SME Growth Index

September 2026

ScotPac
Business Finance

Research completed in partnership with East & Partners,
surveying Business Owners and Decision Makers in Australia.

Contents

Executive Summary	1
Round 25 SME Growth Index Highlights	2
Australia's SME Economy Splits into Winners and Losers	3
Non-Bank Finance Reaches New Investment Milestone	4
Three in Four SMEs Face Cash Flow Impacts from Payday Super	5
Government Economic Policy Tops List of External Risks for SMEs	6
Seven in Ten SMEs See a Role for Asset-backed Lending	7
Tax, Supply Costs and Payroll Lead SME Cash Flow Pain Points	8
One in Three SMEs Looks Offshore for their Next Growth Phase	9
Three in Four SMEs Open the Door to AI Financial Advice	10
Methodology	11
About ScotPac	12

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Executive Summary

Growth Prospects Improve As Confidence Gap Widens

Notwithstanding six months marked by oil shocks, the introduction of Payday Super and mounting tax and compliance pressures, more than half of Australia's SMEs still expect revenue to grow - an emphatic sign of the optimism and resilience that continue to define the sector.

Welcome to the 25th edition of ScotPac's SME Growth Index, Australia's longest-running research report tracking sentiment across Australia's SME sector.

Round 25 reveals a divided market. Pleasingly, most business owners see opportunity ahead. 56% of SMEs expect revenue growth in the next six months - forecasting an average increase of 12.7% - the strongest in the Index's history. Meanwhile, 37% of SMEs expect revenue to fall, with the average forecast decline of -15.1%, also a record .

Whatever side of this divide SMEs sit on, there is a common need for financial resilience. Growing SMEs need funding that moves at the speed of opportunity, ensuring they are ready to act quickly, while cash flow challenged SMEs need liquidity to prevent pressure becoming distress.

Pressures Intensify

Several factors, both global and domestic, are adding to the costs of doing business.

SMEs ranked tax and compliance costs as their leading liquidity pressure, while the related issue of government economic policy - and the uncertainty associated with changes - topped the list for external risks.

Payday Super has permanently accelerated SME cash outflows. Given the scale of that change, it's no surprise that just 26% of SMEs feel fully prepared or expect no material cash flow impact.

Investment Appetite Remains

The good news is that most business owners remain firmly focused on what comes next: Three in every five SMEs plan to invest in their business in the next six months; 70% see a role for asset-backed lending; and one in three are considering international expansion opportunities.

Meanwhile, three in four SMEs reported being open to some form of AI-supported financial advice, although human judgement and tailored guidance remain key for most.

Non-bank finance is now resoundingly the leading external source of planned new investment funding. Continuing the steady trend of recent years, a record 61% of SMEs said they would look to partner with a non-bank lender, while the preference for bank borrowing held at 31%.

Of interest, 97% expect to commit their own funds or equity, and almost one in three plans to raise fresh equity to support new investment. While this approach preserves immediate control, it can also strip away cash reserves needed to absorb late payments, rising costs and unexpected shocks.

The strongest strategies link investment and working capital together, giving owners the capacity to pursue growth without sacrificing working capital or control over their operations.

Working Capital as Competitive Advantage

Flexible capital and disciplined cash-flow management now matter more than ever. For SMEs, the path to success seems clear: treat cash flow forecasting as a core management discipline, not an afterthought, and diversify your funding sources well before liquidity challenges emerge.

For brokers and advisers, the widening gap between SME growth or decline creates an opportunity to go beyond the transaction. Clients increasingly need advice that unites funding, forecasting, investment decisions and risk management.

For ScotPac, the results sharpen the case for fast, flexible and scalable solutions across the SME lifecycle - from payroll needs and everyday working capital, to investment, asset backed finance and new market expansion.

We trust these insights will help you move decisively through the opportunities, risks and choices that lie ahead.

Clare Morgan
ScotPac CEO

Round 25 SME Growth Index Highlights

56% of SMEs forecast revenue growth by a record average **12.7%**

37% of SMEs expect revenue to decline by a record average **-15.1%**

61% record share of SMEs planning to use non-bank finance to fund new investment

18% of SMEs rank government economic policy or uncertainty as the top external risk

20% of SMEs nominate tax and compliance as their leading cash flow pressure

74% of SMEs are not fully prepared for the impacts of Payday Super

70% of SMEs see a defined role for asset-based lending in their business

32% of SMEs plan to enter or expand into international markets

75% of SMEs either use or are open to AI-supported financial advice

Australia's SME Economy Splits into Winners and Losers

Record revenue growth expectations co-exist with highest ever forecast declines

Overview

In a typical display of resilience, more than half of Australia's SMEs are forecasting revenue growth over the next six months. Even more remarkably, the record average growth forecast of +12.7%, up from the previous high of 10.1% just a year ago

At the other end of the market, 37% of SMEs expect revenue decline averaging -15.1%, almost twice the long-run average decline recorded since 2014.

