

How possible is it for SMME to have savings/emergency funds?

 By [Miranda Lusiba](#)

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July is National Savings Month in SA; it is therefore an opportune time to look at how possible it is for SMMEs to have savings or an emergency fund during this volatile period. Every SMME knows how unpredictable the business landscape is and how important it is to have a rainy-day fund. However, this is sometimes impossible when so many factors are working against SMMEs, the sluggish economy currently being at the top of that list.



Source: www.pexels.com

Young people that are thinking of becoming entrepreneurs, especially in consulting business, do not realise the challenges that are faced by SMMEs. One of them is the fact that when work has been completed, one still needs to send an invoice and wait for the client to make payment.

Late payments

The one thing that is affecting our ability to save in business is the fact that in most cases we are not paid on time or not paid at all for the work that we do for our clients. The small businesses that are probably doing much better are those that sell products and that are cash-based because the principle is simple: they give you a product, you give them their money. A number of SMMEs have in the past had to close down because of either lack of payments or delays.

What big or medium-sized businesses in the private or public (government) sector do not realise is that lack of payments for work done or delays have devastating effects on small businesses. It is a known fact that every individual of working age, or a business has fixed expenses at the end of each month – these could include rent, electricity, phone/data costs, petrol, policies, stationery to name a few. These costs have to be serviced or paid for every month. We have unfortunately over the years had to write off large amounts of money as bad debt because some of our clients have not paid us for work that has already been done.

Do not get me wrong, it is not all businesses that do this to SMMEs – there are some that are really good at paying on time and consistently for the duration of the contract with them. In my experience, there are a few that have kept my business afloat over the years, they include: Afrovation Group owned by Sydney and Maxwell – the Ramutla brothers; and Kingmaker Consulting owned by Rams Mabote.

These are some of the businesses that have understood and been sympathetic to the cashflow issues that are experienced by SMMEs. Payment agreements were always based on the fact that if I delivered the services as agreed, then there are no stories when payment needs to be done at the end of each month.

Be upfront

The excuses from those that do not pay at all are at times linked to how they are not “happy” with the service they are provided. In consulting set-ups, we normally have at least a month to deliver work to clients and in between there is consistent engagement with the client as well as back and forth until the client approves the work that has been done for them. My question then is why are the issues not raised during the back-and-forth period, way before month end? Because it does not make sense to only raise them after the effect.

If the client is not happy with the direction that a consulting firm is going, then they have ample time way before the project is completed to give their input and raise any concerns they might have.

Raising issues when payment is due is questionable – it says that the client had no intentions of paying the SMME from the onset; but is now hiding behind 'issues' that could have been raised and resolved way before month end. Not being paid on time or at all messes up the cashflow of the business and it affects the saving plans of any SMME. It is important to remember that in most cases SMMEs use their own resources to service a client – this could include the time used to service the client, which in essence is money because there's usually intellectual capital involved and at times it is one's car: petrol, phone, data to name but a few.

If entrepreneurship is the future and SMMEs are expected to create the jobs needed by the country; then it is very important to make sure that big or medium-sized business do not affect the cashflow of SMMEs because this directly contributes to the demise of this sector.

Despite all these challenges, it's still fulfilling to run my own show. For aspirant business owners, it's important to protect yourselves legally when getting into service contracts and save 20% of your profits when business is doing well.

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