

A Profile of BSM Segments, a Lenders Perspective
Based on data from the FinScope Small Business Survey, South Africa 2010



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Introduction to the FinScope South Africa Small Business Survey 2010

Following success with the FinScope Small Business Survey of Gauteng, 2006, FinMark Trust launched a nationally representative study in 2010. The overall purpose of the study was to provide data and analysis to inform policymakers and businesses who wish to support or serve the small business sector. Specific objectives of the study were defined as:

1. to describe the size and scope of the small business sector;
2. to categorize the small business sector into homogeneous market segments, with the intention of identifying the development and financial needs of the different market segments in order to stimulate segment-related development and financial product innovation; and
3. to assess the impact of interventions through conducting repeat surveys.

Given the focus of FinMark Trust on deepening financial markets, three more specific objectives were identified:

1. to determine levels of financial access for the small business sector;
2. to describe the landscape of financial access for the small business sector (i.e. the type and extent of financial product utilisation); and
3. to identify and describe the drivers of, and the barriers to, usage of financial services and products for the small business sector.

The study was sponsored by a syndicate of six members, who contributed to the costs of implementation and assisted with survey design and interpretation of results: Swiss Confederation State Secretariat for Economic Affairs (SECO); Business Trust; Absa; Tourism Enterprise Partnership; Department of Trade and Industry (the dti); and Standard Bank.

TNS Research Surveys was contracted to conduct the survey, administering face-to-face interviews during the period April-May 2010. Topline findings were launched during October 2010. The sample design included six qualifying households in each of 1 000 enumerator areas. To qualify, a household had to include one or more self-defined small business owners, who were 16 years of age or older and owned a business with up to 200 employees. Due to insufficient qualifying households in the originally chosen enumerator areas, the final survey included 5 676 interviews from 1075 enumerator areas. This data was then extrapolated and weighted to produce a description of the small business sector for the country as a whole.

Professor Jacky Galpin, University of the Witwatersrand, was contracted by FinMark Trust to develop a segmentation model based on the level of sophistication of small businesses in South Africa – the Business Sophistication Model (BSM).

FinMark Trust released a comprehensive report of findings in January 2011, which can be downloaded from the FinMark Trust website at www.finmarktrust.org.za.

Introduction to this Report

The purpose of this CIBA report is to extract additional insights from the survey data which are specifically of interest to credit providers. For analysis purposes, we have taken the eight BSM segments identified by the survey and have combined them further into three clusters which we are calling the survivalist microenterprises,

the mid-level microenterprises, and the small enterprises. These three clusters were created to correspond with the lending methodology which would best serve the members of each.

For the survivalist sector, a group lending methodology is most appropriate, as these microenterprise owners are not likely to qualify for an individual loan. While financially marginal, this is the biggest cluster, representing 60% of the market. Microfinance institutions serving this segment have already proven that group lending methodologies can succeed in South Africa and can reach international levels of performance for portfolio quality.¹ It is a massive market, however, and only a small number of these microenterprises, approximately 200 000, are being served today.

The mid-level microenterprises tend to prefer individual loans rather than group loans and the more solid microenterprises in this cluster are likely to qualify for individual loans, subject to credit ratings and other criteria. For a variety of reasons, not a single financial institution has succeeded in building a quality book of over 1000 clients in this cluster. This is a significant market of over 1.6 million business owners waiting to be served.

Amongst the small enterprise cluster of over 500 000 business owners, just 14% claim to have borrowed for their business and these tend to be the better established businesses which have traditional collateral (property) to offer as collateral. The previously disadvantaged members of this cluster still struggle to access finance from the formal financial sector.

At CIBA, it is our hope that the cluster profiles presented in this report will support a better understanding of the micro and small enterprise (MSE) market and the opportunities for lending presented by this market. Different types of lenders (commercial banks, non-profit microfinance institutions, or development finance institutions) can use the data presented in this report to better identify and reach their target markets. Assuming the FinScope Small Business Survey is repeated within a few years, government and other policy makers will be able to track progress in access to credit for each cluster, or lending typology.

The report presents a series of tables which, together, present a comprehensive profile of the MSE market and the credit behaviour and attitudes of different segments. There are ten separate sections: Provincial Distribution; Demographic Profile; Location; Sustainability; Business Types; Sophistication; Income Diversification; Employment; Savings Behaviour; and Borrowing Behaviour. The tables and narrative in the body of the report present an assessment of the data according to the three clusters. The Annex displays each table with figures for all eight segments for those readers who desire more detailed information.

Because we wanted this report to stand alone, independent of the primary report published by FinMark Trust, there is necessarily some overlap in the information presented. The emphasis of this report, however, is to understand the market according to the three clusters created specifically for credit providers.

Finally, while the data has been extracted from the FinScope Small Business Survey 2010, the Centre for Inclusive Banking in Africa accepts full responsibility for the mining, analysis, and interpretation of this data. Neither FinMark Trust nor any of the syndicate members of the survey are liable for the analysis or opinions presented in this report.

¹ For details on these microenterprise lenders, see A Review of the South African Microfinance Sector, University of Pretoria, 2009.

Market Size and Segmentation

Table 1 – Number of Businesses per Segment

BSM 1	1 116 447	20.0%
BSM 2	1 121 429	20.1%
BSM 3	1 111 088	19.9%
Survivalist	3 348 964	60.0%
BSM 4	555 875	10.0%
BSM 5	557 651	10.0%
BSM 6	562 526	10.1%
Mid-Level	1 676 052	30.1%
BSM 7	275 873	4.9%
BSM 8	278 878	5.0%
Small	554 751	9.9%
Total	5 579 767	100.0%

The survey reveals that there are approximately 5.6 million owners of micro and small enterprises (MSEs) in South Africa. Table 1 demonstrates that a majority of business owners, 3.34 million or 60%, are operating survivalist level enterprises in BSM segments 1 to 3. As discussed later, these businesses tend to be informal traders with monthly turnovers of R4000 or less. Only 10% of these businesses employ any person other than the owner. The owners tend to be black females and 80% have not completed high school. Less than 1% of these businesses claim to have ever taken a personal or business loan. When lending to enterprises in BSM segments 1 to 3, group lending methodologies are most suitable as very few of these

households are likely to meet the financial standards required to qualify for an individual loan.

BSM segments 4 to 6 represent the mid-level micro-enterprises, accounting for 1.65 million or 30% of all MSEs. While trading remains dominant for these businesses, 25% are registered and monthly turnovers are somewhat higher than for BSM 1 to 3, with 65% reporting turnovers of greater than R4000. 40% of these businesses report having 1 or more employees other than the owners. The owners also tend to be black, but men and women are equally represented and over 40% claim to have completed high school. As for segments 1 to 3, less than 1% of these businesses claim to have ever taken a personal or business loan. While group lending will cater for some of the microenterprises in these segments, individual lending methodologies will be preferred by a majority of businesses in this cluster.

