PwC's MSME Survey 2024

Building resilience

Strategies for MSME success in a changing landscape



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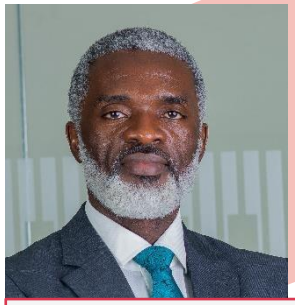
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Foreword and introduction

Foreword



Sam Abu

Country Senior Partner
PwC Nigeria

The contributions of Micro, Small, and Medium Enterprises (MSMEs) to the global economy's GDP through workforce employment, income generation and development of both technical and entrepreneurial skills is well documented and continues to be of great significance.

The Small and Medium Development Agency of Nigeria (SMEDAN) reported a decline in the number of registered MSMEs in Nigeria between 2017 and 2020. Although their contribution to GDP reduced by 3.5%, there was a corresponding 3.5% increase in their contribution to employment. In 2022, The International Labour Organisation (ILO) disclosed that MSMEs contribute 48% to Nigeria's GDP. Without a doubt, the sector remains pivotal to Nigeria's growth especially during this critical period but its impact in lifting people out of poverty and driving growth continues to be impacted by familiar challenges.

Our 2020 MSME Survey, Building to last was conducted prior to the COVID-19 pandemic. Three years later, we are happy to present another report that looks at how the MSMEs sector has fared post COVID-19. We found that 70% of the surveyed businesses reported a negative impact on their business due to the pandemic. They also had to change their mode of operations and some businesses introduced a work-from-home structure. As much as the hybrid work mode allows a reduction in overhead cost and more flexibility for employees, overall productivity and collaboration remains a challenge. That report left us with the question, will MSMEs find a balance of productivity and flexibility in the post-COVID-19 world or will the businesses cave under the challenges and revert to the traditional approach to work operations?

One trend you might find prevalent in this report is that although MSMEs try to adapt to changes in the local and global economy, certain government and policy decisions make it more difficult for businesses to thrive.

According to the last "Doing Business" report by the World Bank, Nigeria ranked 131 out of 190 economies when it comes to ease of starting business and getting loans. The Government has officially set up several initiatives to grow the MSMEs but these initiatives seem ineffective as this 2023 survey shows 69% have not received any government grants in the last 24 months and businesses also have little trust in the formal banking system to provide financing due to bottlenecks.

As MSMEs suffer from lack of electricity and the cost of fuel–which in turn affects the productivity of employees who work from home, there is an increasing need for an affordable alternate source of energy. For economic prosperity, It is important that the Government funds initiatives that adequately support the pressing needs of SMEs both on paper and in reality.

We hope that the results of this survey provide insights on how the ministries and Government authorities can support and grow the MSME sector in Nigeria–and by extension, the Nigerian economy.

Introduction



Abisola Atitebi

Partner & Head,
PwC MSME Help Desk

According to the NBS/SMEDAN MSME 2021 survey report, MSMEs contributed 46.32% to GDP, accounted for 6.21% of exports, 96.9% of businesses and 87.9% of employment. The immense contribution of MSMEs makes them a critical part to Nigeria's economic fortune.

Building upon our earlier report, the PwC MSME Survey 2020, this edition examines some trends shaping the MSME sector in Nigeria;

1. Navigating macroeconomic headwinds: Underscoring contribution of MSME to economic growth
2. Constrained access to finance: Charting a path towards the ₦13 trillion horizon
3. Streamlining regulations and exploring opportunities from policy execution
4. Evolving Market Conditions: Building MSME adaptability in a changing business climate
5. Adopting digital and technology transformation to disrupt MSME productivity and profitability

The trends highlight the critical importance of MSMEs to achieving sustainable economic growth despite structural and macroeconomic headwinds that persist.

This survey was administered online in 2022 to 557 MSME operators. Its was conducted with MSMEs operating across 13 sectors in 29 states of the federation. Our goal is to assessing the key drivers of MSME performance and understand the challenges that MSMEs face as well as imperatives for policy makers, financiers and MSMEs to navigate the challenging economic landscape.

I hope you will find our insights very useful for other researches and to kickstart new solutions for this MSMEs in Nigeria. Enjoy the read.



Background to the study

Background to the study

Micro, Small, and Medium Enterprises play a vital role in Nigeria's economy, contributing significantly to employment generation, poverty reduction, and overall economic growth. They account for about 80% of employment and over 40 percent of Gross Domestic Product.

According to the NBS, the total number of MSMEs as of 2020 stood at 39,654,385 with micro enterprises constituting 96.9% and SMEs making up 3.1%.
We have conducted a survey of 567 MSMEs operating in 13 activity sectors and analysed their businesses along six themes namely: operations,
macroeconomy, finance, digitisation , regulations, and taxes.

Some of the key findings in the 2024 MSME survey are as follows;

- Over 50% of surveyed MSMEs reported that decline in demand for their product or service is attributed to higher retail prices and low purchasing power of customers
- Inadequate access to finance, poor electricity, multiplicity of taxes among others hindered the growth of of MSMEs
- Family and friends, bank loans, overdraft and credit lines, remain the top sources of funding for the surveyed MSMEs
- High interest rate, several procedural requirements, and insufficient collateral were the top hinderances to accessing loans for the surveyed MSME's
- Most of MSMEs in Nigeria pay 1 to 5 taxes with 65% citing VAT as their primary paid tax
- High cost of energy significantly impacted the surveyed MSMEs as over 60% depend on the national grid and alternative sources
- Majority of MSMEs surveyed acknowledge the importance of technology and are harnessing its power to promote their businesses



Over 500+ CEOs were surveyed across 13 sectors to assess their views and experiences operating in the SME economy

557

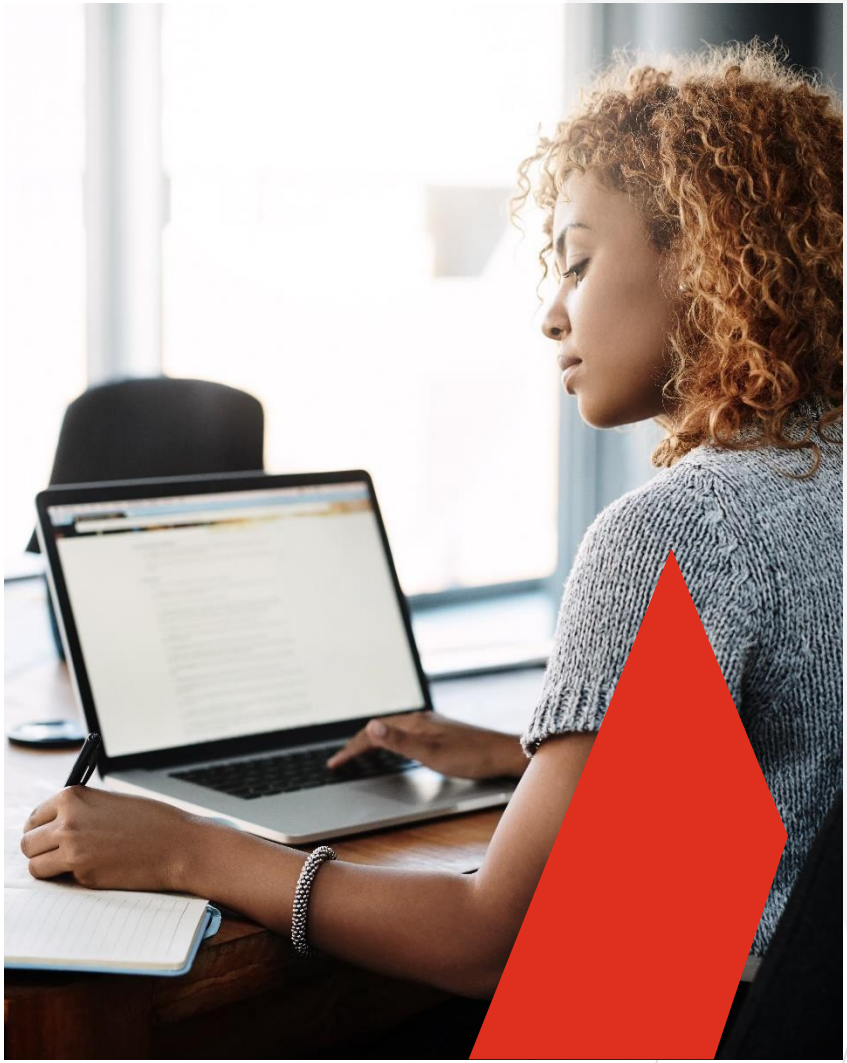
MSMEs across 13 sectors surveyed with annual sales turnover ranging from N5 million and above

30+

30+ questions primarily via online survey.

29 States

Across the 6 geopolitical zones in the country



MSMEs employ over 80 per cent of the population and contribute about 46.3% per cent to Nigeria's Gross Domestic Product (GDP)

Overview

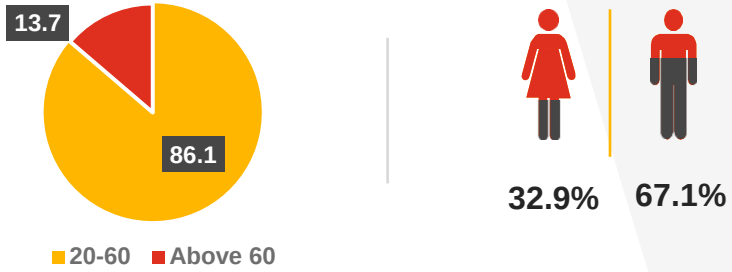
Nigeria's Micro Enterprises (ME) accounted for 96.9% while SME's accounted for 3.1% of the total number of businesses in the country. **MSMEs contributed about 46.3% to the national GDP, accounted for 6.21% of gross exports and employed over 84% of total workforce as of 2020.** In terms of ownership structure, 96.2% of MSMEs are sole proprietorships while 3.3% are Partnerships, faith based organisations (0.1%), and others (0.4%).

In terms of gender, 67.1% of surveyed MSMEs were owned by men while 32.9% were owned by women. Also, about 86% SME owners were between the ages of 20 and 60.

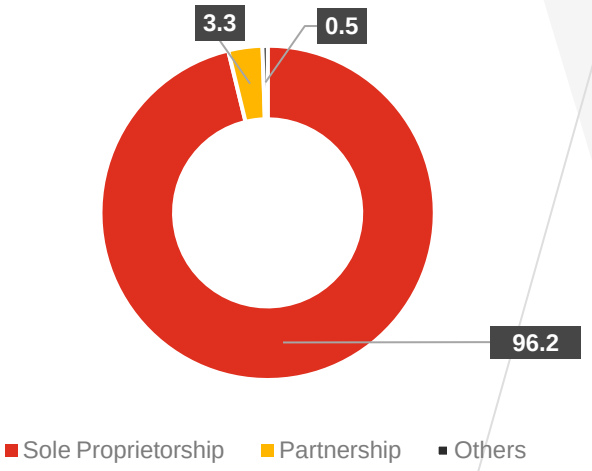
Global benchmark

Country	Share of businesses (%)	GDP Contribution (%)	Employment (%)
Malaysia	97.2%	38.2	48
South Africa	98.5	40	60
Ghana	92	70	80
Indonesia	99.7	61	97
Mexico	99.7	35.6	50
Nigeria	**96.9**	**46.3**	**>84**

Age and gender distribution of MSME owners (%)



Ownership structure of MSMEs (%)

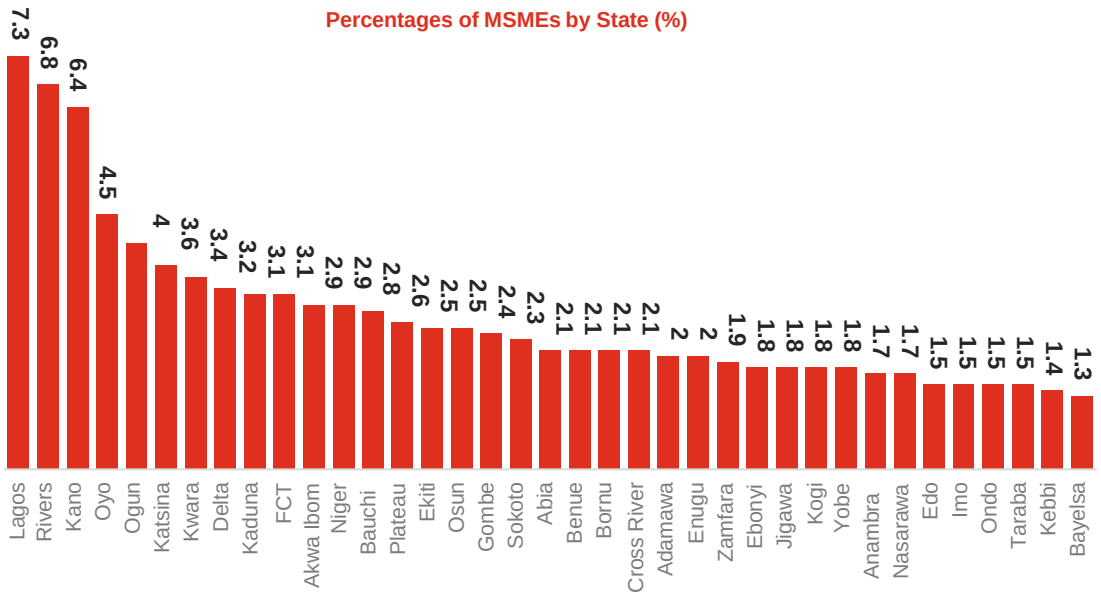


Lagos, Rivers, and Kano exhibit higher percentages of MSMEs in Nigeria

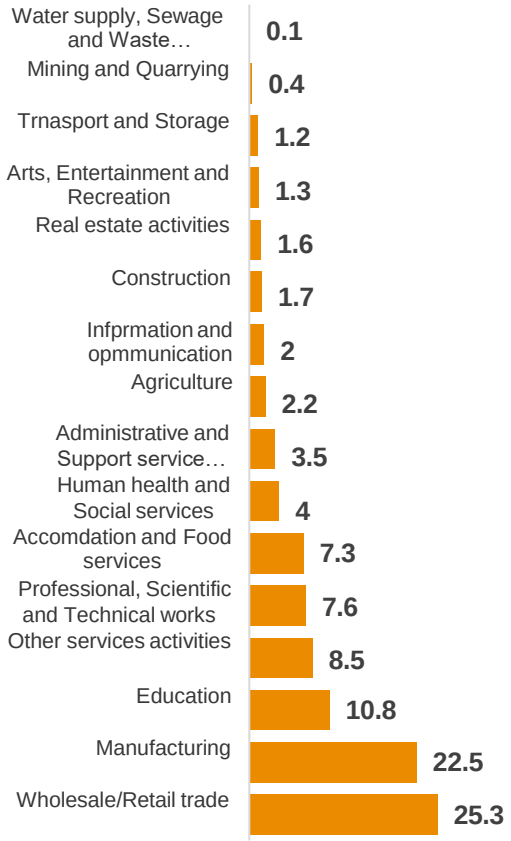
Overview

Lagos (7.3), Rivers (6.8), and Kano (6.4) exhibit higher percentages of the MSMEs in Nigeria, suggesting a concentration of MSME activities in these economically active regions, potentially driven by factors such as infrastructure, market access, and business ecosystems.

