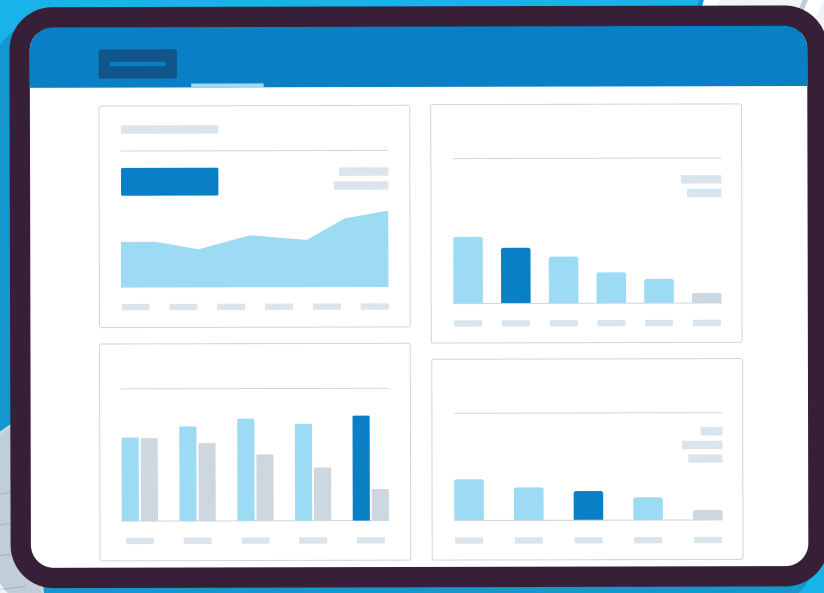




# Money matters

The impact of economic conditions on the cash flow of Singaporean small businesses



## About this report

This report is based on the collated responses from an online survey conducted with 1,001 small-medium sized businesses (with up to 100 employees) across Singapore, recruited from a mix of three online market panels.

Responses were collected between 8 - 26 August 2023.

The information and commentary in this report is a guide only and should not be taken as taxation, financial or legal advice – we recommend you always check with an independent expert that what you're doing is right for you and your business.

## Note

- All \$ amounts referred to in this report are in Singapore dollars
- In some tables, percentages may not add up to exactly 100% due to rounding
- In some tables, percentages may add to more than 100% where participants could answer more than option

## Survey

A 32-question online study was conducted with members of a permission-based panel, split into small business leaders and decision-makers. Small business leaders were unweighted.

## Definitions

### Small business

For the purpose of this report, when we use the term 'small business', we mean businesses with up to 100 employees.

### In this report, we have also referenced small businesses by their business size:

- **Solo businesses** refers to businesses with no employees (excluding the Founder/Owner)
- **Small businesses** with 2-9 employees (including the Founder/Owner)
- **Small businesses** with 10-50 employees (including the Founder/Owner)
- **Small businesses** with 51-100 employees (including the Founder/Owner)

# Introduction

Small businesses are the lifeblood of Singapore's economy and the heartbeat of its vibrant communities. From homegrown fashion brands to Michelin-starred, UNESCO-protected, multi-generational family hawker stalls, small businesses in Singapore are a confluence of cultures and traditions. But they're also at the forefront of the country's biggest economic challenges.

Despite welcome relief measures from the Singapore Government to ease inflationary and cost of living pressures, small businesses are feeling the sting of high inflation and prices. While inflation has moderated to 3.4% in August, 50% of small businesses believe it will have a high impact in the next six months, with small businesses in the hospitality sector most concerned about its impact.

Against this economic backdrop, it's telling that 83% of small businesses we surveyed in Singapore have experienced at least some cash flow issues in the past 12 months. Cash flow gaps have affected the ability of small businesses to grow, hire new staff and invest in marketing or new equipment.

Cash flow challenges are more than just balance sheet discrepancies; the data reveals they are deeply personal struggles for small business owners. The inability to pay themselves, coupled with the emotional and physical ramifications - stress, anxiety, sleep deprivation, and reduced time with loved ones - paints a poignant picture of the sacrifices and struggles inherent in running a small business.

Despite the economic headwinds and financial and personal strain of managing cash flow, our survey shows the remarkable spirit of entrepreneurship and innovation in the small business community. An encouraging four in ten small business leaders feel super confident and secure about their financial wellbeing, with a further 41% describing themselves as reasonably upbeat and reassured.

This could be because small businesses are pulling many levers to improve and analyse their cash flow, from daily media monitoring to setting payment reminders to using technology for invoice management. Small businesses are also giving customers multiple ways to pay, supported by a range of government-led fintech initiatives and investment including StartDigital and InvoiceNow.

It's clear from the survey that small businesses are looking for more tools, resources and support to more effectively manage their cash flow. In fact, of all the countries surveyed, Australia and New Zealand included, small businesses in Singapore were most likely to seek support from accountants or bookkeepers before making financial decisions, such as whether or not to increase their prices.

