THE VOICES OF SMMEs IN THE SOUTH AFRICAN ECONOMY

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Outline

1. Introduction
2. SMME Index in SA
3. Components of the overall SMME Index
4. Limiting Factors for SMMEs Sector in SA
5. Link with the Macro-economy
6. Some Emerging Recommendations
1. Introduction

- The role of SMMEs in the economy
  - Increase productivity;
  - Create employment especially for unskilled labour;
  - Help reduce poverty;
- In South Africa (Abor and Quartey, 2010)
  - Contribute between 52-57 per cent of GDP
  - Provide 61 per cent of employment
- How have SMMEs in South Africa been performing and what constraints do they face?
2. Average Overall SMME Index in South Africa
3. Average Industrial Component of SMME Index:
3. Average Trade Component of SMME Index

![Graph showing the average trade component of SMME Index from 2006 to 2011. The values range from 64.7 in 2007 to 32.2 in 2011.](image-url)
3. Average Service Component of SMME Index:
## 4. Limiting Factors in the SMME sector

<table>
<thead>
<tr>
<th>Factor</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<td>Access to Markets</td>
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<td>Other</td>
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5. Link with the Macro-economy: Inflation (%)
5. Link with the Macro-economy: Interest Rates (%)

- Deposit interest rate (%)
- Lending interest rate (%)
5. Link with the Macro-economy: Rand/US $ Exchange Rate
6. Some Emerging Recommendations

- **Reduction in Taxes & Regulations:** Red tape and taxes are killing small businesses; This needs urgent government attention;

- **Capacity building:** Education, training and skills development in entrepreneurship and financial management are necessary for SMME development;

- **Incentives:** Tax holidays and rebates to SMMEs can boost their productivity;

- **Marketing:** There is need for a marketing policy to promote goods and services of SMMEs;

- **Finance:** It can be helpful to reduce interest rates and bank charges to make bank credit affordable. In addition, established (or strengthen existing ones) specialised financial institutions to increase access to credit.
• **Technology:** It is necessary to identify and invest in technologies that can assist in increasing efficiency of SMMEs;

• **More Recognition to the Sector:** At the moment the voices of the big business have succeeded in drowning the voices of small businesses.
Thank you