The Wholesale/Retail trade and Manufacturing sectors stand out as the most dominant contributors to MSMEs in Nigeria, comprising 25.3% and 22.5%, respectively. This underscores the significance of commerce and manufacturing activities in the MSME landscape, highlighting their crucial roles in economic development and job creation



Percentage Distribution of MSMEs by Economic sectors (%)





3 Macroeconomic context for MSMEs

Overview of the Nigerian economy



Olusegun Zaccheaus

Partner & Lead
Strategy& West Africa

Three years after Nigeria experienced its worst economic recession as a result of Covid-19 global health crisis, the economic landscape has been more challenging than most people had initially imagined. Heightened geopolitical tensions, energy crisis, supply chain disruptions, hyperinflation and extreme weather events are just a few of the difficulties that has shaped the beginning of the decade.

Nigeria's GDP is expected to grow to 3.1% in 2024 from 2.54% recorded in Q3 2023 on the back of sustained policy reforms. However, there are growth prospect limitations by elevated economic pressures. Momentum in non-oil GDP continues to support the overall GDP performance. In terms of sectors, the main drivers of GDP growth has been the financial services, information and communication, and utilities sector.

In terms of sectoral growth, the service sector recorded a growth of 3.99% in Q3 ahead of agriculture (1.3%) and industries (0.6%). Although the growth in the services sector between Q2 and Q3 declined by 10%, the growth in Q3 was driven by trade (15%) , information and communication(13.5%), real estate (5%), professional, scientific and technical services (3.2%), and financial and insurance (3.9%).

Headline inflation is expected to fall to 21% in 2024 from an average of 24.5% in 2023. To achieve the decline in general price level without compromising the economic growth objectives, the monetary authority has adopted inflation targeting as the preferred monetary policy tool to get inflation to the set target.

FX illiquidity challenges persist due to limited foreign exchange inflows to the country. Other challenges include lower proceeds from crude oil inflows due to decline oil production. The CBN implemented various strategies aimed at attracting foreign exchange inflows, which include the continuous clearance of FX backlogs, revision of IMTO guidelines, reporting harmonisation on reporting requirements for DMBs, and liberalisation of the FX market, among other reforms. However, uncertainty in the FX environment may persist in 2024 if supply challenges are not met.

Overall the government and policy authorities have been taking bold steps to turn the corner on Nigeria's macroeconomic and structural challenges exacerbated by escalating global tensions. MSMEs have the potential to capitalise on opportunities, particularly in the non-oil sector, to bridge the output gap in 2024 and beyond.

Seven trends that will shape the economy in 2024

Improved sectoral development riding on reforms

Executing fiscal reforms: balancing ambition with budgetary implementation

Consumers may likely adjust better to the evolving policy and macro realities



Evolving monetary policy stance: finding the right framework and instruments to achieve price stability

Persisting vulnerability to external pressures with potential of 'shocks'

Investors' will be cautiously optimistic

Undulating pathways to unlocking productivity in the economy

Seven trends that will shape the economy in 2024 and implications for MSMEs

Trends shaping the economy	Implications on MSMEs
Executing fiscal reforms: balancing ambition with budgetary implementation	• The government expected revenue, depending on the actualisation and success of its planned reforms through strategic spending in key sectors like infrastructure may foster a better business environment and offer growth opportunities for MSMEs
Evolving monetary policy stance: finding the right framework and instruments to achieve price stability	• The efforts at price stabilization by the Central Bank of Nigeria, coupled with a clear, transparent approach to FX market operations, if successful, offer MSMEs a more stable economic environment, leading to predictable costs for planning and business growth.
Investors' will be cautiously optimistic	• With the anticipated reforms in Nigeria's banking sector and a growing ICT and Manufacturing sector, Foreign Direct Investment (FDI) flows are projected to improve in 2024, offering MSMEs potential for increased capital access and sectoral growth
Undulating pathways to unlocking productivity in the economy	• Poor infrastructure funding and persistent insecurity may continue to disrupt economic activities if not managed. MSMEs productivity may continue to be negatively impacted in the near term if the negative trend is not reversed.
Persisting vulnerability to external pressures with potential of 'shocks	• MSMEs in Nigeria may benefit from a sustained trade surplus in 2024, yet they should prepare for potential economic fluctuations tied to international oil market volatility and shifting global dynamics, including geopolitical tensions and key elections worldwide.
Consumers may likely adjust better to the evolving policy and macro realities	• Inflationary pressures in 2024, notably in food prices due to external and domestic factors, which might suppress consumer spending and challenge MSME profitability unless mitigated by timely economic reforms and policy interventions.
Improved sectoral development riding on reforms	• Nigeria's GDP is expected to see a modest growth in 2024, with financial services and ICT sectors driving the economy amidst challenges. MSMEs may find opportunities in the digital economy, with trends like e-commerce, fintech, and AI shaping the market, although currency and consumer spending pressures may persist.



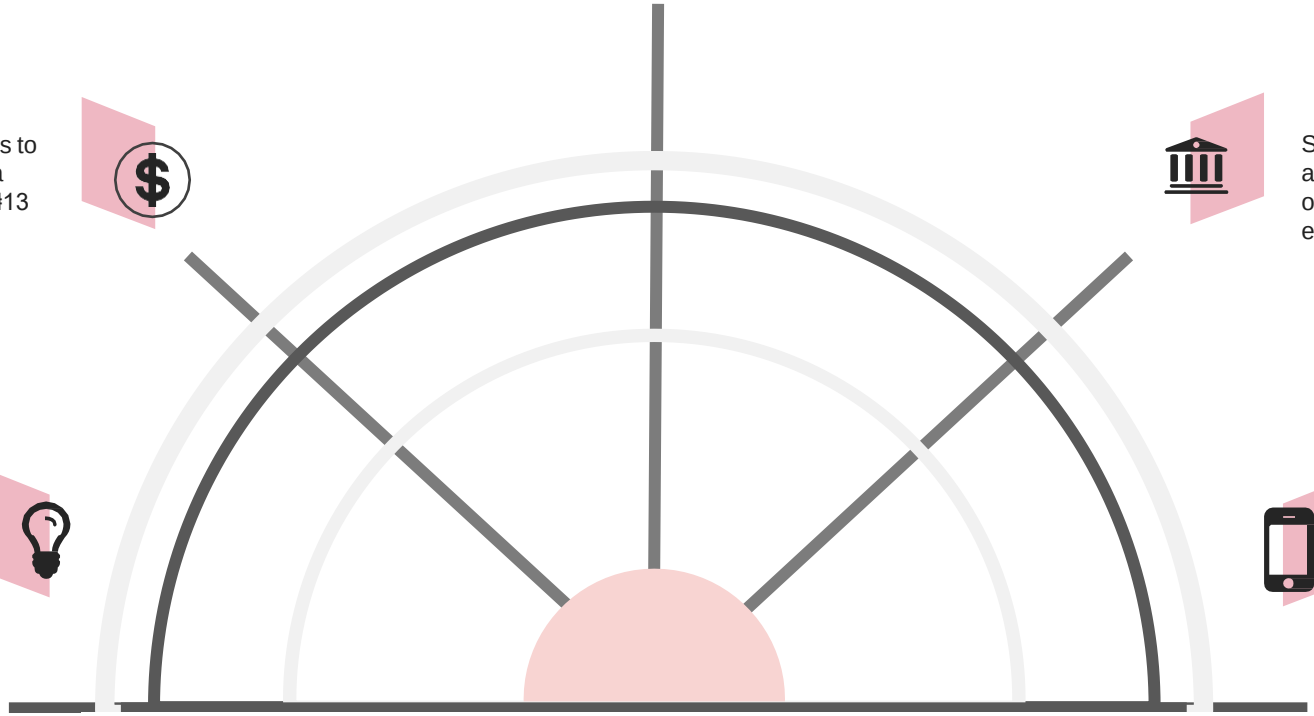
Key trends shaping MSMEs: Survey Findings

Key trends shaping MSMEs in Nigeria

Navigating macroeconomic headwinds: Underscoring the contribution of MSMEs to economic growth

Constrained access to finance: Charting a path towards the ₦13 trillion horizon

Streamlining regulations and exploring opportunities from policy execution



Evolving Market Conditions: Building MSME adaptability in a changing business climate

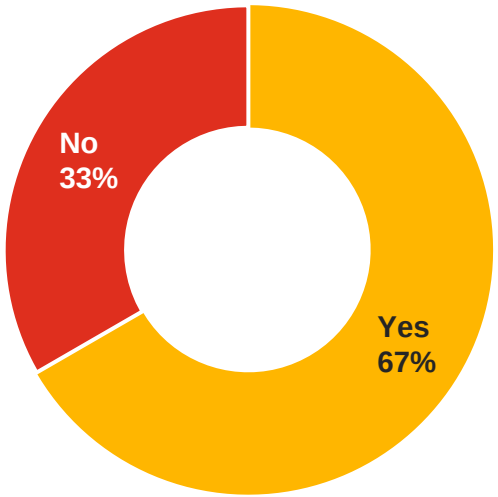
Adopting digital and technology transformation to disrupt MSME productivity and profitability



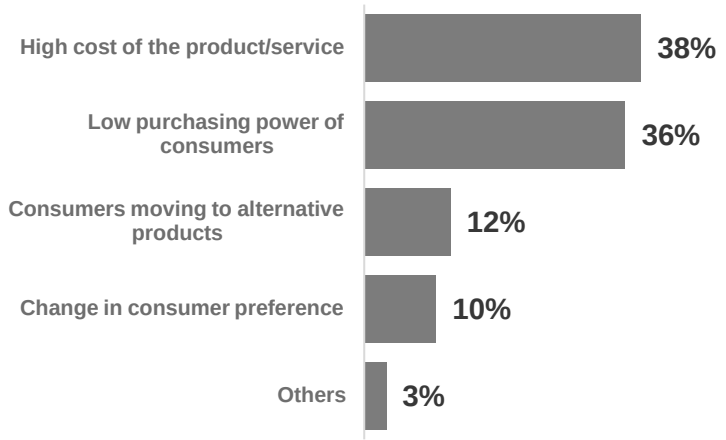
Navigating macroeconomic headwinds: Underscoring the contribution of MSMEs to economic growth

Over 50% of surveyed MSMEs reported that decline in demand for their product or service is attributed to higher retail prices and low purchasing power of customers

Has there been a decrease in the demand for your products/services within the past two years?



If no, move to the next question. If yes, what is the reason?

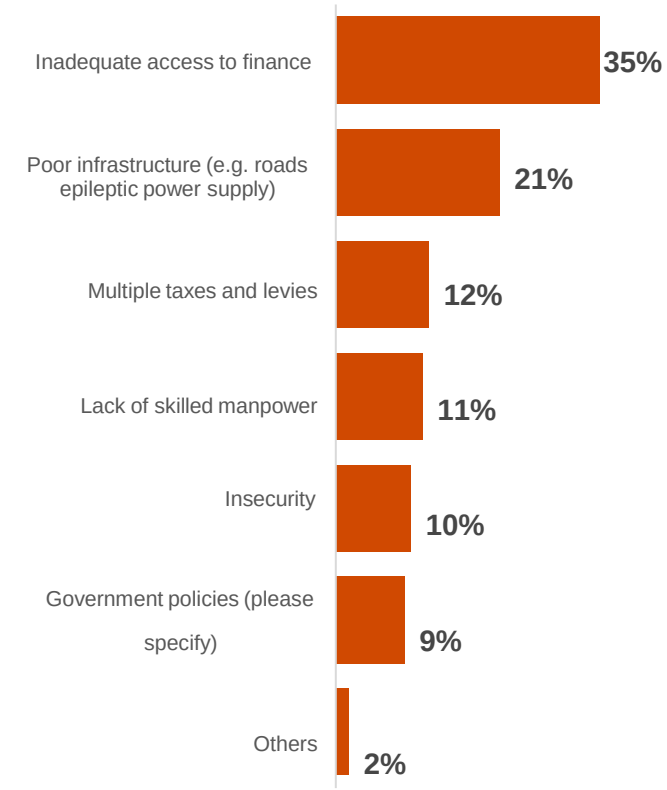


67% of surveyed MSME reported that there has been a decrease in the demand for their products or services. When asked the reason for the decline, 38% attributed it to the high cost of their products and 36% reported that the low purchasing power of consumers were the major reasons for the decline. The decline in demand for their products/services over the past two years due to macroeconomic headwinds such as inflationary pressures, depreciation of the currency, and slow economic growth. Furthermore, While 12% reported that the decline was due to consumers switching to alternatives, 10% attributed it to changing consumer preferences.

