SME Growth Index

April 2020

scottish pacific
BUSINESS FINANCE

Contents

SME Growth Index: Twice a year, independent research is undertaken by leading business banking market research firm East & Partners, on behalf of Scottish Pacific. The April 2020 round surveyed and interviewed a representative sample of Australian SMEs — the owners, CEOs or senior financial staff of 1256 businesses across a range of industries and all states, with annual revenues of $A1-20 million.

Executive Summary

With fieldwork conducted just before the summer bushfires and ahead of the coronavirus outbreak, it is a real concern to see that the SME sector's confidence was already waning.

The latest ScotPac SME Growth Index, our twelfth round of half-yearly research dating back to September 2014, indicates just how stretched the sector is.

It takes SMEs 56 days on average to get paid, and at any one time they have almost a third of their revenue tied up in invoices outstanding.

The latest results show SMEs have scaled back revenue projections for the first half of 2020 to an overall average of 1.6% growth (down from 2.7% last round).

This is the weakest revenue forecast in two-and-a-half years — a significant proportion of businesses are on the razor's edge of growth or decline and it won't take much to push them into decline.

The working capital constraints gripping the sector are clear, with indications many SMEs are taking whatever they can get when it comes to business funding.

The high number of SMEs effectively taking any amount of debt, from any provider, in any form, should concern all who want to see the sector thrive, as it impacts optimal performance and potentially affects long-term business viability.

When it comes to business funding, one in five SMEs say they are using personal property because it is the only asset their lender will take.

Almost one in 10 are using personal credit cards for business expenses because they cannot source any other finance. Three out of four business owners use personal credit cards to help manage cash flow.

The results indicate that the typical Australian small to medium business with $1-20 million revenue is more likely to fund new growth using non-bank lenders rather than their main relationship bank, continuing the six-year trend away from main bank borrowing.

While many SMEs are thriving, overall the gap is growing between those preparing for the worst and those with the best outlook.

What is significant this round, is the spike in growth businesses choosing non-banks over banks — the funding choice for 16.6% of SMEs, up from 13.8% in September 2019.

SMEs sourcing new finance value simplicity and speed far more than low fees and costs – they say their key requirements are less documentation and low administrative burden. This reaffirms our previous research showing critically time-poor SME leaders are looking for simple solutions.

Trusted advisors play a crucial role for SMEs — however, many businesses have not moved beyond tax returns and record-keeping to involve their accountants in cash-flow management and broader strategy. Commercial brokers are sought after by SMEs for buying and selling major assets, plant and equipment, sourcing new finance and refinancing.

While many SMEs are thriving, overall the gap is growing between those preparing for the worst and those with the best outlook.

There are clear signs from these results that the situation is likely to get worse for many small to medium businesses in 2020.

In our more than 30 years in business, and in particular since 2014 when we started documenting Australia's SME growth, the grit and resilience of small business owners has been very clear to us - but how long can this continue without trading conditions improving?

Peter Langham
Chief Executive Officer
Scottish Pacific Business Finance

INSIGHT 1

Speed and ease top SME funding wish-list

Traditional thinking is that small businesses choose lenders based on lowest overall fees, charges and interest rates.

Our sample of more than 1200 SMEs indicates this is not the case. Having low overall fees and charges was the most important factor for only one in four SMEs (26.3%), with three other priority factors named.

What are the most important factors for SMEs when choosing a financial lender?

Top three funding factors

SMEs place most value on speed and ease, with around 90% of respondents giving top priority to lenders who can offer them uncomplicated paperwork and the least burdensome administration.

Time-poor small business owners also prioritise fastest credit approval (nominated by 67.5%) and ongoing customer support and service (31.5%).*

Business owners seek a balance between low documentation and fast approval, while still valuing a lender's ability to providing ongoing support rather than a 'set and forget' loan.

Having an existing relationship with the funder (7.8%), funder reputation (4.4%) and distinctive advertising (4%) were low on the funding priority list for SMEs — food for thought for the Big Four Banks.

The fact that nine out of 10 will prioritise a lender who offers less paperwork reaffirms the view that small businesses are unable or unwilling to allocate limited resources to time-consuming and elaborate loan applications.

Advocacy remains a key driver in finding a lender, with a direct recommendation from a trusted source informing almost a third (29.9%) of SMEs' decisions.

Fastest access to credit actually available in their account is extremely low on the business owner's wish-list, with only 2.7% naming it their top priority. This suggests many SMEs are more focused on getting a guarantee about simply being approved for credit when and if the need arises, as opposed to getting funds within the same business day.

Some SMEs will take any credit they can access

For almost one in four SMEs (22.9%) the main funding factor was literally being able to access credit — they will take access to any credit of any kind that they find available.

This finding highlights the difficult working capital and liquidity constraints gripping the SME market.

When funding factors are reviewed by age of business, the top three factors remain the same but to differing degrees.

Newer businesses, aged up to 12.1 years, place a higher value on low paperwork and admin than their more established counterparts (top priority for 95.5% and 85% respectively).

Older businesses showed more demand for faster credit approval times (70.6%, compared to 62.7% of newer businesses).

SMEs continue to turn away from banks

A record high number of SMEs across all key business stages (revenue growing, stable or declining) indicated they would use non-banks to fund their 2020 growth.

What is significant this round, and might send a warning signal to the banks, is the spike in growth businesses choosing non-banks over banks — 16.6%, up from 13.8% in September 2019, and accelerating at a robust growth rate of 26% per annum.

There was a corresponding fall in banks' appeal to growth SMEs, with 17.9% (down from 18.6% last round) saying they would fund growth via their main bank.

Non-bank funding is rapidly replacing traditional bank sources when it comes to funding new business investment, continuing a five-year trend.

Non-bank funding across the overall SME segment reached a new high of 20.2%, up from 18.7% last round and 15.4% in September 2018.

This contrasts with 17.8% of the whole SME cohort who will fund growth via their main relationship bank, and 11% who will turn to a secondary bank.

This round recorded a surge in businesses seeking new equity to fund growth plans (16.9%, up from 12.8% six months ago).

One in 10 SMEs have no plans to invest over the next six months and a further one in 20 businesses are unsure about how to invest or which funding method to use.

