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The Effects of Delayed Payment on Small and Medium Enterprises in Cape Coast

Nicholas Ampofo, Stephen Baffoe

University of Cape Coast

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ABSTRACT

Small and Medium Enterprises (SMEs) play a significant role in the development of every country. They create employment opportunities and contribute to the socio-economic development of the citizenry. However, SMEs face a lot of challenges in their operations including, mostly, financial challenges. One reason attributed to the financial challenges faced by SMEs is as a result of late payment from their customers who buy on credit from them.

The study therefore sought to investigate the extent to which payment to SMEs delay, to examine the causes of delayed payments to SMEs and to assess the effects of delayed payments on SMEs using SMEs in Cape Coast as a case study.

The research took data from both primary and secondary sources to get a deeper understanding of the issue of delay payment to SMEs. Literature was reviewed on delay payment to establish the parameters for the study. The data obtained from literature review aided the preparation of detailed questionnaire for a quantitative study. Structured questionnaire was distributed to respondents who belonged to SMEs to provide responses. 102 respondents returned their completed questionnaire for the study. Statistical Package for Social Sciences version 22 was used for entry of data collected. The study mainly used descriptive statistics to tell the story of delay payment and its effects on SMEs. The study identified that delay payment was prevalent among SMEs. Most of the SMEs received payment after 60-90 days contrary to the 30-day credit they mostly offered to their customers. Several causes of delay payment were examined. These include insufficient funds/ cash flow issues lack of proper invoicing or documentation, poor financial management and budgeting.

Others include lackadaisical attitude of staff involved in payment processes and bureaucratic delays or red tape or internal control system. The study also identified effects of delay payment on SMEs to include adverse impact on cash flow management, long term business sustainability, reputational issues and many others.

The study recommended that the customers of SMEs should respect contract terms and honour their obligations on time when they fall due. SMEs should enforce the contract terms and conditions on payment to claim interest on delay payments.

Keywords: Cash flow, delay payment, financial constraints, trade credit, liquidity.

INTRODUCTION

Background

Most businesses suffer from late payment of their invoices due to several unexplained reasons and most of them struggle financially as a result of late payment after they have invested monies into supplies. The situation even becomes worse when Small and Medium Enterprises are involved as they usually have very limited access to capital. Small and Medium Scale Enterprises the world over play a very significant role in the socio-economic development of the people. Their significant roles include creation of employment and reduction of poverty rate. SMEs have often been described as the engine of the economy and there has long been recognition of the small business sector's contribution to a competitive economy. Kaspar and Puddephatt, (2012). They are regarded as backbone of economic growth in almost all developed and developing countries (Panga and Kazungu, 2015). Late payments exacerbate the liquidity needs of SMEs, especially during challenging business conditions, lead to over-indebtedness and translate into SME failures (ECB, 2020). According to the World Bank, Small and Medium Enterprises (SME) represent about 90% of businesses worldwide and provide an estimated 50% of all employment globally.

SMEs employ several people in the country to complement the efforts of the government at creating employment opportunities for the many teeming youths. Therefore, if they supply goods and services and their payment delays, it negatively affects their operations and their ability to contribute significantly towards economic development of the country. SMEs depend more heavily on short-term finance sources (Guo et al. 2023) and as such, any delayed payment will have negative impact on the survival of the SME involved. The effects, among others, include liquidity shortages and additional interest payments.

Problem Statement

Delayed payment causes severe cash flow problems especially to contractors and has a devastating knock-on effect down the contractual payment chain (Ansah, 2011). Delayed payment for work done affects many business players in the Ghanaian business community. One of the major effects of delayed payment is that it causes cash flow problems to the supplier especially if they are small and medium enterprise. The problem is not only about public sector organizations but it runs through both public and private sectors. It is also not a problem prevalent in only developing countries but also the problem exists in Europe and other developed countries. Of course one can say that perhaps the situation in developing countries like Ghana is worse, compared to what happens in the developed countries. For example, according to the Bisnode Dun & Bradstreet's report, in 2016 on average, 62% of businesses in Europe declared payment delays. Also, between 2019 and 2023, a survey in Europe reported that German SMEs reported a consistent rate of around 35% throughout the period, reflecting strong payment discipline. SMEs in Spain face moderate variability in late payments, with the lowest at 34% in the first half of 2021 and the highest at 43% in the first half of 2023, resulting in an average of 39%. Meanwhile, French SMEs experienced a gradual increase in late payments, peaking at 59% in the first half of 2023, with an overall average of 51%. The problem of delayed payment to suppliers does not only affect main suppliers but also sub suppliers as most suppliers only pay their sub-suppliers only after receiving payment from purchasers for supplies made.

