



# Small Business Survey Results

July 2025

In partnership with News24, Lula conducted a survey of 815 small to medium enterprise owners across South Africa to understand the evolving challenges and opportunities of this critical sector.

As SMEs continue to be the backbone of South Africa's economy, their success directly impacts job creation, economic growth and community development. However, 2025 has brought unique challenges that require fresh insights and innovative solutions.

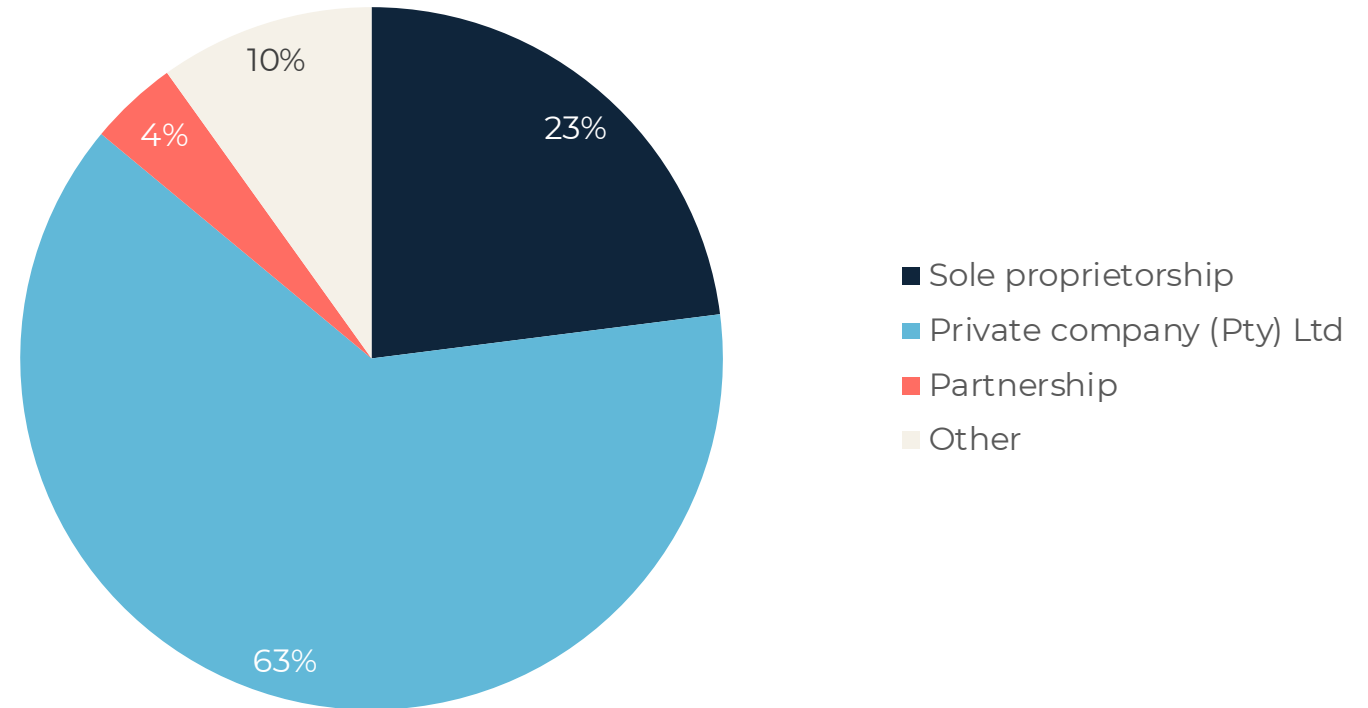
### **What You'll Discover:**

- The primary challenges constraining SME growth today
- How businesses are adapting their financial strategies
- The disconnect between traditional banking and SME needs
- Opportunities for fintech solutions in the SME market
- Strategic insights for supporting business growth and sustainability

- The survey reveals that South African SMEs are predominantly structured as private companies, with nearly two-thirds (63.04%) operating under the Pty Ltd structure.
- This suggests a **mature business landscape** where entrepreneurs have moved beyond sole proprietorships to more formal business entities.
- Only 23% operate as sole proprietorships, suggesting most businesses have evolved beyond single-person operations.
- The 4% partnership structure reflects the collaborative nature of some SME ventures.
- Nearly 10% fall into “other” categories, indicating diverse business models in the modern economy

## Majority of respondents own private companies

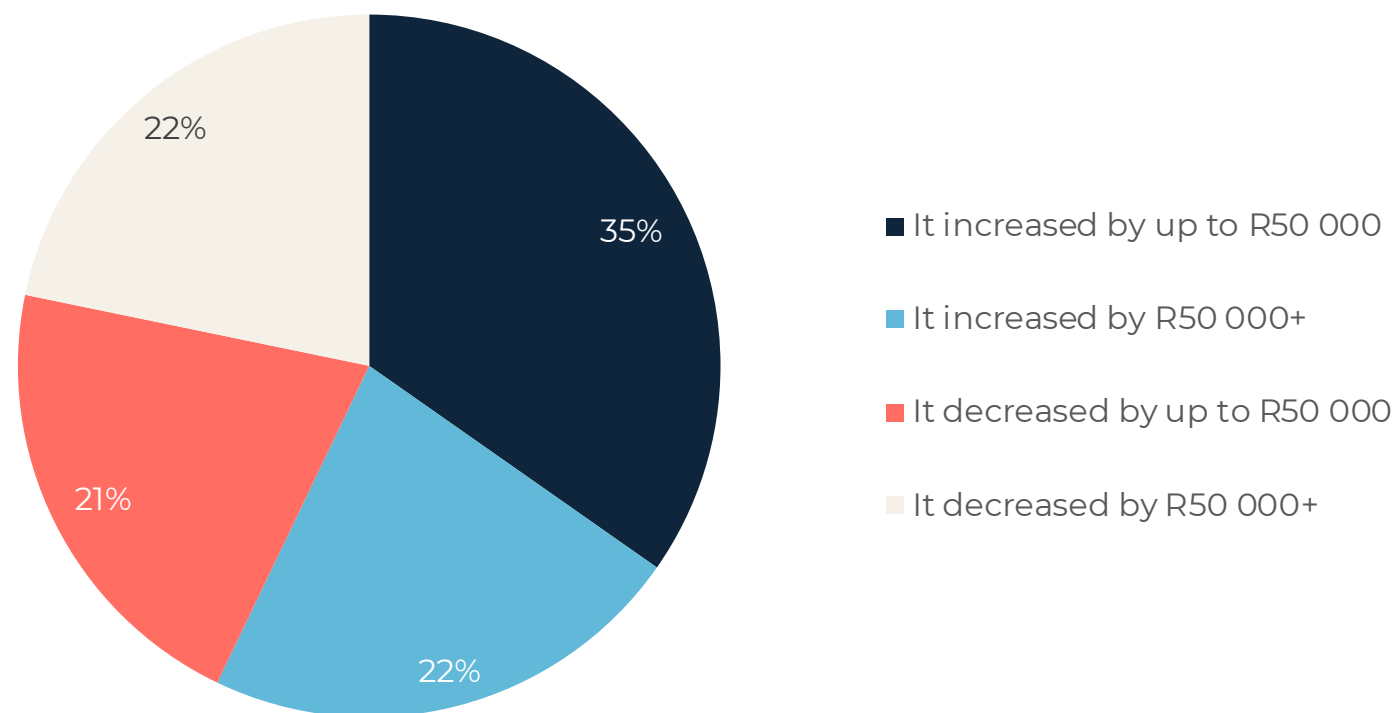
Q1: What best describes your business type?



- SME revenue performance in 2025 presents a mixed but positive picture, with 57% of businesses experiencing revenue growth compared to 43% seeing declines.
- The data shows **resilience in the SME sector despite economic challenges**.
- Ultimately, the split between modest and significant growth/decline suggests **varied business performance**.

