October 2025

SME credit and job creation

“Cinderella and the shy stepsister”
The pumpkin coach did not turn into a magical carriage

ICMD
Institute for Credit Market Development

Gabriel Davel
Institute for Credit Market Development
gdavel@davelassociates.com

Credit market in 2025

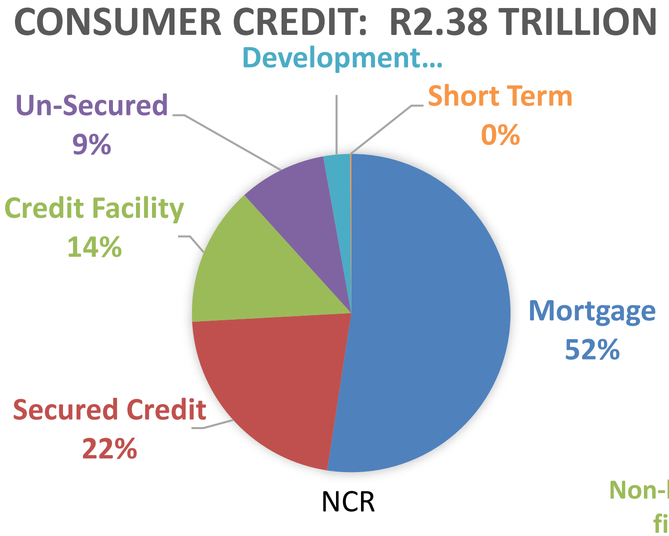
28 mil credit active consumers (16.9 mil *employed population?).* 96 million accounts. 37 mil *credit accounts*

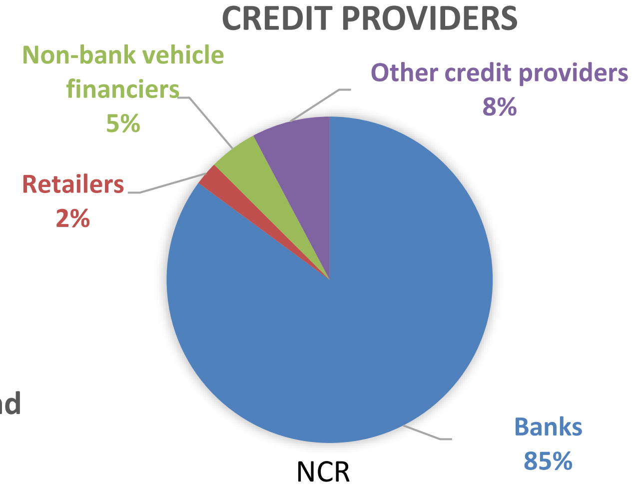
Total consumer credit: R2.38 trillion (*bank credit 5.7tr*)

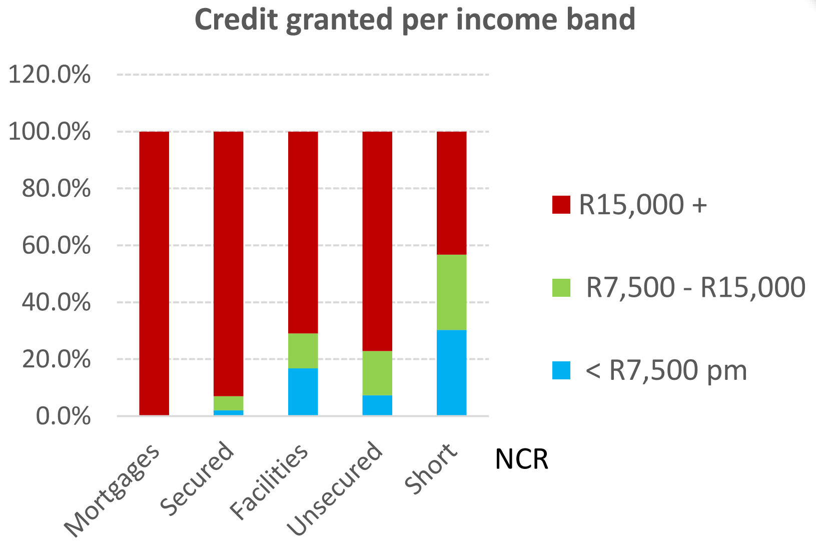
New credit: R140 bn per quarter … *570 million enquiries* per month (social welfare 275bn py / 70 pq)

