

FinScope

Micro, Small and
Medium Enterprises
(MSME) survey
highlights



Eswatini 2023



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

Partnering for MSME development

The Blended FinScope MSME Survey Eswatini was designed to involve a range of stakeholders engaging in a comprehensive consultation process.

This enriches the survey and ensures appropriateness and stakeholder buy in. The Ministry of Finance chaired the steering committee which comprised the Centre for Financial Inclusion (CFI), Central Bank of Eswatini (CBE), Central Statistical Office Eswatini (CSO), The Financial Services Regulatory Authority (FSRA), First National Bank (FNB), Standard Bank, Nedbank, Eswatini Savings & Development Bank, Eswatini Mobile Ministry of Commerce, Industry and Trade (Co-Chair), FINCORP, IDCE, ENIDCS, SEDCO, UNDP Eswatini, European Union Eswatini, World Bank Eswatini and MTN Eswatini with expert technical assistance and project management from FinMark Trust. The data was collected by ESEPARC with statistical oversight (sampling and weighting) and data collection quality control from Central Statistics Office Eswatini.

This survey was funded by the Government of Eswatini and the SADC Secretariat through the SIBE Programme with funding from the European Union and the United Nations Development Programme Eswatini.



Government of Eswatini



European Union



Centre for Financial inclusion



SADC Secretariat



UNDP

Introduction

The Government of Eswatini recognises the MSME sector's role in improving and developing the business climate to catapult the sector's potential in creating jobs and increasing tax contributions and national income. The study speaks directly to the two-pronged approach articulated in the policy, i.e. firstly by understanding and improving the MSME ecosystem and secondly, pursuing a targeted approach to serving various MSME subsegments. Thus, the study aims to unveil the ecosystems and apply a segmentation that identifies key subsegments that have the potential to propel the sector forward.

Therefore, in an attempt to understand and meet the information needs, a repeat Blended FinScope MSME survey was conducted in 2023 to track changes in the sector since the baseline study of 2017.

Methodology

The FinScope MSME Survey Eswatini 2023 was conducted with a sample of 3,343 adult business owners who were selected at the enumeration area level across the country. The sample for the survey

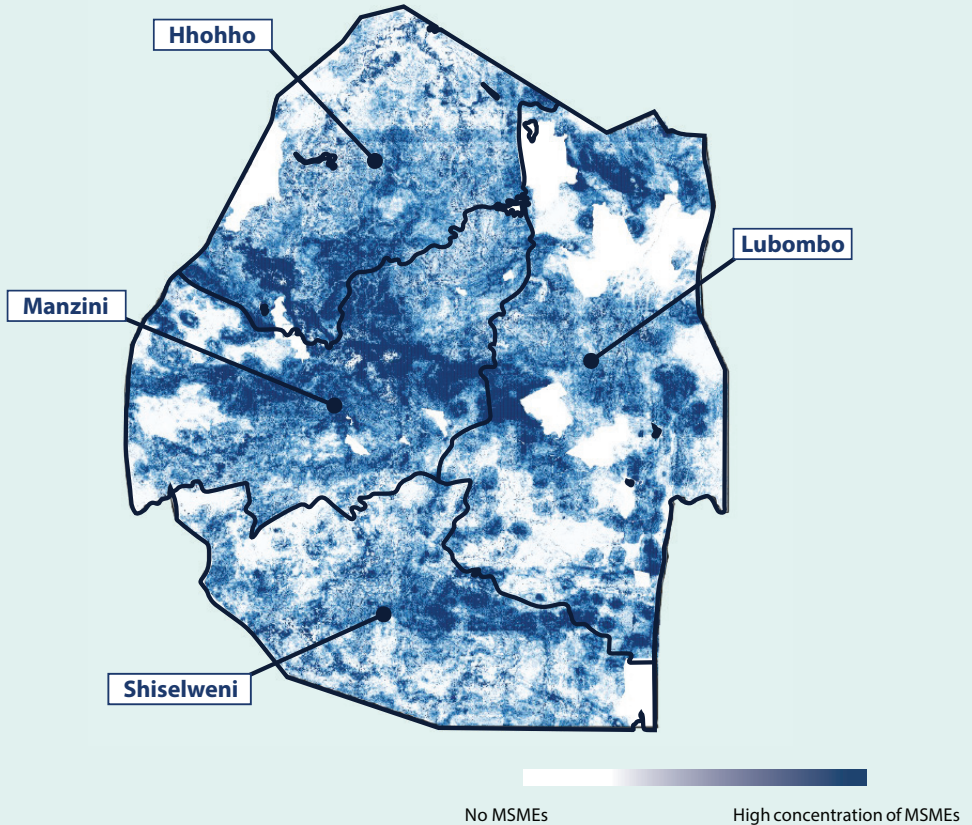
was designed by the CSO and FMT and had the following characteristics:

- 18 years or older
- Consider themselves to be business owners/ generating an income through small business activities
- Employing no more than 60 employees
- National, regional and urban/rural representative sample

Survey objectives

- To assess the size and scope of MSMEs in Eswatini
- To describe the levels and landscape of access to financial products and services (both formal and informal) as well as track the level of financial access since 2017
- 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

Geospatial distribution of MSMEs in Eswatini



Using geospatial modelling, the distribution of MSMEs is concentrated in the central business districts in towns, mainly Manzini and Mbabane. Other areas indicate commercial activity close to border posts.

Business definition by the number of employees


**INDIVIDUAL
ENTREPRENEUR**
(a subset of Micro)

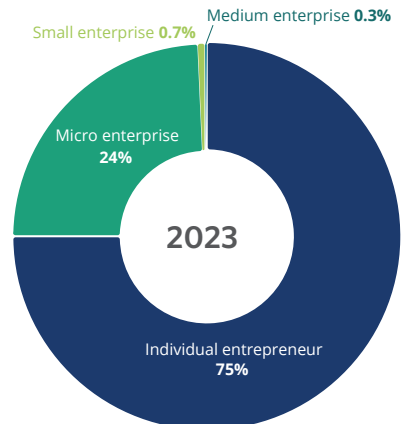
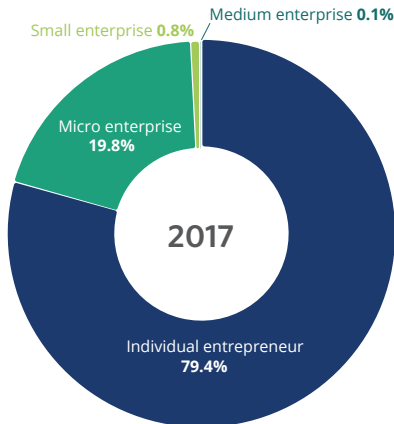

MICRO


SMALL


MEDIUM

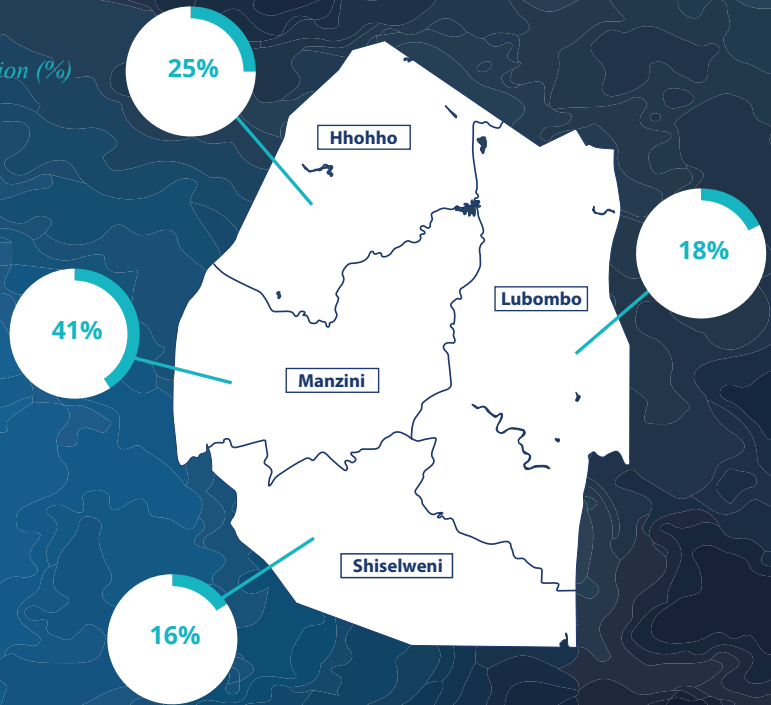
Employees	0	0 to 10	11 to 20	21 to 60
Turnover (€)	€60,000	€60,000	Up to €3 million	Up to €8 million

*NB: The revised policy of 2023 defines MSMEs according to two criteria, being the number of employees and turnover, as the value of assets is not easy to measure and tends to be industry-related (MSME Policy V1.3 2023)

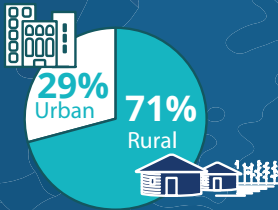


MSME by region

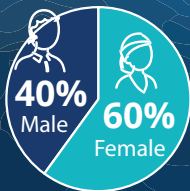
Distribution of businesses by region (%)



Distribution of businesses by area (%)



MSME owner by gender (%)

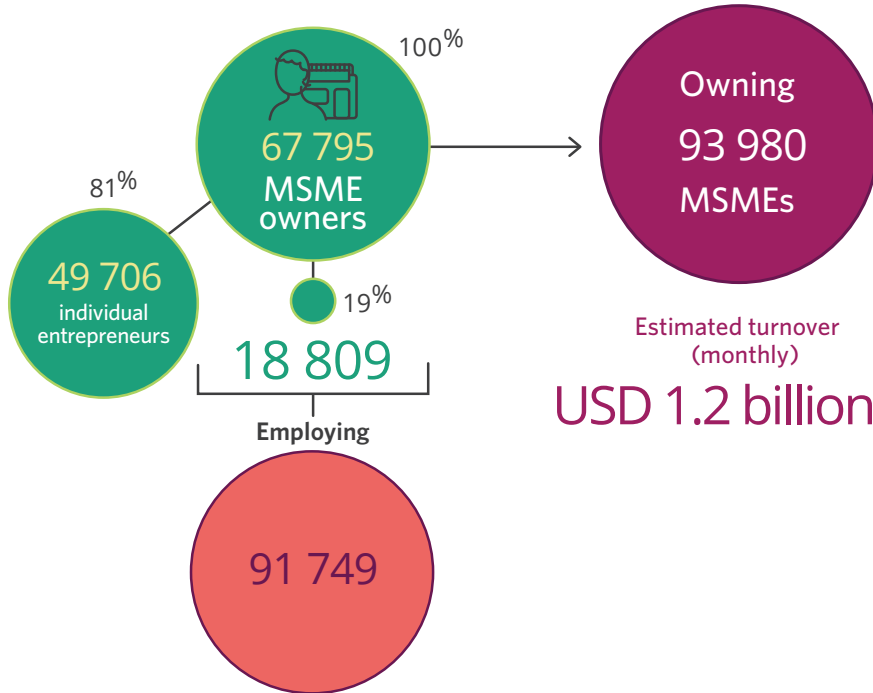


Looking at gender, a higher proportion of female business owners reside in rural areas (75%) compared to males (65%). The proportion of urban MSMEs has increased in 2023 by 5 percentage points. Manzini still takes the lion's share of small businesses.

