



scottish pacific
BUSINESS FINANCE



east&partners



Scottish Pacific SME Growth Index

March 2016



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Executive Summary

Our fourth Scottish Pacific SME Growth Index provides an interesting snapshot of the issues currently concerning Australia's vital SME sector. Two findings of particular significance for Scottish Pacific, as Australia's largest SME working capital specialist, are the trends around who business owners turn to when they need to fund their growth.

The number of SMEs looking first to borrow from their main relationship bank is falling, and a greater number are sourcing credit from another bank or a specialist non-bank lender such as Scottish Pacific. There has been an increase of just over 20 percent in the demand for non-bank lending in the past six months. It is reassuring to us that SME owners place a high value on the ability to talk directly with the funding decision-maker when it comes to choosing a provider.

The second trend is towards a preference for unsecured credit, where there is no requirement to put the family home up as security. SME owners told us this is the most important factor when they are seeking finance to fund growth, whether it be for new equipment, extra staff or expansion into new markets.

Whilst these are encouraging signs, the majority of respondents are still not making use of the broad range of commercial finance options available to them. Two-thirds of small business leaders told us they dip into their own pockets (including the use of personal credit cards) to fund growth, with almost one in five doing this regularly.

This, combined with the finding from our September 2015 Index that fewer than 5 percent of SMEs keep an active eye out for the credit facilities that best suit their business, indicates that all business finance providers have a long way to go in raising awareness.

Small business owners, governments, SME industry associations and funders such as ourselves need to ask ourselves why this is so, and what can be done about it?

Debtors financiers have an opportunity to take the lead in educating SMEs on alternatives, given such a high percentage of business owners and their advisers find the idea of accessing working capital without risking the family home an attractive proposition.

Peter Langham
CEO
Scottish Pacific



Key Index Insights

Optimism dips, but SMEs resilient

- 58 percent of small to medium enterprises (SMEs) are forecasting positive growth over the next six months, with an average revenue growth forecast of 5.2 percent (down from 6.7 percent in March 2015), despite low interest rates and a depreciating Australian dollar.
- Given the scale and scope of financial market volatility, small businesses are displaying high resilience, with only a slight rise in SMEs preparing for negative growth (17.5 percent are forecasting an average drop of 4.9 percent).
- 70.6 percent of SMEs believe their business to be stable or in a growth phase, 11.3 percent in startup phase and 18.1 percent consolidating or contracting.
- One in four small business respondents reported unchanged growth forecasts over the coming six months (24.5 percent). This figure has not deviated significantly throughout the last four rounds of research, reflecting an overarching sense of indecision and uncertainty towards domestic and international trading conditions.
- Negative growth SMEs predominantly depict themselves to be in a stable phase (58.7 percent) compared to one in four who say they are contracting (26.4 percent).
- Clearly businesses forecasting negative revenues in the first half of 2016 are confident in their long term prospects, given the majority view their business phase as stable. Negative growth SMEs are generally influenced by external markets.

SME owners dip into their own pockets to keep businesses going

- Two thirds of Australian SMEs either regularly or occasionally draw upon personal finance facilities such as their own credit card to support business expenditure (65.4 percent).
- A startling 17.0 percent regularly swipe their own card to cover funding shortfalls at exceedingly high consumer credit rates above 20 percent, while one in two SMEs occasionally support their own business using personal finance facilities (48.4 percent).
- One in five SMEs draw on personal finances infrequently or for emergencies only (22.7 percent) while one in ten never settle business expenses using non-business sources (12.0 percent).

SMEs are keen to avoid real estate security and are looking beyond main bank

- The availability of unsecured credit, with no requirement to mortgage the family home, is the most important factor for SMEs seeking finance to fund growth, be it to replace outdated equipment, fund marketing campaigns, add new headcount or expand into overseas markets.
- 67.9 percent of SMEs are willing to pay a higher rate to obtain finance if it means they don't have to provide real estate security. Almost one in three small businesses would definitely pay a higher rate (29.6 percent) with a further 38.3 percent indicating they would 'probably' pay a higher rate in lieu of extensive asset/collateral assessments.
- A minority 13.6 percent of small business owners rejected the notion of paying higher rates to obtain finance without real estate security.
- SMEs show strong demand for more flexible lending terms as an alternative to standard term bank debt, including alternatives such as debtor finance, invoice discounting and factoring.
- The ability to talk directly to the lending decision maker was deemed as highly important, rating ahead of the lender's industry expertise, credit approval turnaround times and the interest rate.
- SME funding plans remain heavily skewed towards existing equity in the business. The number of SMEs intending to use their own funds to finance upcoming growth plans has increased since the first round of reporting in August 2014, from 81.1 percent to 92.7 percent.
- The proportion of SMEs inclined to borrow from their main relationship bank has decreased, with a greater number sourcing credit from another bank or specialist non-bank lender.
- 32.1 percent of SMEs borrow directly from their main relationship bank, down 16.8 percent from 38.6 percent in the last year. In comparison, there has been a 20.6 percent increase in non-bank lending demand, from 13.6 percent of SMEs to 16.4 percent.

Growth drivers can be a mystery, but taxes and credit conditions are clear barriers

- When asked to name the key drivers of business growth SMEs continue to rate anchor/core customers the most highly (36.6 percent), ahead of great staff/strong team (35.6 percent), good luck (25.9 percent) and useful industry networks (25.6 percent).
- Over one third of all SMEs could not nominate a key driver of business growth and are simply following their nose (35.2 percent), trending higher each round of reporting from a total of 28.2 percent in the initial SME Growth Index (September 2014).
- Two thirds of SMEs in growth mode cite high or multiple taxes as their main impediment for further business growth (62.7 percent), ahead of loan covenants/credit conditions (62.0 percent) and regulatory imposts (56.5 percent). This has remained consistent since the first Index.

SME thoughts on new products/services and M&A

- New product development plans remain in a firm downwards trend. One in five SMEs plan to introduce new products in the first half of 2016 (19.6 percent), down 7.1 percent since the corresponding period in 2015. In contrast, the number of SMEs planning to release new services continues to rise, up from 33.4 percent in February 2015 to 35.9 percent.
- Growth SMEs are more than twice as likely to target revenue growth by expanding domestically rather than offshore. 19.8 percent of growth SMEs express domestic geographic growth plans, compared to 9.4 percent of SMEs seeking new customer markets via international supply chain expansion.
- A greater number of SMEs express both domestic and overseas geographic expansion intentions, increasing from 13.1 percent to 15.3 percent since February 2015.
- Willingness to merge with another business has doubled since Round One of the SME Growth Index in September 2014, from 6.0 percent of SMEs to 11.3 percent in the first half of 2016.
- Outright acquisition intentions are at the highest across all four rounds of reporting (currently 12.4 percent).

Index Results

Scottish Pacific SME Growth Index

March 2016

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

TABLE 1

Forecast Changes in Enterprise Revenue – Positive Growth SMEs

Positive Growth SMEs	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
% of Enterprises	58.9	58.0	(1.5)
Average Change Forecast	6.7	5.2	(22.4)
Range of Change Forecasts	3.5-8.2	2.2-7.0	—

TABLE 2

Forecast Changes in Enterprise Revenue – Negative Decline SMEs

Negative Decline SMEs	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
% of Enterprises	16.1	17.5	8.7
Average Change Forecast	4.4	4.9	11.4
Range of Change Forecasts	3.3-8.9	3.6-9.7	—

TABLE 3

Forecast Changes in Enterprise Revenue – No Change SMEs

No Change SMEs	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
% of Enterprises	25.0	24.5	(2.0)
Average Change Forecast	—	—	—
Range of Change Forecasts	—	—	—

