



SMALL
BUSINESS LOANS
AUSTRALIA

How are late customer payments impacting Australian businesses?

A Small Business Loans Australia Study

March 2023

About the study

Small Business Loans Australia commissioned a survey of 250 business directors and decision-makers to discover the impact of late customer payments on the Australian SME market and whether the proportion of late payments have increased since 2019 (before the pandemic).

Respondents were asked to specify how late customer payments impacted their business negatively. They were presented with seven responses:

- not pay themselves when customer payments were late
- struggling with cash flow to pay suppliers on time
- struggling to pay staff
- postponing or cancelling business purchases
- reducing workers in their business
- making late payments on business loans
- negatively impacting their credit score

Small Business Loans Australia also sought to determine whether businesses expected to receive an increase in late payments this year as Australia faces a possible recession.

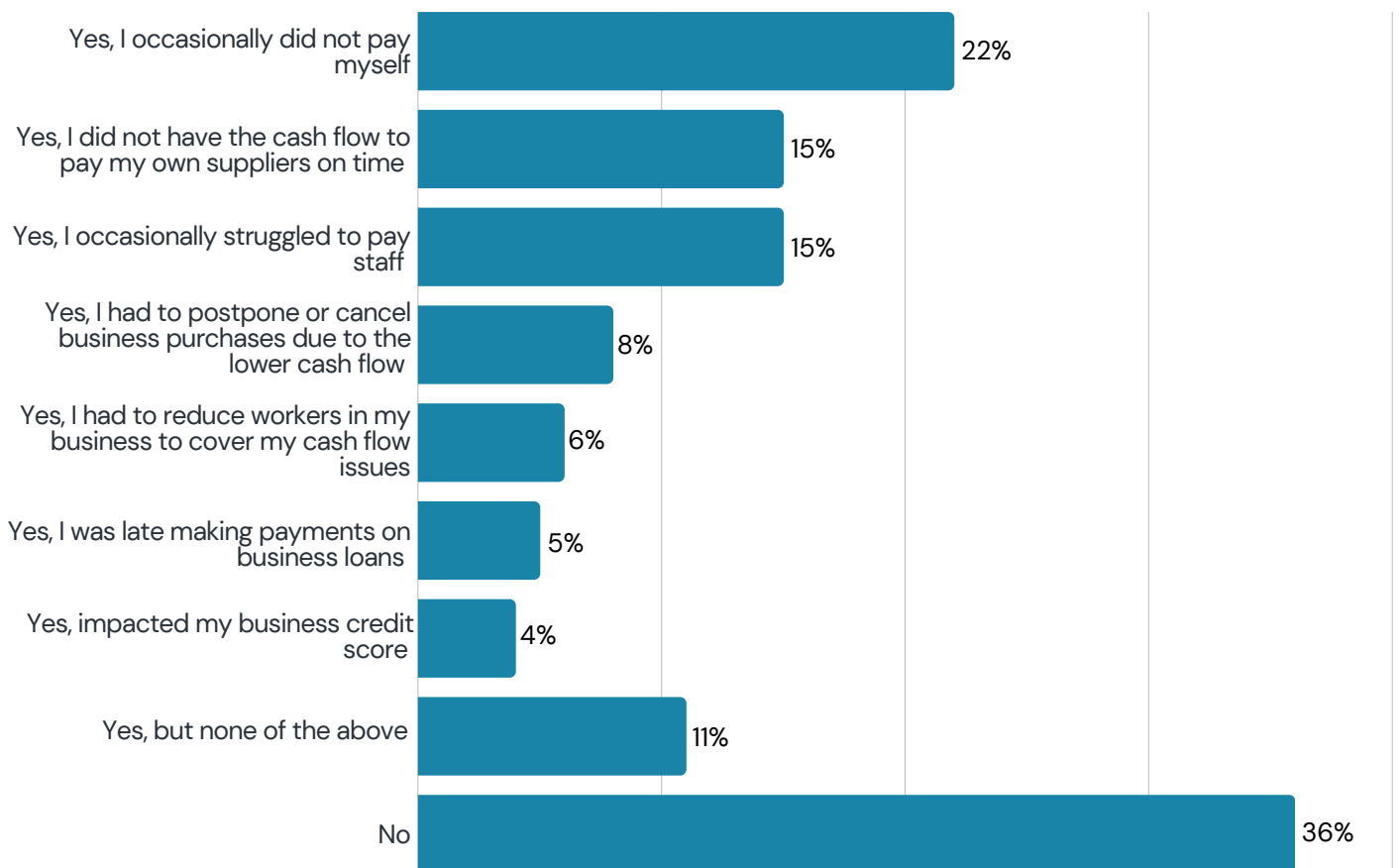
Small Business Loans Australia surveyed 210 owners and senior decision-makers across the full SME spectrum: micro (1-10 employees), small (11-50 employees) and medium-sized (51-200 employees), as well as a small percentage of large businesses (more than 200 employees).



