



TEBBUTT

# Papua New Guinea Micro, Small and Medium Enterprises and Informal Sector Study

DETAILED FINDINGS REPORT

PREPARED FOR

THE AUSTRALIA PAPUA NEW GUINEA ECONOMIC PARTNERSHIP (APEP)

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**PNGAus Partnership**

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## Glossary

Term	Definition
APEP	Australia Papua New Guinea Economic Partnership
ARoB	Autonomous Region of Bougainville
Baseline Survey	SME Baseline Survey for the Small-Medium Enterprise Access to Finance Project (conducted in late 2013 and early 2014 for Government of PNG with funding and management from World Bank)
BPNG	Bank of Papua New Guinea
BSP	Bank of South Pacific
CAPI	Computer-assisted personal interviewing
CEFI	The Centre of Excellence for Financial Inclusivity
DFAT	Department of Foreign Affairs and Trade
Dinau	A debt, borrowing, or obligation; when a person receives goods or services without immediate charge on the premise that it will be repaid in good faith, usually by an agreed date
ESOMAR	European Society for Opinion and Marketing Research
Formal business	Businesses that are formally registered or licenced to operate or trade under: the PNG IPA; a local authority, like the NCDC or any LLG authority; the Companies Act 1997; the Business Names Act 1963; the Partnership Act 1951; a landowner license; or a licensed trust
GDPR	General Data Protection Regulation
GEDSI	Gender equality, disability and social inclusion
GST	Goods and services tax
ILG	Incorporated Land Group
Informal business	Businesses not formally registered or licensed (that do not meet the formal business criteria)
IPA	Investment Promotion Authority
IRC	Internal Revenue Commission
ISO	International Organization for Standardization
IT	Information technology
LLG	Local-level government
MSME	Micro, small and medium enterprise
NCD	National Capital District
NCDC	National Capital District Commission
NFP	Not-for-profit
NGO	Non-governmental organisation
PAYE	Pay as you earn
PGK	Papua New Guinean Kina
PMV	Public motor vehicle; a passenger vehicle often used for public transport
PNG	Papua New Guinea
pp	Percentage point; the unit used to measure the difference of two percentages
PWD	Person with disability
QC	Quality control
RFP	Request for proposal
SOE	State-owned enterprise
TFN	Tax file number
TIN	Tax identification number
TVET	Technical and Vocational Education and Training
Wantok	A close comrade; a person with whom one has a strong social bond, usually someone from the same area who speaks the same language
WEE	Women's economic empowerment
'000 / k	Thousands





## Statistical Definitions

Term	Definition
Mean	The average value for a set of numbers calculated as the sum of the values divided by the quantity of values
Median	The value at the midpoint of a set of numbers calculated as the numerical value separating the higher half of a data sample, a population, or a probability distribution, from the lower half (i.e. the value that falls in the middle of a set of numbers ordered from smallest to largest).
DK & Ref.	“Don’t know” and “Refused” responses to survey questions

## Significance Testing

Arrows denote results that are statistically significant from the total sample average at the 95% confidence interval. We have used a Multiple Comparison Test with False Discovery Rate correction,  $p \leq 0.05$ .

We say that a difference between two results is statistically significant if it is mathematically unlikely to have happened purely by chance. This means it is likely there is a genuine difference between the group and the average.

A value marked with an upwards arrow ( $\uparrow$ ) indicates a result that is significantly greater than the total sample average, while a value marked with a downwards arrow ( $\downarrow$ ) means the result is significantly less than the total sample average.

$\uparrow$  = Significantly greater than the average

$\downarrow$  = Significantly less than the average

It is important to note that “statistically significant” does not always indicate “relevant”, and not all statistically significant results are meaningful findings. Use discretion when interpreting results.

## About This Report

When reading this report, we ask you note the following considerations.

### MSME businesses want to be heard

This research project provided an opportunity for formal and informal business owners and managers to be heard, and the men and women interviewed expressed their opinions willingly and gave their time to answer our questions. Participation was voluntary and refusals were few. Business owners and managers from 21 provinces and from urban, rural, and remote areas were included, so the coverage is wide. They collectively represent a diverse geographical and industry footprint. Our teams noted enthusiasm to participate in the survey, with many survey participants spontaneously expressing their hope that the MSME sector can be supported and assisted to grow and improve. Many are deeply proud of their achievements and show resilience.



## **Comparing results to the 2014 Baseline Survey**

Comparisons to the baseline survey in 2014 are useful to review change (or the lack thereof). The surveys are broadly comparable in the sense that similar measures were taken, and the sample selection and location followed the same methodology. However, please use caution when comparing the 2014 data to the current 2024 data. We have noted differences throughout the report where relevant, when identical measures were used in both surveys. However, the sample definition for the two surveys was different and so there is a need to take the differences into account when comparing results. Notably:

- Micro enterprises were included in the 2024 sample, but were excluded from the 2014 sample.
- The maximum annual turnover to qualify to participate was PGK 5 million in the 2024 survey and PGK 15 million in the 2014 survey.
- The 2024 sample included businesses with 1-100 paid employees, whereas the 2014 sample required 4-150 paid employees.
- There were no limitations on borrowings in the 2024 survey, whereas the 2014 survey included limitations as its focus was on access to finance.

## **How the report is laid out**

This report includes an executive summary, the key themes of the qualitative data including case studies, and then finally the presentation and discussion of the key quantitative data. The case studies are provided for interest and to bring the stories we heard to life.

In the quantitative section, data on the formal MSME sample is presented and discussed first, followed by the informal business sample data, finishing with special topic areas where data for both formal MSMEs and informal businesses is presented and discussed jointly.

## **Interpretation of qualitative data**

It is generally accepted that qualitative research methodologies yield data that cannot be projected to the wider population due to sample selection and sample size. Qualitative survey samples provide valuable insights into a target population; however, the results are based on a small subset of the population specifically recruited to have certain characteristics and as such always carry some limitations. Analysis and reporting of qualitative data is also subject to interpretation, and can be subject to discussion guide limitations, participant bias, misinterpretation of results, and other factors.

## **Presentation of quantitative data**

Computer rounding up and down of decimal places means that some tables showing results for single response questions do not add precisely to 100%. Data can be provided to several decimal places if requested.

Multiple response questions allow for more than one answer, and so the totals for these questions will generally add to more than 100%.

Where there is missing data for a measure, this has been omitted from the data table.



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# Executive Summary

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## Overview

- **A poor regulatory environment and political and social instability pose major challenges to the micro, small, and medium enterprise (MSME) marketplace.** Government corruption (69% major obstacle), government regulation (42%), political instability (40%), tax rates (37%), and law and order (34%) are the most oft cited major obstacles to business operation and expansion in the formal MSME sector. One-third (33%) of MSMEs (as well as 25% of informal businesses) were adversely impacted by the Black Wednesday riots. There are also financial obstacles, especially cashflow issues and access to formal financing, which may be driven by poor overall economic conditions and exacerbated by political inaction or instability.
- **Access to loans and credit is a major challenge for businesses, particularly businesses operating outside of urban centres.** Some MSMEs find it difficult to meet the requirements for funding. Finance, when it is available, is most commonly used to sustain business operations rather than to scale or grow business operations. Cashflow problems caused by lack of consumer purchasing power requires separate and longer-term anti-poverty measures to address. There is a role however, for the public and private sectors to play in increasing access to capital, either through partnerships with formal and/or digital lenders, increased access to grants, or a more favourable tax environment. Increase in access to and uptake of digital financial services may also help address cashflow issues on the consumer side.
- **Financial and human capital constraints are evident** in both the composition of the MSME marketplace, where micro-businesses currently dominate (67% of the MSME marketplace), and rates of imports and exports among MSMEs, with just 10% of MSMEs importing and 6% exporting goods and services. Exporting is largely limited by financial constraints. Qualitative results also suggest limited transport options hampers domestic (interprovincial) export opportunities, e.g. moving products from outer islands and provinces to urban centres. Moreover, compliance, transportation, and other associated regulatory or customs expenses diminishes export revenues among those currently exporting their products. Interprovincial trade is a popular avenue for businesses to broaden their customer base. More MSMEs are interested in exporting their products and services but also lack the information and training to expand their operations.
- **Greater inclusion of women in the MSME marketplace is warranted** – as an engine to domestic economic growth, household financial growth, and the fuller participation of women in society. Women are missing from the labour force, management, and ownership levels. Men outnumber women by almost two to one among the sample of MSME business owners and managers (65% male and 35% female). Just 19% of MSMEs sampled are solely (16%) or majority (3%) female owned. Women are represented in somewhat higher numbers in the informal sector, whereas men dominate the formal MSME landscape. This has implications for access to capital and business scale.
- **More than 80% of women surveyed indicated they face additional challenges operating their business solely because of their gender.** Women in business feel discriminated against by men, and some feel marginalised from receiving financial assistance and business services. Wider social issues encountered by women in business include violence, cultural obligations, and maintaining work-life balance. Women also perceive greater security risks or threats in operating businesses.



- **Better support for formal MSMEs and informal sector businesses outside of urban centres should be considered.** Geographic disparities exist with regards to rates of formalisation, access to support services, asset ownership, and access to capital among other issues.
- **Increased access to digital and digital financial services, along with corresponding digital financial literacy, would benefit a segment of MSMEs owners and managers** who do not currently have access to these services but who would like to for their businesses. For example, 58% of MSMEs do not use but would like to use a website or social media page for their business; upwards of one-third do not own or utilise computers (38%) or Internet (33%) services for their business but would like to. There is also unmet demand for mobile banking or electronic money transfer services (33%) and business bank accounts (13%). Access to any and all business infrastructure, including financial services, are most limited in rural and remote communities. Increasing access to digital and digital financial services will be especially important to improving financial pathways for businesses located outside of urban centres.
- **Information regarding tax compliance is lacking**, particularly as it pertains to requirements to file income taxes and monthly GST filings, even in the absence of substantial revenue. Two-thirds of formal MSMEs (66%) claim to have a Taxpayer Identification Number (TIN), and 70% of those indicate they filed taxes with the IRC in the previous twelve months. Compliance by way of possession of a TIN is lowest in the retail trade industry (60%) and in the Islands (56%). Just over half of MSMEs (55%) have a GST number, 31% of whom file monthly as required by the IRC. A further two-thirds (66%) do not make PAYE tax deductions on behalf of their employees. Filing taxes is typically an important first step in qualifying for and receiving tax credits or tax relief.
- **Limited professional networking and mentoring opportunities may be impeding opportunity and the development of business acumen.** These networks are often integral to accessing mentorship and professional development opportunities, creating potential sales networks, and providing a support structure through spending time with like-minded and like-situated individuals. Forty-two percent (42%) of MSMEs do not have membership in any of the networks or associations probed.
- **Most MSME owners/managers lack sufficient familiarity with and access to business support services** that provide training, mentoring, informational or administrative services. Half (52%) are unfamiliar with existing business support services such as business incubators or hubs, Business Link Pacific, PNG Women's Business Resource Centre (WBRC), and training courses. Only 20% have ever used one of the aforementioned business services or networks, predominantly in-person. Business planning and financial management, including cash flow planning and budgeting, are noted priorities for future training and mentoring. Familiarity with and access to business support services is even lower in the informal sector. Informational gaps among informal businesses extends to unawareness of the formalisation process.



## Key Findings

### Composition of the MSME sample

- 70% MSME owners, 30% MSME managers
- 65% males, 35% females
- Average age of 42.2 years
- 25% attained at least some university education
- 16% attended technical or trade school

### Key industries

- Retail trade is dominant (57%)
- Followed by hospitality (19%), then transportation (13%) and motor vehicle retail (13%)
- A wide variety of MSME industries were captured in the sample

### Characteristics of MSMEs

- Employ an average of 7.0 paid employees
- Engage an average of 2.7 unpaid staff, though 23% do not have any unpaid staff
- 67% are micro-enterprises, 27% are small enterprises, and just 6% are medium enterprises
- Have been operating for 7.9 years on average
- 82% operate in one permanent location
- 5% have some foreign ownership, while 1% are wholly foreign owned
- 65% have one owner, 29% have two owners, and 6% have more than two owners
- 97% are owned by Indigenous Papua New Guineans
- 83% are owner-managed, the remaining 17% have dedicated separate management
- 16% are entirely female-owned, 3% are majority female-owned, and 30% are equally owned by men and women; 50% possess at least some female ownership
- 42% are entirely male-owned, 7% are majority male-owned, and 30% are equally owned by men and women; 80% possess at least some male ownership
- Staff are more commonly entirely or predominantly male (42%) than female (19%), though 35% have a workforce with equal gender composition

### Business registration and legal structure

- Local authority and LLG licenses are most common (84%), followed by IPA registration (83%)
- 85% operate as sole proprietors
- 7% are privately held companies

### Industry associations and memberships

- 56% have some form of membership
- Membership with a small business support organisation or network is dominant (33%)
- Membership with a local Chamber of Commerce is also relatively common (16%)



### **Taxation compliance**

- 66% have a Tax Identification Number (TIN)
- 70% of TIN holders filed business taxes with the IRC in 2023
- The key barrier to filing taxes relates to not generating enough revenue (41%); lack of knowledge involving taxation is evident, as these MSMEs would be expected to file small business tax with the IRC
- 55% have a GST number and possession improves with increased turnover
- 31% of GST holders file returns monthly, as required by the IRC
- 66% do not make PAYE tax deductions for staff

### **Asset ownership**

- 94% have cash on hand, and 91% have cash stored with a bank
- 69% have sales inventory and stock
- 67% have machinery and equipment
- Higher ownership of assets in the Highlands and lower ownership in the Islands

### **Use of products and services**

- 88% have mobile phone(s)
- 52% have computer(s)
- 57% have internet
- 30% use a website or social media page for the business, an additional 58% would like to
- 86% have a bank account for the business; 64% use mobile banking or electronic funds transfer
- The most popular services used are bookkeeping, accounting, or auditing services (69%)
- Only 14% have ever utilised an external professional or consultant
- The key barriers are a perceived lack of need, closely followed by cost

### **Import and exports**

- Importing (10%) outweighs exporting (6%)
- Exporting businesses spend an average of 16% of revenue on necessities to export
- The key barriers to exporting are financial constraints, lack of business capacity, and disinterest

### **Achievements and challenges**

- Achievements mainly involve innovation of products and services, or growth in sales and profits
- Poor sales, competition, and high operational costs are among the biggest current challenges
- The most severe obstacles for MSME operation and growth are government corruption, government regulation, and political instability
- Getting customers to pay on time, or pay at all, is also a prominent challenge

### **Access to finance**

- 22% have current borrowings
- Borrowings tend to be relatively low value, with most owing less than PGK 25,000
- 87% of loans are from formal lenders (predominantly domestic commercial banks)
- Finance is commonly taken to sustain business operations, or to purchase assets or equipment
- 50% can acquire enough credit when needed
- 39% find it difficult to get a loan or credit when needed



### **Cashflow and capacity-building are the catalysts for future growth**

- Better access to finance remains the most helpful intervention to support MSME development
- Knowledge of existing business support services is very limited (52% know nothing about them)
- Only 20% have ever used a business support service or network
- The key barriers are cost, a perceived lack of need, and poor local availability of these services
- Business planning and financial management are priorities for future training and mentoring
- It is essential to offer in-person training, especially for rural and remote communities
- Provision of financial and developmental assistance are the top suggestions from participants

### **Future confidence**

- Confidence is high across business measures: sales, workforce size, and asset acquisition
- Optimism is higher for future business measures than the national economy, presumably as business development is within direct control
- 64% intend to expand their workforce size in the next 12 months
- 80% plan to increase their business assets in the next 12 months

### **Key differences of informal sector businesses in comparison to formal MSMEs**

- Women are significantly better represented in the informal business sector, while men dominate the formal MSME landscape concerning ownership and workforce composition
- Significantly lower levels of educational attainment
- Less diversification across industries and even higher concentration in retail trade; farming is also more common
- Fewer paid employees and unpaid staff, but a higher proportion engaging unpaid staff
- Much lower revenue
- Relatively younger businesses
- Less likely to have outstanding finance, and those borrowing owe less
- Less knowledgeable about business support services and networks, and even fewer having ever utilised one

### **Encouraging formalisation in the future**

- Only 9% of informal businesses claim to be very familiar with formalisation processes, whereas 68% admit they are not familiar
- The largest barrier to formalisation is not knowing how to register the business, or having insufficient assistance to register the business, and especially in the Highlands. The cost of registration, and perceived limitations concerning having a newly established or small business, are also prominent barriers to formalisation. Access to a government office to register is a challenge in the Islands.
- Despite these barriers, 61% of informal businesses expressed a likelihood to formalise their business in the next 12 months
- Similarly to MSMEs, informal businesses want financial assistance to sustain their business operations, as well as better access and quality of support services to improve and grow their business





### **Impact of climate change on businesses**

- Nearly half of MSME and informal sector businesses are impacted by climate change
- Approximately one-third of affected businesses are being impacted significantly
- A diverse range of direct and indirect impacts were volunteered
- Formal MSMEs were more likely to report fewer customers and reduced cashflow as impacts of climate change
- In contrast, informal sector businesses were more likely to mention impacts from changes in weather patterns, changes in consumer behaviour, and damage to agriculture

### **Impact of Black Wednesday on businesses**

- 33% of MSMEs and 24% of informal sector businesses were impacted
- MSMEs reported a higher severity of impact relative to informal sector businesses
- A wide assortment of direct and indirect impacts were volunteered
- The largest impacts included temporary business closure, fewer customers or reduced cashflow, and law & order incidents (vandalism, looting, and theft)

### **Supporting women in business**

- There are differences between the business profiles of male and female-run MSMEs
- More than 80% of women surveyed indicated they face additional challenges operating their business solely because of their gender
- The biggest challenges include work-life balance (accommodating familial and cultural obligations), gender inequality or discrimination, and higher security risk
- Government support and financial assistance are the top suggestions to assist women to operate and expand their businesses

### **Supporting people with disability in business**

- 3% of participants had considerable difficulty in their day-to-day life, with visual or mobility impairment being most common
- Upwards of 80% of participants with disability indicated they face additional challenges operating their business due to their disability
- Most challenges are practical: difficulty seeing clearly and handling documentation/money for people with visual impairment, and moving around or transporting stock for people with mobility impairment
- Practical challenges have practical solutions: improving healthcare and increasing government and business support services are top suggestions to support business operators with disability



### **Each business journey is unique, however they often share similarities**

- Identifying an opportunity to be your own boss, service a gap within the community, or become financially independent are common motivations to establish a business. Subsistence is another important driver.
- Cashflow is the primary determinant of business expansion; access to finance is the key catalyst to development, whereas competition, dinau, and cultural obligations are common inhibitors.
- Some businesses formalise out of necessity, while others formalise steadily as the business grows; formalisation is considered advantageous as it improves access to commercial bank loans and training or mentoring services.
- Access to finance is consistently regarded among the biggest challenges for businesses. Existing support services are limited to urban communities, impeded by complicated processes, or require extensive documentation which disadvantages informal and remote businesses.
- Corruption and nepotism are entrenched in business practices and throughout government, especially regarding how contracts are awarded. Bribery and failure to pay for services were also commonly noted about politicians and government officials.
- Robbery and vandalism is a major issue for many businesses and women were more likely to have been affected by crime, attributing it to their gender. Many desire security services for their business as police are perceived to be inadequately combatting crime against businesses.
- Poor quality of infrastructure including roads, transportation, electricity, water, and communications services is a common obstacle for businesses.
- Climate change is exacerbating challenges involving transportation, accessibility, and essential infrastructure across industries, but particularly threatens agribusinesses. Improving climate resilience is considered a priority responsibility for government.
- Exporting is largely limited by access to transportation services; many are interested in exporting but lack the information and training to expand their operations. Interprovincial trade is a popular avenue for businesses to broaden their customer base.
- Lack of awareness, favouritism, and nepotism are other barriers to training and mentoring. Business training programs need to cover relevant content to be well-received and effective.
- Developing a strong business network to promote sustainable growth and diversifying products and services were identified as key opportunities for future business improvement.
- There was variance in future business confidence; some were largely confident while others expressed uncertainty, however concerns about the volatility of the current economic landscape were commonly raised.
- Women in business feel discriminated against by men, and some feel marginalised from receiving financial assistance and business services. Wider social issues encountered by women in business include violence, cultural obligations, and maintaining work-life balance.



## Opportunities and Suggestions

The PNG MSME and Informal Sector Study 2024 has provided empirical independent evidence of an active, remarkably resilient, and aspirational MSME sector that remains inhibited by access to finance, limited knowledge, and a variety of wider socio-economic challenges. Both MSMEs and informal sector businesses generate significant opportunities for employment and revenue streams across a diverse range of business industries. Upon review of the key quantitative and qualitative attitudinal findings provided in the study, we would like to suggest the following recommendations and suggestions for consideration.

### Cashflow

- Money is an important theme – access to finance remains a key barrier to growth but is now complicated by getting money flowing through the economy and into businesses through day-to-day operations.
- General cost of living, debt custom, and people not paying for goods and services in a timely fashion are all barriers that are creating blockages to the flow of funds through the economy. Cultural considerations add to the pressure.
- Business owners and managers have an interest in knowing more about basic financial management in a business, including how to encourage customers to pay and how to negotiate price rises with suppliers.
- Financial pressure and cost of living is dominating conversations; there is a need to develop financial strategies to relieve pressure on communities and the broader economy.
- Improving access and adoption of financial services, especially digital financial services, may help to ease cashflow constraints for a portion of businesses that are currently not using these services.

### Training

- Many of the major obstacles to MSME operation and growth relate to “business basics”, yet a perceived lack of need for training and mentoring services is a significant barrier to many. Considering most have no knowledge of existing business support services; business owners need to be informed about the services that are available and the benefits they can offer. Training topics must be relevant, exploring common business challenges and suggesting practical solutions, to be well-received and effective.
- Training on fundamental business concepts including business planning, financial management, and bookkeeping is imperative and highly sought.
- Future initiatives to train, mentor, inform, and educate business owners should be offered in-person as this is the preferred delivery method nationwide and will improve access among rural and remote communities.
- Enhance understanding of taxation processes, including how to register for a TIN and GST number, how to file taxes with the IRC, and requirements of GST reporting to improve compliance.



## **Formalisation**

- Familiarity with formalisation processes is extremely limited; business owners need access to reliable current information regarding how to formalise and the benefits it will provide.
- Understanding the education disparity may assist to develop tailored information campaigns.
- Subsidising the cost of registration and providing ample guidance or assistance throughout the process may encourage future formalisation by alleviating key obstacles.
- At current, formalisation is largely perceived as too expensive, complicated, and time-consuming, for little to no benefit.

## **Supporting MSME Development**

- MSMEs overwhelmingly need general assistance to improve and grow their businesses, as well as financial support to ensure they can continue to operate given the stark cashflow challenges they are facing.
- Many MSMEs feel they are operating within difficult landscape that is out of their direct control due to the rising cost of goods, increased freight and transportation costs, changes to policy and regulation, political instability, corruption, and nepotism.
- Collaborate with government to improve processes and promote transparency and accountability to mitigate corruption.
- Supporting women to enter business will drive sector growth; the number of wholly-woman owned businesses has doubled in the last ten years and is expected to continue to grow. Specialised training for women on navigating gender-specific challenges in business may strengthen resilience. Take every available opportunity to encourage gender equality and reduce discrimination against women.
- Promote digitalisation, especially internet access and online presence, which may lead to broader business benefits through online processes. This may open additional avenues to provide information, resources, and support services in addition to in-person training and mentoring services.
- Assist businesses to enhance their customer base through digital marketing by encouraging advertisement of goods and services on websites and social media platforms.
- Acknowledge the impact of climate change on businesses, especially agribusinesses and those operating in the Highlands region, and work with key stakeholders to develop alternative strategies, aid business transition, and build resilience.
- Consult with business representatives and organisations on the best way to reach MSMEs to provide suitable support services, training, and networks.



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# Introduction to the Research

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## Project Background

The Australia Papua New Guinea Economic Partnership (APEP), funded by the Australian Government, forms part of the broader PNGAus Partnership designed to align and integrate with the development priorities of the Governments of Papua New Guinea and Australia. It is a multi-sectoral investment covering eight years commencing April 2022. Ultimately, APEP will work collaboratively with other Australian investment and development partners to deliver development outcomes that have an impact and are sustainable across five key engagement areas:

**EOPO 1:** Safeguarding Macroeconomic Stability

**EOPO 2:** Strengthening Public Financial Management for Improved Service Delivery and Inclusive Growth

**EOPO 3:** Supporting More Efficient and Inclusive Markets

**EOPO 4:** Fostering Inclusive Growth and Expanded Livelihoods

**EOPO 5:** Catalysing Economic Research and Dialogue

The resilient and sustainable growth of small businesses underpins PNG's economic expansion. In most economies, big business drives investment but small business drives employment, making small business critical to economic development goals. The Medium Term Development Plan IV (MTDP IV) targets expansion of the small business sector by ~100,000 new businesses, up from the estimated ~250,000 micro and small to medium enterprises [MSMEs or SMEs] noted in the Medium Term Development Plan III (MTDP III) Report.

In order to grow the MSME sector, only two real options present themselves: attracting new MSMEs to establish, thereby increasing the number of businesses in the market; and strengthening and enhancing existing businesses to grow and improve, thereby creating sector growth. There is a limited amount of reliable data on formal and informal MSMEs, and especially on the challenges they face in day-to-day life, the nature of their operations, and the constraints they are experiencing. Various government systems collect some data on some formal businesses, but generally these are not linked to each other, and they exclude informal businesses.

The decision was taken to update the estimates and information collected ~10 years ago in the Baseline Survey, and current information about MSMEs will play an important role in ensuring that MSME policy design is evidence-based (from current research on the sector, talking to business owners/managers). The information needs are quite broad and cover enterprise characteristics, turnover, employment information, and other areas of interest such as exporting. APEP knows that using an evidence-based approach and sharing that information with other stakeholders will help future collaboration efforts when developing programs to grow and enhance the sustainability of the MSME sector.

The core objective of the study is to provide an updated read on the basic measures from the Baseline Survey, amending where necessary to include new topics of interest such as gender equality, disability and social inclusion (GEDSI), women's economic empowerment (WEE), exporting-importing, and use of business services measures. Comparing the current data to the Baseline Survey will allow for a review of changes that have taken place over the last 10 years, and provide a comparative analysis on strengths, weaknesses, challenges, and growth in the sector currently.

Tebbutt Research was commissioned to undertake this MSME & Informal Sector Study. The main findings of the project are reported in this document. Initial findings were presented at a multi-sectoral workshop in Port Moresby on 7 August 2024 and validated by stakeholders in attendance.



## Overview of Approach

The research design was mixed method and consisted of two components:

### 1. Quantitative survey of MSMEs and informal sector businesses:

- Survey of the MSME and informal sector market covering 21 provinces (excludes Enga) across the four regions of Papua New Guinea to explore the challenges of operating and growing small businesses.
- The sample comprised 1,309 interviews with formal qualifying MSMEs and 1,302 interviews with informal businesses. Final sample sizes for both the formal and informal sectors exceeded original targets.
- The questionnaire was designed to provide updated information on measures assessed during the Baseline Survey including business demographic information like company size, industry, annual turnover, staffing; and
- Explore new topics of interest including GEDSI, impacts of climate change on businesses, and the impacts of Black Wednesday on businesses.

### 2. Qualitative depth interviews with MSME and informal sector business owners/managers:

- In concurrence with the quantitative survey, Tebbutt Research conducted n=41 qualitative depth interviews with owners and managers of formal MSMEs and informal businesses covering 21 provinces (excludes Enga) to better understand the business “journey”, which was not captured in the quantitative data.
- These qualitative interviews also explored larger attitudes and behaviours concerning business development (the “journey”), the challenges business owners face while operating and expanding their business, and their future commercial aspirations.



## Detailed Method

### Component One – MSME & Informal Sector Survey

- Quantitative survey with business owners and managers
- Survey conducted in English or Tok Pisin per respondents' preferred vernacular

#### Objectives

The primary objective of the survey was to update data on MSMEs and the informal sector collected in the Baseline Survey in 2014, with current data collected in 2024 to draw conclusions about changes in the MSME landscape, strengths and weaknesses of MSME operation, and the growth of formalisation within the informal sector in PNG over the last ten years.

A variety of business characteristics were captured, including:

- Industry sector
- Formal registration
- Owner/manager demographic information (age, gender, educational attainment, disability)
- Location of the business (province, density)
- Number of paid employees and unpaid staff
- Ownership structure
- Years in operation
- Assets
- Revenue
- Liabilities
- Sources of capital
- Business affiliations
- Use of products and services

Multiple attitudinal measures were also explored, including:

- Economic outlook with regard to past and future performance of the business as well as the larger PNG economy
- Achievements, aspirations, and confidence for the future
- Barriers for business operation and expansion
- Access to finance
- Familiarity, usage, and barriers to support services and networks
- Desired resources and suggestions for sectoral support

The survey also provided an opportunity to investigate new priority development areas including:

- GEDSI
- Impacts of climate change on MSMEs and informal businesses

#### Scope

Tebbutt Research agreed to conduct a minimum of 1,000 interviews with owners or managers of formal MSMEs in 21 provinces (excluding Enga) across all four regions of Papua New Guinea. The formal MSME survey sample was drawn from an urban, rural, and remote area within each province (excepting NCD which is classified entirely as urban), for a total of 61 survey locations. In each sample location, Tebbutt Research canvassed business districts and attempted to contact MSMEs until either: all commercial outlets for contact had been exhausted, or the pre-determined fieldwork





period had elapsed and interviewers had completed at least two complete passes through the sample location. No maximum limit was placed on the number of interviews to be completed and the target quota was exceeded to achieve a final sample of n=1,309 formal MSMEs.

In addition to surveying formal MSMEs, Tebbutt Research agreed to conduct a minimum of 500 interviews with owners or managers of informal businesses to capture updated data about the informal sector. The informal sector comprises an important segment of commercial activity and there are a multitude of barriers preventing these businesses from registering formally. Interviews with informal businesses were conducted in concurrence with MSME interviews to achieve a final sample of n=1,302 informal businesses.

Tebbutt Research prepared one survey instrument incorporating business characteristics and attitudinal measures into a single questionnaire which was administered in field. Following development of the questionnaire, Tebbutt Research conducted a cognitive pre-test and pilot to assess the efficacy of the survey instrument prior to commencing data collection for the MSME and Informal Sector Survey.

## **MSME Definition**

Building upon the 2014 Baseline Survey, the definition of formal businesses was expanded to include micro enterprises. For the purposes of this study, the definition of a MSME was:

- Businesses that are formally registered or licenced to operate or trade under:
  - The PNG IPA
  - A local authority, like the NDC or any LLG authority
  - The Companies Act 1997
  - The Business Names Act 1963
  - The Partnership Act 1951
  - A landowner license
  - A licensed trust
- Businesses with 1 to 100 paid employees
- Businesses with a maximum annual turnover of PGK 5 million (total value of annual sales)
  - Micro enterprises generate up to PGK 60,000 annually
  - Small enterprises generate between PGK 60,000 and 249,999 annually
  - Medium enterprises generate between PGK 250,000 and 5,000,000 annually

Additional screening questions were implemented to exclude the following types of organisations from the sample:

- Government organisations, state-owned enterprises, or businesses with at least 50% Government ownership
- Non-profit organisations and non-governmental organisations (NGOs)

## **Accommodating Business Owners & Managers**

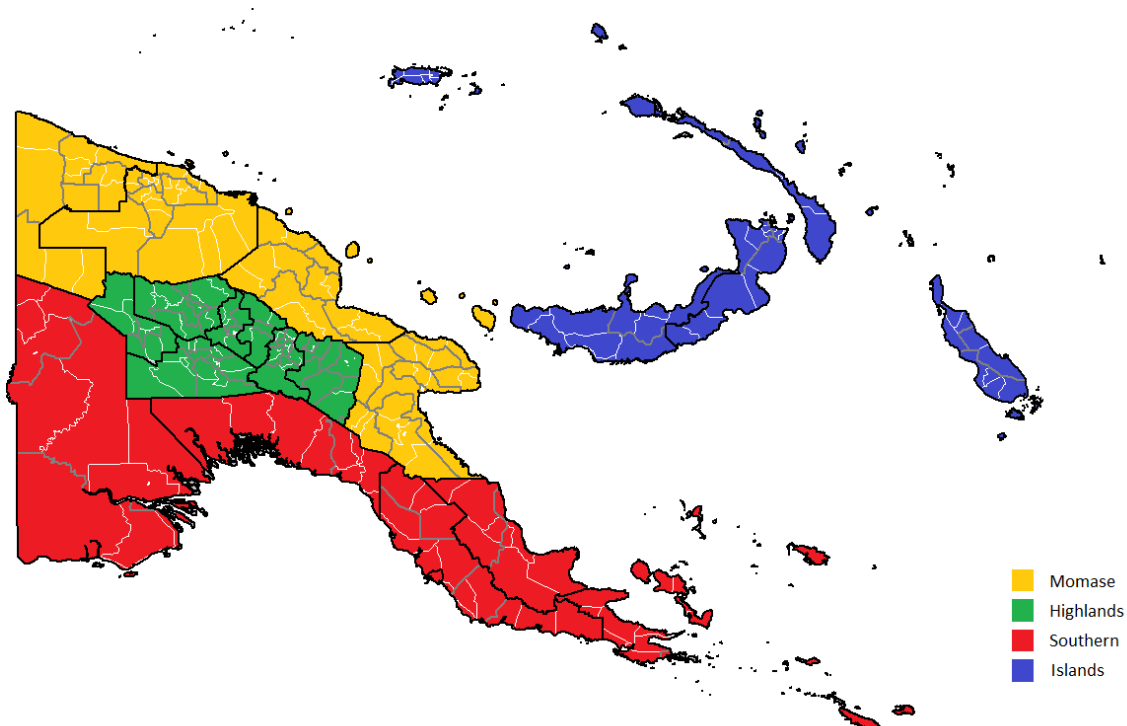
To accommodate foreign-owned businesses and businesses with absent owners, top-level managers were allowed to participate in the survey when business owner(s) were unavailable during the field period. To ensure all participants were qualified to supply business information, Tebbutt Research implemented multi-faceted screener measures assessing involvement in company decision-making and familiarity with business characteristics including company size, finances, and legal and ownership structure.