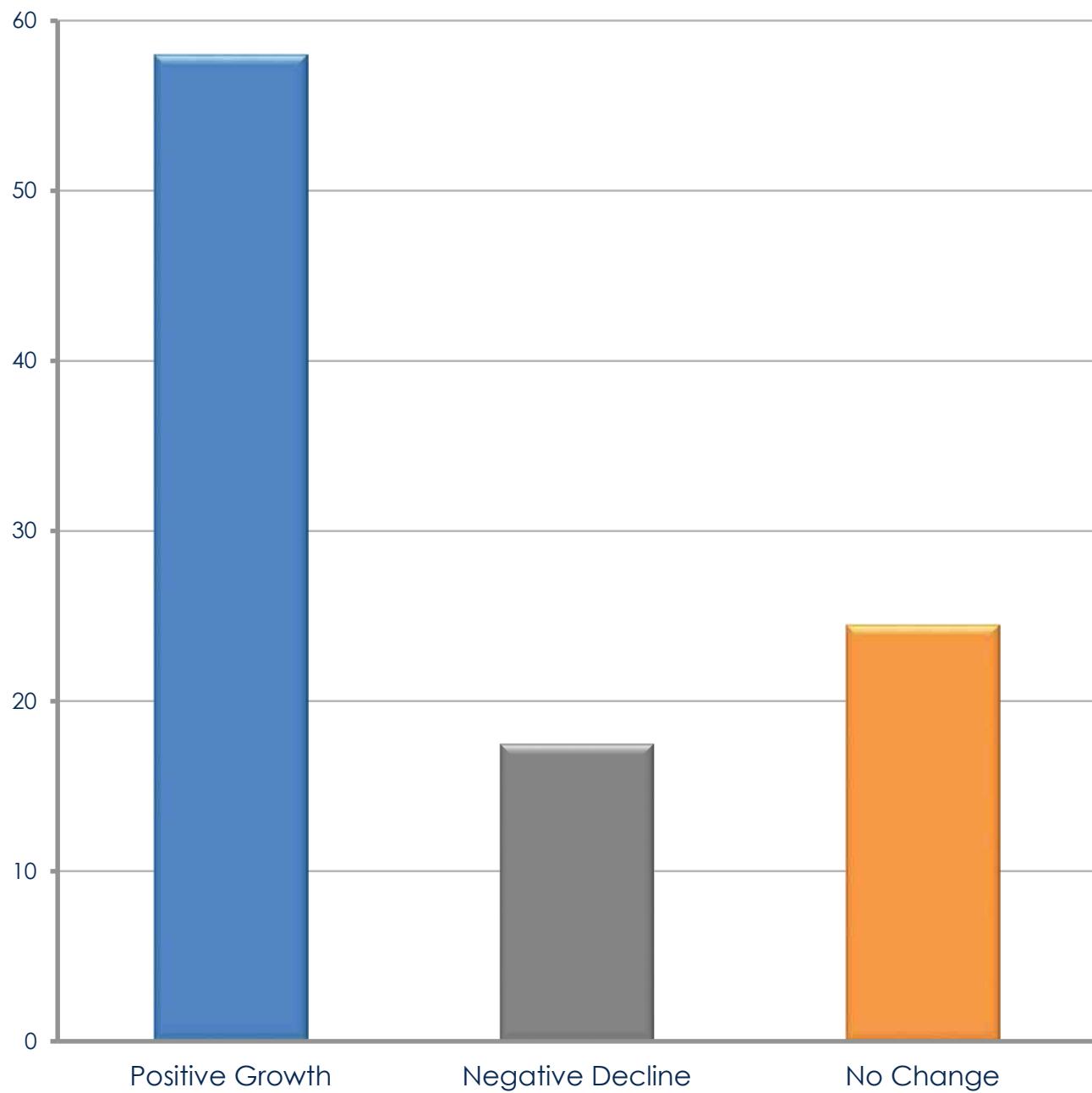
TABLE 4

Forecast Changes in Enterprise Revenue – Whole SME Market

Whole SME Market	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
% of Enterprises	100.0	100.0	—
Average Change Forecast	4.3	2.9	(32.6)
Range of Change Forecasts	3.5-8.9	2.2-9.7	—

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

FIGURE 1
Forecast Changes in Enterprise Revenue – February 2016
% of Enterprises



Which of these descriptions best describes the phase your business is currently in?

TABLE 5

Perception of Own Business Phase – Growth SMEs

% of Total SMEs

Growth SMEs	Feb 2015 (N: 738)	Feb 2016 (N: 727)	Change (%)
Start-up	19.5	19.4	(0.5)
Growth	76.2	76.6	0.5
Stable	4.1	2.5	(39.0)
Consolidation	0.3	1.1	266.7
Contracting	—	0.4	—
TOTAL	100.0	100.0	—

TABLE 6

Perception of Own Business Phase – Declining / No Change SMEs

% of Total SMEs

Declining / No Change SMEs	Feb 2015 (N: 515)	Feb 2016 (N: 526)	Change (%)
Start-up	—	—	—
Growth	0.4	0.2	(50.0)
Stable	60.8	58.7	(3.5)
Consolidation	11.1	14.6	31.5
Contracting	27.8	26.4	(5.0)
TOTAL	100.0	100.0	—

TABLE 7

Perception of Own Business Phase – Total SME Market

% of Total SMEs

Total SME Market	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
Start-up	11.5	11.3	(1.7)
Growth	45.0	44.5	(1.1)
Stable	27.4	26.1	(4.7)
Consolidation	4.7	6.8	44.7
Contracting	11.4	11.3	(0.9)
TOTAL	100.0	100.0	—

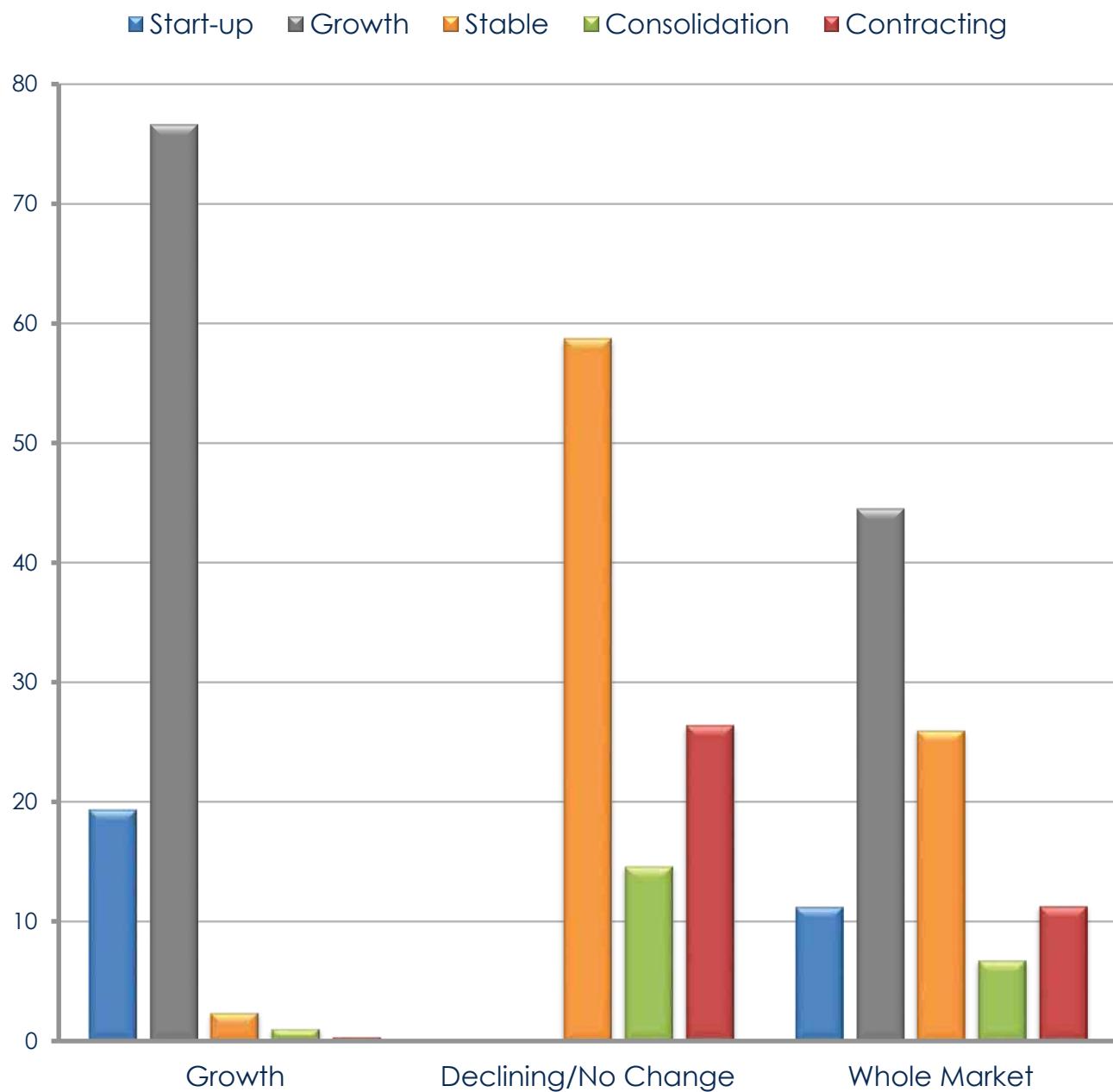
Note: no statistically significant variance by state or industry sector of SME



FIGURE 2

Perception of Own Business Phase – February 2016

% of Total SMEs



Are you planning to introduce any new products or services in the next six months?

