



# **ENVIRONMENT OF SMALL BUSINESS IN KWAZULU-NATAL**

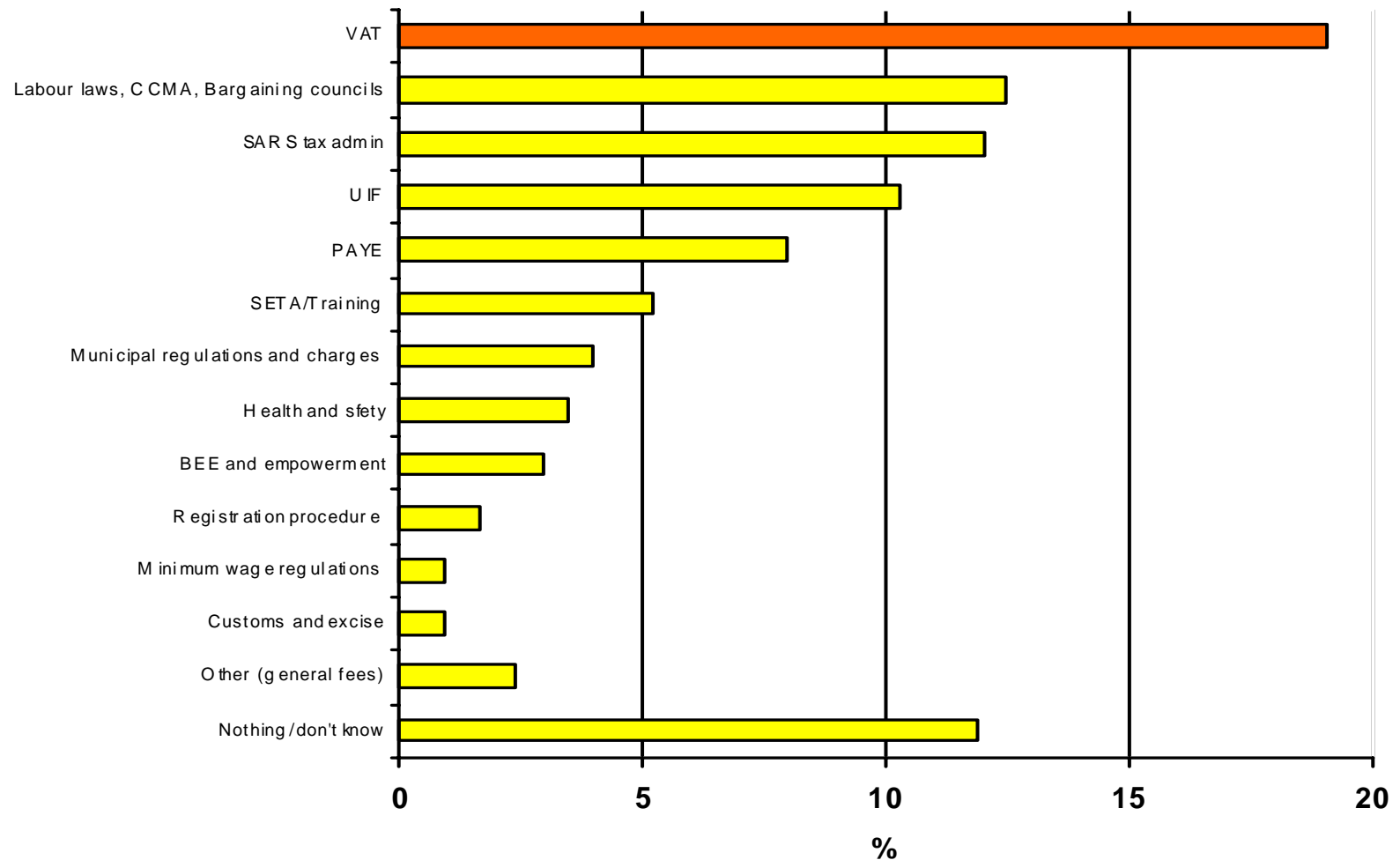
## **“RED TAPE STUDY”**



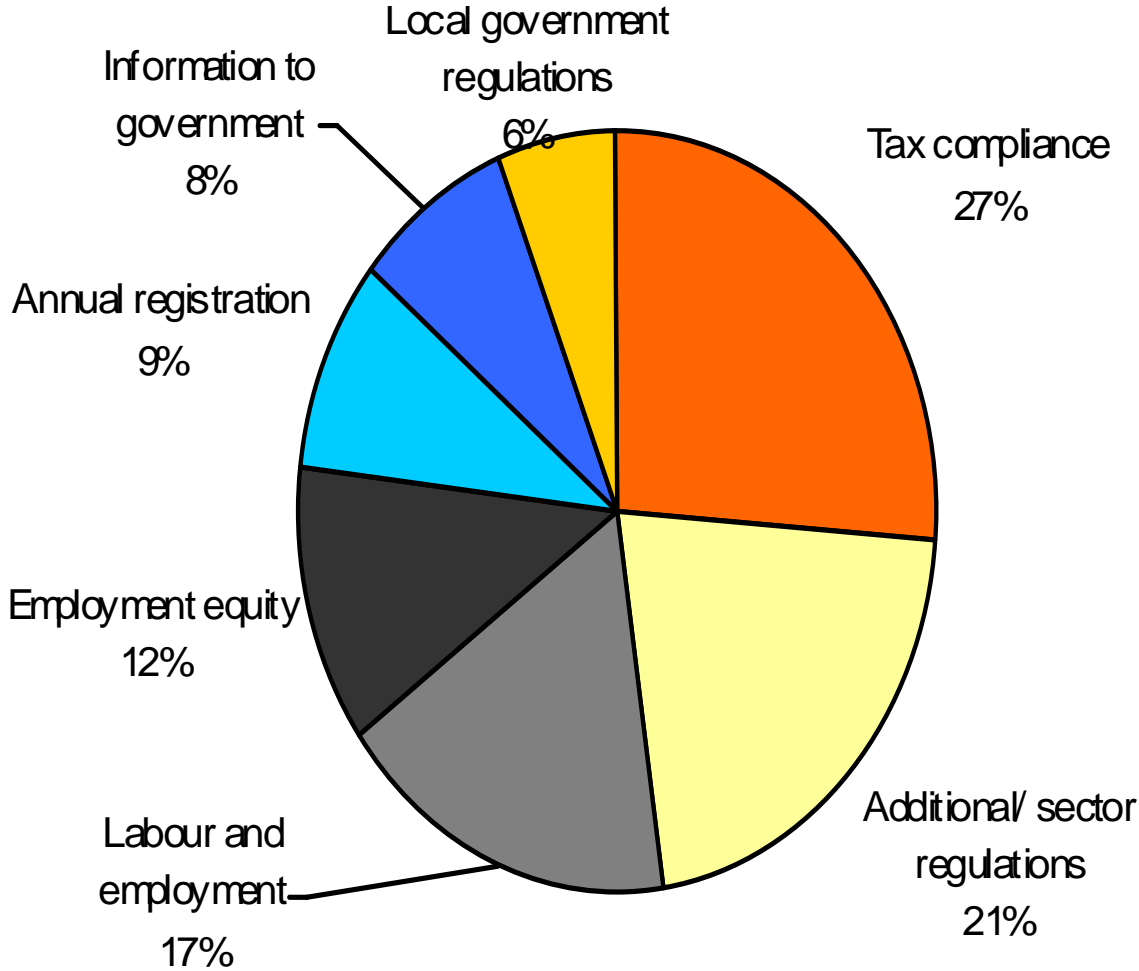
# Regulations affecting businesses in KZN

- Each sphere of government have wide-ranging powers to administer certain provisions of national government legislations.
  - Provinces and Municipalities have a direct impact on businesses through their policies on development and planning, zoning and business licensing
  - provincial and municipal regulations are limited in number and predominantly impose once off administrative costs
- Tax compliance burden and costs are high on the list of regulations constraining growth and development of business
- Labour laws are also problematic especially for large businesses
- The tourism, manufacturing, mining, power and water sectors experience the most administrative burden owing to long list of regulations imposed on them

# Regulations with high information obligation and administrative burdens



# Recurring compliance cost by category





# PRELIMINARY COMMENTS

- ONE OF MANY STUDIES COMPLETED IN THE PERIOD 2005-2011
- A “SNAPSHOT” TAKEN IN THE PERIOD JULY – NOVEMBER 2013
- INCOMPLETE STUDY THAT REQUIRES FURTHER VALIDATION IN SOME AREAS
- “RED TAPE” DEFINED TO EMBRACE THE PUBLIC POLICY FRAMEWORKS OF GOVERNMENT AND THE ADMINISTRATION OF THOSE FRAMEWORKS
- STATISTICAL SIGNIFICANCE?



*Enid was finally ready to admit that compliance was a bit more complicated than she first thought.*