This is where Xero comes in. We recognise the central role of effective cash flow management to the success of a small business. Our suite of tools, including Xero Analytics, offer real time financial insights for small businesses and their advisors to better manage cash flow and measure financial performance. By giving small businesses trusted and insightful data to help them understand where they are now and where they might be in the future, we aim to be a trusted partner in their journey.

The current economic uncertainty underscores the vital importance of financial resilience for small businesses; as such, it's more crucial than ever for small businesses to have robust tools and strategies at their disposal. We hope that by sharing these insights on how small businesses are currently managing their cash flow, it helps them to spot the opportunities and mitigate the risks ahead of time.

After all, as the pulse of our economy and community, we all have a role to play in creating an environment that supports small businesses to improve their financial confidence and wellbeing.



**Leigh O'Neill**  
EGM Money, Xero

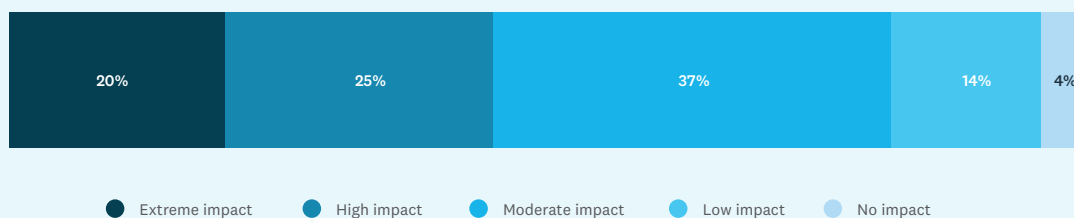
# Businesses are facing cash flow challenges

## Inflationary pressures continue to bite at small businesses

Small businesses in Singapore are bearing the brunt of stubborn inflation, juggling the rising cost of running their business while having limited capacity to raise their own prices. Almost half (45%) said inflation has highly impacted their cash flow management in the past six months. A considerable one in five (20%) businesses told us that inflation has had an ‘extreme impact’.

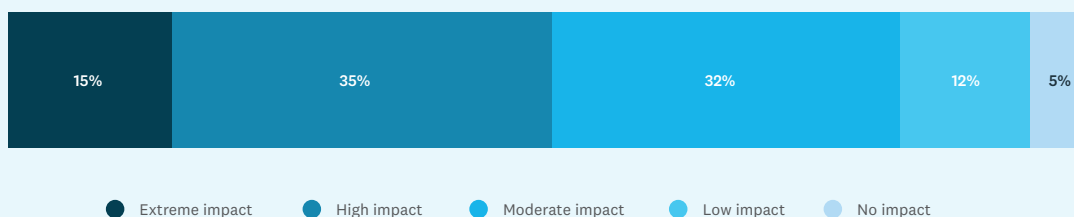
By business size, solo businesses are more vulnerable to inflation, with a higher proportion (34%) reporting an ‘extreme impact’ of inflation on their cash flow. By industry, the hospitality sector experienced the most impact, with a significant three quarters (76%) citing extreme or high impact, whereas nearly four in ten (39%) small businesses working in financial services agreed there was little or no impact on their recent cash flow management.

### Q: How would you rate the impact of inflation on your cash flow management over the past 6 months?



In the next six months, half of small businesses expect inflationary pressures to continue, with 50% expecting it to have an extreme or high impact. Interestingly, while a third of professional services businesses said inflation had an impact in the past 6 months, almost half (49%) expect it to have an impact in the next 6 months. Almost three quarters (72%) of hospitality businesses, which includes accommodation, cafes and restaurants, expect inflation to have an impact in the next 6 months.

### Q: How do you think inflation will impact over the next 6 months?



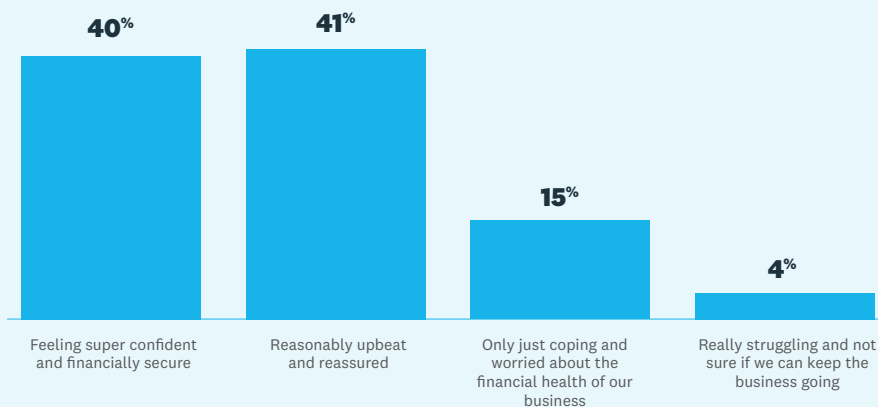
## Solo businesses less optimistic about their financial wellbeing

Despite the impact of inflation, the majority (61%) of small business owners maintain a positive outlook and believe they're on the right path to achieving their financial goals. Additionally, four in ten (40%) are feeling super confident and financially secure when it comes to their financial wellbeing.

