

# Ministry of Small Business Development must encourage growth

The creation of the Ministry of Small Business Development will bring a targeted and dedicated focus to the small and medium enterprise (SME) sector in tackling the challenges faced and capitalising on opportunities available towards job creation and economic growth.



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"The country is pinning its hopes on this sector for growth and job creation. Therefore, it is imperative that the focus of this ministry should be to identify ways of encouraging start-up businesses, but more importantly to encourage growth from micro to small business and from small business to medium-sized businesses, as this is where the largest positive impact on job creation and economic contributions could be felt," Bridgitte Kriel, project director of Small Practices at the South African Institute of Chartered Accountants (SAICA).

It is often stated that the primary obstacles to growth of SMEs in South Africa are the labour environment, access to financing and lack of skills. The Global Competitiveness Report 2013-2014 ranked South Africa 147th out of 148 economies in terms of rigid hiring and firing practices, and this highlights that, especially in the SME sector where we are seeking employment growth, consideration should be given to easing rigid labour laws. This could quite possibly facilitate employment within this sector.

## Sound business practice

SAICA recently conducted a survey of five major banks and three specialist SME lenders. Respondents felt that CAs involvement in an advisory capacity could make SMEs more attractive as a credit risk. "We pretty much look for a business that is well supported financially, and is being mentored and guided on sound business practice," says Oscar Siziba of Absa.

The major banks do acknowledge that, where a business owner might not have relevant expertise and experience, mentorship and expert assistance from the correct business partner could assist in enhancing the chance of business

success - and thus their ability to obtain financing. SAICA would encourage the ministry to focus on facilitating and recommending SMEs to partner with the correct business partners and mentors to enhance their ability to obtain financing and enhance their business success.

"As an organisation that promotes economic growth of South Africa, SAICA has launched what we believe will be South Africa's largest SME survey of its kind, to better understand the sectors they operate in, the internal and external challenges they face, and what would motivate or prevent them from expanding their businesses. SAICA will gladly seek to share this insight with the ministry and to assist wherever possible to support a thriving SME sector," says Kriel.

She added that essentially, it is not only about seeking to overcome obstacles, but also to identify opportunities which would encourage growth in SMEs. The ministry should look into providing meaningful incentives to SMEs, especially where those could encourage businesses to invest in their own growth and to transition from small to medium-sized businesses.

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