CHALLENGES OF ACCESS TO MARKETS AND OPPORTUNITIES FOR SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs) IN BOTSWANA

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Abstract
Small, Medium and Micro Enterprises (SMMEs) are the backbone of most economies of the world. SMMEs provide a means for economically empowering the economy of every nation. However, Botswana SMMEs contribute only 35% to GDP. Gross Domestic Product (GDP) is the value of a country’s overall output of goods and services at market prices excluding net income from abroad (Business Dictionary, 2014). GDP demonstrates well doing of a country in terms of productivity.

In the past decade there has been an on-going debate on SMME development and SMMEs’ contribution to Botswana. The debate has involved SMMEs significance towards employment creation, poverty eradication, and economic diversification. However, SMMEs face tremendous challenges that threaten their survival and growth. The challenges include lack of or limited access to markets, financial inadequacies, limited management skills, poor work ethics and lack of competitiveness.

This study explores how SMMEs are negatively affected by lack of markets. Since the advent of the world financial crisis in 2008, Botswana SMMEs have struggled to market their products because their major market was the government. Unfortunately the government due to constrained resources has frozen some projects to reduce spending. Hence, most SMMEs in Botswana went out of business. In this study, the researcher reviews what other countries have done to deal with the same challenge of lack of markets. It is hoped that the findings from experiences of Ghana, and Brazil and from literature within Botswana will help SMMEs in Botswana to successfully diversify their market and survive in business.

Keywords: SMMEs, Challenges, Opportunities, Access, Markets

Introduction
SMMEs are critical to economic development of any country, Botswana in particular. They contribute towards Gross Domestic Product (GDP), employment creation, poverty eradication and economic diversification. However, in Botswana, SMMEs face challenges that threaten their survival, chief of which is lack of markets. This study will therefore focus on what other scholars have found out pertaining to solving the challenge of lack of markets for SMMEs.

The study considers background information, aim of study, objectives of the study, a brief literature review, empirical literature & findings, recommendation, conclusion & references.

Background information
Botswana is strategically located in the centre of the southern Africa region with total market size of approximately 200 million people (Republic of Botswana, 2012). The Republic of Botswana is an African country located toward the southern tip of Africa. The
population in 2014 is 2,052,556, up from 2013’s 2.04 million (World Population Review, 2014). Small, Medium and Micro Enterprises (SMMEs) are the backbone of the majority of the world’s economies; and based on that Botswana Government is highly concerned with developing entrepreneurship especially among youths (Rhodes, 2012). In the past decade there has been an on-going debate on SMME development and SMMEs’ contribution to Botswana. The debate has involved SMMEs significance towards employment creation, poverty eradication, and economic diversification.

However, SMMEs face tremendous challenges that threaten their survival and growth (Jefferies, 2010). The challenges include access to markets, financial issues and competitiveness (Centre for the Development of Enterprise, 2013). The main problems of SMMEs include lack of funding, lack of expertise, lack of innovation, no or poor planning, and poor management, lack of business acumen, Poor and or no record-keeping on the performance of business, poor quality products, no or inadequate marketing, and lack of market. Access to markets seems to be a major foundational concern among SMMEs. For that reason, this research concentrates on SMMEs Access to markets (Stanbic Bank Botswana, 2012).

While a lot of effort has been put by the government and other stakeholders such as banks to finance SMMEs to help them succeed; it should be noted that no matter the amount of funding, if an SMME has little or no access to markets, failure is imminent as business success comes through sale of products or services.

In Botswana SMMEs have been credited with employment creation – bearing in mind that each year Botswana produces thousands of graduates that do not have ready employment; citizen empowerment, increase in GDP, increase in tax revenue to the government – which in turn translates into development of the whole country, and it keeps youths busy there by reducing idling and mischief (Republic of Botswana, 2014). In 1998 there were approximately 56000 SMMEs. Currently, unemployment in the country stands at 17.8% (Republic of Botswana, 2010). Such statistics can be reduced if SMMEs access markets, make profits, grow and play a part in hiring unemployed people.