BSM segments 7 and 8 represent the upper end of the micro enterprise market as well as the small business market, accounting for just 10% of the total MSEs in the country. Service providers dominate these two higher segments, representing 60% of businesses. Registered businesses represent 76% of this market and 66% report having 1 or more employees other than the owners. As for segments 4 to 6, owners of these businesses are equally represented by men and women, but 83% have completed high school and just 30% are black entrepreneurs. Just 9% of this market segment claim to have received a business loan, but 40% utilize a credit card and 16% have a bank overdraft facility. This segment is best served by an individual lending methodology backed by some form of collateral.

Provincial Distribution

Table 2 – Number of Business Owners per Province

Province	BSM 1 to 3	%	BSM 4 to 6	%	BSM 7 to 8	%	Total	%
Eastern Cape	544 201	16.2	248 772	14.8	35 771	6.4	828 744	14.9
Free State	293 041	8.8	124 537	7.4	29 172	5.3	446 750	8.0
Gauteng	519 312	15.5	494 264	29.5	265 509	47.9	1 279 085	22.9
Kwa Zulu Natal	583 986	17.4	139 775	8.3	46 229	8.3	769 990	13.8
Limpopo	417 279	12.5	118 601	7.1	9 721	1.8	545 601	9.8
Mpumalanga	253 140	7.6	104 147	6.2	28 746	5.2	386 033	6.9
Northern Cape	89 527	2.7	40 530	2.4	24 164	4.4	154 221	2.8
North West	429 163	12.8	258 357	15.4	30 738	5.5	718 258	12.9
Western Cape	219 315	6.5	147 069	8.8	84 701	15.3	451 085	8.1
Total	3 348 964	100	1 676 052	100	554 751	100	5 579 767	100
	60.0%		30.0%		9.9%		100.0%	

Gauteng province accounts for 23% of all MSEs in South Africa, followed by the Eastern Cape with 15% and Kwa Zulu Natal with 14%. The distribution by BSM segment is quite different, however, than the overall averages.

For an MFI targeting BSM segments 1 to 3, the largest number can be found in Kwa Zulu Natal (17.4%), followed closely by the Eastern Cape (16.2%) and Gauteng (15.5%). Table 3 reveals that Limpopo has the highest concentration of survivalist enterprises, which account for 76.5% of all businesses in the province. By contrast, survivalist enterprises account for just 40% of businesses in Gauteng province.

For lenders targeting the small business market, segments 7 and 8, close to half of these enterprises, or 265,000 are located in Gauteng province, followed by the Western Cape with 85,000. The mid-level microenterprise segments 4 to 6 account for close to 30% of the market in most provinces, with the exception of KZN and Limpopo, where the predominance of survivalist microenterprises reduce the proportion of mid-level microenterprises to 20%.

Table 3 – Distribution of BSM Segments in each Province (%)

Province	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8	Total
Eastern Cape	65.7	30.0	4.3	100.0
Free State	65.6	27.9	6.5	100.0
Gauteng	40.6	38.6	20.8	100.0
Kwa Zulu Natal	75.8	18.2	6.0	100.0
Limpopo	76.5	21.7	1.8	100.0
Mpumalanga	65.6	27.0	7.4	100.0
Northern Cape	58.1	26.3	15.7	100.0
North West	59.8	36.0	4.3	100.0
Western Cape	48.6	32.6	18.8	100.0

Demographic Profiles

Men and women play an equal role as business owners with the exception of the survivalist segments, in which females account for 2 in 3. A concentration of non SA citizens is found in the mid level microenterprise segments, representing close to 20% of those businesses. Table 4 reveals that white owners still dominate the larger MSEs and matric or higher education is strongly correlated with success at the upper end of the market.

Table 4 – Demographic Profile of Business Owners (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Male	35.5	50.4	51.4
Female	64.5	49.6	48.6
Non SA Citizen	16.7	19.5	14.3
Black	92.6	82.6	31.3
Coloured	4.1	5.9	9.7
Asian / Indian	2.1	5.5	6.7
White	1.2	5.9	52.3
Primary school or less	33.0	11.3	1.3
Some high school	46.3	45.8	15.6
High School (Matric)	18.5	32.6	36.9
Post Matric	2.2	10.4	46.2

Location

As expected, a majority of MSEs in the survivalist segments are found in the rural areas. It is interesting to note, however, that as many as 37% are situated in urban townships, suburbs, or central business districts, indicating that group lenders should not restrict their operations to rural areas.

While a majority of the mid level microenterprises are found in urban areas, a sizable number, 27%, are situated in rural areas. To build economies of scale, lenders to this market should begin in the urban centres, but may find the rural market attractive after a period of time. The small enterprises are strongly concentrated in urban areas.

Table 5 – Business Location (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Urban Formal	37.1	58.1	87.3
Urban Informal	9.0	8.9	1.5
Tribal Area	43.2	27.1	4.4
Rural Formal	10.7	5.9	6.8
Footpath – Hawker – Vehicle	21.6	13.7	6.4
Residential Premises – dwelling – garage	71.9	78.2	68.8
Factory – Shop - Office	4.8	5.6	21.3
Online – internet – phone selling	0.5	5.6	0.3
Farm – Small Holding	1.3	2.4	3.2

It is noteworthy that between 70% and 80% of MSEs of all sizes are operated from a home or garage. The second most common location for a survivalist enterprise is a non-permanent spot on a footpath or moving from house to house. For the larger businesses, the second most common location is a factory, shop, or office. To reach their market in an economical way, microenterprise lenders clearly need to establish service points in the townships and other dense residential areas. Small enterprise lenders, however, may be able to reach their market with just a few service points in each of the larger cities.

Sustainability

Table 6 reveals that approximately one third of microenterprises in segments BSM 1 to 6 were created between 2008 and 2010. This apparently high figure could be due to the loss of formal jobs during this period or may simply reflect the ease of entry and corresponding failure rates of the microenterprises. It is good news for lenders, however, that 70% of microenterprises have demonstrated stability with three or more years' experience, and this figure jumps to 87% for the small business segments.

Table 6 – Years of Operation and Turnover (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Longevity			
Up to 2 years	33.0	27.1	12.9
3 to 10 years	47.9	49.8	55.9
Over 10 years	18.0	22.2	29.9
Don't know	1.1	0.9	1.3
Monthly Turn-over			
Up to R 750	21.6	7.1	2.4
R 751 to R 4000	49.1	28.8	12.5
R 4 001 to R 10 000	16.9	34.3	10.7
R 10 001 to R 27 500	7.7	22.4	27.9
Over R 27 500	4.7	7.4	46.5
Don't Know / Refused	55.9	38.8	50.7

Half the respondents were not willing to reveal their turnover levels. Of those who did answer, 70% of those in BSM 1 to 3 claimed to have monthly turnovers of R4000 or less. For the mid level micro-enterprises, this figure drops to 35%. A large majority of MSEs in Segments 7 and 8 (74%) have turnovers of over R10 000.

