs
	<b>Trade</b>	0.7 million	2.7 million	1: 3.85 new jobs
	<b>Industry</b>	0.5 million	4.8 million	1: 9.6 new jobs
	<b>Agriculture</b>	0.2 million	1.1 million	1: 5.5 new jobs

# Access to markets: Who MSMEs trade with



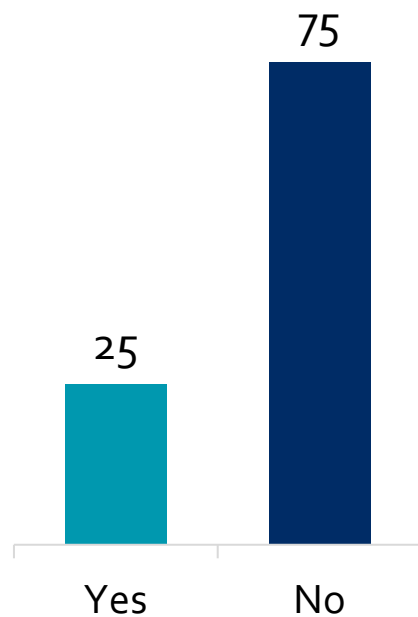
# Access to markets: How customers find business



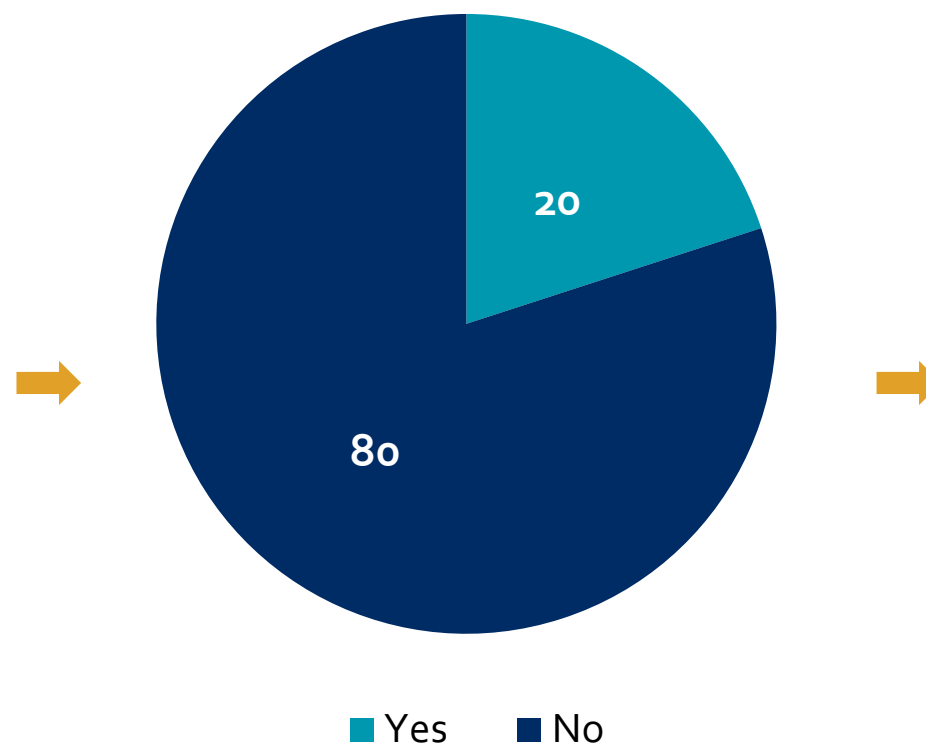


# Access to markets: Government tendering

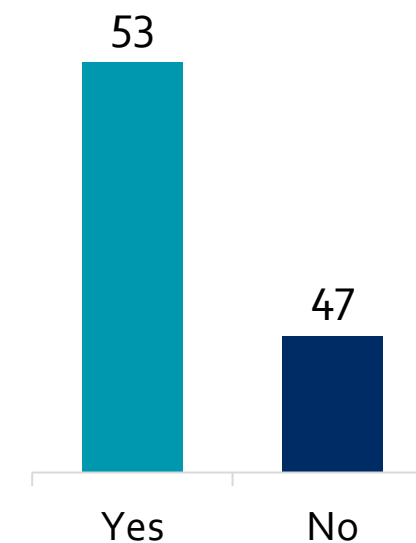
Businesses registered on the Central Supplier Database (%)



Submitted tender proposals (%)

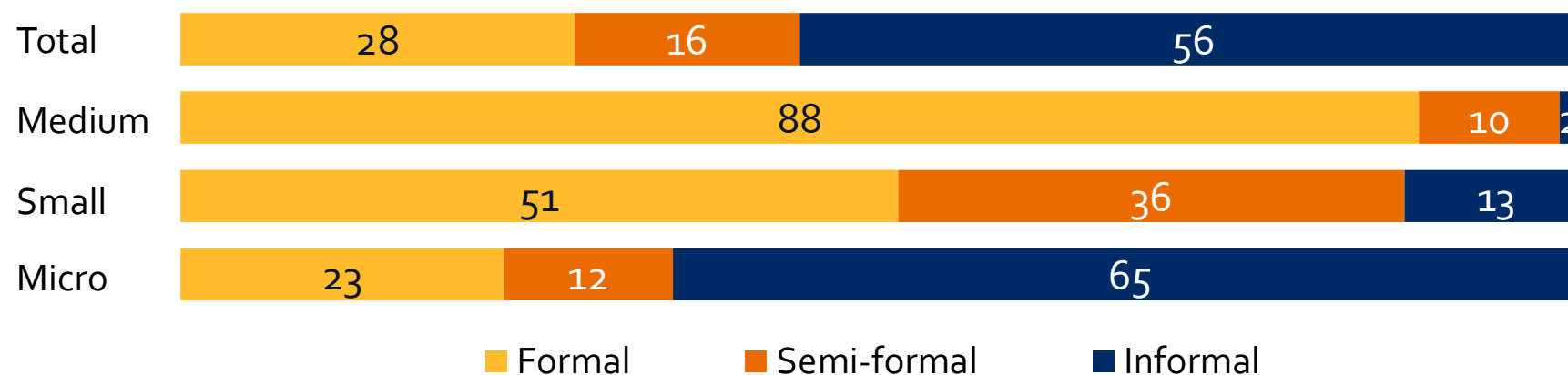


Tenders were successful (%)



# Formalisation of MSME segments

	FinScope 2020	FinScope 2024
Formal MSMEs (CIPC & SARS registered)	789,194	837,560
Semi-formal (other registrations only)		475,443
Informal MSMEs	1,648,000	1 696 316
Township MSMEs	1,067,452	1 301 496
Rural MSMEs	360,713	429 426



Other registered  
(BBBEE, municipal,  
industrial licence,  
Department of  
Labour, UIF, etc.)