# SMALL BUSINESS IN “MACRO” CONTEXT

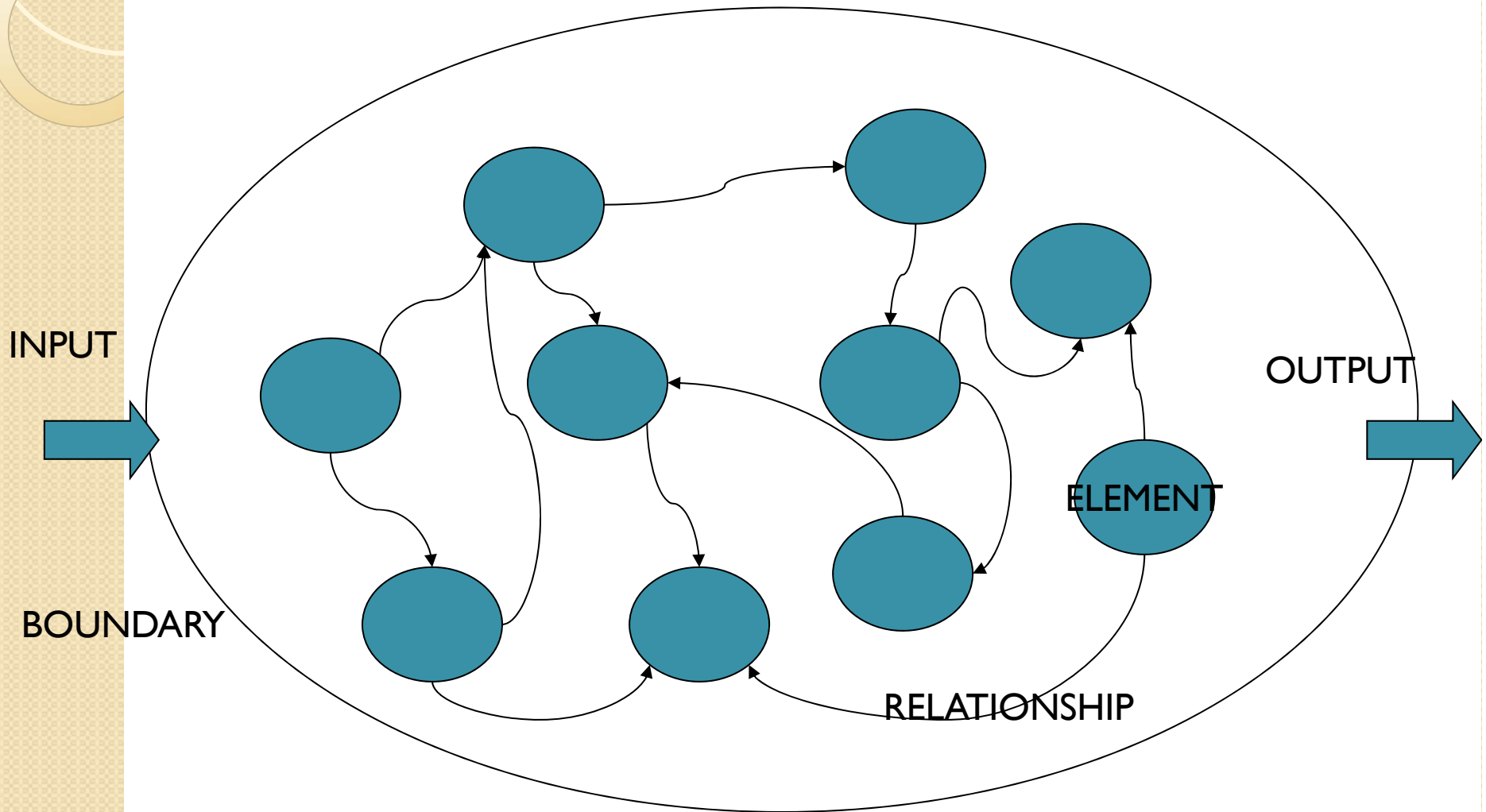
- CHALLENGED TO BE MAJOR CREATOR OF EMPLOYMENT.
- “RED TAPE” IS ONE PART OF THE TOTAL ENABLING/DISABLING ENVIRONMENT.
- THE SMALL BUSINESS “EXPERIENCE” OF GOVERNMENT.
- DIFFERENT SECTORS HAVE DIFFERING DYNAMICS AND RISK PROFILES.
- HOLISTIC/ SYSTEM WIDE APPROACH A REASONABLE THOUGHT.
- SMALL BUSINESS A DISTINCTIVE BUSINESS FORM.

# WHAT IS OUR PURPOSE?





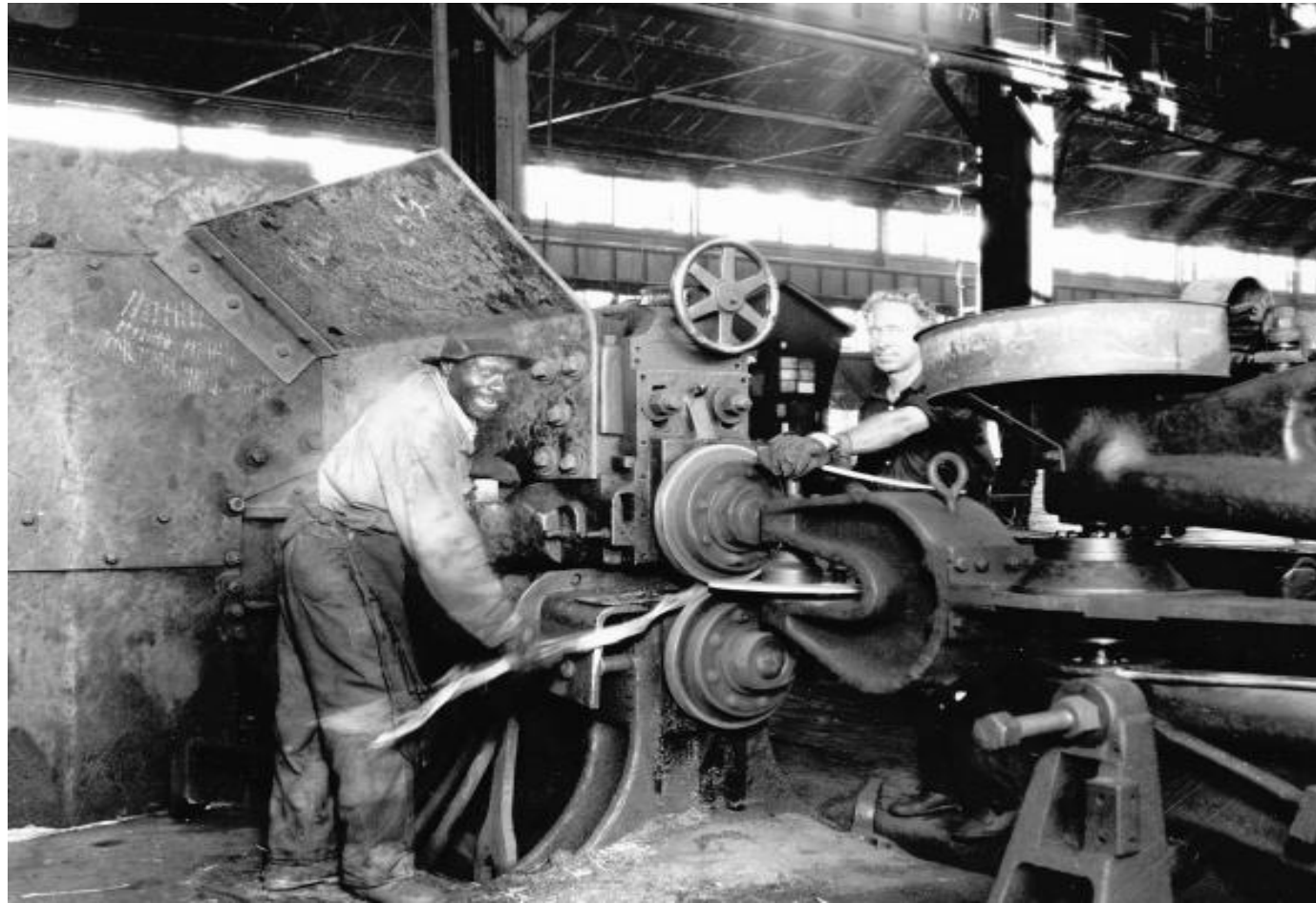
# A "SYSTEM"



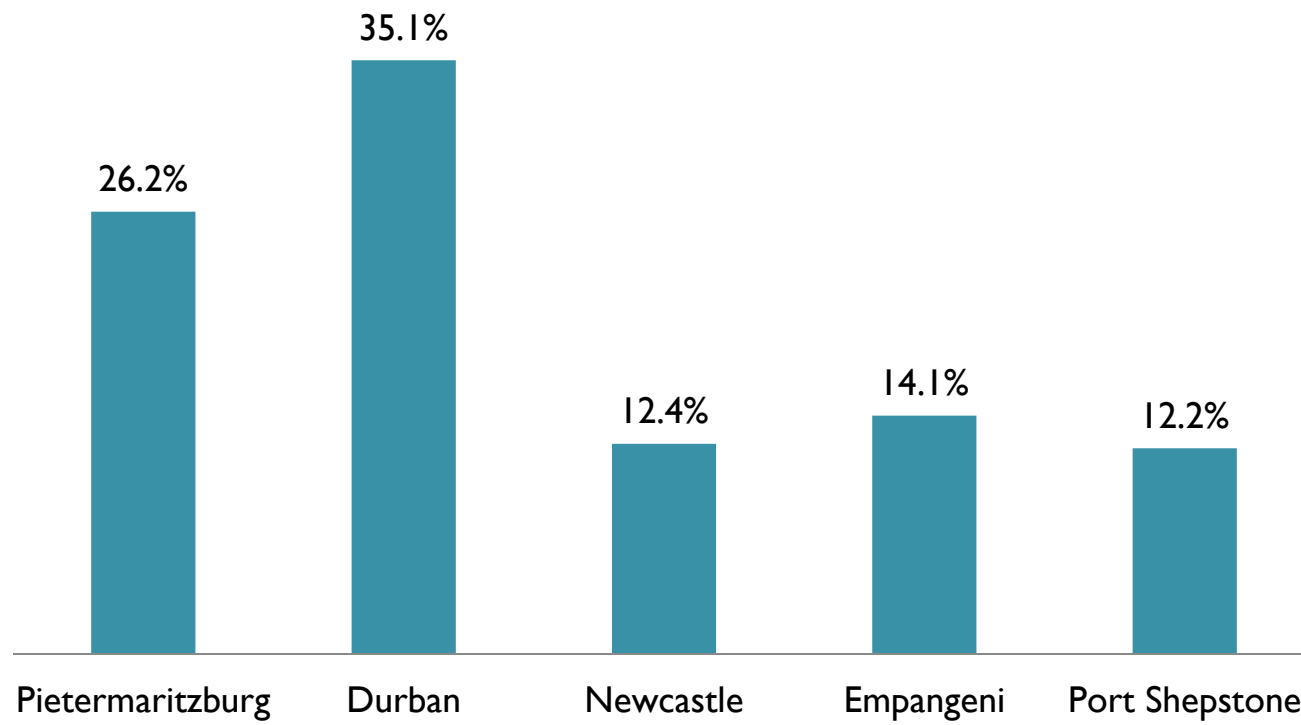
# SURVEYDETAILS

- QUESTIONNAIRE DRIVEN : 1934 RETURNS RECEIVED.
- INTERVIEWS CONDUCTED WITH LOCAL GOVERNMENT (3), BUSINESS INTERESTS (2) AND A BUSINESS SUPPORT AGENCY (1).
- RANDOM SAMPLING USED, GIVEN NATURE OF SURVEY TEAM.
- DESIRABLE TO CONDUCT FURTHER VALIDATING WORK, E.G. FOCUS GROUPS, SME INTERVIEWS.

