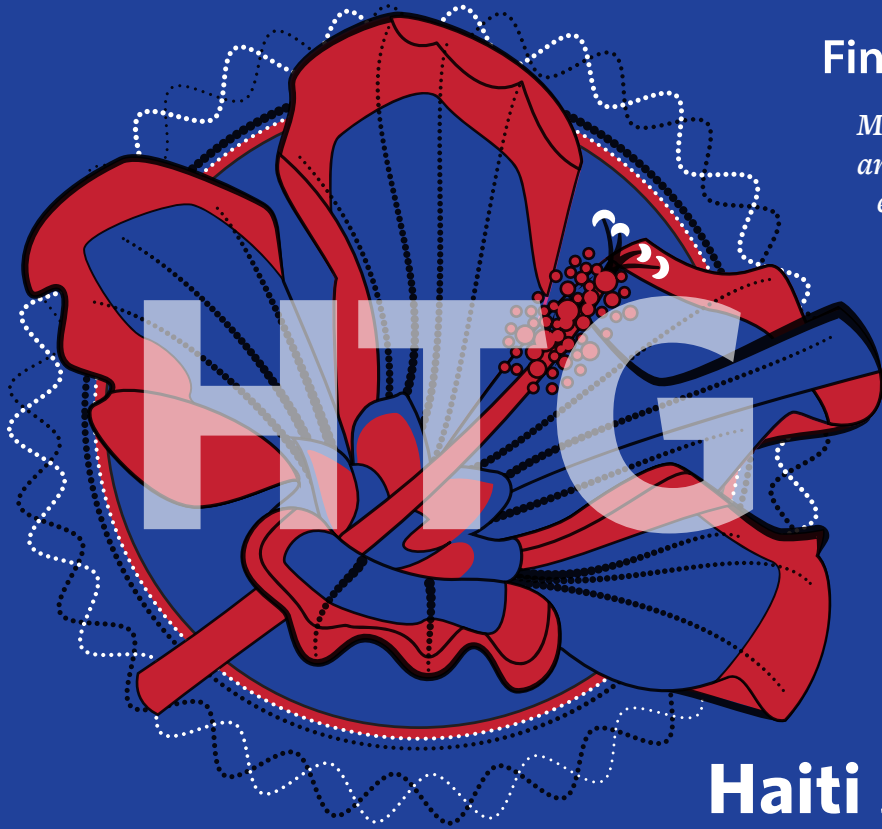


FinScope

*Micro, small
and medium
enterprises
(MSME)
survey
highlights*



Haiti 2023



USAID
FROM THE AMERICAN PEOPLE

MEYA

BRH
Banque de la République d'Haiti

FMT20
FINMARK TRUST
20 years of making
financial markets
work for everyone

OVERVIEW

Partnering for MSME development

FinScope MSME Haiti was designed to involve a range of stakeholders engaging in a comprehensive consultation process. This enriches the survey and ensures appropriateness and stakeholder buy-in. The Bank of the Republic of Haiti chaired the reference group (RG) which comprised of Mennonite Economic Development Associates (MEDA) and Diagnostic & Development Group SA (DDG) with expert technical assistance and project management from FinMark Trust (FMT). The survey was funded by the Bank of the Republic of Haiti and United States Agency for International Development (USAID) through the ATTEINDRE project implemented by MEDA.



The cover symbol

Through the evidence-based FinScope Survey, we hope to effect real change at country level and see the impact of financial inclusion on broader national growth and development.

The cover graphic features a flower synonymous to Haiti. The flower symbolizes growth and development while the circle represents inclusive growth. Each flower is an example of the successful growth in a unique environment.

By combining the flower with the currency symbol of Haiti we represent the characteristics of the country, linking financial inclusion with successful growth.

FinScope



MINISTRY OF ECONOMY AND FINANCE AND BANK OF REPUBLIC OF HAITI - INTRODUCTORY WORDS

The Ministry of Economy and Finance (MEF) and the Bank of the Republic of Haiti (BRH) are delighted to announce the publication of the national survey report on Micro, Small, and Medium Enterprises (MSMEs) titled FinScope MSME Haiti 2023. This essential work was conducted under the direction of the Coordination and Monitoring Committee for the National Financial Inclusion Strategy (CSSNIF).

This initiative was co-financed by the United States Agency for International Development (USAID) and the Government of Haiti. It was spearheaded by the Central Bank of Haiti (BRH) and Mennonite Economic Development Associates (MEDA), the implementor of the USAID-funded ATTEINDRE project. The study was conducted by FinMark Trust, an international firm, in partnership with Diagnostic & Development Group (DDG), a Haitian firm.

We would like to emphasize that this project results from a dynamic collaboration among various national actors brought together in a steering committee that includes representatives from key ministries and public and private institutions, such as the Ministry of Commerce and Industry (MCI) through the Investment Facilitation Center (CFI), the Ministry of Economy and Finance through the General Directorate of Taxes (DGI), the Haitian Institute of Statistics and Informatics (IHSI), the Bank of the Republic of Haiti, the U.S. Agency for International Development (USAID), Mennonite Economic

Development Associates (MEDA), Quisqueya University, the Center for Applied Planning and Economics Techniques (CTPEA), the Industrial Development Fund (FDI), Alternative Insurance Company (AIC), Digicel, the Haitian Alliance for Inclusive Finance (AHFI), Groupe Croissance, the Chamber of Commerce and Industry of Haiti (CCIH), and the American Chamber of Commerce in Haiti (AMCHAM Haiti).

The FinScope MSME study provides an in-depth analysis of the profile and situation of Micro, Small, and Medium Enterprises (MSMEs) in Haiti. Through quantitative and qualitative data collected from over 5,000 formal and informal businesses, it sheds light on recent dynamics, challenges to overcome, and opportunities to seize. These findings aim to inform development strategies, guide investment decisions, and strengthen the framework for supporting MSMEs.

In most developing countries or globally, micro, small, and medium enterprises (MSMEs) represent a significant share of employment. In both developed and developing countries, these enterprises contribute two-thirds of total employment (World Bank, 2019).

In developing countries in particular, small businesses can be a crucial driver of social inclusion, notably by enabling women to participate in economic activities.

MINISTRY OF ECONOMY AND FINANCE AND BANK OF REPUBLIC OF HAITI - INTRODUCTORY WORDS

The vast majority of micro, small, and medium enterprises share certain characteristics, the main ones being labor-intensive production methods and the small size of the business in terms of turnover and employee numbers.

In most countries, small and medium enterprises (SMEs) refer to companies employing between ten (10) and 250 people. Businesses employing fewer than ten people are generally called "micro-enterprises" (WTO, 2016).

In Haiti, although no official definition is adopted, most micro-enterprises are usually considered part of the informal sector. In 1998, the informal sector accounted for 90% of Haiti's labor force (Lumarque, 1998). In 2023, it represented over 70% (Bernardin, 2023), showing its overwhelming dominance in the country's economic landscape.

Furthermore, private employment in Haiti is mainly informal, with more than 90% of the workforce engaged in jobs outside the formal sector's regulatory oversight. In May 1999, it comprised over 85% of all non-agricultural jobs according to a publication by the Haitian Institute of Statistics and Informatics (IHSI), Economic Establishments by Sector – May 1999. In March 2008, the Professional Association of Banks (APB) defined SMEs in Haiti as businesses

with between ten (10) and 100 employees, an annual turnover between five (5) and 50 million HTG, and assets of up to a maximum of 50 million HTG.

Given the informal sector's significance in the Haitian economy, certain criteria should be included in an MSME definition:

- The company's workforce, indicating the number of jobs created
- The company's assets
- The turnover

Specific Definitions:

- A **micro-enterprise** is a formal or informal business that employs up to five (5) people and has an annual turnover not exceeding 2.5 million gourdes.
- A **small enterprise** is a formal or informal business that employs between five (5) and 20 people, with a turnover or balance exceeding 2.5 million gourdes but not exceeding 20 million gourdes.
- A **medium enterprise** is a formal business employing between 20 and 100 people with a turnover not exceeding 50 million gourdes.

MINISTRY OF ECONOMY AND FINANCE AND BANK OF REPUBLIC OF HAITI – INTRODUCTORY WORDS

Business Category	Annual Turnover (HTG)	Number of Employees
Micro enterprise	Less than 2.5 million	1 to 5
Small enterprise	2.5 to 20 million	5 to 20
Medium enterprise	20 to 50 million	20 to 100

General Definition: A business is considered an MSME if it meets the following two criteria: a workforce between 1 and 100 employees and an annual turnover of less than 50 million gourdes.

MSMEs, often a source of innovation and diversity in our country, are a fundamental pillar of our economy. They represent a significant share of employment and gross domestic product (GDP). Thanks to their agility, they can quickly respond to fluctuations in our context.

However, MSMEs face significant challenges such as governance issues, access to financing, limitations in financial education, increased competition, and the need for digital transformation. Moreover, it is crucial to consider gender disparities that affect women entrepreneurs' access to resources and opportunities. In this context, data collection is essential to foster financial inclusion, ensuring that businesses led by both women and men have equitable access to the necessary tools for success.

We firmly believe that supporting this sector is crucial for strategic decision-making to stimulate economic growth, encourage innovation, and promote socio-economic inclusion. By implementing suitable policies and creating an enabling environment, we can allow MSMEs to innovate and thrive, thus contributing to building a more resilient and inclusive economy.

We believe that this report will serve as a reference tool for policymakers, financial sector actors, technical institutions, and all national economic agents. May its findings inspire and strengthen your commitment to MSMEs, the true engines of our economy. Together, let us build a prosperous future where these businesses thrive and energize our economy!

MINISTRY OF ECONOMY AND FINANCE AND BANK
OF REPUBLIC OF HAITI - INTRODUCTORY WORDS



M. Alfred Fils Metellus
Minister of Economy and
Finance (MEF)



M. Ronald Gabriel
Governor of the Bank of the
Republic of Haiti (BRH)

Port-au-Prince, October 7, 2024

Introduction

The MSME sector is recognized as a significant contributor to economic growth, development and mass employment. With this knowledge, the crucial role of MSMEs in the national economy anchors on the roles of government, the business community and the public at large to harness and optimize the sector's development. The lack of recent, holistic and reliable information about the MSME sector was identified to be a significant barrier from past consumer surveys. It is in this pursuit that the Bank of the Republic of Haiti initiated the first FinScope survey to set a baseline of both sector developments and financial inclusion.

