

# How SMMEs can be more financially resilient

An emergency or unexpected occurrence can have a negative impact on your business. The Covid-19 pandemic has demonstrated the need for SMMEs to adopt new ways of doing things and has pushed businesses to try and become more financially resilient.



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Speaking during a panel discussion during Money Smart Week South Africa 2021, spokespeople from the Association for Savings and Investment South Africa (ASISA) Foundation defined financial resilience as the ability to cope with income loss, financial setbacks, or unexpected events such as lockdown as a result of the pandemic. It is important for SMMEs to be prepared for financial loss by being cautious about how they spend money when business is going well.

## How to be more financially resilient

SMMEs can implement the following steps to ensure that they are more financially resilient:

- **Managing Business and Personal Finances:** It is important for SMMEs to remember that business income grows, funds, and protects the business. It is used to pay for business expenses such as rent. Maintaining and distinguishing business income and personal income (such as groceries) ensures that there is always a clear overview of business growth.

- **Planning and Budgeting:** SMMEs need to have a financial plan that creates a roadmap of how money is spent. The first step to creating a conclusive financial plan is to outline the budget that covers themes such as the total amount spent on stock and expenses. A good financial plan can help the business reduce costs ahead of a crisis.
- **Diversifying revenue streams:** It is crucial for SMMEs to always look for opportunities to increase and maintain revenue during a time of crisis. This means understanding consumer needs and identifying how to use their products to empower the community.
- **Managing Cash Flow:** It is important for SMMEs to use less and earn more to ensure that business expenses are kept low and to reduce unnecessary costs in order to save. SMMEs that have a good understanding of their cash flow are at an advantage when managing a crisis.
- **Saving:** All SMMEs are advised to save money for a crisis to avoid being at risk and to be able to continue operations. Businesses can expand and remain sustainable depending on their savings.

It is important for businesses to always be prepared to adjust in times of uncertainty. Using the right resources can empower SMMEs to make the right decisions.

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