TABLE 8

New Product / Service Plans in Next Six Months – Growth SMEs

% of Total SMEs

Growth SMEs	Feb 2015 (N: 738)	Feb 2016 (N: 727)	Change (%)
New products	32.8	32.0	(2.4)
New services	52.8	56.3	6.6
New products and new services	13.7	10.2	(25.5)
No plans	0.7	1.5	114.3
TOTAL	100.0	100.0	—

TABLE 9

New Product / Service Plans in Next Six Months – Declining / No Change SMEs

% of Total SMEs

Declining / No Change SMEs	Feb 2015 (N: 515)	Feb 2016 (N: 526)	Change (%)
New products	4.3	2.3	(46.5)
New services	5.6	7.8	39.3
New products and new services	5.8	4.6	(20.7)
No plans	84.3	85.4	1.3
TOTAL	100.0	100.0	—

TABLE 10

New Product / Service Plans in Next Six Months – Whole SME Market

% of Total SMEs

Whole SME Market	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
New products	21.1	19.6	(7.1)
New services	33.4	35.9	7.5
New products and new services	10.5	7.8	(25.7)
No plans	35.0	36.7	4.9
TOTAL	100.0	100.0	—

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

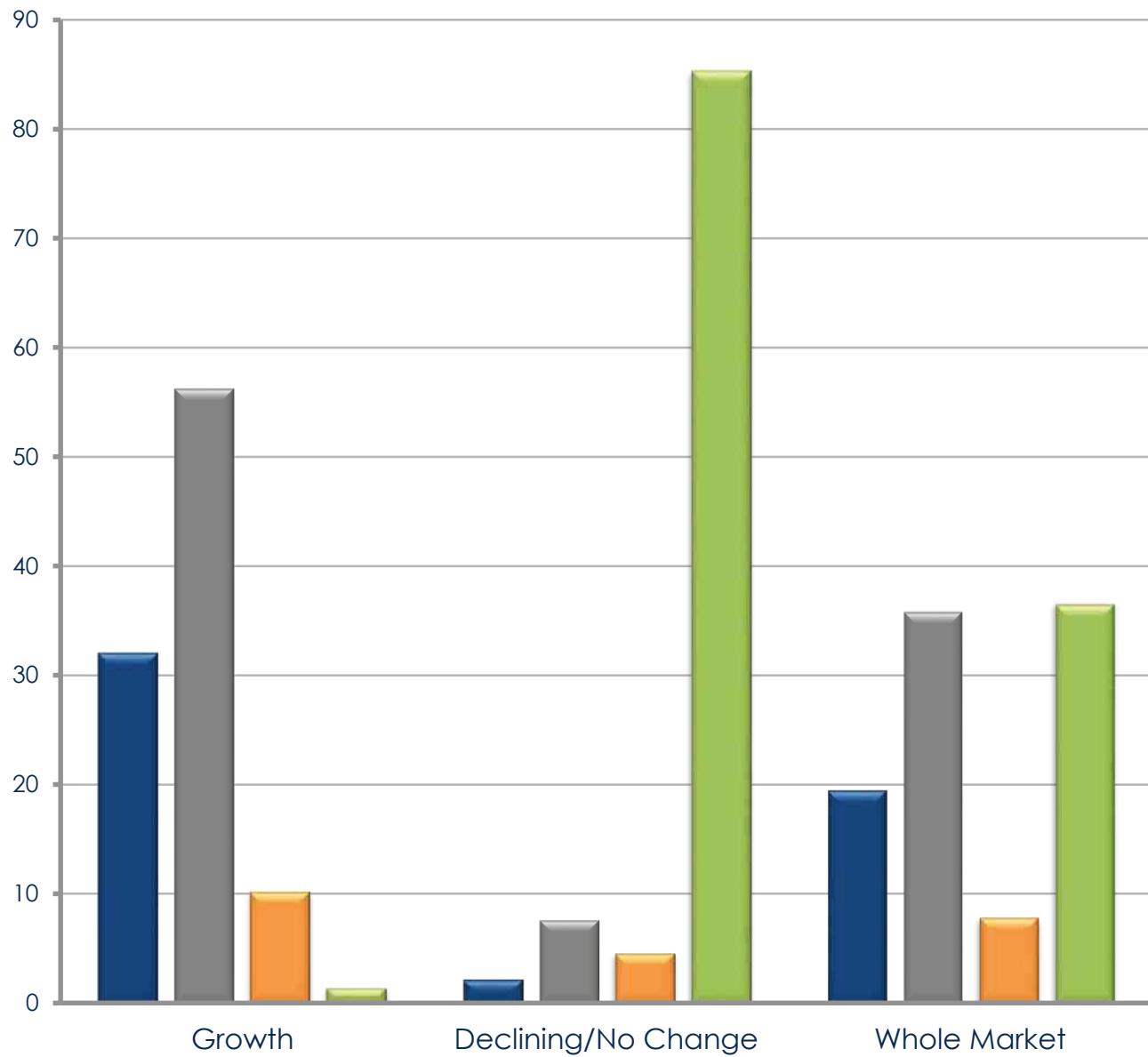


FIGURE 3

New Product / Service Plans in Next Six Months – February 2016

% of Total SMEs

■ New Products ■ New Services ■ Both ■ No plans



Are you planning to expand your business geographically in the next six months, either domestically or overseas?

TABLE 11

Geographical Expansion Intentions – Growth SMEs

% of Total SMEs

Growth SMEs	Feb 2015 (N: 738)	Feb 2016 (N: 727)	Change (%)
Domestic geographic expansion	17.6	19.8	12.5
Overseas geographic expansion	7.0	9.4	34.3
Both domestic and overseas expansion	13.1	15.3	16.8
No plans	62.2	55.6	(10.6)
TOTAL	100.0	100.0	—

TABLE 12

Geographical Expansion Intentions – Declining / No Change SMEs

% of Total SMEs

Declining/No Change SMEs	Feb 2015 (N: 515)	Feb 2016 (N: 526)	Change (%)
Domestic geographic expansion	1.0	0.8	(20.0)
Overseas geographic expansion	0.4	0.2	(50.0)
Both domestic and overseas expansion	1.6	0.6	(62.5)
No plans	97.1	98.5	1.4
TOTAL	100.0	100.0	—

TABLE 13

Geographical Expansion Intentions – Whole SME Market

% of Total SMEs

Whole SME Market	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
Domestic geographic expansion	10.8	11.8	9.3
Overseas geographic expansion	4.3	5.5	27.9
Both domestic and overseas expansion	8.4	9.1	8.3
No plans	76.5	73.6	(3.8)
TOTAL	100.0	100.0	—

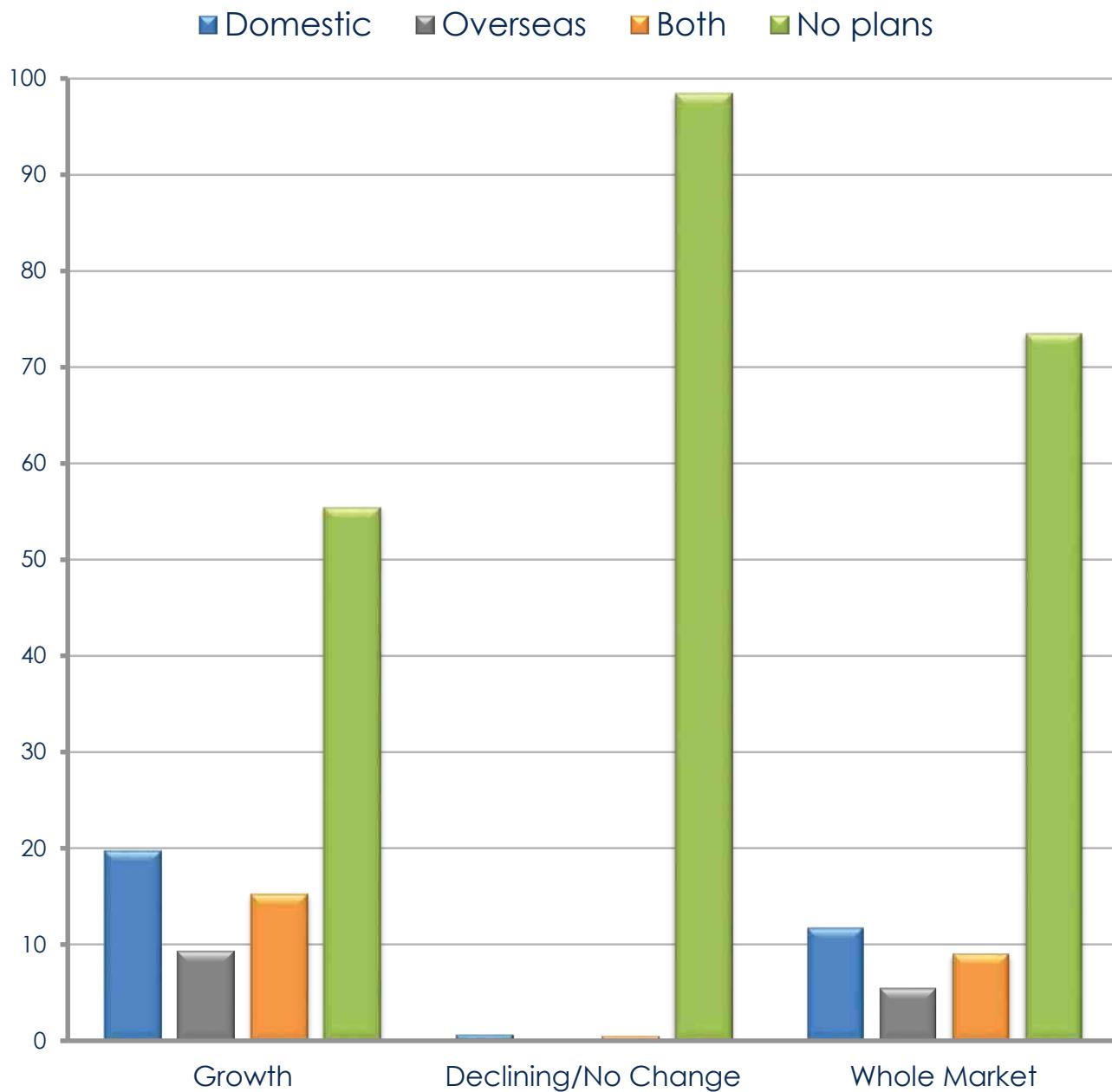
Note: no statistically significant variance by state or industry sector of SME



FIGURE 4

Geographical Expansion Intentions – February 2016

% of Total SMEs



Are you planning to acquire another business or merge with another business in the next six months?