Headline inflation reported in December 2023 stood at 28.92% driven by increased food prices, naira devaluation, high import bill, rising energy and logistic costs. Although inflation is projected to decline marginally to 21% in 2024, MSMEs may continue to experience sustained inflationary pressure driven by a combination of the pass-through effect of the rise in international oil price (EIA forecasts that the average international oil price may be $93.24/b in 2024) on domestic energy cost and exchange rate pressures. This may lead to increase in the cost of inputs for MSMEs which will pass through to the price of final goods and services consequently impacting demand for their goods and services.

Inadequate access to finance, poor electricity, multiplicity of taxes among others hindered the growth of of MSMEs

What are the key challenges affecting the growth of your business? (%)



The surveyed MSMEs reported that the top factors hindering their growth include inadequate access to finance, poor electricity, multiplicity of taxes & levies, inadequate man power, insecurity and government policies.

Funding is a critical enabler of the growth and development of small and medium enterprises. 35% of the businesses surveyed mentioned inadequate access to finance as their number one challenge. Although, the government has instituted development finance programmes such as the ₦500 billion debenture stock approval by CBN and more recently the ₦70 billion MSME Development Fund.

Infrastructure challenges especially electricity accounts for the biggest costs to the daily operations of MSMEs. 21% reported that power is a major challenge to their business growth. Nigeria's power sector is overwhelmed by myriad of challenges including deteriorating plants/units' capacities, poor maintenance, inadequate gas supply, limited distribution network and commercial viability of Discos operation among others has had adverse impact on the business environment in Nigeria; consequently, contributing to significant economic costs to MSME and economic growth.

The International Monetary Fund (IMF) states that lack of access to reliable electricity costs the Nigerian economy an estimated US$29 billion a year. PwC estimates that approximately 1 out of every 7 firm exits the economy because of this. Other structural challenges such as multiple taxation, inadequate manpower and insecurity requires investment from the government and private sector to address.

Source: World Bank, SMEDAN, PwC analysis



Constrained access to finance: Charting a path towards the ₦13 trillion horizon

MSMEs require up to $32.2 billion (₦13 trillion) to close its financing gap



IFC estimates that there is an unmet demand for credit by Nigerian MSMEs of approximately $32.2 billion, an equivalent of ₦13 trillion. On an aggregate level, demand for credit is highest among micro entrepreneurs and in the agriculture and retail trade sectors. A large proportion of MSMEs seek loans that are less than ₦10 million ($24,700). Micro and small enterprises typically seek for loans less that $2000, while the medium enterprises require larger loans.

Private sector lending to micro, small and medium enterprises (MSMEs) in Nigeria remains limited. Domestic credit to the private sector was about 14.1% of gross domestic product (GDP) in 2022, well below the about 35.8% average in Sub-Saharan Africa. While commercial banks lend to larger firms, smaller scale businesses generally struggle to access formal financing. There are many reasons for this, including restricted access to finance, lack of documentation, a weak debt resolution and loan recovery framework, and underutilised and underdeveloped financial infrastructure in terms of accessing credit information.

While the adoption of digital financial services (DFS) is nascent among MSMEs in Nigeria, the digital economy offers an opportunity for financial technology providers to reach more MSME customers. Innovation and collaborative fintech frameworks offer the possibility to build and strengthen the fundamentals of an MSME finance business and to develop more advanced offerings and tools for financial institutions to serve MSMEs in a sustainable way.

Case study: Interview with Babatunde Akin-Moses, CEO Sycamore



Babatunde Akin-Moses

CEO Sycamore

Sycamore ...More for you

Overview of your business

A brief historical background of your business:
Sycamore was started in the living room of one of its founders, Babatunde Akin-Moses in 2019. At the time, Sycamore had only three employees: Babatunde Akin-Moses, Mayowa Adeosun, and Onyinye Okonji who also doubled as co-founders.
In the following years, we've grown to cover multiple states in Nigeria, with over 80 employees

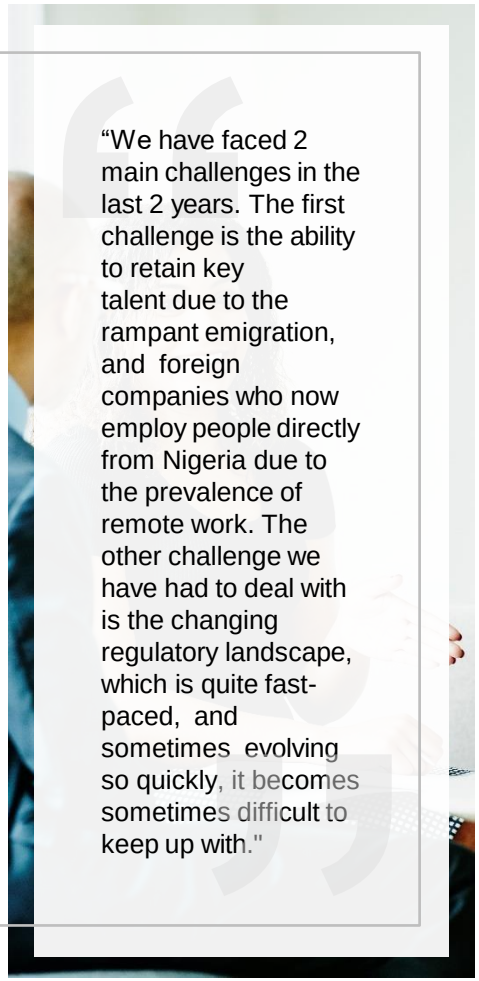
Inspiration for founding the business:
The three of us were looking to add value to the Nigerian business landscape in our bid to make Africa more prosperous. After extensive market research, it was clear that one of the main hindrances to small and medium business(es) growth in Africa is reliable and swift access to capital, especially in the form of credit. Sycamore exists to close the credit gap for such businesses.

Product & services you offer:
Sycamore is a peer to peer lending platform, that connects lenders to borrowers, with the purpose of empowering individuals and businesses in Africa. Our mobile app also provides value added services like transfers and bill payments

Location information including web presence:
Our head office is at 53b Oduduwa way, Ikeja GRA, Lagos. We are also available via our website: www.sycamore.ng.

We also have an all-in-one financial service app: Sycamore - Lend and Borrow, which can be found on Google's Playstore and Apple Store.

Case study: Interview with Babatunde Akin-Moses, CEO Sycamore



"We have faced 2 main challenges in the last 2 years. The first challenge is the ability to retain key talent due to the rampant emigration, and foreign companies who now employ people directly from Nigeria due to the prevalence of remote work. The other challenge we have had to deal with is the changing regulatory landscape, which is quite fast-paced, and sometimes evolving so quickly, it becomes sometimes difficult to keep up with."

Journey so far

Size of the business:
Sycamore currently has a physical presence in three states (Rivers, Lagos, and Abuja) and digital presence in 22 states.

No of employees:
Sycamore currently has 80 employees

Key milestones recorded/ achieved:
We have processed over $55 million in transactions since inception. Our app has also recorded over 100,000 users, with over 50,000 transactions carried out in 2023.

Challenges and recommendations

What are the main challenges you have encountered in the last 2 years:

We have faced 2 main challenges in the last 2 years. The first challenge is the ability to retain key talent due to the rampant emigration, and foreign companies who now employ people directly from Nigeria due to the prevalence of remote work.

The other challenge we have had to deal with is the changing regulatory landscape, which is quite fast-paced, and sometimes evolving so quickly, it becomes sometimes difficult to keep up with.

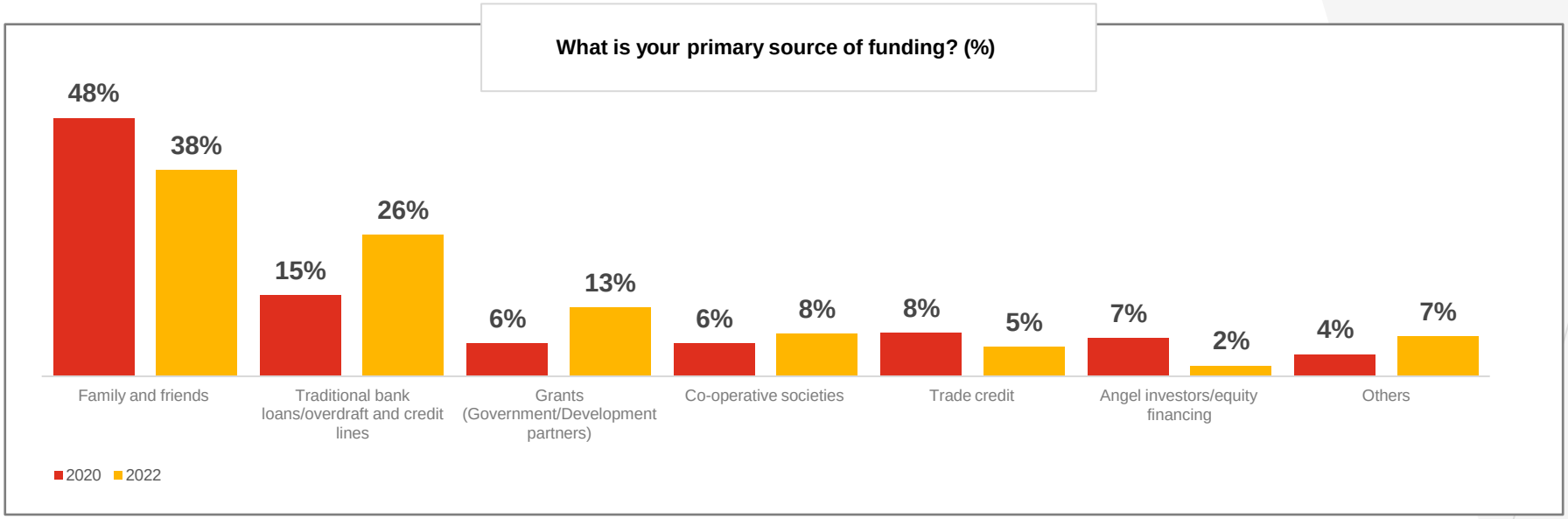
How have you navigated these challenges?

To attract and retain key talent, we do our best to have a very safe and conducive work culture. Our work style is somewhat flexible by being hybrid, and we are also quite big on training and developing our people. On the regulatory side, we have had to invest in top-notch talent that are quite good in dealing with government agencies and building better rapport with public officials.

What must the government and other stakeholders do to create a thriving business environment for MSMEs?

By working on things that improve the ease of doing business such as reducing the regulatory bottlenecks to get things done. Another big area that needs focus is infrastructure development, and more investment in social amenities. Nigerian businesses will thrive a lot more if they can spend less on things like power for example.

Family and friends, bank loans, overdraft and credit lines, remain the top sources of funding for the surveyed MSMEs



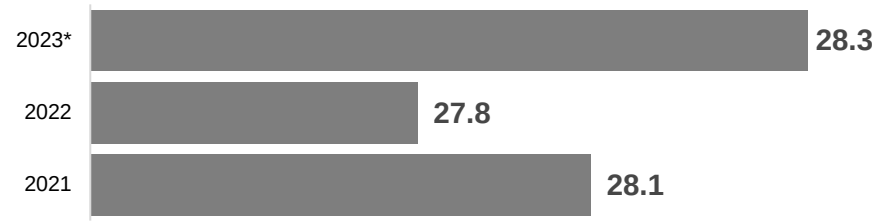
Family and friends remained the dominant source of funding for most MSMEs. In 2022, 38% of the respondents reported that fami ly and friends were the primary source of finance for their business. Some factors driving this trend include little or no documentation requirements, ease of funding, and flexible repayment. The second highest source of funding reported by those surveyed was through bank loans and overdraft. Compared to the previous edition of the MSME survey, 26% of those surveyed accessed funding through bank loans and credit lines such as micro finance banks, and deposit money banks. Although fewer MSMEs were surveyed for the purpose of this study, the sectors covered were more diversified.

Other sources of funding have remained low due to unique restrictions to access the funds available for MSMEs. The restrictions may originate from the demand or supply side. Some demand side constraints include inability to fulfil requirements, and membership to specific groups. Supply side constrains include ineffective customer verification systems, manual reporting systems, and high default rate.

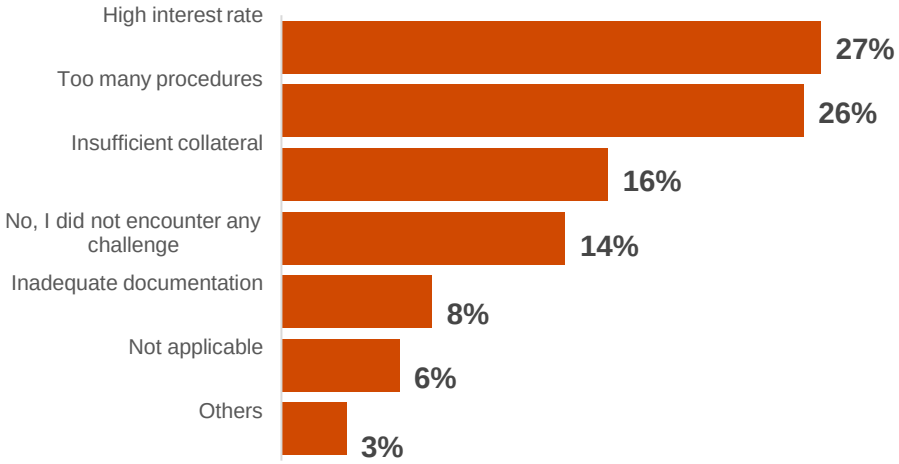
The government through the Federal Ministry of Industry, Trade, and Investment (FMITI), has established three funds totaling N200 billion to support businesses across Nigeria in 2024. The fund is aimed at supporting eligible MSMEs across the country to cushion against the high cost of production, marketing and distribution of products arising mainly from infrastructure deficiencies and other ancillary factors.

