

**African Journal of Public Administration and Environmental
Studies (AJOPAES)**

ISSN 2753-3174 (Print) ISSN 2753-3182 (Online)
indexed by IBSS, EBSCO and SABINET. It is accredited by DHET (the South
African regulator of Higher Education)

Volume 3, Number 3, December 2024

Pp 47-65

**Government Relief Support Programme and SME Job
Creation, Expansion, and Income Growth post-COVID-
19 in South Africa**

DOI: <https://doi.org/10.31920/2753-3182/2024/v3n3a3>

Innocent Bayai

*College of Accounting Science,
University of South Africa.
Email: bayaii@unisa.ac.za
or nncntb9@gmail.com*

Timothy O. Aluko

*College of Accounting Science,
University of South Africa.
Email: ealukot@unisa.ac.za*

Nicolaas J. Booyse

*College of Accounting Science,
University of South Africa.
Email: Booysej@unisa.ac.za*



Kebaabetswe V. Ramushwana

*College of Accounting Science,
University of South Africa.
Email: ramuskv@unisa.ac.za*

Abstract

In this study, a comprehensive analysis was conducted using a sample size of 345 small and medium enterprises (SMEs) located in Gauteng Province, South Africa. The research employed a mixed methods approach to explore the effects of government relief support programs on job creation, expansion, and income growth within these enterprises. The findings were validated through the application of discriminant analysis, which confirmed the positive influence of government relief support on the employment, expansion, and income growth of SMEs. However, it was observed that these positive effects were contingent upon the enterprises receiving support from government relief funds. The job effect of government SME support is moderated by the 'years in business', loan amount, and business sector. The SME expansion/growth effect is moderated by the loan amount and business sector, while the SME income growth is controlled by years in business and the loan amount. Despite the affirmative evidence on the effects of government support on SMEs, notables are the targeting issues coupled with politicisation and corrupt tendencies in the allocation of government support to SMEs. Impliedly, government support for SMEs can potentially support more jobs, enhance significant SME growth, and increase SMEs' income if flaws in the communication (awareness promotion), application process, selection, and distribution/allocation processes are addressed.

Keywords: *Government small business support, Job, Expansion, Income growth, COVID-19*

JEL Classification: *G3, O2, H42, J18*

Introduction

The theoretical underpinning of government intervention in the private sector has demonstrated long-standing support by the government in the pursuit of specific socio-economic objectives. The Schumpeterian approach posits that government intervention is aimed at nurturing innovation and entrepreneurship within the small enterprise sector (Schumpeter, 1942). Concurrently, Baumol's entrepreneurship theory views government intervention as a pivotal force in fostering the growth of small businesses, which in turn contributes to economic expansion (Baumol, 2002). Furthermore, the seminal theory by Williamson et al.

(1980) elucidates the multifaceted roles of government intervention in the private sector, particularly focusing on cost reduction, enhancing competitiveness, and creating an environment conducive to the growth of private small enterprises.

The extent to which government intervenes in the small business sector is a topic of considerable debate, with proponents of laissez-faire advocating for minimal government involvement while hardliners maintain steadfast support for the private sector. Amid this debate, the role of government intervention is believed to equalise the competitive landscape, enabling small businesses to vie with larger corporations. Conversely, critics argue that government intervention may hinder innovation, dampen entrepreneurial spirit, and lead to market inefficiencies. Given the diverse economic and political philosophies across nations, the discourse on government intervention in small businesses is complex, tailored to each country's context, and continues.

Despite the government's continued support for the small business sector, there is a dearth of evidence on the effectiveness of this intervention. Questions remain about the influence of governmental intervention on SME performance and how such interventions contribute to broader economic goals, such as job creation, SME expansion, and income growth. Accordingly, this study delves into the multifaceted effects of government support for small businesses in terms of SME job creation, expansion, and income growth in South Africa. During the pandemic, the government of South Africa rolled out COVID-19 relief funds for SMEs as a means to help preserve jobs, ensure the survival of SMEs and the expansion of their operations, as well as ensure income growth. After the pandemic, there has been a marked interest on the part of policymakers, economists, and researchers in understanding the impact of state intervention in the SME sector. The key questions are whether state intervention created jobs, led to a noticeable expansion of SMEs outside of state funding, and provided a catalyst for SME income growth.