# WHAT DOES THE SAMPLE LOOK LIKE?

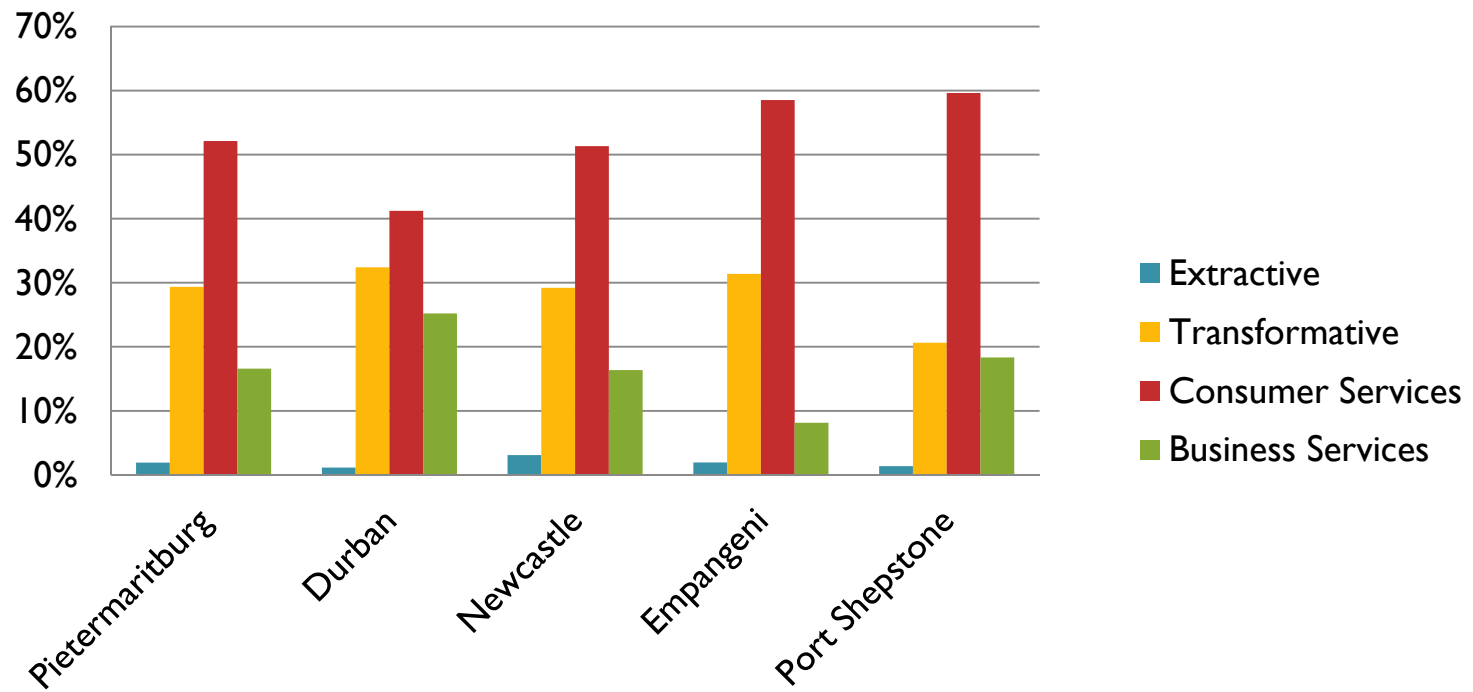


**Figure 2.1: Sample Location**

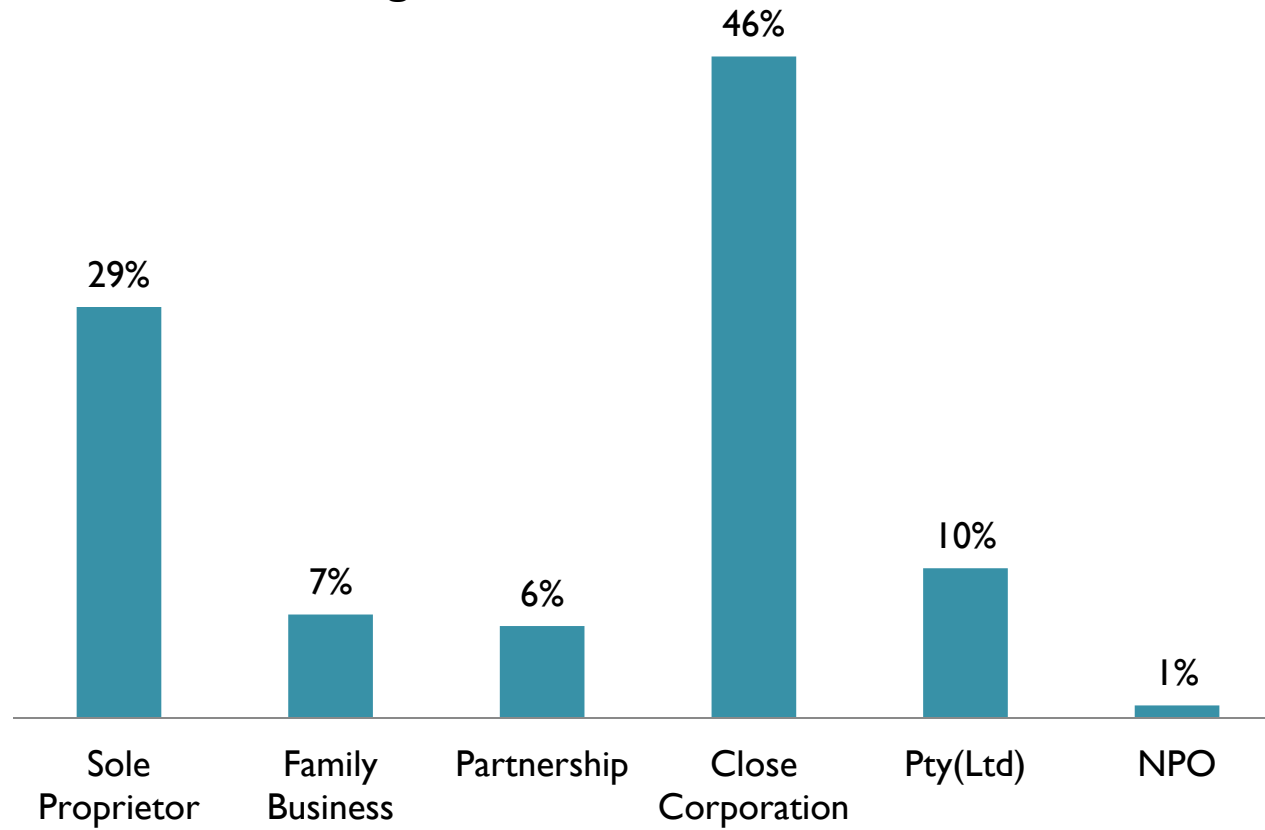


<b>SECTOR (NUMBER OF RESPONSES)</b>	<b>EXTRACTIVE (33)</b>	<b>TRANSFORM ATIVE (518)</b>	<b>CONSUMER SERVICES (900)</b>	<b>BUSINESS SERVICES (319)</b>
<b>Sector Constituents</b>	<b>Agriculture Forestry Fishing Mining</b>	<b>Construction Manufacturing Transport Communicatio ns Utilities Wholesale</b>	<b>Retail Motor Vehicle Hospitality Personal Education Recreation</b>	<b>Finance Insurance Real Estate</b>

