

Credit squeezes trade

Shortage of finance a challenge for cashflows

LACK of access to credit is the major impediment for smaller businesses looking to do business internationally, according to new research.

Global payment provider Western Union Business Solutions found that 38 per cent of micro businesses, with a turnover under \$5 million, and 36 per cent of small and medium businesses identified credit availability as their single biggest challenge to importing and exporting goods.

Payment delays also were a concern across all businesses.

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Micro and small businesses were harder hit in this area with a quarter of micro businesses and 21 per cent of small and medium enterprises citing

it as a problem. Up to nine out of 10 businesses of all sizes said terms of trade with their debtors had blown out, putting pressure on their businesses.

Most businesses said their terms of trade had bumped out to 15 days but more than half the micro, small and medium enterprises polled by Western Union said they faced waits of more than 30 days for their invoices to be paid.

More than half the bigger businesses, termed as lower corporates in the research, said local laws and regulations were their biggest challenge. This was a concern for just one in five of the smaller businesses.

Western Union client relations director Justin Logan said the results found a large discrepancy between smaller and larger businesses in terms of payment.

"Concerns about both are significantly higher for small businesses and indicate there are distinct cash flow challenges," he said.

"It is worrying that they do not have access to the same level of financing to support their international trade activity. The risk is that cash-strapped small and medium enterprises may find it difficult to cover expenses as payment

terms continue to get pushed back, meaning healthy businesses could be put at risk."

He said the Australian dollar had fluctuated nearly 9 per cent against the US dollar in the last seven weeks alone.

"There needs to be more awareness in the marketplace, especially in light of the recent volatility; the biggest challenge is that many small businesses do not realise they can easily adopt the same practices as larger ones in order to protect their bottom line." The survey received 2200 responses.