

The background image shows two men standing in front of a restaurant named 'Pizza Shed'. The man on the left is wearing a red and black striped jersey, and the man on the right is wearing a red and white striped jersey. Both jerseys feature the 'Pizza Shed' logo and a circular emblem with a 'P' and three stars. The restaurant has a red and white striped awning with the name 'Pizza Shed' and 'MOTHER CITY PIZZERIA' written on it. The Xero logo is in the top left corner.

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# The State of South African Small Business 2025

**Resilience and growth in  
a changing landscape**

# Contents

<b>South African small businesses finding success amidst uncertainty</b>	<b>1</b>
<b>Entrepreneurial spirit of small businesses stronger than ever</b>	<b>2</b>
<b>Digital tools fueling growth</b>	<b>3</b>
<b>Emerging technology will supercharge how small businesses operate</b>	<b>4</b>
<b>Small businesses need further support to unlock their full potential</b>	<b>5</b>
<b>The value of accountants and bookkeepers: tax and beyond</b>	<b>5</b>
<b>Opportunities for the future</b>	<b>6</b>
<b>Closing thoughts</b>	<b>7</b>

## South African small businesses finding success amidst uncertainty



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



In the wake of today's volatile geopolitical environment and challenging economic times, small businesses have continued to show resilience. And encouragingly, a significant number of small businesses have managed to grow their revenue over the past year.

Even more promising is the optimism we see for the road ahead. Many entrepreneurs are not just hopeful - they are proactively looking for ways to future-proof their businesses - with technology, especially AI, playing an increasingly central role.

However, they need support to upskill themselves and their teams on how to use it.

Now in its 8th year, the aim of this research is to provide a picture of where small businesses stand today, and what they need to succeed tomorrow. Beyond providing a tangible view into the opportunities and challenges

that small businesses face, we hope to inspire action and collaboration across the small business ecosystem by supporting their ambitions and priorities.

Together, we can help ensure that South African small businesses continue to weather the storm and emerge even stronger than before.

### Key takeaways from this year's research:

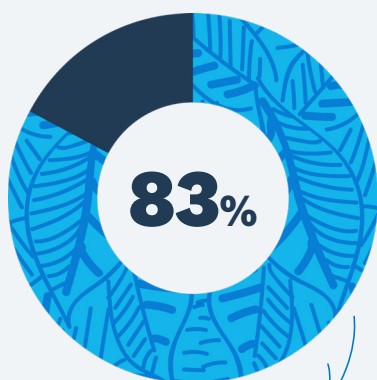
- Small businesses remain optimistic about the year ahead
- Technology is helping small businesses streamline their processes
- There is a greater need for skills and educational support around AI
- Accountants and bookkeepers are critical to unlocking the full potential of small businesses



# Entrepreneurial spirit of small businesses stronger than ever

Small businesses are thriving despite a challenging operating environment, with an impressive **83%** saying **their revenue has grown in the past 12 months**. This indicates the resilience and adaptability that makes South African small businesses unique.

This ambition is not going anywhere, with an astonishing **90%** of small businesses saying they're optimistic about their growth over the next year.



**have grown their revenue  
in last 12 months**

How has your business performed financially over the past 12 months? Base: Total (414)



**are optimistic about their growth  
over the next year**

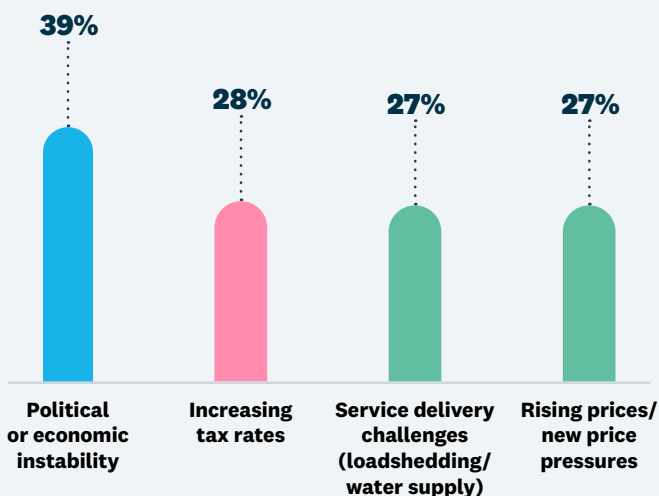
Thinking about business growth over the next 12 months, which best describes how optimistic you are? Base: Total (414)

But they have faced challenges. In the past year, more than two in five (41%) have experienced some degree of cash flow issues, and 17% experienced significant cash flow issues. As a result, 43% of small business owners have sacrificed their own salary and 41% have used personal funds to stay afloat.

The fact that nearly half (46%) of small businesses are struggling with late payments is also unlikely to help and our research shows that 28% are spending more than an average of 10 hours a week chasing late payments. With the outlook for small businesses remaining uncertain, having real-time visibility of cash flow will be at the heart of navigating any future challenges.



### The top challenges small businesses expect to face in the year ahead are:



When thinking about the next 12 months, which of the following challenges do you expect to impact your business the most? Base: Total (414)

The global economic environment will undoubtedly add some pressure to small businesses, especially those already experiencing squeezed profit margins. To manage this increase, working with an accountant and leveraging technology to realise efficiencies and better manage cash flow will be crucial.