Majority of SMMEs have depended on the government as their sole customer for a long time. However, with the advent of the world financial crisis since 2008 to date, the government of Botswana, among other developing nations, has been advised by The World Bank and IMF to cut down on their spending. The government then decided to suspend a number of projects resulting in SMMEs without a market for their products. Therefore, alternative markets for SMMEs; both current and future SMMEs are a must if the private sector is to make impact in Botswana. Moreso, the influx of cheaper foreign products particularly from Asiaon the Botswana market has brought stiff competition for local SMMEs (IMF, 2013; World Bank, 2012).

**Aim of study**

This study aimed to assess the current challenge of access to markets by SMMEs in Botswana and explore possible practical solutions for markets access.

**Objectives of the study**

The specific objectives of the study are:

1. to assess the current state of access to markets by SMMEs in Botswana
2. to explore how successful SMMEs in Brazil and Ghana access markets
3. to find out how struggling SMMEs can benefit from other SMMEs successful in Botswana and surroundings
4. to come up with practical solutions to challenges of access to markets faced by SMMEs in Botswana
5. to conclude and make recommendations for SMME development in relation to market access

Theoretical literature review
The researcher consulted print and online journals, textbooks, Botswana Government Reports, Non-Governmental Organizations, global and Other Reports available on internet to gather information on challenges of SMMEs; particularly lack of access to markets.

Importance of SMMEs in General
SMMEs play a major role in many economies. Botswana is a country with very high reliance on government sponsorship and tenders. Many SMMEs depend for business by tendering to the government because the economy has for a long time been skewed towards the public sector. Although the government of Botswana has started privatizing national corporations, a lot still needs to be done. The government is now majoring on empowering the private sector through financing and mentoring SMMEs (Republic of Botswana, 2010). Therefore, evidence gathered in Botswana for SMMEs will go a long way to support national agenda by creating solutions to SMMEs (BIDPA, 2012).

SMMEs Current State of the Field
Botswana has put a lot of effort to boost economic productivity by empowering SMMEs, particularly those that are run by citizens with 100% ownership. Citizen empowerment has started many SMMEs support organizations to help fund, train, advise, mentor and uplift entrepreneurs. However, the success rate of SMMEs is relatively low considering their GDP contribution of about 35% compared to other countries such as Ghana with up to 70% contribution to GDP. Above all, SMMEs are expected to work towards poverty reduction (Botswana Citizen Economic Empowerment Policy, 2012; Republic of Botswana, 2012).

According to BIDPA (1998) in Botswana, the SMME policy distinguishes between the following:

- **Micro-enterprises** (informal sector): employ one or two people and up to 6 people.
- **Small enterprises**: they have less than 25 employees.
- **Medium enterprises**: have between 25 and 100 employees.

According to BIDPA (1998) Employment in Botswana by type of employer was distributed as shown in Figure 1 below:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Percentage Employed</th>
<th>Sub-divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>36%</td>
<td></td>
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<tr>
<td>Large firms</td>
<td>32%</td>
<td></td>
</tr>
<tr>
<td>SMMEs</td>
<td>32% Micro 14%; Small 14%; Medium 4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: BIDPA, 1998

Figure 1: Employment in Botswana by Type of Employer

As shown in Figure 1 above, about 36% of employees are employed by government while large firms and SMMEs equally share 32% of employees apiece. The 32% of employees in SMMEs fall into Micro SMMEs 14%, Small SMMEs 14% and Medium 4%.

Although the current figures this day are higher than the BIDPA survey of 1998, the definitions of SMMEs seem to remain the same. The trend in Botswana is such that most SMMEs are owned by citizens while most large enterprises are owned by foreign investors and the government. It follows that for more growth of the economy, SMMEs need more support to avoid failure.
Current Challenges of SMMEs in Botswana

In Botswana, it is said that SMMEs contribute 75% of formal sector employment (Republic of Botswana, 2010).