Size and scope of the MSME sector

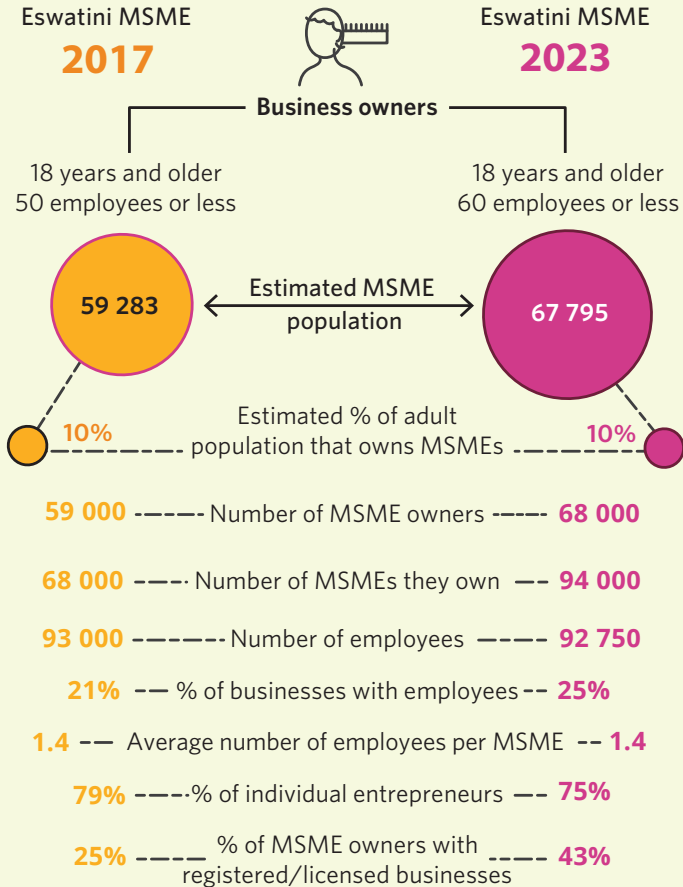
160 264 people work in the sector

(this number includes 49 706 individual entrepreneurs and 18 809 other business owners with 91 749 employees)

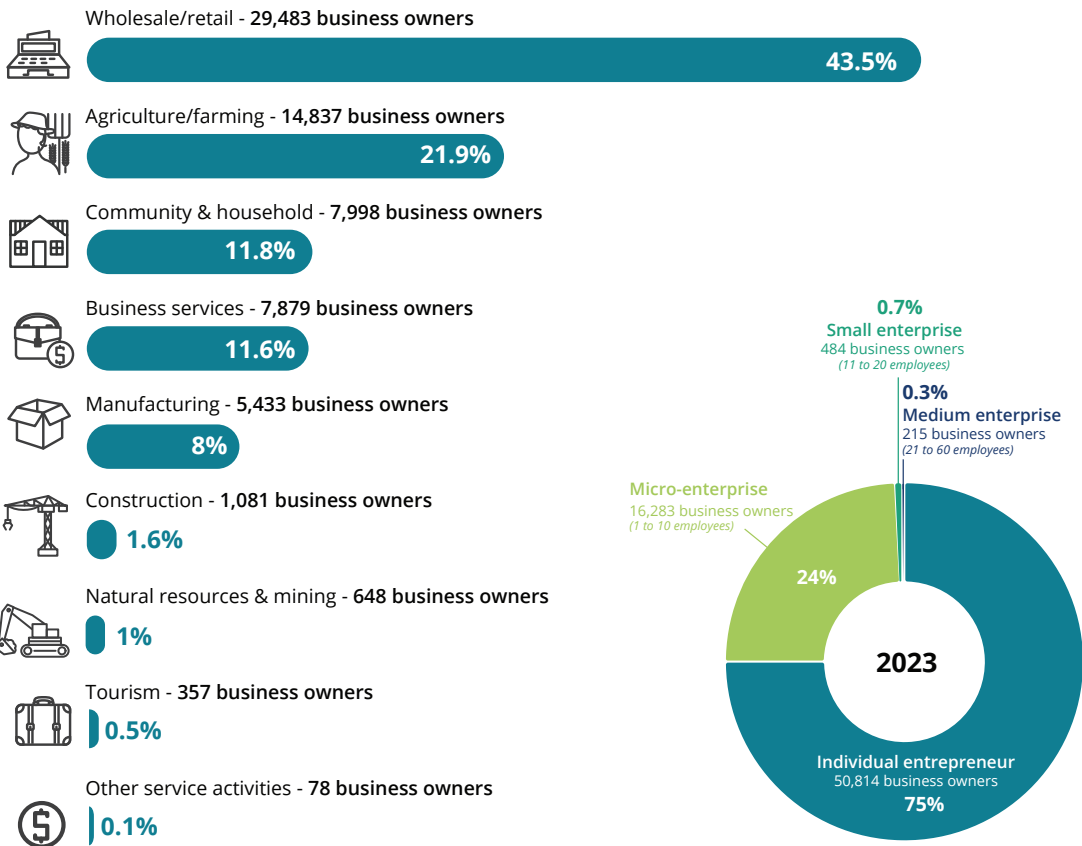


(including all full-time, part-time, seasonal and business owners who consider themselves as employed by the business)

Size and scope of the MSME sector

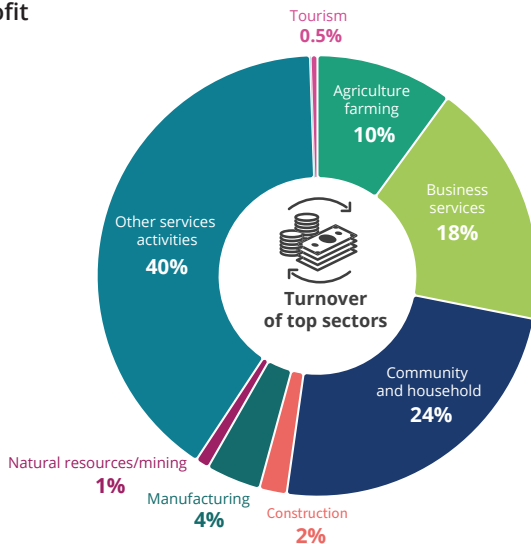


Size and sectorial distribution of the MSME sector



MSME turnover by sector

	Total monthly profit (USD)	Mean monthly profit (USD)
Wholesale/retail	12,8 million	440
Community & household	7,8 million	990
Business services	5,8 million	750
Agriculture/farming	3,1 million	210
Manufacturing	1,4 million	260
Construction	678,000	250
Natural resources and mining	164,000	250
Tourism	160,000	450



MSME TURNOVER BY SECTOR

Exchange rate: SZL/US\$ exchange rate in 2023 Q3 USD/SZL = 18.4

Total MSME Profit
(value addition):

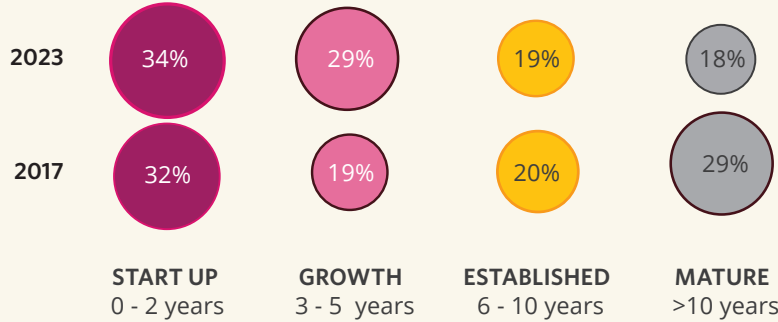


**USD
32 million**

Value addition was calculated using the sum of turnover less the sum of expenses of the sector.

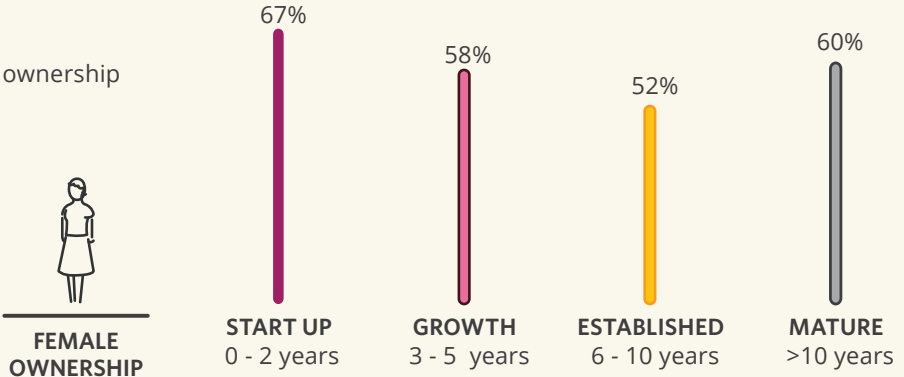
Business life cycle

By business age (years)



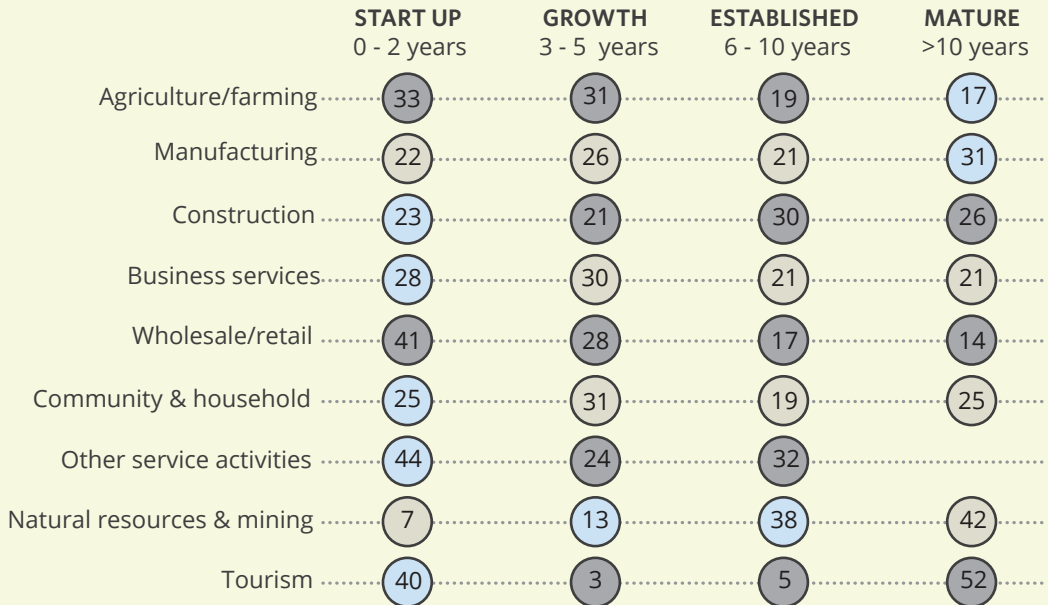
The proportion of start-ups is slightly higher in 2023 as we see a higher proportion of MSMEs in the growth phase of the business lifecycle. The businesses in the established and phases remain stable with a notable decrease in the mature enterprises between 2017 and 2023.

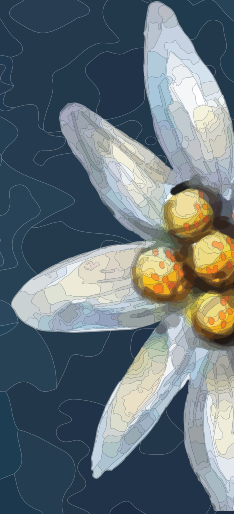
By female ownership

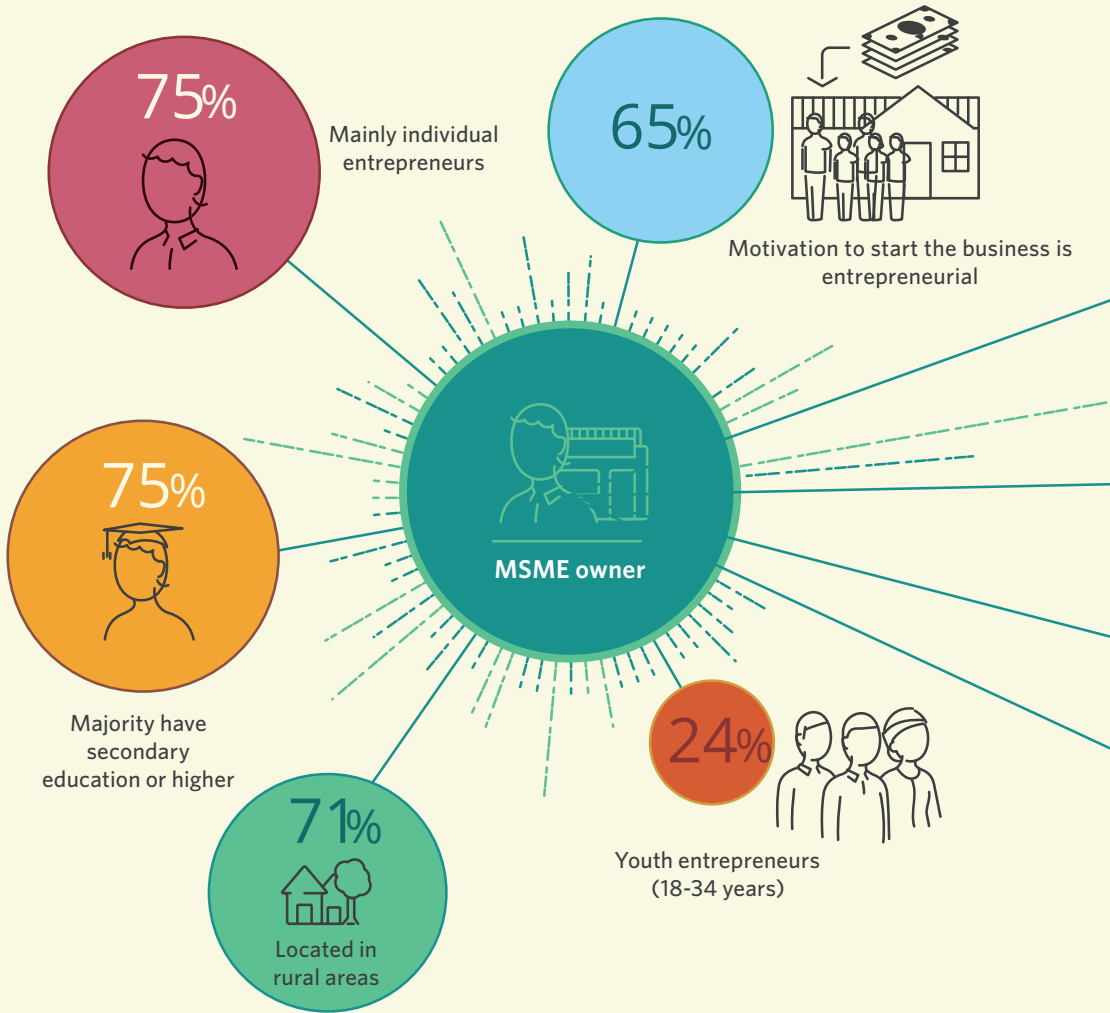


The proportion of female business owners tend to decline as the firm grows in the business lifecycle. More female owners in start up phase - 67% versus 60% in the mature phase.