High interest rate, several procedural requirements, and insufficient collateral were the top hinderances to accessing loans for the surveyed MSME's

Average maximum lending rate (%)



Did you encounter any challenge in accessing the loan? If yes, what factors hindered you from accessing the loan?



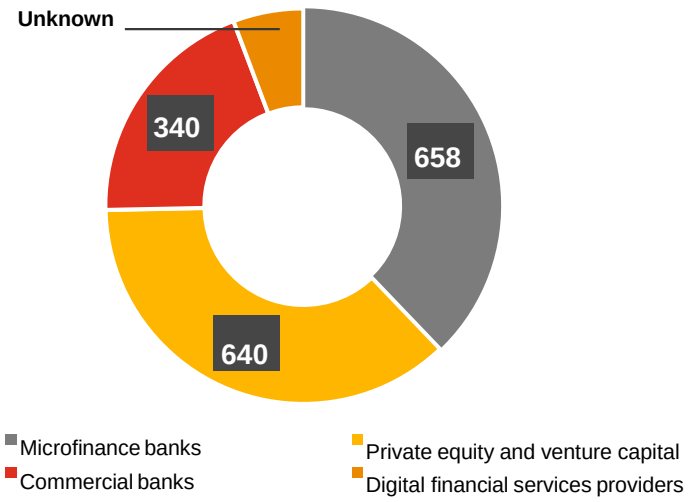
The average maximum lending rate has grown from 27.8% in 2022 to 28.3% between January and June 2023. The consecutive increase in interest rate between January and May 2023 to curb inflationary pressures had unintended consequences for the availability of credit to MSMEs. The rise in Monetary Policy Rate (MPR) to 18.75% in 2023 from 16.5% in 2022 caused a sharp rise in the maximum lending rate to 28.3% which potentially reduces the ability of MSMEs to access credit. 27% of the respondents reported that high interest rate was a major barrier in their decision to explore loans from financial institutions.

26% of the respondents said the process required to obtain the loan was long. This may be due to the poor verification system for MSMEs in the country thus making access to credit cumbersome. Other reasons given such as insufficient collateral and inadequate documentation may be linked to the informal structure of most MSMEs in Nigeria especially the micro and small enterprises which are commonly perceived as being too costly and too risky to serve.

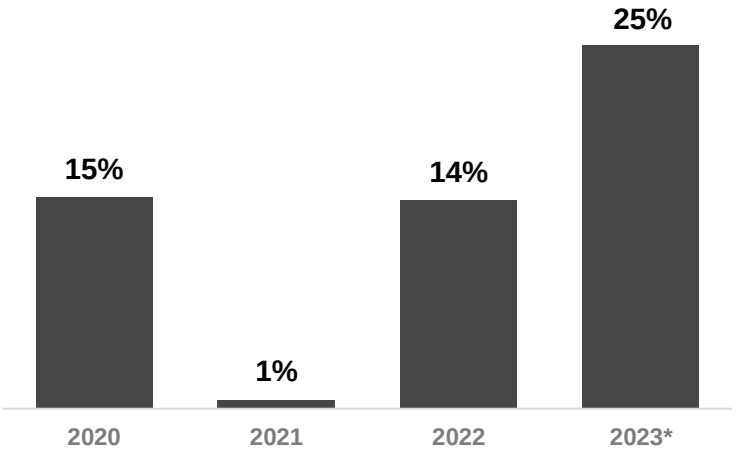
In an attempt to boost lending to MSMEs the CBN released a circular in 2023 enforcing the Loan to Deposit Ratio (LDR) of 65%. The directive assigns a 150% weight for disbursements to MSMEs, retail, mortgage and consumers. Failure of Deposit Money Banks (DMBs) compliance to the directive attracts a levy of additional Cash Reserve Requirement (CRR)) of 50% to the lending shortfall. High interest rates may likely to persist in 2024 given Nigeria's inflationary pressures.

Microfinance banks, private equity, venture capital and commercial banks have disbursed over $1.6 billion in funding to MSMEs

Size of MSME financing by institution ($ million)



Average Loans collected by MSME's as a percentage of average loan disbursed by MFBs and DMBs (%)



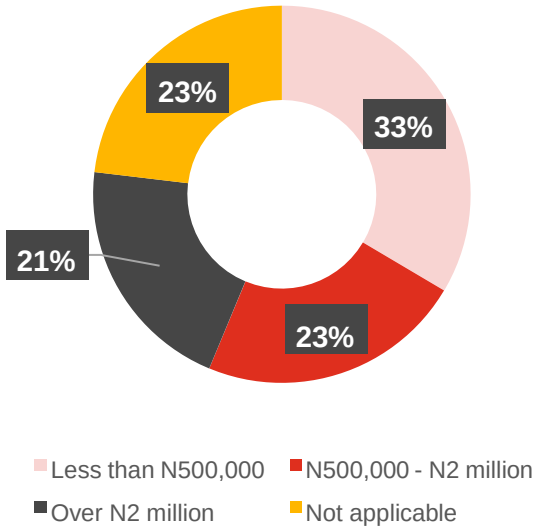
Loans and financing to MSMEs remains low relative to the required financing to close the funding gap for MSME's in the economy. As of 2020, it was estimated that microfinance banks disbursed up to $658 million in financing to MSMEs. Private equity and venture capital firms also financed MSMEs by up to $640 million.

Commercial banks are also a crucial part of funding for MSME's. An estimated $340 million was disbursed by commercial banks to MSMEs in 2020. Although in absolute terms, commercial banks have committed $285 million as of September 2023 in lending to businesses and individuals. It is estimated that 25% of loans disbursed by commercial banks and microfinance banks went towards loans to MSMEs with commercial banks committing funds towards only medium sized enterprises.

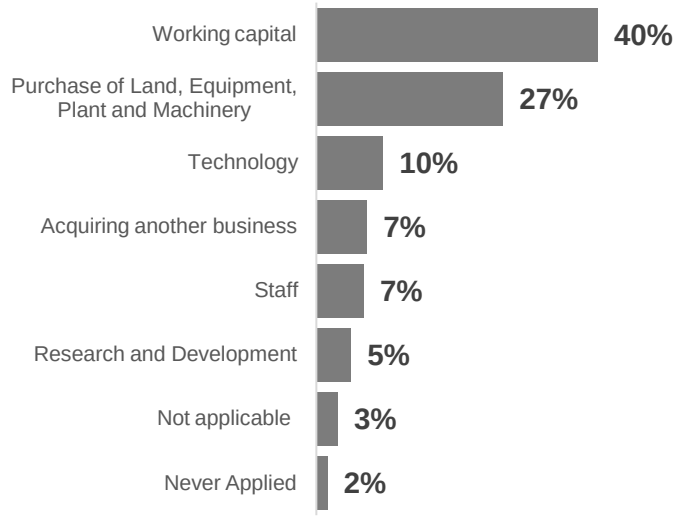
The development and proliferation of other digital financial service providers presents an opportunity for MSMEs especially with the growing number of digital channels and agent networks. Although mobile money operators and payment service banks are not permitted to offer loans, the platforms including unstructured supplementary service data (USSD) presents an opportunity for scalable loan products.

While 33% of MSMEs surveyed required less than ₦500,000 in loans for their business, 40% of all MSMEs that wanted loans required it for working capital

What was the size of the last loan your firm borrowed?



What is your purpose for accessing a loan?



MSMEs are typically concentrated in low-capital intensive sectors such as agriculture, wholesale and retail trade. 33% of the surveyed MSMEs reported that they required less than ₦500,000 in their last loan collection, 23% reported that they got between ₦500,000 and ₦2 million (*$1,182 and $4,728) and 21% got over ₦2 million. The size of the loan suggests that most MSMEs operate at a smaller scale as 40% of all respondents reported that they required the loans for working capital.

The size of loans offered to MSMEs may be constrained due to the challenges relating to MSME risk management and information asymmetry since most MSMEs operate as sole proprietorships with the risk of ceasing operations at anytime.

Source: IFC, SMEDAN, PwC analysis
*Official average exchange rate in 2022 was ₦423/$

In 2024, a multitude of organisations offer diverse funding opportunities for MSMEs, each presenting unique avenues for growth and support

Formal sector financing	International development organisations	Financial technology companies
ACCION Microfinance Bank, mofi, Bank of Industry ...transforming Nigeria's industrial sector, AB Microfinance Bank Nigeria, kuda., GTCO, FirstBank, FINA TRUST MICROFINANCE BANK, POLARIS BANK, LAPO Microfinance Bank, PROVIDUSBANK, Small & Medium Enterprises Development Agency of Nigeria, Vbank, DBN Development Bank of Nigeria, ZENITH, access, UBA United Bank for Africa, sparkle	IFC International Finance Corporation WORLD BANK GROUP, African Development Fund / Fonds Africain de Développement, KFW, AFD Agence Française de Développement, European Investment Bank	fidecia, Oze, Payhippo, moni, aella, RenMoney, carbon, ALAT by WEMA, LENDIGO, QuickChek

Formal Finance Sector

These include state and federal government bodies, commercial banks, microfinance banks, credit unions, trade unions, co-operatives etc. that offer various financial products such as business loans, overdrafts, and lines of credit specifically designed for MSMEs

International development agencies

These include state and federal government bodies, commercial banks, microfinance banks, credit unions, trade unions, co-operatives etc. that offer various financial products such as business loans, overdrafts, and lines of credit specifically designed for MSMEs

Financial technology companies

These are platforms that allow MSMEs access funds via mobile apps away from the traditional and formal sector financing

Case study: Interview with Dr. Abimbola Ogundere, Director Kids Court School



Dr. Abimbola Ogundere

Director Kids Court School

Overview of your business

A brief historical background of your business:
The Kids' Court School was born out of a passion for Education by a certified medical Doctor turned renowned Educator - Dr. Abimbola Ogundere and her husband Barrister Oyebanji Ogundere.

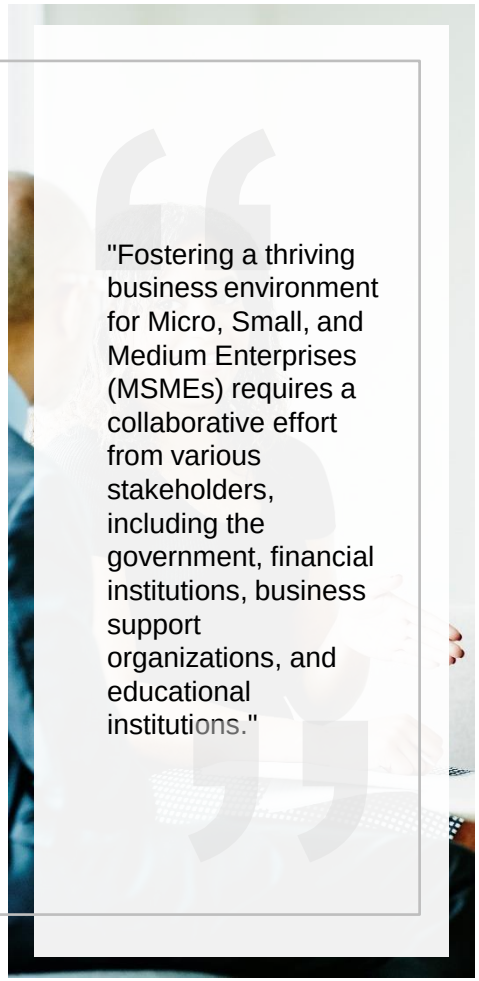
The school started as a summer school in July 2009 and soon became a full-blown Montessori Nursery school located at Modupe Johnson Crescent, Surulere, Lagos. A Primary section commenced in 2013 which runs a blend of the Nigerian and British curriculum. In September 2021, Court Hill College, Kids' Court Secondary school started in the heart of Opebi, Ikeja, Lagos.

Inspiration for founding the business:
The school was founded in recognition of the need for world-class educational services in mainland area of Lagos state and throughout Nigeria. The school has a vision of becoming a highly respected international school, with core values that emphasise care, continuous improvement, respect for oneself and others, excellence, discipline, integrity, and teamwork. These values are underpinned by a deep commitment to both God and service to humanity..

Product & services you offer:
The school offers an Infant centre, a Nursery school, and a Primary school. It also offers teachers and school leaders training

Location information including web presence:
Nursery: 56/58, Modupe Johnson Crescent, off Adeniran Ogunsanya, Surulere, Lagos
Primary: 68, Femi Ayantuga Crescent, off Adelabu, Surulere, Lagos
College: 1, Aderoju Adewuyi Street, off Alfred Olaiya. Awuse Estate, Opebi, Ikeja, Lagos
Email: info@kidscourtschool.com, info@courthillcollege.com
Website: www.kidscourtschool.com, www.courthillcollege.com

Case study: Interview with Dr. Abimbola Ogundere, Director Kids Court School



"Fostering a thriving business environment for Micro, Small, and Medium Enterprises (MSMEs) requires a collaborative effort from various stakeholders, including the government, financial institutions, business support organizations, and educational institutions."

Journey so far

Key milestones recorded/ achieved:

Growth over time

Today, there are over 500 students in Kids' Court Nursery and Primary school and over 80 students in the secondary school. The school has expanded to 3 campuses (2 in Surulere and 1 in Ikeja). We've also achieved local accreditations for AISEN, APEN and International accreditations for British Council / CIE, COGNIA, AISA (In View)

Challenges and recommendations

What are the main challenges you have encountered in the last 2 years:

In the last 2 years, we have encountered a few challenges namely:

a. Learning loss due to the aftermath of the COVID-19 pandemic
b. Massive migration of students (and teachers) to more developed countries
c. High cost of doing business due to inflation.

