



South African government palliative funds for SMMEs during COVID-19: challenges of implementation and suggestions for improvement

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Abstract

Purpose: The implementation of the lockdown on 28th March 2020 due to the COVID-19 pandemic disrupted business and economic activities completely, which has serious consequences for SMME survival in South Africa and the world at large. Subsequently, there was a contingent need to provide funding to SMMEs to ensure their survival. This study, therefore, explored the meaning of SMME in the South African context and their experiences during the COVID-19 pandemic. The study further investigated the palliative funds given to SMMEs during COVID-19 by the South African government, the challenges encountered during its implementation process, and the measures to improve the funding implementation.

Methodology: The study adopted a qualitative research approach with an exploratory research design, and this enhanced in-depth findings through the adoption of interviews as the only source of primary data collection. Data collected from the participants were analyzed using a thematic analytical technique with the help of Atlas-ti software (Version 22).

Findings: Findings obtained from the study revealed that SMMEs are separate and distinct business entities, including co-operatives and non-governmental organizations (NGOs), managed by one or more owners, including their branches and subsidiaries. Another finding revealed that during the COVID-19 period, SMMEs experienced supply chain disruptions, inventory shortages, cash flow issues, and low income due to the inability to engage in active business. In the empirical study, participants attested that the scoring system, lack of business and managerial experience, communication barriers, and business registration requirements are some of the challenges encountered in funding implementation by the government departments. Furthermore, the participants highlighted that funding based on merit, consideration of the scoring system, and the application of communication dynamics to reach SMMEs should be applied to improve SMME funding implementation.

Originality/Value: This study is meant to inform the government on how to handle SMME funding and measures to assist them to enhance employment and to improve economic development.

Introduction

In South Africa and around the world, small, medium, and micro-sized businesses (SMMEs) have been recognized as effective forces behind inclusive economic growth and development (Harvie, 2019). SMMEs, according to Hlengwa and Thusi (2018) are important drivers for reducing unemployment and poverty given that employment in the formal sector is declining. The National Development Plan 2030 (NDP 2030) of the South African government looks up to SMMEs to be the major sources of employment and drivers of growth in the economy (van Staden, 2022). In South Africa, SMMEs account for 40% of all businesses, and the National Development Plan predicts that by 2030, SMMEs would account for over 90% of all new jobs (Bushe, 2019). In many industrialized economies, SMMEs make up around 90% of all businesses, while they employ about 60% of the entire labour force (Amoah & Amoah, 2018). Abisuga-Oyekunle, Patra, and Muchie (2020) affirm that SMMEs have made significant contributions to job creation and have succeeded in improving the area of innovation in South Africa.

In a report compiled by Mashombo (2014), the estimated failure rate of SMMEs in South Africa was between 70% and 80%. Chimucheka and Mandipaka (2015) further assert that despite the numerous supports of the South African government to provide an enabling environment for SMMEs in the country, some enterprises fail after 3 years of establishment. Lings (2014) asserts that SMMEs in South Africa often have a high failure rate and estimates indicate that 90% of newly established SMMEs fail in their first 10 years, 60% fail in their second year, and 40% fail in their first year. In a report from the Global Entrepreneurship Monitor (GEM) (2022), it was confirmed that South Africa's local start-up enterprises have a low survival rate by international standards. The top performing SMME in the African continent according to the Global Entrepreneurship Monitor Report (2022) was Angola with a Total Entrepreneurship Activity (TEA) of 49.6% followed by Sudan with 33.6%. However, the South African TEA continues to deteriorate to 17.5%, which needs to be improved.

Despite the developmental contributions made by SMMEs to South Africa, Mukwarami, Mukwarami and Tengeh (2020) confirm that they face so many challenges, which have hampered the pace of development. The emergence of COVID-19 disrupted the business activities of most SMMEs in South Africa, while some enterprises did not survive the pandemic due to cash flow issues and the inability to pay workers. Regardless of the availability of government funding to some SMMEs in South Africa during the COVID-19 pandemic, the Global Entrepreneurship Monitor (2020–2022) affirms that SMMEs still face financial challenges while most businesses have not recovered from the shock of the pandemic. This was sustained by Pu et al. (2021) who revealed that the impediments hindering the growth of SMMEs include a lack of networking opportunities, lack of access to funding, and insufficient government support. Considering the above background, this study is aimed at investigating the South African government's palliative funds given to SMMEs during the COVID-19 pandemic, the possible challenges faced in the funding implementation process, and the suggestions for future improvements. The next section of this article presents the research method, meaning of SMME in South Africa, SMME and COVID-19, South African government palliative funds for SMMEs during COVID-19 and the eligibility criteria, presentation of empirical results, discussion of the results, conclusions, and recommendations.