Methodology

The FinScope MSME Survey Haiti 2022 was conducted with a sample of 5310 adult business owners who were selected from their businesses and at household level across the country. The sampling frame and data weighting was done by a sampling expert in consultation with FMT and had the following characteristics:

- Business owners are 15 years or older
- Business owners consider themselves to be business owners/generating an income through small business activities
- Businesses employ less than 251 employees
- National, regional and urban/rural representative sample

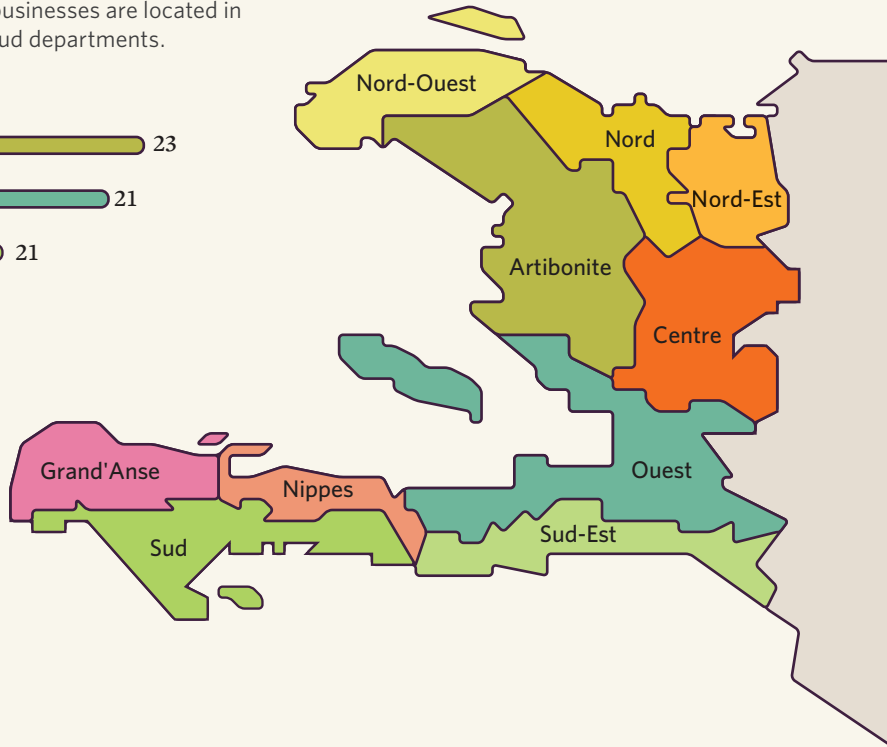
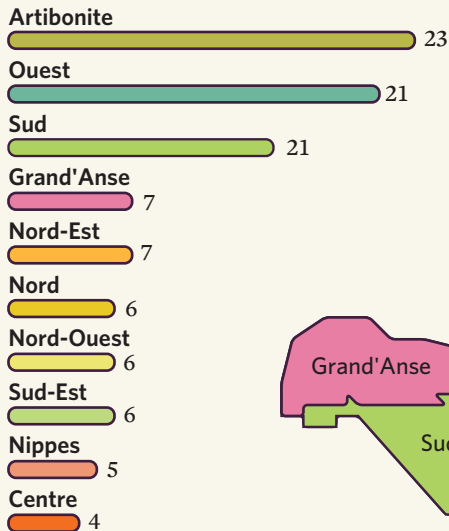
Survey objectives

- To assess the **size and scope** of micro, small, and medium enterprises (MSMEs) in Haiti
- To describe the levels and landscape of **access to financial products and services** (both formal and informal)
- To identify the most binding **constraints** to MSMEs development and growth with a focus on access to markets
- To support **evidence-based policy** and provide reliable baseline for **monitoring** and **evaluation** of initiatives and contribution to critical studies on the sector
- To segment the MSME sector into market segments and identify the needs of different segments to stimulate related product innovation
- **To set a baseline** of both sector developments and financial inclusion in Haiti using the FinScope MSME Haiti 2023 as a benchmark and to provide an assessment of changes and factors in the future (including possible impacts of future interventions)

DEPARTMENTS OF HAITI

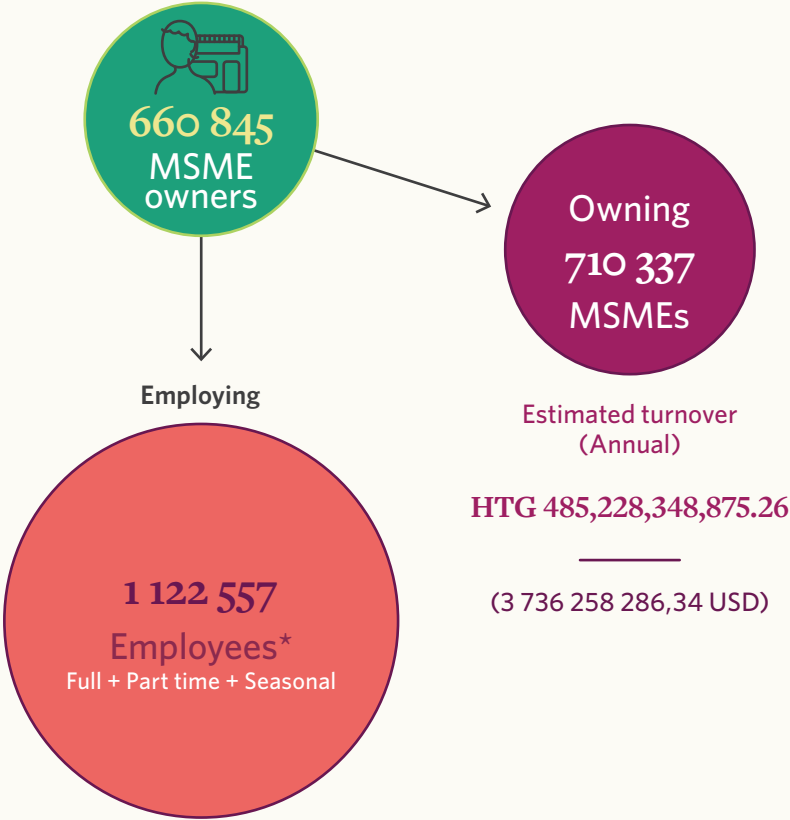
Distribution of MSMEs by departments

- Majority of the MSME businesses are located in Artibonite, Ouest and Sud departments.

