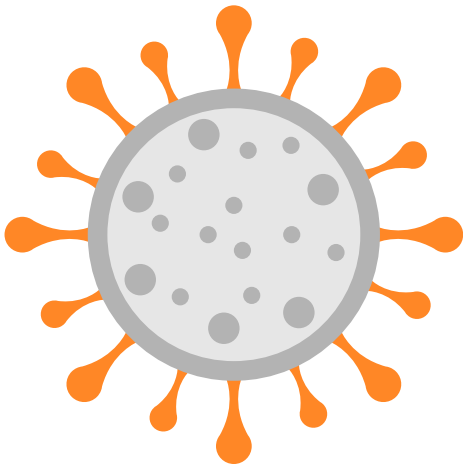


THE SA SMME COVID-19 IMPACT REPORT

NOVEMBER 2020



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.

Finfind, in partnership with the Department of Small Business Development, SEDA, Services SETA, Business Leadership SA, the Banking Association South Africa, the JSE, SAICA Enterprise Development, SAVCA, SAIPA, IBASA and Esquared conducted a study to gauge the impact of lockdown on small businesses.

The impact study mapped each SMME's situation prior to lockdown and then focused on the impact of lockdown over a 5 month period, commencing on the 23rd of March, at the start of lockdown level 5.



"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. We are getting support from my Dad's pension."
- Black woman business owner

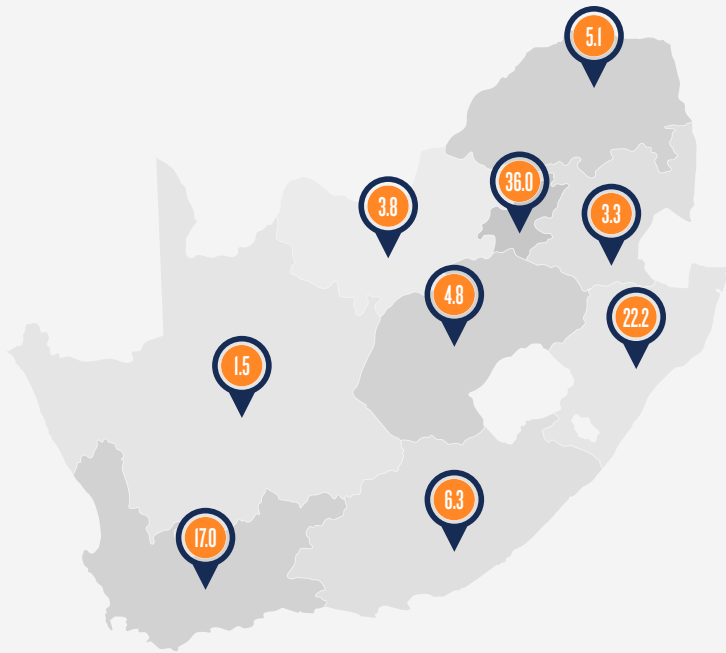


Below is an overview of the survey findings.
A detailed report is available on www.finfind.co.za

