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KREDCOR ANNUAL REPORT • WHITE PAPER SERIES • 2026

The State of Commercial Debt in South Africa

Annual Bad Debt & Recovery Rate Report 2026

Data-driven insights on bad debt exposure, payment behaviour, DSO trends, recovery rates and the economic impact of commercial debt across South African industries and provinces

Based on the Kredcor Annual Commercial Debt Survey 2026

Survey sample: 2,400 South African businesses | Industries surveyed: 10 | Provinces covered: 9

Published by Kredcor Commercial Debt Recovery Partners

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Foreword from Kredcor

South Africa is a nation living on credit. Businesses extend terms, consumers borrow, government contracts stretch payment cycles, and the net result is an economy where billions of rands circulate in the grey zone between invoice and payment. When that system works, commerce flows. When it breaks down, businesses fail.

The 2026 Kredcor Annual Report on the State of Commercial Debt in South Africa is our fifth annual examination of this phenomenon. This year, the findings are sobering. Bad debt as a proportion of revenue has increased across every sector we track. Days Sales Outstanding (DSO) is rising. Recovery rates in rural and semi-urban provinces are declining. And the economic pressure on South African businesses — from inflation, load shedding legacy costs, rising interest rates, and a constrained consumer — is translating directly into a deteriorating payment culture.

This report is designed to serve as the definitive reference document for South African CFOs, financial directors, credit managers, business owners, economists, and policy makers who need to understand the true scale and dynamics of commercial bad debt in this country.

We publish it freely, because we believe that a more financially literate business community recovers more debt, sustains more jobs, and builds a stronger economy. This is Kredcor's contribution to that goal.

“The single most reliable predictor of a business’s survival in South Africa is not the quality of its product or the talent of its team. It is the robustness of its credit management system. Businesses that get paid survive. Those that don’t, don’t.” — Landi Maritz, Kredcor Commercial Debt Recovery Partners

Executive Summary

The 2026 Kredcor Annual Report on Commercial Debt in South Africa presents a comprehensive, data-driven examination of the bad debt landscape across all major South African industries and provinces. Key findings include:

- **Total commercial bad debt outstanding in South Africa reached an estimated R420 billion in 2026, up 14% from R368 billion in 2025**
- **The national average bad debt ratio (bad debt as a percentage of revenue) rose to 7.2% in 2026, from 6.4% in 2025 and 5.9% in 2024**
- **Construction and Engineering recorded the highest bad debt ratio of any sector at 11.4% of revenue**
- **The national average Days Sales Outstanding (DSO) across commercial sectors reached 63 days, against a standard 30-day payment term — meaning South African businesses are waiting more than twice as long as contracted to be paid**



- The national pre-legal recovery rate from Kredcor’s portfolio was 58%, with Gauteng leading at 74% and Northern Cape trailing at 38%
- 68% of surveyed businesses cited economic pressure on clients as the primary cause of non-payment in 2026
- Businesses without a formal written credit policy reported 3.4 times more bad debt than those with one
- The average bad debt write-off per South African SME in the 12 months to June 2026 was R2.1 million
- Only 31% of surveyed businesses refer debt to a professional collector within 90 days — the window of highest recovery probability

