

New research from Xero unveils 3 main concerns for SA SMEs

Xero's sixth *State of South African Small Business* report states that small businesses in South Africa are facing a difficult economic climate with positivity and perseverance.



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New research from global small business platform Xero, reveals the three main concerns for small businesses are political and economic instability (70%); revenue loss due to load shedding (46%) and crime, poverty, and civil unrest (19%). While there are many challenges, South Africa's small businesses have thrived in the face of adversity.

Almost three-quarters (74%) have grown over the past year – up from 62% last year. Growth is driving optimism, with more than 95% expecting to survive the coming year and nearly 90% in the next five years.

Colin Timmis, Xero South Africa country manager, said: "These findings signal the grit and tenacity of small businesses in the face of incredible challenges, and how they're equipping themselves with the tools they need to succeed and grow."

"As well as most (74%) small firms using generators to survive load shedding, they also count on new technologies to automate manual processes, operate and sell online, as well as reach new customers – and on their accountants to navigate regulations and complex tax requirements."

Technology enabling business survival and success

The two most significant contributors helping small businesses survive and grow in the past year were technology (41%) and their accountant (28%).



11 May 2023



Nearly three-quarters (74%) say the importance of technology has increased in their business, with 43% reporting that technology has enabled them to reach new customers - up 13% compared to last year. And 39% say it has helped to boost profits.

As a result, over half (56%) of business owners have increased their investment in technology over the last 12 months, and 40% intend to build on this in the coming year.

The secret weapon of small businesses: the accountant

The research shows almost half (49%) of small businesses go to their accountants for business advice, well above any other source of advice - only 6% would turn to the government for guidance.

Small businesses also recognise the wider value that accountants add, as 60% believe accountants are key to economic growth, and nearly two-thirds (64%) say more skills development initiatives are needed from the government to support advisors.

“Government, banks, funders, accountants, and technology companies need to work collectively to support small businesses. Only concerted, collective efforts can help businesses navigate the challenges and complexities of operating in South Africa, and help them come out the other side stronger, smarter, and more successful,” says Timmis.

Investing in your people

The report revealed small businesses are willing to invest in technology skills, as well as supporting well-being.

Eighty-six percent are investing in online or in-person training courses to increase knowledge and improve tech skills. Nearly half (48%) also allocate budget to train their team in technology use and implementation.

There is also a strong focus on diversity and inclusion, with 77% of small businesses placing great importance on promoting diversity, equity, and inclusion in the workplace.

The research in this report was based on interviews with 300 small businesses across various sectors in all nine provinces in South Africa, conducted in February - March 2023

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