Our hypothesis posits that small and medium-sized enterprises (SMEs) play a crucial role in job creation, particularly for disadvantaged groups such as youth, women, and marginalised communities. Furthermore, it is believed that government funding for SMEs not only fosters their growth but also creates an environment conducive to job creation. This funding is anticipated to increase SME productivity, leading to expansion and higher income for these businesses. By exploring these nuances, this study provides valuable insights for policymakers, practitioners, and various stakeholders within the SME

sector. While there has been research on government support programmes for SMEs, there is a notable gap in the evaluation of the effects and effectiveness of these support relief programs in facilitating job creation, expansion, and income growth. This gap is highlighted in existing literature (Bhorat et al., 2018). Similarly, Van Rooyen et al. (2019) point out that there is a scarcity of studies examining the effects of government intervention on SME job creation, expansion, and income growth.

Non-South African evidence is often marred by controversy. A study examining government financial assistance for small and medium-sized enterprises (SMEs) in Australia reveals that government support significantly enhances SME performance more effectively than traditional financing methods (Xiang & Worthington, 2017). However, Jayeola et al. (2022) propose that state financing for SMEs does not have a direct correlation with their financial performance. On the contrary, a study by Cravo and Piza (2016) on government business support for SMEs in low- and middle-income economies suggests that such support plays a crucial role in enhancing SME job creation. Notably, Jayeola et al. (2022) highlight that research on the impact of government financial support on firm performance has produced mixed results. Given these inconsistencies, this study aims to shed new light on the empirical nuances regarding the effects of government finance relief support on small businesses, job creation, expansion, and income growth in the post-COVID-19 era of South Africa.

Theoretical Framework

Seminal work by Schumpeter (1942) titled “*Capitalism, Socialism, and Democracy*” suggests that government intervention in the private sector betters the environment for the flourishing of small businesses, thereby supporting growth of the economy. Ideally, government intervention is meant to provide the right infrastructure, resources, and stability for entrepreneurs to assume risks, innovate, and grow. Accordingly, government funding in the SME sector during the COVID-19 pandemic was meant to ensure SMEs’ continued existence, growth, earnings expansion, and creating jobs. In the same realm, Baumol’s entrepreneurship proposition defines government’s intervention through funding as a catalyst for the growth of small businesses (Baumol, 2002). A major contribution by Baumol (2002) is that only productive entrepreneurship is additive to innovation and growth, thereby creating

jobs. Government, by providing apt policies and funding, fast tracks the growth of the small business sector.

While these theories explain the role of government in supporting entrepreneurship, the Baumol model is criticised for oversimplifying types of entrepreneurship in a manner that does not mimic the reality of small businesses (McMullen & Shepherd, 2006). The Baumol model neglects other important factors that define the success of small businesses (social, cultural, and economic conditions), non-conventionality of profit maximisation by SMEs, and non-consideration of structural factors (Carree & Thurik, 2002). The Schumpeterian approach also fails to capture the intricacies of market failure that trigger government intervention. However, these theories form a basis for understanding the rationale of government intervention in the private sector.

Understanding the impact of government relief support programs on SMEs in terms of job creation, expansion, and income growth is guided by the Triple Helix Model (Etzkowitz & Leydesdorff, 2000). This model posits that economic development and innovation are influenced by the interplay between government, academia, and industry. In the context of supporting SMEs, the Triple Helix Model suggests that government initiatives and policies play a crucial role in fostering SME growth, job creation, and income expansion. It recognises that government support can manifest in various ways, including technical assistance, policy reforms, financial aid, and access to markets. These forms of support create an environment conducive to the flourishing of SMEs, leading to the creation of new jobs, expansion, and an increase in SME income. While government support can take many forms, this study focuses on the financial assistance provided to SMEs and its impact on three key performance indicators: job creation, business expansion, and income growth.

Literature Review

Government relief support programmes for SMEs are an old phenomenon that is also multifarious as they include initiatives such as capacity building, reform of SME policies, mentorship, market access, and financial grants. The multifaceted scope of government support for SMEs makes it difficult to ensure that state intervention has a uniform impact in the SME sector. Ideally, policy reforms might favour or propel specific sectors, while other sectors might benefit more from financing initiatives. For this reason, research on state involvement in the SME

sector must be connected with the impact of a specific type of government intervention. Because of the limited access to finance for most SMEs, especially in developing economies, governments tend to support the small business sector through financing initiatives meant to promote growth, survival, and job creation, among other state objectives. The key question is: Does government financial support for SMEs achieve the intended goals?