28% Formal enterprises



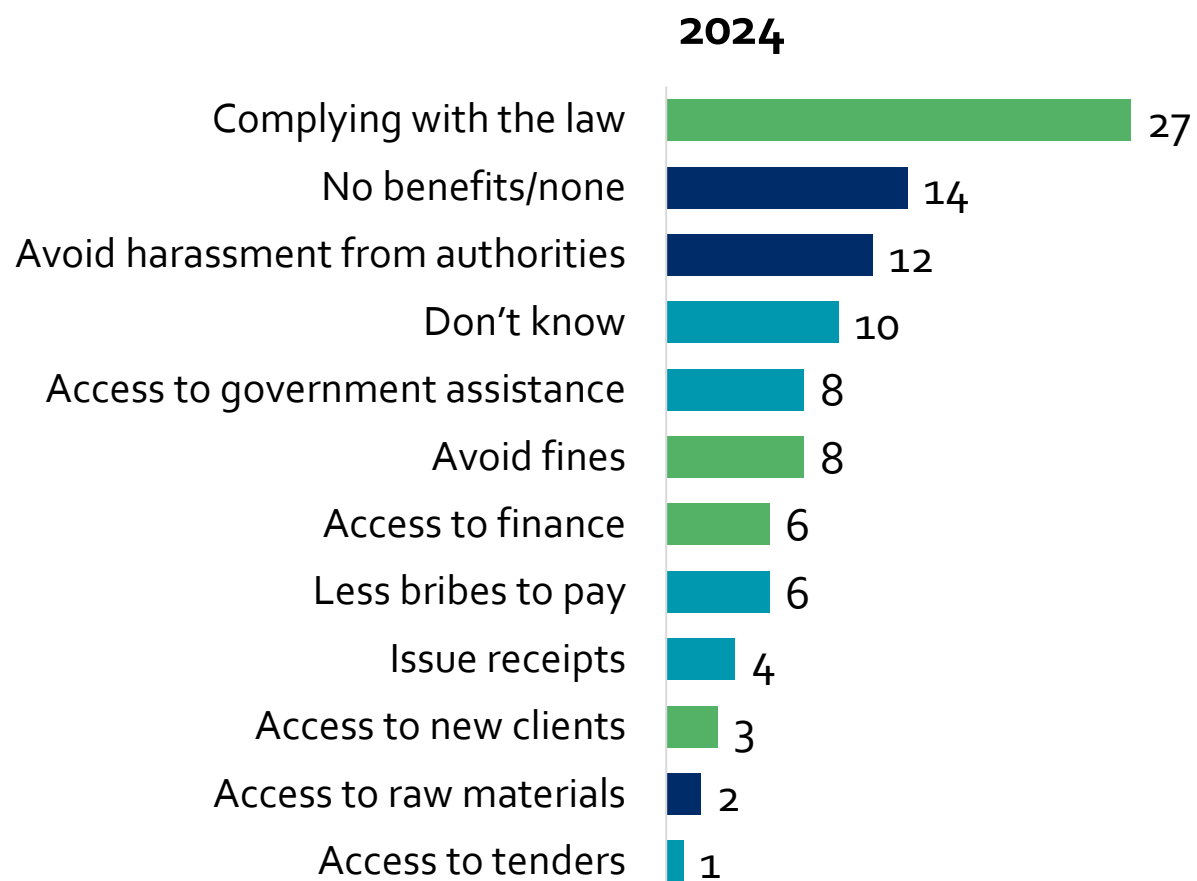
16% Semi-formal enterprises



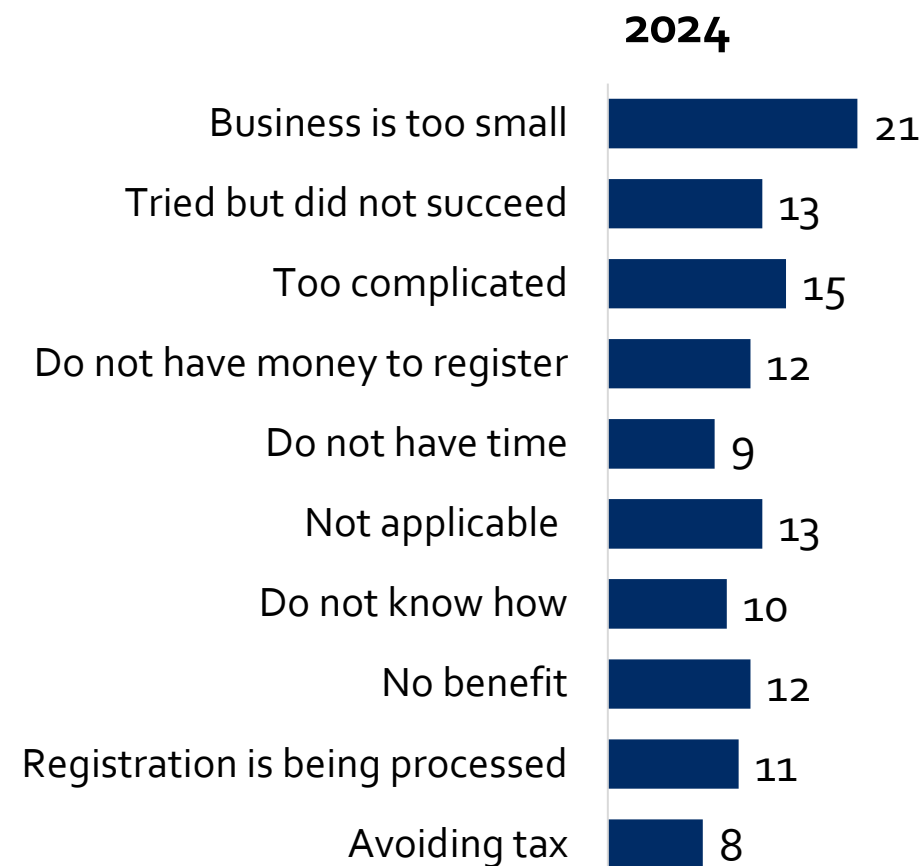
56% Informal enterprises

# Formalising informal MSMEs

## Perceived benefits/incentives

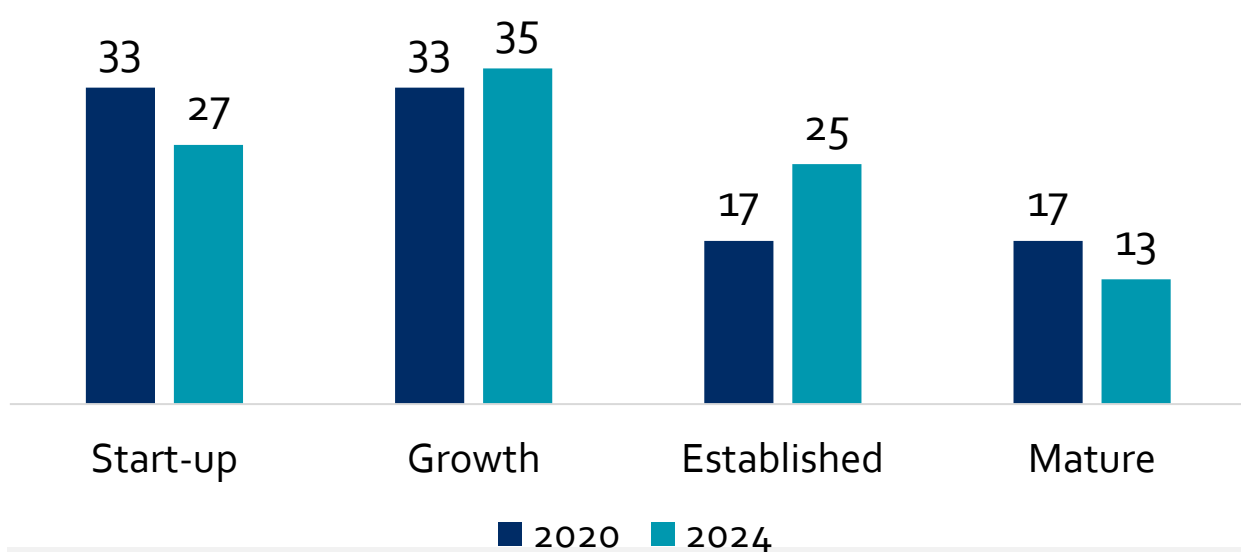


## Perceived barriers

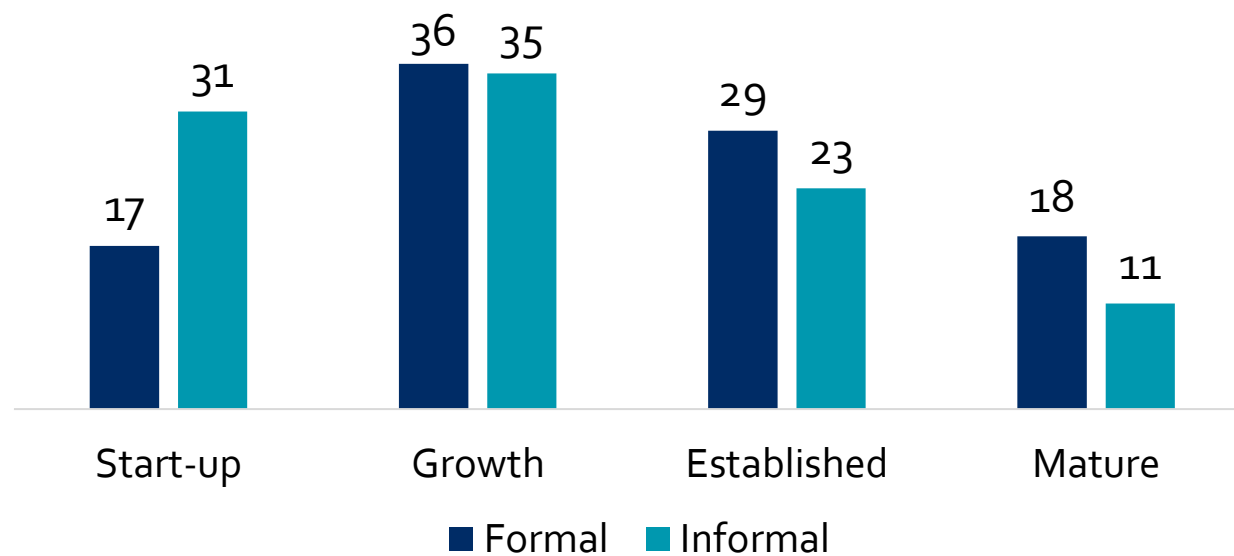


# Business lifecycle

## Business age by year



## Formal/informal comparison

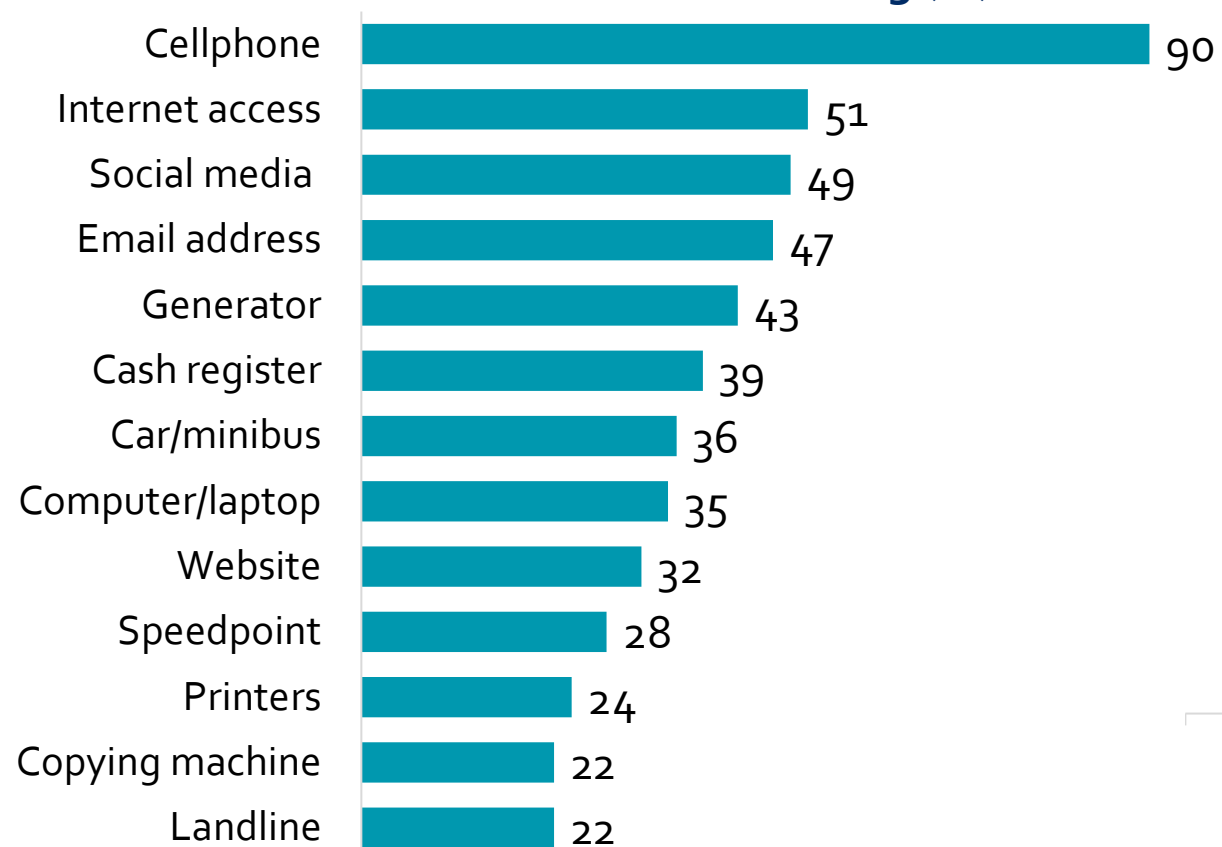