Given the high level of familiarity required to provide accurate financial information – calculating revenue and liabilities – survey participants were allowed to reference financial records or invite other members of their team, such as an accountant or financial representative, to join them for part of the interview when necessary. This approach was also used in the Baseline Survey.

### Fieldwork

Tebbutt Research assigned 70 field staff to the project. Staff were divided into teams and dispersed across the provinces of the four regions of Papua New Guinea – as illustrated below.



In each of the surveyed provinces, an agreed urban, rural, and remote location were sampled during the survey, resulting in 61 fieldwork locations. Enga Province was excluded from the sample as it was deemed unsafe to operate in at the time of fieldwork<sup>1</sup>.

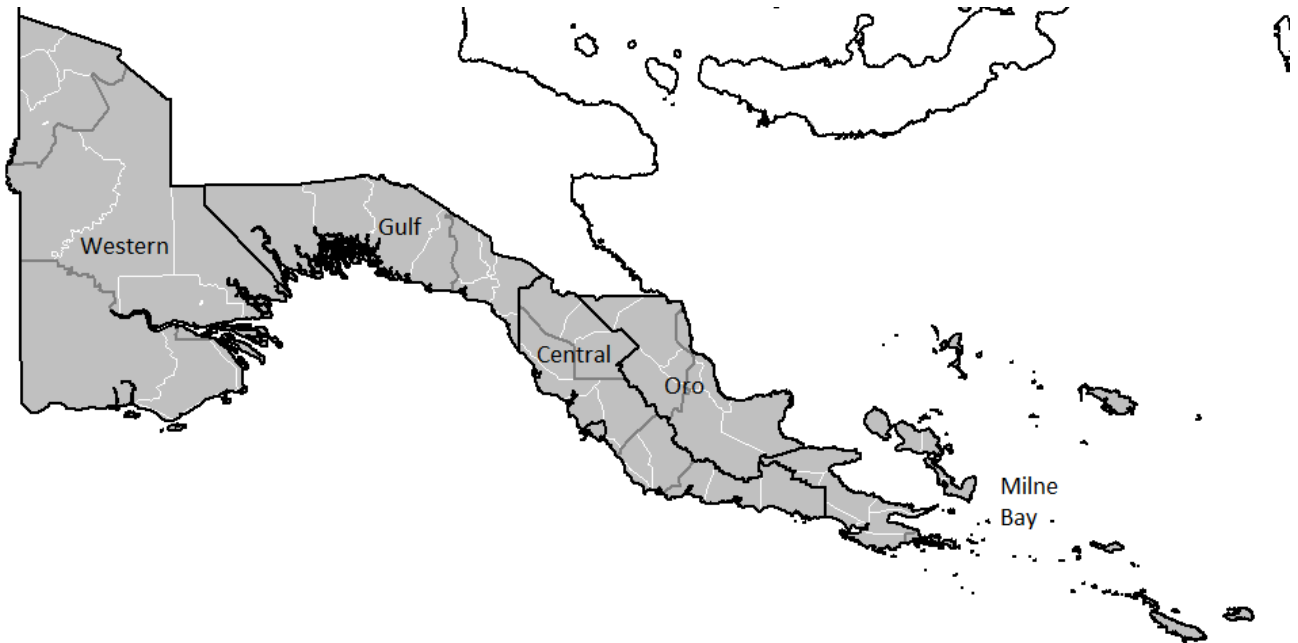
To maximise the comparability of results between the 2024 MSME and Informal Sector Study and the 2014 Baseline Survey, identical sample locations were maintained wherever possible. All locations were discussed and agreed with APEP prior to the commencement of fieldwork. The fieldwork locations for each province are detailed on the following pages.

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<sup>1</sup> Security is an important consideration in sample design, with some areas of Papua New Guinea presenting unacceptable levels of risk toward personal or property security and as such are classified as 'no-go' locations. We kept an ongoing watch on this across the country.

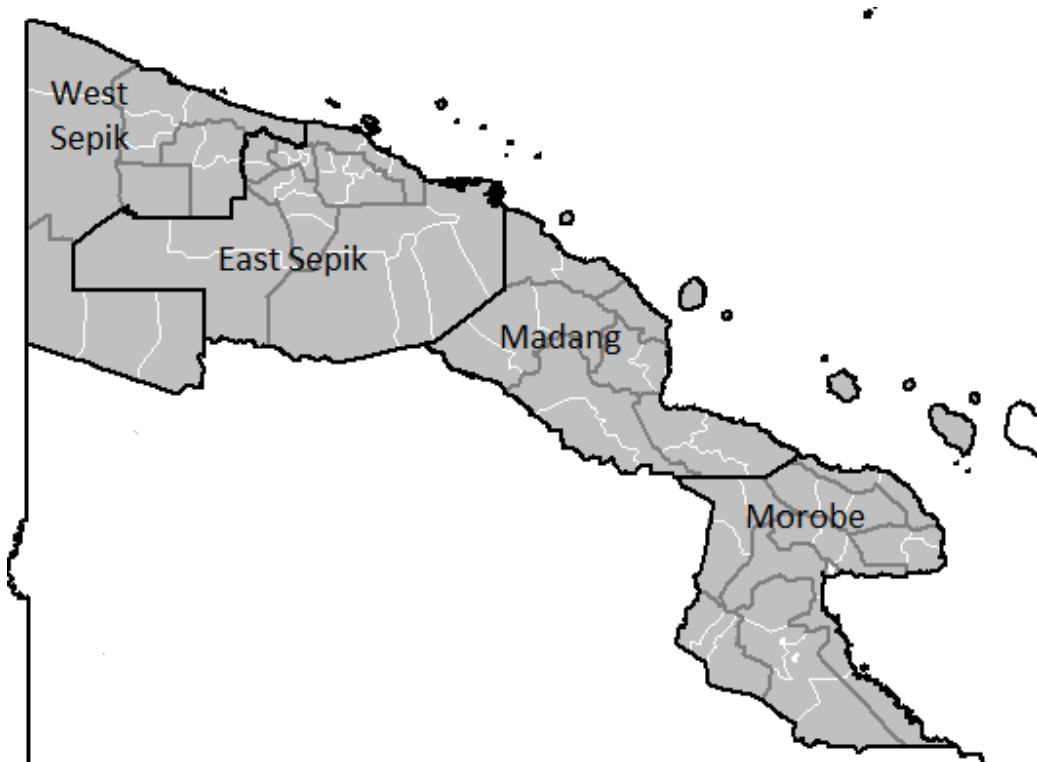


Region	Province	Urban	Rural	Remote
Southern	NCD	Downtown	<i>Not applicable</i>	
	Gulf	Kerema	Malalaua	Iokea
	Central	Kwikila	Kupiano	Moreguina
	Milne Bay	Alotau	Mariawata	East Cape
	Oro (Northern)	Popondetta	Kokoda	Tufi
	Western	Daru	Balimo	Saweta



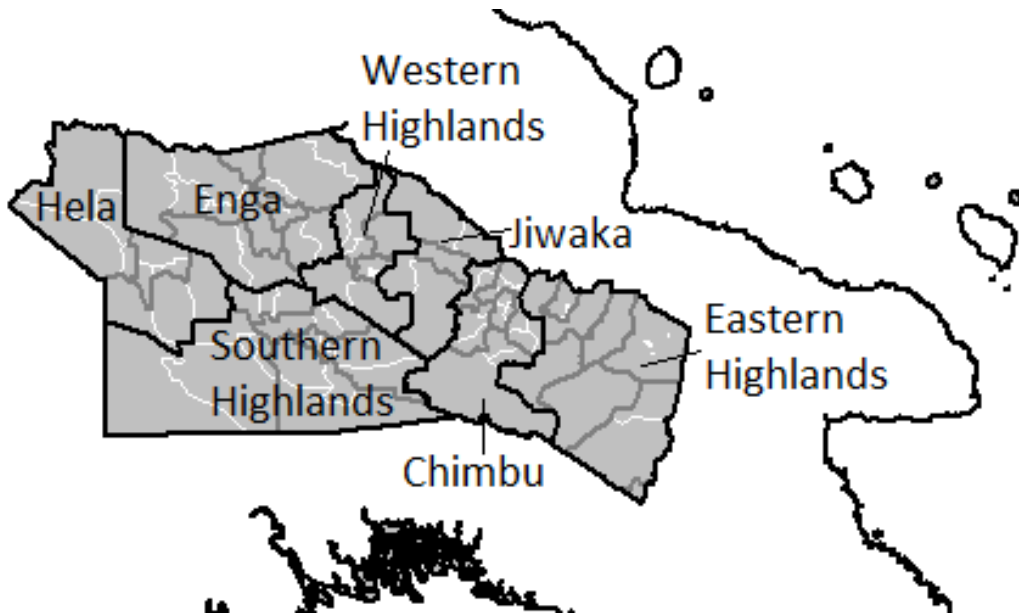


Region	Province	Urban	Rural	Remote
Momase	Morobe	Lae	Markham	Bulolo
	Madang	Madang	Bogia	Ramu
	West Sepik	Vanimo	Aitape	Nuku
	East Sepik	Wewak	Maprik	Turubu



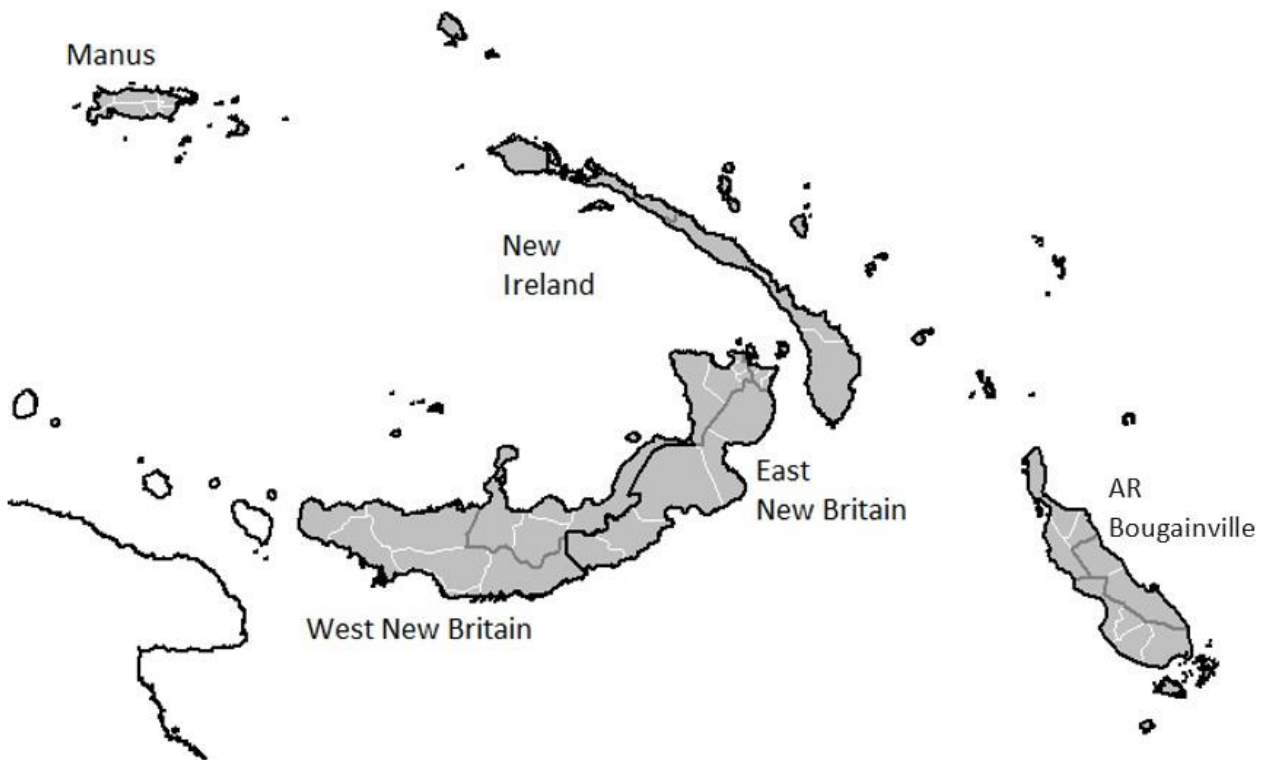


Region	Province	Urban	Rural	Remote
Highlands	Jiwaka	Banz	Anglimp	Kindeng
	Western Highlands	Mount Hagen	Dei	Togoba
	Enga	<i>Excluded due to safety concerns</i>		
	Hela	Tari	Margarima	Moro
	Southern Highlands	Mendi	Pangia	Ialibu
	Eastern Highlands	Goroka	Henganofi	Kainantu
	Chimbu	Kundiawa	Gembogl	Sinasina





Region	Province	Urban	Rural	Remote
New Guinea Islands	East New Britain	Kokopo	Gazelle	Pomio
	West New Britain	Kimbe	Hoskins	Bialla
	Manus	Lorengau	Lombrum	Pere
	New Ireland	Kavieng	Namatanai	Lavongai
	AR Bougainville	Buka	Arawa	Kieta



Fieldwork was conducted on ground between 10 June to 30 July 2024.

Interviewers went door to door, sweeping office buildings, retail, and roadside storefronts to screen businesses for eligibility and participation in the survey. If the owner or manager were not present upon initial contact, the interviewer scheduled an appointment to revisit the business when the owner would be available or obtained contact information to schedule an appointment to interview the business owner or manager. Interviewers made at least three attempts to complete or schedule an interview with individuals who were unavailable during initial contact.

All interviewers were PNG nationals who conducted interviews in respondents' preferred local vernacular. All surveys were interviewer-administered using a computer-assisted personal interviewing (CAPI) method and digital tablet devices.

Tebbutt Research conducted a cognitive pre-test and pilot to ensure the instrument was effective, suitable for interviewer-administration, appropriate for the target audience, and did not contain any sensitivities or issues which would implicate data collection.



Tebbutt Research has an existing experienced and capable field team in Papua New Guinea. Nonetheless, field staff completed a detailed refresher training and project briefing before starting fieldwork. The training program was designed to run for two days and was structured into modules; each module consisted of multimodal presentation accompanied by demonstrations, practical exercises, and quizzes to consolidate comprehension. A variety of topics were covered including general practice and standards, CAPI safety protocol, questionnaire training, CAPI device training utilising the tablets to be used for data collection, and the protocols in place for the project.

Tebbutt Research has ISO 20252 market and social research accreditation, is a corporate member of ESOMAR, and a Company Partner of TRS (The Research Society [Australia]). Tebbutt Research is bound to adhere to a code of practice which includes upholding confidentiality and obtaining informed consent at the beginning of each interview, prior to determining participant eligibility for the study. The process of obtaining informed consent required the research process, in terms of data collection, handling, and how personal/professional information would be used, including assurance of anonymity of responses, to be explained to each respondent.

## **Component Two – Depth Interviews with Business Owners & Managers**

- Qualitative research in the form of depth interviews

The second component of the research explored behaviours and attitudes beyond the extensive quantitative data collection by probing business owners' commercial journey to date, including how they manage the business, the challenges they have faced, plans for growth, aspirations for the future, and desired resources or initiatives to support them to achieve their goals.

Tebbutt Research conducted 41 one-on-one qualitative depth interviews with a diverse sample of business owners and managers to better understand key data points in the survey. These depth interviews identified some of the emotive and aspirational aspects of running a business in PNG and enabled the development of case studies to augment the final report.

All depth interviews were conducted by a moderator in vernacular. Potential respondents were selected randomly from businesses who had participated in the MSME and Informal Sector Survey and were subsequently invited to provide additional feedback during a depth interview. The sample was designed to include one male and one female business owner in each of the 21 provinces included in the research. Care was also taken to achieve representation across business characteristics including registration status, annual turnover, and location density. The final sample was designed with the following specifications:

- Gender
  - 50% male
  - 50% female
- Business classification (determined by registration status and annual turnover)
  - 29% informal business
  - 24% micro enterprise
  - 29% small enterprise
  - 19% medium enterprise
- Location density
  - 33% urban areas
  - 33% rural areas
  - 33% remote areas



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Each depth interview was approximately 45 to 60-minutes in duration and covered a variety of topics including:

- Motivators for starting the business
- Early challenges, opportunities, and decision-making
- Current strengths, limitations, and needs to drive expansion
- Anticipated future challenges and opportunities for growth
- Business confidence
- Experience with exporting
- Impacts of crime and corruption
- Quality of local infrastructure
- Access to finance
- Role of GoPNG in MSME sectoral development
- Role of unpaid staff in MSME economy
- Experience with training and mentoring services
- Gender issues
- People with disability
- Impacts of climate change





Sample

**Business Disposition Outcomes**

The following flow chart (*Figure 1*) details business disposition outcomes from initial contact through to survey completion, denoting the raw numbers achieved and lost in each stage. From a total contact pool of n=3017 businesses, n=2893 interviews were achieved, comprised of n=1309 formal MSMEs, n=1302 informal sector businesses, and n=282 formal businesses that did not qualify to participate.

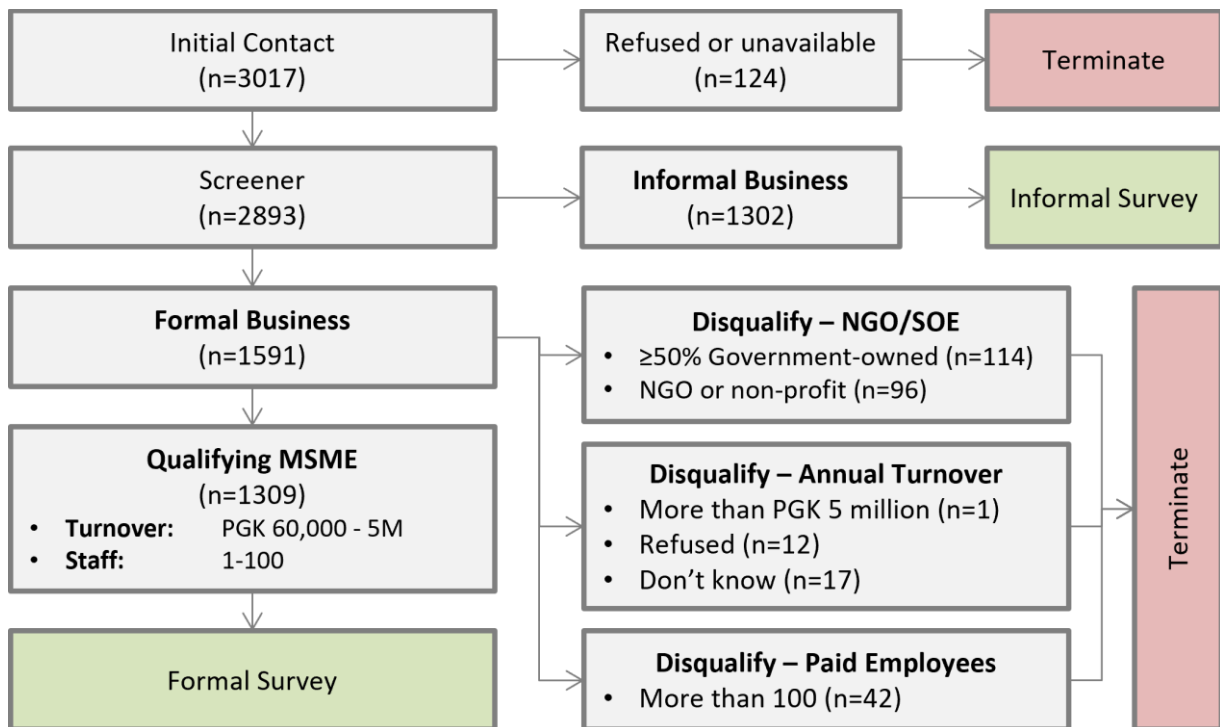


Figure 1: Business Disposition Outcomes



The proportion of formal MSMEs, informal sector businesses, and screened organisations is portrayed in *Figure 2*. It demonstrates that the achieved sample is comprised of equivalent parts formal MSMEs and informal sector businesses, and that screening of NGOs or SOEs was more common than formalised businesses being too large for our MSME definition.

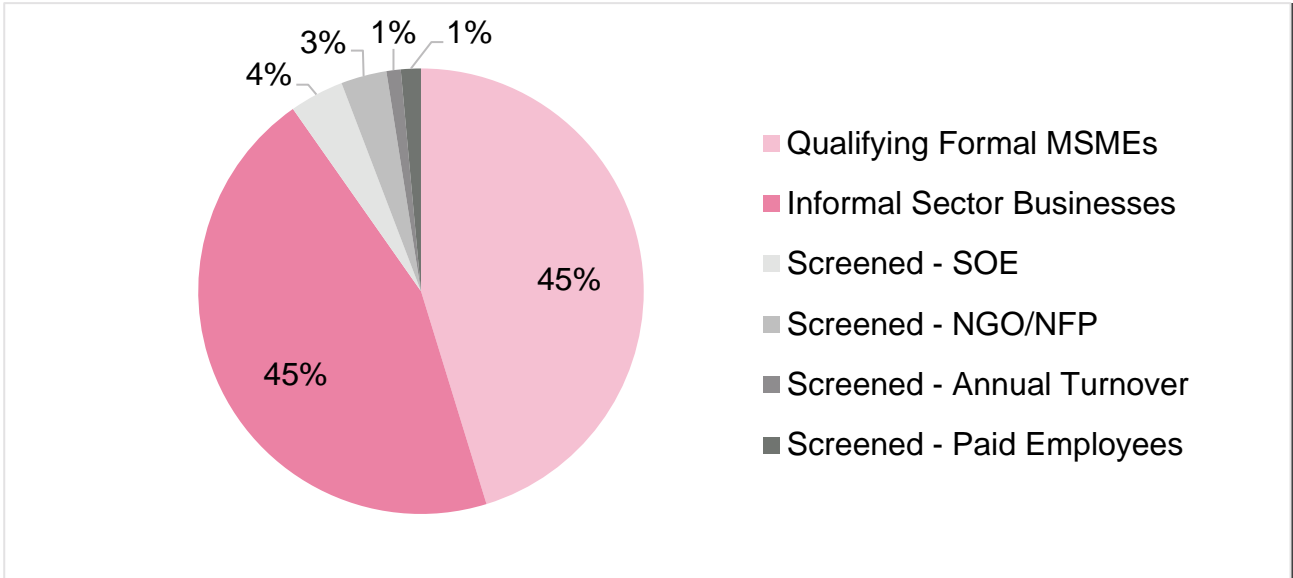


Figure 2: Composition of Contacted Sample



**Location Breakdown**

The sample count by province and region clearly demonstrates how the ratio of formal MSMEs to informal businesses varies considerably by location. The Highlands region has the highest informal business activity (0.62 formal MSMEs per 1 informal business), followed by Momase (0.70 to 1), then Southern (1.72 to 1), and the Islands (2.09 to 1).

Table 1: Location Breakdown

	Formal		Informal		Depth Interviews
	Count	%	Count	%	Count
<b>Highlands Region</b>	<b>408</b>	<b>31</b>	<b>653</b>	<b>50</b>	<b>12</b>
Chimbu	90	7	217	17	2
Eastern Highlands	96	7	150	12	2
Hela	30	2	54	4	2
Jiwaka	92	7	88	7	2
Southern Highlands	42	3	74	6	2
Western Highlands	58	4	70	5	2
<b>Southern Region</b>	<b>349</b>	<b>27</b>	<b>203</b>	<b>16</b>	<b>12</b>
Central	14	1	55	4	2
Gulf	29	2	31	2	2
Milne Bay	68	5	13	1	2
NCD	129	10	47	4	2
Oro	36	3	23	2	2
Western	73	6	34	3	2
<b>Momase Region</b>	<b>193</b>	<b>15</b>	<b>274</b>	<b>21</b>	<b>8</b>
East Sepik	41	3	76	6	2
Madang	55	4	115	9	2
Morobe	53	4	44	3	2
West Sepik	44	3	39	3	2
<b>Islands Region</b>	<b>359</b>	<b>27</b>	<b>172</b>	<b>13</b>	<b>9</b>
AR Bougainville	51	4	55	4	2
East New Britain	113	9	55	4	2
Manus	41	3	14	1	2
New Ireland	53	4	45	3	2
West New Britain	101	8	3	0	1
<b>Total</b>	<b>1309</b>	<b>100</b>	<b>1302</b>	<b>100</b>	<b>41</b>



## Quality Control and Data Security

Tebbutt Research employs quality control at multiple points in the data collection and analysis processes. We take the view that the earlier a problem or omission is discovered, the more easily and quickly it can be addressed and corrected. To that end, we routinely take the following QC steps:

- Scripting of questionnaires with logic checks, automatic routing, and restrictions on data types and ranges.
- Field staff training. Staff are trained in the proper use of the data collection instruments and technology. This includes confirmation of unlikely or inconsistent responses.
- Field supervision. Each team of interviewers is overseen by a team leader who observes a sample of each interviewer's work. Typically a minimum of 10% of interviews are observed.
- Data review. A dedicated QC team reviews data and meta-data as it is received from interviewers. This is designed to detect both systemic issues, and problems with individual interviewers or teams that require addressing. Meta-data checks include time and geo-location reviews.
- Independent call-backs. A portion of respondents are re-contacted (either by phone or revisit) by an independent validator, to verify the interview was conducted and assess the accuracy of data collection.

Our data collection platform has ISO27001 certification, is compliant with the General Data Protection Regulation (GDPR) and runs on Azure. Appropriate controls are in place to prevent unauthorised access to survey data.

Interviewer devices are protected with Hexnode and placed in kiosk mode so users cannot adjust settings or apps. All data is encrypted in transit and at rest. Data on tablets is deleted after a successful upload.



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# Qualitative Attitudinal Findings

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## Beginnings

### Motivations

Many depth interview participants shared similar motivations for starting their businesses including the need to financially support themselves or sustain their day-to-day livelihood, the desire to be independent and work for themselves rather than an employer, and wanting to bridge an observed gap or demand in the market. The dynamics within one's family are integral to the decision to start a business. In particular, a sense of obligation and reciprocity towards immediate and wider family is a key theme throughout all motivations, decisions, strengths, and weaknesses of the business. People want to provide for their children, particularly through funding for schooling and employment opportunities in their future; women especially shared this sentiment. For some business owners, there was a desire to become financially independent rather than relying on financial assistance from relatives.

*"I started the business myself to look after myself, pay for my kid's school fees, support the church, and support people that need help." (Highlands Region, Female, Rural, Small Enterprise)*

*"As a single mother struggling with school fees for my kids, I see that my fortnightly income cannot help me afford that, so I must do marketing to help sustain me and my children."  
(New Guinea Islands Region, Female, Remote, Informal Business)*

Several businesses were motivated by the wider community context in different ways: identifying a specific need or challenge facing their local communities, creating business solutions, and aspiring to provide support to youths or those less fortunate in their communities. Other people developed businesses based on the resources at their disposal, access to business training workshops, or exposure to the success of other local business owners.

*"I started with the intention of creating employment opportunities for youths coming out of the college and to support the community. I started it off with my own capital to support my family and provide employment for the unfortunate ones." (Momase Region, Male, Urban, Medium Enterprise)*

Businesses were most-oft set up with the assistance of family, locals in the community, or business partners – this comes with an expectation of reciprocity. A number of respondents inherited their business through parents or elder relatives, sometimes feeling obligated to continue the family business at the expense of other opportunities.

### Business Growth

The most important determinant of business growth and development continues to be cashflow, with most interviewed businesses emphasising the pressure they are facing to maintain customers and revenue to keep their business operational. Business owners raised a variety of strategies and interventions to promote cashflow including direct financial assistance, improving transportation and road infrastructure, or even easing procurement policy to alleviate the financial burden carried by MSMEs while waiting for government departments or other organisations to pay for goods and services.

*"Money is the only thing that helped me grow my business. When I receive money from relatives, I invested into this trade store. It's not a big business, but it is something that helps sustain me and my family." (Highlands Region, Male, Rural, Informal Business)*



Provided cashflow is the primary determinant of growth, it is coherent that access to finance acts as a catalyst for businesses to expand and develop. Some business owners explained how early access to loans and capital supported them to invest in their business and grow capacity during the early stages of their business; however, the majority of business owners shared their difficulties trying to access finance. Hence, collaborating with financial institutions to manage risk and reform lending practices in the MSME sector may improve access to finance and promote sectoral growth.

According to businesses spoken with, the rate of change for businesses is highly variable. There is motivation to continually improve business processes and implement technology to remain competitive in the market. Some businesses needed to expand or diversify their products or services to accommodate the changing needs of their customer base or the wider landscape they operate within. For many, especially those who started their business to address a lack in the community, customer demand has significantly aided business growth and many businesses have established loyal customer bases, allowing continuing company growth.

*“Gradually, when my father started the small business, the operations were all manually done, now that I have taken over, I have enforced technology to help speed up some of the business process.” (Highlands Region, Male, Rural, Small Enterprise)*

Of the several hurdles to growth, foremost was the difficulties in acquiring working capital, which is a running theme through the qualitative findings. This is attributed to a range of difficulties that include accessing funding from banks, limited business or financial information, corrupt government activity, and gendered discrimination for women. Cultural financial obligations, such as bride price and funeral costs, are an additional and pervasive drain on potential growth capital – some respondents state that family members feel entitled to the success of one’s business, continuously accruing a debt that is never repaid. Geographic location is an impediment for some business owners who express that the nature of their isolated location impacts their customer base and stock levels.

While overall competition of other similar businesses in the market presented their own challenges, some respondents specifically raised competition with Asian businesses to be particularly difficult. They find these businesses to have an affordable and diverse selection of high-demand products, and as such they dominate retail businesses, particularly in rural areas.

*“A big challenge in this place is we SMEs are challenging those Asian giants. If only we can have those Asians close on Saturday half day and Sundays, we will have the chance to sell and make money as well.” (Southern Region, Male, Urban, Informal Business)*



## Medium Enterprises

Respondents who were running medium-sized businesses presented both upsides and challenges of the current state of their business compared to when it was smaller. On the positive side, the growth of the business made it easier to not only achieve a consistent, trusting consumer base, but also one that is diverse and seemingly more legitimate, such as government, public, and private sector organisations. In general, larger businesses had more working capital to engage in various business actions.

*“For medium size, regardless of whatever location, the customers know the quality of products you sell they will still come.” (Momase Region, Female, Urban, Medium Enterprise)*

On the other hand, the more a business grows, the more time must be spent on business activities such as planning, contracting, market research, and staff management. The demands of customers increase and diversify. While a smaller business is more flexible in how it operates, medium businesses must be more patient and cautious with the management of all aspects of their operation.

## Registration & Formalisation

Respondents suggest formalisation to be advantageous in a number of ways, chief among them being that it is a requirement to receive a loan from a commercial bank. Some were motivated to formalise their business as a logical step alongside the growth of their income or operation, while others were required to register their businesses by nature, such as alcohol or tobacco retailers. Some suggested that formalisation is also required to access training or mentoring from business centres, which may otherwise be limited.

Formalisation protects the business, not only in a regulatory sense, but in terms of security against petty crime – in some instances, the community will deem such businesses to be more established and will make efforts to protect them. Some respondents note that corruption and bribery are evident in the business sector, and many businesses are unfairly allowed to bypass formalisation requirements or have expedited processing times.

For businesses who have not yet formalised, registration would largely depend on their access to finance for registration fees, the lack of which constituted the primary barrier to registration. Furthermore, formalisation was described as a lengthy and difficult process that many people felt they did not have the confidence or knowledge to complete. It was also highlighted that many individuals did not meet requirements for registration, missing identification cards, passports, or other formal documents required in the process. Some previously formalised businesses have lapsed registrations as they did not deem it worth renewing.

*“Yes, I’m thinking of registering my business, but I do not have the confidence enough to register my business. I have tried countless times, but I still find it difficult, so I did not register my business ... They charge hefty fees, so I just do not want to register.”  
(Highlands Region, Male, Rural, Informal Business)*





## Business Today

### Business Status

#### Strengths

In terms of things that were going well in their business, perceived business growth and development was raised by several respondents. Business owners were happy to see changes including an increase or diversification of their customer base, acquisition of business assets or training, and expansion of operations to new branches.

The role of the business in the wider community was valued by many; some exhibited satisfaction centred around their ability to contribute quality goods and services to their communities, while others expressed positivity in their capacity to network or collaborate with other business in their sector. Other business owners were happy with the sense of power and recognition that came from having a successful business. On an individual basis, people were happy to be self-sufficient, financially independent, and to potentially pass something on to their loved ones.

*“Well, the strength of my business is, I see that I am serving the community and people by meeting their needs and I can see that my business is growing, and I am happy about it.”  
(Highlands Region, Male, Rural, Informal Business)*

*“The positive thing about my business is I am helping myself and helping others to save cost instead of travelling all the way to Port Moresby, at least I am doing some services to the community.” (Southern Region, Female, Rural, Small Enterprise)*

#### Weaknesses

Business owners tended to further elaborate on the difficulties they experienced with their business. Commonly shared challenges included general operational issues, staff management difficulties, increased market competition, and criminal activity.

A primary challenge highlighted was poor access to capital, exacerbated by the high tax rate, inadequate supply chains, and inflation. The resulting decrease in income raises both operational costs and personal costs-of-living. Even for businesses with optimal access to resources and community sources, the lack of money constitutes a significant barrier to business. Access to funding is not only impeded by requirements and documentation, but also a lack of education and confidence in how to access services. Similar educational deficits also exist in business management activities (e.g., bookkeeping) and there is a need for training or mentoring in these skills. To compensate for this, businesses often enlist the help of family members or other external agents.

