A Countrywide Study of Small-Scale Enterprises in Swaziland

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GEMINI

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A Countrywide Study of Small-Scale Enterprises in Swaziland

by

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EXECUTIVE SUMMARY

A country-wide survey of micro and small non-farm enterprises (MSEs) employing 50 or fewer was carried out in Swaziland during March and April of 1991. When the sample findings were extrapolated to reflect the picture for the whole country, it was estimated that there are about 51,400 MSEs employing just over 100,000 people, about a fourth of the total Swazi labor force.

MSE activities are full-time engagements for most people who participate in them. The average enterprise operated for 11.6 months per year and for 25.8 days per month. Besides employment, Swazi MSEs make important contributions to household income. Close to two-thirds of the proprietors get one-half or more of their household income from the sector, and fully 36 percent of the proprietors depend entirely on these enterprises for household income. Although MSEs are an important source of income for many Swazi households, an overwhelming majority of the enterprises are very small. The labor force ranges from 5.0 people per enterprise in the high income zones of the major towns to 1.7 in rural areas. Two-thirds of the MSEs are one-person operations.

The survey revealed a country-wide dominance of small manufacturing activities: about three-fifths of all enterprises are engaged in such activities. Trade accounts for another 32 percent, while the remainder is accounted for by services and transport. The manufacturing share is much lower in urban than in rural areas; in fact, trade is the dominant sector in the urban centers and the smaller towns. Country-wide, the most commonly encountered MSEs are engaged in grass basket and mat weaving, food vending, knitting and beer brewing.

About 78 percent of the labor force is made up of females. In the rural areas, their share goes up to 94 percent. Almost two-thirds of the labor force is accounted for by proprietors. This group is also dominated by women: 84 percent of all MSE proprietors are female. On average, enterprises with male proprietors grew significantly faster than those run by women. This difference may reflect the dominance of men in the fastest growing sectors, or it may reflect a tendency for female entrepreneurs to be more risk-averse than males in view of their need to assure a basic supply of household necessities.

While about three-fourths of the MSEs and two-thirds of MSE employment are found in rural areas, a relatively high concentration of MSEs is found in the urban areas. Some 16 percent of the total number of MSEs and about one-quarter of MSE employment is found in the urban areas, although only about 10 percent of Swaziland's population are urban-dwellers.

Swazi proprietors of African descent account for 95 percent of the total number of proprietors; Europeans and Asians together account for only about 2.7 percent. About three-fourths of the proprietors are married. The average age for all proprietors is 42.9 years; the corresponding figures for the married and the unmarried are 45.7 and 32.8 years. Only a tenth of them belong to business associations or cooperatives. Two-fifths of them have had no schooling at all; male proprietors have had, on the average, slightly more education than female proprietors. Almost 90 percent of proprietors started their businesses from scratch. For 71 percent, family and own savings were the main source of the initial investment. Only 2.8 percent received credit from formal institutions for the initial investment; even after the business was started, only 2.3 percent of the proprietors have received formal sector credit.

MSEs in Swaziland demonstrate a considerable degree of dynamism. Proprietors judge that the number of enterprises and the overall market demand for the products they make have gone up in recent years. Perhaps due to keen competition, more than half of the proprietors interviewed reported that their own business volume had declined or at best remained stable. Looking at the changes in the size of the work force since the enterprises were set up, MSEs have grown at an annual average rate of 6.6 percent. However, the number of workers in close to three-fourths of all enterprises either declined or remained stagnant. Among the industries that showed major growth in firm-level employment were transport, restaurants, hotels and bars, and fabricated metal production. Textiles and construction, on the other hand, showed the lowest rates of growth in employment.

Finally, looking at problems that entrepreneurs perceive as constraining the growth or contributing to the demise of their MSEs, five problems stand out: lack of product demand; bad debts; lack of operating funds; unavailability of raw materials; and personal health of the proprietor. Three points in time were taken to examine the importance of these problems: at the beginning, when an enterprise was first started; during periods of growth; and at the time when the survey was carried out. For existing MSEs, the first four problems listed are mentioned as being serious at the start-up and currently. During growth periods, bad debts and lack of working capital were reported to be the major difficulties. For MSEs that have closed, all five problems were mentioned as contributing to the closure of the enterprise. A closer look at these problems could shed much light in identifying critical bottlenecks in the development of MSEs in Swaziland.

SECTION ONE

INTRODUCTION

This is a report of a country-wide study of micro and small scale enterprises (MSEs) in Swaziland carried out in March and April of 1991. The project was funded by USAID through the GEMINI (Growth and Equity through Microenterprise Investments and Institutions) Project and carried out by two Michigan State University staff with local support provided by Khalipha Investments. **For the purposes of this study, MSEs are defined as those non-farm enterprises engaged in market-oriented production, commerce and service activities with a total of 50 people or fewer in their work force.** The study thus incorporates a spectrum of activities from the one-person vendors and hawkers one sees on the roadside to the well established small modern concerns.

With an area of 17,364 Km^2 and a projected 1991 population size of 800,000, Swaziland is a small country. It is also landlocked and almost completely surrounded by South Africa. These physical characteristics have a profound impact on Swaziland's potential for development. The role of MSEs in this contextual framework could be significant in addressing the problem of unemployment in Swaziland, which was reported in 1989 to be at a rate of 28 percent.[1]

The survey approach is explained in Section One of this paper, while Sections Two and Three describe respectively the magnitude and characteristics of MSEs in Swaziland and their corresponding employment levels. Section Four discusses MSE constraints, and the ways in which these have changed over the years. The final section provides some concluding comments.

SURVEY APPROACH

Swaziland is divided by the Central Statistics Office (CSO) into well-defined localities called enumeration areas (EAs), which are used for periodic population censuses.[2] The approach used for the Swazi MSE survey involves a country-wide stratified random sampling of these EAs.

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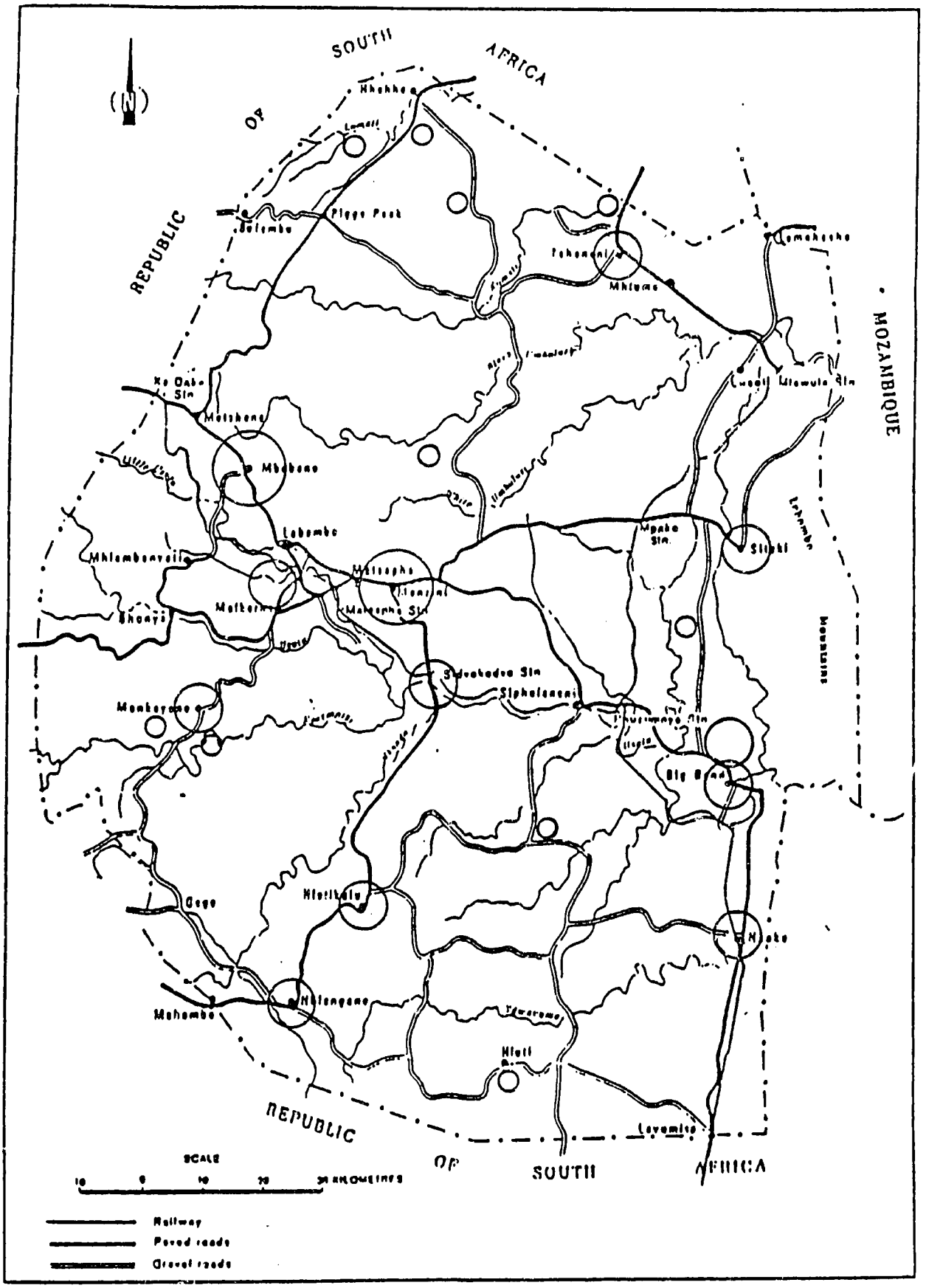
[1] Capricorn (1989b).