## Businesses across the board experienced mixed results, but more saw an increase in turnover than those who did not

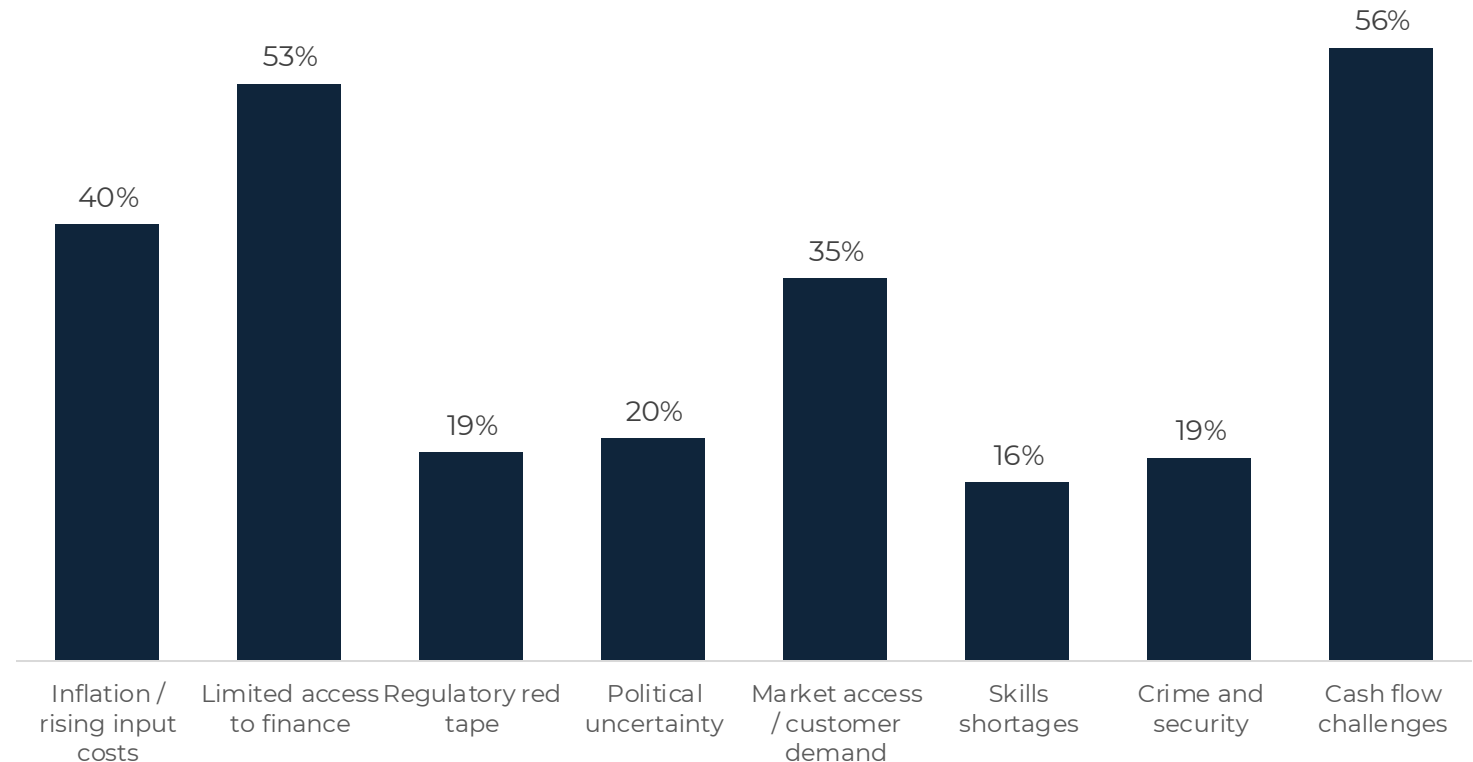
Q2: What best describes your average monthly turnover over the past year?



- Cash flow emerges as the dominant challenge for South African SMEs.
- Combined with limited access to finance and inflation pressures, financial constraints represent the primary barrier to SME growth and sustainability. Finance accessibility issues **reveal gaps in the funding ecosystem.**
- Inflation concerns reflect broader economic pressures impacting input costs.
- Other operational challenges pale in comparison to financial pressures.

## Cash flow, limited access to finance and inflation/rising costs are the biggest challenges

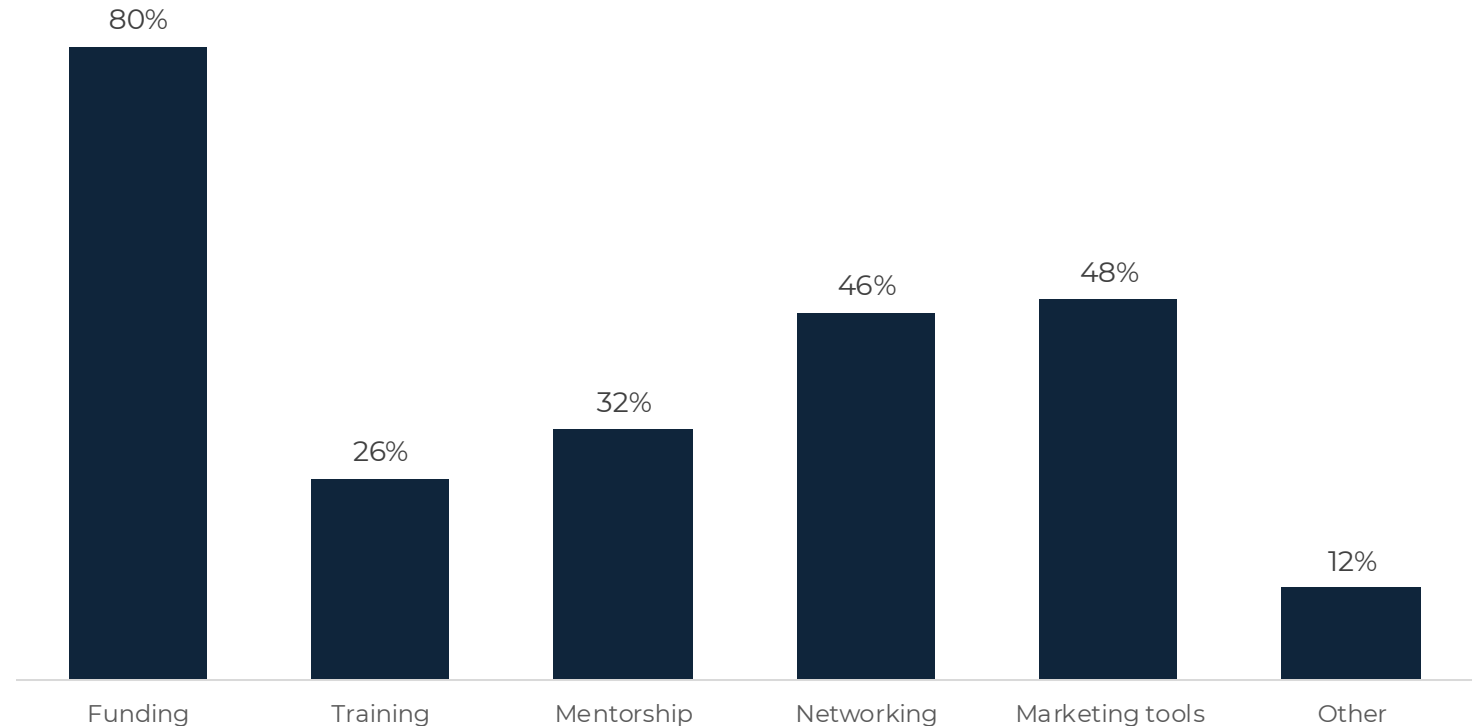
Q3: What are the top 3 challenges your business is currently facing? (Select up to 3)



- Funding overwhelmingly dominates SME growth needs, with 80% of businesses identifying it as crucial.
- Marketing tools and networking opportunities round out the top three, suggesting SMEs need both **capital and capabilities to scale effectively**.
- Networking underscores the importance of business relationships and partnerships.
- The significant gap between funding needs and other requirements emphasizes capital as the primary growth constraint.

