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**RETAINING SWAZI BUSINESS GROWTH TRUST  
AS AN INDEPENDENT ORGANIZATION**

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## RETAINING SBGT AS AN INDEPENDENT ORGANIZATION

### Overview

As part of its contract responsibilities, Development Alternatives, Inc. (DAI) is required to conduct a study to determine whether or not Swazi Business Growth Trust, (SBGT) should be retained as an independent organization or whether, within the objectives of the project, some or all of the objectives of the project should be incorporated into other existing Swazi business organization. The purpose of this paper is to provide a rationale for sustaining SBGT as an independent organization within the country. This paper is complimented by the **Long Range Plan to Achieve Institutional Sustainability** and the **Sustainability Plan for SBGT** both which should be reviewed prior to reading this document.

The Swazi Business Growth Trust was established in 1992 to provide an institutional vehicle for assistance to the small business sector with the following stated goals:

- \* To increase access to credit to the small business community,
- \* To forge business linkages between small scale business and large enterprises,
- \* To improve essential business skills of small business owners,
- \* To strengthen business associations and to improve the overall small business climate in Swaziland.

Michigan State University conducted the primary baseline survey in 1991. The final market estimates was projected in June of 1992 and confirmed a target SBGT market of 4100 potential clients in all of Swaziland and 2000 clients in the Manzini- Mbabane Corridor.

The initial criteria utilized by the organization to screen potential clients included:

- \* clients with an existing place of business,
- \* a formally registered business, and
- \* at least one paid employee.

In 1995, SBGT still targets and markets its business services to clients who meet this criteria but has expanded its geographic coverage to include the whole country. In respect to market needs, the organization has also expanded its services to include franchise finance and management assistance and provides housing and acquisition loans to low income earners.

Since opening its door's in June 1992, SBGT has provided clients with more than 1200 business loans and provided training and market information to more than 2000 clients. On average, the SBGT receives more than 500 clients visits a month at the Mbabane and Manzini office.

## I. General Rationale

The first question to be asked when considering the issue of independent sustainability is whether or not the services and products provided by the organization are required and have the desired impact. Quoting the endowment proposal: "Through the services SBGT provides to the Swazi entrepreneur the institution has found a market niche that is not being served by other business organizations or financial institutions; SBGT has become a key player in the small business development field in Swaziland. Based on finding by the mid term evaluation, SBGT services are "having the desired impact on its clients in stimulating small business growth and...the trend of its success in reaching and assisting clients is increasing significantly over time". Experience to date indicates that 20-30% of clients who obtain a E2000 loan from SBGT end up hiring an additional full time employee.

From information analysed during 1993, 1994, and through April, 1995, SBGT's ability to impact on the small business community is described by the chart below.

### SBGT Impact Swazi Owned or Managed Small Business Sector

1. Number of SBGT assisted firms which increased capital and net worth.

Firms	% of firms with Increased Employment	Average job added per firm	Percentage Increase in Sales	Percentage Increase in Assets
409	25%	1 new job	80%	49%

2. Increase in project assisted institutional loans extended to small business and farmers.

Loan Type	Males	Female	Number
Class A	99	310	409*
Class B	140	128	268
Total	239	438	777

\*Number does not include repeat loans.

**SBGT Training Figures for the  
Period October 1st 1993 to April 31st, 1995**

<b>Course Description</b>	<b>October 1st, 1993 September 31st, 1994</b>	<b>October 1st, 1994 March 31st, 1995</b>	<b>TOTAL</b>
Business Profile Workshop	315	187	502
Class A Meetings	347	483	830
Skills and Information Workshops	517	237	754
<b>TOTAL</b>			<b>2086</b>

**Breakdown by Sex**

<b>Course Description</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Business Profile Workshop	195	307	502
Class A Meetings	327	503	830
Skills and information Workshops	262	492	754
<b>TOTAL</b>			<b>2086</b>

**II. Why is SBGT Unique?**

Currently SBGT serve on average 500 people a month, with an overall client base of more than 2000 entrepreneurs. The organization provides services unique in the community, examples of which are:

- \*Loan Financing with training
- \*Franchise assistance
- \*Short focused small business informational workshops
- \*Sector support. (Construction, Transport, Agriculture)

In the long term, the uniqueness of the organization will be measured by its ability to provide market related quality services which anticipate trends in the small business economy and are targeted to client willing to pay for quality services. Again quoting the Endowment proposal: "There are no comparable organizations to SBGT within Swaziland.

Below is a short summary highlighting a few specific services unique to SBGT in Swaziland.

#### **Financial Assistance:**

Through GTC, the institution has issued more than 1300 loans to small business owners. Other features of GTC lending include:

- \* SBGT/GTC Loans come with assistance, information and training.
- \* SBGT/GTC offers customized loan products and packages (Class A, Franchise, Christmas Loans, Harvest Loans etc).
- \* SBGT/GTC is the only Financial Institution catering to needs of small and medium business and low income earners in search of housing finance.