The involvement of family can create further difficulties for businesses; culturally, business owners can be seen as ungrateful if they do not share their profits with family, especially if they received unpaid assistance. These expectations are tied to further challenges raised in the commonly-used *dinau* system, in which customers use credit for purchases – many respondents struggle to receive payments after the fact.

*“Credits basis holds me back when customers don’t pay up. Most of the time I try my best to reimburse the credits out of my pay check or whatever little sales I make just to keep my business rolling.” (New Guinea Islands Region, Female, Remote, Informal Business)*



## Business Opportunities

Respondents highlighted a number of areas they felt were opportunities for businesses to focus on and take advantage of. The importance of having a strong business network was highlighted, with good contacts fostering sustainable development – sharing skills and contacts with other businesses in the community is seen as beneficial for the collective. The chance to expand their business and diversify products and services in the market was also noted as a key opportunity. Respondents suggest that tapping into abundant local resources may provide an avenue to a large source of income with assistance from the right organisations. Opportunities in expanding business to economic hotspots such as Port Moresby is suggested by those in locations with perceived issues in cashflow.

*“We have abundant supply of resources particularly fisheries products. If we can be able to market them outside the province and create demand, that would create more opportunities for us to earn huge income. We have untapped tourism potential and need the right organisations that can partner with us to develop it. We need more opportunities to market our products because Manus has no market.” (New Guinea Islands Region, Female, Remote, Informal Business)*

## Business Confidence

While some businesses were largely confident in the future of their business, others projected more uncertainty. Even the businesses that were positive about their future prospects consistently communicated specific issues that could affect their business or the wider market and economy.

Wider economic factors also contributed to confidence in the future. The current and future economic health of the country was a concern for many, based on current experience with inflation and the rising cost of living. Businesses shared the impact that inflation has had on their services and staffing, with many staff facing job loss or inadequate wages. While some businesses may be able to flourish and grow with the current economic trends, others expect to struggle. There is some blame passed to the government for this, with business owners unhappy with how the government has handled the economic situation, including the investment of foreign countries and organisations. Furthermore, the perception of politicians venturing into businesses (such as lodges or hotels) was seen as a conflict of interest and influenced views of corruption.

*“Yes, it will be affected. We are just business owners at the end of the day they control the economy it will come down to us and people in the village will suffer in terms of the economy.” (New Guinea Islands Region, Male, Remote, Informal Business)*

*“From the national perspective we are encountering a goods and services price increasing that will lead us to inflation. Inflation will affect the cost of running the business and our living cost, it will be a struggle for us...” (Highlands Region, Male, Remote, Small Enterprise)*

Poor decision-making on behalf of the government was deemed detrimental to the state of the market, and the future of business in PNG.

*“There is no future for these business-like industries in PNG because it is very expensive to maintain and expand the business if the government does not step up and protect the national interest to protect the local companies... The future of business in PNG is at risk now due to the policy implementation.” (Highlands Region, Male, Rural Small Enterprise)*



Some businesses felt they would be successful despite the wider economic situation. This varied depending on industry; some services, such as road maintenance and infrastructure development, would always be needed regardless of the economic situation, and upcoming projects in major sectors (e.g., mining) boosted business confidence for some. A perceived increase in interest and engagement with businesses is seen as a positive step for the economy. Some MSMEs believe small business comprises the backbone of PNG's economy and are confident that continuing to grow this sector may support the nation to improve its current economic situation, similarly to how the PNG economy rebounded after the COVID-19 pandemic.

## Business Issues

### Exporting

Business export is heavily linked to the availability and accessibility of transport services. Some rural businesses sell goods not only in their local markets, but also travel to main urban areas which are considered target markets. Travelling between provinces is especially popular in the Highlands region, where several businesses report travelling to sell in Lae or Port Moresby. Some businesses export their goods overseas, though there is little support available for this, limiting the opportunity for many.

For those not involved in exporting, either domestically or internationally, many shared an interest in expanding their business and customer base, however are hindered by a lack of training and information. There is also a financial barrier to exporting, with many businesses hindered by transportation or freight costs, including those in resource-rich areas who would otherwise be ready to export.

*“We are ready to start. We have lots of fisherman who ready to go but the freight cost of K8.00 per kilo with Air Niugini is too high for us. The market is not here... We need to export our products.”  
(New Guinea Islands Region, Female, Remote, Informal Business)*

### Crime

Crime was a primary issue impacting many businesses, either being directly or indirectly affected. Robbery, vandalism, and security-related issues are ongoing challenges mentioned by many, and there were scattered mentions of fraud. There was some mention of the impact of Black Wednesday on local businesses, with a business in Lae reporting vandalism and looting. Women were amongst those more likely to have been affected by crime, with many attributing this to their gender; several women note being victim to verbal and physical abuse by customers, especially drunkards. Some businesses note having to pay-off troublemakers to prevent them targeting their business. There is a belief that police do not do enough to address nor prevent criminal activity against businesses, and increased accessibility to security personnel and services is requested by many.

*“Security is something that we should look at, we need a lot of police man on the ground because currently we have only one police man.” (Southern Region, Female, Rural, Small Enterprise)*

*“We have a lot of breaks and enters and criminal activities. There were times when we have criminals threatening my family and me. I engaged some security personnels, but they compromised with the thugs to break and enter and rob us.”  
(Highlands Region, Female, Urban, Medium Enterprise)*



*“When we travel on the road most times we arrive at trouble fighting area where they hold us up and get the vehicles... We stay there until we sort the situation out by giving them money. Money is the only thing that will solve issues.” (Highlands Region, Male, Rural, Micro Enterprise)*

Instances of scamming have been on the rise, with some informal business having fallen for schemes; in some cases, scammers have posed as IRC or IPA employees, or as members of business support associations, and fooled businesses into providing funds for business formalisation. For others, customers have paid for goods and services with counterfeit money.

Tribal disputes and fighting can be highly disruptive to business operations, causing them to temporarily close down, and can sometimes put business owners or employees at risk.

*“When we have tribal fights or dispute in the community, then we must show respect, so I normally close my business for a week or two weeks and this affects the business in major way.” (Highlands Region, Male, Rural, Informal Business)*

### Corruption

Corruption in PNG is described as extensive and is evident in business practices and through various levels of government. Many business owners note corruption in how businesses are awarded contracts – businesses are perceived to be selected through nepotistic processes (through family members and wantoks) rather than because of capability. It is suggested that the implementation of more rigorous procurement procedures would help address this.

*“Unfair treatment in awarding contracts... Set up a good tough procurement process so it will be fair.” (New Guinea Islands Region, Male, Urban, Medium Enterprise)*

*“I see that nepotism is very big, its whom you know.” (New Guinea Islands Region, Female, Remote, Informal Business)*

Governmental corruption, nepotism, and unfairness are common complaints from business owners. Government officials are reported to engage in behaviour such as attempting to extort payments from businesses or not paying hospitality or guesthouse businesses for their services, rather booking through credit, or failing to pay at all. There is mention of illegal small-scale mining operations that have received assistance from local political figures in return for electoral consideration.

*“We have been issuing items to government officers who produce dishonoured cheques ... Now our accounts team deals directly with the government accounts team for each department to confirm the cheques before we issue the items.” (Momase Region, Female, Urban, Medium Enterprise)*

There are concerns that funding at lower levels of government is misused, possibly due to issues in government structure. Respondents suggest that corruption is endemic through all levels of government and with government bodies facilitating MSME programs. There was some suggestion that expatriates should run such programs as they are not invested in problematic cultural interests and issues. The removal of corruption from the government is deemed extremely important for businesses and the nation overall.

*“Corruption is something that is destroying our nation, some people working in the government offices are not honest. I believe corruption should be dealt with accordingly.” (Southern Region, Female, Rural, Small Enterprise)*



## Infrastructure

Infrastructure, especially transportation infrastructure, poses a major challenge for many businesses, requiring additional expenses to overcome. This is the case in most rural or remote areas, where there are intrinsic accessibility issues. A vehicle is a highly desirable asset for many businesses as it would significantly lift the transportation burden and enable further distribution of goods or services.

*“Transport is one of the big issues we face, the government need to help us with a big boat so we can transport things on large quantity.”*

*(New Guinea Islands Region, Female, Remote, Small Enterprise)*

The lack of appropriate buildings or market spaces were raised as issues for some businesses. Electricity issues and power blackouts are common for many, with businesses setting up back-up diesel generators to address power unreliability. Similarly, many businesses face challenges with water accessibility, necessitating the building of reserve water tanks. Internet connectivity and telecommunication reliability are also infrastructure issues affecting businesses. The ongoing fuel crisis in PNG has impacted various forms of infrastructure, such as communication towers and use of back-up diesel generators, because of fuel shortages and increased costs. Respondents suggest that government should make greater efforts in maintaining and improving current infrastructure.

*“The only challenge I am facing now is power and water. I am spending three times of what I get on these issues, and I bought three water tanks to help me with the guest house.”*

*(Southern Region, Male, Rural, Medium Enterprise)*

*“Electricity is the main issue for us here we face frequent blackouts every day... telecommunication affects us as well, we cannot communicate to our other branches if Digicel network is down.”*

*(Momase Region, Female, Urban, Medium Enterprise)*

## Finance

Access to loans and credit is a major challenge for businesses. It is suggested that government support for MSMEs is limited to accessible urban communities, and little to no support reaches those in more remote locations. Requirements for MSME funding is difficult to attain or impeded by additional hidden requirements. Respondents hope for flexibility in how the government works with financial institutions to provide business loans; this is especially the case for informal businesses, which often lack necessary documentation to procure a loan. Where funding is not available businesses are forced to operate on their own money, inhibiting business growth for many. It is suggested that financial institutions may not have confidence in rural business people, which is why they make it more difficult for them to access finance.

*“I have tried many ways to get funding and loans but since I am an informal business owner, it is difficult. I am a villager and I do not have much idea about ways to go about getting financial assistance. I have not taken any loan or credit to start my business... I have difficulty accessing funds because I have no documents to prove that I have a business.”*

*(Highlands Region, Male, Rural, Informal Business)*

*“Regarding that, they said they allocated SME funds for us but in reality, when we go to the bank they will request for additional requirements. At first what we heard is like individuals can access funds but after that they said only group (associations) can access funds. That’s why you will see most business here operated with their own money. So, the SME funds must be sleeping their or someone already took it.” (New Guinea Islands, Female, Urban, Informal Business)*



If businesses were to receive funding or loans, most would use it for business-related expenses including paying off previous debts, purchasing assets, funding projects, and expanding business operations. One respondent suggested using a loan to set up another bank, specifically for women, to help alleviate access issues.

*“We want a bank for women only, a bank which understands our issues and [is] keen on promoting our desires to succeed and prosper.”*

*(New Guinea Islands Region, Female, Remote, Informal Business)*

## Government Assistance

Generally, respondents believed that the government should be providing assistance to MSME business owners. Many suggestions centred around the provision of accessible funding, with capital return in both taxes and growth of the wider market, and access to training and mentoring services.

*“Educate the people by conducting awareness and training and assist the small existing businesses to help them grow.” (Highlands Region, Male, Rural, Informal Business)*

Further government assistance was requested in infrastructure development and maintenance. It was suggested that the government play a stronger role in building and maintaining the MSME sector overall, stimulating population involvement and investing in high potential markets. Specific suggestions included the setup of rural and remote business centres, a greater amount of research at grassroots levels, and the deployment of regional regulatory officers to strengthen the government’s ability to provide for specific community needs.

*“My only problem was expecting someone from the government to come talk to us and teach us how to deal with our business, but no one came.”*

*(Morobe Region, Male, Remote, Informal Business)*

*“They should send in field officers to come in monitor, evaluate and check their business products.”*

*(Southern Region, Male, Rural, Micro Enterprise)*

There is concern surrounding the potential for over-reliance on government or NGO assistance. For many, it is essential that business owners be the drivers of their own business and try to limit dependence on outside assistance. Some respondents suggest utilising government assistance may cause a lazy mindset, while others believe government assistance is essential to the growth of the MSME sector. Suggestions for more limited forms of aid included providing smaller amounts of aid to established businesses, rather than start-up capital, providing material assistance instead of financial, or focussing on policy development to aid the nation’s economy.

*“I don’t need money, because I might see money and not do the work properly, I need material [assistance] to generate income.” (New Guinea Islands Region, Male, Remote, Informal Business)*

## Training & Mentoring

Businesses have varying levels of familiarity with the available business training and mentoring services: some have used them before, some haven’t personally used them but are aware through friends or family, while others have no knowledge of these services. While many businesses share the importance of a strong business network within communities, some respondents perceive large businesses as reluctant to share professional knowledge, believing it is to prevent competition.



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A lack of awareness, favouritism, and nepotism were listed as problems in accessing these business services. One respondent suggested that these services are only available for people who have formally registered their business, while another suggested that they are only given to people with family or friend connections. Respondents who are unable to utilise business training or mentoring services report accessing business information online or relying on self-intuition as the business progresses.

*“Previously when they came around, there was no awareness to advise us on what they were doing. We didn’t know so we didn’t take part.”*

*(Southern Region, Male, Remote, Informal Business)*

*“If someone is coming from Port Moresby to run training it is only their families or whom they know of that attend the workshop. Most times we are left out.”*

*(Southern Region, Male, Urban, Informal Business)*

Some respondents that have previously accessed business training believe that the content was not what they needed, referring to the training as a waste of time. There is a strong belief that the government should deploy people to train and mentor local business owners, especially in rural and remote communities, and to customise these trainings to specific needs.

### Staffing

Due to the increasing cost of living, goods, and services in PNG, many businesses are facing issues affecting employee retention and wages. Numerous businesses note being unable to increase staff salaries to lighten cost of living pressures, while others mention having to let staff go to combat increasing operational costs and a loss in profits. Many business owners aspire to provide more employment opportunities for those in their communities, especially for youths or those who are less fortunate, but cannot afford to do so.

Of the businesses that employ unpaid staff, they are primarily family members or close friends who help across a variety of tasks. Tasks mentioned include general business operations, serving customers, utilising a unique skillset (e.g., an electrician), or providing security. Businesses utilise unpaid staff to keep operational costs down, however may provide compensation through work experience, meals, or the provision of other necessities.

*“This is small establishment, and I cannot afford to employ other people.”*

*(Highlands Region, Male, Rural, Informal Business)*

### Women in Business & Gender Issues

Women report many encountering many challenges in running their businesses which largely surround negative attitudes toward their gender. Women in business report being discriminated against, treated in a condescending manner, and being overlooked while male counterparts are prioritised. Some women report being excluded from receiving business and financial assistance due to their gender.

*“Women are not included. They look down on us and will not let us get loans through the banks... I approached all the banks and formal outlets, agencies for SME related funding in Manus... and they were not able to help me. They don’t seem to know what they are doing, and they told me that women are not included and can’t receive funding.”*

*(New Guinea Islands Region, Female, Remote, Informal Business)*



*“Male is head of the family so sometimes it’s hard for them to get instructions from a female.”  
(New Guinea Islands Region, Female, Remote, Small Enterprise)*

*“It’s cultural, people say woman cannot do a man’s work.”  
(New Guinea Islands Region, Female, Urban, Informal Business)*

Wider societal issues for women such as violence and relationship issues are also raised as difficulties. In some instances, women report being actively exploited or undermined by male colleagues, even if they were family members; one woman shared being ostracised from her business by elder brothers. Some women suggest it is better to run a business separately from spouses or other male relatives. Security issues in particular pose a greater risk to women, and there are suggestions that women should not complete certain jobs due to increased security risk.

*“One of the main factors that affects women to do business is violence within the family and community. Social issues are also affecting a lot of women here in PNG, husbands are not very supportive, having extramarital affairs is one of the main issues.”  
(Highlands Region, Female, Urban, Micro Enterprise)*

*“The government should provide police personnels here to look after us women here from drunkards.” (Highlands Region, Female, Rural, Small Enterprise)*

Aside from attitudinal challenges, maintaining a work-life balance is another challenge, with women expected to undertake familial and cultural obligations. For many women, spousal support is limited. Women with children are primarily responsible for their care, and many mention missing work opportunities or as a result. Several women report misuse of business funds with families, especially from their husbands.

On a positive note, respondents share that there are multiple women’s empowerment programs available at the provincial level. One female business owner is responsible for organising a women’s group where women in the community can discuss concerns and provide support for various business-related difficulties. While some communities are working towards empowerment for women in business, many are still waiting for government action. People want the government to improve accessibility, quality, and quantity of programs for women in business.

*“If we know how, we can look after our own business. The big thing they need to do is provide training for us.” (Momase Region, Female, Rural, Informal Business)*

### **People with Disability**

There were no depth interviews conducted with individuals with disability. However, several business owners had experience with employees with disability, recalling providing support and encouragement where necessary. One respondent’s husband has disability and runs his own business – she provides managerial support in the business and shares that like many other business owners, financial assistance is a priority for people with disability.

*“My husband is unable to move but is a very genius person... We don’t have a problem with running the business but the only problem we have is funding assistance.”  
(Southern Region, Female, Rural, Small Enterprise)*





## Climate Change

Many businesses across a plethora of industries have been affected by climate change in some way, particularly those in vulnerable locations. Accessibility issues caused by climate change, such as landslides or flooding, create disruptions to supply chains and business operations, both preventing businesses from receiving stock or supplies and customers from accessing their services. Climate-related issues like these can also drive the price of transportation up, especially for those in rural or remote locations. Challenges with water accessibility and network connectivity can also occur as a result of climate change.

*“On the roads when it rains, we experience flood that washes the culverts away causing inconvenience for a week or so. The trucks stop on the side for us to get off and change trucks, so we carry our stocks and cross the flood to the other side.”*  
(Southern Region, Female, Rural, Small Enterprise)

*“When it rains, we don’t have customers, and we don’t make money. In Daru it is below sea level, rising water, gardens washed away, and all the goods at our markets is gone.”*  
(Southern Region, Male, Urban, Informal Business)

*“Last 4 months there was no rain, we don’t have water supply, so we had to go around and look for water. Climate change is really affecting our production site.”*  
(Highlands Region, Female, Urban, Micro Enterprise)

Businesses in the agricultural industry report significant challenges attributed to climate change. Those in the fishing industry report lower fish levels as a result of changes in currents. In the poultry industry, health and growth of chickens have been impacted by fluctuations in temperature. Saltwater intrusion is also impacting farming and plant growth.

Respondents believe that the government holds responsibility for implementing preventative measures and alleviating the effects of climate change. Government priorities should surround road quality and maintenance, improving capacity and frequency of boats and aeroplanes, and upgrading market areas to withstand strong winds and rain.

*“We are looking at shelter and transport, if the government can come in and assist with proper marketing area with proper shelter. Now at the moment with little rain our little umbrellas cannot accommodate our market.”* (New Guinea Islands Region, Female, Remote, Informal Business)



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# Case Studies

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## Case Study 1: Earthmoving Business, Female Owner (FO)

*Southern Region, Rural, Small Enterprise*

### Beginning

FO was Managing Director of an earthmoving business, founded by her incorporated land group (ILG). The ILG owned 3000 hectares of land and sought a business opportunity to put this land to use; FO approached a Chinese investor, and his machinery was moved onto the land. Not a year later, FO was ostracised from the ILG and business by male relatives: “as men, they believed I should respect them and give them the position.” After FO had been removed, company relations with the investor deteriorated, and all machinery was later repossessed due to issues with payment.

The same investor reached out to FO with a business opportunity, citing his trust in her; FO and her husband started their own earthmoving business in 2010, backed by this investor. The opportunity to be her own boss was a strong motivator in formalising this business. 8 years ago, FO’s husband left, leaving her to run the business alone. FO’s husband was the primary mechanic of the business, and this loss heavily impacted the business.

### Today

Finance is one of FO’s biggest concerns; while the business makes a profit, most revenue goes toward paying employee wages. FO is currently working an additional job in the informal sector to assist with funding for her business and supplementing wages. There are many opportunities available to grow the business, though FO is unable to make the most of these without funding, and she faces many challenges in obtaining the necessary financial support. Government contracts are hard to obtain, and there is limited other work available; with only Palm Oil companies having existing work. FO notes that access to loans and credit is a significant problem for her business and believes her gender contributes to the difficulties accessing finance.

*“If I was a male, it would be a different story, I would have been awarded more contracts, finance won’t be an issue.”*

### Future

FO wishes to create more employment opportunities for her community. However, she worries about expanding her business, noting that there is a lot of jealousy in the area, and by expanding her business she may gain unwanted attention; “if you expand your business, you are also digging your grave.” FO believes government intervention in improving education could assist in shifting cultural mentalities and empowering women in business.

*“I just hope my voice will be heard.”*

FO is confident she can grow the business utilising her strong work ethic and desire to capitalise on prospective business opportunities, she just needs adequate financial support.

### Key Action Points

Financial support; government training and intervention; promoting gender equality; encouraging community support and women’s empowerment.



## Case Study 2: Electrical Business, Male Owner (MO) & Manager

*Momase Region, Urban, Medium Enterprise*

### Beginning

MO founded his electrical business in 2004 with the intention of servicing and supporting his community by creating employment opportunities for local youths. Using his own capital he started his business, motivated to be an independent, supportive employer and to address the Vagrancy Act. When his business was founded, there was little competition, allowing MO to grow the business, even expanding to provide services across several provinces in PNG.

### Today

In recent years, a major hurdle to business growth has been the influx of foreigners into the region, especially into the electrical trade industry; MO claims Papua New Guineans have been left to struggle within their means, unable to access the resources that foreigners have. Furthermore, foreign construction companies completing local development projects often bring their own workers, including electricians, depriving locals of employment opportunities and capacity building.

Today, MO is content with the status of his business; he is proud to be in a position to support PNG's economy and internal revenue and encourages other Papua New Guineans to do the same. Despite this, MO faces some financial challenges, especially surrounding taxation. MO suggests that tax rates should be reflective of business size and income and hopes the government can introduce policies to address these requirements. As a result of current taxation requirements, MO has had to lay off several employees.

Accessing financial support in the form of loans is also complex, with banks having complicated requirements, and interest rates being challenging to repay, especially for individuals with inconsistent income. Any government support in this area would be greatly welcomed.

### Future

MO feels confident about the future of his business as his children are in a position to provide support and continue the family business. On the other hand, MO has little confidence in the government, primarily as a result of the foreign exchange situation, and a lack of control over the flow of money out of PNG. He shares concerns that this may impact the future of his business, with increased prices of goods, materials, and services resulting in customers seeking cheaper, lower quality services instead of MO's quality service.

If the government could explore MSME challenges at a grassroots level, and implement policies and training programs to address these, the future for business owners may be more positive.

*“The responsible officers from Trade & Commerce Departments are not even bothered to go around and find out on what is happening with MSMEs in the country.”*

### Key Action Points

Financial support; competition; foreign exchange; taxation requirements; regulating foreign business operation.



## Case Study 3: Poultry Business, Male Owner (MO)

*Autonomous Region of Bougainville, Remote, Informal Business*

### Beginning

In 2022, MO started an informal business raising and selling poultry, following motivation to sustain his livelihood and provide a service to his community which was previously lacking. Initially, MO found it challenging to run the business given high customer demand. However, improved availability of resources and development of a loyal customer base have since helped MO to grow the business.

### Today

MO most likes having a business because of the benefits it provides to both his family and his community by improving cashflow. To further develop his business, MO requires managerial support, someone who can look after day-to-day operations and assist with business efficiencies. He specifies needing material assistance, especially in the form of machinery and improved water infrastructure, rather than direct financial assistance. MO is looking for a pellet mill to make chicken food, something that will ultimately save him both time and money. MO believes receiving a financial handout will not motivate him to complete the work properly, whereas material support will help him generate more revenue.

*“They can assist but I must use my hands to make my own money first, I must not depend on them.”*

Other challenges MO is facing include poor communication from suppliers and impacts of climate change. When placing orders, suppliers do not provide clear estimates on product information nor delivery dates, resulting in issues with transportation arrangements, and stock shortage. Climate change has negatively impacted MO's business, with atypical weather patterns affecting chicken health and growth. To improve resilience, MO requires thermometers to monitor temperature fluctuations and incubators to provide a controlled environment for his chickens.

### Future

Government assistance in the form of Deliberate Intervention Programs would aid MO's business growth. However the government can assist, they should assist. Assistance from NGOs would also be welcomed, however reporting requirements that accompany aid provisions make MO hesitant to engage their support. Additionally, MO worries about corruption and mismanagement of funds when dealing with these organisations.

MO is hesitant regarding the future of his business in PNG, believing that the country is off track, and his business will suffer as a result. Foreign interference and reliance on foreign partners have harmed the economy, and MO believes “it's not PNG running everything, somebody behind the scenes is running everything.”

*“If the authorities above continue with the unfairness, the rich will become richer, and poor become poorer.”*

### Key Action Points

Material/resource assistance; Deliberate Intervention Programs; limiting foreign interference; building resilience to climate change; addressing corruption.



## Case Study 4: Hospitality Business, Female Manager (FM)

Highlands Region, Urban, Medium Enterprise

### Beginning

FM has been involved in the hospitality industry for 30 years. She started working as an Assistant Manager at a guesthouse in 1994 and was promoted to Manager in 1997 where she has remained until now. The business was initially established by a church group as temporary accommodation for missionaries. FM later assisted in converting the space into a guesthouse and was involved in improving the premises. FM saw ample opportunity to grow the business but was constrained by her superiors; she dreams of starting her own business utilising her experience and existing skillset.

*“My dream is to establish my own business in the hospitality industry. I have so many visions for this business that I want to implement.”*

### Today

Business is good as the guesthouse is situated in a prime location in town and attracts a lot of walk-in guests and reservations. FM finds running the business very interesting and appreciates the opportunity to meet and form connections with people from different walks of life: “I am happy about this work because I get the satisfaction out of helping people and seeing my customers well taken care of and happy.”

FM highlights several challenges affecting the business including communication channels with superiors, staffing, business expansion, inflation, and getting customers to pay (especially government departments who “tend to turn a deaf ear on us”). Ineffective communication channels with superiors are impacting business development, with delays in building maintenance, repairs, and upgrades. Security is another of FM’s key concerns as she has been victim to break-ins, burglary, threats, and verbal abuse. FM also notes facing gender-specific challenges, especially when dealing with male customers which sometimes escalates to law enforcement being called.

*“I feel that PNG men have no respect for women.”*

### Future

FM aspires to grow the business by building additional rooms and expanding conference facilities. FM notes that there is a lot of money in the hospitality industry and is confident that with her skillset she can take advantage of any opportunity to develop the business, if given a chance.

FM is wanting increased business training, preferably sessions that are accessible and customised. Organisations such as the Tourism Promotion Authority (TPA) have invited FM and employees to various trainings and conferences in the past however these trainings are only offered in English, which disadvantages many employees and prevents them from receiving adequate and necessary training. FM hopes to encourage capacity building by inviting skilled workers to conduct training; one idea is to bring retired chefs from Japan to train local chefs, enabling diversity in menu items.

### Key Action Points

Improve accessibility to business training; address gender issues – security and discrimination; address corruption.



## Case Study 5: Manufacturing & Retail Business, Male Owner (MO)

*Southern Region, Rural, Micro Enterprise*

### Beginning

MO started his micro-business four years ago after being inspired by a training held by the Department of Agriculture and Livestock (DAL) and the Coconut Investment Corporation (Kokonasi Industri Koporesen, KIK) on the versatility of coconut products. MO's business involves manufacturing and marketing coconut products, namely virgin coconut oil, coconut soap, and coconut ice cream. Initial business hurdles included poor accessibility to market areas and bad roads which impacted sales. Some aspects of MO's business have been supported by DAL and KIK, including assistance planting coconut trees.

### Today

MO's business is progressing well, due to having access to raw materials and resources coupled with demand in the domestic market. There is a steady demand for MO's products in local and neighbouring communities. Additionally, MO receives assistance from local women's groups in marketing his products, and from other MSMEs who purchase and resell to their customer base.

Key business challenges include lack of infrastructure and services, transportation, and climate change. MO faces challenges with electrical blackouts and has since taken to using solar lights to assist with production. Road infrastructure is poor in rural areas, and can prevent MO from travelling to marketplaces, or receiving customers. Climate change is another key concern for MO as rainwater is used as in production of virgin coconut oil, and dry seasons heavily impact production. Increased incidence of natural disasters also impacts resources and production.

MO has received some technical assistance and advice from DAL and KIK, however believes his business would benefit greater from financial support. MO has applied for business loans and is still waiting to receive approval three years later; he believes this processing delay is due to financial institutions lacking confidence in rural businesses. He believes with adequate financial support he could continue to expand his business.

*"I think financial institutions don't have confidence in rural business people."*

### Future

MO aspires to continue formalising his business over the next year. He is also aiming to explore business opportunities in other cash crops, particularly within the cocoa industry. Increased formalisation of MO's business will also enable him to access more business training and resources.

Throughout COVID-19 MSMEs kept the country going, and MO shares little concern regarding the state of PNG's economy. Ultimately, MO is confident in the future of his business with his natural resources and customer base contributing to this positive outlook.

*"I am living among the coconuts, that is my strength."*

### Key Action Points

Financial support; government training and intervention; building resilience to climate change; improve road infrastructure; improve water infrastructure.



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# Quantitative Findings: Formal MSMEs

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### Respondent Profile

The formal MSME sample consisted of 70% business owners and 30% business managers. Across gender, 65% of respondents were male and 35% were female. Nearly three-fifths (59%) were between the ages of 30-49, with 13% being younger and 26% older than this majority. Most (56%) had attained a primary or high school education, though 16% had attended technical/trade school, 25% had some level of university education, and only 4% had no formal education.

Respondents in the Highlands region were more likely to be male, while those in the Islands region were more likely to be female. Individuals living in rural and remote locations, as well as the Islands region, were less likely to have attained a university-level education.

Table 2: Respondent Characteristics (Role, Gender, Age Group & Education) by Region & Area

	Total %	Region				Area		
		Southern %	Highlands %	Islands %	Momase %	Urban %	Rural %	Remote %
<b>Role</b>								
Owner of the business	70	66	60 ↓	83 ↑	74	65 ↓	84 ↑	83 ↑
Manager of the business	30	34	40 ↑	17 ↓	26	35 ↑	16 ↓	17 ↓
<b>Gender</b>								
Male	65	62	72 ↑	60 ↓	66	65	65	67
Female	35	38	28 ↓	40 ↑	34	35	35	33
<b>Age</b>								
18-29 years	13	10	18 ↑	10	13	14	12	11
30-39 years	31	35	27	30	34	30	34	32
40-49 years	28	28	32	25	25	29	26	26
50-54 years	10	10	9	11	12	9	11	13
55+ years	15	16	13	19	13	16	16	13
Mean age in years	42.2	42.5	41.0	43.7 ↑	41.4	42.1	42.4	42.4
<b>Education</b>								
No formal education	4	3	5	3	2	3	3	8 ↑
Primary school	14	12	14	14	15	10 ↓	22 ↑	24 ↑
Middle high school (10-11 years)	23	21	23	24	24	22	27	24
High school (12-13 years)	19	13 ↓	20	23	21	19	17	19
Technical/trade school	16	16	14	18	15	16	19	14
Some university	12	17 ↑	9	12	10	14 ↑	7	8
University degree	11	13	13	5 ↓	12	13 ↑	4 ↓	3 ↓
Post-graduate	2	4	2	1	2	3	1	1
Column n	1309	349	408	359	193	929	194	186



Only 3% of respondents had considerable difficulty in their day-to-day life, with visual impairment being the most common, followed by challenges with mobility.

Table 3: Difficulties (% a lot of difficulty + % cannot do at all) by Region & Area

Q102. Do you have any difficulty...? Do you have a little bit of difficulty, a lot of difficulty, or are you unable to do it at all? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
<b>NET Person with disability</b>	3	2	3	4	2	2	6	3
Seeing, even if wearing glasses	2	1	2	2	1	1	3	3
Hearing, even if using a hearing aid	0	-	-	0	-	-	-	1
Walking or climbing steps	1	1	1	1	1	1	2	1
Remembering or concentrating	0	-	0	1	-	0	-	1
With self-care, such as bathing yourself or getting dressed	0	-	-	0	-	-	1	-
Communicating, including understanding or being understood	0	-	-	0	-	-	1	-
Column n	1309	349	408	359	193	929	194	186

Notably, 67% of PWD surveyed were female while the remaining 33% were male. PWD also tended to be older (38% aged 55 years or older) than participants without disability (15%).



### Industry Sectors

MSMEs trade across a variety of industry sectors but are more concentrated in general retail trade (57%), then loosely followed by hospitality (19%). Motor vehicle-related retail trade (13%) and transportation (13%) are also key sectors. In comparison to 2014, there appears to be a lower proportion of MSMEs in the construction and wholesale trade industries, and a higher proportion operating in the communication and IT services space.

Table 4: Business Industry

Q74. What type of product or service does your organisation provide? If more than one, please tell me your organisation's primary service or greatest share of annual sales, and then the others. [Asked of formal MSMEs]

	Total 2024	Total 2014
	%	%
Retail trade ( <i>personal/household goods, groceries, liquor, clothes, stationery</i> )	57	54
Hospitality ( <i>hotels/accommodation, cafés, bars, catering, restaurants</i> )	19	22
Transportation ( <i>PMV, buses, taxis, boats</i> )	13	13
Motor vehicle retail ( <i>motor vehicle retail, motor vehicle services, service stations, fuel suppliers</i> )	13	14
Communication and IT Services	6	3
Manufacturing ( <i>textile, food, wood, etc.</i> )	6	4
Farming ( <i>crops, livestock, raw produce</i> )	6	4
Construction ( <i>builders, plumbers, electricians, general</i> )	4	11
Finance and insurance	4	2
Professional services ( <i>lawyers, advertising, marketing</i> )	3	4
Real estate	3	2
Security services	2	-
Arts, entertainment, recreation	2	2
Wholesale trade	1	6
Commercial fishing	1	3
Electricity and gas ( <i>supply, distribution, generation</i> )	1	2
Other	6	9
Column n	1309	1117



MSMEs in urban areas operate across a wider variety of industries in comparison to those in rural and remote areas, with only 53% of urban MSMEs involved in general retail trade compared to 66% of rural and 70% of remote MSMEs.

