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Beautiful business

State of South African Small Business 2024

The challenges, trends, and
opportunities shaping the small
business landscape in 2024

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Why insights into the small business economy matter



*Introduction from Colin Timmis,
Xero South Africa Country Manager*



There is something very special about small business owners and entrepreneurs.

We talk to self made businesses every day, and the bravery and resilience from these businesses still amazes me. Their stories are intense, having just emerged from another challenging year with load-shedding, infrastructure challenges, and inflation. Despite these challenges, our research once again shows a small business industry filled with optimism and ambition.

But they still need our support. Now, more than ever we need to create a more connected support system for small businesses and work together to create a better environment for people to start and grow businesses.

I'm incredibly excited to share **our seventh annual Xero State of Small Business (2024) report**, which looks at the trends, challenges and opportunities facing self made businesses. We continue to use this to engage with small business groups, their accountants, banks, government, funders, and other technology

companies – the key enablers of the small business community – so that together we can try and create a better future for our small businesses.

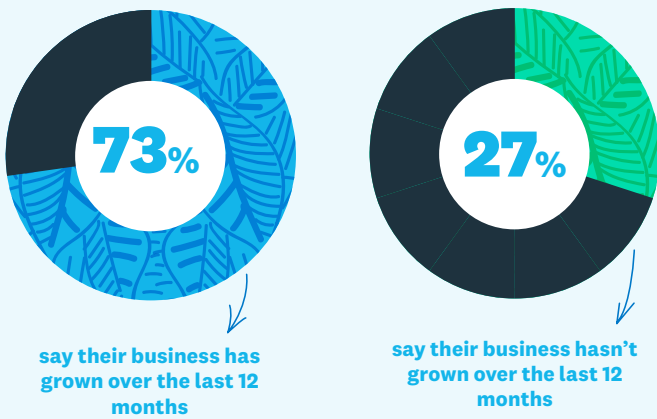
Key takeaways for 2024 include:

- **Small businesses are optimistic despite the challenging conditions**
- **Technology is helping small businesses to access new markets, boost profits and streamline operations**
- **Technology is a key area for investment in 2024**
- **People are key to small firms who are investing in both skills and their mental wellbeing**
- **Accountants are helping businesses reach new heights**

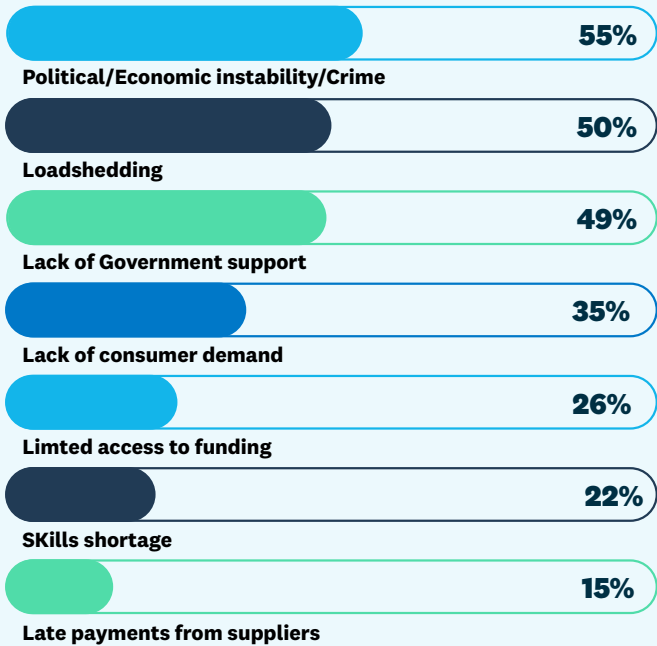
We believe that by equipping our entrepreneurs with the right tools and infrastructure, we can empower them to run better businesses.

The self made: a community defined by optimism and ambition

Small businesses remain optimistic with **87%** feeling positive about their personal business outlook for 2024, this is a 6% increase from last year. In a year which is marked by political uncertainty linked to the elections, this is encouraging.

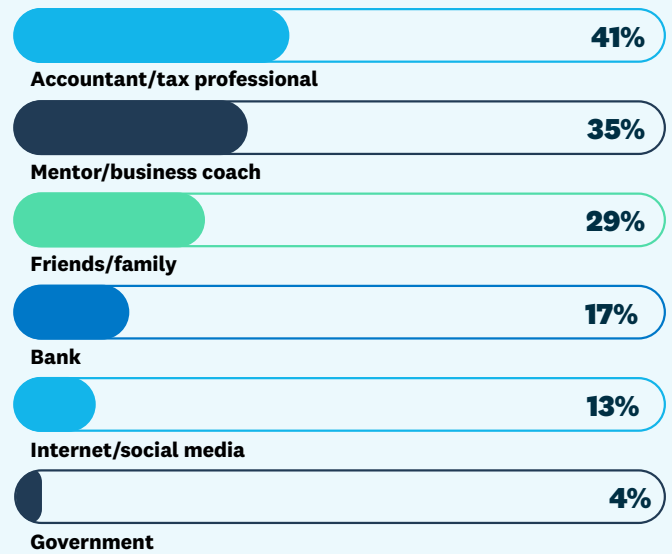


But there are still issues facing small businesses this year. **The top listed concerns and barriers over the next 12 months:**