What proportion of businesses have been negatively impacted by late payments?

The survey revealed that two-thirds (64 per cent) of respondents have been negatively impacted by late payments. Negative consequences included 22 per cent who occasionally did not pay themselves, an equal 15 per cent who didn't have enough cash flow to pay their own suppliers on time or occasionally struggled to pay staff, 8 per cent who had to postpone or cancel business purchases due to lower cash flow, 6 per cent who had to reduce workers in their business, 5 per cent who were making late payments on a business loan, 4 per cent who had their business credit score negatively impacted and 11 per cent who were impacted negatively in another unspecified way.

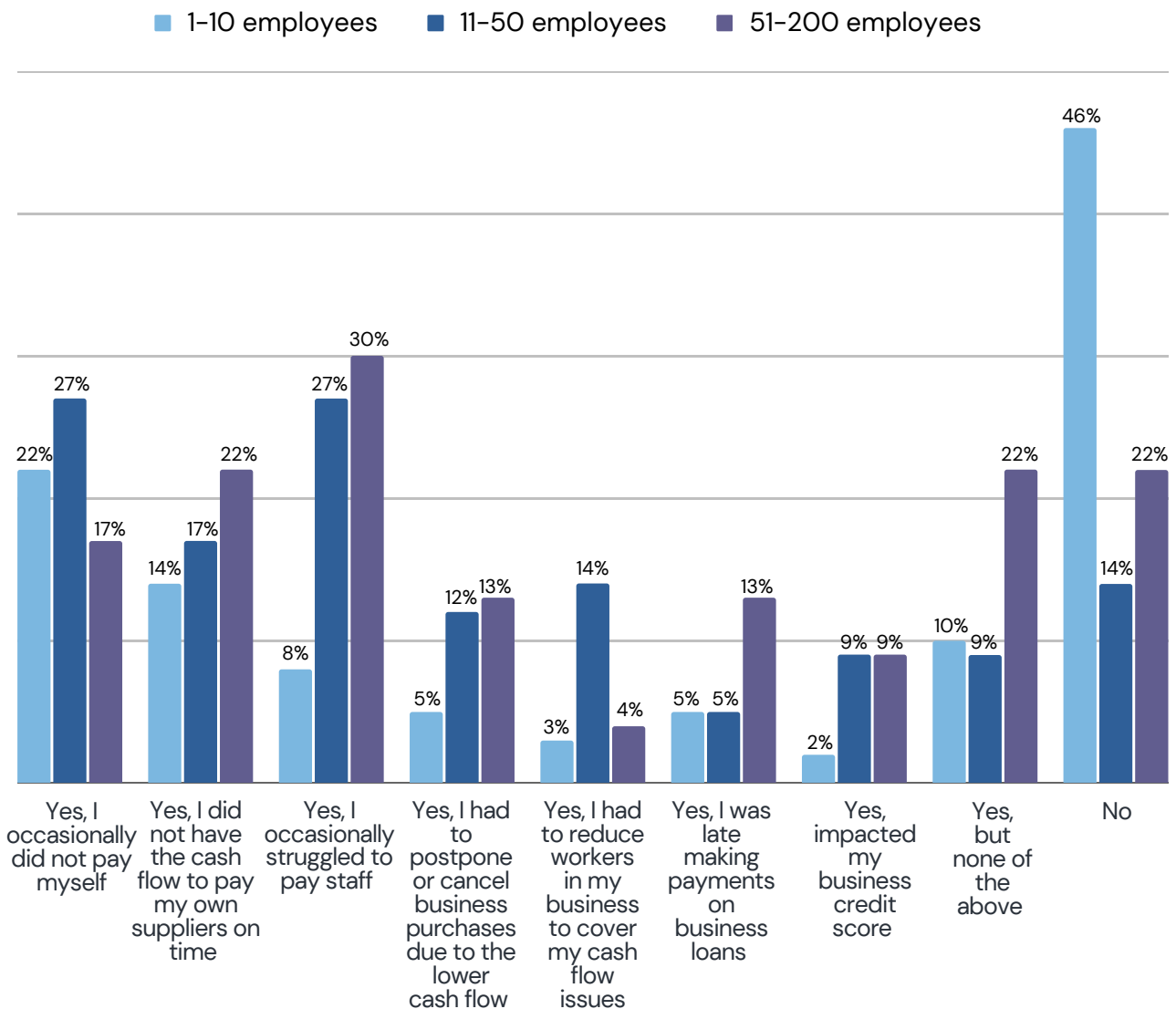
Thinking about the times that your customers have paid you later than your payment terms, have any of those late payments had negative impacts?