## Funding, marketing tools and networking are the most needed support/resources for growth

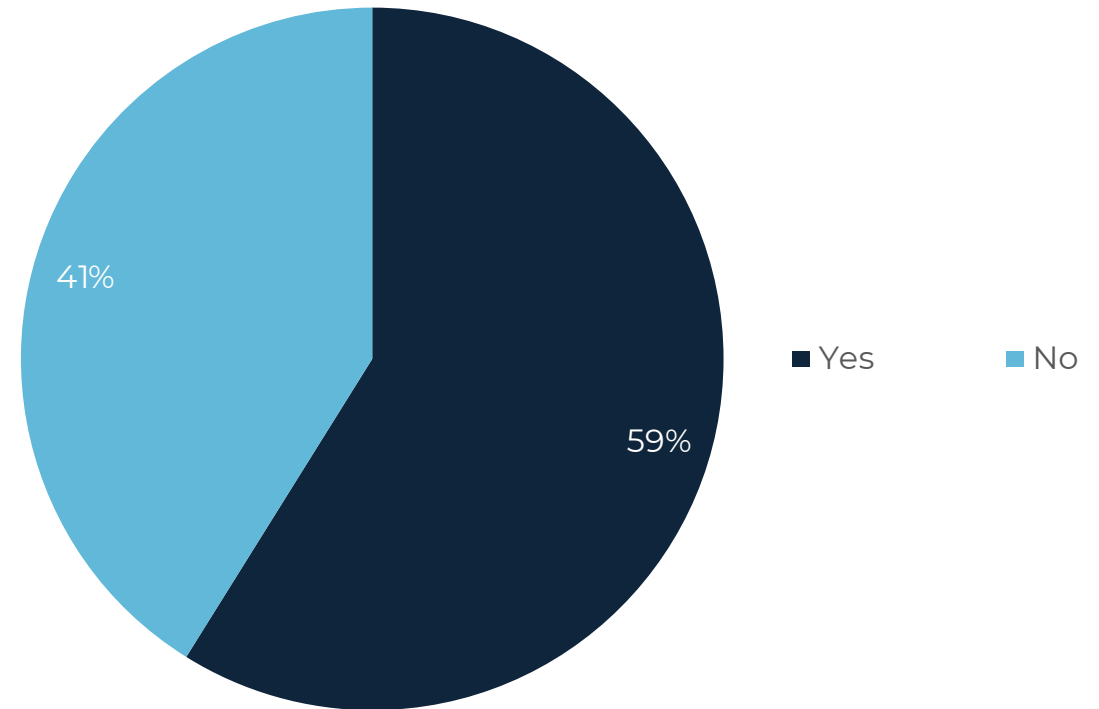
Q4: What type of support or resources would help your business grow? (Select up to 3)



- A concerning majority of SME owners (59%) are using personal credit for business expenses, indicating **inadequate separation between personal and business finances**.
- This practice suggests either necessity due to **limited business credit options** or **preference for familiar personal credit facilities**.
- Risk management and financial planning may be compromised by this approach and presents an educational opportunity in Lula's communication and marketing to SMEs.

## Respondents dip into their personal credit to support their business

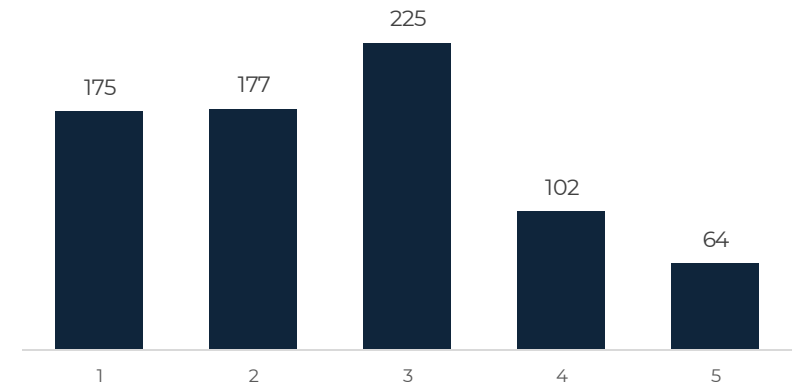
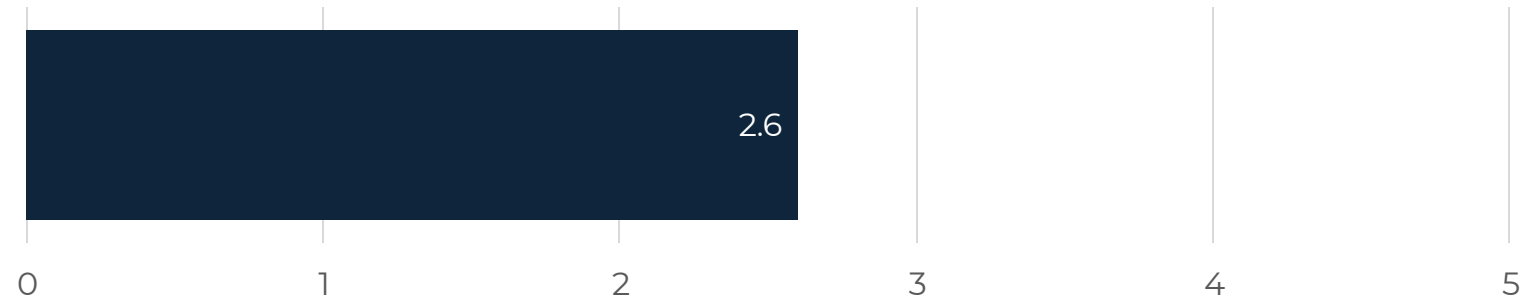
Q5: Do you use your personal credit for business purchases?



- SME satisfaction with available financial products clusters around neutral to negative territory, with the majority rating their satisfaction at 3 or below.
- This lukewarm response indicates **significant room for improvement in financial product offerings**.
- Current offerings appear to be meeting basic needs but **failing to exceed expectations**.

## There is lukewarm satisfaction with current financial products available to SMEs

Q6: On a scale of 1 to 5 (with 1 being dissatisfied and 5 being most satisfied), how satisfied are you with the financial products currently available to your business?

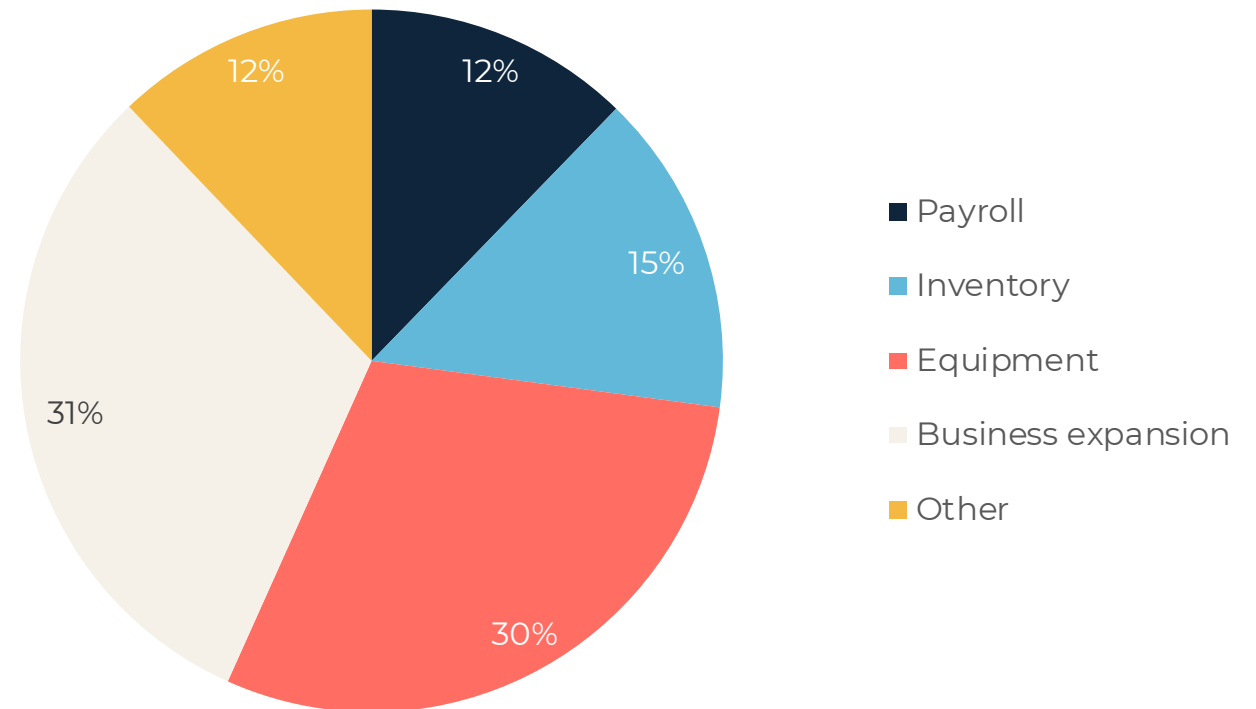




- Business expansion leads funding priorities at 31%, closely followed by equipment purchases at 30%.
- This indicates SMEs are primarily using funding for **growth-oriented investments** rather than survival or operational expenses.
- SMEs are strategically investing in long-term business development rather than short-term fixes.