Business life cycle

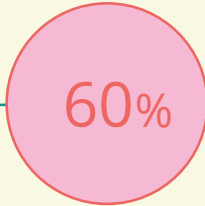




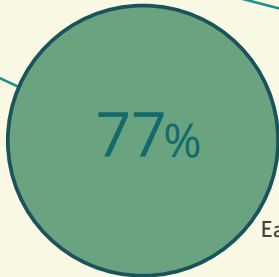
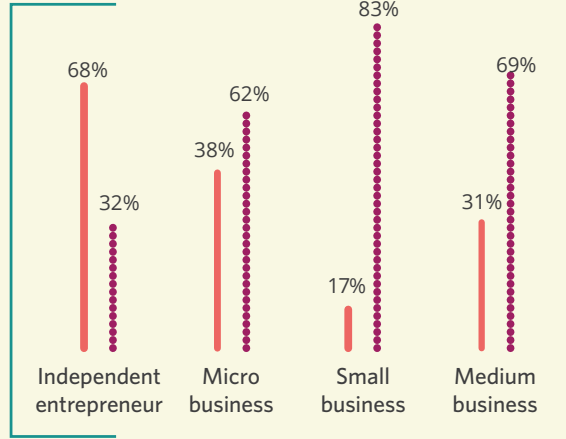




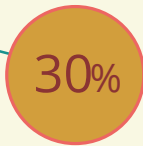
78%
Business is their main source of income



Are females (most females are micro businesses or smaller - 99%)

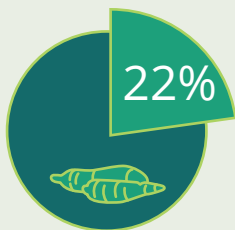


Earn E5,000 per month or less



Own more than one small business

Agriculture and farming



14 830 farmers

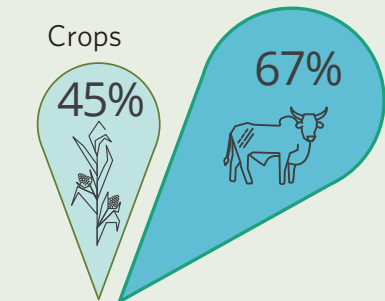
(22% of MSME sector) in primary agriculture

Livestock

Crops

45%

67%



MEDIAN LAND SIZE IS
2 HECTARES



Vegetables

58%

Corn/maize

52%

Fruits

12%

Sweet potatoes

11%

Chicken

73%

Swine/pig

23%

Cattle/buffalo (meat)

7%

Goat/sheep

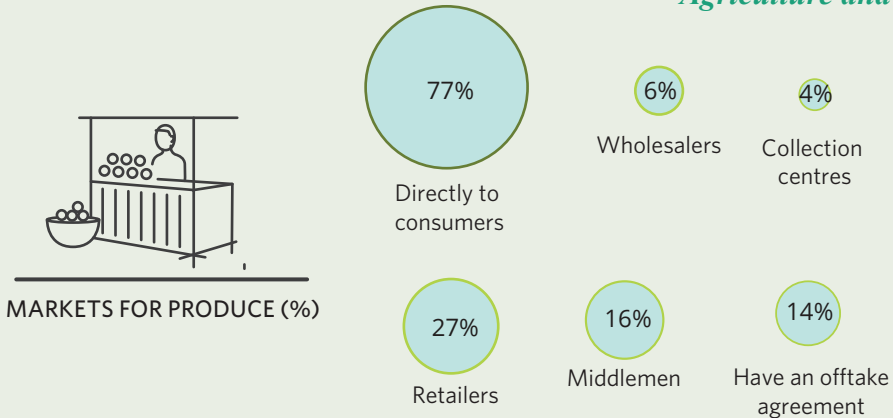
6%

TOP CROPS FARMED (%)

TOP LIVESTOCK
FARMED (%)



Agriculture and farming



Selling crop or livestock

63%

Use other income source

27%

Use savings

12%

Borrow from Agric-input supplier

5%

Get funds from friends/family

5%

SOURCE OF FARMING
INPUTS (%)

The markets for farm produce are spread across different players from direct consumers to retailers.

Inputs to farming show retained earnings from selling farm produce being the most common capital source.

Sourcing farming inputs through formal borrowing from bank (0.3%) and MFIs (1%) is limited.

Legal structure



43%

Formal value addition is **USD26 million monthly**
(calculated from the total profit)

Formal MSME sector (29 318)

30% MSMEs registered and 42% are
have a trading licence or permit



Informal value addition is **USD 6 million monthly**
(calculated from total profit)



57%

Informal MSME sector (38 478)

Legal and Compliance

Registration



57% of businesses are not registered/licensed



30%

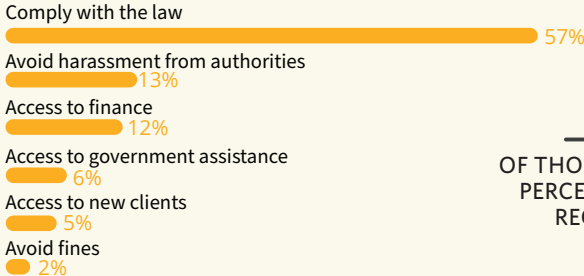
Licenses are issued by the Ministry of Commerce, Industry and Trade while permits are granted by the council (to trade in specific areas/zones).



TYPE OF REGISTRATION (%)



30% registered enterprises with the registrar of companies



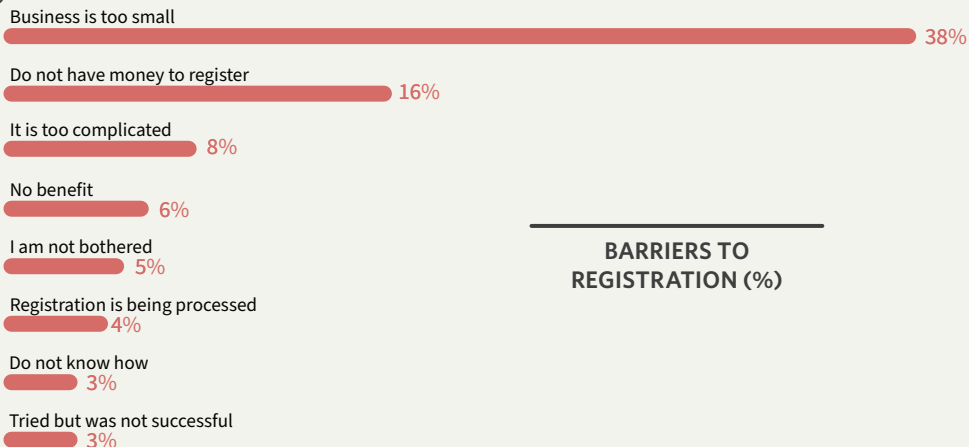
OF THOSE REGISTERED, THE PERCEIVED BENEFITS OF REGISTERING (%)

Legal and Compliance



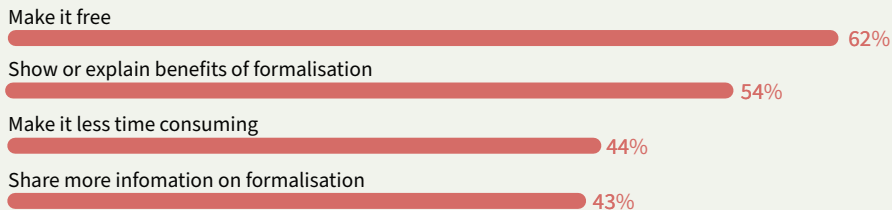
Barriers to registration and formalisation

70% of MSMEs are not registered



BARRIERS TO REGISTRATION (%)

57% of MSMEs are informal with 83% willing to formalise their business if government:



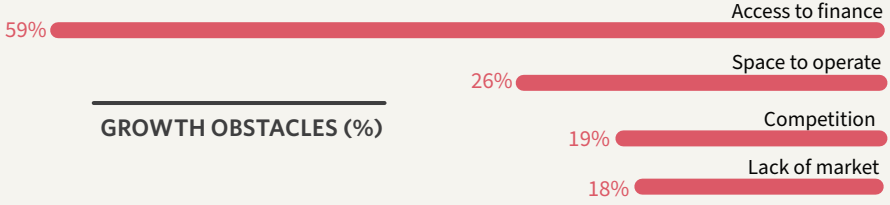
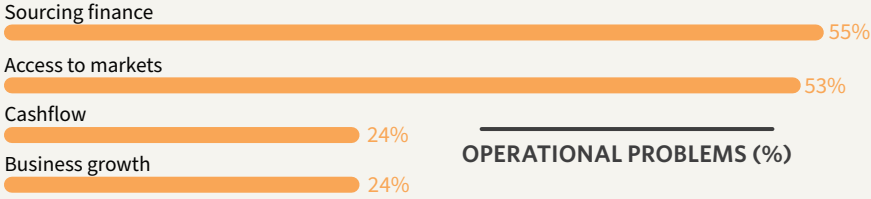
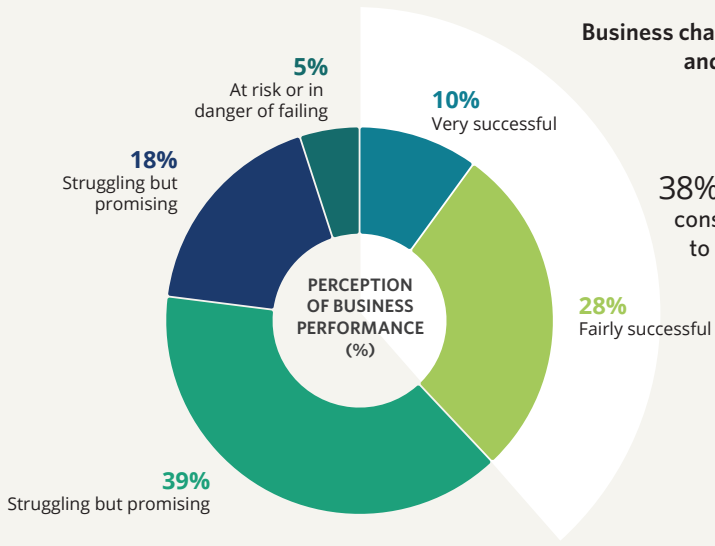
GOVERNMENT ASSISTANCE TO FORMALISE (%)

How businesses are doing

Business challenges and needs

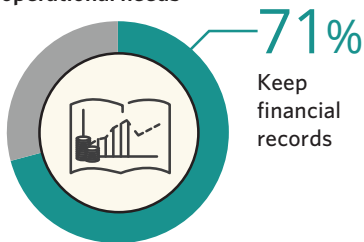


38% of MSMEs consider their business to be successful



Capacity to grow & challenges

Business operational needs

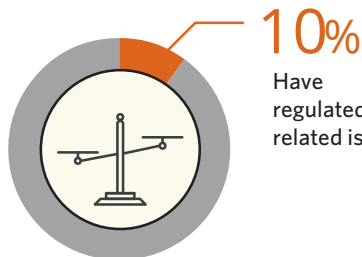


71%
Keep financial records

→ Of which 41% always keep records and 30% do so sometimes.

