

WHAT'S COOKING, TITO?



Tito, as you cook-up your 2021 Budget Speech, we're bringing these top 10 ingredients to your table.

Adding a dash of SME support here, and a pinch of PPPs there, we think your 2021 recipe will be very much improved. So while they say too many cooks spoil the broth, we say many hands make light work.

Serves 60-million.

1. Non-banks another life-line

SMEs contribute +/- R1,5-trillion to our GDP, yet government puts a fraction of this back into the sector which doesn't move the dial. More must be done to enable SMEs access to life-saving funding, and it starts by improving access to non-bank lenders. Link the funders and recipients in a more efficient way. Once funds are deployed, track them. Drive this by using technology and forgo manually uploading bank statements – this slows the entire process down.

2. Take a seat at the table

Beyond the big banks lies an ecosystem of key stakeholders who are heavily invested in SME stimulation and support. These role players – from lenders, payment service providers and cloud-based accounting and training platforms – must work with government to address a myriad of issues that SMEs face. Use their data and technology to help make evidence-based policy decisions and give them a seat at the table.

3. Billions unspent on millions of SMEs

Securing funding through access to the Department of Small Business loan scheme was massively under-whelming: Out of more than 30 000 applications, only a mere 1497 secured finance, leaving billions on the table. Providing SME financial literacy on unlocking funding, and going-to-market is critical to future uptake. Government's laborious manual process must become digitised to prevent bottlenecks; the intentions are good but the execution is not.

4. Take off the commercial hat

Just a handful of people in government are trying to run a country of 60-million; the state cannot do everything on its own and must play to its strengths, and capacity. Undertake PPPs with independent role players in the SME ecosystem that wear the commercial hat; government can then focus on the pressing social and political mandate.

5. The Big Banks' catch-22

The loan guarantee scheme was designed to help SMEs in distress, but the banks won't fund distressed businesses – this is a fundamental catch-22 and is among reasons for its epic failure. What's more, applicants can only apply for funding through their own bank. Not a third party. They need to put up personal surety, sign over their life and take on all the risk. Government must open up the playing field and work with alternative lenders that fund SMEs in the R50 000 to R10-million turnover range.

6. Your 30 days is up

Cash flow is a serious impediment to SME sustainability and success. Government – and big business – must commit to paying suppliers within 30 days. While this has been on the table for decades, it remains an issue that stunts SME growth, job creation and tax contribution. We need less talk and more action.

7. Fast-track taxi regulation

The taxi industry brings R90-billion into the economy but isn't formalised and doesn't pay tax beyond fuel levies. Regulating this sector will make a significant difference to tax collections, especially when we are sitting with a deficit in the billions.

8. Time to tech-up, Gov

If Covid-19 has taught us anything, it's that we can digitise overnight. From offline to e-commerce, and cash to card, this shift has fast-tracked SMEs' opportunities and propelled them into the future. Digitisation is the new normal and government must educate SMEs on how to make this critical transition by providing training on how to tech-up. Adopting it themselves will also go a long way. And lose the paper, it is 2021, after all.

9. Payments 2.0: from cash to card

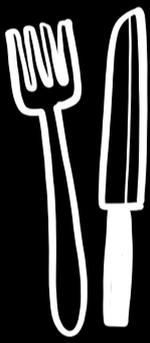
Covid-19 triggered our need for contactless payments, and unlocked government's opportunity of generating more revenue. Every informal vendor should be equipped with a card-based payment device, to cross the chasm from informal to formal, and effect tax collections.

10. Too little and too late?

While the TERS relief fund is back on the table, it is only going to provide a temporary relief for less than one month, and only to certain sectors. By the time the details are all ironed out, the new extension of 15th March could be mere weeks if not days away. Government needs to relook how this life-line is rolled out, to whom and for what period. Otherwise it'll just be another life-line that wasn't.

TIPS FOR TITO

Let's get SA
cooking
again:

 **10**

ingredients

to rebuild
our nation's
SMEs and

EMPOWER
our **people.**

Serves 60-million,
with left-overs
to spare.