[2] The average population size of an EA is about 650. Each EA has a relief map showing its boundaries and other characteristics such as roads, dwellings and rivers or streams.

Swaziland

Areas Sampled in 1991 MSE Survey



Rural EAs

Smaller Towns and Company Town EAs

Major Towns

For the present study, the country was classified into four strata consisting of (1) the major towns (Mbabane and Manzini), (2) the smaller towns, (3) company towns (or estates), and (4) rural enumeration areas.[3] The stratification is based on population sizes and economic characteristics of localities. A random sample of EAs was drawn from each stratum except the smaller towns, for which a random sample of towns was taken. The actual sample consisted of 53 EAs and 6 small towns.[4] All four administrative regions and the four ecological regions of the country were well represented, as the map which follows indicates. A detailed tabular presentation of the sampling approach is given in Appendix Table 1.

The enumeration survey consisted of three questionnaires: (1) a primary one dealing with the characteristics and parameters of existing MSEs; (2) a supplementary one describing the proprietor-owner/operator (and certain detailed aspects of the existing MSEs); and (3) a questionnaire which collected data on MSEs that are dead or are closed down.[5] The necessary data for all three questionnaires were collected from the present or (in the case of some dead MSEs) from past proprietors. While the basic format of the questionnaires did not change from what has been used in other countries, modifications were made to meet the particular circumstances in Swaziland.

The questionnaires were administered by enumerators going from house to house and street to street (or homestead to homestead) in all the localities included in the sample and recording the presence or absence (as the case may be) of MSEs. The objective was to completely canvass an area in the sample.

Enumerators were O-level students who were trained for a week. They were supervised by two field supervisors all under the guidance and leadership of the project leader.[6] Questionnaire entries were checked both by field supervisors and the project leader. By way of operational definitions, the reader should be aware that "children" are those persons less than 14 years old. Part-time workers are those who work for less than the regular number of hours/days for an enterprise. A household is defined as a group of people who eat from the same dish/pot and who may or may not live in the same house — they may share incomes and expenses.

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[3] Two modifications were made to the major towns stratum: the stratum was sub-divided into three income level zones; in addition, the major town markets which are of high MSE concentration in Mbabane and Manzini were handled differently to avoid an upward bias in estimating the number of MSES in the stratum.

[4] The 53 EAs are the total of 39, 4, and 10 randomly picked EAs respectively from the major towns, the company towns (estates) and the rural EAs strata; the 6 towns are from the smaller towns stratum.

[5] The sample sizes for the three questionnaires were respectively 2,759, 371 and 663 cases.

[6] All together, there were 15 enumerators, 1 data entry person, two field supervisors and a project leader all on a full-time basis. In addition to these, there were administrative and secretarial backup provided by Khalipha personnel throughout the project period. The field work lasted for about 28 days.

SECTION TWO

SURVEY RESULTS

INTRODUCTION

At the end of the field work, 15 enumerators had visited 12,846 households and information was collected for 7,107 of them.[1] Out of the 7,107 households, 2,759 (39.2 percent) were found to own or operate MSEs.

In addition to the 2,759 MSEs, another 23 large scale enterprises (LSEs), each employing over 50 people, were enumerated during the survey which leads one to conclude that there are about 83 of these LSEs throughout the country. Slightly over 80 percent of these larger enterprises are found in the major towns stratum while 12 percent and 6 percent are respectively found in the company towns EAs and the smaller towns strata; none were found in the rural EAs. Excluding a canning firm which employed 1500 people (clearly an outlier), the average size of employment for the LSEs is 102 people; close to three-fourths of them employ between 50 and 100 people. The average age of these firms is 14 years; in fact, only three of them were started in the last 3 years. About 38 percent are owned by Swazis of African descent while another 44 percent are owned by Europeans of Swazi or other nationalities. Less than 10 percent of these LSEs are female-owned. These large enterprises are excluded from the analysis in the rest of this report.

The survey results indicate that 17.4 percent of the households had more than one MSEs.[2] Of these, 16.1 percent had only two MSEs, while only 1.3 percent are reported to have more than two MSEs. The results reported on in this document refer only to primary MSE activities.

SCOPE OF SURVEY COVERAGE AND RESULT OF ENUMERATION

The overall proportion of the national population (or of the total number of EAs, i.e., the sampling fraction)[3] covered in the survey is 6.1 percent, as shown in Table 1. Both the number of MSEs and their corresponding employment enumerated during the survey are also shown in the table. The

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[1] Another 5,739 houses were found to be closed when enumerators got there and as such there was no one available to provide the necessary information. The incidence of MSEs among these households could be assumed to be identical to the rest of the universe of households represented by the ones for which data was collected (see also footnotes 12 and 13).

[2] For purposes of extrapolation, a distinction was made in the questionnaire between those secondary enterprises located within the sampled locations and those located elsewhere.

[3] The percent of the population and the percent of the EAs covered in the sample (the sampling fraction) are almost identical in the case of Swaziland.

2,759 enumerated MSEs employed 6,784 people including proprietors, unpaid family members, hired workers and apprentices or trainees. The average employment ranges from 4.98 in the high income zones of the major towns stratum to 1.68 in the rural EAs. In fact, there seems to exist a direct relation between average size of employment and the income levels of the strata. If that is the case, then the smaller towns stratum should have an income level above the low income zone of the major towns stratum.[4]

SURVEY RESULTS EXTRAPOLATED FOR THE WHOLE COUNTRY

The survey covered only a portion of the country. Adjustments were therefore required to account for the parts of the country which were not enumerated, "blowing up" the figures so they represent the country as a whole.[5] A further adjustment was required to account for those households where no one was found at home at the time of the enumeration visit.[6] In Kenya, when return visits were undertaken to determine the characteristics of households found to be closed on the first visit, the rate of occurrence of MSEs among those reinterviewed on a second visit was slightly lower than among those found at home on the first visit (25 percent, compared to 29 percent).[7] For the purposes of the estimates here, the rate of occurrence of MSEs among the closed households was assumed to be the same as in those households actually interviewed. This is an important assumption: as noted in footnote 7, almost 45 percent of the households visited were closed when the survey team visited. It is important to recall these sources of imprecision in interpreting the survey results.

The results of these adjustments are shown in Table 2. The table shows that for the whole country there are approximately 51,397 MSEs employing roughly 100,584 people.

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[4] The fact that the market centers of the Major Towns stratum have the lowest average employment size is probably due to the inconvenience of hauling goods to and from the market center - which probably limits growth in size; very few households are located in the markets.

[5] The basic adjustment is made by multiplying the figures from the survey enumeration by the reciprocal of the proportion of each stratum covered in the survey.

[6] If these households are not included (an omission clearly unrealistic since some of these households may operate MSEs), the country-wide total number of MSEs and employment comes down respectively to only 34,354 and 64,529 — absolute minimums.

[7] According to Parker and Dondo (1991), this difference is not statistically significant.