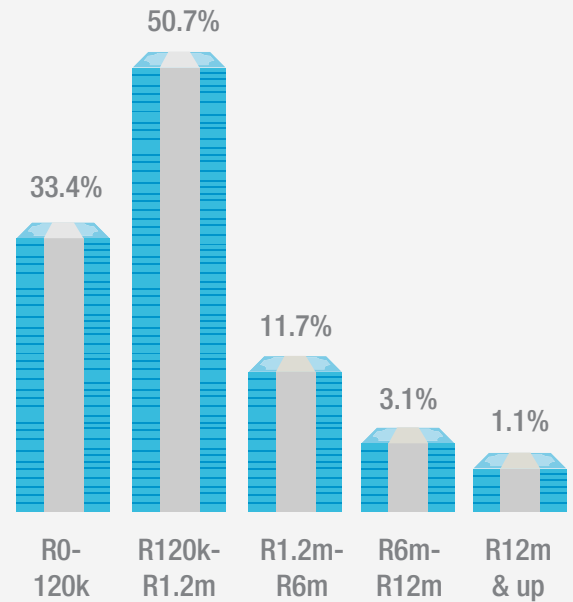


PROFILE OF SMMES SURVEY

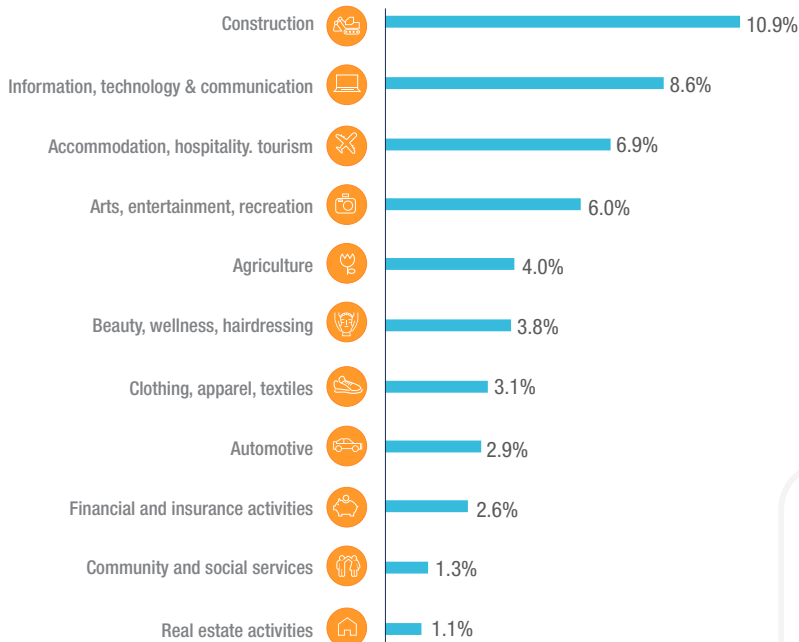
SURVEY SAMPLE BY LOCATION (%)



