South Africa’s SMEs currently owed almost R100k each in late payments

91% of SMEs are currently owed money outside of payment terms

The national scale of late payments could equate to R249.5 billion* across SMEs in South Africa

Johannesburg, South Africa - 28 November 2019 — Xero, the global small business platform, has today released new research that reveals South Africa’s small to medium businesses (SMEs) are each owed R99,800 in late payments at any given time according to their business decision-makers. Given there are an estimated 2.5 million SMEs in South Africa, this means the national scale of late payments could equate to a staggering R249.5 billion*.

The new State of Late Payments report reveals that a staggering 91% of small businesses are currently owed money outside of their payment terms. On average, SMEs waste 89.5 working hours per year - the equivalent of two working weeks - chasing late payments.

Colin Timmis, General Country Manager, Xero South Africa and professional accountant said: “It’s not right, or fair that SMEs have to deal with late payments. They live or die by their cash flow – and if they’re not paid, they can’t survive. Just think what they could do with an extra R99,800, it could contribute towards a salary or pay for some new technology.”

The National Development Plan aims to create 11 million new jobs in South Africa by 2030, and wants SMEs to generate 90% of these new roles. But this new research shows that if late payments aren’t tackled, growth may be stifled. More than a fifth (21%) of respondents that had invoices paid late said they struggled to pay their suppliers on time, and a similar amount (20%) said they struggled to pay their staff. Nearly half (47%) listed cash flow and late payments as one of the main threats to their long-term growth aspirations.

It’s not just the impact on financials and growth, late payments impact personal wellbeing too. Over a quarter of respondents (28%) had to borrow money from friends and family to keep their business afloat, over a third (34%) cited stress as an impact, and 20% have taken time off due to illness.

Getting paid on time would help entrepreneurs invest and grow their business. When asked what they would do with the late payments owed to them, a third would clear some debt (30%), increase headcount or raise salaries (38%) and invest in new business technology (29%). Such technology could be the key to tackling the late payment epidemic.

“It’s really positive to see that SMEs want to invest in new tech and growing their teams. But for this to happen, we need a collective effort to tackle this culture of late payments. There are some actions SMEs can take now to help reduce the burden; make sure you invoice early, use cloud accounting...
software to send automated payment reminders, and lean on your accounting partners for advice,” Timmis concluded.

Other key findings revealed:
- 17% said that the month of May carried the highest number of outstanding invoices
- Just over a fifth (21%) are struggling to pay for business-critical services
- 21% were refused access to finance because of late payments
- 19% are prevented/held back from investing in the business, innovating and growing

To find out more about how late payments are affecting SMEs along with tips on how to manage late payments, read the full report here.

*Calculated by multiplying the estimated number of SMEs in SA (2.5 million) by R99, 800 (the average amount in late payments owed to small businesses at any given time). This amounts to R249.5 billion.

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Note to editors
The research represents the opinions of 502 Business Decision-makers in SMEs (1 – 249 employees). The survey research was conducted by Censuswide, with 502 Business Decision-makers in SMEs (1-249 employees) in South Africa between 11.10.2019 and 24.10.2019.

Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

About Xero
Born in the cloud, Xero is a beautiful, easy-to-use platform for small businesses and their advisors around the world. Xero provides its 2+ million subscribers with connections to a thriving ecosystem of 800+ third-party apps and 200+ connections to banks and financial service providers. On the inaugural 2018 Financial Times FT1000 High-Growth Companies Asia Pacific list, Xero was the fastest growing tech company in the $200+ million segment. Xero won ‘Accountancy Software Provider of the Year’ at the British Business Awards in 2019, and was rated by Canstar Blue as the best accounting software in Australia from 2015-2018 and in New Zealand in 2019.