Business Types

Table 7 – Business Characteristics of Primary Business

	BSM 1 to 3	%	BSM 4 to 6	%	BSM 7 to 8	%
Informal	3 306 845	98.7	1 263 133	75.4	131 113	23.7
Registered	42 120	1.3	412 920	24.6	423 635	76.3
Trading Sub-Categories						
Buy & Sell in the same form	1 770 588	52.9	839 973	50.1	114 070	20.6
Buy, Add value, Sell	398 934	11.9	168 551	10.1	31 337	5.6
Collect from nature and sell; other	71 696	2.1	35 920	2.1	10 922	2.0
Manufacturing						
Make something and sell	183 548	5.5	65 342	3.9	35 330	6.4
Agriculture						
Grow or rear and sell	404 393	12.1	226 075	13.5	33 952	6.1
Service Sub-Categories						
Professional service (doctor, accountant)	0	0.0	10 978	0.7	62 519	11.3
Skilled service (mechanic, hairdresser)	397 493	11.9	202 536	12.1	137 822	24.8
Other service (transport, catering)	103 138	3.1	112 908	6.7	68 131	12.3
Render Building / construction services	18 754	0.6	10 627	0.6	29 161	5.3
Render Tourism related (accommodation, tour operator)	426	0.0	3 143	0.2	31 506	5.7

A large majority of microenterprises from segments BSM 1 through to 6 are not registered, whereas a majority of businesses in segments BSM 7 to 8 are registered. For lenders targetting the micro market, therefore, registration would not be an appropriate qualifying criteria.

Trading businesses dominate the microenterprises while service businesses dominate the small enterprises. Direct manufacturing accounts for a very small number, less than 7%, of businesses in all segments. For the micro market, this category would include businesses such as welding, carpentry, and dressmaking. If we include the category "Buy, Add Value, and Sell" to the manufacturing category, we still arrive at 15% or less of all businesses in each category.

Businesses related to agriculture account for a significant proportion of businesses, with 12.1% in the survivalist segments, 13.5% of businesses in the mid-level microenterprise segments, and 6.1% of businesses in the small enterprise sector.

Within the service sub-category, professional service providers are significant only among the small business sector. A majority of MSE service businesses are categorized as "skilled service" implying that they needed some form of training prior to starting their business.

Sophistication

Table 8 – Record-keeping and Use of Technology (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7	BSM 8	BSM 7 to 8
Manual records	23.4	74.1	69.5	53.7	61.6
Computerized records	0.1	2.1	41.2	77.9	59.6
Land line	2.0	8.4	29.0	78.1	53.5
Cell phone	45.1	76.5	92.5	82.7	87.6
Computers	0.0	3.4	36.0	78.5	57.2
Printers	0.0	1.4	10.3	61.0	35.7
Fax machine	0.0	1.3	8.8	70.2	39.5
Credit Card Machine	0.0	0.0	0.5	13.6	7.1
Internet Access	0.0	0.2	8.9	64.7	36.8
Website	0.0	0.0	1.5	30.2	15.9

All segments claim to maintain some form of manual business records, but only 23% of survivalist enterprises do so. Table 8 reveals a dramatic difference in access to and usage of technology across the segments. The difference was so great between Segments 7 and 8 that we decided to display them separately in this table. Microenterprise owners use virtually no technology in their businesses, with the exception of the upper end of the microenterprise market represented by Segment 7. Only the 279 000 businesses represented by Segment 8 are active users of a range of technology.

Income Diversification

Table 9 – Sources of Household Income (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Business Sole Source of Income	64.4	72.1	69.0
Other Sources, if applicable:			
Salary or income from a job	4.8	4.5	5.1
Spouses salary / earnings	6.2	7.5	13.9
Other person salary / earnings	5.6	4.5	3.9
Income from another business	1.0	3.2	3.3
Government grant	20.1	8.9	2.7
Investments / annuity	0.3	1.0	3.5
Subletting or other	0.2	0.5	2.2

For two thirds of businesses across all segments of the MSE sector, business income is reported to be the sole source of income in the household. For those who did report other sources of income, government grants are the biggest source for the survivalist segments, whereas the earnings of a spouse are the biggest source for the upper level segments. Earnings of a spouse are low across all segments, indicating that salary-based loans are not likely to be a significant indirect source of financing for MSEs.

According to this table, less than 5% of MSE owners operate more than one business.

Employment Behaviour

Table 10 – Level of Employment (%)

Full-time paid workers	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
0	90.4	60.3	33.7
1	7.0	14.5	14.6
2	1.5	14.1	13.9
3	0.8	3.9	7.0
4	0.2	1.3	6.3
5 or more	0.1	6.0	24.5
Weighted Average Number Full-time workers	0.1	1.0	4.2

Part-time paid workers	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
0	97.2	92.4	81.6
1	1.7	3.9	8.1
2	0.5	2.0	5.4
3 or more	0.6	1.8	4.9
Weighted Average Number Part-time workers	0.05	0.16	0.63

Temp, Seasonal, Contract workers	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
0	99.0	98.3	92.8
1	0.7	0.6	2.2
2	0.2	0.6	1.7
3 or more	0.1	0.6	3.2
Weighted Average Number Temporary workers	0.01	0.04	0.39

As expected, the businesses in segments BSM 7 and 8 are the providers of employment, with 66% having one or more full-time paid employees and 24% reporting five or more full-time paid employees. The weighted average number of employees for this cluster, however, is still just 4.2 employees per business.

Only 10% of businesses in segments BSM 1 to 3 report having any full-time paid employees, and only 3% have two or more employees. Just 40% of businesses in segments BSM 4 to 6 report having any full-time paid employees, with just 25% having two or more employees. These businesses, however, are likely to receive support from family members who receive “in kind” payment.

Table 10 highlights that full-time employment is more common than part-time or temporary employment amongst the MSE sector.

Savings / Deposit Behaviour

Table 11 – Usage of Bank Accounts and Payment Mechanisms (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Use Personal Account for Business	19.3	64.3	39.0
Use Business Account for Business	0.5	13.2	56.8
Savings account	17.6	73.1	65.9
ATM Card	18.8	71.8	75.3
Current Account	0.1	5.4	65.9
Overdraft	0.0	0.3	16.1
Credit Card	0.0	3.3	40.4
Fixed Deposit	0.4	8.1	21.6
Internet Banking	0.0	0.1	26.6

Just 20% of businesses in segments BSM 1 to 3 have a bank account and ATM card, and these are personal accounts, reflecting the informal nature of these businesses.

A majority of businesses in segments BSM 7 to 8 have either a savings or current account in the name of the company. In segments BSM 4 to 6, over 70% of businesses have a savings account but they tend to be in the name of the owner rather than in the business name, also reflecting that just 25% of these businesses are registered.