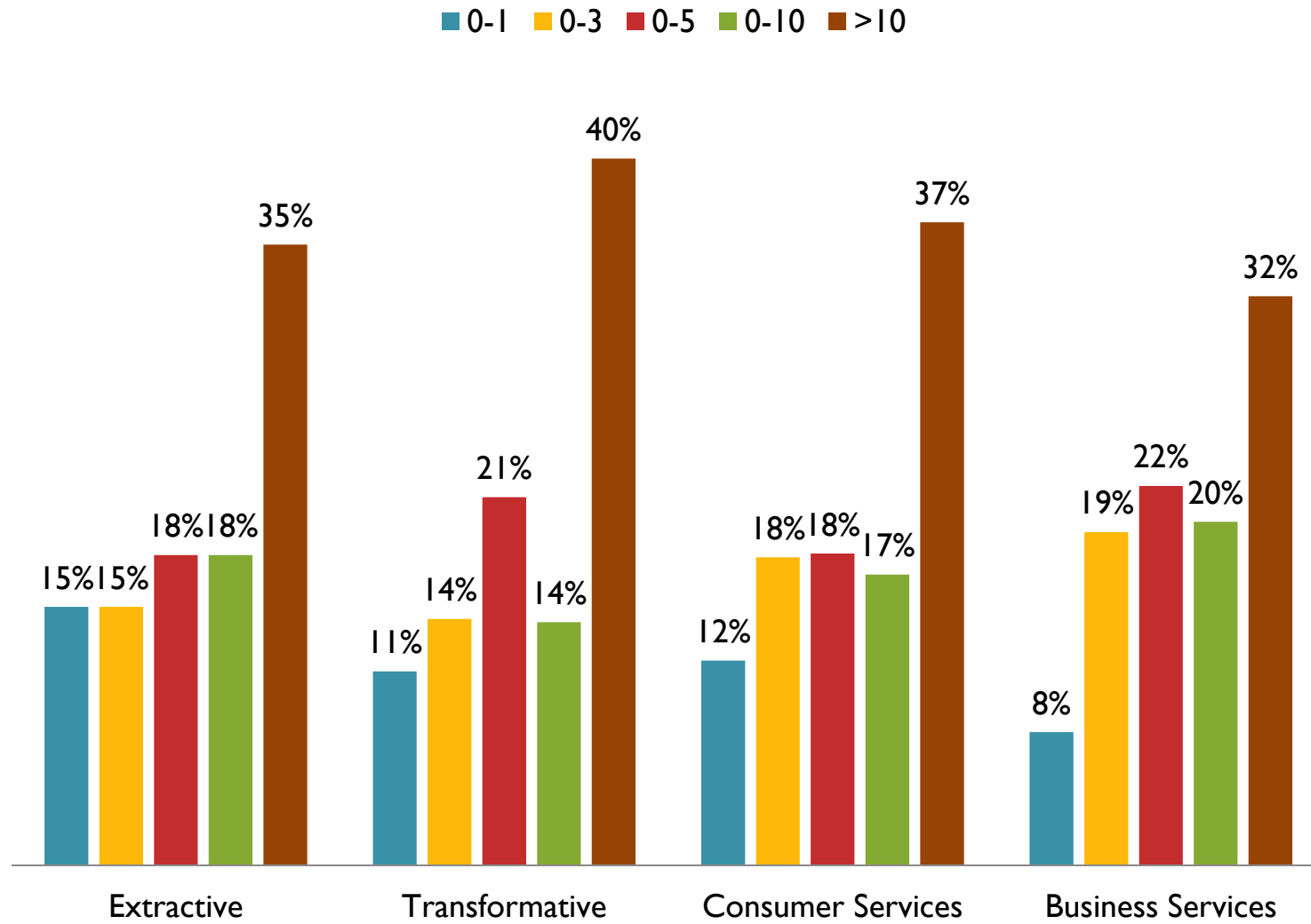
**Figure 2.2: Sector Locations**



**Fig. 2.3: Business Forms**



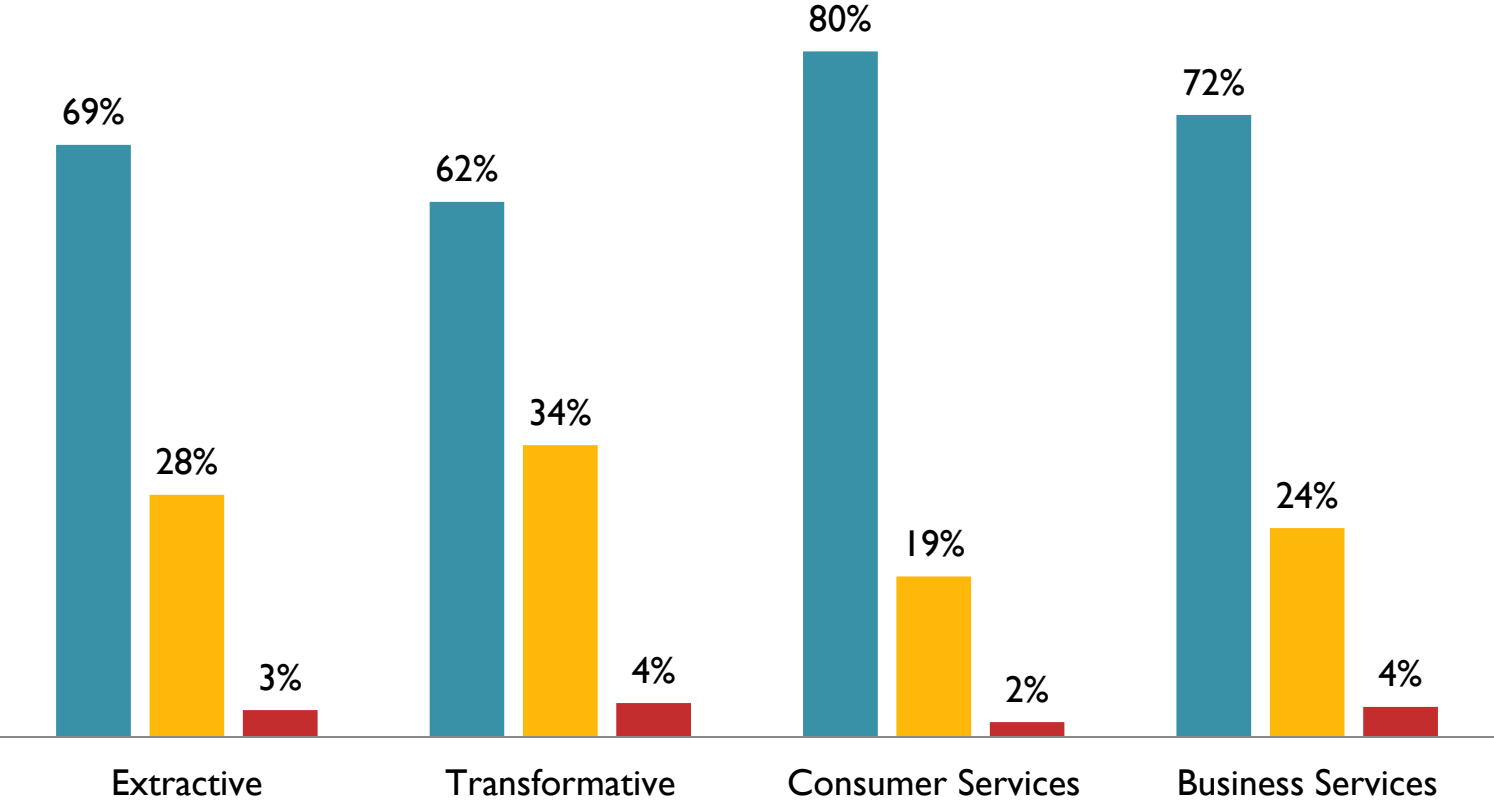
**Fig 2.5: Age Profile by Sector (Years)**





**Fig 3.1: Employees By Sector**

■ 0-9 Employees   ■ 10-49 Employees   ■ 50-100 Employees



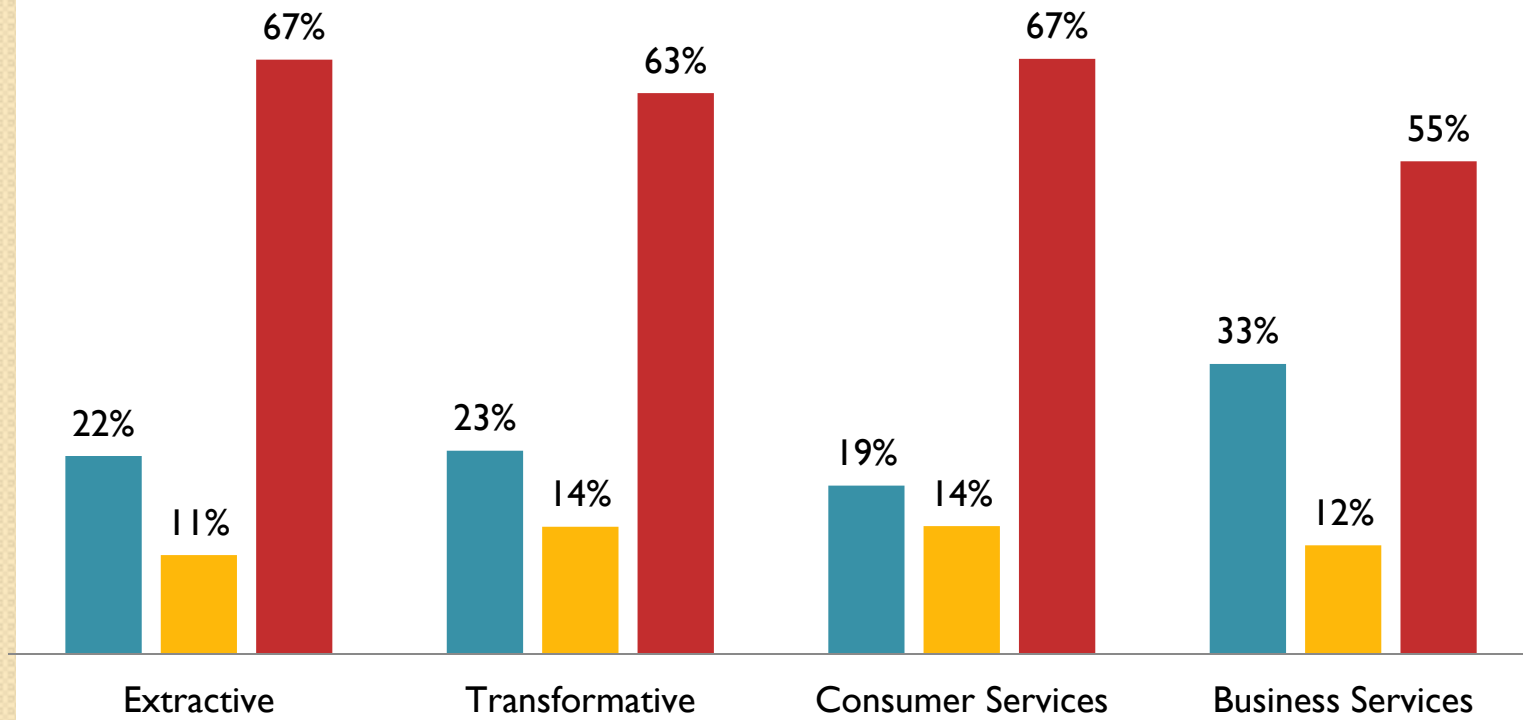


# EMPLOYMENT SITUATION

- AVERAGE NUMBER OF EMPLOYEES: 2.4
- STATIC EMPLOYMENT SITUATION – SEEMINGLY STABLE
- UNSKILLED EMPLOYEES LEAST LIKELY TO BE ENGAGED
- INFLEXIBLE LABOUR MARKET
- LABOUR COSTS HIGH, SKILLS SHORTAGES, POOR PRODUCTIVITY
- FAMILY FUNDED AND OPERATED ENTERPRISES.

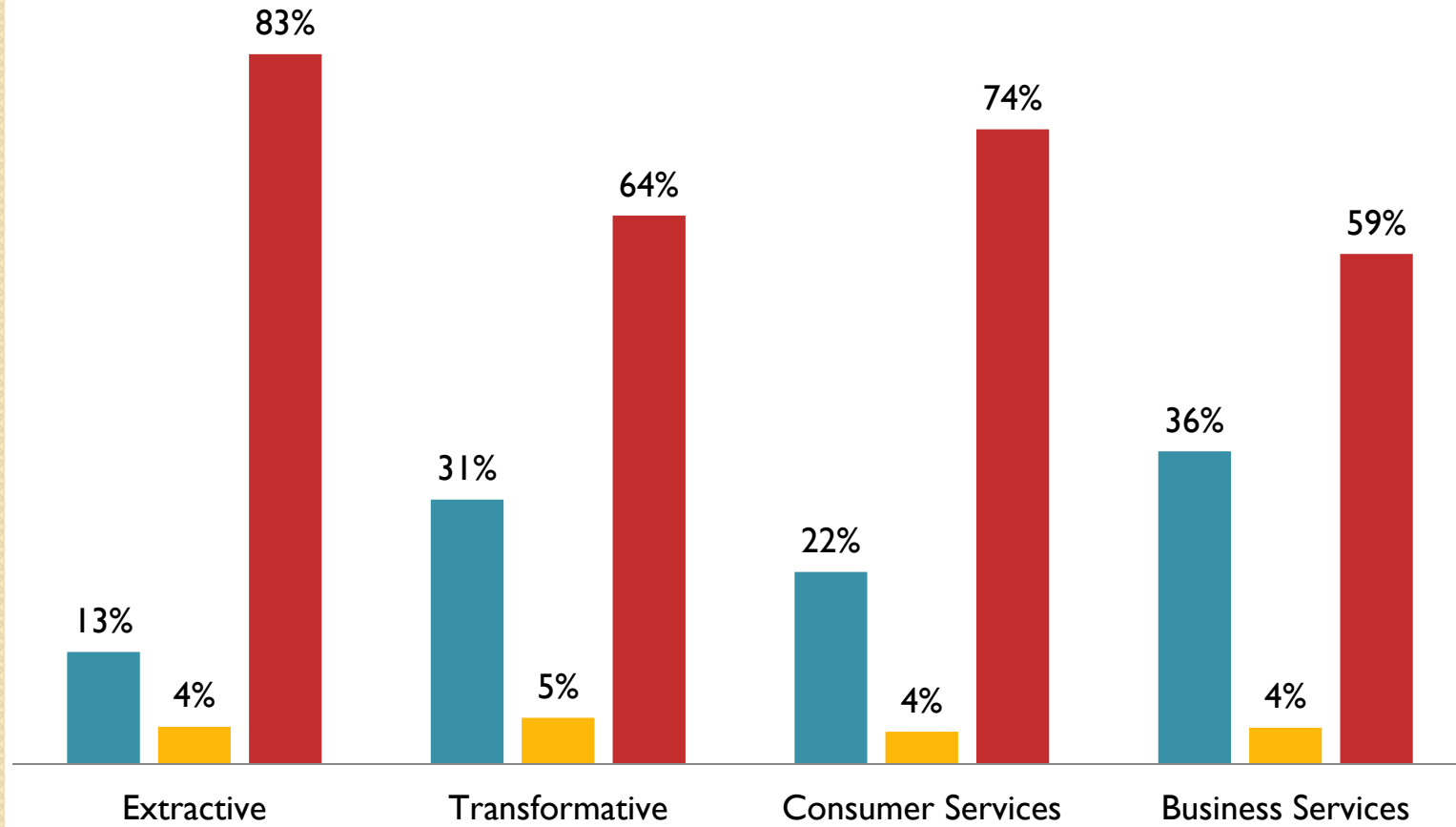
**Fig 3.2: Historic  
Employment Changes by Sector**