Research Objectives

The study seeks to achieve the following objectives.

1. To investigate the extent to which payment to SMEs delay.
2. To examine the causes of delayed payments to SMEs.
3. To assess the effects of delayed payments to SMEs.

Research Questions

The study will answer the following questions.

1. To what extent do payment to SMEs delay?
2. What are the causes of delayed payment to SMEs?
3. What are the effects of delayed payment on SMEs?

LITERATURE REVIEW

Liquidity Theory

The liquidity theory focuses on suppliers with excess liquidity investing in trade credit to generate returns.

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According to Schwartz (1974), firms with easier and cheaper access to credit in the capital markets may have the incentive to borrow and in turn use the funds to finance the purchases of customers who may be credit rationed. This is referred to as 're-distributional' role of trade credit (Meltzer, 1960). The optimal level of trade credit is attained when the marginal revenue of supplying trade credit is equal to the marginal cost (Emery, 1984). The effect of changes in monetary policy on trade credit supply and demand is at the macro-level. In a tight monetary policy regime, interest rates are driven up and credit rationing increases, constraining the ability of firms to access credit from capital markets. The credit rationed firms will thus tend to depend more on their suppliers to finance their purchases. Therefore, trade credit use will increase under tight monetary policy regime and vice versa (Meltzer, 1960; Schwartz, 1974). This has been confirmed by Meltzer (1960) and Mateut et al. (2006). Periods of economic downtowns and financial crisis also increase trade credit activity (Lin & Chou, 2015). A limitation of the liquidity theory is that the theory is inapplicable in transactions involving services.

Long term relationship theory

Trade credit may be employed to attract and build long-term relationships with customers, an investment that is expected to yield a stream of benefits over time (Wilson & Summers, 2002). Customer switching is a common phenomenon and yearly customer defection rates may range within 15-20%. According to Cheng and Pike (2003), offering trade credit may not only enable a firm to attract new customers, it can also be used to retain and develop a stable customer base for a firm's products. Relationship building is especially important for newly established firms entering the market (Wilson & Summers, 2002) and in competitive industries where customer switching is prevalent (Van Horen, 2005; Alarcón, 2011). A supplier extending trade credit may signal to customers that the supplier intends to develop and maintain long-term business relationships (Cheng & Pike, 2003). A firm may offer trade credit to distressed firms, despite the high risk, as a way of supporting their survival because they have a stake in their long-term survival (Wilner, 2000). Conversely, credit constrained firms may extend trade credit as a way of retaining customers and increasing sales (Fabbri & Klapper, 2008). Moreover, trade credit terms can be varied to reward loyal customers especially when they are in distress (Cheng & Pike, 2003). This theory has been supported by Cheng and Pike (2003). This theory was used to understand why inspite of the possible undue delay of payment from buyers to suppliers, SMEs would still be interested in supplying goods and services on credit basis. The theory indicates that, suppliers may supply on credit and be willing to wait a while for their payment just so they can maintain a long-lasting relationship with the buyer and even use to attract and build new customers. Once they build the trust of the customer, it leads to repeat purchases and thus increase sales and profitability.

Definition of SMEs

SMEs have been defined using different parameters in various studies, making it difficult to adopt one universal definition. Scholars argue that the difference in perspective is as a result of definitions by international institutions, definitions by national law, and definitions by industry (Berisha & Pula, 2015). Inspite of the challenge of adopting a universal definition, researchers seem to agree on the criteria used to distinguish SMEs from other types of businesses. The criteria accepted include the staff strength, turnover and asset base. According to Maticiuc (2018), SMEs are non-subsidiary, independent firms which employ fewer than a given number of employees. For example, the European Union considers SMEs as businesses employing people with upper limit of 250 employees and with annual turnover of EUR 40 million and/or the balance-sheet valuation cannot be more than EUR 27 million. Most businesses are classified as SMEs worldwide and they contribute significantly to employment creation and economic development. According to the records of the Registrar General's Department in Ghana, about ninety percent (90%) of registered companies are SMEs. The Venture Capital Fund Act 2004 (Act 680) in Ghana, an SME is an industry, project, undertaking or economic activity which employs not more than 100 people and whose total asset base, excluding land and building, does not exceed the cedi equivalent of $1 million in value. The National Board for Small Scale Industries (NBSSI) describes Micro and Small Enterprises as those enterprises employing 29 or fewer workers. Micro enterprises are those that employ between 1-5 people with fixed assets not exceeding USD 10,000 excluding land and building. Small enterprises employ between 6 and 29 or have fixed assets not exceeding USD 100,000 excluding land and building. The National Board for Small Scale industries (NBSSI) further classified SMEs as follows: Micro enterprise: less than 5 employees; Small enterprise (6 – 29) employees; Medium enterprise (30 – 99) employees; and Large enterprise (100 and more) employees. The Ghana Statistical Service (2003) considered small enterprises as firms with employment size between 5 and 29 and an annual turnover not exceeding US$100,000 and Medium enterprises with employment size between 30 and 99 and an annual turnover not exceeding US$1 million. For purposes of this study, the definition by the NBSSI is adopted. Therefore, to qualify as SME, the organization must employ not more than 29 people.