Literature Review

Meaning of SMME in South Africa

SMMEs are defined differently according to the local laws in each nation. Most SMMEs are categorized according to their revenue base, assets, or firm size (Delikanlı & Kılıç, 2021). According to the Constitution of the Republic of South Africa 108 of 1996, and the National Small Business Act 102 of 1996, as amended by the National Small Business Act 29 of 2004, SMMEs may be defined as "a separate and distinct business entity, including co-operatives and non-governmental organizations (NGOs), managed by one or more owners, including its branches and subsidiaries." SMMEs are classified into three types: micro, small, and medium enterprises (White Paper, 1995). In South Africa, a small, micro, or medium-sized enterprise (SMME) is

described as an organization with about one to two hundred persons in its employment capacity (Msomi & Olarewaju, 2021).

Regarding the categories of SMMEs as classified by the White Paper (1995), survivalist businesses are run by people who couldn't find paid or formal employment. However, the revenue generated in this type of enterprise is usually below the basic threshold, also an attribute of this enterprise is that the invested capital is usually small, and the business owner commonly lacks sufficient knowledge and capabilities to run a business. The number of SMMEs in this category is numerous in South Africa due to the inability to secure enough funding to establish a big enterprise capable of employing more people with adequate experience. The micro-enterprise refers to family-managed businesses, and in South Africa, micro-enterprises often lack formal business requirements like registration, licenses, and other permits needed for the smooth operation of the business, along with record keeping. However, the White Paper (1995) opines that the owner of a micro-enterprise usually possesses little or no business knowledge, though there is potential for advancement. This type of enterprise is numerous in the country where families establish subsistence businesses to meet up with their financial obligations and survival means.

Small business employs between 5 and 50 people. These enterprises possess formal registration documents, also business licenses, and compliant with tax and regulatory obligations. In this type of business, the White paper (1995) affirms that the directors manage and run the operations of the firm. Medium Enterprises are businesses that can employ up to 200 people, have capital assets worth R5 million, and are run by shareholders. Table 1 presents the categories and performances of SMMEs.

Table 1: Summary of the categories and performances of SMMEs

Enterprise size	Number of employees	Annual turnover (SA Rand)	Gross Assets, excluding fixed property
Medium	Depending on the industry, less than 100 to 200 people.	R4 million to R50 million, depending on the industry	R2 million to R18 million, depending on the industry
Small	Less than 50	Based on the industry, less than R2 million to R25 million.	Less than R2m to R4.5 m based on industry
Very Small	Depending on the industry, less than 10 to 20	R200000 to R500000, depending on industry	Less than R150 000 to R500 000 depending on industry
Micro	Less than five	Less than R150 000	Less than R100 000

Source: Mahembe (2011)

Table 1 indicates that SMMEs are small enterprises that start a business venture with limited financial resources and employ a certain number of people in an endeavour to earn a better living. Statistics South Africa (2021) reveals that SMMEs contribute approximately 42% of the Gross Domestic Product (GDP) as well as 60% of employment creation. This suggests that SMMEs remain a vital tool, which provides employment opportunities, and enhances economic growth and productivity (Surya et al., 2021). While some SMMEs can take off right away once they are established, others may demand various types of support until they can face the rigours of the fiercely competitive business environment on their own (Hoque, 2018). However, there is a belief that the government and other agencies ought to facilitate strategic programs to help SMMEs establish and produce good results (Kagiso & Potgieter, 2018), though financial institutions contend that funding should be postponed until SMMEs achieve certain milestones for various reasons (Hoque, 2018). Considering the initiatives meted by the government to enhance the survival of SMMEs, Akrofi and Antwi (2020) and affirm that there should be the availability of funding institutions that provide loans or grants to support SMMEs financially amidst the COVID-19 pandemic.

SMME and COVID-19

The COVID-19 pandemic is considered an unanticipated global epidemic, which halted business activities completely, disrupted the economy, and has serious consequences for SMME survival worldwide (Shafi, Liu & Ren, 2020). The impact of the COVID-19 epidemic has compelled SMMEs to create innovative answers to the most important issues facing the world today (Bivona & Cruz, 2021). Kumar and Ayedee (2021) affirm that SMMEs have experienced significant challenges due to the COVID-19 outbreak, which include both financial and non-financial issues. Consequently, business enterprises are unable to conduct their regular commercial operations on their normal routines and this has resulted in a decline in aggregate output, thus escalating the rate of unemployment and poverty in South Africa (Rapaccini et al., 2020). Additionally, Ivanov and Dolgui (2021) assert that the economy has experienced a meltdown because of supply chain disruption, trade discontinuity, and low market demand. The South African economy, like those of other countries, has already been negatively affected in all socio-economic indices.