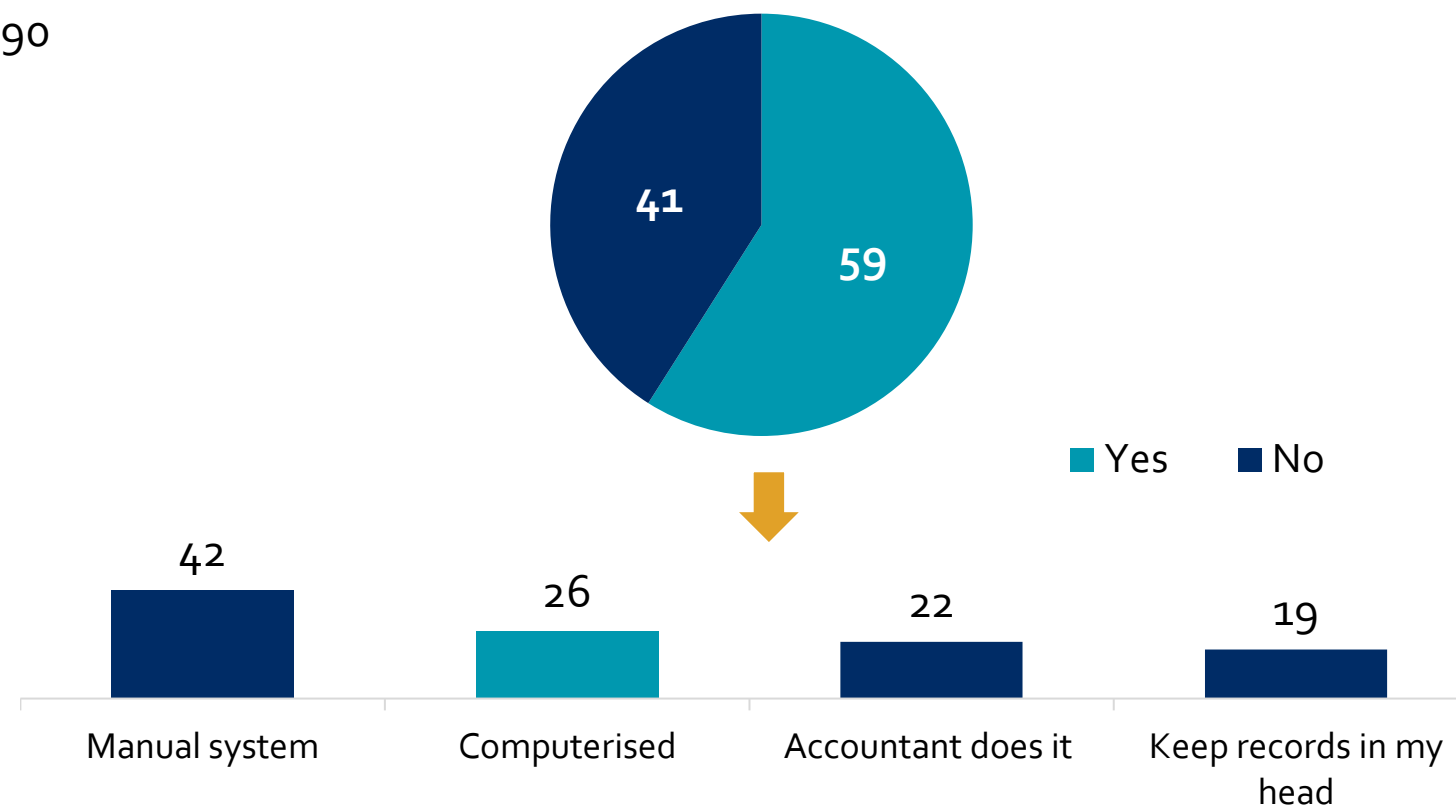
# Could MSMEs pivot easily and leverage technology?

## Digitalise business operations

Business uses the following (%)



Business keeps financial records (%)

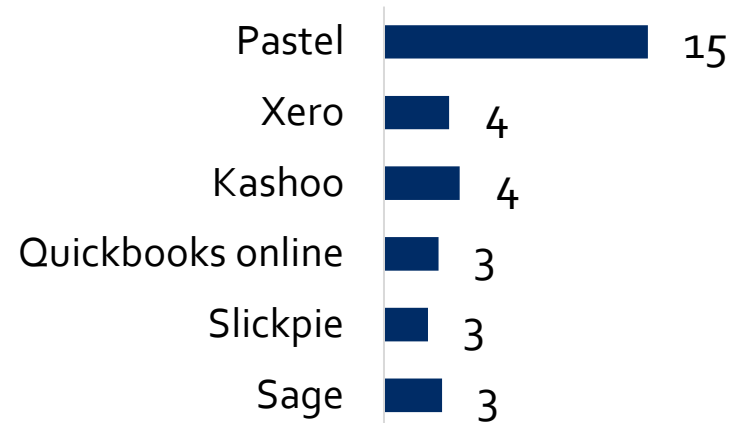


# Business record keeping

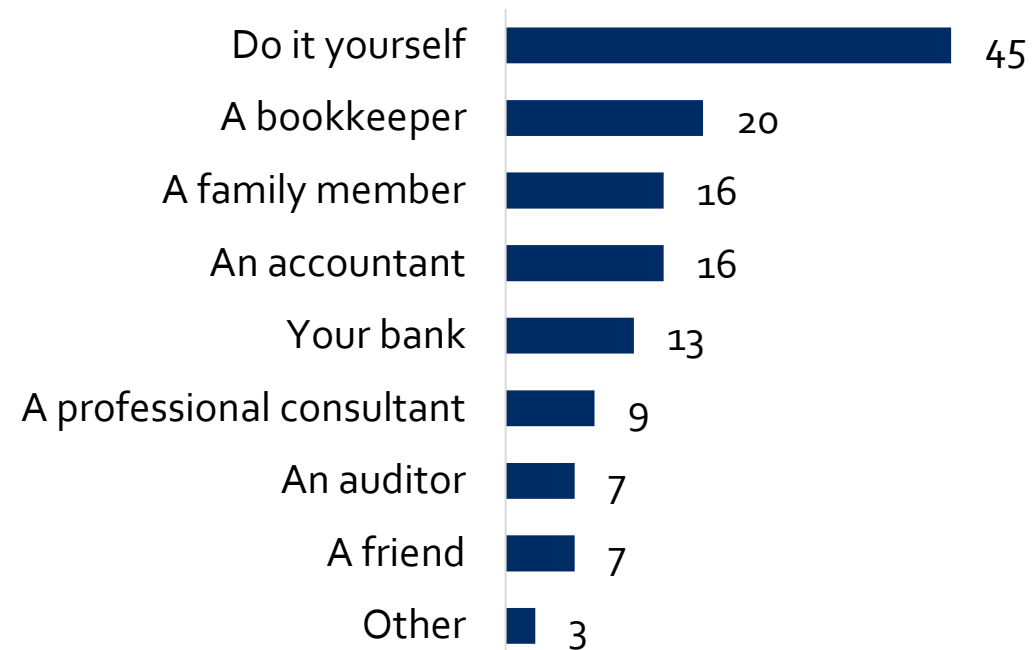
**59%** keep financial records, and **81%** of them agree that keeping business records helps in getting credit or funding



