March 2021 SME Growth Index Insights

Call 1300 145 344 or
Visit ScotPac.com.au

ScotPac

Contents

Executive Summary

There are enough "green shoots" signs of positivity in Round 14 of our twice-yearly SME Growth Index to highlight the resilience of the SME sector, while recognising that for many small businesses there is still a way to go towards recovery.

Given the significant challenge presented by the COVID-19 pandemic, things could have been so much worse.

So it is pleasing to report that the SMEs expecting positive growth are forecasting revenue to rise by eight points more for the first half of 2021 than their forecasts for the second half of 2020.

This reflects a strong bounce back in revenue confidence for many businesses.

ScotPac's SME Growth Index, Australia's longest-running in-depth research on small business growth prospects, polled 1253 businesses from around the country - 685 of them plan to invest in their own growth over the next six months, up from late 2020 when only 650 were willing to invest.

While this is a step in the right direction, we still find almost half the SMEs are not yet ready to invest back into their business.

Until they are comfortable to invest in their own growth it will be hard for the Australian economy to really take off.

Our research shows the recovery is uneven and varies significantly by state, region and industry.

Smaller businesses (those with $1m-$5m annual revenue) are feeling the brunt more so than their larger ($5m-$20m revenue) counterparts, as indicated by their greater uncertainty about revenue growth.

While some pundits have warned of an end-of-JobKeeper "funding cliff", this most likely applies to businesses that were struggling even before the pandemic.

But the warning does serve as a reminder for struggling businesses to seek expert advice around longer term strategic and risk planning and to secure the right funding to help them with recovery and survival.

Actually, that sounds like good advice for any and every small business, given our research shows so few SMEs turn to the experts for advice beyond tax and compliance issues.

During the height of the pandemic in 2020, SME owners showed a clear reluctance to take on additional debt.

Yet working capital must be found somewhere, which is why almost half the small businesses introduced new funding options in 2020 to deal with pandemic recovery and growth opportunities.

Securing working capital is crucial, so it is promising – and necessary for recovery – to see this willingness to seek new styles of funding, including non-bank lending.

More working capital means more options within a business. One standout finding this round is that small businesses say if they never had to wait for payment they would be able to access, on average, a phenomenal 42.8% additional working capital.

This insight puts securing prompt payment times, along with funding options that maximise working capital, at the forefront of importance for the small business sector.

Jon Sutton
Chief Executive Officer,
ScotPac Business Finance

Insight 1

Post-stimulus realities confront SMEs

Australian SMEs have faced the most uncertain economic period in a generation, which makes it all the more encouraging to see "green shoot" signs for the small business sector.

It's important to acknowledge these green shoots before detailing some of the more pessimistic sentiments outlined by small businesses in the March 2021 SME Growth Index.

Many businesses, depending on where they are based and what sector they are in, have come through the "one-in-100-year crisis" feeling like they have dodged a bullet.

Of the 1253 small businesses East & Partners polled for this research, 685 are planning to invest in their own growth over the next six months. This is a small but promising uptick from late 2020, when only 650 were willing to invest.

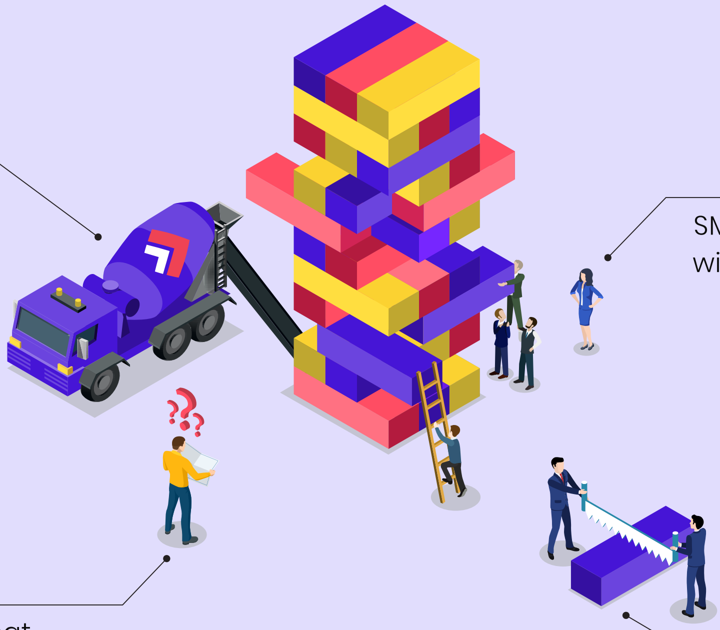
685

small businesses are planning to invest in their own growth over the next six months

Post stimulus realities confront SMEs

1 in 6

plan to use a working capital finance facility to replace stimulus funds



2 in 3

SMEs flagged that they will need to restructure their business

1 in 4

are unsure about what measures to put in place for recovery and smaller SMEs are feeling the brunt of indecision more than their larger counterparts

1 in 5

plan to cut costs to replace stimulus funds

Source: ScotPac www.scotpac.com.au

The Index also recorded an eight-point rise in the average positive revenue growth forecast by SMEs for the first half of 2021, reflecting a strong bounce back in confidence for many businesses.

These indicators are positive, and the responses from small business owners involved in our research indicate they are very eager to get back to "business as usual".

But there is a need to be realistic about what lies ahead. Half the businesses polled this round are not confident enough to invest back into the business. The full potential of the SME sector will not be reached until more businesses are comfortable and willing to do so.

Uptick in businesses looking to close or sell

Right now uncertainty around clusters, lockdowns, border closures and access to overseas markets continues to impact the business sector. This may ease as Australia's vaccine distribution gathers pace and a degree of normalcy returns.

With the COVID-19 realities of 2020 dragging into 2021, the March 2021 SME Growth Index asked small businesses about their intentions if market conditions do not improve.

Only half of those polled have NO plans to close or sell under current market conditions. The number of owners looking to potentially exit their business has increased since the last round.

Now, one in three small businesses say they will have to sell (20%) or close (14.2%) unless conditions significantly improve. This is up from 31.2% in late 2020 (see Insight 4 for a state and industry breakdown of close/sell intentions).

This increase in pessimism is despite the absence of major border restrictions when polling took place in January-February 2021. At the time of writing Queensland again finds itself in lockdown, highlighting the uncertain operating conditions facing businesses across Australia.

Over and above the significant cohort of small businesses contemplating the drastic action of closing or selling, a further 15% are unsure about what action to take if conditions don't improve.

Strategies for recovery – many will restructure

Many small businesses are unsettled and still unsure about how to handle recovery and growth.

Enterprises are confronting the end of the JobKeeper program designed to stem job losses and business failures during the pandemic, and much of eastern Australia is dealing with the aftermath of severe flooding.

15%

unsure about what action to take if conditions don't improve

Asked about the measures they will put in place in 2021 to recover from the pandemic, or to take advantage of opportunities, overwhelmingly SMEs are looking at their business structure, including funding options. Two-thirds (64.6%) plan to take a full look at restructuring operations to work out the best way forward.

This coincides with implementation of the Federal Government's small business restructuring laws that aim to make it easier for eligible businesses to reset balance sheets and return to profitability.

SMEs who have relied on government stimulus funding are considering different strategies to replace this source of cash flow. One in five (21.6%) plan to cut costs and one in six (15.2%) will use a working capital finance facility to replace stimulus funds.

One in five businesses overall, and one in four larger SMEs, say they'll have to move head office or downsize. Other strategies to handle recovery and growth in 2021 include: sourcing new funding (12.5%), entering new markets (8.9%) and pursuing merger and acquisition opportunities (5.1%).

It is highly concerning that a significant cohort - one in four SMEs (25.9%) - are unsure about what measures to put in place to plot their path to recovery.

This indecision is more noticeable at the smaller end of the SME market: almost one in three $1m-$5m revenue businesses are unsure, compared with one in five of the $5m-$20m enterprises.