In South Africa, every economic sector has been adversely impacted, but SMMEs are particularly disrupted due to the lockdown imposed by the government on the 20th of March 2020 (Odeku, 2020; Rogerson & Rogerson, 2020). The economic and financial crises brought by the government lockdown because of COVID-19 have instigated undesirable difficulties for SMMEs as a result and Pu et al. (2021) assert that SMMEs suffer the most severe consequences of the crises (Pu et al., 2021). Khan (2022) affirms that the pandemic had caused pain to SMMEs by making them spend more money on operations, inventory shortages, and credit payments to financial institutions. Also, low-income residents lost their employment and have limited access to food and social safety (Pu et al., 2021).

Despite several obstacles highlighted above, SMMEs are unable to expand to their full potential, which is essential for reaching sustainable goals. Government, policymakers, credit organisations, and SMMEs themselves have constantly looked for ways to reduce the exceptional consequences on their business transactions to enhance survival (Booyens et al., 2022). It is noted that the global COVID-19

pandemic crisis, which started in late 2019, impacted businesses, but some industries showed resilience or proffered new operational niches; most SMMEs in the services sector discovered themselves in "new normal" operating environments (Noorashid & Chin, 2021). Numerous negative effects of the pandemic have been identified, including ones with economic, political, social, and psychological impacts. Many nations have implemented various measures and restricted commercial activities to stop the virus from spreading. This led to lock down, which decreased consumption and triggered business closures. The COVID-19 pandemic is viewed by many economists as a metaphorical "black swan" event, which is described as "an unexpected occurrence of immense importance and severe impacts that dramatically affect the political and economic environment and leads to corporate failure" (Puto, 2021)

The COVID-19 pandemic has significantly affected the long-term profitability and viability of SMMEs; in addition, the current situation has opened a new avenue for researching their adaptability and performance, easing their financial burdens, and increasing their productivity (Du, Razzaq & Waqas, 2022). To increase their odds of surviving the pandemic, several studies have suggested that strategic resource assistance, including efficient financial intermediation, government incentives, and palliatives, is deemed paramount. Innovative financial services integration has been shown in numerous studies to improve SMME financial activities and increase financial efficiency (Pu et al., 2021). According to existing studies, government involvement, inventive finance, and adequate implementation strategies are crucial for SMME success after the COVID-19 pandemic (Igbinakhase, 2021).

5. South African government palliative funds for SMMEs during COVID-19 and the eligibility criteria

Small and medium-sized businesses both globally and in South Africa faced extreme difficulties during the peak period of the COVID-19 pandemic. On March 23, 2020, President Cyril Ramaphosa announced that South Africa would impose a 21-day lockdown due to the coronavirus pandemic and the President added, "the measures we are taking now will have long-term economic costs, however, we are confident

that the cost of waiting will be much higher." Consequently, SMME orders dried up, employees were forced to work from their different homes, supply chains were disrupted, and retail outlets and other businesses were told to close (Meyer et al., 2022). After the nationwide lockdown was imposed, SMMEs faced several challenges, including cash flow issues, lack of business opportunities, financial issues, decrease in turnover, decrease in profit margins, decrease in working capital, labour shortages, logistic issues, and the inability to pay workers due to low income (van Staden, 2022). Given that no one is certain about how long the current economic climate will remain, SMMEs were concerned about whether their businesses would survive the pandemic (Pu et al., 2021). Due to their inability to function effectively during the COVID-19 lockdown, there was a drastic reduction in SMME output volume, and this resulted in a financial bailout of the government in an endeavour to keep the SMMEs afloat (Adam & Alarifi, 2021). The South African Future Trust, the Sukuma Relief Programme, SMME Debt Relief Finance Scheme, the Spaza support scheme, the Agricultural disaster support fund, Tourism relief fund among others were developed to help SMMEs with their financial problems (Torrington et al., 2020). Tax relief options were also available from numerous banks to their customers, and these were created to protect SMMEs from the effects of COVID-19, also stop them from collapsing (Nhamo, Dube & Chikodzi, 2020). The following are some of the types of funding given to SMMEs during the lockdown.

SMME Debt Relief Finance Scheme

The Department of Small Business Development (DSBD) created and manages the SMME debt relief finance scheme, which started on April 1, 2020. This scheme offered soft-loan funding for a six-month term and its objectives include reducing existing debts and payments, helping businesses buy raw materials, paying employees, and covering operating expenses for SMMEs (Siwela, 2021). All these measures were planned according to the cash flow patterns of SMMEs and the severity of the COVID-19 pandemic's effects (Radford & Rech, 2020). As of March 24, small firms experiencing difficulties with COVID-19 have requested government help. The Small Enterprise Finance Agency (SEFA) was given the authority to manage the

SMME Debt Relief Fund as a direct lending facility by the Department of Small Business Development (Baloyi & Khanyile, 2022). A sum of R513 million was given to the Relief Fund by DSBD (Shai, 2021). The Debt Relief Fund offers SMMEs relief from existing debts and payments to lessen the economic effects of the COVID-19 (Torrington et al., 2020). All applicants demonstrated an actual or probable impact of COVID-19 on their business to be considered. Firms were required to provide information such as annual turnover, shareholders (including current Broad-Based Black Economic Empowerment [B-BBEE] standing), number of employees, employee demographics, and Sub-sectors (Siwela, 2021).