However, solo businesses show a markedly lower level of confidence, with only three in ten (30%) indicating they're on track to achieve their business financial goals. In contrast, almost half of businesses with 2-9 employees (47%) are confident in their financial progress. Additionally, 31% of solo businesses describe themselves as 'just coping' when it comes to their financial wellbeing.

These variations in confidence levels among businesses of different sizes highlights how economic factors can shape the optimism of business owners in Singapore, and their ability to navigate future challenges. Two in five (40%) of solo businesses said they don't have capacity to absorb financial shocks, compared to small businesses with 10-50 employees (9%) and 51-100 employees (2%).

**Q: Thinking about being a small business owner and your financial wellbeing, what statement would best describe yourself at this time.**



**Tip:** Feeling in control of your cash flow can have a positive flow-on effect to your financial wellbeing and confidence. **Better cash flow management starts by understanding the finances coming in and out of your business, and forecasting your future sales and expenses.** It can also help to work with an accountant to do cash flow analysis and create a financial plan and budget that works for you.

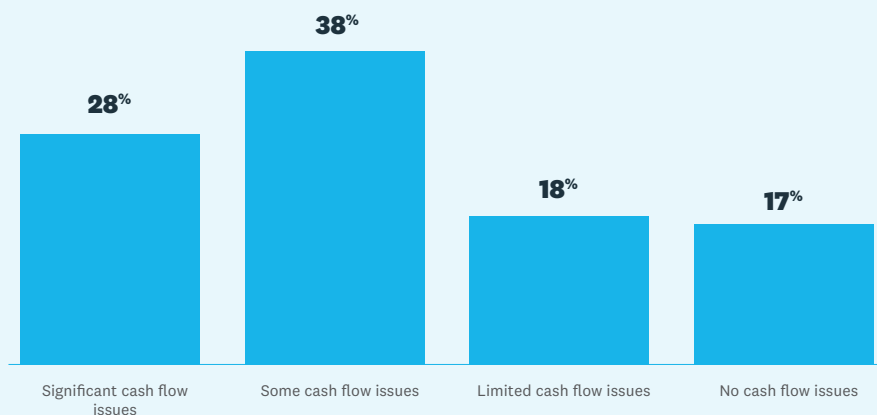
# The financial and personal impact of cash flow crunches

Small businesses in Singapore have not been immune to the global macroeconomic challenges, with 84% experiencing at least some cash flow issues in the past 12 months. Small businesses in the hospitality industry were the most affected, with 61% reporting ‘significant’ cash flow problems during this period, followed by manufacturing (41%) and professional services (33%) businesses.

“I’ve had to dig into personal funds to manage the corporate finances.”

“It resulted in delayed payment of staff salaries.”

**Q: In the last 12 months have you experienced any cash flow issues? I.e. you could not pay your bills when they were due, stalled revenue**



“We’re more reserved in spending, and had to hold off plans to purchase or upgrade some things.”

Poor cash flow has affected the financial health of small businesses, and their ability to grow their revenue potential and staff. In the last 12 months, businesses have experienced the impact of cash flow issues in a myriad of ways, including having to negotiate payment terms with suppliers (41%), being unable to pay themselves (31%), stalled revenue (30%) and being unable to pay their bills (27%).

“At times staff and I took a 50% pay reduction. I was very worried as I needed to pay my house mortgage.”

“I can’t pay my loan on time, so I need to ask for advance payment to pay the loan, so it gets worse and worse. I need to do more jobs to cover the amount I ask for, so I have no time to accompany my kids.”

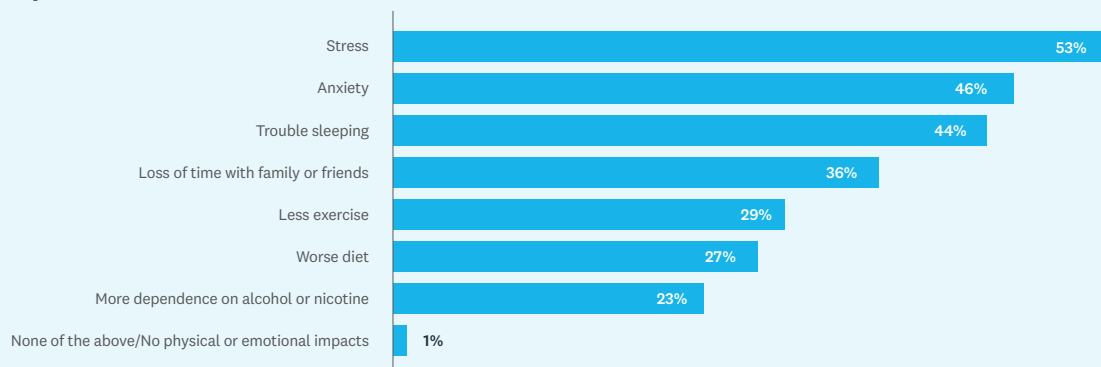
Cash flow issues aren’t only a financial challenge; they’re deeply personal too.