TABLE 14

Business Acquisition / Merge Intentions – Growth SMEs

% of Total SMEs

Growth SMEs	Feb 2015 (N: 738)	Feb 2016 (N: 727)	Change (%)
Acquiring another business	18.6	21.3	14.5
Merging with another business	6.9	7.6	10.1
No plans	74.5	71.1	(4.6)
TOTAL	100.0	100.0	—

TABLE 15

Business Acquisition / Merge Intentions – Declining / No Change SMEs

% of Total SMEs

Declining/No Change SMEs	Feb 2015 (N: 515)	Feb 2016 (N: 526)	Change (%)
Acquiring another business	—	—	—
Merging with another business	12.2	16.5	35.2
No plans	87.8	83.5	(4.9)
TOTAL	100.0	100.0	—

TABLE 16

Business Acquisition / Merge Intentions – Whole SME Market

% of Total SMEs

Whole SME Market	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
Acquiring another business	10.9	12.4	13.8
Merging with another business	9.1	11.3	24.2
No plans	80.0	76.3	(4.6)
TOTAL	100.0	100.0	—

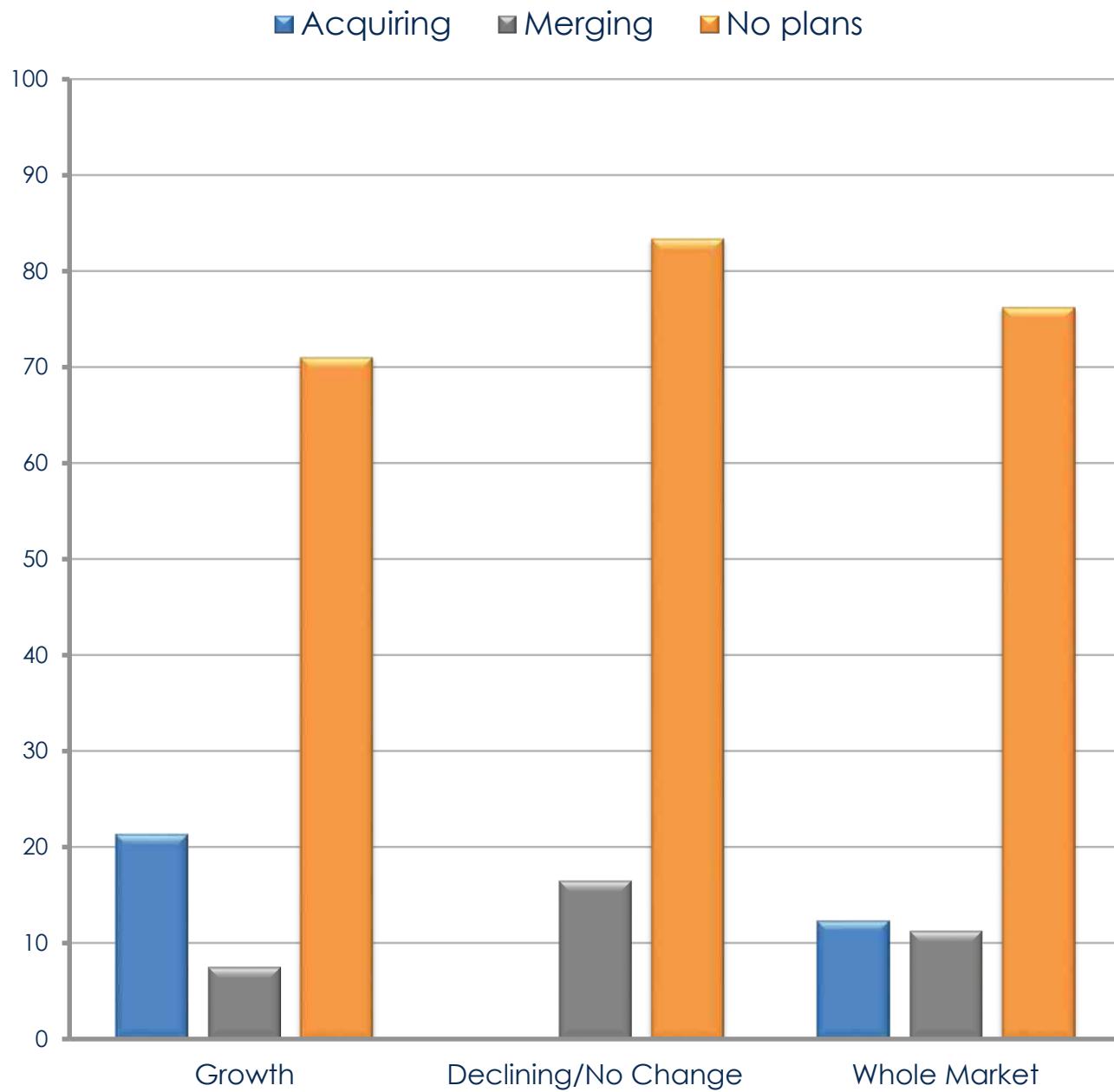
Note: no statistically significant variance by state or industry sector of SME



FIGURE 5

Business Acquisition / Merge Intentions – February 2016

% of Total SMEs



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

TABLE 17

Funding Plans for Business Investment – Growth SMEs

% of Total SMEs

Growth SMEs	Feb 2015 (N: 623)	Feb 2016 (N: 644)	Change (%)
Borrowing from my main relationship bank	40.3	32.9	(18.4)
Borrow from another bank or a specialist non-bank lender	13.3	16.0	20.3
Other forms of debt	1.8	2.2	22.2
Own funds	91.0	92.9	2.1
New equity	9.8	8.5	(13.3)

TABLE 18

Funding Plans for Business Investment – Declining / No Change SMEs

% of Total SMEs

Declining/No Change SMEs	Feb 2015 (N: 61)	Feb 2016 (N: 51)	Change (%)
Borrowing from my main relationship bank	21.3	21.6	1.4
Borrow from another bank or a specialist non-bank lender	16.4	21.6	31.7
Other forms of debt	6.6	15.7	137.9
Own funds	75.4	90.2	19.6
New equity	4.9	3.9	(20.4)

