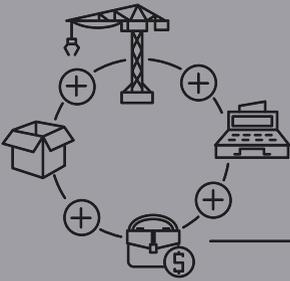




The Business Development Measure (BDM) is a tool developed by FinMark Trust

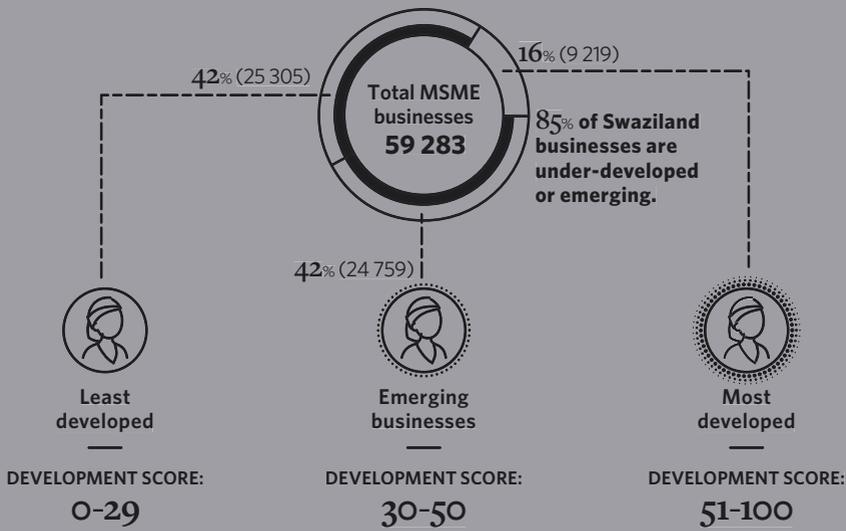


The tool uses statistical techniques to segment the universe of a country's Micro, Small and Medium Enterprise (MSME) sector into segments based on several attributes. The Swaziland MSME sector comprises about 59 283 business owners, owning about 68 536 businesses. The sector is characterised by mostly female business owners who occupy the bulk of the independent (no employees) type of businesses and largely those in the wholesale sector. Using the BDM, through segmenting the sector by development, the FinScope MSME Survey gives useful insights into MSME promotion.

Swaziland is the eighth country to implement FinScope MSME survey and the fourth to have a BDM implemented. This was earlier known as the Business Sophistication Measure.

MSMEs in the Southern African Development Community (SADC) region, Swaziland included, have very high proportions of MSMEs owners who are survivalist in nature. This is shown by the motivation to start a business - which is usually due to lack of formal employment.

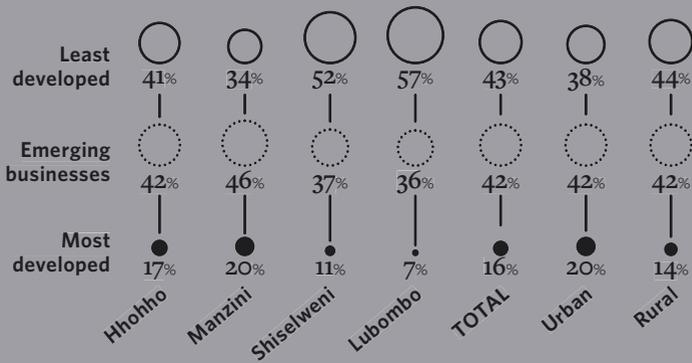
The diagram below explains the BDM segments.



MOST LIKELY: Not licensed, not registered, not paying taxes, not using electricity, no bank account, no cellphone, not saving, not keeping records, no employees

MOST LIKELY: Focus on repeat business, have means of transport, have cellphone/phone, aware of where to get business advice, have one employee

MOST LIKELY: Pay overtime, registered/licensed, have a bank account, have toilet facilities, know how to market a business, have an average of three employees