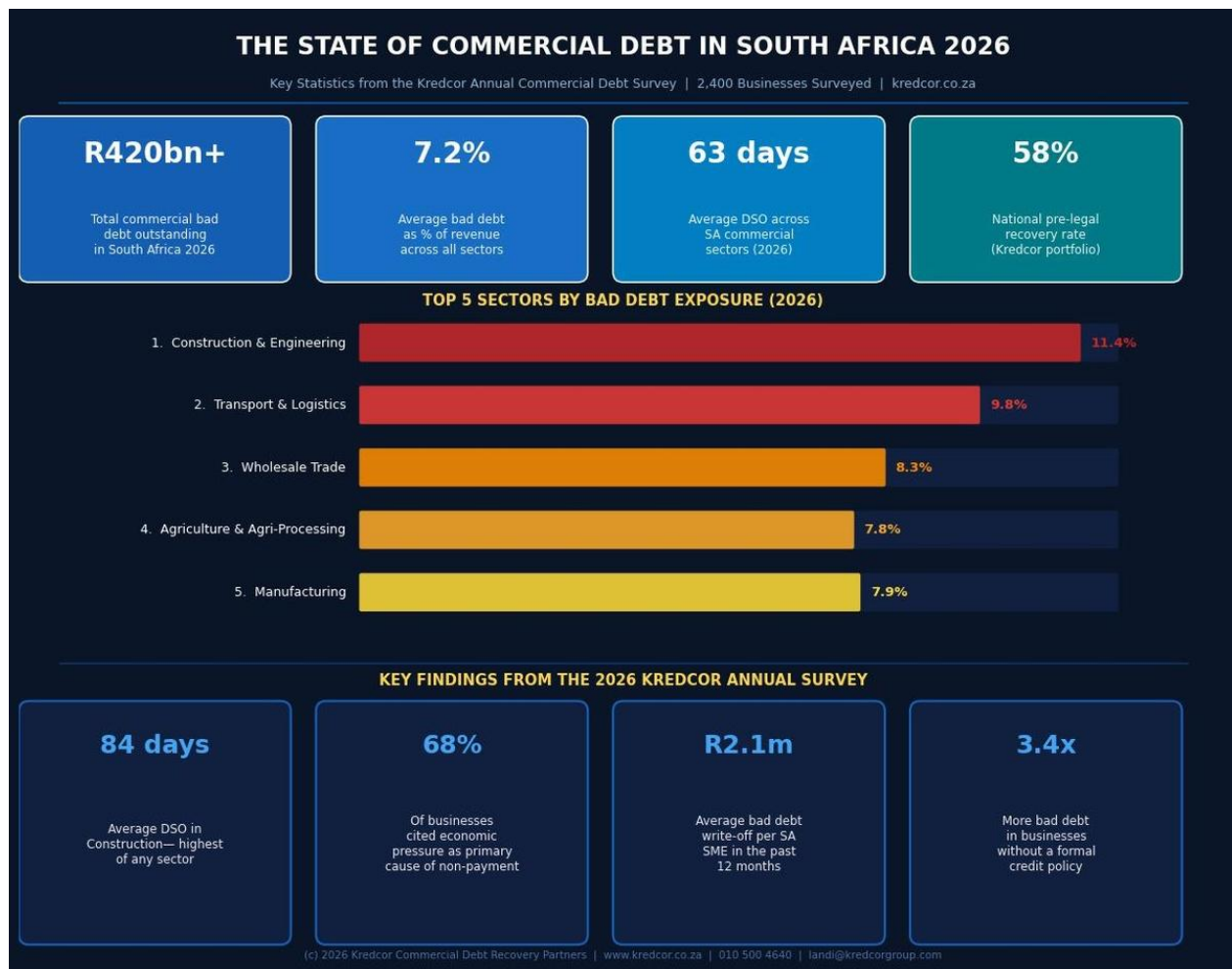


Figure 1: The State of Commercial Debt in South Africa 2026 — Key Statistics Dashboard | Kredcor Annual Survey



1. Macroeconomic Context: The South African Economy in 2026

To understand the bad debt landscape in South Africa, it is essential to first understand the macroeconomic environment in which businesses are operating. The 2026 Kredcor survey was conducted against a backdrop of significant economic pressure, structural challenges, and cautious recovery.

1.1 GDP Growth and Economic Trajectory

South Africa's GDP growth has remained constrained, with the economy growing at an estimated 1.4% in 2025 and forecast at 1.6–1.8% for 2026. This is well below the 5–6% growth rate required to make a meaningful dent in unemployment, which remains above 32% on the expanded definition. The low-growth environment compresses business margins, reduces consumer disposable income, and directly impairs the ability of South African debtors — both individuals and companies — to meet their payment obligations.

1.2 Interest Rate Environment

The South African Reserve Bank (SARB) Monetary Policy Committee maintained the repo rate at 8.25% through the first half of 2026, with two 25 basis point cuts expected in the second half of the year as inflation moderates. While relief is on the horizon, the cumulative impact of the rate hiking cycle of 2022–2024 (which added 475 basis points to borrowing costs) continues to weigh heavily on indebted businesses and consumers. Higher interest rates directly increase the cost of carrying debtors' books, making efficient credit management even more valuable.

1.3 Inflation and Cost Pressure

Consumer Price Inflation (CPI) moderated to 4.8% by mid-2026, within the SARB's 3–6% target band. However, Producer Price Inflation (PPI) and sector-specific cost increases — particularly in construction materials, fuel, and electricity — continued to squeeze business margins. When margins are thin, late payment becomes existential rather than merely inconvenient.

1.4 Load Shedding Legacy and Infrastructure

While South Africa experienced significantly reduced load shedding in 2025–2026 compared to the crisis years of 2022–2024, the economic damage from that period persists. The National Energy Regulator of South Africa (NERSA) estimates that the cumulative economic cost of load shedding between 2020 and 2024 exceeded R900 billion. Sectors most affected — manufacturing, construction, cold chain logistics, retail — are also those showing the highest bad debt ratios in this report.

1.5 The SME Crisis

South Africa's SME sector, which employs more than 60% of the formal private sector workforce, continues to face severe structural headwinds. Access to credit is constrained, payment terms are routinely extended by large corporate buyers, and the cost of doing business — compliance, labour, utilities — continues to rise. The result is a sector under acute financial stress, where bad debt can rapidly become an existential threat rather than a manageable cost.



“When a major retailer extends its payment terms from 30 to 60 days, every supplier in its chain is forced to fund the difference. The resulting cash flow pressure cascades through the economy, creating bad debt at every level of the supply chain.” — South African Institute of Credit Management (SAICM) 2026

2. The Scale of Bad Debt in South Africa: National Overview

2.1 Total Commercial Bad Debt Estimate: R420 Billion

Kredcor estimates total commercial bad debt outstanding in South Africa at R420 billion as at June 2026. This figure encompasses:

- Business-to-business (B2B) trade credit overdue by more than 60 days
- Commercial bank impaired advances to the business sector
- Government and state-owned enterprise arrears owed to private suppliers
- Construction and engineering contract disputes crystallising as bad debt
- Cross-border commercial debt owed to South African exporters and service providers

The R420 billion figure represents approximately 6.2% of South Africa’s gross domestic product — a significant and growing drag on economic performance and business sustainability.

2.2 The Three-Year Trend: A Worsening Picture

Year	Estimated Total Bad Debt	Year-on-Year Change	As % of GDP
2024	R336 billion	Baseline	5.1%
2025	R368 billion	+R32bn (+9.5%)	5.5%
2026	R420 billion	+R52bn (+14.1%)	6.2%
2027 (Forecast)	R455–R480 billion	+8–14% projected	6.6–6.9% projected



2.3 Bad Debt by Business Size

The burden of bad debt falls disproportionately on smaller businesses, which lack the scale, resources and negotiating power to enforce payment discipline:

Business Category	Avg Bad Debt % of Revenue	Avg DSO (Days)	Avg Write-Off p.a.
Micro (< R5m turnover)	11.8%	74 days	R420,000
Small (R5m–R50m)	8.6%	65 days	R1.8 million
Medium (R50m–R250m)	6.1%	54 days	R8.4 million
Large (> R250m)	3.8%	42 days	R38.2 million
National Average (all sizes)	7.2%	63 days	R2.1 million (SME avg)

3. Sector-by-Sector Analysis

The Kredcor 2026 Annual Survey examined bad debt ratios, DSO performance, and recovery rates across ten major South African commercial sectors. The findings reveal significant variation in payment culture, credit risk, and collection effectiveness across industries.