Contrastingly, the total industry count is highest among MSMEs in the Highlands region indicating that they have the higher level of diversification across industries (1.67 sectors on average) and less specialisation. This also trends across location with remote areas (1.56 sectors) having higher diversification across industries than those in urban areas (1.47 sectors).

Sectoral differences by area density are also evident as a significantly higher proportion of MSMEs in remote locations are involved in farming and motor vehicle retail (presumably offering refuelling services) than those in urban areas.

Table 5: Business Industry by Region & Area

Q74. What type of product or service does your organisation provide? If more than one, please tell me your organisation's primary service or greatest share of annual sales, and then the others. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Retail trade	57	51 ↓	60	60	60	53 ↓	66 ↑	70 ↑
Hospitality	19	17	31 ↑	11 ↓	12 ↓	19	23	16
Transportation	13	9	12	17	16	13	13	12
Motor vehicle retail	13	8 ↓	14	14	16	11 ↓	12	23 ↑
Communication and IT services	6	10 ↑	4 ↓	3 ↓	12 ↑	8 ↑	5	1 ↓
Manufacturing	6	7	8	5	6	7	2 ↓	6
Farming	6	2 ↓	12 ↑	4	3	4 ↓	8	13 ↑
Construction	4	7 ↑	3	5	1	5	3	4
Finance and insurance	4	4	6	3	6	5 ↑	3	1 ↓
Professional services	3	5 ↑	2	2	4	4	3	2
Real estate	3	5 ↑	2	3	3	4 ↑	2	-
Security services	2	2	3	1	1	3 ↑	1	-
Arts, entertainment, recreation	2	3	2	1	1	2	1	3
Wholesale trade	1	0	3 ↑	-	-	1	2	1
Commercial fishing	1	2	1	1	1	1	2	1
Electricity and gas	1	1	0	1	2	1	2	-
Other	6	9 ↑	5	4	6	7	3	5
<b>TOTAL</b>	<b>149</b>	<b>144</b>	<b>167</b>	<b>134</b>	<b>148</b>	<b>147</b>	<b>151</b>	<b>156</b>
Column n	1309	349	408	359	193	929	194	186



Table 6: Business Industry by Province

Q74. What type of product or service does your organisation provide? If more than one, please tell me your organisation's primary service or greatest share of annual sales, and then the others. [Asked of formal MSMEs]

	Highlands							Southern						Momase				Islands				
	Total	Chimbu	Eastern Highlands	Hela	Jiwaka	Southern Highlands	Western Highlands	Central	Gulf	Milne Bay	NCD	Oro	Western	East Sepik	Madang	Morobe	West Sepik	AR Bougainville	East New Britain	Manus	New Ireland	West New Britain
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Retail trade	57	59	59	50	65	62	55	71	66	50	47	72	40 ↓	76	58	30 ↓	82 ↑	63	68	66	47	54
Hospitality	19	31	24	20	46 ↑	36	24	29	17	13	22	19	8	12	20	9	7	6	10	12	26	8 ↓
Transportation	13	8	8	3	12	19	22	-	14	21	5	14	4	17	25	13	5	18	13	10	25	19
Motor vehicle retail	13	8	14	17	15	14	21	7	24	10	1 ↓	14	11	22	11	8	27	14	10	24	17	13
Communication and IT services	6	3	2	7	7	2	2	7	7	4	16 ↑	11	7	7	7	25 ↑	7	6	2	5	-	3
Manufacturing	6	9	7	7	7	5	10	-	3	4	12	3	4	2	11	6	2	6	-	-	8	11
Farming	6	17 ↑	8	17	7	17 ↑	16 ↑	-	-	-	1	6	4	-	9	-	2	6	5	2	-	4
Construction	4	2	2	3	4	5	3	-	3	7	2	3	21 ↑	-	2	-	2	10	5	2	-	7
Finance and insurance	4	7	8	3	2	7	5	7	3	1	5	3	4	2	13 ↑	4	5	-	4	5	2	2
Professional services	3	1	2	-	3	-	5	-	-	7	6	14 ↑	1	2	7	2	2	-	4	2	-	2
Real estate	3	2	2	-	-	5	2	-	-	9	2	3	14 ↑	2	4	6	-	4	3	7	4	-
Security services	2	7 ↑	1	3	2	2	3	-	3	1	2	3	4	2	-	-	-	-	1	-	2	3
Arts, entertainment, recreation	2	2	2	3	2	-	2	-	-	4	5	-	1	-	2	2	-	-	-	2	4	-
Wholesale trade	1	2	-	3	7 ↑	10 ↑	2	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-
Commercial fishing	1	-	-	-	2	2	-	-	-	3	-	3	5 ↑	-	2	-	-	2	-	-	4	-
Electricity and gas	1	-	-	-	1	-	2	-	-	1	-	3	1	2	4	2	-	2	3	-	-	-
Other	6	4	6	3	2	7	5	21	10	4	15 ↑	11	1	-	2	17 ↑	2	4	3	-	4	6
<b>TOTAL</b>	<b>149</b>	<b>162</b>	<b>147</b>	<b>140</b>	<b>184</b>	<b>193</b>	<b>179</b>	<b>143</b>	<b>152</b>	<b>143</b>	<b>139</b>	<b>181</b>	<b>133</b>	<b>149</b>	<b>176</b>	<b>123</b>	<b>143</b>	<b>139</b>	<b>129</b>	<b>139</b>	<b>142</b>	<b>132</b>
Column n	1309	90	96	30	92	42	58	14	29	68	129	36	73	41	55	53	44	51	113	41	53	101



## Business Profile

### Employment

There is wide variability in the number of paid employees among surveyed businesses, however a majority (56%) have less than five paid employees. It is most common for formal MSMEs to have only one or two paid employees (32%). In juxtaposition, only 2% have 50 or more paid employees, and a further 5% have between 20 and 49 employees. Formal MSMEs in the Highlands region and in urban areas tend to have more paid employees than on average.

In addition to paid employees, three-quarters of formal MSMEs also have unpaid staff such as family members or friends who assist the business. Only 10% have more than five unpaid staff, while 65% have five or less. Enterprises in the Highlands, Momase, and in rural or remote locations are more likely to have unpaid staff.

Table 7: Number of Paid and Unpaid Staff by Region & Area

Q25. How many paid employees are there in all your organisation's PNG offices, including full-time, part-time, and casual staff? Please include yourself. Please do not include unpaid staff such as family members. [Asked of formal MSMEs]

Q129. Earlier we talked about how many paid employees you had in the business. How many unpaid staff such as family members also work for your organisation? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
<b>Paid Employees</b>								
1 to 2 employees	32	30	18 ↓	49 ↑	35	27 ↓	39	52 ↑
3 to 4 employees	24	27	22	22	26	24	31	15 ↓
5 to 6 employees	15	18	18	10 ↓	15	16	13	15
7 to 9 employees	8	10	12 ↑	4 ↓	7	9	6	5
10 to 19 employees	13	11	16	11	15 ↑	15	7 ↓	9
20 to 49 employees	5	3	10 ↑	3	2	6	4	2
50+ employees	2	1	4 ↑	1	1	2	-	2
<b>Mean paid employees</b>	<b>7.0</b>	<b>5.8 ↓</b>	<b>10.7 ↑</b>	<b>5.0 ↓</b>	<b>5.4 ↓</b>	<b>7.8 ↑</b>	<b>4.7 ↓</b>	<b>5.7</b>
<b>Unpaid Staff</b>								
None	23	32 ↑	12 ↓	32 ↑	15 ↓	26 ↑	16	18
1 staff	17	17	10 ↓	24 ↑	16	16	18	17
2 staff	21	21	24	17	26	19 ↓	28	25
3 staff	14	11	23 ↑	8 ↓	12	15	13	11
4 to 5 staff	12	11	14	9	18	12	15	14
6 to 9 staff	6	5	9 ↑	3	6	6	6	8
10+ staff	4	2	7 ↑	1 ↓	8	4	3	5
DK & Ref.	2	1	2	5 ↑	1	2	2	2
<b>Mean unpaid staff</b>	<b>2.7</b>	<b>2.1 ↓</b>	<b>3.6 ↑</b>	<b>1.8 ↓</b>	<b>3.6</b>	<b>2.7</b>	<b>2.7</b>	<b>3.0</b>
Column n	1309	349	408	359	193	929	194	186



Staff are more likely to be comprised predominantly or entirely of men (42%) than women (19%), and 35% have equal gender composition. Staff consisting entirely of women are less common in the Highlands region.

Table 8: Staff Gender Composition by Region & Area

Q87. Other than the owners and top managers, are the staff of the organisation male or female or both? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
All male	25	23	25	24	32	26	22	26
Majority male	17	15	27 ↑	12 ↓	12	18	18	13
Equal male and female	35	37	32	36	34	34	34	38
Majority female	7	7	9	6	6	7	8	8
All female	12	16	7 ↓	15	10	12	14	9
Does not apply	3	2	0 ↓	7 ↑	5	3	4	6
Column n	1309	349	408	359	193	929	194	186

### Annual Turnover

The majority (67%) of formal MSMEs fall into the lowest turnover category of PGK 60,000 or less per year and are considered micro-enterprises. A further 27% are considered small enterprises, generating between PGK 60,000 and 249,999 per year. Only 6% of formal MSMEs are classified as medium enterprises which turnover between PGK 250,000 and 5,000,000 annually. The prevalence of micro-enterprises is higher in the Islands and lower in Momase; it is also higher in remote locations and lower in urban areas.

Table 9: Annual Turnover by Region & Area

Q26. Which of the following represents your total annual sales/turnover for the 2023 financial year? If this is a new business that was not in operation for the full 2023 fiscal year, please estimate your sales/turnover for the 2024 fiscal year. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Less than K60,000	67	63	64	80 ↑	58 ↓	63 ↓	74	82 ↑
K60,000 to K99,999	20	23	21	11 ↓	28 ↑	23 ↑	13	12 ↓
K100,000 to K249,999	7	9	8	3 ↓	7	8	9	2 ↓
K250,000 to K499,999	2	2	2	2	5	3	2	2
K500,000 to K749,999	1	1	1	2	1	1	1	2
K750,000 to K999,999	1	1	1	0	1	1	1	-
K1 to K1.99 million	1	0	1	1	-	1	-	-
K2 to K2.99 million	0	1	0	1	-	0	1	-
K3 to K3.99 million	0	-	0	0	-	0	-	-
K4 to 5 million	0	0	0	0	-	0	1	1
Column n	1309	349	408	359	193	929	194	186



Significantly more MSMEs operating in retail trade are classified as micro-enterprises, while more of those in the hospitality industry are classified as small enterprises. Similarly, transportation sector businesses are more likely to be small or medium enterprises. Significantly more formal MSME construction businesses are classified as medium enterprises.

Table 10: Annual Turnover by Industry

Q26. Which of the following represents your total annual sales/turnover for the 2023 financial year? If this is a new business that was not in operation for the full 2023 fiscal year, please estimate your sales/turnover for the 2024 fiscal year. [Asked of formal MSMEs]

	Industry												
	Total	Retail Trade	Hospitality	Transportation	Motor Vehicle Retail	Communication & IT	Manufacturing	Farming	Construction	Finance & Insurance	Professional Services	Real Estate	All Others
	%	%	%	%	%	%	%	%	%	%	%	%	%
Less than K60,000	67	74 ↑	58 ↓	53 ↓	71	64	70	80	62	54	57	60	60
K60,000 to K99,999	20	17 ↓	25	25	16	23	18	12	9	23	24	19	24
K100,000 to K249,999	7	6	9	11	8	12	4	3	12	12	10	7	10
K250,000 to K499,999	2	1	2	5	2	-	2	3	3	5	5	-	4
K500,000 to K749,999	1	1	4 ↑	2	2	1	1	-	-	2	2	-	-
K750,000 to K999,999	1	1	0	1	-	-	2	1	2	-	2	2	1
K1 to K1.99 million	1	0	0	1	-	-	1	1	3 ↑	2	-	2	1
K2 to K2.99 million	0	0	-	-	-	-	1	-	5 ↑	-	-	5 ↑	1
K3 to K3.99 million	0	0	-	1	1	-	-	-	2 ↑	-	-	-	-
K4 to 5 million	0	0	-	1	1	-	-	-	2	2	-	5 ↑	-
Column n	1309	752	253	171	167	84	83	76	58	57	42	42	164

## Operations

There is a wide range in the years of operation among formal MSMEs. 29% are relatively younger, being established within the last three years, while a similar proportion (29%) have been operating for at least 10 years. There is a higher proportion of newer establishments in the Islands region and remote areas.

Table 11: Years of Operation by Region & Area

Q81. How long has this business been going for? If you are unsure, please tell me the year when the business was established. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
3 years or less	29	29	24	36 ↑	26	27	28	40 ↑
4 to 5 years	19	22	19	16	21	21	17	14
6 to 9 years	22	21	23	19	24	22	22	18
10 to 15 years	18	15	20	18	17	18	18	18
More than 15 years	11	12	12	11	11	11	14	9
<b>Mean years in operation</b>	<b>7.9</b>	<b>7.9</b>	<b>8.3</b>	<b>7.4</b>	<b>7.9</b>	<b>8.1</b>	<b>8.1</b>	<b>6.7 ↓</b>
Column n	1309	349	408	359	193	929	194	186





Most MSMEs (82%) have only one permanent location of operation, while 7% operate out of two locations, and 6% have more than two permanent locations. In the Islands region, MSMEs are more likely to operate from only one location, while those in urban locations and the Highlands region are more likely to have multiple operational locations.

Table 12: Number of Locations by Region & Area

Q130. How many different permanent offices or locations does this business or organisation have, including this one? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
One location	82	78	77 ↓	89 ↑	86	80 ↓	89	85
Two locations	7	6	9	4	9	8	3	7
More than two locations	6	5	11 ↑	3	4	7	5	5
Column n	1309	349	408	359	193	929	194	186

### Ownership & Management

Formal MSMEs operating in PNG are almost universally private domestically owned businesses; this is especially true in the Highlands and Islands regions.

Table 13: Ownership Structure by Region & Area

Q84. What percentage of this firm is owned by each of the following? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Wholly private domestic owned	95	92 ↓	99 ↑	98 ↑	83 ↓	94	98	94
Wholly private foreign owned	1	-	1	0	2	1	-	2
Combination domestic and foreign owned	5	8 ↑	-	1 ↓	15 ↑	5	2	4
Column n	1309	349	408	359	193	929	194	186

Almost two-thirds (65%) of MSMEs have only one owner, a further 29% have two owners, and a mere 6% have more than two owners. Sole proprietorship is more prevalent in the Highlands, while having two owners is more common in the Southern region.

Table 14: Number of Owners by Region & Area

Q82. How many individuals own this business? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
One owner	65	58 ↓	77 ↑	61	58	66	60	65
Two owners	29	36 ↑	19 ↓	31	34	28	32	31
More than two owners	6	6	4	7	8	6	7	5
Don't know	0	-	0	1	-	0	-	-
Refused	0	-	-	1	-	0	-	-
Column n	1309	349	408	359	193	929	194	186



The gender composition among enterprise owners is similar to that of the staff. Ownership is more likely to be comprised predominantly or entirely of men (49%) than women (19%), and 30% have an equal gender split among owners. In comparison to the national average, male ownership is more common in the Highlands, while female ownership is higher in Southern; equal gender ownership is more common in the Islands.

Notably, the proportion of MSMEs owned entirely by women has doubled since 2014 (from 8% to 16%). Similarly, the proportion owned equally by men and women has risen to 30% in 2024 from the 17% measured in 2014.

Table 15: Owner Gender by Region & Area

Q85. Are the owners of the organisation male or female or both? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
All male	42	36 ↓	57 ↑	30 ↓	45	42	40	48
Majority male	7	8	7	8	3	8	8	3
Equal male and female	30	32	19 ↓	38 ↑	38	30	33	30
Majority female	3	3	2	4	3	3	3	5
All female	16	21 ↑	14	17	11	17	17	12
Does not apply	1	-	-	3 ↑	1	1	0	2
Don't know	0	-	-	0	-	0	-	-
Column n	1309	349	408	359	193	929	194	186

MSMEs are near universally owned by Indigenous Papua New Guineans, at 97% overall. The next most common owner nationalities are permanent residents (2%), naturalised citizens (1%), and Chinese (1%). The prevalence of Chinese-owned businesses is higher in the Momase region.

Table 16: Owner Nationality by Region & Area

Q88. What nationalities are the current largest owner(s)? If there are multiple large owners with the same ownership share, please tell me the nationality of the person(s) most active in the operation of the firm. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Indigenous Papua New Guinean	97	97	99	99 ↑	90 ↓	97	100	96
Naturalised citizen	1	1	0	0	1	1	-	-
Permanent resident	2	4 ↑	-	-	5 ↑	2	-	4
Chinese	1	1	1	-	3 ↑	1	-	-
Australian	0	1	-	1	1	1	-	1
Indian	0	-	0	-	1	-	-	2 ↑
Other	1	1	0	0	1	1	-	1
Column n	1309	349	408	359	193	929	194	186



The vast majority (83%) of MSMEs are owner-managed and only 17% have separate management personnel. Having dedicated separate management is more common in urban areas and the Southern region, whereas owner-management is higher in rural and remote areas as well as the Islands region.

Table 17: Management Structure by Region & Area

Q83. Do the owner(s) of this business also manage its day-to-day operations or is the business managed by separate staff members? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Owners manage the business	83	74 ↓	84	89 ↑	88	79 ↓	95 ↑	94 ↑
Separate management	17	26 ↑	16	11 ↓	12	21 ↑	5 ↓	6 ↓
Column n	1309	349	408	359	193	929	194	186

The top managers of MSMEs with separate management are predominantly male, with 50% being majority or entirely male-managed in comparison to the 22% that are majority or entirely female-managed. Approximately one quarter (27%) of MSMEs with separate management are operated by an equal proportion of men and women in management. By combining response categories, the data indicates that 85% of MSMEs with separate management have some level of male management, whereas 64% have some level of female management (an increase of 19pp since 2014).

Table 18: Separate Management Gender by Region & Area

Q86. Are the top managers of the organisation male or female or both? [Asked of formal MSMEs with separate management]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
All male	35	18 ↓	60 ↑	38	26	35	30	36
Majority male	15	19	9	15	13	16	10	-
Equal male and female	27	44 ↑	10 ↓	20	22	27	30	27
Majority female	8	4	9	8	17	8	-	18
All female	14	15	12	20	9	14	20	9
Does not apply	1	-	-	-	13 ↑	1 ↓	10	9
Column n	219	89	67	40	23	198	10	11s



### Formality & Structure

Having a license to operate or trade from a local authority is the most dominant type of business formality, at 84% overall. Being licensed or registered with the PNG IPA (83%) was a close second method of formalisation, followed by registration through the Business Names Act (80%), or the Companies Act (69%). Diversity in formalisation methods is higher in the Highlands and lower in the Islands region.

Table 19: Business Licenses and Registration by Region & Area

Q24. Which of the following, if any, licenses to trade or operate does this business hold? Is this business or organisation...? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Licensed to operate or trade from a local authority, like the NCDC or any LLG authority	84	80	83	87	86	84	84	83
Licensed or registered with the PNG Investment Promotion Agency (IPA)	83	87	91 ↑	71 ↓	82	88 ↑	72 ↓	74 ↓
Registered through the Business Names Act	80	81	86 ↑	73 ↓	76	84 ↑	68 ↓	70 ↓
Registered business under the Companies Act	69	74 ↑	81 ↑	48 ↓	68	74 ↑	59 ↓	49 ↓
Holding a landowner license for the company	44	42	56 ↑	34 ↓	41	45	44	42
A licensed trust	38	26 ↓	55 ↑	32	32	39	38	29
A partnership registered through the Partnership Act	25	24	41 ↑	8 ↓	26	27	22	20
Some other local license	12	12	12	11	13	12	8	15
Column n	1309	349	408	359	193	929	194	186

Operation as a sole trader (85%) is the dominant legal structure, followed by privately held companies (7%), and then partnerships (4%).

Table 20: Legal Structure by Region & Area

Q70. Thinking about the legal structure of your organisation, which of the following best describes this business? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Sole trader	85	83	84	85	90	83	88	89
Privately held company	7	5	8	8	5	7	7	5
Partnership	4	6	5	2	4	5	3	3
Publicly traded company	1	2	-	1	-	1	-	1
Other	2	4	3	2	1	3	2	2
Column n	1309	349	408	359	193	929	194	186



**Taxation**

Two-thirds (66%) claim to have a Taxpayer Identification Number (TIN) from the Internal Revenue Commission. Businesses in urban areas and the Highlands region are more likely to have a TIN, whereas those in rural and remote areas and the Islands region are less likely.

**Table 21: Business Holds Taxpayer Identification Number (TIN) by Region & Area**

Q119. Does this business have a Tax Identification Number from the Internal Revenue Commission? At this point, I would like to remind you your answers are anonymous and will not be reported back to the IRC. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Yes	66	62	79 ↑	56 ↓	66	71 ↑	56 ↓	53 ↓
Column n	1309	349	408	359	193	929	194	186

Possession of a TIN also varies across industry sectors, with MSMEs in construction (84%) and transportation (79%) being most likely to have one. Contrarily, those in the retail trade industry (60%) are least likely to have a TIN.

**Table 22: Business Holds Taxpayer Identification Number (TIN) by Industry**

Q119. Does this business have a Tax Identification Number from the Internal Revenue Commission? At this point, I would like to remind you your answers are anonymous and will not be reported back to the IRC. [Asked of formal MSMEs]

	Total	Industry											
		Retail Trade	Hospitality	Transportation	Motor Vehicle Retail	Communication & IT	Manufacturing	Farming	Construction	Finance & Insurance	Professional Services	Real Estate	All Others
		%	%	%	%	%	%	%	%	%	%	%	%
Yes	66	60 ↓	74 ↑	79 ↑	66	70	77	71	84 ↑	79	79	79	75 ↑
Column n	1309	752	253	171	167	84	83	76	58	57	42	42	164

While two-thirds of formal MSMEs claim to have a TIN, only 70% of those indicate they have filed taxes with the IRC within the last 12 months. The proportion of MSMEs that claim to have filed taxes has steadily risen from 61% in 2021 to 66% in 2022, reaching 70% in 2023.

Not only are MSMEs in the Highlands more likely to have a TIN, but those who do possess a TIN are also more likely to have filed taxes in each of the previous three fiscal years, whereas the contrary is true for the Islands region.

There are no meaningful differences by industry on this measure.



Table 23: Business Filed Taxes with IRC by Region & Area

Q120. Over the course of the past 3 years, please tell me which years, if any, the business filed taxes with the Internal Revenue Commission. Did you file taxes in... [Asked of formal MSMEs that hold a Taxpayer Identification Number]

	Region					Area		
	Total	Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Filed in 2023 fiscal year	70	65	79 ↑	57 ↓	73	71	61	71
Filed in 2022 fiscal year	66	65	74 ↑	49 ↓	72	68	56	61
Filed in 2021 fiscal year	61	62	69 ↑	44 ↓	64	64 ↑	52	51
Column n	868	216	323	201	128	661	109	98

For those who did not file taxes in at least one of the last three years, the primary barriers were perception that the business did not earn enough money to file taxes (41%), or that the business was not in operation (30%). Having difficulty filing taxes (6%) and not knowing how to file taxes (4%) were barriers to a small proportion of MSMEs.

Table 24: Main Barrier to Filing Taxes with IRC by Region & Area

Q121. What is the main reason you did not file taxes on one or more occasions in the past 3 years? [Asked of formal MSMEs that hold a Taxpayer Identification Number but did not file taxes with IRC within the last three fiscal years]

	Region					Area		
	Total	Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Business did not earn enough money	41	33	45	39	51	40	33	57
Business was closed / not in operation	30	29	33	28	30	31	24	33
Difficulty completing tax forms or filing	6	5	4	8	2	5	9	4
Business does not need to file	4	11 ↑	2	3	-	3	9	2
Did not know how to file	4	4	4	4	2	3	7	2
Frequency of changes in rules and rates	3	8 ↑	-	3	-	3	4	-
Poor treatment by tax authorities	2	2	-	3	4	2	2	-
Another reason	7	7	11	3	4	8	5	2
Column n	361	83	113	118	47	260	55	46

Overall, 55% of MSMEs claim to have a GST number from the IRC. Prevalence of GST numbers is higher among MSMEs in the Highlands and lower among those in the Islands region. Similarly, MSMEs in urban areas are significantly more likely to have a GST number than those in rural and remote locations.

Table 25: Business Holds GST Number by Region & Area

Q122. Does this business have a GST number from the Internal Revenue Corporation? [Asked of formal MSMEs]

	Region					Area		
	Total	Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Yes	55	50	68 ↑	45 ↓	55	61 ↑	41 ↓	43 ↓
Column n	1309	349	408	359	193	929	194	186



MSMEs in the construction and hospitality industries are significantly more likely to possess a GST number, at 74% and 63% respectively. Whereas MSMEs operating in retail trade (49%) are significantly less likely to have a GST number.

Table 26: Business Holds GST Number by Region & Area

Q122. Does this business have a GST number from the Internal Revenue Corporation? [Asked of formal MSMEs]

	Industry												
	Total	Retail Trade	Hospitality	Transportation	Motor Vehicle Retail	Communication & IT	Manufacturing	Farming	Construction	Finance & Insurance	Professional Services	Real Estate	All Others
	%	%	%	%	%	%	%	%	%	%	%	%	%
Yes	55	49 ↓	63 ↑	64	59	58	66	57	74 ↑	67	60	69	67 ↑
Column n	1309	752	253	171	167	84	83	76	58	57	42	42	164

Less than one-third (31%) of MSMEs with a GST number are filing GST returns monthly; those in the Islands region are more likely to be compliant (48%) whereas those in the Highlands are least likely (22%).

Table 27: Frequency of Filing GST Returns by Region & Area

Q123. How often do you file GST returns? [Asked of formal MSMEs that hold a GST number]

	Region					Area		
	Total	Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Monthly	31	31	22 ↓	48 ↑	28	32	25	25
Quarterly	12	6 ↓	14	12	19	14 ↑	5	5
Annually	43	53 ↑	51 ↑	18 ↓	47	42	44	51
Other	1	-	1	1	-	1	-	1
Never	9	5	11	13	2	6 ↓	21 ↑	13
Column n	719	175	276	163	105	559	80	80



Two-thirds (66%) of MSMEs indicate they do not make PAYE tax deductions on behalf of their employees. This proportion is significantly higher in the Islands (78%) and in rural areas (77%), and lower in the Southern region (60%) and in urban locations (63%). Only 1% of MSMEs make PAYE tax deductions on all paid employee wages.

Table 28: Percentage of Employees with PAYE Deductions by Region & Area

Q124. Now thinking about your employees, what percentage of employees, including yourself, have PAYE tax deductions made? In other words, how many pay income taxes to the Internal Revenue Corporation? Please include yourself. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
None	66	60 ↓	63	78 ↑	65	63 ↓	77 ↑	74
1% to 25%	21	20	32 ↑	8 ↓	25	23	14	19
26% to 50%	5	10 ↑	4	4	3	6	4	2
51% to 75%	1	1	0	2	1	1	-	1
76% to 99%	1	1	-	3 ↑	1	1	1	2
100%	1	1	0	3 ↑	-	1	-	1
Don't know	3	6 ↑	0 ↓	2	5	3	3	2
Refused	1	1	0	1	1	1	1	1
Column n	1309	349	408	359	193	929	194	186





### Assets

Cash on hand (94%) and cash in the bank (91%) are the most commonly owned assets by MSMEs; these findings are consistent across regions and density.

The next most commonly owned asset is sales inventory and trading stock (69%), followed by machinery and equipment (67%). Both of which are more commonly owned by MSMEs in urban areas. More specifically, machinery and equipment is more likely to be owned by enterprises in the Southern and Highlands regions, and less likely in the Islands and Momase regions.

More than half of MSMEs claim to own buildings (63%) and land (55%) for business purposes. There is a clear trend that business ownership of buildings and land decreases as urbanisation increases.

Table 29: Assets Owned by Business by Region & Area

Q80. I am going to read out a list of assets that some businesses have. For each one, please tell me do you have this asset in this business? We are only talking about business assets, those owned by the business. Please do not include any personal assets. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Cash on hand (not in a bank)	94	92	99 ↑	89 ↓	95	93	96	95
Cash in the bank	91	89	98 ↑	86 ↓	92	92	89	89
Sales inventory & trading stock	69	66	90 ↑	51 ↓	62	71 ↑	64	62
Machinery & equipment	67	77 ↑	75 ↑	56 ↓	51 ↓	71 ↑	60	53 ↓
Buildings	63	60	61	69	62	60 ↓	67	76 ↑
Land	55	53	56	61	49	52 ↓	59	71 ↑
Stocks or bonds	52	49	77 ↑	28 ↓	51	56 ↑	43 ↓	45
Column n	1309	349	408	359	193	929	194	186



Asset ownership also varies across MSME industries due to the necessities of operating within each sector. For example, retail trade MSMEs are significantly more likely to have cash on hand to facilitate monetary transactions. Similarly, MSMEs offering construction services are more likely to own machinery and equipment, while those in the hospitality and real estate industries tend to have higher ownership of buildings and land.

Table 30: Assets Owned by Business by Region & Area

Q80. I am going to read out a list of assets that some businesses have. For each one, please tell me do you have this asset in this business? We are only talking about business assets, those owned by the business. Please do not include any personal assets. [Asked of formal MSMEs]

	Total	Industry											
		Retail Trade	Hospitality	Transportation	Motor Vehicle Retail	Communication & IT	Manufacturing	Farming	Construction	Finance & Insurance	Professional Services	Real Estate	All Others
	%	%	%	%	%	%	%	%	%	%	%	%	%
Cash on hand (not in a bank)	94	96 ↑	93	95	96	90	95	97	79 ↓	96	83 ↓	90	93
Cash in the bank	91	91	95	95	89	92	92	92	91	96	88	90	92
Sales inventory & trading stock	69	70	79 ↑	59 ↓	69	81	76	75	55	65	60	55	74
Machinery & equipment	67	61 ↓	73	74	67	77	80	62	90 ↑	68	74	74	77 ↑
Buildings	63	64	70 ↑	68	75 ↑	42 ↓	64	70	74	32 ↓	45	98 ↑	55
Land	55	55	65 ↑	65 ↑	63	36 ↓	47	62	66	25 ↓	50	83 ↑	51
Stocks or bonds	52	52	61 ↑	46	54	64	63	59	40	58	43	40	55
Column n	1309	752	253	171	167	84	83	76	58	57	42	42	164



### Products & Services Used by Businesses

The use of products and services among MSMEs has changed over the last decade. More MSMEs are now utilising the Internet, a business website or social media page, and bookkeeping, accounting, or auditing services. Whereas fewer are using mobile telephones, computers, mains electricity, electrical generators, and enlisting security services. These differences may, in part, be due to the inclusion of micro enterprises in the 2024 study.

**Table 31: Use of Products & Services for Business (% Currently Use/Own)**

Q89. Please indicate which of the following products or services your business currently owns or pays to use. For each item not currently used, please tell me whether your business is interested in owning or using that service in the future. [Asked of formal MSMEs]

	2024 Total	2014 Total
	%	%
<b>Products</b>		
Mobile telephone(s)	88	97
Computer(s)	52	63
Internet	57	44
Website or social media page for the business	30	22
Bank account for the business	86	-
Mobile banking or electronic money transfer	64	-
Mains electricity	79	87
Electrical generator	57	65
<b>Services</b>		
Legal services	36	34
Bookkeeping, accounting, or auditing services	69	63
Security services	48	54
Business hubs, networks, or association memberships	25	-
Column n	1309	1117

Most MSMEs are utilising technology including mobile phones (88%), computers (52%), and the Internet (57%). Financial services provided by banks like business bank accounts and mobile banking are also widespread, at 86% and 64% of MSMEs surveyed respectively. Only 30% of MSMEs have an online presence in the form of a website or social media webpage, however a further 58% are interested in developing one.

**Table 32: Use of Products for Business**

Q89. Please indicate which of the following products or services your business currently owns or pays to use. For each item not currently used, please tell me whether your business is interested in owning or using that service in the future. [Asked of formal MSMEs]

	Mobile phones	Computers	Internet	Website or social media webpage	Bank account for the business	Mobile banking or electronic money transfer
	%	%	%	%	%	%
Currently use/own	88	52	57	30	86	64
Do not use but would like to	10	38	33	58	13	33
Do not use and not interested in using	2	10	9	12	1	3
Column n	1309	1309	1309	1309	1309	1309



The majority (79%) of MSMEs have access to mains electricity and 57% utilise an electrical generator. Bookkeeping, accounting, or auditing services are the most popular professional services, being utilised by 69% of MSMEs. Security services (48%) and legal services (36%) are also used by a considerable proportion of businesses. Only 25% are members of a business hub, network, or association, however there is significant interest in these services with a further 57% of MSMEs indicating they are interested in using them.

Table 33: Use of Services for Business

Q89. Please indicate which of the following products or services your business currently owns or pays to use. For each item not currently used, please tell me whether your business is interested in owning or using that service in the future. [Asked of formal MSMEs]

	Legal services	Bookkeeping, accounting, or auditing services	Security services	Business hubs, network, or association membership	Mains electricity	Electrical generator
	%	%	%	%	%	%
Currently use/own	36	69	48	25	79	57
Do not use but would like to	49	27	39	57	18	37
Do not use and not interested in using	13	4	12	15	3	6
Column n	1309	1309	1309	1309	1309	1309

MSMEs tend to be better resourced in urban areas and the Highlands region, and worse resourced in rural and remote areas and the Islands region.