Borrowing Behaviour

Approximately 1 in 5 businesses did not provide a figure for start-up capital. Of those who did, a large majority (76%) of businesses in segments BSM 1 to 3 required less than R1 000 to start their businesses. For businesses in segments BSM 4 to 6, 45% required less than R1 000 and another 37% required between R1 000 and R10 000, leaving just 18% requiring more than R10 000. A majority of businesses (57.6%) in segments BSM 7 and 8 required more than R10 000 to start their business.

Table 12 – Required Start-up Capital (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Don't Know /Refused	18.4	16.8	29.0
None	20.6	20.5	16.6
R 100 to R 1 000	55.7	23.9	5.0
R 1001 to R 10 000	20.6	37.5	20.9
R 10 001 to R 50 000	2.7	14.0	32.9
R 50 000 to R 100 000	0.3	2.9	13.0
R 100 001 and over	0.1	1.2	11.7
	100.0	100.0	100.0

Table 13 – Source of Start-up Capital (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Salary	4.2	6.2	6.9
Government grant	6.7	1.6	0.7
Money from another business	2.5	3.6	3.5
Savings / deferred spending	21.2	23.5	30.8
Friends and family	17.0	13.9	7.8
Spouse	6.3	7.4	6.1
Business partner	0.5	2.2	3.1
Inheritance	0.5	2.1	3.4
Sold assets – Stokvel payout- Church	2.4	4.7	2.6
Retrenchment-Pension-Retirement Policy	4.1	9.2	12.4
Personal loan	0.4	0.4	4.2
Business loan	0.2	0.5	5.6
Loan on house	0.1	0.2	0.9
Credit Card	0.0	0.1	0.1

For all segments, the biggest source of start-up capital has been personal savings. For microenterprises in segments BSM 1 to 6, the second biggest source has been family and friends. For the small enterprises, the second biggest source has been retrenchment or pension payouts or retirement policies. Loans have played almost no role in funding business start-ups, except for small enterprises for which loans are the third biggest source.

Table 14 – Borrowing Behaviour (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Borrowed for business past 12 months	2.1	3.5	5.5
Borrowed for business previously	1.6	1.6	8.6
Sub-Total	3.7	5.1	14.1
Largest Source of Borrowing:			
From Bank	2.6	19.3	72.4
From MFI or Microlender or NGO	4.6	2.9	0.9
From Government	7.7	0.6	0.4
From Stokvel/ Burial Society	4.7	6.9	0.1
From Informal Moneylender	13.5	8.5	0.4
From Friends & Family	62.5	57.9	19.6
From Employer	1.3	0.0	0.9
Buy on Credit from Supplier	2.9	3.8	5.2

Businesses report a very low rate of borrowing, which highlights the financing gap and indicates a massive market waiting to be served. For microenterprises, friends and family are the largest source of loans, followed by the informal moneylenders for the survivalist cluster and banks for the mid level cluster. For small enterprises, banks are reported as the largest source, followed by friends and family.

Table 15 indicates that the survivalist microenterprises have three primary criteria for choosing a lender: speed, convenience and trust. For the middle level microenterprise sector, trust and affordability are the two primary criteria. For the small business sector, five criteria receive equal rating: speed, convenience, trust, affordability, and flexibility.

Table 15 – Reasons for Choosing Source of Current Loans (%)

	BSM 1 to 3		BSM 4 to 6		BSM 7 to 8	
Get money quickest	37.7	1	29.1	3	30.8	2
Convenient	37.3	2	24.0	5	28.5	4
Trust	36.1	3	40.5	1	30.9	1
Affordable, cheapest, instalments	19.7	4	39.3	2	30.6	3
No proof of employment required	17.1	5	22.3		7.9	
Familiarity	16.5		25.3	4	24.0	
Lowest interest rates	13.5		5.9		21.4	
No credit checking	6.6		14.9		6.7	
Flexible repayment rates	5.8		2.1		28.1	5
Best service	3.7		2.0		21.5	

Table 16 – Reasons for Borrowing (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
Growing business	28.2	57.9	42.6
Day to day business needs	46.0	28.4	21.9
To finance stock	27.4	22.1	21.7
To buy property	0.0	0.5	21.9
To upgrade business facilities	1.1	16.7	27.5
to buy technology	0.0	0.0	10.3
to buy machinery	1.7	2.3	10.7
New equipment	3.2	7.2	26.7
to pay debts	0.0	3.4	4.3
Finance a tender/contract	0.2	0.0	6.2
Personal reasons	13.8	10.4	9.4

The survivalist microenterprises require primarily working capital loans, to fund day to day business needs and purchases of stock, as well as consumption loans for personal reasons. Businesses in segments BSM 4 to 6 have similar requirements, but a significant proportion also require longer term loans to upgrade premises (16.7%) or purchase machinery or equipment (9.5%). Small businesses borrow for a wide range of purposes, including working capital as well as purchases of fixed assets and property and facilities upgrades.

Table 17 – Reasons for Not Borrowing (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
I don't need to	21.1	28.2	49.8
I don't believe in borrowing	37.0	35.9	27.0
Business is slow; earnings variable; afraid	46.5	40.9	20.0
Turned down; don't qualify	9.9	11.6	3.3
Don't have the collateral	2.2	2.4	1.5
Not willing to pledge collateral	0.4	1.1	2.0
Don't know – Other	2.8	4.2	5.2

A significant proportion of all business segments report that either they do not need to borrow money or they do not believe in borrowing. Microenterprises also report that they are afraid to borrow, or that their incomes are too low or too variable to support loan instalments. These attitudes are inconsistent with the steady growth experienced by providers of microenterprise finance when they move into a new area. Perhaps the attitudes of microenterprises shift once they discover a trustworthy and convenient source of credit. It could also be that there is a different client–financier relationship for different types of lenders, with developmental microfinance institutions finding it easier to apply relationship based approaches which generate trust at the lower income levels.

Table 18 – General Attitudes about Credit (%)

	BSM 1 to 3	BSM 4 to 6	BSM 7 to 8
You are able to turn to friends or family to provide you with money for emergencies at your business	69.8	68.5	63.8
You have money set aside in case of emergencies at your business	32.6	67.7	87.8
You would never borrow any money from anyone or any place for your business	32.2	27.6	23.6
You would only borrow and take loans for occasional valuable purchases for your business	14.9	30.7	41.7
You pay off the balance of what you owe on your business loans in full every month	1.7	4.2	9.5
You would borrow money to start another business	19.2	26.3	29.6

This table reflects again that approximately one third of MSEs do not believe in borrowing. A further group would only borrow occasionally for a larger purchase, rather than to fund day to day business expenses. The small business owners do have money set aside in the event of emergencies, whereas the survivalist microenterprises would rely more heavily on friends or family to assist in an emergency.

Conclusion

The FinScope Small Business Survey, 2010, reveals a large under-served market for micro and small business credit. Of the 5.6 million business owners, less than 10% claimed to have ever borrowed for business purposes. In order to reach this market, a lender would need to be convenient to residential areas and would need to generate trust and offer good service. A lender's business strategy would also need to be tailored to the specific market, or cluster, being targeted.

