



# KREDCOR

**KREDCOR WHITEPAPER | PAPER 1**

## **The Liquidation Pressure Playbook**

**Early Warning Signals for South African Trade Credit in 2026**

A boardroom-focused whitepaper on how receivables deteriorate, which warning signs matter most, and how disciplined escalation protects cash flow before debt becomes distressed.

*Prepared for publication | April 2026*

**Kredcor**



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## Boardroom Brief

South African businesses do not need a panic narrative. They need a clear-eyed operating framework.

The current environment is not defined by one dramatic statistic alone. It is defined by persistent pressure: fragile growth, uncertain inflation, elevated financing costs relative to recent years, delayed payments, operational bottlenecks, and thin margins. In that environment, credit risk rarely arrives as a single catastrophic event. It arrives as a sequence of small warnings: a broken promise to pay, a sudden dispute over an old invoice, a fragmented payment, an unusual request for more time, or silence from the accounts department that used to respond in minutes.

This paper argues a simple point: most bad debt does not begin as bad debt. It begins as unmanaged friction. The businesses that protect cash flow best are not necessarily the most aggressive. They are the most observant, the fastest to verify, and the most disciplined when warning signs appear.

Kredcor's opportunity is not merely to collect after failure. It is to help clients see pressure earlier, escalate more intelligently, and preserve value before a receivable becomes distressed.

## Executive Takeaways

Priority insight	What it means in practice
<b>Persistent fragility matters more than one headline number</b>	Receivables discipline should be a boardroom issue, not only a back-office issue.
<b>Debt usually deteriorates in stages</b>	Value is best preserved before an account reaches legal or solvency stress.
<b>Behavioural signals are measurable</b>	Broken promises, fragmented payments, and repeat friction are usable early-warning signs.
<b>Delay has real economic cost</b>	Late debt drains working capital, management time, and strategic flexibility.
<b>A 65-day escalation model is practical</b>	Controlled discipline beats vague chasing and relationship-driven drift.

### 1. Why this paper matters now

A strong whitepaper starts with the real operating environment. Current public data shows that South Africa remains under meaningful business and payment pressure even if the headline story is more nuanced than simple "surge" language suggests. Statistics-related reporting indicates that 1,534 businesses were liquidated in 2025, which was 1.1% fewer than in 2024. Yet February 2026 still recorded 135 liquidations, well above January's 96, and commentators continue to describe financial pressure as elevated because of high borrowing costs, weak demand, infrastructure constraints, and delayed payment behaviour. The lesson is important: the risk is not a single collapse narrative. The risk is persistent fragility.

The monetary backdrop reinforces this. The South African Reserve Bank kept the policy rate at 6.75% in January 2026 and, in its April 2026 Monetary Policy Review, projected headline inflation averaging 3.7% for 2026 with real GDP growth of 1.4%. That is not a crisis forecast. It is a low-growth, narrow-margin forecast. In a narrow-margin environment, late payment matters more because working capital has less room to absorb delay.

There is a second pressure point that many private firms underestimate: late payment culture in the wider economy. National Treasury reported that, at the end of the third quarter of the 2025/26 financial year, 90,856 invoices older than 30 days remained unpaid across national and provincial departments, with a rand value of R15.5 billion. Even if a company does no direct public-sector work, this matters. Payment delay spreads



through supply chains. When one participant waits longer to be paid, other participants effectively become involuntary lenders.

This is the real reason that credit management deserves boardroom attention. In South Africa today, accounts receivable is not merely an accounting category. It is a strategic liquidity asset.

Indicator	Figure used in this paper	Why financial managers should care
Business liquidations (2025)	1,534	The market remained fragile even without a dramatic annual spike.
Liquidations (Feb 2026)	135	Monthly stress can still rise quickly in a weak operating environment.
SARB policy rate	6.75%	Working-capital funding remained relatively expensive.
SARB inflation forecast (2026)	3.7%	Moderating inflation still leaves little room for slack cash conversion.
SARB growth forecast (2026)	1.4%	Low growth increases the cost of operational inefficiency.
Public-sector invoices >30 days late	90,856	Late payment can travel through multiple layers of a supply chain.
Value of late public-sector invoices	R15.5 billion	The economic carrying cost of delayed payment is material.
Prescribed interest	10.5% p.a.	Delay is not cost-free where interest is claimable.

## Trade Credit Pressure Snapshot

Public indicators that make disciplined receivables management more important

**1,534**  
**Business liquidations in 2025**  
 The market remained fragile even without a dramatic annual jump.

**6.75%**  
**SARB policy rate**  
 Working-capital funding remained materially costlier than in low-rate periods.

**135**  
**Liquidations in Feb 2026**  
 Monthly stress can still rise quickly in a weak operating environment.

**R15.5bn**  
**Public-sector invoices >30 days late**  
 Delayed payment can transmit pressure through supply chains.

**Executive reading: the real risk is persistent fragility, not one headline statistic.**

Figure 1. Market-pressure snapshot



## 2. The central idea: receivables fail in stages

Too many firms treat bad debt as an event. It is better understood as a progression.

