

# Fintechs are reshaping the SME landscape in SA

SMEs around the world have been severely affected by the Covid-19-induced economic downturn. Maintaining working capital, a key challenge faced by SMEs has become an even more urgent concern amidst the economic uncertainty.



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Delayed payments, emergency expenditures and incorrect forecasts can easily derail the fine balance between incoming and outgoing funds that small businesses must constantly maintain. As small businesses may not yet have established trust relationships with their suppliers, they're often obliged to pay for supplies up-front in full, further complicating cash-flow conundrums.

Traditional bank-backed lending models, with their sluggish turnaround times, have added to the difficulties faced by SMEs, especially in fast-growing economies like SA.

Tom Stuart, CMO at Lulalend, believes that most SME entrepreneurs want to focus on their core business and dispense with the time-sinking burden of complex financial administration.

He notes that a plethora of automated accounting software platforms that save time, money and labour are increasingly popular among SMEs. Sites like Alibaba.com facilitate checkout financing, while online brokers such as Xero and Quickbooks connect small businesses with third-party financial services.

Apps for invoicing, as well as online financial management dashboards, promise to simplify otherwise arduous, meticulous financial tasks like statements and payments.

SME entrepreneurship, which constitutes a significant portion of the African economy, has traditionally been inhabited by lengthy delays with payments, transfers and loans, factors that tended to deter many entrepreneurs from starting SMEs in the first place.

## **More flexible solutions wanted**

Enabled by rapid digitisation and widespread penetration of mobile technologies, fintechs are now facilitating far more efficient payments, transfers, and lending. These shifts are helping businesses overcome the cash-flow hurdles of the past, thereby fast-tracking financial inclusion, increasing global investment into the continent, and assisting our post-Covid economic recovery.

“Small business owners want flexible cash-flow solutions that provide online and real-time financing. This is where agile new disruptors in the fintech space can step in and provide the efficiency, convenience and control that lenders in the past struggled to achieve,” says Stuart.

He believes that new entrants into the fintech space can play a pivotal role in driving our economic recovery throughout and after the Covid pandemic, by unlocking the capital needed for growth and allowing SMEs to contribute their full potential to the economy.

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