

Business Partners releases SME index indicating optimism for 2014

According to the 2013 fourth quarter Business Partners Limited SME Index (BPLSI), which measures attitudes and confidence levels amongst the local Small and Medium Enterprises (SME) sector, South African business owners have expressed continued optimism that conditions will be conducive to business growth in 2014.

Assessing confidence levels of key aspects affecting SMEs growth prospects, the average confidence levels across all indicators reported both quarter-on-quarter and year-on-year increases, which translates to a favourable outlook for SMEs in 2014.



According to Nazeem Martin, MD of Business Partners Limited, business owners expressed average confidence levels of 76% that their business will grow in the next 12 months, an increase of 3% when compared to the third quarter of 2013, and a 5% increase when compared to the fourth quarter of 2012. SMEs also conveyed an average confidence level of 55% that the South African economy will be conducive for business growth - a 5% year-on-year increase.

While the South African economy experienced some knocks and generally sluggish growth in 2013, the increase in confidence across the board suggests that SMEs believe the economy may have "bottomed out" and that they have planned accordingly for the year ahead. This takes cognisance of the possible ups and downs their businesses are likely to experience in the next 12 months as the economy recovers.

Confidence up, liquidations down

Martin says that the recent December 2013 liquidations and insolvencies report by Statistics South Africa highlights SMEs' ability to manage their expenses and debt better and is a positive sign of how businesses are generally faring. The report revealed that the estimated number of liquidations decreased 26.1% in the fourth quarter of 2013, compared with the fourth quarter of 2012.

The report also revealed that SME owners surveyed displayed average confidence levels of 50% that the ease of access to business finance will improve in the next 12 months, which is a year-on-year increase of 5%. "This may be attributed to SMEs having become accustomed to financiers' more stringent lending criteria, financiers generally displaying a greater appetite for lending, as well as government owned/controlled SME lenders' readiness - possibly even aggressiveness - in making funding available and accessible to SMEs," explains Martin.

While the confidence levels of whether the current labour laws are conducive to the growth of SA businesses reported a year-on-year increase of 6%, the average recorded for the fourth quarter of 2013 remained low at 39%, says Martin.

Low confidence in government

Confidence in whether government is doing enough to foster SME development in SA also remains at low levels, with average confidence levels of 31% being recorded for the fourth quarter of 2013, the same as the previous quarter.

When surveyed on what type of assistance SMEs require from government, 35% of respondents cited direct funding (up from 32% quarter-on-quarter); 18% indicated less red tape (down from 22% quarter-on-quarter); and 19% indicated tax breaks (remaining the same quarter-on-quarter.)

Economic conditions top concern

When asked what the main challenges SMEs are likely to face in the next six months, 33% cited economic conditions, followed by cash flow and funding with 27% and 16% respectively.

"While the World Bank originally forecast economic growth of 3.2% for South Africa in 2014, the figure was revised to 2.7% last week and the general consensus amongst economists is that growth may average even lower at between 2.0% and 2.5%. This illustrates the unpredictable and fragile nature of economic conditions and the local economic recovery, as well as the difficulties SMEs face in their planning for circumstances over which they have no control."

Martin says that the overall increased confidence levels are encouraging. "The fact that the survey revealed year-on-year increases for all areas of importance for their businesses, illustrates the willingness and positive mind-set required from SME entrepreneurs to take risk, grow their businesses and play their role in generating wealth and creating job opportunities in South Africa.

"Government, big business and other stakeholders should seize this opportunity by committing to, and tangibly displaying this commitment to, promotion and facilitation of entrepreneurship in general, especially in the SME sector. Over and above easing the red tape associated with business compliance and tax breaks, government and big business should seek to create market opportunities for SMEs," concludes Martin.

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