Funding is crucial for recovery and growth

Recovery is uneven and varies significantly by state, region and industry (see Insight 3 – Small business revenue outlook cautiously optimistic).

According to East & Partners, it is hard to quantify how many "zombie" companies are clinging to the JobKeeper and insolvency safe harbour measures that kept the insolvency rate low in 2020.

The Reserve Bank of Australia has flagged it expects small business failures to rise this year. This raises some anxieties for the start of Q2 2021 when stimulus measures are no longer in place. ASBFEO has gone as far as to urge small businesses to secure their assets through the Personal Property Securities Register (PPSR) so they are better protected in the event of insolvency.

25.9%

of SMEs are unsure about what measures to put in place to plot their path to recovery

For any small business that went into the pandemic already experiencing cash flow issues, the end of JobKeeper may rapidly compound their problems.

Potentially of bigger impact than the end of JobKeeper is when the ATO gets tougher about chasing debt. This should be a point of focus for $1m-$5m revenue businesses, given they've indicated that making ATO arrangements will be one of their go-to working capital management strategies (see Insight 5 for an outline of SME cash flow strategies).

Australia's new small business ombudsman, Bruce Billson, says regardless of whether their focus is growth or recovery SMEs' best shot at success is getting access to, and putting in place, adequate funding and seeking professional advice to help guide them through this period and achieve their business goals.

To encourage SME access to funding, loans under the SME Guarantee Scheme have been expanded (despite low uptake of this scheme in 2020).

The loan limit has increased from $1m to $5m and the turnover cap rises from $50m to $250m. The Federal Government is now bearing the bulk of the risk, with an 80-20 risk split with the banks replacing the previous 50-50 split.

It remains to be seen whether there will be improved take-up of this extended scheme, given the clear reluctance of SMEs to saddle their businesses with more debt.

Whether a business is looking to take advantage of opportunities, or whether they are anxious about the end of JobKeeper impacting their working capital, they should be talking to professional advisers about the best way forward.

SME owners also need to be open to look at funding methods beyond traditional bank funding, and diligent about putting funding in place early, so that if they run into cash flow issues they can smoothly move forward with new sources of funding.

Insight 2

Pandemic sent SMEs looking for new funding options

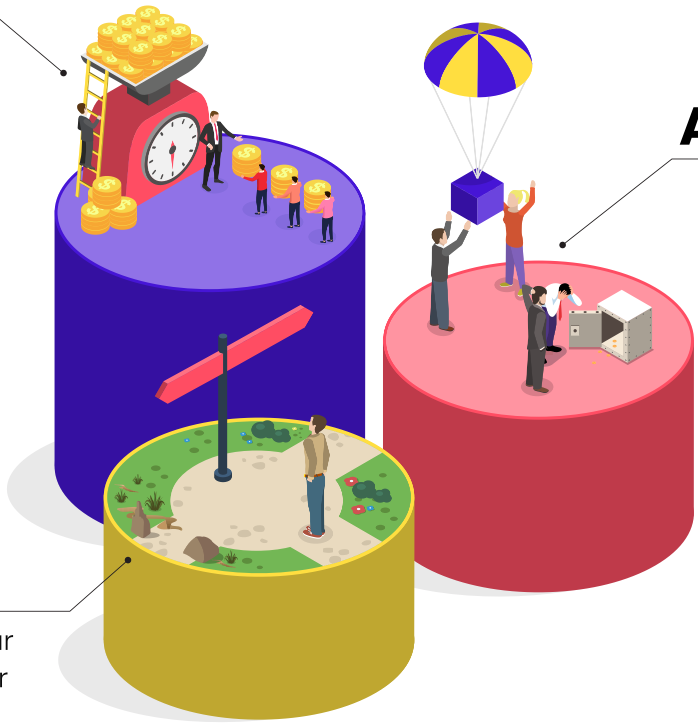
Almost half the small businesses polled in the March 2021 SME Growth Index introduced new funding options in 2020 to deal with pandemic recovery and growth opportunities.

This large cohort of small businesses (46%) looked beyond their traditional funding methods to keep operations on an even keel, while 54% were able to get by using their existing style of funding.

The most common reasons for SMEs to turn to new funding options in 2020 were:

- to develop new products and services to diversify their revenue base (31.4%)
- to buy new or replacement equipment or machinery (24.4%)
- a desire to increase cash reserves (21%)
- to refinance existing loans (20.3%)
- traditional bank funding was unable to meet their needs (15.5%)
- not enough equity in their home to fund business requirements (6.9%)

Pandemic sent SMEs looking for different ways to fund



42.8%

The average additional working capital SMEs would have if they never had to wait for payment

Almost half

of SMEs surveyed introduced new funding options to deal with 2020

24%

of growth businesses favour non-bank lenders over their main bank (15.8%) to fund new growth in 2021

Source: ScotPac www.scotpac.com.au

Of the one in four businesses seeking new funding methods to invest in plant, equipment and machinery, the breakdown was 10% looking for new equipment and 14.4% looking to replace old. This modest demand for investment in plant reflects ABS data indicating that capital expenditure remains relatively suppressed despite the significant expansion of the instant write-off provision.

Only 2.6% of SMEs sought new methods of funding in order to hire new staff or train existing staff.

Early payment would have massive impact

Since the Index began in 2014, small business owners have indicated regularly that delayed invoice payment terms are a critical drag on cash flow and a significant source of stress.

SMEs are waiting on average 56 days to be paid, despite recent pushes by the Federal Government and ASBFEO to reduce payment times to 30 days (East & Partners has extrapolated that this results in up to $776b being held up in late payments annually for the SME sector).

This round, we asked SMEs how much of their working capital would be freed up for the business if they never had to wait for payment.

Small businesses said they would be able to access, on average, an additional 42.8% working capital.

Estimates of the boost to working capital ranged from 11% to an astonishing high of 67.7% for some small businesses.

For smaller SMEs (those with $1m-$5m revenue) not having to wait for payment would allow them access to an extra 31.4% in working capital.

This was even more marked for larger SMEs (businesses with $5m-$20m revenue) who would gain an average 55.6% more working capital if they were paid immediately.

Young and newly launched businesses (five years or under) are feeling this cash flow crunch more severely, with on average 58.8% of working capital tied up in unpaid invoices.

Businesses over five years old estimate they would gain an additional 35.6% in working capital in an ideal world where they never had to wait for payment.

In the real world small businesses do have to wait, often too long, for payment.

So it is important for them to secure funding that smooths out cash flow gaps and allows them the confidence to take on new opportunities.

Even better if they can do so without taking on further debt or relying on using their family home as security.

Market analysts East & Partners emphasise the need for small businesses to be properly funded in order for the sector to fully recover in 2021.

New ASBFEO head Bruce Billson, and RBA assistant governor Chris Kent, have both publicly stressed the importance of small business access to finance in recent months.

How SMEs will fund 2021 growth

Small businesses were asked how they intend to fund new growth in 2021.

As in previous rounds, the two main ways to fund new growth are by using their own funds (the top option for 89.1% of respondents) and by borrowing from a non-bank lender (now at a new high of 28.3%).

One in five small businesses (21.2%) will rely on new equity to fund growth.

Once again there was a decrease in the number of SMEs intending to use banks to fund new growth, despite the range of government stimulus measures linked to bank lending.

Only 16.8% of SMEs plan to fund new growth via their main bank and 12.3% plan to use other banks.

When only growth company responses are considered, one in four growth businesses (24%) intend to borrow from non-banks to fund new growth, 15.8% will turn to their main bank and 13.1% will borrow from another bank.

The RBA has noted that while business confidence has improved markedly, many smaller businesses remain reluctant to take out new loans.

This reluctance may indicate that business owners recognise it is not an optimal solution to simply add more debt onto already over-leveraged balance sheets.