TABLE 19

Funding Plans for Business Investment – Whole SME Market

% of Total SMEs

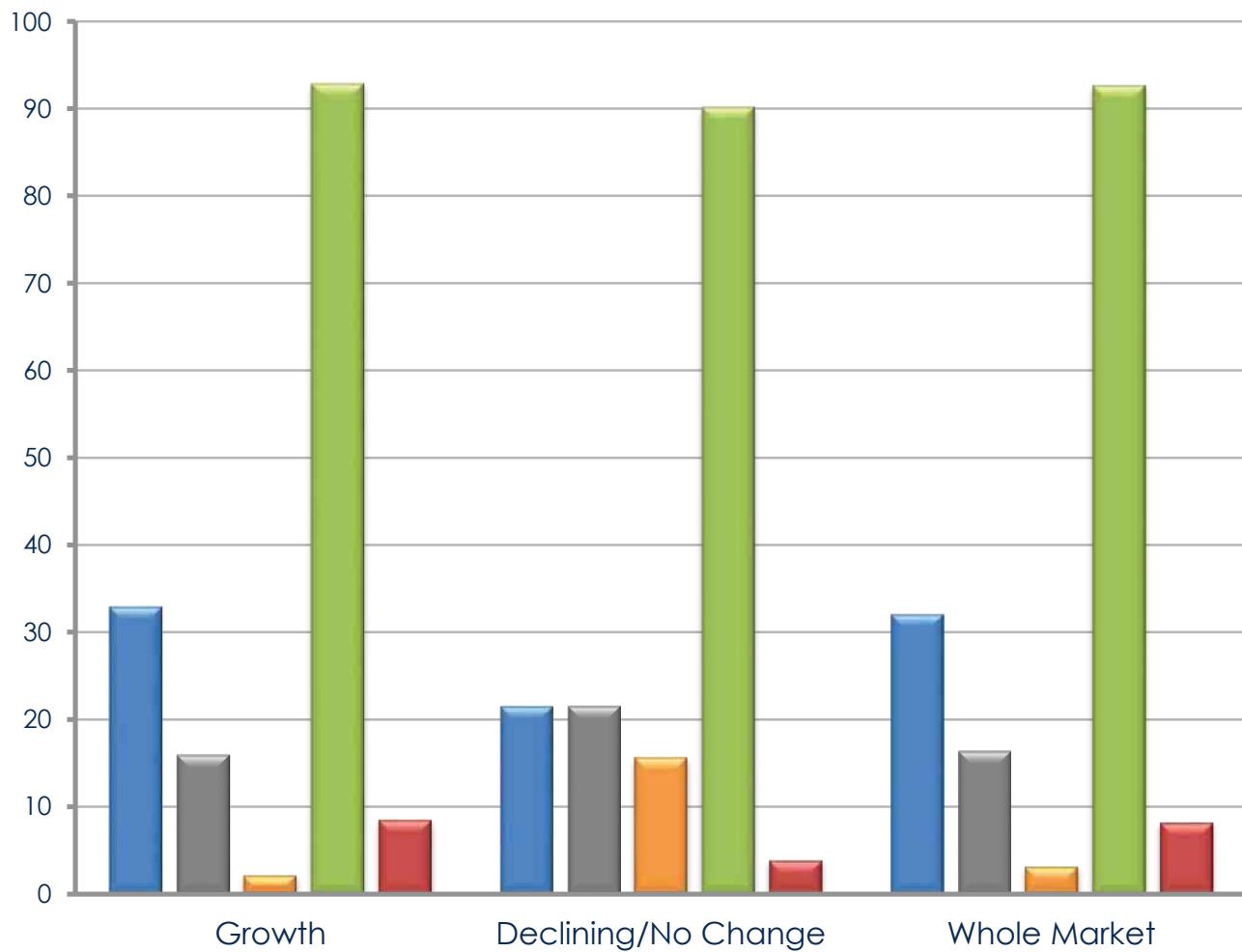
Whole SME Market	Feb 2015 (N: 684)	Feb 2016 (N: 695)	Change (%)
Borrowing from my main relationship bank	38.6	32.1	(16.8)
Borrow from another bank or a specialist non-bank lender	13.6	16.4	20.6
Other forms of debt	2.2	3.2	45.5
Own funds	89.6	92.7	3.5
New equity	9.4	8.2	(12.8)

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

Note: sums to over 100 percent due to multiple responding allowed

FIGURE 6
Funding Plans for Business Investment
% of Total SMEs

- Borrowing from my main relationship bank
- Borrow from another bank or a specialist non-bank lender
- Other forms of debt
- Own funds
- New equity



What are the key drivers behind your business growth?

TABLE 20

Drivers of Business Growth

% of Growth SMEs

	Feb 2015 (N: 738)	Feb 2016 (N: 727)	Change (%)
Anchor / core customers	36.0	36.6	1.7
Great people/staff/strong team	33.7	35.6	5.6
Don't know / just followed our nose	32.2	35.2	9.3
Luck / good fortune / good timing	20.9	25.9	23.9
Good industry networks	24.0	25.6	6.7
Continual change / innovation	21.8	21.3	(2.3)
Smart marketing	12.7	15.3	20.5
No legacies / history	13.3	12.7	(4.5)
Successfully integrating technology with the business	13.4	12.5	(6.7)
Smart management	11.9	11.1	(6.7)
Tightly defined markets / segments	8.8	10.3	17.0
Availability of equity / positive backers	7.6	10.0	31.6
Little / no direct competition	8.0	7.3	(8.8)
Effective mentors / advisors	4.9	4.4	(10.2)
Other	0.5	0.6	20.0

Note: sums to over 100 percent due to multiple responding allowed

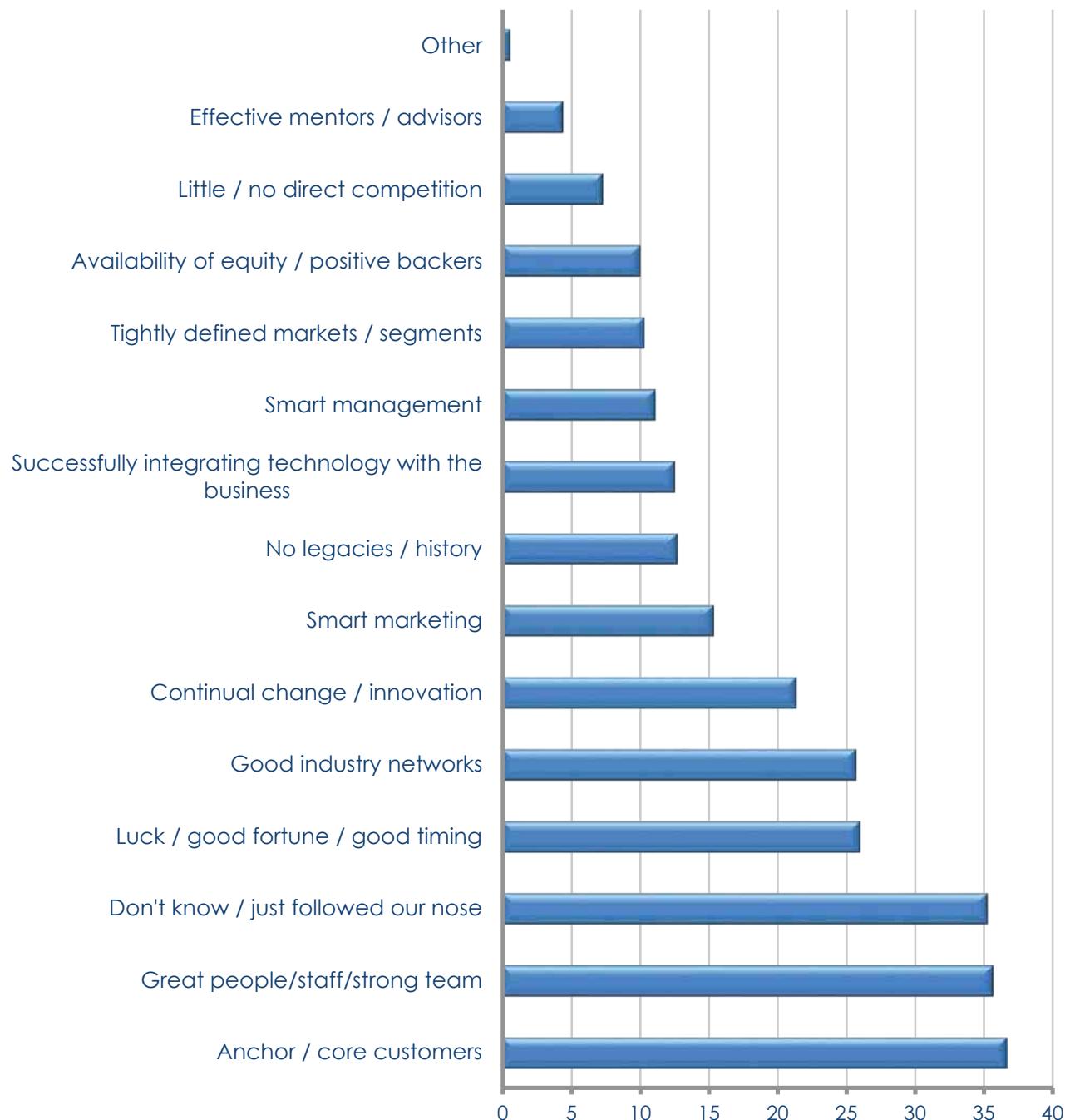
Note: the question was confined to SMEs self-reporting as growth businesses



FIGURE 7

Drivers of Business Growth

% of Growth SMEs



What do you see as the key barriers to business growth?

