

# STATE OF SMALL BUSINESS REPORT 2026





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# THE ERA OF CALCULATED CONFIDENCE

The defining lesson for the past year is that South African small businesses are building their own anchors of stability, leveraging digital tools and adapting revenue models for operational resilience.

The research shows optimism remains high, with 91% of small businesses feeling positive about the year ahead. But what is truly interesting this year is how that optimism is being channeled. We're seeing a cautious resilience; businesses are growing their top and bottom lines, yet they remain wary of over-extending in an unpredictable climate, proving that they are navigating these challenges with greater strategic precision than ever before.

Technology has become the engine for both survival and expansion. From managing cash flow with greater precision to exploring the possibilities of AI, small businesses are eager to use tech to operate efficiently and equip themselves for the future. However, our findings show that while the appetite for innovation is high, many are still navigating how to effectively apply AI to their specific operations. To fully unlock this potential, small businesses need a connected support system to help them bridge the knowledge gap.

Accountants and bookkeepers continue to play a vital role as the anchor of this network. It is one of the reasons that 77% of small businesses agree that their accountant or bookkeeper is their most trusted advisor.

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Now in its ninth year, this report aims to provide a snapshot of where small businesses are today, and what they need to succeed tomorrow. As well as giving a glimpse into the opportunities and challenges that small businesses face, we hope to inspire collaboration across the small business ecosystem by supporting their ambitions and priorities.

At Xero, we remain committed to standing alongside this community, providing the digital tools and the support you need to stay resilient and supercharge your success in the year ahead.

**Colin Timmis** Regional Director EMEA, Xero



# HIGH OPTIMISM MEETS A CAUTIOUS ECONOMIC REALITY

South African small businesses have emerged from the past year with strong results despite a complex economic environment.

A substantial 80% of businesses reported revenue growth over the last year, while 75% increased profits.

While 91% are optimistic about the coming year, their growth strategies remain remarkably grounded with many taking steps to strengthen their foundations in response to a fast-evolving environment.

**80%**

have grown their revenue in last 12 months

**91%**

are optimistic about their growth in the coming year

Even with high confidence, 84% of businesses are choosing a path of steady growth or simply keeping the lights on, rather than aggressive expansion. This suggests a cautious resilience, where businesses believe they will succeed but are wary of over-extending in an unstable economy.

Despite resilient growth, small businesses have concerns about economic instability (33%), increasing tax and VAT rates (32%), and rising prices (28%), revealing how ongoing uncertainty is shaping their decision-making.