Distribution by region

Profile of the MSME by BDM

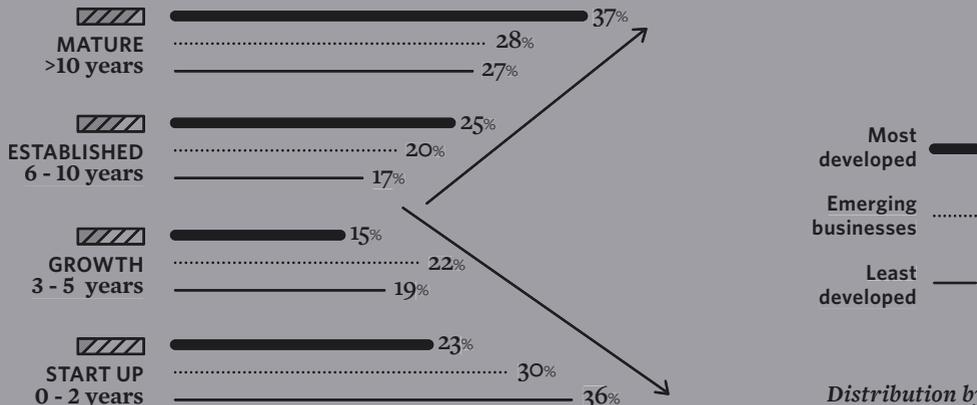
Rural areas have a higher proportion of its businesses that are least developed (44%) compared to urban areas (38%). The most developed business proportion is located in urban areas (20%) while the emerging businesses have an equal proportion in both urban and rural areas (42%).

Regions such as Shiselweni and Lubombo have higher proportions of businesses that are least developed. This corresponds with the FinScope MSME results that indicate that Shiselweni and Lubombo also have the highest proportion of individual entrepreneurs. These two regions have MSMEs that are more into wholesaling and

agriculture which require much less business development. Hhohho and Manzini enjoy a more diverse MSME sector engagement with less agriculture involvement and higher scores of MSMEs involved in tourism, manufacturing and business services.

The passing of time in business yields higher development of a business in the case of Swazi MSMEs.

The least and emerging businesses have higher proportions of younger (<5 years) businesses. As a business enters its 6th year and gets older, the more developed it gets and higher proportions of these businesses are likely to be highly developed.



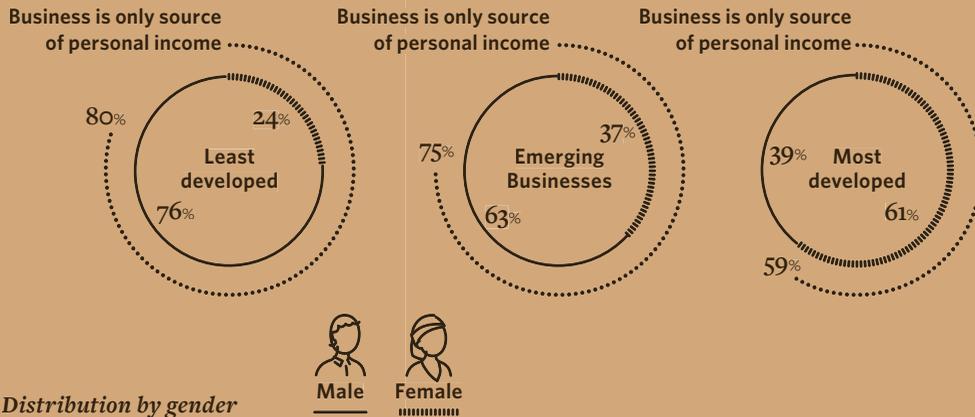
Distribution by business age

Swaziland BUSINESS DEVELOPMENT MEASURE



Captured in the MSME Swaziland 2017 report, the individual entrepreneur businesses (74%) are the least developed and mostly owned by women. This is explained by the higher proportion of women who are informally employed and tend to start a survivalist business to supplement their income sources. Not surprisingly, a higher proportion (62%) of businesses that are most developed would then be male owned while 3 in 4 businesses that are least developed are female owned.

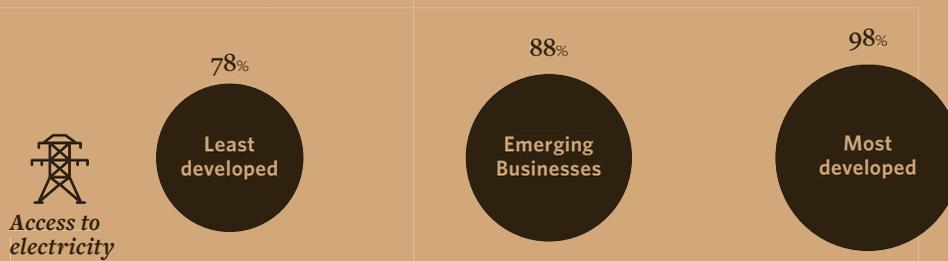
The BDM analysis also shows that as a business develops from least to most developed, their dependency on the business as the main income source reduces.