In a clear sign that the middle is narrowing, just 7.4% of SMEs expect no change to their revenue stream – well down from the record figure of 29% recorded in the corresponding 2020 report.

Across all SMEs, the average revenue growth forecast is a modest +1.6%, but individual projections span 49 percentage points from +21.5% to -27.5%.

Confidence remains patchy

Mining (85%), Business Services (81%) and agriculture (76%) were the standouts as the most positive sectors. But only 18% of SMEs in construction and 29% in manufacturing expect revenue growth in the next six months.

Just months from an election, Victoria is the only State where average SME growth projections remain in the negative - collapsing to -12% - compared with +7% for the league-leading Queensland SME sector.

56%

of SMEs expect positive revenue growth by a record average margin of 12.7%

37%

of SMEs are forecasting six-month revenue falls averaging minus 15%

27%

of SMEs describe their business as being in a contraction phase

For SMEs

Growth-oriented businesses should ensure funding can scale quickly with new contracts, equipment needs and expansion opportunities. Businesses facing softer revenue should focus on liquidity, debtor performance, working-capital efficiency and early restructuring support where needed.

For Brokers

A two-speed economy requires two distinct conversations. Expanding clients need scalable capacity; contracting clients need early intervention, realistic forecasting and facilities matched to cash conversion. Proactive advice can prevent a temporary revenue setback from becoming a persistent liquidity problem.

How can ScotPac help?

ScotPac supports SMEs across growth, transition and turnaround with flexible facilities tailored to revenue cycles and available business assets. Our breadth of working capital solutions allows funding structures to evolve as circumstances change. Visit ScotPac to find out more about our lending solutions.

Non-Bank Finance Reaches New Investment Milestone

SMEs increasingly look beyond banks when capital is needed to grow

Overview

Non-bank finance is now firmly established as the preferred vehicle for new business investment, holding triple the market share recorded just seven years ago.

SME investment appetite remained steady at around three in every five businesses. The share of those SMEs that intend to use non-bank lending topped 60% for the first time – having grown from just 19% in 2019.

By comparison, just 31% of SMEs plan to use bank lending to fund growth. That is unchanged from the previous report six months ago, and well below the 48% peak recorded in 2023.

Self-funding still a dominant feature

Almost all SMEs with investment intentions - 97% - expect to use their own funds or equity for at least part of new investment. That is up from 81% in 2014.

The proportion planning to raise new equity is also up over the same period - nearly tripling from 11% to 32%.

A record 16% of SMEs forecasting flat or declining revenue are unsure which funding method to use, indicating ongoing challenges with access to credit, and a need for earlier and more active support.

59%

of SMEs plan to invest in their business in the next six months

61%

intend to use non-bank funding to support new investment

97%

of SMEs expect to use their own funds or equity as part of the funding mix

For SMEs

Cash reserves and investment capital perform different jobs. Appropriately structured finance can help to preserve liquidity and allow worthwhile investments to proceed. SMEs should test whether using internal funds will leave an adequate buffer under a slower sales or late-payment scenario. They should also compare available funding options on speed, flexibility and capacity to grow with their business.

For Brokers

Brokers can add value by showing how non-bank facilities complement existing bank relationships and by matching different funding types to investment and working-capital needs. The opportunity is to help clients design a capital structure, not merely source a loan.

How can ScotPac help?

ScotPac offers the broadest range of products in the market to support SME business investment plans. Facilities can be tailored to the size, the timing, and the value of the investment opportunity.

Three in Four SMEs Face Cash Flow Impacts from Payday Super

Small SMEs carry the greatest exposure to new payment timetable

Overview

Payday Super came into force for Australian businesses from 1 July 2026. The change requires employer superannuation contributions to reach employees' bank accounts within seven business days of each pay run, rather than being processed through the former quarterly cycle.

Just 26% of SMEs said they were fully geared up for the change or expected no material impact on their cash flow. The potential exposure is much higher among smaller SMEs - 83% expect a negative cash flow hit, compared with 64% of larger SMEs.

What are SMEs doing?

When it comes to Payday Super cash flow management strategies, a quarter of SMEs plan to draw first on their existing cash balances or equity.

However, a larger pool of businesses are looking to various external finance options for support, including a payroll funding facility (16%), invoice finance (10%), an overdraft account (5%), line of credit (3%) or a short-term business loan (3%).