Inappropriate business funding solutions perpetuate working capital problems and SMEs who rely on their own funds for growth are locking those funds out of use for personal investments.

They need to find better ways to unlock capital within the business to ease crippling cash flow issues and allow for growth **(see ASBFEO and Scottish Pacific Business Funding Guide).**

According to theBankDoctor's Neil Slonim, the challenge for SME borrowers is to understand which lenders are best suited to their particular needs and the challenge for lenders is to be able to tap into the segment that best suits their offering.

**More than one response was allowed.*

INSIGHT 2

The burden of slow SME payment times

The average SME is waiting 56 days to be paid — almost double what Small Business Ombudsman Kate Carnell is seeking big business to commit to.

Money that could be used to expand revenue and invest in growth is being tied up for too long, as SMEs struggle to be paid within a reasonable timeframe.

There's a huge disparity in how long it takes SMEs in the $1-20 million revenue bracket to get money in the door. The range of debtor days reported in the research is from 7 days to a challenging 134 days.

The strain is more marked at the smaller end of the SME sector, with businesses of $1-10 million revenue waiting on average 66 days to be paid.

Their larger $10-20 million counterparts have a more manageable 40 day wait.

Despite the burden payment times is creating for the sector, only two in 10 small businesses offer discounted payment terms, with the discount ranging from 5 to 15%. Seven in 10 offer no early payment discounts and one in 10 say discounting is not relevant as they are cash only or do not have debtors.

Average SME has a third of revenue tied up in outstanding invoices

At any one time, what percentage of Australian SMEs' current accounts receivables is tied up in overdue invoices?

On average, SMEs have almost a third of their revenue (29%) tied up in outstanding invoices, with 16% of revenue locked into overdue invoices (defined as those outstanding beyond 90 days). This was consistent for SMEs in the $1-10 million and $10-20 million revenue ranges.

Given East & Partners calculates the average turnover of SME Growth Index respondents at $9.8 million, they estimate that each SME in the cohort is trying to maintain their business while coping with, on average, $2.82 million in outstanding accounts receivable.

Each SME has to manage while having, on average, $1.55 million in invoices that are overdue (outstanding for 90 days or more).

The amount businesses have tied up in outstanding invoices ranges from a high of 35.5% of revenue to a low of 19.5%, with between 12% and 19.4% of revenue tied up in overdue invoices.

Looking at whether SME size impacts payment times, the Index shows it is the $1-10 million revenue enterprises who are bearing a greater burden. Outstanding invoices accounts for 30.6% of their revenue on average, with 17% of revenue tied up in overdue invoices.

For the $10-20 million SME segment, a quarter of revenue (25.8%) is locked into outstanding invoices, with overdue invoices accounting for 14.1% of revenue.

This is a significant burden to bear and reinforces the importance of reducing payment times, especially for SMEs struggling to source new funding or to refinance.

It highlights the importance of finding the right funding to unlock working capital **(see ASBFEO and Scottish Pacific's Business Funding Guide)**.

Margins being squeezed, growth stalled

Almost one in 10 SMEs can't state their average debtor days, with some struggling to calculate the figure because invoice payments are too variable to reliably report.

ASBFEO's official review is looking closely at big businesses using supply chain finance products that mine data to manipulate small business suppliers and squeeze their margins.

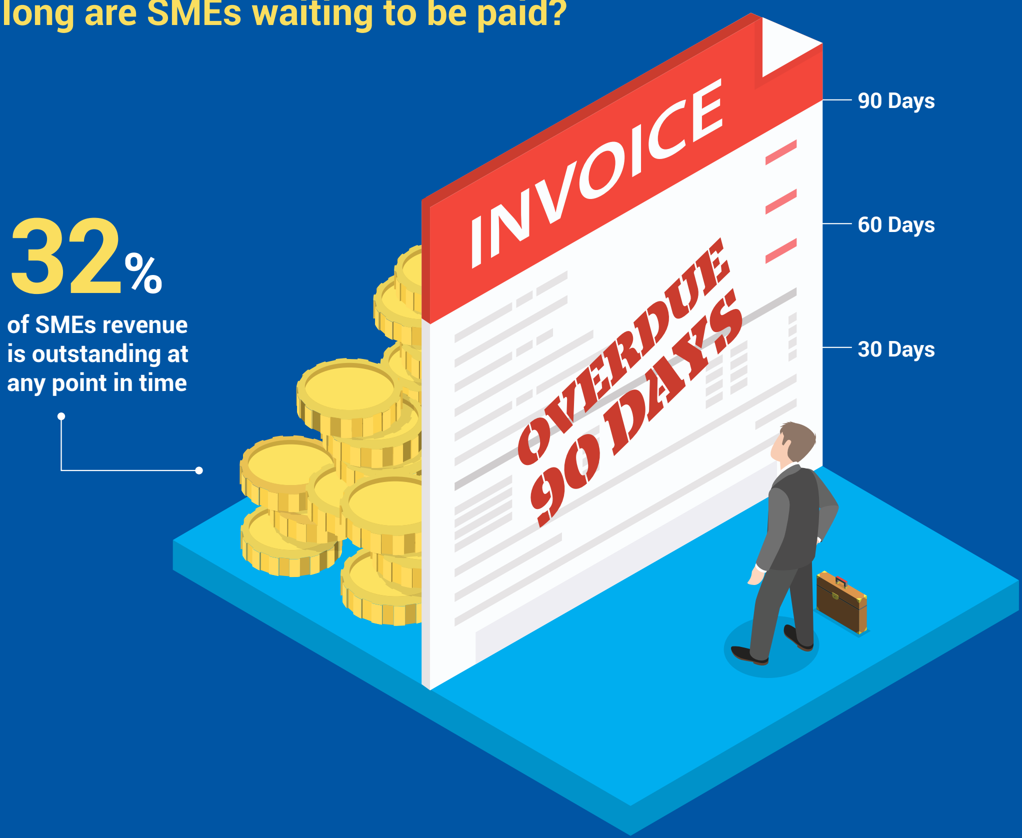
Ombudsman Kate Carnell has said it is imperative small businesses are paid on time, with late payments creating multi-billion dollar drag on the economy. This year, major businesses including Telstra and Rio Tinto have committed to shorter (20 day) payment times.