### Stage 1: Operational friction

The debtor still appears cooperative. The explanation sounds administrative. The invoice is “being checked.” The approver is “travelling.” A credit note is “still pending.” At this stage, many businesses do nothing because the relationship still feels intact.

### Stage 2: Behavioural drift

Promises become less reliable. Queries arrive later. Payments become partial. The debtor’s internal process suddenly becomes complicated. Telephone access becomes harder. The organisation that once felt stable starts to feel evasive.

### Stage 3: Financial distress

The pattern is no longer random. Payment dates slip repeatedly. Disputes move from current invoices to older invoices. Settlement proposals become vague. There may be rumours of restructuring, management changes, or operational cutbacks. At this stage, the ledger is no longer merely overdue. It is weakening.

### Stage 4: Legal or solvency stress

Business rescue, liquidation risk, threatened closure, or silence with no meaningful engagement. Once the matter reaches this stage, the creditor’s leverage has often deteriorated sharply.

The practical point is this: value is preserved in stages 1 and 2. By stage 4, options are narrower, costlier, and slower.

## How Receivables Usually Deteriorate

A practical model for credit teams and financial managers



**Value is usually preserved in stages 1 and 2. By stage 4, choices are narrower, slower, and costlier.**

Figure 2. Receivables usually deteriorate in observable stages



### 3. The Kredcor Early Warning Matrix

Kredcor should formalise a simple but distinctive framework that clients can understand immediately. The framework below is designed for board packs, credit meetings, and internal training.

Signal	Typical meaning	Practical response
<b>Promise-to-pay slippage</b>	Cash is being prioritised elsewhere.	Log every promise date and escalate repeated slippage.
<b>Fragmented payments</b>	Daily liquidity is under pressure.	Reassess exposure, terms, and escalation timing immediately.
<b>Administrative friction spike</b>	Sometimes genuine, often delay.	Respond fast, document every item, and test for repeat friction.
<b>Communication pattern change</b>	Informal resolution is weakening.	Escalate the channel and the level of contact.
<b>External stress indicators</b>	The problem may be broader than one invoice.	Reduce fresh exposure and reassess account risk.

**Signal 1: Promise-to-pay slippage**

The debtor still talks, but promised dates keep moving. Monday becomes Friday. Friday becomes month-end. Month-end becomes “next payment run.” One missed promise may be noise. Repeated slippage is a measurable risk signal.

**Signal 2: Fragmented payments**

A debtor who used to settle one invoice in full now pays in pieces or asks to split a balance into several small payments. This often points to stressed day-to-day liquidity rather than a stable cash position.

**Signal 3: Administrative friction spike**

Sudden requests for old statements, duplicate invoices, purchase orders, signed delivery notes, or account reconciliations may be genuine. They may also be delay. The key is to answer quickly, document clearly, and watch for repetition after evidence has already been supplied.

**Signal 4: Communication pattern change**

Phone calls are avoided. Contact shifts to email only. Senior people disappear from the process. The debtor asks for time but gives no calendar-based commitment. At that point the file must not drift at the same level.

**Signal 5: External stress indicators**

Management departures, reputational problems, branch closures, supplier complaints, service disruption, or credible market chatter can signal that the receivable should be assessed in a wider context than the debtor’s own messages.



## 4. The terminology executives actually need

Term	Plain-English meaning	Why it matters
<b>DSO</b>	How long it takes to convert credit sales into cash.	A rising DSO often signals weakening collection discipline or customer stress.
<b>ADD</b>	How far beyond agreed terms customers are actually paying.	ADD often reveals deterioration before headline sales figures do.
<b>IFRS 9 ECL</b>	The expected loss estimate on receivables.	Finance teams must recognise worsening risk before default is obvious.
<b>Business rescue</b>	A formal rehabilitation process for distressed companies.	It changes timing, leverage, and creditor behaviour materially.
<b>Prescribed interest</b>	The statutory rate used where interest is claimable.	It turns delay into a measurable carrying cost.
<b>Juristic person threshold context</b>	NCA scope can differ for larger juristic persons or large agreements.	Legal framing must be precise, not slogan-based.

## 5. What late payment is really costing the creditor

The first cost is obvious: slower cash conversion. The second cost is operational: staff time, management attention, duplicate admin, and reconciliation effort. The third cost is strategic: money locked in old debt cannot be used for hiring, inventory, marketing, maintenance, or growth. The fourth cost is risk concentration: when exposure is allowed to age without structured decisions, one account can begin to distort the discipline of the whole book.

This is why early-stage response matters so much. A creditor does not need a receivable to become legally hopeless before it becomes economically damaging. A debt can remain technically collectible while already destroying internal efficiency and working capital quality.