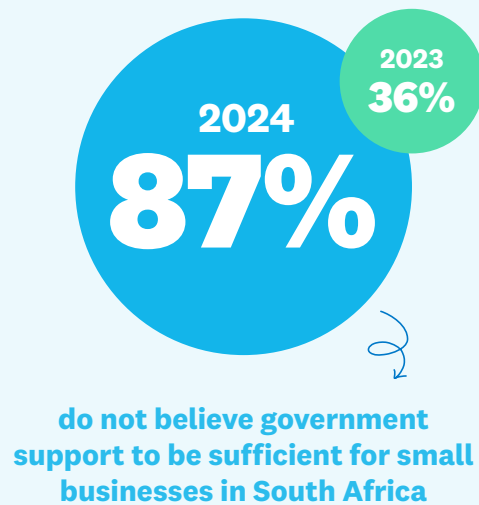


It's also promising to see that small businesses are seeking help from professionals to navigate these challenges with **41%** going to their accountants for business advice. Accountants rank far higher than the government.

Who do small businesses go to for business advice:



This support from accountants and bookkeepers is especially important, because **87%** do not believe government support to be sufficient for small businesses in South Africa - a huge increase from 36% last year.



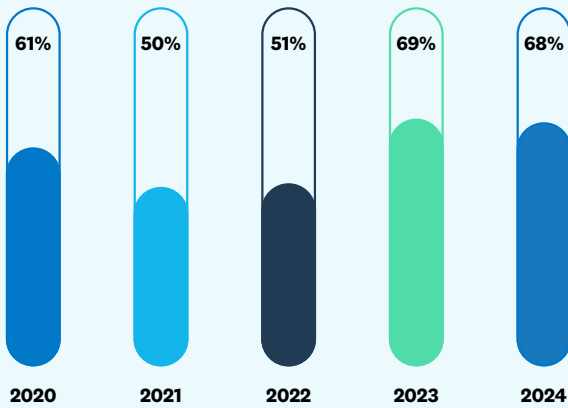
Digitalisation is a game-changer for small firms

Driving greater digital adoption and technology usage is key to boosting small business growth and productivity. It's these tools that will free businesses from manual tasks, and also support in critical areas like faster access to funding, moving into new markets, gaining stronger insights on performance and streamlining operations.

The data shows how critical the role of tech is. Nearly a third (27%) of respondents said that **technology** had been the most significant factor in helping their business survive in the last 12 months.

Over the last 12 months, **37%** said adopting new technology has increased profits.

Cloud adoption is on the rise



It's encouraging to see **75%** of respondents consider their staff to be **"tech-savvy"**. As a result, more firms are moving to cloud software to manage their finances.

The top benefits small businesses are seeing from cloud technology:

- It makes it easy to collaborate with my team (70%) - compared to 27% last year
- Help me better manage finances (68%)
- It's improved my business operations (62%) - compared to 41% last year

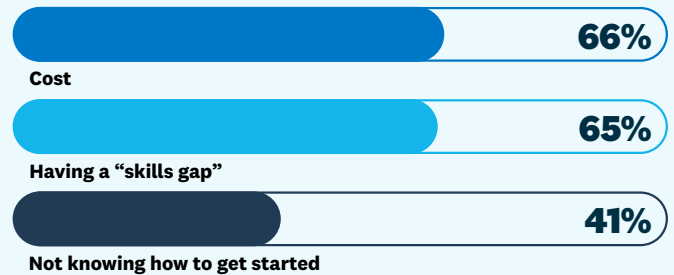
Especially when managing finances

How small businesses are managing their finances:

	2024	2023
Cloud accounting software	62%	39%
Desktop software	12%	36%
Spreadsheet or paper records	19%	25%

There is still so much untapped potential when it comes to adopting technology in small businesses.

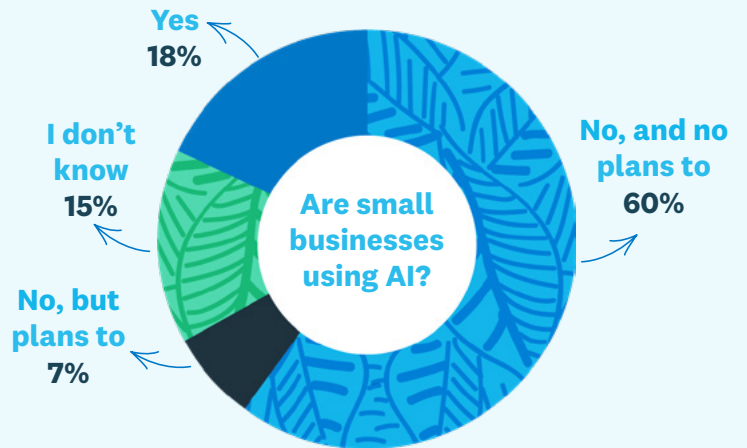
Top barriers to adopting new tech:



A spotlight on emerging technology: The rise of Artificial Intelligence (AI)

There is a lot of buzz around AI at the moment. But for small businesses it can be hard to work out how it fits into their business and the tools that will actually help them.