In the H2 2019 **SME Growth Index,** SMEs were already flagging that it was increasingly hard to meet tax payments on time and many were unable to take on new work due to cash flow constrictions (only one in 10 SMEs felt they were on top of cash flow).

The payment times (debtor days) and accounts receivable data this round highlight that poor cash flow will remain a pressing challenge for SMEs throughout 2020.

It is costing them time and resources to settle invoices that for some small businesses stretch out over an entire quarter, when it would be of more benefit for the SME sector, and the economy in general, if they could use these resources to expand revenue and invest in growth.

How long are SMEs waiting to be paid?



INSIGHT 3

Blurring the lines – business vs personal assets

SME borrowing doesn't need to involve personal property, neither should it have to depend on swiping personal plastic to cover funding shortfalls.

The reasons small business leaders give for borrowing against personal property and credit cards highlight their misconceptions or lack of understanding about the wide range of business funding solutions available to them.

Should SMEs keep personal assets out of the picture for business expenses?

Many businesses feel 'locked in' by their providers, with one in five SMEs asserting they use property as security because it's the only security their financial institutions will accept.

Almost one in 10 (7%) say they have no alternative to using personal credit cards to cover business expenses, as they have been unable to source new business finance.

Personal credit cards propping up the SME sector

Three out of four SMEs are resorting to their personal credit cards to cover short term funding needs.

This reflects the difficulty small businesses face in managing liquidity constraints, especially for start-ups who lack defined security alternatives or for SMEs who say business is declining.

The catch-22 of this situation, as the Business Funding Guide makes clear, is how important it is for SMEs to separate personal and business funding if they are to appeal to lenders and/or investors.

Simplicity is the main reason for business owners flashing their personal plastic. It's an easy-to-use funding method where there's no need to apply for new finance.

This underscores SMEs' reluctance to deal with paperwork, application processing and administrative chores on top of already time-intensive daily operational demands.

A quarter of respondents (23.9%) use personal credit cards as a revolving line of credit.

One in 10 say they use personal plastic because it's 'zero cost credit if credit paid off on time each month' — although some premium credit cards attract high annual membership costs.

The size of a business affects their reasoning about personal credit card use.

The $1-10 million revenue bracket, including start-ups and newer businesses, are much more likely to use personal plastic because it offers zero cost credit if paid off on time. This was the key factor for 13.4% of these smaller SMEs, compared to 5.1% of $10-20 million businesses).

Similarly, more than one in three larger businesses (37.7%) do not borrow against personal credit cards — only one in five (18.3%) smaller SMEs can say the same.

Almost twice as many smaller SMEs use personal credit cards because they have been declined from other finance sources (8.3%, compared to 4.8% of their larger counterparts).

The pull of personal property security

Almost nine out of 10 SMEs (87.3%) borrow against personal property — even though in previous SME Growth Index rounds only 5.5% listed property as their preferred option to secure business lending.

Reasons for borrowing against personal property are highly variable, spread across nine independent factors, with 21.2% of SMEs saying it is the only security their primary finance provider will accept. Traditional lenders are, in most cases, simply not open to lending against other asset types.

One in 50 are still unaware there are alternatives beyond personal property security.

Lack of knowledge or a comfort in the familiar informs the funding choices of a small minority of SMEs. They tie personal property to their business because they've 'always done it that way' (3.2%), or 'it's a style of funding I understand' (1.7%).

'Bang for your buck' in terms of increased property value was a consideration for 9.7% of respondents, primarily in Melbourne and Sydney markets.

Business assets can be used instead of property

Business owners want easy finance, but there's still a lack of awareness about lenders who lend against assets other than personal property

The key reason for SMEs turning to non-bank lenders is to avoid property security. In 2019 nine out of 10 SMEs said would accept a higher interest rate if it meant they were not required to pay real estate security.

Yet a staggeringly high number of SMEs still have their hands tied — by use of property security or personal credit cards - when it comes to sourcing appropriate business funding solutions.

INSIGHT 4

Accountants can help SMEs unlock potential

Defining the roles accountants and commercial brokers take with SMEs provides valuable insight into the pressing operational and strategic management challenges small business owners face (See also Insight 5: why SMEs turn to brokers).

While there are signs accountants' role is evolving, for the SME sector to unlock its potential this role needs to continue to expand well beyond tax and end of financial year matters.

SMEs are almost unanimously using external accountants for the traditional functions of tax returns, annual accounts and financial records (for more than 99% of SMEs, accountants played these three roles)*.

Accountants are also very involved in SME owners' personal tax affairs (64.4%) and in helping with succession planning (56.6%).

The Index results show there is room for improvement in how accountants are used by SMEs for value-add areas including advice on funding options (only 46.8% of SMEs turn to their accountant for this), business strategy and planning (31%), advice regarding selling business assets (17%), cash flow management (16.1%) and major acquisitions (14.3%).

Commenting on these findings, Chartered Accountants Australia & New Zealand (CAANZ) said most small businesses that utilise tax concessions for asset sales are receiving benefits of up to $250,000. These concessions are complex but worth SMEs exploring with their accountant, particularly if they are looking to top up superannuation or acquire a new business.

Accountants and cash flow management

Given cash flow is a crucial day-to-day issue for SMEs, it is telling that not even one in five businesses seek out their accountant for assistance with cash flow management.

Just one in 10 SMEs turn to external accountants when considering staff hiring decisions, despite recent regulatory changes enacting Single Touch Payroll, and despite previous SME Growth Index results which indicated that staffing decisions are deeply challenging and costly for many small business owners.

CAANZ says accountants can help small businesses with cash flow by using an interactive coaching kit which educates and problem-solves.

The question is how accountants fit in with widely used digital bookkeeping software and whether SMEs need to look beyond just software to achieve better strategic planning.

CAANZ points out that accountants are astute at helping small businesses form business plans, manage cash flow and understand provisioning, their expertise and use of technology adds value to SMEs and they understand the sector because accountants are often small businesses themselves.

Accountants' role in SME funding

The **Index** found advocacy remains a key driver when choosing a lender, with a direct recommendation from a trusted source informing almost a third (29.9%) of SMEs' funding decisions.

Not yet a majority, but a significant proportion of SMEs (46.8%) turn to external accountants to guide them on funding options, a decision that can be critical for any business.

