

# Alternative power supply solutions critical as business confidence thwarted by ongoing energy crisis

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The impact of South Africa's sluggish economic growth has echoed across numerous sectors, with business owners struggling to meet the worsening demands of the ongoing energy crisis. Currently, at least 34% of small businesses cannot afford the costs involved with installing a back-up power supply or alternative energy source while 37% cannot afford the financing programmes available to invest in alternative energy solutions. Despite these challenges, business owners continue to show signs of their well-documented resilience as their businesses gear up for the busy season.



These are some of the findings to emerge from the Business Partners Limited Q1 2023 SME Confidence Index. Commenting on this is David Morobe, executive general manager for Impact Investing at the specialist small business financier limited, who says that the energy crisis has put a damper on South Africa's post-pandemic road to recovery, and by extension, the growth horizons of many small businesses.

He however encourages small business owners to recognise and take advantage of the strides being made on various fronts to provide entrepreneurs with the support they need to succeed.

Among these developments is the fact that business owners are 15 percentage points more confident (66%) that their clients will pay within the stipulated time, when compared to the first quarter of 2022. This progress has been particularly positive, given the implementation of initiatives like 'Pay in 30'. Spearheaded by Business for South Africa (B4SA) in collaboration with several industry bodies in 2020, 'Pay In 30' saw over 50 of the country's largest corporates making a formal commitment to paying their small business suppliers in 30 days.

With confidence in this regard showing signs of a steady increase, Morobe urges small business owners to renew their resolve to employ strategies that will boost the efficiency of their invoicing systems and promote a culture of prompt payment. This, as he advises is one of the central principles of effective cash flow management, which, according to the findings of the most recent Index, remains the biggest challenge for local SMEs.

On this point, the remaining two challenges in Q1 2023's top three were economic conditions and access to funding, with 'crime' falling out of the top three when compared to the previous quarter. With the renewed unrest related to illegal gold mining that has affected certain areas around Gauteng and the most recent tax strike and the related unrest which had

broken out in pockets throughout the Cape Town area, this finding may change heading into the rest of the year.

Talking to the state of small business confidence as a whole, Morobe says that when compared to Q4 2022, business owners have shown a more optimistic outlook heading into 2023's end-of year rush. However, when compared to the same quarter in 2022, business confidence has dropped by only 3 percentage points, with confidence that their business will grow in the next 12 months at 71%.



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In general, the SME Index showed an even split of confidence levels both in terms of quarter on-quarter (QoQ) and year-on-year (YoY) comparisons. Confidence that SMEs will succeed in finding staff members with the right skill sets and experience to facilitate the growth of their ventures was up by 16 percentage points YoY. Furthermore, SME confidence that ease of access to business finance will improve in the next 12 months also saw an increase of 3 percentage points QoQ, which is a favourable outcome for both established and aspiring entrepreneurs.

The greatest dip was recorded in SMEs confidence that the South African economy will be conducive for business growth over the next 12 months. The SMEs surveyed were only 56% confident in the country's economic progress, compared to 77% in Q1 2022.

As Morobe explains, the main reason for this drop in confidence can be attributed to the intensified energy crisis, with many small businesses constantly battling with the effects of an unreliable power supply. For 45% of the SMEs surveyed, grid collapse is a big concern, with many believing it to be an unenviable possibility.

And while some SMEs have made the necessary arrangements to install back-up power supplies and alternative energy sources, many simply cannot afford the costs involved. Only 18% of survey respondents claimed to have solar energy solutions, 26% reported having a generator, 17% rely on an inverter, and only 6% have access to another energy source (geothermal, wind or biomass).

For Morobe, these figures paint a telling picture of a sector under pressure, which has also stymied the industry's progress towards greener, more renewable energy. Currently, 45% of SMEs reported that investing in green energy is important to them, but that their focus remains on keeping the lights on and would use diesel-powered solutions to do so.

As Morobe concludes: "The latest SME Index results have illustrated the desperate need for alternative energy solutions, as the ongoing energy crisis shows no signs of letting up any time soon. At Business Partners Limited, we are continuing to make our Energy Fund more readily available with the aim of helping small businesses to not only keep their ventures afloat under increasingly trying and volatile conditions but to further bolster their immense power of resilience."

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