**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER:** **1344 [NW1540E]**

**1344. Mr H C C Krüger (DA) to ask the Minister of Finance:**

(1) With regard to the letter from the Banking Association of South Africa dated 10 October 2020, what (a) total number of small-, medium- and micro-enterprises have been successfully assisted (i) with payment breaks on credit agreements and (ii) under the loan guarantee scheme since 27 September 2020 and (b) are the relevant details of the total assistance provided;

(2) what (a) total number of requests by small-, medium- and micro-enterprises for payment breaks on credit agreements have been denied since 27 September 2020 and (b) are the relevant details of the total assistance denied;

(3) what (a) total number of requests by small-, medium- and micro-enterprises for assistance under the loan guarantee scheme have been denied since 27 September 2020 and (b) are the relevant details of the total assistance denied;

(4) what measures has the National Treasury put in place to ensure that more small-, medium- and micro enterprises receive appropriate and sufficient financial assistance? NW1540E

**REPLY**:

1. I am not aware that there was any letter from BASA dated 10 October 2020, and the attachment submitted by the Honorable Member appears to be a public media statement issued by BASA on 11 October 2020. The Minister of Finance cannot be expected to answer or account for any statement issued by BASA, or for the loan policies of any private registered bank.

I will, however, assist the Honorable Member by commenting and highlighting relevant points from this and other BASA statements, some of which they also sent to the National Treasury. I refer the Honourable Member to the BASA website ([www.banking.org.za](http://www.banking.org.za)) for other relevant statements, and also bring to the attention of the Honorable Member my response to a previous parliamentary question PQ 869, published on 29 September 2020.

1. **(i)** **Payment breaks on credit agreements**

Yes, I am aware that all the major banks took steps to provide relief to their customers soon after the start of the first COVID-19 lockdown in 26 March 2020, based on the public statements issued by BASA and various individual banks, as well as meetings between BASA and Treasury. According to the BASA statement of 12 November 2020 (<https://www.banking.org.za/news/nov-covid-19-relief-update/>), most of the major banks restructured loans and credit facilities for their clients and corporate customers in financial distress through their own credit relief process, almost immediately at the start of the first lockdown. In this regard, the credit relief (repayment holiday or payment breaks on credit agreements) was a voluntary initiative by commercial banks, which was offered to individuals and small and medium enterprises (SME) for the six months (April – October 2020). As at 24 October 2020, BASA reports that banks had provided R33,61 billion in payment breaks on credit agreements to South African businesses and individuals who were in financial distress as a result of the Covid-19 pandemic and the national lockdown.

According to BASA, over 83 per cent of individuals and 95 per cent of businesses who requested help, with personal and home loans, vehicle finance, business mortgages and credit facilities, received the required assistance. This cash flow relief for 2 684 271 credit agreements for eligible individuals and 135 540 businesses was critical to the preservation of quality of life, jobs, businesses and the functioning of the economy.

1. **(ii) Loan guarantee scheme**

According to the last update on the loan guarantee scheme released by BASA as at 19 June 2021, a total 13 324 loan applications were approved for SMEs within the different turnover bands, with a total rand value of R18.39 billion. The majority of approved applications were submitted by SMEs with a turnover greater or equivalent to R1 million but less than R20 million. The relevant statement is available on the BASA website.

1. This information is not available to National Treasury, as it is bank-specific, and covers financial assistance beyond the loan guarantee scheme. But BASA has indicated (as stated above) that at least 83 per cent of individuals and 95 per cent of businesses that requested help, with personal and home loans, vehicle finance, business mortgages and credit facilities, received assistance. This implies that 17 per cent of individuals and 5 per cent of commercial enterprises, respectively, did not receive financial assistance as a result of their respective credit facilities not being up-to-date in terms of repayments credit agreements.
2. As at 19 June 2021, BASA reports that a total of 28 430 covid19 loan guarantee scheme applications were rejected. Applications were rejected since, inter-alia, they did not meet the eligibility criteria for the scheme, as set out by National Treasury and the South African Reserve Bank, or because they did not meet commercial bank’s risk criteria. In some cases, applications were rejected as a result of outstanding financial records or documentation not submitted; or the loan value requested was either too high, being in excess of the R100 million maximum loan amount requirement, or that the reason for the application was not a COVID-19 related matter/distress.
3. The National Treasury, together with the South African Revenue Service (SARS), the Prudential Authority and The Financial Sector Conduct Authority (FSCA), have taken a number of measures to assist all businesses, using tax and regulatory instruments. The tax measures were outlined in announcements made by the Minister of Finance (see Supplementary Budget Review, page 32), and outlined in parliamentary questions PQ 850, 851, 852, 853, 854 and 869 in 2020. Small businesses (with gross income of up to R100 million) were able to defer a portion of up to 35 per cent of their employees’ tax payments and a portion of up to 35 per cent of their provisional tax payments. Businesses of any size could claim the increased Employment Tax Incentive and were exempt from the Skills Development Levy for 4 months. Companies that still face financial distress can utilise the existing tax administrative measures to apply for hardship relief.

FSCA, in consultation with the National Treasury, also provided further support to businesses and individuals by adjusting regulations to support insurance premium relief for policyholders, allowing them to claim while minimising disruptions to the expected income of intermediaries. In addition, the FSCA advised the boards of trustees for retirement funds and financially distressed employers to consider allowing appropriate relief with regard to retirement contributions.

The National Treasury continues to monitor the impact of the COVID-19 pandemic on the economy and jobs, and recognises the challenges facing both small and large businesses, particularly those in the hardest hit sectors. Existing support measures by the South African Reserve Bank and FSCA, as detailed in the 2021 Budget Review (pages 173-174), will continue, subject to conditions and regulatory mandates. National Treasury, working with relevant stakeholders, continues to explore more appropriate support and risk-sharing mechanisms, including proposals related to non-bank financial institutions and development finance institutions, mindful of the fiscal challenges facing South Africa.