Ogujiuba et al. (2022) looked at the impact of government support on the business location of SMEs in South Africa and concluded that financing, incubation, capacitation of management, and adoption of tech-based innovation are the major determinants of SMEs' locational choices. However, the aforementioned study did not address the expansion, job creation, and income growth aspects examined in the current study. Cravo and Piza (2019) conducted a meta-analysis based on the impact of business-support services on SME performance, and the findings show that state intervention props up firm performance and creates jobs. However, Cravo and Piza (2019) studied various developing economies and potentially missed country-specific nuances by ignoring micro-data from the SME sector. The authors Cravo & Piza concede that there is a need for more rigorous impact studies on specific interventions if a true reflection of the impact of government support is to be documented. Accordingly, this gap is bridged by basing the study on a survey of South African SMEs that received government support in the period after the recent pandemic.

Business expansion is critical as it creates jobs in the SME sector as SMEs grow and expand. However, existing evidence does not address the uniqueness of South African SMEs. Hauge (2016) shows cross-country evidence of government support programmes and the growth of SMEs and points out that targeted government intervention could potentially have positive effects on SME growth and revenue increase. However, this study by Hauge fails to capture country-specific dimensions of the SMEs as well as the uniqueness of specific government intervention programmes— a dimension pursued in the current study. Buis (2019) also looked at government assistance for SMEs and small business growth and noted that government intervention likely increases competitiveness, revenues, and access to markets. However, the aforementioned study does not cover South Africa, nor does it show nuances linked to job creation, which is a key facet pursued in the current study. On the other hand, the OECD (2019) concedes that less than 50% of SME start-ups survive beyond 5 years, and an even smaller percentage become high-growth firms that can

support job creation immensely. The implication of this literature review is that the job creation role identified by Lopez and Peters (2017) showed that government support for SMEs enhances SMEs' access to knowledge, resources, and networks, but it fails to convey the effect of the support on job creation and expansion.

The intuition is that SMEs' role in job creation might be overestimated and might require enumeration through targeted research of government financing programmes for SMEs. Similarly, a Vietnam study on the role of SMEs in job creation and economic growth (Tuyen & Huong, 2019) reflects that the overall contribution of SMEs to job creation is limited, and there is a need to reconfigure policies if a maximum number of jobs are to be created. Regarding African SMEs, Okech (2017) shows that constricted access to markets and finances curtails SMEs' job creation potential. Because of this evidence, this study seeks to prove whether government financial support is really contributing to job creation.

The other reason why governments support SMEs is to scale SMEs' income growth, as it adds to government revenue through taxation. Also, income growth indicates the success, continuity, and sustainability of SMEs. Income growth is a function of market growth, profitability, and revenue generation, and these facets can be enhanced by government support interventions (Bakar & Ahmad, 2010). This positions SME income growth through government financing as a key policy issue for most governments. Earlier research by the World Bank (2011) shows that business support services (capacity building through training, consulting, and financing) significantly increase both productivity and income growth for SMEs. However, that research paper was based on an array of government support services for SMEs, hence the influence on SMEs is one that is blended. The World Bank concedes that there is a need for focused studies to provide clear evidence of the individual impact of various aspects of business support programmes. However, Namit and Choudhury (2017) contend that access to the right data on income for SMEs makes it difficult to specify the impact of government SME financing on income growth. Namit and Choudhury (2017) also note the dearth of evidence on the impact of various government support programmes on SME income growth. This justifies conducting the current study through a survey intended to focus on the reality of the effects of government support on SME income growth, especially in South Africa.

While government intervention in the private sector is a well-established phenomenon, its recurrence is not met with elaborate effects

or impacts of government relief support programmes on SMEs' job creation, expansion, and income growth (Riding & Haan, 2009). Notably, estimating the impact of state intervention on SMEs is met with a lack of complete datasets and a proper record of the outcomes of the intervention. This explains the sparse evidence on the subject or on specific challenges facing the African SME sector. The study therefore sought to delineate the varied impact of government financial support on South African SMEs, using the SME funding programme provided during the recent COVID-19 pandemic.