Many small businesses have felt the emotional and physical impacts of cash flow management, the top three being stress (53%), anxiety (46%), and sleepless nights (44%). The emotional toll of meeting financial obligations, paying bills and keeping the business going is also spilling into their personal lives, with 36% missing out on time with family and friends and 29% doing less exercise.

Notably, solo businesses are significantly more susceptible to stress (72%) than small business owners with 10-50 employees (46%). The emotional and physical impacts of cash flow issues also varied depending on the industry, with small businesses in education and training experiencing higher levels of anxiety (72%), while those in hospitality highlighted the detrimental health consequences with a worsening diet (43%) and an increased dependence on alcohol and nicotine (52%).

“Stress and having to chase outstanding payments from clients is frustrating especially when clients are also in a similar situation. It’s a chain reaction.”

**Q: What are some of the emotional and physical impacts of cash flow management you have experienced over the past 12 months?**



“It causes poor sleeping at night and less time spent with my family.”

“Lots of bottled-up stress that I’ve to hide in order to maintain my family’s happiness and also to ensure they don’t worry.”

**Tip:** Health and wellbeing is important for small business owners, but sometimes it can be hard to know how to get the right support when needed. For those wondering where to look, **Xero offers a range of free wellbeing education courses in Xero Central**. There are also a variety of online peer networks and government resources dedicated to small business workplace health and wellbeing.

# Measures taken by business owners to manage cash flow crunches

## Cash flow management is top of mind for small business owners

Given the challenges and pressures that diminishing cash flow has on small businesses, managing cash flow is a high priority for over three in four (78%) of small businesses in Singapore. So much so that most small business owners check their cash flow at least once a week (78%), if not daily (28%).

Over a quarter of small businesses (26%) deem cash flow management a very strong priority, with this figure even higher among businesses who have felt the negative effects of cash flow issues in the past 12 months (43%). These same businesses are also more likely to check their cash flow daily (47%).

Almost a third (30%) of solo businesses consider cash flow management a low priority, which could explain why they are more adversely affected by cash flow issues and not feeling financially secure. Businesses with 51-100 employees allocate more time to cash flow monitoring, with 45% spending 3-4 hours a week, compared to 41% of solo businesses who spend less than one hour a week.

In light of these challenges, Singaporean businesses have pulled on a range of levers to try and help them manage their cash flow. The most common ones include chasing overdue payments (22%), accessing personal savings (19%), increasing their prices (17%), and negotiating payment plans (16%). Almost a quarter (23%) of hospitality businesses got a personal loan from their family or friends.

## Cost cutting and price raising popular strategies to secure cash flow

Over the last 12 months, the top three ways small businesses have stimulated revenue are reducing overheads such as rent (31%), reducing marketing spend (30%) and lifting prices (26%). Interestingly, small businesses in the hospitality industry were most likely to say they have boosted revenue growth by accelerating innovation (44%) and launching new products and services (42%).

### Q: What are the different ways you have stimulated revenue and/or cut costs during the last 12 months?



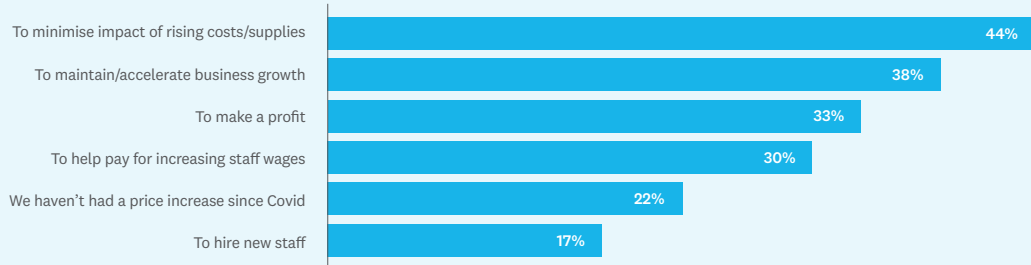


Small businesses in Singapore also recalibrated their pricing strategies. Over half (53%) have raised prices in the past year, with a third (36%) planning to do so in the coming year. Small businesses with 10-50 employees (61%) led the way in implementing price increases, while solo businesses leaned toward price stability, with 24% opting not to raise prices in the near future.