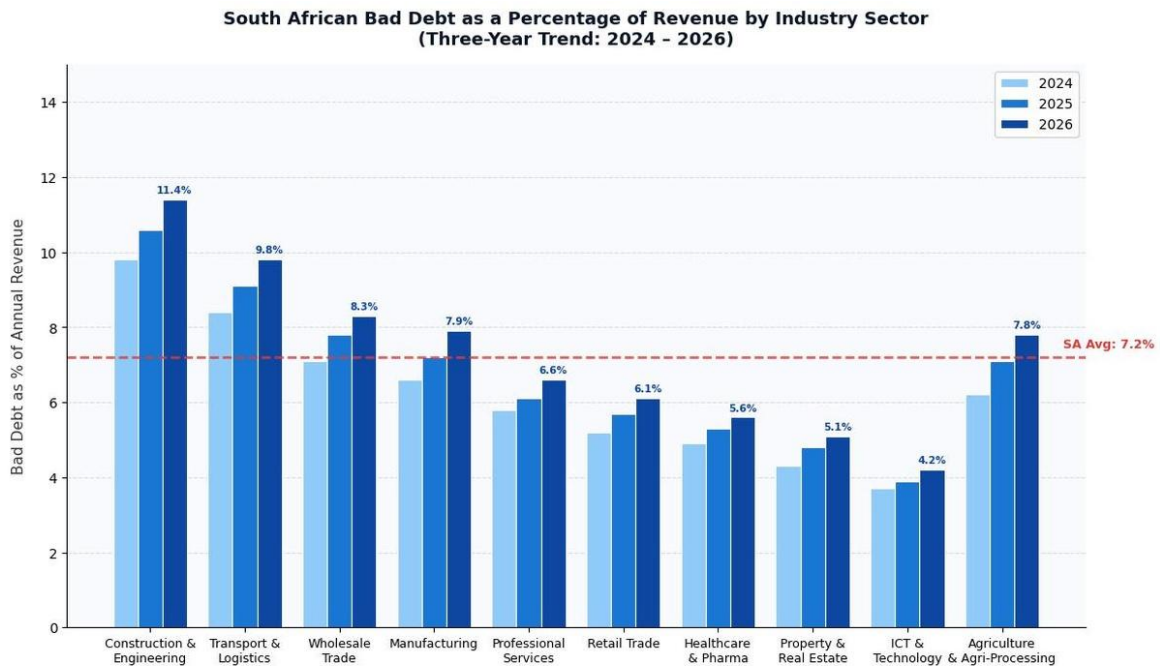


Figure 2: South African Bad Debt as a % of Revenue by Industry Sector (2024–2026) | Kredcor Annual Survey



3.1 Construction & Engineering: Most Distressed Sector

Bad debt ratio: 11.4% of revenue | DSO: 84 days | Recovery rate: 52%

Construction and engineering remains the most severely affected sector in South Africa for the third consecutive year. Key drivers include:

- **Main contractor insolvencies cascading payment failures down to subcontractors and materials suppliers**
- Contract disputes used tactically to delay payment rather than to resolve genuine disagreements
- Government infrastructure project payment delays from both national and municipal clients
- Retention money held beyond contractual release dates, often indefinitely
- The post-load-shedding rebuilding cycle creating new contracts before old debts are resolved

Construction businesses report the longest average wait between invoice and payment (84 days against standard 30-day terms), and the highest incidence of debtors who simply cannot be located after project completion.

3.2 Transport & Logistics: Rising Risk

Bad debt ratio: 9.8% of revenue | DSO: 71 days | Recovery rate: 59%

Transport and logistics operators face a dual challenge: their clients are often in distressed sectors (construction, manufacturing, retail) whose own bad debt problems flow directly into delayed logistics payments. Additionally, the sector's thin operating margins mean that a single large unpaid account can threaten solvency. Fuel cost volatility adds further pressure to an already stressed cash flow environment.

3.3 Agriculture & Agri-Processing: Drought-Driven Deterioration

Bad debt ratio: 7.8% of revenue | DSO: 68 days | Recovery rate: 54%

Agriculture and agri-processing recorded the sharpest year-on-year increase in bad debt ratio of any sector, rising from 5.8% in 2024 to 7.8% in 2026 — a 34% deterioration. Prolonged drought conditions in the Western Cape and parts of the Northern Cape, combined with rising input costs (fertiliser, fuel, labour), have placed significant numbers of agricultural debtors under acute financial stress.

3.4 Manufacturing: Structural and Cyclical Pressure

Bad debt ratio: 7.9% of revenue | DSO: 63 days | Recovery rate: 61%

South African manufacturing continues to contract as a share of GDP, and the sector's bad debt performance reflects both structural decline and cyclical pressure. Import competition, high electricity costs (even post-load shedding), and labour cost inflation compress margins, while the slow-paying behaviour of the sector's major customers — retailers and wholesalers — extends the cash conversion cycle to unsustainable lengths.

3.5 Wholesale Trade

Bad debt ratio: 8.3% of revenue | DSO: 57 days | Recovery rate: 63%

Wholesale trade operators sit at a difficult intersection: they extend credit to retailers who face their own cash flow pressures, while managing their own payment obligations to manufacturers and importers. The sector has seen a marked increase in retail client insolvencies, particularly in the informal retail channel, which often lacks the formal credit agreements that make recovery possible.