Trade Credit

Trade credit takes different forms. When a firm sells goods to a buyer and no immediate cash payment is received, it is extending credit to the buyer (accounts receivable or supplier credit). When a firm buys goods from a supplier and payment is deferred to a later period, it is receiving credit from the supplier (accounts payable) (Emery, 1984; Ng et al., 1999; Carvalho & Schiozer, 2015). Cheng and Pike (2003) prove that firms operating in competitive markets are forced to offer trade credit. This is true because even though SME suppliers in Cape Coast may face challenges with delayed payment, most are still willing to deliver on credit than to keep their stock and only sell to cash purchasers. The decision to extend trade credit signalizes plans to maintain and develop relationships with clients, thereby strengthening the firm's image.

Financial Constraints of SMEs

Oppong et al, (2014), posited that financial constraints include those factors that prevent micro and small scale enterprises (MSEs) from accessing funds easily. Inadequate sources of supply of funds has been a major setback to the realization of many brilliant business ideas and outward expansion of existing businesses. The inability of the small business owners to raise funds to expand their businesses has been linked to poor business history, high risks associated with starting new business, which banks tend to avoid, insufficient collaterals, inadequate record keeping and knowledge of the risks facing their business. According to the World Bank (2018), several challenges are faced by SMEs in developing countries with the main challenge as financing. This is due to the fact that they are mostly not able to raise the needed collateral to raise funds from the traditional banks. To curb this, most SMEs demand upfront payment before they deliver goods or services. However, this is not common especially among institutional buyers, thus limiting the successful business opportunities for such businesses. Surveys show that most suppliers contend with lengthy payment and late payment and that their effects are felt in constrained cash flow, restrictions on growth and strained customer relations (Tymowski, 2018; Ishak et al., 2019).

Meaning of delayed payments

What constitutes delayed payment is not a subject matter of controversy as almost all writers agree that delayed payment occurs when the buyer pays the supplier's invoice later than the due date agreed upon. Judi et al. (2010) defined payment delays to involve the disappointment by the employer to pay the contractor within the time frame expressed in the contractual agreement. A payment delay can be described as the amount of time that passes between the deadline for payment originally agreed by parties to a commercial transaction (e.g. in a contract) and the actual remittance of the payment that is due (Rowgoski. 2017). Inspite of the above, DPME (2020), suggested that the definition of delayed payment depends on the country and the type of business. For example, in the UK, Baily (2019) indicated that delayed payments are payments that are not processed after a service has been rendered and within the agreed-upon period of payment whereas as based on a study of eleven countries, Miller & Wongsaroj (2017), defined late payments as payments not paid within a given time frame.

The subject matter of delayed payment to SMEs affecting their cash flow, has been extensively studied (Kaya, 2020, Cao and Leung, 2020, Gupta and Gregoriou 2018). This study agrees that payment is said to have delayed if the purchaser does not pay the supplier within the time frame agreed between the two parties.

Causes and Effects of Delayed Payments

Reeves (2003) noted that claim submission problems are the primary causes of late payments. This includes submitting claims with incorrect calculations and claims without the necessary documents attached. When this

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occurs, the supplier is asked to resubmit the correct documentations which can take time. Another cause of delay payment is poor or inadequate financial management on the part of the paying customer (Hasmori, Ismail and Said, 2012). Inadequate financial management may include buying a lot of things at the same time beyond what the buyer's finances can conveniently support. The negative effects of extended payment, late payment and non-payment have been captured in cross-national studies. Suppliers have reported cash flow problems leading to difficulties paying their own suppliers, postponing investments in their operations, and freezing staff remuneration and hiring because customers did not pay on time (Ishak et al., 2019; Intrum, 2021). The study seeks among others to examine the causes of delayed payment.