How have you navigated these challenges?

a. **Learning loss:** we addressed this through a multi-pronged approach, focusing on individualised support, differentiated instruction, fostering a positive learning environment, and collaboration with families. Here are some specific strategies:

b. **Massive migration of students (and teachers) to developed countries:** Mitigating this challenge involves a multi-faceted approach including continuous improvement of our quality, ensuring the curriculum remains relevant and meets international standards, and capacity building for our teachers. We also invested in infrastructure and a conducive learning environment, incentivise our teachers through competitive salaries and also achieved international accreditations.

c. **High cost of doing business due to inflation:** We've managed this challenge through a number of ways including extensive budget and spending review, optimising our resource utilisation, and exploring alternative funding sources. We've also worked on the revenue generation aspects to raise funds beyond tuition fees. Furthermore, we are adopting technology to improve efficiency and reduce cost.

Case study: Interview with Dr. Abimbola Ogundere, Director Kids Court School

What must the government and other stakeholders do to create a thriving business environment for MSMEs?

A collaborative effort from various stakeholders, will be needed viz:

Government:

- Government must implement clear, consistent, and business-friendly policies that minimise bureaucratic hurdles and administrative burdens. This includes streamlining business registration processes, simplifying tax regulations, providing tax breaks and enacting policies that encourage innovation and competition.
- Facilitate access to finance for MSMEs through various channels, including loan guarantee schemes, microfinance institutions and angel investor networks and venture capital.
- Investment in infrastructure development, such as reliable transportation networks, affordable energy access, and robust communication technology, to create a conducive environment for businesses to operate and grow.
- Collaborate with educational institutions and training providers to offer relevant skills development programs that equip individuals with the necessary skills to succeed in the MSME sector.

Financial institutions:
Develop a diverse range of financial products tailored to the specific needs of MSMEs, such as: Short-term loans, long-term loans, and micro-insurance products. They should also provide financial literacy training to educate MSMEs on managing their finances effectively, understanding financial products, and making informed financial decisions.

Business support organisations:
Business support organisations can provide mentorship and training programmes to equip MSME owners and employees with practical business skills, such as marketing, financial management, and human resource management. Similarly, there should be more business networking events to avail MSMEs of more opportunities as well as business incubation and acceleration programmes to support the growth and development of high-potential MSMEs.

Educational institutions:
Integrate entrepreneurship education into the curriculum at various levels while conducting more applied research on issues relevant to MSMEs, such as access to finance, market opportunities, and regulatory challenges. This research can then be used to inform policy decisions and support programs.



Current and emerging financing trends in the MSMEs landscape highlights growth opportunities for Nigeria

Digital Transformation

- The MSME landscape in Nigeria is witnessing a transformative shift with the widespread adoption of digital technologies for both operational efficiency and marketing strategies. E-commerce platforms play a pivotal role in extending market reach, enabling businesses to connect with a broader audience.
- As businesses embrace digital tools, the synergy between technological advancement, expanded market presence, and a digitally skilled workforce becomes a key driver of success in the evolving business environment

Fintech Integration

- In navigating MSMEs financing, traditional banks demand extensive paperwork, including business plans, while fintechs leverage technology for swift access; a balanced approach is crucial to address the diverse needs of MSMEs

Youth and Women Entrepreneurship

- The entrepreneurial landscape witnesses a rise in startups led by youth and women, supported by programs promoting inclusivity and diversity, thereby capitalising on previously untapped talent pools.



Government Schemes and Programs

- Nigeria's government has initiated various programs like SMEDAN, YouWin, TraderMoni, N-Power, etc., demonstrating a commitment to empower MSMEs and foster a conducive environment for their growth.

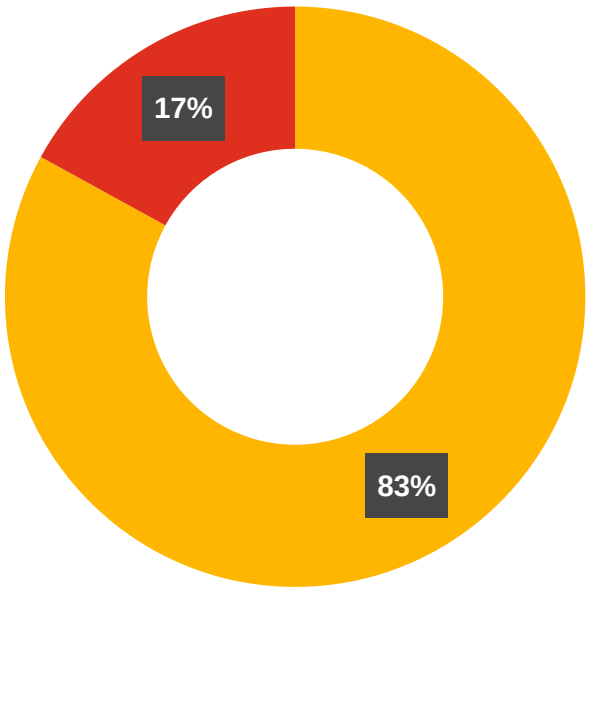
Collaborative Ecosystems

- Enhanced collaboration and networking among MSMEs, characterised by shared resources and knowledge exchange, contribute to strengthening their collective bargaining power


Streamlining regulations and exploring opportunities from policy execution

The majority (83%) of surveyed MSMEs operate formally, as they are registered with the CAC

Have you registered your business with the Corporate Affairs Commission (CAC)?





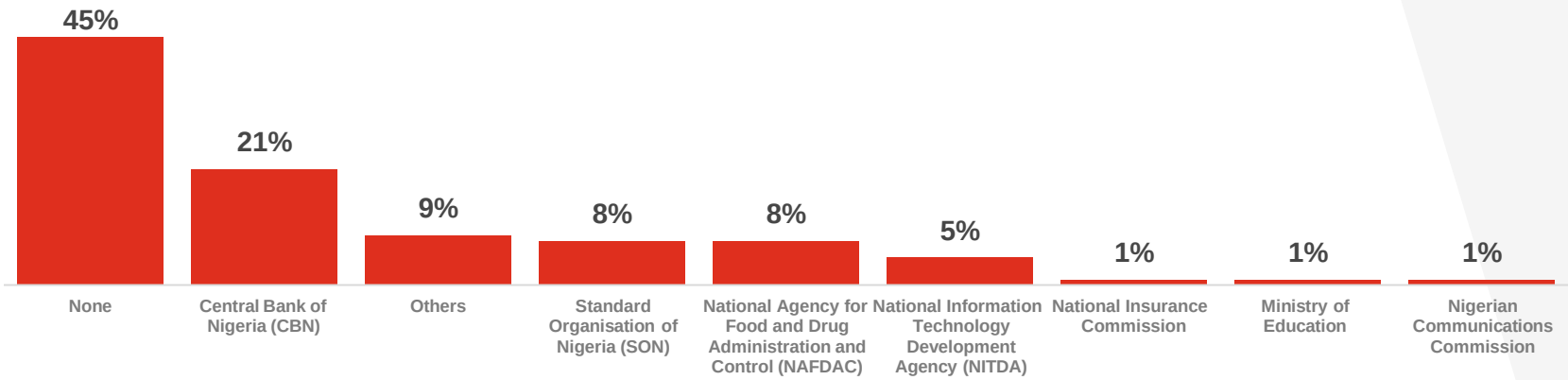
The survey result reveals that 83.4% of the surveyed MSMEs are registered, while 16.6% are yet to complete CAC registration. Nigerian MSMEs that function as legal entities such as limited liability companies, sole proprietors, or partnerships require CAC registration. Formalising the business structure through CAC registration is a mandatory step for MSMEs choosing to operate within the legal framework.

Despite the obligatory nature of registration, some MSMEs overlook this requirement. CAC registration offers crucial advantages, including legal recognition, limited liability protection, and eligibility for various government programs and incentives.

It is imperative for MSMEs to ascertain their legal structure and understand the registration prerequisites.

The majority (83%) of surveyed MSMEs operate formally, as they are registered with the CAC

Given the sectors your business operates in, kindly specify the regulatory authorities you report to



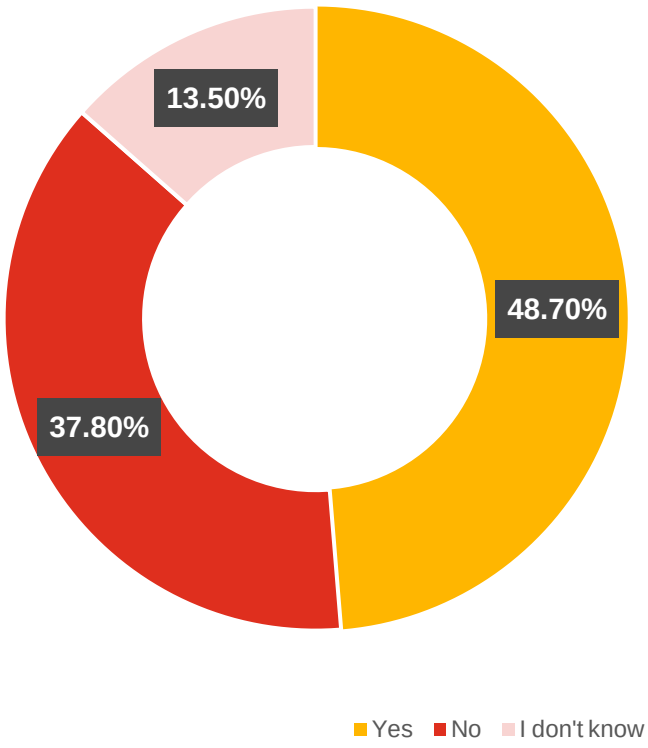
45% of surveyed MSMEs reported that they are not regulated by any authority in Nigeria. 21% are regulated by the Central bank of Nigeria (CBN), 16% by National Agency for Food & Drug Administration & Control (NAFDAC) and 12% by the Standard Organisation of Nigeria (SON). This reason for this trend is that most MSMEs operate in sectors largely driven by demand and supply forces with relative ease of market entry such as agriculture, retail, hospitality, information and communication technology.

According to a survey by the Presidential Enabling Business Environment Council (PEBEC) to assess MSME regulatory cost of compliance in Lagos and Abuja, high consultancy costs, staff issues, unclear processes, bribery and extortion were the most common reasons MSMEs reported as the reason why they are not compliant with regulatory requirements.

The lack of regulatory oversight on MSMEs that ought to be regulated may have implications for product quality. For instance, MSMEs that fail to adhere to SON and NAFDAC requirements may pose a direct threat to consumer welfare and public health. Compliance with regulatory standards is often a prerequisite for accessing financial support from banks and other financial institutions. Non-compliance, however, can hinder their ability to secure loans or attract investors, limiting their growth potential. Financial institutions rely on regulatory compliance as an indicator of a business's stability and reliability.

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Have you registered your business with the Corporate Affairs Commission (CAC)?

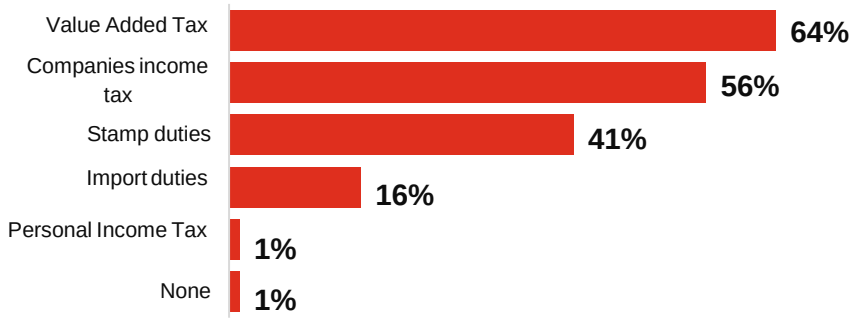




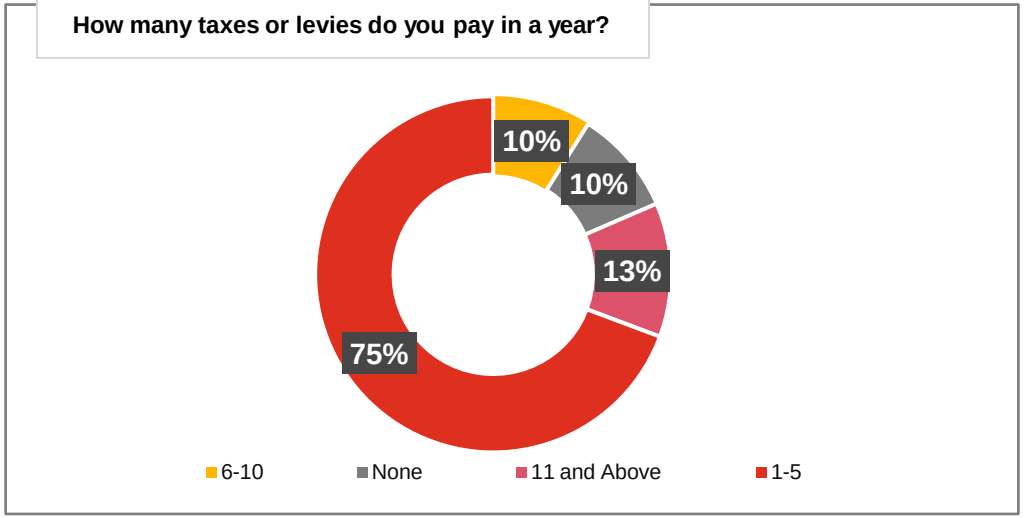
The survey findings reveals that only 48.7% of respondents outsource their regulatory compliance services, while 37.8% do not, and 13.5% are uncertain about the outsourcing process.
MSMEs opt to outsource their regulatory compliance activities as a practical strategy to fulfill their legal obligations efficiently. Outsourcing is cost-effective as it eliminates the need for an in-house compliance team and provides access to specialised expertise.
Outsourcing these functions gives MSMEs the opportunity to concentrate on their core business functions, mitigate risks associated with compliance errors, and adapt to evolving regulatory requirements. Utilising external expertise from legal or accounting firms, compliance agencies, or consultants enables MSMEs to streamline their operations, save time, and ensure effective compliance, thus facilitating business growth.