Socioeconomic Characteristics of the SMEs

The SMEs sampled for this study operate in different types of businesses, including construction, manufacturing, trade, and retail, as well as other services (see Table 1). Most of the SMEs employed 5-10 employees, with 22% of the SMEs employing more than 25 employees at the time of data collection. More than 50% of the SMEs operated in urban areas, while the remainder were in peri-urban areas. Notably, there were more female and black-owned SMEs in the sample than there were male and Asian-owned SMEs, as shown in Table 1. Most of the SMEs that received the COVID-19 relief funds had loans exceeding R200,000.¹

¹At the current exchange rate, R200 000 is equivalent to US\$10 571.

Table 1: Characteristics of sampled SMEs

Variable	Percentage
Business type	
Construction	11%
Manufacturing	33%
Trade&retail	11%
Other services	44%
Size of business	
Less than 5 employees	22%
5-10 employees	44%
10-25 employees	11%
More than 25 employees	22%
Business locations	
Urban	56%
Peri-urban	44%
Age of the respondents	
36-50 years	56%
Above 50 years	44%
Gender of the respondents	
Male	11%
Female	89%
Race of the respondents	
Black	78%
Asian	22%
Relief fundsgranted	
Below R50 000	11%
R50 001-R100 000	11%
R100 001-R200 000	22%
Above R200 000	56%
Source of information about relief funds	
Bank/Financial institutions	78%
Television	22%
Newspaper	11%
Friend	11%

Source: Authors' own compilation

Non-application for COVID-19 Relief Funds

Of the 345 SMEs, 61% applied for the COVID-19 relief funds, implying that the remaining 39% (i.e. 135 SMEs) did not apply for the relief funds. From a policy perspective, this paper sought to understand the reasons why SMEs decided not to apply for the relief funds. Figure 1 summarises the responses (and their relative importance),as provided by the owners of the SMEs.

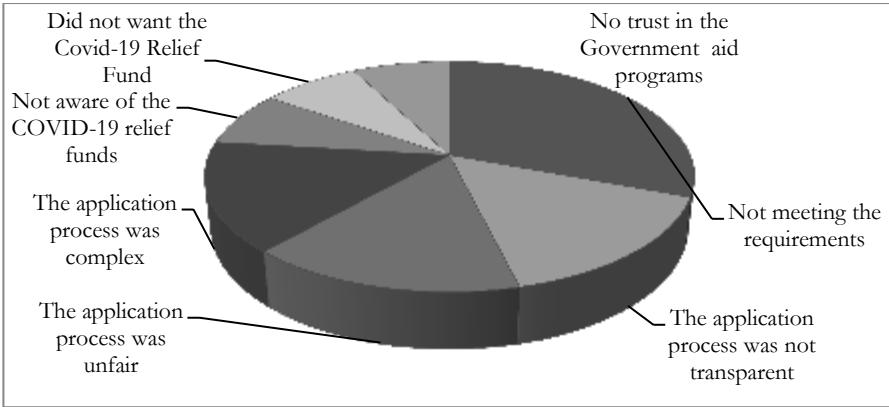


Figure 1: Reasons for not applying for the COVID-19 relief funds

Source: Authors' compilation

For these reasons, McKinsey & Company (2020) acknowledge that some SMEs did not apply for COVID-19 relief funds owing to the complexity of the process – a phenomenon noted in this study. The New York Times (2020) concurred that some SMEs lacked awareness of the COVID-19 relief funds, hence their failure to apply for them. Further evidence suggested that the SMEs failed to meet the necessary application requirements (Forbes, 2020). Some SME owners did not apply as they had access to alternative funding sources (Inc., 2020). Notably, some SMEs were concerned about the sustainability of the relief funds, which indicated their lack of trust in government aid programmes, as such funds tend to be short-term and do not meet the long-term funding needs of SMEs. Under these circumstances, the SME owners felt that with or without the relief funds, they would be constrained; this coincides with the findings of the Harvard Business Review (2020). The South African case was unique as it highlighted the lack of transparency of the application process. Also, some SME owners mentioned the unfair application process, which is associated with the tendency for corruption in accessing the relief funds and discourages potential recipients from applying (Aluko, Bayai, & Enwereji, 2024).

Administration of the Relief Funds

The unfairness associated with the procedures connected to the COVID-19 Small and Medium Enterprise (SME) relief funds necessitated an investigation into the administration of these funds (refer to Table 2). An examination into the fairness and transparency of these processes was

conducted, and the findings have been compiled in the table presented herein.

