

THE IMPACT OF THE COVID-19 PANDEMIC ON BLACK-OWNED SMALL AND MICRO-BUSINESSES IN SOUTH AFRICA

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ABSTRACT

Before the COVID-19 pandemic in South Africa, the black majority faced various socio-economic challenges which have been exacerbated due to the pandemic. This is because the black majority's sources of livelihood are mainly from operating and trading in informal small and micro-businesses as they often do not have the financial means to rent shops or spaces at the big malls or shopping complexes like the big businesses which are mainly owned by the whites located in glamorous malls. To curb the spread of the virus in South Africa, lockdown and safety measures were imposed, resulting in most informal businesses being shut down because they were not recognized as offering essential services while formal big businesses that were located in shopping malls were allowed to continue to operate due to the fact that they were considered as offering essential services. This paper looks at the extent of the impact and effect of the lockdown measures on black-owned informal businesses amidst the COVID-19 pandemic.

Keywords: Informal Sector, Black-Owned Businesses, Informal Settlements, COVID-19 Pandemic.

INTRODUCTION

In South Africa, informal businesses are small and micro-businesses enterprises (SMMEs) located in informal settlements, rural areas, and on pavements in the suburbs and are predominantly operated by black Africans. Informal businesses trade in essential goods, predominately groceries and non-essential goods like electrical appliances, ready-to-eat-meals, alcoholic drinks, car repairs, muthi (traditional medicines and spiritual consultations and so on (Kunene, 2020). Informal business is the only type of business that the black majority who have no financial means to start a big business in a formal regulated environment can venture into without going into the rigour of going through different government bureaucracies of stages of applying for and obtaining approvals. Of note, informal businesses while not often accounted for in the official economic indicators are worth billions of Rands and feeds millions in South Africa (Kunene, 2020). SMMEs makeup about 98 percent of businesses and employ between 50 to 60 percent of the country's workforce (McKinsey & Company, 2020). According to Emerging contractors (2020) Small, medium and micro enterprises (SMMEs) are the lifeblood of South Africa's economy.

South Africa during the apartheid era deliberately prevented the black majority from engaging in formal businesses. The apartheid spatial segregation put the blacks in informal unplanned areas across the country whereas the whites' minority lived in properly planned areas with all the socio-economic amenities and facilities including shopping malls where they shop for groceries and other necessities (Abbey, 2008). On the contrary, the blacks had to engage in

informal businesses where they operate small stalls and kiosks selling consumables to meet the needs of their communities (Steyn 2008). Post-1994 democratic South Africa, the informal settlements continue to grow, and inequality continues to expand due to the inept of the new black majority government to bridge the gap (Darkey & Visagie, 2013). While white-owned businesses are usually formal and located in formal settlements and big malls, businesses of the black majority are often scattered everywhere especially in the informal settlements. Furthermore, the COVID-19 pandemic has further entrenched the inequality and revealed unequal operations of businesses as many of the informal businesses were not allowed to operate due to the imposed lockdown because they fell within non-essential categories whereas most of the businesses in the formal sector, predominately white-owned were allowed to continue to operate amid the pandemic because they are regarded as performing and discharging essential services (Krishnadas, 2020). Consequently, many informal business black owners were unable to work to earn meagre income to take care of their family and household (Swinnen & McDermott, 2020). However, informal sector businesses are very important to South Africa and their failure will have disastrous socioeconomic impacts and consequences such as an increase in crime, inequality, poverty, hunger and malnutrition (Berry et al., 2002; Kunene, 2020).

LITERATURE REVIEW

The COVID-19 pandemic resulted in the restrictions of many social and economic activities at different stages of the restrictions, except classified essential businesses in South Africa. The government closed down all the international borders and international travels were restricted in order to curb the spread of the virus (Gössling et al., 2020). In the same vein, South Africa embarked on mass testing, quarantine for the infected, and contact tracing of those that have been in contact with infected persons for purposes of testing and isolation. While these measures were necessary for purposes of controlling the spread of the virus, they have also posed serious socio-economic challenges and the poor and the people living in the informal settlements and rural communities are the hardest hit. These people essentially rely on day-to-day economic activities for their incomes and livelihoods and the pandemic has distorted their means of livelihoods (Obaeko et al., 2020).

In South Africa, the COVID-19 pandemic has exposed the stark inequality mainly being experienced by the black majority who before COVID-19 faced the triple challenges of inequality, unemployment, and poverty (Black et al., 2020). These challenges are carryovers from the apartheid era and they continue unabated during the so-called black majority rule post-1994. In addition, the COVID-19 pandemic has further exacerbated these challenges and impacted the black majority's health, livelihoods, businesses and incomes (Florant et al., 2020). The COVID-19 pandemic also impacted broadly on the black majority in terms of the death rates (Blundell et al., 2020). Most of the people who died as a result of the pandemic were poor and vulnerable black South Africans because they do not have the means to survive during the pandemic (Gravlee, 2020). They died not only because of contacting the virus but also because of hunger and starvation due to the inability to work or trade to generate income as a result of the lockdown (Finn & Kobayashi, 2020).