This underscores the importance of Australia's accountants keeping on top of all the funding options available to SMEs, as they are in an ideal position to advise on which options suit each business' situation.

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) partnered with ScotPac to create a free **Business Funding Guide** (for accountants, book-keepers, brokers and other key SME advisors) and a companion **FitsME Guide** (for business owners) to help SMEs navigate the broad range of funding options, including and beyond traditional bank products.

Previous **Index** rounds have revealed that, despite accountants not representing the first port of call as 'most trusted advisor' for the majority of SMEs, accountants are the advisors who have the **most** positive impact on a business.

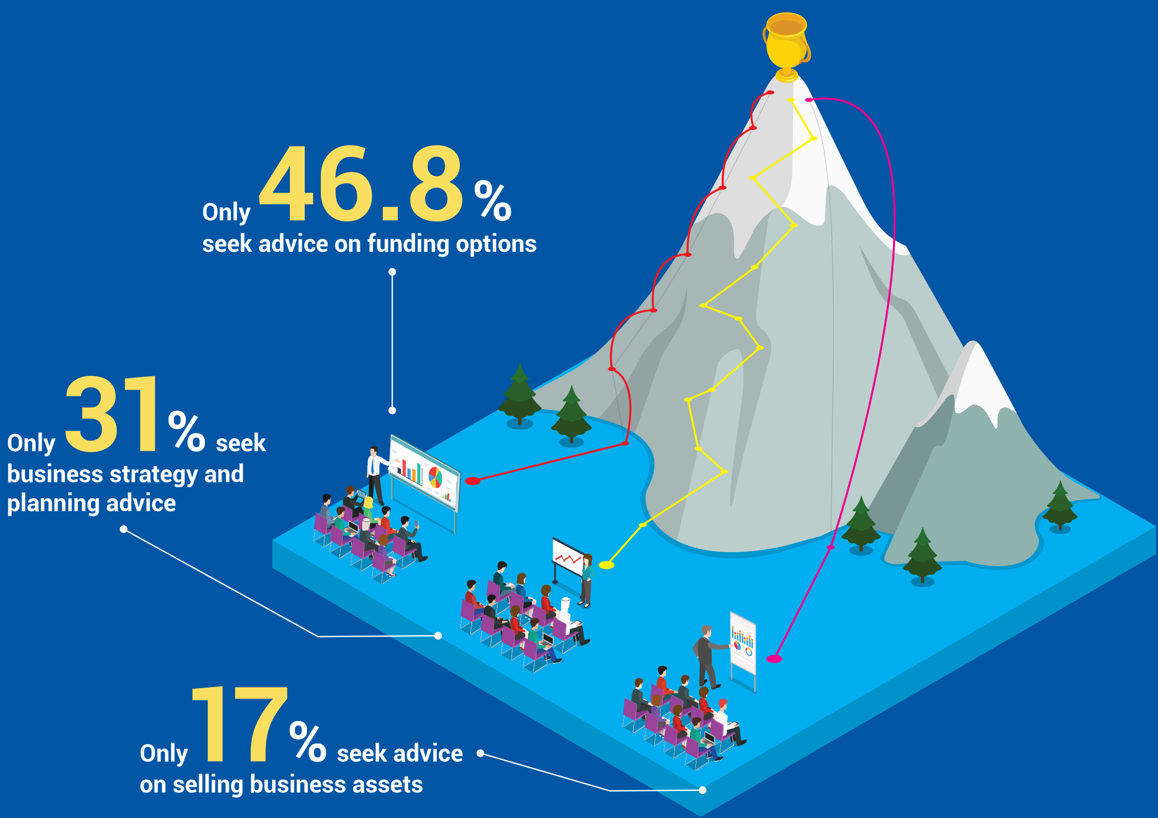
These results showed 82.9% of SMEs who nominated accountants as most trusted advisor said they had a positive impact on the business. This placed accountants well ahead of the positive business impact attributed to family members, work colleagues and friends.

However, the decline, reported in late 2019, in business owners nominating their accountant as their most trusted advisor (5.7%, down from 9.3% in 2017) is a concern for the accounting sector.

A successful and thriving SME, we would suggest, is one that is likely to be using an external accountant not just for 'number crunching' and end of year tax, but for value-add business strategy and cash flow management assistance.

**Multiple responses were allowed.*

What advice do SMEs seek from their accountant?



INSIGHT 5

SMEs turn to brokers for help with major purchases

Given the challenging business conditions in 2020, there is a clear need for brokers with commercial knowledge to help SMEs understand their businesses and how they can get them to thrive.

SME Growth Index respondents were asked what role commercial brokers play in their enterprises.*

More than half the SMEs (52.7%) indicated they use commercial brokers for buying or selling assets, plant and equipment.

This was the most common response and highlights the value businesses place on 'big ticket' purchasing and selling decisions.

In what ways are SMEs currently using brokers to help their business?

Four in 10 SMEs (39.8%) turn to brokers for sourcing new finance and more than a third (35.2%) use them for refinancing existing credit lines, with 10.4% using brokers for price comparison, 8.2% for advice on selling a business and 7.1% for assistance with major acquisitions.

In January 2020 the Federal Government began a consultation period for draft legislation intending to implement 22 recommendations arising from the Banking Royal Commission. Some of these recommendations, and a few additional initiatives, affect the broking industry.

In the light of these moves, the SME Growth Index highlights interesting findings. One in five SMEs (21.3%) currently do not use a commercial broker but have done so in the past. Has this relatively high proportion of SMEs moved away from the broker channel, or are there seasonal or business phase reasons for them to be not currently using a broker?

The Index found fewer than one in 10 (8.8%) SMEs had never used a commercial broker.

Advocacy remains a key driver in how and why an SME chooses a lender, with direct recommendation from a trusted source (such as work colleagues, family, suppliers, brokers and accountants) informing almost a third (29.9%) of SMEs' funding decisions.

Positively, almost nine out of 10 SMEs report no negative issues resulting from their use of a broker.

East & Partners' equipment finance research confirms a high level of satisfaction among businesses who use the broker channel for asset sales and to get the best deal when purchasing new assets, plant and equipment.