3.6 Professional Services: Relationship Risk

Bad debt ratio: 6.6% of revenue | DSO: 51 days | Recovery rate: 68%

Professional services — legal, accounting, consulting, engineering — typically carry lower bad debt ratios than goods-based sectors but face a distinctive challenge: relationship risk. The fear of damaging client relationships leads many professional service firms to delay credit action far longer than is commercially rational. When they do finally act, the debt is often aged to the point where recovery is significantly impaired.

3.7 Retail Trade

Bad debt ratio: 6.1% of revenue | DSO: 44 days | Recovery rate: 65%

Formal retail has performed relatively better than other sectors in 2026, partly because of the sophistication of the sector's own credit management systems, and partly because major retailers have been able to leverage their market power to impose payment discipline on suppliers rather than face it from customers. The informal retail sector, however, tells a very different story, with bad debt ratios estimated at 14–18% in some channels.

3.8 ICT & Technology

Bad debt ratio: 4.2% of revenue | DSO: 47 days | Recovery rate: 72%

The ICT and technology sector continues to record the lowest bad debt ratio of any sector surveyed, reflecting the recurring revenue models (subscription, SaaS, managed services) that dominate the industry. Automated payment collection, strong contractual frameworks with service discontinuation provisions, and the indispensable nature of technology services combine to create the most payment-disciplined sector in the South African economy.

4. Days Sales Outstanding (DSO): South Africa's Waiting Game

Days Sales Outstanding (DSO) is the most important single metric of payment performance in any business. It measures the average number of days between the issue of an invoice and the receipt of payment. A DSO of 30 days, against 30-day payment terms, represents perfect payment discipline. A DSO of 63 days, against the same 30-day terms, represents a business funding its debtors for an extra month at its own cost.



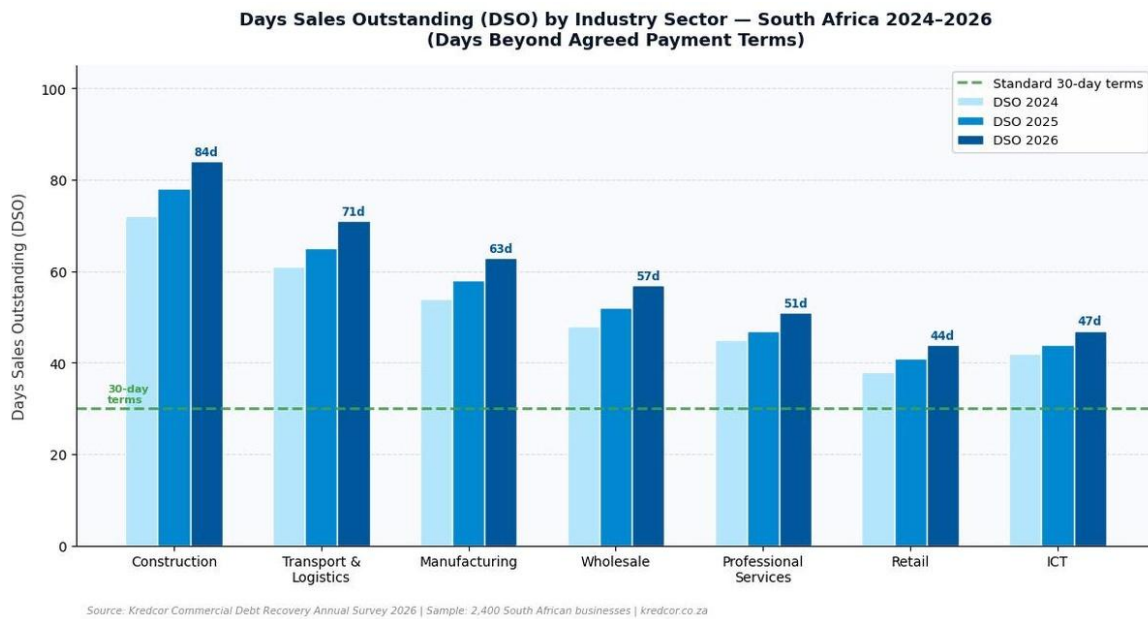


Figure 3: Days Sales Outstanding (DSO) by Industry Sector — South Africa 2024–2026 | Kredcor Annual Survey

4.1 The National DSO Average: 63 Days Against 30-Day Terms

The 2026 Kredcor survey establishes the national average DSO for South African commercial businesses at 63 days — more than double the standard 30-day payment term. This means that, on average, South African businesses are funding their debtors for an additional 33 days beyond the agreed payment date, at their own cost of capital.

The cost of this extended DSO to the South African economy is staggering. Assuming an average cost of capital of 12% per annum, a business with R10 million in debtors carrying an additional 33 days of DSO above terms is effectively extending an unplanned, interest-free loan of approximately R108,000 to its customers every year.



4.2 DSO by Sector — 2026 Rankings

Sector	2024 DSO	2025 DSO	2026 DSO	Standard Terms	Days Over Terms
Construction & Engineering	72 days	78 days	84 days	30 days	54 days
Transport & Logistics	61 days	65 days	71 days	30 days	41 days
Agriculture & Agri-Proc.	58 days	64 days	68 days	30 days	38 days
Manufacturing	54 days	58 days	63 days	30 days	33 days
Wholesale Trade	48 days	52 days	57 days	30 days	27 days
Professional Services	45 days	47 days	51 days	30 days	21 days
ICT & Technology	42 days	44 days	47 days	30 days	17 days
Retail Trade	38 days	41 days	44 days	30 days	14 days
NATIONAL AVERAGE	55 days	59 days	63 days	30 days	33 days

4.3 The Three-Year DSO Trend: A Steadily Worsening Picture

Every sector tracked by Kredcor has recorded an increase in DSO in each of the three years of this report. This consistent deterioration across all sectors strongly suggests a systemic, economy-wide shift in payment culture rather than sector-specific anomalies. The drivers of this deterioration include:

