

The challenges facing the development of SMMEs in Botswana

The development of Small and Medium Micro Enterprises (SMMEs) in Botswana is a major challenge and has been the topic of countless research. Nothing has been done, however, to quell these problems and so they continue to present themselves. Below are some of the major difficulties and constraints that hamper the success of the SMME sector:

- **Lack of business acumen**

At least 80% of the SMMEs in the startup phase fail in the first 3- 5 years of the establishment phase. This is largely due to a lack of business acumen to manage the businesses. For example, due to the support programme from government on SMME Development, more especially the Young Farmers' Fund, a great deal of youth have ventured into commercial farming activity. Majority of them, however, do not have the technical know-how to make these businesses succeed, hence the existence of organisations such as Local Enterprise Authority (LEA) who are mandated to address such issues. It is important that entrepreneurs are aware of such organizations to minimize the failure rate of their businesses.

- **Poor and or no record-keeping on the performance of business**

A lot of SMMEs are still faced with the problem of maintaining proper financial information to keep track of the performance of their businesses. Often, in cases where the financial information is kept, it does not portray an accurate picture on the performance of the business. This is due to the over-reliance on accountants, company secretaries, auditors, etc.

During loan applications, reliance is placed on the financial performance of the business and in most cases the information presented is a challenge. In light of this, SMMEs should contact organizations such as LEA or Business Place, as they offer basic training in record keeping and management. This will equip SMMEs with the basic skills to better understand their financial information.

- **Poor quality of products**

Product quality is an additional factor that affects SMME penetration of the market, both locally and internationally. Today's consumers are educated about their rights and will only spend their money on a good product that addresses their needs. Similarly, retailers demand high quality products from suppliers to satisfy the needs of the customers. As such, government has seen it fit to establish the Botswana Bureau of Standards in order to address product quality and compliance to standards. SMMEs should acquaint themselves with the mandate of such organizations and take advantage of their services.

- **Lack of market**

In developed economies, the private sector takes a leading role in offering the market for the SMMEs. In fact in most cases, the SMMEs are a market in themselves, through the vertical and horizontal linkages. Over 90% of businesses in Botswana, however, rely on government for market. For example, consider the value chain process where cattle farmers buy their feeds and vaccination from retailers like Agri-Chem. Cattle farmers then sell their cattle to the butcheries, supermarkets, meat processors and, ultimately, the product reaches the consumers. Such an example testifies to the aforementioned vertical and horizontal linkages, and yet many SMMEs fail to realize this. Moreover, SMMEs should be knowledgeable about government efforts to support and diversify

the economy. This includes the Economic Diversification Drive pioneered by the Ministry of Trade and Industry and which all SMMEs should make an effort to learn more about.

Other notable challenges faced include a lack of commitment by promoters on their business; skills, lifestyle and capabilities of entrepreneurs; and lack of qualified mentors to oversee projects. In addition, other difficulties relate to failure to avail security for risk capital, lack of access to developed land with all the facilities, poor management of businesses, and lack of access to start up capital.

To quell these problems, SMMEs are encouraged to visit organisations such as LEA, Business Place, CEDA, BOCCIM, BOBS, and the Ministry of Trade and Industry (EDD office). This will allow them to enquire about how they can best be assisted in strengthening their business and the most suitable ways in which to do so. In addition, as part of an ongoing drive towards encouraging and aiding Small and Medium Enterprises (SMEs) across Botswana, Stanbic Bank aims to quell some of these problems.

Through collaboration with organisations such as LEA and the Women In Business Association (WIBA), Stanbic Bank is constantly working towards establishing a network of opportunities and support for SMMEs across the country. Such relationships foster strong business ties, increased business knowledge, and access to previously unserved markets. In addition, product launches such as the SME Quick Loan, our fast, unsecured business loan, promises to help address the problem of SME financing and ease the often tiresome and complicated loan application process. Stanbic Bank remains committed to growing and developing SMEs and SMMEs across the nation, a sector that we believe is a key engine of growth for the nation's economy.

For more information, go to www.stanbicbank.co.bw or contact Ruth Modisane, Public Relations Manager, Stanbic Bank Botswana, email: modisaner@stanbic.com, tel: +267 3618230.