SMEs and their advisers are encouraged to **download this free Business Funding Guide** created by ASBFEO and ScotPac to outline styles of funding that might suit their business.

The guide aims to educate small businesses and their trusted advisers (such as accountants, brokers and bookkeepers) about a wide range of funding options for different business situations.

Insight 3

Small business revenue outlook cautiously optimistic

There is an undercurrent of optimism in the six-month revenue forecasts outlined by Australian small businesses.

Considering the depth of the challenge created by the pandemic, as a whole the small business sector has rebounded well.

However the extremes of revenue growth and decline that have been forecast by SMEs around the country highlight the uneven nature of this recovery.

In the March 2021 SME Growth Index almost half the 1253 business owners polled (48.4%) anticipate positive revenue growth through to August 2021.

The average revenue growth forecast is 4.1%, an increase of eight points from H2 2020, reflecting a strong "bounce back" in confidence for many small business owners.

This average revenue forecast is on par with the latest OECD forecasts that the Australian economy will grow 4.5% through to 2022 to invest.

Market-wide, SME revenue forecasts ranged from -10% to +9.1%, creating a modest overall average revenue increase of +0.9% for the next six months.

Pinpointing only those SMEs forecasting positive revenue, there was a new high distribution range this round of 8 percentage points (from +1.1% to +9.1%).

48.4%

of businesses polled anticipate positive revenue growth through to August 2021

Revenue outlook cautiously optimistic

Almost 1 in 2

SMEs anticipate positive revenue growth, on average by 4%

Revenue forecasts in Victoria and in retail and manufacturing sectors remain a concern

More SMEs are planning to invest in their business in the next 6 months

Source: ScotPac www.scotpac.com.au

Just over a quarter of all SMEs (26.9%) believe their revenue will remain unchanged, down from the 29.2% forecasting unchanged revenue in late 2020.

One in four small businesses (24.7%) say their revenue will fall, by -5.5% on average.

Over recent years the Index has recorded a steadily rising proportion of SMEs forecasting their revenue to decline. This is cause for concern.

The proportion of SMEs forecasting negative change was 24.7%, up from 23.8% in late 2020.

While more small businesses are forecasting revenue decline it is some consolation that the average decline forecast has moved from -6.2% to -5.5% over the past six months.

An uncertain long-term pandemic recovery path appears largely confined to those SMEs weaning off government stimulus or coping with regional issues or sector-specific challenges, in particular for tourism, accommodation and hospitality.

Victoria is the state most severely impacted, with SMEs still reeling from the impact of prolonged lockdowns in 2020.

Almost two-thirds of Victorian small businesses (63%) believe their revenues will decline, by -6% on average (see Insight 4 for all State and Industry revenue forecasts).

Only 10.5% of Victorian SMEs are forecasting growth, but those that are optimistic expect to rebound strongly from a dire 2020 with a bullish +11.1% growth.

SME perception of their business phase

When asked to identify their current business phase 34.8% of small businesses said they identified as growth, 31.7% as stable, 14.9% as contracting, 9.7% as start-up and 8.9% as consolidating.

In the November 2020 Index, for the first time more businesses identified as being stable rather than being in growth mode - but that anomaly was reversed this round.

The proportion of SMEs identifying as being in a contracting business phase hit a new high this round, at a critical moment on the road to long-term COVID recovery.

So while the revenue outlook for the small business sector is improving, many SMEs are not out of the woods yet.

For the businesses facing uncertainty, it's crucial to focus on getting expert advice (for example, from their accountants, bookkeepers and brokers) and putting in place sufficient funding to support recovery and growth.

48.4%

of businesses polled anticipate positive revenue growth through to August 2021

Insight 4

SME revenue outlook by state and industry

The March 2021 SME Growth Index reveals a record broad distribution range of positive revenue forecasts (from +1.1% to +9.1%) which highlights the fact that states and industries are rebounding at very different rates.

East & Partners analysis of the small businesses at risk of closing or selling shows that twice as many Victorian SMEs are in trouble (58%) relative to Queensland (35%) and NSW (27%).

Victoria has three times as many at-risk businesses as Western Australia (20%) and South Australia and the Northern Territory (18%).

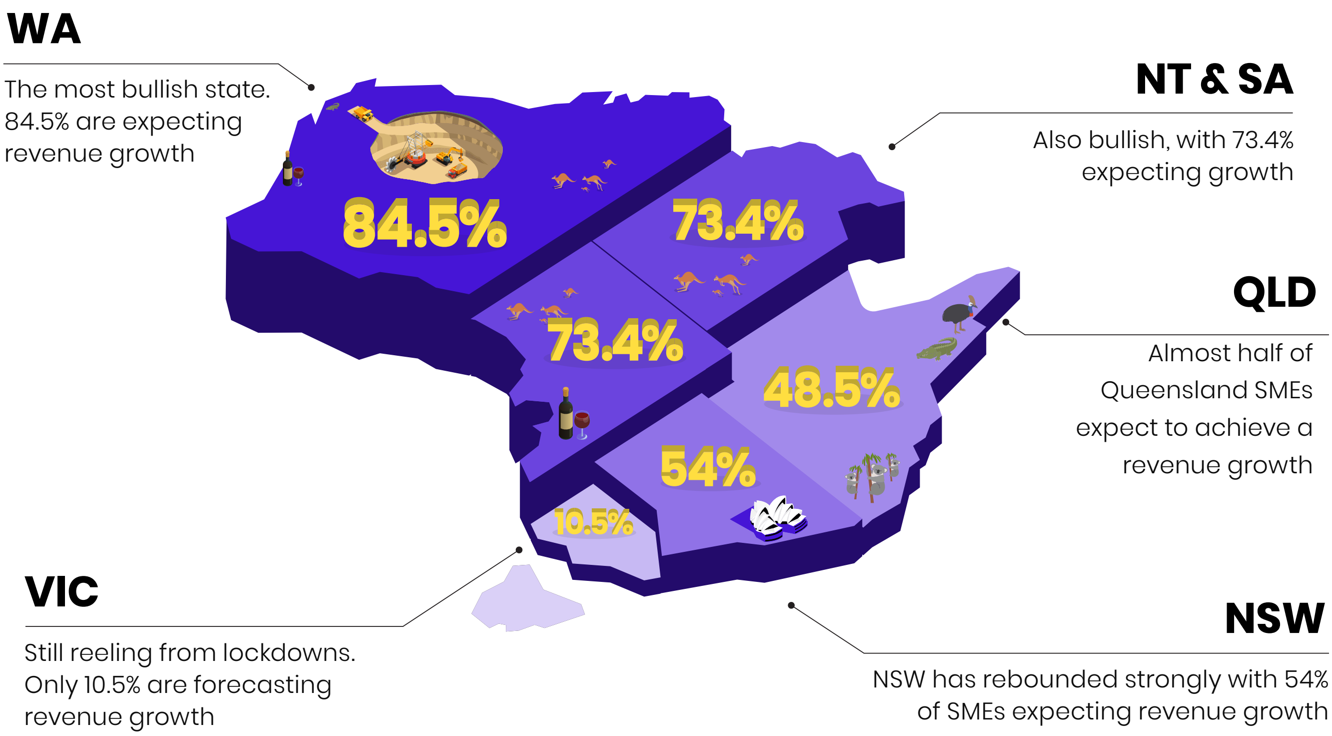
The end of stimulus funding was nominated by a high proportion of these firms as being the trigger point to make them consider exiting or closing.

62.6%

of Victorian SMEs expect revenue decline

Which states are expecting growth?

Forecast revenue growth by state to August 21



Source: ScotPac www.scotpac.com.au

Victoria

Victoria's small business sector is still reeling from the impact of lockdowns.

Only one in 10 Victorian SMEs (10.5%) are forecasting revenue growth through to August 2021, but they do expect on average +11.1% growth.

This figure may be less bullish than it appears when considering it comes off the back of poor 2020 revenue growth due to the state's extended lockdown.