By business size.

Small businesses are most likely to be negatively impacted by late payments, with 86 per cent specifying at least one negative consequence, followed by 78 per cent of medium-sized businesses and only 54 per cent of micro businesses.

Almost a third (30 per cent) of medium-sized businesses occasionally struggled to pay their staff when customer paid them late, followed closely by 27 per cent of small businesses and only 8 per cent of micro businesses who have significantly fewer employees.



By State.

Response	State (%)				
	NSW	VIC	QLD	SA	WA
Yes, I occasionally did not pay myself	25	22	23	16	24
Yes, I did not have the cash flow to pay my own suppliers on time	20	14	6	16	20
Yes, I occasionally struggled to pay staff	20	19	6	11	8
Yes, I had to postpone or cancel business purchases due to the lower cash flow	15	5	4	16	0
Yes, I had to reduce workers in my business to cover my cash flow issues	10	5	6	0	0
Yes, I was late making payments on business loans	4	5	4	11	12
Yes, impacted my business credit score	6	2	4	0	8
Yes, but none of the above	11	6	13	11	12
No	27	38	44	47	36

73% of NSW businesses have been negatively impacted by late payments.



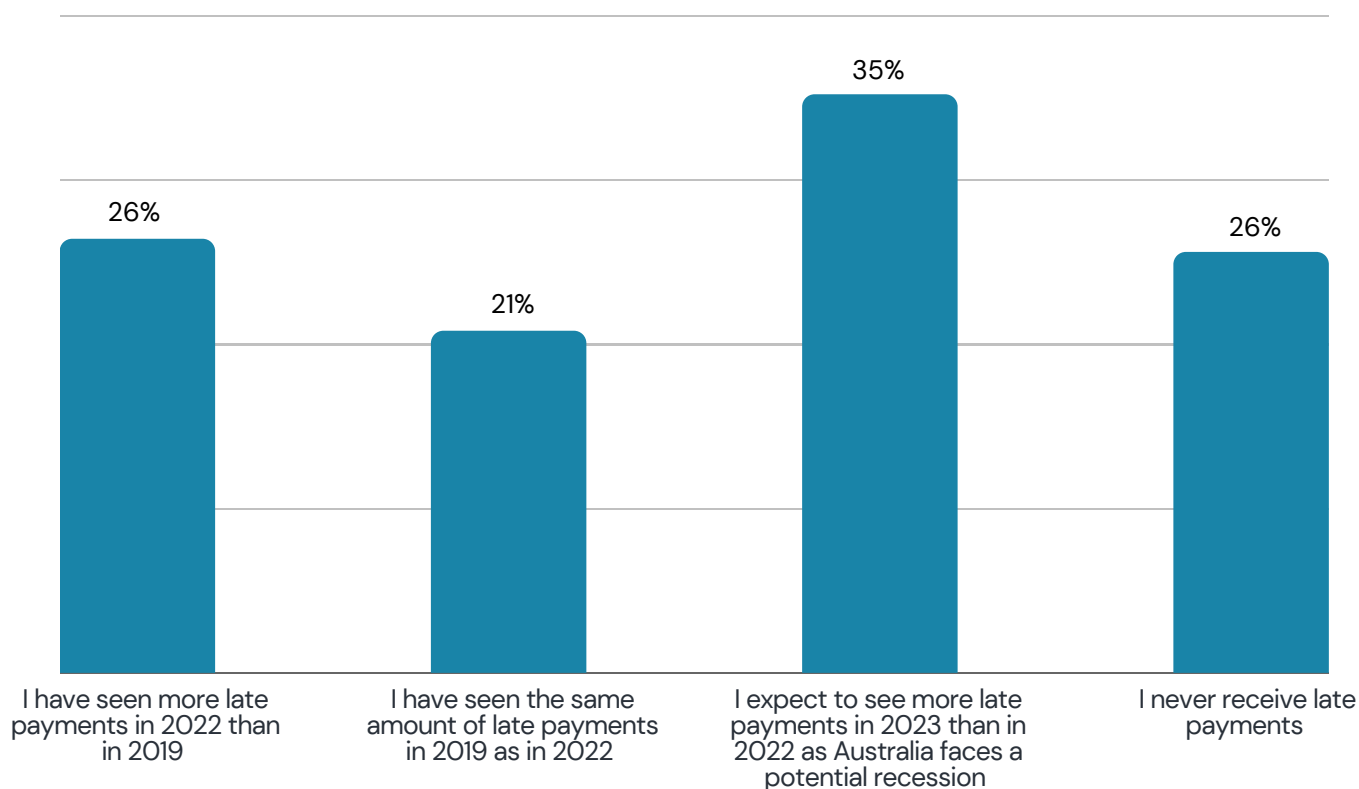
Businesses in NSW are most likely to have experienced the negative effects of late payments, with 73 per cent of respondents experiencing negative impacts. This was followed by 64 per cent of West Australian, 62 per cent of Victorian, 56 per cent of Queensland and 53 per cent of South Australian respondents.

Business owners in NSW are also most likely to forego paying themselves when there are delays in customer payments. A quarter (25 per cent) of NSW SME owners admitted this, followed closely by 24 per cent of West Australian, 23 per cent of Queensland, 22 per cent of Victorian and 16 per cent of South Australian business owners.

Have late payments increased in the last year?

Small Business Loans Australia also sought to discover whether the pandemic and recent economic hardships impacted how often SMEs were receiving late payments. It discovered that over a quarter (26 per cent) received more late payments in 2022 than in 2019, while 21 per cent had seen no change in the number of late payments since 2019.

A third (35 per cent) expect to an increase in late payments this year compared with 2022 due to the rising threat of a recession. Only 26 per cent of SMEs revealed that they never received late payments.