For those not using a broker, East & Partners' 2020 Asset & Equipment Finance research found the key reasons were a perceived lack of customer support, changing end financiers frequently, inability to meet whole borrowing needs and the perception that brokers were 'chasing their own best interests'. The advantages nominated for using a broker included better pricing, saving time by shopping around and access to a broader range of funding solutions.

CAFBA President David Gandolfo believes that the use of commercial finance brokers has never been higher, as businesses seek professional guidance to meet their funding needs.

He says access to finance has become increasingly difficult post-Royal Commission, and the commercial broker is best placed to provide their clients a full range of financing options to ensure the right products are sourced within effective timeframes, and to ensure those products meet the clients' needs.

Matching the right financing option with the right lender is a crucial outcome for any business, and the role of the broker in this process should not be overstated, according to CAFBA.

Most brokers are small business owners themselves. They have a good understanding of the day-to-day issues SMEs face, and an opportunity to well and truly partner with their SME clients.

That is why it is vital for brokers to keep abreast of the full suite of funding options, beyond the banks, available to SMEs. This allows them to assist their clients to find the right funding option for their business situation.

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) and ScotPac, with input from SMEs, brokers and accountants, has produced a free Business Funding Guide and a companion FitsME Guide to help brokers and the SME sector understand the range of potential funding options at their disposal.

Brokers are obviously an important channel for advice on asset purchase or sale. There are clear opportunities for brokers to climb the ranks of trusted advisors, by also assisting small business owners to find the right finance.

**More than one response was allowed.*

Methodology

East & Partners interviewed 1,256 SME businesses with annual revenues of $A1-20 million over a four-week period ending in November 2019.

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.

Standard Index Questions

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: 1256)	Positive Growth	Negative Decline	No Change	Whole SME Market
N of Enterprises	649	277	330	1,256
Average Change Forecast	4.8	6.0	–	1.6
Range of Change Forecasts	2.0-8.5	4.5-11.0	–	2.0-11.0

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?

	N COUNT		
	Growth SMEs (N: 649)	Declining/No Change SMEs (N: 607)	Whole SME Market (N: 1256)
Start-up	125	–	125
Growth	459	1	460
Stable	34	363	397
Consolidation	30	104	134
Contracting	1	139	140
TOTAL	649	607	1,256

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

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

	N COUNT		
	Growth SMEs Investing (N: 649)	Declining/No Change SMEs Investing (N: 103)	Whole SME Market Investing (N: 752)
Borrowing from my main relationship bank	116	18	134
Borrow from another bank	68	15	83
Borrow from a non-bank lender	108	44	152
Other forms of debt	9	14	23
Own funds	568	69	637
New equity	121	6	127
Other forms of debt			
Unsure how to invest/which funding method to use	15	16	31
No plans to invest in next 6 months	52	22	74

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 Thinking of lenders, what are the top three factors influencing your decision on who you select for new finance/refinance borrowings?

	N COUNT
	Whole SME Market (N: 1256)
Lowest overall fees and charges	330
Fastest credit approval turnaround times	848
Fastest access to credit in my account	34
Least paperwork/administrative impost	1,119
Customer service — onboarding/sales	155
Customer service — ongoing advice and support	396
Existing relationship (cash management, payments acquirer, etc.)	98
Doesn't provide funding against personal property	20
Reputation	55
Direct recommendation from trusted source of advice	375
Distinctive advertising/marketing	50
Other	
— Able to access any credit of any kind	288

Note: no statistically significant variance by state or industry sector or growth/no growth.
Note: sums to over N count due to multiple responding allowed.
Note: no statistically significant variance by state, industry sector, primary working capital provider or 'growth'/'no change' SMEs.

Q5 What roles do external accountants perform in your business?

	N COUNT
	Whole SME Market (N: 1256)
Tax returns	1,247
Business strategy and planning	389
Cashflow management	202
Annual accounts	1,247
Funding options	588
Advice on staff hiring	147
Advice on major acquisitions	180
Business administration (financial record keeping)	1,247
OTHER	
– Succession planning	711
– Personal tax affairs	809
– Selling business assets	213
Do not use an accountant but have done so in the past	4
Do not use an accountant and have never done so	5

Note: sums to over N count due to multiple responding allowed.
Note: no statistically significant variance by state, industry sector or primary working capital provider.

Q6 What roles do business brokers perform in your business?

	N COUNT
	Whole SME Market (N: 1256)
New finance	500
Refinancing	442
Shopping around only (price discovery)	131
Advice on major acquisitions	89
Advice on selling the business	103
OTHER	
– Buying/selling assets/plant and equipment	662
Do not use a business broker but have done so in the past	268
Do not use a business broker and have never done so	111

Note: sums to over N count due to multiple responding allowed.
Note: no statistically significant variance by state, industry sector or primary working capital provider.

Q7 If you borrow against personal property, what is the main reason you choose to do so?

	N COUNT
	Whole SME Market (N: 1256)
Declined from other sources of finance	153
Ease of use	101
"Always done in that way"	40
It's a style of funding I understand	21
Only security provider will accept	266
Lower interest rate/lowest cost	141
Increased property value improved borrowing capacity	122
OTHER	
— Quicker approval times	80
Less documentation/process heavy	139
Unaware of business funding options that avoid personal property security	33
Do not borrow against personal property	160
TOTAL	**1,256**

Note: sums to N count due to one only response being accepted.
Note: no statistically significant variance by state, industry sector or primary working capital provider.

Q8 If you borrow against a personal credit card for your business, what is the main reason you choose to do so?

	N COUNT
	Whole SME Market (N: 1256)
Declined from other sources of finance	88
Ease of use	195
"Always done in that way"	12
Short term funding preference/pay within 30 days	56
It's a style of funding I understand	10
Credit limits reached on other accounts such as Overdraft	31
Loyalty points schemes/credit card rewards	113
OTHER	
The credit line is already in place and revolves	300
Zero cost credit if paid off	129
Do not borrow against personal credit card	322
TOTAL	**1,256**

Note: sums to N count due to one only response being accepted.
Note: no statistically significant variance by state, industry sector or primary working capital provider.

Round 12 Special Questions

Q9 How many days are you waiting to get paid by your debtors on average?