## SMEs are most commonly using funding to expand their business

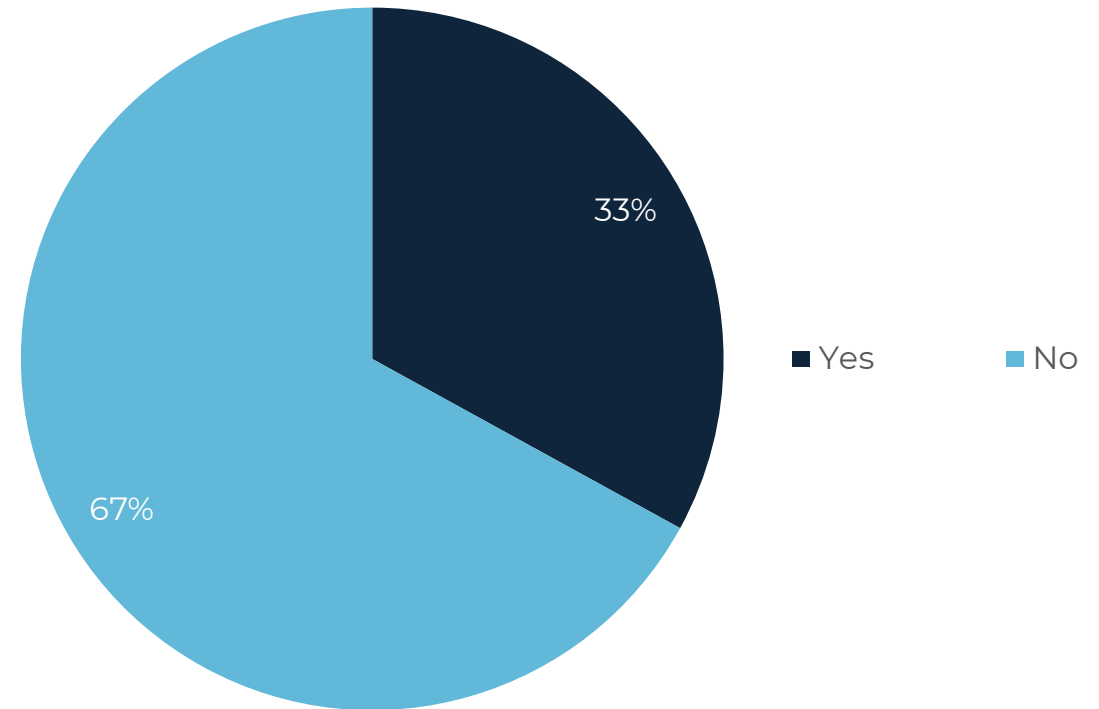
Q7: What is the most common use of funding in your business?



- Two-thirds of SMEs have not established new lines of credit in the past year, despite cash flow being their primary challenge.
- This disconnect suggests either **barriers to credit access** or **inadequate awareness of credit solutions** and indicates a market opportunity.
- SMEs may be relying on alternative funding sources or struggling with traditional credit approval processes.

## Respondents have not started new lines of credit to manage cash flow challenges

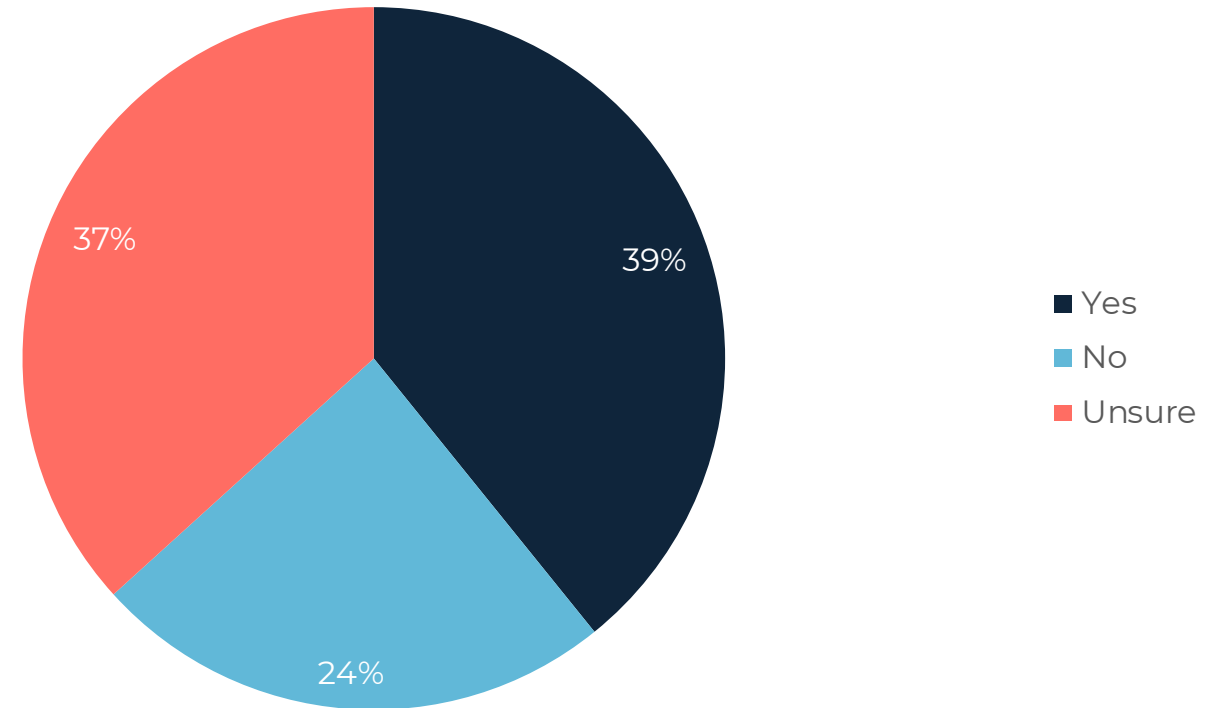
Q8: In the past year, have you established a line of credit to manage cash flow challenges?



- SMEs show mixed intentions regarding credit expansion, with 39% planning increases, 24% declining and 37% uncertain.
- The high uncertainty suggests businesses are **cautious about future credit commitments** in the current economic climate.
- The uncertainty level indicates SMEs are taking a wait-and-see approach to expansion and presents an **opportunity for flexible, responsive credit products that can adapt to changing business needs.**

## Respondents who do not plan to increase their credit limit are in the minority

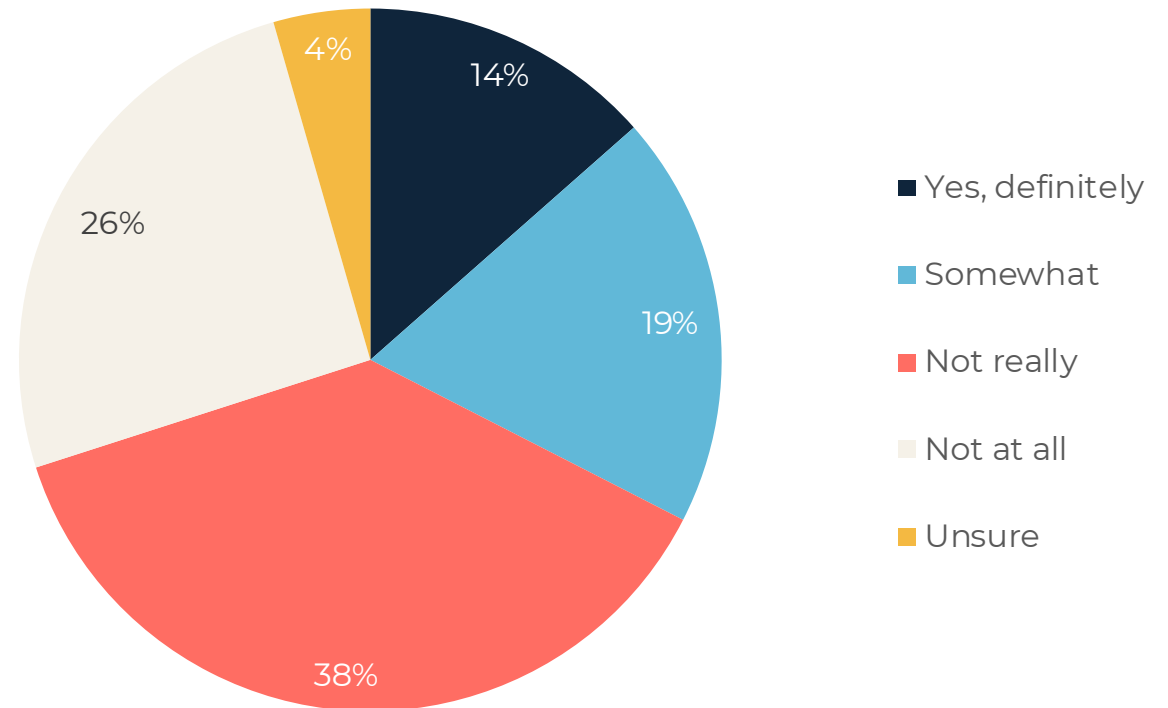
Q9: Do you plan to increase the limit on any of your credit products in the next 12 months?