TABLE 1

SURVEY COVERAGE AND FINDINGS
BY STRATUM

Stratum	% of Stratum in Survey Sample		Number of Primary MSEs Enumerated	Employment	
	Pop.	# of EAs		Sample Total	Average Per MSE
Major Towns	27.9	33.6	1,713	4,401	2.57
- High Inc.	22.5	31.2	207	1,030	4.98
- Mid. Inc.	48.2	41.7	437	1,226	2.80
- Low Inc.	21.4	31.7	558	1,351	2.42
- Markets	100.0	100.0	511	794	1.55
Smaller Towns	59.1	66.7	624	1,646	2.64
Comp.Town EAs	10.3	14.3	138	259	1.88
Rural EAs	1.1	1.1	284	478	1.68
Overall Total	6.1	6.2	2,759	6,794	1.88*

* This is a weighted average; the unweighted mean is 2.46.

SOURCE: Survey results, Swaziland 1991.

Table 2 also demonstrates that the majority of MSE activity, both in terms of number of enterprises and of employment, is found in the rural areas: 76.7 percent and 65.0 percent of the respective totals. However, a high concentration of the MSEs is found in the urban areas. For example, while the major towns stratum accounts for a little over a tenth of the national population, it accounts for about 16 percent of the total number of MSEs and for a fourth of the employment.

TABLE 2

EXTRAPOLATED RESULTS OF ENUMERATION SURVEY:
GRAND TOTAL OF MSEs AND CORRESPONDING EMPLOYMENT
FOR THE FOUR STRATA

Stratum: (Also substrata for the Major Towns Stratum)	Country-Wide Results After Extrapolation					
	Population*		Enterprises		Employment	
	Numbers	Column %	Numbers	Column %	Numbers	Column %
Major Towns:	84,343	12.4	7,966	15.5	25,170	25.0
- High Inc.	17,751	2.6	2,031	4.0	10,067	10.0
- Med. Inc.	19,513	2.9	1,911	3.7	5,361	5.3
- Low Inc.	47,079	6.9	4,024	7.8	9,742	9.7
Smaller Towns	11,533	1.7	1,871	3.6	4,935	4.9
Company Town EAs	53,884	7.9	2,731	5.3	5,126	5.1
Rural EAs	531,299	78.0	38,829	76.6	65,353	65.0
TOTAL	681,059	100.0	51,397	100.0	100,584	100.0

* All population figures are from the national population census survey of 1986 by the Central Statistics Office (CSO). The population has been increasing at an annual rate of about 3.2-3.4 percent. Thus, the population sizes shows in the table are at least 15 percent lower than the expected size for early 1991.

INDUSTRIAL COMPOSITION OF SWAZI MSEs

Enterprises involved in manufacturing dominate the micro and small enterprise sector in Swaziland. As shown in Table 3, 60.8 percent of firms with 50 or fewer employees are manufacturing concerns. This is not only high in absolute terms, it is also higher than many countries in southern Africa. Fisseha found that 58.0 percent of the firms in nearby Lesotho were manufacturers, while in Niger the comparable figure was found to

be 39.6 percent.[8] A recent survey of two South African townships[9] found that a much higher proportion of MSEs were involved in trade (almost 70 percent), and a much lower percentage in manufacturing (15.2 percent) than in the urban areas of Swaziland (55.8 percent and 33.2 percent, respectively). A similar pattern emerged from a study of the Kibera slum in Nairobi, Kenya: 68.4 percent of those enterprises were found to be involved in trade, while 22.3 were involved in manufacturing.[10] There is a great deal of variation in the composition of the Swazi MSE sector according to where the firms are located. As Table 3 demonstrates, the majority of urban enterprises are traders. As one moves to the rural areas, commercial enterprises give way to small manufacturing concerns as the dominant MSE sector.

In Swaziland as a whole, almost one-third of all enterprises are involved in manufacturing items from grass or cane, often baskets or mats. Other common enterprise types include food vending, knitting, garment vending, beer brewing, dressmaking, farm products vending and the practices of the traditional healers, or *sangoma*. Appendix Table 2 provides a detailed breakdown of enterprise types by the strata in which they are found. Among the major manufacturing groups, 74.7 percent of the food and beverage group (ISIC Code 31) are engaged in local beer brewing; 20.3 percent of the textile and leather group (Code 32) are in knitting; 96.1 percent of the wood and forest-based activities (Code 33) are in basketry; 81.8 percent among the non-metallic mineral group (Code 36) are in pottery making; and 54.5 percent of the other manufacturing category are in auto repairs. In trade and services, the dominant activities are respectively vending (84.2 percent) and traditional healers (65.4 percent).

THE IMPORTANCE OF SWAZI MSEs IN HOUSEHOLD INCOME

At the national level, a little over a third of the proprietors depend on MSEs for their entire household income, as Table 4A makes clear. The proportion ranges from 31.9 percent for proprietors in the rural EAs to 54.2 percent in the smaller towns stratum. Almost two-thirds (64.1 percent) of them get 50 percent or more of their income from the MSEs activities; this percentage rises to 78.8 in the smaller towns stratum.

The supplementary questionnaire of 371 cases also shows that about half (51 percent) of the proprietors do not have any agricultural income and another fourth (26.2 percent) get less than half of their household income from agriculture.[11]

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[8] Fisseha (1991) and Fisseha (1990).

[9] The townships surveyed were Mamelodi and KwaZakhele. See Liedholm and McPherson (1991).

[10] Parker and Dondo (1991).

[11] The percentage of proprietors without any agricultural income in the four strata (the Major Towns, Smaller Towns, Company Towns EAs and the Rural EAs) are respectively 84.8, 70.9, 68.0 and 42.4%; the corresponding percentages for agricultural income less than half of household income are 9.7, 16.4, 20.0 and 30.3.

TABLE 3

SECTORAL DISTRIBUTION OF SMALL ENTERPRISES
IN SWAZILAND, 1991 (in percentages)

Sector	ISIC Code	Major Towns	Smaller Towns	Company EAs	Rural EAs	Total
Food, Beverage, Tobacco Production	31	5.0	6.9	16.7	8.5	8.3
Textile, Wearing Apparel and Leather Production	32	15.9	14.9	15.9	17.3	16.9
Wood and Wood Processing	33	5.9	1.1	2.2	42.3	33.0
Paper, Printing and Publishing	34	.2	.2	0.0	0.0	*
Chemical and Plastics	35	.4	.2	0.0	0.0	*
Non-Metallic Mineral Processing	36	.5	.2	0.0	1.4	1.1
Fabricated Metal Production	38	1.2	1.4	.7	0.0	.3
Other Manufacturing	39	4.1	2.9	1.4	.4	1.1
TOTAL MANUFACTURING		33.2	27.7	37.0	69.7	60.8
CONSTRUCTION	50	.5	0.0	0.0	1.1	.9
Wholesale Trade	61	.2	.3	0.0	0.0	*
Retail Trade	62	55.0	64.7	56.5	23.9	31.9
Restaurants, Hotels and Bars	63	.6	2.2	1.4	0.0	.2
TOTAL TRADE		55.8	67.2	57.9	23.9	32.2
TRANSPORT	71	1.3	.3	2.2	0.0	.3
FINANCE, REAL ESTATE, AND BUSINESS SERVICES	83	3.3	.5	.7	0.0	.6
SERVICES	93, 95	5.8	4.2	1.2	5.3	5.2
TOTAL, ALL ENTERPRISES		100.0	100.0	100.0	100.0	100.0

Note: An asterisk mean the percentage was less than 0.1.

Source: Survey Data

Both the proportion of proprietors who depend on MSEs for their entire or major source of income and the high number of months per year (average 11.6 months) and number of days per month (average 25.8 days) spent on these MSEs indicate that for the large majority of owners, the MSEs are the major occupation. Over 85 percent of the enterprises are in operation for between 10 and 12 months a year and over 80 percent of them are open more than 22 days a month. MSEs which are in business six months or less in a year account for only 7 percent of all MSEs, and those which operate 15 days or less in a month account for less than 10 percent of the total.

Table 4B shows a combined picture for number of days per month and number of months per year Swazi MSEs are operated. As can be seen, close to 70 percent of the enterprises operate for more than 22 days a month and for more than 9 months a year. Those which are open for less than half a month and for less than half a year account for only 1.45 percent.

AGE PROFILE OF SWAZI MSEs

As is typical of MSEs in other countries in the region,[12] MSEs in Swaziland are fairly young. Overall, the average age of Swazi MSEs is 7.7 years. One-quarter of them are one year old or less, and three-fourths are 10 years or less. In fact, more than 93.4 percent of the MSEs were started (acquired) after independence, in 1968. The average size of the labor force rises with the age up to 10 years of MSE age, while beyond 10 years of age, the average tends to fall.