Just 7% of SMEs said they were unwilling to take on more debt to assist with Payday Super obligations.

74%

of SMEs are not fully prepared or expect a cash flow hit from Payday Super

83%

of small SMEs expect the change will negatively impact their business v 64% of larger SMEs

37%

of SMEs intend to seek an external funding facility to manage the cash flow transition

For SMEs

Each payroll event now has the potential to impact funds that an SME has available for suppliers, inventory and investment. SMEs need a clear plan to preserve liquidity so that recurring payroll obligations don't displace essential operating expenditure or investment. A good starting point is to model the cash impact of Payday Super across multiple pay cycles to identify when customer receipts, wages, super and supplier commitments overlap.

For Brokers

Payday Super creates a clear advisory need. Brokers can help SMEs to quantify their working capital gap, test alternative facilities and help clients avoid relying on last-minute or poorly matched finance options. Smaller SMEs deserve particular attention because their buffers are thinner and their exposure is higher.

How can ScotPac help?

ScotPac has almost four decades of experience helping SMEs optimise their cash flow. We can tailor working capital solutions to the scale and timing of each business's cash flow needs, using a range of revolving facilities including Invoice Finance.

Government Economic Policy Tops List of External Risks for SMEs

Flexible funding leads supply chain disruption response strategies

Overview

Australian SMEs are navigating a growing combination of external economic headwinds and cost pressures that, while out of their control, pose a risk to revenue growth and day-to-day resilience.

In a cluster of issues, SMEs rated Government economic policy or uncertainty as the leading issue (18%), followed by recession or negative economic growth (14%), elevated energy costs and inflation (13%), geopolitical conflict and supply-chain disruption (12%), and rising taxation (10%).

The responses were near identical across SMEs of all sizes, suggesting pressures were being felt equally across the sector.

How are SMEs Responding?

In response to supply chain disruptions that are directly related to geopolitical conflict in the Middle East, SMEs are planning to adopt a range of practical mitigation strategies:

- Almost half (47%) plan to secure more flexible supply-chain funding in the next 12–18 months
- Almost a third (31%) plan to move closer to key suppliers and customers
- Almost a quarter (23%) intend to shorten supply chains or reduce complexity.

18%

of SMEs rated government economic policy as their biggest external risk factor

14%

of SMEs nominated the threat of recession or negative economic growth

47%

of SMEs are planning to secure more flexible supply chain funding

For SMEs

SMEs should stress-test their cash flow against those issues exposing them to the most risk. Smart businesses are constantly reviewing factors like supplier concentration, inventory levels and payment terms. While simplifying supply chains may reduce disruption, any changes could require upfront investment and working capital support.

For Brokers

Brokers have an opportunity to look beyond immediate loan requests to understand each client's supply chain, stock requirements and payment cycles. By identifying cash flow gaps early and arranging flexible funding before pressure builds, brokers can strengthen client relationships and establish themselves as trusted long-term advisers.

How can ScotPac help?

ScotPac offers flexible working capital solutions to help SMEs strengthen their supply chain resilience and respond to changing conditions. Our specialists work with SMEs and brokers to understand each business's operating cycle and funding needs, tailoring an appropriate finance solution accordingly.

Seven in Ten SMEs See a Role for Asset-backed Lending

Complex applications and restrictive terms are the main barriers to greater uptake

Overview

Seventy per cent of SMEs reported that asset-backed lending does have relevance for their business, rising to 74% among smaller SMEs compared with 65% of larger SMEs. One in five SMEs (21%) said that while they had no immediate need for asset-backed lending, they have used it previously and may do so in future.

What is holding SMEs back?

Cumbersome applications and onboarding were nominated by 23% of SMEs as the leading barrier to uptake of asset-backed lending, followed by restrictive or unclear terms at 19%.

Just 9% of SMEs were unfamiliar with the concept, indicating that awareness is high and the main challenge is converting interest into greater uptake.

What would drive uptake?

Among first-time users, the top three incentives they would like to see are faster digital onboarding, clearer product information and less restrictive terms.

Existing and previous users placed even greater emphasis on streamlined onboarding (31.5%) followed by more flexible terms (23.5%).

70%

of SMEs have a defined need for asset-backed lending

23%

of SMEs rated cumbersome onboarding as the biggest hurdle

9%

of SMEs said they were not familiar with asset-backed lending

For SMEs

Asset-backed lending can help businesses unlock working capital held in receivables, inventory, property, plant and equipment. SMEs should consider whether their existing assets could provide more flexible funding than a traditional fixed loan or continued use of cash reserves. Businesses should ask their brokers and advisors for clear information about factors such as eligible assets, valuations, fees and lending terms.