Business Growth Fund

The Business Growth Fund offered working capital, stock, bridging finance, order finance, and equipment finance (Du Preez & Meyburgh, 2020). The amount provided was based on the funding needs of the businesses during the crisis. The economic effects of the coronavirus have been very difficult for SMMEs to stand on their feet. The South African government and the commercial sector collaborated to create South African Future Trust (SAFT), an independent trust whose goals were to advise SMMEs to considerably lower their financial outlays, maintain business operations, and retain staff members (Masiya et al., 2021). The immediate goal of SAFT was to provide financial aid to employees of SMMEs who faced the possibility of losing their jobs or would experience income loss because of COVID-19 (Nyawo, 2020). Through interest-free loans on which employees are not personally liable, SAFT provides money directly to the employees of participating SMMEs. The SAFT loans have an interest-free grace period of five years, also SAFT works closely with SMMEs to ensure that sustainable repayment arrangements are in place if businesses are unable to pay back the loan (Du Preez & Meyburgh, 2020). The complete repayment of the interest-free loan must be made on or before December 31, 2025. The SMME may choose to make instalments over the course of the five years or a lump sum payment on or before December 31, 2025.

The following table presents the qualification criteria of the SMME Debt Relief Finance Scheme and the business growth fund.

Table 2: The qualification criteria of the SMME Debt Relief Finance Scheme and the business growth fund

No.	Requirements
1	The business must have been registered with the Companies and Intellectual Property Commission (CIPC) by at least 28 February 2020.
2	Company must be 100% owned by South African citizens and Employees must be 70% South Africans.
3	Priority will be given to businesses owned by Women, Youth and People with disabilities.
4	Be registered and compliant with the South African Revenue Services (SARS) and the Unemployment Insurance Fund (UIF);
5	Complete the simplified online application platform. Registration on the National SMME Database – https://smmesa.gov.za , Certified ID Copies of Directors/members, 3 Months Bank Statements, FICA documents (e.g., Municipal accounts, letter from traditional authority).
6	Latest Annual Financial Statements or Latest Management Accounts not older than three months from date of application – where applicable
7	Business Profile, 6 Months Cash Flow Projections – where applicable
8	Proof that the business is negatively affected by COVID-19 pandemic Company Statutory Documents
9	Copy of Lease Agreement or Proof ownership if applying for rental relief
10	If applying for payroll relief, details of employees - as registered with UIF and including banking details – will be required as payroll payments will be made directly to employees
11	SMME employers who are not compliant with UIF must register before applying for relief, Facility Statements of Other Funders. Detailed breakdown on application of funds including salaries, rent etc.

Table 2 explained the qualifications of SMMEs that are eligible to obtain the aforementioned funding from the government. The next section expounds upon the research methodology adopted to find answers to the research questions.

Research Methodology

This study explored the meaning of SMMEs in the South African context and their experiences during the COVID-19 pandemic. The study further investigated the palliative funds given to SMMEs during COVID-19 by the South African government, the challenges encountered during its implementation, and suggestions for improvements. The study adopted a qualitative study and an exploratory research design. According to Aspers and Corte (2019), the goal of qualitative research is to understand phenomena in terms of the meanings that people assign them by seeing them in their natural environments and it allows academics to learn about the

experiences of others and to comprehend the world from their viewpoint. Qualitative research as employed in the social sciences investigates interactions, systems, and processes and offers a thorough comprehension of how people grow to comprehend, behave, and handle their everyday situations in specific contexts (Gephart, 2018). The site selected for this study is the Johannesburg Central Business District in Gauteng province. The participants of the study include the SMMEs who are registered under the Companies and Intellectual Property Commission (CIPC) in Johannesburg CBD and those who were operational till the lockdown in 2020. A total of 10 participants were selected for this study and data were collected using semi-structured interviews. The interviews were conducted through a mix of WhatsApp and phone calls after their details were collected from the Small Enterprise Development Agency (SEDA) in Johannesburg (CBD). The interviews were conducted while observing all ethical concepts such as informed consent of the participants, voluntary participation and exit, anonymity of responses, and the protection of participants' lives and interests. After transcribing the responses gathered from the participants, data were analysed while adopting a thematic technique with the help of Atlas-ti software (version 22). Afterward, data were presented through the Atlas-ti network diagram and interpreted by explaining the concepts as identified by the participants. Consequently, the participants' direct excerpts were quoted to provide better explanations of the results. Finally, the findings were discussed by corroborating the outcomes with the literature review findings in an endeavour to provide answers to the problem of the study. Findings and Discussion

Presentation of research results

This section presents the results of the interviews with the ten participants selected for the study. Pseudonyms were attributed to the participants in an endeavour to maintain anonymity in the study. In the interpretation phase, these pseudonyms were used instead of the actual names of the SMMEs. Furthermore, the word cloud of the study was presented followed by the research objectives of the study, such as the challenges of the funding implementation and measures to improve funding implementation. Figure 1 presents the word cloud of the study.

