

Business Partners SME survey indicates confidence on the mend

Business Partners has released the results of its third quarter SME Index, which reveals that business owners are more confident and the economy will be conducive for business growth in the next 12 months.

Average confidence levels of 54% were recorded in the third quarter of 2013, which is a year-on-year increase of 5%, up from 49% during the same period in 2012. This indicator is supported by the fact that SMEs consider economic conditions as less of a challenge this year, or alternatively indicates that they have put measures in place to deal with these challenges.



Infographic

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Increase of confidence

According to Nazeem Martin, MD of Business Partners, the improved outlook for economic conditions may also be underscored by the significant reduction in business liquidations recorded in September by StatsSA. "Unemployment also recently decreased to 24.7%, and reports showed that employment increased by 308,000 jobs, which is the largest gain recorded since the recession."

The index revealed that SME owners surveyed displayed average confidence levels of 49% that the ease of access to business finance will improve in the next 12 months, which is a year-on-year increase of 6%. Martin says that while this is still slightly low, the increased confidence bears testament to the recently released World Economic Forum's 2013 / 2014 Global Competitiveness Report, which ranked South Africa's availability of financial services 2nd out of 148 countries, and the country's affordability of financial services was ranked 13th. "We have also recently witnessed more aggressive showcasing of funding available to SMEs by both banks and government."

He says that businesses still seem to be confident that their business will grow in the next 12 months, as average levels of 73% were once again recorded.

When asked about their confidence that current labour laws are conducive to the growth of South African businesses, SME owners displayed average confidence levels of 35%. Martin says that despite confidence levels that remain low, this is a year-on-year increase of 5%. "This jump in confidence could be a result of less violent strikes and labour unrest over the past few quarters compared to 2012. These levels are however still too low and highlight that SMEs have strong opinions and concerns about the current labour regime."

Government confidence level low

He says that despite a 5% year-on-year increase of confidence levels around government doing enough to foster SME development, low levels of 31% were recorded in the third quarter. "The increased trade missions available to entrepreneurs, plus incentive schemes announced by the DTI, such as the aquaculture development and enhancement incentive programme available in the form of grants of up to R40 million to entities engaged in primary, secondary and ancillary aquaculture activities, might be spurring SME owners' confidence. Debatably, the call for the implementation of the 30 day payment policy in government could be taking shape, thus slowly turning the negative perception tide in government's favour."

He says that when questioned on what form of assistance from government would benefit them most, 32% (up from 30% in the last quarter) of respondents indicated that direct funding would be most useful, while 22% (down from 25% in the last quarter) opted for government cutting red tape and 19% (up from 17% in the last quarter) indicated that government

providing better tax breaks would assist most.

"Despite various challenges which SMEs and business owners face, it is encouraging to see general confidence levels rising. SMEs are the engine of the South African economy and business owners need to be positive going forward, as negativity is unlikely to stimulate growth and prosperity," concludes Martin.

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