

Cash flow management advice for SMEs

 By [Colin Timmis](#).

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There's no doubt that this is a challenging and uncertain time for South Africa and the rest of the world. While President Ramaphosa's announcement of the gradual easing of the lockdown may have provided some light at the end of the tunnel, the next few weeks will be far from normal.



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Even under regular circumstances, life as a small business can be tough. Take cash flow disruption, for example – small gaps can spiral into additional fees, late payments, and other damaging consequences. Recent research among SMEs in South Africa found that cash flow and late payments were the primary concerns for SMEs, with 91% having experienced late payments in 2019.

The president's R500 billion stimulus package, the Department of Small Business Development's coronavirus debt relief fund, and banks introducing new debt relief measures will no doubt help some SMEs breathe a small sigh of relief. But the foreseeable future is not going to be easy for small businesses. Keeping on top of your cash flow is more important than ever – especially for those looking to apply for the grants and schemes being offered.

Here are some tips on how SMEs can keep on top of their cash flow in challenging, uncertain times like these.

- **Develop a comprehensive cash flow strategy**

Cash flow isn't just about being 'in the red' or 'in the black'; it's a complex interplay between several factors – many of which are outside of an SME's direct control. That's why a comprehensive cash flow strategy is critical: it allows the company to anticipate the highs and lows of money coming into the business and prepare for them. That might mean making sure you have enough staff or stock for certain periods and enough money in the bank to get you through

more challenging times or unforeseen issues.

If you haven't already done this, now is an ideal time for business owners to make sure they understand their cash flow position. It's more important than ever as we navigate through these difficult times.

- **Prepare a cash flow forecast**

A cash flow forecast will help you to predict how your business is going to perform for a selected period. With so many questions surrounding the pandemic, it might be best to forecast up until the end of 2020.

Revenue is the first factor to consider. For a lot of small businesses, the reality is that you're taking in fewer sales than you would under normal circumstances. Making realistic revenue projections based on customer buying habits in the last few weeks will be the first step in creating a cash flow forecast. Then it's important to consider how much of this will go into your business' pocket.

Next to consider is expenses. Go through a typical month or year in your business and list all the predicted expenses that are going to come out of the bank account. Also, ask yourself some questions which you may find hard to answer, like: if my sales dip by X amount, can I still pay my staff?

- **Review and renew**

As new developments on the pandemic are announced every day, circumstances are constantly changing. This means that you will need to consistently review your cash flow forecast in light of the latest news.

For example, if a new lockdown procedure affects how a supplier will get stock to you, this will need to be reflected in your cash flow forecast and profit and loss reports. To ensure that these steps become part of your routine, set aside a few hours every week in your diary to complete the updates.

Keep up with tech and minimise business disruption

Not all businesses can continue trading at this challenging time, but if you're able to operate remotely, tech will likely be playing a key role. Fortunately, modern cloud platforms have become a critical part of many businesses, and they're accessible from anywhere. This means that businesses can continue their vital processes for some semblance of continuity through this crisis. We've put together some free videos and content to provide advice to businesses turning to digital tools to support them through this crisis.

- **Lean on smart technology for support**

Using the right technology can provide you with a clear, real-time overview of your company's numbers, making it easier to get funding. SMEs are increasingly turning to alternative lenders because of their faster turnaround and fully

automated online application process. This is made possible by close integration with accounting software – for example, Xero has partnered with alternative lenders like Bridgement and Retail Capital to enable faster access to funding. Whether your business is looking for a government or private loan, having clear financial data is critical.

There are lots of great apps out there which can help you pull together vital cash flow insights too – many of them sit in our 800-strong community of app partners. For example, South African app Sift Analytics has great cash flow and profit and loss forecasting tools which give a real-time view of your business position.

Focus on the things that you can control. Depending on your business needs, this could mean many things. Whether it's working with an accountant or using the tools available, it's important to create a strategy to get through this period and put yourself in the best possible position to adapt.

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