"BEYOND EMPOWERMENT... Siyazenzela! "
(we do it ourselves)
Presentation Format

■ Introduction of FABCOS
  □ Focus
  □ Age Analysis

■ Research on Funding and Support of SMME

■ FABCOS Programmes and Value Adds

■ SMME Credit Support Programme

■ Recommendations
In 1988 the founders realised that with political liberation imminent, black business people from the informal sector would require organization and representation to ensure that the political transformation for them would result in tangible economic improvements.

FOUNDING VISION

To ensure that informal Black Business becomes part of the mainstream of the South African economy.
OVERVIEW OF SMALL BUSINESSES WITHIN FABCOS
Definition of Small Business in South Africa

<table>
<thead>
<tr>
<th>Size Category</th>
<th>Number of employees</th>
<th>Annual turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Micro</strong></td>
<td>Less than 5</td>
<td>Less than R200,000</td>
</tr>
<tr>
<td><strong>Very Small</strong></td>
<td>&lt;10 or 20 in some sectors</td>
<td>Less than R6 million</td>
</tr>
<tr>
<td><strong>Small</strong></td>
<td>Less than 50</td>
<td>Less than R32 million</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td>&lt; 100 or 200 in some sectors</td>
<td>Less than R64 million</td>
</tr>
</tbody>
</table>

Officially SMMEs are classified by number of Employees and Annual Turnover.

Our focus since inception has been on informal business mainly because of prohibitive policies of government at the time.

22 years on, with prohibitions scrapped and the landscape fundamentally changed, these categories are also included in our focus?

- Registration is open to all at CIPC
- Licensing is limited only by a lack of knowledge and resources
- Licensing challenges seem to have moved to provinces
It’s a Small Business Economy!
(Statistics SA Integrated Business Register)

<table>
<thead>
<tr>
<th>Registered SMMEs</th>
<th>2004</th>
<th>2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
</tr>
<tr>
<td>Micro</td>
<td>212,161</td>
<td>49.8%</td>
<td>200,377</td>
</tr>
<tr>
<td>Very small</td>
<td>170,338</td>
<td>39.9%</td>
<td>251,920</td>
</tr>
<tr>
<td>Small</td>
<td>32,397</td>
<td>7.60%</td>
<td>63,193</td>
</tr>
<tr>
<td>Medium</td>
<td>6,748</td>
<td>1.58%</td>
<td>20,750</td>
</tr>
<tr>
<td>Total SMMEs</td>
<td>421,644</td>
<td>98.9%</td>
<td>536,240</td>
</tr>
<tr>
<td>Large</td>
<td>4,596</td>
<td>1.07%</td>
<td>17,251</td>
</tr>
<tr>
<td>Total SA</td>
<td>426,240</td>
<td>100%</td>
<td>553,491</td>
</tr>
</tbody>
</table>

The number of micro enterprises dropped by 5.6% over 3 years
Very small, small and medium enterprises grew significantly over the same period
- Very small enterprises grew by 48% in number
- Small enterprises doubled in number
- Medium enterprises grew three times over
National Spread of SMMEs
Gauteng, Western Cape & KwaZulu Natal dominate

SMMEs are unevenly spread throughout the country
80% of all SMMEs are in 3 provinces

- Gauteng: 48%
- Western Cape: 19%
- KZN: 13%
- Eastern Cape: 6%
- Free State: 3%
- Limpopo: 3%
- Mpumalanga: 4%
- North West: 1%
- Northern Cape: 1%
- Northern Cape: 1%
## FABCOS Sector Participation by Members

<table>
<thead>
<tr>
<th>Sector</th>
<th>Association</th>
<th>As a % of total Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading</td>
<td>SATA</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>NTSA</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>FIBA</td>
<td>4%</td>
</tr>
<tr>
<td>Farming</td>
<td>AFASA</td>
<td>10%</td>
</tr>
<tr>
<td>Construction</td>
<td>ABA</td>
<td>17%</td>
</tr>
<tr>
<td>Hair and Beauty</td>
<td>AHBASA</td>
<td>1%</td>
</tr>
<tr>
<td>Tourism</td>
<td>BATASA</td>
<td>7%</td>
</tr>
<tr>
<td>Clothing</td>
<td>NCIA</td>
<td>7%</td>
</tr>
<tr>
<td>Professions</td>
<td>PROFS</td>
<td>9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Age Analysis of the SMME Market

Young People are starting most Ventures
(Age of entrepreneur at start-up study)