Of those that lifted prices a quarter (26%) increased prices by less than 5%. The majority (71%) sought advice from an accountant or bookkeeper, highlighting their importance in helping small businesses to manage their cash flow. Notably, the hospitality (90%) and manufacturing (85%) sectors proactively sought external advice, while retail (57%) and education (56%) industries were less inclined to do so.

The top reasons to increase prices were to minimise the impact of rising costs and supplies (44%) and to maintain and accelerate business growth (38%), which was consistent across all business sizes. However, small businesses with 10-50 employees were more likely to cite paying staff wages as a reason (39%) in addition to hiring new staff (22%), revealing the impact of record-high wage growth.

**Q: Why have you increased prices in the last 12 months, or why do you plan to increase prices in the next 12 months?**



**Tip:** Increasing prices is a difficult decision and there can be a fine balance between making enough of a profit while not deterring customers. **If you have a new service or product in the pipeline, you can use this as an opportunity to reset your pricing.** Speak to an accountant or bookkeeper if you're unsure, as they can help you understand your costs and refine your pricing strategy.

## CASE STUDY: HARVEST ACCOUNTING

# How Harvest Accounting sows the seeds for small business cash flow success

Harvest Accounting is part of a new wave of cloud native firms, helping to share the future of finance and accounting in Singapore. As founding partner Bryan Zhao describes, “Since day one, our entire client base has been on Xero. Five years on, we’ve maintained this cloud-first approach which allows us to be more forward thinking than your typical old school accounting firms in Singapore.”

Today, Harvest Accounting works with businesses across three key industries - creative & marketing, educational services and fund management - to help them make better financial decisions. Each industry comes with its own unique set of challenges, particularly in the current economic climate.

**“Some of our clients are more severely impacted than others. For instance, our clients who run gyms and recreational facilities are seeing slower sales growth as people spend less on personal lifestyle and self-improvement activities. Similarly, many of our marketing agencies are seeing marketing budgets being squeezed, or campaigns put on hold, as companies try to hold on to cash amid high interest rates.”**

These economic headwinds also contribute to a vicious cycle of late payments. As Bryan said, “Late payments are increasing. And because businesses are not getting paid on time, they in turn can’t pay their suppliers, our firm included. It perpetuates a vicious cycle that can often have dire consequences, particularly for small businesses with low margins, frequent outlays and high turnover.”

In this austere economic environment, Bryan said small businesses are turning to their accountants for financial advice beyond tax compliance. “We’ve seen more clients coming to us for pricing strategies and modelling, to help make decisions on raising their prices. This is particularly true for GST-registered businesses wondering if they should pass the GST increase, happening in 2024, on to customers.”



### Bryan Zhao and Matthew Phua

Founding Partners at Harvest Accounting

For small businesses navigating late payments and rising costs, founding partner Matthew Phua believes digital tools are critical for smarter cash flow management. “One of our clients is a social media agency who came to us with multiple outstanding invoices from their customers. Some of these were up to three to four months overdue and added up to around \$1 million in uncollected revenue.”

As Matthew said, “We immediately moved them onto the Xero platform for invoice management, with automated payment collection and payment reminders. The impact was significant, enabling them to reduce accounts receivable from 120 days to 45 days. We also set up the Stripe integration, to enable them to pay their suppliers by credit card to take advantage of the 55 days interest free period. Xero has not only empowered our client to make more informed financial decisions, but it has brought us closer to the client as well.”

Xero’s edge lies in its trifecta of features, as Matthew describes, **“Xero is intuitive, the platform is very easy for clients to use, and to reconcile and match things. It’s also informative for us, enabling us to sort the contacts to identify which customer is owing the most and set credit limits. And importantly it’s innovative, with a range of forward-thinking features, such as Analytics Plus, that are tailored to small business needs.”**

Looking ahead, Bryan offers one key piece of advice for small businesses, “Make sure you have clean financial data and information in your system. Many small businesses today have different revenue streams and different payment sources, and having these integrated all in one place can provide actionable insights. This takes discipline and effort, so it’s best to work with an advisor who knows how to get this data into Xero in the shortest time possible, to give you a better snapshot on how your business is tracking and ensure you have enough cash on hand to weather financial storms.”

