



STARLING
BANK



**#Make
Business
Simple**

Foreword

In a world of big brands, corporate giants and tech unicorns, it's easy to overlook micro-businesses. Yet these vital firms, each employing no more than nine people are arguably more important than any other group to our economic health and long-term prosperity.

They make up a vast 96 per cent of businesses, account for a third of private sector employment and generate more than a fifth of its turnover, at almost a trillion pounds every year¹. More importantly though, they are the success stories of the future and the epitome of the entrepreneurial spirit that has long defined the UK.

In our report, *Make Business Simple*, we recognise the crucial role played by micro-businesses and get to know them better in the hope of unlocking more of their potential.

What the findings of our research unequivocally show is that micro-businesses are spending huge amounts of time on financial admin. Whether it's chasing invoices, processing expenses or navigating the tax system, micro-businesses devote a staggering ten weeks of the year to sorting out their finances.

What's also clear from our findings is that this type of work disproportionately affects firms of this size, and it's not only potentially holding back their growth, but also taking a toll on the personal lives of those in charge. For many, it's a major cause of stress. Some even go as far as to say that it keeps them up at night, while the consensus is that it's the worst part of running a business.

To be clear, admin is a critical part of any healthy business, but it needs to support and not slow down growth. When I founded Starling Bank in 2014, while admittedly nervous at the prospect of going it alone, compared to most entrepreneurs, I was in a very fortunate position. Having worked in banking and interacted with businesses for decades, I knew how crucial it was to streamline these financial tasks, using the best technology at my disposal to minimise the time spent on them, so that I could focus purely on growth.

At Starling, we want to help as many businesses as possible through this process, showing them that finance work doesn't have to be so complicated. I hope that by shining a light on this issue, we can encourage more firms to change the way they do things, ultimately helping them to make business simple.

Anne Boden

CEO and founder of Starling Bank



#Make Business Simple

96% of UK businesses are micro-businesses

1/3 of private sector employment is in micro-businesses

£1tn micro-businesses turn over almost a trillion pounds a year¹

We spoke to more than 1,000 micro-businesses across the UK to find out what kind of impact financial admin was having on life inside and outside of the business. Here's what we discovered.

Micro-businesses spend ten weeks a year sorting their finances

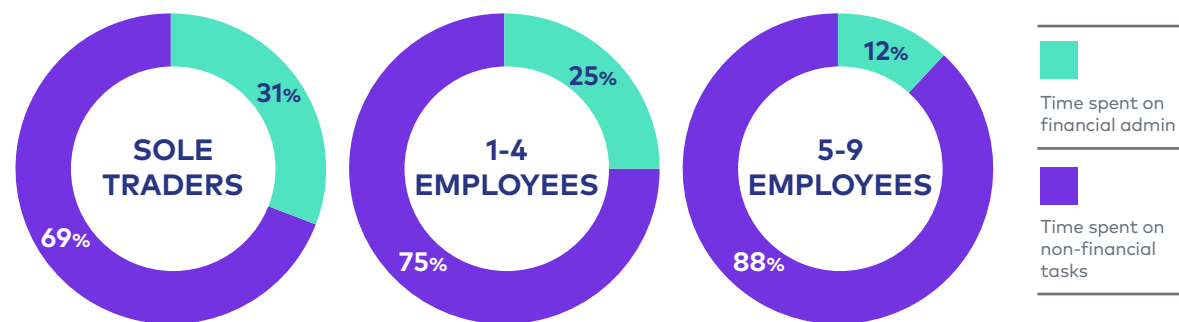
The average micro-business clocks up 79 hours of work each week and 15 of these are spent on financial admin. That's nearly one in every five hours, equating to ten weeks of the year. It's also ten weeks not working on sales, networking or training staff.

As you might expect, the smallest firms are disproportionately affected by financial admin because they don't have the advantage of economies of scale. Sole traders spend almost a third (31%) of their time on it (nine hours out of a 29.5 hour working week), meaning financial admin alone can be a four-month project.

Meanwhile, micro-firms with one to four employees commit a quarter (25%) of their working time (17 out of 67 hours), equating to three full months of financial admin.



