

# Why South Africa needs more small businesses

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While small businesses may very well be the unsung heroes of the South African economy, their contribution to national development is unmistakable. Creating an enabling environment for entrepreneurship is therefore not only good for business but it is also necessary to build a more equitable and prosperous economy.

Let's explore some of the most significant contributions that small businesses make to the state of the nation and why the country needs them:

## **The cornerstones of SA's economy**

The most talked-about benefit of small businesses is their contribution to the GDP. A recent report published by the International Finance Corporation (IFC) estimates that small businesses contribute up to 34% of the total GDP. Often referred to as the engines of South Africa's economy, small businesses provide much-needed economic stimulus. A factor that experts predict will become more prevalent over the next decade.

## **Small businesses and job creation**

South African small businesses employ an estimated 50% to 60% of the workforce. In light of the country's record-high unemployment rate, it is evident that small businesses play a crucial role in job creation. By providing millions of South Africans with the means to support their families, small businesses therefore also contribute to the alleviation of poverty.



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## **Community building and service delivery**

Consider the archetype of a 'friendly butcher', the spaza shop on the corner, the local hairdresser, or the tutoring business next door. These stories build and cultivate communities. Locally owned, small-scale businesses are milestones on the country's socio economic landscape, providing much-needed services and keeping consumer spend within local towns and cities. They are therefore also engines of social cohesion, bringing people together, building support networks and bridging the gap between businesses and consumers.

## **Financial inclusion – a national imperative**

In a country where inequality is one of the worst in the world, there has been a growing call for financial inclusion in recent years. This has been driven by industry leaders, private sector players and civil society who have highlighted the ardent need to build an equitable society. Entrepreneurship has the ability to bring more South Africans into the fold of economically active citizens, broadening tax the base, promoting skills development and securing the financial futures of more people.

## **Diversity in the business world**

Entrepreneurship can open up windows of opportunity for disadvantaged groups, minorities and historically underserved members of society. In South Africa, particularly in the township economy, more women are stepping up to the challenge

of owning their own businesses. According to Professor Meyer from the University of Johannesburg: “Women are considered a reservoir of entrepreneurial talent.” This is just one example of how the small business sector can support the growth of a more diverse business environment.

### **Employee wellness and job satisfaction**

Several global reports suggest that employees in smaller teams are often happier than their counterparts in large corporates. Small businesses are in a better position to offer employees attractive benefits such as remote working, flexible schedules and performance incentives. Employees in small businesses typically also enjoy more individual attention from managers and other business leaders, which in turn fosters workplace cultures that are more tailored to individuals’ needs rather than the needs of the masses.

### **Incubators of innovation**

Small businesses, due to their agility and creative approach to problem-solving, are drivers of innovation. In examples such as SweepSouth and Yebo Fresh, we see prime examples of how small businesses exist at the forefront of innovation in South Africa. Together, these kinds of start-ups play a vital role in helping South Africa maintain its competitive edge in the global innovation economy.

### **South African – and proud to be**

The ‘Proudly South African’ campaign, established in 2001, has made great strides in promoting local talent and showcasing the country’s abilities to produce world-class products and services. The ingenuity arising out of South Africa in sectors such as fashion, interior design, mobile technology and food production is testament to the remarkable abilities of local artisans and businesspeople. Campaigns such as these, which encourage South African to support the growth of the local small and medium enterprise sector are important symbols of national pride.

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