The SMME Policy document identifies the following as constraints:

- Lack of access to finance;
- Lack of entrepreneurial skills;
- Bias of the education system against self-employment;
- Lack of business start-up training;
- Shortage of business premises;
- Excessive government laws and regulations;
- Lack of information on government assistance programmes;
- Lack of marketing skills;
- Lack of data on SMMEs; and
- Inherent biases against SMMEs (BIDPA: 2012).

Another major challenge of SMMEs is lack of access to markets. In developed economies, private sector takes a leading role in offering the market for the SMMEs. SMMEs are a ready market, through the vertical and horizontal linkages. Over 90% of businesses in Botswana, however, rely on government for market. But businesses can learn to be self-reliant. For example, cattle farmers buy their feeds and vaccination from retailers like Agri-Chem, and then they sell the cattle to butchers, supermarkets, meat processors and, ultimately, the product reaches the consumers. Such an example testifies to the aforementioned vertical and horizontal linkages, and yet many SMMEs fail to realize this. Moreover, SMMEs should be knowledgeable about government efforts to support and diversify the economy. This includes the Economic Diversification Drive pioneered by the Ministry of Trade and Industry and which all SMMEs should make an effort to learn more about (Modisane, 2009).

Opportunities for SMMEs pertaining Access to Markets

An Opportunity is described as an exploitable set of circumstances with uncertain outcome, requiring commitment of resources and involving exposure to risk (Business Dictionary Online, 2014). There are vast opportunities of access to markets for Botswana SMMEs. Instead of relying on the government for market, SMMEs need to explore markets in terms of private sector companies, members of the public and international markets (Republic of Botswana, 2012).

If SMMEs in Botswana can exploit the market opportunities available in Africa as a whole, there will be no challenge of failure to sell. Africa is a rising giant. The current boom in Africa where the whole world is investing vastly in the continent is proof enough that Botswana SMMEs have great opportunity (World Bank, 2012).

Essence of Globalization to SMMEs

Globalization can be defined as the worldwide movement toward economic, financial, trade, and communications integration. It implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with freetransfer of capital, goods, and services across national frontiers (Business Dictionary Online, 2014). Botswana SMMEs need to acquaint themselves with the opportunities availed by the world being a global village. Instead of depending on trying to sell products to 2 million people in Botswana, SMMEs are challenged to learn more from organizations such as Botswana Exporters’ & Manufacturer’s Association of Botswana and United Nations (Republic of Botswana, 2012).
According to Forstater, MacGillivray, and Raynard (2006) SMEs seeking to enter international supply chains, social and environmental conditions face a big challenge, which increasingly must be met in order to gain to market access. Access to international markets for imports, exports and investment is a key factor that enables economic growth. In the past 10 to 20 years, international trading regimes have been liberalized with the lowering of several tariffs and the lifting of non-tariff barriers, the most recent being the removal of quotas on textile and apparel trade between WTO members.

However, it is not easy for firms to enter the international market. SMMEs could possibly start with neighboring countries before going continental or overseas. By so doing they gain experience which helps when doing business with bigger firms overseas. In Botswana, majority of SMMEs have not yet taken advantage of globalization. This is largely due to fear, lack of information, barriers to trade and less use of internet by local traders (World Trade Report, 2012; Africa Economic Outlook, 2012).

Empirical literature & findings

For the purposes of this study, empirical literature mainly on Botswana, Ghana and Brazil were consulted. However, further studies on the current research, in the near future (after publishing this paper) a questionnaire shall be dispatched to about 300 SMMEs in Botswana asking them their experience pertaining access to markets, challenges faced, impact of the situation, and suggestions for solving the challenge. About 10 successful SMMEs shall be interviewed to get ideas on how they deal with the challenge of lack of markets. Nevertheless, in this paper recommendations and conclusions are drawn from empirical literature only due to time constraints.

The information here is based on comparing Botswana to two other nations that have developed better in terms of private sector, particularly SMME development. These two nations are Ghana and Brazil. Lessons are derived from the steps taken by such countries to help SMMEs deal with the challenge of lack of access to markets. Botswana shall be recommended the strategies that those countries have used which hopefully can help local SMMEs to thrive.