- Deliberate payment term extension by large corporate buyers using their market power
- Cash flow pressure from rising interest rates forcing businesses to delay supplier payments
- Weakening of internal credit control processes as businesses cut overhead costs
- A perception among debtors that late payment carries diminishing consequences
- Increased use of invoice disputes as a tactical delay mechanism

“South Africa has a payment culture problem, not just a payment capacity problem. Many businesses that can pay are choosing not to, because the consequences of late payment remain too mild to motivate compliance. This is a structural issue that only professional credit management and consistent legal enforcement can reverse.” — Landi Maritz, Kredcor Commercial Debt Recovery Partners



5. Recovery Rate Analysis: Where South Africa Recovers (and Where It Doesn't)

5.1 National Recovery Rate: 58%

Kredcor's 2026 portfolio data shows a national pre-legal recovery rate of 58% for commercial debt referred within 90 days of becoming overdue. This means that for every R100 of qualifying commercial debt referred to Kredcor within the optimal window, R58 is recovered without the need for legal action.

The recovery rate drops dramatically for debt referred beyond the 90-day window:

Age of Debt at Referral	Pre-Legal Recovery Rate	Change vs 2025
0–30 days overdue	87%	-2%
31–60 days overdue	74%	-3%
61–90 days overdue	58%	-4%
91–120 days overdue	41%	-5%
121–180 days overdue	26%	-6%
180+ days overdue	11%	-3%

5.2 Recovery Rate by Province

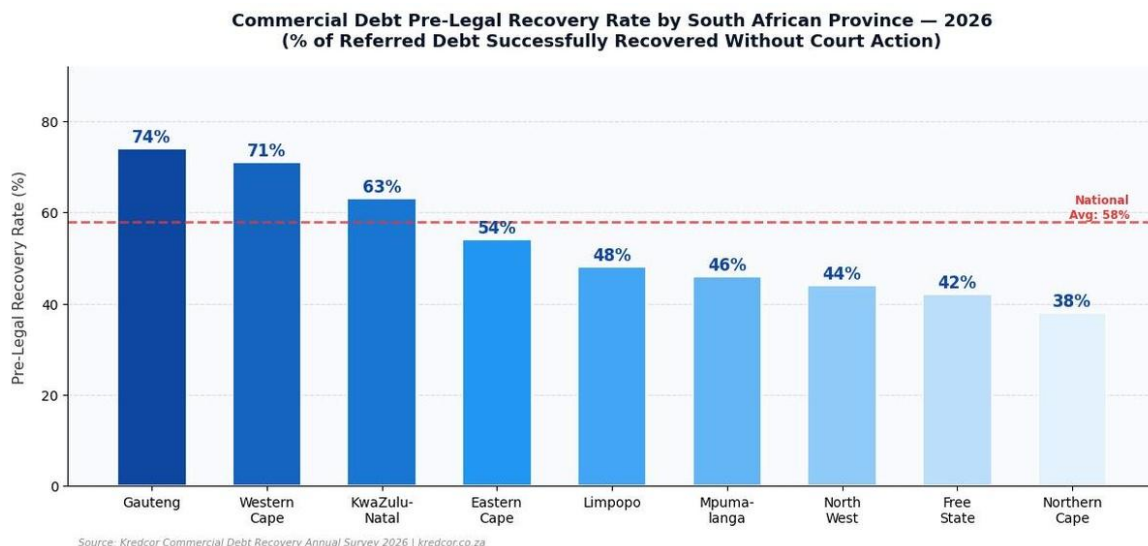


Figure 4: Commercial Debt Pre-Legal Recovery Rate by Province — South Africa 2026 | Kredcor Annual Survey



There is dramatic provincial variation in debt recovery rates in South Africa. This variation reflects differences in economic activity, debtor tracing capacity, court efficiency, and the density of professional credit management infrastructure:

Province	2026 Recovery Rate	2025 Recovery Rate	Change	Primary Drivers
Gauteng	74%	71%	+3%	Dense infrastructure, strong legal network, economic hub
Western Cape	71%	69%	+2%	Strong credit culture, Cape Town business sophistication
KwaZulu-Natal	63%	61%	+2%	Durban port economy, improving legal capacity
Eastern Cape	54%	55%	-1%	Economic decline in Buffalo City & Nelson Mandela Bay
Limpopo	48%	50%	-2%	Rural debtors, tracing challenges, limited court capacity
Mpumalanga	46%	47%	-1%	Agricultural stress, mining sector volatility
North West	44%	46%	-2%	Weak formal economy, high informal sector proportion
Free State	42%	44%	-2%	Declining agricultural and mining base
Northern Cape	38%	40%	-2%	Sparse population, limited legal infrastructure, drought

5.3 What Drives Recovery Rate Differences?

Kredcor’s analysis of the provincial recovery rate data identifies six primary factors that determine whether a commercial debt is recovered or written off:

1. Time to referral: The single most powerful predictor of recovery. Every 30-day delay in referral reduces recovery probability by approximately 10–15 percentage points.
2. Quality of documentation: Signed credit agreements, purchase orders, delivery proofs, and written acknowledgements of debt are the foundation of successful recovery. Businesses with complete documentation recover 2.8 times more debt than those with incomplete records.



3. Debtor traceability: If a debtor cannot be located, recovery is impossible. Urban debtors are recovered at 2.1 times the rate of rural or semi-urban debtors, primarily because tracing is more effective in metros.
4. Credit agreement quality: A well-drafted credit agreement with a clear interest and costs clause dramatically improves recovery outcomes, both pre-legal and through the courts.
5. Collector expertise and legal network: The quality, experience and legal connections of the appointed collection firm materially affect outcomes, particularly for aged or complex accounts.
6. Legal system efficiency: Court capacity and backlogs differ significantly across provinces, affecting the cost and timeline of legal escalation.