AVERAGE ANNUAL INCOME



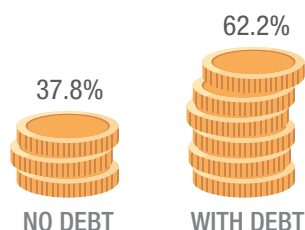
TOP 11 INDUSTRY SECTORS



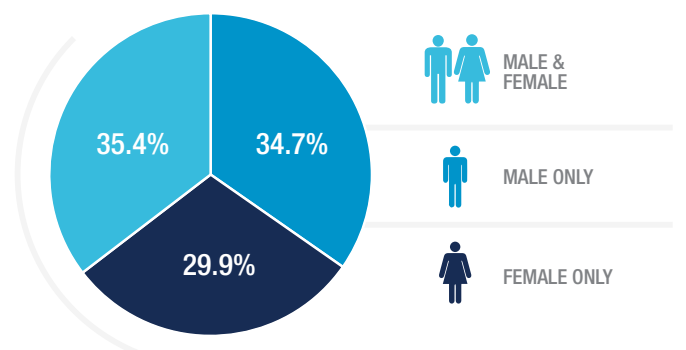
NUMBER OF FULL-TIME EMPLOYEES



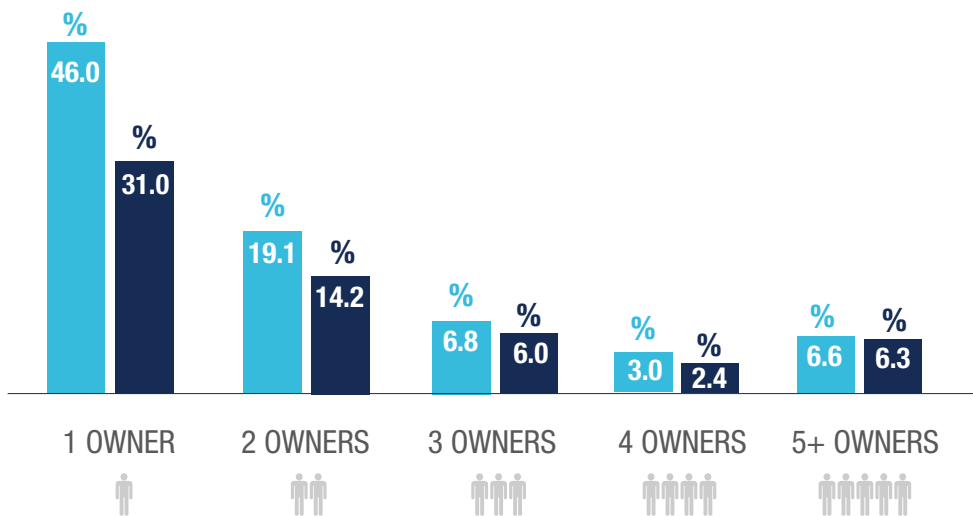
BUSINESSES WITH DEBT BEFORE LOCKDOWN



BUSINESS OWNERSHIP BY GENDER

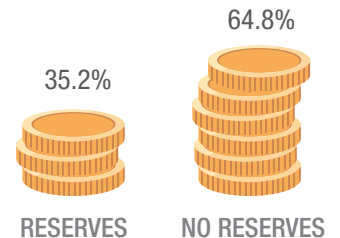


PROFILE OF SMMES SURVEY



BUSINESSES WITH OWNERS WHO ARE BLACK AND PREVIOUSLY DISADVANTAGED INDIVIDUALS (BLACK, INDIAN & COLOURED)

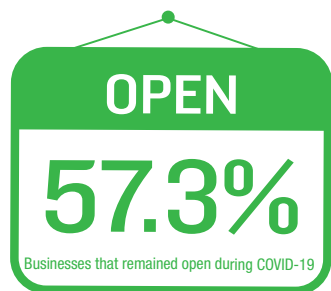
BUSINESSES WITH CASH RESERVES BEFORE LOCKDOWN



HOW LOCKDOWN IMPACTED SMMES

60%

OF SMMES WERE NOT ABLE TO OPERATE DURING LOCKDOWN LEVEL 5

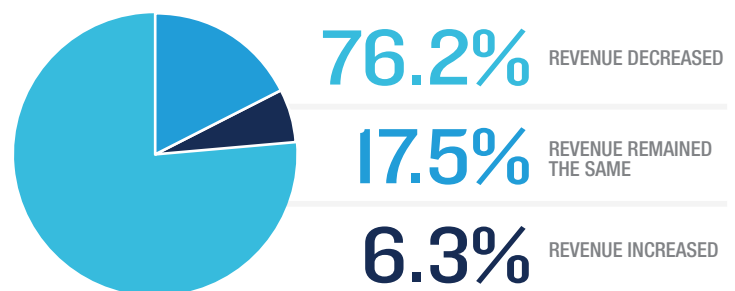


CASH RESERVES AND PAYMENTS
29.2%
COULD PAY NEXT MONTH'S EXPENSES

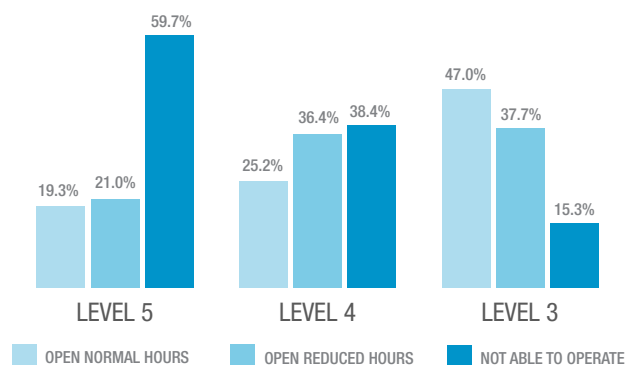
73.9%
COULD NOT SERVICE THEIR DEBT

41.0%
DEVELOPED NEW INCOME STREAMS

SIGNIFICANT DECREASE IN REVENUE IN THE FIRST 5 MONTHS OF LOCKDOWN



BUSINESS OPERATIONS



HOW LOCKDOWN IMPACTED SMMES

JOB LOSSES
DURING THE
FIRST 5
MONTHS OF
LOCKDOWN



FULL-TIME

60.0%



PART-TIME

76.8%



CASUAL

53.4%



CONSULTANTS

41.4%

FACTORS THAT INFLUENCED THE CLOSURE OF SMMES

Existing debt, lack of cash reserves, outdated financials, no access to relief funding and an inability to operate during the lockdown has forced the closure of 42.7% of small businesses



