



# SME Growth Index

March 2026



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



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# Executive Summary

## Growth Prospects Improve As Confidence Gap Widens

The SME landscape in 2026 is defined by strong ambition tempered by tighter financial conditions. Growth remains achievable, but it is increasingly dependent on access to capital, operational discipline and funding flexibility.

Welcome to the 24th edition of ScotPac's SME Growth Index, Australia's leading barometer of SME sentiment. The findings reveal a sector no longer sitting on the fence.

Businesses are moving decisively – accelerating into growth or managing contraction – as rising interest rates, sticky cost-of-living pressures and tighter bank credit reshape the funding landscape.

### Growth Still on the Table – But Not Guaranteed

Almost six in ten SMEs expect revenue growth in the first half of 2026. Yet as the middle ground narrows, more than half believe they will miss near-term targets.

Credit access has overtaken labour shortages as the primary constraint on performance. Softer demand continues to weigh on revenues, while supply chain disruption – a dominant headwind in recent years – has eased. That is prompting a decisive shift in focus for SMEs from logistics to liquidity.

### Funding Dynamics Have Structurally Shifted

Investment appetite remains resilient, with close to 60% of SMEs planning capital deployment. But how that growth is funded tells the deeper story.

Since 2019, the share of SMEs turning to non-bank lenders for new investment has tripled to 57%, compared with just

28% relying on banks. Non-bank finance has now also entered the mainstream, with one in three SMEs using it for general borrowing – not only to fund growth, but to support day-to-day operations. Speed, flexibility and avoiding personal guarantees or family home exposure are driving this transition.

### The Rise of Asset Based Lending

In findings that point to sustained momentum rather than cyclical change, 49% of Australia's SMEs confirmed they are already using asset based lending, and a further wave are planning adoption over the next 12 months. Unlocking liquidity from receivables, inventory and equipment is increasingly preferred by SME owners and operators to stretching balance sheets or pledging personal assets.

For commercial brokers, this offers a chance to leverage their expertise in developing working capital solutions in an area where knowledge gaps remain.

### Staff Attrition Persists but Productivity Evolves

One in three SMEs experienced elevated staff attrition over the past year. However, the impacts were not uniformly felt.

Some SMEs faced constrained output, higher training and contractor costs, and restricted growth opportunities. At the same time, a meaningful share reported productivity gains through leaner structures and improved processes.

The common theme: Workforce stability is emerging as a defining factor in productivity and long-term growth capacity.

### Payday Super: High Awareness, Low Preparedness

Almost 90% of SMEs are aware of the shift to Payday Super from July 2026, but alarmingly more than two-thirds have made no cash-flow preparations.

Moving from quarterly to real-time super payments will tighten working capital cycles at a time when liquidity management is already critical, particularly for smaller businesses.

### A Defining Year for SME Funding Strategy

The message from this edition of the SME Growth Index Report is clear: access to flexible capital and disciplined cash-flow management will be a key factor in separating growth from stagnation in 2026.

In an environment where credit conditions are tighter, demand is uneven and regulatory change is accelerating, SMEs that proactively structure their funding and manage liquidity will be best positioned to convert opportunity into sustained growth.

We trust you will find these insights valuable as you navigate the year ahead.



**Jon Sutton**  
CEO ScotPac



# Round 24 SME Growth Index Highlights

**59%** of SMEs are forecasting revenue growth of between **3%** and **20%**

**36%** of SMEs are projecting a decline in revenue, a **9%** increase year-on-year

**39%** of SMEs say access to credit is preventing them from achieving revenue targets

**57%** of SMEs plan to fund new business investment with non-bank finance

**31%** of SMEs reported higher levels of staff attrition in the past 12 months

**13%** of SMEs report higher productivity despite lower headcount

**49%** of SMEs currently engage with some form of asset based lending

**65%** of SMEs will use a commercial broker when seeking to acquire finance

**68%** of SMEs have made no cash flow preparations for Payday Super change



# SME Optimism Holds, But Strain Deepens for More Businesses

## Growth Outlook Improves for Business Services, Transport and Agriculture Sectors

### Overview

While 59% of SMEs expect positive revenue growth over the next six months - unchanged from August 2025 - the distribution of those forecasts has reached its most polarised point in the 12-year history of the SME Growth Index.