	N COUNT
	Whole SME Market (N: 1256)
Average days reported	55.8
Range	7.0-134.0
Unsure / don't know / too variable	118
Don't have debtors — cash business	111

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

Q10 How many days are you waiting to get paid by your debtors on average?

	N COUNT
	Whole SME Market (N: 1256)
TOTAL AR OUTSTANDING / REVENUE	
— Average % reported	28.8
— Range	19.5-35.5
TOTAL AR OVERDUE / REVENUE	
— Average % reported	15.9
— Range	12.0-19.4
Unsure/don't know/too variable	109
Don't have debtors — cash business	111

Note: no statistically significant variance by state, industry sector, primary working capital provider or regional/metro.
Note: overdue is defined as > 90 days.

Q11 What percentage discount do you offer for early invoice payment?

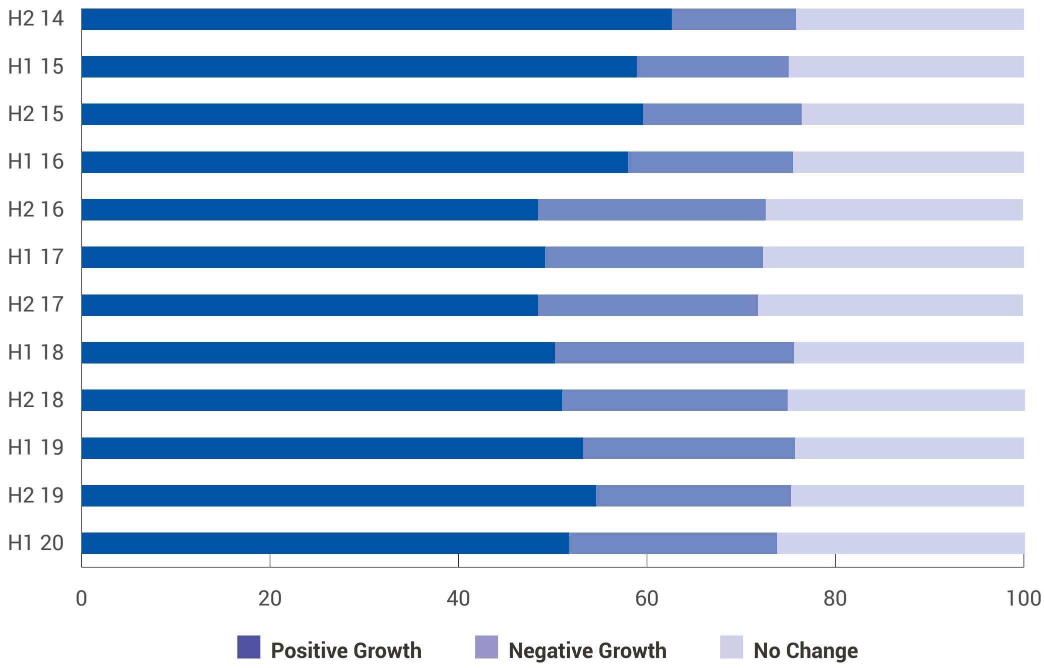
	N COUNT
	Whole SME Market (N: 1256)
Average % reported	7.5
Range	5.0-15.0
Do not offer early payment discounts	882
Not applicable to our business	111

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

Trend Data

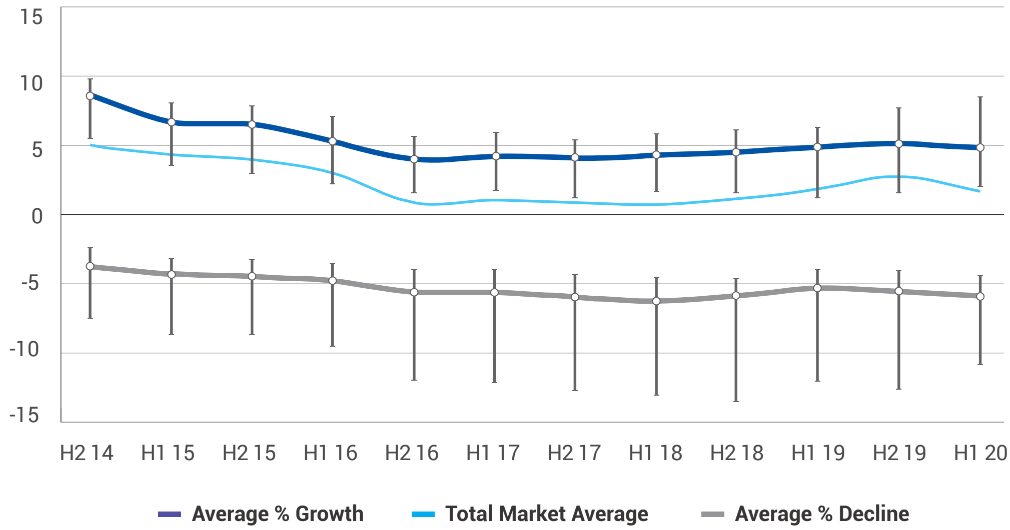
Forecast changes in enterprise revenue 2014 – 2019

% of SMEs — Total Market (N: 1256)



