

The Use of Budgeting as An Effective Management Tool by South African SMMES In the Formal Sector During Covid-19

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Abstract

Budgets are a great management tool for both small and large organisations. Every organisation, particularly SMMES operating in the formal sector, must ensure that budgets are used as a major tool to avoid failure at the beginning stage. Budgets are used by small business to effectively manage limited financial resources. The Covid-19 affected most economies around the world, making it difficult for small businesses to survive. This called for stricter use of management tools such as budgeting. It was, therefore, important to assess whether SMMES in South Africa used budgets as their effective management tool during the covid-19 pandemic. In South Africa, SMMES received a government bailout from the Presidential stimulus package, and as such, the researchers found it crucial to investigate the use of these resources during the pandemic. A quantitative research approach was adopted, using a survey (questionnaire). Descriptive statistics were used to analyse the research question. It was found in this study that most SMMES did not use budgets during the covid-19 pandemic. The study further revealed that many SMMES had to close down during the lockdown, while others did not qualify for government grants. Government via the Department of Small Business Development need to train these small companies on how to manage budgets. In most cases, budgets help managers and owners make effective decisions. The study concludes that SMMES play a critical role in the South African economy, they still faced a number of difficulties, particularly in terms of financial and budget management.

Keywords: effectiveness, budgets, SMMES, and management tool, Covid-19.

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