6. The Causes of Non-Payment: Why South African Debtors Don't Pay

The 2026 Kredcor survey asked respondents to identify the primary reason for non-payment in their most significant bad debt accounts. The results provide important insight into the nature of the problem and the appropriate recovery strategy for each cause.

6.1 Primary Causes of Non-Payment (2026 Survey)

Cause of Non-Payment	% of Respondents	Year-on-Year Change	Recommended Response
Economic pressure / inability to pay	68%	+8%	Payment plan, restructuring, security
Cash flow timing (can pay, not yet)	54%	+5%	Prompt demand, short deadline, collector
Invoice dispute (genuine or tactical)	39%	+7%	Mediation, evidence review, legal if needed
Business distress / pre-insolvency	31%	+11%	Immediate legal referral, creditor protection
Relationship leverage (known the director)	28%	-3%	Third-party collector removes awkwardness
Debtor relocated / untraceable	24%	+4%	Professional tracing, urgent referral
Fraudulent intent	9%	+3%	Criminal proceedings + civil recovery



6.2 The Growing Insolvency Risk

The 11-percentage-point increase in ‘business distress / pre-insolvency’ as a cause of non-payment is the most alarming finding in the 2026 survey. It suggests that a growing proportion of South Africa’s commercial debt is not merely delayed, but is fundamentally at risk of permanent loss through the insolvency of the debtor.

- Business rescue applications increased by 23% year-on-year in the 2025/2026 financial year
- Compulsory liquidations rose by 18% in the same period
- Businesses that refer debt to a professional collector before a debtor enters business rescue recover, on average, 4.7 times more than those who wait

Critical Insight: Act Before Business Rescue is Filed

- The moment a debtor is placed in business rescue, your ability to recover outside of the formal process is suspended.
- A Kredcor referral within 30 days of first default dramatically reduces your exposure to the insolvency risk.
- Our team monitors high-risk debtor signals including CIPC filings, credit bureau deterioration, and supplier network intelligence.
- Contact us immediately if you suspect a debtor is in financial distress: 010 500 4640 or landi@kredcorgroup.com

7. Credit Management Practices: What High-Performing Businesses Do Differently

The 2026 Kredcor survey identified a consistent set of credit management practices that differentiate the businesses with the lowest bad debt ratios from those with the highest. The gap in outcomes between the best and worst performers is dramatic.



7.1 The Credit Policy Gap: 3.4x More Bad Debt Without One

The most significant finding in this year's survey is the dramatic impact of having a formal, written credit policy:

Credit Management Factor	Businesses With It	Businesses Without It	Difference
Formal written credit policy	4.1% avg bad debt ratio	13.9% avg bad debt ratio	3.4x worse without
Signed credit applications	5.2% avg bad debt ratio	12.4% avg bad debt ratio	2.4x worse without
Credit limit per customer	5.6% avg bad debt ratio	10.8% avg bad debt ratio	1.9x worse without
Monthly debtor age analysis	4.8% avg bad debt ratio	11.6% avg bad debt ratio	2.4x worse without
Refer to collector within 90 days	5.1% avg bad debt ratio	14.2% avg bad debt ratio	2.8x worse without
Use a registered debt collector	4.6% avg bad debt ratio	12.1% avg bad debt ratio	2.6x worse without

7.2 The 31% Problem: Too Few Businesses Act in Time

Only 31% of surveyed South African businesses refer overdue accounts to a professional debt collector within 90 days — the window in which pre-legal recovery rates remain above 58%.

The majority wait significantly longer:

- 31% refer within 90 days (optimal — recovery rate 58–87%)
- 28% refer at 91–180 days (recovery rate 26–41%)
- 24% refer after 180 days (recovery rate 11–18%)
- 17% never formally refer — they write the debt off internally (recovery rate approximately 0%)

The 17% who never refer represent a significant opportunity cost. For a business with R2 million in annual write-offs, engaging a professional collector on all accounts could conservatively recover R500,000–R800,000 per year that is currently being lost entirely.



7.3 The Top 10 Practices of South Africa's Best Credit Performers

1. A formal written credit policy, reviewed and updated annually
2. Signed credit applications for every new customer, before the first order is fulfilled
3. Credit limit management, with exposure reviewed monthly
4. Monthly debtor age analysis reported to senior management or the board
5. Automated statement and reminder systems triggered by days-overdue thresholds
6. A formal hand-to-collector policy: all accounts over 60 days referred automatically
7. A relationship with a registered, CSDC-compliant debt collector with a client portal
8. A signed credit agreement with clear interest, costs and jurisdiction clauses
9. NCA-compliant incidental credit notices sent within 20 business days of default for NCA consumers
10. Quarterly review of credit policy against actual bad debt outcomes, with adjustments

8. Legal Escalation Trends in South Africa

8.1 Summons and Judgment Statistics

The Master of the High Court and Magistrates' Court statistics for the 2025/2026 financial year reveal the following trends in debt-related litigation:

- Magistrate's Court summons for debt: increased by 16% year-on-year
- Default judgments granted: up 21% year-on-year, reflecting increased debtor inability to defend
- Emoluments attachment orders (garnishee orders) granted: up 14%
- Warrants of execution: up 19%, but with significantly lower yield as debtors have fewer attachable assets
- Business rescue applications: up 23%, the sharpest increase in any category

8.2 The Challenge of Enforcement

Obtaining a court judgment is only the beginning of the legal recovery process. The enforcement of judgments — through attachment and sale of assets — is becoming progressively more challenging in South Africa for several reasons:

- Debtors have fewer physical assets to attach, as businesses increasingly operate with leased equipment, digital infrastructure, and minimal movable property
- Sheriff's offices in several provinces are severely under-resourced, creating significant delays in execution
- The prevalence of debt review among individual debtors (both consumer and small business owner) creates moratorium periods that delay enforcement
- The rise of business rescue as a mechanism, which suspends all proceedings against the company



8.3 The Case for Pre-Legal Resolution

These enforcement trends reinforce the core Kredcor recommendation: the most effective debt recovery strategy is one that avoids litigation entirely by acting promptly, professionally, and persistently at the pre-legal stage. Every rand recovered pre-legally is recovered faster, cheaper, and more certainly than a rand pursued through the courts.