Table 2: Administration of the COVID-19 relief funds

Statement	Neutral	Disagree	Strongly disagree
The eligibility criteria for the COVID-19 relief funds were fair.		86%	14%
The selection criteria for the COVID-19 relief funds were transparent.	40%	40%	20%

These two weaknesses identified in the COVID-19 relief funds' administration are also highlighted in recent literature on COVID-19 eligibility criteria (Smith, 2021) and transparency issues (Johnson, 2020). These weaknesses may limit the intended impact of state funds in most economies. The study asserts that the job creation, expansion, and income increase effects of government SME funding might be affected by these flaws. The survey showed that 60% of the respondents suspected politicisation of the relief funds, while 40% felt that corruption was at play in the administration of the relief funds. These issues are critical policy issues associated with the targeting, impact, and improvement of future SME relief packages.

Methodology

This study used data sourced from 345 SMEs in Gauteng Province in the Republic of South Africa. The data were collected through a private organisation that deals with SMEs with respect to the compilation of tax returns, advisory services, capacitation, and financing decisions. The paper capitalised on the private organisation's relationships and network of SMEs to distribute the questionnaires.

To determine the effect of government intervention on SME job creation, expansion, and income growth, the researchers in this study used qualitative and quantitative methods. Qualitative responses were converted into quantitative measures to facilitate a quantitative interpretation of the effect of government intervention on SME performance (i.e., job creation, expansion, and income growth). We explored the changes in the business fortunes of both the SMEs that received the grant and those that did not. The questions asked allowed for a dichotomous response (i.e., a "yes" or "no" option), thus allowing us to group the SME owners' responses into two groups. The questions asked related to whether the SMEs had increased their income, if their

business had expanded, and if they had created any jobs in the period after the COVID-19 pandemic.

Discriminant analysis was used to find the best predictors that differentiate the SMEs' performance in terms of job creation, expansion, and income growth. Discriminant analysis was chosen because of its unique capacity to distinguish groups based on a discriminant score. The analysis used canonical correlation by testing the four multivariate test statistics, namely Wilks' lambda, Pillai's trace, Lawley-Hotelling's trace, and Roy's largest root on each of the aforementioned business performance variables. The null hypotheses were that business income increase, business expansion and job creation by the SMEs are not linearly related. As a result, the researchers estimated three discriminant analyses on the three highlighted variables. The evaluation of the hypotheses was based on the canonical structure matrix (r) of 0.30 or more (Ogbeide, 2013). Additionally, the evaluation of the hypotheses was based on the P values and the associated F-statistics of the multivariate tests. The null hypothesis is rejected if the P-values are less than 0.05.

Model Specification

The discriminant score (z) = $\alpha + w_1 x_1 + w_2 x_2 \dots + w_n x_n$

Where α is the intercept, $w_1 \dots w_n$ are the coefficients, and $x_1 \dots x_n$ are the independent variables.

Dependent variables:

Did your business experience an increase in income? (yes or no)

Did your business experience any expansion? (yes or no)

Did your business create any jobs (yes or no)

Independent variables:

X_1 = Gender of the respondent; X_2 = Age of the respondent; X_3 = Years in business; X_4 = Race of the recipient; X_5 = Business location; X_6 = Relief fund recipient; X_7 = Size of the business; X_8 = Amount of loan received; X_9 = Business sector

Presentation and discussion of findings

The results of the four multivariate test statistics, namely Wilks'lambda, Pillai's trace, Lawley-Hotelling's trace, and Roy's largest root, are presented below.

Table 3: Test of significance of all canonical correlations for business income increase

Multivariate test	Statistic	D/f 1	D/f 2	F	Prob > P
Wilks'lambda	0.95	11	339.0	3.19	0.0004
Pillai's trace	0.07	11	339.0	3.19	0.0004
Lawley-Hotelling's trace	0.08	11	339.0	3.19	0.0004
Roy's largest root	0.08	11	339.0	3.19	0.0004

D/f 1 = degree of freedom for the variables, and D/f 2 = degree of freedom for the respondents for determining the F statistics.

Since all p values for the four tests are less than 0.05, it means there is a significant difference in the performance of SMEs with respect to the increase in income between SMEs that received government funding and those that did not.