#### **Business Development Services:**

The strongest feature of SBGT business development services is the pro-active nature of the services. SBGT has offered:

- \* Assistance in the GOS tender process linking 150 clients with opportunities.
- \* Private sector card swaps which provided 250 clients with direct contact to buyers from large companies.
- \* An in-house produced newsletter that goes to more than 500 businesses and a Directory which goes to 350 large businesses.
- \* Franchising assistance linking clients with opportunities and appraisal assistance. (SBGT is the only company in Swaziland with practical experience in this area).
- \* Strength in providing Business Packaging to clients with varying levels of education and experience and in a number of commercial sectors.
- \* An orientation to information rather than skill development with more than 12 different types of workshops offered.

#### **Commercial Linkages in Franchising:**

SBGT has demonstrated innovation combined with attention to increased revenue generation for the organization through its active promotion of franchising in Swaziland. Results include:

- \* SBGT owns two master franchises which should lead to a minimum of 35 business opportunities for the emerging Swazi entrepreneur.
- \* SBGT has assisted more than 100 clients with contacts, assistance, advice and in a limited number of cases, with financial assistance to purchase franchises.
- \* SBGT has plans in place to develop road cards, a can vending franchise and other commercial ideas as a tangible form of active promotion of business.

During the past three years SBTG has established a track record in being able to provide innovative and effective services to the small business community. It is an organization which has developed a distinct competitive advantage in being able to offer the broadest range of services under one roof. Many of SBTG's services, for example, franchising appraisal and construction management assistance, are not offered by other organizations. Where SBTG services do have direct competitors, a client would have to visit 3-4 other organization to receive the compliment of services offered by SBTG.

### III. Competitive Environment

Due to its unique structure and the diversity of its services, SBTG currently has no *direct* competitors. However, there are organizations with similar functions. In the areas of business development services, the Small Enterprise Development Company (SEDCO), Business Management and Extension Project (BMEP), one financial institution and the local accounting firms and consulting firms provide services similar to SBTG.

SEDCO, which is in the process of being re-organized, has during the past few years reduced its level of services to the small business community and will in the future focus on the development of small business premises (or hives) in rural areas.

BMEP has recently rationalized its services to cater to people (for example re-trenched workers of large enterprises) interested in starting a new business. This is a group currently not serviced by SBTG.

STANBIC Bank on a quarterly basis offers a small business management course which has been well attended, and business training materials but has limited capacity to provide direct one-to-one assistance and follow up to clients.

The large accounting firms continue to provide a valued audit services to the small business community but the fee structure prohibits the small business persons from utilizing these firms as a source of management assistance.

In the areas of Financial services, SBTG competes with Commercial banks, who utilize the GOS guarantee scheme, the Swazi Business and Development Bank and the Swaziland Building Society in the area of small housing loans. SBTG/GTC probably has close to a 100% share of micro-enterprise loans, but as loan size increases the market share diminishes.

SBTG has E1.2 million under the small scale loan guarantee scheme, which equates to a share of about 20%. As of 31st March 1994, the largest share of guaranteed loans was held by Swazi bank (55%) and Stanchart (22%), followed by Barclays, Stanbic and Meridien (now First National Bank). Based on these data, SBTG/GTC would rank third. Given the current financial crisis faced by Swazi Bank in terms of liquidity and profitability, SBTG should increase its share of loans to the formal small business market. Worth note is that this increase in SBTG's market share will not directly threaten the commercial bank network, who during the past year have supported SBTG by recommending clients to SBTG who they consider to be sub-economic.

SBGT/GTC loans are not price competitive, as a result of the organizations high cost of capital. Therefore, it is the "lender of last resort." In actuality, borrowers come to SBGT because they can not obtain loans elsewhere not because of the interest rate, but because of the inherent risk of small business lending.

As a 'composite' institution with a wholly-owned financial institution, SBGT has the broadest product line of comparable institutions in Swaziland.

In respect to market share, SBGT (including GTC) is the pre-eminent small business development organization in Swaziland. There are no data to determine the respective shares of SBGT and SEDCO (as there are no SEDCO data) in the area of business development services (business planning, marketing, accounting, etc.) However, given that even SEDCO clients come to SBGT, the inference is that SBGT offers a better service and thus would have a higher market share.

#### **IV. Institutional Rationale**

Some of the factors that suggest a more functional argument for the maintenance of SBGT as a independent organization are:

- \* SBGT has established a wholly owned subsidiary which has been granted a Financial Institution License by the Central Bank. This license is issued to companies expected to have long term sustainability in the community.
- \* SBGT/GTC has obtained long term loans from DBSA and others which extend into the next three to five years.
- \* The required diversification has already taken place related to SBGT, GTC and a new company currently being formed, called the Growth Trust Commercial Corporation.
- \* SBGT has developed a management and delivery culture unique to Swaziland with its commitment to the delivery of quality service to each and every client.
- \* The Systems and structural development required for the sustainability are in place and functioning.

## **Closing**

Finally, as described in the attached Network Chart, a strong rationale for the continued independent existence of the organization rests in the relationships the SBGT has formed with other local and international organizations interested in promoting small business development in Swaziland. These institutions have come to rely on SBGT as a competent and qualified organization which excels in identifying products and services required of the small business sector, and in designing and implementing unique and effective programs.

For clients, as demonstrated, SBGT offers many unique services not available from other organizations in Swaziland and the most well developed one-stop shop for business people interested in obtaining assistance, advice, information and financial assistance. SBGT is a vital link in the chain connecting emerging entrepreneurs with the formal business network.

SBGT should remain an independent organization with its core functions intact.