In order to serve the survivalist segments, a group lending methodology is most appropriate, with loan sizes of R1 000 to R10 000. This market can primarily be found in rural areas, but the 37% found in urban formal areas also present an opportunity. This cluster engages primarily in trading activities through informal (unregistered) businesses and requires short-term working capital loans. Education levels are low, usage of technology is non-existent with the exception of cellphones, and government grants are the second most important source of income. Group lending has already been shown to succeed in South Africa, but the country needs additional lenders with stable management and governance who will reach into provinces and areas not currently served.

For lenders wishing to target the mid-level microenterprises, an individual micro-enterprise lending methodology is most appropriate, with loan sizes ranging from R2 000 to R 50 000. This market is primarily found in urban areas. One third of this cluster is based in Gauteng, so this province would be the recommended location to start a lending operation, to gain experience and build volumes prior to expanding to other areas. This cluster also engages primarily in trading activities and only one quarter are registered businesses. Almost half of this market has a matric or higher education, but use of technology is still very low and government grants are still the second source of household income. Due to a wide range of factors which raise the cost of operating this type of lending in South Africa when compared to other countries, not a single organization has approached scale or self-sufficiency with an individual lending methodology in South Africa. Serving this market is a developmental activity, just as serving the survivalist market is a developmental activity. Prior to entering this market, an organization must be focussed, must be ready to invest significant resources into the initiative, and must accept that an operation lending to this market will not break even or earn a return for many years.²

For lenders targeting the small business cluster, with loan sizes ranging from R 20 000 to R 250 000, individual loans with some form of collateral is required. Half the businesses in this cluster are found in Gauteng so, once again, this would be the most appropriate location for the launch of a small business lending programme. Three quarters of this cluster is comprised of registered businesses which primarily engage in services. A majority of owners in this cluster have matric or higher education, but only the highest small business segment (BSM 8) reflects broad usage of computers and the internet. While the commercial banking sector serves the upper end of this cluster, and those who can offer real property as collateral, there is still a significant underserved proportion of this cluster, particularly among the previously disadvantaged business owners. Serving this group should also be viewed as developmental and organizations targeting this market will also require patient capital prior to reaching scale and self-sufficiency.

² Recent estimates put capital or grant requirements for individual microenterprise lending at R30 million or more (excluding on-lending capital) and break even periods at six to eight years.

ANNEX I: FinScope South Africa Small Business Survey 2010 – BSM Cluster Tables including all Eight BSM Segments

Table 2 – Number of business Owners per Province

Province	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8	Total
EC	162 024	199 583	182 594	544 201	112 805	91 985	43 982	248 772	19 218	16 553	35 771	828 744
FS	105 194	111 077	76 770	293 041	34 724	42 002	47 811	124 537	15 925	13 247	29 172	446 750
GP	112 350	190 232	216 730	519 312	153 533	154 184	186 547	494 264	115 037	150 472	265 509	1 279 085
KZN	218 185	176 122	189 679	583 986	44 945	52 763	42 067	139 775	31 143	15 086	46 229	769 990
LIMPOPO	159 494	171 420	86 365	417 279	76 081	23 249	19 271	118 601	3 849	5 872	9 721	545 601
MPLGA	102 244	79 298	71 598	253 140	39 115	22 461	42 571	104 147	19 269	9 477	28 746	386 033
NC	29 133	28 764	31 630	89 527	12 484	13 132	14 914	40 530	11 760	12 404	24 164	154 221
NW	193 645	77 012	158 506	429 163	43 551	113 705	101 101	258 357	21 680	9 058	30 738	718 258
WC	34 178	87 921	97 216	219 315	38 637	44 170	64 262	147 069	37 992	46 709	84 701	451 085
TOTAL	1 116 447	1 121 429	1 111 088	3 348 964	555 875	557 651	562 526	1 676 052	275 873	278 878	554 751	5 579 767

Table 2 – Distribution of BSM Segments in each Province

Province	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8	Total
EC	14.5	17.8	16.4	16.2	20.3	16.5	7.8	14.8	7.0	5.9	6.4	14.9%
FS	9.4	9.9	6.9	8.8	6.2	7.5	8.5	7.4	5.8	4.8	5.3	8.0%
GP	10.1	17.0	19.5	15.5	27.6	27.6	33.2	29.5	41.7	54.0	47.9	22.9%
KZN	19.5	15.7	17.1	17.4	8.1	9.5	7.5	8.3	11.3	5.4	8.3	13.8%
LIMPOPO	14.3	15.3	7.8	12.5	13.7	4.2	3.4	7.1	1.4	2.1	1.8	9.8%
MPLGA	9.2	7.1	6.4	7.6	7.0	4.0	7.6	6.2	7.0	3.4	5.2	6.9%
NC	2.6	2.6	2.8	2.7	2.2	2.4	2.7	2.4	4.3	4.4	4.4	2.8%
NW	17.3	6.9	14.3	12.8	7.8	20.4	18.0	15.4	7.9	3.2	5.5	12.9%
WC	3.1	7.8	8.7	6.5	7.0	7.9	11.4	8.8	13.8	16.7	15.3	8.1%
TOTAL	20.0%	20.1%	19.9%	60.0%	10.0%	10.0%	10.1%	30.0%	4.9%	5.0%	9.9%	100.0%

Table 3 – Distribution of BSM Segments in each Province

Province	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8	Total
EC	19.6%	24.1%	22.0%	65.7%	13.6%	11.1%	5.3%	30.0%	2.3%	2.0%	4.3%	100.0%
FS	23.5%	24.9%	17.2%	65.6%	7.8%	9.4%	10.7%	27.9%	3.6%	3.0%	6.5%	100.0%
GP	8.8%	14.9%	16.9%	40.6%	12.0%	12.1%	14.6%	38.6%	9.0%	11.8%	20.8%	100.0%
KZN	28.3%	22.9%	24.6%	75.8%	5.8%	6.9%	5.5%	18.2%	4.0%	2.0%	6.0%	100.0%
LIMPOPO	29.2%	31.4%	15.8%	76.5%	13.9%	4.3%	3.5%	21.7%	.7%	1.1%	1.8%	100.0%
MPLGA	26.5%	20.5%	18.5%	65.6%	10.1%	5.8%	11.0%	27.0%	5.0%	2.5%	7.4%	100.0%
NC	18.9%	18.7%	20.5%	58.1%	8.1%	8.5%	9.7%	26.3%	7.6%	8.0%	15.7%	100.0%
NW	27.0%	10.7%	22.1%	59.8%	6.1%	15.8%	14.1%	36.0%	3.0%	1.3%	4.3%	100.0%
WC	7.6%	19.5%	21.6%	48.6%	8.6%	9.8%	14.2%	32.6%	8.4%	10.4%	18.8%	100.0%