- A clear majority (63%) of SMEs feel traditional banks do not prioritise small business needs, with only 15% feeling adequately prioritized.
- This perception gap creates a **substantial market opportunity** for alternative financial service providers that genuinely focus on SME needs.
- Traditional banks face a significant trust and service delivery challenge in the SME market.

## SMEs do not feel prioritised by SA banks

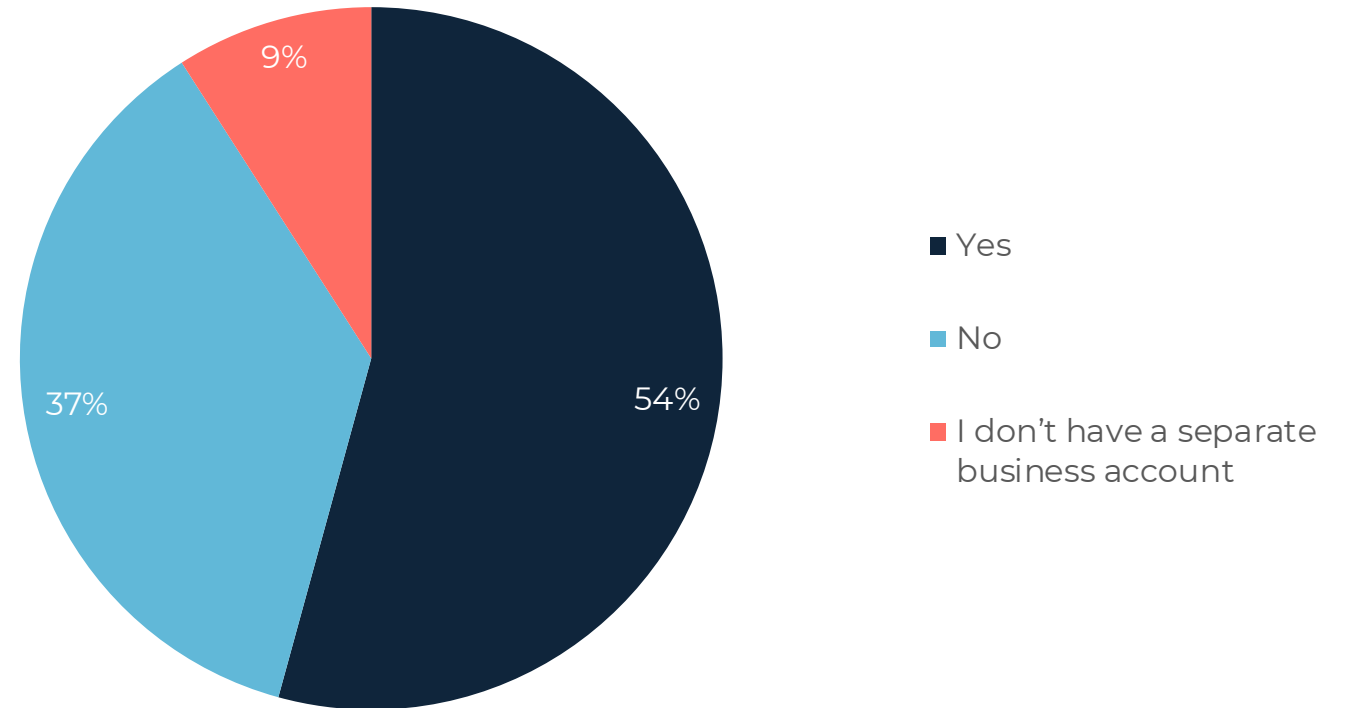
Q10: Do you think traditional banks in South Africa prioritise the needs of small businesses?



- Over half of SME owners (54%) maintain both personal and business accounts at the same bank, demonstrating **strong institutional loyalty**.
- **Relationship banking** appears important, with convenience driving account consolidation.
- 9% lack separate business accounts entirely, indicating either very small operations or poor financial management practices.

## Business owners are loyal to their personal banks

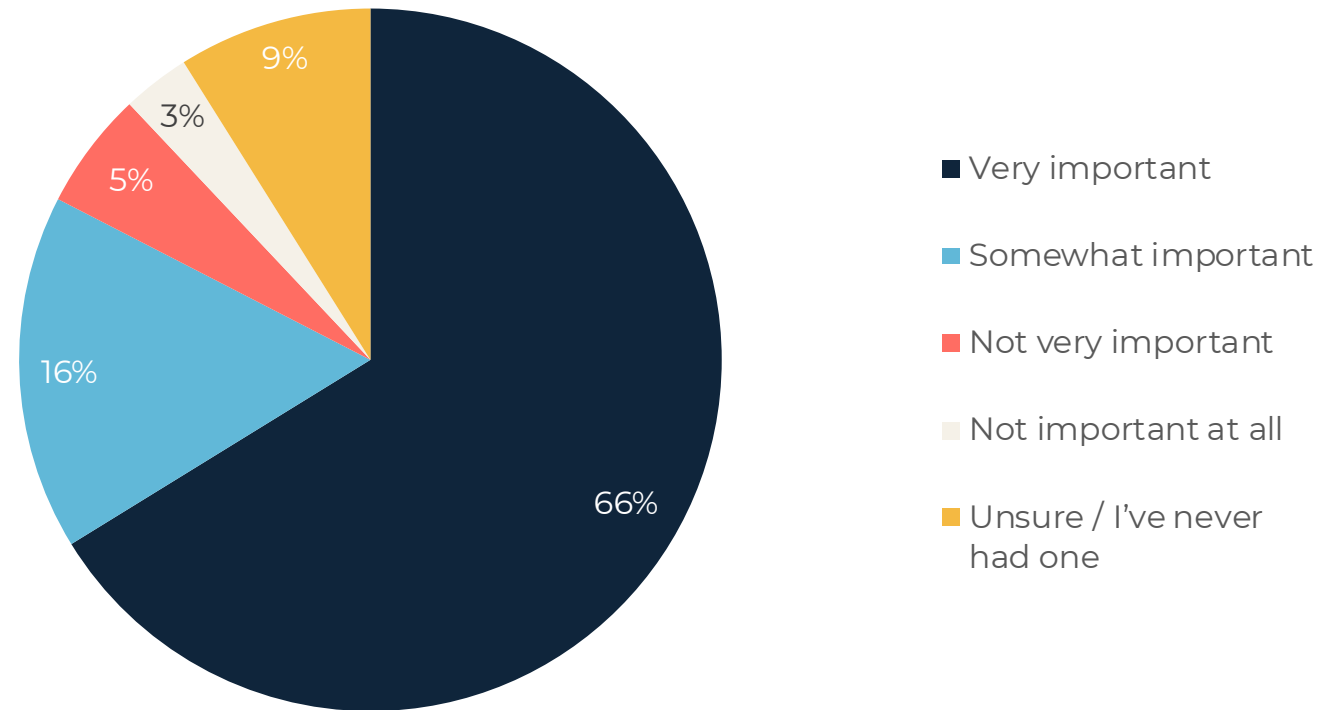
Q11: Is your business account held at the same bank as your personal account?



- SMEs overwhelmingly value dedicated relationship banking, with 82% considering it important or very important.
- This finding emphasizes the **relationship-driven nature** of SME banking preferences.
- This finding supports relationship-based banking models over purely digital solutions, and financial institutions focusing on relationship management have a clear competitive advantage in the SME market.