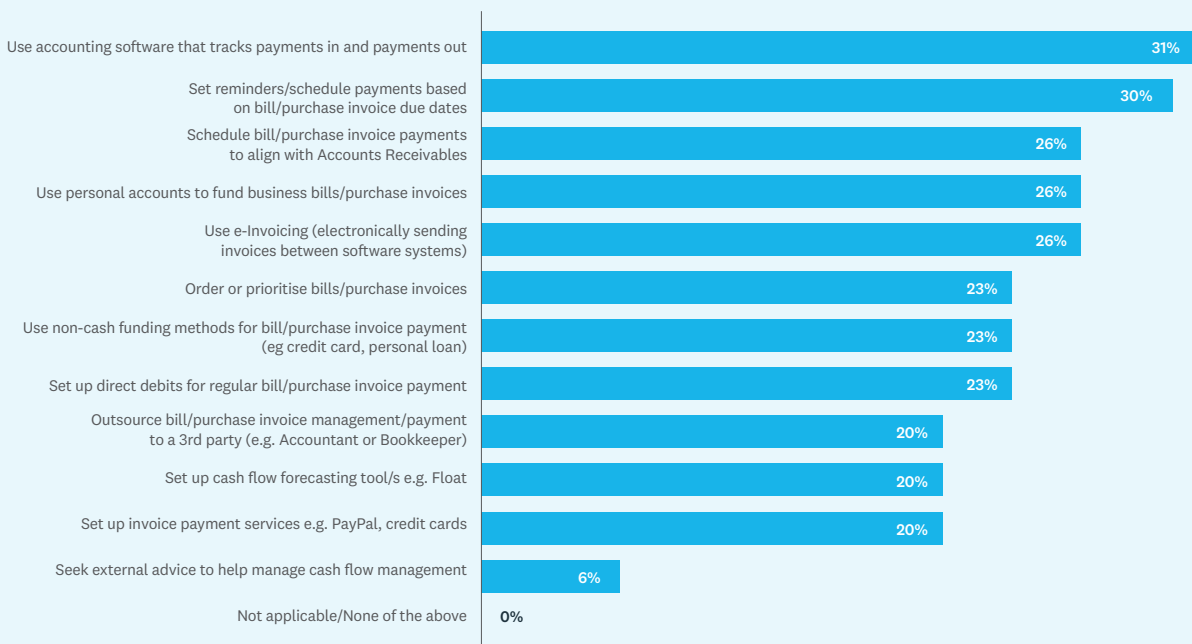
## Accounting software critical for managing cash flow challenge

A growing number of small businesses are employing digital solutions to effectively manage their cash flow. Around one in three use accounting software (31%) and set up reminders or scheduling payments (30%) to better reconcile their transactions and have a better view on their finances.

However, the use of technology to manage cash flow varies among business sizes. While accounting software usage stands at 55% for small businesses with 51-100 employees, solo businesses have lower utilisation rates for accounting software at 18%, likely due to budget and resource constraints.

When comparing industries, the hospitality sector used a wider range of approaches to proactively manage their cash flow than compared to other industries in the past 6 months. In particular, prioritising bills and purchase invoices (45%), e-invoicing (42%), scheduling bill payments with accounts receivable (42%) and using non-cash funding methods for bills and purchase invoice payment (34%).

**Q: Which of the following measures do you take to manage cash flow within the business? Please select all that you have undertaken in the last 6 months**



**Tip:** Cash flow forecasting helps you navigate your financial future with clarity and confidence. With the right tools, **cash flow forecasting is effective in identifying potential shortfalls in advance, allocating resources more efficiently and addressing challenges before they become critical.** In Singapore, [Xero Analytics Plus](#) is available to customers on established and premium plans and uses data from your Xero account to analyse trends and give better forecasts and actionable insights.

# The impact of Government-led fintech innovation and investment

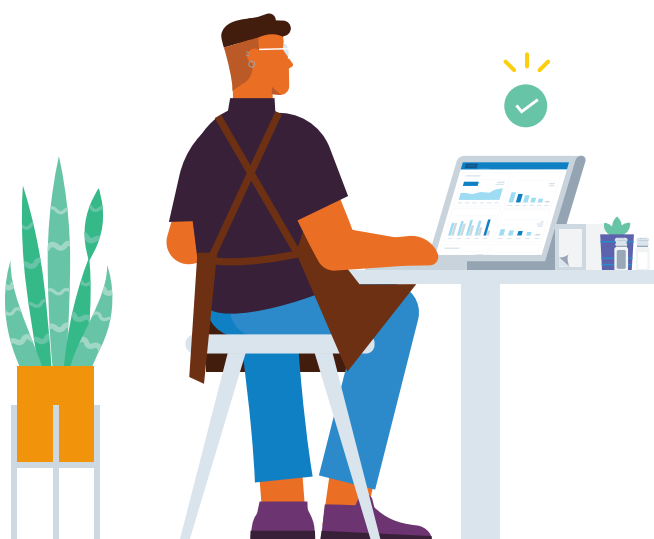
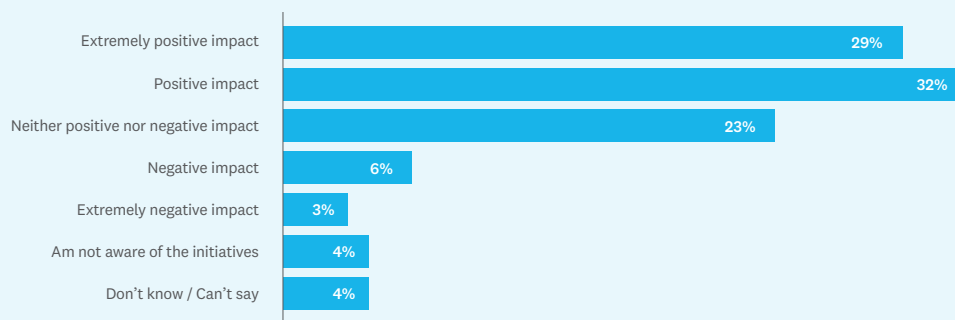
Government-led initiatives in Singapore, including Start Digital, the Productivity Solutions Grant, and InvoiceNow, have made a positive contribution to the nation's business environment, especially in promoting digitalisation across the small business community. These initiatives recognise the contribution of small businesses to the country's economy and flow on effects to society.