The majority (83%) of surveyed MSMEs operate formally, as they are registered with the CAC

What are the types of taxes your business frequently pays?



How many taxes or levies do you pay in a year?





Nigeria's MSMEs have various tax obligations levied base on factors such as the business's legal structure, activities, turnover, and geographic location. 10.3% of MSMEs surveyed do not pay any taxes or levies, while 75% pay between 1 to 5 taxes, 10% pay between 6 to 10 taxes, and 13% pay 11 or more taxes. The survey result also shows that respondents paid VAT (64%) more than other taxes such as CIT (56%), stamp duties (41%), Import duties (16%) and PIT (1%).

According to PEBEC, besides Corporate Income Tax and Personal Income Tax (PAYE) paid to Federal and State Governments, MSMEs consider compliance at the Local Government level to be most burdensome. Mutiple taxes are arbitrarily charged. During collection, business owners also experience harassment. Furthermore, According to the chairman of the Presidential Committee on Fiscal Policy and Tax Reforms, MSMEs in Nigeria currently pay approximately 62 different taxes. To address this complexity, the committee aims to streamline the tax system by reducing the number of taxes to less than 10, while also advocating for the consolidation of revenue collection agencies across all levels of government to improve operational efficiency in the medium term

If successfully implemented, the quick wins report of the Fiscal Policy and Tax Reform Committee (FPTRC) could boost MSMEs growth and development

Reforms		Impact on MSMEs
Public Service & Government spending Reforms	• Address duplication of functions in public service • Use of mobile phones for conditional cash transfers • Introduce spending framework for subsidy removal and forex reform windfall • Creating national portal for tracking government spending at all levels	• These measures could streamline operations, enhance transparency, and potentially facilitate access to resources for MSMEs operating in Nigeria.
Taxation & fiscal Reforms	• Adopt technology to widen tax net and grant amnesty for enhanced compliance • Tax breaks for companies that increase wages of low-income earners • Encourage payment of taxes on foreign currency denominated transactions in Naira	• These measures could potentially change their tax obligations, influence their operational costs and financial planning strategies.
Monetary reforms	• Digitise FX transactions • Review tariffs on 43 items unbanned from forex access in the official market • Discontinue FX verification portal and requirement for Certificate of Capital Importation (CCI) • Remove export proceed restrictions • Implement forward contracts for PMS imports	• These measures could streamline foreign exchange processes, reduce bureaucratic hurdles, and enhance market access for MSMEs

If successfully implemented, the quick wins report of the Fiscal Policy and Tax Reform Committee (FPTRC) could boost MSMEs growth and development

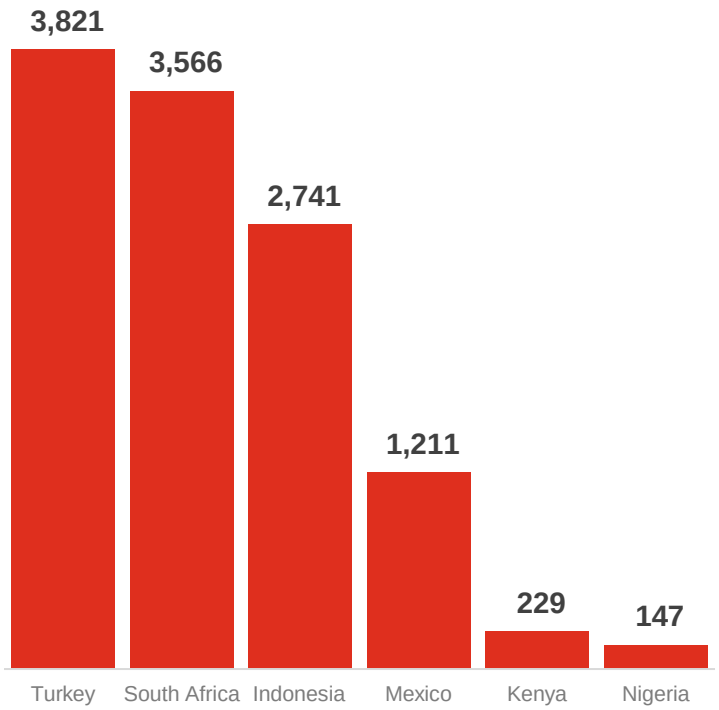
Reforms		Impact
Oil and gas	• The elimination of the PMS subsidy in May 2023 which resulted in a substantial 159% price surge, soaring from ₦238 in May 2023 to ₦617 as of 15th January 2024.	• This has significantly increased operational costs for MSMEs in Nigeria, potentially affecting their profitability, pricing strategies, and overall financial stability.
Telecoms	• The establishment of Industry Working Groups (IWGs), suspension of the 5% excise duty on telecomms services, harmonising Right of Way (RoW) charges nationwide to ensure consistency, and the collaborative initiatives with various agencies with the aim to boost market development.	• This may alleviate regulatory burdens and foster market development for MSMEs in the telecommunication sector.
Electricity	• The implementation of the Electricity Act which grants legal authority to states, companies, and individuals to generate, transmit and distribute electricity. At the state level the act is expected to reduce annual economic losses of $26 billion (₦10 trillion) and improve electricity access for 85 million Nigerians.	• This is anticipated to reduce annual economic losses, significantly improve electricity access and enhance operational stability and productivity for MSMEs
Trade	• The Supplementary Protection Measures (SPM) for ECOWAS Common External Tariff (CET) 2022 to 2026, the Import Prohibition list (Trade) for some goods from non ECOWAS Member states, changes in excise duty rates on certain items and reduced import duty rates on some manufacturing items for verifiable manufacturers	• This may affect cost structures and market access for MSMEs..
Banking	• Streamlining the access to foreign exchange (FX) through only the Investors and Exporters (I&E) window and the increase in the Monetary Policy Rate (MPR) from 18.5% to 18.75%	• This will likely lead to better stability in foreign exchange rate.



Evolving Market Conditions: Building MSME adaptability in a changing business climate

Despite being the largest economy in Africa, electricity per capita is significantly lower than that of its peers

Annual average electricity generation per person (kWh), 2022



Source: OurWorldInData, PwC Analysis



Nigeria's per capita electricity generation was around 147 kWh in 2022, which is much lower than that of other major African economies: South Africa (3,566), Kenya (229), and that of fellow M.I.N.T countries – Mexico (1,211), Indonesia (2,741), Turkey (3,821).

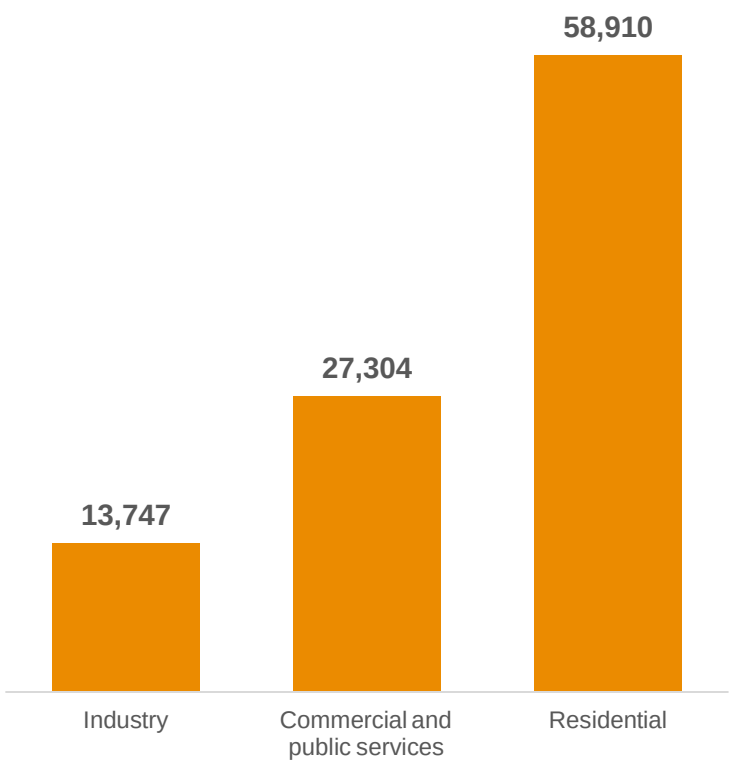
The demand for electricity has consistently outpaced the available supply, resulting in frequent blackouts, insufficient power for industrial and commercial activities, and a significant hindrance to overall economic development. According to reports from the Nigerian Electricity Regulatory Commission (NERC), in the past twelve years, Nigeria's power grid has experienced at least 200 partial and total collapses. The economic cost of the power shortages in Nigeria is estimated at around $28 billion, equivalent to 2% of Gross Domestic Product (GDP).

Poor electricity per capita hampers the growth of industries, limits the establishment of new businesses, and constrains the potential for technological advancements. According to the World Bank's 2020 Doing Business report, gaining access to electricity ranks as one of the major constraints for the private businesses in Nigeria.

Therefore, improving the performance of the power sector is crucial to unlocking the potential of MSMEs in contributing to the economic growth of Nigeria.

Industrial activities constitute only a small fraction of total electricity consumption

Nigeria's electricity consumption by sector, 2020 (terajoules)



Source: NBS, PwC analysis



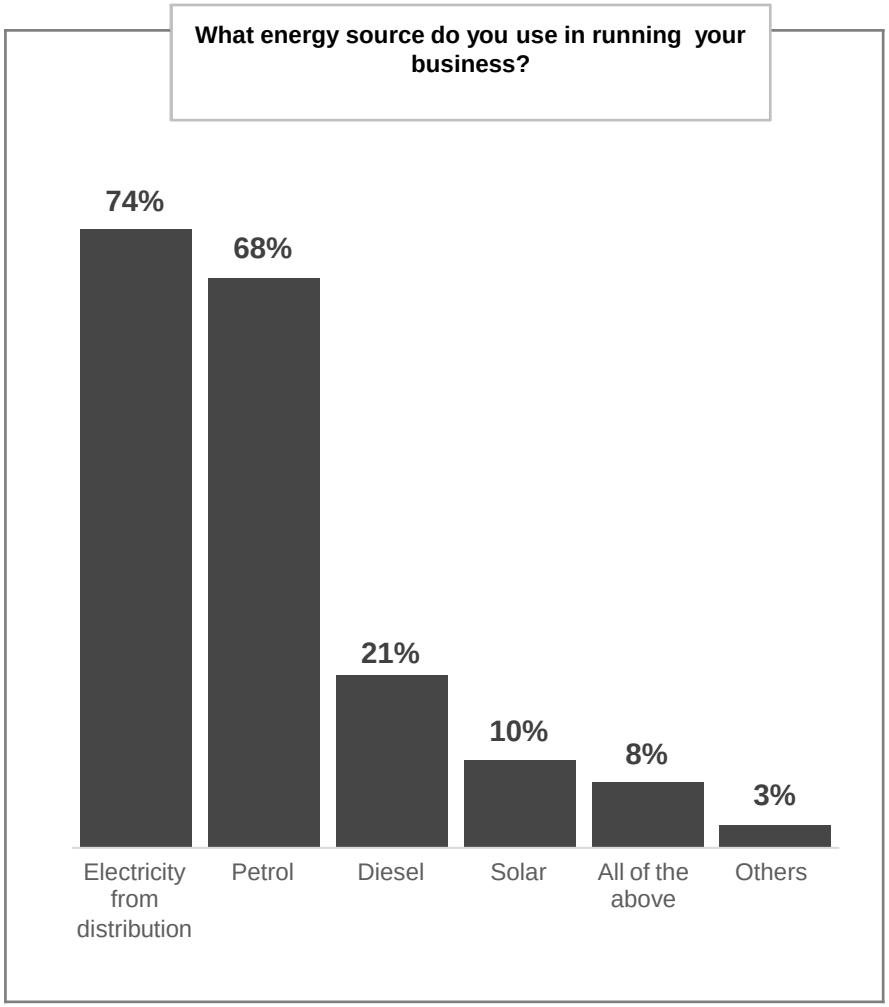
In 2020, residential electricity consumption amounted to about 58,900 terajoules, while commercial and public services used around 27,300 terajoules, and industrial consumption reached approximately 13,700 terajoules.

According to the National Bureau of Statistics, SMEs account for about 48% of Nigeria's GDP, making them a critical driver of economic growth and development. Given that industrial and commercial businesses require electricity to manufacture and run their operations efficiently, focusing on enhancing their consumption is key.

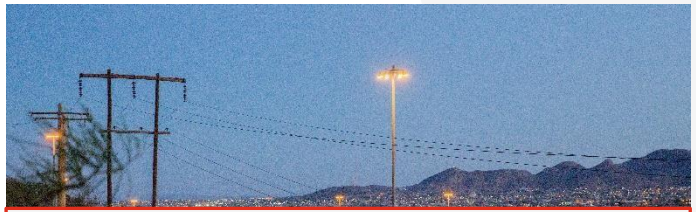
With residential customers dominating electricity consumption, usage tends to be less productive, diverting energy towards household needs rather than productive processes that contribute to the economy. This is further exacerbated by a significant portion of the population living below the poverty line, impacting their ability to pay for electricity and affecting revenue in the electricity sector and the overall economy.