CUSTOMERS AND INPUTS

How are the micro and small enterprises in Swaziland linked to their suppliers and to their customers? The survey provided some insights into these important linkages. 93.3 percent of Swaziland's MSEs sell directly to individuals, while only 5.6 percent sell their products to other businesses. On the input side, 34.6 percent of businesses make or gather their own raw materials.[13] Another 37.2 percent of proprietors reported buying most of their inputs unprocessed or semi-processed, while another 25.9 percent bought finished products for resale.

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[12] For example, Fisseha (1991) reports that the average age of MSEs in Lesotho is 7.4 years.

[13] These are dominated by the makers of grass products, and to a lesser extent the traditional healers.

TABLE 4

IMPORTANCE OF MSEs IN HOUSEHOLD
INCOME AND LABOR EMPLOYMENT

A. Proportion of Household Income from MSEs (% of proprietors)

Strata	% of Proprietors for Each Size of MSE Household Income				
	Entire	Over Half	Half	Below Half	Total
Major Towns	44.5	11.6	15.7	28.2	100.0
Smaller Towns	54.2	8.8	15.8	21.2	100.0
Comp. Town EAs	45.2	15.6	7.4	31.8	100.0
Rural EAs	31.9	13.6	14.7	39.8	100.0
All Strata	36.4	12.9	14.8	35.9	100.0

B. Extent of Time in MSE Activities (percent of proprietors)

Number of Days Per Month of MSE Operation	Annual Number of Months of MSE Operation				
	1 - 3	4 - 6	7 - 9	10 - 12	TOTAL
Below 10 Days	0.04%	0.58	0.34	5.56	6.52%
11 - 15 Days	0.49%	0.34	0.11	1.80	2.74
16 - 22 Days	0.04%	0.36	1.69	8.73	10.82
Over 22 Days	2.64%	2.62	5.15	69.51	79.92
TOTAL	3.21%	3.90	7.29	85.60	100

Source: Survey Data

BUSINESS PREMISES

Where are Swaziland's MSEs located? As shown in Table 5, more than two-thirds of the country's enterprises are located in or near the home. The distribution of enterprises varies considerably according to the stratum one considers. For example, in both the major towns and the smaller towns, MSEs are more evenly spread between homes, traditional markets and commercial districts.

TABLE 5

FIRM LOCATIONS IN SWAZILAND, 1991

Location	Major Towns	Smaller Towns	Company Town EAs	Rural EAs	TOTAL
Home/Homestead	34.5%	29.9%	46.0%	77.8%	67.7%
Traditional Market	31.4%	28.0%	16.8%	7.1%	12.1%
Commercial District	17.8%	34.4%	10.2%	2.1%	6.1%
Roadside	7.0%	3.2%	10.2%	2.8%	3.9%
Mobile	8.6%	4.5%	15.3%	8.8%	9.0%
Other	.7%	0.0%	1.5%	1.4%	1.2%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

SOURCE: Survey Data

SECTION THREE

LABOR COMPOSITION

INTRODUCTION

In the recent past, Swaziland is reported to have shown one of the highest rates of formal sector employment growth in sub-Saharan Africa: 4.1 percent per annum, from 1968 to 1988.[1] Recently, there is official uneasiness over the increasing gap between available jobs and job seekers. This uneasiness is caused by a combination of factors: (1) The gap is over 5,000 people per year; (2) migratory labor to South Africa is stagnant at best; (3) well-educated people are finding it increasingly difficult to secure remunerative jobs. In fact, unemployment in Swaziland is estimated to be 28 percent,[2] although one must keep in mind that the measurement of unemployment in developing countries has conceptual and technical problems.

EMPLOYMENT IN SWAZI MSEs

Swazi micro and small scale enterprises provide employment for an estimated 100,584 persons in Swaziland. Table 6 summarizes some of the most important information regarding these workers. Out of an estimated population of 800,000 people, the labor force is estimated to be about 420,000 in Swaziland.[3] This means that MSEs engage about 24 percent of the labor force. In Lesotho, the corresponding share was 20 percent.[4] Estimates of the labor force in developing countries, however, are typically rough approximations at best. Another measure that can be used to gauge the prevalence and importance of MSEs is the enterprise density, defined as the number of enterprises per 1,000 population. As is shown in Appendix Table 1, for Swaziland as a whole this figure is 75. This is relatively high for the region: the comparable figures for Zambia and Lesotho are 66 and 64,[5] respectively. Swaziland's

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[1] Capricorn (1989a).

[2] Capricorn (1989b).

[3] The total labor force for 1991 is estimated here by calculating the sum of the monetary sector (identified as the total of the formal and 'informal' sub-sectors) and the 'traditional' (rural/-agricultural) sector. In 1988, the monetary sector was about 101,000 and growing at annual rate of 3.8%; the corresponding figures for the agricultural sector were respectively 253,322 (in 1985) and 4.2% (see Employment in Swaziland by Capricorn Africa). As a cross-check on this figure, the 1986 census estimated that approximately 52.2% of the population was between the ages of 15 and 84 (inclusive); 52.2% of 800,000 is 417,600.

[4] Fisseha (1991).

[5] These figures are reported in Fisseha (1991).

urban enterprise density of 82 is also substantially higher than some other urban areas in the area. Liedholm and McPherson (1991) report a density of 36 for KwaZakhele township in South Africa, while Fisseha (1991) found that the enterprise density in Maseru, Lesotho, was 77.

Considering both the estimated share of MSE employment in the labor force, as well as enterprise density, one can conclude that MSE activity in Swaziland is relatively extensive. As the definition of MSEs used in this study only partially overlaps with that used by the Central Statistics Office (CSO), it is not possible to make a direct comparison with their estimate of employment in the "formal" sector. However, the CSO's estimate of the "informal" sector employment of just over 13,000 seems to be a substantial underestimate. This is not surprising given the difficulties associated with measuring this sector and the fact that the CSO only includes small traders, self-employed and domestic servants.[6] Swazi MSEs which have only one person working in the activity (i.e., one-person operations) account for 67.6 percent of the total number of MSEs, employing some 35,000 people. It seems that the CSO ignores the remainder: those MSEs with workers in addition to the proprietor.

Overall, the dominant worker type is the proprietor, which is not surprising given the small average size of Swazi MSEs. Unpaid family members make up approximately 16 percent of the overall work force, while fully compensated employees represent 15 percent. On average, Swazi MSEs rely more on both paid workers and unpaid family workers than similar firms in Lesotho, where 85.5 percent of workers are proprietors, 9.7 percent are paid workers and only 3.7 percent of workers are unpaid family members.[7] In Swaziland, rural enterprises rely on unpaid family members more frequently than their urban- or small town-based counterparts. Similarly, paid workers are a much more important component of the urban labor force (46.3 percent of urban workers) than the rural labor force (2.3 percent of rural workers). Trainees and apprentices play a relatively minor role in Swaziland's MSE work force. Similar findings have emerged from other studies of MSEs elsewhere in Africa.[8] Table 6 also provides information about the role of children and part-time workers: both are a relatively unimportant part of the labor force.

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[6] See Capricorn (1989b), p.16.

[7] Fisseha (1991).

[8] Liedholm and Mead (1987).

TABLE 6

LABOR FORCE COMPOSITION IN MICRO AND SMALL SCALE ENTERPRISES, SWAZILAND, 1991

A. Worker Composition

Worker Type	Major Towns		Smaller Towns		Company Town EAs		Rural EAs		Total	
	Avg. # of Work-ers	% of Total	Avg. # of Work-ers	% of Total	Avg. # of Work-ers	% of Total	Avg. # of Work-ers	% of Total	Avg. # of Work-ers	% of Total
Proprie-tors	1.02	40.0%	1.00	37.9%	.96	51.1%	1.29	76.3%	1.22	65.9 %
Unpaid Family	.25	10.0%	.35	13.3%	.29	15.4%	.31	18.3%	.30	16.2 %
Hired	1.18	46.3%	1.26	47.7%	.61	32.4%	.04	2.3%	.29	15.1 %
Trainees	.10	3.7%	.03	1.1%	.02	1.1%	.05	3.1%	.06	2.8%
TOTAL	2.55	100%	2.64	100%	1.88	100%	1.69	100%	1.85	100%

B. Other Worker Characteristics (percent of total work force)

Worker Type	Major Towns	Smaller Towns	Company Town EAs	Rural EAs	TOTAL
Females	54.3%	61.7%	75.5%	83.9%	78.1%
Children	2.4%	1.9%	4.8%	5.4%	4.8%
Part-time	3.1%	3.8%	2.7%	1.8%	2.1%

Source: Survey Data

GENDER AND SWAZI MSEs

The proportion of all workers in Swazi MSEs who are female is quite large. As the second part of Table 6 demonstrates, over three-fourths of workers in MSEs are female. In each of the four strata, the proportion is above 50 percent; in the rural areas, just under 84 percent of the MSE labor force is female. This dominance of females is typical of the region. In Lesotho, for example, 76.2 percent of all MSE workers were female.[9]

The predominance of women is as true from the point of view of proprietorship as it is for the labor force. Table 7 shows this dramatic aspect. In the country as a whole, more than 80 percent of Swaziland's MSEs are run by women. Lesotho shares this feature: 85.5 percent of MSEs in that country have female proprietors. In two South African townships, 62.1 percent of surveyed enterprises had female proprietors,[10] while Parker and Dondo found that just over half of the MSEs in Kibera, Kenya, were run by women.[11] The dominance of females in the sector in Swaziland and Lesotho is likely to reflect, at least in part, the fact that many of the working age males are employed in the South African mines.