# THE CASH FLOW STRAIN

**53%**

have sacrificed their own salary

**50%**

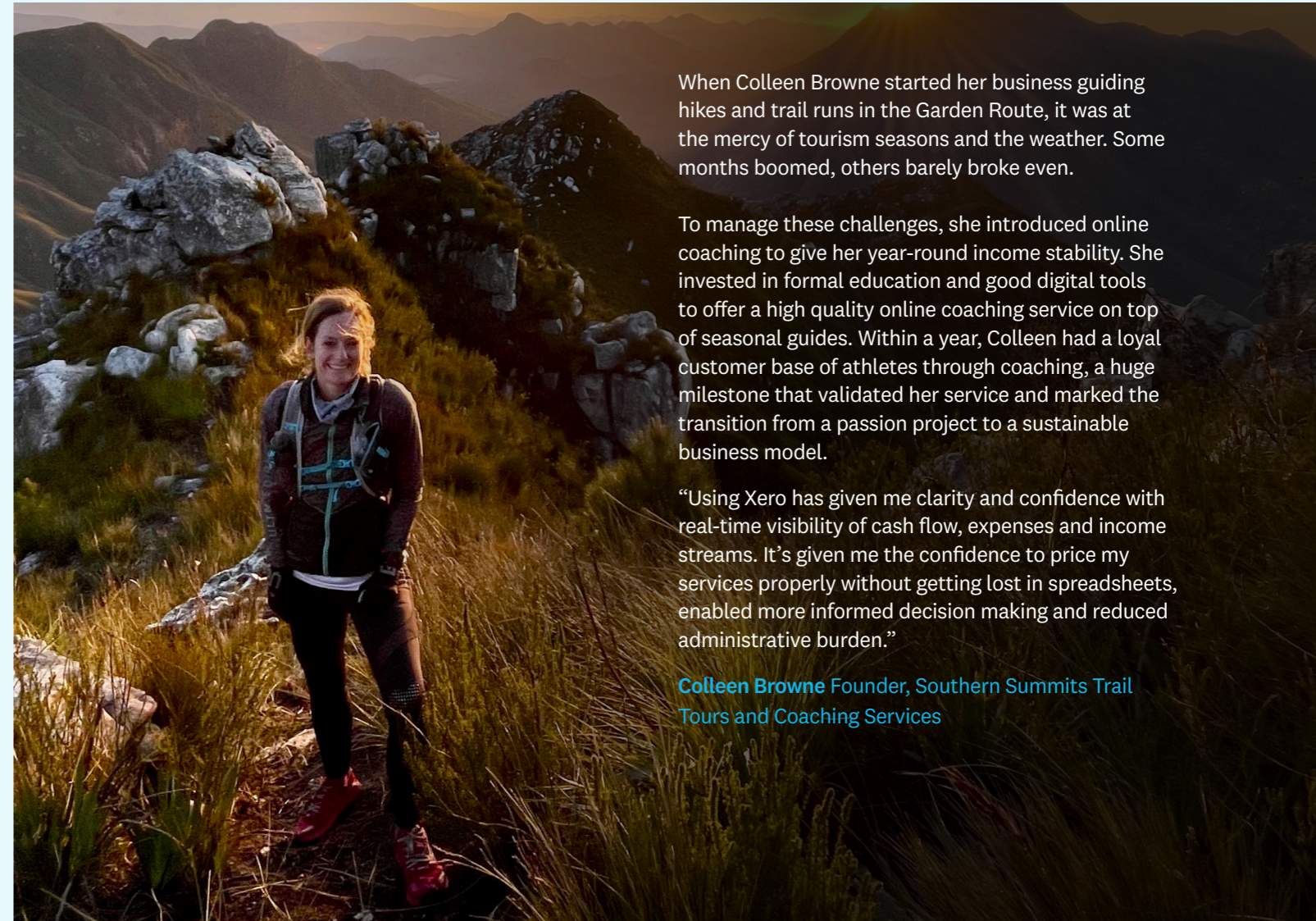
have used personal funds to stay afloat

Cash flow remains a critical pain point, with 62% experiencing cash flow issues over the past year. To manage this, more than half of business owners (53%) have sacrificed their own salary, and 50% have used personal funds to stay afloat.

More than two in five (42%) said they struggle with late payments. Of those, 46% are spending up to an

average of four hours a week chasing these, and another 46% are spending between 4 and 10 hours. This is where automation can help free up valuable time that could be spent on more meaningful tasks.

Digitalisation is emerging as a defensive strategy against cash flow issues. Nearly half (45%) of businesses are using online invoices with payment links to speed up collections. But only 50% say they keep digital records of things like transactions, receipts and expenses. Having one secure place to keep financial records is crucial to making informed decisions, especially when cash flow issues arise.



When Colleen Browne started her business guiding hikes and trail runs in the Garden Route, it was at the mercy of tourism seasons and the weather. Some months boomed, others barely broke even.

To manage these challenges, she introduced online coaching to give her year-round income stability. She invested in formal education and good digital tools to offer a high quality online coaching service on top of seasonal guides. Within a year, Colleen had a loyal customer base of athletes through coaching, a huge milestone that validated her service and marked the transition from a passion project to a sustainable business model.

“Using Xero has given me clarity and confidence with real-time visibility of cash flow, expenses and income streams. It’s given me the confidence to price my services properly without getting lost in spreadsheets, enabled more informed decision making and reduced administrative burden.”

**Colleen Browne** Founder, Southern Summits Trail Tours and Coaching Services

# LOOKING BEYOND THE 'NOW NOW' OF FINANCIAL PERFORMANCE

Small businesses are proactively keeping an eye on business health, with 66% monitoring cash flow daily or weekly, and 63% checking their bank balance this often. While these are the operational heartbeat of a business, they don't offer a longer-term view to help plan ahead.

**"Only 52% check profitability daily or weekly, but it's important to keep a close eye on this for long-term sustainability. You can have great sales and a healthy bank balance and still be running a loss."**

Colin Timmis Regional Director EMEA, Xero

While business owners are gravitating towards the metrics that feel immediate and visible like bank balances and sales, there is value to be realised in looking further ahead using metrics like profitability and costs.