■ Increase ■ Decrease ■ No Change

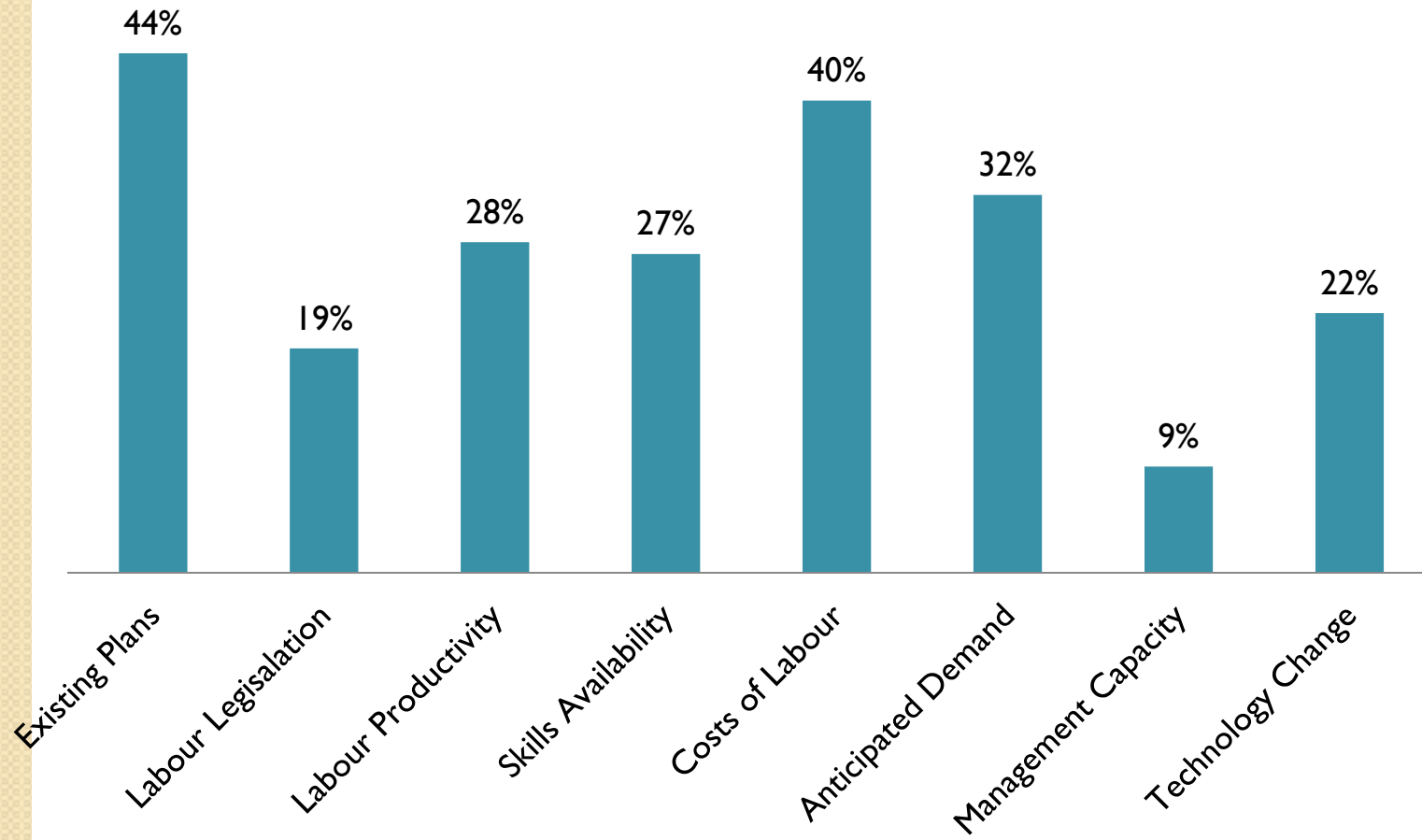


**Fig 3.3: Future Employment Plans**

■ Increase ■ Decrease ■ No Change



**Fig 3.5: Factors Affecting Employment Decisions**



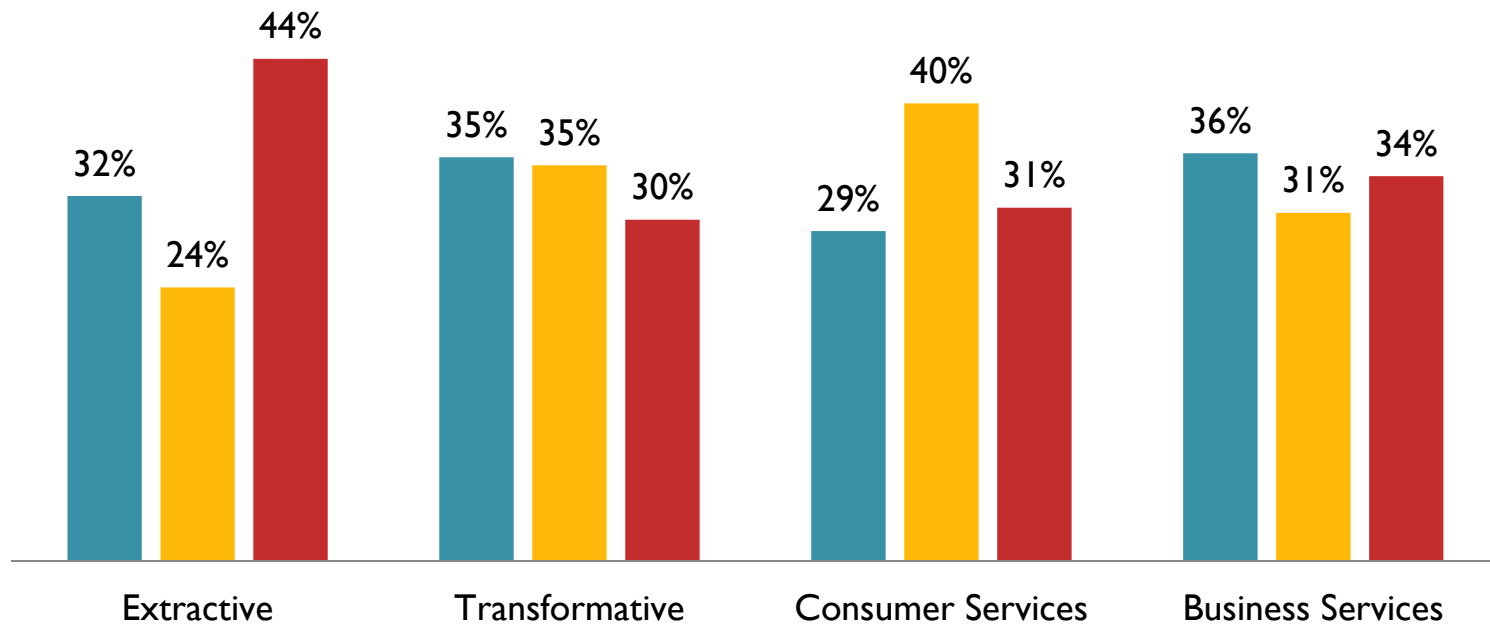


# BUSINESS PROSPECTS AND FUNDING

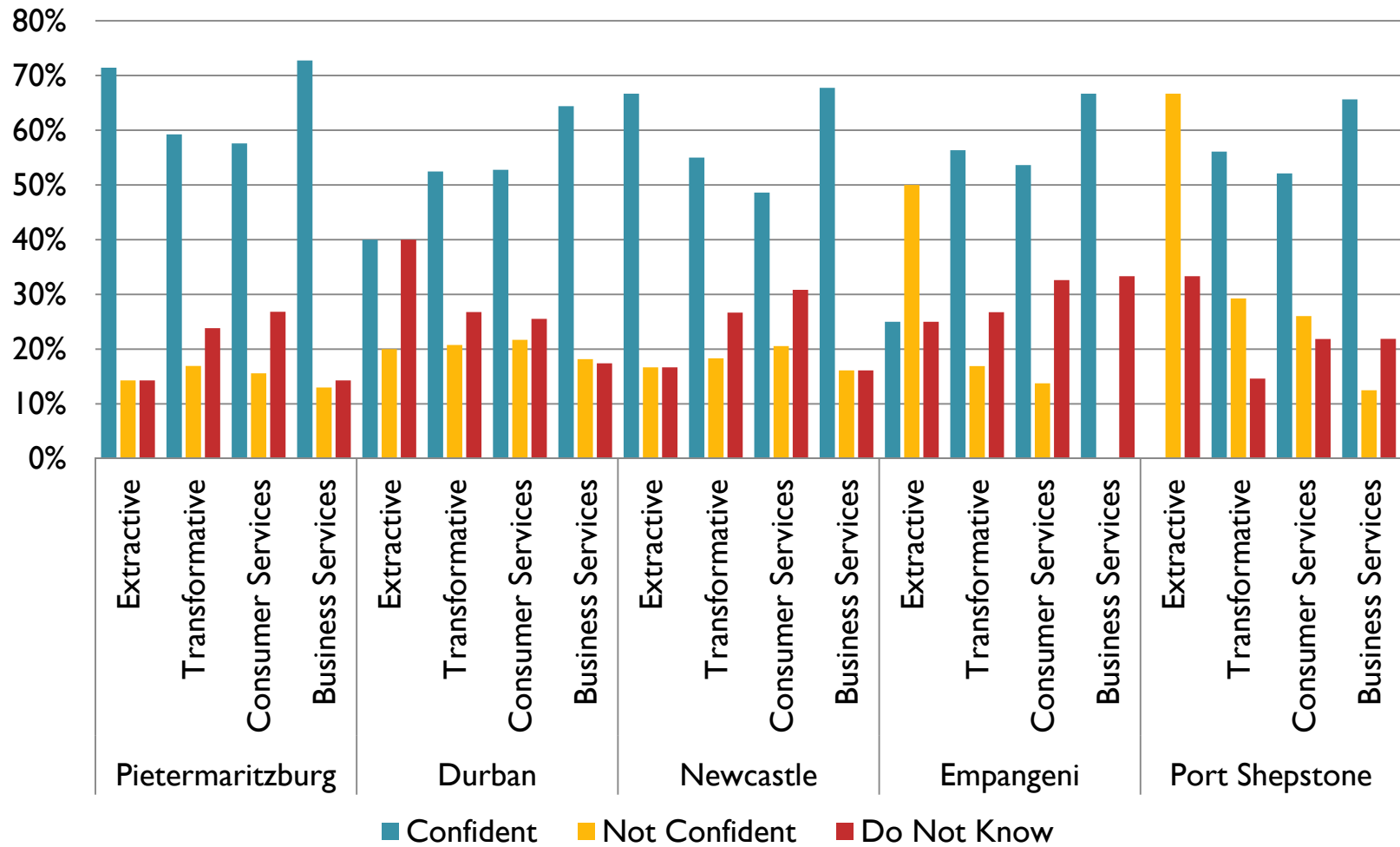
- TURNOVER PERFORMANCE RELATIVELY STATIC BUT PROJECTED TO IMPROVE
- OPTIMISM ABOUT FUTURE FINANCIAL PERFORMANCE :“TYPICAL” SME PERSPECTIVE
- ILLEGAL, INFORMAL AND FOREIGN TRADERS
- RECESSIONARY CONDITIONS
- CRIME, CORRUPTION AND POLICING
- LIMITED USE OF “OFFICIAL” FUNDING SOURCES AND SUPPORT AGENCIES

