

# Government appears to be listening; SMEs encouraged to keep engaging with the State in 2015

The 2015 Budget revealed a serious commitment from the state to growing small businesses - in this climate of constructive reform; SAICA's second SME survey could encourage the Department for Small Business Development (DSBD) to institute even more effective changes...



In a spirit of constructive engagement, SAICA is running a second survey to explore SME needs in more depth. (Image: Wikimedia Commons)

The South African Institute of Chartered Accountants (SAICA) welcomes positive changes in Minister of Finance Nhlanhla Nene's 2015 Budget - innovations to stimulate the small-business sector, which mirrored the suggestions made in SAICA's analysis of its 2014 survey of South African SMEs. A reduction of government red tape, tax relief for small businesses, the need to eliminate late payments by government departments and state provision of direct support to grow established SMEs were the four most prominent features on the wish-list compiled by almost 900 SMEs that responded to the survey, and the minister's Budget speech addressed all four of them. An indication that government is indeed willing to listen to the small-business sector when formulating policy, as was promised when the DSBD was created last year.

In the spirit of this constructive engagement, SAICA is running a second survey to explore SME needs in more depth. A vibrant, growing SME sector is crucial to rapid job creation and this research is worthy of the support of all small-business owners in search of a sustainable future. The more respondents the survey generates, the more persuasive the results will be. This year SAICA would like to reach 3000 or more SMEs to participate in the survey, with a bigger sample there is higher chance of making a persuasive submissions to the DSBD regarding SME growth. The survey takes 15 - 20 minutes to complete and by participating you become a change agent for SMEs.- Heeding advice

## Four findings stand out

Four findings from the 2014 survey appear to have been directly addressed in the 2015 Budget:

1) 71.4% of these SMEs do no government business at all - at national, provincial, municipal or parastatal level. One of the most important reasons mentioned repeatedly in the research was late payment; government departments at all levels are seen to have a culture of slow payment, which is fatal to small-business cash flow. Minister Nene announced that government is establishing a KPI for all financial officers around payment in 30 days - to be monitored, presumably, by the Treasury. If the policy is implemented rigorously, it will be an encouraging start to getting more SMEs bidding for government tenders.

2) Half of the respondents have been in business for 10 years or longer; longer-lasting businesses were also the ones most likely to employ more people. A direct correlation between business size (judged on turnover) and number of employees suggests that government stimulus would be most effective at creating employment if it were focused on making established SMEs more successful. Government has now established a substantial fund, designed to assist SMEs in their early years. It is unclear as yet through which agency this fund will become available, but it's a significant step in the right direction.

3) Asked what incentives would encourage them to expand their businesses, most SME owners named a reduction in government red tape - in his 2015 Budget, Minister Nene announced a single portal to do business with government. SMEs no longer have to submit endless paperwork to tender on different departmental work - one registration will do. This policy will also help reduce the risk of government giving work to businesses in which their own employees are involved.

4) The other major stimuli to SME growth agreed upon by the majority of survey respondents were tax incentives for growth and tax incentives towards creating more jobs (over and above the youth wage subsidy). The 2015 Budget reduced the tax rate for small businesses from 6% to 3% - so businesses that do take advantage of the youth wage subsidy can now be really competitive.

Further exploration of SME needs among a larger respondent pool will make SAICA's next submission to the DSBD equally constructive. To make their contribution to a collective voice for the SME sector, small-business owners should go to <https://www.surveymonkey.com/r/SMERESearch2015>.

For more, visit: <https://www.bizcommunity.com>