The majority (61%) of small businesses across various sizes reported favourable outcomes from these initiatives, with businesses in hospitality (57%), finance and insurance (48%) and manufacturing (47%) reporting the most significant impact from this support. However, over a quarter of solo businesses (26%) and businesses with 2-9 employees (29%) said it had neither a positive or negative impact.

Encouraging wider awareness and utilisation of these initiatives among smaller enterprises could further enhance their effectiveness, in increasing the uptake of technology to improve cash flow. Start Digital, for instance, has encouraged small and medium-sized enterprises (SMEs) to embrace digital solutions, thereby improving their operational efficiency and market reach.

Meanwhile, the Productivity Solutions Grant has provided crucial financial support for businesses to adopt innovative technologies, which has led to greater efficiencies in managing business finances. InvoiceNow has revolutionised invoicing by simplifying and expediting payment processes, reducing administrative burdens, and improving cash flow management for small businesses in particular.

## Q: How would you rate the impact of Singapore Government initiatives e.g. StartDigital, Productivity Solutions Grant, InvoiceNow



**Tip:** [InvoiceNow](#) is a government e-invoicing initiative designed to make exchanging invoices and doing business more efficient. **If you send an e-invoice in Xero, your invoice is sent directly into your customer's accounting software system.** Not only does it improve payment times by making it easier for customers to process your invoice, but it is also more accurate and secure.

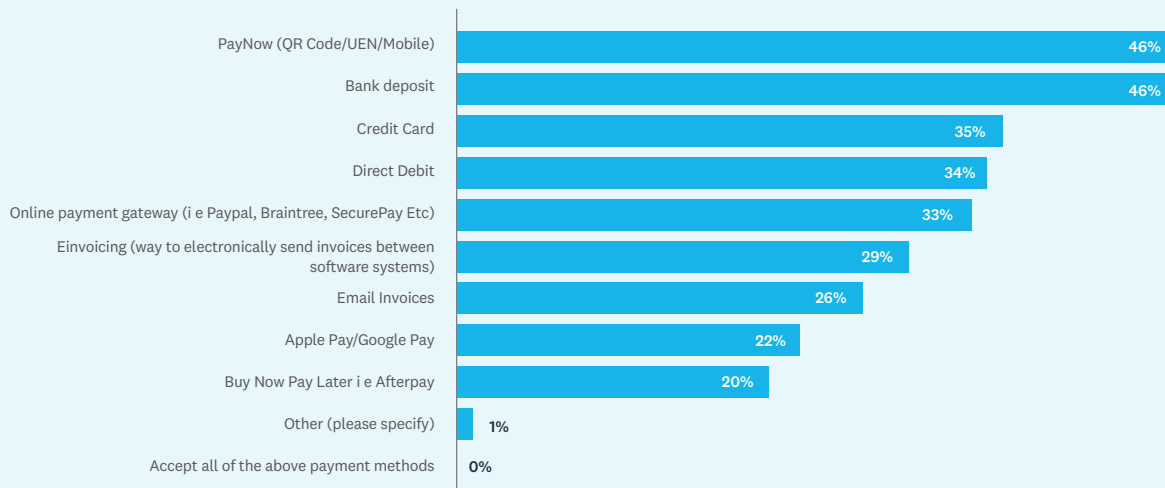
## Businesses are exploring new digital payments

Small businesses are employing various strategies to pay and get paid more quickly. PayNow is a popular method for 46% of small businesses, with usage rates on par with traditional bank deposits in Singapore. Small businesses that embrace PayNow are not only improving their financial efficiency but also future-proofing their operations in Singapore's rapidly digitising business environment.