**Fig 4.1: Turnover Change by Sector**

■ Increase ■ Decrease ■ No Change

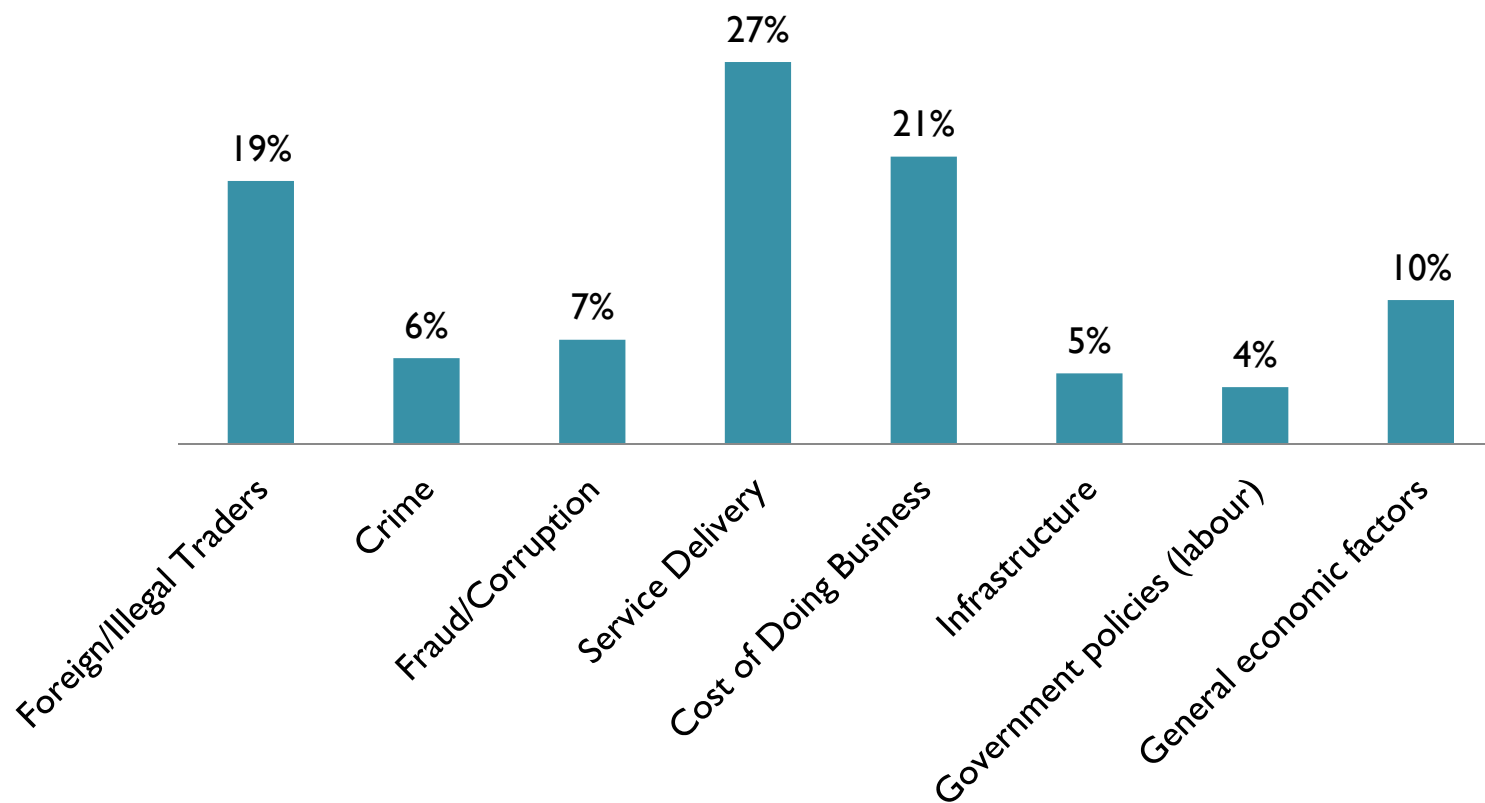


**Fig 4.4: Future Financial Prospects by Location and Sector**



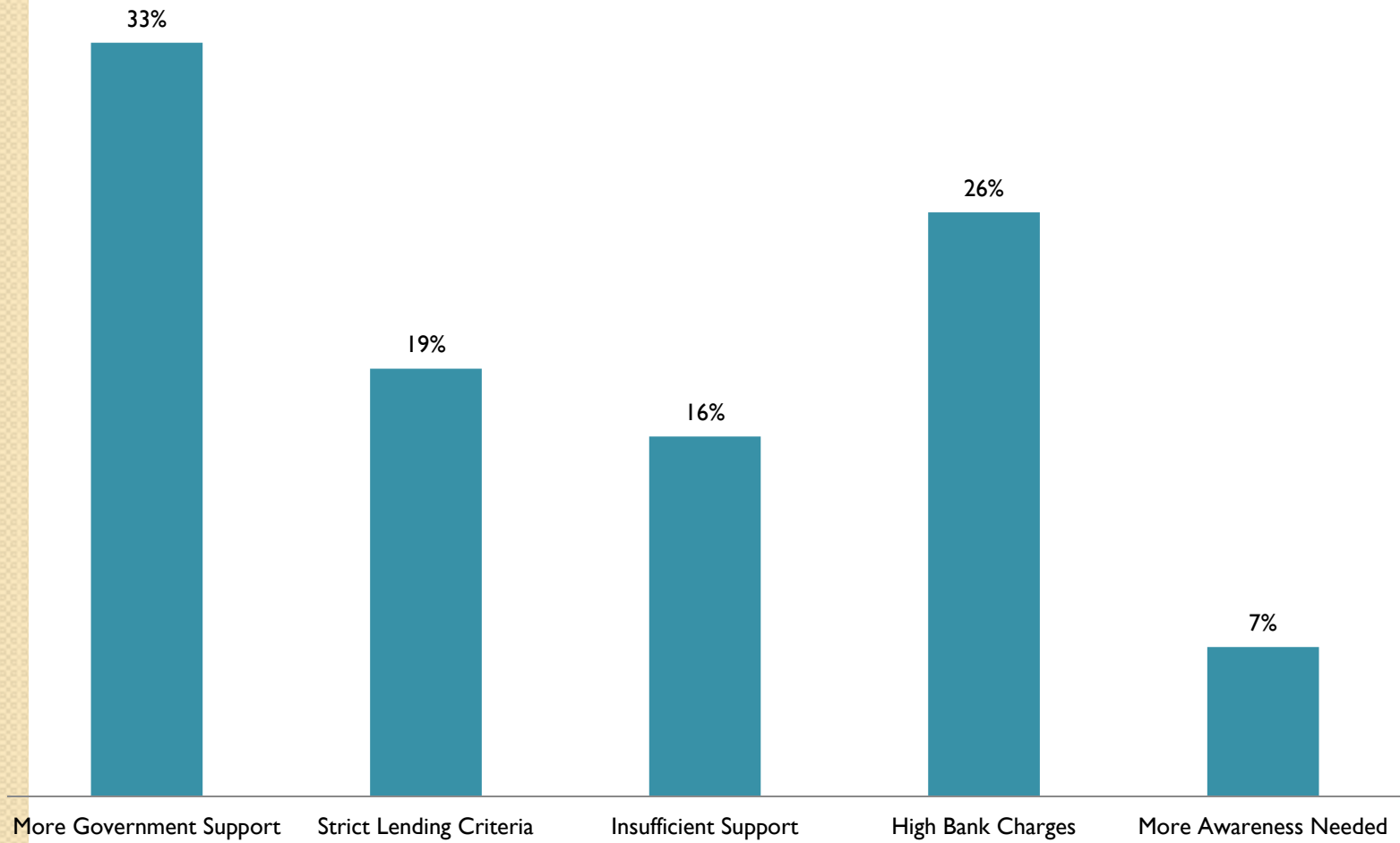


**Fig 4.6: Perceived Problems Affecting Small Business**



<b>Intended Strategy</b>	<b>Percentage of Respondents</b>
Improve share of existing markets	40
Access to new local markets	33
Access to export opportunities	9
Opening additional business site(s)	21
Forming alliances or joint ventures	12
New product development	29
New process development	13
Increased number of employees	20
Employee skills upgrading	26
Expansion of existing facilities	20
Relocation to new site	15