"The metrics that matter most will look different for different businesses. If you're in retail and make hundreds of transactions a day you'll want to be checking sales and cash flow daily. If you're a freelance illustrator, working on a couple of projects a month, it's unlikely your bank balance and cash flow will be affected daily, so you'd likely focus on checking things like costs. This is where accountants can really help small business owners look at the right numbers for their business"

David Cupido Founder and CEO of DC Accounting



67%

check their sales daily or weekly

66%

monitor their cash flow daily or weekly

63%

look at their bank balance daily or weekly

52%

check profitability daily or weekly

# DIGITALISATION IS POWERING GROWTH AMBITIONS

Technology is now seen as the secret sauce for success. More than eight in ten (85%) small businesses say digital adoption is a top or significant priority in the year ahead. Businesses are finding ways to use automation and AI for the heavy lifting, and unlocking new levels of efficiency that help them stay resilient.

85%

Small businesses say digital adoption is a top or significant priority in the year ahead.

Nearly two in five (39%) businesses have connected their digital tools so they can share information automatically. This makes a big difference in streamlining daily tasks like linking a point-of-sale system directly to accounting software.

## AI adoption: value vs overwhelm

Small businesses are moving past the hype and experimenting with AI for daily tasks. Over half (52%) are now using AI tools daily or weekly, mostly to help with creating content (52%), analysing data (50%), and automating processes (44%).

But while the appetite is there, many businesses are still navigating how to effectively apply these tools to their workflows. Around one in three (34%) owners admit to feeling overwhelmed by information around AI, and more than half (56%) say they would like more support to figure out how AI fits into their specific world. Helping businesses move from a "basic" understanding to an "intermediate" one is the next step, but for AI to be a true partner to small businesses, it has to be built on a foundation of trust

and have the right controls in place. Ultimately, AI should be a force for good – accessible, secure, and always under the user's control.

## Technology is bridging the knowledge gap, but expert advice is critical

South African entrepreneurs are also using technology for support and information for different areas of their business. When asked what had brought value to their business in the last year, the internet and social media topped the list (46%), followed by technology generally (44%).

This suggests business owners are looking for quick answers from people they relate to, often using social media to find someone who can explain complex topics in a way that makes sense to them. This is especially helpful when navigating something as complex as the South African tax system.

**"Having instant access to people who can break down complicated rules into 'plain English' is a huge help for busy entrepreneurs. However, while these insights are great for building your own baseline knowledge, they should be used as a stepping stone, alongside expert advice. The real magic happens when you take that understanding into a deeper conversation with a professional accountant or tax specialist who can give you advice tailored specifically to your business."**

Colin Timmis Regional Director EMEA, Xero

# ACCOUNTANTS REMAIN VALUABLE BUSINESS PARTNERS

Running a small business in South Africa is rarely a solo journey. Our research highlights that entrepreneurs rely on a connected support system to make informed decisions. While businesses turn to a diverse range of sources for advice including mentors (36%), Google (36%), and increasingly GenAI tools or social media (28%), accountants and bookkeepers are still the anchor with 77% of small businesses agreeing that they are their most trusted advisor. This relationship is often a lifeline; 78% of businesses say their accountant or bookkeeper has been crucial in helping them survive, while 73% credit them with helping the business grow.

This trust is more important than ever because the needs of small businesses are becoming increasingly varied. When looking at the year ahead, there isn't just one single challenge on everyone's mind. Instead, the demand for support is spread across several key areas: 28% of businesses are looking for help with improving cash flow, 27% want guidance on expanding or scaling, and 23% are focused on digitising their operations.

Because these needs are so diverse, there is a clear demand for tailored and connected support. Small businesses are looking for experts who can speak their language and provide advice that fits their specific world. Having a trusted network of advisors ensures that as the business landscape changes, South African entrepreneurs have the right support to help them stay resilient and grow with confidence.



## METHODOLOGY

Xero partnered with KLA on this research, surveying 427 small businesses with up to 200 employees across South Africa via an independent online panel between January and February 2026. Responses were collected from a mixture of job roles across a range of sectors. Some survey options have been edited throughout for readability.