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SMALL BUSINESS

Third of Small Businesses Struggle with Cash Flow

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The latest “[The State of Small Business Cash Flow](#)” shows that the majority of small businesses around the world (61%) struggle with cash flow, and nearly a third (32%) are unable to either pay vendors, pay back pending loans, or pay themselves or their employees due to cash flow issues. This is true in spite of recent tax cuts, regulatory rollbacks and other stimulus policies that have benefited small businesses, with 2 out of 5 small business owners (42%) saying they've experienced cash flow issues in the last year. Furthermore, 69% of small business owners say they have been kept up at night by ongoing concerns about their cash flow status.

The annual global study by Intuit focuses on the behaviors, attitudes and status of cash flow challenges experienced by small businesses and the self-employed.

“Every day, small business owners fight to deliver amazing products and services for their customers, but – with 50 percent of small businesses going out of business within five years of opening their doors – the odds are stacked against them,” said Alex Chriss, General Manager, Small Business and Self-Employed at Intuit. “The top reason for failure is the cash flow crunch and lack of flexible options. With this

survey, we set out to understand the why and how behind the crunch, and what Intuit QuickBooks can do to help.”

Stunting Business and Economic Growth

Achieving a perfect balance of money in and money out (i.e. **cash flow**) – and ensuring expenses don’t become more than revenue or profits – can be a challenge for small business owners. And the **impact that negative cash flow has on small businesses** is profound. Many small companies are operating on margins so thin that frequent lost opportunities will put them on the path to closing shop. On average, U.S. small business owners are losing \$43,394 annually by foregoing a project or sales due to issues created by insufficient cash flow. Additionally, more than half of U.S. (52%) and UK (51%) small business owners’ companies have lost \$10,000 or more by foregoing a project or sales specifically due to issues created by insufficient cash flow. This is also true for half of Australian small businesses (50%), 41% of Canadian small businesses, 23% of Indian small businesses.

Additionally, the inability to pay vendors, loans or employees – a situation encountered by a third of small businesses due to insufficient cash flow – damages the very relationships that small businesses and the self-employed depend on to succeed. In fact, labor costs, like paying employees or contractors, are often the single largest expense for small businesses, and none can afford to alienate employees or have high turnover rates. Among those who have had cash flow issues, more than 2 in 5 (43%) small business owners frequently have been at risk of not being able to pay their employees by payday.

What’s Driving Cash Flow Problems for Small Businesses and the Self-Employed

For many small businesses and self-employed workers who struggle with cash flow, the problem isn’t that they don’t have funds in the pipeline – it’s that they don’t have the funds readily available for real-time expenses. One third (33%) of U.S. small business owners estimate their company currently has more than \$20,000 in outstanding receivables, and the average U.S. small business has \$53,399 in outstanding receivables.

When examining many small businesses’ billing practices, these high figures in outstanding receivables begin to make sense. For example, more than half of small businesses globally (53%) bill customers for goods/services on a specific date, compared to 47% that utilize advanced payment – charging customers for goods/services before or at the time of receiving them. Furthermore, nearly two

thirds (66%) of small business owners report that the time it takes the money to process after receiving a payment has the largest impact on their company's cash flow, compared to not getting paid by customers or clients within the terms of the payment system (34%). Finally, nearly a third of small businesses (31%) estimate it takes more than 30 days to get paid, by customers, clients, vendors or banks. During this month of lag businesses still need to cover expenses including overhead and labor costs – thus creating cash flow woes.

About the Study and QuickBooks

Intuit QuickBooks is committed to solving cash flow issues for millions of small businesses and self-employed by delivering services and features that help businesses get money as soon as possible, which includes everything from [payments-enabled invoicing](#), [same day payroll services](#) and [loans](#) up to \$100,000 based on data within QuickBooks.

The State of Small Business Cash Flow was conducted by Wakefield Research in Fall 2018 and surveyed 3,000 small business owners of companies with 0-100 employees in the U.S., UK, Australia, Canada and India. To read more of the survey data, you can download The State of Small Business Cash Flow [here](#).

Customer Stories

“As a small business owner, you deal with the stress of cash flow every day. For us, staying at the top of the market means continually investing in new product development, but this requires cash. Delays in payments — for example, having to wait to receive a check via mail and then deposit it into our accountant — can result in us not having the cash we need for days or even weeks. The fact that QuickBooks has given us the ability to allow customers to [pay outstanding invoices electronically](#) is huge. Time is money, and every day that we go without payment is another day wasted in moving forward with new products.” — Kyle Scarola, CEO of [GOSCOPE](#)

“Cash flow, at least in the printing business, is very difficult. You have to finance projects, payroll, materials, utilities, fixed overhead yourself in order to get the job. And of course, there's a credit risk. Anytime you offer somebody credit, there's a chance they might not pay you. And that is constant challenge for us. Before QuickBooks we had to have somebody sit there all day and make the phone calls to remind people to pay their invoice. Now every invoice we send goes out with the

option of paying either by check or by credit card, and we don't release the order until a payment has been received.” — Sanjay Sakhuja, Owner and CEO of [DPI](#)

“I'm a bit of a wannabe superhero. I like to think that I can do it all. And I used to view taking out a loan as a sign of failure. But sometimes you need the cash, like when a project is put on hold or takes longer than expected. Since taking out a loan with QuickBooks Capital, my opinion that seeking a loan is a sign of failure has changed. I think because the process with QuickBooks Capital was so smooth and so straightforward, it felt like a supportive process and made a huge difference to my business. After all, the only thing that can fix cash flow is cash.” — Itohan Ellis, Space Planning & Interior Design Specialist at [Red Orchid Designs](#)

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