TABLE 21

Barriers to Business Growth – Growth SMEs

% of Total

Growth SMEs	Feb 2015 (N: 738)	Feb 2016 (N: 727)	Change (%)
High / multiple taxes	58.7	62.7	6.8
Conditions of credit	57.3	62.0	8.2
Availability of credit	47.6	51.9	9.0
Red tape / regulatory change / imposts	53.8	56.5	5.0
Cash flow / its security	51.8	52.5	1.4
Government policies / business unfriendly	28.9	33.0	14.2
No real private / friendly equity funding available	20.1	18.7	(7.0)
Margin compression	17.9	16.0	(10.6)
Offshore competition	10.7	9.8	(8.4)
Quality of available talent / human resources	14.0	12.1	(13.6)
Cost of credit	9.1	7.2	(20.9)
Other	1.2	1.5	25.0
None	12.6	9.6	(23.8)

TABLE 22

Barriers to Business Growth – Declining / No Change SMEs

% of Total

Growth SMEs	Feb 2015 (N: 515)	Feb 2016 (N: 526)	Change (%)
High / multiple taxes	76.1	80.2	5.4
Conditions of credit	73.2	74.5	1.8
Availability of credit	64.9	68.4	5.4
Red tape / regulatory change / imposts	19.0	24.5	28.9
Cash flow / its security	17.9	20.0	11.7
Government policies / business unfriendly	30.3	32.5	7.3
No real private / friendly equity funding available	31.1	32.5	4.5
Margin compression	36.1	29.3	(18.8)
Offshore competition	24.3	23.2	(4.5)
Quality of available talent / human resources	3.5	2.1	(40.0)
Cost of credit	8.2	6.8	(17.1)
Other	1.6	1.5	(6.3)
None	4.1	2.9	(29.3)

TABLE 23

Barriers to Business Growth – Whole SME Market

% of Total

Growth SMEs	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)	Change (%)
High / multiple taxes	65.8	70.1	6.5
Conditions of credit	63.8	67.3	5.5
Availability of credit	54.7	58.8	7.5
Red tape / regulatory change / imposts	39.5	43.1	9.1
Cash flow / its security	37.8	38.9	2.9
Government policies / business unfriendly	29.4	32.8	11.6
No real private / friendly equity funding available	24.6	24.5	(0.4)
Margin compression	25.4	21.5	(15.4)
Offshore competition	16.3	15.4	(5.5)
Quality of available talent / human resources	9.7	7.9	(18.6)
Cost of credit	8.7	7.0	(19.5)
Other	1.4	1.5	7.1
None	9.1	6.8	(25.3)

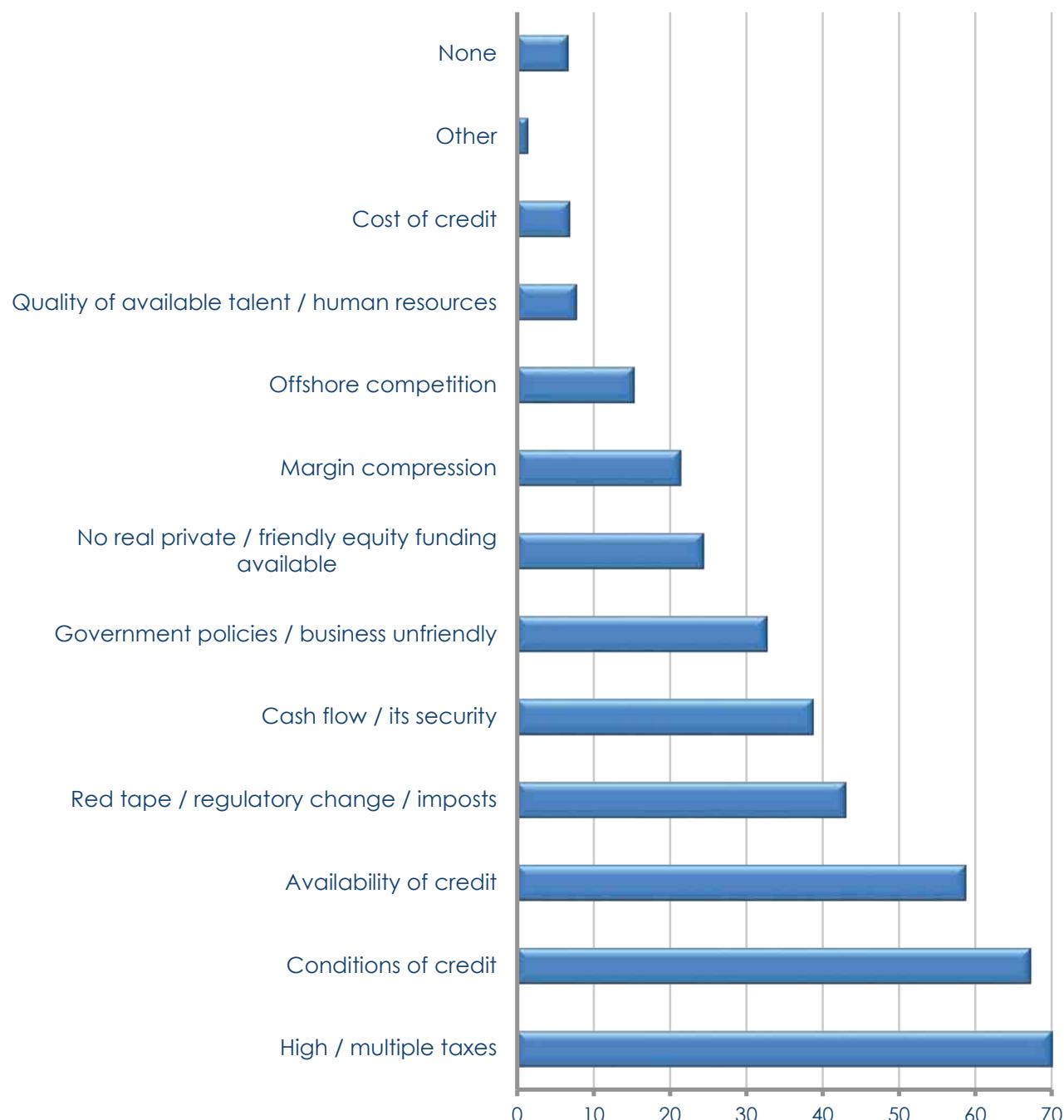
Note: sums to over 100 percent due to multiple responding allowed



FIGURE 8

Barriers to Business Growth – Whole SME Market

% of Total SMEs



Special Question Results

Scottish Pacific SME Growth Index

March 2016

On a scale of 1-5, where 1=very important and 5=least important, please rate how important each of the following factors are when obtaining finance for your business?

TABLE 24

Importance of Factors when Obtaining Finance

Average Score (1=very important and 5=least important)

	Whole SME Market (N: 1253)
Unsecured (no real estate security required)	1.88
Ability to talk directly to the lending decision maker	1.97
Industry expertise of lender (knowledge of and appetite for)	2.00
Speed of credit approval/decision making	2.03
Price (cheapest rate)	2.11
Strength/stability/reliability of the lender	2.16
Other	—

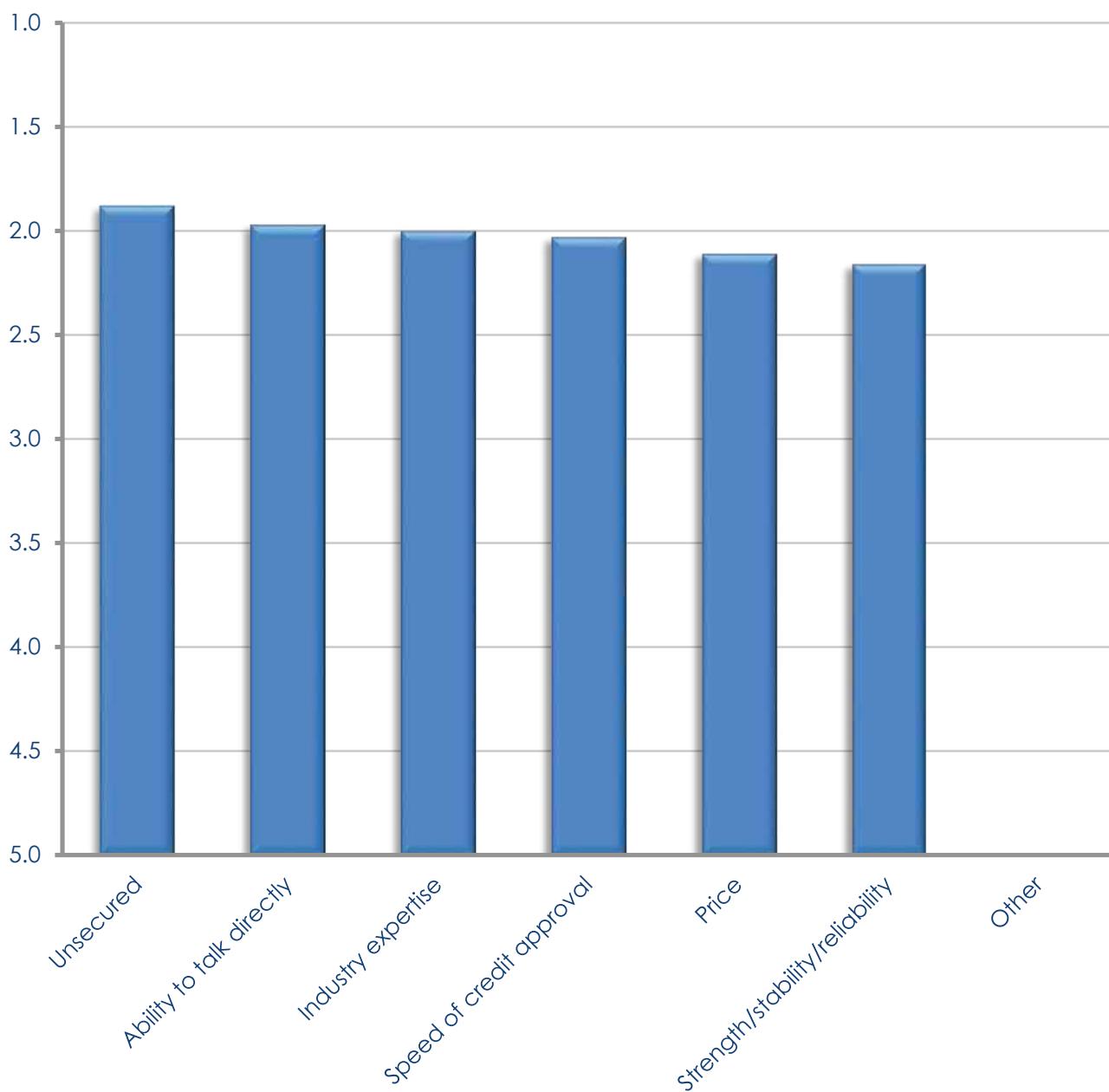
Note: no statistically significant variance by state, industry sector or primary working capital provider or "growth" / "no change" / Declining" SME Segment



