

How we conducted the survey

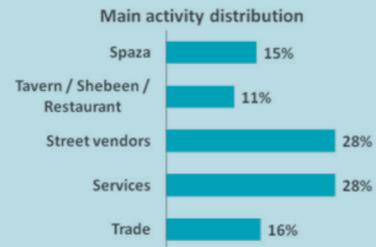
Who did we speak to, and what did we find out about them?

Methodology: Our study was conducted in August 2010, in the form of a quantitative survey. Over a period of two weeks, we conducted face to face interviews with a representative mix of 507 small business owners in 7 different areas of Cape Town: Gugulethu, Nyanga, Philippi, Khayelitsha (Site C and Makhaza), Langa and Crossroads. There was a roughly equal number of males and female business owners, active in a variety of sectors: Spazas, Taverns and Restaurants, Street vendors, Services and Trade.

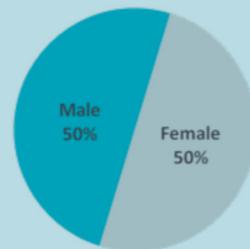
Business profile: The vast majority of the business owners (80% of respondents) say they only run one type of activity. On average, they have around 8 years of experience. Business owners also take little time off, as most work more than 5 days per week. The busiest time of the year, on average, is the last quarter of the year.

Financial Profile: Overall, small business owners take home about R 2,600 per month, but this average masks a significant gender difference: With around R 3,340 on average per month, male business owners seem to do significantly better than females, who have a take-home income of around R 1,910. Taverns

and shebeens are apparently the most profitable ventures, with average take-home incomes of R 3,710, while street vendors and service providers seem to do less well, with average monthly incomes of just over R 2,000.



Gender distribution



Money left for the family per Month



About PlaNNet Finance

PlaNNet Finance is a leading international non-profit organization with the mission to alleviate poverty through the development of microfinance, therefore increasing the unbanked and underbanked's access to financial services.

Since its beginning in 1998, PlaNNet Finance has developed into a group of organizations (PlaNNet Finance Group) providing a diverse set of services. PlaNNet Finance brings together over 1,000 staff.

With its Head Office in Paris, PlaNNet Finance's international network holds activities in close to 80 countries around the world where it has local country and regional offices. www.planetfinance.org



About Reciprocity

Reciprocity is a Cape Town-based consultancy, aiming to maximize the contribution of the private sector to social and economic development. Reciprocity provides a range of specialised services for corporations, civil society actors and the public sector. Reciprocity's core activity is to offer strategic consulting services: targeted missions for corporations and other businesses aiming to develop links with the BoP market. Since its establishment in 2005, Reciprocity has acquired significant field experience through qualitative and quantitative studies, as well as direct immersion in low-income communities.

www.reciprocity.co.za



Assessing the needs of South African micro-entrepreneurs

A PlaNNet Finance / Reciprocity Market Study

South Africa probably has more than 2.5 million micro-enterprises, i.e. mostly informal businesses that employ fewer than 4 people. According to some estimates, between 30% and 70% of households in informal settlements are involved in some kind of income generation activity (Valodia, 2000, and Napier et al, 2002), and small businesses contribute an estimated 7 to 12% of South Africa's GDP (Dewar 2005). How can these entrepreneurs take their business to the next level? What sort of tools could possibly help them increase their profits and contribute further to South Africa's prosperity?

By talking and listening to a representative sample of 500 such entrepreneurs, we have sought to identify some of these tools, the means that could help them and their businesses achieve their full potential, reduce poverty and share in South Africa's economic growth. These tools aim at addressing some of the entrepreneurs' most typical challenges, such as lack of access to finance, poor levels of managerial, financial and technical skills, or the lack of access to risk mitigation (insurance). Thanks to this survey, we have a more precise idea of the needs of entrepreneurs, and are in a better position to develop products that can close the gap between what is currently on offer and what small entrepreneurs need most to expand their business.

Source: UNDP Draft Report "The Legal Empowerment of the Poor": - October 2007
- Marlese von Broembsen



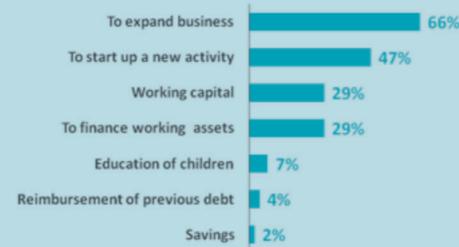
Demand for loans

The micro-entrepreneurs we spoke to did not wait for anyone else's help to start their businesses: About 63% of respondents say that they started their business with their own money. But many also feel that borrowing some money can help them to fulfill their ambitions: Two thirds of business owners surveyed say they would like to take out a loan, primarily in order to expand their business (66% of respondents who'd like to take out a loan) or start a new activity (47% of such respondents). The main obstacles to take out loans are the fear of being unable to pay back (14% of respondents), high interest rates (11%) and the lack of collateral (11%).

