

Finfind releases 2020 SA SMME Covid-19 Impact Report

Finfind has released the results of its 2020 SA SMME Covid-19 Impact Report. The survey reveals comprehensive findings on the impact the Covid-19 pandemic has had on SMMEs during lockdown.



Finfind engaged a sample of 15,000 SMMEs from its database of 400,000 businesses with almost 10% completing the survey. The Impact Report analyses data from these 1,489 SMMEs which includes representation across all sectors in all provinces.

The study was conducted with support from several key national partners including the Department of Small Business Development (DSBD); SEDA; Services SETA; Business Leadership South Africa (BLSA); The Banking Association South Africa (BASA); The Johannesburg Stock Exchange (JSE); SAICA Enterprise Development; SAVCA; SAIPA; IBASA and E Squared Investments.

The Covid-19 pandemic and subsequent lockdown has taken its toll on everyone, but none more so than small businesses, that have borne the brunt of the severe economic consequences of lockdown. Of the businesses surveyed, 42.7% closed during the first five months of the pandemic.

One Black female small business owner said, “We've actually lost our home, and my children and animals are living with friends and family. We are living with friends and it is stressful. We are unable to contribute as we have little income and are getting some from my dad's pension.”

The report reveals several key challenges commonly faced by the SMME sector in South Africa during lockdown: Existing debt; lack of cash reserves; no access to relief funding; an inability to operate during the lockdown; and outdated financial information, being some of the key factors causing the closure of 42.7% of small businesses. Surprisingly, only 43% of businesses that closed had applied for COVID-19 relief funding, with 99.9% of these funding applications being rejected.

There was a 60% loss of full-time employees, and a 76.8% reduction of part-time employment in the first five months of the pandemic. Of all the SMMEs surveyed, 59.7% were unable to trade during lockdown level 5. More than 75% of all business experienced a significant decrease in revenue from the end of March to August. Only 35% of the SMMEs had cash reserves at the start of lockdown, with more than half of these being able to sustain themselves for between one and three months at most.

Prior debt was a major contributor to closures, with 66% of businesses that closed having debt before Covid-19, and half of these having outdated management accounts. These factors pose problems for businesses even in the best of times, but during the pandemic, they became critical causes of business failure.

While the outlook for the future is largely uncertain for SMMEs, 76.7% of the business owners who were able to remain open, are optimistic about being able to survive in 2021. Only 32%, however, believe that they will be able to create new jobs - a significant alarm bell during an unprecedented unemployment crisis.

Access to funding remains top of the list of challenges reported by SMMEs. It is concerning to note that poor consumer credit scores remain one of the primary reasons cited by banks for rejecting Covid-19 relief funding applications. Banks urgently need to develop new credit assessment models centred on the re-payment history of the business itself, rather than focusing on the business owner's personal credit record, to determine the business' credit worthiness.

Going forward, the common thread among the businesses surveyed is that funding and ‘going digital’ are major priorities. In the wake of 2020, the coming year will likely be a rocky road for most South Africans, but there is still some optimism from entrepreneurs, who courageously continue to build this vital business sector.

To access the report, go to <https://www.finfind.co.za/covid-19/covid-report>