Two-thirds of Victorian SMEs (62.6%) expect revenue to decline, by -6% on average.

More than half of Victoria's small businesses say without significant improvement in market conditions they will have to either close (30.8%) or sell (27.3%). Fewer than one in five (17.1%) expect they can ride out current market conditions and 24.8% are unsure if they can do so.

New South Wales

The first state to feel the brunt of the pandemic in early 2020, NSW has rebounded strongly. NSW has 54% of SMEs expecting revenue growth in 2021, by an average +2.7%.

Around a quarter of NSW small businesses (22.9%) expect revenue to decline, by -1.1% on average.

A relatively buoyant number (61.3%) say they are in a position to ride things out if conditions don't markedly improve.

Only 7.7% say they will close if current conditions continue, while one in five (19.7%) will sell and 11.4% are unsure.

Queensland

Outside of tourism hotspots, Queensland SMEs have been relatively unscathed. It remains to be seen whether this optimism continues given the pre-Easter lockdown in the state (that came after this polling).

Only two in every 100 small businesses in the sunshine state expect revenue to decline over the next six months, forecasting an average decline of -5.8%.

Almost half (48.5%) expect to achieve a revenue increase, a modest +1.3% on average.

A similar proportion (49.3%) expect to survive if current market conditions continue, while 15 in every 100 Queensland SMEs are facing closure and 20 in every 100 may need to sell.

Western Australia

On the back of a buoyant mining and resources industry, the west is the most bullish of the states.

Here, 84.5% of small businesses are expecting positive revenue growth (by, on average, +6.1%) and only 3.6% expect revenue to decline (by a minimal -1%).

This small cohort expecting revenue to decline matches the 4.2% of SMEs in the west who say they will close if the economic outlook doesn't significantly improve; a further 15.5% will look to sell.

A robust number of WA businesses (74.4%) expect to survive if current market conditions continue.

48.5%

of Queensland SMEs expect to achieve a revenue increase

South Australia and Northern Territory

SMEs in South Australia and the Northern Territory are also bullish, with 73.4% expecting growth (by +3.2% on average) and 8.9% bracing for decline (by -2.3%).

Fewer than one in five businesses in SA and NT believe they will have to close (12.7%) or sell (5.1%) if trading conditions don't significantly improve.

Almost two-thirds (62%) anticipate they could continue in business under current market conditions.

Industry variations in revenue and business stability

The SME Growth Index looks at six major industry sectors – mining, manufacturing, wholesale, retail, transport and business services.

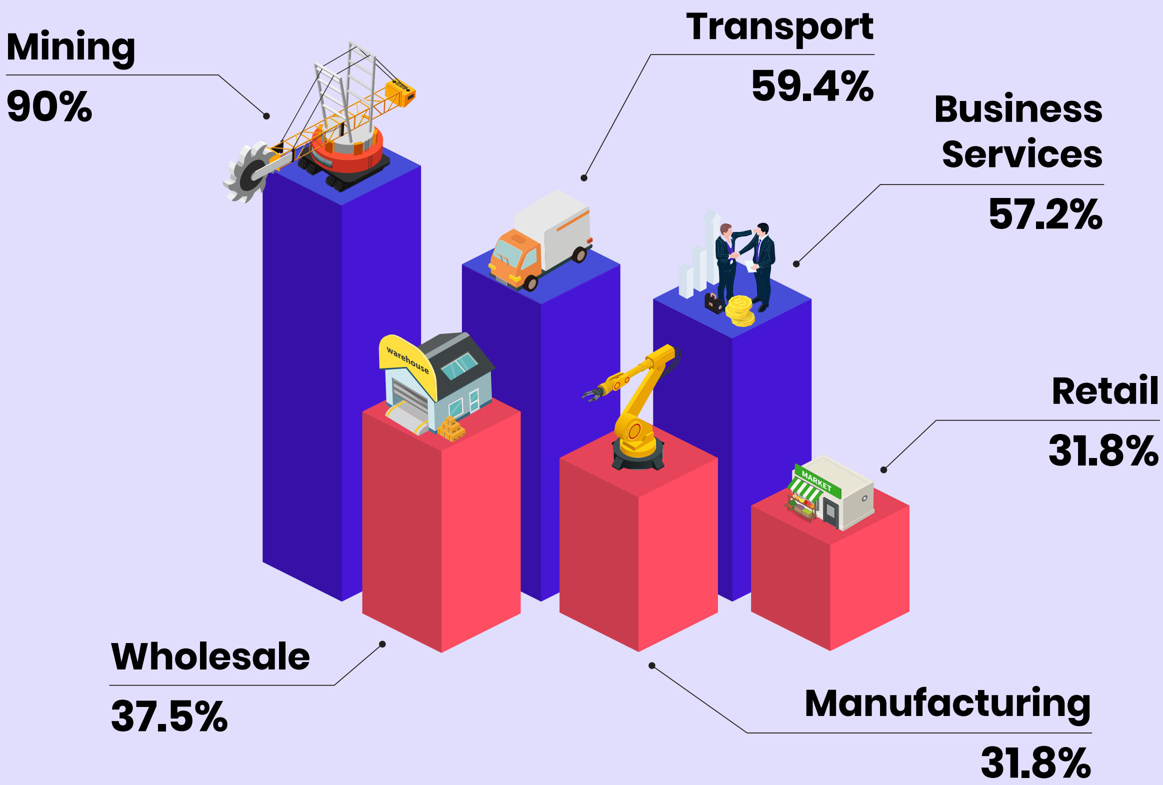
Sector analysis shows that even if business conditions don't markedly improve, a vast majority of SME respondents in the **mining, business services and transport** sectors believe they could ride out current conditions without having to sell or close.

This confidence was expressed by 85.6% of mining enterprises, 82.1% of business services SMEs and 72.3% of transport businesses.

In contrast, more than one in three **retailers** (36.3%) say they will close without conditions significantly improving, one in three (33.1%) say they will sell and a large cohort (22.9%) remain unsure. Only a small number of retailers (7.6%) are confident they will not have to close or sell.

Which industries are expecting growth?

Forecast revenue growth by sector to August 21



Source: ScotPac www.scotpac.com.au

Manufacturing is evenly poised: one in three (36.6%) are confident they can survive; 18.8% are looking at closing, 27.2% selling and 17.3% are unsure whether they'll be able to ride out current conditions.

A more robust 43.8% of wholesalers believe they can survive if current conditions continue, with 13.3% expecting to close, 25.8% to sell and 17.2% unsure of their future.

Industry sector revenue forecasts were:

Mining: 90% of mining SMEs expect revenue growth (by a bullish average of +8.5%), only 5.6% are forecasting a decline (by an average of just -0.4%).

Transport: 59.4% expect revenue growth (average +3.6%), 9.9% anticipate a decline (of -2%) and 30.7% are forecasting revenue to remain unchanged.

Business services: 57.2% forecast an uptick in revenue (by +5.5%), 8.7% forecast decline (by -0.7%) and 34.1% expect no change.

Manufacturing: this small business sector is evenly poised, with 35.6% forecasting revenue growth (by a reasonably flat +1.1%), 32.7% expecting revenue decline (by -3.9%) and 31.7% anticipating no change.

Wholesale: this sector also has a relatively even sentiment balance, with 37.5% forecasting growth (by +2.1%), 28.9% forecasting decline (by -2.2%) and 33.6% expecting no revenue change.

Retail: this is the only industry where more small businesses are expecting revenue to decline rather than grow. There are 31.8% forecasting revenue growth (of +1.8% average), 38.9% predicting a decline (-5.3% average) and 29.3% anticipating unchanged revenue.

Insight 5

Cash flow woes still high – but not as bad as usual

Cash is always king but never more so than during the pandemic and recovery.

Many small businesses are hoarding cash and staying on the sidelines until they feel confident enough to invest in their own growth.