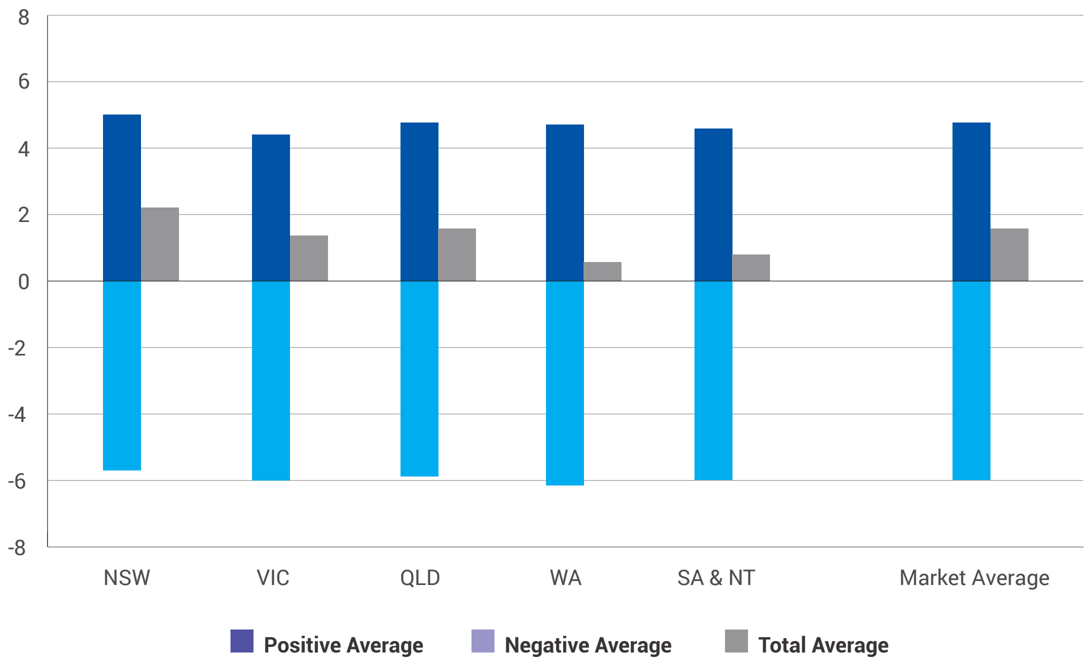
Average Revenue Growth Change Forecast 2014 – 2020

Avg % Revenue Growth Change Forecast (N: 1256)



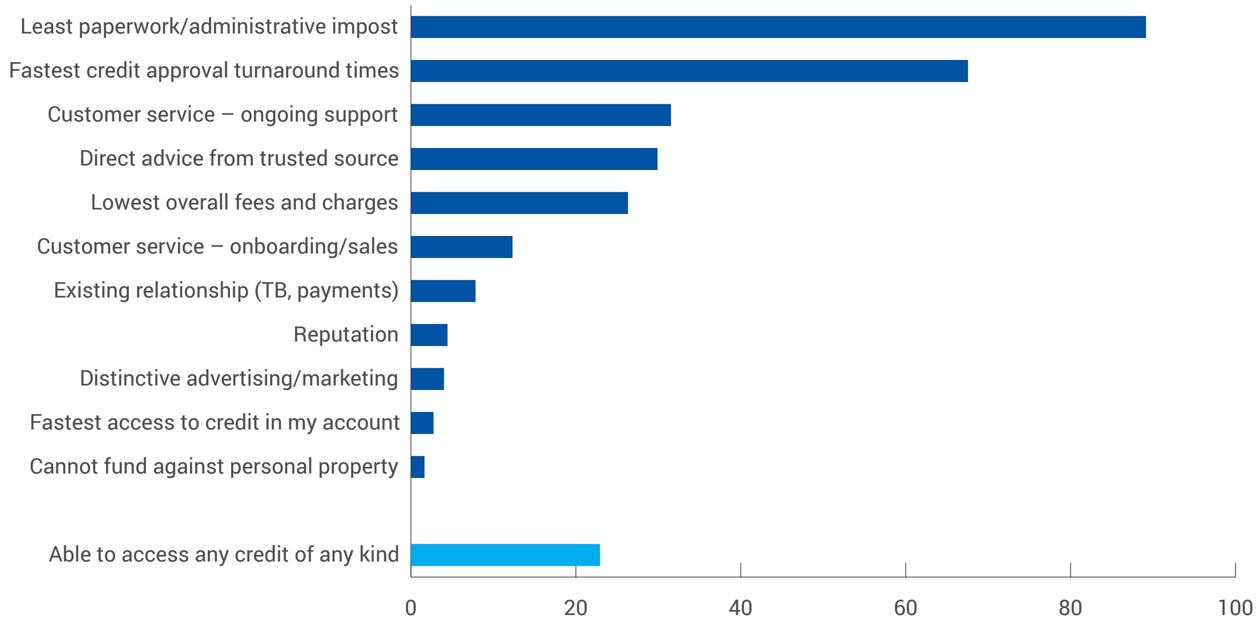
State Breakdown of Forecast Revenue Changes

Avg % Revenue Growth Change Forecast (N: 1256)



Key Influences When Selecting a Funder (KB2)

% of SMEs — Total Market (N: 1256)

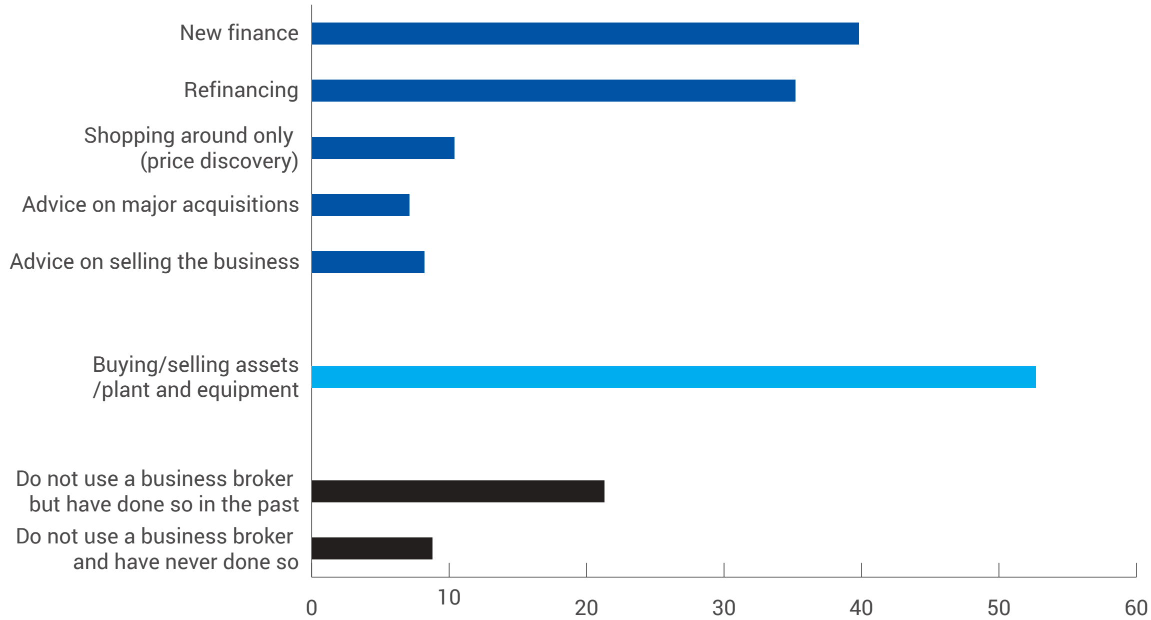


Role of External Accountants

% of SMEs — Total Market (N: 1256)

