

EDITORIAL

Gideon Els

University of Johannesburg

gideone@uj.ac.za

Small and Medium Enterprises (SMEs) are important catalysts of economic growth, creating employment opportunities and contributing to the gross domestic product (GDP) of their respective countries. Unfortunately, SMEs suffer from a high failure rate due to SME managers' lack of managerial knowledge and skills. SME managers also do not use performance measures which are important in business management and provide support to the managers in decision-making processes. **Elize Kirsten, Frans Vermaak** and **Hendrik Wolmarans** determined that the use of a performance measurement tool is important in SMEs, as it can help to improve their performance and chances of survival.

Lenatha Wentzel and **Kerry de Hart** looked at incentives for the manufacturing sector and what South Africa can learn from Malaysia and Singapore. The expansion of the manufacturing sector is one of the South African government's focus areas for economic growth and employment creation. Their research identified additional incentives, applicable to the manufacturing sector, which the South African government could introduce to encourage investors to choose the South African manufacturing sector as a desired investment destination. The incentives provided to manufacturing companies by the governments of Malaysia and Singapore and those provided by the South African government were compared in order to examine the similarities and differences between these incentives.

In most hedonic price model studies, the actual sales price of a property is employed as the dependent variable in the parametric regression analysis. Although the use of this price is pervasive, alternatives to it do exist. One such alternative is the assessed property value, which is more readily available than the actual property price. **Mario du Preez** and **Michael Sale** compared implicit price estimates of property characteristics based on actual sales price data and assessed property values. Their results showed that the influence of structural and locational housing characteristics on residential property prices is the same for assessed values, and actual market prices cannot be accepted.

Sanele Gumede and **Mihalis Chasomeris** assessed the trends and stakeholder comments on maritime port pricing and governance in South Africa. The study gathered data on port pricing from 1999-2012 and used descriptive statistics to analyse the trends in port pricing. The findings showed the distinctiveness of South Africa's complementary system of ports and its uniform pricing policy whereby ports are financed and managed using a mix of elements from the European and Asian port doctrines, whereas the pricing methodology appears to follow the Anglo-Saxon doctrine.

In their study, **Martinette Kruger** and **Melville Saayman** investigated the determinants of participant spending at the Comrades Marathon 'up' run (Durban to Pietermaritzburg) and 'down' run (Pietermaritzburg to Durban). A participant survey conducted at the race in 2011 and

2012, using regression analyses, found that more behavioural than socio-demographic determinants had a significant influence on spending at both races. The two groups of participants had very similar profiles, but their spending at the event differed significantly in the way it was distributed between the 'up' and 'down' runs, and the spending was higher at the former.

Peet van der Merwe, Melville Saayman and Riaan Rossouw evaluated the economic impact of hunting on the regional economy of South Africa's Limpopo Province. Data on biltong hunting was derived from a national survey conducted in 2009 and data on trophy hunting from the Professional Hunting Association of South Africa (PHASA) using the input-output (social accounting matrix) and multiplier analyses.

South Africa continues to exhibit high levels of debt-to-disposable income along with a high number of impaired credit records. The National Credit Act No. 34 of 2005 (NCA) was established in order to address these high levels. **Shaun de Wet, Ilse Botha & Marno Booyens** investigated the NCA's ability to reduce levels of over-indebtedness using quarterly data (2001-2013) in an OLS regression model in order to establish the determinants of over-indebtedness and assess the impact of the NCA. It was found that the macro-economic variables GDP, prime rate, property prices, consumer consumption expenditure, debt-to-disposable income and the level of unemployment were major contributors to the level of over-indebtedness. The NCA proved to have a positive significant effect on the levels of over-indebtedness, indicating that the NCA had not succeeded in its purpose of reducing the vulnerability of consumers to becoming over-indebted.

Access to basic financial services is one possible path leading to a better life for the poor. This is endorsed by SADC governments, and various strategies were in the past decade implemented to advance financial access. South Africa was particularly successful in enhancing access via its government-incentivised Mzansi entry-level bank account. **Andrie Schoombee** researched what happened in the other SADC countries and specifically the role governments played in lifting the barriers to access to and use of formal banking services thereby concluding that no other SADC country was as successful as South Africa.

