Survey finds neglect of small businesses by African banks

By Oupa Segalwe

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There was "neglect on the Small and Medium Enterprise sector" by banking institutions across the African continent, a survey has found.

The survey by global auditing firm PriceWaterhouseCoopers looked at strategic and emerging banking issues in key African markets.

It focused on "leading countries in regional markets" namely South Africa, Kenya, Egypt, Senegal and the Ivory Coast.

The study also found that there were concerns by all markets about how best to service the "unbanked" market, noting that most people who lived far from urban areas did not have access to banking services.

This was found to be more the case in Egypt, Nigeria and Kenya, while in South Africa it was seen to be progressing as a result of the Financial Sector Charter and new products such as Mzansi Account.

Responding to the findings, Banking Association of South Africa (BASA) Managing Director Cas Coovadia said local banking institutions are doing a lot to help the small business sector.

He told BuaNews Wednesday that banks were involved in many different ways to play their part in helping emergent entrepreneurs enter the Small to Medium Enterprise (SME) sector.

"According to the Financial Sector Charter Council report of 2004, banks lent about R7 billion to SMEs. This was a report from all financial institutions and the report was independently compiled," Mr Coovadia said.

However he said government should play a "bigger role" regarding microfinance for up and coming small businesses. He pointed out that programmes such as the South African Micro-Finance Apex Fund (SAMAF) needed to help in that regard.

Introduced in May 2005, SAMAF aims to stimulate the development of SMEs, opening doors to aspiring entrepreneurs who need loans less than R10 000 as start-up capitals.

The development and growth of SMEs in the country has been identified as one of the key drivers for job creation and the fight against poverty.

This is outlined in goverment's Accelerated and Shared Growth Initiative (AsgiSA), and seeks to achieve an economic growth rate of 6% by 2010 to help halve poverty and unemployment by 2014.

Other government programmes include the Macro Agricultural Financial Institutions of South Africa (MAFISA), which aims to provide financial services to facilitate the development of micro and small agri-businesses and to enable entrepreneurs to develop into larger businesses.

In February, government allocated about R1.7 million to agencies and entities falling under the Department of Trade and Industry (dti) to promote small business development among other things.

The dti has to ensure that South Africa has a vibrant economy, characterised by growth, employment and equity, built on the full potential of all citizens.

Other than SAMAF, some of the agencies and entities overseen by the dti are the Khula Enterprise Finance, Small Enterprise Development Agency (SEDA) and the Industrial Development Corporation.

Regarding banking services, Mr Coovadia said banks had made “substantial in-roads.”

“Banks have been looking at extending banking services to shops and stores in rural areas. They are also opening branches and availing Automated Bank Tellers (ATMS) in such areas.”

There had been a reduction of up to 6% in the number of people who previously could not access banking services.

Since its inception three years ago, the Mzansi Account had managed attract over 3 million people who previously did not have bank accounts, said Mr Coovadia.

“It has made an impact in reducing the number of people who previously did not have banks accounts,” he said.

Mzansi Account is a low cost account, which extends banking to low-income earners and those living beyond the reach of banking services.

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