High income consumers (> R15,000 pm) receives 75%+ *of credit, only exception is micro-loans (short term)*

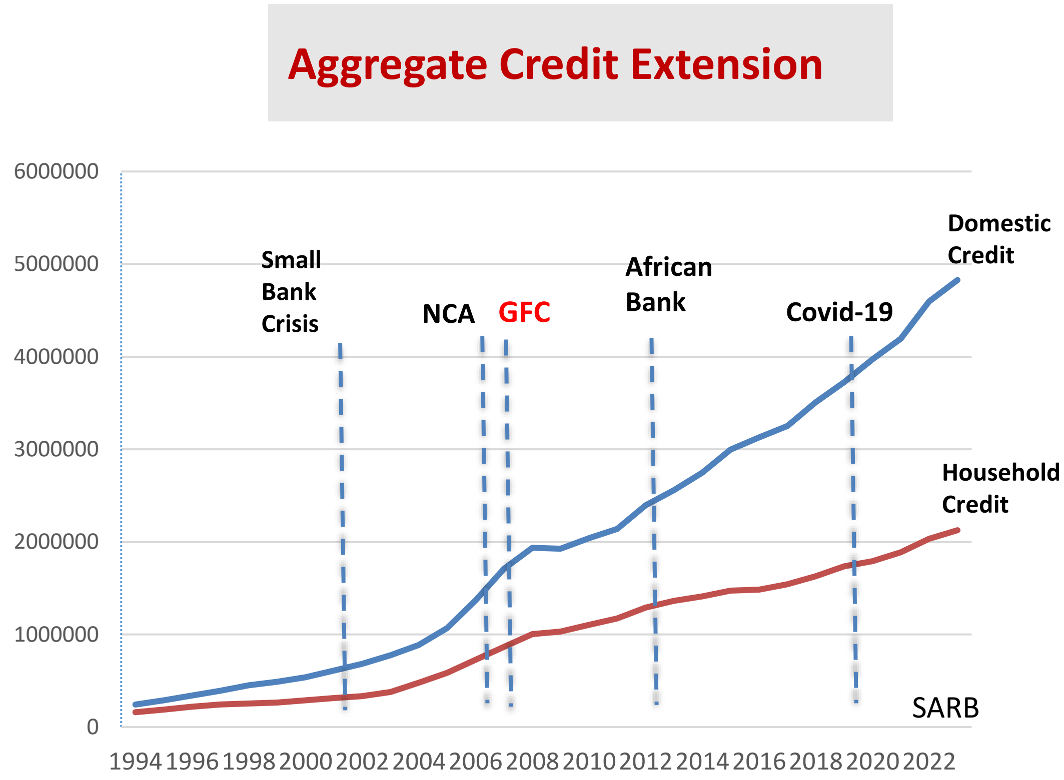
Debt counselling: *around 708,900 has some agreement in place, either informal or through court order, paying either through PDA, debit order or payroll deduction; 330,000 settled restructured debts and 430,000 have either withdrawn or been terminated*