• Of the 41%, 11% do so electronically

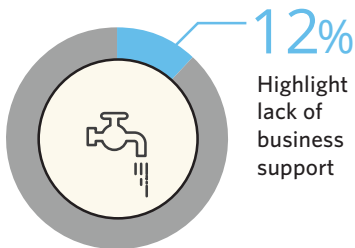
FINANCIAL RECORD KEEPING



10%
Have regulated-related issues

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

REGULATION ISSUES

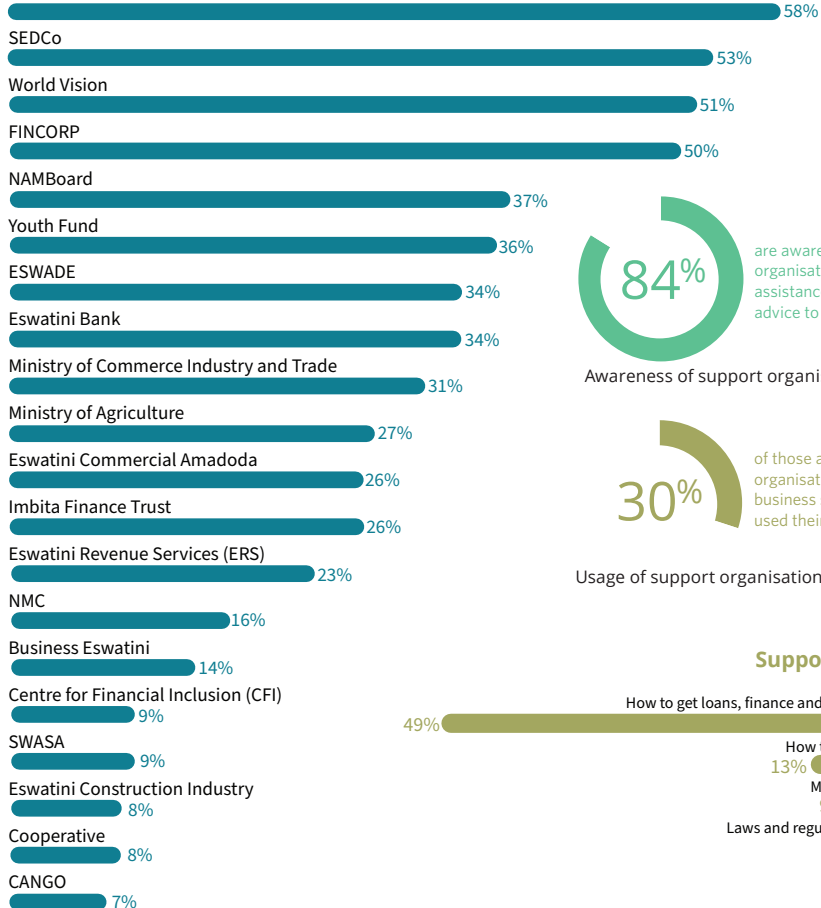


12%
Highlight lack of business support

→ Lack of business support impeding on successful business operations.

INFRASTRUCTURE ISSUES

Business support and awareness

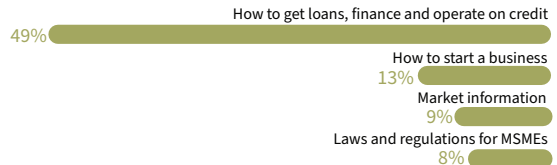


Awareness of support organisations

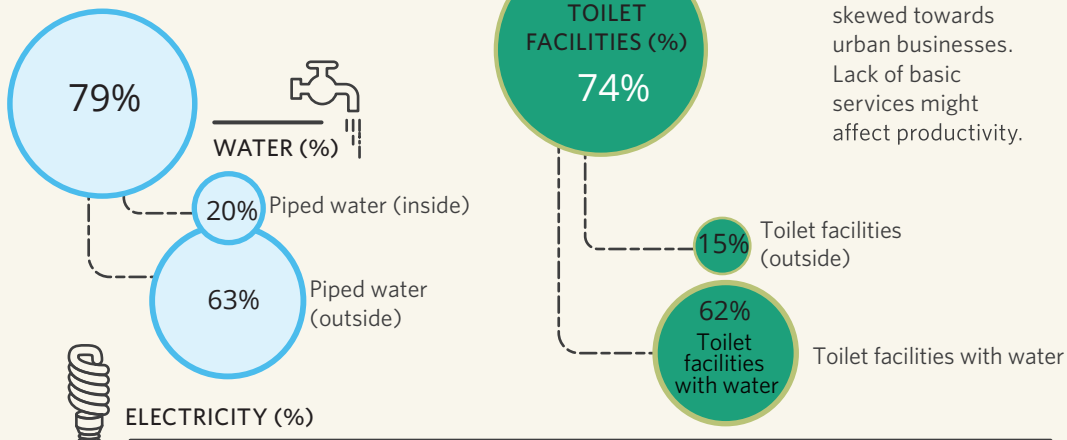


Usage of support organisations is low

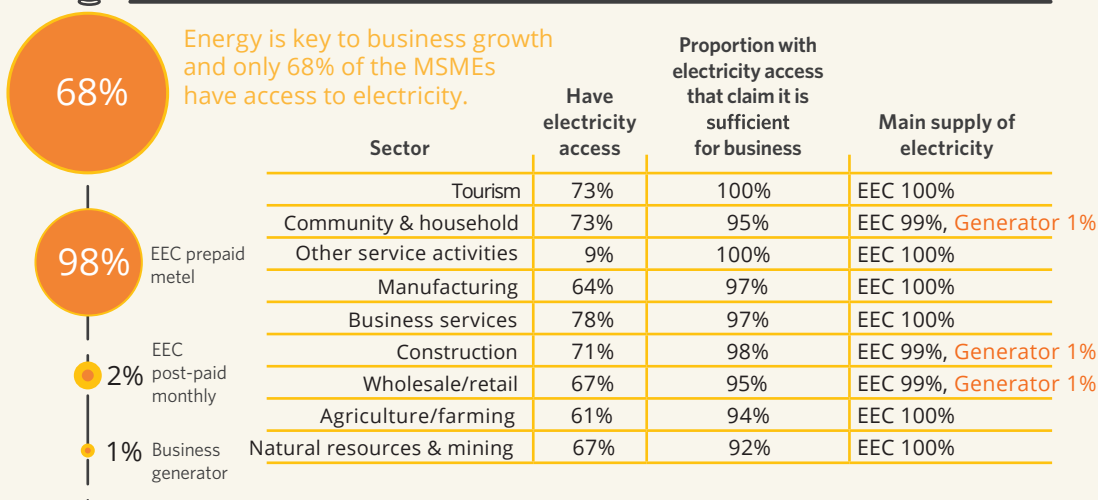
Support received



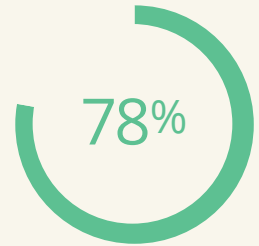
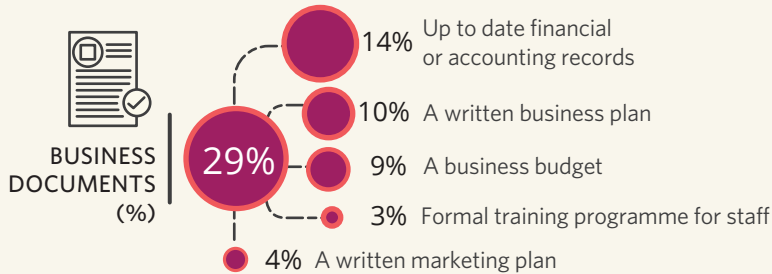
Access to amenities and resources



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



Business documents and technology

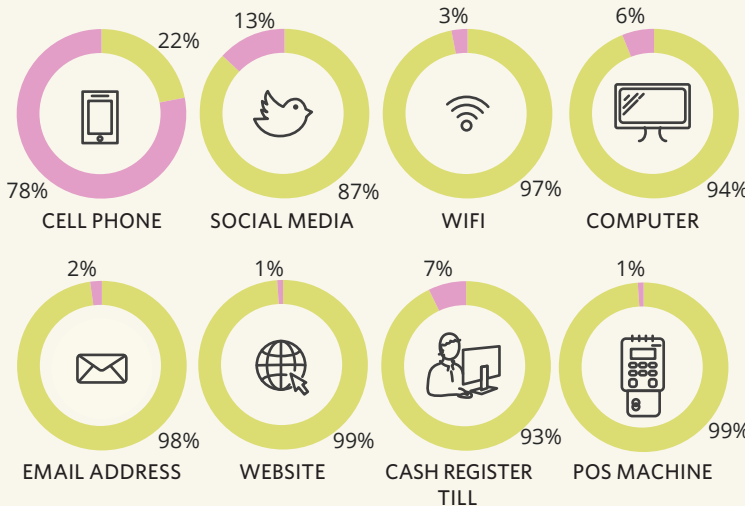


- About 71% of small businesses do not keep business documents such as accounting records, business plans among others.

of MSMEs use some form of technology in their business

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

- 16% of MSMEs were/are classified as essential service during the Covid-19 lockdown period
- Four in five MSMEs considered the pandemic to have had a negative net impact on their business, while others considered it positive (8%) or of no major impact (9%).

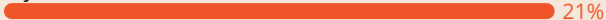
I could not operate AT ALL due to lockdown



I could operate PARTIALLY due to lockdown



My client/customer base was affected



I could not get supplies for my business



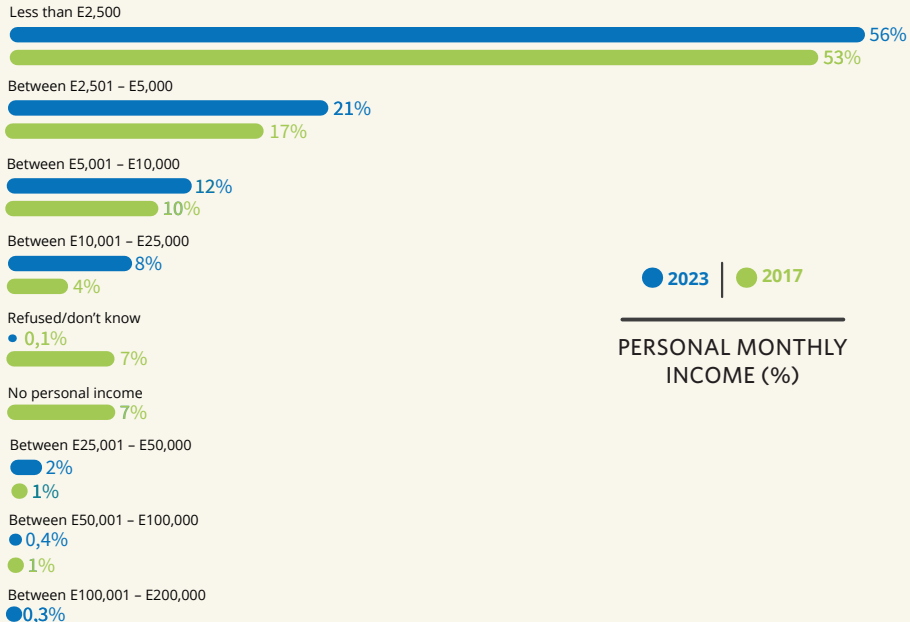
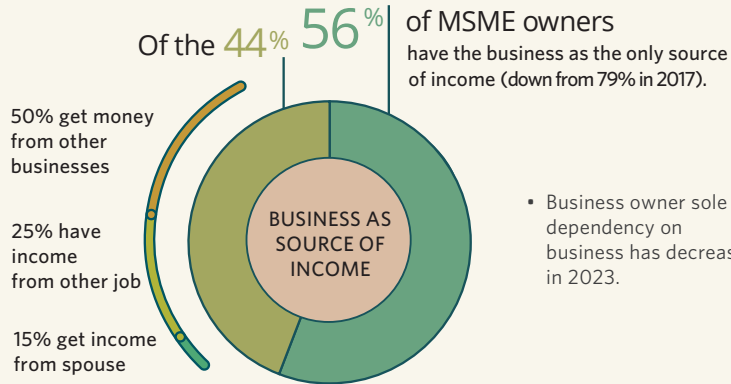
I had to temporarily close operations due to restrictions



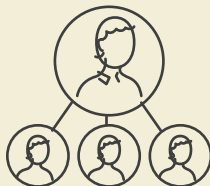
NEGATIVE IMPACT ON BUSINESS (%)

- **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



Employees



There are about **17,000** full-time employers with **44,800** full-time employees (FTE) up from **10 thousand** employers with **31 thousand** FTEs in 2017.