Table 34: Use of Products & Services for Business (% Currently Use/Own) by Region & Area

Q89. Please indicate which of the following products or services your business currently owns or pays to use. For each item not currently used, please tell me whether your business is interested in owning or using that service in the future. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
<b>Products</b>								
Mobile telephone(s)	88	91	88	81 ↓	95 ↑	89	87	84
Computer(s)	52	59 ↑	59 ↑	38 ↓	51	61 ↑	38 ↓	25 ↓
Internet	57	70 ↑	60	43 ↓	53	66 ↑	38 ↓	33 ↓
Website or social media page for the business	30	44 ↑	22 ↓	20 ↓	39 ↑	35 ↑	19 ↓	12 ↓
Bank account for the business	86	86	95 ↑	74 ↓	89	89 ↑	81	76 ↓
Mobile banking or electronic money transfer	64	67	72 ↑	54 ↓	56	68 ↑	51 ↓	54 ↓
Mains electricity	79	78	91 ↑	69 ↓	75	86 ↑	66 ↓	58 ↓
Electrical generator	57	64 ↑	69 ↑	46 ↓	38 ↓	59	53	49
<b>Services</b>								
Legal services	36	26 ↓	54 ↑	29 ↓	30	39 ↑	27 ↓	30
Bookkeeping, accounting, or auditing services	69	71	75 ↑	62 ↓	64	72 ↑	62	60 ↓
Security services	48	49	68 ↑	31 ↓	38 ↓	50	43	44
Business hubs, networks, or association memberships	25	33 ↑	30 ↑	16 ↓	17 ↓	29 ↑	16 ↓	14 ↓
Column n	1309	349	408	359	193	929	194	186



### Use of External Professionals & Consultants

Few MSMEs (14%) have ever engaged an external professional or consultant to assist the business. Businesses in urban areas (17%) are more likely to have hired external assistance than those in rural (6%) or remote (7%) locations.

Table 35: External Professional or Consultant Hiring by Region & Area

Q108. Have you ever hired an external professional or consultant to assist your business, such as for legal, accounting, or project management services? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Yes	14	13	17	12	13	17 ↑	6 ↓	7 ↓
No	84	83	83	86	87	81 ↓	93 ↑	92 ↑
Don't know	1	3 ↑	-	2	1	2	1	1
Column n	1309	349	408	359	193	929	194	186

The predominant barriers for use of external professionals or consultants include a perceived lack of need for these types of services (41%) and cost (41%); these barriers are particularly hindering in the Highlands region. Poor availability of services (22%) is more likely to be mentioned as a barrier in remote areas.

Table 36: Barriers to External Professional or Consultant Hiring by Region & Area

Q109. Why haven't you hired an external professional or consultant to assist your business in the past? Please provide the one or two main reasons. [Asked of formal MSMEs that have never hired an external professional or consultant]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
No need for those services	41	38	52 ↑	30 ↓	45	42	39	39
High costs / no budget for external services	41	31 ↓	52 ↑	41	34	42	38	38
No services available locally to meet my needs	15	21 ↑	8 ↓	17	14	12 ↓	20	22 ↑
No time / too busy to consider it	11	14	3 ↓	11	22 ↑	13	9	5
Services available locally are poor quality	8	11	2 ↓	11	11	7	9	13
Do not trust outside consultants with confidential business information	7	7	5	12 ↑	5	8	7	5
Other	1	-	-	1	2 ↑	0	2	1
Don't know	1	2	0	1	1	1	1	1
Refused	0	0	-	-	-	0	-	-
Column n	1106	291	339	309	167	754	181	171



### Memberships

Nearly three-fifths (56%) of MSMEs claim to be members of an industry group or association, business council, chamber of commerce, or small business network. Membership is significantly higher among MSMEs in the Highlands and Momase regions, and lower in the Southern region. Engagement with small business support organisations or networks (33%) is the highest of industry groups measured, particularly in the Highlands region (49%).

Table 37: Industry Group or Association Membership by Region & Area

Q79. Which industry groups or associations, if any, is this organisation a member of? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Small business support organisation or network	33	20 ↓	49 ↑	32	29	32	35	39
Local Chamber of Commerce	16	15	8 ↓	20	31 ↑	17	11	16
Business council	4	4	3	2	8 ↑	4	4	4
Industry association	3	2	4	2	2	3	2	3
Other	1	1	2	1	-	2	2	-
None	42	56 ↑	34 ↓	45	32 ↓	42	47	40
Don't know	2	5 ↑	1	2	3	3	1	2
Column n	1308	349	408	359	192	928	194	186



### Exporting & Importing

The majority (93%) of MSMEs do not export goods or services overseas and a similar proportion (89%) do not purchase imports.

Among MSMEs that do export goods and services, spend on necessities like compliance, certification, customs, and shipping fees for export is relatively low with 42% claiming they spend nothing on it, while a further 34% claim to spend up to one quarter of their turnover on it.

**Table 38: Percentage of Turnover Generated from Exports, Spent on Imports, and Spent on Necessities for Export**

Q75. Approximately what percentage of your organisation’s annual sales/turnover is generated from exports or goods or services that you sell overseas? [Asked of formal MSMEs]

Q76. Approximately what percentage of your organisation’s annual sales/turnover is spent on imports or goods or services that you purchase from overseas? [Asked of formal MSMEs]

Q77. Approximately what percentage of your organisation’s export costs is spent on necessities like compliance, certification, customs, and shipping or freight required to export goods or services that you sell overseas? [Asked of formal MSMEs that export goods or provide services overseas]

	Turnover Generated from Export	Turnover Spent on Import	Turnover Spent on Necessities for Export
	%	%	%
None (0)	93	89	42
1% to 25% (12.5)	3	5	34
26% to 50% (37.5)	1	3	12
51% to 75% (62.5)	1	1	4
76% to 99% (87.5)	0	0	1
100% (100)	0	1	4
Don't know	1	1	3
Refused	0	0	1
<b>Average percentage of turnover (mean)</b>	<b>1.98</b>	<b>3.23</b>	<b>16.07</b>
Column n	1309	1309	77

Businesses in urban locations are more likely to purchase imported goods or services from overseas. Similarly, importing is most common among businesses in the Southern and Momase regions.

**Table 39: Percentage of Turnover Spent on Imports by Region & Area**

Q76. Approximately what percentage of your organisation’s annual sales/turnover is spent on imports or goods or services that you purchase from overseas? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
None (0)	89	82 ↓	93 ↑	94 ↑	82 ↓	86 ↓	95 ↑	96 ↑
1% to 25% (12.5)	5	8 ↑	4	3	8	7 ↑	2	2
26% to 50% (37.5)	3	4	3	1	3	4 ↑	-	1
51% to 75% (62.5)	1	1	0	1	-	1	1	-
76% to 99% (87.5)	0	0	0	-	1	0	-	-
100% (100)	1	2 ↑	0	1	-	1	-	-
Don't know	1	1	-	-	5 ↑	1	3	1
Refused	0	0	-	0	1	0	-	1
<b>Average percentage of turnover (mean)</b>	<b>3.23</b>	<b>5.80</b>	<b>2.33</b>	<b>2.05</b>	<b>2.66</b>	<b>4.31</b>	<b>0.52</b>	<b>0.67</b>
Column n	1309	349	408	359	193	929	194	186



Exporting trends are similar to import trends with MSMEs in the Southern and Momase regions being more likely to export goods and services overseas, whereas those in the Highlands and Islands regions are less likely. MSMEs in urban areas are more likely to export than those in rural and remote locations.

Table 40: Percentage of Turnover Generated from Exports by Region & Area

Q75. Approximately what percentage of your organisation’s annual sales/turnover is generated from exports or goods or services that you sell overseas? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
None (0)	93	87 ↓	96 ↑	97 ↑	88	91	95	96
1% to 25% (12.5)	3	5	2	1	5	4	1	3
26% to 50% (37.5)	1	3 ↑	1	1	1	2	1	-
51% to 75% (62.5)	1	1	1	-	1	1	1	-
76% to 99% (87.5)	0	1	0	0	-	0	-	1
100% (100)	0	1	-	1	-	1	-	-
Don't know	1	2	-	-	6 ↑	1	3	1
Refused	0	0	-	0	-	0	-	-
<b>Average percentage of turnover (mean)</b>	<b>1.98</b>	<b>3.76</b>	<b>1.23</b>	<b>1.46</b>	<b>1.30</b>	<b>2.49</b>	<b>0.64</b>	<b>0.81</b>
Column n	1309	349	408	359	193	929	194	186

The largest barriers to trading internationally for MSMEs are financial constraints (27%), followed by insufficient business capacity (26%), and then disinterest (19%).

Table 41: Barriers to Export by Region & Area

Q78. What are the biggest challenges preventing this organisation from trading internationally? [Asked of formal MSMEs that do not export goods or provide services overseas]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Financial constraints ( <i>high cost, levies, foreign exchange</i> )	27	22	33	27	26	29	23	25
Business is too small / does not have capacity	26	32	37 ↑	6 ↓	30	26	28	26
Not interested	19	17	16	22	23	19	21	18
Low awareness or knowledge about exporting	7	4	8	11 ↑	4	7	10	7
Lack of support, partnerships, or networks	7	2 ↓	13 ↑	6	5	8	6	7
No license to trade internationally / ineligible	7	16 ↑	5	-	10	8	3	7
Competition / lacking customers	2	2	2	3	3	3	2	2
Transport, distribution, or access issues	2	1	2	4	2	2	2	5
Government regulation and policy	2	1	1	5 ↑	2	2	1	6 ↑
Complicated processes / issues with documentation	2	3	1	1	5	3	2	1
Other	5	4	4	8 ↑	5	5	7	3
No challenges	9	10	4 ↓	15 ↑	6	8	11	11
Don't know	1	1	1	1	1	1	1	1
Column n	1187	300	388	342	157	831	180	176





## Achievements & Challenges

### Biggest Achievement – Last 12 Months

Development of new products and services (28%), growth in profits (27%), and increased sales (25%) comprise the top three biggest achievements for MSMEs over the last 12 months. Innovation of products of services was an achievement for more businesses in the Highlands, while improving business processes and technology was an achievement for more MSMEs in the Southern region. Growing business profits was mentioned by more MSMEs in remote locations and in the Islands and Momase regions.

Table 42: Single Biggest Achievement in Last 12 Months by Region & Area

Q97. Thinking about the last 12 months, what was the single biggest achievement this business experienced? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Developed new products/services	28	32	40 ↑	16 ↓	18 ↓	28	28	26
Growth in business profits	27	15 ↓	22	36 ↑	39 ↑	24	27	37 ↑
Increased product sales	25	22	22	31 ↑	23	24	29	23
Developed new, more efficient business processes	7	12 ↑	4	4	7	7	4	4
Hired more/better staff	3	5	1	2	4	4	3	-
Implemented new technology	2	4 ↑	1	1	1	3	-	1
Other	4	4	7	3	2	4	4	5
Nothing	2	2	2	2	4	2	4	3
Don't know	3	3	0	4	3	3	2	2
Column n	1304	347	407	358	192	924	194	186



**Biggest Challenge – Last 12 Months**

MSMEs face a variety of obstacles and challenges running their businesses, however poor cashflow, competition, and high operational costs were the most common biggest challenges endured within the last 12 months. Interestingly, competition and law & order issues were highlighted as the biggest challenges for significantly more MSMEs in the Highlands region, and significantly fewer in the Islands region.

Table 43: Single Biggest Challenge in Last 12 Months by Region & Area

Q98. Still thinking about the last 12 months, what was the single biggest challenge you faced in this business? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Poor sales, profits, or cashflow ( <i>dinau custom</i> )	23	24	22	23	21	22	26	22
Competition	17	17	24 ↑	6 ↓	21	18	16	9
High operational costs	13	16	10	13	15	14	10	10
Law & order issues ( <i>crime, tribal fights, political disturbance</i> )	9	5	17 ↑	5 ↓	8	8	8	14
Road/transportation infrastructure or cost	5	5	4	5	5	4	6	8
Electricity & water supply	4	5	3	4	6	5	3	1
Obligations to family/wantoks ( <i>haus kraik, bride price, school fees</i> )	4	3	4	4	6	3	8	5
Managing business ( <i>growth, finances, human resources</i> )	4	5	3	4	4	4	2	4
Shortage of capital, loan refusal	3	3	2	5	4	3	3	4
Lack of assistance/control from government or regulatory bodies	2	3	2	3	1	2	1	2
Land & building shortages and disputes	2	3	1	2	1	2	1	2
Lack of skilled workers, staff retention, or poor staff attitudes	1	2	0	1	1	1	1	1
Other	6	7	6	6	4	6	4	5
Nothing	3	1	3	4	3	2	3	4
Don't know	5	2 ↓	0 ↓	14 ↑	3	4 ↓	8	8
Column n	1306	347	407	359	193	926	194	186



## Obstacles for Business Operation and Growth

A list of potential obstacles to business operation and growth was shown to survey participants, who were then asked to rate each prompt as *a major obstacle*, *a minor obstacle*, or *not an obstacle* for their MSME. The summary, figures, and tables on the following pages detail the overall findings.

The top ten major obstacles for MSME operation and growth are:

1. Government corruption (*a major obstacle* for 69% in 2024; 37% in 2014)
2. Government regulation (*a major obstacle* for 42% in 2024; 26% in 2014)
3. Political instability (*a major obstacle* for 40% in 2024; 26% in 2014)
4. Customers not paying on time or not paying at all (*a major obstacle* for 39% in 2024; 25% in 2014)
5. Tax rates (*a major obstacle* for 37% in 2024; 36% in 2014)
6. Crime, security, and law & order (*a major obstacle* for 34% in 2024; 21% in 2014)
7. Unfair practices of competitors (*a major obstacle* for 33% in 2024; 29% in 2014)
8. Access to finance, loans, and capital (*a major obstacle* for 31% in 2024; 37% in 2014)
9. The reliability, availability, and cost of electricity services (*a major obstacle* for 24% in 2024; 20% in 2014)
10. Access to reliable business information (*a major obstacle* for 23% in 2024; not measured in 2014)

The severity of some obstacles correlates with location density. For example, difficulty buying or leasing land is more pronounced in urban areas, presumably since there is less availability, higher competition, and higher cost for land in towns and cities. Meanwhile operating within remote areas poses a different set of challenges, particularly involving transportation of products, access to reliable business information, access to technology like computers and the Internet, as well as the quality of phone services.

Each region is also facing its own key obstacles, which provides an important opportunity to develop tailored strategies to support MSME growth and development across PNG, notably:

- For Highlands MSMEs, government regulation is more likely to be a major obstacle.
- MSMEs in the Southern region are more likely to face a variety of major obstacles including access to finance, crime, transporting products, and unfair practice of competitors.
- For Momase MSMEs, acquiring land and tax rates are more common major obstacles.
- In the Islands region, technological issues regarding quality of electricity and phone services are more likely to be major obstacles for MSMEs.
- Political instability is a more prominent challenge for MSMEs in the Highlands and Momase regions.
- Those operating in the Southern and Islands regions are more likely to rate getting customers to pay for goods or services as a major obstacle, potentially due to constrained cashflow or higher reliance on *dinau* custom in these regions.
- Acquiring land is a major obstacle to more MSMEs in the Momase and Southern regions, where the nation's largest cities of Lae and Port Moresby are situated.



The most common obstacles for MSMEs in Papua New Guinea to operate and grow involve government responsibility, crime, and difficulty navigating the general business landscape. Government corruption is both the largest and most common obstacle, impacting 80% of MSMEs overall and 69% majorly, followed by government regulation, and political instability. The next most widespread obstacles include customers not paying for goods or services, tax rates, unfair behaviour of competitors, and law & order which are all hindrances to more than 60% of MSMEs.

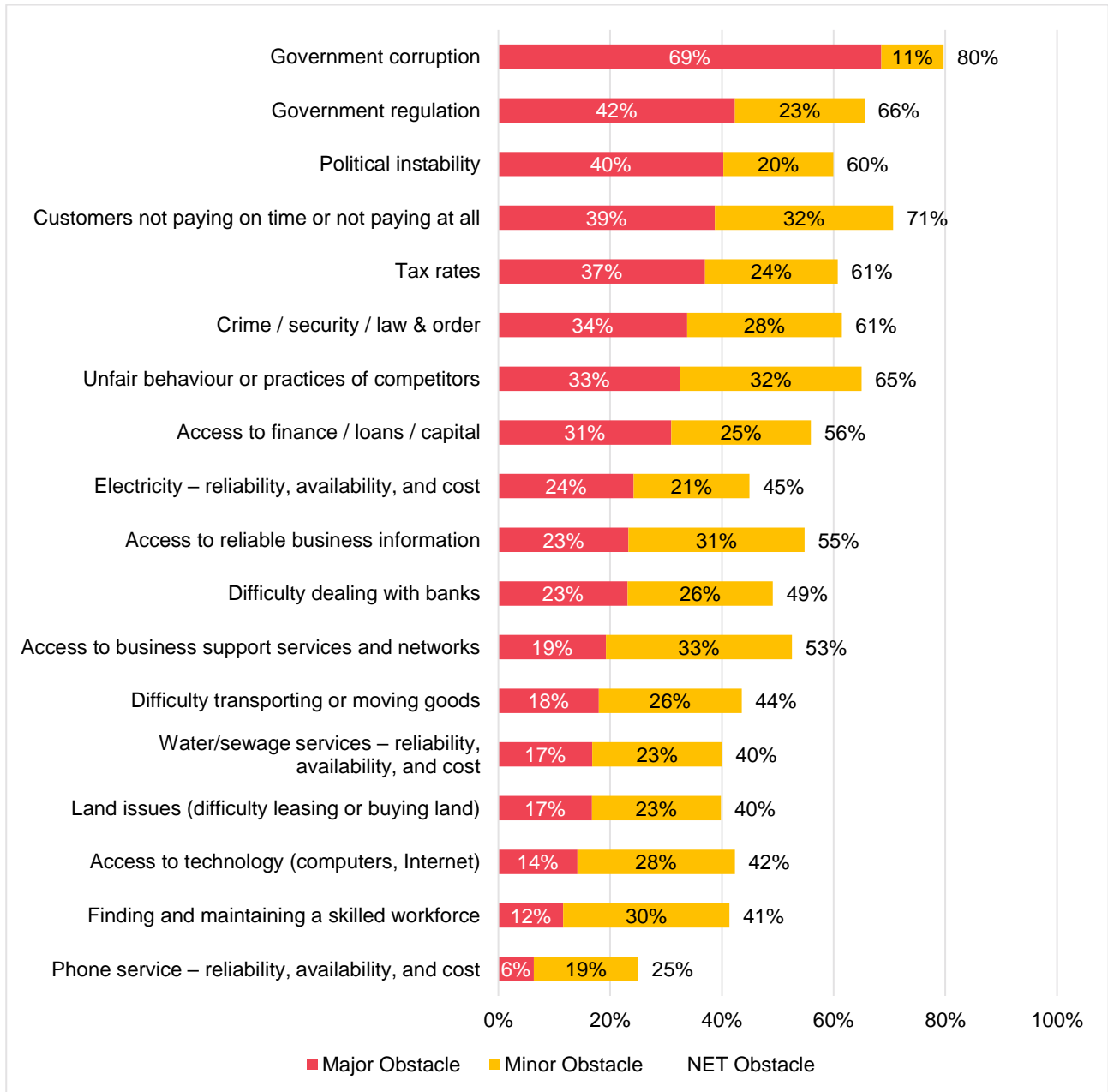


Figure 3: Obstacles to Business Operation or Expansion

Q105. Now I am going to show you a list of obstacles some people say can make it hard to operate or grow a business in PNG. I want you to think only about this business. Please tell me how big of an obstacle each is to operating or expanding this business. I would like you to tell me if each one is a major obstacle, a minor obstacle, or not an obstacle to your business operations or growth. [Asked of formal MSMEs (n=1309)]



Table 44: Obstacles to Business Operation or Expansion by Region

Q105. Now I am going to show you a list of obstacles some people say can make it hard to operate or grow a business in PNG. I want you to think only about this business. Please tell me how big of an obstacle each is to operating or expanding this business. I would like you to tell me if each one is a major obstacle, a minor obstacle, or not an obstacle to your business operations or growth. [Asked of formal MSMEs]

		Region				
		Total	Southern	Highlands	Islands	Momase
		%	%	%	%	%
Government corruption	Major obstacle	69	74	74	54 ↓	75
	Minor obstacle	11	11	6 ↓	17 ↑	11
	Not an obstacle	19	13 ↓	20	27 ↑	14
Government regulation	Major obstacle	42	44	49 ↑	30 ↓	50
	Minor obstacle	23	26	15 ↓	28	27
	Not an obstacle	33	29	37	39 ↑	22 ↓
Political instability	Major obstacle	40	42	51 ↑	21 ↓	50 ↑
	Minor obstacle	20	19	11 ↓	32 ↑	18
	Not an obstacle	37	37	38	41	31
Customers not paying on time or not paying at all	Major obstacle	39	46 ↑	22 ↓	53 ↑	35
	Minor obstacle	32	30	39 ↑	24 ↓	35
	Not an obstacle	29	24	39 ↑	23 ↓	30
Tax rates	Major obstacle	37	37	36	30	53 ↑
	Minor obstacle	24	26	25	24	18
	Not an obstacle	37	35	40	41	27
Crime, security, law & order	Major obstacle	34	43 ↑	27 ↓	28 ↓	41
	Minor obstacle	28	27	36 ↑	23	20
	Not an obstacle	39	30 ↓	38	48 ↑	38
Unfair behaviour or practices of competitors	Major obstacle	33	43 ↑	30	24 ↓	35
	Minor obstacle	32	32	32	31	38
	Not an obstacle	35	26 ↓	38	45 ↑	27
Access to finance, loans, and capital	Major obstacle	31	47 ↑	21 ↓	27	31
	Minor obstacle	25	22	27	26	24
	Not an obstacle	42	30 ↓	52 ↑	43	44
Electricity – reliability, availability, and cost	Major obstacle	24	26	16	34 ↑	20
	Minor obstacle	21	24	16 ↓	20	25
	Not an obstacle	55	50	68 ↑	45 ↓	55
Access to reliable business information	Major obstacle	19	23	19	19	15
	Minor obstacle	33	37	33	28	39
	Not an obstacle	47	40 ↓	49	52	45
Difficulty dealing with banks	Major obstacle	23	26	19	22	28
	Minor obstacle	26	32	21	27	25
	Not an obstacle	50	40 ↓	60 ↑	48	46
Access to business support services and networks	Major obstacle	23	29	21	23	21
	Minor obstacle	31	30	34	30	32
	Not an obstacle	44	40	46	44	45
Difficulty transporting or moving goods	Major obstacle	18	24 ↑	11 ↓	19	20
	Minor obstacle	26	22	27	28	24
	Not an obstacle	56	53	62 ↑	53	55
Water/sewage services – reliability, availability, and cost	Major obstacle	17	20	14	16	18
	Minor obstacle	23	24	19	28	22
	Not an obstacle	60	56	67 ↑	56	60
Land issues (difficulties buying or leasing land)	Major obstacle	17	23 ↑	11 ↓	11 ↓	28 ↑
	Minor obstacle	23	24	28 ↑	21	13 ↓
	Not an obstacle	60	51 ↓	61	67 ↑	59
Access to technology (computers, Internet)	Major obstacle	14	14	11	18	13
	Minor obstacle	28	26	35 ↑	26	22
	Not an obstacle	56	59	54	54	62
	Major obstacle	12	16	8	11	12



Finding and maintaining a skilled workforce	Minor obstacle	30	33	29	29	25
	Not an obstacle	58	50 ↓	62	59	62
Phone service – reliability, availability, and cost	Major obstacle	6	4	4 ↓	14 ↑	2 ↓
	Minor obstacle	19	13 ↓	17	27 ↑	16
	Not an obstacle	75	83 ↑	79	59 ↓	82 ↑
Column n		1309	349	408	359	193

Table 45: Obstacles to Business Operation or Expansion by Area

Q105. Now I am going to show you a list of obstacles some people say can make it hard to operate or grow a business in PNG. I want you to think only about this business. Please tell me how big of an obstacle each is to operating or expanding this business. I would like you to tell me if each one is a major obstacle, a minor obstacle, or not an obstacle to your business operations or growth. [Asked of formal MSMEs]

		Total	Area		
			Urban	Rural	Remote
		%	%	%	%
Government corruption	Major obstacle	69	69	66	70
	Minor obstacle	11	11	12	10
	Not an obstacle	19	19	21	19
Government regulation	Major obstacle	42	42	34	51
	Minor obstacle	23	24	22	19
	Not an obstacle	33	32	43 ↑	29
Political instability	Major obstacle	40	40	35	48
	Minor obstacle	20	20	20	19
	Not an obstacle	37	38	43	31
Customers not paying on time or not paying at all	Major obstacle	39	37	41	47
	Minor obstacle	32	33	30	29
	Not an obstacle	29	31	29	24
Tax rates	Major obstacle	37	39	31	34
	Minor obstacle	24	25	22	19
	Not an obstacle	37	34	44	43
Crime, security, law & order	Major obstacle	34	35	29	34
	Minor obstacle	28	29	30	18 ↓
	Not an obstacle	39	36	41	47 ↑
Unfair behaviour or practices of competitors	Major obstacle	33	34	30	30
	Minor obstacle	32	34	27	30
	Not an obstacle	35	32 ↓	43	40
Access to finance, loans, and capital	Major obstacle	31	30	32	34
	Minor obstacle	25	24	24	31
	Not an obstacle	42	44	42	33
Electricity – reliability, availability, and cost	Major obstacle	24	22 ↓	27	34
	Minor obstacle	21	21	21	20
	Not an obstacle	55	57	53	45 ↓
Access to reliable business information	Major obstacle	19	16 ↓	23	31 ↑
	Minor obstacle	33	34	28	36
	Not an obstacle	47	49 ↑	48	32 ↓
Difficulty dealing with banks	Major obstacle	23	22	23	27
	Minor obstacle	26	27	25	23
	Not an obstacle	50	50	50	47
Access to business support services and networks	Major obstacle	23	20 ↓	30	31
	Minor obstacle	31	32	30	32
	Not an obstacle	44	46	40	35
Difficulty transporting or moving goods	Major obstacle	18	15 ↓	19	31 ↑
	Minor obstacle	26	26	26	26
	Not an obstacle	56	59 ↑	55	43 ↓
Water/sewage services – reliability, availability, and cost	Major obstacle	17	15	19	22
	Minor obstacle	23	23	22	24
	Not an obstacle	60	61	59	54



Land issues (difficulties buying or leasing land)	Major obstacle	17	19 ↑	11	12
	Minor obstacle	23	25 ↑	20	16
	Not an obstacle	60	55 ↓	70 ↑	72 ↑
Access to technology (computers, Internet)	Major obstacle	14	11 ↓	19	26 ↑
	Minor obstacle	28	28	27	30
	Not an obstacle	56	60 ↑	52	43 ↓
Finding and maintaining a skilled workforce	Major obstacle	12	11	14	14
	Minor obstacle	30	31	25	28
	Not an obstacle	58	58	59	58
Phone service – reliability, availability, and cost	Major obstacle	6	3 ↓	6	23 ↑
	Minor obstacle	19	19	17	20
	Not an obstacle	75	78 ↑	77	57 ↓
Column n		1309	929	194	186

The largest obstacles for MSMEs appear to have evolved dramatically over the last ten years with difficulties involving acquisition of land, transportation of goods, access to finance, and dealing with banks having improved. Simultaneously, many inherent factors of operating within the PNG MSME landscape are perceived to have become increasingly challenging, especially those outside of the direct control of MSME business owners, such as government corruption, government regulation, political instability, and law & order.

Table 46: Obstacles to Business Operation or Expansion (% Major Obstacle)

Q105. Now I am going to show you a list of obstacles some people say can make it hard to operate or grow a business in PNG. I want you to think only about this business. Please tell me how big of an obstacle each is to operating or expanding this business. I would like you to tell me if each one is a major obstacle, a minor obstacle, or not an obstacle to your business operations or growth. [Asked of formal MSMEs]

	2024	2014
	%	%
Government corruption	69	37
Government regulation	42	26
Political instability	40	26
Customers not paying on time or not paying at all	39	25
Tax rates	37	36
Crime / security / law & order	34	21
Unfair behaviour or practices of competitors	33	29
Access to finance / loans / capital	31	37
Electricity – reliability, availability, and cost	24	20
Access to reliable business information	23	-
Difficulty dealing with banks	23	34
Access to business support services and networks	19	-
Difficulty transporting or moving goods	18	32
Water/sewage services – reliability, availability, and cost	17	17
Land issues (difficulty leasing or buying land)	17	38
Access to technology (computers, Internet)	14	19
Finding and maintaining a skilled workforce	12	16
Phone service – reliability, availability, and cost	6	15
Column n	1309	1117



**Access to Finance**

Access to credit, loans, and capital is among the next largest obstacles to MSME operation and growth, with 31% deeming it a major obstacle and a further 25% saying it is a minor obstacle.

At current, only 22% of MSMEs report having outstanding loans or credit provided by a financial institution or other lender. The value of outstanding loans and credit skews toward lower groupings with 6% of MSMEs borrowing less than PGK 10,000 and a further 6% borrowing between PGK 10,000 and 24,999. Only 9% of MSMEs have outstanding credit totalling PGK 25,000 or greater. Borrowing behaviours are consistent across regions and location density.

**Table 47: Value of Outstanding Loans by Region & Area**

Q71. Thinking about any money this organisation has borrowed from other sources to support the business... Approximately how much money does this business owe in loans or credit provided by a bank or other lender? Please provide the total amount of borrowings from all sources. [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
No loans or credit owing	76	76	76	77	72	74	78	79
Less than PGK 10,000	6	4	5	10 ↑	6	6	7	6
PGK 10,000 to 24,999	6	8	4	4	9	6	8	5
PGK 25,000 to 49,999	3	4	2	2	2	3	1	2
PGK 50,000 to 74,999	2	2	2	2	3	3	1	1
PGK 75,000 to 99,999	1	-	2	1	1	1	1	-
PGK 100,000 to 249,999	2	3	4	1	1	2	3	3
PGK 250,000 to 499,999	1	-	2	1	3	1	1	2
PGK 500,000 to 999,999	0	0	0	0	-	0	1	-
PGK 1 to 1.49 million	-	-	-	-	-	-	-	-
More than PGK 1.5 million	0	0	0	-	-	0	-	-
Don't know	2	1	1	2	4	2	1	2
Refused	0	1	-	1	-	0	-	1
Column n	1309	349	408	359	193	929	194	186

Micro-enterprises are less likely to have borrowings and tend to have lower value credit.

**Table 48: Value of Outstanding Loans by Turnover Size**

Q71. Thinking about any money this organisation has borrowed from other sources to support the business... Approximately how much money does this business owe in loans or credit provided by a bank or other lender? Please provide the total amount of borrowings from all sources. [Asked of formal MSMEs]

	Total	Turnover Size		
		Micro	Small	Medium
	%	%	%	%
No loans or credit owing	76	80 ↑	69 ↓	59 ↓
Less than PGK 10,000	6	8	5	1
PGK 10,000 to 24,999	6	5	9	4
PGK 25,000 to 49,999	3	2	3	8
PGK 50,000 to 74,999	2	2	3	1
PGK 75,000 to 99,999	1	1	2	3
PGK 100,000 to 249,999	2	1 ↓	5 ↑	8 ↑
PGK 250,000 to 499,999	1	0 ↓	2	8 ↑
PGK 500,000 to 999,999	0	0	0	1
PGK 1 to 1.49 million	-	-	-	-
More than PGK 1.5 million	0	-	0	1
Don't know	2	0	1	1
Refused	0	2	1	4
Column n	1309	880	353	76





Most MSMEs with a loan (80%) claim to have borrowed from a commercial bank that operates within Papua New Guinea. The second highest source of loans are non-bank financial institutions such as micro-finance or credit organisations, which service roughly 8% of MSMEs that have taken a loan.

Table 49: Source of Loans by Region & Area

Q72. Thinking about the business's current outstanding loans and lines of credit only... Which of the following types of organisations or individuals has the business borrowed from? [Asked of formal MSMEs with outstanding credit]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Commercial loan from a bank operating in PNG	80	84	86	77	63	79	79	88
Commercial loan from an offshore foreign bank	1	-	1	1	2	0	5	-
Non-bank financial institution, such as a micro-finance or credit organisation	8	6	1	16	13	9	5	9
Supplier credits or customer advances	1	1	1	-	2	1	2	-
Informal, local lenders	3	1	6	1	4	3	7	3
Employees	1	1	1	-	-	1	-	-
Family or friends	4	3	3	1	13	6	-	-
Personal savings	2	3	2	1	4	3	2	-
Other	1	1	-	1	-	1	-	-
Don't know	0	-	-	1	-	0	-	-
Column n	290	77	93	74	46	214	42	34

Ultimately, 13% of MSME loans are facilitated with informal lenders in order to access credit.