The proportion of their time micro-firms spend on financial admin



Financial admin is holding back growth for more than half a million micro-firms

Micro-businesses recognise time spent on financial admin as an issue – most (59%) aren't confident that they spend the right amount of time on it and one in four (27%) think it takes them far too long.

Larger micro-firms are more likely to feel this way – almost half (46%) of those with five to nine employees say they spend an excessive amount of time on finance work. Clearly, as the demands of financial admin increase with more employees, there is a growing awareness of how long these tasks take.

One in ten (10%) – believe financial admin is holding back growth, rising to one in seven (14%) firms with five to nine employees. Applied to the micro-business population, that's over half a million firms that predict they would see immediate growth if they could cut down finance admin time.

Other statistics also indicate the potential for unlocking growth. When asked where they would divert time saved on financial admin, a fifth (21%) say they would use it to generate more sales, rising to a third (30%) of firms with five to nine employees, while one in ten (11%) firms would improve the service they offer customers.



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"Finance work distracts me from concentrating on the fun things that matter – like sales, marketing and R&D!"

"The financial aspect of running a business can be very tiresome and distracts me from concentrating on the fun things that matter – like sales, marketing, R&D and helping new customers. I try to automate most admin tasks so that I can concentrate on improving the business rather than getting stuck on tedious daily repetitive jobs."

Tushar Joshi, Founder of festival software firm FestivalPro

Business owners are being kept up at night

Financial admin doesn't only impact life inside the business. A third (33%) of micro-firm owners say their personal life suffers because of it, rising to 57% of firms with five to nine employees.

It can also be a cause of anxiety, with one in ten (11%) having been kept up at night worrying about it, and one in 20 (5%) stating it has even made them ill.

With so many people seeing their downtime and personal lives impacted, it's little wonder that a significant number (19%) of micro-firms consider financial admin the worst part of running a company. Some (5%) even go as far as to say that they've considered quitting because of it.



"I'm training myself in financial admin, but I can still say that it is the worst part of my business."

"I didn't get into business to do finance-related admin, but without it, you are doomed. I'm still learning. I've purposely put myself through some training, but I can still say that this is the worst part of running my business. I do not enjoy doing it, and I get very frustrated with the limitations you have as a small business owner. However, I realise how key of an issue it is and keep pushing to learn how to do it better."

Aina Gomez, Founder of photography business Family Memento

500,000+

micro-firms say financial admin is holding back growth

1/3

of micro-firms say their personal life suffers because of financial admin

1 in 10

business owners say financial admin keeps them up at night

Accounting, tax and chasing payments are three biggest pain points

The most time-consuming finance task is accounting, taking the average micro-business 1.7 hours each week, meaning they spend more than one week every year solely on keeping the books.

Accounting is more likely than any other job to eat into downtime or result in overtime. It is also considered the most stressful element of running a business, with more than one in five (22%) firms saying so.

Time spent on accounting is followed closely by time preparing tax and VAT returns, and the job of having to process or chase incoming payments, which both require 1.6 hours a week and can both be tricky tasks for small businesses.

In a recent study, it was found that most small businesses make mistakes on VAT returns², potentially leading to tax overpayments. Meanwhile, it's estimated that chasing late payments contributes to the failure of 50,000 small firms each year, costing the economy £2.5 billion³.

Banking tasks also take up a significant amount of time, at around 1.5 hours a week – this is partly down to many micro-firms still visiting branches to get things done, with 40% going at least once a month, most commonly to deposit cheques and cash and make payments.

Which financial admin tasks take the longest?



Micro-firms want to be able to see all finances in one place



When asked what could save time, one of the most common suggested solutions (identified by 19% of firms) was having the ability to access all financial admin in one place, rather than managing everything separately.

Some (16%) also recognise the potential benefit of having an accounting system integrated with their bank account, through companies such as QuickBooks, FreeAgent and Xero. This shows that choosing the right bank can play an important role in reducing the admin burden.

