

What can small businesses learn from Covid-19 in South Africa?

By [Jameel Khan](#), issued by [SAICA](#)

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As we all know, Covid-19 has had a devastating effect on the world economy. Although markets have recovered quite well since 2020, small businesses in South Africa and around the world have arguably been the worst hit.

A recent survey from FinFind, in partnership with Saica Enterprise Development (Saica ED) and various other partners, sampled 15,000 SMMEs across all sectors in all provinces and received a response rate of almost 10%.

The results of this survey and the effect on small businesses from 23 March 2020 and over the five months following, were unsurprising. Some key impact stats have been highlighted below:

HOW LOCKDOWN IMPACTED SMMEs

60%

OF SMMEs WERE NOT ABLE TO OPERATE DURING LOCKDOWN LEVEL 5



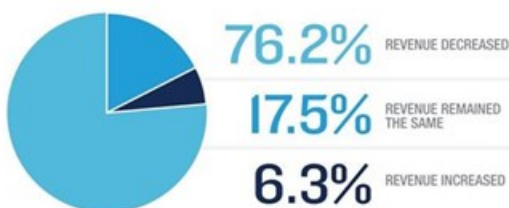
CASH RESERVES AND PAYMENTS

29.2%
COULD PAY NEXT MONTH'S EXPENSES

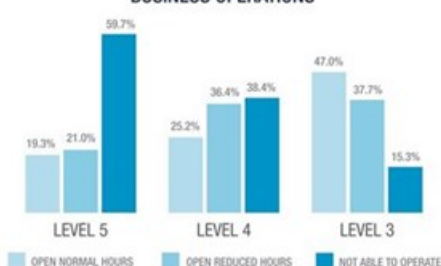
73.9%
COULD NOT SERVICE THEIR DEBT

41.0%
DEVELOPED NEW INCOME STREAMS

SIGNIFICANT DECREASE IN REVENUE IN THE FIRST 5 MONTHS OF LOCKDOWN



BUSINESS OPERATIONS



JOB LOSSES DURING THE FIRST 5 MONTHS OF LOCKDOWN



FULL-TIME

60.0%



PART-TIME

76.8%



CASUAL

53.4%



CONSULTANTS

41.4%

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A full copy of the report can be found [here](#)

However, there were three data points which stood out in this report which we, as Saica Enterprise Development, would like to draw attention to:

The **first** data point that I would like to highlight is that of the 42,7% businesses that permanently closed due to the lockdown and Covid, a staggering 56,4% of these businesses had outdated management accounts. Considering the evolution of accounting software in recent years, which has migrated from the desktop to the cloud, as well as the availability of low cost and free accounting software, even the simplest business should be able to keep some form of monthly management accounts.

The **second** data point, is that almost 20% of SMMEs who were rejected for funding applications (this is after we eliminate the 54% who were rejected and given no reason, or who did not receive any response) were rejected for the following reasons:

- Lack of financial documents
- No tax clearance certificate

This was surprising to me since both of these items are administrative in nature and should be on hand for all businesses and can be requested/downloaded at the click of a button.

The **third** data point is that 64.7% of SMMEs highlighted that the number one item that they would require assistance in the future with, is access to funding to grow an existing business. Thus enabling SMMEs to become 'funding ready' is the primary request put forward by SMMEs for 2021 and beyond.

What do these three data points have in common?

All these points draw attention to the fact that Small businesses need Accountants!

There is a definite demand and opportunity for all accounting professionals to assist small businesses:

- A. In a cost effective manner to produce management accounts;
- B. In managing administrative, tax and financial documentation; and
- C. In supporting them to become 'funding ready' and connecting them to funders.

What can you take away?

2020 also saw a record number of new companies being registered by the CIPC (Companies and Intellectual Property Commission). This has been deemed to be as a result of people losing their full-time jobs or people starting new side hustles.

Thus we, as custodians in the financial excellence space should and can do more to support and develop small businesses and entrepreneurs in South Africa if we are to outlast and outperform this crisis and boost our economy.

If you are part of corporate South Africa and want to see SMMEs succeed why not partner with us at Saica ED to co-create an enterprise and supplier development programme to develop small businesses and entrepreneurs within your specific industry and sector.

Saica ED aims to grow South Africa's entrepreneurial ecosystem through advancing the sustainable growth of small Black businesses, which in turn will create employment opportunities. We are powered by the South African Institute of Chartered Accountants (Saica), as part of the Nation Building division.

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