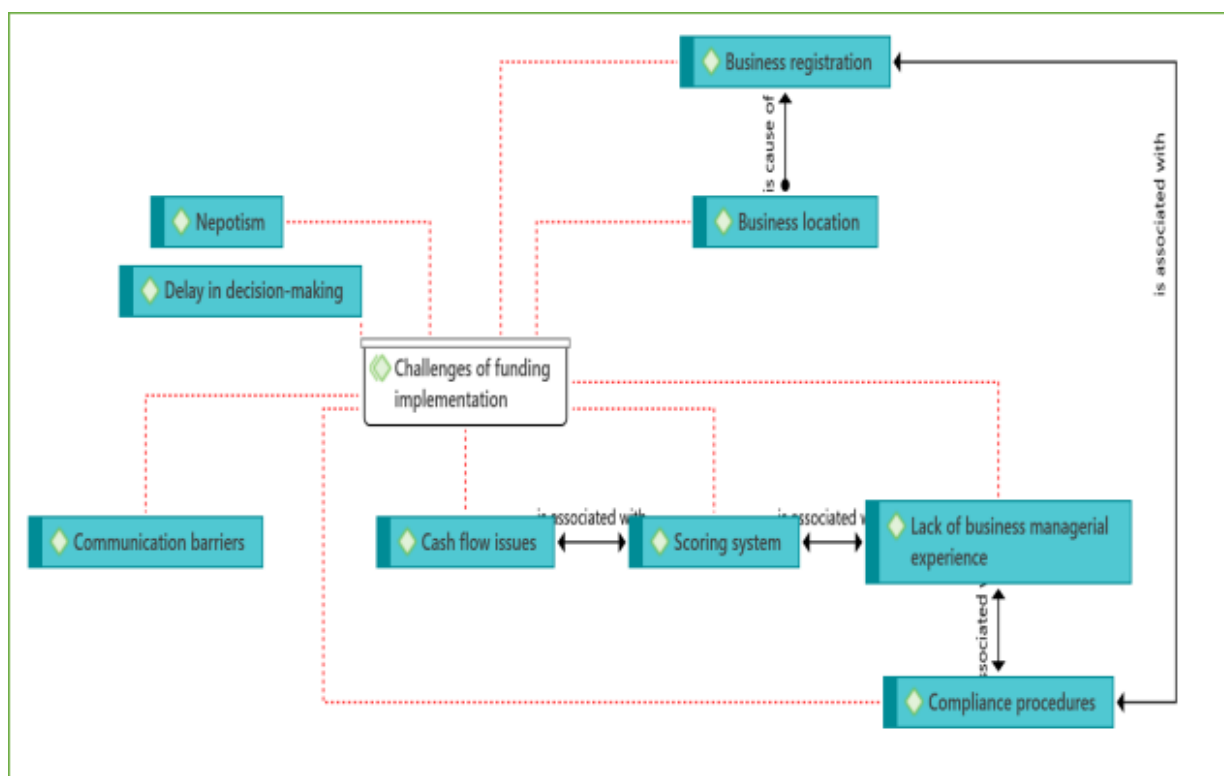


Figure 2: Challenges of funding implementation

According to Figure 1, the participants attested that the challenges of funding implementation by the responsible bodies include business location, the scoring system, lack of business and managerial experience, nepotism, cash flow issues, delay in decision-making, compliance issues, and business registration requirements. The following expounds upon the barriers, as identified in Figure 2.

Communication barrier: This includes anything that distorts information to get to its desired destination. The participants affirmed that communication barrier is one of the main challenges in funding implementation. They further stated that due to lack of information, some SMMEs were not aware of the funding opportunities, while others did not know how to apply for the funding.

PA1 said “Actually, there were availability of funding to SMMEs during the COVID-19 lockdown, but we did not receive the information at the right time.”

PA3 affirmed “I was aware of the funding, but I didn’t know how to apply and the departments that are responsible for the funding”.