## Accounting packages used (%)



## Person responsible for keeping financial records (%)



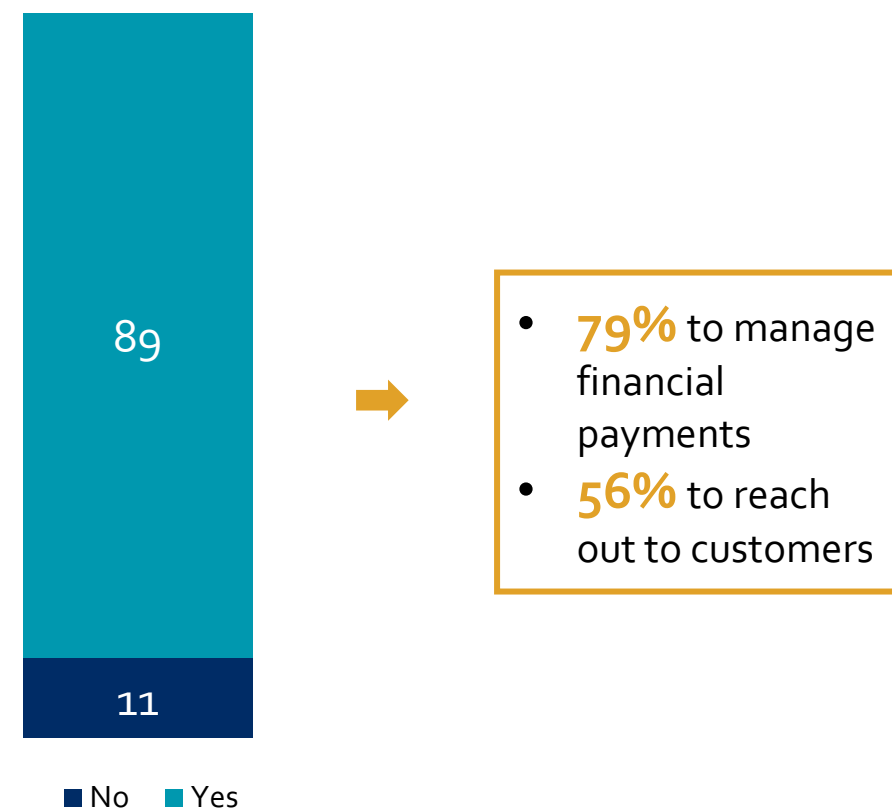
# Business transformation and the Fourth Industrial Revolution

13% use cryptocurrency

## Measures being taken to transform businesses to thrive in the Fourth Industrial Revolution

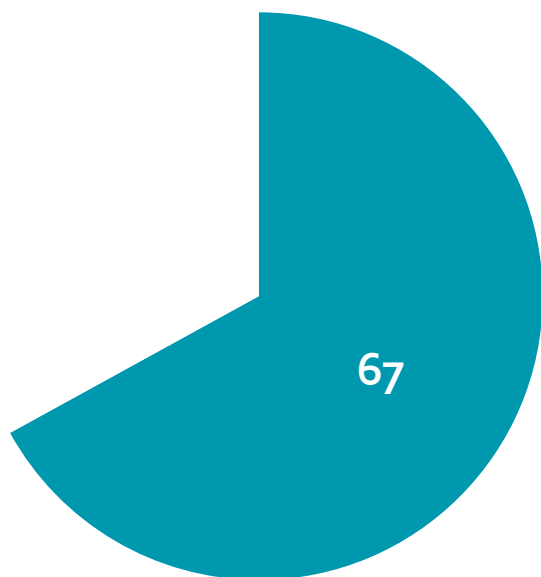
- Business as usual/not doing anything – 55%
- Using digital payments – 12%
- Automating processes – 10%
- Digitising record keeping – 10%
- Enabling work remotely – 8%

## Digital literacy

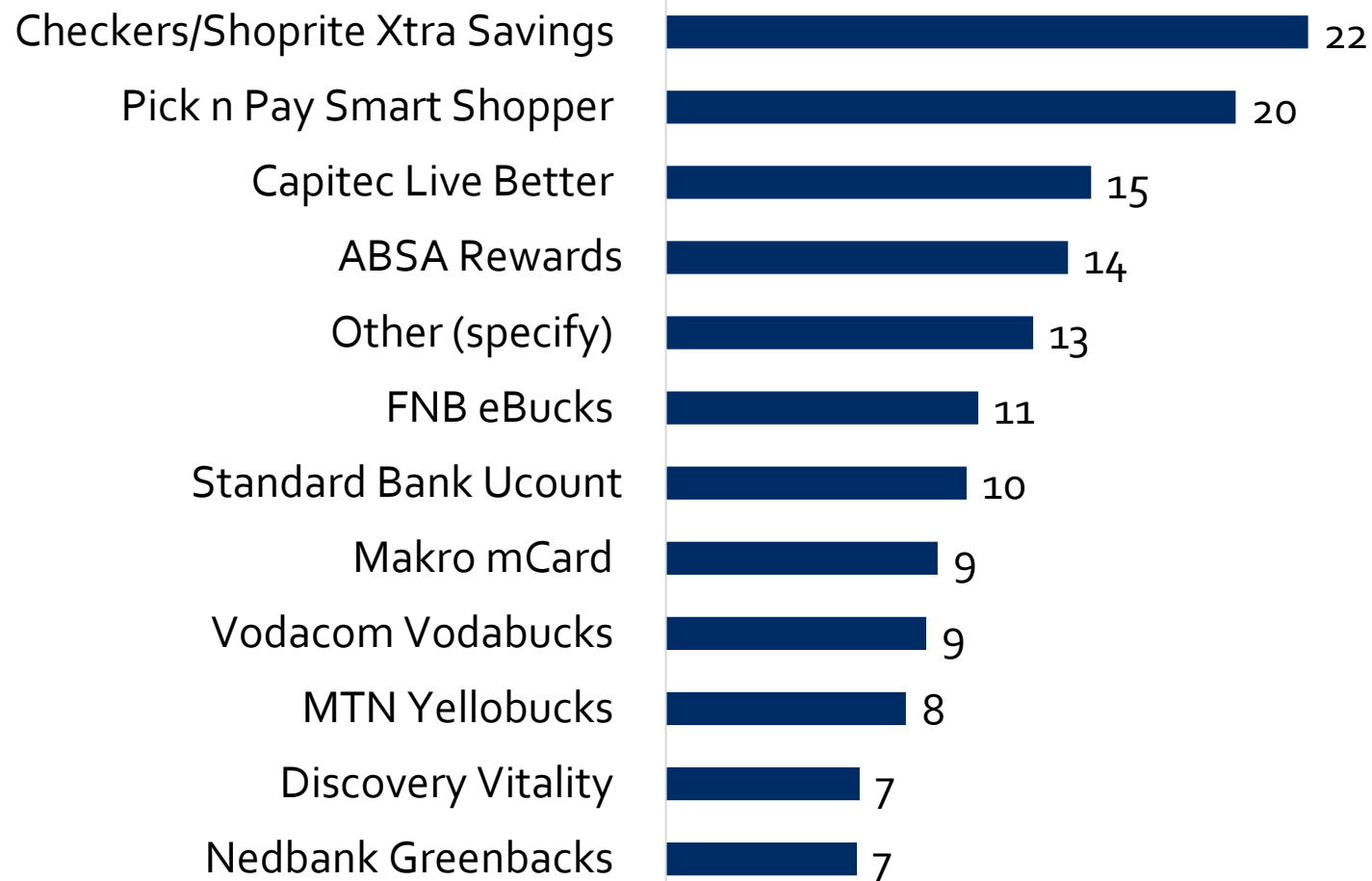


# MSME owners dipping into rewards programmes

MSMEs using rewards programmes (%)



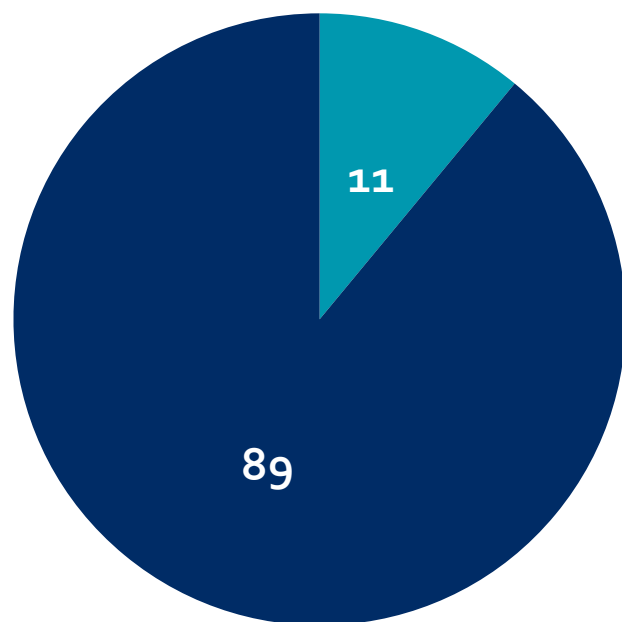
Rewards programmes used (%)





