

Can SMEs be saved during this economic period?

By [Rajan Naidoo](#)

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South Africa's Small and Medium-sized Enterprises (SMEs) are in trouble. Analysts are predicting that 60% of SMEs will close before the crisis caused by the pandemic is over. Vital for job creation and growth, protecting SMEs during this period of economic turbulence is critical, but how do we do it?



Rajan Naidoo, managing director of EduPower Skills Academy | image supplied

I believe B-BBEE is the ideal vehicle to address South Africa's Covid-19 related economic challenges.

B-BBEE is a powerful and important mechanism for empowerment, transformation and change and the ideal mechanism to help SMEs. Changes to the B-BBEE codes will help resuscitate SMEs in the industries that have been severely punished by Covid-19 and ensure the sustainability of this critical sector.

A vital engine in driving growth and creating employment, SMEs account for 98% of the total number of businesses in South Africa, employ 25% of the private sector workforce and contribute 39% to the national GDP. Reports, however, show that 40% of South Africa's small businesses have already closed, contributing to the three million job losses recorded since March 2020.

Covid-19 has caused huge job losses in an already job-deficient economy. Most of these have been through the collapse of

small businesses or the scaling back of larger companies.

This shedding of jobs by South Africa's corporates is an indication of the impact Covid-19 has had on larger businesses. Due to their resources and reserves, most of these companies have weathered the storm with minimal damage. To preserve their established ecosystems, these companies need to help the smaller businesses in their supply chains.

Strengthening codes to 'protect' the SMEs

Experts are predicting that over the next 12 months, B-BBEE will focus on strengthening the codes that request large corporates to 'protect' the SMEs in their supply chains.

This protection may include early invoice payment, training, upskilling, consulting, loans or loan guarantee, wage or overhead support, assisting SMEs with cash flow. Much of this protection is already in place but to provide the stimulation that SMEs need, we are expecting that the weighting of points under Preferential Procurement and Skills Development will change to further incentivise larger corporates to action.

But what about those SMEs that are not part of a larger company supply chain? I'm confident that B-BBEE will also support these companies with the main focus being on training and consulting. These interventions will help small business owners assess their sustainability options, leading to more prudent business decisions.

B-BBEE's role in the development of SMEs will also help establish an environment that's conducive for the local provision of medical supplies.

B-BBEE as a conducive environment for medical supplies

One of our lessons from Covid-19 is that we were overly reliant on external supply chains for the provision of medical supplies including PPE, medication, ventilators and vaccines. We have the intellectual and skills capacity to develop our own, but we haven't had the economic and government support for this to flourish.

Government support is key to galvanising SMEs to develop in this sector. B-BBEE can and should therefore be used as a mechanism to create an environment that's conducive for the local manufacture and supply of these items.

While the creation of this sector will take time, it is critical that the government move quickly to help SMEs and I expect that an announcement is imminent. The major focus of the code changes in the next few months will relate to job creation, skills development and SME support with more weight being added to these priority elements.

When the pandemic will peak in South Africa is still uncertain. It is therefore imperative that efforts to protect SMEs through changes to the B-BBEE Codes move with speed and decisiveness, not only to cushion the worst of the impacts of the crisis on livelihoods but to ensure a swifter recovery for the broader economy.

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