Incentives to segment the MSMEs

- BDM creates an alternative view of segmentation simultaneously scoring/rating businesses on other indicators such as credit score
- BDM is meant to create significant differentiation amongst businesses outside the 'normal' scope
- Creates ratings that aid in prioritising interventions/support
- Encourages innovative approaches to providing access to finance while highlighting areas businesses need to develop in order to fare better

Access to electricity seems to not be a key constraint with 78% of those in least developed segment having access.



One in five businesses in the most developed segment engage with cross border trading. The main trading country being South Africa.



Sector by BDM

Businesses in different BDM segments trade in similar sectors but with varying proportion.

The least developed and emerging segments are characterised by wholesale/retail and agricultural businesses. From least developed to emerging business, one notices an increasing proportion of the manufacturing and construction sector which has real linkages to the real economy. In the most developed segment, community and household take a larger proportion with those businesses involved in catering, transportation, mechanics, etc. The most developed sector also has businesses that are in business services e.g. accountants, engineers, etc. as well as sectors in the less developed segments such as wholesale and agriculture.

Entrepreneurship relates to a skill to seize a business opportunity and create value.

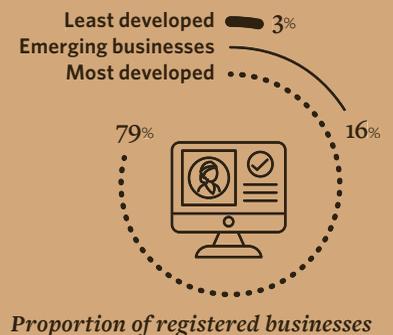
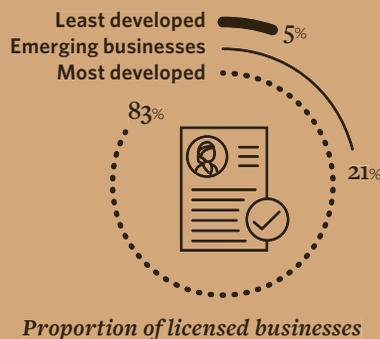
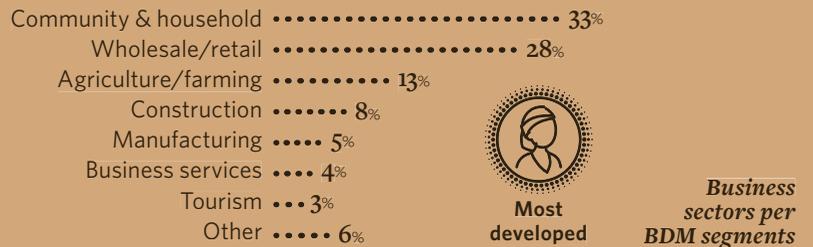
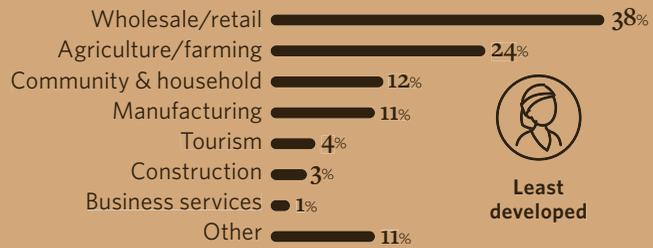
As most of the least developed businesses are survivalist, their motivation to start a business is due to one not finding employment. Motives such as 'to be their own boss' or interested in a particular product or service were cited more by most developed businesses.

Growth is also shown in the average number of employees by segment for the least developed, emerging and most developed businesses which are 0, 1 and 4 employees respectively. In a survivalist approach to business, the business owner can only create employment for themselves.

Licensing and registration are very low among the least developed businesses.

An increase in the proportion of registered or licensed emerging businesses is noticed. The most developed businesses have a high proportion that are licensed or registered.

Hence, the chances that a business is formal drastically increases with the level of development of the business.



Results indicate that not only are the average revenues for the least developed businesses low, their expenditure is also high. Profitability ensures that a business exists on an on-going concern. Issues of accounting or record keeping and keeping clear lines between personal and business spending becomes essential. Only 16% of least developed businesses keep financial records while half of emerging businesses and 89% of most developed businesses. This may explain the accuracy of reporting revenue and expenditure.

In addition, this points to a few issues:

- The majority of businesses struggle financially (about 84% of all businesses)
- Could be due to a number of reasons: unsuitable payment periods, depth of operations, delay in payments, cash flow management problems, etc.

The MSME sector faces a fair share of obstacles from finance, compliance and markets. Sourcing money was top of the finance obstacles in all three BDM segments although it has less and less prominence as the business grows from least to most developed. This shows that the business may have better access to formal institutions rather than their social circles.

