

World Entrepreneurs' Day: Tackling late payments together

 By [Colin Timmis](#),

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21 August is World Entrepreneurs' Day (WED). Designed to celebrate entrepreneurs, innovators and leaders around the world, WED is the perfect time to discuss the issues that people who start a business alone face and what they can do to overcome them.



Colin Timmis, General Country Manager, Xero SA

Entrepreneurs are vital to the South African economy. SMEs contribute approximately 34% to the country's GDP and, according to the Small Business Institute (SBI), account for nearly 98.5% of formal firms in the economy.

Despite their contributions, South African small businesses are still up against it. They have a unique set of challenges, including poor internet connectivity, a volatile market and load shedding, to name a few.

With the odds against them, it can be tough for a small business to stay afloat, let alone generate growth. But we simply can't afford to lose them. That's why we want to dissect these challenges to find out how small businesses can stand a better chance in South Africa.

Cash flow is one of the biggest issues facing small businesses in South Africa today, and the knock-on effect is immense. According to the National Small Business Chamber (NSBC), late payments are at an all-time high for South African SMEs. More than half are hampered by late payments, causing many to go out of business.

The impact

Late payments cause negative cash flow, which in turn causes a myriad of problems. It means businesses can't pay their bills or suppliers, hire new staff, or invest in new technology and equipment. Combined, these factors stunt growth. But the biggest problem that it causes, which people don't talk about enough, is that it adversely affects a firm's credit score,

making it much harder to raise funds. Accessing finance is already a major issue for South African small businesses, and late payment issues only make matters worse.

As in many cases, technology can help plug these gaps. Let's take a closer look at the role that technology can play in helping entrepreneurs and small businesses get back on track.

The solution

At Xero, we're all about the cloud. This is because we see the difference it can make to small businesses all over the world, every day. It arms all businesses with the tools to manage their money in real-time, wherever they are.

But small businesses can also take their own steps to help tackle late payments. Take it from Louw Barnardt, co-founder and MD at Outsourced CFO, who has the following advice for small businesses:

- **Make sure that you invoice early**

The earlier your client knows what is owed and when it is due, the better they can plan and schedule your payment. Using a cloud accounting tool will make this easier. It allows you to bulk-send invoices and statements, set expected payment dates, and automatically track payments, returns, and credits. It also provides you with a button for instant payments in just one click.

- **Follow up all the time**

The value of courteous follow-ups cannot be overestimated. Luckily, this can be made seamless by scheduling your follow-ups using cloud tools, which allow you to automate follow-ups, check overdue invoices, and see who owes you money from anywhere at any time.

- **Incorporate debit orders for recurring clients**

Get clients to agree to a debit order payment on the first or the 15th of the month. This means that your cash is in the bank ahead of your salary run and month-end payments. This makes for perfect cash flow management and can all be automatically processed through the cloud.

- **Don't let late payments get you down**

Late payments can cause sleepless nights and endless stress. The good news is that cloud technology enables business owners to effectively and efficiently manage payments and debtors, ensuring that they have a grip on their business and a positive cash flow. It enables businesses to plan more effectively and put the relevant tools in place to ensure that their business is not negatively impacted by late payments.

Late payments are a crucial issue for South African entrepreneurs and small businesses. If we work together to get the word out about the right technology, we can tackle the late payment crisis together.

ABOUT COLIN TIMMIS,

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