54%
of full-time
employees are **male**

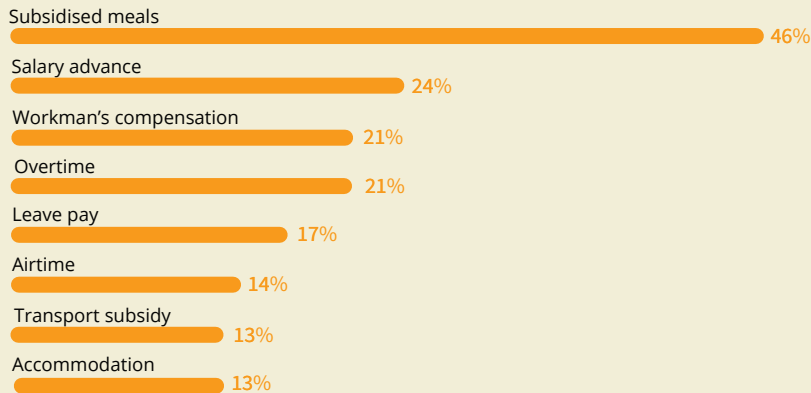


7%
of full-time
employees are
family members

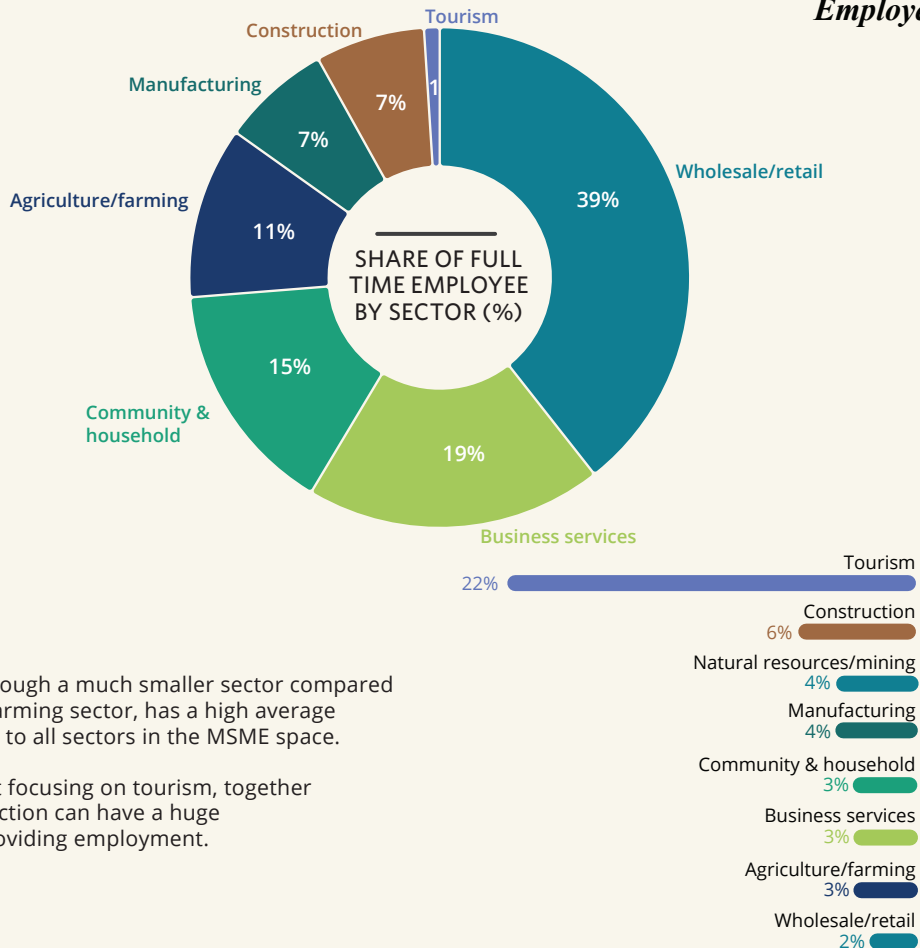


68%
have **high school education**
and 11% have vocational or
university qualification

Employee benefits include:



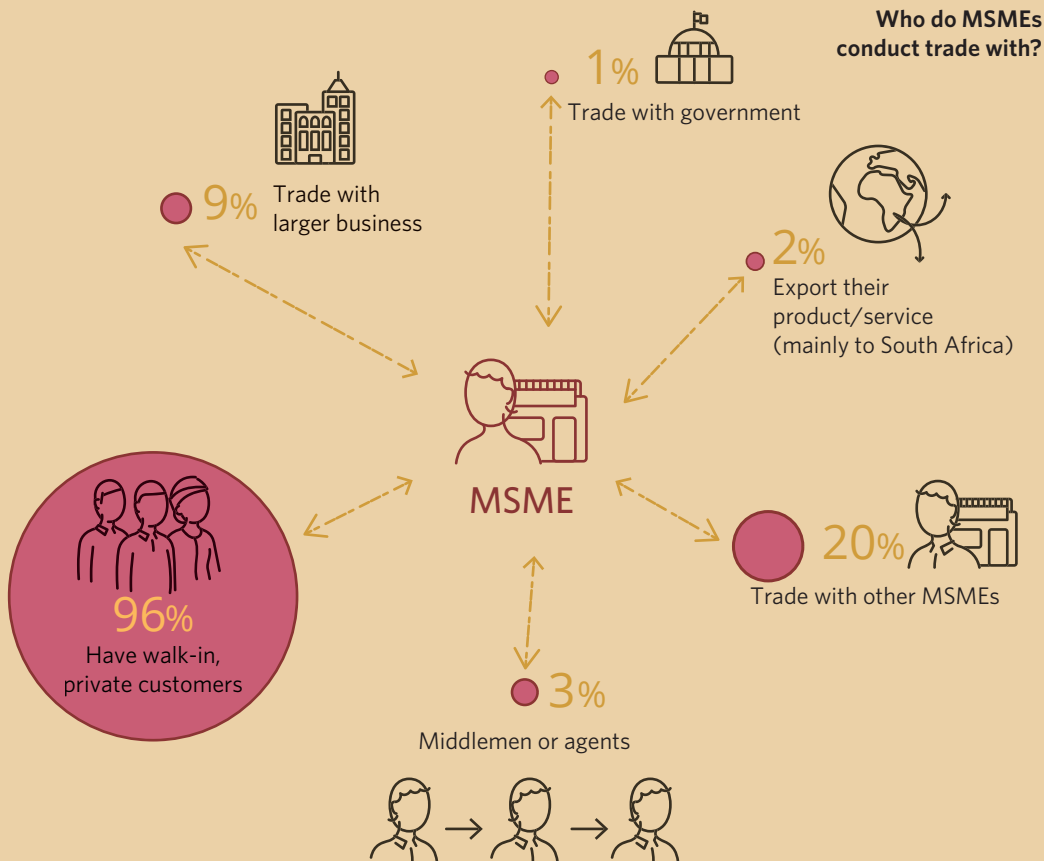
85%
Largely
paid in cash,
8% through DFS



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 construction can have a huge impact in providing employment.

Access to markets



Overview

31
2023

31
2017



More micro-entrepreneurs

96%

78%



More females own MSMEs
(mainly micro-enterprises)

60%

65%



Most MSMEs still located in rural areas

71%

74%



Wholesale/retail sector is still the
largest & growing

44%

39%



Formal enterprises have increased

43%

25%

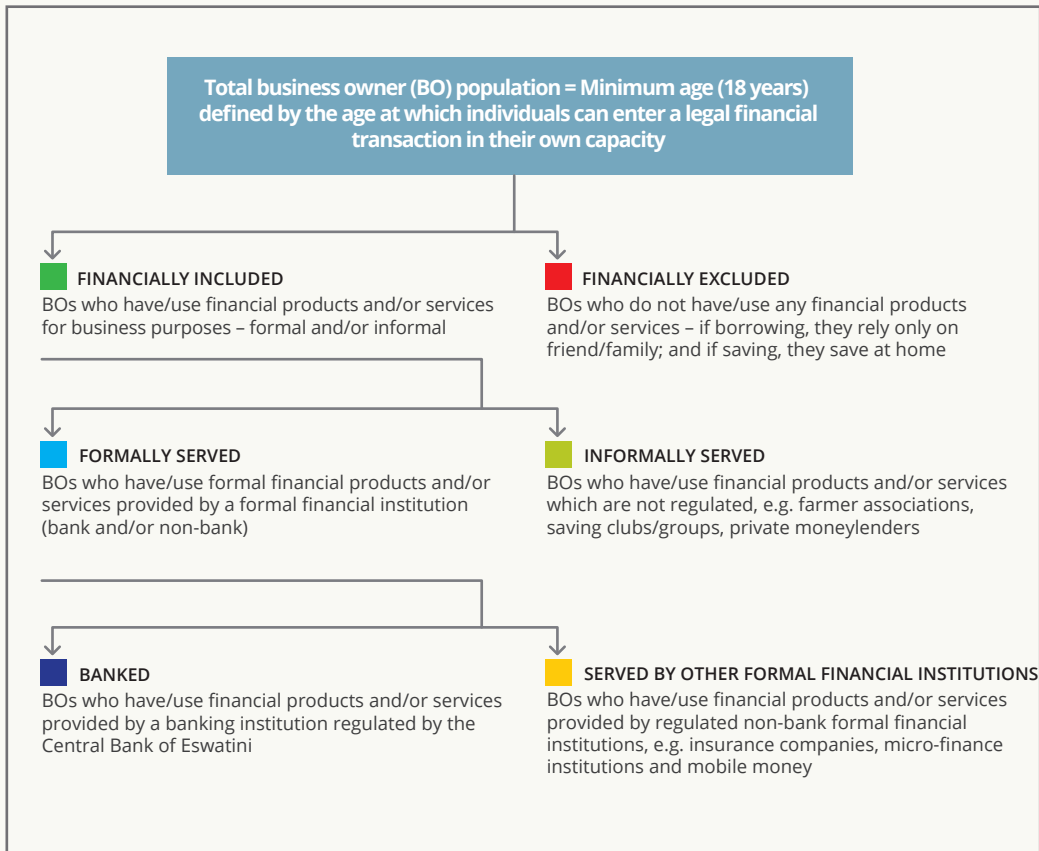
Financial Inclusion

- Financial inclusion has improved among the MSME owner population in Eswatini in the past six years in the first tier of access with 84 per cent having formal financial products.
- Overlaps have shown that business owners use both banking and mobile money together with under 7% of the business owners being solely reliant on bank products. This points to the interoperability between banking and non-banking products such as mobile money which have improved the access to formal products.
- The main drivers of the formally included business are banking and mobile money products and services is largely for payments with banking and mobile money with insurance having two in five businesses being formally insured.
- Informal finance through savings and credit groups has been the main driver in credit and savings outpacing formal credit and savings products.