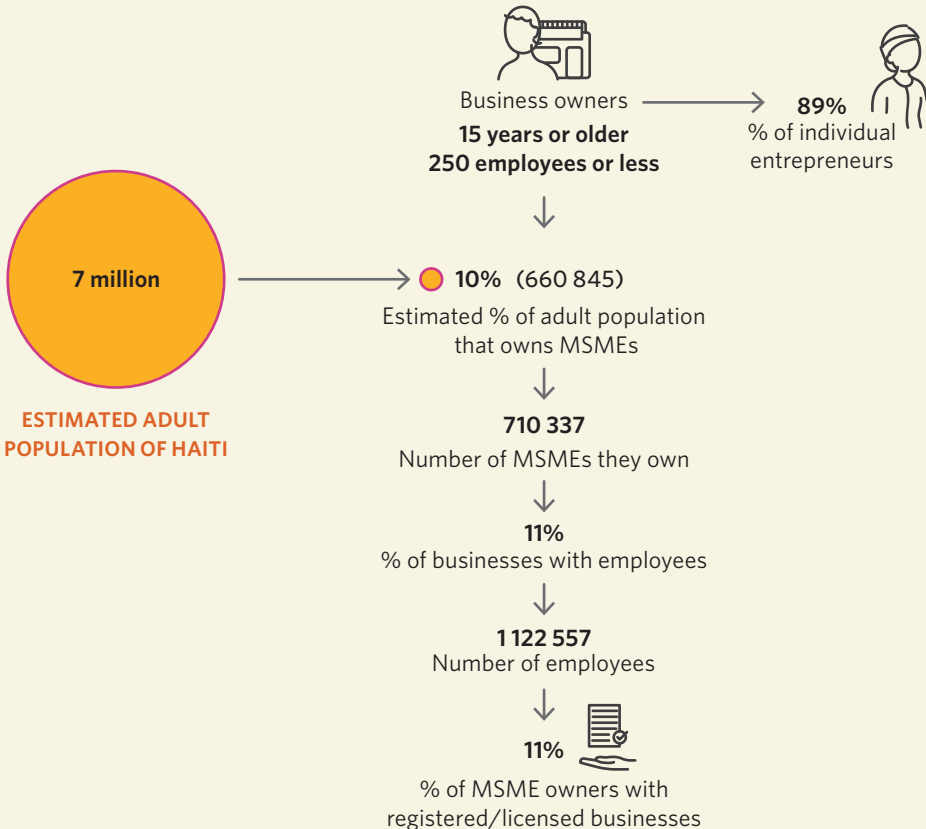


SIZE AND SCOPE OF THE MSME SECTOR

*Note exchange rate used
was as of June 2023
1HTG = 0.0077\$*



SIZE AND SCOPE OF THE MSME SECTOR



DEFINING MSMEs FOR THIS SURVEY



MICRO-ENTERPRISE

Turnover less than
0.5 M HTG



SMALL ENTERPRISE

Turnover between
0.5 - 2 M HTG



MEDIUM ENTERPRISE

Turnover more than
2 M HTG

Business definition by the
number of employees

Other definitions of MSMEs

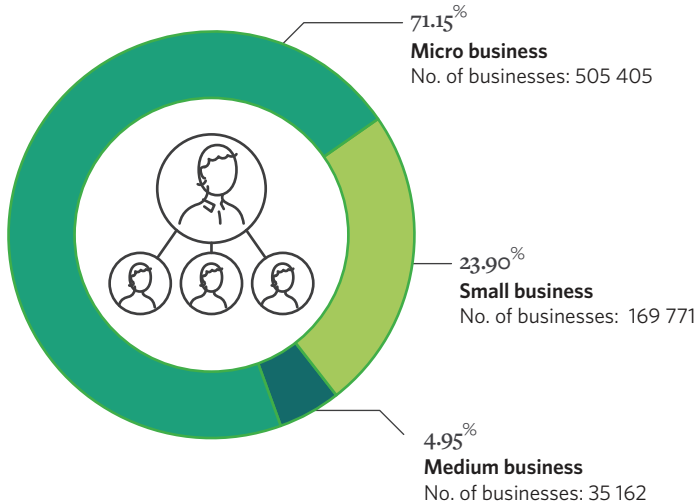
Using number of employees
MCI

Using turnover

MCI

DGI

Development and
Microfinance Agency



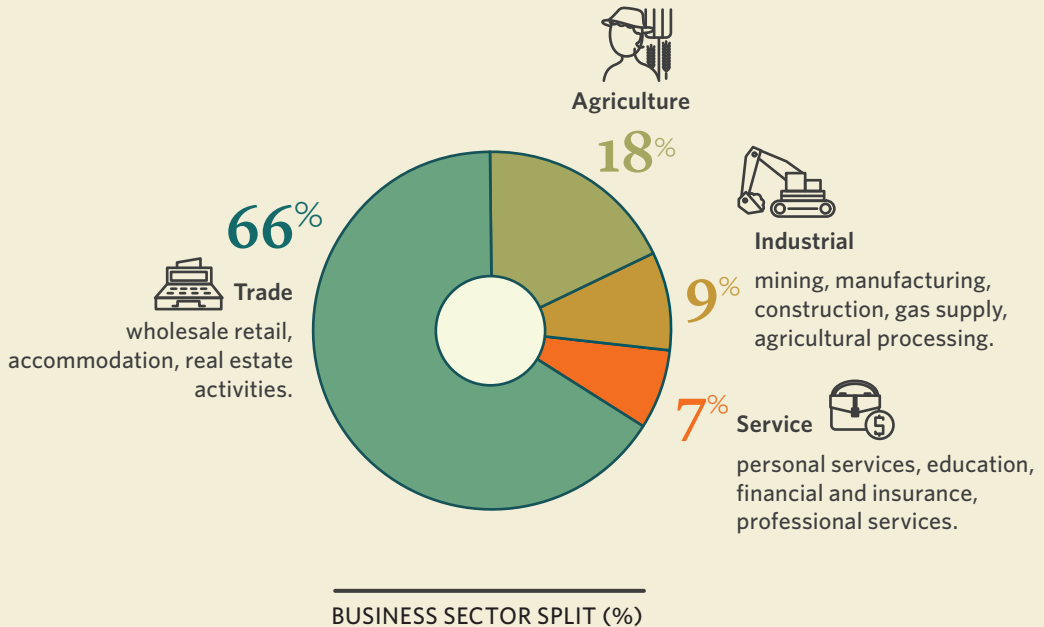
It should be noted that a definition based on the number of employees (micro-enterprise: 1 employee, small enterprise: 2-4 employees, and medium-sized enterprise: more than 4 employees) would give a similar distribution of MSMEs.

*The proposed definition makes it possible to compare MSMEs in Haiti with other economies of similar size.

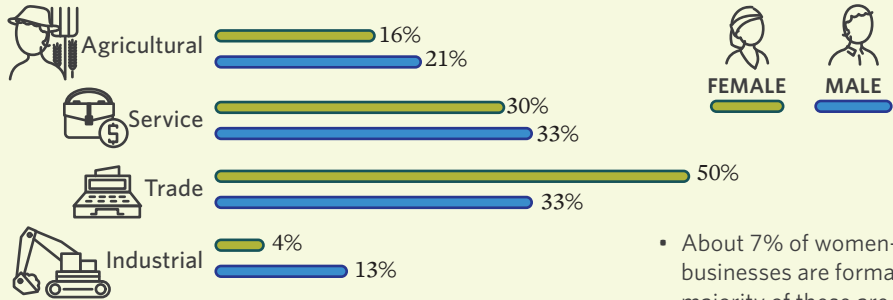
*The steering committee of the National Strategy for Financial Inclusion will work on the implementation steps and make any necessary adjustments.

BUSINESS SECTOR VIEW

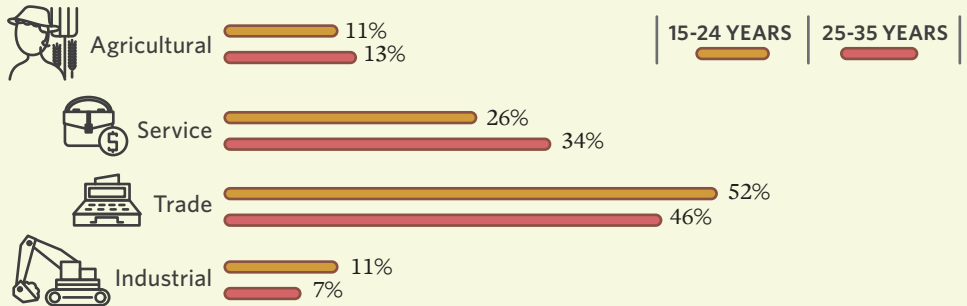
- MSMEs operate predominantly in the trade and agriculture sector.



MSMES BY SECTOR



- About 7% of women-owned businesses are formal, majority of these are in the trade sector.



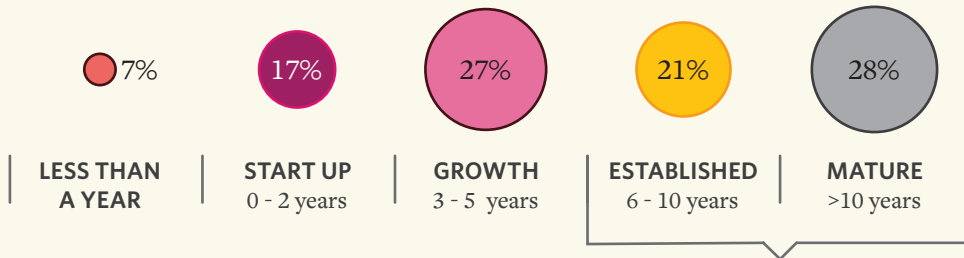
SIZE AND SCOPE OF THE MSME SECTOR

Business life cycle by business age (years)

- Segmenting MSMEs by age is the simplest way to differentiate businesses that are in the process of establishing and formalizing their processes.
- Age is another dimension that can be used as a requirement for funding and business support especially businesses that have survived beyond the 3 years of existence.



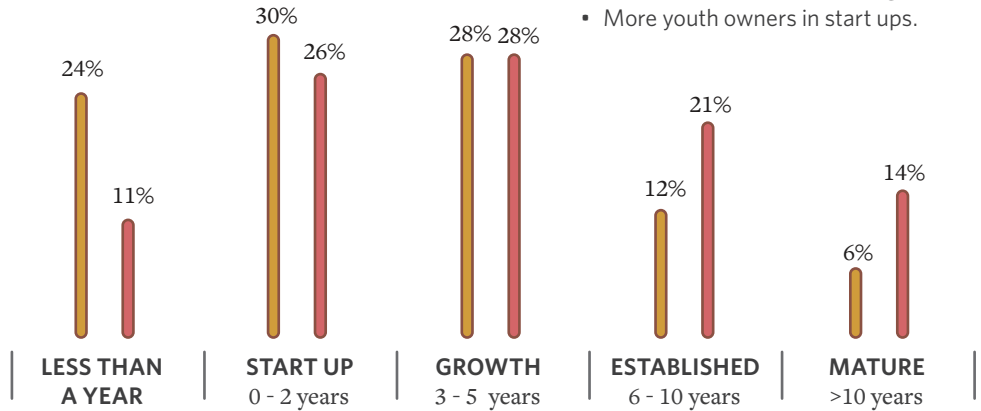
**BUSINESS
AGE**



Almost half (49%) of MSMEs in Haiti are established or mature ranging from six years or older.

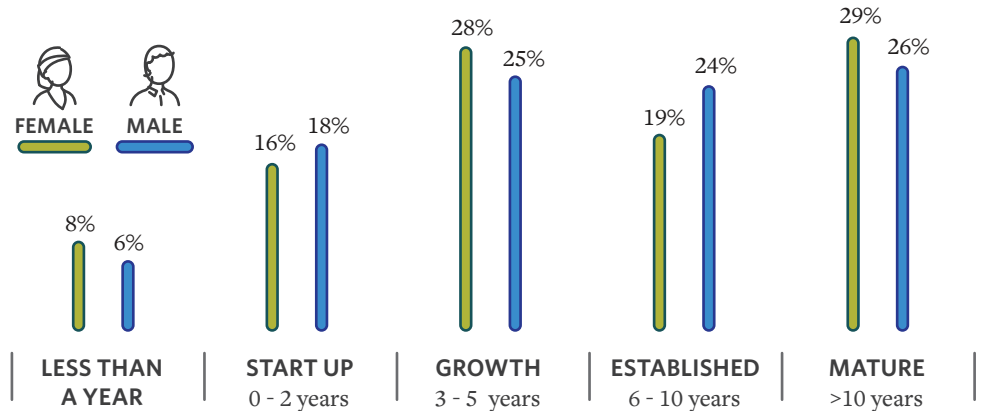
BUSINESS LIFE CYCLE BY YOUTH AND GENDER

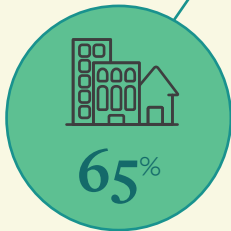
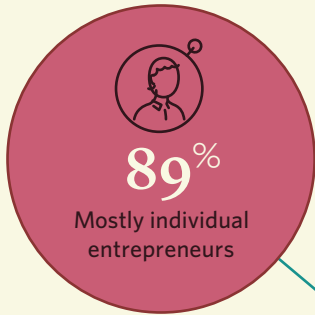
15-24 YEARS | 25-35 YEARS



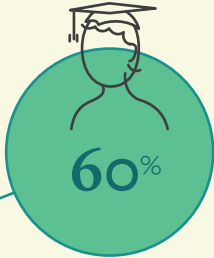
- The proportion of youth business owners tends to decline as the firm ages.
- More youth owners in start ups.