## Dedicated bankers are important to SMEs

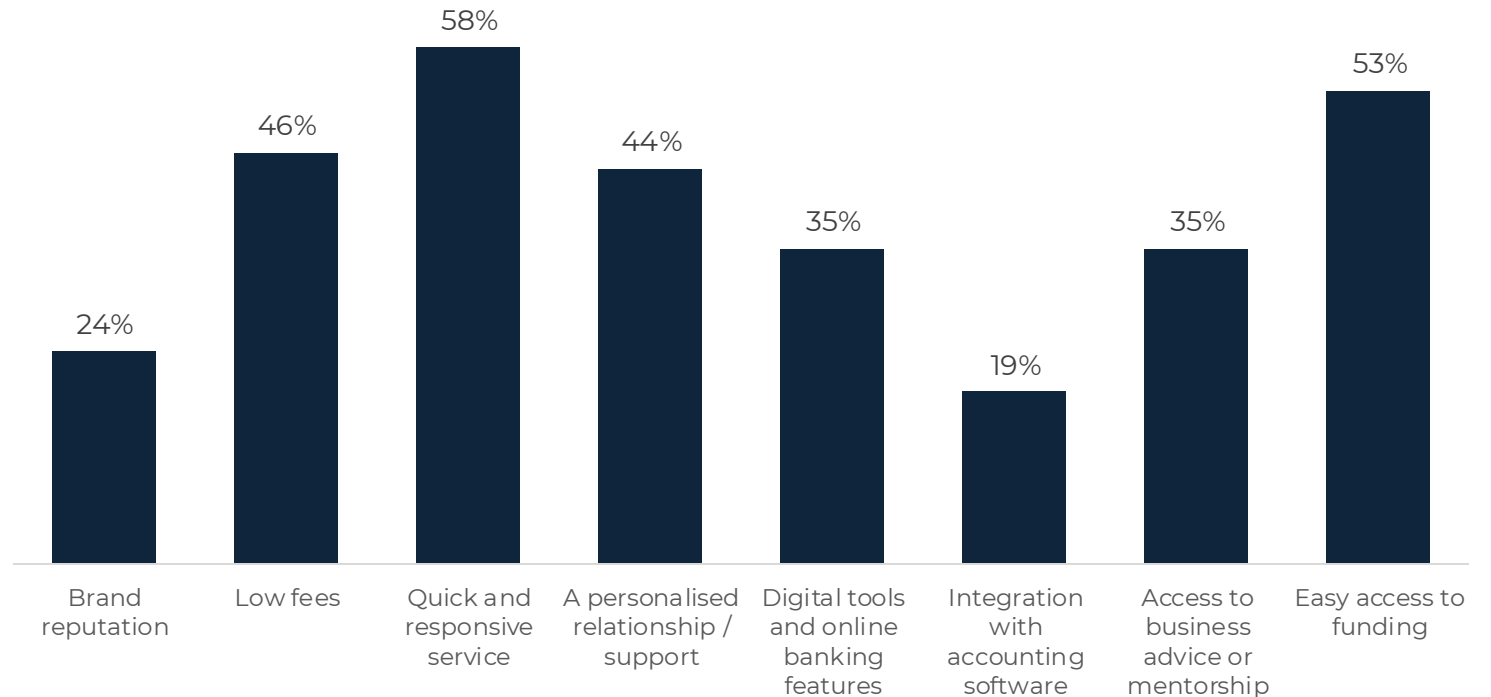
Q12: How important is having a dedicated relationship banker to your business operations?



- Speed and responsiveness lead SME banking priorities at 58%, followed by easy funding access (53%) and low fees (46%).
- These findings emphasize **efficiency, accessibility and cost-effectiveness** as key differentiators.
- These priorities favour **nimble, technology-enabled banking solutions** over traditional bureaucratic approaches.

## Response time, easy access to funding and low fees are most important characteristics of a banking partner

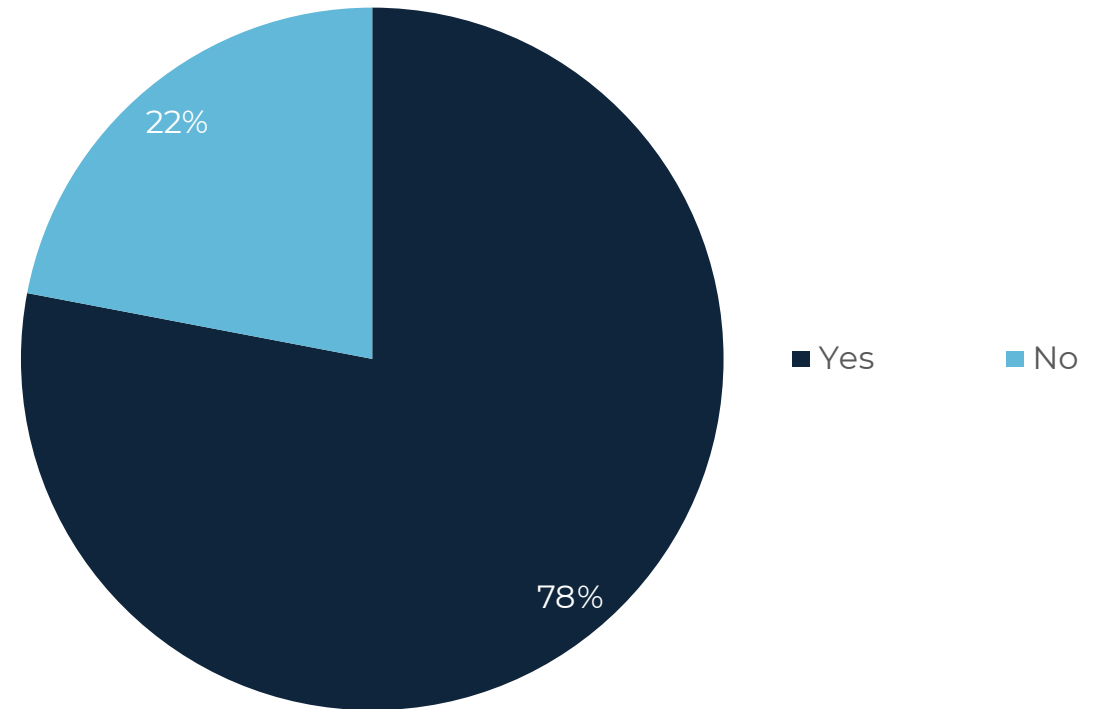
Q13: What are the most important things you look for in a business banking partner? (Select up to 3)



- An overwhelming 78% of SMEs express willingness to switch to fintech banking solutions, representing a **massive market opportunity** for alternative banking providers and highlighting **deep dissatisfaction with traditional banking**.
- This finding aligns with previous responses about traditional bank prioritization failures.
- Significant opportunity exists for fintech providers who can address SME-specific needs, and the high switch intention suggests SMEs are **actively seeking better banking alternatives**.

## There is incredible opportunity for Lula in the SME industry

Q14: If you currently bank with a traditional banking provider, would you switch your banking to a fintech bank/ digital bank?

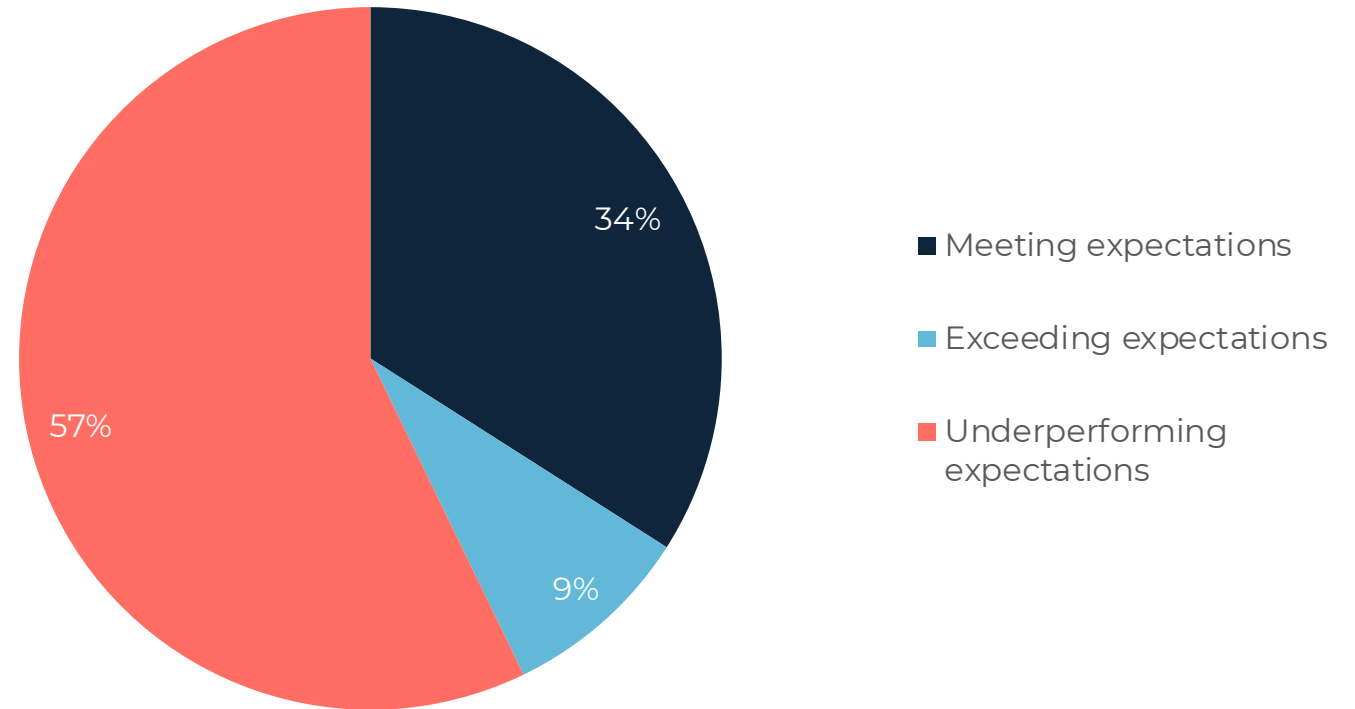




- The majority of SMEs (57%) report underperforming revenue in 2025, with only 9% exceeding expectations.
- This performance gap indicates challenging market conditions and **potential opportunities for business support services**.
- The performance gap creates opportunities for business support, financing and advisory services - SMEs may need **additional support to bridge the expectation-reality gap**.