METHODOLOGY

The study employed quantitative research approach. Quantitative method involves the collection and analysis of numerical data to answer scientific research questions. According to Creswell and Creswell (2017), it is an approach for testing objective theories by examining the relationship among variables. Based on the literature reviewed, a structured questionnaire was developed and distributed for the study. The questionnaire was divided into four parts. Part one dealt with general information about the respondents such as their positions in the company and how long they had worked for the company or operated the business. Part two dealt with questions related to the extent to which payment to SMEs delay whereas part three dealt with the causes of payment delays. The last part related to questions on the effects late payment had on SMEs. In all 134 questionnaires were distributed amongst the 201 SMEs in Cape Coast. Respondents were given one week to fill the questionnaire and return same. Before the questionnaire were distributed, they were pre-tested to identify any errors. Just a few issues were identified during the pre-testing and those issues were accordingly rectified. Out of the 134 questionnaire distributed, 102 were returned and used in the final analysis. This represents a response rate of approximately 76%. Descriptive statistics, mainly on frequency distribution and percentage value, were used to analyse the data.

Population, sampling and sampling technique

The research targeted SMEs who are doing business in Cape Coast. According to the Cape Coast Metropolitan Assembly, there are 201 SMEs duly registered with the Assembly in Cape Coast.

The Yamane formula was used to calculate the sample size for the quantitative studies. A 95% confidence level and error limit =0.05.

$$n = \frac{N}{1+N\,(e^2)}$$

Where,

n = sample size

N = population size

e = level of precision

$$n = \frac{201}{1+201\,(0.05)^2}$$

n = 201/1.5025 = 133.77

n = 134.

A simple random sampling was used to select the 134 respondents to complete the questionnaire. All suppliers were assigned unique numbers and with the aid of probability tables, each of the 201 suppliers had an equal chance of been selected for the study.

RESULTS

Demographic Data

Table 1: Position of Respondents in SME

Responses	Frequency	Percentage
Owner	75	73.5
Manager	20	19.6
Finance Officer	2	2.0
Sales/Marketing Manager	5	4.9
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

As presented in table 1, first, the questionnaire survey gathered important demographic information from the participants, which was highly relevant to the subject under investigation. Specifically, the vast majority of participants (73.5%) were owners of SMEs. The next 20 respondents representing 19.6% were managers. 4.9% of the respondents were sales or marketing managers and 2 respondents representing 2% were also Finance Officers. The above results indicate that the study used the right respondents who could give accurate responses for the study.

Size of SME (Number of Employees)

The respondents were asked to indicate the number of employees in their SMEs. The responses are indicated in table 2 below.

Table 2: Number of employees in the SME

Responses	Frequency	Percentage
Less than 10	68	66.7
10-50	34	33.3
More than 50	0	0
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

In order to determine whether the respondents actually belonged to businesses classified as SMEs, the above question was used to determine the number of employees employed by the SMEs. 68 of the respondents representing 66.7% indicated that their business employed less that ten people. 33.3% of respondents also indicated that they had employees ranging between 10-50. None of the respondents responded that they had more than 50 employees. The above results indicate that all respondents belonged to businesses which qualified as SME in accordance with the operational definition adopted for the study.

How long the SME has operated

In table 3 below, results of how long the SMEs have operated is presented.

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Table 3: Number of years of Business in operation

Responses	Frequency	Percentage
Less than 1 year	2	1.9
1-5 years	22	21.6
6-10 years	62	60.80
Over 11 years	16	15.7
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

2 respondents indicating 1.9% of respondents indicated that they belonged to SMEs which had been in operation for less than a year whereas 21.6% also responded that they had been in operation for 1-5 years. 62 of them representing 60.8% indicated that they belonged to SMEs which had operated for 6-10 years. 16 of them which is 15.7% of the respondents belonged to SMEs which had operated for more than 11 years. The results indicate that majority of the respondents had more experience in the SME business and were in a position to provide accurate responses to the questionnaire.

Objective 1: To Investigate the Extent to Which Payment to Supplier is Delayed

In objective 1, the study used the questionnaire to elicit responses from individuals on the extent to which they have experienced payment delays. Several questions were used to determine this and are presented in the following tables.

Credit period.

The question was given to establish the credit period offered by SMEs. The results is presented in table 4.