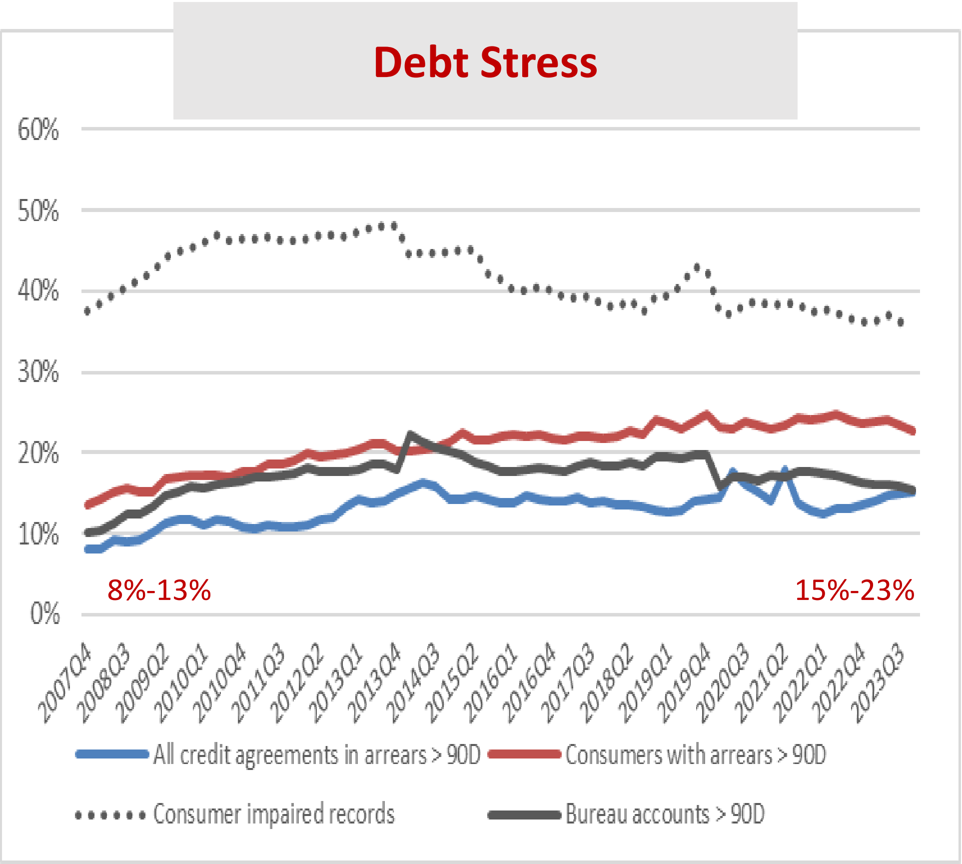




Credit in South Africa



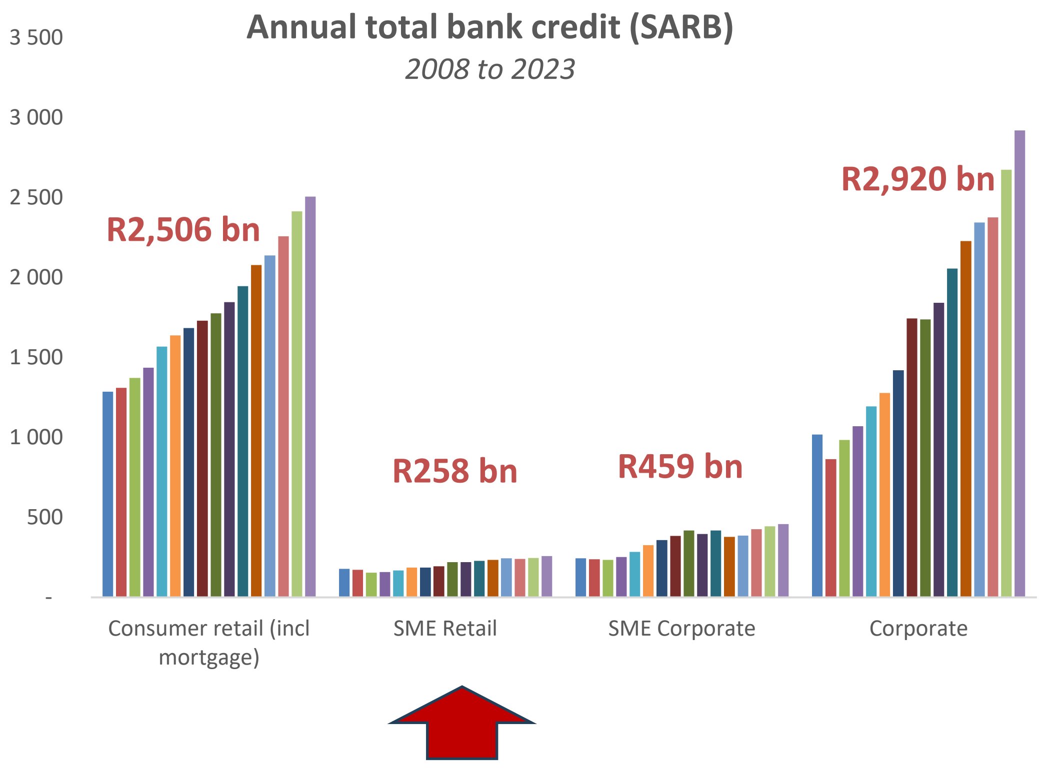
Strong, consistent growth, despite numerous shocks