Table 4 – Demographic Profile of Business Owners

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Male	31.0	35.5	40.1	35.5	50.2	40.6	60.4	50.4	53.4	49.4	51.4
Female	69.0	64.5	59.9	64.5	49.8	59.4	39.6	49.6	46.6	50.6	48.6
Non SA Citizen	13.6	20.1	16.5	16.7	22.9	15.5	20.1	19.5	10.8	17.9	14.3
Black	92.6	88.5	92.6	91.3	86.8	77.5	82.6	43.7	43.7	19.0	31.3
Coloured	5.4	5.4	4.1	5.0	6.7	5.7	5.9	10.4	10.4	9.1	9.7
Asian/Indian	1.6	3.5	2.1	2.4	3.3	5.7	5.5	3.0	3.0	10.4	6.7
White	0.4	2.6	1.2	1.4	3.2	11.1	5.9	43.0	43.0	61.5	52.2
Primary school or less	38.4	39.1	21.5	33.0	16.5	11.8	5.6	11.3	1.9	0.7	1.3
Some high school	48.1	40.4	50.5	46.3	43.4	51.5	42.4	45.8	23.6	7.7	15.6
High school (Matric)	12.3	18.4	24.8	18.5	30.8	31.3	35.5	32.6	46.8	26.9	36.9
Post Matric	1.2	2.2	3.2	2.2	9.3	5.4	16.4	10.4	27.7	64.7	46.2
	100	100	100	100.0	100	100	100	100	100	100	100.0

Table 5 – Business Location

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Urban Formal	33.6	32.3	45.3	37.1	49.4	55.0	69.9	58.1	80.5	94.1	87.3
Urban Informal	7.1	10.2	9.7	9.0	8.1	9.9	8.6	8.9	2.6	0.4	1.5
Tribal Area	47.3	45.1	37.2	43.2	36.7	28.2	16.4	27.1	8.1	0.7	4.4
Rural Formal	12.0	12.3	7.9	10.7	5.9	6.9	5.0	5.9	8.8	4.8	6.8
Footpath – Hawker – vehicle	30.1	17.1	17.6	21.6	20.3	14.0	6.9	13.7	8.4	4.4	6.4
Residential Premises – dwelling – garage	65.5	73.5	76.6	71.9	73.9	77.6	83.1	78.2	73.7	63.9	68.8
Factory – shop – office	3.5	6.3	4.7	4.8	2.1	5.0	9.7	5.6	15.8	26.8	21.3
Online – internet – phone selling	0.0	1.2	0.2	0.5	0.1	0.0	0.0	0.0	0.0	0.5	0.3
Farm – Small holding	1.0	2.0	0.9	1.3	3.5	3.4	0.3	2.4	2.1	4.3	3.2
	100	100	100	100.0	100	100	100	100	100	100	100.0

Table 6 – Years of Operation and Turnover

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Longevity:											
Up to 2 years	29.2	35.1	34.8	33.0	26.2	33.6	21.6	27.1	14.6	11.1	12.9
3 to 10 years	50.0	48.3	45.4	47.9	61.1	44.6	43.8	49.8	58.8	53.1	55.9
Over 10 years	19.5	16.0	18.5	18.0	11.4	21.3	33.8	22.2	25.2	34.5	29.9
Don't know	1.4	0.6	1.3	1.1	1.4	0.5	0.9	0.9	1.4	1.2	1.3
Monthly Turn-over:											
Up to R 750	24.3	20	20.5	21.6	11.5	6.9	3	7.1	4.9	0	2.4
R 751 to R4 000	51.8	41.4	54.2	49.1	38.2	26.7	21.5	28.8	23.3	1.7	12.5
R4 001 to R10 000	14.9	21.6	14.1	16.9	33.8	47.2	21.9	34.3	17.7	3.8	10.7
R10 001 to R27 500	6.8	8.6	7.7	7.7	12.3	14.4	40.5	22.4	24.5	31.2	27.9
Over R27 500	2.3	8.5	3.4	4.7	4.3	4.8	13.1	7.4	29.6	63.3	46.5
Subtotal	100.0	100.1	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Don't Know/Refused	62.6	47.3	57.9	55.9	36.2	35.6	44.5	38.8	54.2	47.2	50.7

Table 7 – Business Characteristics of Primary Business

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Informal	100	99.6	96.6	98.7	89.9	85.9	50.6	75.4	35.2	12.2	23.7
Registered	0	0.4	3.4	1.3	10.1	14.1	49.4	24.6	64.8	87.8	76.3
Trading Sub Categories											
Buy and sell in the same form	55.9	48.8	54.0	52.9	51.7	56.8	41.9	50.1	31.5	9.7	20.6
Buy, Add value and sell	12.4	11.1	12.3	11.9	11.2	9.0	9.9	10.1	5.1	6.2	5.6
Collect from nature and sell, Other	3.2	2.0	1.2	2.1	2.8	1.6	2.0	2.1	1.8	2.1	2.0
Manufacturing											
Make something and sell	6.1	3.6	6.8	5.5	3.1	4.4	4.1	3.9	3.7	9.0	6.4
Agriculture											
Grow or rear and sell	13.0	13.3	9.9	12.1	12.1	10.1	18.2	13.5	8.4	3.8	6.1
Service Sub Categories											
Professional Service	0.0	0.0	0.0	0.0	0.2	0.3	1.5	0.7	3.8	18.7	11.3
Skilled service	6.6	16.7	12.3	11.9	13.7	10.3	12.3	12.1	22.7	27.0	24.8
Other service	2.3	3.5	3.4	3.1	4.6	6.4	9.1	6.7	16.4	8.2	12.3
Render building/construction services	0.4	1.0	0.2	0.6	0.5	0.9	0.5	0.6	5.1	5.4	5.3
Render tourism related	0.0	0.0	0.0	0.0	0.1	0.1	0.4	0.2	1.4	9.9	5.7

Table 8 – Record keeping and Use of Technology

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Manual records	2.73	22.38	45.16	23.42	68.99	82.32	70.91	74.08	69.52	53.69	61.60
Computerized records	0.00	0.16	0.00	0.05	0.59	1.04	4.81	2.15	41.18	77.93	59.56
Landline	0.1	0.6	5.2	2.0	5.0	5.7	14.5	8.4	29.0	78.1	53.5
Cell phone	27.5	46.5	61.3	45.1	65.8	76.4	87.3	76.5	92.5	82.7	87.6
Computers	0.0	0.0	0.0	0.0	0.4	0.4	9.5	3.4	36.0	78.5	57.2
Printers	0.0	0.0	0.0	0.0	0.4	0.2	3.5	1.4	10.3	61.0	35.7
Fax machine	0.0	0.0	0.0	0.0	0.0	0.1	3.7	1.3	8.8	70.2	39.5
Credit Card Machine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	13.6	7.1
Internet access	0.0	0.0	0.0	0.0	0.1	0.1	0.5	0.2	8.9	64.7	36.8
Website	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	30.2	15.9