42.6%

of businesses that closed
had applied for COVID-19
relief funding

99.9%

of these funding
applications during
COVID-19 were rejected

66.0%

of the businesses that closed
had debt prior to COVID-19

56.4%

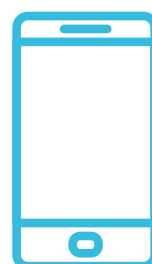
of the businesses that closed
had outdated management
accounts

SA SMMES were not prepared for the online world
of managing businesses during COVID-19



58.0%

had never had an online
meeting prior to lockdown



45.0%

of owners cited data as an additional
expense they had not catered for

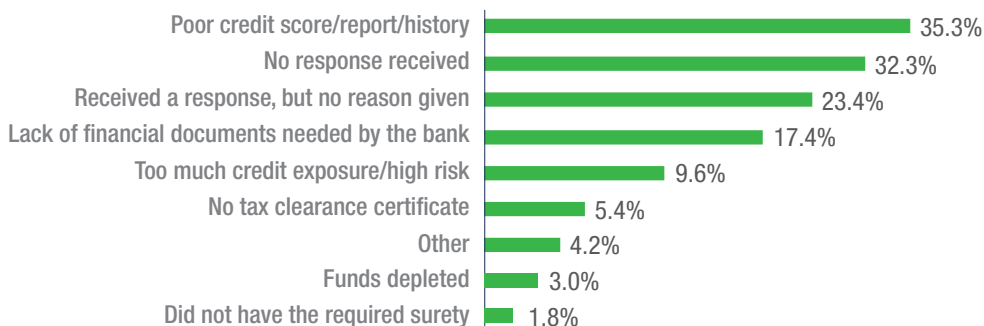
Only 56.3% had a website and whilst 61.8% had a Facebook presence (whether individual or business). 58.9% had never used paid digital marketing.

KEY CHALLENGES EXPERIENCED

ACCESS TO FUNDING REMAINS TOP OF THE LIST OF CHALLENGES REPORTED BY SMMEs

Of the total funding requests made during the first 5 months of lockdown, 47.9% of the funding requests were made to Government, 27.4% to banks and 13.6% to family and friends, and the balance made to formal lenders. One of the major frustrations for business owners is that more than 60% of those who applied for Government funding did not receive a response to their applications.

REASONS GIVEN BY BANKS FOR REJECTED APPLICATIONS

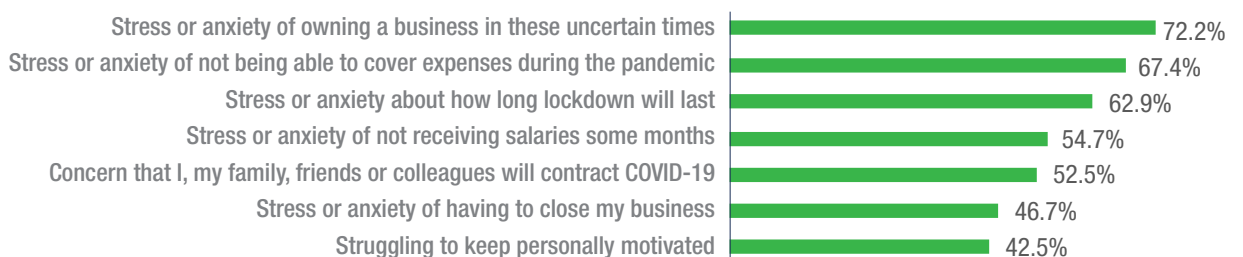


It is concerning that poor consumer credit scores remain one of the primary reasons cited by banks for rejecting COVID-19 relief funding applications for SMMEs.

