

Most small businesses won't survive if South Africa's lockdown extends beyond June: survey

Staff Writer 13 May 2020



Poll

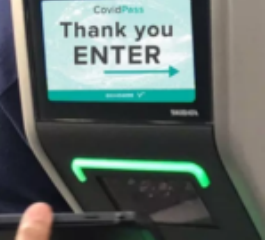
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75% of small and micro businesses will close down if the lockdown runs beyond 30 June, a new survey by the South African SME Finance Association (SASFA) shows.

The survey, which included responses from 2,300 business owners, found that the majority (70%) of SMMEs cannot trade under the country's level 4 lockdown restrictions.

Karl Westvig, chief executive at Retail Capital, said that despite the help offered by government and the private sector, only a fraction of these businesses had any support.

"Only 47% of business owners applied for relief from government or financial institutions, because many of the remaining 53% did not believe they would qualify.

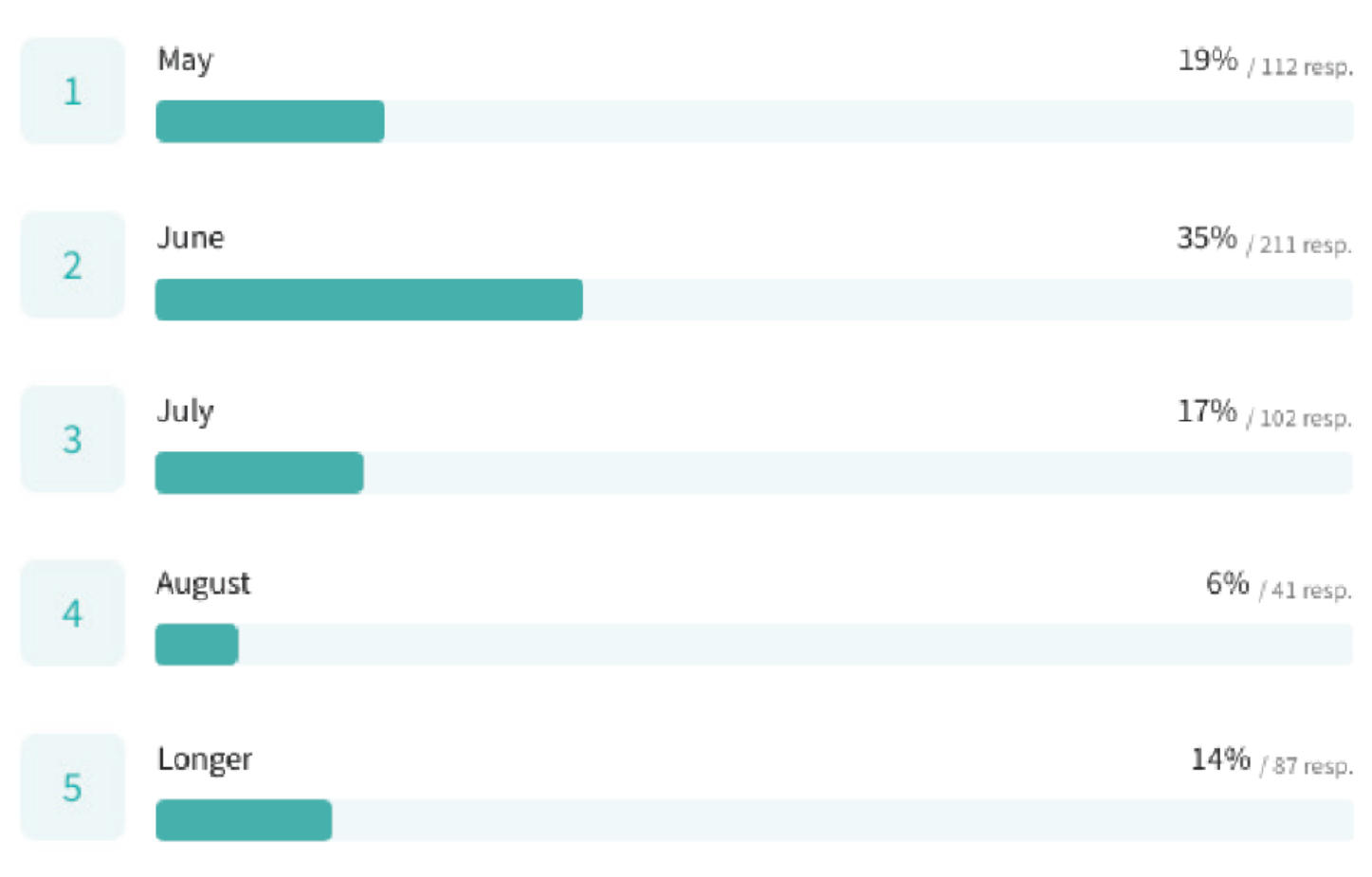
"But even amongst the 47% who did apply, only 32% were successful. This means that a mere 15% of SMEs with a turnover of below R10 million per annum, had any support."

