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Research reveals gap in COVID-19 funding for businesses in townships

The COVID-19 pandemic and the current lockdown are already having a devastating impact on South Africa's economy, with informal and small businesses in townships likely to feel its impact most harshly.

A study by postgraduate students at the University of Cape Town (UCT) and entrepreneurs from [Phaphama](#) has found that 87% of small business owners did not know how to access the emergency relief funds that the government has set up. This group of UCT students and Phaphama entrepreneurs spent the first week of South Africa's lockdown investigating how these vulnerable businesses could be assisted most effectively, and whether and how they are able to access available emergency funding.

The group made the following statement: "We applaud the government for their swift action. However, there are large gaps that have not been covered, leaving businesses in townships in a precarious position. In terms of eligibility, funding is only available to businesses that are UIF and tax compliant, have bank statements for about six months and a business plan. Most of these small informal businesses do not meet some of these requirements."

The students sent questionnaires via WhatsApp through their connections to business owners in Khayelitsha and Philippi and asked them to forward these to their networks. In total, 233 questionnaires from business owners in six provinces were completed and returned.

The exclusion of foreign-owned businesses – many of which employ South Africans - has been raised by the research. The businesses who have applied for funding reported that they have not heard anything after three weeks.

"Clear communication on the nature of the funding must be given. Grant funding is preferred to loans as loans already place an extra burden on already vulnerable businesses," the group added.

A central resource, www.fundingthelockdown.live, outlines all available government and private sector funding has been set up by the group to assist these business owners.

The postgraduate students are all on the management team of [Phaphama SEDI](#), a non-profit organisation, which aims to increase the entrepreneurial capacity of small businesses in the Khayelitsha and Philippi areas.

[View the infographic here.](#)

ENDS

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