Botswana Experience of SMME Challenges and Opportunities of Lack of Markets

Challenges for Botswana SMMEs

Many Botswana SMMEs struggle with market. For instance, majority of beef farmers depend on Botswana Meat Commission (BMC) as market for their produce. BMC sells mainly to The European Market (EU) which is a major source of foreign currency for the nation. However, sometimes the EU condemns Botswana meat whenever there is a foot and mouth disease for cattle. This negatively affects SMMEs involved in beef farming as their market temporarily shutdown once in a while (Republic of Botswana, 2012).

Botswana, with a growing population and a slowdown in economic growth, unemployment levels keep rising. According to the 2011 census, Gaborone, the capital city of Botswana has a population of approximately 202 000 people. The surrounding areas of Gaborone up to 100km radius constitute the bulk of Botswana population. Looking at the rising unemployment of about 18% it suggests more and more people looking to run businesses as SMMEs. Unemployment rate decreases with age. Those aged from 15 to 19 have the highest unemployment rate at 41.4 percent followed by those aged from 20 to 24 years at 34.0 percent. However, the small population is a restricting factor as the market is small (Republic of Botswana, 2012; World Fact Book, 2014).

Another challenge for SMMEs is the vast distance between districts and cities. Botswana has a small population of about 2 million people yet the land is a massive area of 600,370square kilometers. Long distances between cities and villages make it difficult and
costly for entrepreneurs to travel to the market to sell products. For instance, farmers in Maun growing tomatoes have found it hard as their market of South Africa proved an expensive option. This resulted in the SMMEs losing out as produce rotted (Republic of Botswana, 2012; IMF, 2012; Sunday Standard Newspaper, 2012).

**Opportunities for Botswana SMMEs**

SMMEs can capitalize on the slight population increase in 2014 of 2,052,556, up from 2013’s 2.04 million (World Population Review, 2014). Botswana SMMEs can also strategize to take advantage of the southern Africa region’s total market size of approximately 200 million people (Republic of Botswana, 2012; LEA, 2014).

Africa is a huge market for Botswana SMMEs. “Over recent years, African countries account for six out of the ten countries experiencing the fastest growth” (The Economist, 2011).

Africa’s economic boom has a lasting trend and Botswana SMMEs need to take advantage of it. Given that Africa’s economic boom is based on such structural geographic and demographic factors as rising exports, improved conditions of trade and steadily increasing domestic consumption. These are all reflected in some very positive economic indicators: External debt for the African continent has fallen from 63% of GDP in 2000 to 22.2% this year (2012), while inflation in Africa now averages 8%, down from 15% in 2000(Europe’s World, 2012;World Trade Organization, 2012; Africa Economic Outlook, 2012).

Botswana is advantageously located in Sub-Saharan Africa.Foreign investors have demonstrated a real desire to participate actively in African growth, which helps to explain the rapid progress of the capital investment sector. From 2008 to 2011, sub-Saharan Africa received on average 4.4% of all the funds received by developing countries around the world, and 3.1% of investment spending. In 2011, 67% of potential investors interviewed said they now considered Africa attractive, and half of them planned to invest in sub-Saharan Africa before 2013 (Europe’s World, 2012; World Trade Organization, 2012; Africa Economic Outlook, 2012).

**Ghana’s Experience of SMME Challenges and Opportunities of Lack of Markets**

Ghana was chosen for this study because it is a developing country with a democracy similar to Botswana and SMMEs in Ghana contribute about 70% to GDP compared to Botswana SMMEs that contribute a mere 35%. Micro and small businesses in Ghana account for about 70% of all enterprises, and the private sector in Ghana (mainly composed of SMEs) contributes about 40% to Gross National Income. 92% of companies registered are SMMEs. The SMMEs provide about 85% of manufacturing employment (Ghana Statistical Service, 2012; World Trade Organization, 2012).