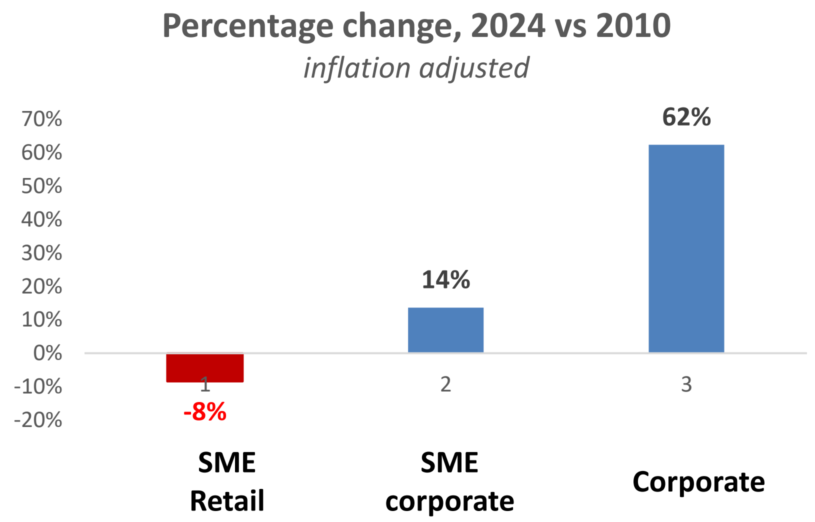


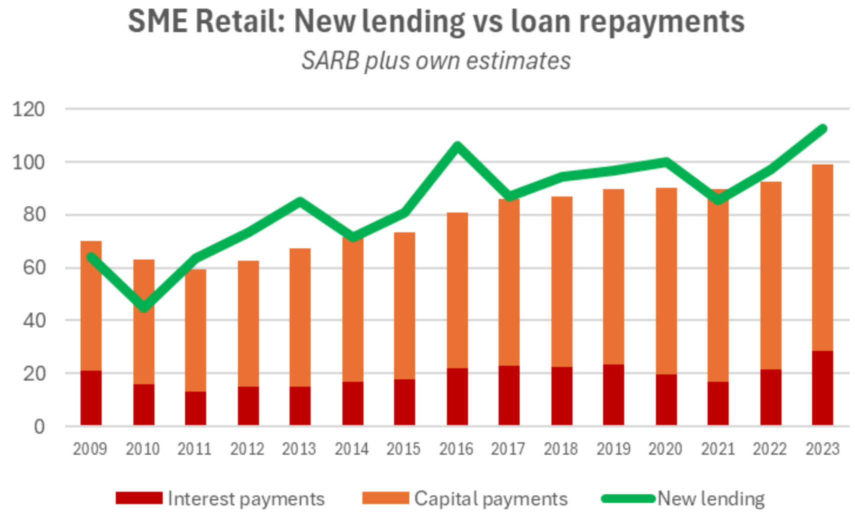
Arrears nearly doubled since 2007
→ around 10% of consumers in real stress

