

RealBusiness

SMMES IN LIMBO

State has failed to assist small players

A number of initiatives set in motion to boost the sector have failed miserably, writes Stephen Timm

THE government has made little impact in assisting small business, despite investing in a number of initiatives in the past 15 years to support the sector, according to a report by business consultancy SBP.

The report, titled Small Business Development in South Africa and released last month, said government's initiatives had fallen disappointingly short of its aspirations.

Quoting figures from the Global Entrepreneurship Monitor (Gem) 2008 report, SBP said SA lags behind other developing countries in promoting the growth and sustainability of small businesses.

"On start-ups, figures show that eight in 100 adult South Africans own a business that is less than 3½ years old, significantly behind other low to middle-income countries where on average 13 out of 100 adults are building new businesses."

The Gem Report shows that only 2,3% of South Africans own businesses that have been running for more than 3½ years, indicating a high failure rate among start-ups with SA ranking 41st out of 43 countries in the prevalence rate for established business owner-managers.

The SBP report said the rejigging of institutions and the merger of organisations, including Ntsika, to form the Small Enterprise Development Agency, has been less successful than intended. It argues that government's approach has

not been sufficiently nuanced or differentiated.

To drive growth and job creation, it suggests the government concentrate more on more formal businesses and less micro enterprises.

"Opportunity-driven entrepreneurs generate new business ideas, mobilise resources and ultimately create jobs."

The report said that the 2008 Gem Report notes that the average number of jobs created by opportunity-driven firms is 4,4 per business, compared with just 1,6 for necessity or survivalist firms.

SBP said that government's primary role should be that of a facilitator, promoting entrepreneurship, cutting red tape, improving access to finance and information, supporting incubator facilities, improving access to markets through business linkages and improving reliable statistical data on the small business sector. Private-public partnerships should also be encouraged, it said.