It's encouraging to see many small businesses leveraging the support of advisors with 80% agreeing they are their business' most trusted advisor.

## Digital tools fuelling growth

Technology continues to play a crucial role in small business success, with **45%** citing technology as among the most valuable factors to their business in the last 12 months. Using digital tools can unlock productivity and efficiency gains for small businesses, freeing up valuable time and resources that can be reinvested in growth and innovation.

### The top benefits small businesses experience from using cloud technology are:



In your experience, which of the following have been the key benefits of using cloud-based technology for your business? Base: Those that use cloud-based technology (404)

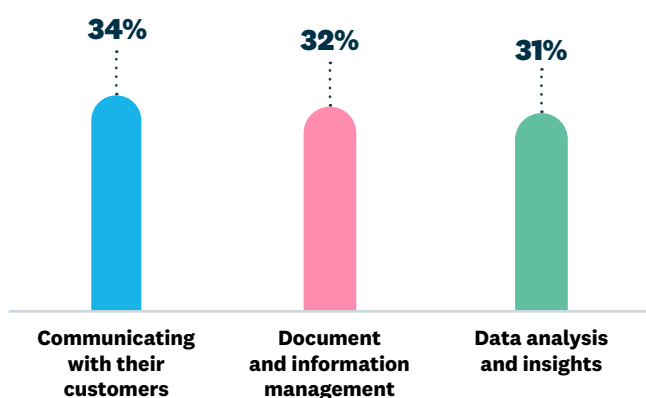
But there are still barriers preventing small businesses from adopting more technology and **unlocking growth**. When asked about key challenges over the past year, a substantial **38%** cite a lack of resources to embrace new technology, as well as a shortage of skills needed for new and emerging technologies (38%). Furthermore, **35%** struggled with integrating new technology into their existing systems.

These challenges underscore the need for accessible support, tailored training, and user-friendly solutions that can bridge the digital divide and empower small businesses to fully capitalise on the potential of technology.

# Emerging technology will supercharge how small businesses operate

With the rapid acceleration of AI tools into our everyday lives, it's no surprise small businesses are starting to use AI in parts of their business, and have plans to increase this.

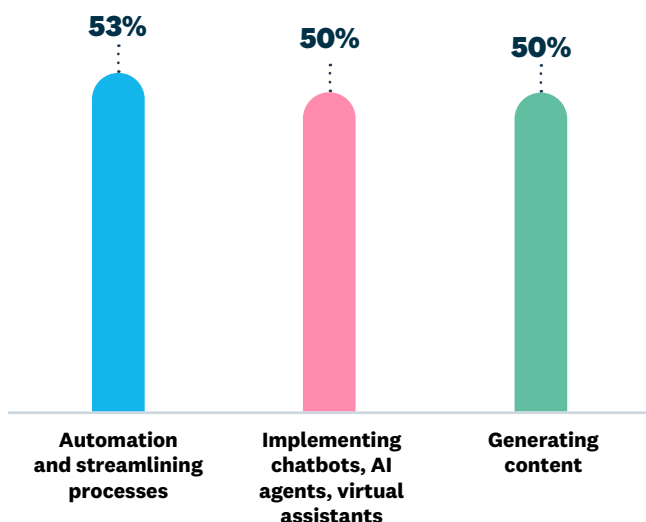
**Small businesses in South Africa are currently using AI for:**



Thinking about the next 18 months, which best describes how your business is planning to use AI for the following areas?  
Base: Total (414)

This enthusiasm for experimenting with AI highlights a **forward-thinking** approach among South African small businesses, who recognise the potential of AI-powered tools to drive efficiency and supercharge the running of their business.

**In the year ahead, small businesses are planning to use AI for:**



Thinking about the next 18 months, which best describes how your business is planning to use AI for the following areas?  
Base: Total (414)

Looking ahead, many also recognise that AI is set to make it easier to manage their financial processes. Nearly half (46%) think it will automate manual tasks like invoicing and expense tracking. While 45% think it will help them quickly find and retrieve business information, such as information on payroll or expenses. Interestingly, given the cash flow challenges facing some South African businesses, almost two in five (38%) think AI will be most valuable in helping them better manage cash flow and providing financial forecasts.



**Xero's AI guide** has information about how small businesses can use AI to save time, and the key things to consider when using AI-powered tools.

# Small businesses need further support to unlock their full potential

Small businesses are community-centric by nature, depending on local networks and word-of-mouth marketing to drive sales, fostering strong community ties. They don't operate in isolation and support networks are crucial for their success. A key piece of that support system is accountants and bookkeepers, with 80% of small businesses agreeing they are their most trusted business advisor.

