

Survey confirms sobering reality for SMEs

Johannesburg, May 2020 – A survey conducted during April and May by research consulting firm, Consulta, on behalf of Nedbank, has highlighted the state of South Africa's small and medium-sized enterprise (SME) sector during lockdown. Over a thousand owners of small businesses (<R30m turnover) across all industries in South Africa have provided a sobering view on how they have been impacted and how they view their future.

Altogether 70% of those surveyed said that their businesses were not able to operate at all during the initial five-week lockdown while 24% were only able to be operational partially. This impacted their sales turnover severely, with 96% of businesses making 75% and less of their expected turnover. At the time of the survey, which took place before level-four rules were understood clearly, almost 40% of business owners believed it would take longer than six months to get back to pre-lockdown levels. Confidence levels in the ability to recover from the impact of the lockdown were low, with an average confidence score of 5,4 out of 10. Given actual constraints of level-four lockdown and the fact that many small businesses are still unable to operate, this outlook would have deteriorated since.

The inability to generate sales is placing major strain on businesses to keep and pay staff, with 27% of respondents indicating they have already had to retrench some or all of their staff. We expect this number to continue to increase as small businesses remain non-operational for longer. With 60% of businesses surveyed employing up to 10 staff prior to lockdown, the long-term effect on unemployment in the country could be significant. As one respondent noted; 'The lockdown has put strain on my company and lots of personnel will be unemployed - not dying from a virus, but from hunger.'

An immediate challenge is access to funding, with 92% seeking some form of financial support to cover operating expenses. Business owners are exploring all potential sources of funding actively, starting with the various relief funds (34%), their bank (33%), as well as friends and family (20%). Crowdfunding (5%) is also gaining interest. At the time of the survey, confidence levels of receiving support were low, with confidence in the banks slightly higher than the rest. This sentiment also speaks to whether the funding they might be able to unlock will be enough to sustain them over a prolonged period of lockdown. While any financial aid is welcome and necessary, the quantum of loan funding required to sustain a business, not able to trade over a prolonged period, is unfortunately often not viable.

The overall sentiment of the business owners surveyed is that there is a lot of uncertainty. While 25% believe that there will be opportunities to capitalise on, 57% of the respondents said that their businesses were unlikely to continue in its current form and they were considering drastic changes, highlighting the agility and resilience demonstrated by this sector. Sadly at least 10% believe they will not survive.

Prioritising small business should be a strong consideration in a gradual lifting of the lockdown, as the research results clearly indicate that the impact of the lockdown is particularly severe on small businesses and the employees of these businesses.

Alan Shannon, Nedbank Executive: Professional and Small Business Banking, says the survey provides insight into the realities business owners are facing in South Africa. 'The simple reality is that the vast majority of South Africa's small businesses are finding it extremely hard to survive right now,' Shannon says, 'and most are in dire need of a financial helping hand simply to stay afloat.'

He explains that Nedbank is very proud of the part it is playing in providing these small businesses with much-needed lifelines.

Nedbank's support of SMEs also extends to direct financial relief, and, since March, Nedbank has approved approximately 2 000 applications for payment holidays for their small-business clients.

'Nedbank is also offering a variety of tools specifically aimed at supporting small-business owners,' he points out, 'including SimplyBiz®, powered by Nedbank, offering an engagement platform for small-business owners, as well as the launch of the BackaBusiness movement in partnership with SA's largest crowdfunder, Thundafund, to drive support for businesses hard-hit during the pandemic.'

In addition to all our other bankwide relief measures, Nedbank has paid out a substantial amount as part of the fee-free administration and distribution of loans on behalf of the South African Future Trust (SAFT):

- Approximately R250 million in debt relief has been provided so far and support continues. Nedbank's role as an SAFT agent has a limitation of R300 million (of the total of R1 billion initially donated to the SAFT Fund).
- So far 1 572 small businesses have received relief.
- In total 16 707 of their staff are the direct benefactors; this number is expected to reach in excess of 20 000.

In addition to the aforementioned partnerships, the Covid-19 Loan Scheme, which was announced by president Cyril Ramaphosa last week where government will partner with banks to help qualifying businesses and the economy, is now also officially open for applications. Clients are required to apply to their main/primary bank to access this funding. The scheme offers a 5-year term loan at the prime interest lending rate, to qualifying businesses with <R300m turnover, to cover the next 3 months of their operating expenses. Repayments will be via monthly instalments to start in month 7 after pay-out.

Shannon concludes, 'Nedbank is fully committed to supporting our small-business clients wherever possible, but ultimately this cannot compensate for the immediate requirement for business owners to get back to business and open their doors to their customers – to ensure their sustainability, enabling them to help reignite the SA economy, and save vital jobs.'

Please visit [nedbank.co.za, business, Covid-19 relief measure](https://nedbank.co.za/business/Covid-19-relief-measure) for more information on how you can access support.

Ends.