“Litigation is the last resort of the creditor who acted too late. The creditor who acts at day 30 almost never needs the courts. The creditor who acts at day 180 almost always does — and often finds the judgment is worth less than the paper it’s printed on.” — Landi Maritz, Kredcor Commercial Debt Recovery Partners

9. The Economic Impact: What Bad Debt Costs South Africa

9.1 Direct Costs to Business

The direct cost of bad debt to South African businesses is measured in several dimensions:

- Write-offs: The R420 billion outstanding represents a potential write-off exposure that dwarfs the entire annual budget of most government departments
- Cost of capital: Carrying unrecovered debt at the current prime rate (11.75%) costs approximately R49 billion per year in interest on the outstanding bad debt book alone
- Overhead costs: Internal credit management resources, debt collector fees, attorney costs, and court fees add an estimated R12–18 billion per year to the direct cost burden
- Opportunity cost: Capital tied up in bad debt cannot be deployed in growth, innovation, or job creation

9.2 The Jobs Impact

Bad debt destroys jobs. This is not an abstraction — it is a documented consequence of the failure of credit systems. Kredcor estimates that for every R10 million in permanent bad debt write-offs by South African SMEs:

- Approximately 12–18 direct jobs are at risk in the affected business
- A further 8–14 indirect jobs in the supply chain of that business are affected
- The tax revenue impact to SARS is estimated at R1.8–2.4 million per R10m in write-offs

9.3 The Government and SOE Dimension

A dimension of South Africa’s bad debt crisis that receives insufficient attention is the role of government and state-owned enterprises (SOEs) as late and non-payers. The South African Forum of Civil Engineering Contractors (SAFCEC) has consistently reported that government



departments and municipalities are among the worst payment offenders, with some contractors waiting 180–360 days for payment on completed, certified work.

This government payment delay cascades directly into the private sector, as contractors cannot pay their suppliers, who cannot pay their own creditors, creating a bad debt chain that reaches far beyond the original government payment failure.

Kredcor’s Role in the South African Economy	
•	In the 2025/2026 financial year, Kredcor recovered more than R850 million in commercial debt on behalf of South African businesses.
•	This recovery directly sustained an estimated 2,400 jobs in client businesses that would have faced closure or retrenchment without those funds.
•	Every rand Kredcor recovers stays in the South African business economy, paying salaries, suppliers and taxes.
•	Kredcor is not just a debt collector. We are an economic recovery service for South African businesses.

10. Outlook: The Commercial Debt Forecast for 2026–2027

10.1 Projected Trends

Based on current macroeconomic indicators, survey data, and portfolio performance, Kredcor projects the following trends for the 2026–2027 financial year:

Indicator	2026 Actual	2027 Forecast	Driver
Total bad debt outstanding	R420 billion	R455–R480bn	GDP weakness, insolvency rise
National bad debt % revenue	7.2%	7.6–8.1%	Margin compression, payment culture
National average DSO	63 days	66–69 days	Supply chain pressure, corporate terms
National recovery rate	58%	55–58%	Asset depletion, court delays
Business rescue applications	Up 23% YoY	Up 15–20%	Interest rate relief partially offsets
Liquidations	Up 18% YoY	Up 10–15%	Some relief from rate cuts expected



10.2 Sectors to Watch in 2027

- **Agriculture: Continued drought exposure in the Western and Northern Cape creates significant insolvency risk through 2026–2027**
- **Retail: Consumer spending remains constrained. Formal retail may see increased supplier bad debt as the sector consolidates**
- **Construction: Government infrastructure spend is expected to accelerate pre-election, creating new contract opportunities but also new payment risk from municipalities with cash flow challenges**
- **Professional Services: The risk of relationship-driven delayed collection will increase as economic pressure on clients intensifies**

10.3 Three Reasons for Cautious Optimism

While the overall trajectory is concerning, Kredcor identifies three structural positives for the South African credit management environment:

- **Interest rate relief:** Expected SARB repo rate cuts in H2 2026 will reduce borrowing costs and ease cash flow pressure on debtors, which should improve payment rates
- **Improved credit management awareness:** The take-up of formal credit management tools, credit insurance, and professional collection services has increased meaningfully year-on-year
- **Regulatory environment:** The NCA and Debt Collectors Act framework, while imperfect, provides a clear and enforceable legal structure that enables recovery for creditors who act correctly and promptly

11. Recommendations for CFOs and Credit Managers

Based on the findings of the 2026 Kredcor Annual Report, we make the following ten recommendations to South African businesses seeking to minimise bad debt and maximise recovery:

1. Implement or update your formal credit policy immediately. The 3.4x difference in bad debt outcomes between businesses with and without a formal credit policy is the single most powerful finding in this report. If you do not have one, you need one now.
2. Reduce your referral threshold to 60 days. Most South African businesses wait too long. Set an automatic trigger: any account overdue by 60 days and not resolved by internal chasing goes to your debt collector on day 61, without exception.
3. Audit your credit agreements. Every credit agreement should specify the interest rate, collection costs, and jurisdiction clause. Every agreement should be signed by an authorised representative of the debtor. Every agreement should be compliant with the NCA where applicable.