TABLE 7

GENDER OF PROPRIETOR, BY STRATA SWAZILAND, 1991

Gender of Proprietor(s)	Major Towns	Smaller Towns	Company Town EAs	Rural EAs	TOTAL
Female	72.0%	74.2%	84.1%	87.3%	84.3%
Male	24.2%	22.5%	14.5%	11.6%	14.1%
Mixed Joint Proprietorships	3.8%	3.3%	1.4%	1.1%	1.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Survey Data

[9] Fisseha (1991).

[10] Liedholm and McPherson (1991), p. 10.

[11] Parker and Dondo (1991), p. 29.

As shown in Table 8, the proportion of enterprises run by women differs by sector, with women-run MSEs being especially prevalent in food and beverage production, textile, wood processing, and retail trade sectors. Other sectors, notably construction, transport, and metal production, appear to be dominated by male proprietors.

Interestingly, MSEs seem to demonstrate differential patterns of growth according to the gender of the proprietor. As discussed below, employment in the average MSE in Swaziland has grown at an average annual rate of 6.6 percent. However, enterprises that are run by males grew at an average annual rate of 8.3 percent, while female-run enterprises managed only 5.7 percent per year. This is in accord with the findings of Liedholm and McPherson (1991), who speculate that this difference may be the result of two phenomena. First, female entrepreneurs tend to be concentrated in the sectors which grow the slowest: as Table 8 shows, in Swaziland these sectors are retail trade, textile and wearing apparel, and food and beverage production. However, even within sectors, male-run enterprises often grow faster on average than enterprises in the same sector that are run by women. In Swaziland, this is the case in the wood and wood processing sector, in which male-run firms demonstrated a mean growth rate of 90.0 percent, while those firms run by women grew at only 5.0 percent per annum. A similar pattern emerges from the retail trade sector, where male-run enterprises held a 13.8 percent to 7.1 percent edge.[12] This pattern also holds in the miscellaneous manufacturing category. This may lend credence to the notion put forth by Downing (1991) that since a larger proportion of their income goes towards supporting the family than their husbands', female entrepreneurs may tend to be more risk-averse. Further evidence of this is given by the fact that female entrepreneurs seem to be more likely than males to expand by starting secondary enterprises. Such gender-specific risk-spreading behavior is also predicted by Downing. Country-wide, almost 23 percent of firms with one or more female proprietors have a second enterprise, while just over 10 percent of male-run firms have diversified in this manner.[13]

[12] These differences are significant at the 99% level.

[13] It should be noted, however, that it is possible that another member of the household controls the secondary enterprise. The survey did not ascertain the gender of the person in control of the secondary business, but in most cases, the assumption that the person interviewed about the primary business also controls the secondary enterprise is not an unreasonable one.

TABLE 8

FIRM GROWTH RATES AND PROPRIETOR GENDER BY SECTOR
SWAZILAND, 1991

Sector	% OF FIRMS RUN BY WOMEN	SECTORAL GROWTH RATE[14]
Food, Beverage, and Tobacco Production	87.4%	7.3%
Textile, Wearing Apparel, and Leather Production	91.1%	3.6%
Wood and Wood Processing	96.3%	5.4%
Paper, Printing, and Publishing	0.0%	45.4%
Chemicals and Plastics	50.0%	5.8%
Non-Metallic Mineral Processing	72.2%	15.2%
Fabricated Metal Production	9.0%	18.3%
Other Manufacturing	18.1%	14.2%
TOTAL, MANUFACTURING	91.0%	5.6%
CONSTRUCTION	2.1%	3.5%
Wholesale Trade	0.0%	2.8%
Retail Trade	79.6%	7.6%
Restaurants, Hotels, and Bars	52.3%	24.2%
TOTAL, TRADE	79.3%	7.6%
TRANSPORT	5.8%	38.9%
FINANCE, REAL ESTATE, AND BUSINESS SERVICES	45.4%	8.1%
SERVICES	57.2%	9.8%
TOTAL, ALL ENTERPRISES	84.3%	6.6%

Source: Survey Data

[14] Average annual growth rate, defined as follows:
[(A-B)/B]/C, where
A = number of workers in March, 1991
B = number of workers when enterprise started
C = number of years firm has been in existence

It also seems to be the case that female-run firms are much smaller than their male counterparts. The difference in average employment between male-run and female-run firms is significant for each of the strata except rural areas.[15] Overall, enterprises with female proprietors average 1.64 workers, while their male counterparts have an average of 2.28 workers each. These differences are outlined in Table 9.

TABLE 9

AVERAGE NUMBER OF WORKERS PER FIRM BY GENDER OF THE PROPRIETOR AND STRATUM SWAZILAND, 1991

Gender of Proprietor	Major Towns	Smaller Towns	Company Town EAs	Rural EAs	TOTAL
Female	1.64	1.89	1.53	1.64	1.64
Male	4.34	3.75	3.85	1.67	2.275
Mixed Joint Proprietorships	7.46	9.70	2.00	5.33	5.642
TOTAL	2.54	2.64	1.88	1.68	1.865

Source: Survey Data

OTHER CHARACTERISTICS OF SWAZI MSEs

The most prevalent type of MSE proprietor in Swaziland is African people of Swazi descent. This group accounts for 95.3 percent of all MSE proprietors. Europeans account for 2.2 percent, while people from the Orient account for 0.5 percent; the balance is accounted for by other nationals. While the average number of workers for Swazi proprietors is 1.82, the corresponding percentages for Europeans and orientals are respectively 6.53 and 4.01. More than 80 percent of the Swazi proprietors are women.

Are MSEs a credible means of reducing unemployment? As information from the supplementary questionnaire demonstrates, at the time when they started their MSEs, a third (33.2 percent) of the proprietors were unemployed; another 11.3 percent went directly into the business for the first time - thus, it is conceivable that more than a third of the proprietors, let alone the workers, would have been unemployed without the MSEs. Out of the remaining group, 37.8 percent were employed elsewhere before starting the enterprise, while 16.1 percent had other MSEs.

The primary means of starting an MSE is for the proprietor to start it from scratch; this is the case for 89.3 percent of the proprietors. Only 9.5 percent of the MSEs were inherited. Inheriting the MSE is twice as prevalent in the rural EAs, compared to in any of the urban or semi-urban areas. For 70.6 percent of the proprietors, family or own saving was the primary source of the initial investment capital.

[15] T-tests indicate significant differences at a 99% confidence level.

Another interesting point concerns whether proprietors have access to external sources of funding. Only 2.8 percent of the proprietors got any formal credit for their initial capital; another 3.1 percent received start-up funds from moneylenders. Once the business was started, 86.3 percent of the proprietors never received any loans at all. Another 2.3 percent received loans from moneylenders while 2.0 percent had access to bank credit. The data show that there is no difference in accessibility to credit according to the gender of the proprietor. However, bank accessibility is clearly related to enterprise size.[16]

Do married and unmarried proprietors have differentiated opportunities in operating MSEs? Of the Swazi proprietors, 77.8 percent are married; while the average age for all proprietors is 42.9 years, the corresponding figures for the married and unmarried are respectively 45.7 and 32.8 years. Although the proportion of the married group who received bank credit is 6 times that of the unmarried group, proportionally more unmarried proprietors received loans from family members and moneylenders. Marital status seems to be related to accessibility to bank loans: among females, 1.89 percent of the married proprietors had bank loans compared to 0.34 percent for the unmarried ones; for males, the corresponding percentages are 4.5 and 0.0.