# Imports and exports

## MSMEs that export (%)

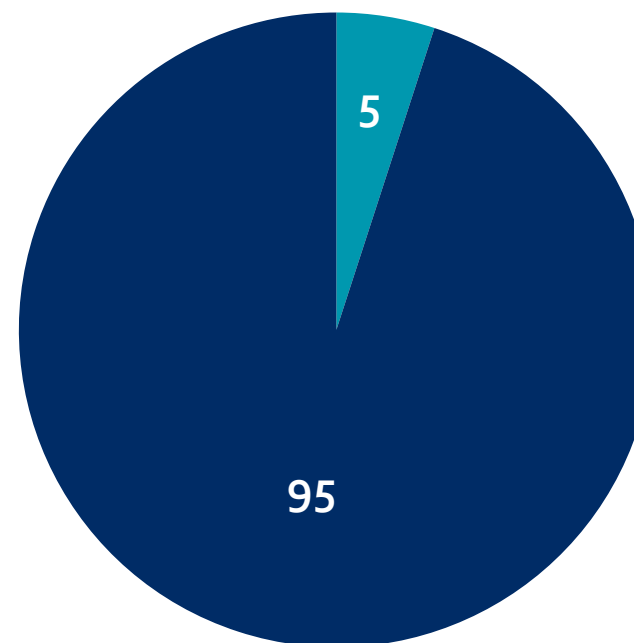


■ Yes ■ No

Some of the top export destinations include:

- Zimbabwe
- Eswatini
- Lesotho
- Botswana
- DRC
- Comoros

## MSMEs that import (%)



■ Yes ■ No

Some of the top import destinations include:

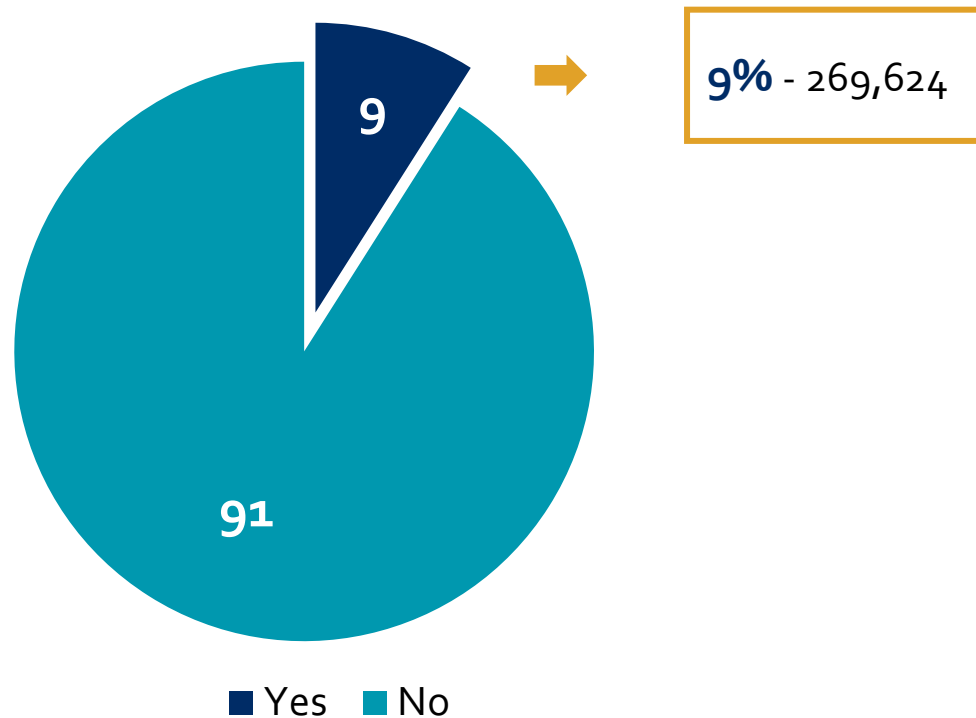
- Namibia
- Zimbabwe
- Eswatini
- Lesotho
- Botswana
- Angola
- Malawi

# Financial instruments and arrangements

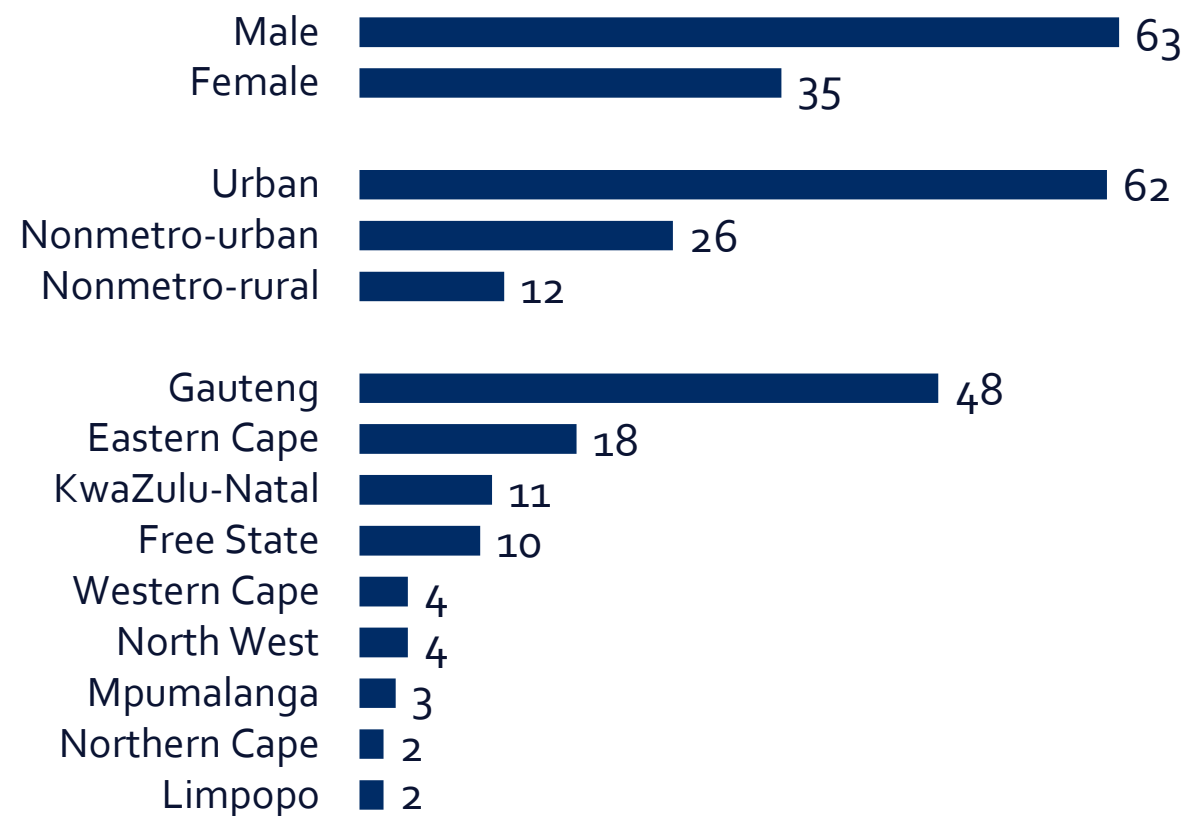
Financial instrument and arrangements	Know about (%)	Have used (%)
1. Asset based finance	10	17
2. Supply-chain finance	21	11
3. Leasing	15	15
4. Working capital loans	13	14
5. Factoring	17	13
6. Purchase order finance	18	12
7. Warehouse financing	13	15
8. Private placements	16	13
9. Crowdfunding debt	16	14
10. Private equity	13	13
11. Venture capital	21	10
12. Business angels	19	9
13. Crowdfunding equity	13	1

# MSME owners with disability

## MSME owners with disability (%)



## MSME owners with disability by demographics (%)



# Business support

## Awareness of support organisations

- **55%** are aware of at least one organisation that assists or offers advice to MSMEs