Prioritising industrial and commercial customers for substantial electricity consumption not only benefits the sector but also contributes to economic development by ensuring profitability and sustainability.

Industrial activities constitute only a small fraction of total electricity consumption



Source: NBS, PwC analysis



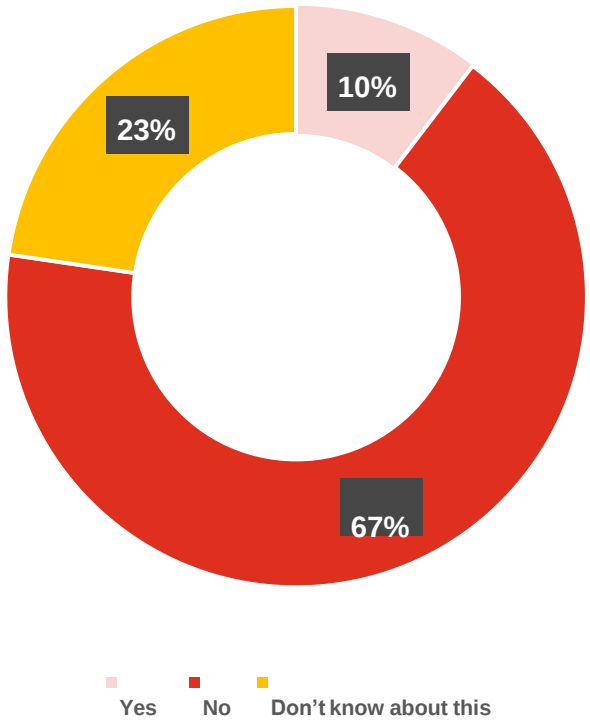
Poor electricity is the second major challenge confronting the MSMEs subsector in Nigeria. In response to this survey, 74% of business owners use electricity from distribution companies as their primary source of energy while
68% reported using petrol, 21% use diesel, 10% use solar panels, and 7.9% use a mix of all the listed energy sources

According to a survey done by the National Bureau of Statistics (NBS) in 2020, Nigerians experience a daily average of 6.8 hours of electricity, with several areas cut off from supply entirely. The challenges confronting the power sector in Nigeria such as gas flaring, equipment vandalism and poor state of infrastructure, have culminated into the inadequate supply of grid electricity which raises energy cost significantly for MSMEs.

The Electricity Act of 2023 shows promise of addressing the issue of epileptic power supply to businesses and individuals. However, the implementation has been slow due to the lack of stipulated incentives to drive investment to the sector and failure to address the liquidity problems in the electricity market. Resolving the electricity problem will improve productivity and reduce operational difficulties for MSMEs

67% of respondents have plan to transition to renewable energy sources

Given the recent challenges in energy such as scarcity and increase in prices, is there a plan to transition to renewable sources of energy e.g. solar power?



Source: IEA, IRENA PwC analysis

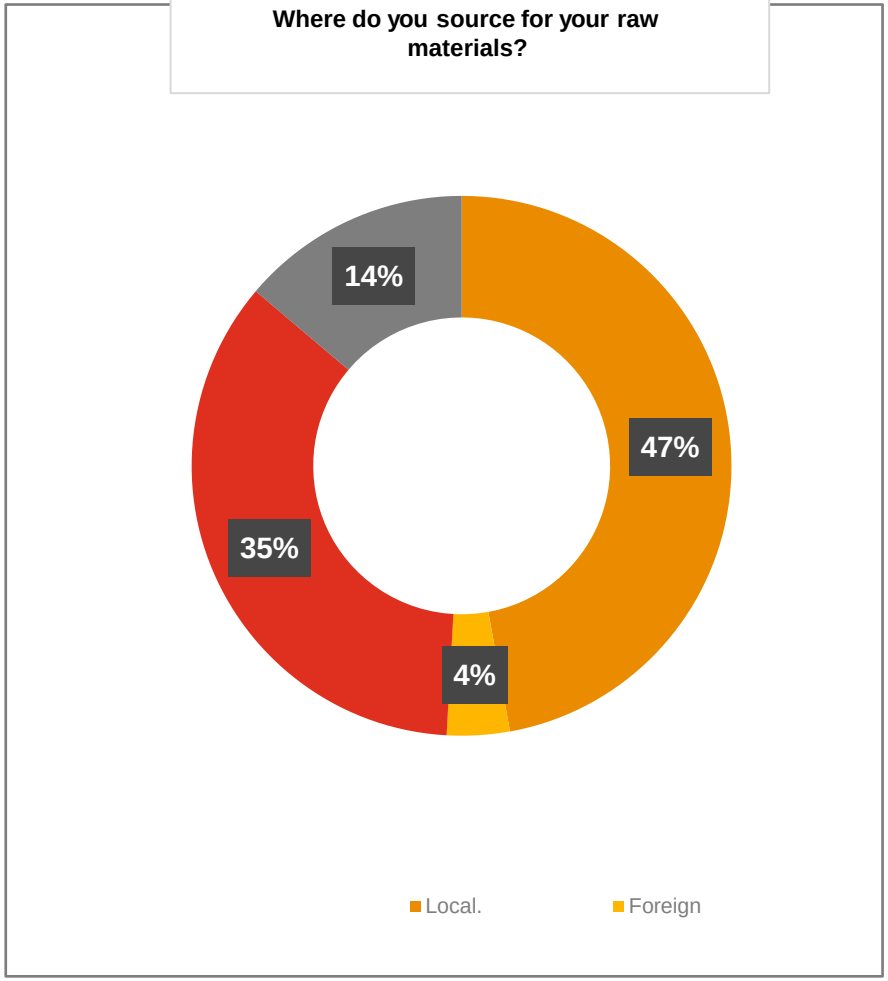


Only 10% of the surveyed MSMEs owners are utilising solar energy, underscoring a substantial opportunity for the renewable energy market, particularly in light of Nigeria's commitment to achieving a sustainable energy target for all by 2030.

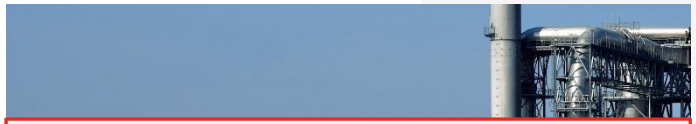
A significant 67% of respondents expressed their intention to transition to solar energy, demonstrating a growing interest in adopting renewable energy. However, 23% indicated no intention to adopt solar energy, while 10% cited a lack of understanding about it.

The survey reveals a potential hurdle to widespread adoption of solar energy among MSMEs: the substantial initial cost associated with purchasing solar panels. Despite the acknowledged benefits of this sustainable power source, the financial barrier poses a challenge for small businesses looking to invest in solar energy. Securing the necessary financial capital and funding is a pressing need, but the availability of such resources remains limited.

MSMEs are exploring local inputs to create value in the supply chain and reduce dependence on imported raw materials



Source: IEA, IRENA PwC analysis



MSMEs (Micro, Small, and Medium Enterprises) exhibit diverse approaches in sourcing raw materials, influenced by factors such as industry, geographical location, cost considerations, and quality standards. A significant portion, constituting 47%, opts to source their raw materials locally, supporting domestic suppliers and contributing to the local economy. On the contrary, a smaller fraction, comprising 4%, exclusively obtains raw materials from sources outside Nigeria.

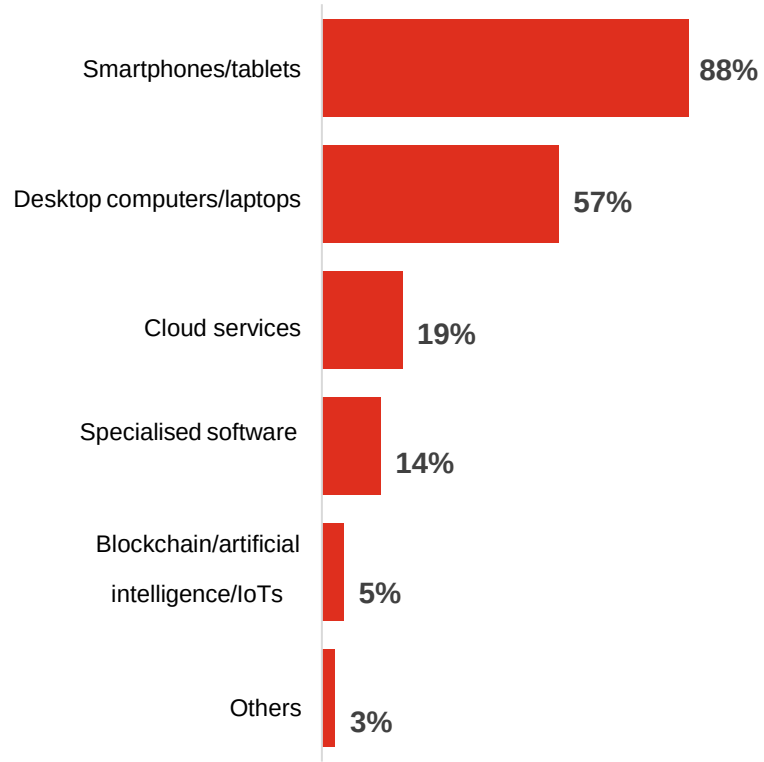
As the accessibility of foreign exchange becomes more challenging, MSMEs in Nigeria are channeling significant investments into backward integration projects, directing their finances towards sourcing raw materials locally. This strategic move aims to minimise their dependence on imports and enhance self-sufficiency in raw material procurement.

Interestingly, 35% of MSMEs adopt a hybrid approach, strategically diversifying their raw material procurement by sourcing both locally and internationally. This dual-sourcing strategy allows for a balance between leveraging local resources and accessing global markets, providing flexibility in meeting quality standards and cost-effectiveness. The varied sourcing practices within the MSME sector underscore its adaptability to different operational contexts and the importance of a nuanced approach in navigating the complexities of raw material procurement.


Adopting digital and technology transformation to disrupt MSME productivity and profitability

Majority of MSMEs surveyed acknowledge the importance of technology and are harnessing its power to promote their businesses

What kind of technology do you use in your business?





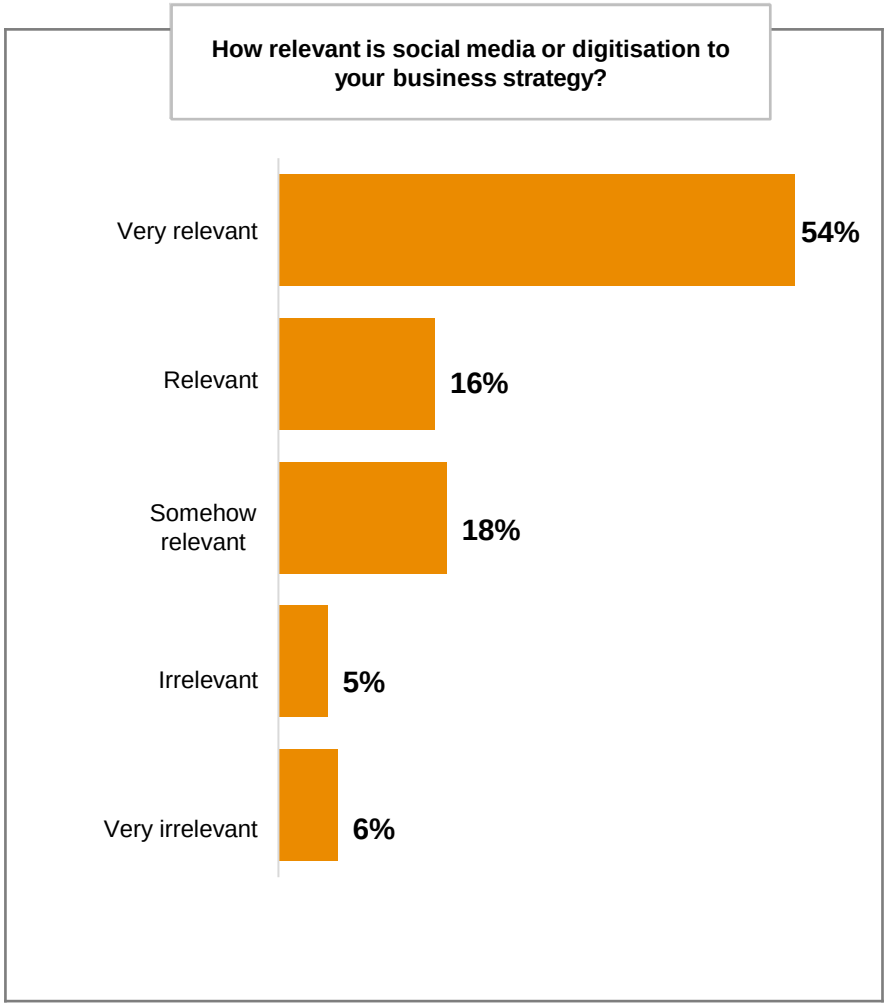
The surveyed MSMEs demonstrated technology adoption in their business processes. 88% reported using smartphones as part of their business operations, dominating usage at 88%, 57% indicated the use of desktop computers/laptops, 14% uses specialised software solutions, while 19% utilises technologies like cloud computing and 5% digital payment platforms.

The tech adoption by Nigerian MSMEs reflects a strategic mix of traditional and innovative tools. Smartphones' prevalence underscores accessibility, while the integration of specialised software and emerging tech highlights a balanced approach to optimization and cybersecurity. The findings also suggest a spectrum of technological readiness among businesses, with some delving into advanced solutions while others focus on foundational technologies.

The future looks promising for Nigerian MSMEs as technology remains a key driver. Continued integration of diverse tools, increased reliance on cloud computing, and a rise in digital payment platforms are expected. Awareness of advanced tech is likely to grow, with businesses exploring options like Blockchain and AI..