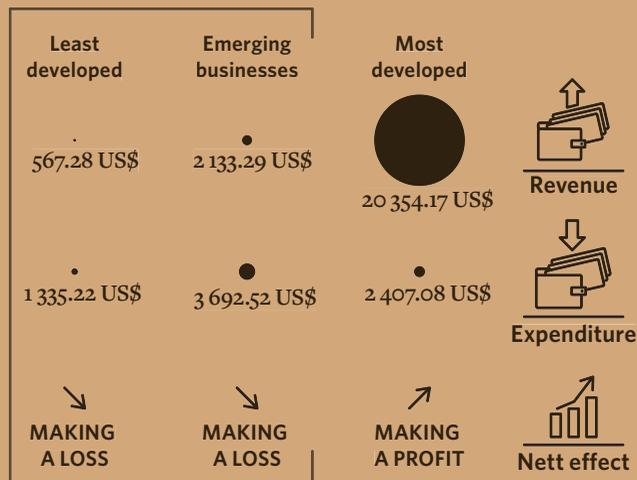
Registration and tax issues affect the most developed businesses perhaps due to that their businesses are likely to be more formal. Competition was also highly cited with 1 in 4 most developed businesses indicating it as an obstacle.

Business support

MSME promotion is essential to grow the economy and provide employment. Many players give support to the sector in different ways such as finance, incubation and training. BDM analysis shows that about 1 in 10 least developed businesses have had assistance compared to about 1 in 4 of most developed businesses. It shows that support is key to developing the sector.

Organisations that have been used by these businesses varies with development of the business. World Vision (45%) and the Micro

84% of Swaziland businesses struggle financially



Financial performance (based on reported mean income and expenditure)

	Least developed	Emerging businesses	Most developed
Finance			
Sourcing money	49%	51%	41%
Cash flow	21%	19%	18%
Being owed money/debtors	8%	10%	13%
Financial records	1%	2%	3%
Legal issues			
Registering the business	4%	11%	13%
Laws and regulations	2%	2%	7%
Tax compliance	1%	2%	7%
License and construction permit	2%	5%	4%
Sales and marketing			
Raising awareness of products/services	3%	5%	5%
Too many competitors	13%	20%	25%
Not enough customers	24%	23%	18%
Problems with stock/goods sold	5%	8%	9%
Selling price lower than expected	4%	9%	8%
Skills and staff			
Own lack of skills/experience	2%	3%	2%
Writing a business plan	1%	4%	3%
Resources			
Finding business premises or space	4%	6%	6%
Transport e.g. moving stock	4%	12%	9%
Equipment	4%	7%	7%

Major obstacles faced

Finance Unit (MFU) (14%) have been used by least developed businesses while the same applies to emerging businesses which also used the Small Enterprises Development Company Ltd (SEDCO) (25%). The most developed businesses have been assisted by SEDCO (32%), the Ministry of Commerce, Industry and Trade (MCIT) (29%), the Swazi Commercial Amadoda (13%) and the MFU (10%). It shows that while institutions such as the MFU are cross-cutting, the focus of other supportive