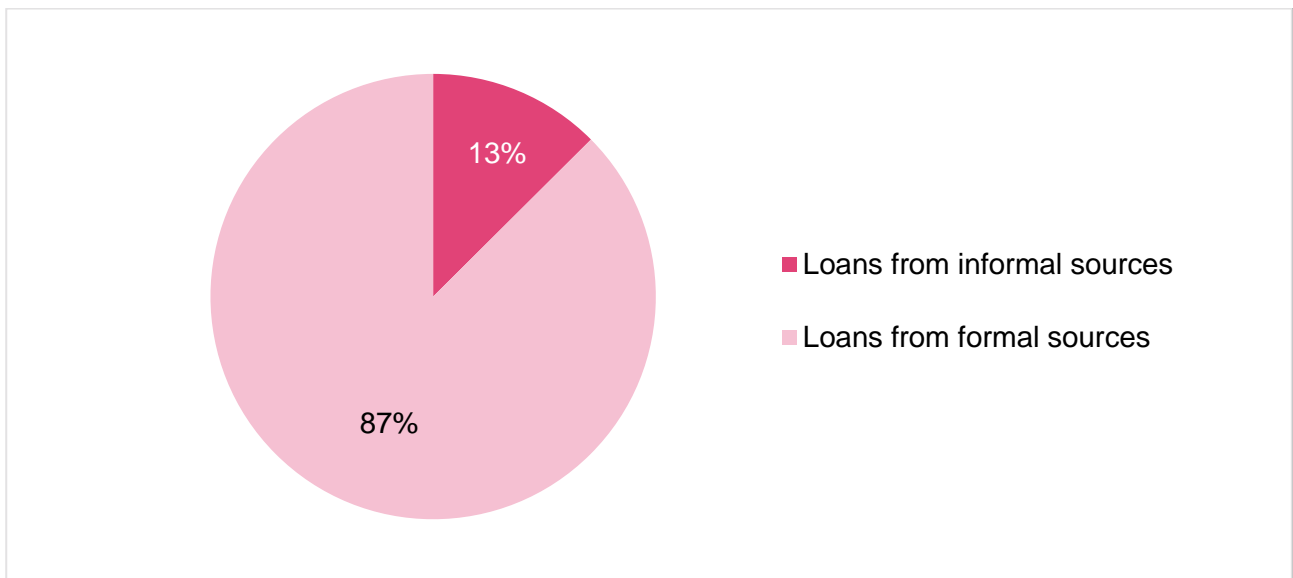


Figure 4: Loans from Formal and Informal Sources



MSMEs are mainly taking loans to access working capital to help sustain business operations (67%) or to purchase business assets or equipment (40%). Medium enterprises are significantly more likely to have utilised credit to purchase assets or equipment, rather than to sustain business operations.

Table 50: Main Purpose of Loans by Region & Area

Q73. What was the main purpose of the money you borrowed? [Asked of formal MSMEs with outstanding credit]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Working capital / capital to support business operations	67	64	76	68	54	64	71	85
To buy an asset or equipment	40	37	37	42	48	42	45	21
Some other purpose	2	3	1	3	-	2	-	-
Column n	291	78	93	74	46	215	42	34

When asked about the difficulty of acquiring a loan or credit for the business when needed, 54% of MSMEs found it easy, while 39% found it difficult, and a further 7% did not know or refused to answer. In the Highlands, a higher proportion find it easy to acquire credit, while the opposite is true in the Southern region. MSMEs in remote areas have more difficulty acquiring credit than those in urban locations. Similarly, micro enterprises have more difficulty acquiring finance.

Table 51: Ease of Acquiring Credit for Business When Needed by Region & Area

Q117. How easy or difficult is it to get a loan or credit for your business when you need it? Is it...? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Very easy	24	16 ↓	38 ↑	23	15 ↓	25	25	20
Somewhat easy	30	26	34	26	35	31	26	28
Somewhat difficult	20	24	11 ↓	23	28 ↑	21	18	18
Very difficult	19	20	18	21	18	16 ↓	24	30 ↑
<b>NET Easy</b>	<b>54</b>	<b>42 ↓</b>	<b>71 ↑</b>	<b>49</b>	<b>50</b>	<b>56</b>	<b>52</b>	<b>48</b>
<b>NET Difficult</b>	<b>39</b>	<b>44</b>	<b>28 ↓</b>	<b>44</b>	<b>46</b>	<b>37</b>	<b>42</b>	<b>48</b>
Don't know	5	8 ↑	0 ↓	7	3	5	5	4
Refused	2	5 ↑	-	0	2	2	2	-
Column n	1309	349	408	359	193	929	194	186

Ultimately, only half of formal MSMEs indicate they can get enough credit when it is needed.

Table 52: Ability to Acquire Sufficient Credit for Business When Needed by Region & Area

Q118. Overall, would you say your business can get enough credit when it needs it or cannot get enough credit? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Enough	50	43 ↓	59 ↑	39 ↓	66 ↑	53 ↑	40 ↓	46
Not enough	39	40	39	47 ↑	23 ↓	36 ↓	44	45
Don't know	8	10	2 ↓	13 ↑	10	8	14 ↑	7
Refused	3	7 ↑	0 ↓	1	1	3	2	2
Column n	1309	349	408	359	193	929	194	186



Future Growth

Options to Improve Business

A list of potential initiatives to support MSMEs was shown to survey participants, who were then asked to indicate the first, second, and third most helpful initiatives in terms of assisting to improve their business moving forward.

According to MSME owners and managers, improving access to finance is the best way to promote future MSME development, with 50% identifying it as the most helpful initiative and 61% including it in their top three most helpful initiatives. Improving access to finance was identified as the top initiative to drive MSME development in 2014.

Provision of management and financial skills training is considered the next most helpful initiative, mentioned by 39% overall. There are a multitude of other initiatives that would also prove helpful including better communications (25% included in top 3), marketing/advertising services (25%), technology like computers and reliable internet (19%), staff skills training (17%), business coaching/mentoring services (16%), and easier methods of banking (16%); many of which were also identified as helpful initiatives in 2014.

Table 53: Options to Help Improve Business – Top 3 Mentions with Order of Mention

Q115. Please look at this list of items that some business owners say would improve their business moving forward. Which one of the following would be most helpful to improving your business moving forward? What would be the second most helpful form of assistance for your business? And which would be the third most helpful? [Asked of formal MSMEs]

	Most Helpful	Second Most Helpful	Third Most Helpful	Total Top 3 Mentions
	%	%	%	%
Better access to finance	50	6	5	61
Management & financial skills training	12	16	12	39
Better communications	9	11	5	25
Marketing/advertising services	5	8	12	25
Technology, computers, reliable internet	6	10	2	19
Staff skills training	4	7	6	17
Business coaching/mentoring services	4	7	6	16
Easier ways to bank – online, mobile	3	7	6	16
Better access to business support services & networks	2	3	8	14
Better access to reliable business information	1	3	5	10
Reliable phone, electricity, water supply	1	2	3	6
Help with understanding/compliance for GoPNG regulations	0	2	3	5
Affordable external professional services	0	2	2	4
Other	0	0	0	1
None of these / nothing	2	16	25	2
Don't know	1	-	-	1
Column n	1309	1309	1309	1309



The initiatives perceived as most helpful to drive MSME improvement are relatively consistent across regions and desired at the national level. Nonetheless, it may be more effective to implement tailored initiatives that cater to the needs of different MSME communities; this may also improve the favourability of any new initiatives that are established.

The efficacy of management and financial skills training, as well as business coaching/mentoring services, is likely to be higher in the Southern region where there is higher demand for these initiatives. Similarly, easier methods of banking would benefit more MSMEs in Momase. Increasing reliability of phone, electricity, and water services is considered more helpful among MSMEs in the Islands region.

Table 54: Options to Help Improve Business: Top 3 Mentions by Region & Area

Q115. Please look at this list of items that some business owners say would improve their business moving forward. Which one of the following would be most helpful to improving your business moving forward? What would be the second most helpful form of assistance for your business? And which would be the third most helpful? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Better access to finance	61	67	52 ↓	62	63	60	66	59
Management & financial skills training	39	47 ↑	35	37	36	41	36	34
Better communications	25	29	17 ↓	28	32	26	19	27
Marketing/advertising services	25	29	24	25	20	26	24	23
Technology, computers, reliable internet	19	22	14 ↓	20	21	19	19	18
Staff skills training	17	17	20	13	19	18	12	17
Business coaching/mentoring services	16	23 ↑	17	12	12	16	19	17
Easier ways to bank – online, mobile	16	14	7 ↓	20	28 ↑	15	19	17
Better access to business support services & networks	14	16	14	12	12	14	15	10
Better access to reliable business information	10	8	10	11	12	9	13	12
Reliable phone, electricity, water supply	6	6	3 ↓	10 ↑	4	5	7	8
Help with understanding/compliance for GoPNG regulations	5	4	2 ↓	8	7	5	4	8
Affordable external professional services	4	4	4	4	6	5	6	1
Other	1	0	1 ↑	0	0	1	1	0
None of these / nothing	2	1	3	2	1	2	1	1
Don't know	1	1	0	1	1	1	2	-
Column n	1309	349	408	359	193	929	194	186



### Training & Mentoring Needs

Knowledge of available business support services is very limited with 52% of MSMEs indicating they know nothing about these types of services, 38% knowing a little bit, and only 7% claiming to know a lot. Businesses in urban locations are more knowledgeable about business support services than those in rural and remote areas.

Table 55: Knowledge of Business Support Services by Region & Area

Q110. How much would you say you know about support services for businesses like yours such as business incubators or hubs, Business Link Pacific, PNG Women’s Business Resource Centre (WBRC), and training courses? Would you say you know nothing, a little bit, or a lot? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Nothing	52	49	53	50	58	47 ↓	65 ↑	63 ↑
A little bit	38	38	38	38	36	42 ↑	27 ↓	29
A lot	7	10	8	5	4	8	6	4
Don't know	3	3	1 ↓	5 ↑	3	3	2	2
Refused	1	1	-	2	1	1	-	2
Column n	1309	349	408	359	193	929	194	186

Only 20% of MSMEs have ever utilised a business support service or network to assist the business. A higher proportion of MSMEs in urban locations have used these services.

Table 56: Use of Business Support Services or Networks by Region & Area

Q111. Have you ever used a business support service or network to assist your business, such as for training, mentoring, getting information, or for administrative services? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Yes	20	21	20	21	13	22 ↑	15	15
Column n	1309	349	408	359	193	929	194	186

Business support services or networks that have been utilised by MSMEs were predominantly conducted in-person (84%), with much fewer being held online (10%) or through some other method (4%).

Table 57: Mode of Business Support Service or Network by Region & Area

Q113. Was the business support network or service you used done in-person, online, or some other way? [Asked of formal MSMEs that have ever used a business support service or network]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
In-person	84	77	93	84	80	84	90	85
Online	10	18	2	9	12	10	10	7
Some other way	4	5	2	5	4	4	-	7
Don't know	0	-	-	-	4	0	-	-
Refused	1	-	2	1	-	1	-	-
Column n	257	73	82	77	25	201	29	27



Among MSMEs that have never utilised a business support service or network, the primary barriers to usage include insufficient budget (33%), a perceived lack of need for these services (32%), and inaccessibility to local services that meet the needs of the business (28%).

Affordability and perceived lack of need for these services are barriers for significantly more MSMEs operating in the Highlands and significantly fewer MSMEs in the Southern region, where poor quality of local services is a larger barrier. Inaccessibility to local services that meet business needs is more of an obstacle for MSMEs in remote areas and the Islands region.

Table 58: Main Barriers to Business Support Services or Networks by Region & Area

Q112. Why haven't you used a business support service or network? Please provide the one or two main reasons. [Asked of formal MSMEs who have never used a business support service or network]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
High costs / no budget for external services	33	22 ↓	42 ↑	33	33	34	33	30
No need for these services	32	22 ↓	50 ↑	18 ↓	36	33	30	31
No services available locally to meet my needs	28	33	17 ↓	35 ↑	28	23 ↓	35	40 ↑
Services available locally are poor quality	13	24 ↑	4 ↓	12	15	13	12	14
No time / too busy to consider it	11	12	3 ↓	13	20 ↑	12	9	4
Do not trust outside consultants with confidential information	7	6	3 ↓	10	11	8	6	4
Some other reason	1	2	1	1	1	1	2	1
Don't know	2	2	1	2	2	2	1	1
Refused	0	0	-	-	-	0	-	-
Column n	1037	265	326	278	168	713	165	159

Despite 80% of formal MSMEs having never used a business support service or network, only 4% indicate their leadership team do not require additional training or mentoring.

Desired training topics revolve around essential skills for running or managing a business including business and financial planning (53%), cash flow management (46%), budgeting (35%), basic bookkeeping (25%), and sales and marketing skills (21%).

More MSMEs in the Southern region want training focussed on business and financial planning (63%), cash flow management (58%), and budgeting (44%). Whereas basic bookkeeping training is sought by significantly more businesses in rural areas (34%) and fewer in urban areas (23%).



Table 59: Required Training or Mentoring Topics for Leadership Team by Region & Area

Q116. Some business operators have said they would like additional training or mentoring in specific subjects related to running a business. In which areas does your leadership team need additional training or mentoring? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Business and financial planning	53	63 ↑	47	52	47	53	55	51
Cash flow management	46	58 ↑	32 ↓	48	49	48	37	46
Budgeting	35	44 ↑	20 ↓	39	40	35	33	35
Basic bookkeeping	25	21	22	27	34	23 ↓	34 ↑	27
Sales and marketing	21	24	20	22	18	20	26	23
Inventory control	11	10	13	10	12	12	9	9
Management information systems	11	12	9	13	7	12	8	8
Logistics and supply chain management	10	11	8	9	11	10	9	9
Managing employees	9	9	12	7	10	11	5	6
Financial products / technology for financial management	8	12 ↑	4 ↓	8	10	9	6	6
Technology / IT / computer systems	5	3	4	7	7	4	9	3
Legal and tax issues	5	6	2 ↓	6	7	5	5	2
Some other topic(s)	1	1	1	0	1	1	-	1
Don't need training	4	2	4	4	3	4	3	3
Don't know	1	0	1	1	1	1	-	1
Column n	1309	349	408	359	193	929	194	186

It is important that these training and mentoring services be offered in-person as that is the preferred delivery method by 80% of MSMEs across the country, but especially in the Highlands region (88%) and in increasingly remote locations (89% in remote, compared to 86% in rural and 77% in urban areas).

Table 60: Preferred Mode of Business Support Service or Network by Region & Area

Q114. Would you prefer training or mentoring services to be done in-person, online, or some other way? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
In-person	80	64 ↓	88 ↑	82	88	77 ↓	86	89 ↑
Online	6	12 ↑	0 ↓	6	4	7	4	2
Both in-person & online	5	7	2 ↓	8 ↑	-	5	2	3
Some other way	0	0	0	0	-	0	-	1
I don't want training	1	0	1	-	2	1	1	1
Don't know	2	1	0	1	6 ↑	2	3	1
Refused	7	15 ↑	8	2 ↓	1 ↓	8	5	4
Column n	1309	349	408	359	193	929	194	186



**Suggestions to Support MSMEs**

When given an opportunity to provide suggestions to assist businesses similar to their own, MSME owners and managers volunteered a wide variety of responses ranging from strategies and initiatives to words of encouragement for aspiring business owners. These suggestions have been categorised into general themes and are presented in the table below.

The two key suggestions that emerged concerned improving access to finance, either via commercial loans or by encouraging cashflow within communities, and provision of support initiatives to assist MSMEs and drive sector development and growth.

Table 61: Suggestions to Support Businesses by Region & Area

Q99. Do you have any suggestions that would help a business like yours? Anything at all you would like to say now that you have the chance? [Asked of formal MSMEs]

	TOTAL	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Provide more financial assistance – improve financial accessibility for MSMEs	21	20	21	19	28	21	23	22
Provide assistance to MSMEs to promote development and expansion	15	13	21 ↑	9 ↓	17	15	19	11
Inspirational suggestions, words of encouragement for other MSMEs	6	6	5	8	2	6	2	8
Provide business management training, mentoring, and information	5	4	8	5	3	5	7	6
Promote cooperation and collaboration in MSME sector (rather than competition)	4	5	6	4	1	4	4	5
Improve infrastructure, public services, resourcing, and assets	4	2	5	3	9 ↑	4	5	5
Improve access to land & buildings for commercial activities (reduce rent, construct market areas)	4	6	6	2	2	4	3	4
Improve regulation/control on pricing of goods and services (retail, wholesale, imports)	3	2	4	3	5	4	3	2
Regulate unfair business practices	3	3	5	1	5	4	3	1
Nurture sector growth through investment to promote industry and employment	3	2	4	3	3	3	2	2
Address law & order issues and rising crime rate ( <i>more policing, prevent violence</i> )	3	2	6 ↑	1	2	4	2	1
Other suggestions mentioned by 2% of MSMEs or less:								
<ul style="list-style-type: none"> <li>• Improve education about tax rates, requirements, and processes</li> <li>• Stimulate economic activity to enhance cashflow, foreign investment, and PGK appreciation</li> <li>• Better offers from banks – lower interest rates, easier application processes, more access in rural areas</li> <li>• Manage customer payments by restricting credit (dinau) payments</li> <li>• Develop quality road and transportation infrastructure (including shipping and freight services)</li> <li>• Combat corruption, nepotism, and provide equal opportunities for all MSMEs</li> <li>• Clarify business registration processes and requirements to promote business formalisation</li> </ul>								
No suggestions	17	19	8 ↓	29	11	16	21	20
Column n	1309	349	408	359	193	929	194	186





Confidence

Economy – Change Since 2023

Half of MSMEs reported a decline in the Papua New Guinean economy over the last 12 months, with 26% indicating it has decreased a lot and 23% that it has decreased some. Contrarily, 32% of MSMEs reported an increase in the national economy over the last 12 months, with 21% suggesting it has increased some and 11% that it has increased a lot.

MSMEs in urban areas were significantly more likely to report economic decline over the last 12 months, whereas those in remote areas were significantly less likely to indicate it had declined. In the Highlands, MSMEs are more likely to suggest the economy has increased while those in the Islands region are more likely to indicate it has stayed the same.

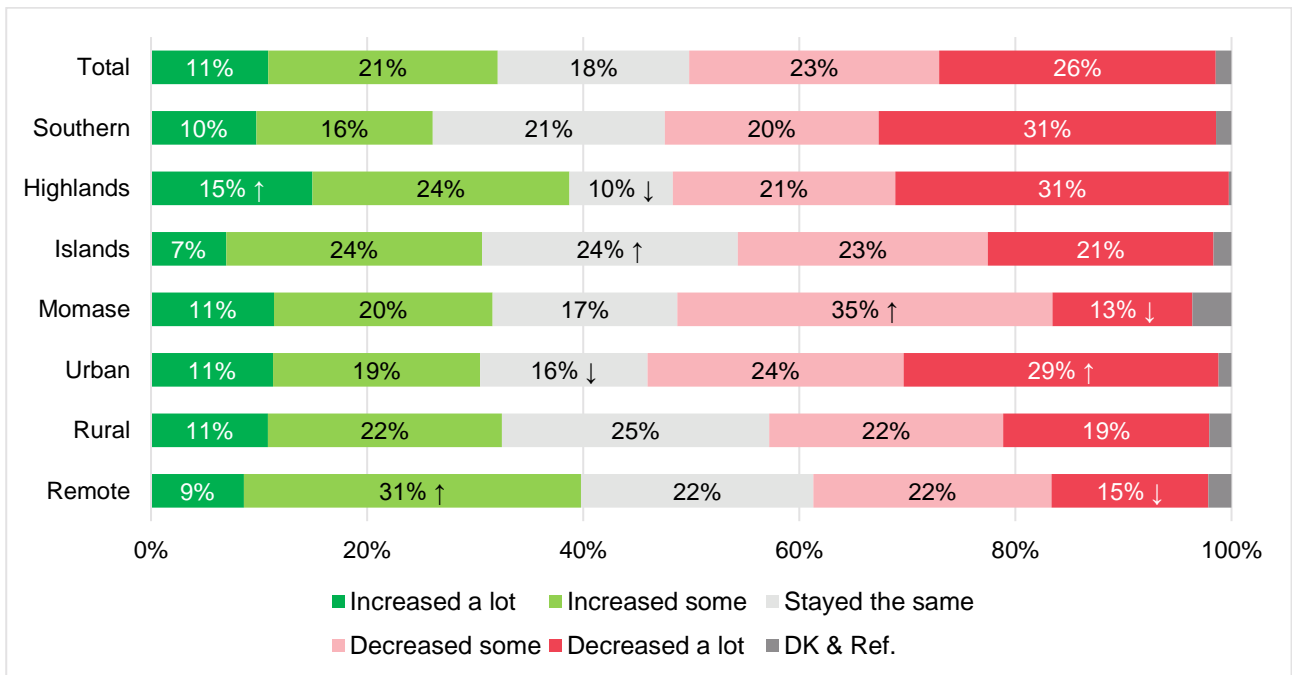


Figure 5: Papua New Guinean Economy – Last 12 Months by Region & Area

Q90. Compared to one year ago, would you say that over the last 12 months the economy in Papua New Guinea has... [Asked of formal MSMEs: Total (n=1309), Southern (n=349), Highlands (n=408), Islands (n=359), Momase (n=193), Urban (n=929), Rural (n=194), Remote (n=186)]



**Economy – Expectations for 2025**

There is more optimism about the trajectory of the Papua New Guinean economy in the coming 12 months, with 48% of MSMEs expecting it will increase (12% increase a lot, 36% increase some). Contrastingly, 20% of MSMEs anticipate negative prospects for the national economy in the next 12 months, while 28% believe it will stay the same as present day.

MSMEs operating in the Highlands are significantly more likely to believe the Papua New Guinean economy will increase in the coming year, and less likely to believe it will stay the same, whereas the opposite is observed among MSMEs in the Islands region.

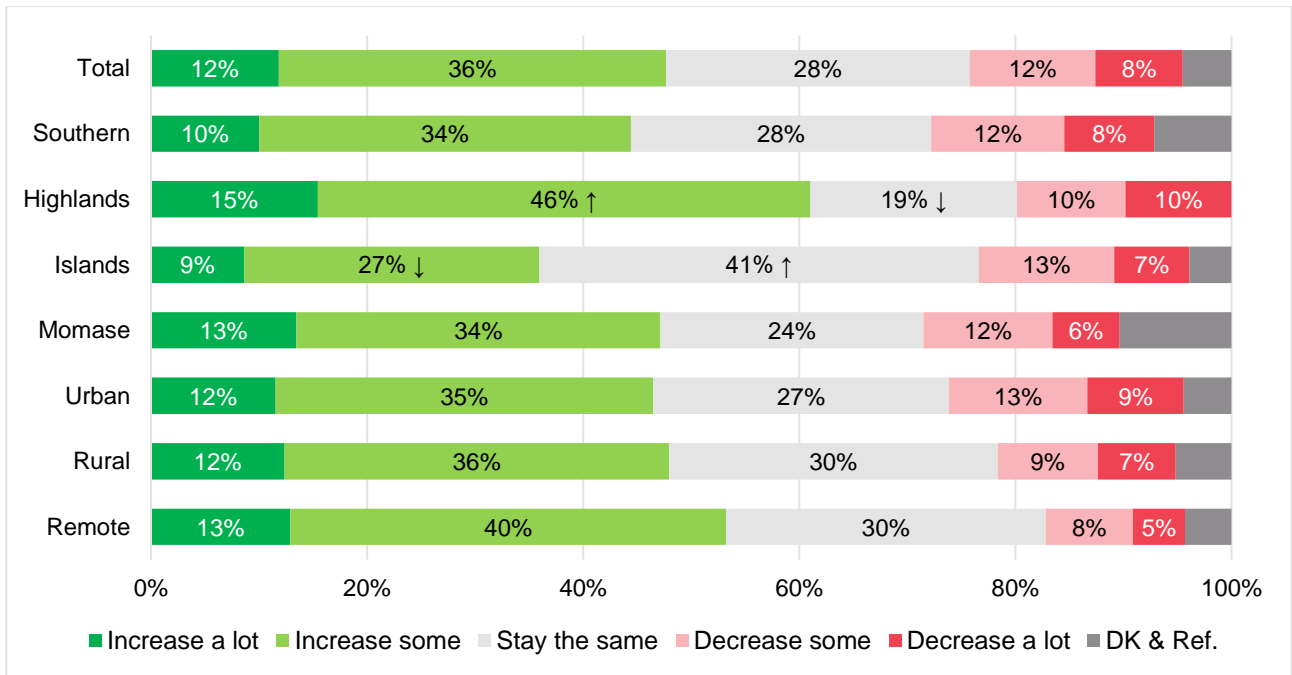


Figure 6: Papua New Guinean Economy – Next 12 Months by Region & Area

Q91. Looking forward to the next twelve months, over the course of the next year do you think the economy in Papua New Guinea will... [Asked of formal MSMEs: Total (n=1309), Southern (n=349), Highlands (n=408), Islands (n=359), Momase (n=193), Urban (n=929), Rural (n=194), Remote (n=186)]



**Own Business & Sales – Change Since 2023**

Perceptions of MSMEs own business and sales are generally more positive than for the overall Papua New Guinean economy over the last 12 months, with 63% reporting their business had increased (14% increased a lot, 49% increased some). Just 17% of MSMEs reported a decline in their business and sales in the last year.

Increases in business and sales in the last 12 months were more commonly reported by MSMEs in the Highlands and less common by those operating in the Southern region.

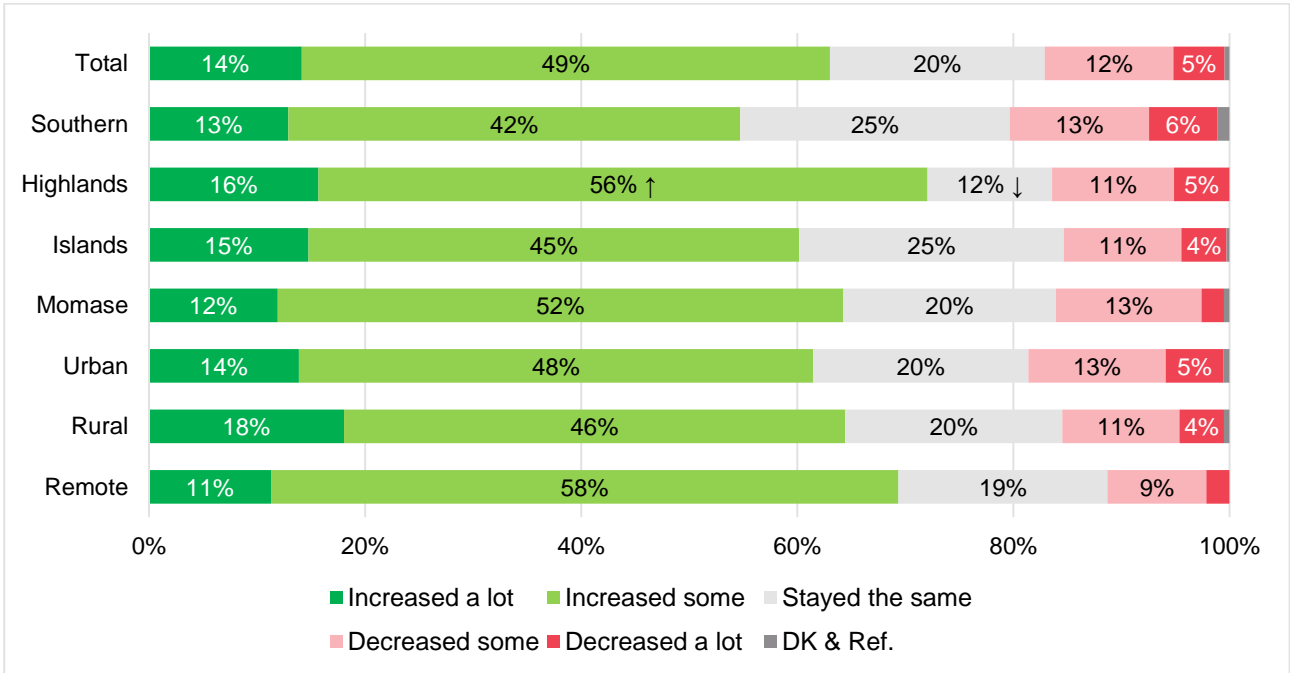


Figure 7: Own Business & Sales – Last 12 Months by Region & Area

Q92. What about your own business? Compared to one year ago, would you say that over the last 12 months your business and sales have... [Asked of formal MSMEs: Total (n=1309), Southern (n=349), Highlands (n=408), Islands (n=359), Momase (n=193), Urban (n=929), Rural (n=194), Remote (n=186)]



### Own Business & Sales – Expectations for 2025

Survey participants were even more optimistic about the trajectory of their own MSME business and sales, with 79% anticipating it will increase (24% increase a lot, 55% increase some) in the coming year while only 4% predict a decline.

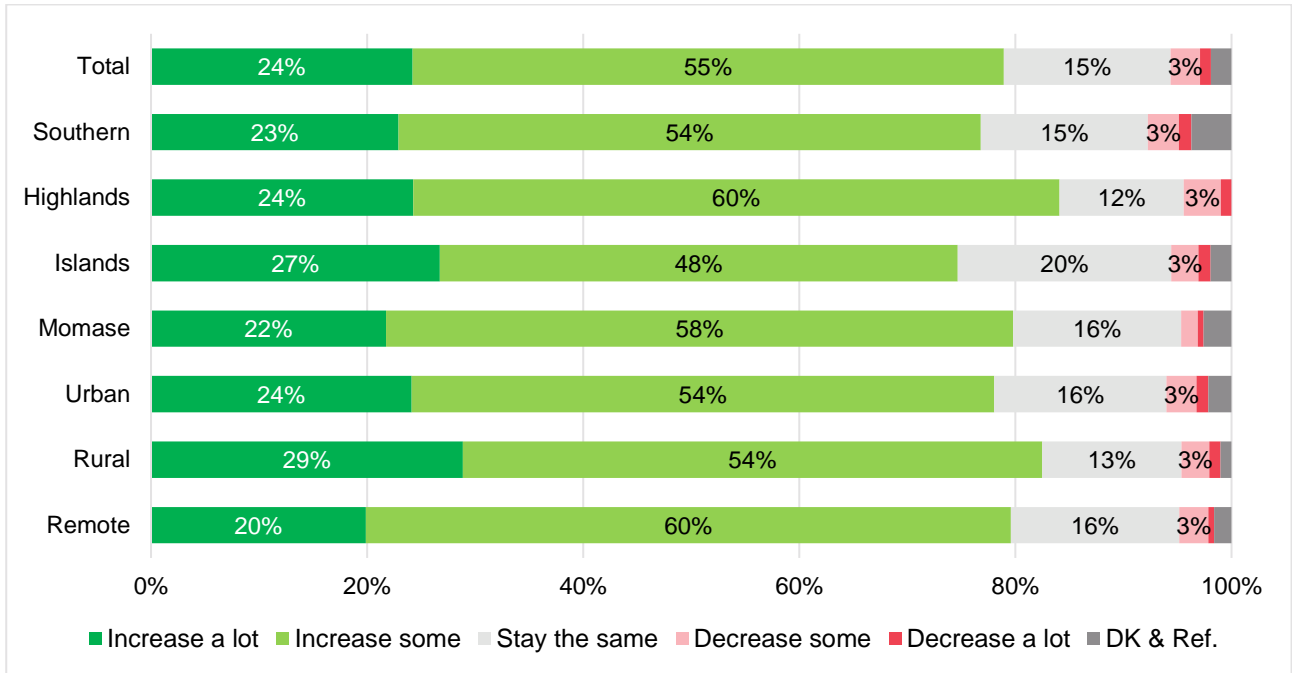


Figure 8: Own Business & Sales – Next 12 Months by Region & Area

Q93. Looking forward to the next twelve months, over the course of the next year do you think your business and sales will... [Asked of formal MSMEs: Total (n=1309), Southern (n=349), Highlands (n=408), Islands (n=359), Momase (n=193), Urban (n=929), Rural (n=194), Remote (n=186)]



**Workforce Size – Expectations for 2025**

The majority of MSMEs (62%) intend on expanding the size of their workforce in the next 12 months, while 35% expect it to remain the same as present day, and just 2% expect to reduce their workforce size.

In comparison with the sample average, significantly fewer MSMEs in the Islands region indicated they intend to increase the size of their workforce in the next 12 months, while significantly more indicated they will maintain their existing workforce size.

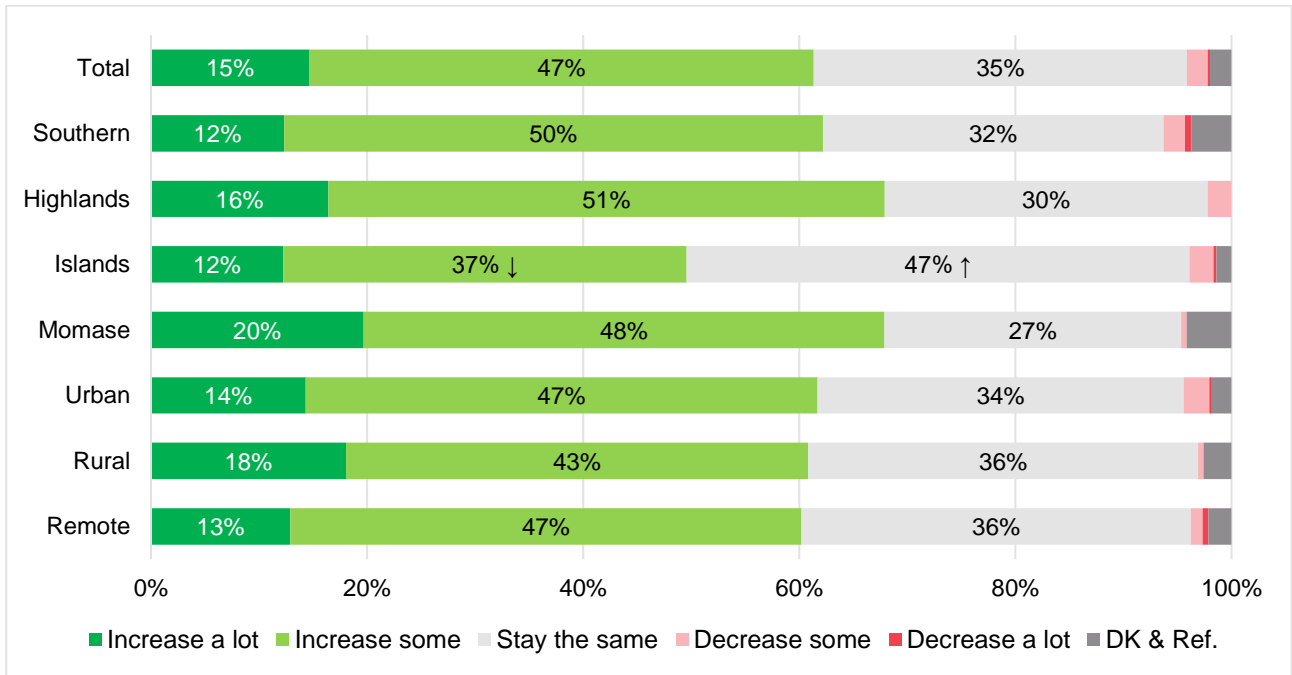


Figure 9: Workforce Size – Next 12 Months by Region & Area

Q94. Looking forward to the next twelve months, with regards to the size of your workforce, do you plan to... [Asked of formal MSMEs: Total (n=1309), Southern (n=349), Highlands (n=408), Islands (n=359), Momase (n=193), Urban (n=929), Rural (n=194), Remote (n=186)]

Of MSMEs intending to increase the size of their workforce in the coming year, 41% expect less than three new jobs to be created, 34% expect between three and five new jobs to be created, 12% expect between six and ten new jobs to be created, and 9% expect their business will create more than ten new jobs in the next 12 months. Those intending to expand their workforce size in the Highlands region estimate they will generate more employment opportunities comparatively.