This suggests **small businesses could benefit from better education around AI**. It also shows that many don't realise they are already using AI driven tools.



Looking at how small businesses are currently using AI:



Accountants and bookkeepers: the small business lifeline

We need to get businesses using the right technology. But they need support in identifying the tools and practices that are right for them, that's where accountants come in. A massive **81%** placed their accountant as their most **trusted business advisor** and 83% said their accountant has been crucial in helping their business survive.

The top areas small businesses feel most supported by their accountant

- VAT and tax - 93%
- Financial forecasting - 87%
- Invoicing - 84%
- Auditing - 84%
- Legislation compliance - 79%

The accountant and small business relationship will continue to evolve, with **58% believing their accountant will act as more of a consultant in the future**, telling them what they can do to grow their business.

“The accounting part of business is not where my strength lies but I’m acutely aware that it is an important part of business that helps turn my passion into profit. We have great accounting partners who understand the challenges of working with creatives.”

Late payments and cash flow continue to plague small firms

There were two primary areas where small businesses continue to experience challenges:

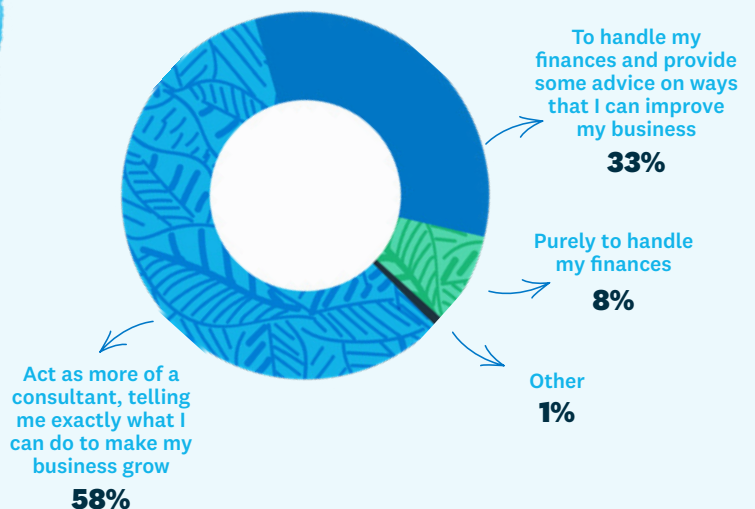
1. Late payments

Small businesses need to be paid by suppliers on time. If they aren't, this means they can't grow.

46% of respondents said they spend 1 to 2 months chasing late payments each year.

Interestingly, 31% felt that small businesses were late payers while 51% were “unsure” who their worst late payers were.

How do you expect to collaborate with your accountant in the future?



Adrian Heneke
Founder of BillyNOW

2. Cash flow challenges:

Cash in the bank is the lifeblood of any small business. The data revealed **24% had some degree of cash flow issues**, and that out of those, a large majority (72%) have used personal funds to keep the business afloat.

Getting access to funding can help small businesses manage cash flow challenges, however **92%** have not applied for funding or loans from a bank over the last 12 months.

Opportunities for the future

Looking ahead, it's positive to see small businesses remain ambitious and want to invest for success.

Areas small businesses plan to invest in 2024:



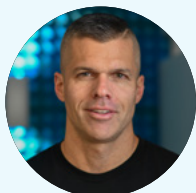
32%

Government can make it easier for small businesses

Entrepreneurs can't go it alone. We've long advocated for a more connected support system for small businesses. This means those across industries and groups working closely together - and government - to create better conditions for business owners.

In 2023 our data showed 32% were not planning to invest in their business

“It’s great to see SARS is ahead of the curve in many ways, and it is positive that they are putting a big focus on modernisation and making tax easier for small businesses. But there is much more we can do collectively to get the right tools in the hands of businesses.”



Colin Timmis
Country Manager,
Xero South Africa



Our data shows that small firms are crying out for more help:

- 49% say lack of government support is a barrier they expect to face in 2024 - up sharply from 11% in 2023
- 80% believe we need more education and skills support from government
- 81% want more funding support
- 75% are seeking more tax breaks for adopting digital tools

A final thought

Gathering this data over the last seven years has given us valuable insights into the State of Small Business in South Africa.

The last 12 months have been incredibly challenging for businesses, however, with the tenacity that the self-made community has shown I have no doubt that with the right support, small businesses can turn their eyes to greater growth, expansion and opportunity.

This will be driven further by working more closely with the accountants that help our community thrive. They are the ones who will help close the gap, educate businesses around their finances and also help our economy to grow.

We are all better when we work together.

Colin Timmis

Methodology

We partnered with World Wide Worx to conduct the State of Small Business research. The World Wide Worx research organisation conducts ground-breaking market research into how change is affecting business and society. World Wide Worx produces the most widely accepted statistics for Internet use in South Africa, and has conducted research across Africa since 2001, unraveling the complexities of operating on the continent. The research in this report was based on interviews with over 300 small business owners across various sectors and industries in South Africa.



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