Table 4: Test of significance of all canonical correlations for business expansion

Multivariate test	Statistic	D/f 1	D/f 2	F	Prob > P
Wilks'lambda	0.82	10	289.0	3.67	0.0001
Pillai's trace	0.07	10	289.0	3.67	0.0001
Lawley-Hotelling's trace	0.07	10	289.0	3.67	0.0001
Roy's largest root	0.09	10	289.0	3.67	0.0001

D/f 1 = degree of freedom for the variables, and D/f 2 = degree of freedom for the respondents for determining the F statistics.

Again, all p values are significant, implying that there is a significant difference in business expansion between SMEs that received government funding and those that did not.

Table 5: Test of significance of all canonical correlations for job creation

Multivariate test	Statistic	D/f 1	D/f 2	F	Prob > P
Wilks'lambda	0.92	10	359.0	3.27	0.0003
Pillai's trace	0.08	10	359.0	3.27	0.0003
Lawley-Hotelling's trace	0.09	10	359.0	3.27	0.0004
Roy's largest root	0.09	10	359.0	3.27	0.0003

D/f 1 = degree of freedom for the variables, and D/f 2 = degree of freedom for the respondents for determining the F statistics.

Based on the p-values associated with the F-statistics of the multivariate statistics, the null hypothesis is rejected since all the p-values are less than 0.05. This means that there is a significant difference between the SMEs' business performances in terms of income, business expansion, and job creation.

Factors Contributing to the Difference in the Job Creation, Expansion, and Income Growth of the SMEs

The canonical structure coefficient (loading) was used to show the relative importance of each discriminating variable by the total correlation. Table 6 presents the structure matrix showing the correlations of each predictor with a discriminant function. Using the canonical structure matrix r (0.30), the increase in business income of the SMEs was discriminated by the number of years the SME, had been in business ($r=0.38$), relief fund recipient status of the SME ($r=0.62$) and the amount of the loan the SME received ($r=0.54$). The results further show that the increase in business income for SMEs was mainly discriminated by the relief fund recipient status of the SME, as the canonical loading was the highest for this variable. These findings are important as they suggest that SME age and amount of funds are critical to SME income growth. Through a meta-analysis Fraser & Bhaumik (2015) show that government funding produces the best results if the SME has been operating for longer and receives a larger loan.

The results also show that business expansion of the SMEs was discriminated by the relief fund recipient status of the SME ($r=0.42$), the amount of the loan the SME received ($r=-0.60$) and the business sector in which the SME was operating ($r=0.35$). The amount of the loan received was the main factor discriminating the business expansion prospects of the SMEs, as it recorded the highest canonical loading for this variable. These findings concur with the OECD's (2016) realisation that the amount of government funding is a key determinant of SME growth and expansion.

The SMEs' ability to create jobs was discriminated by the number of years the SME had been in business ($r=0.34$), the relief fund recipient status of the SME ($r=0.48$), the amount of the loan the SME received ($r=0.46$), and the business sector in which the SME was operating ($r=0.33$). The relief fund recipient status of the SME was identified as the main discriminating factor of the SMEs' ability to create jobs, as the canonical loading was the highest for this variable. These findings concur

with Holzer and Prokopenko (2018), who noticed that financing choices, age, and amount of government funding edify the job creation ability of young firms.

Table 6: Factors differentiating business performance of SMEs²

Variable	Coefficients		
	Increase in business income	Business expansion	Job creation
Gender	-0.12	-0.19	-0.27
Age	-0.14	-0.16	0.08
Years in business	0.38	0.28	0.34
Race	-0.18	-0.15	0.00
Business location	0.01	0.01	0.01
Relief fund recipient	0.62	0.42	0.48
Size of the business	0.13	0.17	0.19
Loan amount	0.54	0.60	0.46
Business sector	0.17	0.35	0.33

Canonical structure matrix ($r = 0.30$) or more is accepted.

$P < 0.001$

The paper further assumed a chi-square test based on the business fortunes of SMEs that received government relief funds versus those that did not receive them. In this case, a chi-square test was used to compare observed fortunes to see if there was a significant difference (see Table 7). The results show that business fortunes for recipients of the relief funds increased significantly (60%) compared with those for non-recipients (21%). This evidence buttresses the findings forwarded by the discriminant analysis, which concluded that government relief support for SMEs supported job creation, expansion, and income growth for SMEs.

