

New SME survey results reveal upcoming national elections a deep concern for SA small business owners

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The 2024 elections are set to be one of the most monumental and contested in South African history. Several shifts in the electoral arena; including the introduction of independent candidates to the voting roll, the unprecedented large number of political parties contesting the elections as well as the uncertain majority of the ruling party, have added to the national air of uncertainty.



For small businesses across the country surveyed in the Q4 2023 SME Confidence Index, the social climate ahead of the May elections is cause for concern.

The SME Confidence Index, conducted by specialist SME financier, Business Partners Limited, posed a new question to its constituent of respondents, which is made up of local small business owners. Respondents were asked whether they were concerned that the imminent risk of economic turbulence and protest action during the election season, would impact their operations.

Almost half of SME owners (49%) answered yes. About 33% of the respondents were of the view that the elections will bring about much-needed change.

Commenting on these findings is David Morobe, executive general manager of Impact Investing at Business Partners Limited, who says that by their very nature elections can be disruptive, add a degree of uncertainty and pose some risk to small businesses on the ground as investments by governments, private sector and even small and medium enterprises (SMEs) themselves are postponed in the run-up to elections.

Confidence checkpoint

The SME Index tracks small business confidence on a quarterly basis and has done so for 11 years. On the whole, general

SME confidence has been fluctuating throughout the course of 2023.

SMEs' confidence that their businesses would grow in the next 12 months saw a 14-percentage point increase year-on-year and only a 0,7-percentage point increase quarter-on-quarter. Likewise, an increase of 4 percentage points was seen in SMEs' confidence that the economy will be conducive to business growth in the next 12 months, when compared to 2022 with a 5 percentage points increase quarter-on-quarter.

"It's therefore fair to say that the general sentiment among small businesses has been tentatively optimistic in the face of many challenges in the economic landscape. However, with the fast approach of election day, this optimism will most likely become subdued," said Morobe.

Linked to this dampened opinion is the fact that in the last quarter of 2023, SMEs expressed less confidence that the SA government is doing enough to foster SME development. At just 42%, this indicator saw a decrease of 9 percentage points year-on-year and interestingly, was the only indicator surveyed to show a downturn when compared to the previous year.

These findings may very well be linked to the challenges faced by many small businesses as a direct result of the prolonged economic downturn, exacerbated by pressing issues such as persistent and worsening loadshedding.

Power crisis: a major setback

The Q4 2023 SME Index asked respondents whether the slight reduction in stages of load shedding and rolling blackouts allowed for a significant reprieve in terms of their overheads and overall profitability. To this question, only 17% of SMEs surveyed stated that they were able to recover some profits over this period, a further 22% said that they were able to save, but only marginally, and 32% reported just being able to break even in the lead up to the end of the year.

As the SME Index also found, load shedding has adversely impacted the operations of at least 60% of SMEs and despite attempts to recover Eskom's power capacity and implement emergency solutions, the damage has evidently already been done. Accordingly, the Index found that the top three challenges faced by SMEs are all financial in nature and are currently: cashflow, economic conditions and funding.

The vital role of access to finance – and more

The SME Index also allows respondents to rank several key factors according to their level of importance in sustaining a successful SME. The most recent findings were that the importance level of access to finance for the growth and sustainability of business remains high with 83% of respondents ranking high – a 15 percentage point increase from 2022.

Furthermore, the importance of having SME-specific information, resources and support for the development and growth of a business was ranked high by 84% of respondents – a 16 percentage point increase year-on-year.

As Morobe concludes, these findings confirm the vital role that lenders play in providing the SME ecosystem with the financial grounding they need to achieve long-term success. "There has never been a more critical time for financiers across both the traditional and non-traditional spheres, to find ways to cast their net wider and support more entrepreneurs in realising their goals.

At Business Partners Limited, we have also identified the need for non-financial support in the form of ongoing training and education initiatives, mentorship, networking opportunities and advocacy. Financiers need to do so much more during times of uncertainty to provide the industry with the buoyancy it needs to survive and ultimately thrive."

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