## Business owners are not meeting their revenue expectations

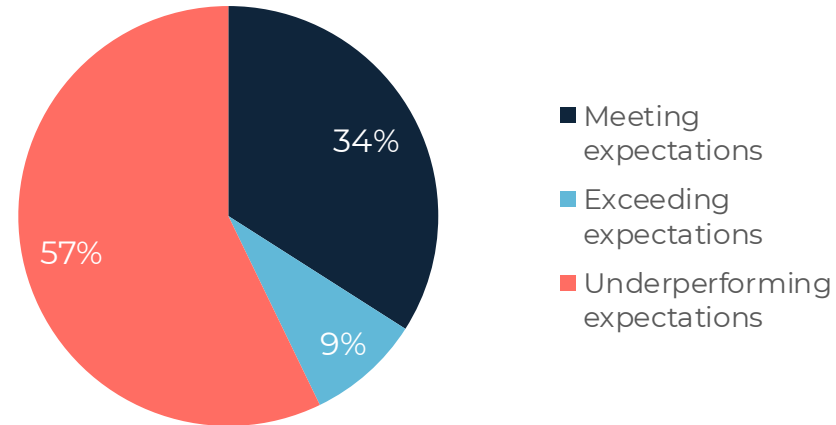
Q15: Is your business's revenue meeting, underperforming or exceeding your expectations in 2025 so far?



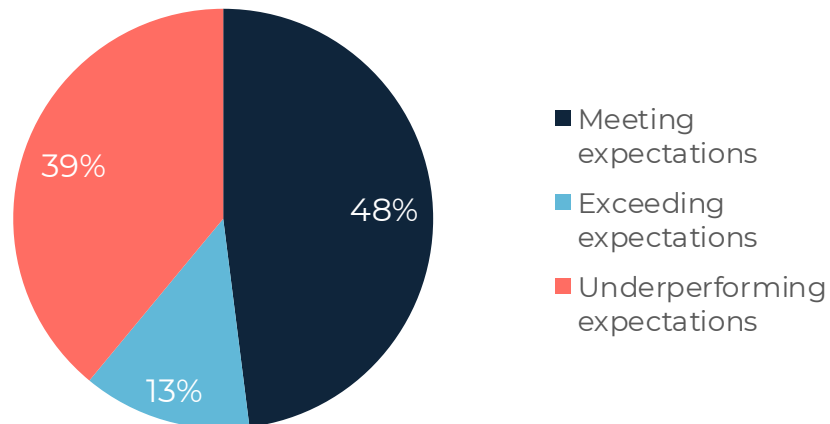
- A clear, but unsurprising, difference can be seen in revenue expectations between businesses that increased their annual turnover and those that did not.

## Comparing expectations of SMEs who increased annual turnover with those who did not

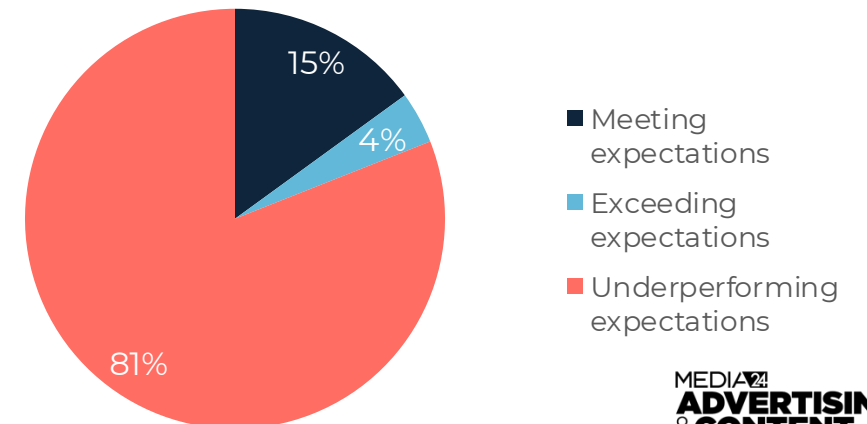
Q15: Is your business's revenue meeting, underperforming or exceeding your expectations in 2025 so far?



Increased annual turnover



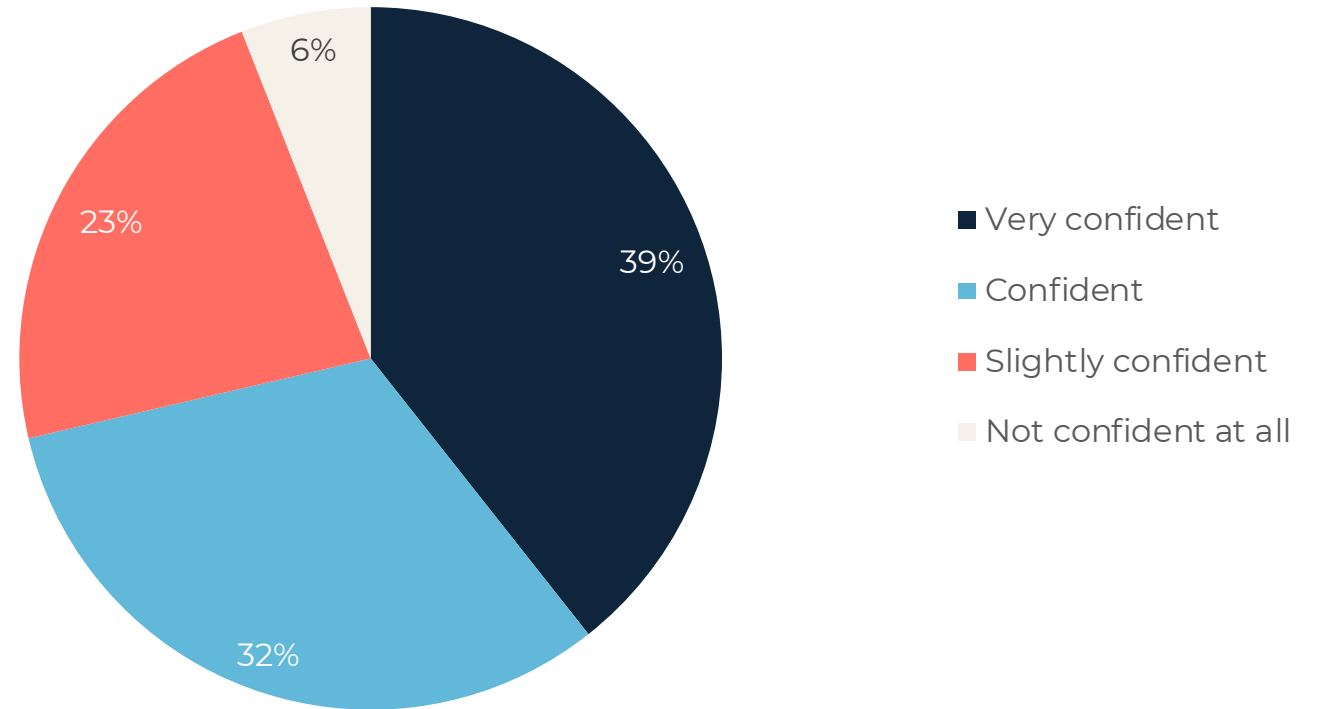
Decreased annual turnover



- Despite current revenue challenges, South African SMEs demonstrate **remarkable optimism** about their future, with over 71% expressing confidence in their growth prospects for the next 12 months.
- This resilience reflects the entrepreneurial spirit that drives the SME sector and creates a significant opportunity for financial service providers as SMEs who are confident about growth are **more likely to seek funding, invest in equipment and expand operations**.
- The gap between current performance and future confidence suggests **businesses are planning strategic moves** that will require financial support.

