

Nedbank's Alan Shannon unpacks why cutting the red tape off SMMEs is a national need

By [Alan Shannon](#)

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The untapped potential of small, medium and microenterprises (SMMEs) in the country is astounding. However, the red tape placed on them is even more startling.



Source: Supplied. Alan Shannon, Nedbank executive: Small Business Services and Private Clients.

In South Africa we wouldn't stand for our national teams playing with their hands tied behind their back. We do, however, allow millions of SMMEs to be held back from reaching their full potential due to all the red tape.

The sheer volume of legal compliance, regulations, policies, licensing and permitting that business owners must deal with can easily add up to multiple days of compliance tasks every year – time that could instead be spent on building the business.

While bigger businesses can afford to hire an army of compliance officers and lawyers to jump through the hoops, SMMEs cannot do so. The expenditure is simply not feasible. The current process in place needs urgent review.

Why the urgency? It's simple. Of immediate concern is a global recession. The latest projections made by the World Bank indicate that, over the next two years, the per-capita income growth in emerging markets and developing economies would

average 2,8% – a full percentage point lower than the 2010 to 2019 average.

A sharp, long-term recession is bound to impact South Africa's economy, which emphasises the need to strengthen our economy from within. SMMEs will play a critical role as the country navigates uncertain times.



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According to the World Trade Report, SMMEs in economies such as South Africa account for a jaw-dropping 60% of gross domestic product (GDP) and 70% of employment. When SMMEs employ the majority of South Africans, every effort must be made to remove the barriers hindering their development. Unemployment, poverty, and the impact of a global recession can be alleviated only through the active support of smaller-business owners.

Additionally, SMMEs drive economic growth by providing goods and services to consumers and businesses, increasing the flow of money across value chains. These businesses play a significant role in innovation, leading to new products, services and processes that drive economic prosperity. The hurdles placed in front of independent green-energy suppliers are incredible examples of clear opportunities being hindered.

Helping small businesses invest in solar equipment

A step in the right direction is an announcement made in the recent State of The Nation Address (SONA) 2023 about National Treasury's intention to work on adjustments to the bounce-back loan scheme to help small businesses invest in solar equipment, and to allow banks and development-focused finance institutions to borrow directly from the scheme to facilitate the leasing of solar panels.

The decisions and announcements regarding regulatory restrictions and even load shedding must be watched with greater scrutiny than ever before, as it will either encourage or deter new entrepreneurs and investors.

Collectively, we have a vested interest in new players entering markets and making it simpler to do business. Fundamentally, SMMEs help to diversify the South African economy by offering a wide range of goods and services, reducing the country's dependence on a few large industries, and creating a more resilient foundation for economic success.

As the chief executive officer of the Small Business Institute, John Dlodlu says: "Cut down the red tape. These [SMMEs] are the rock stars of our economy. We should treat them as such."

SMMEs are also a vital path to entrepreneurship, which provides opportunities for self-driven South Africans to start and grow their own businesses. This results in a more dynamic and competitive nation, leading to increased efficiency and productivity.



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Importantly, both the government and private sector have an additional role to play by providing access to financing to accelerate the success of enterprises and create jobs.

One of the main reasons that Nedbank Small Business Services clients give when applying for funding is the need to retain

staff in a challenging economy or to purchase essential equipment from generators to vehicles. These are valid business imperatives that weigh heavy on the minds of owners. Taking time to fill out countless complicated forms cannot be a day-long priority.

Access to finance, mentorship and training essential

To support SMMEs and help them reach their full potential, the government and private sector must work together to provide resources and remove obstacles. This should include financial support, access to mentorship and training programmes, and a reduction in regulatory barriers that limit the growth of SMMEs.

A ray of light in Sona 2023 was the president's reaffirmed commitment to The Red Tape Reduction Team, which works with various departments to find easier ways to do business. Additionally, it was announced that amendments to the Businesses Act, 71 of 1991, which set about to reduce regulatory impediments for SMMEs and co-operatives and to make it easier for entrepreneurs to start businesses, will be finalised this year.

The National Development Plan's vision is for SMMEs to provide 90% of employment in South Africa by 2030. To achieve this inspiring aim, we must provide a simple and empowering path for thousands of new entrepreneurs and businesses to enter the marketplace.

South Africa can benefit from more dynamic, innovative, and competitive businesses by providing them with a supportive environment.

And when we remove the red tape, we can get the economy back in the black.

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