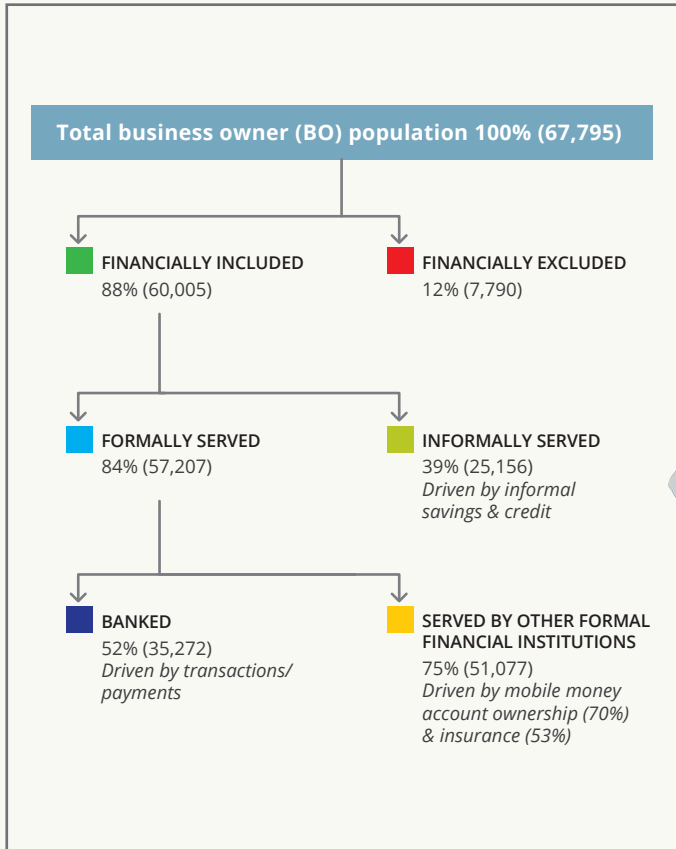


Financial Inclusion





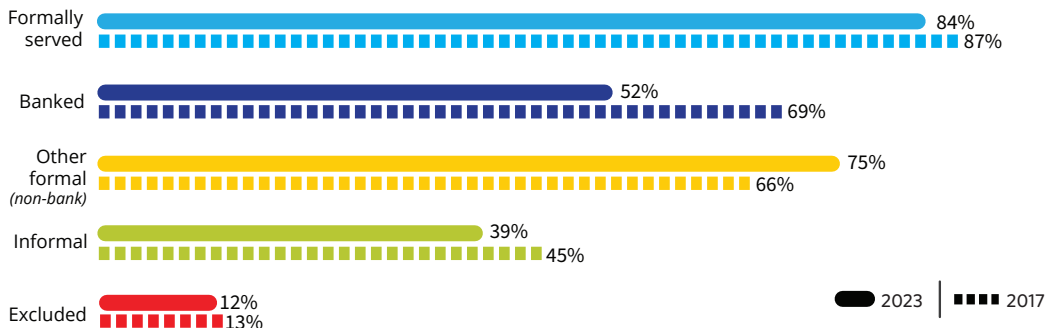
Financial Inclusion of Swati MSMEs (with overlaps)



Financial Inclusion

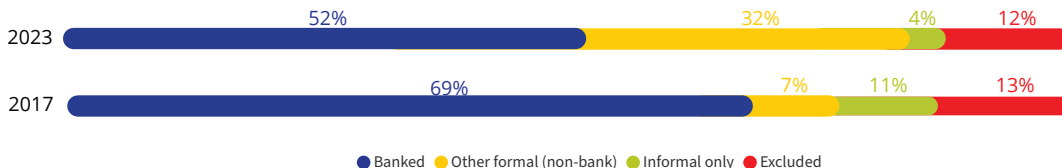
Overall levels of financial inclusion, overlaps and MSME Financial Access Strand

Overalls with overlaps



Access Strand

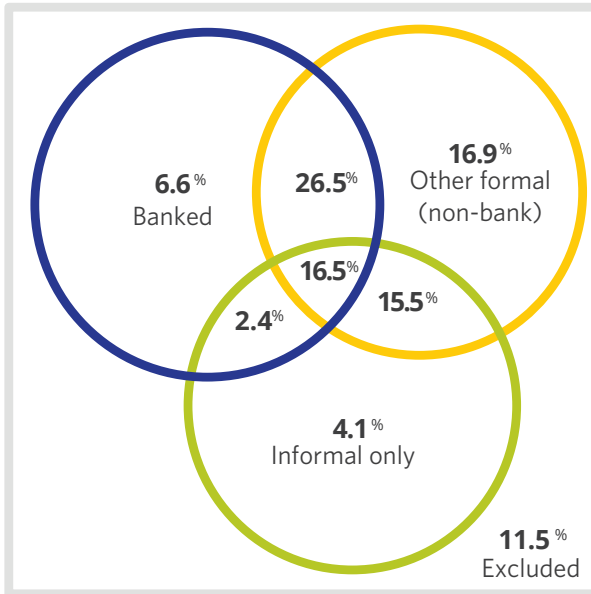
- In constructing this Strand, the overlaps in financial product/services usage are removed, resulting in the following segments: Financial exclusion among business owners has decreased by 1 percentage point.
- Uptake of informal financial products among business owners who do not use formal products has decreased by 7 percentage points.
- A notable decrease of business owners who have/use commercial bank products/services to 1 in every 2 business owners.
- Uptake of other formal (non-bank) products/services among business owners has ballooned to 32%. Business owners might also be using informal products or services.



Financial Inclusion



Overlaps



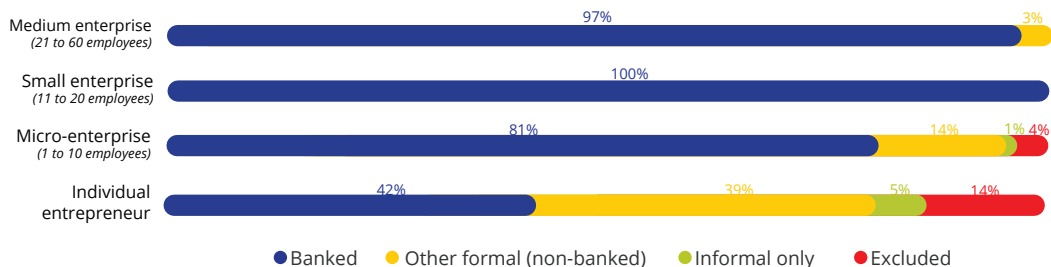
Due to rounding off, exclusion is reported as 12%.

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

- Only 7% of business owners rely exclusively on banking services.
- Around 34% use a combination 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 4% of the business owners rely ONLY on informal mechanisms such as savings groups and loan sharks.

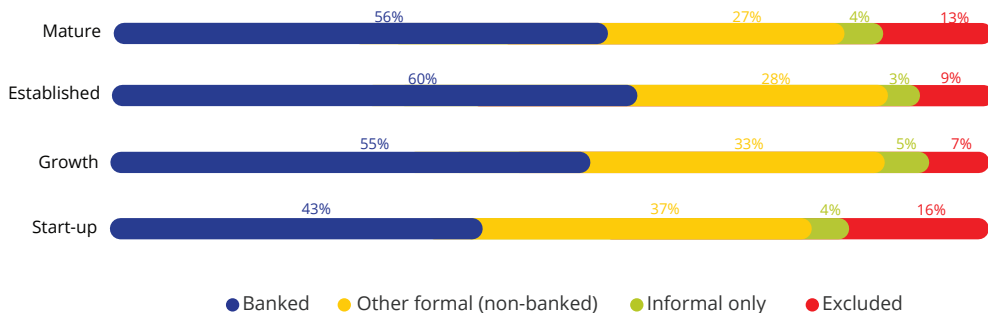
Access strands

Access Strand by MSME size

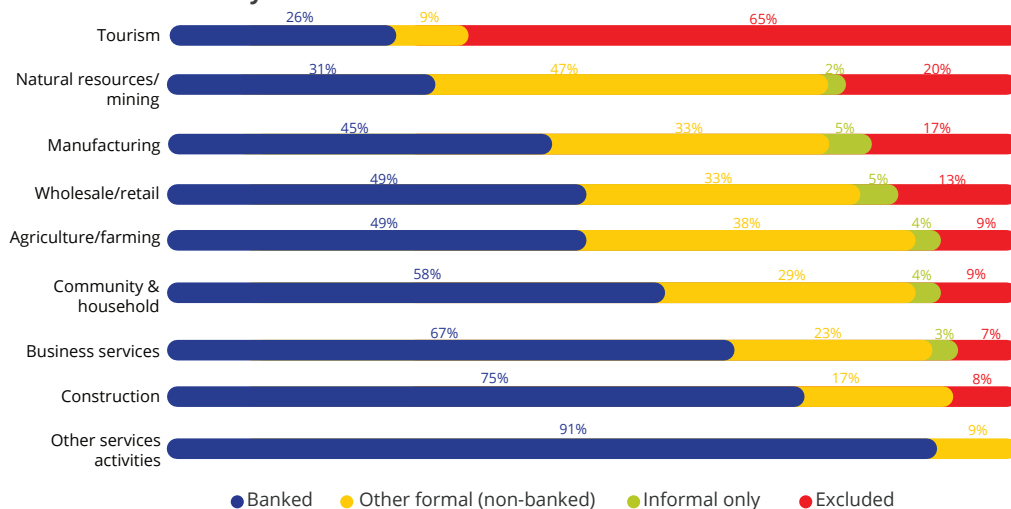


- *The smaller the business the less likely it is that the business owner uses/has banking products to manage the business's finances.*