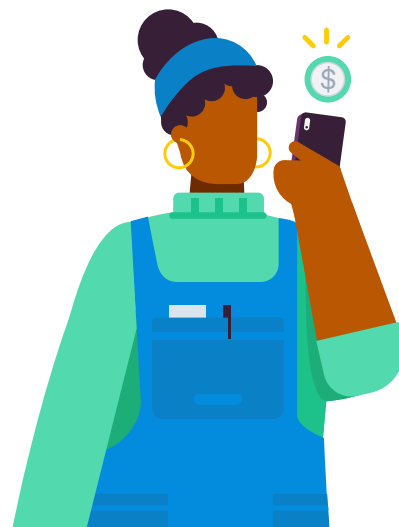
PayNow is preferred among solo and small businesses, indicating its accessibility and practicality for enterprises of varying scales. Solo and small businesses with 2-9 employees show a higher degree of usage for PayNow compared to small businesses with 51-100 employees. Small businesses in retail (63%) and education and training (75%) industries are also more likely to use PayNow.

Small businesses are also actively using various payment methods, types and providers. Traditional credit cards (35%), direct debit (34%), online payment gateways (33%), e-invoicing (29%), and email invoices (26%) all find their place in the toolkit of cash flow management. Businesses with 10-50 employees have higher uptake of e-invoicing (35%) and Buy Now Pay Later (BNPL) options (24%).

### Q: What types of payment methods do you currently accept?



**Tip:** Think about how you can make it easier for your customers to pay you. **Adding a 'Pay now' button to online invoices in Xero using one of our partners like Stripe gives your customers the flexibility to pay the way they want to.** It also helps you get paid twice as fast, reduces the administrative burden with one integrated solution and means you spend less time chasing payment.



## CASE STUDY: JEKYLL & HYDE

# High spirits & healthy spreadsheets: Jekyll & Hyde's mixology of money



**Ee Chien Chua**

Business Owner of cocktail bar Jekyll & Hyde

Ee Chien Chua wears many hats. During the day, he is the director of Business Development and Partnerships at digital wealth advisor Endowus. But come night time, he is a hospitality entrepreneur and the business owner of Jekyll & Hyde, a cocktail bar and kitchen along Neil Road.

Ee Chien's journey as a business entrepreneur and owner was fortuitous. "I was scrolling through BusinessforSale.com and came across Jekyll & Hyde. I thought that this would be a good opportunity to do a side hustle and that it would be an easy business to run on the side. Well, I soon found out!"

Taking the reins in 2018, the business experienced a year and half of tranquillity before COVID-19 struck. While many food & beverage businesses shuttered during the pandemic, the business was able to pivot and reinvent itself in Singapore's closed environment, and actually turned a profit.

However, it was the challenges post-COVID that caught Ee Chien off guard, from high inflation and rising costs to stiff competition from new entrants. **"It's funny that we actually did a very good job pivoting into the pandemic, but we've had a tougher time with navigating post-COVID. We've felt the impact of inflation dramatically, costs are going up for everything. We also know it's hitting our customers, so passing on costs with price increases is not always possible, particularly for items like cocktails."**

In addition to the financial challenges, Ee Chien has also experienced the emotional rollercoaster of running a small business. "Right now, our business is not doing so great and we're getting chased by suppliers daily which is very emotionally draining. At the same, we need to take care of our staff and ensure we're paying their salaries on time. My day job is basically paying the bills for my side business."

With two parents who worked in auditing, Ee Chien recognised the value of getting the books right from the get go and the value of working with a good accountant to do this. Today, Ee Chien uses Xero for general accounting and payment services. **"For me, Xero is about clean accounting. As a small business, you need to know your debits and credits, as it**

**tells you how healthy your business is from an inflow and outflow perspective. Xero gives you a birds eye view to help you track all of this in one place."**

Ee Chien believes e-invoicing is critical for cash flow management, as he describes, "Our invoice generation in Xero is connected to Stripe, so it's a lot easier to get your payments out. It's great because the moment it hits Xero, it tells you in real-time when your staff and suppliers have been paid. InvoiceNow also helps you get paid faster, as opposed to waiting 30 or 60 days to get your cash."

Despite pulling on a number of levers to improve cash flow including negotiating payment terms with suppliers, Ee Chien has made the difficult decision to close Jekyll & Hyde this year. "We're closing our businesses in a couple of months, but are still taking a couple of measures to alleviate rising costs. This includes reducing our operating hours and cutting our menu back by 40% to save on supply costs. It also allows us to concentrate on our signature creations and fan favourites for our final hoorah menu."

Ee Chien acknowledges while the entrepreneurship path hasn't been easy, there have been lots of valuable lessons along the way. **"Entrepreneurship is not an easy road. It takes a certain amount of gumption, tenacity and resilience, and ability to withstand failure. That's because volatility is more common, challenges often come left of field and you need to face them head on when they do"**

His parting words of wisdom for other aspiring hospitality business owners? "Start with an accountant first. I will gladly pay that cost centre every time because getting your books right from the start will save you so much in the long run. Second, the more you digitise, the better. Many food & beverage businesses in Singapore are old school and while they are innovating with order platforms and touch screens in the front end, the backend matters just as much. If you're not utilising the right technology to be able to understand your cash flow, then it doesn't matter how successful you are in the front end."



Beautiful business