Table 7: Chi-square test: fortunes of the business by loan recipient status

Recipient status	Business fortunes		
	Constant	Decreased	Increased
Non-recipients	7%	7%	21%
Recipients	4%	0%	60%
Total	11%	7%	81%

Pearson $\chi^2(6) = 274.3000$ Pr = 0.000

Given these findings, the paper further sought to understand how the SMEs allocated the government relief funds so that they were able to

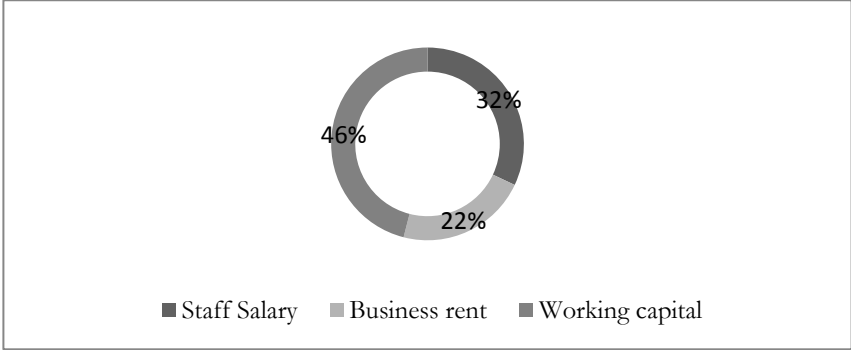
² The shaded r values are the only significant variables to explain SME expansion, income growth, and job creation.

attain considerable gains related to job creation, expansion, and income growth.

Allocation of Relief Funds by SMEs

The allocation of the funds to different needy areas of the SMEs favoured working capital in lieu of the financing of salaries and business rentals (see figure 2). It is apparent that investing in working capital (40%) explains the expansion, growth in income, and job creation outputs. In addition, more than half (67%) of the recipient SMEs confirmed that the relief funds were adequate, thus enabling them to meet their financing needs.

Figure 2: Uses of COVID-19 relief funds by SMEs



Conclusion

The government relief support programme for SMEs during COVID-19 in South Africa supported job creation, expansion, and income growth for recipient SMEs. Notably, job creation effects of the relief funds were moderated by the SMEs’ years of operating (age), the amount of relief funds received, and the economic sector in which they were operating. This finding is critical for policy decisions if the government opts to prioritise job creation in the economy. Further, this study shows that the government relief support programme enhanced business expansion for SMEs, although this effect was moderated by the amount of the relief funds and the business sector in which the SME was operating. The increase in SMEs’ business income was also a significant effect of the government relief funds for SMEs. However, this effect was moderated by SME’s age and the amount of the relief funds received. Despite the evidence of the positive effects of government relief support on SMEs,

not all SMEs received government support. Notable points in this regard are issues on politicisation and corrupt tendencies in the allocation of government support to SMEs. This indicates that government relief support for SMEs can potentially support more job creation, enhance significant SME growth, and increase SMEs' income if flaws in the communication (awareness promotion), application process, selection and distribution, or the allocation processes are addressed.

References

- Aluko, T.O., Bayai, I., & Enwereji, P.C. (2024). The impact of government microfinance program on poverty alleviation and job creation in a developing economy. *Public and Municipal Finance*, 13(1), 30-40.
- Bakar, N. A., & Ahmad, N. H. (2010). The role of entrepreneurship in the success and sustainability of SMEs. *International Journal of Business and Management*, 5(4), 170-176.
- Baumol, W.J. (2002). Entrepreneurship, innovation, and prosperity: How they are related. In La, M., & Papa, A. (Eds), *The entrepreneurship dynamic: Origins of entrepreneurship and the evolution of industries*. Stanford, CA: Stanford University Press.
- Bhorat, H., Asmal, Z., Lilenstein, K., & van der Zee, K. (2018). *SMME's in South Africa: Understanding the Constraints on Growth and Performance*.
- Buis, B. (2019). The impact of government assistance on small business growth. *Journal of Small Business Management*, 57(3), 422-439.
- Cravo, T., & Piza, C. (2016). The impact of business support services for small and medium enterprises on firm performance in low- and middle-income countries: A meta-analysis. A World Bank Policy Research Paper.
- Etzkowitz, H., & Leydesdorff, L. (2000). The dynamics of innovation: From national systems and "Mode 2" to a triple helix of university-industry-government relations. *Research Policy*, 29(2), 109-123.
- Forbes (2020). Small businesses are avoiding applying for SBA Relief Funds - But they have good reasons why. <https://www.forbes.com/sites/rohitara/2020/05/03/small-businesses-are-avoiding-applying-for-sba-relief-funds-but-they-have-good-reasons-why/>
- Fraser, S., & Bhaumik, S.K. (2015). The relationship between government assistance and firm performance: A meta-analysis of the empirical evidence. *Journal of Policy Modeling*, 37(6), 963-980.