The top areas small businesses need more support with are:

**28%**

Training and skills development

**28%**

Generating funding

**26%**

Expanding/scaling the business

**26%**

Adopting new business models

When thinking about your business needs for the next 12 months, what are the top areas that you would like guidance and support with?  
Base: Total (414)

*"These needs tie in with the technology challenges they face, showing that skills, resources, and growth are all connected. We need to work together with stakeholders like banks, apps, SARS, and industry groups to provide opportunities for small businesses to upskill. Part of this is demystifying business basics and removing some of the stress around tax compliance so they can focus on growing their business."*



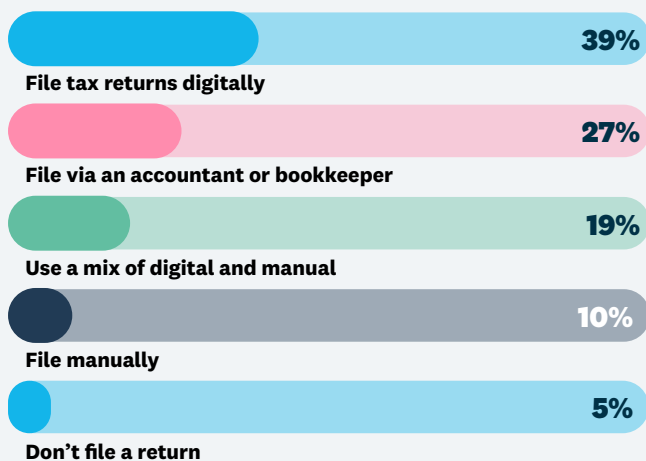
**Colin Timmis,**  
Country Manager, Xero South Africa

## The value of accountants and bookkeepers: tax and beyond

While tax compliance has traditionally been a burden for small businesses in South Africa, it has become easier. SARS has been heavily investing in technology to simplify and digitise tax filing processes. The majority (81%) of small businesses are aware of these efforts, and 39% are filing their taxes digitally via SARS eFiling or the SARS MobiApp.







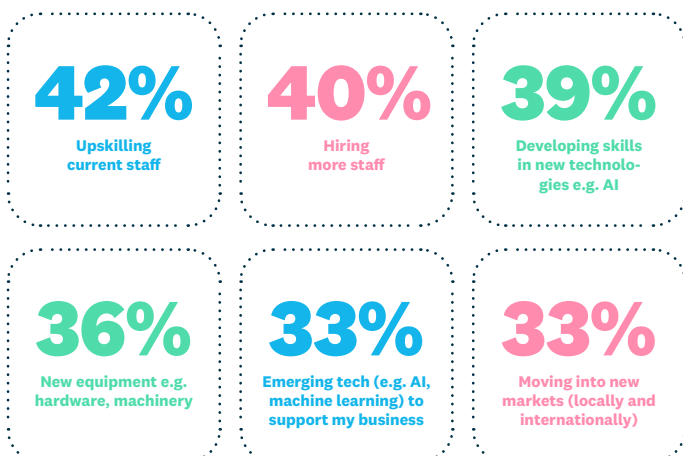
How does your business currently file tax returns with SARS?  
Base: Businesses that are VAT registered (297)

With over half (55%) of those small businesses surveyed finding it either stressful or complicated to file tax returns with SARS, this is one of the top areas where accountants and bookkeepers are supporting small businesses. In fact, for half of small businesses (49%), navigating VAT and tax requirements is one of the most valuable services their accountant or bookkeeper provides. Other areas of valuable support include providing guidance to inform business decisions (51%), and providing financial reporting and insights (45%).

## Opportunities for the future

Looking ahead, despite some macro challenges on the horizon, it's incredible to see small businesses remaining eager to invest for success.

**Top areas small businesses are looking to invest in over the next 12 months:**



Which of the following, if any, is your business planning to invest in over the next 12 months? Base: Total (414)



*"This year, I feel excited and deeply optimistic about where we're heading. Despite the ongoing challenges in infrastructure and access to funding, House Harvest continues to grow powered by innovation, grit, and purpose. We're expanding into a new packhouse, introducing renewable energy solutions to reduce costs, and trialing indigenous crops in aquaponics to adapt to climate realities. The key to our resilience? Staying curious, embracing technology and building networks that uplift other small farmers."*

**Gugulethu Mahlangu,**  
CEO of House Harvest

## Conclusion

South Africa's small businesses prove, once again, that resilience and adaptability are embedded in the fabric of their DNA. Despite ongoing challenges and uncertainty, they remain optimistic, determined, and hungry for growth.

This year's report has highlighted a clear appetite for innovation, with technology, particularly AI seen as a key enabler of future success. To fully unlock this potential, business owners need the right tools and support to guide them on their journey.

Accountants and bookkeepers continue to play a vital role as strategic partners in helping small businesses

embrace change with confidence. And it's likely one of the reasons that over three quarters (79%) agree that their accountant is more important to their business than ever.

We've seen through this report, and through speaking to our customers that South Africa's small businesses are not just ready for the future but they're ready to shape it.

At Xero, we remain committed to standing alongside this community and helping supercharge their business success in the year ahead.

## Methodology

Xero partnered with [KLA](#) on this research, surveying over 400 small businesses with up to 200 employees across South Africa. Responses were collected from a mixture of job roles across a range of sectors. Fieldwork was conducted via an online research panel between 7 March and 20 March 2025. Some survey options have been edited throughout for readability.



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