Received assistance or support

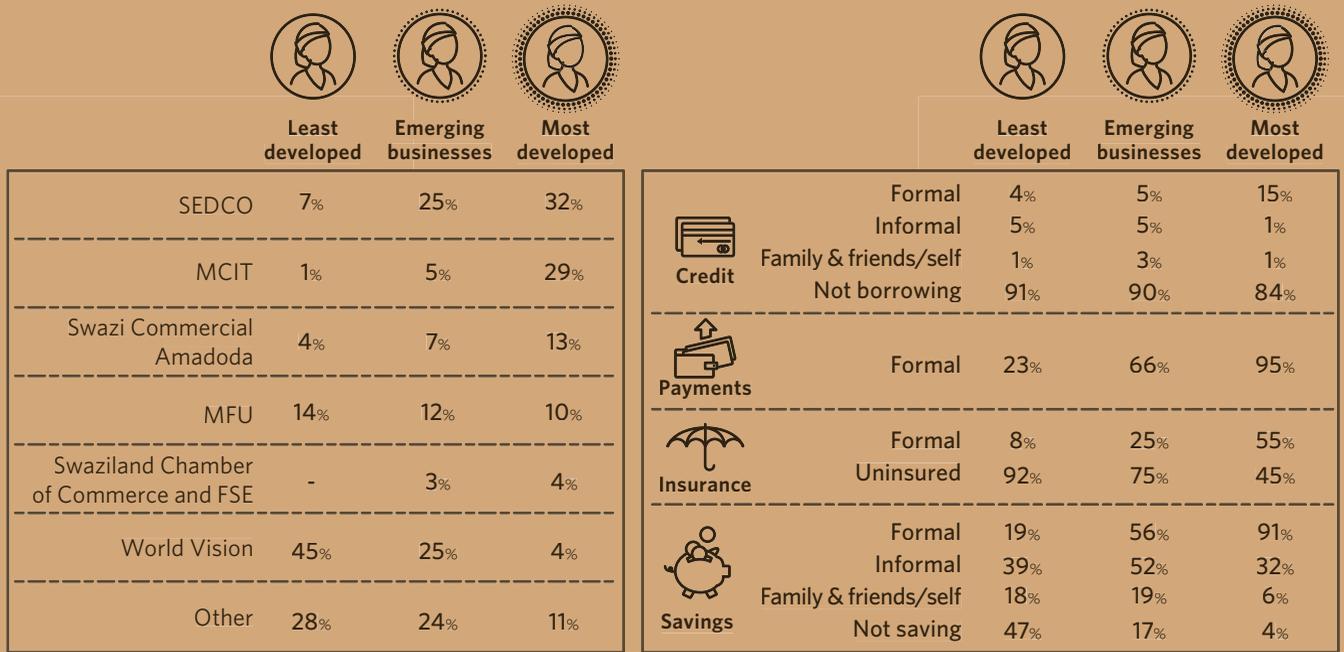
players aims at businesses in different development stages. World Vision has assisted nearly half of the least developed businesses while SEDCO has assisted the emerging and developed businesses. The MCIT largely assisted developed businesses comparatively.

The type of assistance received was mostly on operational aspects of record keeping, business management and even how to start a business.

Usage of financial products and services

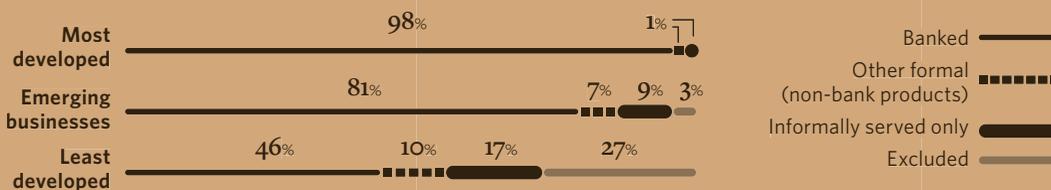
Financial access is varied across the different BDM segments. The most developed businesses are fully included with the bulk (98%) being banked. Financial access is limited among the least developed businesses with 46% being banked and just about 1 in 4 being financially excluded.

The product landscape shows the different proportions of product uptake by the different segments. Formal uptake across all landscape products (credit, savings, payments and insurance) is highest amongst the most developed businesses. Informal credit and savings are more common among the least developed and emerging businesses.



Organisation used for support or assistance

Usage of financial products and services



Financial Access Strand

Recommendations

1. Focusing on the 'most developed' - for immediate impact. Motives:

- Sizeable and actionable - these businesses are about 9,200 in total
- Employment creation - average 4 employees per business

- Established, thus likely to upgrade to "stronger medium or big business" - thus more sustainable
- In order to grow, 'tax incentives or holidays' considerations are needed due to the obstacles to growth that are mostly financial

2. Graduating emerging businesses to 'most developed'. Motives:

- Emerging businesses tend to lack support on growing to the next level
- Emerging businesses too could potentially employ more employees
- Separating personal finances and business finances



FinScope MSME Survey

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

FinScope MSME Swaziland 2017 contains a wealth of data based on a nationally representative sample of the business owner population of the Kingdom of Swaziland.

About FinScope MSME Surveys

The FinScope MSME Survey, developed by FinMark Trust, is a research tool to assess financial access in a country and to identify the constraints that prevent financial service providers from reaching the financially under- and un-served MSME owners. The FinScope Survey is a nationally representative survey of how MSME owners started, operating and growing their businesses and how they manage their businesses' financial interest. It also provides insights into MSME owners' attitudes and perceptions regarding financial products and services. FinScope MSME Swaziland involved a range of stakeholders engaging in a comprehensive consultation process, thereby enriching the survey.

About Micro Finance Unit

The Ministry of Finance established the Micro Finance Unit (MFU) in September 2010 to facilitate the development and sustainability of the microfinance sector in the country. This should enable the sector to continue to effectively contribute to the development of rural communities. The objective of the MFU is to facilitate the provision of efficient and effective financial services on a sustainable basis; the development of an enabling and enhanced environment for business development in rural areas; and the establishment of micro- and small-scale enterprises as well as business services in rural areas.

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