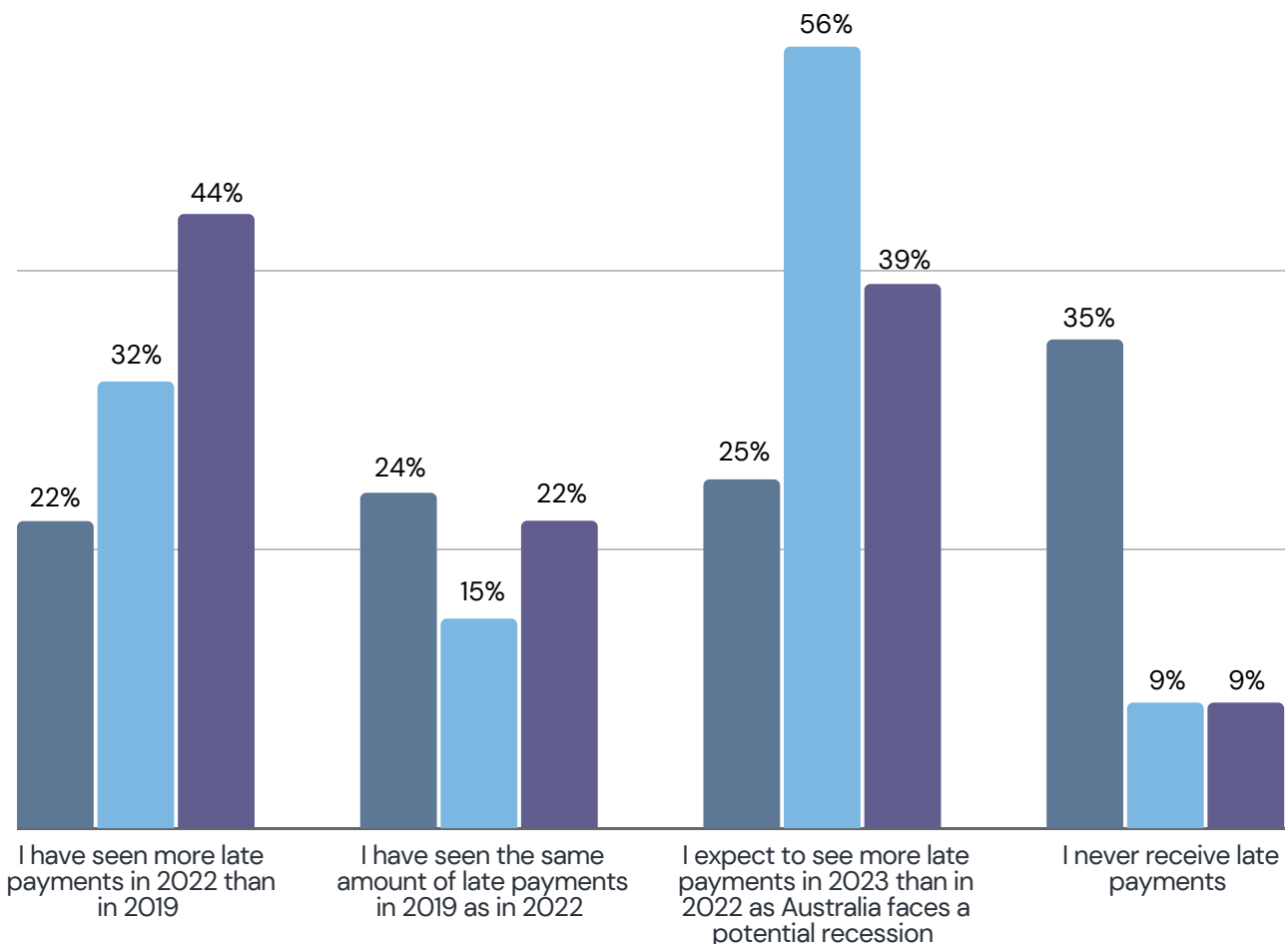


By business size.

Larger businesses are more likely to experience an increase in late payments in 2022 from 2019. Forty-four (44) per cent of medium-sized businesses – who are more likely to deal with a larger scope of customers – reported an increase in late payments, followed by 32 per cent of small businesses and only 22 per cent of micro businesses.

Small businesses were most likely to predict an increase in late payments in 2023 as Australia faces a potential recession with over half (56 per cent) specifying this. Thirty-nine (39) per cent of medium-sized businesses and 25 per cent of micro businesses have the same expectations.

■ 1-10 employees ■ 11-50 employees ■ 51-200 employees



By State.

A higher proportion of NSW businesses (83 per cent) receive late payments from customers, compared with 80 per cent of West Australian businesses, 73 per cent of South Australian businesses and an equal 67 per cent of businesses from Queensland and Victoria.

A higher proportion of NSW businesses (35 per cent) also experienced an increase in late payments from 2019–2022. This compares with 32 per cent of businesses in Western Australia, 26 per cent in South Australians, 22 per cent in Victorian and 21 per cent in Queensland.

Victorian business owners are most pessimistic about payments in 2023, with 39 per cent expecting an increase in late payments this year, followed by 37 per cent of South Australians, 36 per cent of NSW business owners, 32 per cent of West Australians and 29 per cent of Queenslanders.

Response	State (%)				
	NSW	VIC	QLD	SA	WA
I have seen more late payments in 2022 than in 2019	35	22	21	26	32
I have seen the same number of late payments in 2019 as in 2022	21	11	23	26	32
I expect to see more late payments in 2023 than in 2022 as Australia faces a potential recession	36	39	29	37	32
I never receive late payments	17	33	33	26	20