This is a key takeaway from the March 2021 SME Growth Index, with results showing that over the past 12 months substantially fewer small businesses than usual experienced cash flow issues.

This round, 72.5% of small businesses had cash flow problems, compared to the 90% who usually report these issues.

This is perhaps an indication that government COVID-related stimulus measures in 2020 had the desired effect.

However, it still equates to almost three in four small businesses experiencing cash flow issues, despite the low interest rate environment and the extensive SME loan support options available.

This round a full 27.5% of small businesses had no cash flow woes – this compares to the March 2018 result when 10.1% were free of cash flow issues, while in September 2019 it was 9.5% who reported no cash flow concerns.

This prompts the question - did the pandemic stimulus packages actually improve cash flow for many small businesses?

62.6%

of Victorian SMEs expect revenue decline

SMEs definitely appear to have been conserving cash during 2020. For some businesses this was facilitated by government support measures, but for others it looks to have been more about stripping out costs and banking whatever cash they could. This trend is quite similar to the retail savings growth that occurred over the same period.

Given the aim for many businesses in 2020 was simply survival, this cash conservation on face value might not seem like an issue – however, there are longer term implications.

If businesses continue to conserve cash within their enterprises, and if they are not actively looking to invest to help their business grow, they run the risk of becoming less relevant in their market.

The finding that a third of SME respondents are trying to grow revenue via new and existing customers doesn't gel with the fact that so many are not yet looking to invest in their own businesses to facilitate that growth.

If businesses do have cash reserves off the back of stimulus measures and being more conservative to get through the pandemic, it could be prudent to use those cash reserves to engage an expert adviser to guide them on the right strategies and funding for growth and recovery.

Allowing these cash holdings to be strategically unlocked would bode well for forward investment, including possible job hiring and revenue growth.

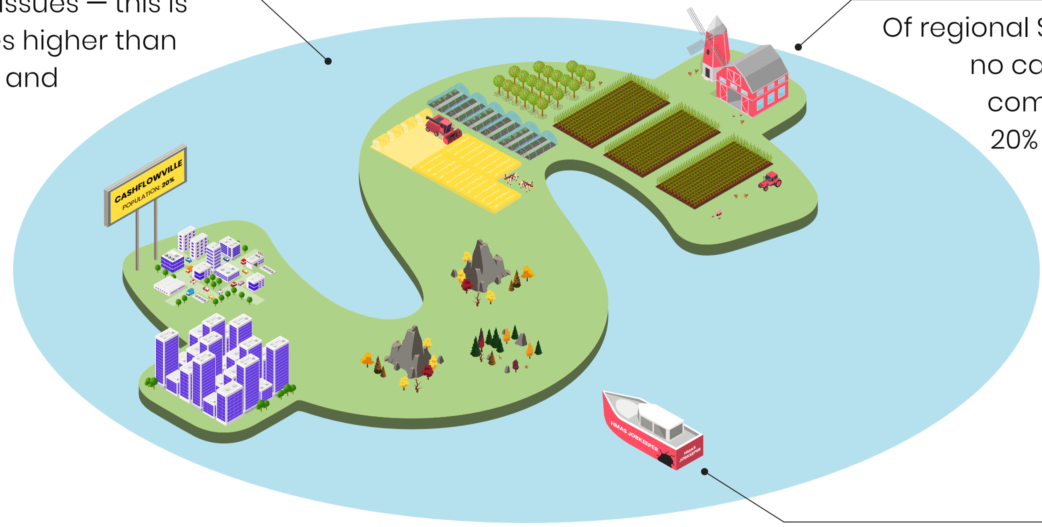
Did Stimulus Measures Create Cash Conservation?

42.8%

Of SMEs say they had no cash flow issues — this is three times higher than 2019 (9.5%) and 2018 (10.1%)

45%

Of regional SMEs reported no cash flow issues compared to only 20% of their metro counterparts



29%

Almost a third of no growth or negative growth businesses (29.9%) reported having no cash flow issues

Source: ScotPac www.scotpac.com.au

Who is reporting no cash flow issues?

Of the 1253 SMEs in the research, 345 of them reported having no cash flow issues. Among them:

- 45% of regional SMEs reported no cash flow issues compared to only 20% of their metro counterparts, which concurs with Commonwealth Bank of Australia analysis about the health of regional Australia.
- A large proportion of the SMEs reporting no cash flow issues are those identifying as negative growth businesses. While the cohort is small, this data point lends weight to the hypothesis that it is the "propped up" SMEs who are on top of cash flow, assisted by cash grants, loan payment deferrals, wage subsidies and asset write-offs.
- Very small businesses appear to be hoarding cash. While the data from this round of the Index generally shows smaller sized SMEs as worse off than their larger sized counterparts, that is not the case for this data point - of the SMEs reporting no cash flow issues, the majority are small (SMEs with one to 20 full-time employees).

What causes cash flow woes

Over the years the Index has consistently highlighted cash flow constraints as one of the top barriers to a healthy business, especially for growth SMEs.

Government red tape and compliance issues remain the most pressing cash flow issue for the whole SME cohort over the past 12 months.

Red tape and compliance (44.3%) was nominated by almost twice as many respondents as the two other top cash flow concerns, difficulty meeting tax payments on time (23.9%) and failed credit applications (22.9%).

20%

of businesses impacted by cash flow issues from late customer payments

A further 16.5% of businesses struggled with cash flow when their credit lines were reduced, and 14.6% were unable to take on new work due to cash flow restrictions. These factors may have had the effect of prolonging the COVID downturn for many small businesses.

The strain of greater outcomings and fewer incomings was evident, with reduced supplier payment terms causing cash flow issues for 20.8% of respondents and late customer invoice payments creating problems for 20% of businesses.

With JobKeeper no longer in place it is likely that the low number of firms currently reporting cash flow concerns due to bad debts (3.9%), losing key debtors (3.8%) or losing key suppliers (1.6%) may push higher during 2021.

Top cash flow strategies

In the wake of the pandemic small businesses have outlined the strategies they will use to manage their working capital in 2021.

Common strategies range from cash flow forecasting, to making arrangements with the ATO and putting in place cash flow friendly funding such as invoice finance.

From the whole SME cohort, 27.8% plan to focus on cash flow forecasts; this strategy is much more prevalent amongst larger SMEs (it will be utilised by 48.6% of large SMEs, but only 9.1% of small SMEs).

Outside of the response options, respondents wrote in the next two most popular strategies – focusing on existing customers to grow revenue (27.5%) and expanding with new customers (21.8%).

Almost one in five SMEs (17.2%) say they will make special arrangements with the ATO regarding tax payments.

Another common way to manage working capital is to use invoice finance to smooth out cash flow peaks and troughs (a plan nominated by 15.6% of SMEs).

More than one in 10 (11.7%) say they will take out or increase their overdraft, while a similar number (11.6%) will seek out online funding providers.

Of concern is the response by more than one in 10 business owners (11.6%) that they will manage working capital by relying on personal finances such as credit cards.

This confirms that many small businesses have ingrained credit accessibility issues, despite the deluge of COVID-related stimulus measures.

Insight 6

"Going it alone" – the small business owner mindset

Many small businesses appear to be going it alone, failing to draw on valuable external advice despite the unprecedented challenge facing the SME sector.

Fewer than one in five small businesses (17.7%) seek expert advice for long-term strategic planning.

Not even one in seven (13.7%) seek M&A advice and only 10% get expert assistance with risk management.

Overwhelmingly, when small businesses turn to trusted advisors it is for tax and compliance advice – this was nominated by 93.2% of respondents.

Asset acquisition and disposals (34.1%) and succession planning (26.8%) are also identified as key areas of interest where SMEs look beyond their own team for guidance.

Almost one in three small businesses (30.4%) turn to external advisors such as accountants, bookkeepers and brokers for help separating their personal and business assets.