FEMALE | MALE





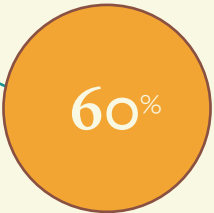
- The most prominent insight is the level of informality as only 11% of all MSMEs are legally recognized.
- Informality has a lot of implications on many fronts, which will be discussed in later results.



Majority have secondary education and above

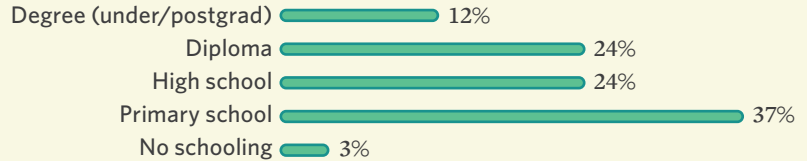


Young business owners (below 35 years)

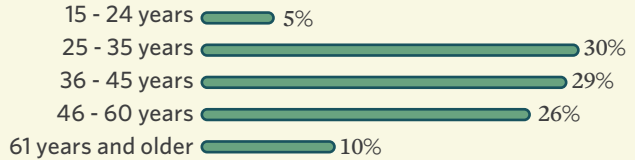


Earn less than HTG 30,000 per month from their businesses

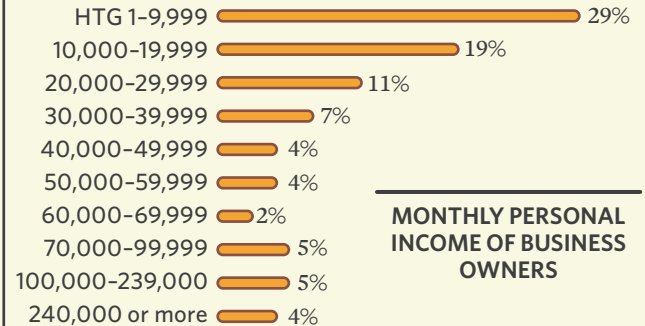
SIZE AND SCOPE OF THE MSME SECTOR



LEVEL OF EDUCATION (%)



AGE (%)



MONTHLY PERSONAL INCOME OF BUSINESS OWNERS

LEGAL AND COMPLIANCE



11%

GDP contribution USD 4.2 billion

Formal MSME sector (125 027 businesses)

7% MSMEs registered and
10% licenced



Informal GDP contribution
US\$3.2 billion



89%

Informal MSME sector (1 016 641 businesses)

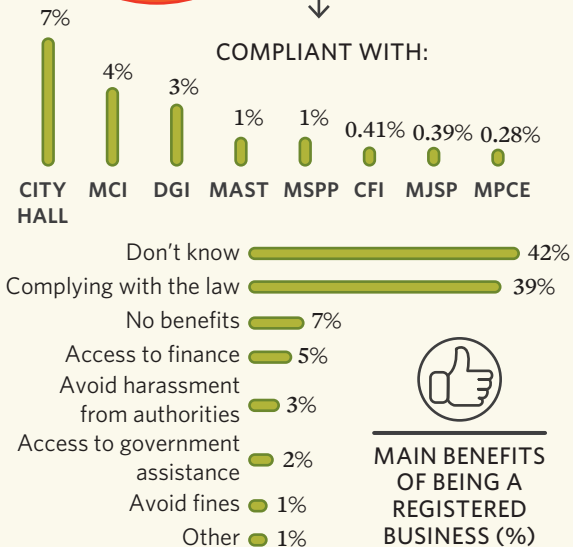


89% of businesses are not registered/licensed.

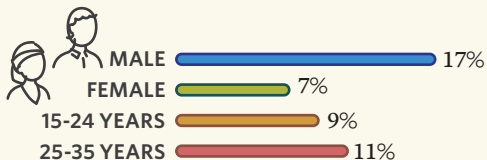
11%

As low as 11% of businesses are formally registered, the majority being informal.

COMPLIANCE AND BUSINESS FORMALITY



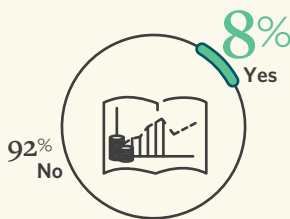
REASONS FOR NOT BEING REGISTERED (%)



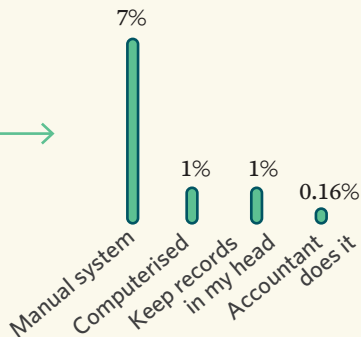
BUSINESS REGISTRATION (%)

- It is clear that MSME owners do not see or understand the benefits of formalizing their businesses.

BUSINESS RECORDS AND ACCOUNTING PACKAGES



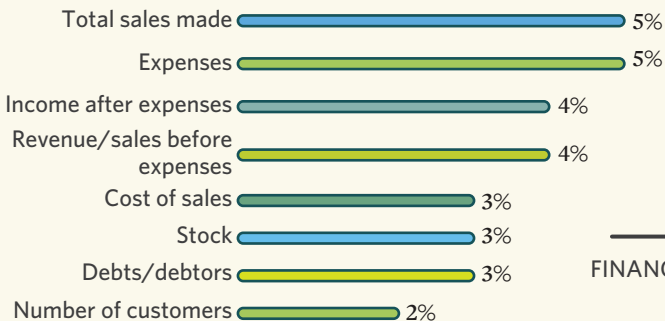
BUSINESS KEEPS FINANCIAL RECORDS (%)



METHOD OF KEEPING FINANCIAL RECORDS (%)

- Generally, the records are kept through a manual system while 1% do keep computerized records.

Business records kept by MSMEs



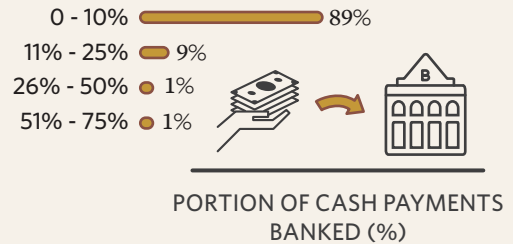
FINANCIAL RECORDS KEPT (%)

MSME CHARACTERISTICS

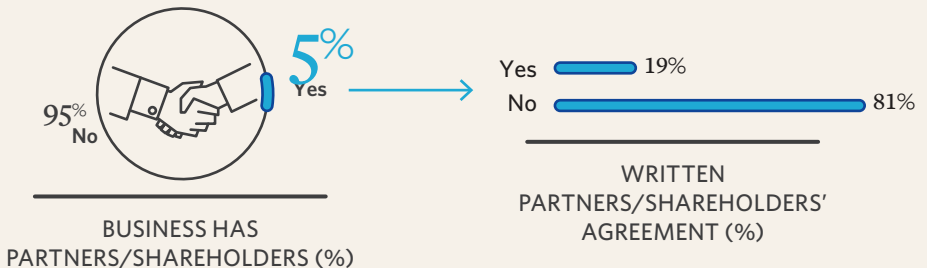


Cash is king!!

Considering the MSME sector is predominantly informal, cash is still the preferred medium of transactions.



Shareholding and ownership



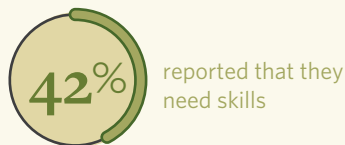
BUSINESS SUPPORT AND EMPOWERMENT



AWARENESS OF SUPPORT ORGANISATIONS

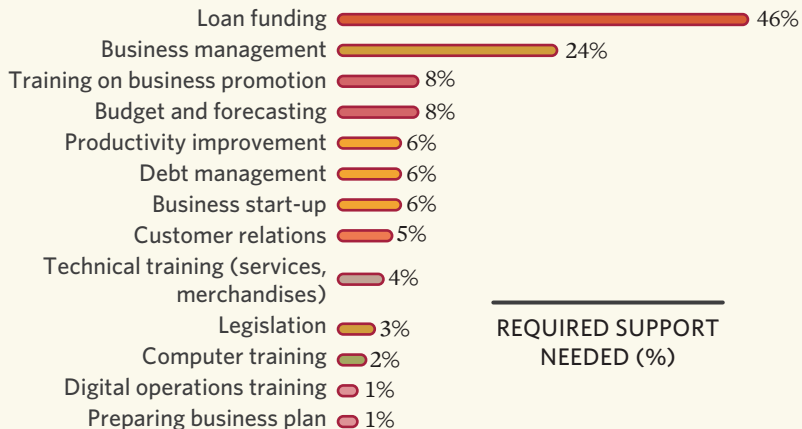


USAGE OF SUPPORT ORGANIZATIONS IS HIGH

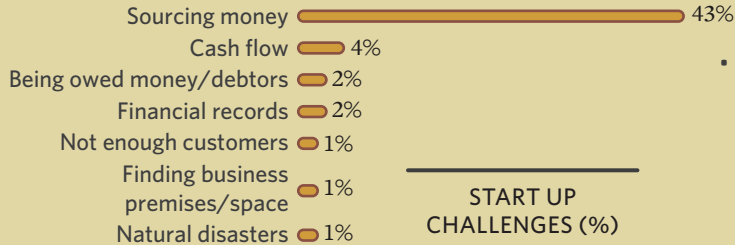


MSMES THAT NEED EMPLOYEES WITH SKILL AND EDUCATION

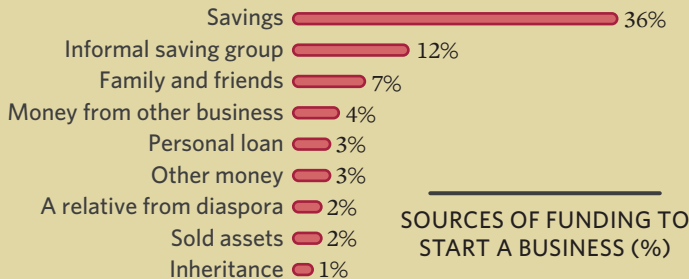
- Therefore, such support is required to transform these MSMEs to realize their potential



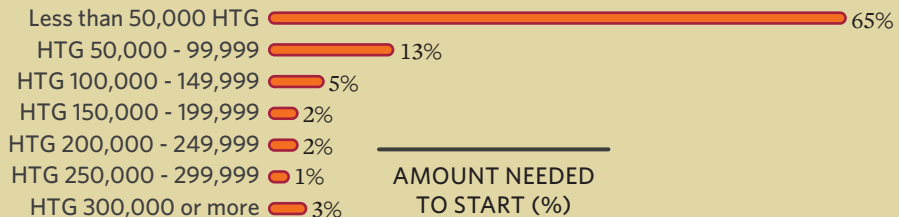
CAPACITY TO GROW AND CHALLENGES



- Access to finance would continue being a challenge as the majority of MSMEs are informal and with no financial records. Addressing informality becomes an urgent priority.