**Challenges of Ghana’sSMMEs**

SMMEs in Ghana have not always obtained the required support from concerned Ministries, Departments and Agencies as well as the Banks, Financial Institutions and other bigger corporate entities. This lack of support is a handicap to developing competitiveness locally and globally. Ghana SMMEs face other challenges such as the absence of adequate and timely banking finance, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategies, lack of capacity to identify new markets, constraints on modernisation & expansions, non availability of highly skilled labour at affordable cost, bureaucratic delays and the complex maze of rules in following up with various government agencies to resolve problems (Government of Ghana, 2013).
Opportunities of Ghana’s SMMEs

SMMEs in Ghana have catalytic impacts on economic growth, income and employment. Small businesses however thrive because larger public companies create opportunities through forward and backward linkages, and governments serve as effective institutional support for creating market access and providing a conducive environment. SMEs with their flexible nature have a better adaptability to changing market conditions, making them better suited to withstand cyclical downturns (Ghana Statistical Service, 2012).

Another major opportunity for Ghana SMMEs is brought by Ghana’s market size that is growing and opportunities within Africa are looking attractive for SMMEs in manufacturing, food processing, pharmaceutical, IT and agro and service sector, among others, transportation difficulties discounted. Ghana has a population of approximately 25 million people according to the 2012 census (Government of Ghana, 2013).

Capacity Development Centre [CDE] a cutting-edge knowledge-based and transmission entity, organize training programs and international level promotional activities, research, survey and interactive meetings for the enhancement of knowledge of SMMEs in Ghana. CDE helps SMMEs with: Business Management skills, export & trade promotion, technology upgrades, joint ventures and technology transfers, contract manufacturing tie-ups, international collaborations and alliance, marketing, branding and promotion, connectivity with potential business partners, market development, surveys and research, mergers and acquisitions and the setting up of new enterprises in Ghana and abroad (Government of Ghana, 2013; Chan, 2014).

Ghana has great potential as a car manufacturing country, possibly even electric cars. The growth potential of gas liquefaction continues to be the talk of the town as the queues at gas stations increase. Whatever the product, there is someone in Ghana at this moment discussing how to make it locally. The potential of the overall industrial sector in Ghana is unimaginable. The service industry carries opportunities for Ghana SMMEs: management level education facilities (i.e., nursing, finance, etc) to meet the growing need in the country’s private sector. Medical services fail to provide high quality care, leaving foreigners and some locals to travel outside the country for specialized medical care. Information and communications technology (ICT) services are inadequate to meet the growing various needs of private sector businesses from SME to oil & gas (Davis, 2012; Government of Ghana, 2013).

Brazil’s Experience of SMME Challenges and Opportunities of Lack of Markets

Brazil was chosen for this study because it is a developing country with a booming economy from which Botswana SMMEs can learn business strategies. According to Ortman (2012) Brazil, the largest country in both South America and the Latin American region is a powerful economy and home of global challenger companies, such as Embraer, Marcopolo, and Natura. Brazil is one of the most promising emerging markets, Russia, India, South Africa and China, which together form the “BRICS countries.”

The population of Brazil is approximately 198.7 million (World Bank, 2012). According to Endeavor Brazil, an organization working to promote high-growth entrepreneurship in the Brazil, young businesses play a crucial role in Brazil’s economic and social future. Currently, small and medium size-enterprises (SMEs) are responsible for 96% of the jobs in Brazil and comprise 98% of all companies in the country (Ortman, 2012; World Trade Organization, 2012).

Challenges of Brazil’s SMMEs

According to Hänner (2012) challenges of SMEs in Brazil stem from globalization. These include increased competition and low cost products imported from the Asian
countries that threaten SMEs internal market. Another similarity is the economic crisis in 2008/2009 that affected SMEs causing a stall in the growth of the number and employment of SMEs, a decrease in exportations, difficulties to obtain credit and shortages of working capital. Furthermore, Brazilian SMEs suffer from a high bureaucracy, continuous tax changes and poor business management (Federal Republic of Brazil, 2012; Chan, 2014).