For Brokers

High awareness and strong underlying interest create an opportunity for brokers to move the discussion from what asset-backed lending is to how it can support each client's needs. Brokers can help clients identify suitable assets, understand available borrowing capacity and compare facility terms. This would help convert interest into uptake.

How can ScotPac help?

ScotPac's Asset Based Finance solution allows eligible businesses to combine receivables, inventory, property, plant and equipment within a single revolving facility that can scale as their asset base and working-capital needs grow.

Tax, Supply Costs and Payroll Lead SME Cash Flow Pain Points

Operating obligations rank ahead of credit access as businesses protect working capital

Overview

Tax and compliance costs have overtaken access to credit as the leading cash flow pressure facing Australian SMEs, nominated by 20% of businesses compared with 12.5% for credit access.

Rising input and supply costs followed closely at 19%, while wage and payroll commitments were cited by 17%.

The narrow spread between the three leading challenges shows that SMEs are being squeezed on several fronts simultaneously, rather than by a single overwhelming pressure point.

Credit access remains a significant challenge

Although access to credit now ranks behind the three leading cost pressures, it remains a concern for one in eight SMEs. The findings highlight the need to consider both sides of the cash-flow equation: the availability of finance and the growing operating obligations consuming business funds.

Smaller SMEs face an additional hurdle

Results were broadly consistent across business sizes, with credit access the notable exception. It was identified as the greatest cash flow pressure by 15% of smaller SMEs, compared with 10% of SMEs with revenues between $5 million and $20 million.

20%

of SMEs nominated tax and compliance costs as their leading cash flow pressure

19%

Rising input and supply costs ranked second, nominated by 19% of SMEs

12.5%

Access to credit was nominated by 12.5% - rising to 15% of smaller SMEs v 10% of larger SMEs

For SMEs

Tax, supplier and payroll pressures can quickly impact available cash flow and affect day-to-day operations. SMEs should closely monitor customer payments, stock levels, supplier terms and upcoming obligations before drawing down reserves. Where a timing gap is emerging, arranging suitable funding early can provide greater choice and flexibility.

For Brokers

Brokers can help clients distinguish between a temporary cash flow mismatch and more sustained pressure on revenue and margins. Smaller SMEs warrant particular attention, given they are more likely to nominate credit access as a major concern.

How can ScotPac help?

ScotPac has the broadest range of flexible working capital solutions for Australian SMEs. Our specialists work in partnership with businesses and their brokers to understand individual cash flow cycles and funding requirements. We then tailor appropriate solutions to preserve liquidity for day-to-day operations and future investments.

One in Three SMEs Looks Offshore for their Next Growth Phase

International ambition increases demand for trade and working capital expertise

Overview

Softer domestic growth is encouraging more businesses to look offshore for new customers and revenue opportunities with almost one in three SMEs planning to enter new international markets or expand existing overseas operations. Ambition increases alongside business size, with 36% of larger SMEs eyeing overseas opportunities, along with 29% of SMEs with sub-$5 million revenues.

Among those businesses, letters of credit are the most frequently nominated trade finance tool at 24%. Invoice finance and supply-chain finance were each favoured by 13.5% of SMEs, followed by documentary collections at 10%. SMEs are also considering bills for collection, trade loans, trade credit insurance and purchase-order finance, highlighting the varied funding and risk-management requirements associated with international trade.

Knowledge remains a barrier

Many SMEs have limited awareness of trade-finance options beyond traditional banks and Export Finance Australia. New Zealand is a popular lower-risk staging ground for first-time exporters, allowing businesses to develop cross-border experience before entering more distant or complex markets.

32%

of SMEs are planning international entry or expansion

24%

of SMEs nominated letters of credit as their preferred trade finance tool

13.5%

of SMEs would choose invoice finance or supply chain finance

For SMEs

International expansion can diversify income and open new markets, but it also introduces longer payment cycles, unfamiliar counterparties, currency exposure and more complex supply chains. SMEs should consider trade and working-capital requirements at the outset - not after an overseas order has been secured.

For Brokers

With many SMEs unfamiliar with options beyond traditional banks and Export Finance Australia, brokers have an opportunity to provide valuable education and position themselves as long-term advisers supporting each stage of their clients' international growth. This includes assessing how orders will be financed, how long customer payments may take and what protections are appropriate if a buyer fails to pay.

How can ScotPac help?

ScotPac's specialist team can work directly with SMEs and their brokers to structure flexible facilities - including the use of invoice finance and trade finance - that help to manage the longer cash flow cycles associated with international expansion.