**Fig 4.7: Financial Support for Small Business**

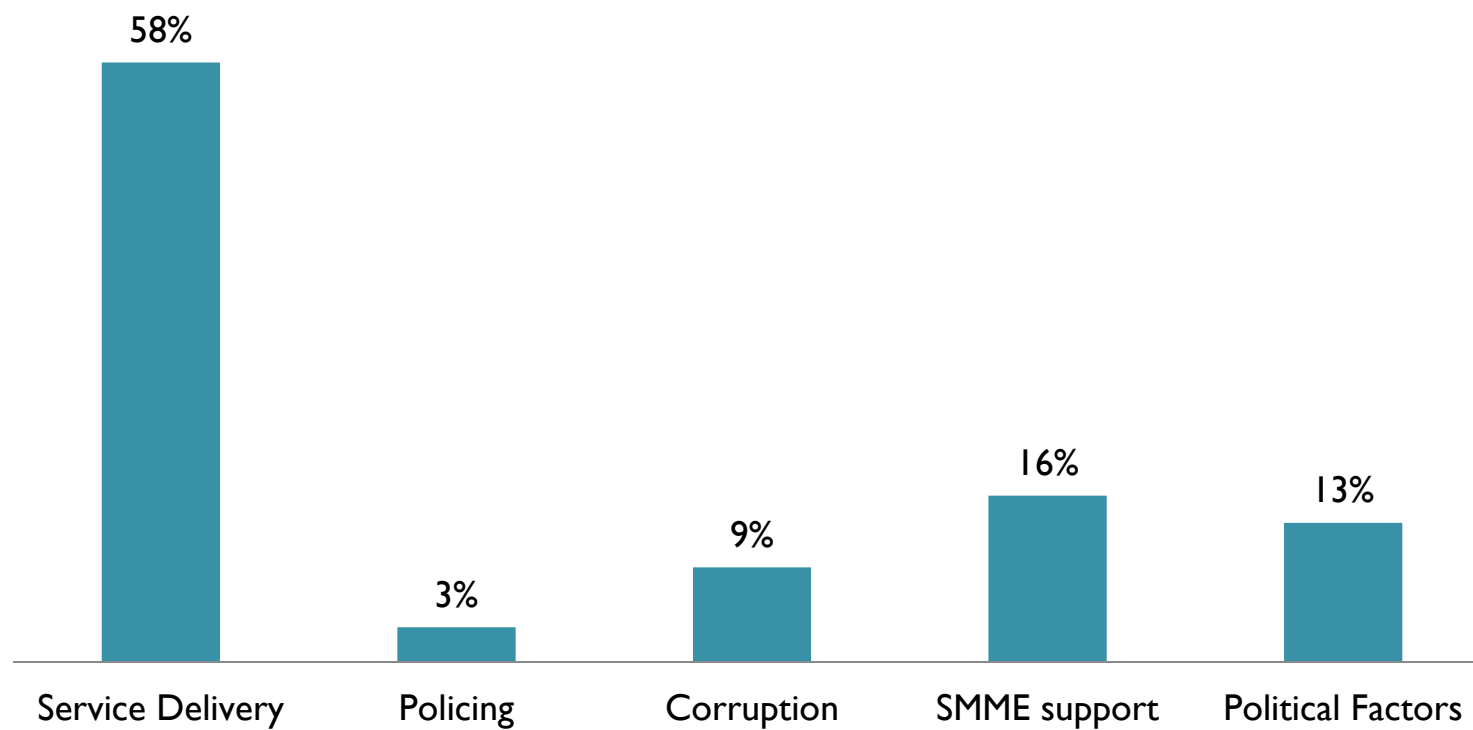





# PUBLIC SUPPORT SERVICES

- SERVICE DELIVERY IN GENERAL, RATES AND SERVICE CHARGES, ROADS
- CIVIL SERVICE CULTURE
- INVOLVEMENT IN LOCAL AUTHORITY AND OTHER GOVERNMENT PROCESSES
- BRAZIL AND INDIA ARE WORSE!! BUT ENTERPROSE DEVELOPMENT IS TWICE AS FAST!!!

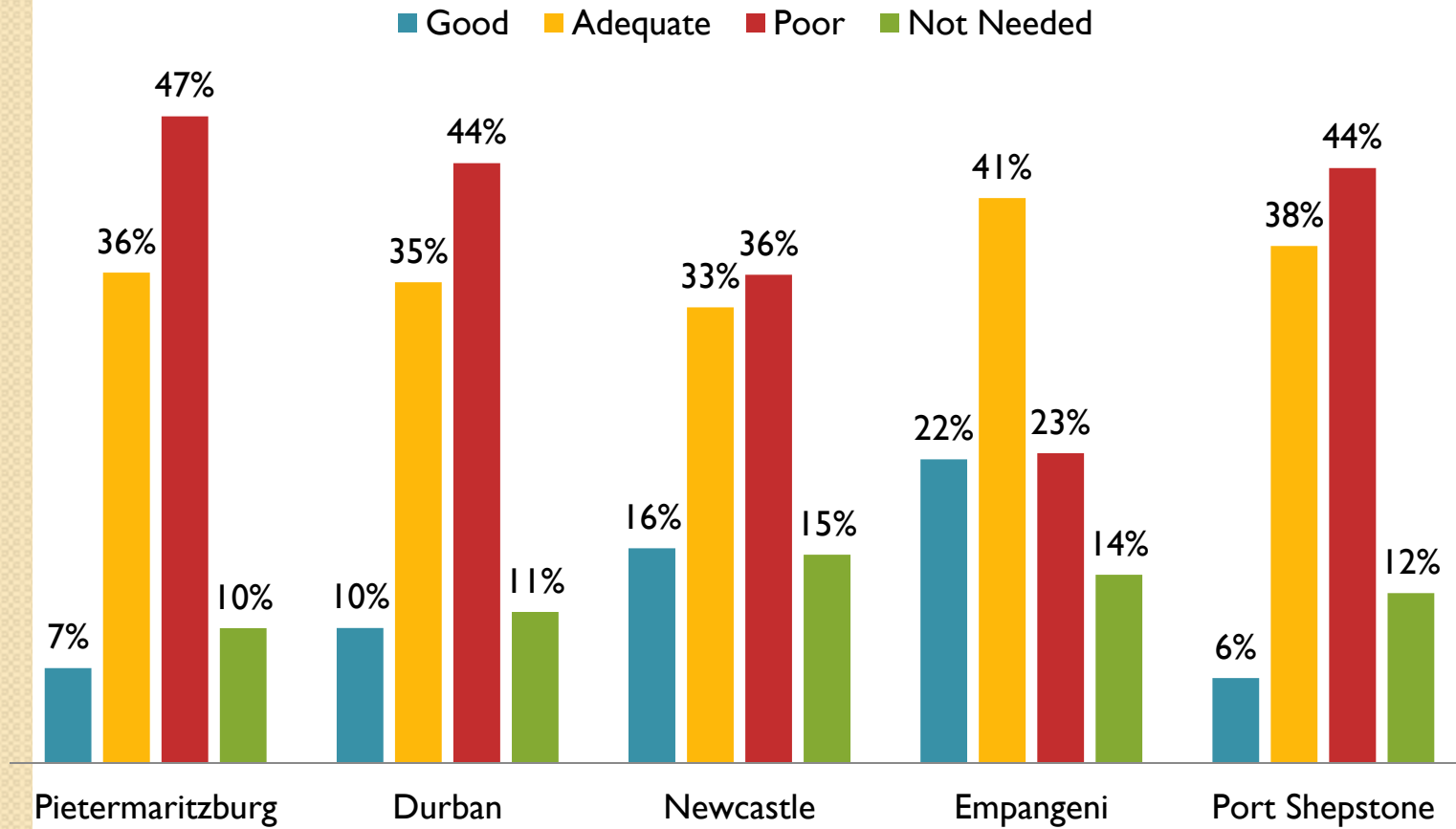
**Fig 4.8: Factors for Improvement in Local Government Practices**





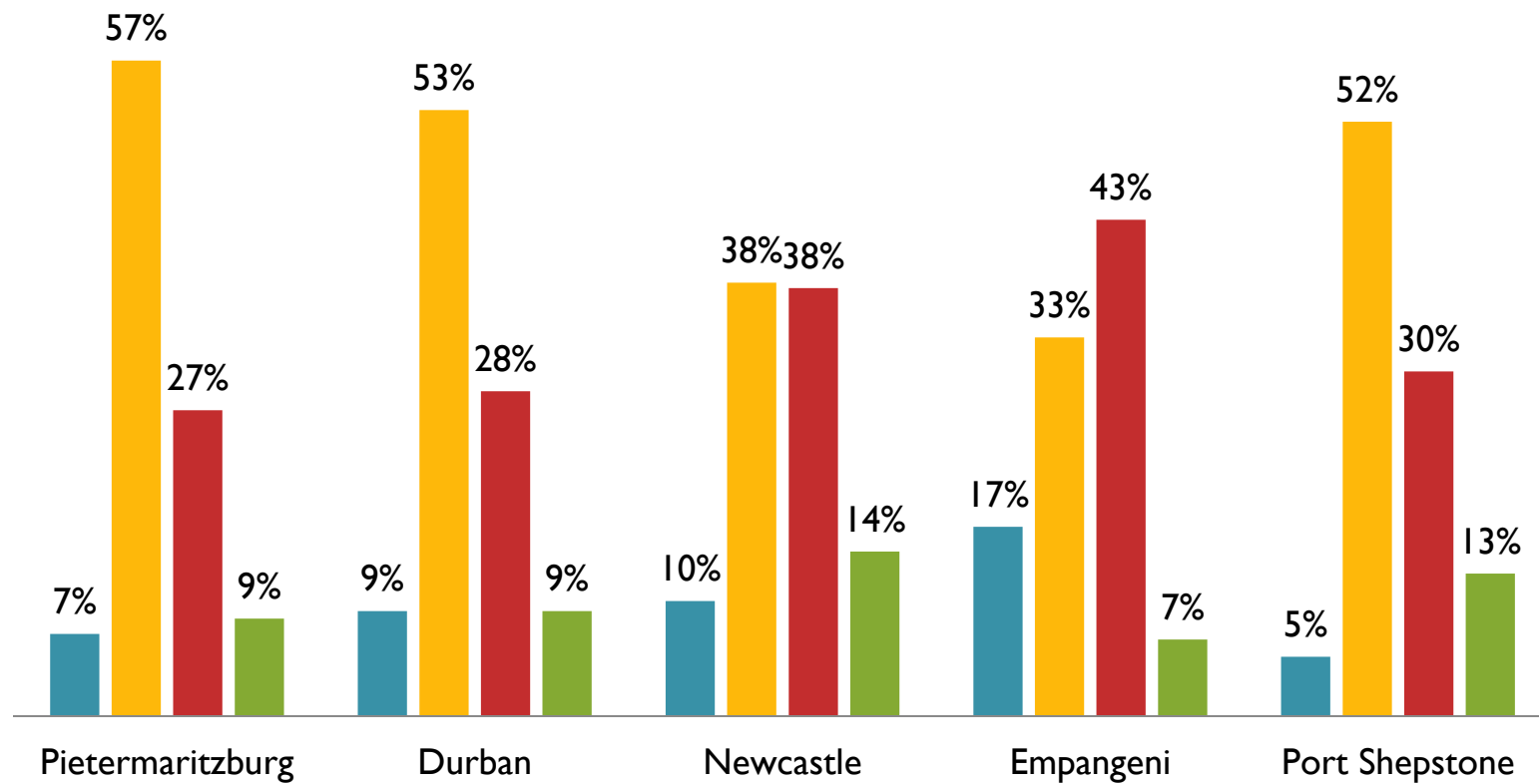
<b>Regulation</b>	<b>Poorly Understood/Confusing</b>	<b>Time Consuming</b>	<b>Costly Compliance Requirements</b>
<b>Health and Safety</b>	15%	18%	14%
<b>Labour</b>	13%	21%	20%
<b>Employment Equity</b>	11%	18%	13%
<b>Planning &amp; Development</b>	11%	14%	12%
<b>Environmental</b>	10%	13%	10%
<b>Taxation</b>	15%	17%	35%