## Usage of support organisations is low

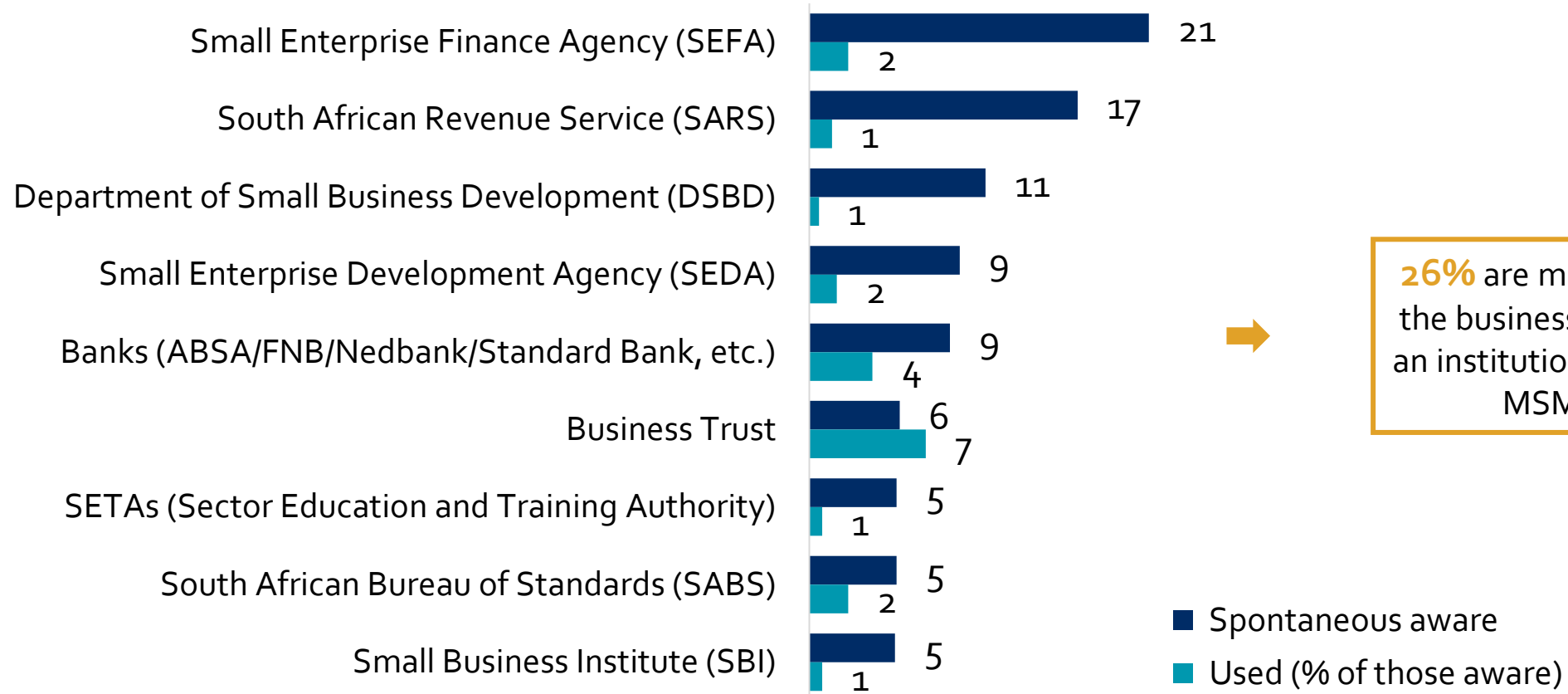
- **20%** of the business owners received support

## Support received

- How to market a business – **14%**
- How to start up a business – **13%**
- Customer relations – **12%**
- Accounting and bookkeeping – **11%**
- Tendering information – **11%**
- How to write a business plan – **11%**
- Debt management – **11%**
- Productivity improvement – **11%**
- Technical training on goods and services being provided – **10%**
- Business management – **10%**
- Obtaining loans, finance and operating on credit – **10%**
- Computer-related training – **10%**
- Knowledge of laws and regulations relevant to small business – **10%**
- Financial budgeting or forecasting – **9%**

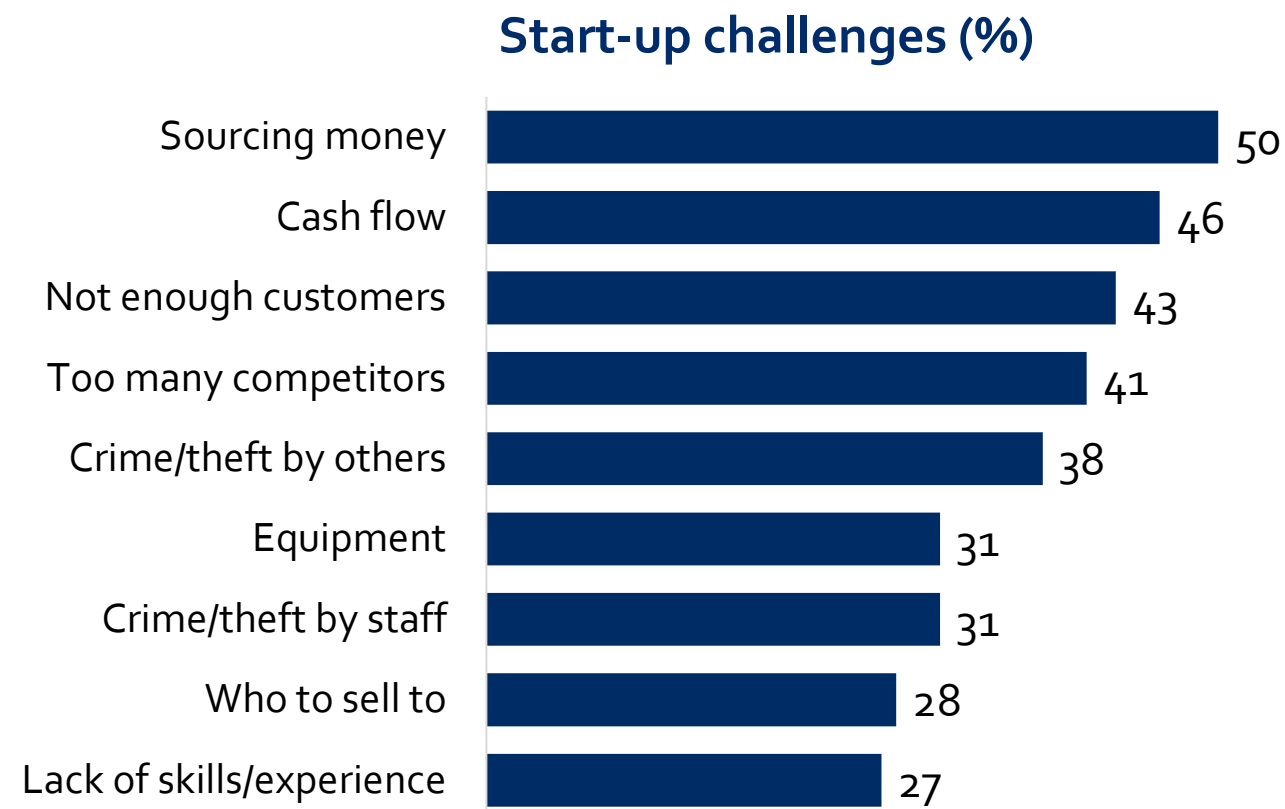
# Business support

## Business support awareness (%)



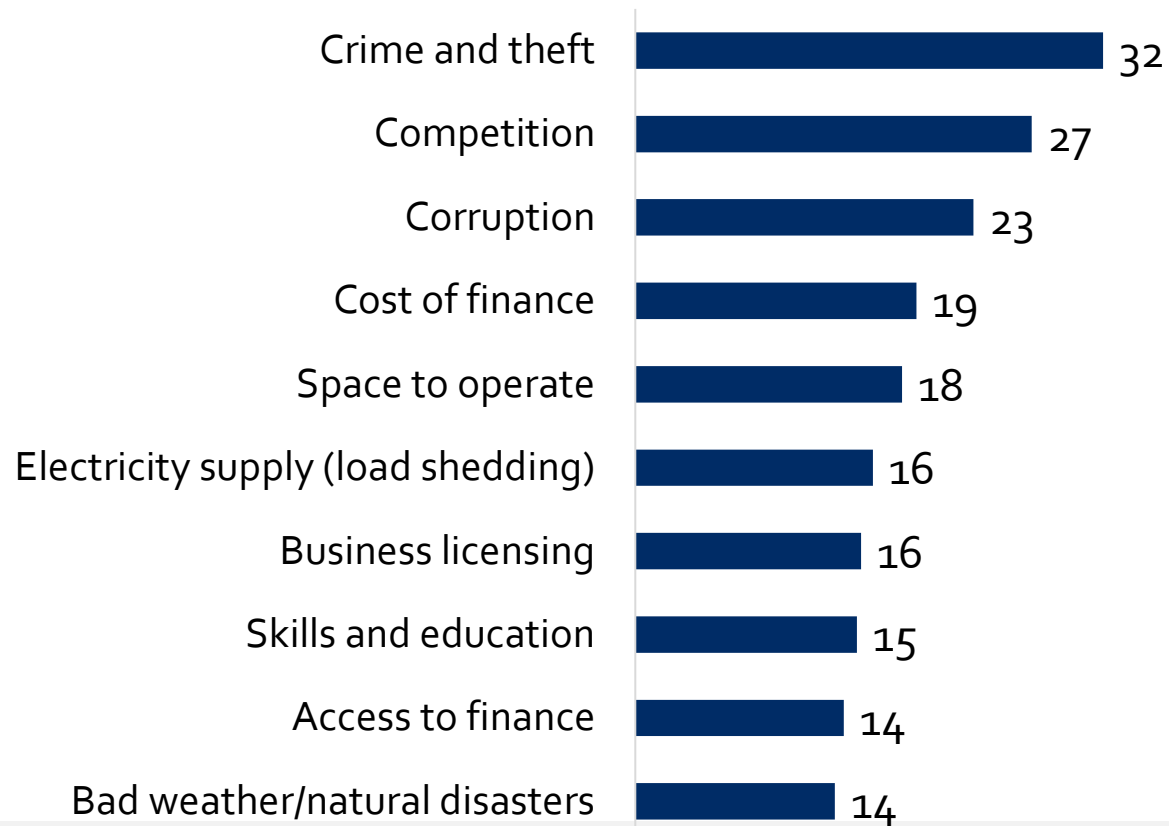
26% are members (or the business is part) of an institution forum for MSMEs.