Banks need to develop new credit assessment models that focus on the re-payment history of the business itself, rather than focusing on the business owner's personal credit record to determine the SMME's credit worthiness.



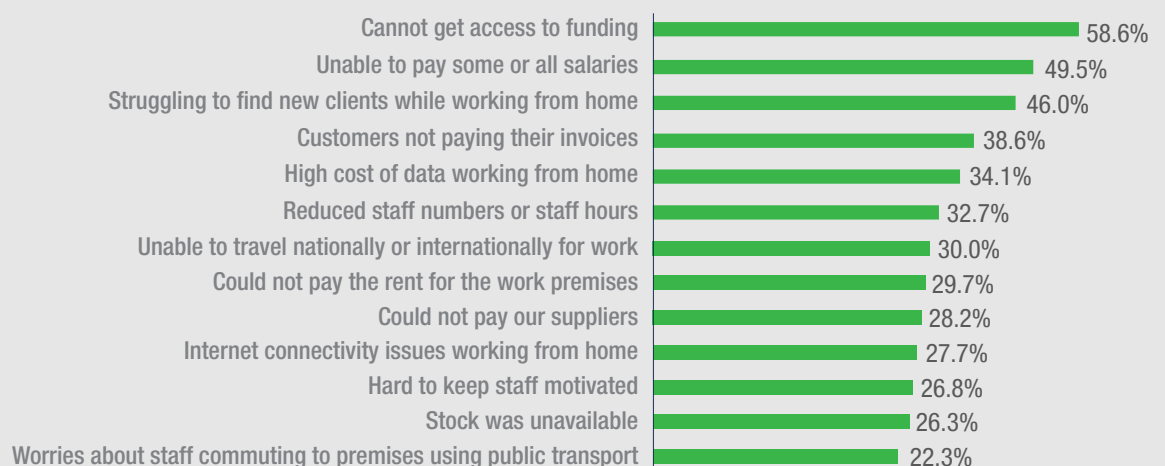
STRESS AND ANXIETY ARE STILL COMMON CHALLENGES FOR BUSINESS OWNERS



BUSINESS CHALLENGES FACED BY THE 57.3% OF SMMEs THAT SURVIVED LOCKDOWN

The top 5 business challenges common themes are money and customer issues.

Access to funding and market has always been top of the challenges list.



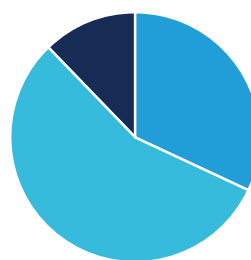
SMMES' PERSPECTIVE ON THE FUTURE

76.7%

of business owners that remained open are optimistic about their business surviving into 2021

53.4%

will either reduce their office space or work from home after lockdown



56.6%

WILL KEEP THE SAME NUMBER OF STAFF

32.2%

WILL INCREASE STAFF IN 2021

11.2%

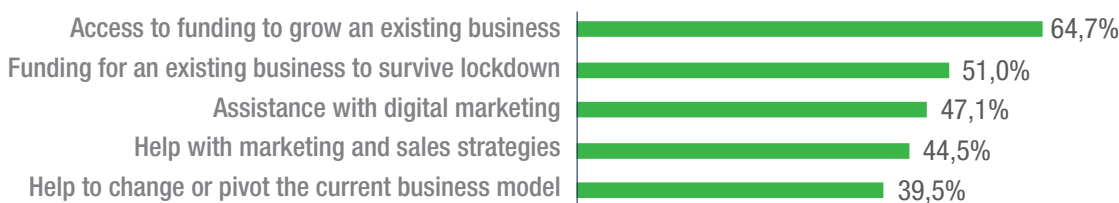
WILL REDUCE THE NUMBER OF STAFF

CHANGES SMMES INTEND MAKING IN THE FUTURE



Big focus on new income streams and online business

TOP 5 AREAS OF ASSISTANCE NEEDED IN THE FUTURE



FUNDING AND GOING DIGITAL ARE PRIMARY AREAS OF ASSISTANCE NEEDED

