

Big firms are too slow at paying bills - ISME

Delays by big firms in settling their bills with smaller firms threaten the survival of many small businesses, according to ISME – the organisation representing Irish small and medium-sized enterprises. These delays can have a serious effect on small companies by hampering their **cash flow** and forcing some to go bust.



According to Irish law, all businesses should pay bills owed to **suppliers** within 30 days. The legislation, which applies to all commercial transactions, requires companies to pay their suppliers within 30 days in the absence of a written contract outlining separate terms.

This legislation was designed to assist small businesses who are very vulnerable to cash flow shortages. However, according to a recent ISME survey, only 13% of small firms get paid within the statutory 30-day period. The rest get paid much later. The evidence suggests that small companies are still being forced, particularly by big businesses, to accept **credit terms** outside those outlined in the legislation.

According to an ISME spokesperson: “It is quite obvious that small businesses continue to be squeezed by their larger counterparts. This creates a double whammy in that small **businesses** are only in a position to make payment once they themselves have been paid.”

“Cash flow is the lifeblood of any small business and it is imperative to have a realistic and adequate cash flow within a business for both the day-to-day running of the company and to cope with fluctuating requirements. With hundreds of millions in unpaid **debts** outstanding to small Irish businesses at any one time, it is not surprising that every small business has experienced the difficulties that late payments can cause.”

1. **What is cashflow and why is it important for a business?**
2. **What is the purpose of a cashflow budget?**
3. **What are the different sources of finance available to entrepreneurs wishing to start up a business?**