FIGURE 9

Importance of Factors when Obtaining Finance

Average Score (1=very important and 5=least important)



Would you be prepared to pay a higher rate to obtain finance if it meant you didn't have to provide real estate security?

TABLE 25

Willingness to Pay Higher Rate for No Real Estate Security

% of Total SMEs

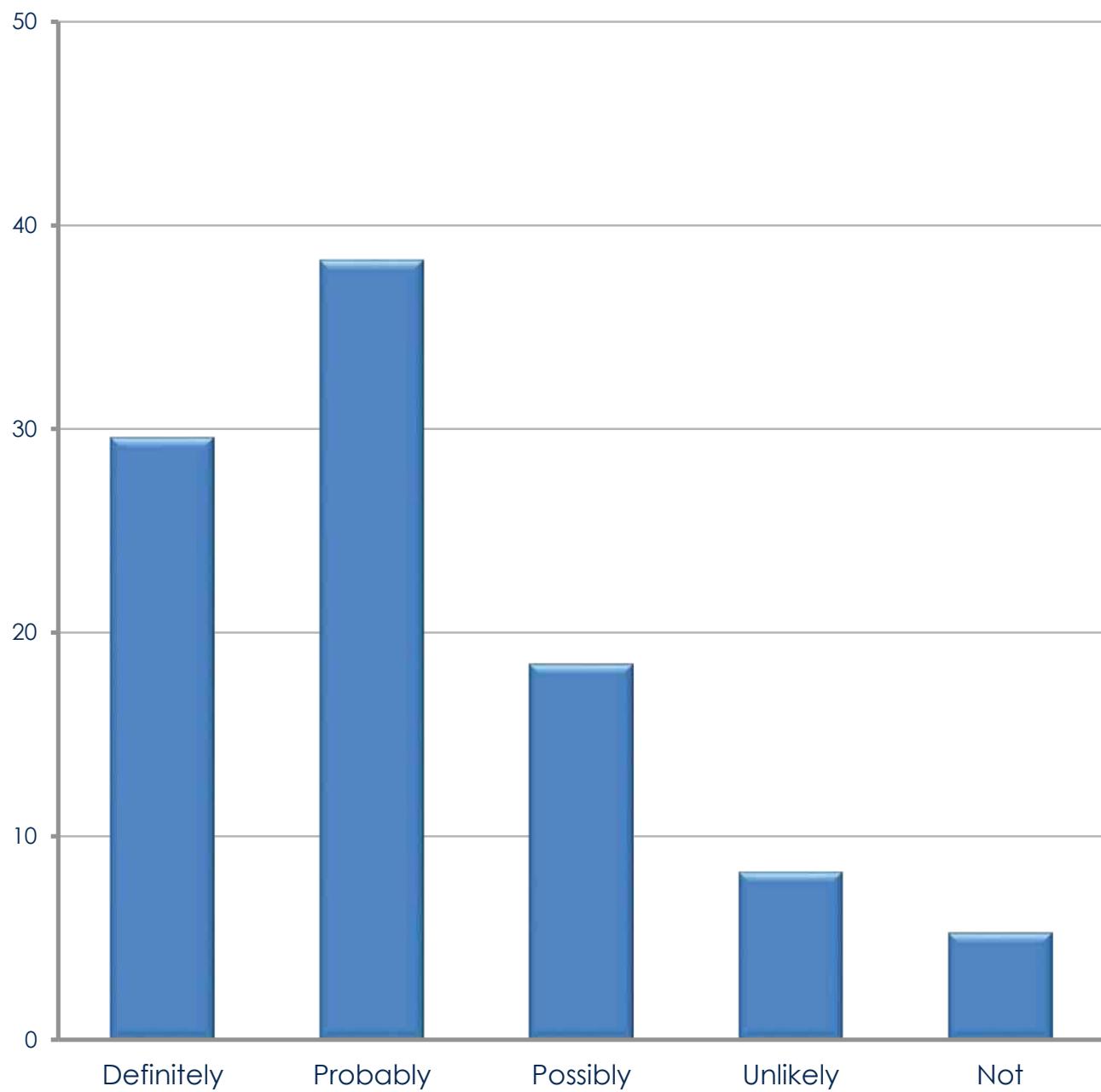
	Whole SME Market (N: 1257)
Yes, definitely	29.6
Yes, probably	38.3
Possibly/not sure	18.5
Unlikely	8.3
Definitely not	5.3
TOTAL	100.0

Note: no statistically significant variance by state, industry sector, primary working capital provider or "growth" / "no change/declining" SME segment

FIGURE 10

Willingness to Pay Higher Rate for No Real Estate Security

% of Total SMEs



How often have you used your personal finance facilities (e.g. credit card) to support your business?

TABLE 26

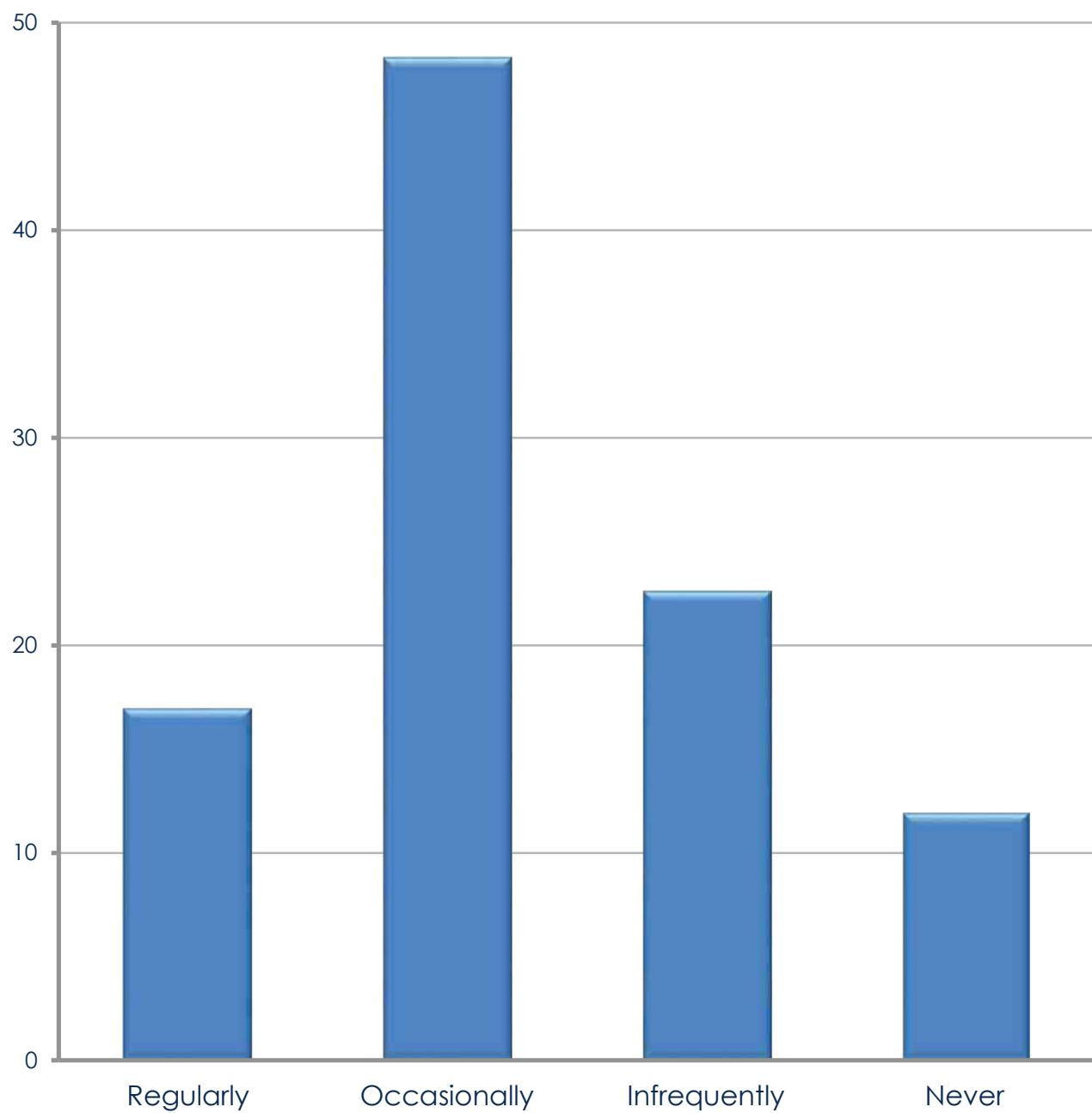
Use of Personal Finance Facilities to Support Own Business