The average size of the household of the proprietor is 8.8 people compared to 5.6 for the country as a whole.[17]

The use of support groups, such as business cooperatives, for delivering assistance is frequently discussed. The study shows that only 10.6 percent of the proprietors belong to such associations, not all of which may be business-related. The average labor force size was almost identical between those who belong to such group associations and those who do not; one might suspect that if they were business related, they might have had an impact on enterprise growth or size.

About two-fifths (43 percent) of the proprietors have had no schooling at all, although males exhibit slightly higher rates of education, with 37.8 percent of them having had no schooling. Another two-fifths (38.5 percent) have had some elementary schooling. The data show that the younger is the proprietor, the higher is the level of schooling. Specifically, those with no education are on average 47.3 years old, while the corresponding figures for those who have had elementary or secondary schooling are respectively 40.3 and 39.3 years.

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[16] The average size of MSEs belonging to proprietors who never had any credit or those who received credit from informal sources (family/friends or from moneylenders) is less than 2.0 people. For enterprises receiving bank credit, the comparable average is 12.4 people.

[17] See CSO report #1. Even for the unmarried, the average size is big at 7.2 people.

GROWTH AMONG SWAZI MSEs[18]

Are MSEs in Swaziland growing, or has the sector been fairly stagnant over time? Which sectors seem to grow the fastest? Do enterprises in certain locations tend to grow faster than those elsewhere? The survey collected information that allows some preliminary answers to these questions, some of which is summarized in Table 10.

As Table 10 demonstrates, there is a considerable amount of variation in growth rates in employment, by sector and by stratum. The fastest-growing sector is transport, with an average enterprise growth rate of 38.9 percent, followed by restaurants, hotels and bars, and fabricated metal production, with growth rates of 24.2 percent and 18.3 percent respectively.[19] Those sectors with the lowest average growth rates include construction, at 3.5 percent per annum, and textiles, with an annual rate of 3.6 percent. The growth rate is highest in the urban areas (12.3 percent per year), and lowest in the rural areas (5.2 percent per year). Overall, the average annual growth rate for a MSE in Swaziland is 6.6 percent, a figure which is heavily influenced by the prevalence of the slow-growing rural enterprises. Whether the low employment growth figures for Swaziland are due to the alleged reticence[20] of the Swazi entrepreneur to conspicuously succeed in business is something this study did not address. Liedholm (1990) reports rates for Colombia, India and Nigeria that are all near 15 percent per year. In Lesotho, the average annual growth rate for the MSEs sector as a whole was 6 percent.[21] The growth rate of employment in urban enterprises in Swaziland is also lower than has been recorded elsewhere. According to Parker and Dondo (1991), the average enterprise in Kibera, Kenya increased its employment at a rate of over 20 percent per year. Liedholm and McPherson (1991) found that the comparable rate in two South African townships was almost 24 percent.

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[18] Average annual growth rate, defined as follows:
[(A-B)/B]/C, where
A = number of workers in March, 1991
B = number of workers when enterprise started
C = number of years firm has been in existence

[19] The paper, printing, and publishing sector is excluded due to the small number of such firms. Wholesale trade is excluded from the slow-growing sectors listed below for the same reason.

[20] See "Swazi Culture and Small Business: A Three-Part Study
A study commissioned by the Swaziland Training for Entrepreneurs Project (STEP)," August, 1989.

[21] The compounded annual growth rate is 4%. See Fisseha (1991).

TABLE 10

AVERAGE ANNUAL GROWTH RATE IN EMPLOYMENT[22]
BY SECTOR AND STRATUM SWAZILAND, 1991

Sector	ISIC Code	Major Towns	Smaller Towns	Company Town EAs	Rural EAs	TOTAL
Food, Beverage, and Tobacco Production	31	7.7%	10.9%	0.7%	7.6%	7.3%
Textile, Wearing Apparel, and Leather Production	32	6.2%	6.2%	-0.3%	3.3%	3.6%
Wood and Wood Processing	33	42.5%	42.5%	0.0%	4.3%	5.4%
Paper, Printing, and Publishing	34	49.7%	28.6%	*	*	45.4%
Chemicals and Plastics	35	6.7%	0.0%	*	*	5.8%
Non-Metallic Mineral Processing	36	26.6%	0.0%	*	14.7%	15.2%
Fabricated Metal Production	38	20.4%	12.0%	18.2%	*	18.3%
Other Manufacturing	39	22.1%	17.0%	-1.2%	0.0%	14.2%
TOTAL, MANUFACTURING		15.6%	9.6%	0.5%	4.6%	5.6%
CONSTRUCTION	50	37.1%	*	*	0.0%	3.5%
Wholesale Trade	61	3.6%	-1.1%	*	*	2.8%
Retail Trade	62	8.5%	8.0%	11.9%	6.4%	7.6%
Restaurants, Hotels, and Bars	63	36.9%	20.9%	0.0%	*	24.2%
TOTAL, TRADE		8.8%	8.4%	11.7%	6.4%	7.6%
TRANSPORT	71	54.7%	27.5%	0.0%	*	38.9%
FINANCE, REAL ESTATE, AND BUSINESS SERVICES	83	2.9%	0.0%	75.0%	*	8.1%
SERVICES	93, 95	18.9%	19.5%	1.4%	7.7%	9.8%
TOTAL, ALL ENTERPRISES		12.3%	9.2%	7.5%	5.2%	6.6%

Note: An asterisk means that no enterprises in the sector and stratum were found

Source: Survey Data

[22] See footnote 34.

Even a relatively low average annual growth rate in employment masks the fact that the vast majority of enterprises in Swaziland did not increase their employment at all. Only about one-fourth of the MSEs sampled demonstrated positive employment growth. In the urban areas, 70 percent of the enterprises interviewed reported either stagnant or shrinking employment over the life of the firm. This is a higher proportion than that found in either Kibera, Kenya (62.4 percent) or the South African townships that were surveyed (51.7 percent). In Lesotho, 68 percent of the enterprises showed no growth at all while another 10 percent actually declined.[23]

In addition to the objective measurement of changes in levels of employment, subjective measurement using proprietors' perceptions of the general business environment over the last five years was also used to shed light on secular changes. The relevant measurements of potential changes include the number of similar MSEs in the locality, general market demand for the products or services one is selling, and one's own business volume. The objective is to get a feel for patterns of change from the perception of proprietors concerning past developments. These perceptions are reported in Table 11.

About a third of the proprietors think that there has been a large increase in the overall market demand for products such as their own, while less than 4 percent who perceive a decrease of similar magnitude. Since 64.4 percent of the proprietors believe that some increase has taken place compared with only 7.3 percent who think there has been some decrease, it seems safe to conclude that overall market demand has been increasing. A similar conclusion is reached for the number of MSEs: 62.1 percent of proprietors reported some increase, while 2.1 percent perceived a decrease. When proprietors are asked to assess changes in their own volume of production, the margin for increase over decrease is smaller, although the general conclusion of increment is still upheld. 28.4 percent think there was some increase compared to 10.9 percent who experienced a decrease. This lower margin could perhaps be due to increased product competition given the large increase in the number of similar MSEs.

[23] Fisseha (1991).

TABLE 11

SECULAR CHANGES AMONG SWAZI MSEs
OVER THE PRECEDING FIVE YEARS

Magnitude and Direction of Changes	Percent of Proprietors		
	Market Demand	Number of MSEs	Own Business Volume
Much Increase Little Increase	35.9% 28.5%	35.1% 27.0%	11.1% 17.3%
No Change	23.3%	22.4%	48.9%
Little Decrease Much Decrease	3.4% 3.9%	– 2.1%	7.6% 3.3%
Do Not Know	5.0%	13.4%	11.8%
TOTAL	100.0%	100.0%	100.0%

Source: Survey Data

SECTION FOUR

BUSINESS CONSTRAINTS AND BUSINESS CLOSURE IN SWAZILAND

BUSINESS PROBLEMS

What are the major problems Swazi MSEs face, and what are the leading factors that contribute to business closures? Proprietors were asked if they faced problems during three reference periods: at the beginning, when they were launching the business; during a growth period, if any; and during the period at the time of the visit. More than half of the proprietors said they faced problems both during business start and at the current period; only 5.8 percent said they faced problems during a growth period.[1] The four leading sources of business problems are shown in Table 12.