93.2%

of respondents turn to trusted advisors for tax and compliance advice

Majority of small business owners not seeking expert advice

Going it alone

Despite challenging times for the SME sector, 86.2% of small business owners are failing to draw on valuable external advice from brokers and accountants

Source: ScotPac www.scotpac.com.au

This is arguably such a dominant issue due to SME owners' over-reliance on using personal property as security to fund their business.

Recent joint research from accounting platform Xero and market research firm Forrester shows small businesses represent more than 90% of all global businesses, yet only 26% of them consult trusted advisors.

Their findings indicate that those who thrived throughout the pandemic were the ones leaning on expert advice. This aligns with previous SME Growth Index findings.

Results this round indicate small business owners have a strong desire to get back to "business as usual" yet in many cases they are uncertain about how to achieve such an outcome.

With so many small businesses feeling uncertain, and two-thirds of SMEs seeking transformation (by restructuring), such undertakings should be supported by advice from experts and fuelled by some investment in the business.

Long-term strategic planning remains a low priority for many SMEs, particularly those who say they are in a declining or static business phase. East & Partners found that this group of static or declining SMEs is characterised by a higher level of primary bank funding (22.7%) relative to growth SMEs (only 15.8% of whom use primary bank to fund growth), indicating a pressing need for these businesses to "shop around" and explore other more appropriate business funding solutions.

Relieved, exasperated, unsupported – how business owners are feeling

Confidence is crucial for ensuring the small business sector successfully recovers from the pandemic-led recession.

Yet in the March 2021 SME Growth Index small business owners display a distinctly cautious tone.

When asked how they felt about running their business now, compared to their feelings in early 2020 before the pandemic hit Australian shores, SMEs are slightly more likely to express negative sentiments than positive ones.

Overall, 43.9% of small businesses say they are more positive, relieved or enthusiastic about 2021, while 55.3% are less positive, exasperated, uncertain or feel they are lacking support.

The sentiment breakdown was:

18.8%
are more positive now about their business

18.4%
are relieved

16.2%
are exasperated

15.4%
are less positive

15.2%
are uncertain

8.6%
feel they didn't get enough support

Only 6.7%
feel enthusiastic

These sentiments show SMEs are still cautious about business survival, which aligns with the fact that their intentions to close or sell (if conditions don't improve) are higher now than in H2 2020.

Smaller the business, bigger the headache?

Generally the findings this round show the larger the business the higher the level of positivity about business outlook.

It is the smaller end of the small business sector that seems to be hurting the most.

Revenue uncertainty is more marked at the smaller end of the SME sector, with $1m-$5m revenue SMEs across all states feeling the brunt from the pandemic more so than their $5m-$20m counterparts

As well as showing greater uncertainty about revenue growth, smaller SMEs are more likely than large SMEs to:

have been declined from lending product

experienced suppliers reducing payment terms

faced difficulty meeting tax payments

be looking to close or sell their business if current conditions don't improve

Three times as many small SMEs as large ones had to seek new funding because they couldn't rely on equity in their home to fund their business.

Larger SMEs are more likely than their smaller counterparts to have experienced cash flow issues in 2020 but they are also more likely to have introduced new funding options to deal with these issues.

These larger SMEs are also more likely than small SMEs to:

be looking to restructure

have a plan for recovery

seek to enter new markets

work with trusted advisors

Whatever the size of the small business, there are many good reasons for either the business owner, or their trusted accountant, bookkeeper, broker or business advisor, to be initiating conversations that help plot a road to post-pandemic success.

Methodology

East & Partners interviewed 1253 SME businesses with annual revenues of $A1-$20 million, over a five-week period ending February 5 2021.

All interviews were conducted over the telephone or face-to-face by an accredited East interviewer, speaking with the company CEO, CFO or treasurer as represented in Table B below.

The sample was framed in accordance with ANZSIC codes to provide a natural sample of the Australian enterprise population, with state and sector demographics outlined in Tables A and C.

All interviews followed the closed response questionnaire.

East & Partners is a leading specialist business banking market research and analysis firm. The firm's core expertise is in the provision of analysis and advisory services tailored for the commercial, business and institutional banking markets across Asia Pacific, Australasia, Europe and North America. The delivery of accurate quantitative analysis on businesses' exploding demand for sophisticated transaction, FX, debt, treasury, investment and advisory banking services and products has been uniquely addressed by East's "bottom up" research methodologies since 1987, based on many thousands of customer interviews with CEOs, CFOs, treasurers and business owners.

East & Partners Pty Ltd
Level 13, 2 Park Street Sydney NSW
2000 Australia

Phone: +61-2-9004 7848
Fax: +61-2-9004 7070

www.eastandpartners.com

Index results questions & responses

H1 2021: Index Results

Research fieldwork executed over the five week working period ending 5 February 2021

Business Phase

Q1. Please forecast the percentage change in your business revenues — either negative or positive — over the coming six months?

Forecast Changes in Enterprise Revenue

(N: 1253)	Positive Growth	Negative Decline	No Change	Whole SME Market
N of Enterprises	**606**	**310**	**337**	**1,253**
% of Enterprises	**48.4**	**24.7**	**26.9**	**100.0**
Average Change Forecast	**4.1**	**-5.5**	**-**	**0.9**
Range of Change Forecasts	**1.1 | 9.1**	**-10.0 | -2.9**	**-**	**-10.0 | 9.1**

Note: no statistically significant variance by state or industry sector of SME

Q2. Which of these descriptions best describes the phase your business is currently in:

% of Total

	Growth SMEs (N: 606)	Declining/No Change SMEs (N: 647)	Whole SME Market (N: 1253)
Start-up	20.1	-	9.7
Growth	71.9	-	34.8
Stable	2.8	58.7	31.7
Consolidation	5.1	12.4	8.9
Contracting	-	28.9	14.9
TOTAL	100.0	100.0	100.0
		N Count	
Start-up	122	-	122
Growth	436	-	436
Stable	17	380	397
Consolidation	31	80	111
Contracting	-	187	187
TOTAL	606	647	1,253

Note: no statistically significant variance by state or industry sector of SME

Business Phase

Q3. If you are planning to invest in your business in the next six months, how are you planning to fund that growth?

% of Total

	Growth SMEs Investing (N: 588)	Declining/No Change SMEs Investing (N: 97)	Whole SME Market Investing (N: 685)
Borrowing from my main relationship bank	**15.8**	**22.7**	**16.8**
Borrow from another bank	**13.1**	**7.2**	**12.3**
Borrow from a non-bank lender	**24.0**	**54.6**	**28.3**
Other forms of debt	**0.9**	**6.2**	**1.6**
Own funds	**89.6**	**85.6**	**89.1**
New equity	**24.0**	**4.1**	**21.2**
Unsure how to invest/which funding method to use	**2.0**	**10.3**	**3.2**
		N Count	
Borrowing from my main relationship bank	**93**	**22**	**115**
Borrow from another bank	**77**	**7**	**84**
Borrow from a non-bank lender	**141**	**53**	**194**
Other forms of debt	**5**	**6**	**11**
Own funds	**527**	**83**	**610**
New equity	**141**	**4**	**145**
Unsure how to invest/which funding method to use	**12**	**10**	**22**

Note: no statistically significant variance by state, industry sector or primary working capital provider

Note: sums to over N count due to multiple responding allowed

Q4. What measures will your business put in place to take advantage of opportunities in 2021 or to recover from the pandemic?

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
Moving head office of downsizing	**13.2**	**25.0**	**18.8**
Entering new markets	**8.3**	**9.6**	**8.9**
Sourcing new funding	**11.6**	**13.3**	**12.5**
Working with trusted advisors on M&A	**3.5**	**6.9**	**5.1**
Restructuring (general business/ funding)	**60.2**	**69.4**	**64.6**
Use a working capital finance facility to replace stimulus funds	**15.3**	**15.0**	**15.2**
Cut costs to replace stimulus funds	**21.8**	**21.5**	**21.6**
Unsure / unable to plan ahead that far	**30.6**	**20.8**	**25.9**
Other	**1.1**	**0.5**	**0.8**

Note: no statistically significant variance by state, industry sector or primary working capital provider

Note: sums to over N count due to multiple responding allowed

***Note:** anecdotally driven largely by a shift to "work from home"

Q4. What measures will your business put in place to take advantage of opportunities in 2021 or to recover from the pandemic? (Cont.)