4. Send NCA incidental credit notices immediately on default for NCA consumer accounts. Failure to do so forfeits your right to charge interest. This is one of the most common and costly compliance failures in South African credit management.
5. Appoint a registered debt collector with a client portal and transparent reporting. Visibility into your debtors' book is essential. Your collector should be able to tell you, at any time, exactly what is happening on every account.
6. Monitor your DSO monthly and report it to your board or senior leadership. DSO is the single best early warning indicator of a deteriorating credit book. A rising DSO is a fire alarm for your business.
7. Escalate immediately when you identify signs of debtor financial distress. Business rescue suspends your ability to collect outside the formal process. Act before the application is filed, not after.
8. Invest in debtor data quality. Maintain up-to-date contact details, company registration numbers, and director information for all credit customers. The inability to trace a debtor is the primary cause of irrecoverable debt in rural and semi-urban South Africa.
9. Consider credit insurance for your top 10 debtors. For businesses with significant concentration risk in a small number of large accounts, credit insurance provides a cost-effective hedge against catastrophic bad debt exposure.
10. Review your bad debt outcomes quarterly and adjust your credit policy accordingly. Credit management is not a set-and-forget function. The environment is changing faster than ever. Your policy must change with it.

12. Conclusion

The 2026 Kredcor Annual Report paints a clear and urgent picture: South Africa's commercial bad debt problem is worsening across every metric we track. Total exposure, bad debt ratios, DSO, insolvency rates, and enforcement challenges are all moving in the wrong direction.

But this is not a counsel of despair. The businesses that manage credit proactively — with formal policies, correct agreements, timely referrals, and professional collection partners — are achieving fundamentally different outcomes. The gap between the best and worst credit performers in our survey is not a matter of luck or sector. It is a matter of discipline, process, and the willingness to act.

Kredcor publishes this report because we believe that a better-informed South African business community will manage credit better, recover more debt, sustain more jobs, and contribute to a stronger economy. We invite you to use this data, share this report, and contact us for a confidential assessment of your own credit management position.



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13. Research Methodology

Survey Design

- Survey period: January 2026 – June 2026
- Sample size: 2,400 South African businesses across all nine provinces
- Industries covered: Construction & Engineering, Transport & Logistics, Manufacturing, Wholesale Trade, Professional Services, Retail, Healthcare & Pharma, Property & Real Estate, ICT & Technology, Agriculture & Agri-Processing
- Business size distribution: Micro (18%), Small (34%), Medium (31%), Large (17%)
- Data collection method: Structured online survey supplemented by in-depth telephone interviews with 240 CFOs and credit managers

Data Sources

- Kredcor portfolio data: 2023–2026 collection and recovery data from Kredcor’s active commercial debt portfolio
- SARB Quarterly Bulletin: Macroeconomic data and credit extension statistics
- National Credit Regulator (NCR): Credit market statistics, impaired advances data
- Companies and Intellectual Property Commission (CIPC): Business rescue and liquidation data
- Stats SA: GDP, inflation and economic sector data
- South African Institute of Credit Management (SAICM): Industry benchmark data
- Master of the High Court and Magistrates’ Courts: Litigation and judgment statistics



Limitations and Disclaimers

Survey data represents self-reported figures from respondent businesses and is subject to reporting bias. Total bad debt and economic impact figures are Kredcor estimates based on available data and established methodological assumptions. All financial figures are expressed in South African Rand (ZAR). Percentage calculations are rounded to one decimal place. This report is published for educational and informational purposes and does not constitute financial, legal, or investment advice.

14. Resources & Further Reading

Regulatory Bodies and Government Sources

- South African Reserve Bank (SARB) — www.resbank.co.za
- National Credit Regulator (NCR) — www.ncr.org.za
- Statistics South Africa (Stats SA) — www.statssa.gov.za
- Companies and Intellectual Property Commission (CIPC) — www.cipc.co.za
- South African Revenue Service (SARS) — www.sars.gov.za
- Council for Debt Collectors (CSDC) — www.debtcol.co.za
- Credit Ombudsman of South Africa — www.creditombud.org.za
- Department of Trade, Industry and Competition (DTIC) — www.dtic.gov.za

Industry Associations

- South African Institute of Credit Management (SAICM) — www.saicm.org.za
- Credit Management Association of South Africa (CMASA) — www.cmasa.co.za
- South African Forum of Civil Engineering Contractors (SAFCEC) — www.safcec.org.za
- South African Chamber of Commerce and Industry (SACCI) — www.sacci.org.za
- Business Unity South Africa (BUSA) — www.busa.org.za
- Small Enterprise Development Agency (SEDA) — www.seda.org.za

Kredcor White Paper Series

- White Paper 1: The Complete Guide to Using a Debt Collector in South Africa (2026)
- White Paper 2: Interest on Overdue Debt: The In Duplum Rule, NCA Limits & What Collectors Can Legally Charge
- White Paper 3 (this report): The State of Commercial Debt in South Africa: Annual Report 2026
- All white papers available at: www.kredcor.co.za/white-papers



Further Academic and Professional Reading

- National Credit Act 34 of 2005 and Regulations — www.ncr.org.za
- Debt Collectors Act 114 of 1998 — www.justice.gov.za
- SARB Financial Stability Review (latest edition) — www.resbank.co.za
- NCR Annual Report on the State of the Credit Market in South Africa
- World Bank Doing Business Report: South Africa Chapter — www.doingbusiness.org
- Kelly-Louw: Consumer Credit Regulation in South Africa (2012, Juta)
- Scholtz (ed): Guide to the National Credit Act (LexisNexis South Africa)

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Survey data is based on self-reported figures and Kredcor portfolio analysis. Macro figures are estimates based on available data and established methodological assumptions.

This report does not constitute financial, legal, or investment advice. For advice specific to your situation, consult a registered professional.