TABLE 12

MOST COMMON BUSINESS PROBLEMS
PERCEIVED BY MSE PROPRIETORS
SWAZILAND, 1991

Problem	At Start-Up	During Growth	Currently
Lack of product demand	24.5%	0.0%	27.6%
Bad debt	18.3%	29.0%	10.5%
Lack of operating funds	16.9%	27.5%	12.6%
Unavailability of raw materials	9.2%	0.0%	9.3%

Note: Includes only those MSEs reporting problems.

Source: Survey Data

Except during periods of growth, lack of product demand seems to be the leading problem. This is probably due to keen competition within the small scale enterprises sector. Although the survey did not address the issue, it seems likely that competition from South African imports contributes to this competition. Customers' unwillingness to repay their credit purchases, thus leading to bad debt, is the next most serious problem during start-up. This could well be related to efforts by proprietors to sell in highly competitive markets. Lack of working capital is among the three top problems mentioned in all

[1] Only 8.2% of the female proprietors and 20% of the males (or 9.7% for both) said they experienced overall growth in their businesses.

periods. There is a tendency among some observers of the sector to dismiss outright any mention of operating funds as a problem. They are viewed as less than credible on the assumption that there would be a tendency by proprietors to mention it whether it is a bona fide problem or not. Such a hasty and unfounded conclusion has confounded the real issue of working capital needs among MSEs and in many cases has led to lack of realistic effort to understand the problem. The fact that the proportion of proprietors who mention it is not high here probably shows that those who mentioned it were genuine in their need of it.

The proportion of proprietors who faced problems in general is about the same for females and males both at start-up and currently. However, lack of demand seems to be a more serious problem for females compared to males. For example, females are ten times more likely to mention competition from other MSEs than their male counterparts. Females also seem to be slightly more likely to face problems of lack of working capital during initial and growth periods. These differences may be due primarily to the nature of MSE activities in which females are engaged.

BUSINESS CLOSURE AMONG SWAZI PROPRIETORS

The survey also produced some interesting insights regarding prior MSEs activities, and the reasons such enterprises closed. Over 650 persons throughout Swaziland were interviewed regarding their now-defunct MSEs. The reasons why these enterprises went out of business are diverse. Almost 24 percent of the respondents reported that the lack or expense of raw materials or operating capital forced them out of business. About 21 percent cited market difficulties, such as demand shortfalls, as the primary culprit. Another 18 percent were forced to close for reasons of personal health or old age of the proprietor. Finally, 10 percent of those interviewed believed the reason for the demise of their enterprise to be the failure of customers to repay credit which had been extended to them by the proprietor. In contrast, 40 percent of the those interviewed about closed enterprises in Kibera, Kenya listed market difficulties as the most important factor leading to failure, while 32 percent cited personal reasons. Only 4.3 percent of those interviewed in Swaziland claimed that their enterprise had been closed due to harassment of the government or legal difficulties. This is substantially lower than the comparable figure of 26 percent from Kibera, although the latter figure does include "natural calamities".

The closed enterprises tended to be smaller and younger[2] than the typical existing business.[3] Closed MSEs are almost universally stagnant in terms of employment growth: on average these enterprises' growth rates are not significantly different from zero. Proprietors who have owned businesses in the past but who also currently own MSEs report very low rates of labor force growth in their current MSEs. They also show a much higher proportion of total workers as part-time (18 percent) in their labor input compared with that for all proprietors in the sample (5 percent). It is interesting that almost three-fifths (59 percent) of them had started the current enterprises before closing their now-

[2] The growth and size figures could be missing significant change in the period between start-up and closure. For example, if the typical growth pattern of MSEs was early growth up to a peak, then gradual decline until failure, then our growth and size figures would be misleading. The survey did examine this issue, and found that a peak years existed in only 1.2% of the closed enterprises sampled.

[3] The average failed enterprise had 1.45 workers at the time of closing, and had existed just over 6 years. These numbers are not weighted by the MSE density in each stratum as are the analogous figures from the existing enterprise survey, 1.85 workers and 8.2 years.

defunct MSEs;[4] another fifth (22 percent) started the current (existing) MSEs more than three years after the closure of the previous one.

What are the former proprietors currently doing? More than half are now running a new enterprise, while 30 percent report that they are unemployed.[5] Another 9 percent now work for someone else. This information, together with the large number of failed enterprises that were located, suggest a rapid turnover in the MSE sector.

[4] If the year the defunct MSE closed is subtracted from the year the current MSE started, the average number of years of delay (i.e., before the current MSE was started) is -0.8 year; this means that on the average, the current MSE was started 0.8 of a year (or about 9 1/2 months) before the closure of the defunct MSE.

[5] It was noted in Section Three that 33.2% of all proprietors were unemployed before they started their current enterprises.

SECTION FIVE

CONCLUDING REMARKS

The 1991 survey of Swaziland's micro and small enterprises paints a picture of a vibrant and important sector of the economy. Nationally, nearly 40 percent of Swazi households are involved in some MSEs activities; these activities now number some 51,000 enterprises employing over 100,000 people. In a country where the unemployment rate is estimated to be 28 percent and where the gap between job availability and job seekers is widening yearly, the magnitude of the employment figure is very critical. In fact, MSEs account for about a fourth of the national labor force. An important dimension of the employment issue is that females account for more that 70 percent of the total MSE labor force. Part-time and children workers account for a minuscule share. MSEs are full-time and year-round occupations for most people in the sector: the average number of days per month and the average number of months per year are respectively over 25 and almost 12.

There is some indication that the number of micro and small enterprises and the amount of employment they provide have been growing. The average growth rate of employment per firm is estimated to be 6.6 percent per year. Given the relative youth of the average Swazi MSE and the large number of now-closed enterprises, the survey also indicates a rapid turnover among MSEs.

As is true in all countries where this issue has been studied, there are more MSEs relative to the population in urban areas of Swaziland than in the rural areas. Although agriculture is very important for Swazi rural dwellers, half of the MSEs proprietors do not have any household income from agricultural activities. On the other hand, close to two-thirds of the proprietors get one half or more of their household income from MSEs.

Per unit of population, there are more and bigger MSEs in Swaziland than in Lesotho, where a similar study was carried out in 1990. Swazi MSEs also are somewhat more likely to be involved in manufacturing activities than their counterparts in Lesotho. This may be due to the more widespread availability of raw materials such as forest-based resources.

Among the major problems constraining proprietors are keen competition, bad debt, shortage of working capital, and some times a lack of raw materials. Access to bank credit is the exception rather than the rule.

The current study contributes a critical set of baseline data, providing an overview of the structure of the micro and small enterprise sector in Swaziland. While it delineates the characteristics of this important target group, it provides less information about the potential for future growth among different segments of the economy, and about interventions needed through policy change or project-level interventions to help bring about such growth. For these tasks, more detailed analysis is required, focusing on particular industrial groups or subsectors. It is hoped that the new Swazi Small Business Development Project will provide the context for these follow-on studies, as well as the vehicle for introducing the necessary interventions to stimulate the development of this important segment of the economy.

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APPENDICES

APPENDIX 1

TABLE 1

SAMPLING PROPORTION AND COUNTRY-WIDE ESTIMATION OF SWAZI MSEs AND EMPLOYMENT

A. Sampling Proportion

	Major Towns			Smaller Towns	Company Town EAs	Rural EAs
	High Income	Middle Income	Low Income			
Number of EAs in the Stratum	32	24	60	24*	28	909
Number Sampled	10	10	19	14	4	10
Percent of EAs Sampled	31%	42%	32%	67%	14%	1%

* In the case of the Smaller Towns stratum, the sampling areas consisted of small towns and not EAs (6 out of 9 were surveyed).