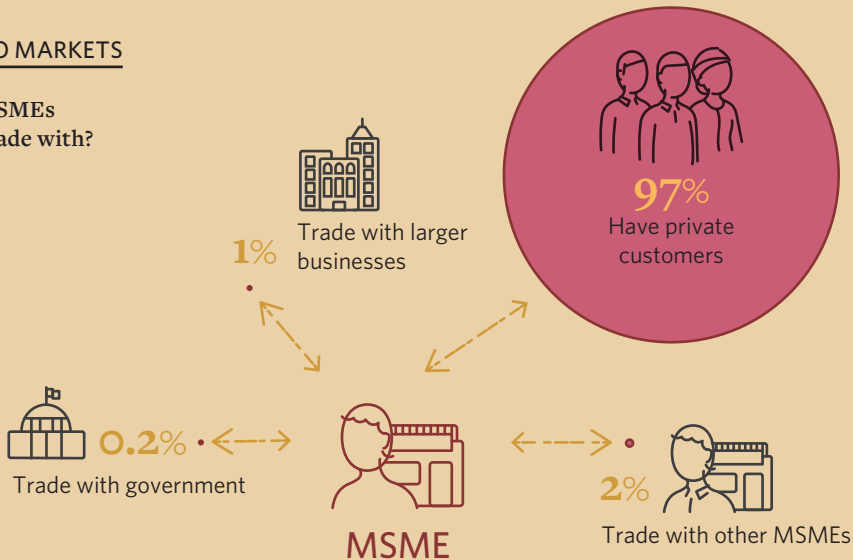


- Owners generally rely on their savings and informal savings to start the business, mostly needed less than HTG 50,000 to start their businesses.

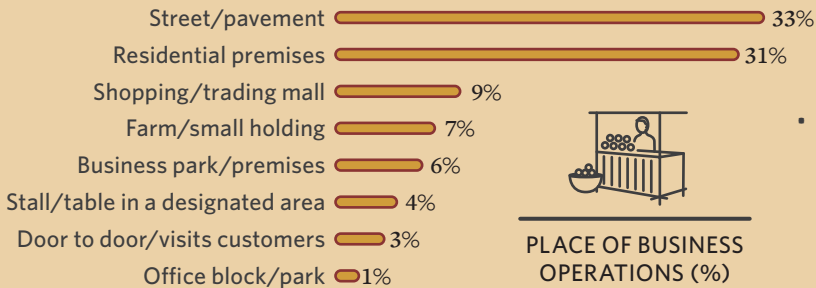


ACCESS TO MARKETS

Who do MSMEs conduct trade with?

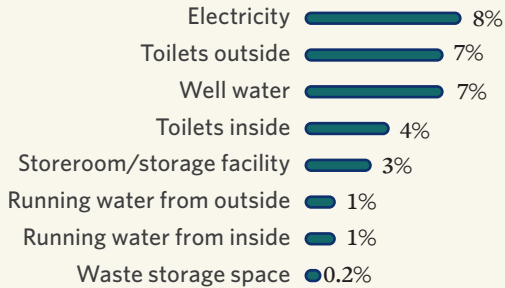


Where MSMEs trade from

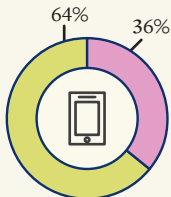


PLACE OF BUSINESS OPERATIONS (%)

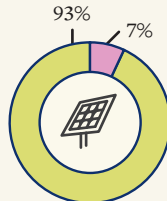
- Most MSMEs are running their operations from the street / pavement while others from residential premises.



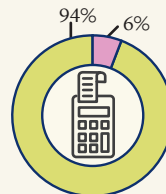
BUSINESS HAS ACCESS TO THESE AMENITIES (%)



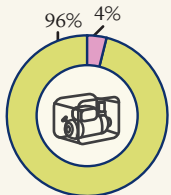
CELL PHONE



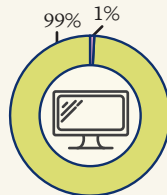
SOLAR PANEL



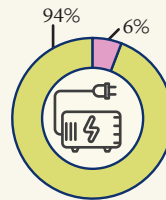
CALCULATOR



GENERATOR



COMPUTER/
LAPTOP



INVERTER

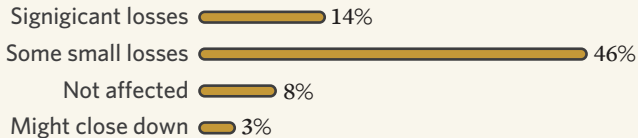
USE OF COMMUNICATION AND OTHER DEVICES (%)

- Use
- Do not Use

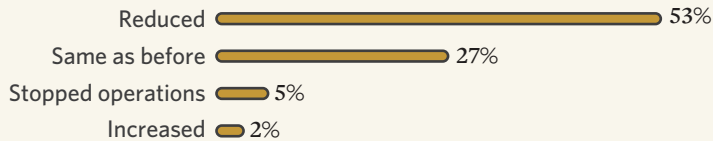
IMPACT OF COVID-19 ON BUSINESSES



60% of MSMEs have had losses attributed to Covid-19, as 53% of owners reported that the revenue of their businesses declined.



GENERAL IMPACT OF COVID-19 (%)

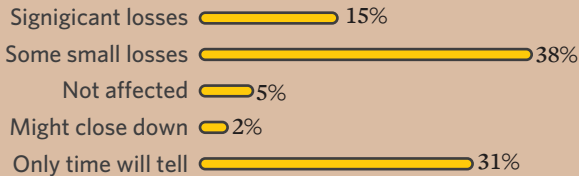


IMPACT ON REVENUE/SALES (%)

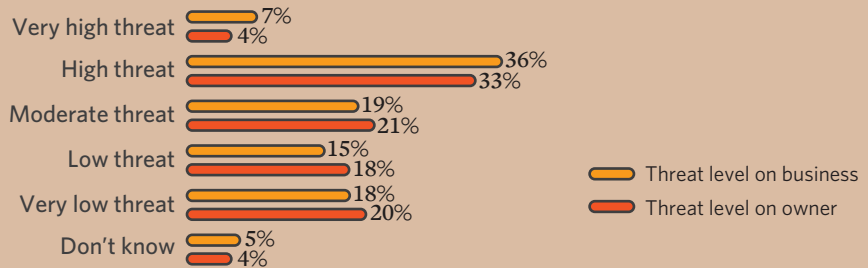
IMPACT OF SOCIO-POLITICAL CRISIS AND INSECURITY ON MSMEs



53% of MSMEs have had losses attributed to the socio-political unrest, and business owners identified threats towards their businesses and personal safety.

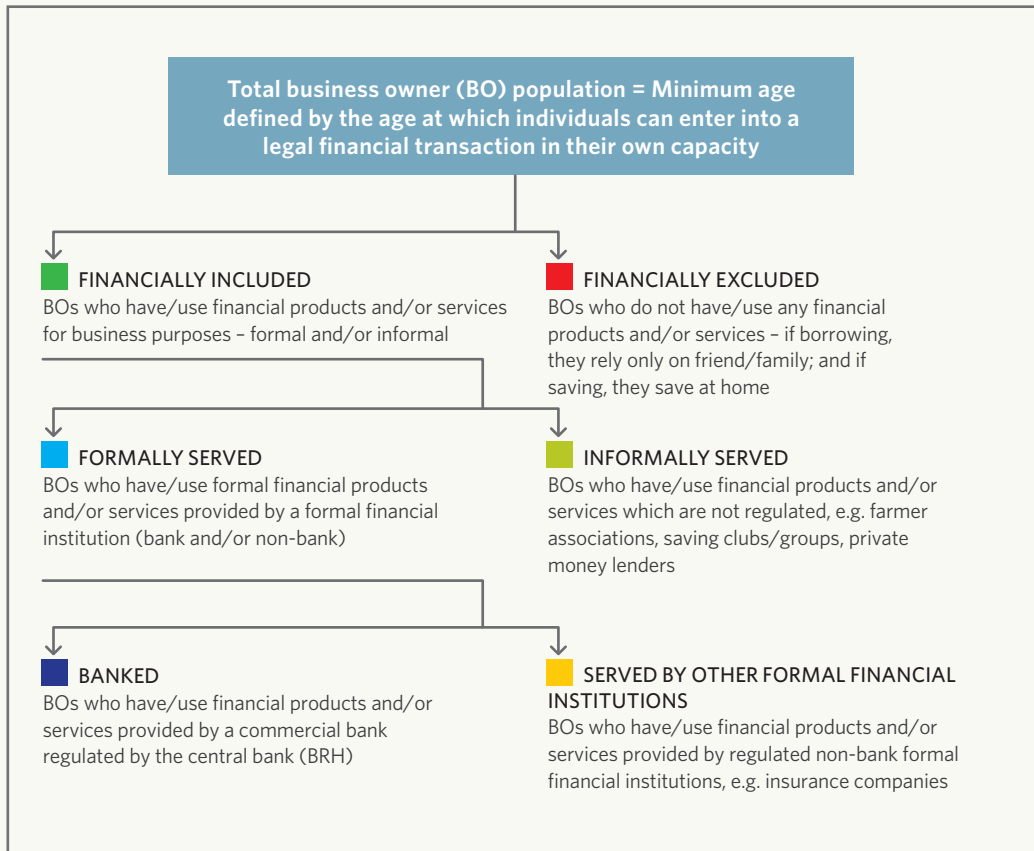


IMPACT OF SOCIO-POLITICAL INSECURITY (%)