Table 9 – Sources of Household Income

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Business Sole source of income	65.1	61.3	66.9	64.4	66.5	74.8	75.0	72.1	73.0	64.9	69.0
Other sources if applicable:											
Salary or income from a job	5.3	4.7	4.3	4.8	5.1	4.7	3.8	4.5	5.7	4.4	5.1
Spouses salary / earnings	4.6	5.2	8.7	6.2	6.1	8.7	7.7	7.5	7.5	20.4	13.9
Other person salary / earnings	5.5	5.8	5.6	5.6	5.8	4.1	3.5	4.5	4.4	3.5	3.9
Income from another business	0.6	0.4	2.1	1.0	3.8	1.1	4.7	3.2	1.4	3.3	2.4
Government grant	21.4	24.6	14.1	20.1	16.0	6.7	4.0	8.9	4.9	0.5	2.7
Investments / annuity	0.1	0.2	0.6	0.3	0.9	1.5	0.6	1.0	3.1	4.0	3.5
Subletting or other	0.2	0.2	0.1	0.2	0.6	0.1	0.6	0.5	1.8	2.6	2.2

Table 10 – Level of Employment

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Full time paid workers:											
0	95.7	89.7	85.8	90.4	78.3	57.3	45.4	60.3	46.4	21.2	33.7
1	4.0	7.2	9.9	7.0	10.7	13.6	19.2	14.5	13.9	15.2	14.6
2	0.2	1.7	2.6	1.5	7.9	22.6	11.7	14.1	9.4	18.4	13.9
3	0.0	1.3	1.0	0.8	0.6	4.1	6.9	3.9	7.3	6.8	7.0
4	0.0	0.0	0.5	0.2	1.3	1.6	1.1	1.3	8.7	3.9	6.3
5 or more	0.0	0.0	0.2	0.1	1.2	0.9	15.7	6.0	14.4	34.5	24.5
Weighted average	0.0	0.1	0.2	0.1	0.4	0.8	1.6	1	2.1	6.3	4.2
Part time paid workers:											
0	99.3	98.1	94.3	97.2	95.8	93.6	87.7	92.4	81.5	81.7	81.6
1	0.4	1.6	3.2	1.7	1.8	3.0	6.9	3.9	8.7	7.6	8.1
2	0.1	0.2	1.2	0.5	0.9	1.2	3.7	2.0	5.2	5.5	5.4
3 or more	0.1	0.1	1.4	0.6	1.6	2.2	1.6	1.8	4.6	5.2	4.9
Weighted average	0.06	0.18	0.32	0.2	0.56	1.01	1.84	1.1	2.80	10.10	6.4
Temporary, Seasonal, Contract workers:											
0	99.4	98.7	99.0	99.0	98.5	98.4	97.9	98.3	93.9	91.7	92.8
1	0.6	0.9	0.5	0.7	0.2	0.4	1.2	0.6	2.0	2.5	2.2
2	0.0	0.3	0.4	0.2	0.4	1.1	0.3	0.6	1.9	1.5	1.7
3 or more	0.0	0.1	0.0	0.1	0.9	0.1	0.7	0.6	2.2	4.3	3.2
Weighted average	0.01	0.02	0.02	0.01	0.05	0.03	0.05	0.04	0.42	0.36	0.28

Table 11 – Usage of Bank Accounts and Payment Mechanisms

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Use personal account for business	0.4	14.3	43.4	19.3	62.6	74.5	55.8	64.3	47.7	30.3	39.0
Use business account for business	0.0	0.0	1.4	0.5	3.6	6.2	29.6	13.2	47.1	66.4	56.8
Savings account	0.3	11.5	41.3	17.6	66.6	73.4	79.5	73.1	70.5	61.3	65.9
ATM card	0.0	13.1	43.5	18.8	64.0	73.0	78.5	71.8	73.8	76.9	75.3
Current account	0.0	0.0	0.3	0.1	1.2	3.3	11.7	5.4	53.3	78.4	65.9
Overdraft	0.0	0.0	0.0	0.0	0.0	0.2	0.8	0.3	3.4	28.8	16.1
Credit Card	0.0	0.0	0.0	0.0	0.5	3.5	5.9	3.3	27.1	53.8	40.4
Fixed deposit	0.0	0.0	1.1	0.4	5.7	6.0	12.6	8.1	16.7	26.4	21.6
Internet banking	0.0	0.0	0.0	0.0	0.0	0.1	0.4	0.1	8.3	44.8	26.6

Table 12 – Required Start-up Capital

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Don't know / refused	15.8%	15.8%	23.6%	18.4%	14.4%	16.7%	19.4%	16.8%	26.0%	32.0%	29.0%
None	33.3%	14.2%	13.9%	20.6%	13.7%	23.4%	24.8%	20.5%	22.2%	10.5%	16.6%
R 1 to R1 000	54.6%	63.1%	48.7%	55.7%	33.9%	22.5%	14.8%	23.9%	5.7%	4.2%	5.0%
R1 001 to R10 000	10.7%	20.9%	31.3%	20.6%	30.5%	43.8%	38.2%	37.5%	27.7%	13.6%	20.9%
R10 001 to R50 000	1.3%	1.7%	5.3%	2.7%	16.6%	8.1%	17.2%	14.0%	31.6%	34.1%	32.9%
R50 001 to R100 000	0.1%	0.1%	0.6%	0.3%	5.1%	1.1%	2.5%	2.9%	8.7%	17.7%	13.0%
R100 001 and over	0.0%	0.0%	0.3%	0.1%	0.2%	1.1%	2.5%	1.2%	4.1%	19.9%	11.7%

Table 13 – Source of Start-up Capital

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Salary	3.1	5.1	4.3	4.2	6.2	6.9	5.5	6.2	6.7	7.0	6.9
Government grant	6.9	9.5	3.8	6.7	3.2	0.8	0.9	1.6	1.1	0.3	0.7
Money from another business	2.2	1.9	3.5	2.5	6.1	1.3	3.3	3.6	1.8	5.2	3.5
Savings / deferred spending	14.0	24.9	24.8	21.2	20.4	21.5	28.4	23.5	25.8	35.7	30.8
Friends and family	17.0	19.8	14.1	17.0	19.2	12.1	10.5	13.9	5.8	9.8	7.8
Spouse	5.3	4.1	9.6	6.3	4.5	7.4	10.1	7.4	7.5	4.7	6.1
Business partner	0.1	1.1	0.3	0.5	0.6	2.7	3.3	2.2	2.5	3.6	3.1
Inheritance	0.3	0.2	0.8	0.5	3.2	2.7	0.5	2.1	1.6	5.1	3.4
Sold assets – Stokvel, payout – Church	1.7	3.0	2.4	2.4	2.5	4.8	6.9	4.7	3.3	2.0	2.6
Retrenchment – Pension – Retirement policy	3.1	5.0	4.3	4.1	8.3	11.0	8.2	9.2	16.1	8.8	12.4
Personal loan	0.1	0.3	0.7	0.4	0.4	0.2	0.7	0.4	3.2	5.1	4.2
Business loan	0.0	0.2	0.4	0.2	0.6	0.1	0.6	0.5	3.5	7.8	5.6
Loan on house	0.0	0.1	0.0	0.1	0.2	0.5	0.0	0.2	0.0	1.8	0.9
Credit card	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1	0.1	0.2	0.1
Sub-total	0.1	0.7	1.2	0.6	1.3	0.8	1.8	1.3	6.8	14.9	10.8