% of Total SMEs

	Whole SME Market (N: 1257)
Regularly	17.0
Occasionally	48.4
Infrequently - emergencies only	22.7
Never	12.0
TOTAL	100.0

Note: no statistically significant variance by state, industry sector, primary working capital provider or "growth" / "no change/declining" SME segment

FIGURE 11
Use of Personal Finance Facilities to Support Own Business
% of Total SMEs



Appendix I

Methodology and Interviewee Questionnaire

Scottish Pacific SME Growth Index

March 2016

Methodology

East & Partners interviewed 1,253 SME businesses with annual revenues of A\$1-20 million over a four week period in early 2016.

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 which is included as Appendix 1 to this report.

**TABLE A
Geographical Distribution**

% of Total

	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)
NSW & ACT	38.8	39.2
VIC & TAS	24.0	23.4
QLD	18.0	17.8
WA	12.9	13.4
Other	6.2	6.2
TOTAL	100.0	100.0

**TABLE B
Interviewee Distribution**

% of Total

	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)
Business Owner / CEO	59.9	59.3
CFO	22.1	22.8
Finance Director	8.6	8.5
Treasurer	2.6	2.5
Other	6.8	6.9
TOTAL	100.0	100.0

TABLE C
Sample Industry Sector Distribution
 % of Total

	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)
Agriculture, Forestry, Fishing	5.6	5.5
Mining & Resources	8.5	8.1
Manufacturing	18.7	18.4
Electricity, Gas & Water	1.1	1.0
Construction	8.5	9.1
Wholesale	8.9	9.0
Retail	12.4	12.1
Accommodation, Cafes & Restaurants	2.8	2.6
Transport & Storage	7.2	7.4
Media & Telco	1.0	1.0
Finance & Insurance (non-banks)	4.6	4.4
Property & Business Services	12.1	12.5
Personal & Other Services	8.8	8.9
TOTAL	100.0	100.0

TABLE D
Age of Business
 Years

	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)
Average number of years in business	8.6	9.5

TABLE E
Headcount of Business
 Full Time Employees

	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)
Average FTE in Business	86.0	82.0

TABLE F
Primary Working Capital Provider
 % of Total

	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)
ANZ	12.1	12.2
BankWest	5.6	5.3
Bendigo Adelaide Bank	1.0	1.0
BoQ	3.4	3.7
CBA	17.3	17.6
Citigroup	0.4	0.4
HSBC	0.6	0.9
NAB	31.4	30.7
St George	7.4	7.0
Suncorp	3.7	3.8
Westpac	14.6	14.8
Other	2.5	2.6
TOTAL	100.0	100.0

TABLE F
Primary Working Capital Provider – Relationship Age
 Average Years

	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)
ANZ	6.0	6.8
BankWest	5.1	5.8
Bendigo Adelaide Bank	7.9	8.8
BoQ	6.9	7.5
CBA	6.0	6.6
Citigroup	8.1	8.3
HSBC	3.9	4.0
NAB	7.8	8.6
St George	7.4	8.0
Suncorp	5.0	4.9
Westpac	6.2	6.6
Other	6.2	5.4
TOTAL	6.7	6.9

TABLE H
Secondary Working Capital Provider
 % of Total

	Feb 2015 (N: 1253)	Feb 2016 (N: 1253)
ANZ	7.7	7.5
BankWest	5.2	5.0
Bendigo Adelaide Bank	0.8	1.0
BoQ	3.8	4.2
CBA	14.4	15.1
Citigroup	1.0	0.7
HSBC	1.9	1.8
NAB	15.3	14.8
St George	7.8	7.3
Suncorp	3.7	3.8
Westpac	11.8	11.7
Other	3.7	4.1
None	22.8	23.1
TOTAL	100.0	100.0

Scottish Pacific SME Growth Index

(A\$1 – 20 million turnover accounts)

Interview Questionnaire

Organisation.....

Mailing Address

Phone Fax.....

Interviewee.....

Title

Email

Website

Principal Industry Sector (ANZSIC).....

Current Annual Turnover.....

Number of Full Time Staff

Year Business Established

Primary Working Capital Provider

Length of Relationship (years)

Secondary Working Capital Provider.....

Core Questions

- 1 Please forecast the percentage change in your business revenues – either negative or positive - over the next six months:

.....

- 2 Which of these descriptions best describes the phase your business is currently in:

- Start-up
- Growth
- Stable
- Consolidation
- Contracting

- 3 Are you planning to introduce any new products or services in the next six months?

- New Products
- New Services
- New Products and Services
- No plans

- 4 Are you planning to expand your business geographically in the next six months, either domestically or overseas?

- Domestic geographic business expansion
- Overseas geographic business expansion
- Overseas and domestic geographic expansion
- No plans

5 Are you planning to acquire another business or merge with another business in the next six months?

- Acquiring another business
- Merging with another business
- No plans

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

- Borrowing from my main relationship bank
- Borrow from another bank or a specialist non-bank lender
- Other forms of debt
- Own funds
- New equity

7 What are the key drivers behind your business growth?

8 What do you see as the key barriers to business growth?

Special Questions Round Four

- 9 On a scale of 1-5, where 1=very important and 5=least important, please rate how important each of the following factors are when obtaining finance for your business?

	Rating
<input type="checkbox"/> Price (Cheapest Rate)
<input type="checkbox"/> Speed of credit approval/decision making
<input type="checkbox"/> Unsecured (no real estate security required)
<input type="checkbox"/> Ability to talk directly to lending decision maker
<input type="checkbox"/> Strength/stability/reliability of the lender
<input type="checkbox"/> Industry expertise of the lender (knowledge of and appetite for)

- 10 Would you be prepared to pay a higher rate to obtain finance if it meant you didn't have to provide real estate security?

- Yes, definitely
- Yes, Probably
- Possibly/not sure
- Unlikely
- Definitely not

- 11 How often have you used your personal finance facilities (e.g. credit card) to support your business?

- Regularly
- Occasionally
- Infrequently – emergencies only
- Never

Thank you for your participation and valuable input to this ongoing research program. We look forward to further involvement as this research program continues.



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BUSINESS FINANCE

Established in 1988, Scottish Pacific Business Finance is Australia and New Zealand's largest specialist provider of working capital solutions with a comprehensive range of debtor finance and trade finance solutions. Scottish Pacific handles more than \$10 billion of invoices each year, providing funding lines exceeding \$700 million, and has full operations centres in Sydney, Melbourne, Perth, Brisbane, Adelaide, Auckland, London and China.

Scottish Pacific has been awarded Australia's best Cash Flow lender for three years running (2014, 2015 and 2016) as voted by brokers in The Adviser's annual Non-Bank Lending Awards. At the international Trade Finance Global Excellence Awards in 2015, Scottish Pacific was awarded Best Trade Finance Provider.

Clients are predominantly Small and Medium Sized Enterprises (SMEs) which require more personalised facilities that best suit their individual needs, and therefore find it difficult to obtain appropriate funding from their main banking providers.

As a specialist provider of working capital, Scottish Pacific is well placed to understand the needs and the sentiment of SME businesses, and the Scottish Pacific SME Growth Index is a response to the firm's unique position in the market, and its status as a market leader.

The purpose of the Index is three-fold:

- To drive development of the financial solutions available to SMEs throughout Australia and New Zealand, by providing Scottish Pacific with market intelligence to deepen our understanding of SMEs' needs.
- To provide Scottish Pacific with the data to help us act as advocates for SMEs, and as thought leaders within the business finance community.
- To share our insights with the broad SME community - the lifeblood of business in Australia - and with fellow business finance professionals.

East & Partners interviewed 1,253 SME businesses with annual revenues of between \$1-20 million in the first quarter of 2016. 82 percent of respondents were SME business owners, CEOs or CFOs. The next Index will be released in September 2016.

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