Westvig explained that the R200 billion Loan Guarantee Scheme from the National Treasury supports the formal banks to lend to SMEs with a turnover of up to R300 million per annum.

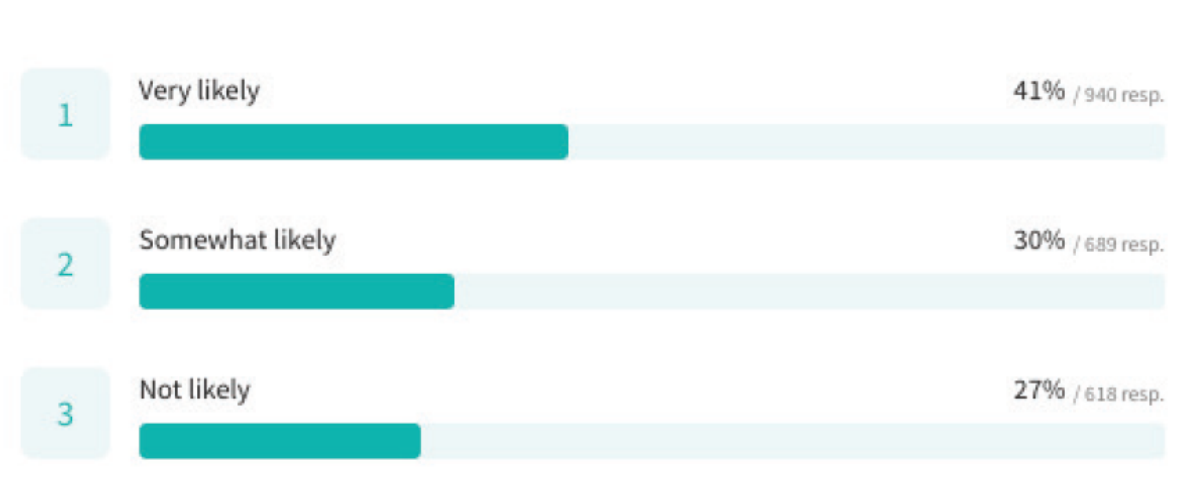
"However, banks follow the traditional credit-vetting criteria, which often requires surety and security. It is also expensive and difficult to underwrite funding for small SMEs with turnovers of less than R10 million per annum.

"As such, the bulk of this support is going to medium-sized businesses who can provide security and have longer track records."

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Lifting restrictions

Michael Du Plooy, chief executive officer of Cash Flow Capital, said that government should also consider accelerating the lifting of restrictions to allow SMEs to trade.

"Under level 5, 90% of small businesses were not able to trade and with the slight relaxation for Level 4, this has risen to around 30% are allowed to trade," he said.

"We believe that government should start lifting restrictions now as there is a high level of awareness in the general population regarding personal hygiene and social distancing. This is vital because the sooner these businesses can trade, the sooner they can come off support," he said.

"Unfortunately we have only six weeks left until 30 June when three-quarters of our small businesses have indicated that they will have to close down."

On Tuesday (12 May), minister of small business Khumbudzo Ntshavheni published a [directive](#) outlining what small and micro-businesses are allowed to sell during the lockdown.

In line with the current level 4 regulations, Ntshavheni confirmed that the following business can operate:

- Small scale bakeries and confectioneries;
- Small scale hardware stores;
- Informal restaurants and shisanyamas for home deliveries only;
- Trades, herein referred to as artisanry businesses, necessary for rendering emergency repair work, including plumbers, electricians, locksmiths, glaziers, roof repair work, tow trucks, vehicle recovery and automobile repairs (motor mechanics), including small -scale vehicle services centres/ workshops, small -scale motor body repair shops, and fitment centres;
- Sole traders within the clothing and textiles and confectionery business;
- Cooperatives operating under permitted businesses in line with the regulations.

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