# Challenges starting a business – initiation phase



# Business challenges to growing and scaling the business

## Top 3 biggest obstacles to growing business (%)



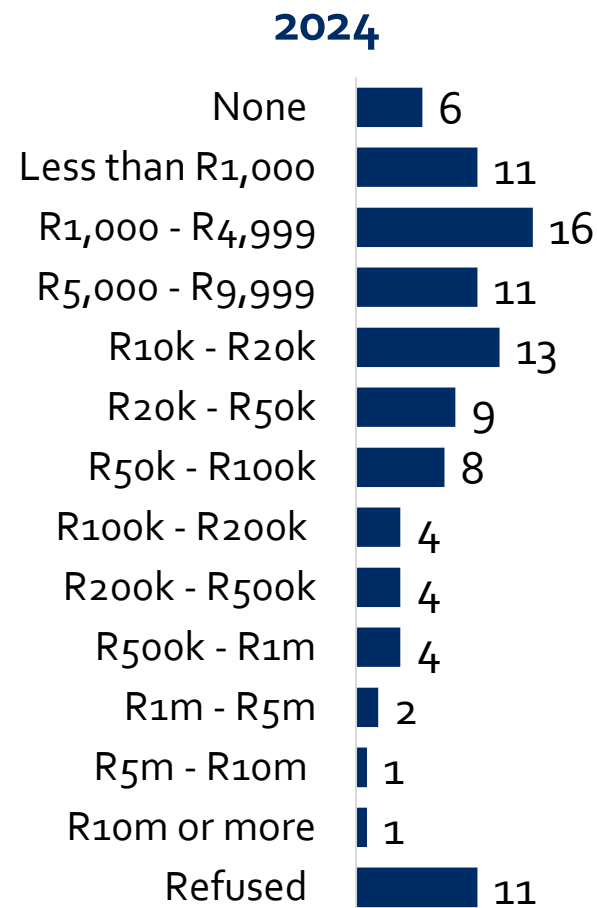
## Growth obstacles

- Crime and theft – **32%**
- Markets and competition – **27%**
- Access to finance – **14%**
- Cost of finance – **19%**
- Licensing – **16%**
- Natural disasters – **14%**
- Electricity access – **16%**

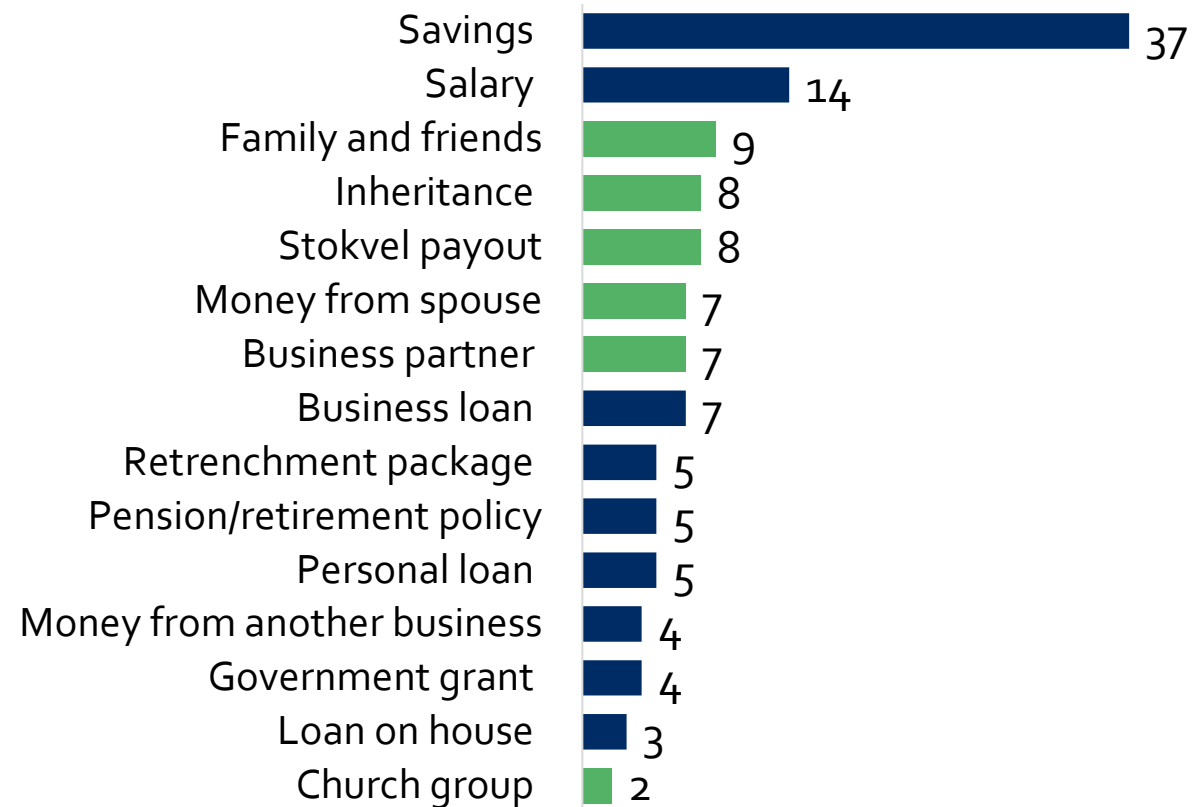


# Entrepreneurship in South Africa

Source and amount required to start a business – impact of social capital



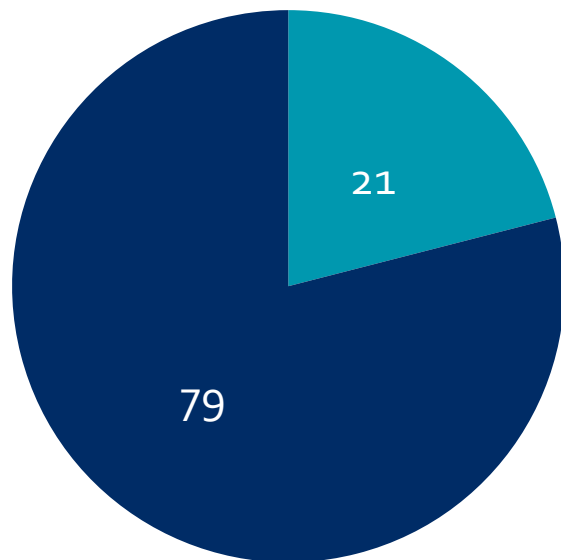
## Percentage of businesses started/funded by social capital (in green)



# Sustaining MSME owner resilience

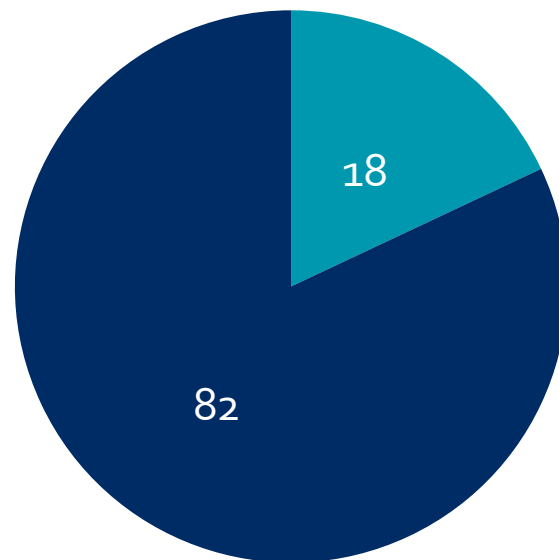
Personal risk insurance (e.g. life cover, disability insurance)

Personal risk insurance (%)



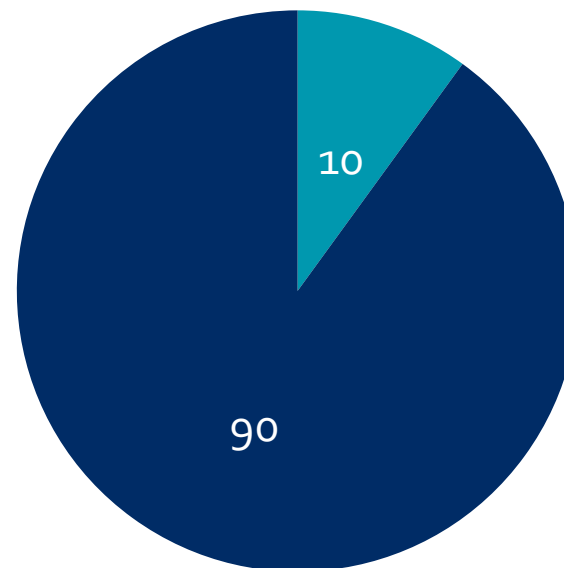
■ Yes ■ No

Business insurance (%)



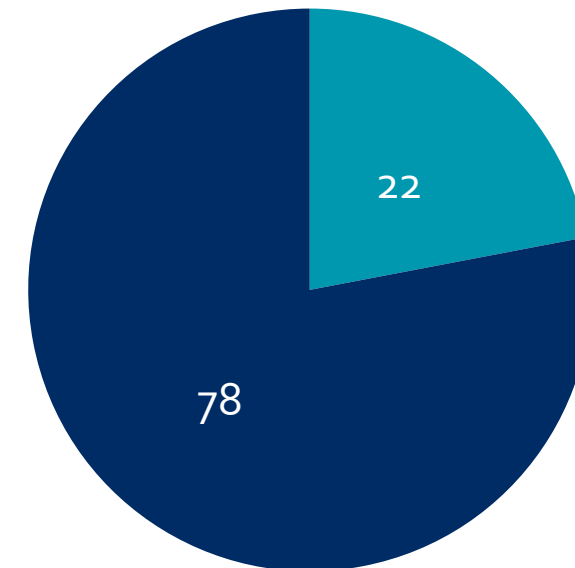
■ Yes ■ No

Portable effects insurance (%)



