



RESEARCH PROVES THAT SUPPORT FOR SMMES IS KEY FOR SOCIO-ECONOMIC DEVELOPMENT

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In September this year, the DESTEA released a piece of research titled; “*A study on the socio-economic impact of DESTEA programmes/projects*”. The research was commissioned by the Free State Department of Economic, Small Business development, Tourism and Environmental Affairs (DESTEA), and done in partnership with the University of the Free State (UFS) and the Central University of Technology (CUT).

The objectives of the study was, amongst others, to determine whether DESTEA’s financial interventions led to increased business revenue and/or expansion. The study also sought to establish whether these interventions aided businesses to increases sizes of their workforce.

Of all those surveyed, 74% reported that their companies experienced an increase in revenue after financial support was given. Respondents also reported to have experienced increased household support after financial support was given by the DESTEA. A significant number of respondents have also reported to have experienced improved livelihoods after support was advanced. More importantly, a sizeable portion also reported that, after the support, they were able to employ others, as well as experience food security.

The study looked at a number of beneficiaries of DESTEA support intervention from 2016 until 2020. The DESTEA is mandated to create an enabling environment for sustainable growth through economic development and environmental oversight. To achieve this mandate, the DESTEA has developed a variety of programmes/projects to offer support to the informal and micro enterprises.

For the purpose of this study, the researchers focused on programmes/projects like, the Mangaung SMME Hub, Enterprise Development and Support Incentive, Risk-sharing Incentive and the Tabalaza Pitching Programme. More than 50% of the respondents were the beneficiaries of the Enterprise Development and Support Incentive, which mainly targets start-up enterprises. In the 2020/21 financial year, the DESTEA used this incentive, in particular, to assist enterprises that were affected by the lockdown imposed to curb the spread of Covid-19 pandemic. Delivering his 2020/21 Budget vote Speech on the 28th July 2020, MEC for DESTEA Mr Makalo Mohale said; “***The funding package we have put together is divided into the formal and informal sectors. The main objective of this initiative will be the retention of current jobs and creation of new ones***”.



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Based on the research finding above, the bold goal of the MEC seems to have materialised. Whilst it is too early to assess the impact of Covid-19, it is clear that the effects, especially on the economy are dire. Without the interventions of the DESTEA, the effects would have most probably been even more fatal.

Basic economics tells us that employment income is crucial in eliminating poverty and enhancing food security. While all other things are held constant, it is clear that the interventions by DESTEA play a meaningful contribution towards socio-economic development. The above findings, based on research, therefore puts a strong case for more emphasis on financial interventions, as well as dedicated monitoring of the impacts of these interventions.

It would be interesting to see how these interventions do assist in discouraging the mortality rate of small enterprises. These small enterprises are important in the economy, and must be assisted to graduate into established commercial entities. The transformation of the economy, including the elimination of monopolies, is of utmost importance and DESTEA shall use available resources to support enterprises, financially and otherwise.

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