Scoring system: The scoring system for SMMEs refers to the assessment of the overall creditworthiness of an enterprise by analyzing its operating and financial strength. It

is a diagnostic tool that assigns star ratings to indicate the performance level of SMMEs based on business owners' financial data and transactions and other identified criteria. SMME scoring models are often used by financial institutions and investors to evaluate the risk and potential return of lending money to or investing in small and medium-sized enterprises (SMMEs). These models use various factors, such as the business's credit history, financial performance, and industry risk, to calculate a score representing the SMME's creditworthiness. One challenge that SMMEs may face when trying to secure funding is that they may not have a strong credit history or financial track record, which can make it difficult to receive good score on these models. This can make it more difficult for SMMEs to secure financing from traditional sources, such as banks and other financial institutions. The participants attested that they didn't understand the scoring system as most of them did not get the funding.

PA2 said, "I didn't understand the scoring system, most of us didn't get the funding, they should have told us about how SMMEs qualify for the funding."

Business registrations: This implies that SMMEs run their business under a specified name and file tax returns to the South African Revenue Service (SARS) every business year, which makes it a legal entity business by the South African law. The participants said that it was unfair to abandon some businesses that were not registered or undergoing the registration process during the pandemic crisis.

PA6 said "The government should consider both registered and non-registered SMMEs that were severely affected by the impacts of COVID-19. Most unregistered SMMEs who were grossly affected nearly collapsed due to the unavailability of funding.

Delay in decision-making: Delay is a strategy used to stall decision-making and it is primarily used by parties in contentious public policy issues. The participants concurred that decisions were delayed and most SMMEs gave up before they received their funding.

PA7 said, *“The decisions for funding were delayed and they failed to communicate to us if we were eligible for the funding. Most of us gave up before they communicated to us about the success of the application.”*

Compliance procedures: Compliance policies provide information on the laws, industry rules, and governmental legislation about the management of SMMEs, their personnel, and their clients. The participants confirmed that they were not aware of the compliance procedures, which reduced the chances of qualifying for funding.

PA9 Said, *“The compliance procedures were not well-communicated to us, and this hampered the chances of qualifying for the funding.”*

Nepotism: Nepotism is when a family or acquaintance is given a benefit, privilege, job, or position in a profession or industry. Participants alleged that the award process was dulled by nepotism. They affirm that friends and family members were funded than other SMMEs who do not know people in the concerned departments.

PA8 Affirmed, *“Most SMMEs did not get the funding because they did know anybody in the departments responsible for funding. Nepotism should not be allowed in a public space.”*

Lack of business and managerial experience: The abilities a professional acquires through setting business objectives, addressing operational issues, and establishing efficiency-boosting tactics. One of the participants concurred that the limitation encountered by most SMMEs was their inability to provide evidence of efficient managerial capacities.

PA10 said, *“Some SMMEs could not exhibit their competencies in managing their businesses which resulted in declining their applications.”*

Business location: This refers to a building or premises used by SMMEs to conduct their operations. Some participants confirmed that most SMMEs located in remote areas did not get the information about funding on time, also those that applied were not considered due to the scoring system.

PA2 said *“The business location played a vital role in decisions to fund SMMEs during the COVID-19 era. The businesses located in the remote areas were not aware of the funding, while those that applied were not funded.”*

Cash flow issues: This entails the amount of money coming in and going out of a company over a period and this may signify the capacity to pay suppliers, repay debts, pay bills, and successfully run the business. The participants affirmed that most SMMEs did not qualify for the funding due to poor cash flows.

PA5 said "Some SMMEs did not qualify for the funding due to cash flow issues, due to poor cash flows, they were unable to convince the departments that they would be able to repay the funding at the stipulated period."

The subsequent section presents the measures to improve funding implementation.

Measures to improve funding implementation

This section presents the measures to improve funding implementation. The SMMEs were asked about the most effective way the departments should disburse the available funding to SMMEs during such a pandemic and their responses were summarised in Figure 2.

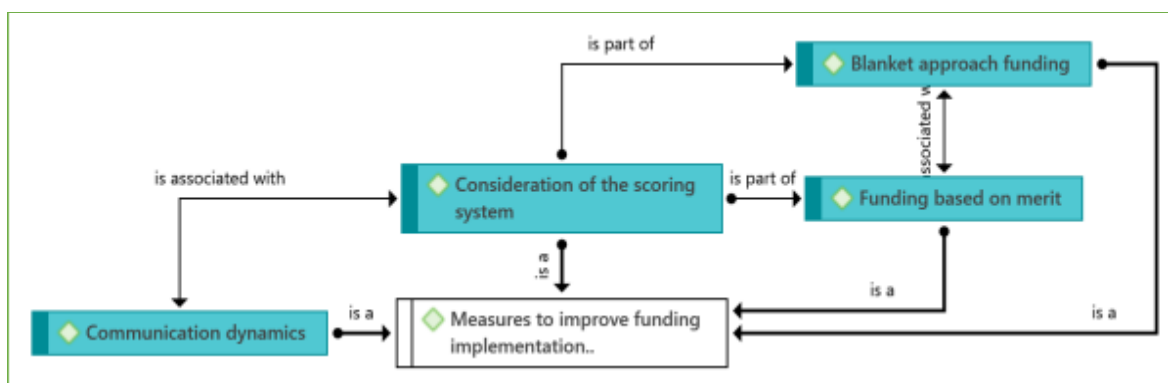


Figure 2: Measures to improve funding implementation

According to Figure 2, participants affirmed that blanket approach funding, funding based on merit, consideration of the scoring system and communication dynamics are among the measures to improve SMME funding implementation.