Table 4: Credit Period offered by SMEs to buyers

Responses	Frequency	Percentage
1-14 days	11	10.78
30 days	79	77.45
31-45 days	11	10.78
More than 45 days	1	0.99
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

The question sought to find out how long purchasers are expected to pay suppliers after they have done successful delivery. It was to find out the credit period the SMEs offer to their customers. 11 of the respondents indicating 10.78% responded that they offered 1-14 days credit period whereas 79 of them representing 77.45% of respondents also indicated that they offer credit period of 30 days. 10.78% and 0.99% responded that they offered 31 to 45 days and more than 45 days credit period respectively. This means that most of the SMEs in the study on the average offer 30 days credit period to their customers.

Period of payment

Respondents were asked to indicate how long they normally receive payment from their credit customers. The

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responses obtained are presented in table 5.

Table 5: Period within which payment is received

Responses	Frequency	Percentage
1-30 days	9	8.8
31-60 days	15	14.7
61-90 days	60	58.8
More than 90 days	18	17.7
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

Having established that majority of respondents offer 30 days' credit period to their customers, the study sought to find out from respondents the period within which they receive payment from their customers. The objective was to establish if indeed payments were delayed or not. According to Table 5 above, 8.8% of respondents responded that they receive payment within 30 days. 15 of them representing 14.7% indicated that they are paid within 31-60 days. 58.8% of respondents, that is 60 people also responded that they are paid within 61-90 days whereas 17.7% also indicated that they get payment after 90 days. This result is worse than that of Bisnode Dun & Bradstreet (2017), whose studies reported that as many as 20% of Polish companies suffered from payments delayed for over 60 days.

Objective 2: To Examine the Causes of Delayed Payments

The second objective of the study was to examine the causes of delay payment to SMEs. The questionnaire elicited the responses presented in the tables below.

Causes of delay payment

Respondents selected the causes of delay payment as presented below in Table 6.

Table 6: Causes of delay payment

Responses	Frequency
Insufficient funds/cash flow issues	102
Lack of proper invoicing or documentation	15
Poor financial management and budgeting	60
Unclear payment terms or terms of contract	0
Lack of internal coordination between departments	10
Lack of proper invoicing or documentation	2
Bureaucratic delays or red tape or internal control system	100
Lackadaisical attitude of staff involved in payment processes	98
Total	**387**

Respondents were asked to tick three causes of delay payment. All respondents indicated insufficient funds/cash flow issues as a cause of delay payment to suppliers. 100 of the respondents also ticked bureaucratic delays or red tape or internal control system as a cause of delay payment whereas 98 of them selected lackadaisical attitude of staff involved in payment processes as cause of delay payment. 60 and 15 respondents indicated poor financial management and budgeting and lack of proper invoicing or documentation as causes of delay payment respectively whereas 10 and 2 of them respectively selected lack of internal coordination between departments and lack of proper invoicing or documentation as causes of delay payment. The above results indicate that the major causes of delay payment are insufficient funds/cash flow issues, bureaucratic delays or red tape or internal control system, lackadaisical attitude of staff involved in payment and poor financial management and budgeting.

Cash Flow problems leading to payment delays

Presented below in table 7 is the results of the question posed to elicit how often SMEs experience cash flow problems which lead to delay payment.

Table 7: How often SMEs experience cash flow problems that lead to payment delays

Responses	Frequency	Percentage
Often	89	87.2
Occasionally	11	10.8
Rarely	2	2.0
Never	0	0
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

As per Table 7, out of the 102 respondents, 89, representing 87.2% responded that they often experience cash flow problems that lead to delay in paying their suppliers. 10.8% also indicated that they occasionally experience cash flow problems whereas 2% also responded that they rarely face cash flow problems. None of them responded that they have never experienced cash flow problems before. This is related to the follow-up question which asked respondents if they believed delays in receiving payments from their own customers contribute to their organization’s ability to pay suppliers on time. All respondents indicated in affirmative that delays in receiving payments from their customers lead to delay in paying their own suppliers.

Objective 3: To Assess the Effects of Delayed Payments

Objective 3 of the study sought to assess the effects of delay payment on SMEs. Responses related to this objective are presented below.

Impact of delayed payment on organization's cash flow management

The impact of delay payment on organization's cash flow management is presented in Table 8.