METHODOLOGY

The study utilized secondary scholarly data on the impact of the COVID-19 pandemic on informal black-owned businesses in South Africa. The data were sourced from the internet

through the Google scholar search engine. The majority of the data retrieved, analyzed and applied to better understand and address the problem were mainly 2020 scholarly works bearing in mind that the pandemic is essentially novel and contemporary. Keywords such as new COVID-19 pandemic, Black-owned SMMEs businesses, informal sector, informal settlements, rural areas, inequality, unemployment and lack of incomes, lockdowns and restrictions, social distancing and quarantines were inserted into the Google search engine and scholarly materials generated from it were used to better understand the problem identified.

THE IMPACT OF COVID-19 ON INFORMAL BLACK BUSINESSES

The South African government had devised various strategies to provide assistance to SMMEs in the midst of the COVID-19 pandemic, However, these strategies have not been matched with positive actions where broad assistance is provided to businesses. Worse still, black-owned SMMEs have been left in the cold as all the promises made by the government have not been fulfilled making the lives of the disadvantaged black majority South Africans even more miserable.

In response to the COVID-19 pandemic outbreak, the Minister of Cooperative Governance and Traditional Affairs, designated under section 3 of the Disaster Management Act, 2002 (Act No. 57 of 2002), having declared a national state of disaster. published in Government Gazette No. 43096 on 15 March 2020, hereby in terms of section 27(2) of the Disaster Management Act, 2002, (DMA) made the Regulations to cater for the needs of all sectors including SMMEs who found themselves unable to make ends meet as their businesses were 'closed down' on the 26 March when the lockdown period began in South Africa. The DMA provides exemptions to the lockdowns and restrictions by allowing all SMMEs who are in the business of providing essential goods such as groceries to apply for and acquire a permit to trade during the pandemic lockdowns.

The guidelines provided by the government became part of the problem instead of solution because there was confusion around what constituted essential goods. While formal businesses benefited and continued to operate since the beginning of the lockdown because they were categorised as offering essential services. On the contrary, all black-owned businesses prevalent in the informal settlements and rural areas where the majority of the blacks live were exempted and as such, they were not allowed to operate their businesses as the goods/services they sell/offer were non-essential products/services. The implication of this exemption is that consumers who rely solely on informal businesses for their goods/services were denied and deprived. This created double disadvantages as informal black-owned businesses could not operate, and as such, their owners could not earn incomes for livelihoods. In the same vein, the consumers were denied access to basic goods and services being provided by these businesses, which impacted the living conditions of the black majority as hunger and starvation became prevalent because there were no other means of accessing basic needs.

FINDINGS AND DISCUSSION

Undoubtedly, the COVID-19 pandemic has exposed the vulnerability and inequality that are prevalent in the business environments in South Africa. The pandemic has ravaged informal black-owned businesses to the extent that majority of them have been liquidated while those that are still operating struggle to stay afloat. It should be pointed out that even before the COVID-19 pandemic, most of the black-owned businesses operated informally. The implication of this is

that they operate on a hand-to-mouth basis because they do not have access to any financial assistance from financial institutions. Before the COVID-19 pandemic, most of the traders relied on loans from family and friends to start the business or to stock up. However, the COVID-19 pandemic negatively impacted the economy, and friends and family members are unable to lend a borrowing hand. While the government devised strategies to intervene and assist ailing informal businesses, the reality is that the government has not fulfilled its obligations and strategies. As a result, black-owned businesses continue to be ignored and left to liquidate. Failure of the business entails that those employed would be rendered unemployed. This has serious socio-economic implications and exacerbates poverty. The idea of asking informal business owners to obtain permits and approval to operate during the COVID-19 lockdown is a disaster as it promoted corruption and criminality as officials either requested for bribes before issuing approval. In other instances, thugs and criminals hijacked the processes by engaging in producing and issuing fake approvals. As such, gullible informal business black owners became victims of corrupt government officials and criminals masquerading as government officials issuing fake approvals.

CONCLUSION

In South Africa, black-owned informal businesses often face neglect and discrimination. These challenges have been compounded during the COVID-19 pandemic with many of these businesses being closed down; resulting in serious consequences of unemployment, loss of income, and livelihood, the ripple effect of this would be felt by those employed in the business. Considering that informal business is the lifeblood of the South African economy, the government should do everything within its power to sustain the operations of informal businesses, especially black-owned by providing all assistance needed for them to thrive during and beyond the COVID-19 pandemic.

RECOMMENDATIONS

While it is recognized that the government introduced the lockdown and shut down to prevent the spread of the virus, it would have been proper to provide necessary safety measures for informal businesses to operate similar to the formal business. This would have bridged the business inequality divide. More importantly, the Government must provide various financial assistance products that will meet the needs of informal businesses to survive the pandemic and beyond in order for the businesses to survive.

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