Blanket approach funding: This refers to an all-inclusive and comprehensive approach to making laws or decisions. The participants attested that it would have been perfect if the departments had considered funding all the registered SMMEs.

PA1 said, "The departments should adopt a blanket approach to funding all the SMMEs, all of us should have received the funding."

Funding based on merit: This entails funding SMMEs who meet up with the scoring system as specified by the departments. The participants maintained that there should not be practices of favouritism in the funding process.

PA6 said “Some of us were more than qualified to get the funding, unfortunately, we were not funded because we don’t know anybody in the department. The department should abolish nepotism regarding sensitive matters”.

Consideration of the scoring system: As mentioned earlier, the scoring system is the eligibility criteria used by the departments to determine the SMMEs that would be funded. Unfortunately, most SMMEs are not funded due to their inability to meet up with the eligibility criteria. Some participants of the study affirmed that the scoring system should be revisited to ensure that most SMMEs would be funded.

PA8 said “The scoring system should be revisited; the eligibility criteria should be reconsidered to enable more SMMEs to obtain funding from the government. Even during the post-COVID-19 era, the scoring system should be revisited.”

Communication dynamics: This refers to the mix of communication options adopted to communicate to SMMEs at different locations. Participants attested that there was an information gap as most SMMEs did not know about the existence of government funding, the eligibility criteria and how they can apply for the funding.

PA4 said *“The departments should have used more communication options such as television, radio sets, newspapers, magazines, billboards, the Internet, and social media to make all SMMEs aware of the funding opportunities.*

The subsequent section presents a discussion of the study.

Discussion of the results

The emergence of COVID-19 resulted in the loss of income and cash flow issues to SMMEs and Sucheran (2022) upholds that the cash flow issues, and management issues further compounded the problems of SMMEs during the peak period of COVID-19. Regarding these issues faced by SMMEs during the COVID era, Omoruyi and Makaleng (2022) confirm that the government of South Africa offered financial

assistance to ensure the continuity of SMMEs. Findings from this study confirmed that business registration posed a problem to disburse funding to SMMEs. Regarding the issue of business registration, Rayi (2022) affirms that most applications were not granted because of their inability to register with the CIPC, also some SMMEs were abandoned because they lacked visibility (located in quite remote areas). The study further confirmed that other challenges include the scoring system, cash flow issues, lack of business managerial experience, and compliance issues. Confirming these findings, Koshy and Sanchez (2021) aver that the credit-scoring models that are employed by most financial institutions and government entities placed heavy burdens on SMMEs, thus limiting their access to secure funding. Baloyi and Khanyile (2022) reiterate that the scoring models have posed a major challenge for SMMEs to secure funding as financial institutions and government entities use credit scores in their risk assessments. Rayi (2022) states that the difficulty encountered in the SMME relief fund in December 2021, which ran from April to July 2020 includes cash flow issues, also SMMEs often face challenges due to a lack of business managerial experience.

The participants of the study indicated that the decisions to fund SMMEs were delayed. In the view of Anakpo and Mishi (2021), delays in decision-making are caused by intense reviews or background checks by financial institutions and investors to assess the SMME's business plan. Regarding the communication barrier, Naidoo (2022) affirm that it can pose a challenge for small and medium-sized enterprises (SMMEs) seeking funding, as they may be unable to effectively communicate their business plan and financial needs to potential lenders and investors. The study further discovered that SMMEs battled with compliance issues, Svenson (2021) and Murphy et al. (2022) affirm that compliance issues can pose a major challenge for SMMEs seeking funding, as lenders and investors may be hesitant to provide financing to businesses that are not in compliance with local laws and regulations.

Regarding the measures to improve funding implementation, the participants of the study concurred that funding based on merit should be adopted to ensure that

