

Overview of Financial Sector and Small and Medium Enterprises in Mauritius

Chapter 3 Overview of Financial Sector and Small and Medium Enterprises in Mauritius

3.1 Mauritius Financial Sector

In the past, Mauritian economy was entirely dependent on sugar production and now its economic activities have been fully diversified into textiles, tourism, information technology and financial services. Situated in the Indian Ocean region, Mauritius is well reputed as an International Financial Centre and is an excellent platform for investment in Africa, Middle East and Asia. Two main independent bodies govern the financial services sector namely Bank of Mauritius (BOM), the central banking which controls the banking services and The Financial Services Commission (FSC) which regulates the activities of non-banking financial institutions and global business. The legal and regulatory framework of the financial sector constitutes the Financial Services Act 2007, Securities (Amendments) Act 2007, Bank of Mauritius Act 2004, Banking Act 2004 and Companies Act 2001. In addition, the Anti-Money Laundering Act (2002), the Prevention and Corruption Act (POCA 2002) and the Prevention of Terrorism Act (POTA 2002) are regulations to ensure that the financial sector meets the necessary requirements for good governance In order to promote a sound and healthy financial system, other

institutions such as the Independent Commission against corruption (ICAC), Financial Reporting Council (FRC) and Financial Intelligence Unit were established.

It is worth taking note that the real growth rate for the financial intermediation has declined sharply in 2009 due to the worldwide economic crisis. In 2010, it had moved to 4.3 percent but it was still below the 2008 figure. In terms of GDP, this segment had experienced a slight increase of 0.7 percent from the year 2006 to 2010. On the other side, the banking sector was well capitalized and remained active during that period. Furthermore, the level of investment had risen from Rs 1.5 billion in 2009 to Rs 2.3 billion in 2010 and during that period around 11, 387 people were employed in large establishments, reflecting the dynamism of this sector. Overall, the financial intermediation sector was satisfactory in terms of high levels of profitability and capital. (The Mauritius Chamber of Commerce and Industry, 2011). The financial sector has contributed considerably to the overall development of the Mauritian economy. Over the years, different types of financial services was made available namely credit services, leasing, asset accumulation, Islamic banking, protection and real estate and wealth management.

A number of financial operators has emerged and comprises of stockbrokers, insurance-brokers, investment companies, venture capital companies, fund managers, foreign exchange dealers, money changers, leasing companies, credit institutions and bond dealers. In the field of technological developments, internet and online banking services are provided by most banks. Moreover, all financial institutions have dedicated websites and portals whereby client can access and view information.

3.2 Financial Education Programs in Mauritius

Though very few studies have been conducted to find out the level of financial literacy among Mauritians, several initiatives have been launched in respect of financial literacy and financial inclusion in order to promote financial education across the population. The main aim behind these financial literacy programs was to create a supporting environment for consumers of financial products and services as well as to sensitize them to make better financial decisions.

As part of its series of Financial Literacy and Consumer Education Program, FSC has initiated The Financial Literacy and Young Talent Competition (YTC), Consumer Education Website known as ProtectYourFinance.com, a Financial Literacy Snake and Ladders Game and FSC fourth Poster. Other developments in the field of financial literacy include the MBA Financial literacy program, HSBC Living Finance Education program,

Monetary Policy Challenge and Essay-Writing Competition (BOM) and the SEM Young Investor Award Competition (SEMYIA). Since there is a lack of financial literacy programs for women, particularly for women entrepreneurs, the latter are not or less acquainted to the use of financial products and services in their everyday lives. In general, it has been observed that the level of financial literacy is quite low in Mauritius (Mr N. Abdullah, 2004).

3.3 Small and Medium Enterprises (SMEs) in Mauritius

In Mauritius, SMEs are defined as enterprises in all economic sectors. A small enterprise is described by its "developmental level of operations which has an annual turnover up to Rs 10 million while a medium enterprise is one which is more sophisticated by nature and level of technology with an annual turnover not exceeding Rs 50 million (SMEDA Act, 2009).

Over the years, SMEs have been the main source of employment generation of the Mauritian economy. According to the Statistics Mauritius (2007), it was estimated around 140,000 SMEs were in operation and had contributed to 37 percent of GDP, produced some 120 billion rupees worth of output annually and employ 250,000 men and women. Further, SME jobs represented nearly 46% of workforce in 2009 compared to 35 % in 2005 (Mauritius SME Portal, n.d) and they are concentrated in a number of sectors ranging from foodstuffs,

textiles and clothing, manufacture of wood and furniture making, stationary products, chemical, plastic bags, handicrafts, pottery and ceramic, jewelry and lastly items related to trade and commerce. In an attempt to boost up the SME sector, the government has established different agencies such as the Small and Medium Enterprises Development Authority (SMEDA), the National Women Entrepreneur Council (NWECC) and the Development Bank of Mauritius (DBM) which offer a wide range of services to entrepreneurs. These include dissemination of information, sensitization campaigns in social welfare centers, marketing support, credit facilities, training and workshops on business management (Wong, 2009) Besides, the economic empowerment of women plays a crucial part on the top list of the Government's agenda and accordingly, several initiatives have been implemented in order to encourage and empower women entrepreneurs to be actively involved in the different financial activities of the country. For example, in 2010, the National Women Entrepreneur Council (NWECC) has created 120 women-led enterprises, has enabled 40 women to attend courses at Fashion and Design Institute and ultimately has set up an Entrepreneurship Support Programme (ESP) that offers Mentoring Services to women entrepreneurs. Even a motivational program was put in practice for 52 unemployed

women and university degree holders notably to help them in becoming self-employed and to train them on financial concept and techniques. Besides, local fairs are organized to promote the locally made products the across the island throughout the year (National Women Entrepreneur Council, 2012).

In the banking sector, Bank One has taken some positive actions to empower women economically by providing discounts for medical checkups in clinics, free personal accident cover and the use of check books on savings account. Furthermore, it has designed an exclusive savings product for women called the EMMA account. Interestingly, the latter enables women to have better control and manage their personal finances through preferential savings and interest rates. Also, Bank One rewards women annually for their exceptional performance in entrepreneurship via its EMMA Award Scheme. In the era of globalization, Mauritius should continue to encourage women to engage in entrepreneurship and to be financially autonomous whether they are educated or not.

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