■ Yes ■ No

Health insurance (%)



■ Yes ■ No

# Use of cash, digital payments and digital usage



Slightly declined from 97%

**94%** use cash

**89%** from clients

**58%** to pay employees

Increased from 58%

**79%** use digital financial services

**71%** from clients

**49%** to pay employees

**53%** to pay suppliers

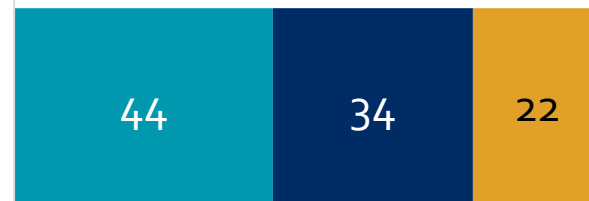
Increased from 35%

**55%** use digital media

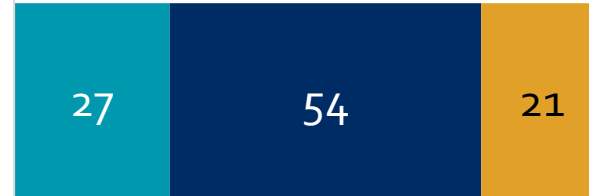
# Are business owners over-indebted?

## Credit indebtedness (%)

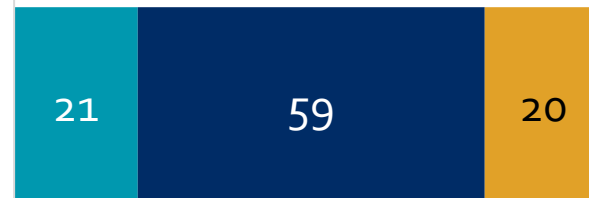
Your business is able to keep up with your monthly debt instalments



This business has far more debt than is manageable

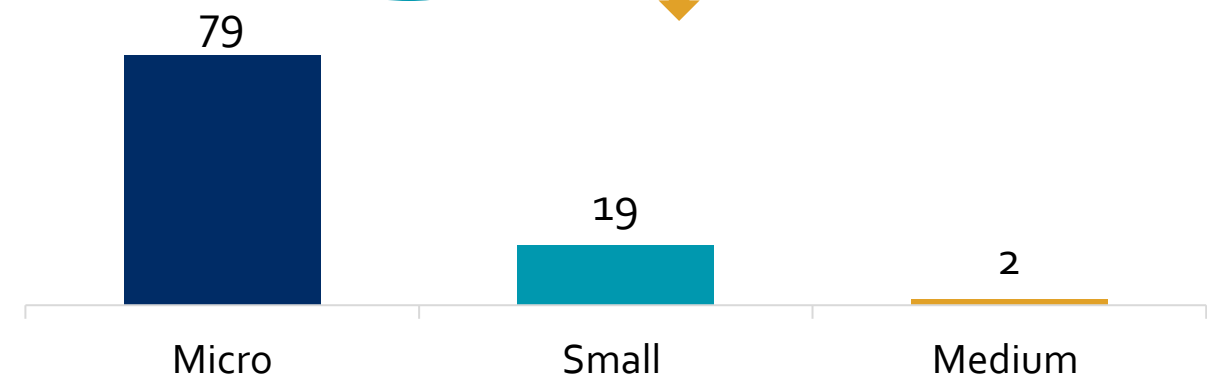
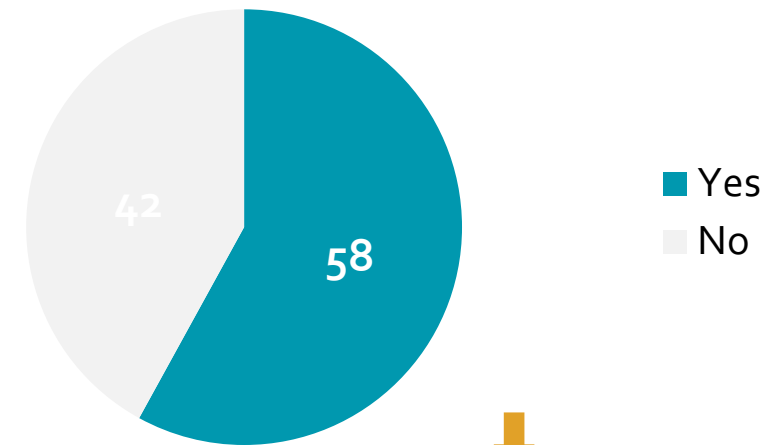


This business has missed more than two months of credit or debt repayments in the past 12 months



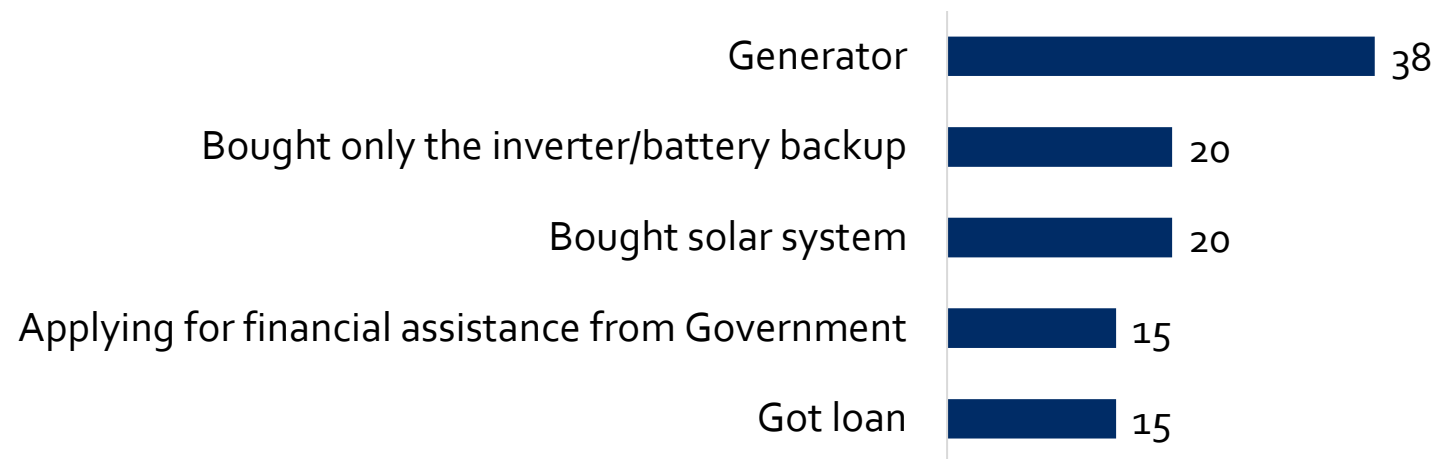
■ Agree   
 ■ Disagree   
 ■ Do not know/Not applicable

## MSMEs showing signs of indebtedness (%)



# How MSMEs are coping with loadshedding

## Steps taken to overcome loadshedding (%)



**20% of  
MSME owners  
have done nothing**

## Summary

The MSME sector is still **predominantly micro-enterprises** – interventions to graduate the small businesses are urgently needed.

With the high unemployment rate, there is a pressing need to find ways to graduate micro-enterprises to small, small to medium, and medium to large, to absorb as many unemployed people as possible.

Though the MSME sector has grown, this change is mostly skewed towards **informal MSMEs**.

Over the past four years, informal businesses have continued to provide job opportunities more effectively than formal enterprises.

While **formalisation** alone may not promote enterprise growth in the short term, bringing more enterprises into the formal economy over the long term should.

Some MSME owners still do not fully understand the incentives of formalising and registering their businesses.

MSME **support organisations** are underutilised but provide an essential lifeline to small businesses.

The requirements of the support funds and support programmes do not match the existing reality (of the majority of informal businesses).

The data shows a notable increase in the use of **Digital Financial Services (DFS)** amid a cash-driven MSME ecosystem.

MSME payments are still largely cash-based.

# Keynote address



small business  
development

Department:  
Small Business Development  
**REPUBLIC OF SOUTH AFRICA**

## Ms Mosa Makhele

DDG: Sector Policy and Research

*National Department of Small Business Development*



# Panel Discussion

## Panel moderator



**Obert Maposa**

Senior Data and Analytics Specialist  
*FinMark Trust*

## Panelist speakers



**Mr Alroy Dirks**

*Head of Strategy*  
*Small Enterprise Finance Agency*



**Ms Nontobeko Lubisi**

Director for Financial Inclusion  
*National Treasury*



**Dr Pali Lehohla**

Former Statistician-General of  
South Africa, *MPPN steering*  
*committee member*

# Closing remarks



## Phumelele Ngcobo

Specialist in Programme Development  
and Implementation

*FinMark Trust*





More than 20 years of  
making financial markets  
work for the poor

# Thank You

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## FinScope

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