Cost category	Typical effect on the business
<b>Cash conversion</b>	Slower inflow means tighter liquidity and reduced flexibility.
<b>Operational burden</b>	Staff time is absorbed by chasing, reconciling, and re-documenting.
<b>Strategic opportunity cost</b>	Locked cash cannot be deployed into inventory, hiring, marketing, or growth.
<b>Risk concentration</b>	One ageing account can distort the discipline of the wider book.

## 6. The 65-day operating discipline

One of the strongest improvements Kredcor can bring to this series is a disciplined, credible escalation model. Not a theatrical one. A useful one.

### Day 1-30: Verification and clean administration

Confirm the debt is valid, the documents are complete, and the debtor has no real unresolved query. This stage is about removing excuses fast.

### Day 31-45: Controlled pressure

The conversation should shift from courtesy to accountability. Payment dates should be calendar-based. Notes should be complete. Risk exposure should be reviewed, not assumed.



### Day 46-65: Management escalation

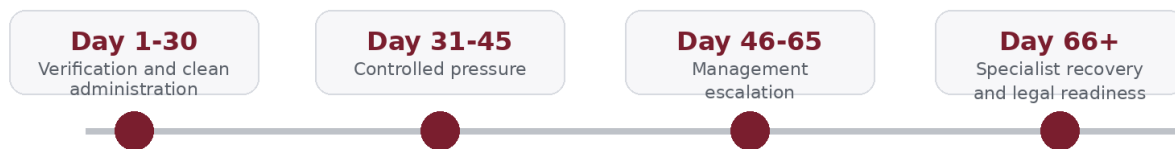
At this point the account must be discussed as a risk item, not just as a collections item. Fresh supply, credit limits, payment terms, and exposure concentration should all be reviewed. If documentary issues were already resolved and behaviour is still deteriorating, external recovery involvement should be considered before the account slides deeper.

### Day 66 and beyond: Specialist recovery and legal readiness

This is the point at which drift becomes expensive. By now the creditor should know whether the problem is temporary friction, structured delay, or real distress. If the account is still unresolved, the file should already be organised for decisive action.

## The 65-Day Operating Discipline

A structured escalation model for overdue B2B debt



**The aim is not aggression. It is speed, evidence, accountability, and controlled escalation before drift becomes expensive.**

Figure 3. A calm escalation model beats vague, reactive chasing

## 7. A better way to think about relationship management

One of the most harmful myths in trade credit is that firm action destroys commercial relationships. Weak, inconsistent action destroys them faster.

Serious customers usually respect clarity. They may not enjoy a firm credit process, but they understand it. What truly damages relationships is ambiguity: inconsistent follow-up, unclear evidence, and emotional communication after weeks of avoidable delay.

Professional credit management does not mean hostility. It means predictability. That is why Kredcor's tone should stay calm, respectful, and evidence-based throughout the series. The message is not, "We are aggressive." The message is, "We move early, document well, and protect value."

## 8. Practical checklist for finance teams

- Track every promise-to-pay date and measure slippage, not just balances.



- Treat fragmented payments as a risk signal rather than proof of health.
- Resolve real document queries quickly, then escalate repeat friction.
- Review exposure, terms, and credit limits before the account reaches crisis stage.
- Escalate overdue matters by calendar date, not by vague relationship instinct.
- Keep documentary evidence complete so that external recovery can move fast if needed.
- Watch for external distress indicators such as management changes, closures, or supplier complaints.
- Discuss ageing debt as a strategic liquidity issue at management level, not only as an admin issue.
- Use interest, legal process, and business-rescue awareness with statutory precision.
- Remember that early action protects value; late action usually protects only paperwork.

## 9. Closing argument

The strongest credit teams do not confuse hope with strategy. They know that every overdue debt tells a story, and that the ending depends heavily on how early the warning signs were recognised and how decisively the account was managed.

South Africa's current environment does not call for panic. It calls for discipline.

The data does not justify lazy optimism. It shows a business environment where delayed payment, fragile confidence, and financing pressure can combine quickly into stress. That is precisely why creditors must treat receivables as strategic assets, not passive balances.

Kredcor's role in this environment is bigger than recovery after failure. Its role is to help clients detect, verify, escalate, and preserve value before failure hardens.

**That is how a debt collection brand becomes a credit-management authority.**

## Source notes

1. Statistics-related reporting indicates 1,534 liquidations in 2025, down 1.1% from 2024.
2. February 2026 recorded 135 liquidations; this was above January 2026 but below February 2025.
3. SARB kept the policy rate at 6.75% in January 2026.
4. SARB's April 2026 Monetary Policy Review projected 2026 inflation at 3.7% and growth at 1.4%.
5. National Treasury reported 90,856 invoices older than 30 days unpaid at the end of Q3 2025/26, valued at R15.5 billion.
6. The prescribed rate of interest was published at 10.5% from 1 September 2025.
7. Chapter 6 business rescue proceedings and section 147 creditor-meeting timing should be handled with formal statutory accuracy.



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