- Harvard Business Review (2020). Small businesses need long-term perspective to survive the pandemic. <https://hbr.org/2020/04/small-business-need-a-long-term-perspective-to-survive-the-pandemic>
- Hauge, J.A. (2016). Government support for small and medium enterprises: A cross-country analysis. *Small Business Economics*, 46(4), 571-588.
- Holzer, J., & Prokopenko, J. (2018). Financing choices and the employment growth of young firms. *Small Business Economics*, 50(3), 541-560.
- Inc (2020). Why some small businesses are choosing loans over stimulus relief. <https://www.inc.com/michael-schneider/covid-19-funding-stimulus-package-ppp.html>
- Jayeola, O., Sidek, S., Sanyal, S., Hasan, S., Binh An, N., Ajibade, S.M., & Phan, T.T. (2022). Government financial support and financial performance of SMEs: A dual sequential mediator approach. *Heliyon*, 8(11).
- Johnson, L. (2020). Lack of transparency in selection criteria for SME COVID-19 relief funds. *Small Business Today*. <https://www.smallbusinessstoday.com/lack-of-transparency-in-selection-criteria-for-sme-covid-19-relief-funds/>
- Lopez, A.S., & Peters, K. (2017). The role of government support in fostering SME growth and innovation. *Journal of Enterprising Communities: People and Places in the Global Economy*, 11(2), 256-271.
- McKinsey & Company (2020). Small businesses need a path to survival. <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/small-business-need-a-path-to-survival>
- Namit, S., & Choudhury, A. (2017). The impact of government support on the growth of SMEs: A systematic review. *International Journal of Business and Management*, 12(4), 105-113.
- OECD (2016). Financing SMEs and entrepreneurs: An OECD scoreboard. Paris: OECD Publishing.
- Ogbeide, G. (2013). Government support and the performance of small and medium-sized enterprises in Nigeria. *International Journal of Business and Management*, 8(5), 66-75
- Ogujiuba, E.H., Eke, C.O., & Etium, U.M. (2022). The impact of government support on the business location of small and medium enterprises (SMEs) in South Africa. *Journal of Business and Industrial Marketing*, 37(2), 245-262.
- Okech, D. (2017). The challenge of job creation in Africa: The role of small and medium enterprises. *African Journal of Economic and Management Studies*.

- Riding, A. L., & Haan, M. (2009). The impact of government assistance on the performance of SMEs: A review of the evidence. *International Journal of Entrepreneurship and Small Business*, 7(2), 195-214.
- Schumpeter, J.A. (1942). Capitalism, socialism and democracy. New York: Harper & Brothers.
- Serame, M. (2019). Factors Influencing SMEs' Access to Finance in South Africa. A Master's degree dissertation from University of Cape Town.
- Smith, J. (2021). Unfair eligibility criteria for SME COVID-19 relief funds. *Business Times*. <https://www.businesstimes.com/article/unfair-eligibility-criteria-for-sme-covid-19-relief-funds>
- The New York Times. (2020). Why some small businesses are unlikely to survive the pandemic.<https://www.nytimes.com/2020/08/06/upshot/why-businesses-virus-survive.html>
- Tuyen, N.T.T., & Huong, T.T.T. (2019). The role of small and medium enterprises in job creation and economic growth: The case of Vietnam. *Journal of Economics and Development*.
- Williamson, O.E., Olson, M., & Casson, M. (1980). The limits of firm size. *International Studies of Management & Organization*, 10(3), 96-110.
- Xiang, D., & Worthington, A. (2017). The impact of government financial assistance on the performance and financing of Australian SMEs. *Accounting Research Journal*, 30 (447-464).