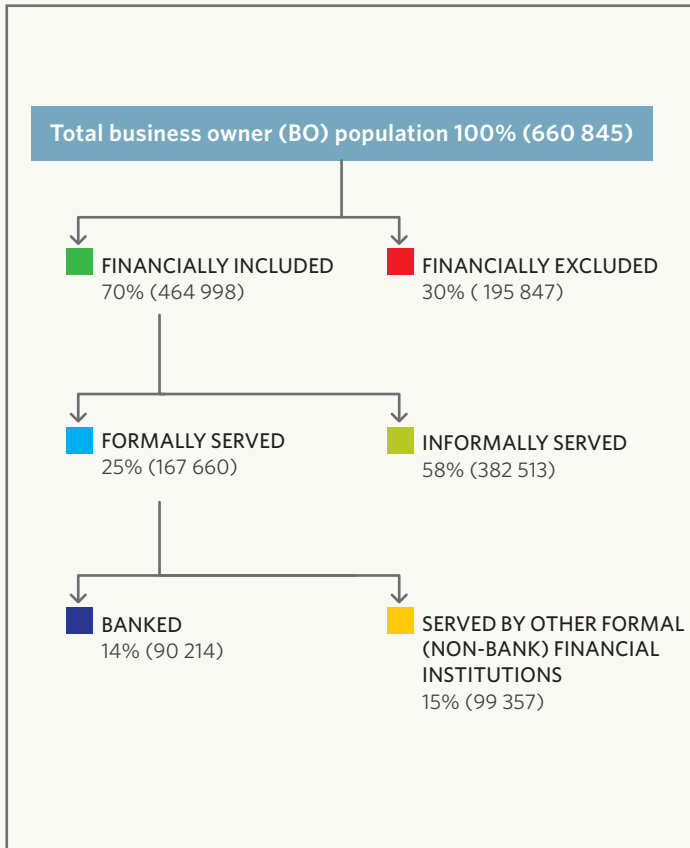
THREAT LEVEL ON BUSINESS VS. OWNER (%)

Financial inclusion - Framework





Financial inclusion
- Haiti MSME owners

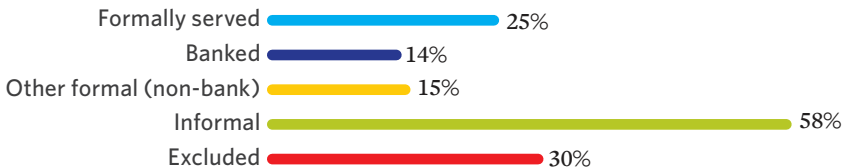


‘Formal’ is a category classifying products or services as regulated or supervised by a formal institution or any other formal regulator/agency. This is also synonymous to ‘other formal’ or ‘other formal (non-bank)’ to differentiate it from the banked which are mostly commercial and development banks.

FINANCIAL INCLUSION

Overall levels of financial inclusion, overlaps and MSME Access Strand

Overalls with overlaps



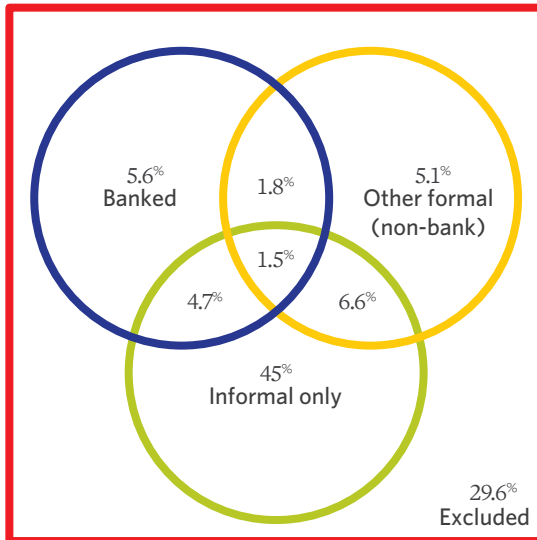
- >70% of business owners are financially included.
- Half of the business owners use formal financial products or services— one in four business owners (24%) have/use commercial bank products/ services and 47% use other formal (non-bank) products/services.
- High uptake (58%) of informal financial products among business owners.
- 30% of business owners do not use any formal or informal financial products though they may borrow from family and friends or save at home.

Access Strand





Overlaps

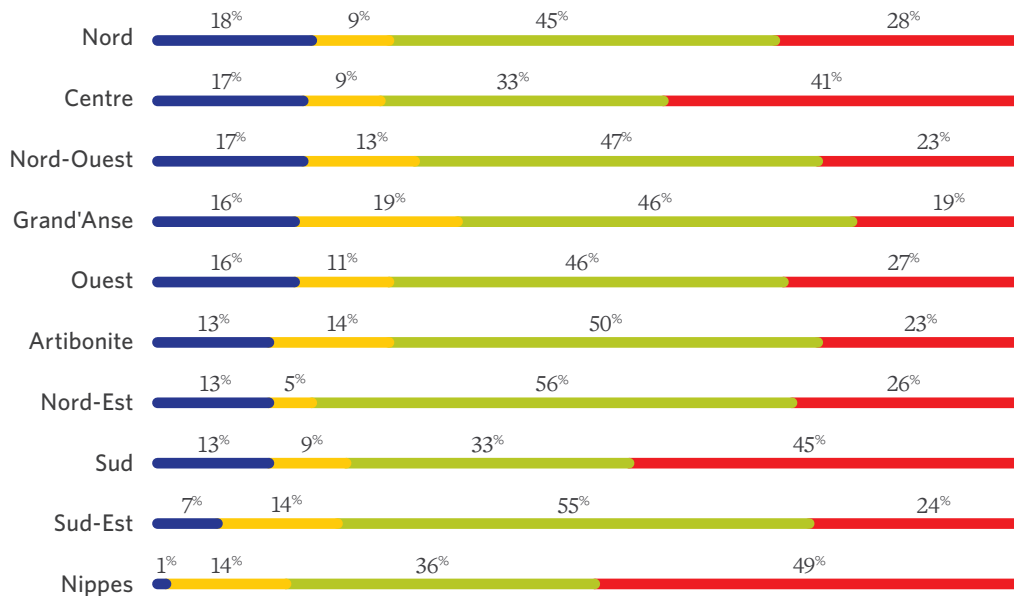


“Business owners generally use a combination of financial products and services to meet their financial needs”.

- Only 6% of business owners rely exclusively on banking services.
- Around 14% use a combination of formal and informal mechanisms to manage their financial needs, thus indicating that their needs are not fully met by the formal sector alone.
- 45% of the small business owners ONLY rely on informal mechanisms such as savings groups and loan sharks.

ACCESS STRANDS

Financial inclusion by Department



Financial inclusion by area



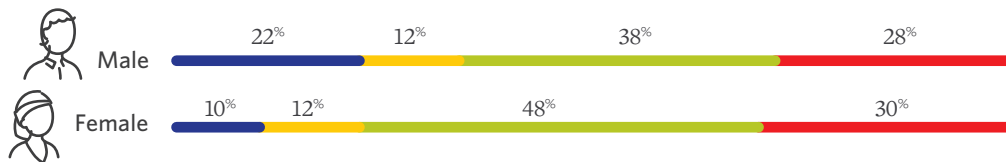
Urban



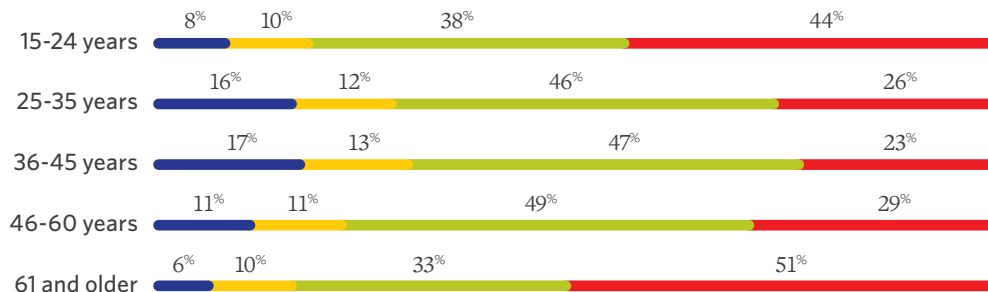
Rural



Financial inclusion by MSME owner's gender

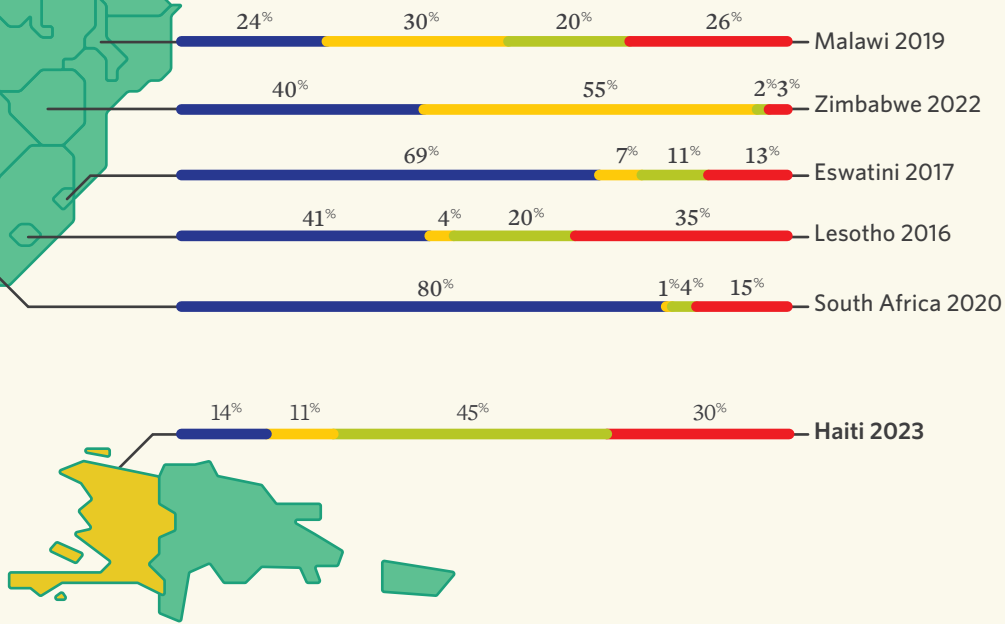


Financial inclusion by MSME owner's age
(focus on the youth)