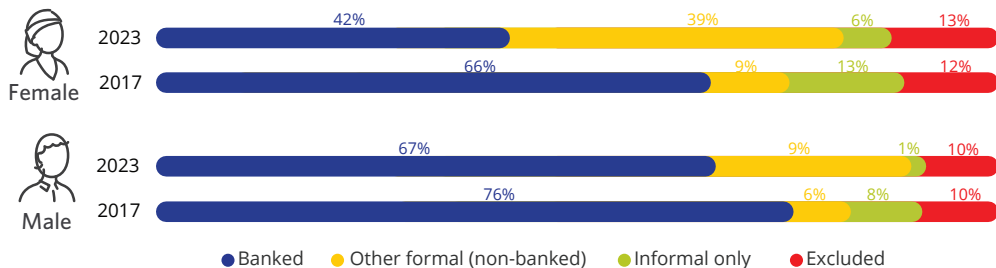
Access Strand by business life cycle

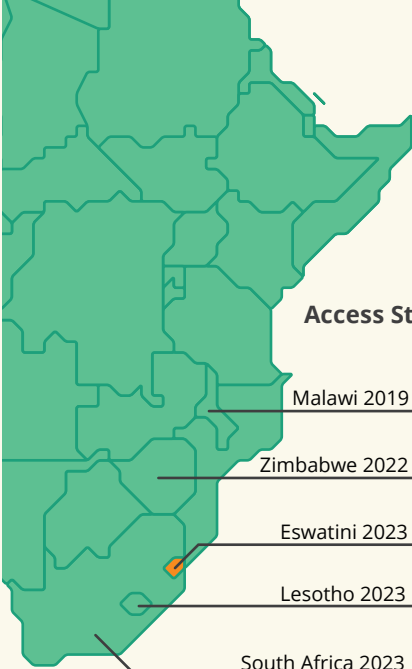


Financial inclusion by sector

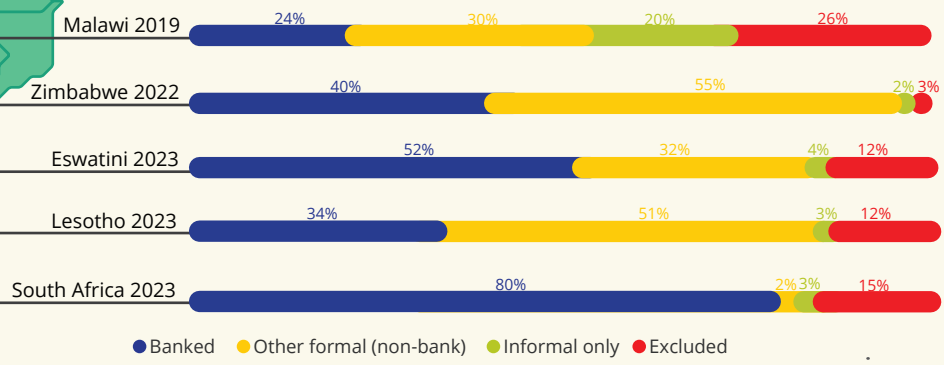


Access Strand by MSME owner's gender

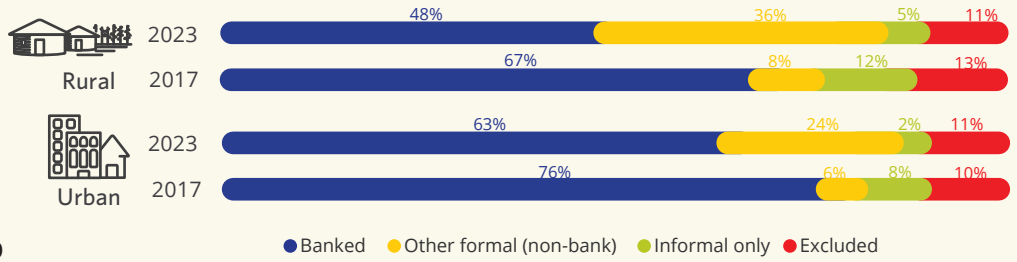


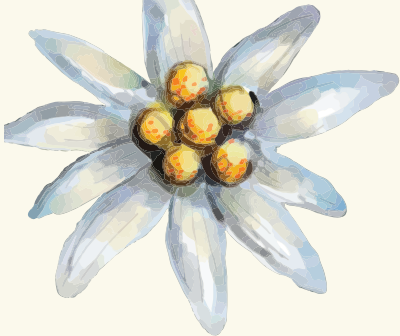


Access Strand by country comparison

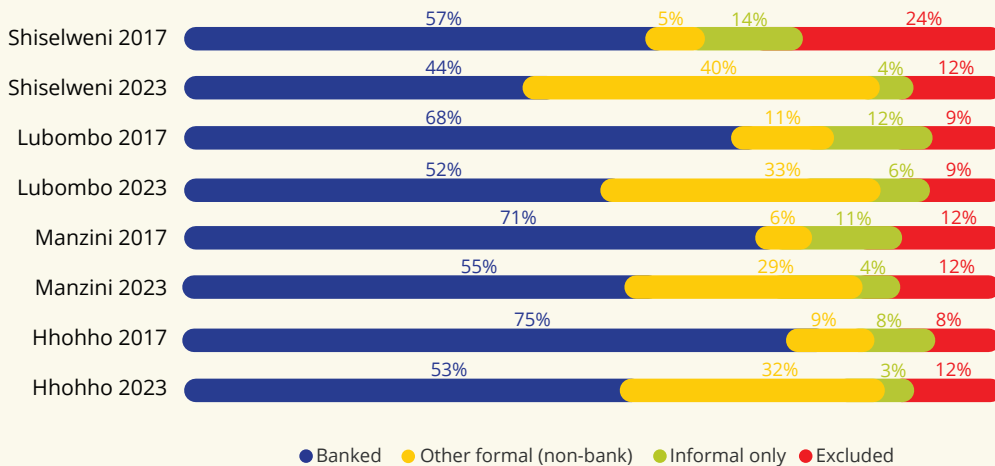


Financial inclusion by MSME distribution: area type





Financial inclusion by MSME distribution: Region



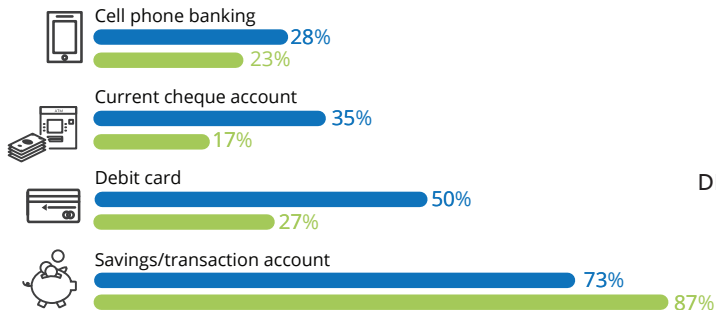
Landscape products



Banking

Drivers and needs

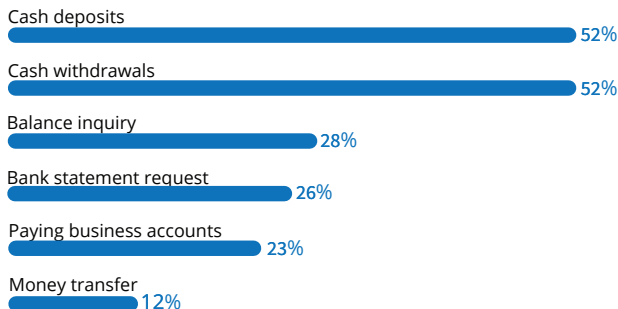
- Almost one in three banked businesses use bank digital financial services, i.e. electronic transfers, online banking, etc.



— 2023 | — 2017

**MAIN BANK PRODUCTS
DRIVING TRANSACTIONS (%)**

- 2023: Banked business owner population decreased to 52% largely driven by transactions (96%).
- While bank account access has decreased among the business owner population, usage for business purposes is higher. Only 26% of banked business owners have an account in the business' name (vs 14% in 2017).
- An additional 25% of business owners use over-the-counter (OTC) bank wallet services.



**MAIN TRANSACTIONS
PERFORMED IN 2023 (%)**

Landscape products



Banking Barriers

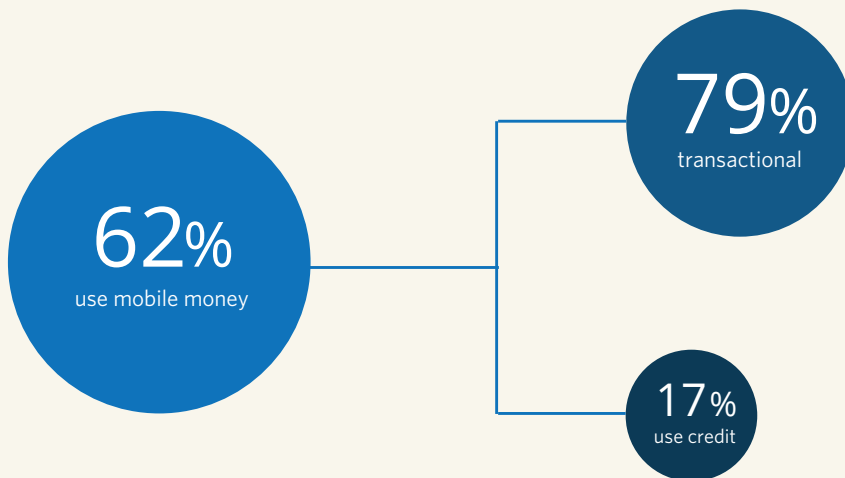


— 2023 | — 2017

BARRIERS TO BANKING (%)

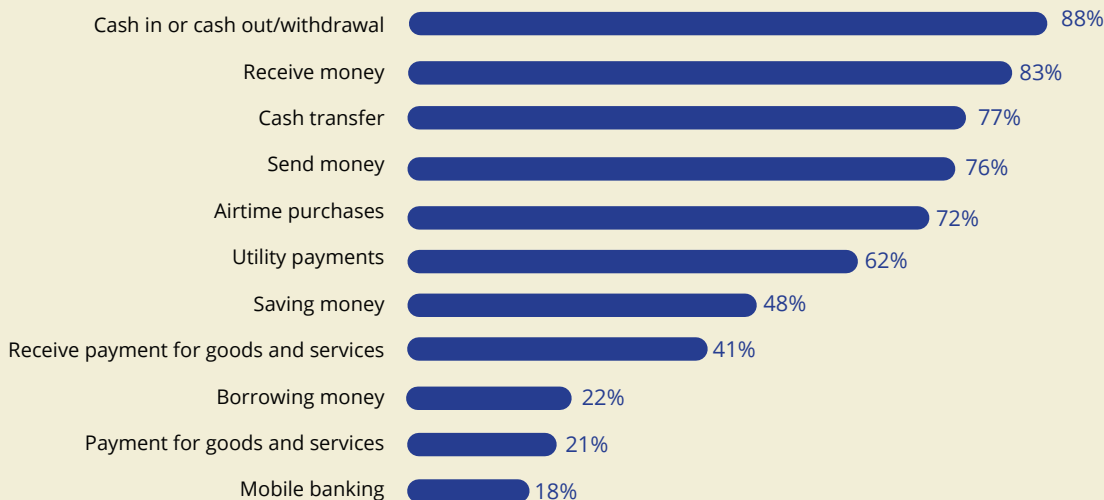
- There have been no changes in the main barriers to banking since 2017.
- The main barrier to banking is business size. Not surprisingly, the most unbanked business owners are individual entrepreneurs.
- Irregular income, both personal and business-related, is cited as a barrier, highlighting the frequency of income and the misalignment between bank cycles and income cycles.

Mobile money



- 39% of mobile money users conduct DFS through their accounts.
- An additional 5% of business owners use OTC mobile money services.
- 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.

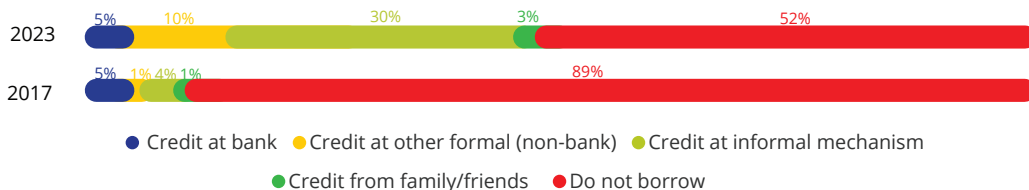
Usage of mobile money (%)



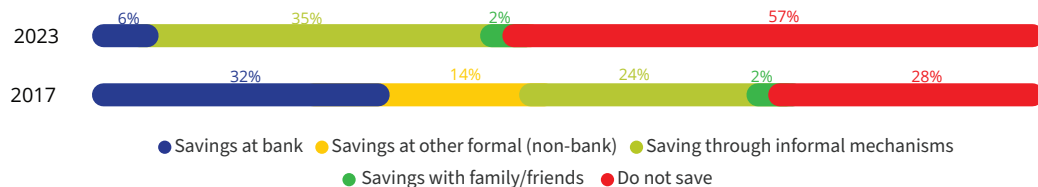
Financial inclusion: Overview



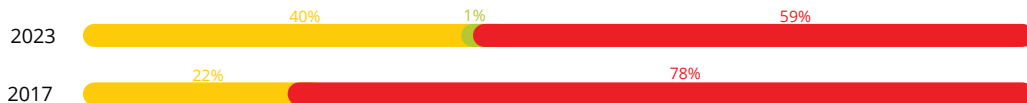
Credit Strand



Savings Strand



Insurance Strand



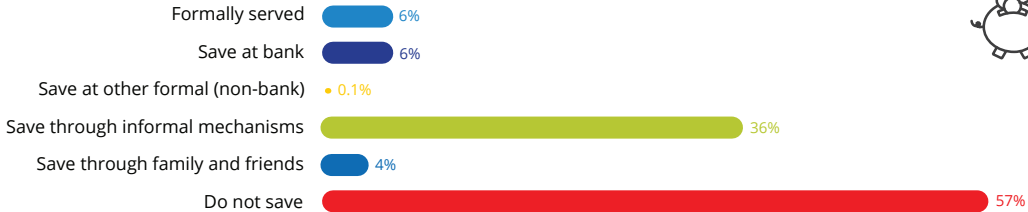
● Insured through formal (non-bank) ● Insured through informal mechanisms ● Not insured

Financial inclusion: Overview

Savings and investments (%)



Overalls with overlaps



Savings Strand

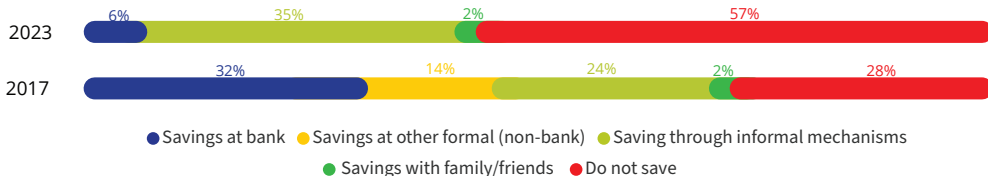
In constructing this Strand, the overlaps in financial product/ services usage are removed.

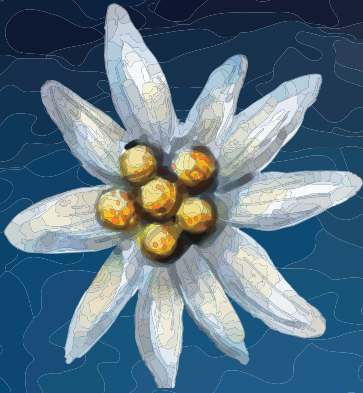
- 57% of business owners do not save. A 29 percentage point decline since 2017.
- There has been no change in the percentage of business

owners saving exclusively at home.

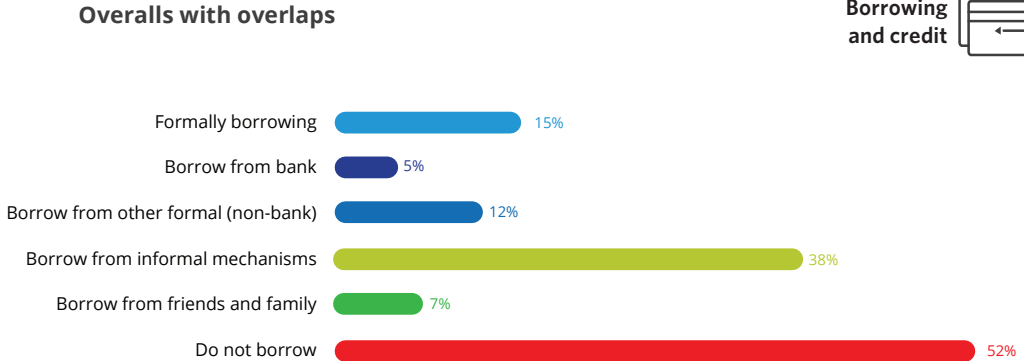
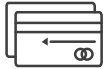
- 11 percentage point increase in the uptake of informal savings products. Business owners rely on informal mechanisms such as rotating savings and credit groups (they might also save at home, but they do not have/use any formal savings products).