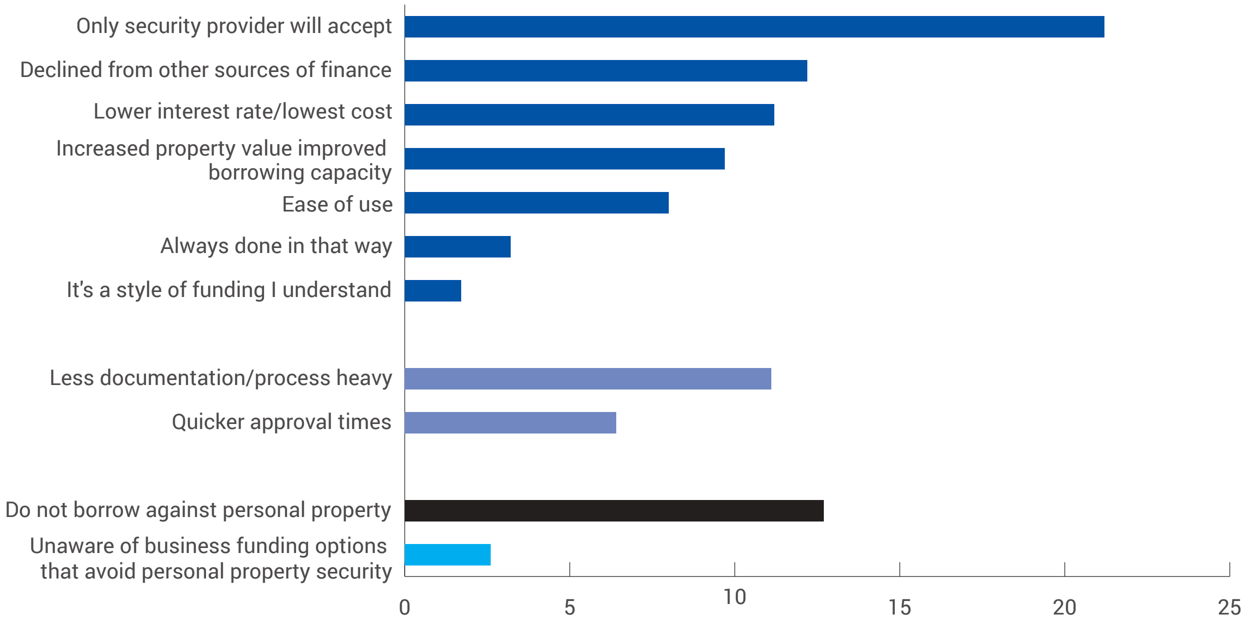
Role of Commercial Brokers

% of SMEs — Total Market (N: 1256)



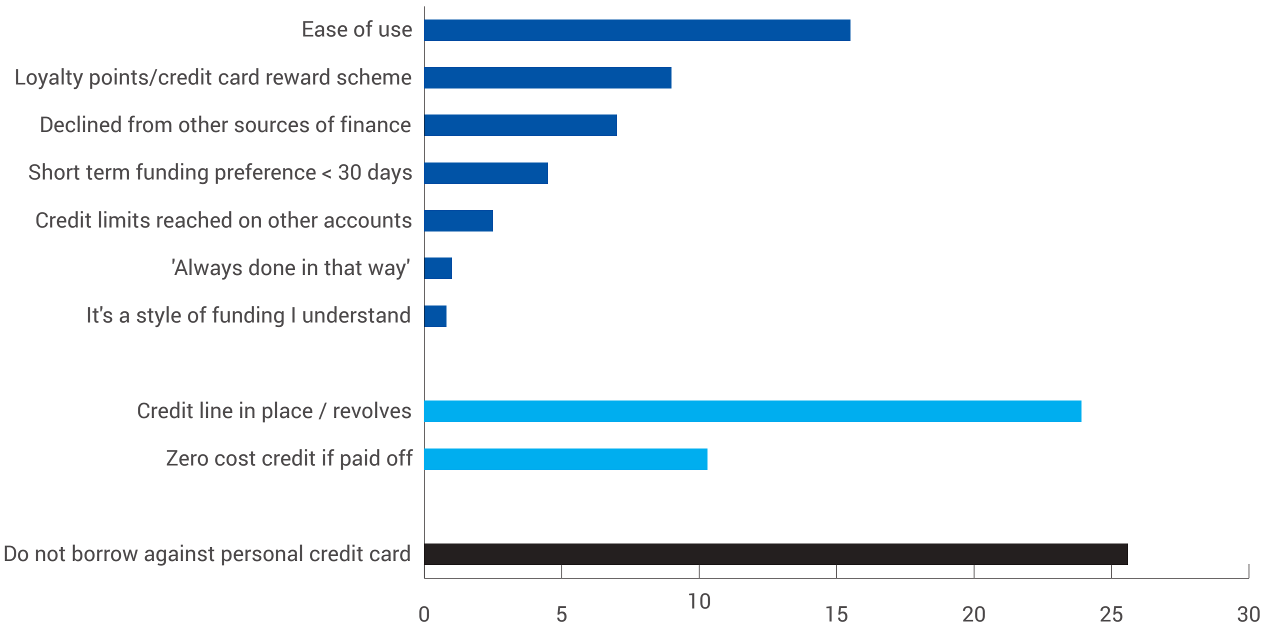
Main Reason to Borrow Against Personal Property

% of SMEs — Total Market (N: 1256)



Main Reason to Borrow Against Credit Card

% of SMEs — Total Market (N: 1256)



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.

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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 non-bank SME lender, helping many thousands of businesses turn their business assets into opportunity by providing 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 $19 billion of invoices each year, providing funding lines exceeding $1.3 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's clients grow at three times GDP and we are 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 high growth to seasonal challenges.

As a specialist provider of working capital, ScotPac is well placed to understand the needs and the sentiment of SME businesses, and 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 2020.

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