B. Country-Wide Estimation of Number of MSEs and Employment:

Population Stratum	Major Towns	Small Towns	Company Town EAs	Rural EAs	TOTAL
Total Number of MSEs	7,966	1,871	2,731	38,829	51,397
Stratum Percentage Share of MSEs	15.5%	3.6%	5.3%	75.6%	100.0%
Total National MSE Employment	25,170	4,935	5,126	65,353	100,584
Stratum Percentage Share of Employment	25.0%	4.9%	5.1%	65.0%	100.0%
Average Employment Per Enterprise	3.16	2.64	1.88	1.68	1.96
Proportion of Stratum Population Surveyed	27.9%	59.1%	10.3%	1.1%	6.1%
Number of MSEs Per 1000 Population	82	141	44	64	75
MSE Employment Per 1000 Population	260	372	83	107	148
Total National Full-Time MSE Employment	18,662	4,588	4,988	63,369	91,607

Source: Survey Data

APPENDIX 2

TABLE 2

SECTORAL DISTRIBUTION OF MICRO AND SMALL ENTERPRISES IN SWAZILAND, 1991 (in percentages)

Sector	ISIC Code	Major Towns	Smaller Towns	Company EAs	Rural EAs	Total
Butchery	3111	.5	1.6	1.4	0.0	.2
Flour Milling	3116	0.0	.3	0.0	.4	.3
Bread, Biscuits and Cake Baking	3117	.8	.6	2.2	1.4	1.3
Other Food Processing	3121	.1	.5	0.0	0.0	*
Beer Brewing	3133	3.0	2.2	11.6	6.7	6.2
Other Beverage Making	3134	.6	1.6	1.4	0.0	.2
Dressmaking	3221	3.7	5.3	5.8	5.3	5.1
Tailoring	3222	2.6	1.4	.7	.7	1.0
Knitting	3223	6.4	3.8	5.8	7.0	6.7
Other Textiles	3224	1.1	1.4	2.9	1.1	1.2
Weaving	3225	.5	.5	.7	2.5	2.0
Other Leatherwork	3233	.4	0.0	0.0	.4	.4
Shoework and Repairs	3240	1.2	2.4	0.0	.4	.6
Sawmilling	3311	.2	0.0	0.0	0.0	*
Grass, Cane and Bamboo Processing	3312	3.4	.5	1.4	40.8	31.7
Coal and Wood Production	3313	.1	0.0	0.0	0.0	*
Wood Carving	3319	1.1	0.0	.7	1.1	1.0
Carpentry	3320	.6	.3	0.0	.4	.4
Furniture Making	3321	.2	.3	0.0	0.0	*
Other Woodworking	3322	.3	0.0	0.0	0.0	*
Printing Work	3420	.2	.2	0.0	0.0	*
Plastic Work	3513	.3	0.0	0.0	0.0	*

Chemical Production	3520	.1	.2	0.0	0.0	*
Pottery Work	3610	.2	0.0	0.0	1.1	.9
Glass Work	3620	.1	0.0	0.0	0.0	*
Brick Making	3690	.2	0.0	0.0	.4	.3
Block Making	3692	.1	.2	0.0	0.0	*
Tinsmithing	3814	.4	.3	0.0	0.0	*
Other Metalworks	3818	.2	.2	.7	0.0	*
Welding	3819	.6	1.0	0.0	0.0	.1
Jewelry Work	3901	.4	.2	0.0	0.0	*
Art or Artifact Production	3904	.5	0.0	0.0	0.0	*
All Other Manufacturing	3909	.5	.2	.7	0.0	.1
Auto Repair	3911	1.5	1.4	0.0	.4	.6
Electrical Repair	3912	.6	.5	0.0	0.0	.1
Radio/TV Repair	3913	.2	.5	.7	0.0	*
Clock, Watch or Jewelry Repair	3914	.1	0.0	0.0	0.0	*
Other Repair	3915	.4	.2	0.0	0.0	*
TOTAL, MANUFACTURING		33.2	27.7	37.0	69.7	60.8
CONSTRUCTION	5000	.5	0.0	0.0	1.1	.9
Liquor Distributor	6100	.1	0.0	0.0	0.0	*
Wholesaler	6110	.1	.3	0.0	0.0	*
Vending Food	6201	12.2	25.6	26.1	7.7	10.0
Vending Drinks	6202	2.9	1.1	5.1	.4	1.0
Vending Farm Products	6203	10.6	9.5	7.2	2.5	4.3
Vending Garments	6204	7.4	8.3	6.5	6.0	6.3
Vending Forest-based Products	6205	4.4	1.9	2.2	.4	1.1
Vending Hardware	6206	.1	0.0	0.0	1.1	.9
Vending Art or Artifacts	6207	2.2	.3	.7	1.1	1.2
Other Vending	6208	7.1	2.1	2.2	1.4	2.3

Grocery	6213	1.7	1.6	.7	1.1	1.2
Retail Food	6214	.4	.8	0.0	0.0	*
Bottle Store	6215	.4	.5	.7	0.0	.1
Retail Livestock	6216	.3	.6	0.0	.4	.4
Retail Farm Products	6217	.1	.3	0.0	.7	.6
Retail Garments	6220	.9	2.7	.7	.7	.8
Retail Leather or Shoes	6221	.5	.5	.7	0.0	.1
Retail Forest-based Products	6230	.3	.6	0.0	0.0	*
Stationers/Bookstore	6240	.2	.6	0.0	0.0	*
Filling Station	6250	0.0	.8	0.0	0.0	*
Pharmacy	6251	.6	.6	0.0	0.0	.1
Retail Hardware	6280	.7	.3	0.0	0.0	.1
General Trader/Dealer	6290	.7	2.7	2.9	.4	.7
Other Retail	6291	1.3	3.0	.7	.4	.6
Hotel	6309	.1	0.0	0.0	0.0	*
Restaurant	6310	.4	2.1	.7	0.0	.2
Bar/Pub/Shebeen	6311	.2	.2	.7	0.0	*
TOTAL, TRADE		55.8	67.2	57.9	23.9	32.2
Bus or Taxi Service	7113	1.2	.2	2.2	0.0	.3
Goods Transport	7114	.2	.2	0.0	0.0	*
TOTAL, TRANSPORT		1.3	.3	2.2	0.0	.5

RENTING FLATS OR ROOMS	8310	3.3	.5	.7	0.0	.6
Traditional Healer	9331	1.1	.5	.7	4.2	3.4
Laundry	9520	0.0	0.0	.7	0.0	*
Dry Cleaner	9521	.1	0.0	0.0	0.0	*
Hair Salon or Barber	9591	1.4	1.4	0.0	0.0	.3
Photo Studio	9592	.3	.2	.7	0.0	*
Other Services	9599	2.9	2.1	0.0	1.1	1.3
TOTAL, SERVICES		5.8	4.2	2.2	5.3	5.2
TOTAL, ALL ENTERPRISES		100.0	100.0	100.0	100.0	100.0

Note: An asterisk means the percentage was less than .1%.

Source: Survey Data

APPENDIX 3

SMALL BUSINESS DEVELOPMENT PROJECT

USAID/Swaziland is in the process of beginning a Small Business Development Project (SBDP), designed to promote country-wide development by providing assistance to the MSE sector. In particular, those enterprises which will qualify for support must meet three criteria: the enterprise must be in a fixed location, the proprietor must be of Swazi origin, and the enterprise must have at least 2 workers. The recently completed survey of this sector details some interesting aspects of the SBDP target group.

Some 894 enterprises which were enumerated in the survey fall into the target group. The majority of these are found in the urban areas, while the sample contains smaller percentages of qualified enterprises in the outlying areas. Appendix Table 3 below shows the breakdown of the sampled target group by the stratum in which the enterprises are found, as well as the estimated total number of enterprises which would qualify.

APPENDIX TABLE 3

MSEs IN THE SMALL BUSINESS DEVELOPMENT PROJECT TARGET GROUP:
ACTUAL NUMBER IN SAMPLE AND ESTIMATE OF TOTAL, BY STRATUM
SWAZILAND, 1991

Stratum	Number of Qualified Enterprises in the Sample	Estimated Number of Qualified Enterprises
Major Towns	550	2,559
Smaller Towns	237	711
Company Town EAs	35	693
Rural EAs	72	9,843
TOTAL	894	13,806

Source: Survey Data

In the sample, the most common enterprise types are broadly the same as for the country as a whole. Food vendors are the most common enterprise, followed by garment vendors, vendors of miscellaneous products, dressmakers, makers of grass baskets and mats, and grocers. Not surprisingly, the average qualified firm in the sample is larger than the typical Swaziland MSE, with a total of 3.72 workers (inclusive of the working proprietor), and is almost 9 years old. Also, the SBDP target group firms which were sampled seem to be much more dynamic than the country-wide average, with the average annual growth rate of employment of 27 percent. Almost three-quarters of the firms in the sample of SBDP enterprises have shown positive growth in employment.

Female proprietors are less common among those enterprises in the SBDP sample than in the country as a whole. Some 75 percent of Swaziland's MSEs are run by women, whereas 66 percent of the enterprises in the SBDP sample group have female entrepreneurs.

While the majority of the enterprises in the SBDP sample report never having received credit (74 percent), this proportion is lower than that of the group of all sampled firm, at almost 80 percent. Similarly, while 6.7 percent of the enterprises in the overall sample reported being members of a business support group, 8.3 percent of those enterprises which qualify for the SBDP claim such membership.

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