Table 8: Impact of delayed payment on organization's cash flow management

Responses	Frequency	Percentage
Very negative impact	86	84.3
Negative impact	15	14.7
No impact	1	1

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Positive impact	0	0
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

From the table above, it is very clear that majority of respondents, 84.3% felt the very negative impact of delayed payment on their organization's cash flow. 14.7% responded that it had negative impact whereas only 1% indicated that delayed payment had no impact on their cash flow. None of the respondents agreed that it had positive impact on their organization's cash flow. This results is in line with Ishak et al., (2019) and Intrum, (2021) who indicated that suppliers have reported cash flow problems leading to difficulties in paying their own suppliers, postponing investments in their operations, and freezing staff remuneration because customers did not pay on time.

Table 9: Effects of delay payment on SMEs

Responses	**Frequency**
Loss of supplier trust or goodwill	100
Increased cost of doing business	85
Disruption in supply chain or service delivery	99
Loss of credit lines or contracts	70
Legal disputes or litigation	20
Reduced ability to negotiate favorable payment terms in the future	25
Total	**399**

Source: Field Survey, Authors Construct (2025)

From Table 9 above, 100 respondents indicated loss of supplier trust and goodwill as an effect of delay payment whereas 85 also indicated increased cost of doing business. 99 of the respondents stated that delay payment leads to disruption in supply chain or service delivery. 70 of them also responded that it leads to loss of credit lines or contracts. 20 and 25 of them respectively selected legal disputes and reduced ability to negotiate favourable payment terms in the future as effects of delay payment.

Table 10: Delay payments affect ability to pay employees or manage operating expenses

Responses	**Frequency**	**Percentage**
Significantly affected	68	66.7
Moderately affected	25	24.5
Slightly affected	7	6.8
Not affected	2	2
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

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Respondents were asked to indicate if delay payment affect their ability to pay employees or manage expenses. 68 of respondents representing 66.7% responded that it affected them significantly whereas 24.5% also responded that they were moderately affected. 7 indicated that delay payment affected their ability to pay employees slightly whereas 2 of them responded that delay payment did not affect their ability to pay employees and manage other expenses. The above findings confirm DPME (2020) whose research indicated that late payments sometimes mean that staff are paid late resulting in a decrease in production and staff motivation. The use of personal funds for operational costs when payments are delayed has a larger socio economic impact than just the enterprise.

Business sustainability and growth

The question was posed to determine if delay payment affect the long-term sustainability and growth of the SMEs. The responses are presented in Table 11.

Table 11: Delayed payments negatively impact organization's long-term business sustainability and growth

Responses	Frequency	Percentage
Yes, significantly	50	49
Yes, to some extent	31	30.4
No impact	0	0
Not sure	21	20.6
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

Respondents were asked to indicate if delay payment had an impact on their organization's long-term business sustainability and growth. 50 of respondents representing 49% responded that it affected them significantly whereas 30.4% also responded that they were affected to some extent. Those who were not sure whether it affected their long term sustainability and growth were 21 representing 20.6% of respondents.

Table: Delayed payments affected organization’s reputation in the market

Responses	Frequency	Percentage
Very severely	0	0
Severely	11	10.78
Moderately	24	23.53
Slightly	30	29.41
No impact	37	36.28
Total	**102**	**100**

Source: Field Survey, Authors Construct (2025)

Results on delay payment affecting the organization’s reputation indicates that 11 respondents representing

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10.78% responded that delay payment affects the organization's reputation severely whereas 23.53% also indicated that it moderately affects their reputation. 30 of them which represents 29.41% indicated that it slightly affected their reputation. However, 37 of respondents representing 36.28% responded that delay payment had no impact on the organization's reputation.

CONCLUSION

The study was influenced by the fact that delay payment was a major problem for SMEs which affected the cash flow of the SMEs and affected their long-term sustainability and survival. The study therefore looked at the extent to which payment to SMEs are delayed by their credit customers, what causes the delay and the overall effects the delay has on the SMEs businesses. The study established that SMEs receive their payment from credit customers far later than the credit period agreed between the two parties and that almost all SMEs have experienced late payment more often. The study identified the causes of delay payment among others as bureaucracy in the payment process, lackadaisical attitude of staff, ineffective cash management and payment system, insufficient cash flow. Delay payment affect SMEs in several ways including reputational issues, inability to pay employees on time and inability to cater for other operating expenses, increased cost of doing business, lack of goodwill and many more.

RECOMMENDATIONS

From the research results and discussions above, the study makes the following recommendations.

The study recommended that the customers of SMEs should respect contract terms and honor their obligations on time when they fall due. SMEs should enforce the contract terms and conditions on payment to claim interest on delay payments. This will deter buyers from intentionally delaying payments. Another recommendation is that institutional buyers must develop payment policies with the involvement of all stakeholders to guide their payment process.

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