Opportunities of Brazil’s SMMEs

One of Brazil’s secret recipes is that she has a way of working around things. No matter what problem or challenge Brazilians face, they always have a way to figure it out, solve or bypass it. This flexibility, detached of all narrow-minded thoughts, is in Brazil essential to survive in turbulent times (Häner, 2012). This characteristic helps Brazilian SMEs to tackle the problem of lack of access to markets especially during this economic crisis. It has also helped Brazilian SMEs to drive the economy into becoming one of the fastest growing emerging markets in the world against all odds.

However, the Federal Republic of Brazil can improve policywise. Brazil’s Ease of Doing Business rank in the World Bank’s Doing Business project 129 out of 183 economies. Starting a business there takes 120 days. Brazilian entrepreneurs also face a complex tax system and difficulties in access to finance. Moreover, entrepreneurship education is lacking, according to Endeavor Brazil. They point to statistics suggesting that less than 10% of Brazilians aged 18–64 received any type of entrepreneurship education. The federal government can put policies that promote ease of doing business. This will boost SME success (Ortmans, 2012).

Recommendations

Take advantage of Africa’s Domestic Market

Botswana like other Sub-Saharan African countries has enjoyed relations with Europe and North America. However, SMMEs should take advantage of the African booming economy as a market as the developed world struggles with financial crisis and cut their spending. Africa has become more conducive for business, for instance, the time needed to obtain an export licence has fallen from an average of 230 days in 2005 to 212 days in 2010, and the time it takes to enforce a contract has fallen by nearly a month over the same period. The emergence of Africa’s domestic market will also encourage the diversification of national economies that will become less vulnerable to global shocks because they will be less dependent on exporting primary raw materials and so less exposed to world price fluctuations. Apart from the usual South African market, Botswana SMMEs should consider exporting products to some of Africa’s fastest growing economies: Malawi, Zambia, Ethiopia, Angola, Nigeria and Sudan (Europe’s World, 2012; African Economic Outlook, 2012).

Botswana SMMEs should make use of the fact that Sub-Saharan African countries are turning more and more towards partnerships with other countries in their region. Intra-regional trade now represents around 15% of sub-Saharan African trade, compared to only 7% in 1990. In 2010, South Africa as the regional powerhouse was alone responsible for 4% of sub-Saharan imports and 6% of exports (Europe’s World, 2012).

Government to put policies for markets access

Botswana government is applauded for efforts so far in supporting SMMEs through funding, training, mentoring and otherwise. However, it is recommended that she should put policies that help SMMEs to access Africa’s domestic market. This can help to secure international partners, joint ventures and international collaborations as done by Ghana’s Capacity Development Centre [CDE].
Developing an entrepreneurial spirit
Botswana government has promoted an entrepreneurial spirit in high schools for years now through Junior Achievement Botswana (JAB). However, a lesson can be taken from Brazil where the entrepreneurial spirit is much higher than in Botswana. JAB should be available to all students not just as a club. JAB should also be introduced to Primary school students to let them catch the entrepreneurial spirit earlier on.

Introduce Entrepreneurial Studies in the School Curriculum
With the high level of unemployment, Botswana needs to introduce entrepreneurial studies in the curriculum of both primary and secondary schools. This will support the Vision 2016: An educated and informed society, a prosperous, productive and innovative society with a diversified economy and full employment. Currently, business subjects such as Business Studies, Commerce, Home Management, Food & Nutrition, Art & Design, Design & Technology, Accounting and Economics are not core subjects in secondary schools. A consideration should be made to make Business Studies a core subject from Junior Certificate. This is hoped to equip all students with basic information for starting and running a business.

Conclusion
Little research has been published on SMME challenge of lack of access to markets in Botswana. Therefore the empirical literature in this paper adds to the body of knowledge on challenges faced by SMMEs and the opportunities thereof. The literature findings are hoped to better inform current and future SMMEs on how they can diversify their market options. This includes how SMMEs can take advantage of globalization and the African domestic market. In turn when SMMEs become financially stable, this will create more jobs for youths, and reduce unemployment levels. Furthermore, a successful private sector will pay more taxes which will go to the government; resulting in booming economy. More research on access to markets shall entail field research to further explore Botswana SMMEs opportunities of markets.

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