While the average amount micro-entrepreneurs wish to borrow is R 23,700, half of respondents want to borrow no more than R 10,000 in order to achieve their goals. About 60% of all respondents reckon they

could reimburse such loans in under 24 months, and the overwhelming majority (88%) would prefer monthly instalments. Crucially, three quarters also say they would need a grace period of 4 months before starting reimbursements.

Future loan usage of borrowers



Demand for training, insurance and mobile banking

Skills: A significant portion of business owners told us that they would benefit from skills development. Most in demand is to acquire more financial skills (a desire for 41% of respondents), followed by 34% who'd like to increase their managerial skills, and 23% for technical skills. Entrepreneurs also attach value to such training: About 48% of all interested respondents say they would be prepared to pay to acquire additional skills.



Insurance: Very few micro-entrepreneurs say they can afford to hold insurance. Only one third of business owners surveyed had any insurance at all, and it was almost always funeral cover (in 88% of the cases). Many business owners, however, understand the importance of insurance, and beyond the desire for funeral cover, a significant portion state a desire for education insurance (55%) to cover their children's education costs in the event of a parent's death, and general business cover (52%). Interestingly, the latter are cited as bigger priorities than health cover (desired by 45% of respondents) or credit insurance (34% of respondents).

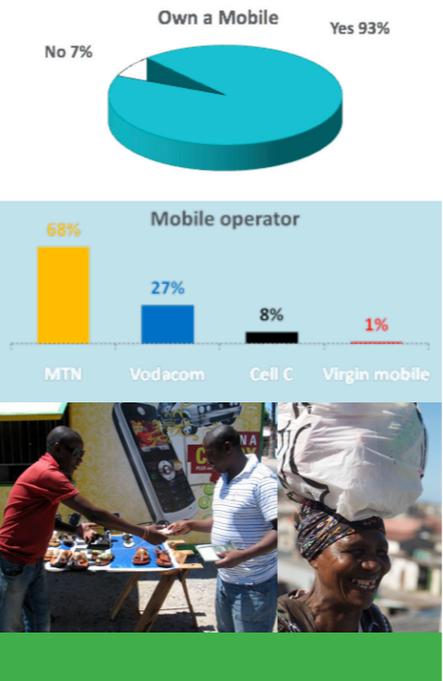


- 1. Financial trainings 41%
- 2. Managerial trainings 34%
- 3. Technical trainings 23%

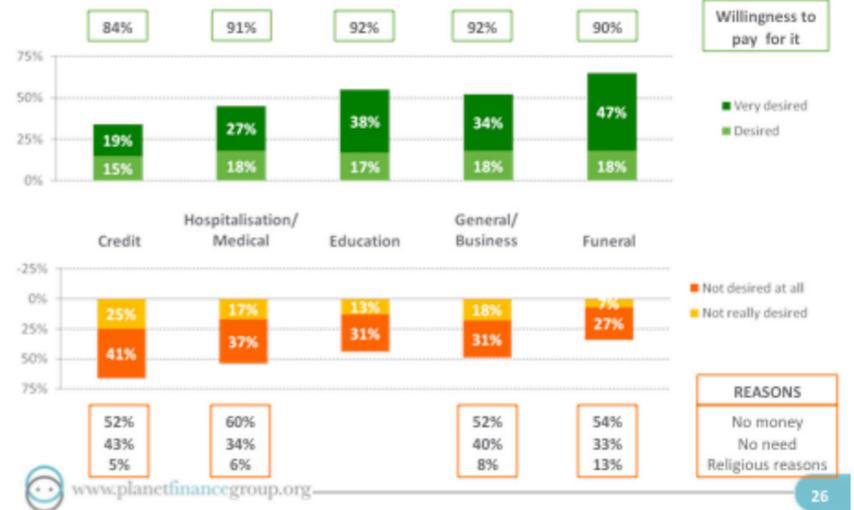
Saving and transferring money: the potential of mobile banking

Another crucial characteristic of the entrepreneurs surveyed is that almost three quarters of respondents (73%) regularly save money. Out of those, a very large majority put their savings either in a bank (68%) or at the post office (13%). Stokvels (informal savings mechanisms) have clearly fallen out of fashion, with fewer than 2% citing them as suitable vehicles for their savings.

Mobile phone penetration is close to saturation, with 93% of respondents owning a mobile phone. MTN is the preferred operator with 63% market penetration (significantly more than its overall national market share), followed by Vodacom, Cell C and Virgin. With such levels of coverage, the potential for mobile banking solutions is clear: Many business owners, especially the younger ones, traders and those operating from home, would like to use mobile phone applications to transfer money and pay bills.



Insurance Needs



The way forward

The key learning from the survey is that there is clearly a significant gap between what is currently on offer for micro entrepreneurs in the township, and the products that are most likely to help them grow and bring more development to people living in poverty.

Thanks to these findings, PlaNet Finance is now in a position to help stakeholders and service providers to adapt their offering in order to make it suitable to the specific needs of micro-entrepreneurs. This starts with small measures, such as simplifying loan procedures and investing more time and resources in

building a relationship with small business owners. It also involves developing tailor-made products including working capital and start-up loans, savings vehicles for business owners who seek to plan for their children's future education, business insurance products, adapted training modules, and last but not least, mobile banking options.