## Although they are confident in their business's future

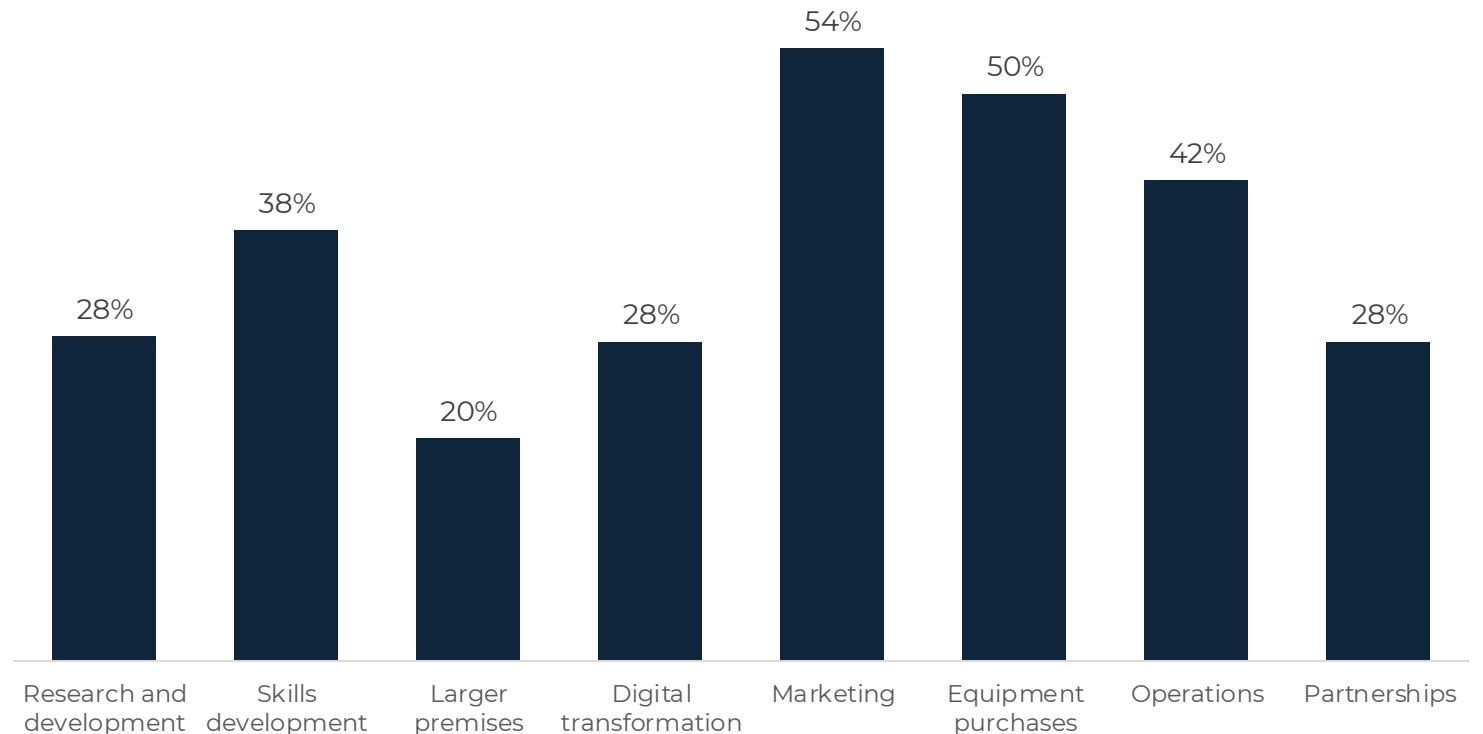
Q16: How confident are you in your business's growth prospects for the next 12 months?



- Marketing leads SME growth priorities at 54%, followed by equipment purchases (50%) and operational improvements (42%).
- This focus on **customer acquisition and infrastructure investment** demonstrates strategic thinking about growth drivers.
- SMEs are investing in both customer-facing and internal capabilities for sustainable growth.

## Marketing, new equipment and operations are the biggest focus areas for growth

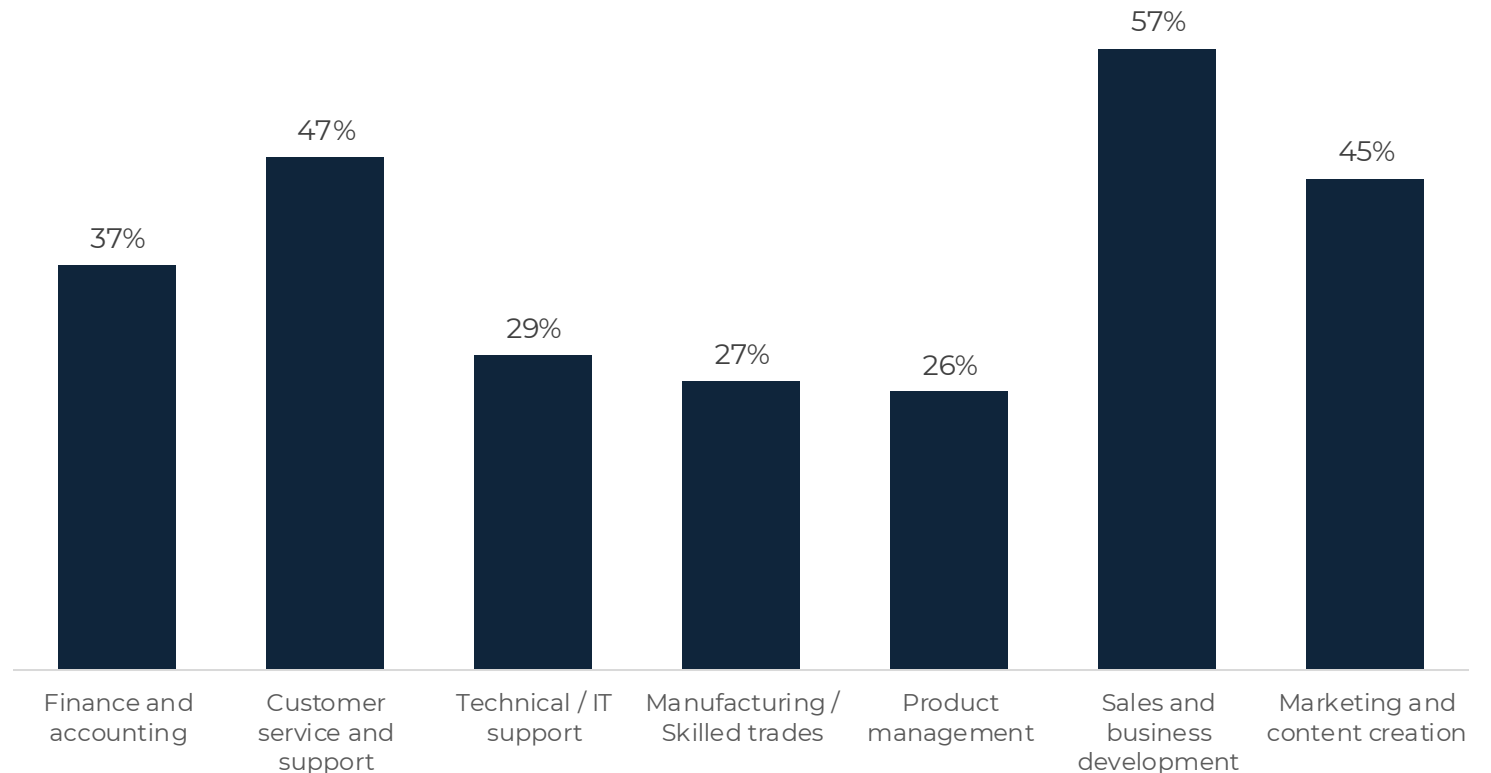
Q17: Which areas of your business are you focusing on to drive growth? (Select up to 3)



- Sales and business development top SME hiring priorities at 57%, followed by customer service (47%) and marketing (45%).
- This **focus on revenue-generating and customer-facing roles** aligns with growth ambitions and current market challenges.
- These hiring patterns suggest SMEs are building capabilities to address their **primary challenges: revenue generation and customer relationships**.

## Sales & business development, customer service & support and marketing & content creation are SMEs' most critical roles to fill

Q18: What skills or roles are you prioritising in your hiring plans? (Select up to 3)



Our survey reveals a South African SME sector at a critical juncture - facing significant financial challenges while maintaining strong growth ambitions and openness to innovation.

### **The SME Reality in 2025**

- Financial stress dominates
- Traditional banking fails
- Growth ambition persists
- Digital readiness exists

### **The Opportunity for Lula**

This research reveals a market opportunity for responsive, SME-focused financial solutions. Traditional banks are failing to meet the speed, accessibility and relationship needs that matter most to small business owners.

### **Moving Forward**

- The data shows clear demand for:
  - Faster, more responsive service
  - Easier access to funding
  - Dedicated relationship management
  - Cost-effective solutions

South African SMEs are ready for change.