

South Africa can't afford for SME relief funds to dry up

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As local business relief initiatives come to a close, many small and medium enterprises continue to struggle with an unfortunate number of businesses' liquidity eroded by the Covid-19 pandemic and various lockdowns - especially those that operate in the hospitality and tourism industry.



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To help these businesses get back on track, financial institutions have to be creative and innovative in their approach by offering products that are quicker to access with simpler processes driven by technology.

According to Jeremy Lang, general manager of Business Partners Limited, a financier for small and medium businesses, the easing of some lockdown restrictions and opening of many sectors has provided some relief, in order to weather the ongoing storm and stay afloat, and many SMEs require working capital to restart their businesses and replenish reserves used to cover fixed overheads.

Most Covid-19 relief programmes were designed to assist businesses to cover fixed overheads. We have found that there is also a growing need amongst our clients to replenish eroded working capital. As a result, we have launched the Restart Capital Fund, designed to assist our existing SME clients to speed up post lockdown recovery and get them back to pre-Covid levels of trading.

“ *The Covid-19 crisis has forced business owners to restructure and re-invent in the scramble to save their business and retain their staff. Financiers have also developed programmes to ensure that clients have the resources they need to successfully navigate the new Covid-19 world.* ”

Jeremy Lang shares insights into the current state of the SME sectors, as well as ways to weather the storm.

■ **We've recently surpassed the once-year mark of the pandemic. What's the current state of the SME sector?**

The SME sector remains under tremendous pressure with many SMEs still trying to keep their heads above water. There are some industries that have recovered better than others, but what is of particular concern is the tourism, hospitality and education industries. Turnover recovery is slow but progressive.

Liquidity, as a result of low levels of turnover, having to cover fixed overheads and slow paying debtors has resulted in large cash flow shortages in SMEs. Although relief funding has assisted SMEs to cover some of their fixed overheads during the lockdown period, the need now is for the replenishment of working capital and reserves used during the lockdown to restore SMEs turnover levels back to pre-Covid levels

■ *Relief funds are slowly drying up. What should SMEs do going forward?*

Planning is key!

- A review of the current financial position of the business together with a detailed forecast looking ahead for the next 12 months is critical. Based on the detailed forecasts, ensure that sufficient and adequate levels of liquidity is in place.
- Conduct in-depth research to ensure you increase the probability of success in raising additional finance, if required, by approaching funders who closest match your funding needs and time expectations. When approaching funders, ensure your financial and compliance information is up to date.
- Your business must also identify and cut unnecessary costs.
- You need to identify areas of efficiency improvements, which may improve margins and ultimately cash flow. Assess the relevance of the current operating models and product offering and make the necessary changes where required.
- Revisit creditor terms and keep creditors informed where challenges exist to pay accounts timeously.

■ *What can we do to help get local businesses back on track?*

Where possible, we need to support SME businesses. I encourage government departments and corporates to ensure payments to SMEs are made on time. Delays in payment can cause serious liquidity problems for SMEs.

■ *Working capital is so essential right now. Do you have any tips for small businesses?*

Conduct an in-depth analysis and quantify what your working capital need is. Then assess whether you have adequate liquidity in place to support your working capital need. If there is a shortfall, put plans in place to raise the required level of capital to plug the shortfall. This may, amongst others, include revisiting debtors and/or creditors terms, selling off non-core assets, restructuring some of the debt facilities currently in place or raising further capital.

I would also advise to review operational processes to identify any solutions to shorten lead times which will result in cash flowing into the business quicker.

■ ***Business financiers, both in private and public sectors, need to modify their offerings. What adjustments need to be made?***

Improving access to finance and ease of application submissions through speedier processing of applications including better use of technology is of importance.

The structure of the funding provided needs to provide some element of patience in terms of repayment to allow the funding to have its impact in the business. Also, the terms of the funding, where possible, could be more concessionary of nature.

Although previous relief programs targeted unlocking capital to service overheads, the need now is for replenishment working capital to act as a catalyst in assisting businesses to recover to pre-Covid turnover levels.

■ ***As small businesses continue to face challenges. What advice do you have for small businesses?***

- Planning from an operational and financial perspective is key.
- Make the necessary adjustments to ensure the business remains relevant and agile to adapt to the changes in the economic and social environment.
- Don't throw in the towel too quickly. Part of the characteristics of being an entrepreneur is to find solutions for challenges faced.
- Do not stop looking for opportunities. Even through all the challenges that Covid has presented, it has given rise to many opportunities as well.

ABOUT EVAN-LEE COURIE

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