Table 14 – Borrowing Behaviour

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Borrowed for business past 12 months	1.4	2.5	2.4	2.1	4.1	3.0	3.5	3.5	3.8	7.1	5.5
Borrowed for business previously	1.2	1.7	1.9	1.6	1.0	2.0	1.9	1.6	8.2	8.9	8.6
Sub-total	2.6	4.2	4.3	3.7	5.1	5.0	5.3	5.1	12.1	16.1	14.1
Largest source of borrowing:											
From Bank	0.0	0.0	6.6	2.6	29.6	14.6	14.8	19.3	67.5	74.6	72.4
From MFI or Microlender	0.0	5.7	0.3	2.4	2.4	7.0	0.0	2.9	0.0	0.2	0.1
From NGO	0.0	5.4	0.0	2.2	0.0	0.0	0.0	0.0	0.0	1.2	0.8
From Government Agency	14.5	2.0	10.3	7.7	0.0	0.0	1.6	0.6	0.5	0.3	0.4
From Stokvel / burial society	0.0	4.8	6.8	4.7	4.4	8.1	7.9	6.9	0.0	0.1	0.1
From informal money lender	10.8	13.9	14.5	13.5	0.6	26.4	0.0	8.5	0.0	0.6	0.4
From Friends and family	74.7	66.1	53.1	62.5	57.2	43.3	70.7	57.9	30.3	15.1	19.6
From employer	0.0	0.0	3.3	1.3	0.0	0.0	0.1	0.0	0.0	1.2	0.9
Buy on credit from supplier	0.0	2.1	5.1	2.9	5.8	0.6	4.8	3.8	1.7	6.7	5.2
	100	100	100	100	100	100	100	100	100	100	100

Table 15 – Reasons for Choosing Source of Current Loans

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Get money quickest	37.5	38.6	37.0	37.7	53.5	33.0	6.2	29.1	31.0	30.8	30.8
Convenient	32.8	33.2	43.7	37.3	21.8	11.4	36.5	24.0	23.0	30.9	28.5
Trust	23.3	47.3	30.7	36.1	31.6	10.6	72.8	40.5	35.2	29.1	30.9
Affordable – cheapest instalments / repayments	17.0	19.4	21.4	19.7	36.8	28.8	50.3	39.3	9.8	39.6	30.6
No proof of employment required	12.4	15.7	20.8	17.1	10.9	16.3	36.7	22.3	9.4	7.3	7.9
Familiarity	19.4	17.1	14.4	16.5	7.2	34.4	32.3	25.3	18.1	26.5	24.0
Lowest interest rates	8.4	10.1	19.4	13.5	2.2	6.7	8.2	5.9	20.3	22.0	21.4
No credit checking	2.5	4.0	11.2	6.6	20.8	16.2	9.1	14.9	11.6	4.5	6.7
Flexible repayment rates	10.5	9.0	0.3	5.8	0.0	2.3	3.7	2.1	38.6	23.5	28.1
Best service	9.4	4.0	0.7	3.7	0.0	0.0	5.2	2.0	24.0	20.4	21.5

Table 16 – Reasons for Borrowing

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
Growing business	16.0	26.6	35.7	28.2	53.0	65.5	55.5	57.9	45.6	41.3	42.6
Day to day business needs	46.5	59.6	32.0	46.0	54.5	22.9	11.8	28.4	20.0	22.7	21.9
To finance stocks	26.9	14.2	41.1	27.4	16.3	10.9	36.1	22.1	26.5	19.6	21.7
To buy property	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.5	6.9	28.4	21.9
To upgrade business facilities	0.0	0.5	2.1	1.1	0.2	5.1	40.0	16.7	35.1	24.2	27.5
To buy technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	14.6	10.3
To buy machinery	0.0	4.1	0.0	1.7	2.5	2.6	2.0	2.3	1.9	14.4	10.7
New equipment	5.5	1.3	4.1	3.2	2.5	9.5	9.0	7.2	16.5	31.0	26.7
To pay debts	0.0	0.0	0.0	0.0	10.2	1.0	0.0	3.4	0.4	6.0	4.3
Finance a tender/contract	0.0	0.5	0.0	0.2	0.0	0.0	0.0	0.0	1.3	8.3	6.2
Personal reasons	27.5	4.4	16.9	13.8	10.8	19.4	2.4	10.4	7.0	10.5	9.4

Table 17 – Reasons for Not Borrowing

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
I don't need to	15.2	18.6	29.7	21.1	26.4	27.2	30.9	28.2	49.3	50.3	49.8
I don't believe in borrowing	44.6	34.0	32.1	37.0	36.2	29.0	42.5	35.9	29.5	24.4	27.0
Business is slow; earnings variable; afraid	45.3	53.1	41.1	46.5	32.7	63.3	26.8	40.9	24.1	15.7	20.0
Turned down, don't qualify	10.1	9.8	9.7	9.9	14.5	9.3	10.8	11.6	4.4	2.1	3.3
Don't have the collateral	1.7	1.6	3.5	2.2	2.7	2.5	1.9	2.4	0.8	2.1	1.5
Not willing to pledge collateral	0.6	0.3	0.4	0.4	0.4	0.6	2.1	1.1	1.4	2.5	2.0
Don't know / Other	2.4	3.2	2.6	2.8	3.6	4.6	4.4	4.2	6.6	3.8	5.2

Table 18 – General Attitudes about Credit

	1	2	3	1 to 3	4	5	6	4 to 6	7	8	7 to 8
You are able to turn to friends or family to provide you with money for emergencies at your business	72.3	68.2	69.0	69.8	73.0	63.3	69.2	68.5	62.9	64.7	63.8
You have money set aside in case of emergencies at your business	25.7	31.4	40.8	32.6	64.0	75.7	63.5	67.7	85.6	90.1	87.8
You would never borrow any money from anyone or any place for your business	31.2	33.6	31.8	32.2	28.8	24.7	29.4	27.6	23.8	23.5	23.6
You would only borrow and take loans for occasional valuable purchases for your business	13.8	15.7	15.1	14.9	30.5	23.6	37.9	30.7	39.6	43.8	41.7
You pay off the balance of what you owe on your business loans in full every month	1.0	2.1	2.0	1.7	2.6	4.0	5.8	4.2	5.9	13.2	9.5
You would borrow money to start another business	18.2	20.1	19.3	19.2	25.3	23.2	30.4	26.3	31.9	27.4	29.6