Another factor raised was bank branch visits. While a lot of firms now use digital services for banking, 40% still visit branches at least once a month and a quarter (23%) go once a fortnight. For some, face-to-face time is preferable, however 13% say cutting bank branch visits would be the simplest way of saving time

The numbers add up. Over the course of the year, fortnightly trips to a bank branch, each taking two hours, would equate to six working days dedicated purely to these meetings, which businesses say are often marred by long waiting times.

Micro-businesses are using digital services for financial admin support

One approach that micro-businesses are increasingly taking to tackle financial admin is to use third-party digital services, such as accountancy software. This is most commonly seen with banking and managing incoming payments, where for example, 45% of micro-firms use a digital service in some capacity.

This approach is far less common with sole traders - in particular when it comes to accountancy tasks with just a quarter (26%) being supported with digital software tools. This compares to 59% of businesses with five to nine employees.

For the firms that don't use these services, when asked why they haven't so far, the most common answer was a preference to work manually (29%), followed by affordability issues (23%).



Almost half of the UK's micro-firms aren't using a business account

A lot of micro-firms (38%) say they would be more likely to use services such as accountancy, payroll and tax software if they were offered alongside bank accounts.

This raised the question about whether banks are offering micro-firms enough support when it comes to financial admin, and only a quarter (26%) feel this is the case. Sole traders, in particular, do not feel supported by their bank – just 17% find them at all helpful in this area.

In fact, micro-firms are more likely to find their bank obstructive than very supportive in this area.

A huge proportion (45%) also still use a personal account, illustrating the shortcomings of banks when it comes to providing a helpful service which promotes business growth and efficiency.

6 working days

the time that a quarter of firms spend visiting their bank each year

only 17%

of sole traders feel their bank gives them any support with financial admin

45%

of micro-firms still use a personal bank account

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"The ability to sync my bank with accountancy software has been a gamechanger."



"When it comes to your finances, time efficiency is key. For me, this comes from having an easy banking user interface and my transactions syncing with my accountancy software, FreeAgent, which makes monitoring business health quick, easy and accurate.

The ability to sync with accountancy software which works with HMRC has been a brilliant help. Particularly as my business is growing and I'll soon be needing to manage payrolls."

Dott McCarthy, farmer and Starling business customer

Five point plan to reduce financial admin

While there is no silver bullet to eliminate the time spent on financial admin, there are a number of steps that micro-businesses can take to become more efficient.

1 Do your own financial admin audit

Start by identifying where your time is being used – calculate how long each financial admin task is taking and compare this to the average for a company of your size using our [interactive quiz](#). This will clarify whether financial admin is an area you really need to improve in or not. From your audit, you should be able to see where one particular job, such as banking, is taking far longer than it does at the average firm of your size. This is the obvious place to start when setting out to cut admin time and should be the easiest area to improve on.



2 Don't let the work mount up

Financial admin becomes a lot easier when you stay on top of it, rather than letting it mount up over several weeks. By doing a little work, often, and taking the Marie Kondo 'once clean, never messy again' approach you'll find the process smoother and more efficient as a result. You're also less likely to make mistakes as you won't be trying to make sense of expenses and invoices that are several weeks old.



3 Make technology your friend

Most micro-businesses don't use dedicated admin software, often because they think it's going to be too costly or time-consuming to implement. In fact, these innovative tools are often available on free trials or short-term subscriptions and can make a huge difference with efficiency. The Starling Business Account was designed with this in mind and offers customers a Marketplace where they can access 11 different financial service tools.



4 Use cloud-based accounting software

Cloud-based accounting software is an ideal solution if you want to save on the cost of hiring a professional accountant, and the fact that this software can be linked to your bank account makes life much easier. Xero, QuickBooks and FreeAgent are all popular examples of accounting software that can be used. They all offer a free 30-day trial so you can find the best fit for your business before you commit.



5 Open a dedicated business account

For a sole trader, there is no legal requirement to open a business account but doing so will save you some serious headaches along the way and make it easier to keep your finances in order. Consider factors such as transaction fees, withdrawal fees, introductory offers, admin features and the level of customer support that's available when choosing your business account.



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