funding is directed toward businesses that are well-positioned to succeed. In the same view, Games and Rendi (2019) affirm that funding based on merit increases the chances of having a positive impact on the business and being used effectively. Also, Ye and Kulathunga (2019) opine that it can encourage businesses to focus on developing strong business plans and demonstrating their potential for success, which helps foster a culture of entrepreneurship and innovation within the SMME sector. However, Messina (2019) reiterates that this approach may disproportionately benefit businesses that are already well-established and have the resources and expertise to effectively demonstrate their potential for success. Also, it could exclude newer or smaller businesses that may not have the same level of resources or experience (Messina, 2019). The participants further concurred that a blanket approach is ideal to resolve the SMME funding issue. In the view of Zutshi et al. (2021), a blanket approach to funding may be useful as a quick response to an immediate need, but it is important to consider more targeted approaches that consider the specific needs and circumstances of individual businesses. Regarding the scoring system, it is important to carefully consider the design of a scoring system for SMMEs to ensure that it is objective, relevant, transparent, flexible, and respectful of data privacy (Roy & Shaw, 2021). The consideration of the scoring system can help ensure that the system is fair and effective in evaluating the creditworthiness or potential for the success of businesses (Rosavina et al., 2019). More so, Mokwetli (2019) states that effective communication is critical for SMMEs to succeed in today's business environment, especially, in information sharing and information management. SMMEs need to establish clear lines of communication with their employees, customers, suppliers, and other stakeholders (Bvuma & Marnewick, 2020).

Recommendations from the study

The recommendations of this study are made to the SMMEs and the government.

Recommendations for SMMEs

- SMMEs should ensure that they are registered with the Companies and Intellectual Property Commission (CIPC) and this will enable them to have a legal

business name and be legally permitted to receive grants or other types of assistance from the government.

- SMMEs whose businesses are situated in rural locations should endeavour to keep adequate accounting records and ensure proper cash flows to attract funding.
- SMMEs should understand and adhere to local laws and regulations that apply to a business. This may include obtaining the necessary licenses and permits, maintaining accurate financial records, and complying with consumer protection laws.
- Seek guidance from local business development consultants, legal advisors, or industry associations to ensure that the business follows all relevant laws and regulations.
- Consider working with a financial advisor or business mentor who can help identify and address any compliance issues that may be limiting its ability to secure funding.
- SMMEs should ensure that they have adequate managerial experience. The managerial experience in this case includes the ability to provide records of their daily transaction, the human resource capacity, and their liquidity position.
- Take advantage of training and education opportunities. Many resources are available to help small business owners develop their business skills and knowledge, including online courses, workshops, and local business development centres.
- Build a strong network of colleagues and industry peers. Networking can help SMMEs connect with others who can offer valuable advice and support, as well as potential business opportunities.
- Consider hiring employees or consultants with more experience to supplement the skills and knowledge of the business owner. By taking steps to address their lack of business managerial experience, SMMEs can improve their chances of success and sustainability.

- SMMEs should always adopt emerging communication options to send and receive information from their external environment. In the issue of funding, using communication options will assist them to know how to apply and the qualification criteria.
- SMMEs should be readily available to provide the necessary documentation needed for funding approval. This will help remove the suspicion of nepotism and favouritism by the departments in charge of the funding.
- Build a strong credit history by paying bills on time and maintaining a good credit score, and maintain accurate and up-to-date financial records, including balance sheets and income statements.
- Develop a solid business plan that outlines the company's goals, target market, and financial projections.

Recommendations to the government departments (SEDA, SEFA, DSBD)

- Government departments should ensure that all funding disbursed is based on merit and that there are no traces of nepotism or favouritism in their offices.
- The departments in charge of the funding should revisit the scoring systems and ensure that the eligibility criteria would be accomplished by SMMEs.
- The departments should adopt a mix of communication options to inform SMMEs about the availability of funding.
- The websites for application should be interactive to ensure easy application.
- The departments should adopt a quick decision-making approach so that funding is disbursed to approved SMMEs on time.
- If possible, all registered and deserving SMMEs who apply for funding should receive financial aid/grant from the government.

Conclusion

This study explored the meaning of SMMEs in the South African context and their experiences during the COVID-19 pandemic. The study further investigated the palliative funds given to SMMEs during COVID-19 by the South African government, the challenges encountered during its implementation, and the measures to improve the funding implementation. The study discovered that SMMEs in South Africa faced

several challenges during the announcement of the lockdown in South Africa. The lockdown as imposed by the government during COVID-19 resulted in absolute pandemonium for SMMEs with negative consequences to their existence. Some issues faced by SMMEs include cash flow issues, lack of business opportunities, financial issues, decrease in turnover, decrease in profit margins, decrease in working capital, labour shortages, and logistic issues. Since SMMEs are considered the major sources of employment and drivers of growth in the economy, the government offered financial assistance such as SMME Debt Relief Finance Scheme, and business growth fund among others. Regarding the implementation of financial assistance to SMMEs, the study discovered that business location, the scoring system, lack of business and managerial experience, nepotism, cash flow issues, delay in decision-making, communication barriers, compliance issues, and business registration requirements are among the challenges to disbursing funding. The study further determined that using a blanket funding approach, revision of the scoring system, adopting emerging communication dynamics, and merit-based funding approach include the measures to improve SMME funding implementation. The study concludes that the government of South Africa would succeed in funding SMMEs if the recommendations of this study would be applied efficiently.

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