



PNGX / PNG Digital ICT Cluster/ PNG SME Magazine

SME sector survey

A healthy SME sector with prospects for growth and access to capital and other financial services, to enable that growth, is an essential element of a robust economy.

The stock exchange, as the top tier of public access to equity capital in an economy, is another critical element. And while it is usually perceived as targeting only larger companies, a healthy SME sector is essential to its long-term sustainability, as the SMEs of today become the larger publicly traded companies on the stock exchange of tomorrow. In an emerging economy such as Papua New Guinea's, the stock exchange can play a critical role contributing to the fostering and development of SMEs. This role allows the investing public, from individuals to superannuation companies, to access new and expanding domestic investment opportunities.

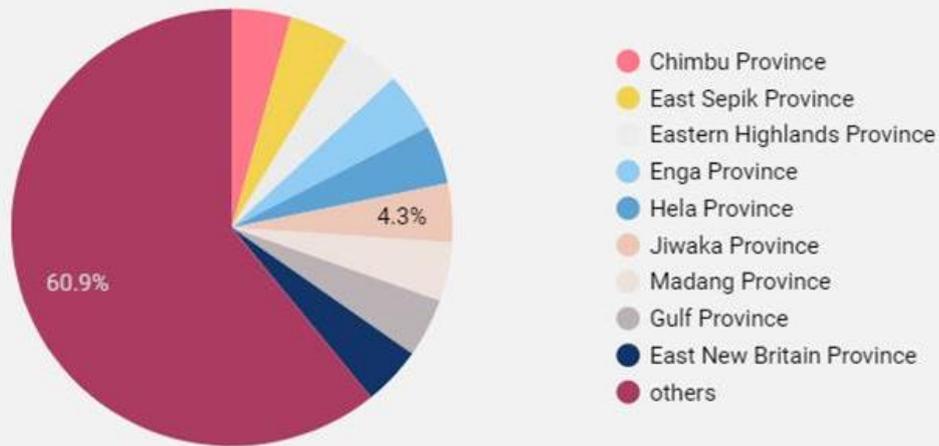
PNGX, Papua New Guinea's national stock exchange, in conjunction with SME Magazine and PNG Digital ICT Cluster recently conducted their first annual survey focusing on challenges and opportunities for micro and SMEs (mSMEs) when trying to access new capital. The survey data provides a baseline to monitor improvements for SME access to equity capital in future years.

This is the first in a series of articles on the findings from that survey and explanations of what the data means for the mSME sector. In this article we will look at the types of SMEs in the respondent ecosystem.

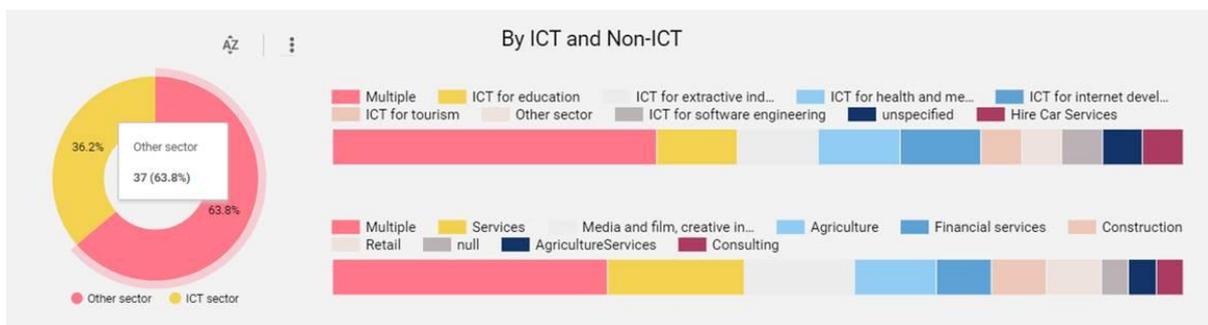
SMEs are usually defined by the number of their employees, the value of their assets, and/or the value of their sales. The survey looked at these and location measures to formulate a view of the ecosystem in PNG.

While responses were received from a large number of Provinces, as expected the highest responses were from mSMEs in the National Capital District (NCD). 64% of respondents have been in operation for 3 years or less, while 14% have been in operation for 10 years or more. These 'older' mSME indicated that, while remaining in the sector, they have the highest demand for additional equity capital.

Location Distribution by Province



Another positive from the survey was the wide distribution of industry sectors represented. However, one interesting result was the large number of respondents who considered that they did not fit into any of the **6 categories** of SMEs defined in the National SME Strategy. While this could suggest a disconnect between strategy and the real economy, the result indicates more information is needed for government to better assess and accommodate broader additional categories for the future. In order to perform that more robust analysis regarding the composition of the mSME ecosystem, this group will provide for a broader range of industry samples in future surveys.



Another dimension to the type of mSMEs which responded is the **nature of their business product or service**. Almost half of the respondents reported they sell their own product or service. The remainder were almost equally divided between those who distribute or franchise someone else’s product or service and those who do both.

From a **size of business perspective**, almost half of the respondents had sales revenue of up to 50,000 kina per year. There were a small number with sales revenues of between 1 million to 10 million kina per year and some with assets worth over 10 million kina.

The SME sector is a key employer in any economy. Whilst almost half of the respondents were sole traders, with 35% employing between 2 – 5 people, the larger

SMEs had employees in the 50 – 100 person range, representing quite substantial employers in the SME sector.

These results, along with others we will consider in future articles, support a view that the impact of improved access to capital investment in the SME sector could be a significant contributor to **employment** in Papua New Guinea. Increased employment generates increased **government revenue** sources and increased **community services**.

Whilst it wasn't explicit in the survey, there was a sense of frustration at the inability to access funding or to know how to access sources of funding other than banks. Respondents also provided a number of comments in relation to bank funding indicating that access to funding should be relaxed by lowering capital or security requirements. A call for **tax concessions for SMEs** to foster growth was also evident.

This first survey also identified areas in which a greater understanding of mSME growth dynamics are required. One area for further understanding is that a number of mSMEs have been operating for more than 5 years with minimum number of employees and with potential to grow and create jobs but cannot due to capital raising constraints. How are these mSMEs accessing capital, or how can they better access capital, to grow and what challenges prevent them from doing so? Once mSMEs pass the 5 year mark, do they stagnate and just survive for the next decade or what proportion actually goes on to grow further? How many jobs do they create as they grow? What competency training and education do they require to grow? How do we measure their growth? The answers to such questions will help shape the mSME environment and assist with growth, development and competition,

It is clear that many factors, barriers and constraints influence the performance of mSMEs and the development of a country's mSME sector. In future articles we will consider issues of ownership and governance in the mSME respondents, and finally, more closely examine the demand for, and access to, new capital to support growth.

In order to continue to better understand the ease of access to capital for the SME sector, PNGX has re-opened the SME survey. It can be completed by going to the PNGX website (www.pngx.com.pg) or follow the link [here](#).

Find out more about mSMEs in Papua New Guinea at PNG SME Magazine on [Facebook](#) or [LinkedIn](#).