Business Credit

Collapse in SME credit







***Small business finance**: in real terms decline 2% per year, for 15 years.*
Crisis for employment …

__Reasons__: credit bureaus; contract enforcement; open banking (bank monopoly); collateral & guarantees

➔ **Just a game for politicians & bankers, huge cost for job creation**

SME Sector in South Africa

Number of MSMEs	
Micro	**2,544,033**
Small	**422,755**
Medium	**60,510**

Formal (SARS, CIPC)	**837,000**
Semi-formal (Other registrations)	**475,000**
Informal	**1,696,000**
Township	**1,301,496**

Employment: **8 to 13.4 million**
Full-time, part-time and seasonal, depending on source

Turn-over: **R5.2 trillion**
- Formal R3 tr
- Township R2.4 tr

Business age *(formal)*
- Early stage: 53%
- Established: 47%

Have financial records
- 59%

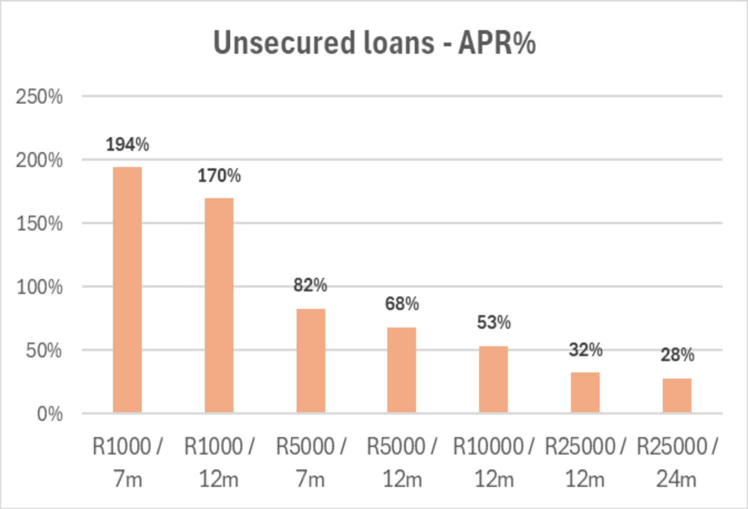
Business debt stress
- 27% ~ small/micro

NCR approach to SME: Lending to juristic persons exempted from regulation, on assumption that the deregulation will fuel innovation and credit growth.

Why is SME credit performing so badly?

High risk, few qualifying clients … or are there other causes?

Consumer & corporate more attractive	Consumer and corporate lending is extremely profitable for SA banks. The cost, complexity and risk of SME lending cannot compete.
Credit information sharing, client selection & risk management	Limited credit information sharing on business vs extensive credit information sharing on consumer "Capitec Effect" = Banks do not want to open the door to competition in commercial space
Contract enforcement	Average 600 days for contract enforcement at average cost of 33% of claim. Important in business lending. No access to the substitutes available in consumer credit.
Other factors:	SME risk perceptions? Weak / no financial statements Banks biased to corporates & payroll lending Politics and BEE?



Risks, challenges, opportunities

Way forward

Bias in credit information sharing	❑ Trade data shared, but not bank data? ❑ Only info sharing on micro/township businesses (SMEs < R1 mil)?
Shift from supplier credit to bank credit	Negative impact of higher cost, aggressive credit limits, tied credit
Credit insurance	More important in industry with strong expansion and greater compliance risk?
Opportunities in expanded SME and township finance	Huge opportunities for growth in trade credit. Are there obstacles, either in law or in practice?
Effective representation & lobbying?	Aggressive lobbying by banks, micro-lenders etc, narrow focus on own interests. What about Trade Credit Providers?

QUESTION

What are we missing? Other factors, hurdles, risks?

What can be done?

Gabriel Davel
Institute for Credit Market Development
gdavel@davelassociates.com