- There has been a huge drop in the use of other formal (non-bank) savings products (0.1% from 14% in 2017).
- A sharp decline in the uptake of savings products from the bank. Only 6% of business owners have/use formal savings products from a commercial bank from 32% in 2017.





Borrowing and credit



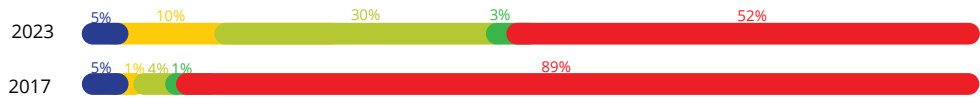
Credit Strand

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

- 52% of business owners did not borrow money in 2023. There is a 37 percentage point increase in business owners who borrowed from 2017.

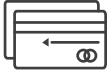
- There is a slight increase in the proportion of business owners who borrow from family and friends to 3% in 2023 from 1% in 2017.
- A 26 percentage point increase in the exclusive usage of informal credit mechanisms.

- There was also an increase in the current borrowing from other formal (non-bank) institutions in 2023 (10%) from 1% in 2017.
- Bank credit remained stagnant at 5% over the period.

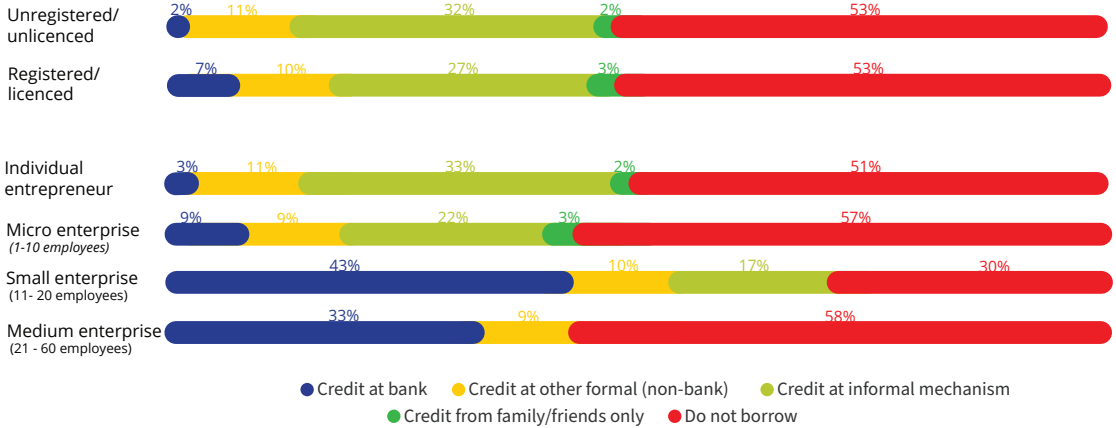


- Credit at bank
- Credit at other formal (non-bank)
- Credit at informal mechanism
- Credit from family/friends
- Do not borrow

Landscape products



Borrowing and credit by formalisation and business size



Business is slow so I am afraid to borrow



I do not qualify



Does not apply



Do not need to



I am scared

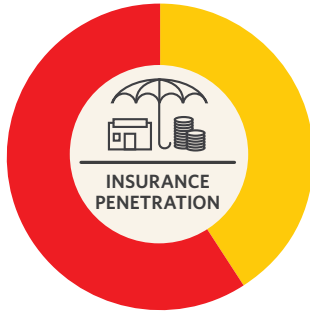


Borrowed in the past and paid back



- 52% of MSMEs are not borrowing mainly due to fear of debt, lack of qualification, and having no need to borrow.

Insurance and risk management



41%

Of businesses have insurance

59% Of businesses are not insured

- Formal insurance is up from 22% to 40%, primarily driven by personal insurance:
 - Funeral plan or cover (85%)
 - Life insurance cover (11%)
 - Medical aid (8%)
 - Workman's compensation (8%)
- 4% of MSMEs have business insurance, with 61% of them having compulsory cover
- The use of informal insurance is driven by funeral cover.

Insurance barriers for business owners:

Insurance too expensive



Do not know if there is any insurance like this



I do not need insurance



Do not know how to get insurance



Do not know where to get insurance



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

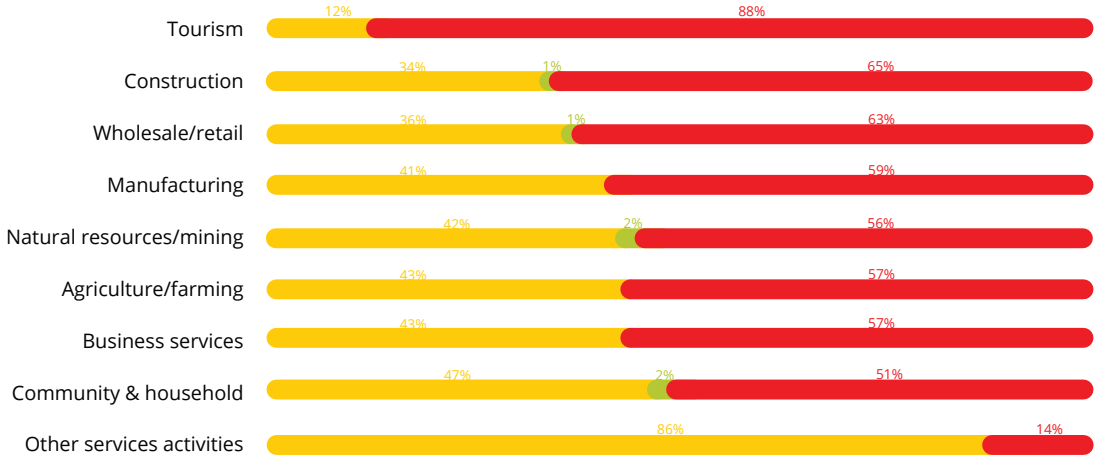


- Currently, 60% of MSMEs are not covered for any personal or property risk.
- The main barrier is the perceived expense of insurance and the lack of information on how to obtain insurance and the types of insurance that are relevant to MSMEs.

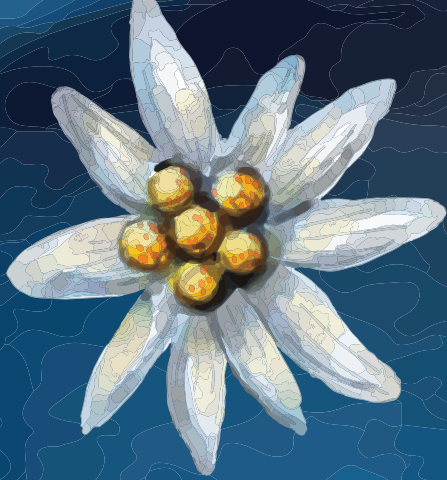
Landscape products



Access to insurance by sector



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



Conclusion



General

- The revised MSME Policy is quite descriptive on how to determine MSME size by number of employees. However, the turnover bands need revision based on the findings of the surveys of 2017 and 2023 to be reflective of the sector.
- There is an increase in the number of small businesses in Eswatini which is still mostly dominated by females particularly in the independent and micro segments.
- 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 regulation.
- The levels of formalisation are improving but the barriers remain the same for informal enterprises being largely business size. There are few or no perceived benefits to micro enterprises or businesses mainly in the start-up phases to register their businesses. It must be noted that not all businesses in the sector can actually yield benefits of formalisation and the cost of compliance may well exceed the benefits of registration.



Product uptake

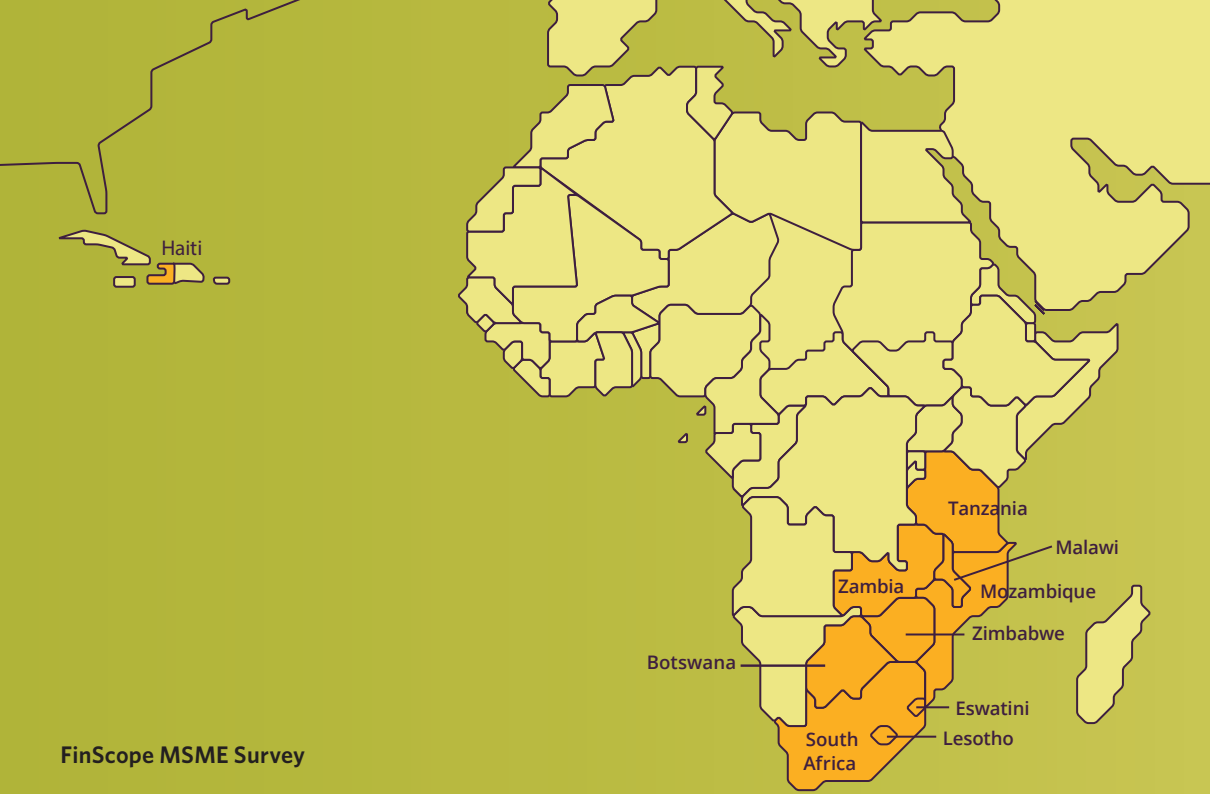
- Overall access to formal financial products and services is increasing albeit shifts across mainstream banking and mobile money. The primary uses for formal financial instruments are for risk mitigation and transactional purposes (payments). Both bank and mobile money services exhibit large user transaction volumes. However, as was the case in Zimbabwe, bank products have lower usage of digital financial services than mobile money. Insurance uptake is mostly determined by funeral plans and medical assistance, and it is intended for the business owner rather than the company's assets. There is very little access to formal savings or credit platforms.
- Despite the difficulty of obtaining financing has been consistent from 2017, the most frequent reason given by excluded business owners for not obtaining credit is their inability to qualify for credit due to size and slow business growth. This could be attributed to the fact that a larger percentage of businesses are individual and micro enterprises, which may not meet the conditions for formal financing, leading to a greater reliance on unofficial or personal channels.

- For MSMEs, the informal sector remains a vital source of finance, especially via savings and credit clubs. One strategy to increase and control access to MSMEs is to integrate non-formal financial services, such as stokvel accounts, with the formal financial sector. Gaining an understanding of the social capital and value systems that these credit and savings organisations operate in can help explain the design of some formal goods and services.
- The main drivers of the formally included business are mobile money products and services is largely for payments with banking and mobile money with insurance having two in five businesses being formally insured. Banking is still strong with one in two businesses being banked although it has taken a knock since 2017 showing a decline in the proportion of banked business owners.
- Informal finance through savings and credit groups has been the main driver in credit and savings outpacing formal credit and savings products.




Financial inclusion

- Financial inclusion has improved among the MSME owner population in Eswatini in the past six years in the first tier of access with 84 per cent having formal financial products.
- Overlaps have shown that business owners use both banking and mobile money together with under 7% of the business owners being solely reliant on bank products. This points to the interoperability between banking and non-banking products such as mobile money which have improved the access to formal products.



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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