

ANC Parliamentary Caucus

National Assembly

Budget vote 36:

Small Business Development

27 June 2025

The access of finance for MSMEs and the contribution of MSMEs to the South African Economy

M.L Mmolotsane

Micro, Small and Medium Enterprises (MSMEs), are often referred to as the backbone of economies because of their potential to drive inclusive development and create employment at a grassroots level. According to data from the International Labour Organization MSMEs account for about 70% of total employment worldwide this proves that as countries seek to recover from structural economic challenges and global shocks investing in MSMEs has become more important than ever.

MSMEs play a significant role in stimulating economic activity by contributing to GDP. In South Africa, MSMEs contribute over 30% to the GDP and employ roughly 60% of the labour force in the private sector. MSMEs also serve as a crucial vehicle for the economic empowerment of historically marginalised groups especially those in townships and rural areas.

The township economy is an integral part of MSMEs. It is estimated to have a market value of R900 billion. This economy represents a powerful but underutilised engine for growth, employment, and poverty reduction.

Since its founding, the Department of Small Business Development has created and supported a number of laws and policies aimed at removing structural obstacles to the expansion of MSMEs and creating an atmosphere that is more supportive.

Some the laws and policies that were created are the National Integrated Small Enterprise Development (NISED) Masterplan, the MSMEs and Co-operatives Funding Policy, and the Amendment of the National Small Enterprise Act. These laws and

policies have been able to guide the development of a coherent and integrated approach across government and stakeholders in supporting MSMEs.

Despite these laws and policies MSMEs still face a challenge of a lack of funds. Access to finance is one of the most critical factors for the success, survival, and growth of businesses. Both start-ups and already established enterprises require funding at different stages of their development.

Start-ups, often operate without stable cash flows or proven business models. This makes traditional financial institutions reluctant to lend to them. Yet, it is precisely these emerging businesses that drive innovation, disrupt stagnant industries, and open up new markets. Bridging the funding gap for start-ups ensures that entrepreneurial ideas with potential can be nurtured into scalable businesses.

In an attempt to bridging the gap between start-ups and already established enterprises the department has introduced a range of initiatives aimed at fostering entrepreneurship, addressing barriers to entry, and providing both financial and non-financial support to MSMEs. These initiatives include the National Informal Business Upliftment Strategy, and the SEDA Incubation Programme.

As the ANC we are satisfied with the progress of this department because MSMEs are critical to our South African economy. The ANC's 55th National Conference even agreed that solutions such as more funding of MSMEs is required to address the unjust lack of access to financing by women, and youth-owned business.

The budget vote highlights that Programme 2 of the budget vote is Sector Policy and Research. Within the department Sector Policy and Research plays a strategic and foundational role in advancing the growth and competitiveness of MSMEs.

This programme ensures that interventions are informed by research and tailored to the unique challenges and opportunities of each sector. By identifying high-growth programme 2 enables the government to channel support where it is most likely to produce sustainable growth and job creation.

One of the most significant contributions of Programme 2 is its role in market development. Many MSMEs struggle to access formal markets due to structural

barriers such as lack of compliance certification, limited product development support, and exclusion from supply chains. Programme 2 addresses these challenges by developing localisation and supplier development strategies

In addition, Programme 2 strengthens MSMEs' ability to participate in international markets. Through sectoral research and collaboration with trade and investment agencies, the programme helps identify export-ready MSMEs, assists them in meeting international standards. This is particularly crucial in a globalised economy, where the ability to scale beyond national borders determines competitiveness and long-term sustainability. The total funding for programme 2 is 82 million.

As the ANC we support this budget vote.