NATIONAL TREASURY

Creating a Data Framework for SMME's in South Africa

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Background

- SMME's growth is an imperative to the inclusive growth of our economy & the reduction of the unemployment rate.

- It is estimated that SA has a total on 5.78 million SMME's 86 percent of which are informal.

- Stats SA data on SMME's showed a subdued growth since 2017 from 2.019 million to 2.309 million in 2019 (*we do not know how many of the informal business became formal over the period*).

- Barriers to growth in this segment are mainly attributed to access to **markets** and access to **finance** & access to **skills**

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National Treasury's role

- **Financial inclusion** - addressing barriers to growth as they relate to the inclusion of this segment in the financial sector

- **What is financial inclusion based on SA policy?**

- The **provision** & **use** of regulated financial services by those segments of society where financial services are needed but not provided, are inadequately provided or provided but not easily accessible.

- Effective inclusion requires not only that financial products & services be available, but must also be **convenient, affordable, fair & trusted**.

- For SMME's this means that - the sector provides appropriate products throughout different life stages of an SMME

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SMME's Financial Inclusion Landscape
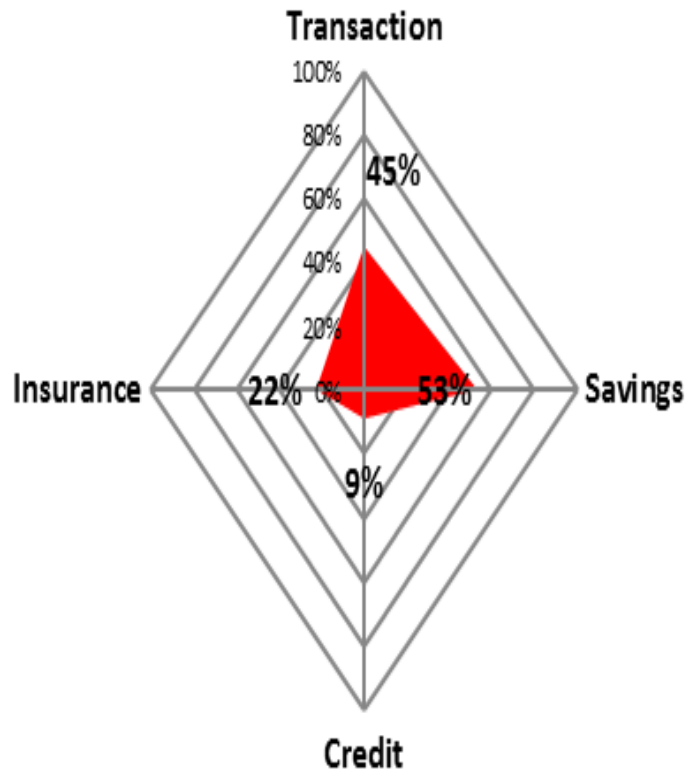
Source: FinScope South Africa Small Business Survey 2010

How do we define an optimally served SMME?

- Has access to an appropriate **transactional account** & is able to use the account as a store of value;

- Has access to appropriate **payment services**, both to receive & make payments;

- Has access to appropriate **insurance** products to mitigate risks pertaining to the enterprise;

- Has access to **financing** both for short & long-term needs of the business.

How then do we serve this market / How does the sector design appropriate products for SMME's?

- We need **data to**:

- Understand **how we are doing thus far?**

- Understand the **segment specific needs**

- Assess whether interventions designed to address the **gap** in financial services needs amongst SMME's is **narrowing**

- Ultimately design policies/interventions and products that **enable the growth of SMME's**

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What do we need?

- Need standardised data – both supply & demand side

- Need regular & comprehensive updates on the state of the SMME sector

- Need consensus on how SMMEs are defined & measured

- **Critical need**: A single and trusted data source to profile the size & features of the SMME market

- Need a Comprehensive & Holistic view of public & private sector initiatives & programs that target the SMME market

How do we get there?

- The unseen sector report makes relevant recommendations in this regard but:

- **How** do we gather this data?

- **Can** we agree on a **single definition** and what needs to be measured?

- Is standardisation possible?

- **Who** is responsible? Who will bear the **costs**? Is there a smart of collecting this data at low cost?

How do we get there?

- **What** needs to be done from a policy perspective **i.e. What does the sector need from government?**

- **What** is the role of Gov vs DFIs vs Industry?

- What can the sector do to assist?

- What type of alternative data can we collect?

- What will be the challenges?

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THE END