Table 62: Estimated Number of New Jobs in Next 12 Months by Region & Area

Q95. Approximately how many new jobs do you estimate you will provide in the next 12 months? [Asked of formal MSMEs that plan to increase the size of their workforce in the next 12 months]

	Region					Area		
	Total	Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Less than 3	41	48	27 ↓	47	53	40	44	47
3 to 5	34	35	40	33	24	36	34	29
6 to 10	12	10	18 ↑	7	12	13	13	12
More than 10	9	5	16 ↑	8	5	10	7	9
Don't know	2	1	-	5	6	2	3	3
Column n	803	217	277	178	131	573	118	112



### Business Assets – Expectations for 2025

80% of MSMEs anticipate their business assets will increase in the next 12 months, with 27% expecting them to increase a lot and 53% to increase some.

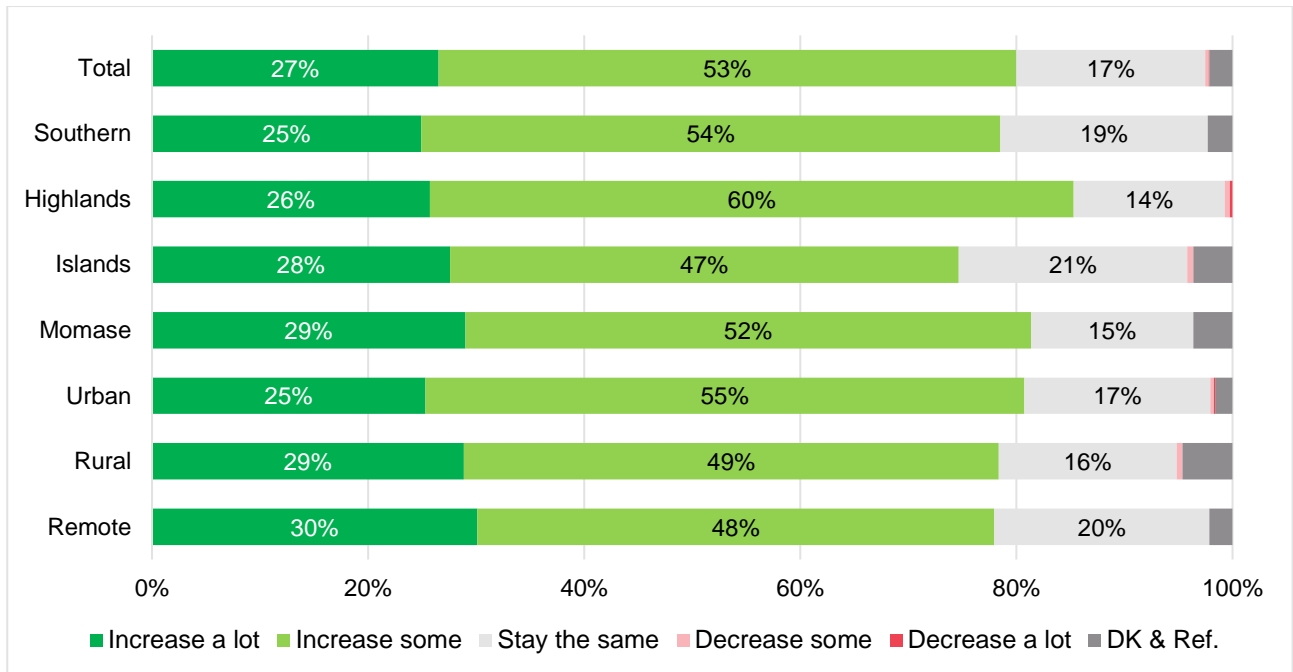


Figure 10: Business Assets – Next 12 Months by Region & Area

Q96. Looking forward to the next twelve months, with regards to your business assets, meaning equipment or infrastructure purchased for the business, do you plan to... [Asked of formal MSMEs: Total (n=1309), Southern (n=349), Highlands (n=408), Islands (n=359), Momase (n=193), Urban (n=929), Rural (n=194), Remote (n=186)]



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# Quantitative Findings: Informal Sector

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**Overview**

The following informal sector snapshot details the key findings of the informal sector research including differences between the operation, development, and growth of informal businesses in comparison to formal MSMEs, and important changes identified over the last ten years.

**Key differences between the informal sector and formal MSMEs:**

- Women are significantly better represented in the informal business sector, while men dominate the formal MSME landscape regarding ownership and workforce composition.
- Significantly lower levels of educational attainment.
- Less diversification across industries and even more concentration in retail trade; farming is also more common.
- Lower quantities of paid employees and unpaid staff, but a higher proportion engaging unpaid staff.
- Much lower revenue.
- Relatively younger businesses.
- Less likely to have outstanding finance, and those borrowing owe less.
- Less knowledgeable about business support services and networks, and even fewer having ever utilised one.

Table 63: Summary of Differences Across Key Measures by Formality

	Formal	Informal
Representation of women	35% female respondents 20% majority female owned 19% majority female workforce	50% female respondents 37% majority female owned 35% majority female workforce
Educational attainment of respondent	Any university 25% Technical/trade 16% Primary school only 14% No formal education 4%	Any university 5% Technical/trade 6% Primary school only 37% No formal education 15%
Nationality of owner	Indigenous PNG 97%	Indigenous PNG 98%
Dominant industries (top 5)	Retail trade 54% Hospitality 19% Transportation 13% Motor vehicle retail 13% Communications & IT 6%	Retail trade 74% Hospitality 19% Farming 18% Motor vehicle retail 6% Manufacturing 6%
Employment	Average of 7.0 paid employees Average of 2.7 unpaid staff Have unpaid staff 75%	Average of 2.4 paid employees Average of 2.0 unpaid staff Have unpaid staff 83%
Annual turnover	Less than PGK 60k 67% PGK 60-250k 27% More than PGK 250k 6%	Less than PGK 60k 91% PGK 60-250k 3% More than PGK 250k 0%
Years of operation	Average 7.9 years 29% operating for 3 years or less	Average 5.5 years 48% operating for 3 years or less
Current borrowings	22% have borrowings 6% owe less than PGK 10k 16% owe PGK 10k or more	6% have borrowings 4% owe less than PGK 10k 2% owe PGK 10k or more
Training and mentoring services	52% know nothing of these services 20% have ever used these services	72% know nothing of these services 10% have ever used these services





**Evolution of the informal sector over the last ten years:**

- Significantly higher representation of women in informal business at present day.
- More retail trade, farming, manufacturing, and communications & IT service businesses. Fewer transportation and motor vehicle retail businesses.
- Lower quantities of paid employees and unpaid staff, but a significant rise in the engagement of unpaid staff.
- Generating significantly less revenue.
- Fewer have outstanding finance, however those with borrowings have higher values owing.
- The biggest barriers to formalisation remain the same, however the cost of registration and limitations due to business size are now more prominent.

**Encouraging formalisation in the future:**

- Only 9% of informal businesses claim to be very familiar with formalisation processes, whereas 68% admit they are not familiar.
- The biggest barrier to formalisation is not knowing how to register the business, or having insufficient assistance to register the business, particularly in the Highlands. The expense of registration, and perceived limitations concerning having a newly established or small business, are also prominent barriers to formalisation. Access to a government office to register is an issue in the Islands.
- Despite these barriers, 61% of informal businesses expressed a likelihood to formalise their business in the next 12 months.
- Just like formal MSMEs, informal businesses want financial assistance to keep their business in operation, as well as better access and quality of support services to improve and grow their business.



### Respondent Profile

The informal sector sample consisted of 92% business owners and 8% business managers. Gender composition of the sample was equivalent with 50% male and 50% female. Three-fifths (60%) were between the ages of 30-49, with 23% being younger and 17% older than this majority. Nearly three-quarters (74%) had attained a primary or high school education, whereas 15% had no formal education, 6% had attended technical/trade school, and 5% had some level of university education.

Informal business owners and managers surveyed in the Highlands region were more likely to be male, while those in the Southern and Momase regions were more likely to be female. Furthermore, participants were significantly more likely to be female in urban locations and male in remote locations.

A higher proportion of informal sector respondents in the Highlands had no formal education (22%) in comparison with other regions. University and technical/trade school-level education were more prominent among informal business participants in the Islands region.

Table 64: Respondent Characteristics (Role, Gender, Age Group & Education) by Region & Area

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
<b>Role</b>								
Owner of the business	92	93	92	95	91	90	94	93
Manager of the business	8	7	8	5	9	10	6	7
<b>Gender</b>								
Male	50	39 ↓	57 ↑	47	43 ↓	44 ↓	49	56 ↑
Female	50	61 ↑	43 ↓	53	57 ↑	56 ↑	51	44 ↓
<b>Age</b>								
18-29 years	23	16	24	17	27	26	23	19
30-39 years	34	36	33	34	34	35	31	34
40-49 years	26	29	26	24	24	22	28	27
50-54 years	8	9	7	10	7	9	8	7
55+ years	9	9	9	14	7	6	9	12
Mean age in years	38.6	39.6	38.2	41.2 ↑	37.0 ↓	37.1 ↓	39.2	39.5
<b>Education</b>								
No formal education	15	9	22 ↑	5 ↓	10	13	14	18
Primary school	37	42	36	28	41	33	39	39
Middle high school (10-11 years)	26	32	23	30	27	28	26	24
High school (12-13 years)	11	8	9	16	15	15 ↑	10	8
Technical/trade school	6	3	7	12 ↑	5	6	7	7
Some university	3	3	2	7 ↑	2	2	3	3
University degree	1	0	1	2	1	1	1	1
Post-graduate	1	1	1	1	-	2 ↑	-	-
Column n	1302	203	653	172	274	454	391	457

Informal sector interviews were more likely to be conducted with owners of the business than for formal MSMEs, presumably as informal businesses are less likely to have dedicated separate management. Additionally, informal business participants were more likely to be female, younger, and were typically lower educated in comparison to formal MSME participants.



Approximately 4% of the informal sector sample had considerable difficulty in their day-to-day life; of which the most common was visual impairment. Mobility challenges were more common among informal business participants in the Islands region.

Table 65: Difficulties (% a lot of difficulty + % cannot do at all) by Region & Area

Q55. Do you have any difficulty...? Do you have a little bit of difficulty, a lot of difficulty, or are you unable to do it at all? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
<b>NET Person with disability</b>	4	4	3	8	3	4	3	4
Seeing, even if wearing glasses	2	3	2	3	1	2	2	2
Hearing, even if using a hearing aid	1	0	1	-	1	1	1	0
Walking or climbing steps	1	2	1	5 ↑	0	2	1	2
Remembering or concentrating	0	-	0	-	1	0	0	1
With self-care, such as bathing yourself or getting dressed	0	-	0	-	-	-	0	-
Communicating, including understanding or being understood	0	-	0	-	-	-	0	-
Column n	1302	203	653	172	274	454	391	457



### Industry Sectors

Informal businesses are more likely than formal MSMEs to operate within the retail trade (74% vs 57%) and farming industries (18% vs 6%). They are less likely to be operating within transportation or motor vehicle retail.

Table 66: Business Industry by Formality

Q40/74. What type of product or service does your organisation provide? If more than one, please tell me your organisation's primary service or greatest share of annual sales, and then the others. [Asked of informal businesses]

	Formal	Informal
	%	%
Retail trade ( <i>personal/household goods, groceries, liquor, clothes, stationery</i> )	57	74
Hospitality ( <i>hotels/accommodation, cafés, bars, catering, restaurants</i> )	19	19
Farming ( <i>crops, livestock, raw produce</i> )	6	18
Motor vehicle retail ( <i>motor vehicle retail, motor vehicle services, service stations, fuel suppliers</i> )	13	6
Manufacturing ( <i>textile, food, wood, etc.</i> )	6	6
Communication and IT Services	6	5
Finance and insurance	4	2
Transportation ( <i>PMV, buses, taxis, boats</i> )	13	2
Commercial fishing	1	2
Electricity and gas ( <i>supply, distribution, generation</i> )	1	1
Arts, entertainment, recreation	2	1
Professional services ( <i>lawyers, advertising, marketing</i> )	3	0
Real estate	3	0
Construction ( <i>builders, plumbers, electricians, general</i> )	4	0
Wholesale trade	1	0
Other	6	2
<b>TOTAL</b>	<b>149</b>	<b>139</b>
Column n	1309	1302

There are significantly more informal businesses operating within the farming (26%) and hospitality (24%) industries in the Highlands region. In Momase there are significantly more businesses involved in retail trade (81%) and communications & IT (9%), while motor vehicle retail and transportation is more common in the Islands region (12% and 6% respectively).

The prevalence of informal businesses involved in farming and motor vehicle retail is higher in remote locations and lower in urban areas.



Table 67: Business Industry by Region & Area

Q40. What type of product or service does your organisation provide? If more than one, please tell me your organisation's primary service or greatest share of annual sales, and then the others. [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Retail trade	74	73	71	73	81 ↑	76	75	71
Hospitality	19	15	24 ↑	17	11 ↓	21	15	20
Farming	18	10 ↓	26 ↑	12	8 ↓	10 ↓	21	23 ↑
Motor vehicle retail	6	8	5	12 ↑	5	3 ↓	7	9 ↑
Manufacturing	6	11 ↑	4 ↓	5	8	8	5	5
Communication and IT services	5	5	4	2	9 ↑	6	5	4
Finance and insurance	2	4	2	1	2	4	2	2
Transportation	2	1	1	6 ↑	2	3	1	2
Commercial fishing	2	1	2	3	1	2	1	2
Electricity and gas	1	2	-	1	4 ↑	1	3 ↑	0
Arts, entertainment, recreation	1	2	0	1	1	1	-	1
Professional services	0	0	0	1	0	0	0	0
Real estate	0	0	0	-	0	0	0	0
Construction	0	-	0	1	0	-	1	0
Wholesale trade	0	-	0	-	-	-	0	0
Other	2	2	3	1	-	1	2	3
<b>TOTAL</b>	<b>139</b>	<b>137</b>	<b>143</b>	<b>135</b>	<b>134</b>	<b>135</b>	<b>138</b>	<b>143</b>
Column n	1302	203	653	172	274	454	391	457

Taking a closer look at the evolution of informal business industries over the last ten years, we see they continue to be concentrated in the retail trade industry, having risen to 74% from the 65% recorded in 2014. There has also been an increase in informal farming (up 6pp), manufacturing (up 4pp), and communication and IT service businesses (up 4pp). Contrastingly, there are now fewer informal businesses involved in the motor vehicle retail and transportation industries.

Table 68: Business Industry

Q40. What type of product or service does your organisation provide? If more than one, please tell me your organisation's primary service or greatest share of annual sales, and then the others. [Asked of informal businesses]

	2024	2014
	%	%
Retail trade (personal/household goods, groceries, liquor, clothes, stationery)	74	65
Hospitality (hotels/accommodation, cafés, bars, catering, restaurants)	19	17
Farming (crops, livestock, raw produce)	18	12
Motor vehicle retail (motor vehicle retail, motor vehicle services, service stations, fuel suppliers)	6	13
Manufacturing (textile, food, wood, etc.)	6	2
Communication and IT Services	5	1
Finance and insurance	2	1
Transportation (PMV, buses, taxis, boats)	2	9
Commercial fishing	2	4
Electricity and gas (supply, distribution, generation)	1	1
Arts, entertainment, recreation	1	3
Professional services (lawyers, advertising, marketing)	0	-
Real estate	0	-
Construction (builders, plumbers, electricians, general)	0	4
Wholesale trade	0	1
Other	2	2
Column n	1302	521



**Business Profile**

**Employment**

Informal businesses employ an average of 2.4 individuals in paid positions (including the owner) and a further 2.0 people in unpaid positions.

A majority (72%) of informal businesses have only one or two paid employees, a further 23% have three to five paid employees, and just 5% employ more than five paid employees.

More than four-fifths (84%) of informal businesses utilise unpaid staff such as family members or friends to aid the business in addition to their paid employees. Most informal businesses have either one (28%), two (26%), or three (15%) unpaid members of staff – only 14% have more than three unpaid staff.

On average, informal businesses in the Highlands have more paid employees and unpaid staff, while those in the Southern and Islands regions have fewer.

Table 69: Number of Paid and Unpaid Staff by Region & Area

Q30. How many paid employees are there in the business, including full-time, part-time, and casual staff? Please include yourself. Please do not include unpaid staff such as family members. [Asked of informal businesses]

Q31. How many unpaid staff such as family members work for your organisation? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
<b>Paid Employees</b>								
1 employee	39	42	34 ↓	51 ↑	41	35	42	40
2 employees	33	37	32	30	32	35	31	31
3 employees	14	14	16	6 ↓	15	15	12	15
4 to 5 employees	9	4	11 ↑	9	7	9	9	9
6 to 9 employees	3	1	4 ↑	1	1	3	3	3
10+ employees	2	1	2	3	3	2	3	2
DK & Ref.	0	-	0	1	1	1	0	0
<b>Mean paid employees</b>	<b>2.4</b>	<b>2.0 ↓</b>	<b>2.7 ↑</b>	<b>2.0 ↓</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>
<b>Unpaid Staff</b>								
None	16	26 ↑	10 ↓	37 ↑	13	19	14	16
1 staff	28	32	26	29	31	28	28	29
2 staff	26	27	27	17	30	25	28	25
3 staff	15	11	18 ↑	6 ↓	15	14	16	14
4 to 5 staff	10	4	14 ↑	6	9	10	10	11
6 to 9 staff	3	0	4	2	3	2	3	4
10+ staff	1	-	1	2	1	1	1	1
DK & Ref.	0	-	-	1 ↑	-	0	-	0
<b>Mean unpaid staff</b>	<b>2.0</b>	<b>1.4 ↓</b>	<b>2.4 ↑</b>	<b>1.5 ↓</b>	<b>2.0</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>
Column n	1302	203	653	172	274	454	391	457



There is variety across the gender composition of informal business workforces. Overall, 35% of informal businesses are predominantly female, while 30% are majority male, and 30% have an equal split of men and women. Staff consisting entirely of women are more common among informal businesses in the Southern region and less common in the Highlands.

Table 70: Staff Gender Composition by Region & Area

Q38. Other than the owners, are the staff of the organisation male or female or both? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
All male	23	19	25	17	23	22	19	26
Majority male	7	4	10 ↑	5	4	7	8	7
Equal male and female	30	28	32	36	25	27	34	30
Majority female	8	7	11 ↑	2 ↓	5	10	6	7
All female	27	35 ↑	22 ↓	32	30	28	29	25
Does not apply	5	6	0 ↓	7	13 ↑	5	5	4
Column n	1302	203	653	172	274	454	391	457



**Annual Turnover**

Informal businesses are typically equivalent to micro enterprises, with 91% generating less than PGK 60,000 annually. Much fewer informal businesses claim to turn over between PGK 60,000 and PGK 249,999 in comparison to formal MSMEs (3% vs 27%).

Table 71: Annual Turnover by Formality

Q26/32. Which of the following represents your total annual sales/turnover for the 2023 financial year? If this is a new business that was not in operation for the full 2023 fiscal year, please estimate your sales/turnover for the 2024 fiscal year. [Asked of all businesses]

	Formal	Informal
	%	%
Less than K60,000	67	91
K60,000 to K99,999	20	3
K100,000 to K249,999	7	0
K250,000 to K499,999	2	-
K500,000 to K749,999	1	0
K750,000 to K999,999	1	0
K1 to K1.99 million	1	0
K2 to K2.99 million	0	0
K3 to K3.99 million	0	-
K4 to 5 million	0	-
DK & Ref.	-	6
Column n	1309	1302

In the Highlands and Islands regions, informal businesses are more likely to generate less than PGK 60,000 annually than in the Southern and Momase regions. Interestingly, informal businesses in Momase are more likely to not know, or refuse to share, the annual turnover of their business.

Table 72: Annual Turnover by Region & Area

Q32. Which of the following represents your total annual sales/turnover for the 2023 financial year? If this is a new business that was not in operation for the full 2023 fiscal year, please estimate your sales/turnover for the 2024 fiscal year. [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Less than K60,000	91	96	94 ↑	97 ↑	76 ↓	89	91	93
K60,000 to K99,999	3	-	4 ↑	1	1	4	2	2
K100,000 to K249,999	0	-	1	-	1	1	1	-
K250,000 to K499,999	-	-	-	-	-	-	-	-
K500,000 to K749,999	0	-	0	-	-	-	-	0
K750,000 to K999,999	0	-	-	-	-	-	-	-
K1 to K1.99 million	0	-	0	-	-	0	0	-
K2 to K2.99 million	0	-	-	-	0	0	-	-
K3 to K3.99 million	-	-	-	-	-	-	-	-
K4 to 5 million	-	-	-	-	-	-	-	-
DK & Ref.	6	4	1 ↓	2	22 ↑	7	7	4
Column n	1302	203	653	172	274	454	391	457





### Operations

Informal businesses tend to be younger than formal MSMEs, having been in operation for an average of 5.5 years in comparison to the average of 7.9 years among formal MSMEs.

There is broad spread regarding the years of operation across informal sector businesses. Approximately 16% are relatively new, being established within the last year, while 52% have been in operation for 2 to 5 years, and 15% were established more than 10 years ago.

Informal businesses in urban locations are typically younger than those in rural areas.

Table 73: Years of Operation by Region & Area

Q35. How long has this business been going for? If you are unsure, please tell me the year when the business was established. [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
1 year or less	16	8 ↓	17	17	19	16	14	19
2 to 3 years	32	38	27 ↓	33	39	36	29	31
4 to 5 years	20	26	21	17	15	23	19	19
6 to 9 years	16	15	18	13	15	16	17	16
10+ years	15	12	16	19	11	9 ↓	21 ↑	15
DK & Ref.	1	0	1	-	1	0	1	0
<b>Mean years of operation</b>	<b>5.5</b>	<b>5.4</b>	<b>5.8</b>	<b>5.6</b>	<b>4.8</b>	<b>4.7</b>	<b>6.4 ↑</b>	<b>5.4</b>
Column n	1302	203	653	172	274	454	391	457

### Ownership

Three-quarters of informal businesses have only one owner, which is a higher proportion than for formal MSMEs (65%). Sole ownership of informal businesses is more common in the Highlands region, whereas the prevalence of multiple owners is higher in the Islands and Momase regions.

Despite ownership by multiple individuals being more common among formal MSMEs, 22% of informal businesses have two owners, and 2% have more than two owners.

Table 74: Number of Owners by Region & Area

Q36. How many individuals own this business? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
One owner	75	68	87 ↑	60 ↓	63 ↓	76	75	75
Two owners	22	29	12 ↓	34 ↑	34 ↑	22	22	22
More than two owners	2	3	1 ↓	6 ↑	3	2	3	3
DK & Ref.	0	-	0	-	0	0	-	0
Column n	1302	203	653	172	274	454	391	457



Similarly to the gender composition of informal business staff, there is diversity in the gender composition of owners with 37% being majority female-owned, 37% being majority male-owned, and 26% being owned equally by men and women. Entirely male ownership is more common in the Highlands and in remote areas, whereas equal gender ownership is higher in the Islands region.

Like formal MSMEs, informal businesses are almost universally owned by Indigenous Papua New Guineans (98%).

Table 75: Owner Gender and Nationality by Region & Area

Q37. Are the owners of the organisation male or female or both? [Asked of informal businesses]

Q39. What nationalities are the owner(s)? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
<b>Owner Gender</b>								
All male	33	26	41 ↑	20 ↓	27	30	30	38 ↑
Majority male	4	1	5	5	2	2	5	4
Equal male and female	26	30	21 ↓	37 ↑	28	25	25	27
Majority female	4	3	4	2	2	4	3	4
All female	33	39	30	34	36	38	35	26 ↓
Does not apply	1	0	-	2	5 ↑	2	2	1
Don't know	0	-	-	-	0	0	-	-
<b>Owner Nationality</b>								
Indigenous Papua New Guinean	98	100	100 ↑	100	91 ↓	97	98	99
Naturalised citizen	0	-	-	-	1 ↑	0	0	-
Permanent resident	2	1	-	-	8 ↑	3	2	1
Indian	0	-	0	-	-	-	-	0
Column n	1302	203	653	172	274	454	391	457

There are dramatic differences in the gender profile of informal business owners when comparing results against the 2014 Baseline Survey. Notably, the proportion of entirely male owned businesses has halved, while that of entirely female owned businesses has more than doubled. An increase in the percentage owned by equal numbers of men and women is also observed.

Table 76: Owner Gender

Q37. Are the owners of the organisation male or female or both? [Asked of informal businesses]

	2024	2014
	%	%
All male	33	63
Majority male	4	1
Equal male and female	26	19
Majority female	4	2
All female	33	14
Does not apply	1	2
Don't know	0	-
Column n	1302	521



## Current Borrowings

Utility of loans and credit is very low within the informal sector with just 6% of businesses reporting outstanding loans or credit of any value (in comparison to 22% of formal MSMEs). The majority of informal businesses that have outstanding finance owe less than PGK 10,000 in borrowings.

Borrowing behaviours among informal businesses are consistent across regions and location density.

Table 77: Value of Outstanding Loans by Formality

Q34/71. Thinking about any money this organisation has borrowed from other sources to support the business... Approximately how much money does this business owe in loans or credit provided by a bank or other lender? Please provide the total amount of borrowings from all sources. [Asked of all businesses]

	Formal	Informal
	%	%
No loans or credit owing	76	94
Less than PGK 10,000	6	4
PGK 10,000 to 24,999	6	1
PGK 25,000 to 49,999	3	0
PGK 50,000 to 74,999	2	0
PGK 75,000 to 99,999	1	0
PGK 100,000 to 249,999	2	0
PGK 250,000 to 499,999	1	0
PGK 500,000 to 999,999	0	-
PGK 1 to 1.49 million	-	-
More than PGK 1.5 million	0	-
DK & Ref.	2	0
Column n	1309	1302



## Challenges

### Biggest Challenge – Last 12 Months

The biggest challenges faced by informal businesses over the last 12 months were consistent with formal MSMEs and involved poor cashflow, competition, and high operational costs.

In comparison to formal MSMEs, relatively more informal businesses highlighted poor sales or cashflow, the quality or cost of road and transport infrastructure, and obligations to family and wantoks as their biggest business challenge over the last year.

Table 78: Single Biggest Challenge in Last 12 Months by Formality

Q51/99. Thinking about the last 12 months, what was the single biggest challenge you faced in this business? [Asked of all businesses]

	Formal	Informal
	%	%
Poor sales, profits, or cashflow ( <i>dinau custom</i> )	23	30
Competition	17	17
High operational costs	13	8
Obligations to family/wantoks ( <i>haus kraik, bride price, school fees</i> )	4	7
Law & order issues ( <i>crime, tribal fights, political disturbance</i> )	9	7
Road/transportation infrastructure or cost	5	7
Shortage of capital, loan refusal	3	2
Managing business ( <i>growth, finances, human resources</i> )	4	2
Lack of assistance/control from government or regulatory bodies	2	2
Land & building shortages and disputes	2	1
Electricity & water supply	4	1
Lack of skilled workers, staff retention, or poor staff attitudes	1	0
Other	6	7
Nothing	3	8
Don't know	5	1
Column n	1306	1301



The biggest challenges faced by informal businesses over the last 12 months across regions and location density are mostly consistent.

Competition and law & order issues were more likely to be raised as the biggest challenges for informal businesses operating in the Highlands region, whereas significantly more in Momase expressed challenges with obligations to family and wantoks. In Momase, informal businesses were also more likely to mention they had faced no significant business challenges over the last year.

Table 79: Single Biggest Challenge in Last 12 Months by Region & Area

Q51. Thinking about the last 12 months, what was the single biggest challenge you faced in this business? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Poor sales, profits, or cashflow ( <i>dinau custom</i> )	30	31	30	32	26	31	32	26
Competition	17	19	21 ↑	3 ↓	15	21	15	15
High operational costs	8	10	7	10	7	8	7	8
Obligations to family/wantoks ( <i>haus krai, bride price, school fees</i> )	7	9	5 ↓	5	13 ↑	6	8	8
Law & order issues ( <i>crime, tribal fights, political disturbance</i> )	7	4	10 ↑	3	5	7	6	9
Road/transportation infrastructure or cost	7	10	6	12	3	3 ↓	9	8
Shortage of capital, loan refusal	2	2	1	5	4	2	3	2
Managing business ( <i>growth, finances, human resources</i> )	2	2	2	5	2	4	2	2
Lack of assistance/control from government or regulatory bodies	2	1	2	-	1	1	2	2
Land & building shortages and disputes	1	1	2	1	1	2	1	2
Electricity & water supply	1	-	2	2	-	2	1	1
Lack of skilled workers, staff retention, or poor staff attitudes	0	-	0	-	1	0	-	0
Other	7	4	8	8	5	4	8	7
Nothing	8	6	4 ↓	13	16 ↑	9	6	9
Don't know	1	1	-	2	1	0	1	1
Column n	1301	203	652	172	274	453	391	457



## Formalisation

### Familiarity

Knowledge of the processes required to formalise a business is somewhat limited with only 9% being very familiar, 22% being somewhat familiar, and the majority (68%) being not familiar. The proportion of informal businesses with some level of familiarity is higher in the Islands and Momase regions and lower in the Highlands; there is little difference by location density.

Current levels of familiarity regarding business formalisation processes are very similar to results captured in the 2014 Baseline Survey.

Table 80: Familiarity of Business Formalisation Process by Region & Area

Q42. How familiar are you with the steps that businesses need to take to become formal, registered businesses? Are you very familiar, somewhat familiar, or not familiar? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Very familiar	9	8	8	11	9	11	8	7
Somewhat familiar	22	26	16 ↓	29	30 ↑	22	24	20
Not familiar	68	65	75 ↑	57 ↓	59 ↓	65	66	72
DK & Ref.	1	1	0	4	3	2	2	0
Column n	1299	203	651	171	274	453	390	456

### Barriers

The largest barrier to formalisation is a lack of knowledge about the processes involved in registering a business, mentioned by 44% of informal businesses.

Other prominent barriers include registration being too expensive or being perceived as lower priority than other financial responsibilities, as well as the business being considered too small to register, either because it is newly established or operated out of subsistence; both of these reasons have worsened as barriers since 2014.

Table 81: Main Barriers to Formalisation (% All Reasons)

Q41. We are trying to understand why some businesses decide not to register with the government and operate formally. What are the main reasons that this business decided not to formally register with the government? [Asked of informal businesses]

	2024	2014
	%	%
Don't know how to register ( <i>no support, not informed about registration</i> )	41	44
Too expensive to register ( <i>cannot afford, other financial priorities</i> )	33	22
Business too small ( <i>newly established, subsistence business</i> )	27	10
No need to register ( <i>not eligible, disinterested</i> )	12	7
Too complicated ( <i>processing delays, issues with documentation</i> )	9	8
No government office nearby ( <i>inaccessibility to registration</i> )	6	9
Business is on own customary land ( <i>services locals</i> )	5	5
High tax burden	4	8
No time ( <i>too busy</i> )	2	4
Other	8	31
Nothing	11	6
Column n	1299	521



Poor awareness about the process of formalising a business is a larger barrier to formalisation among those operating in the Highlands region. While the complexity of the registration process and poor accessibility to a government office, or other registration method, are bigger barriers for informal businesses in the Islands region.

Table 82: Main Barriers to Formalisation by Region & Area

Q41. We are trying to understand why some businesses decide not to register with the government and operate formally. What are the main reasons that this business decided not to formally register with the government? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Don't know how to register	41	38	52 ↑	40	15 ↓	35 ↓	44	44
Too expensive to register	33	35	31	27	39	35	31	33
Business too small	27	26	30	15 ↓	30	27	28	28
No need to register	12	9	16 ↑	4 ↓	8	10	12	13
Too complicated	9	10	6 ↓	16 ↑	8	10	8	7
No government office nearby	6	5	6	12 ↑	1 ↓	5	6	6
Business is on own customary land	5	2	10 ↑	-	0 ↓	5	4	6
High tax burden	4	2	0 ↓	2	16 ↑	6 ↑	4	2
No time	2	2	1	1	3	3	1	1
Other	8	6	7	6	11	8	7	9
Nothing	11	5 ↓	17 ↑	1 ↓	10	11	12	11
Column n	1299	203	651	171	274	453	390	456

### Intent to Formalise in Next 12 Months

A majority of informal businesses express they are very likely (21%) or somewhat likely (40%) to formalise their business by registering it with the government in the next 12 months. Those in the Islands region suggest they are more likely to formalise in the coming year, whereas fewer in the Highlands are likely to formalise. There is consistency in results across the 2024 and 2014 research for this measure.