FABCOS membership

18-24: 31%
25-34: 22%
35-44: 24%
45-54: 13%
55-64: 10%
Generally lower levels of education among entrepreneurs

- Other post-Grade 12
- University completed
- Some university
- High school completed
- Some high school
- Primary school completed
- Some primary school
- No school
Factors limiting SMME business performance
Capital shortage is the main investment hindrance for Black Entrepreneurs

<table>
<thead>
<tr>
<th>Factor</th>
<th>Black</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Access to Capital</td>
<td>59%</td>
</tr>
<tr>
<td>High Interest rates</td>
<td>6%</td>
</tr>
<tr>
<td>Insufficient demand</td>
<td>16%</td>
</tr>
<tr>
<td>Insufficient need/desire</td>
<td>12%</td>
</tr>
<tr>
<td>Business experience</td>
<td>6%</td>
</tr>
<tr>
<td>Business costs too high</td>
<td>0%</td>
</tr>
<tr>
<td>High labour costs</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
</tbody>
</table>
Government and banks seen to be not doing enough to lend help (%)
Areas where support requested from government (%)
Areas where improvement requested from banks (%)

- Red tape
- Overdraft
- Mentorship
- Friendliness
- Interest rates
- No faith in banks
- NCA
- Credit access
- Surety
- Charges
The Leading Black Business Chamber Movement in South Africa

- Economic Transformation
- Access to Finance

- Socio-Economic Development
- Access to Business Opportunities and Markets
- Policy Advocacy
- Business Support Services

- Developing Small Business
- Skills Development and Training

Appropriate Professional Skills and Capacity

Good Membership Profile and Supportive Stakeholders
FABCOS Key Programmes

- **Access to Finance**
  - Lending in Innovative Ways that overcome red tape and bureaucracy
  - SBGTF [FABCOS & KHULA] – [Partnership KHULA/SEFA]
  - UTFS-SA – [Private Sector Fund]
  - Carbon Fund – [Private Sector Green Fund]

- **Access to Business Opportunities and Markets**
  - Cape Malting House – R800mil plant [Partnership IDC]
  - AgroProcessing – [Maize, Barley, Poultry; Piggery]
  - Franchising [Clothing Manufacturing and Retail] – [Proposed Partnership - NEF]
    - Hummel Brand [Leisure ware; Sportsware]

- **Skills Development and Training**
  - SEDA – FABCOS – NAFCOC Training Fund [Partnership SEDA R10mil]
FABCOS Key Programmes

- **Business Support Services**
  - Accounting Services
  - Legal Services
  - Business Services

- **Effective Policy Advocacy**
  - Black Business Council
  - Meaningful intervention in changing government policy to promote a better trading environment
FABCOS Priority Sectors

- African Builders Association – ABA
- African Farmer Association – AFASA
- Black Association of Travel Agencies - BATASA
- National Traders Association – NTSA
- National Cottage Industries Association - NCIA
- South African Taverners Association – SATA
SMME Credit Support Programme

- **OBJECTIVES - SMME Credit Support Programme**

  - To promote and engage in the collection, storage sharing and dissemination of SMME data for purposes of facilitating SMME access to financial credit,

  - To create and maintain a Register of SMMEs by business information indicative of business sophistication, history of trade credit suppliers, history of personal loans for commercial purposes, information about asset value/annual turnover of the enterprise.

  - To investigate, review and document current criteria for extending financial credit to SMMEs’ in South Africa.
Objectives – SMME Credit Support Programme

- To investigate innovative methods and models of SMME financing advance and promote such methods or models.
- To review the impact of the National Credit Act No.34 of 2005 on SMME access to credit.
- To educate and raise awareness in the SMME sector about rules and criteria applicable to SMME access to finance.
- To address bona fide disputes pertaining to SMME finance, for purposes of assessing the need for alternative dispute resolution within the context of SMME access to finance.
- In general to take reasonable measures to identify and attempt to address the SMME finance gap and challenges to SMMEs’ accessing finance in South Africa.
RECOMMENDATIONS

- Review Credit regulations
  - [Finance Charter; PPPFA; BBBEE, etc.]
- Co-location
  - Reduce the cost of making business
- Improve outreach
  - Business Angels; Incentives; Youth Development
- Improve partnerships
  - Chambers
  - DFIs [Finance and Non Finance]
  - Banks
  - Traditional Leadership
  - LED/Municipalities
- Rework the Lending Models
  - Value Chain lending/sustainable lending
  - Mentorships
  - Set-asides
THANK YOU

thakadu@fabcos.co.za
083 615 0250