Three in Four SMEs Open the Door to AI Financial Advice

Adoption is beginning, but businesses still value human judgement

Overview

Three in four SMEs use, plan to use or are open to considering AI tools as part of their approach to financial advice in the future. Openness is significantly higher among larger SMEs at 86%, compared with 65% of smaller SMEs.

A complementary role

Currently, SMEs are more likely to use tools such as ChatGPT or Claude to augment research and decision-making, rather than to replace accountants, brokers or financial advisers.

While more than half of SMEs have no immediate plans to adopt AI to support financial advice, 22% of businesses said they were investigating the use of AI for this purpose. A further 14% of SMEs stated they do plan to use a combination of personal and AI advice going forward.

Approach remains cautious

The use of AI for strategic decision-making at present remains limited at just 3%, with speed and access to broader information the main attractions.

At the same time, a quarter of SMEs have ruled out using AI for financial advice, reflecting concerns about accuracy, accountability and risk.

75%

of SMEs are open to using AI-supported financial advice

52%

of SMEs have no immediate plan to adopt AI as a financial decision making tool

3%

of SMEs currently use AI for strategic financial decisions

For SMEs

AI can improve speed and access to information, but outputs should be checked against reliable data and the circumstances of the business. Material funding, tax and investment decisions still require accountability, professional judgement and an understanding of consequences.

For Brokers

AI is more likely to reshape advice than remove the need for it. Brokers and advisers who can combine the use of digital tools with trusted human interpretation can provide faster, clearer and more personalised support. Governance around data, accuracy and disclosure will be increasingly important.

How can ScotPac help?

ScotPac combines expert digital capability – including cutting-edge data driven assessments - with experienced, relationship-led support. That balance provides SMEs with access to fast decision making and expert advice across our full suite of business funding solutions.

Methodology

ScotPac's bi-annual SME Growth Index is Australia's longest-running research report on SME sentiment towards revenue growth prospects.

This is the 25th consecutive round of ScotPac's SME Growth Index. Each round includes a mix of core questions and special questions refreshed in line with trends and challenges in the SME business environment.

The Round 25 research was conducted by East & Partners, which directly interviewed **727 SME enterprises** with annual revenues of A$1 million to A$20 million over a six-week period ending 10 July 2026.

The sample comprised **373 micro/small SMEs** with annual turnover of A$1 million to A$5 million and **354 larger SMEs** with annual turnover of A$5 million to A$20 million.

All interviews were conducted by telephone or face-to-face by an accredited East interviewer, speaking with the Business Owner/CEO (55.8%), CFO (20.4%), Finance Director (13.9%), Treasurer (1.2%) or another senior office holder (8.7%).

The sample was framed in accordance with ANZSIC codes to provide a natural sample of the Australian enterprise population. 70.8% of interviewees were in metropolitan centres and 29.2% were in regional Australia.

The SMEs surveyed had operated continuously for an average of 16.6 years and employed an average of 49.7 full-time equivalent employees.

Sectors represented included Property & Business Services (13.3%), Wholesale (12.9%), Manufacturing (12.0%), Retail (10.3%), Construction (10.2%), Transport & Storage (9.4%), Personal & Other Services (9.4%), Agriculture / Forestry / Fishing (8.3%), Mining & Resources (7.2%) and other industries.

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East & Partners offers clients unbiased access to the true voice of their customers, providing the competitive edge needed to navigate complex and dynamic B2B financial services and banking markets. This supports better outcomes for organisations, their customers and the industry.

ScotPac
Business Finance

About ScotPac

ScotPac is Australia and New Zealand's largest non-bank SME business lender, providing funding to small, medium and large businesses from start-ups to enterprises exceeding $1 billion in revenues.

For over 35 years, ScotPac has helped thousands of business owners succeed, offering fast and flexible funding. From simple to complex, small to large, start-up, growth or turnaround – ScotPac can help with a range of funding including Invoice Finance, Trade Finance, Asset Finance, Line of Credit, Business Loans and Asset Based Finance. ScotPac was recently awarded The Adviser Magazine's Debtor Finance Loan of the Year for a seventh time.

ScotPac's expert team can help tailor the right finance solution to match every business's needs.

Why ScotPac

We believe in relationships, not transactions, and make it our business to know yours. With over 35 years' experience, you can count on us to see the true value of your business.

Trusted

Lending more than $2.25B to SMEs, we're Australia and New Zealand's largest non-bank lender, with the awards to match.

Unlocking Growth

We're growth enablers, unlocking the potential in your business. Our customers grow at more than 3 times the average business.

Flexible Finance

We find a way to say "yes". We're with you through the good times and bad, always adapting to your business needs.

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