Table 83: Likelihood to Formalise Business in Next 12 Months by Region & Area

Q43. How likely are you to register with the government to become a formal business in the near future, say in the next 12 months? Are you very likely, somewhat likely, or not likely? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Very likely	21	18	22	36 ↑	12 ↓	21	22	21
Somewhat likely	40	42	34 ↓	41	51 ↑	42	38	38
Not likely	37	34	43 ↑	21 ↓	35	35	38	40
DK & Ref.	2	5	1	2	1	2	2	1
Column n	1299	203	651	171	274	453	390	456



### Training & Mentoring Needs

Even fewer informal businesses possess some level of knowledge about the business support services and networks that are available to assist their businesses; 72% of informal businesses know *nothing* about these initiatives, in comparison to 52% of formal MSMEs. Nearly one-quarter (23%) know *a little bit* and just 2% claim to know *a lot* about business support services like business hubs, Business Link Pacific, PNG Women’s Business Resource Centre, and business training courses.

Informal businesses in the Highlands and remote areas are less likely to know of these services, whereas those in the Southern region and in urban locations are more likely to have at least some knowledge about them.

Table 84: Knowledge of Business Support Services by Region & Area

Q46. How much would you say you know about support services for businesses like yours such as business incubators or hubs, Business Link Pacific, PNG Women’s Business Resource Centre (WBRC), and business training courses? Would you say you know nothing, a little bit, or a lot? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Nothing	72	61 ↓	77 ↑	64	74	64 ↓	73	79 ↑
A little bit	23	29	20 ↓	29	24	30 ↑	23	16 ↓
A lot	2	4	2	3	1	2	3	3
DK & Ref.	2	5	2	4	1	4	1	2
Column n	1302	203	653	172	274	454	391	457

Similarly, fewer informal businesses have ever used a business support service or network to assist their business in any capacity when compared to formal MSMEs. Just 10% of informal businesses surveyed had ever used a business support service or network, with usage being higher in the Islands (20%) and Southern (17%) regions, and lower in the Highlands (6%) and in remote communities (6%).

Table 85: Use of Business Support Services or Networks by Region & Area

Q47. Have you ever used a business support service or network to assist your business, such as for training, mentoring, getting information, or for administrative services? [Asked of informal businesses]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Yes	10	17 ↑	6 ↓	20 ↑	6	12	11	6 ↓
Column n	1302	203	653	172	274	454	391	457

Almost all business support services utilised by informal businesses were held in-person (93%), with few being held online (5%) or via an alternate method (2%). It is imperative that future business training and mentoring services be offered in-person as this is the preferred format by the vast majority of informal businesses and formal MSMEs.





The primary barriers to use of business support services and networks for informal sector businesses is a perceived lack of need for these services (49%), followed by insufficient budget (26%), and inaccessibility to local services that meet the needs of the business (23%).

Among those that have never engaged these types of support services, informal businesses are more likely than formal MSMEs to believe they have no need for them (49% vs 32%). Moreover, the high cost of support services is a barrier for slightly fewer informal businesses than formal MSMEs, likely in part due to their higher lack of knowledge about these services.

Table 86: Main Barriers to Business Support Services or Networks by Formality

Q48/112. Why haven't you used a business support service or network? Please provide the one or two main reasons. [Asked of informal businesses who have never used a business support service or network]

	Formal	Informal
	%	%
No need for these services	32	49
No services available locally to meet my needs	28	26
High costs / no budget for external services	33	23
No time / too busy to consider it	11	9
Services available locally are poor quality	13	7
Do not trust outside consultants with confidential information	7	3
Some other reason	1	1
Don't know	2	2
Refused	0	2
Column n	1037	1171

Looking at the barriers for informal businesses across region and density, a higher proportion of businesses in the Highlands believe they do not need business support services or networks. Inaccessibility to local services is a larger barrier in the Southern and Islands regions. Those in the Islands and Momase are also more likely to report that the services available locally are poor quality.

Table 87: Main Barriers to Business Support Services or Networks by Region & Area

Q48. Why haven't you used a business support service or network? Please provide the one or two main reasons. [Asked of informal businesses who have never used a business support service or network]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
No need for these services	49	30 ↓	63 ↑	18 ↓	44	48	49	50
No services available locally to meet my needs	26	41 ↑	17 ↓	50 ↑	23	25	26	26
High costs / no budget for external services	23	17	23	24	26	24	27	19
No time / too busy to consider it	9	13	3 ↓	8	20 ↑	12	9	6
Services available locally are poor quality	7	8	2 ↓	15 ↑	13 ↑	7	8	6
Do not trust outside consultants with confidential information	3	5	1 ↓	6	5	4	2	2
Some other reason	1	1	1	2	2	1	2	1
Don't know	2	3	3	1	1	4	1	2
Refused	2	1	4 ↑	-	1	1 ↓	1	5 ↑
Column n	1171	163	616	137	255	395	348	428



**Suggestions to Support Informal Business**

Informal business owners and managers were given an identical opportunity to share suggestions to assist businesses similar to their own. They volunteered a wide variety of responses which fit the same general themes volunteered by formal MSMEs.

The two consistent key suggestions to assist formal MSMEs and informal sector businesses involve improving access to finance, or promoting cashflow, and providing initiatives to drive future growth and development.

**Table 88: Suggestions to Support Businesses by Formality**

*Q52/99. Do you have any suggestions that would help a business like yours? Anything at all you would like to say now that you have the chance? [Asked of all businesses]*

	Formal	Informal
	%	%
Provide more financial assistance – improve financial accessibility for MSMEs	21	18
Provide assistance to MSMEs to promote development and expansion	15	13
Provide business management training, mentoring, and information	5	9
Improve access to land & buildings for commercial activities (reduce rent, construct market areas)	4	8
Improve infrastructure, public services, resourcing, and assets	4	5
Develop quality road and transportation infrastructure (including shipping and freight services)	2	5
Inspirational suggestions, words of encouragement for other MSMEs	6	4
Promote cooperation and collaboration in informal sector (rather than competition)	4	4
Improve regulation/control on pricing of goods and services (retail, wholesale, imports)	3	4
Clarify business registration processes and requirements to promote business formalisation	1	4
Other suggestions mentioned by 2% of informal businesses or less:		
<ul style="list-style-type: none"> <li>• Address law &amp; order issues and rising crime rate by improving police resourcing to prevent violence</li> <li>• Manage customer payments by restricting credit (dinau) payments</li> <li>• Nurture sector growth through investment to promote industry and employment</li> <li>• Stimulate economic activity to enhance cashflow, foreign investment, and PGK appreciation</li> </ul>		
No suggestions	17	24
Column n	1309	1302



### Confidence in Own Business & Sales – Expectations for 2025

Informal businesses are optimistic about their business and sales in the next 12 months, with 80% anticipating it will increase (55% increase some, 25% increase a lot), while only 5% predict a decline.

Those in the Southern region are relatively less optimistic about their future business and sales in the coming year, whereas those in the Highlands and in remote areas are more optimistic.

There is consistency in confidence of future business and sales across formal MSME and informal businesses surveyed.

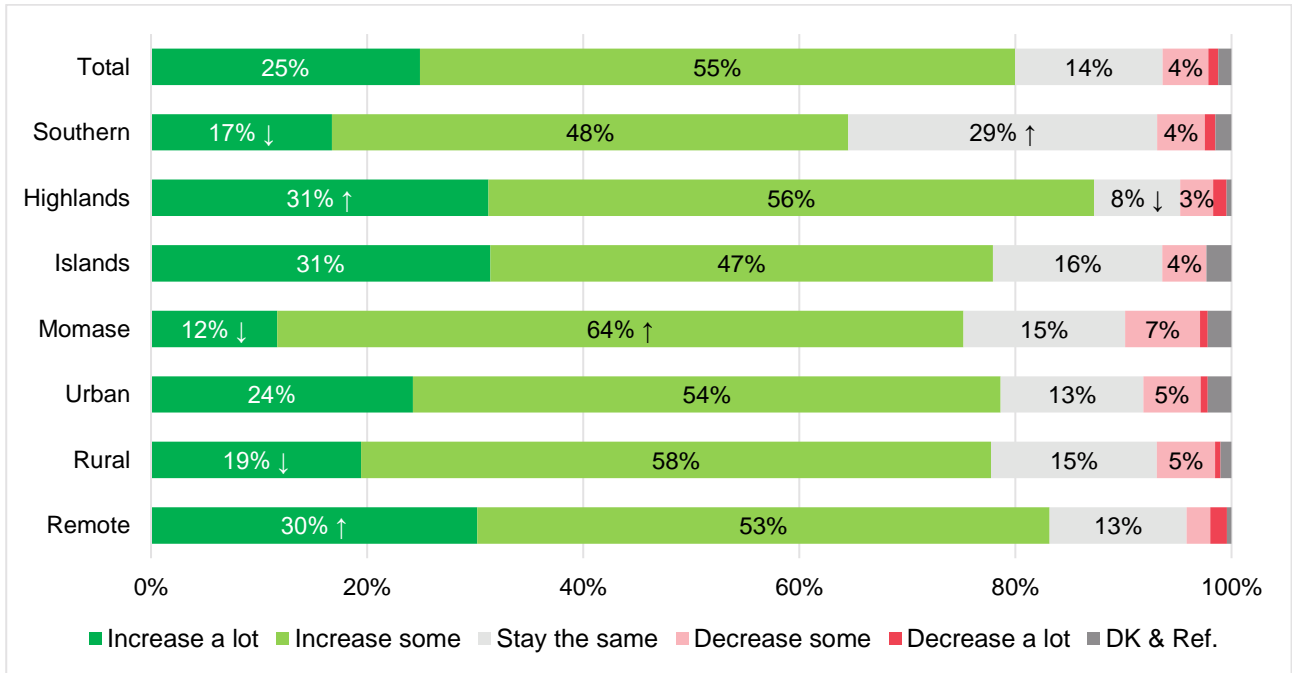


Figure 11: Own Business & Sales – Next 12 Months by Region & Area

Q33. Looking forward to the next twelve months, over the next year do you think your business and sales will... [Asked of informal businesses: Total (n=1302), Southern (n=203), Highlands (n=653), Islands (n=172), Momase (n=274), Urban (n=454), Rural (n=391), Remote (n=457)]



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# Quantitative Findings: Highlighted Topics

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## Climate Change

### General Overview

Climate change is perceived to be impacting approximately half of MSMEs and informal sector businesses operating in Papua New Guinea. Approximately one third of impacted businesses claim to be significantly impacted by climate change, whereas the remaining two thirds are impacted minorly.

Table 89: Level of Impact of Climate Change by Formality

Q58/125. What level of impact has climate change had on your business? [Asked of all businesses]

	Formal	Informal
	%	%
Big / significant	16	16
Small / minor	29	31
No impact	55	53
Column n	1309	1302

Those claiming their business had been impacted by climate change volunteered a diverse variety of direct and indirect effects and systems. In particular, changing weather patterns are contributing to higher intensity weather and extended wet and dry seasons which each pose their own set of challenges for businesses.

*“We become [a] big victim of climate change through experiencing [changes in] weather, prolonged rain causes flooding and landslides, and continued dry season [causes] frost and water drought.”*  
(Highlands Region, Male, Informal Business)

*“When the wind is blowing strong, the sea begins to roughen and there is no more sea transport going to town, so we can't get cargos.”* (Islands Region, Female, Formal MSME)

During wet seasons, the higher rainfall is perceived to contribute to fewer customers being out and about in commercial areas. Prolonged wet weather also causes flooding and landslides which directly impact working conditions, damage road infrastructure, delay transportation for people and goods, and erode soil. Breakdowns in communications, electricity, and internet connectivity also become bigger obstacles. Furthermore, many businesses are forced to temporarily close since they are unsheltered which could cause damage to goods.

*“Climate change [is] affecting our operation through change in weather patterns. If we experience raining for a long period, customers attendance declines due to weather.”*  
(Highlands Region, Male, Formal MSME)

*“Climate change is a big problem we have in the area. Most often when there is a big rainfall or storm we do expect big floods in the area which prevents us to operate.”*  
(Southern Region, Male, Formal MSME)

*“Global warming produces more heat [and] forces us to install more fans and air cons in the building, that costs a lot and also rises up power bills or payments.”*  
(Momase Region, Female, Formal MSME)



Whereas during dry seasons, there is more dust around, and water shortages impact the hospitality and farming industries.

*“Climate change has impacted my business, for example, when it's dry season we don't have enough water to do the bakery goods like baking skon, so we had to travel by truck to search for water.” (Highlands Region, Male, Formal MSME)*

There are also implications for agricultural businesses since climate change is perceived to be impacting crop, leading to lower quality or reduced yield of produce. Additionally, it is perceived that there have been increases in crop pests including coffee berry borer, cocoa pod borer, and rice grasshoppers. The viability of cash crops may also be changing across different geographies.

*“Climate change has a significant impact on coffee farmers, [there is a] developing new disease affecting the products, especially [coffee] beans, diseases such as coffee borer.” (Highlands Region, Male, Formal MSME)*

Heat and cold stress is perceived to contribute to higher human and livestock sickness, which can cause staffing issues and cause livestock to die.

*“Climate change influences weather patterns which affect my chicks and poultry project, all infant chicks died, I make big loss.” (Highlands Region, Male, Informal Business)*

Changes in customer behaviours and needs are also being observed.

*“Dry season [is a] good time [to] make money. People [are] getting thirsty and buying drinks and water from me.” (Southern Region, Male, Informal Business)*

Formal MSMEs are more likely than informal businesses to report fewer customers and a reduction in cashflow as a result of climate change. Whereas changes in weather patterns, damage to agriculture, and changes in consumer habits are greater impacts among informal businesses.

Table 90: Specific Impacts of Climate Change by Formality

Q59/126. How has climate change impacted your business? [Asked of all businesses that have been impacted by climate change]

	Formal %	Informal %
Fewer customers / reduced cashflow	39	15
Change in weather patterns/events	24	37
Transportation issues / damage to roads	11	8
Temporary business closure / disrupts operations	11	7
Flooding	9	3
Water shortage / drought	7	10
Damaging agriculture (quality, quantity, pests)	6	13
Change in customer habits	4	18
Damage to goods/stock/equipment	4	1
Landslides	3	3
Electricity, communications, or internet issues	2	1
Sickness / staffing issues	2	5
Dust	1	6
Harms livestock	1	2
Soil erosion	1	1
Other	6	5
Column n	514	550



**Formal MSMEs**

Nearly half of formal MSMEs (45%) indicate they have been impacted by climate change in some capacity. Prevalence of climate change impacts on MSMEs is significantly higher in the Highlands and significantly lower in the Southern and Momase regions.

Table 91: Level of Impact of Climate Change by Region & Area

Q125. What level of impact has climate change had on your business? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Big/significant	16	10 ↓	26 ↑	10 ↓	13	14 ↓	22	19
Small/minor	29	25	38 ↑	28	19 ↓	29	27	32
No impact	55	64 ↑	36 ↓	60	67 ↑	57	51	49
DK & Ref.	0	0	-	1	-	0	-	-
Column n	1309	349	408	359	193	929	194	186



A diverse range of climate change impacts were mentioned, however the most common included fewer customers and reduced cashflow, then observed changes in weather patterns, and loosely followed by transportation issues and temporary business closure.

More MSMEs in the Highlands reported receiving fewer customers or reduced cashflow, damage to agriculture, changes in consumer habits, and landslides as impacts of climate change. Whereas temporary business closure was a more common impact in the Southern region, and damage to stock or equipment was more prominent in the Momase region.

Perceived impacts also vary by area density, with fewer customers or cashflow issues being more common in urban locations. A higher proportion of MSMEs in remote locations mentioned issues with transportation or damage to roads, whereas harm to livestock and soil erosion was reported by more MSMEs in rural areas.

Table 92: Specific Impacts of Climate Change by Region & Area

Q126. How has climate change impacted your business? [Asked of formal MSMEs that have been impacted by climate change]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Fewer customers / reduced cashflow	39	34	50 ↑	32	27	45 ↑	29	25
Change in weather patterns/events	24	30	24	21	13	22	22	31
Transportation issues / damage to roads	11	12	8	17	10	9	9	24 ↑
Temporary business closure / disrupts operations	11	21 ↑	5 ↓	8	18	12	13	7
Flooding	9	13	8	7	8	6	15	13
Water shortage / drought	7	3	10	5	8	8	5	6
Damaging agriculture (quality, quantity, pests)	6	1	11 ↑	4	7	4	12	8
Change in customer habits	4	-	10 ↑	1	2	4	1	6
Damage to goods/stock/equipment	4	6	2	1	15 ↑	4	6	2
Landslides	3	-	8 ↑	-	2	2	7	5
Electricity, communications, or internet issues	2	4	2	1	2	3	-	-
Sickness / staffing issues	2	-	5	1	-	2	2	1
Dust	1	1	1	2	3	1	-	4
Harms livestock	1	2	2	-	-	1	5 ↑	-
Soil erosion	1	-	1	1	2	0	3 ↑	-
Other	6	8	4	7	5	6	3	7
Column n	514	123	195	136	60	345	86	83





## Women in Business

### General Overview

We asked female survey participants to think about their experience being a woman operating a business in PNG and the challenges they may have faced, or are currently facing, specifically because of their gender.

Upwards of 80% of women surveyed, across both the formal MSME and informal sector samples, indicated they face additional challenges which men in business do not. A wide variety of experiences were shared with interviewers which have been categorised into general themes and supplemented with quotes below.

The most common challenge across both groups is balancing work commitments and family or cultural obligations; many women are wholly responsible for care of children on top of work pressures, and report having to utilise business funds to afford school fees and other family-related costs, which inhibits future development of their business.

*“Being a woman in business is not easy. I face a lot of problems. I have to fulfill family and cultural obligations in the community because in Papua New Guinea we [are] bound by so many beliefs.”  
(Highlands Region, Female, Formal MSME)*

More female respondents running MSMEs expressed regularly encountering gender inequality, often in the form of discrimination, condescension, or receiving gender-based criticism. Women running informal businesses are marginally more likely to encounter challenges with security risks or law and order specifically due of their gender than those running formal MSMEs, though just over one in ten women report facing these challenges across both sectors.

*“Most people of PNG regard women as nothing, gender equity [is the biggest challenge].”  
(Southern Region, Female, Formal MSME)*

*“As a woman, I can say business is more complicated to us. In terms of our traditions sometimes people criticise us just because we are women. Sometimes it goes to the extreme of robbing us and our business.” (Southern Region, Female, Informal Business)*

*“[The biggest challenge is] customers purchasing goods on dinau and not paying on time.”  
(New Guinea Islands Region, Female, Informal Business)*



Table 93: Challenges for Women in Business by Formality

Q53/100. Please think about what it is like being a woman in business in PNG today. Have you faced any challenges in business specifically because you are a woman? I am asking about challenges that a man might not be facing. [Asked of women running businesses]

	Formal	Informal
	%	%
Obligations to family/wantoks ( <i>haus kraikrai, bride price, school fees</i> )	25	31
Gender inequality ( <i>discrimination, condescension</i> )	15	6
Security risks / Law & order	11	13
Poor sales, profits, or cash flow	7	9
Access to capital / No financial support	5	3
Competition	4	4
Lack of support ( <i>generally</i> )	4	4
Business management	4	1
No assistance/control from government, regulatory bodies	3	3
Difficulty dealing with customers	3	1
Lack of manpower	2	2
Transport challenges	2	6
No information/business training available	1	1
Other	4	4
No challenges	19	19
Don't know	4	3
Column n	441	621

We also provided women in business with an opportunity to voice any suggestions they had about how women in business, like themselves, could be better supported to operate and grow their businesses. Across both the formal and informal sectors, support from government is most desired, followed by financial assistance in the form of funding or loans, and then training programs or networking opportunities.

Table 94: Suggestions to Support Women in Business by Formality

Q54/101. Do you have any suggestions for how women in business, like yourself, could be better supported? [Asked of women running businesses]

	Formal	Informal
	%	%
Government support	24	27
Financial assistance / Funding or loans	23	25
Training programs / Networking	9	11
Inspirational suggestions, words of encouragement	9	3
Support from family & community	6	5
Gender equity programs / policies	5	1
General support	5	7
Security services / Law & order interventions	4	4
Support from NGOs / foreign governments	3	3
Provision of marketplace	3	6
Alleviating family & community obligations	2	5
Improved services	0	2
Other	7	2
No suggestions	18	19
Don't know	5	2
Column n	437	639



**Formal MSMEs**

We analysed the formal MSME data to identify any meaningful differences by gender. It is important to keep in mind that the focus of this study was on the businesses, rather than the respondents representing the business, and some differences by gender may be due to the sample itself. The following gender snapshot details the key significant differences between male and female survey respondents (business owners and managers) running formal MSMEs.

- Male respondents were more likely to own the business, while female respondents were relatively more likely to be managers of the business.
- MSMEs that are run by women are generally smaller, having an average of 1.4 fewer paid employees in comparison with MSMEs run by men.
- More female-run MSMEs are micro businesses.
- Retail trade and hospitality are the dominant industry sectors; even so, more women are running retail trade and hospitality businesses compared to men, who are significantly more likely to run motor vehicle retail or construction businesses.
- Women are less likely to own machinery and equipment, partially due to having less representation in industries requiring these assets. Women are also less likely to use or own computers, a bank account for the business, or an electrical generator.
- Most MSMEs have one owner; however, male-run businesses are significantly more likely to be run by one owner, whereas those run by women are more likely to have two or more owners.
- Women-run formal MSMEs are significantly more likely to desire additional training on basic bookkeeping.

Table 95: Summary of Differences Across Key Measures by Gender

	Male	Female
Owner or manager of the business	72% owner of the business 28% manager of the business	66% owner of the business 34% manager of the business
Employment	28% 1 to 2 employees Average of 7.5 paid employees	41% 1 to 2 employees Average of 6.1 paid employees
Business turnover classification	64% micro-enterprise 30% small enterprise 6% medium enterprise	73% micro-enterprise 22% small enterprise 5% medium enterprise
Industry	53% retail trade 17% hospitality 16% motor vehicle retail 6% construction	65% retail trade 24% hospitality 7% motor vehicle retail 2% construction
Business assets	72% own machinery & equipment	58% own machinery & equipment
Products and services used	55% currently use/own computers 88% currently use/own bank account for the business 60% currently use/own electrical generator	47% currently use/own computers 82% currently use/own bank account for the business 51% currently use/own electrical generator
Number of owners	70% one owner 30% two or more owners	56% one owner 44% two or more owners
Areas for additional training	22% basic bookkeeping	31% basic bookkeeping
Access to sufficient credit	54% enough 36% not enough	43% enough 44% not enough
TIN & GST Number	70% have a TIN 59% have a GST Number	59% have a TIN 49% have a GST Number



Despite the majority of women operating formal MSMEs having faced additional business challenges due to their gender, significantly fewer women in the Islands region reported encountering these challenges, whereas women in the Southern region were more likely to indicate they had faced challenges due to gender. Gender challenges involving security and law & order were mentioned by significantly more women in business in the Highlands region (30%) and significantly fewer in the Islands region (1%). A general lack of support was also more commonly raised in the Highlands (11%), similar to business management challenges in the Islands region (8%).

*“The only way we could be supported is through the government intervention into SME in PNG. There’s been many things to support SME highlighted by our government but up till now we haven’t received anything yet. All we are requesting is for the good government to support us one way or the other.” (Southern Region, Female, Formal MSME)*

Table 96: Challenges for Women in Business by Region & Area

Q100. Please think about what it is like being a woman in business in PNG today. Have you faced any challenges in business specifically because you are a woman? I am asking about challenges that a man might not be facing. [Asked of women running formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
		%	%	%	%	%	%	%
Obligations to family/wantoks ( <i>haus kraikrai</i> , bride price, school fees)	25	27	23	28	22	24	22	39
Gender inequality ( <i>discrimination, condescension</i> )	15	18	21	8	15	15	15	18
Security risks / Law & order	11	7	30 ↑	1 ↓	8	13	4	11
Poor sales, profits, or cash flow	7	10	6	5	3	6	10	7
Access to capital / No financial support	5	5	2	6	5	5	4	2
Competition	4	5	6	2	5	5	4	2
Lack of support ( <i>generally</i> )	4	3	11 ↑	1	-	4	4	-
Business management	4	3	1	9 ↑	-	4	7	-
No assistance/control from government, regulatory bodies	3	2	5	4	2	4	3	2
Difficulty dealing with customers	3	2	5	3	5	5	-	-
Lack of manpower	2	2	4	1	3	3	3	-
Transport challenges	2	2	3	-	3	2	3	2
No information/business training available	1	2	1	-	-	1	-	-
Other	4	5	4	6	2	5	3	4
No challenges	19	8 ↓	9	30 ↑	32	17	25	23
Don’t know	4	6	-	6	5	5	-	5
Column n	441	125	110	141	65	317	67	57



In the Southern and Momase regions, women running formal MSMEs are more likely to desire financial assistance than those in the Highlands and Islands region; women in the Islands region are significantly less likely to suggest financial assistance as a support mechanism. Comparatively, women in the Highlands and Islands region are more likely to suggest general government support.

Those in the Highlands region are significantly more likely to suggest women in business could be better supported through gender equity programs and policies, and additional security services or law & order interventions.

Table 97: Suggestions to Support Women in Business by Region & Area

Q101. Do you have any suggestions for how women in business, like yourself, could be better supported? [Asked of women running formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	
Government support	24	27	32	16	19	23	24	24
Financial assistance / Funding or loans	23	31	25	12 ↓	27	23	21	29
Training programs / Networking	9	11	10	9	5	10	6	7
Inspirational suggestions, words of encouragement	9	11	5	12	5	8	8	14
Support from family & community	6	6	5	3	15	5	8	7
Gender equity programs / policies	5	4	13 ↑	2	2	5	5	9
General support	5	5	4	7	3	5	8	2
Security services / Law & order interventions	4	1	13 ↑	-	2	5	-	-
Support from NGOs / foreign governments	3	2	5	1	5	3	2	5
Provision of marketplace	3	5	2	-	5	3	-	-
Alleviating family & community obligations	2	-	6	2	-	2	3	2
Improved services	0	1	-	-	2	0	-	2
Other	7	8	6	5	13	8	8	2
No suggestions	18	9	9	32 ↑	19	16	24	19
Don't know	5	6	-	8	2	6	-	3
Column n	437	127	111	137	62	317	62	58



### People with Disability

Across both formal and informal sectors, business owners or managers with disability predominantly face challenges seeing clearly and moving around. Moreso for informal businesses, people with disability note requiring more support, and having difficulty transporting or moving stock and goods. Formal MSME owners or managers with disability face more challenges with documentation than those running informal businesses.

*“I am a person with disability and mobility is a challenge, but I am using my intellectual ability to manage my business. My biggest challenge is finance.” (Southern Region, Male, Formal MSME)*

Table 98: Challenges for People with Disability in Business by Formality

Q56/103. You mentioned that you have difficulty... Do you face any challenges while running your business because of this difficulty / these difficulties? [Asked of people with disability running businesses]

	Formal	Informal
	%	%
Cannot see clearly / need glasses	24	25
Difficult to move around	15	18
Reading & writing / documentation / typing	15	4
Unspecified challenges	12	2
Communicating/interacting with customers	7	4
Physical pain	5	2
Remembering or concentrating	5	6
Require additional support	2	16
Handling money / numbers	2	2
Transporting or moving stock/goods	-	10
Difficulty with business operations	-	6
Other	10	6
No challenges	12	18
Column n	41	51

Business owners or managers with disability suggest better support could be achieved through improved general healthcare services. Formal MSMEs are more likely to suggest increased government support (17%), while informal businesses are more likely to suggest improving access to business support services (14%).

Table 99: Suggestions to Support People with Disability in Business by Formality

Q57/104. Do you have any suggestions for how people in business with difficulties, like yourself, could be better supported? [Asked of people with disability running businesses]

	Formal	Informal
	%	%
Better general healthcare ( <i>access, quality, affordability</i> )	22	24
More government support ( <i>programmes, financial assistance, policy</i> )	17	6
Improve eye care ( <i>check-ups, access to glasses</i> )	12	12
Business support services ( <i>training, mentoring, funding, assistance</i> )	7	14
Higher engagement with charities & humanitarian organisations	5	8
Accessible infrastructure	2	2
Other	5	14
No suggestions	34	22
Don't know	2	6
Column n	41	51



## Black Wednesday

### General Overview

In January 2024, Papua New Guinea experienced instances of civil unrest following protests by police, military, and corrections personnel due to an administrative error resulting in salary cuts during a period of high socioeconomic volatility. The unrest originated in Port Moresby, later spreading to Lae and other cities across the country, lasting approximately ten days; however, the long-term consequences were felt for much longer. This occurrence was later coined the “Black Wednesday” riot of 10 January 2024.

Given the recency of this event to the time of fieldwork, we utilised the opportunity to explore the immediate and long-term impacts that law and order issues can have on the operation of MSMEs and informal sector businesses.

Overall, formal MSMEs faced a greater level of impact because of Black Wednesday than businesses in the informal sector. MSMEs were almost twice as likely to report being significantly impacted by Black Wednesday (17%) in comparison to those in the informal sector (9%).

Table 100: Level of Impact of Black Wednesday by Formality

Q44/106. What level of impact did Black Wednesday (10 January riots) have on your business? [Asked of all businesses]

	Formal	Informal
	%	%
Big / significant	17	9
Small / minor	16	16
No impact	64	73
Column n	1309	1302

A multitude of impacts were mentioned including reduced customer flow and revenue, damage to property through vandalism, looting, theft, temporary business closure, and supply chain distribution. The rioting and civil unrest around Black Wednesday disrupted the economic landscape causing cost of goods to increase due to diminishing product stocks and rising demand. Looting of warehouses and accessibility issues due to roadblocks also contributed to supply chain distribution issues, resulting in rising transportation service costs to move product stock.

*“After the riots we were not operating for over two weeks. We paid the rentals already but [were] not operating. Loss of customers and no revenue. Plus fighting from undisciplined personnel like PNGDF and PNGRC caused chaos around our area of business.”  
(Southern Region, Male, Formal MSME)*



Of those impacted by Black Wednesday, businesses were most likely to indicate temporary business closure or disrupted operations, followed by fewer customers and reduced cashflow, and then law & order issues and concerns as impacts faced. Informal businesses were more likely to have faced transportation issues or roadblocks.

*“Youths from surrounding communities mobilised, looting my store [and] getting goods worth K10,000. Police turned their back at my call for rescue.” (Highlands Region, Male, Formal MSME)*

*“Black Wednesday was a terrible and disastrous day for us. We were robbed and most of our items were stolen. We made a big loss in terms of profits during this period.” (Southern Region, Female, Informal Business)*

*“Most small informal business like ours were the first ones to be destroyed and robbed. People started the riots outside before breaking and entering big supermarket stores... We made big loss in terms of profits.” (Southern Region, Female, Informal Business)*

Table 101: Specific Impacts of Black Wednesday by Formality

Q45/107. How did Black Wednesday (10 January riots) impact your business? [Asked of all businesses that were impacted by Black Wednesday]

	Formal	Informal
	%	%
Temporary business closure / disrupted operations	41	36
Fewer customers / reduced cashflow	28	29
Law & order issues and concerns (vandalism/looting/theft)	27	22
Distribution/supply issues	15	17
Higher operational costs	10	14
Transportation issues / roadblocks	8	13
Systems issues	2	0
Other	4	4
Column n	365	258





**Formal MSMEs**

Black Wednesday had some level of impact on approximately one-third of MSMEs surveyed, with 17% indicating they were significantly impacted and a further 16% being impacted minorly.

Despite the brunt of the Black Wednesday rioting occurring in Port Moresby, situated in the Southern region of PNG, a higher proportion of MSMEs in the Highlands region claim to have been impacted by these events. However, the severity of impact among those impacted was greatest in the Southern region.

**Table 102: Level of Impact of Black Wednesday by Region & Area**

Q106. What level of impact did Black Wednesday (10 January riots) have on your business? [Asked of formal MSMEs]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Big/significant	17	22 ↑	27 ↑	7 ↓	5 ↓	19 ↑	12	12
Small/minor	16	7 ↓	34 ↑	12	5 ↓	17	15	14
No impact	64	70	40 ↓	79 ↑	80 ↑	63	67	69
Don't know	2	1	-	1	10 ↑	1 ↓	5 ↑	4
Refused	0	0	-	1	1	0	1	1
Column n	1309	349	408	359	193	929	194	186

Formal MSMEs in Southern region (58%) and in urban areas (46%) were significantly more likely to have experienced temporary business closure or disrupted operations as a result of Black Wednesday; formal MSMEs in remote areas were significantly less likely to have temporarily closed as a result (18%). Businesses in Southern region were also significantly more likely to share law and order concerns, including vandalism, looting, and theft, while those in the Islands region were significantly less likely to face law and order incidents as a result of Black Wednesday.

**Table 103: Specific Impacts of Black Wednesday by Region & Area**

Q107. How did Black Wednesday (10 January riots) impact your business? [Asked of formal MSMEs that were impacted by Black Wednesday]

	Total	Region				Area		
		Southern	Highlands	Islands	Momase	Urban	Rural	Remote
	%	%	%	%	%	%	%	%
Temporary business closure / disrupted operations	41	58 ↑	36	35	29	46 ↑	30	18 ↓
Fewer customers / reduced cashflow	28	17	35	25	29	28	22	35
Law & order incidents or concerns (vandalism, looting, theft)	27	47 ↑	23	7 ↓	35	28	17	35
Distribution or supply issues	15	22	8 ↓	25	6	12	20	28
Higher operational costs	10	4	13	11	-	9	7	20
Transportation issues / roadblocks	8	5	10	7	6	6	13	15
Systems issues	2	-	1	4	-	2	-	-
Other	4	4	2	8	6	3	6	5
Column n	365	99	180	69	17	280	47	38



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End.



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