Independent assurance improves the credibility of corporate social responsibility (CSR) disclosures by providing stakeholders with confidence about the veracity of CSR disclosures and attempts to ameliorate the risk of unscrupulous companies falsely reporting their CSR performance. **Barry Ackers** established the prevalence of CSR assurance by the 200 largest JSE-listed companies for the period ended 2011/2 (the year after King III became effective), in terms of the assurance provider, the assurance standards, the assurance report components and assurance opinions. His research concluded that the rate of growth in CSR assurance by auditors is surpassed by that of non-auditor assurance providers. Whereas reporting companies may use auditors for CSR assurance due to the perceived credibility and strong brands of the auditing profession, enhanced by rigorous assurance methodologies, they may use non-auditor assurance providers due to the higher assurance levels provided and reduced costs.

Francois van der Colff and Frans Vermaak attempted to clarify whether using a hybrid model based on non-financial variables and financial variables is able to provide a more accurate company financial distress prediction model than using a model based on financial variables only. Against this background, further empirical research is proposed to prove that a model combining financial variables with true non-financial variables provides a more accurate company financial distress prediction than a financial variable-only model.

Investors partake in the risk of a company, in expectation of a return on investment which is in accordance with the company's risk profile. Due to recent corporate failures, which are partly attributable to insufficient risk management, a call by investors for enhanced risk-related disclosure resulted in the publication of various international standards and guidelines on best practices for risk disclosure. **Zack Enslin, Wilna Bruwer** and **Christa Viljoen** compiled a disclosure index from these standards and guidelines in order to serve as a disclosure-enhancing tool for the management of South African companies. This index was subsequently used to investigate the current practices exhibited by top South African-listed companies.

The popularity of client loyalty programmes has increased drastically over the past few years, with more than 100 suppliers in South Africa currently making use of them. Despite the fact that client loyalty programmes have been prevalent in South Africa since the 1980s, the South African Revenue Service has issued no specific guidance on the income tax treatment of client loyalty programme transactions. **Sophia Brink** thus determined whether South African client loyalty programme suppliers treat client loyalty programme transactions correctly for income tax purposes. In order to meet this objective, available local and international literature were analysed to determine the proposed income tax treatment of a client loyalty programme transaction expenditure incurred by supplier for purposes of the client loyalty programme. The proposed correct income tax treatment was compared with a survey circulated to a population of client loyalty programme suppliers in South Africa. The comparison indicated that in practice the Income Tax Act No. 58 of 1962 is treated differently from the proposed treatment and that this incorrect tax treatment could result in possible financial loss to the client loyalty programme supplier as taxpayer.

The death tax debate has been going on for a long time, with opponents and proponents of death taxes citing various reasons for retaining, amending or abolishing the taxes and no obvious answer coming to the fore. **Palesa Makoti** and **Rudi Oosthuizen** conducted a search for alternative taxes that could replace death taxes. The search transcended national borders in order to identify possible solutions to this age-old problem. The suitability of the alternatives was measured by comparing the advantages and disadvantages associated with each alternative identified to the advantages and disadvantages associated with death taxes and further evaluated whether any of the identified alternatives would be suitable for South Africa.

In terms of the new Dividends Tax, which came into effect on 1 April 2012, Dividends Tax may be the liability of the beneficial owner of the dividend which makes it important to correctly identify the beneficial owner. In her study, **Waldette Engelbrecht** formulated steps to determine which person is entitled to the benefit of the dividend attached to the share. Within a South African context, determining the beneficial owner within a discretionary trust might be problematic. The trustees are the legal owners of the shares, whilst the beneficiaries might be the economic owners of the shares

Retirement income security is an issue relevant to the majority of South Africans, many of whom are financially inexperienced and illiterate. South Africa has a sophisticated retirement industry offering a very wide range of choice of annuity products, but these are often not designed to optimise choices by rather unsophisticated investors. **Jesse de Beer** provided an overview of issues in the South African income withdrawal market, as well as policy remedies proposed by National Treasury to deal with these issues. The aim of this paper is to provide a critical analysis of these policy proposals, using a behaviourally informed framework to financial regulation. The results of the research suggest that the main policy proposal – simplifying the retirement

EDITORIAL

income withdrawal landscape through the use of default options – is only a partial solution to the problem of unsophisticated consumers who must make several challenging decisions.