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
		N Count	
Moving head office of downsizing	**87**	**148**	**235**
Entering new markets	**55**	**57**	**112**
Sourcing new funding	**77**	**79**	**156**
Working with trusted advisors on M&A	**23**	**41**	**64**
Restructuring (general business/ funding)	**398**	**411**	**809**
Use a working capital finance facility to replace stimulus funds	**101**	**89**	**190**
Cut costs to replace stimulus funds	**144**	**127**	**271**
Unsure / unable to plan ahead that far	**202**	**123**	**325**
Other	**7**	**3**	**10**

Note: no statistically significant variance by state, industry sector or primary working capital provider

Note: sums to over N count due to multiple responding allowed

***Note:** anecdotally driven largely by a shift to "work from home"

Q5. Are you looking to close or sell your business due to the impact of Covid/recession — without significant improvement?

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
Yes - close within next 6 months	11.3	5.9	8.8
Yes - close within next 3 months	6.7	2.2	4.5
Yes - close as soon as possible*	1.2	0.5	0.9
Yes - sell within next 6 months	17.7	12.3	15.2
Yes - sell within next 3 months	5.4	2.5	4.1
Yes - sell as soon as possible*	0.9	0.5	0.7
No - not seeking to sell or close business due to Covid	41.5	61.3	50.8
Unsure/no view	15.3	14.7	15.0
TOTAL	**100.0**	**100.0**	**100.0**

***Note:** a high proportion of these responses noted the termination of stimulus funding being their trigger point to exiting or closing

Note: no statistically significant variance by state, industry sector or primary working capital provider

Recovery

Q5. Are you looking to close or sell your business due to the impact of Covid/recession — without significant improvement? (Cont.)

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
		N Count	
Yes - close within next 6 months	**75**	**35**	**110**
Yes - close within next 3 months	**44**	**13**	**57**
Yes - close as soon as possible*	**8**	**3**	**11**
Yes - sell within next 6 months	**117**	**73**	**190**
Yes - sell within next 3 months	**36**	**15**	**51**
Yes - sell as soon as possible*	**6**	**3**	**9**
No - not seeking to sell or close business due to Covid	**274**	**363**	**637**
Unsure/no view	**101**	**87**	**188**
TOTAL	**661**	**592**	**1,253**

***Note:** a high proportion of these responses noted the termination of stimulus funding being their trigger point to exiting or closing

Note: no statistically significant variance by state, industry sector or primary working capital provider

Q6. In 2021, what strategies do you plan to use to manage working capital?

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
Use personal finances such as credit cards to ease cashflow	**14.8**	**7.9**	**11.6**
Undertake cashflow forecasts	**9.1**	**48.6**	**27.8**
Offer discounts for early payment	**7.4**	**5.1**	**6.3**
Make arrangements with the ATO regarding tax payments	**19.8**	**14.4**	**17.2**
Take out or increase an overdraft	**12.1**	**11.1**	**11.7**
Spend more time chasing invoices	**5.0**	**4.9**	**4.9**
Conduct credit checks on new customers	**6.1**	**9.5**	**7.7**
Use invoice (debtor) finance to smooth peaks and troughs	**16.8**	**14.4**	**15.6**
Use an online funding service	**13.2**	**9.8**	**11.6**
Use a debt collection company to recover debts	**3.8**	**8.3**	**5.9**
Other	**-**	**-**	**-**
Focus on growing revenues from existing customers	**26.9**	**28.0**	**27.5**
Focus on growing revenues from new customers	**18.5**	**25.5**	**21.8**

Note: no statistically significant variance by state or industry sector, growth/no growth

Note: sums to over N count due to multiple responding allowed

Funding Options

Q6. In 2021, what strategies do you plan to use to manage working capital? (Cont.)

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
		N Count	
Use personal finances such as credit cards to ease cashflow	98	47	145
Undertake cashflow forecasts	60	288	348
Offer discounts for early payment	49	30	79
Make arrangements with the ATO regarding tax payments	131	85	216
Take out or increase an overdraft	80	66	146
Spend more time chasing invoices	33	29	62
Conduct credit checks on new customers	40	56	96
Use invoice (debtor) finance to smooth peaks and troughs	111	85	196
Use an online funding service	87	58	145
Use a debt collection company to recover debts	25	49	74
Other	-	-	-
Focus on growing revenues from existing customers	178	166	344
Focus on growing revenues from new customers	122	151	273

Note: no statistically significant variance by state or industry sector, growth/no growth

Note: sums to over N count due to multiple responding allowed

Funding Options

Q7. In 2020, why did you introduce new funding options to your business?

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
Did not introduce new funding options in 2020	59.2	48.6	54.2
Invested in equipment/machinery	-	-	-
New equipment/machinery	8.9	11.1	10.0
Replacement equipment/machinery	13.3	15.7	14.4
Increased cash reserves	18.6	23.6	21.0
Hired new staff/train existing staff	3.0	2.0	2.6
Bridging finance to qualify for Government stimulus	6.8	5.2	6.1
Existing funding too restrictive	4.5	4.7	4.6
Could not rely on equity in home	10.0	3.4	6.9
Traditional bank funding unable to meet all needs	16.6	14.2	15.5
Refinance existing loans	13.5	27.9	20.3
Diversify revenue through new product/services development	30.6	32.3	31.4
Other	0.5	0.5	0.5

Note: no statistically significant variance by state or industry sector, growth/no growth

Note: sums to over N count due to multiple responding allowed

Q7. In 2020, why did you introduce new funding options to your business? (Cont.)

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
		N Count	
Did not introduce new funding options in 2020	391	288	679
Invested in equipment/machinery	-	-	-
New equipment/machinery	59	66	125
Replacement equipment/machinery	88	93	181
Increased cash reserves	123	140	263
Hired new staff/train existing staff	20	12	32
Bridging finance to qualify for Government stimulus	45	31	76
Existing funding too restrictive	30	28	58
Could not rely on equity in home	66	20	86
Traditional bank funding unable to meet all needs	110	84	194
Refinance existing loans	89	165	254
Diversify revenue through new product/services development	202	191	393
Other	3	3	6

Note: no statistically significant variance by state or industry sector, growth/no growth

Note: sums to over N count due to multiple responding allowed

Cash Flow

Q8. What cash flow issues have you experienced in the past 12 months?

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
Issues with Government red tape/ compliance	40.4	48.6	44.3
Customers paying late	16.8	23.6	20.0
Suppliers reducing payment terms	24.1	17.2	20.8
Difficulty meeting tax payments on time	28.4	18.9	23.9
Unable to take on new work due to cash flow restrictions	14.4	14.9	14.6
Declined from a lending product	26.9	18.4	22.9
Had to write off bad debts	3.3	4.6	3.9
Lost a key debtor due to insolvency	3.9	3.5	3.8
Lost a key supplier due to insolvency	1.7	1.5	1.6
Other	-	-	-
Credit lines reduced	18.3	14.5	16.5
No cash flow issues experienced	24.1	31.4	27.5

Note: no statistically significant variance by state or industry sector, growth/no growth

Note: sums to over N count due to multiple responding allowed

Cash Flow

Q8. What cash flow issues have you experienced in the past 12 months? (Cont.)