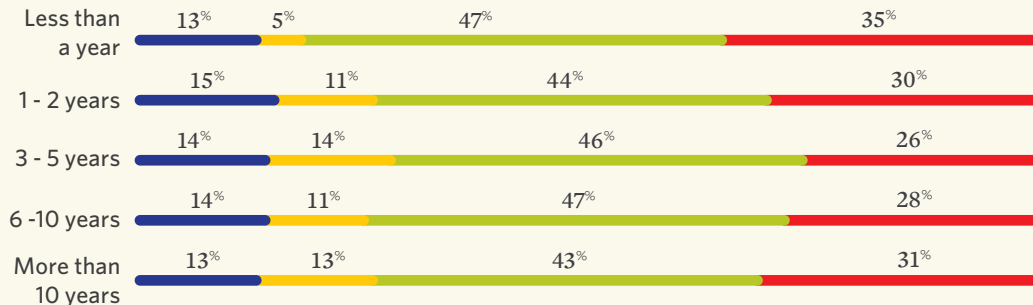


ACCESS STRANDS

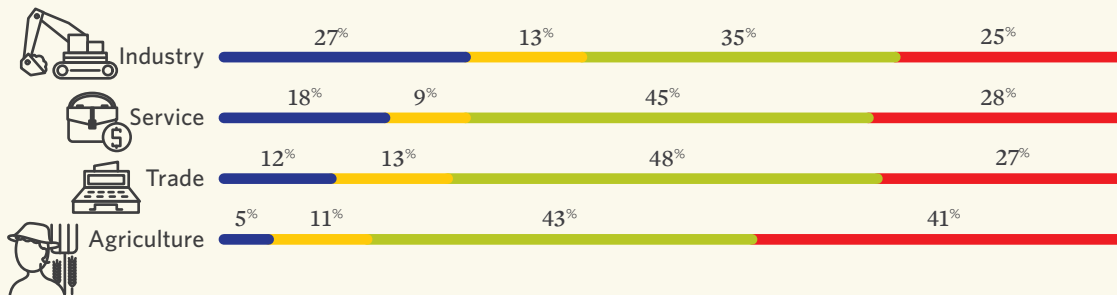
Access Strand by country comparison



Financial inclusion by business life cycle



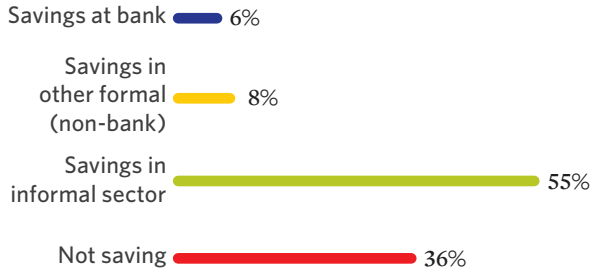
Financial inclusion by sector



LANDSCAPE PRODUCTS



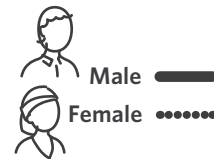
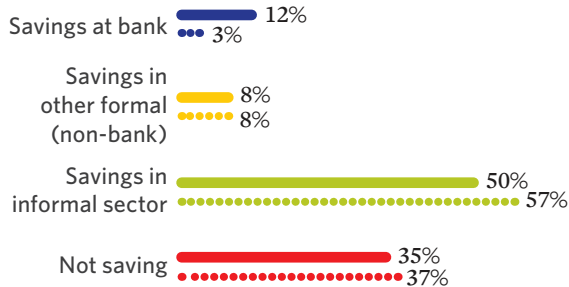
Savings Strand



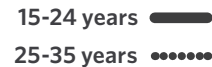
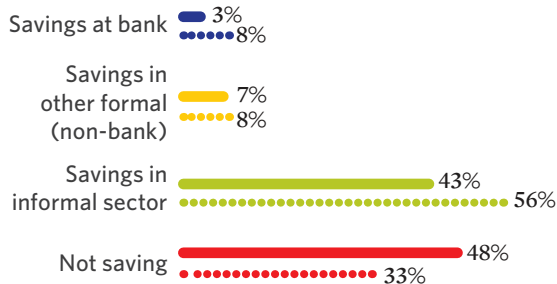
Savings are largely driven by savings group.

- About 63% of business owners are saving.
- Only 6% of business owners have/use formal savings products from commercial banks and 8% have savings from other formal non-bank institutions.
- Majority of the business owners save informally (57%), largely driven by savings group.
- 37% of business owners do not save.

Savings by gender

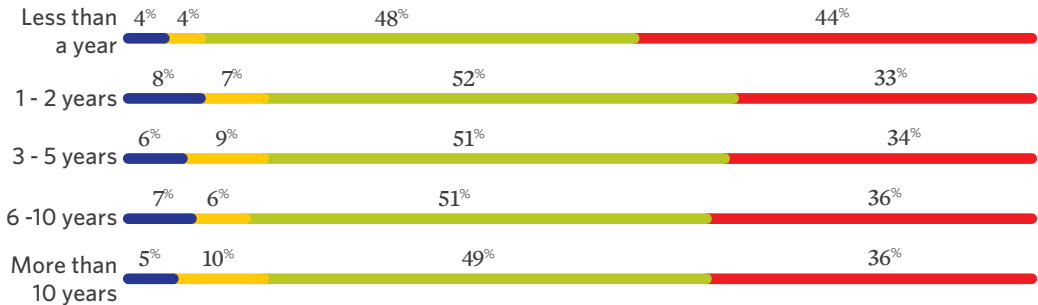


Savings by age groups (youth)

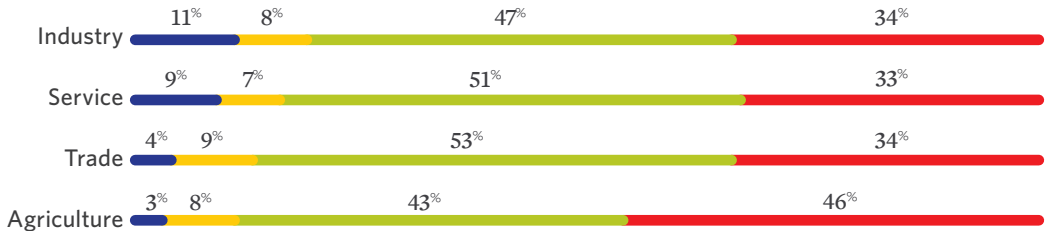


LANDSCAPE PRODUCTS

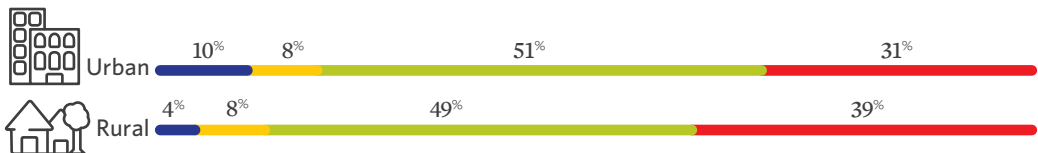
Savings Strand by business life cycle



Savings Strand by sector

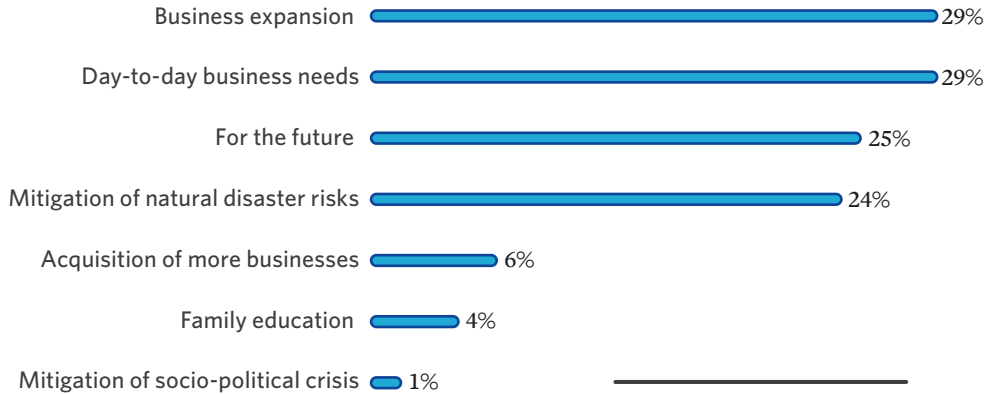


Savings Strand by region



LANDSCAPE PRODUCTS

Saving Strand drivers to saving
and digitized informal savings



DRIVERS FOR SAVING (%)

LANDSCAPE PRODUCTS



Credit Strand

Credit from bank 5%

Credit from other formal (non-bank) 5%

Credit from informal sources 13%

Not borrowing 83%

- The proportion of business owners who have loans from formal institutions is similar for both banking institutions and other formal non-bank institutions at 5%.
- About 13% of business owners borrowed from informal credit mechanisms.



Only 17% of **business owners have borrowed** in the past 12 months.



of MSMEs are currently not borrowing with the main barriers being lack of qualification, fear of debt and having no need to borrow.



