

MICRO, SMALL AND MEDIUM ENTERPRISES

Fact Sheet

BACKGROUND

Micro, Small and Medium Enterprises (MSMEs) form the backbone of the Fijian economy. Businesses with a turnover below FJ\$1.25 million are classified as MSMEs in Fiji. The sector fosters entrepreneurship and empowers individuals (including women and the vulnerable groups) to start their own businesses, thus driving economic diversification. Since MSMEs are geographically well spread, they contribute to regional development by promoting balanced economic growth across the country. In terms of innovation, MSMEs in Fiji are well-known for their agility and ability to quickly adapt to changing market trends. The sector often serves as incubators for new ideas, thus driving competition within the market.

CURRENT STATUS

The sector contributes to over 18% to the country's GDP and provides employment for approximately 60% of Fiji's labour force. Prior to COVID-19, there were approximately 29,000 MSMEs registered with the Fiji Revenue and Customs Service (FRCS), contributing almost FJD \$380 million in taxes. Furthermore, many businesses operate in the informal sector and play a significant role in the economy in terms of sustaining livelihoods. However, their contributions cannot be quantified as they are not registered. Overall, by nurturing the MSMEs sector, Fiji can unlock its full potential and achieve inclusive and sustainable economic development.

CHALLENGES

1. *Accessibility to affordable and timely financing:* limited access to funds hamper the growth and ability of MSMEs to innovate, compete, and contribute to the overall economic development of the country. MSMEs often struggle to access funds from other sources such as financial institutions due to barriers of stringent lending criteria and high collateral requirements.
2. *Burdensome regulatory approvals:* complex and time-consuming process of obtaining necessary permits, licences, and certifications at the national and local government level is overwhelming for small businesses with limited resources and expertise. In fact, these unfriendly processes hinder the growth and competitiveness of MSMEs due to increased compliance costs and diversion of valuable time and energy away from core business activities.
3. *Difficulties with technology adoption* – leads to limited market access (online platforms) as well as limited access to market information: lack of digital skills and knowledge hinders MSME operators' presence in the ever-growing online platforms.
4. *Lack of access to dedicated MSME infrastructure:* lack of dedicated MSME infrastructure and facilities within municipalities and local Government areas, such as lack of adequate stall spaces and designated places in the marketplace for MSMEs. Eventually, making it impossible for small and micro players to showcase their products in a well-coordinated marketplace.

OPPORTUNITIES

1. *New financing alternatives:* exploring new financing alternatives such as small offers and crowdfunding for MSMEs. Expanding alternative financing opportunities will also enhance opportunities for women-owned and women-led MSMEs, supporting progress towards gender equality in access to finance in Fiji.
2. *Better access to markets:* through provisions of MSME dedicated infrastructure and exploring opportunities for setting up dedicated spaces for MSMEs within municipalities and local government areas.
3. *Friendly business registration and efficient contract enforcement practices:* introduction of a separate tier-system of business approvals for MSMEs (faster processing timelines), to help accelerate the formalization of informal businesses within the MSME sector.

4. *Leverage the use of our natural resources (agriculture, forestry and fisheries) to further develop the MSME sector:* this presents a significant potential for further developing the MSME sector particularly in the rural and maritime areas. By tapping into the utilization of these natural resources, MSMEs can benefit from the abundance of raw materials and create value-added products. By harnessing these natural resources effectively, MSMEs can not only contribute to economic growth but also promote sustainable practices and create employment opportunities in rural areas.
5. *Business incubation and mentoring programs:* incubation programs could lay the foundations for a supportive environment where entrepreneurs can access resources, infrastructure, and guidance to develop their business ideas. These programs would offer networking opportunities, eventually helping MSMEs to overcome challenges and accelerate their growth. Additionally, mentoring programs would help connect experienced professionals with MSMEs owners.

operations and planning. The site will also provide information on regulation, compliance and inspection vital for running an enterprise.

- ✓ Establish PPP arrangements for greater private-sector involvement with training and capacity-building in expertise areas, such as technology adoption.

➤ **Reform of MSME business regulatory environment:**

- ✓ Develop and implement an MSME Act.
- ✓ Development of the necessary business friendly infrastructure and facilities, incentives, savings mechanisms, and supportive legal framework for the sector.
- ✓ Implement programmes for formalization of informal businesses.
- ✓ Provisions for dedicated MSME infrastructure and facilities within municipalities and local Government.
- ✓ Review of current data sources on MSMEs and establishment of new MSME database.

FUTURE POLICIES & STRATEGIES

➤ **Improve MSMEs access to finance:**

- ✓ Develop new financing alternatives such as small offers and crowd-funding for MSMEs.
- ✓ Review of MSME related grant programmes within the line Ministry and centralise assistance to MSMEs.
- ✓ Increase the provision of finance available through government funded programmes for women and vulnerable groups.

➤ **Improve MSMEs access to training and capacity-building opportunities:**

- ✓ Expand the reach of business training services to more entrepreneurs across all divisions.
- ✓ Encourage and support business innovation through business incubation and mentoring programmes.
- ✓ Develop refresher courses for entrepreneurs and training of trainers.
- ✓ Establish an online MSME resource page with easy to access resources regarding business