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
		N Count	
Issues with Government red tape/ compliance	**267**	**288**	**555**
Customers paying late	**111**	**140**	**251**
Suppliers reducing payment terms	**159**	**102**	**261**
Difficulty meeting tax payments on time	**188**	**112**	**300**
Unable to take on new work due to cash flow restrictions	**95**	**88**	**183**
Declined from a lending product	**178**	**109**	**287**
Had to write off bad debts	**22**	**27**	**49**
Lost a key debtor due to insolvency	**26**	**21**	**47**
Lost a key supplier due to insolvency	**11**	**9**	**20**
Other	**-**	**-**	**-**
Credit lines reduced	**121**	**86**	**207**
No cash flow issues experienced	**159**	**186**	**345**

Note: no statistically significant variance by state or industry sector, growth/no growth

Note: sums to over N count due to multiple responding allowed

Cash Flow

Q9. If you never had to wait for payment, how much additional working capital would be in your business?

Average % Capital Increase Reported

	A $1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
Market Average	**31.4**	**55.6**	**42.8**
Range	**11.0 | 49.5**	**13.5 | 67.7**	**11.0 | 67.7**

Note: no statistically significant variance by state or industry sector, growth/no growth

Business Owners

Q10. How do you feel about running your small business compared to at the start of 2020?

% of Total

	A$1-5m Segment (N: 545)	A$5-20m Segment (N: 167)	Whole SME Market (N: 712)
More positive	**18.5**	**19.8**	**18.8**
Less positive	**16.1**	**13.2**	**15.4**
Exasperated	**17.8**	**10.8**	**16.2**
Relieved	**18.7**	**17.4**	**18.4**
Enthusiastic	**5.3**	**11.4**	**6.7**
Uncertain	**15.8**	**13.2**	**15.2**
Not enough support	**7.2**	**13.2**	**8.6**
Other	**0.6**	**1.2**	**0.7**
TOTAL	**100.0**	**100.0**	**100.0**

Note: responses limited to "Business Owners" and "CEOs"
Note: no statistically significant variance by state or industry sector, growth/no growth

Business Owners

Q10. How do you feel about running your small business compared to at the start of 2020? (Cont.)

% of Total

	A$1-5m Segment (N: 545)	A$5-20m Segment (N: 167)	Whole SME Market (N: 712)
		N Count	
More positive	101	33	134
Less positive	88	22	110
Exasperated	97	18	115
Relieved	102	29	131
Enthusiastic	29	19	48
Uncertain	86	22	108
Not enough support	39	22	61
Other	3	2	5
TOTAL	**545**	**167**	**712**

Note: responses limited to "Business Owners" and "CEOs"

Note: no statistically significant variance by state or industry sector, growth/no growth

Q11. Does your accountant and/or broker help you with the following issues?

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
Tax and compliance advice	87.4	99.7	93.2
Merger & Acquisition advice	13.2	14.4	13.7
Qualifying for Government incentives	10.4	7.9	9.3
Day-to-day operational financing	7.3	8.4	7.8
Long term strategic planning	15.3	20.4	17.7
Risk management	8.9	11.1	10.0
Separating personal and business assets	32.2	28.4	30.4
Other	-	-	-
Succession/estate planning	29.7	23.6	26.8
Asset acquisitions/disposals	33.4	34.8	34.1

Note: no statistically significant variance by state or industry sector, growth/no growth

Note: sums to over N count due to multiple responding allowed

Q11. Does your accountant and/or broker help you with the following issues? (Cont.)

% of Total

	A$1-5m Segment (N: 661)	A$5-20m Segment (N: 592)	Whole SME Market (N: 1253)
		N Count	
Tax and compliance advice	578	590	1,168
Merger & Acquisition advice	87	85	172
Qualifying for Government incentives	69	47	116
Day-to-day operational financing	48	50	98
Long term strategic planning	101	121	222
Risk management	59	66	125
Separating personal and business assets	213	168	381
Other	-	-	-
Succession/estate planning	196	140	336
Asset acquisitions/disposals	221	206	427

Note: no statistically significant variance by state or industry sector, growth/no growth

Note: sums to over N count due to multiple responding allowed

Demographics

SME Market Segment: A$1-20 million annual enterprise turnover

Research fieldwork executed over the five week working period ending 5 February 2021

Geographical Distribution

	N Count	% of Total
	(N: 1253)	(N: 1253)
NSW & ACT	493	39.3
VIC & TAS	286	22.8
QLD	227	18.1
WA	168	13.4
SA & NT	79	6.3
TOTAL	1,253	100.0
Regional Australia	373	29.8
Metro Australia	880	70.2
TOTAL	1,253	100.0

Interviewee Distribution

	N Count	% of Total
	(N: 1253)	(N: 1253)
Business Owner / CEO	712	56.8
CFO	286	22.8
Finance Director	129	10.3
Treasurer	31	2.5
Other	95	7.6
TOTAL	1,253	100.0

Industry Sector Distribution of Index Sample

	N Count	% of Total
	(N: 1253)	(N: 1253)
Agriculture, Forestry, Fishing	74	5.9
Mining & Resources	90	7.2
Manufacturing	202	16.1
Electricity, Gas & Water	8	0.6
Construction	122	9.7
Wholesale	128	10.2
Retail	157	12.5
Accommodation, Cafes & Restaurants	26	2.1
Transport & Storage	101	8.1
Media & Telco	28	2.2
Finance & Insurance (non-banks)	27	2.2
Property & Business Services	173	13.8
Personal & Other Services	117	9.3
TOTAL	**1,253**	**100.0**

Age of Business

	Years
	(N: 1253)
Average number of years in business	**12.8**

Headcount of Business

	FTE
	(N: 1253)
Average FTE in Business	**65.1**

About ScotPac Business Finance

For more than 30 years ScotPac has been providing tailored and flexible funding solutions to the owners of small to medium businesses.

ScotPac is Australia and New Zealand's largest specialist provider of SME working capital solutions, helping thousands of businesses unlock opportunities by turning their business assets into a powerful source of cashflow.

Business owners require fast access to funds and personalised facilities to suit their individual needs. Often, they find it difficult to obtain appropriate funding from the banks.

That's where ScotPac comes in. When it comes to working capital, many business owners simply are not aware of the assets they are sitting on — they might see unpaid invoices or equipment as overheads and inconveniences rather than rich sources of funding for their business.

ScotPac handles more than $20 billion of invoices each year, providing funding lines exceeding $1.5 billion, and lends to a wide range of business owners, providing working capital for start-ups through to $100m funding for public companies.

With full operations centres in Sydney, Melbourne, Perth, Brisbane, Adelaide, Auckland and China, ScotPac offers a comprehensive range of specialised finance solutions, including but not limited to invoice finance, trade finance and asset finance. These solutions can remove property security from the funding equation for business owners.

ScotPac is able to fund businesses through all stages of the economic cycle, and all stages of their existence from start-up through to sale of the business, from seasonal challenges to dealing with high growth. As a result, ScotPac's clients usually grow at, on average, three times GDP.

As a specialist provider of working capital, ScotPac is well placed to understand the needs and the sentiment of SME businesses, and this is one of the reasons the Small Business Ombudsman partnered with ScotPac to develop an industry-wide Business Funding Guide for SMEs and their advisors.

ScotPac initiated the SME Growth Index in 2014 to:

- Drive development of the financial solutions available to SMEs by providing market intelligence to deepen the understanding of SMEs' needs.
- Provide ScotPac with the data to help us act as advocates for SMEs, and as thought leaders within the business finance community.
- Share our insights with the broad SME community — the lifeblood of business in Australia — and with governments, industry associations and fellow business finance professionals.

The next ScotPac SME Growth Index will be released in September 2021

www.scotpac.com.au
Follow ScotPac on Twitter: @ScotPacbf
Follow ScotPac on LinkedIn: ScotPac Business Finance

ScotPac

Talk to us

Find out more about what ScotPac can offer your business.

Call 1300 365 380 or Visit ScotPac.com.au

Office Locations

Sydney
Brisbane
Adelaide
Perth
Melbourne
Auckland
Guangzhou

ScotPac
Business Finance