Credit by age groups

Credit from bank 4%
7%

Credit from other formal (non-bank) 4%
7%

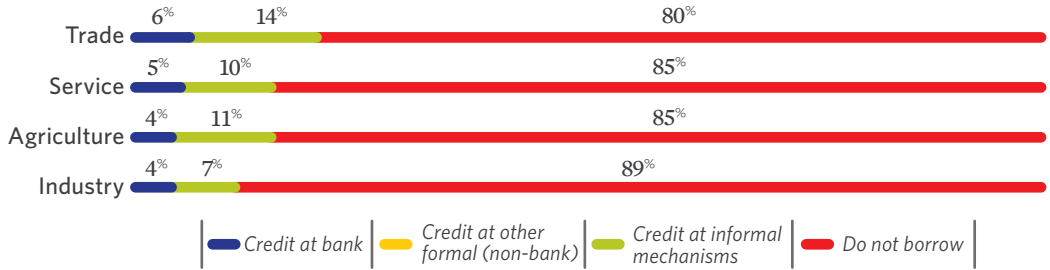
Credit from informal sources 10%
16%

Not borrowing 88%
78%

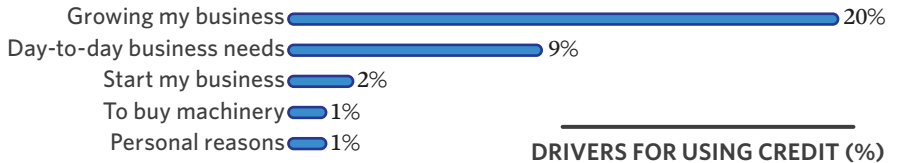
15-24 years

25-35 years

Credit Strand by sector



- MSMEs in the trade sector are more able to access credit than other sectors even though this is informal credit.

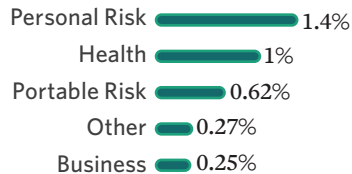


LANDSCAPE PRODUCTS

Insurance and risk management



TYPES OF PERSONAL INSURANCE (%)



- A lowly 3% of MSMEs have insurance but its mostly covering the owner and not business risks per se!

Insurance uptake by sector



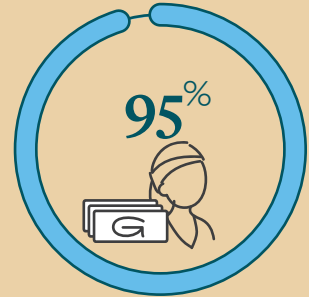
USE OF PERSONAL FINANCIAL ACCOUNTS IN RUNNING A BUSINESS



Of those borrowing money (17%), saving money (64%), **mostly rely on informal savings groups/sabotaj.**



Only 3% have insurance
—**mostly covering personal risks.**



Personal Accounts
= 95% of the
banked businesses.

Opportunity to convert personal accounts to business accounts
- to clearly differentiate the two entities.



KEY TAKE-OUTS

Total MSME sector estimated at 660 thousand businesses employing 1,122 million people:

- MSMEs contribute an estimated HTG485 billion to GDP.
- Artibonite (23%) and Ouest (21%) departments respectively have significant number of MSMEs.
- 67% are women-owned businesses.
- 35% are youth-owned businesses (15 – 35 years).

Business formalization—only 11% of the MSMEs are formal, informal MSMEs are devoid of opportunities from government and financial sector.

Covid-19 affected 60% of MSMEs—reported losses due to Covid-19.

Surviving Socio-Political unrests—about 53% of MSMEs reported losses due to the civil unrests.

- Exacerbated due to MSMEs relying on walk-in clients (97%) for business.
- Inability to utilize digital platforms also a limitation.

Financial Inclusion related:

- 14% of the MSMEs are banked.
- 15% are formally served by other formal (non-bank) institutions.
- 58% are utilizing informal mechanisms.
- 30% are financially excluded.

Majority are cash-dependent (99%)—with some pockets of opportunities as 89% of MSMEs bank portions of cash payments (0-10% of all cash payments received).

Credit and Savings are mostly from the informal savings groups.

- Informal credit is accessed by 13% of MSMEs.
- Informal savings are accessed by 55% of MSMEs.

Insurance is almost non-existent with 3% of MSMEs insured.

Differentiation between personal and business accounts—95% of banked accounts are in name of owner.



1. Formalization of MSMEs is critical—is not just about the fiscus, but about understanding the size of the sector for appropriate government support (e.g. Covid-19 support), proper documentation to access services and financial support, close the information asymmetry.



2. Digitization of payments towards a cash-lite economy—cash has its vulnerabilities, concerted efforts to create a digital ecosystem would assist MSMEs to benefit from its efficiencies and advantages thus enabling them to scale and grow.



3. Access and usage of financial services—access to formal financial services is a clear limitation in Haitian MSME sector, simultaneously understanding which informal mechanisms MSMEs rely on is invaluable.



4. Enhancing business resilience post Covid-19 and Socio-Political Unrest—beyond prevailing challenges, MSMEs will need support and training to develop their entities.



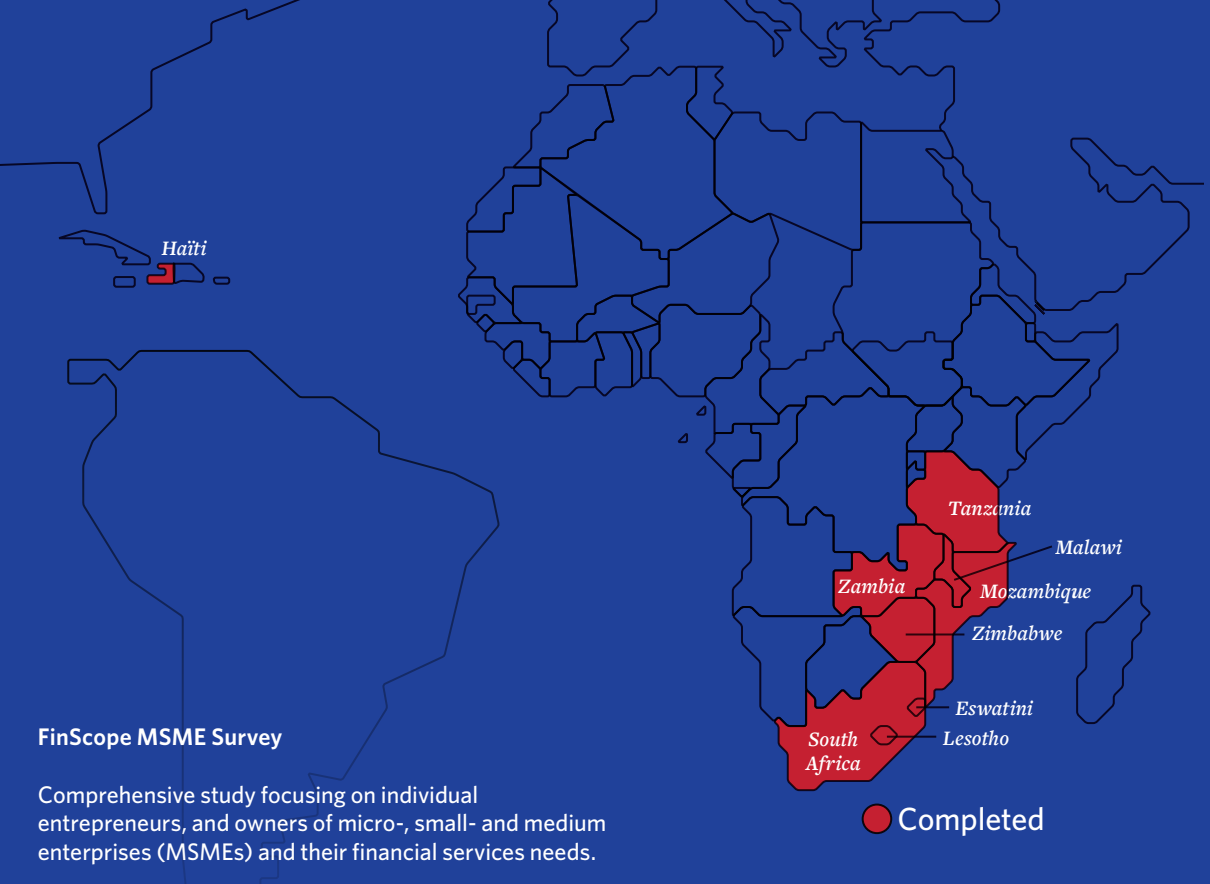
5. MSME definition and categorization is important—setting a common standard to what MSMEs are is an important task.



6. Value proposition for financial service providers via data analytics—with the wealth of data on MSMEs, financial service providers should be incentivized to serve the MSME sector by highlighting the value-proposition for them.



7. Differentiation between personal and business accounts—efforts to transform, differentiate legal and personal entities are key to present data showcasing business transactions, documents and performance.



FinScope MSME Survey

Comprehensive study focusing on individual entrepreneurs, and owners of micro-, small- and medium enterprises (MSMEs) and their financial services needs.

Banque de la République d'Haiti (BRH)

Address: Angle des rues Pavée et du Quai
Port-au-Prince, Haiti
Tel: +509 2290 0777
/+509 2290 0012
info@brh.ht
www.brh.ht

Ministère du Commerce et de l'Industrie (MCI)

Address: 64, Rue Legitime
Port-au-Prince, Haiti
Tel: +509 29 43 4488
www.mci.gouv.ht

Ministère de l'Économie et des Finances (MEF)

Address: 5, Ave Charles Summer
Port-au-Prince, Haiti
Tel: +509 25 58 665
www.mef.gouv.ht

USAID Atteindre (Attain) Project

Implemented by MEDA
atteindre@meda.org
Tel: +509.2940.7070

Dr Kingstone Mutsonziwa

Finmak.org.za
Tel: +27 67 594 9291
kingstonem@finmark.org.za
www.finmark.org.za

Mr Abel Motsomi

Finmak.org.za
Tel: +27 67 594 9291
abelm@finmark.org.za
www.finmark.org.za



Tel: +27 67 594 9291
www.finmark.org.za