**Fig 5.1: Quality of Government Information**



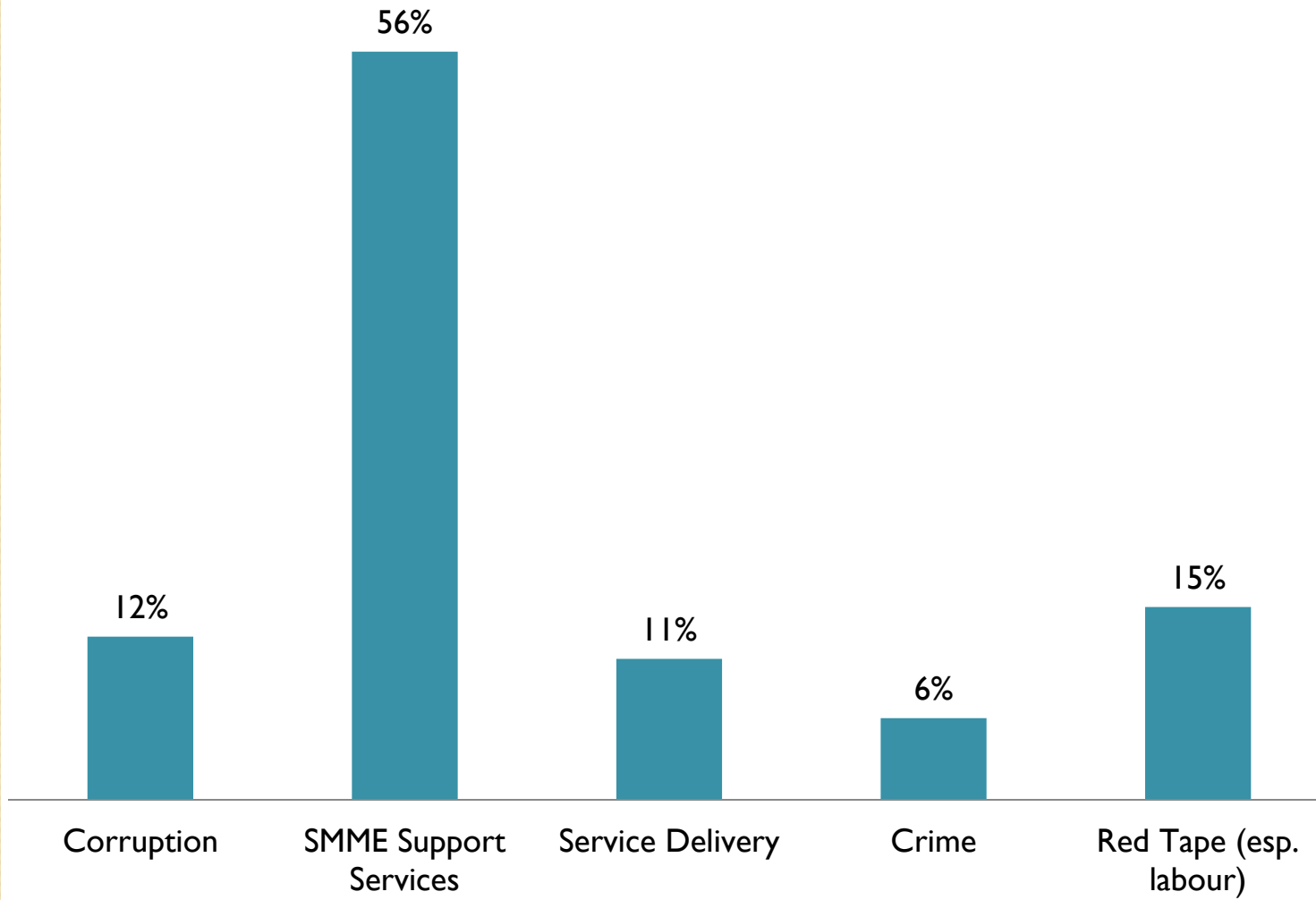
**Fig 5.2: Quality of Government Services**

■ Good ■ Adequate ■ Poor ■ Never Needed

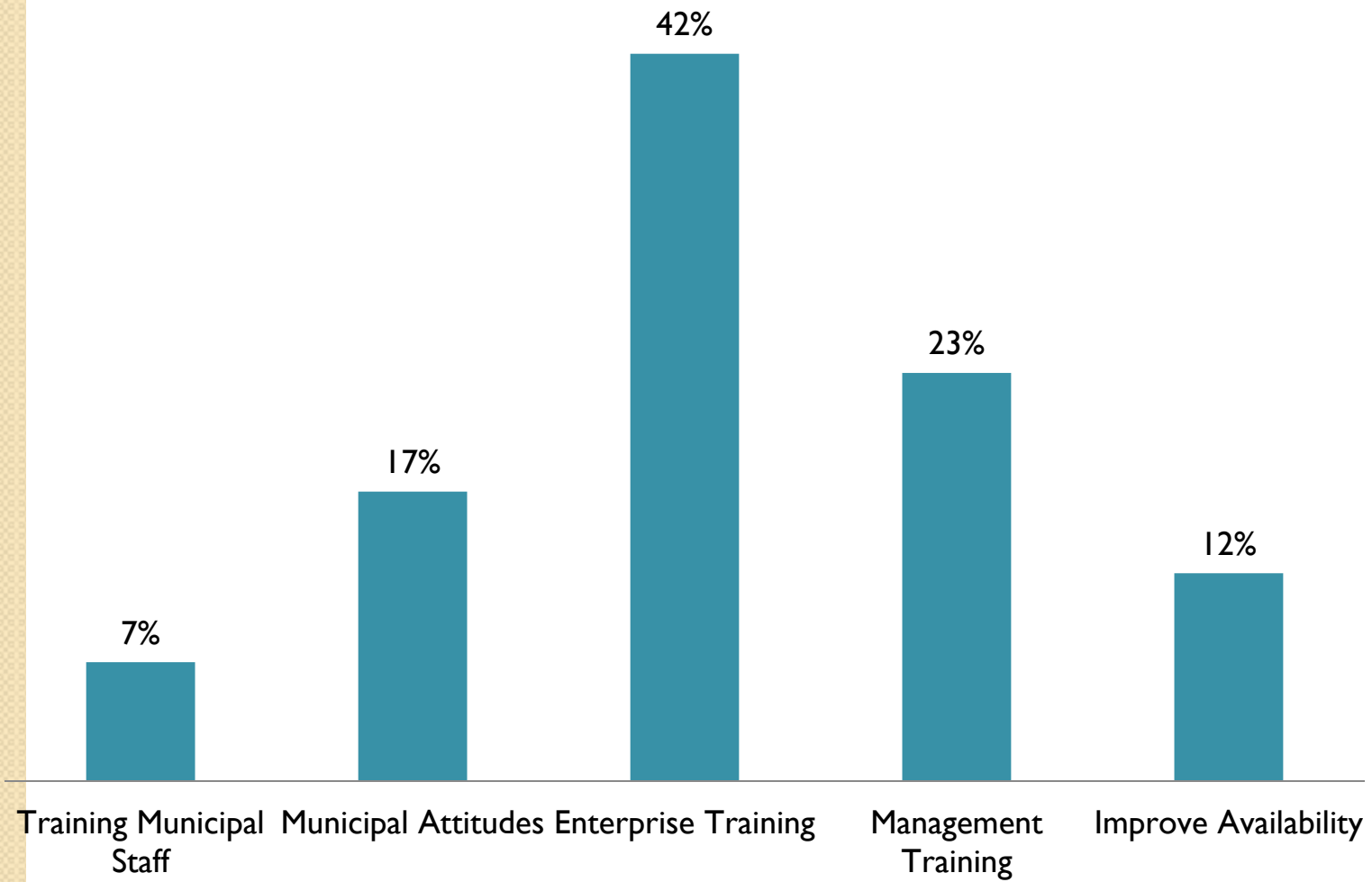




**Fig 5.3:Key Issues for Attention of Government**



**Fig 5.4: Required Training Programmes**



# Rank of Impact

	Average Score	Rank
<b>Health</b>	2.94	1
<b>Community Safety and Liaison</b>	2.94	2
<b>Arts and Culture</b>	2.94	3
<b>Office of the Premier</b>	2.88	4
<b>Economic Development and Tourism</b>	2.88	5
<b>Tourism KZN</b>	2.88	6
<b>Social Development</b>	2.81	7
<b>Sport and Recreation</b>	2.81	8
<b>The Royal Household</b>	2.76	9
<b>Education</b>	2.75	10
<b>Trade and Investment KZN</b>	2.75	11
<b>KZN Growth Fund</b>	2.75	12
<b>Human Settlements</b>	2.69	13
<b>Provincial Legislature</b>	2.63	14
<b>Provincial Treasury</b>	2.63	15
<b>Transport</b>	2.63	16
<b>Ithala Development Finance</b>	2.56	17
<b>Local Government and Traditional Affairs</b>	2.53	18
<b>Public Works</b>	2.50	19
<b>Agriculture, Environmental Affairs and Rural Development</b>	2.00	20

# Measures in reducing the regulatory compliance burden

Options (Indicate TOP 3)	Top 1	Top 2	Top 3
Reduce the duplication of regulation across government departments and spheres of governments	66.67	11.11	22.22
Establishment of reliable electronic and web-based reporting system	87.50	0.00	12.50
Agencies sharing information and making sure there are no duplicate information requirements	62.50	12.50	25.00
Better communication and consultations with businesses when developing new regulations	62.50	25.00	12.50
Single location for all regulatory information and announcements	71.43	14.29	14.29
One agency which collects all the required information	80.00	20.00	0.00
Reduce the frequency of reporting requirements	75.00	0.00	25.00
Implement pre-populated forms and reports	66.67	33.33	0.00
Scheduled releases of new and amended regulation/s	50.00	50.00	0.00



# RECOMMENDATIONS

- **COHERENCE OF POLICY OBJECTIVES REQUIRED**
- **ENTREPRENEURSHIP SUPPORT IN EDUCATION SYSTEM (ED AS HIGHER PRIORITY IN BEE AGENDA)**
- **INVESTIGATION INTO LOW NUMBERS OF START-UPS AND PUBLIC FUNDING MECHANISMS FOR ADOPTION OF A SYSTEMS APPROACH IN FRAMING REGULATIONS AND THEIR IMPACTS**
- **LOCAL STRUCTURES ESTABLISHED TO ENACT REGULATIONS AND RESOLVE DISPUTES**
- **MONITORING OF ILLEGAL TRADING, CRIME AND CORRUPT PRACTICES**
- **SERVICE DELIVERY IMPROVEMENTS**
- **CULTURE OF CUSTOMER SERVICE AND UNDERSTANDING OF SMALL BUSINESSES**
- **UNDERSTAND UNINTENDED SYSTEMIC CONSEQUENCES OF LABOUR AND INSITUTIONAL LEGISLATION**
- **ESTABLISH MECHANISMS TO RECORD TRENDS IN THE SMALL BUSINESS ENVIRONMENT**
- **RECOGNISE THE NEED TO DEAL WITH SMALL BUSINESSES AS A DISTINCTIVE BUSINESS FORM**