Source: PwC analysis

More than half of MSMEs surveyed recognise the importance of social media and digitisation in their business strategies



Source: PwC analysis

In Nigeria, the relevance of social media and digitisation for MSMEs is underscored by a significant increase in internet users, rising by 2.9 million (2.4%) between 2022 and 2023. The adoption of technology offers an economical avenue for MSMEs to expand their market reach and engage with a broader audience. According to Kepios analysis, 54% of MSMEs owners deem social media and digitisation as very relevant, with an additional 16% finding it relevant, highlighting its critical role in shaping business strategies. This reflects a strong acknowledgment of the impact of technology on business operations.

The integration of social media and digitisation provides MSMEs with cost-effective solutions to establish brand credibility, engage in targeted marketing, and maintain direct customer interaction. The findings reveal a consensus among MSME owners (72%) on the importance of these technologies, emphasising their role in fostering stronger customer relationships and obtaining valuable feedback. The ability to conduct e-commerce activities and swiftly adapt to disruptions, as witnessed during the COVID-19 pandemic, showcases the transformative power of digitisation for business continuity and resilience.

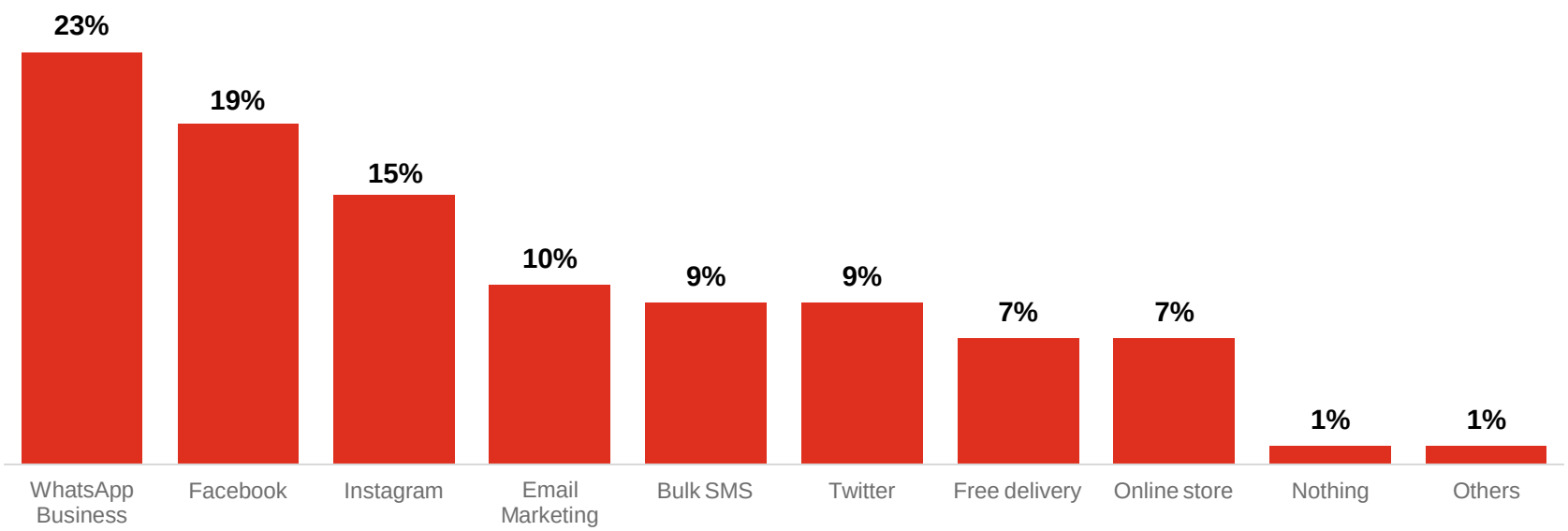
Looking ahead, the outlook for Nigerian MSMEs appears optimistic as the integration of social media and digitisation into business strategies empowers these enterprises in an increasingly digital landscape. The recognised benefits, including cost-effective marketing solutions and global expansion opportunities, position MSMEs for sustained growth. The agility demonstrated during disruptions indicates a readiness to navigate unforeseen challenges.

Key technologies that MSMEs can adopt to transform their business operations

	Impact on MSMEs
Artificial Intelligence	• Leveraging machine learning algorithms and artificial intelligence, can help MSMEs derive **actionable insights for data-driven decisions and gain competitive edge**. This technology streamlines processes, enhances customer experiences, and automates manual tasks
Virtual & Augmented Reality	• VR and AR technologies offer opportunities for crafting **personalised customer experiences** and **inventive marketing campaigns**. Through immersive and interactive content, MSMEs can captivate their target audiences, stand out from competitors, and enhance customer engagement.
Internet of Things (IOT)	• IOT revolutionises global business operations by infusing intelligence into systems. IOTs foster **innovation, boost operational efficiencies, ensure compliance, and create sustainable competitive advantages** for MSMEs. This transformative technology is reshaping the way businesses operate, driving smarter decision-making and establishing **a new standard for operational excellence** on a global scale
Blockchain	• Blockchain technology provides MSMEs with transparent and tamper-proof transaction records, fostering trust and loyalty by eliminating opportunities for data manipulation**.** Its decentralised ledger **system reduces fraud, and enhances trust in business processes.**

The majority of MSMEs surveyed utilise WhatsApp Business to adapt to evolving customer preferences in e-commerce

What kind of technology do you use in your business?



Nigerian MSMEs employ a diverse array of social media platforms to engage with customers effectively. WhatsApp (23%) and Facebook (19%) serve as primary communication and marketing channels, with instagram (15%) catering to visual content needs. Twitter (9%) offers real-time updates, while LinkedIn connects B2B-focused MSMEs with industry professionals. E-mail marketing (10%), bulk sms (9%), online store (7%), and free delivery (7%) are some other media used by the MSMEs to handle the change in customer habits. 1% of respondents say they do nothing while some use others media such as Pinterest, Telegram, Google Ads, and phone calls.

MSMEs strategically leverage these platforms to reach their target audiences and promote their products or services in Nigeria's digital landscape



5 Recommendations and way forward

Key recommendations for MSMEs

Embrace digital transformation	Transition to flexible digital work environments by integrating remote work options and leveraging cloud-based collaboration tools. This includes adopting digital solutions for financial transactions and regulatory compliance to enhance operational flexibility and efficiency.
Expand market reach through technology	Utilise digital marketing, e-commerce platforms, and online marketplaces to promote your business and attract new customers. This involves exploring innovative solutions with technology providers to meet specific business needs.
Innovate products and services	Diversify your offerings to meet evolving consumer preferences and enhance business resilience. This includes investing in cost-efficient technologies and automation to improve productivity and competitiveness.
Strategise pricing and value	Carefully review and adjust pricing strategies to offer value-for-money products, maintaining affordability to sustain customer loyalty amidst fluctuating consumer demand.
Advocate for supportive policies	Engage in collective advocacy for simplified tax structures and policies fostering financial inclusion. Collaborate with government bodies and industry associations to streamline compliance burdens and communicate sector-specific challenges.
Enhance financial management	Adopt a phased approach to funding, starting with personal savings and gradually exploring partnerships with investors. Actively participate in financial literacy programs to understand effective financial planning and management.
Foster skills and community engagement	Invest in enhancing business management and financial literacy skills among MSME owners and employees. Promote community engagement through policy dialogues and participation in industry associations to share insights and best practices.

Key recommendations for policy makers

Enhance financial accessibility of MSMEs	• Streamline the process for official registration of micro-finance institutions and introduce tailored financial products with flexible terms and lower interest rates. Create dedicated funds and provide guarantees to support MSMEs, especially in areas like working capital and equipment acquisition.
Simplify regulatory frameworks	• Simplify regulatory processes and establish centralised digital platforms for regulatory compliance to ease the formalisation of MSME operations. Implement policies that reduce the bureaucratic burden and foster a more business-friendly environment.
Promote awareness and engagement	• Conduct extensive awareness campaigns to educate MSMEs about support programs, trade agreements, and financial opportunities. Use multiple channels to ensure information is accessible to all MSMEs.
Improve data collection and infrastructure	• Enhance data collection mechanisms, particularly for MSMEs engaged with national collateral agencies or similar entities. Offer incentives like guaranteed credit schemes to encourage participation and improve the financial ecosystem's transparency and efficiency.
Foster technological transformation	• Encourage MSMEs to adopt digital technologies by offering financial incentives or tax breaks. Implement initiatives to improve digital literacy among MSME owners and employees, ensuring they can effectively leverage digital tools
Facilitate public-private partnerships	• Encourage collaborations between government bodies, private organizations, and technology providers to develop affordable and accessible digital solutions for MSMEs. This should include creating an ecosystem that supports innovation and technological adoption within the MSME sector.
Build educational and support networks	• Establish a network of training institutions to offer customised training and mentorship in financial literacy, governance, and market intelligence. Ensure these institutions deliver high-quality services to enhance the capabilities of MSME owners and employees.

Key recommendations for financiers

Promote inclusive financing	• Actively extend financial support to a diverse range of MSMEs, including those with smaller financing needs, by adopting inclusive lending practices and ensuring fair and transparent terms.
Innovate financing models	• Explore and develop innovative financing mechanisms such as peer-to-peer lending, crowdfunding, and digital lending platforms. These models should aim to complement traditional lending structures and expand access to finance for a broader spectrum of MSMEs.
Offer tailored financial products	• Create financial products specifically designed for MSMEs, considering their unique needs. This includes flexible repayment terms, lower interest rates, and specific options for working capital, equipment acquisition, and digital transformation support.
Enhance capacity building	• Invest in training and mentorship programs to improve MSMEs' financial literacy, business management skills, and adoption of energy-efficient practices. This support should extend to facilitating MSMEs' understanding and transition to sustainable energy solutions.
Develop digital financial solutions	• Promote and develop digital financial services tailored for MSMEs, such as mobile banking, online payment systems, digital wallets, and automated database management systems to enhance operational efficiency.
Support sustainable financing	• Introduce low-interest loans and financing programs for MSMEs focusing on energy efficiency and renewable energy projects. Collaborate with international agencies to access funds for sustainable development initiatives.
Facilitate technological adoption	• Encourage collaborations between financial institutions and technology providers to create financing models that integrate technology adoption costs with traditional loans. This approach should aim to ease MSMEs' access to funds for digital initiatives and support their digital transformation journey.

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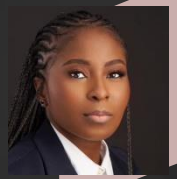
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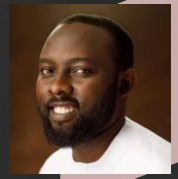
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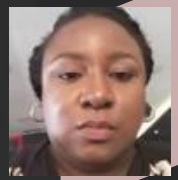
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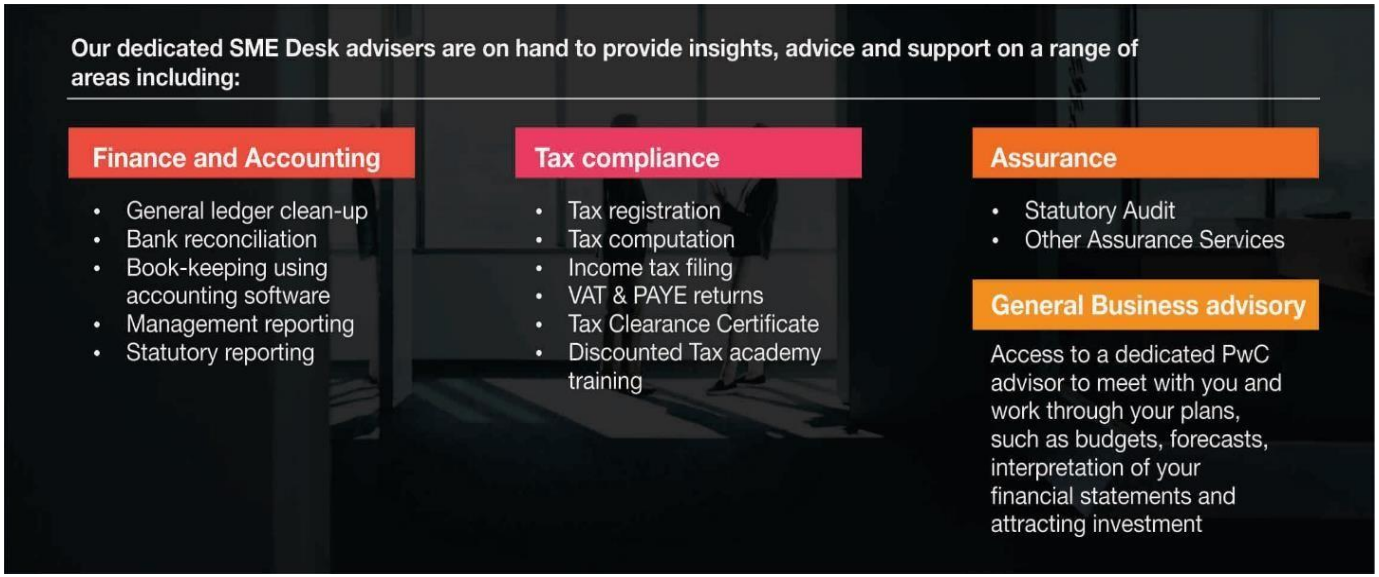
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PwC's SME Desk

Helping small businesses grow

We know running your small business is challenging and sometimes frustrating, so having an adviser who is on your side is invaluable. Whether you have a background in business or simply a passion for what you do, we can support you to grow your business and make it successful.

SME Desk is a PwC Nigeria societal impact initiative to support small businesses and the role they play in the economy. It is one of the ways we are helping to build trust in society and solve important problems by giving small businesses a greater chance to succeed under an often difficult environment.





We look forward to each opportunity to help businesses as they try to change the world or at least leave their mark on it.

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