Positive revenue expectations now range from modest single-digit gains of 3% to strong double-digit growth of 20%, marking the widest disparity ever recorded and highlighting the acceleration of a two-speed SME economy.

Mining-related SMEs remain the most confident sector, with 83% forecasting growth. SMEs engaged in business services (74%), transport (72%) and agriculture (66%) are also reporting strong near-term optimism.

However, at the other end of the spectrum, 36% of SMEs are forecasting negative growth, a 9% increase year-on-year. Those expecting contraction anticipate an average revenue decline of -15%, more than double the -6% average forecast at the height of the pandemic.

Victoria is now the only State where average SME growth projections remain in the negative (-7%).

59%

of SMEs are predicting **business revenue growth** in H1 2026 by as much as 19%



36%

of SMEs are forecasting a **six-month decline in revenue** by as much as -28%



5%

of SMEs projected no change in business revenue, down from a high of 29% in 2020



### For SMEs

Growth-oriented businesses should ensure they have scalable funding structures in place to capitalise quickly on new contracts, acquisitions or expansion opportunities. Businesses facing softer demand should prioritise liquidity, working capital efficiency and, where necessary, tailored restructuring support.

### For Brokers

In a polarised SME economy, proactive funding advice becomes a competitive advantage. Clients pursuing expansion will require flexible, scalable funding that grows alongside revenue. Those anticipating contraction will look to brokers for guidance on working capital optimisation, debt restructuring, and cash-flow management to reduce pressure during downturns.

### How can ScotPac help?

ScotPac has the broadest and most flexible range of business lending and working capital solutions to give SMEs the best chance of success. We work both directly and with an extensive network of brokers to provide flexible tailored support more than 9,300 businesses across a wide range of sectors. Find out more about [ScotPac's](#) award-winning cash flow products.



# Credit Access Emerges as the Primary Barrier to SME Revenue Targets

## Staff Shortages and Supply Chain Issues Show Signs of Improvement

### Overview

While most SMEs expect trading conditions to improve over the next six months, business owners and leaders are less certain about hitting internal revenue targets.

51% per cent of SMEs are not confident of meeting their 2026 revenue goals – only slightly better than the 54% recorded during the uncertainty of COVID-affected 2022.

- Access to finance remains the single largest perceived barrier to success, flagged by almost 40% of SMEs.
- Weakened customer demand due to cost-of-living pressures was nominated by 28% of respondents.
- Staff shortages and hiring challenges – although still significant at 23% – have eased considerably from 40% in 2022.

Supply chain pressures also continued to moderate, with just 13% of SMEs identifying them as a constraint on revenue performance, down from 18% four years ago.

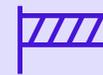
15% of SMEs reported having difficulty accessing grants that would improve their revenue picture, while 14% felt they just didn't have enough time in the day.

51%



of SMEs do not expect to achieve their near-term revenue targets

39%



rated access to finance as the biggest hurdle to achieving success

28%



cited cost-of-living softening demand for goods or services

### For SMEs

The data reveals a growing gap between revenue optimism and execution confidence. With access to finance cited as the leading barrier, capital readiness is becoming a decisive factor in turning forecasts into results. SMEs that proactively secure funding capacity and optimise cash flow will be better positioned to convert opportunity into performance.

### For Brokers

In a market where confidence is fragile, proactive funding advice becomes a competitive differentiator. With nearly 40% of SMEs identifying finance access as their biggest obstacle, brokers have a clear mandate to ensure clients have the right funding structures in place before constraints derail growth plans. Beyond sourcing capital, brokers can add value by stress-testing revenue assumptions, identifying liquidity gaps early, and guiding clients toward flexible solutions.

### How can ScotPac help?

ScotPac's suite of fast and flexible finance solutions support businesses at every stage of their growth journey. Whether funding expansion, managing working capital or navigating change, we deliver tailored solutions that help businesses to optimise working capital and drive growth.



# Most SMEs Turn to Non-banks to Fund New Business Investment

Funding habits evolve as growth appetite remains strong

## Overview

Sixty per cent of SMEs plan to invest in their business over the next six months, with 93% of this group forecasting revenue growth. This marks a strong rebound from a decade ago when investment intentions fell to a record low of 49%, and from the pandemic period when plans hovered just above 50%.

A record 57% of SMEs intend to access non-bank finance to fund new investment – up 4% year-on-year and triple the 19% recorded in August 2019.

Demand is being driven by both growth-phase SMEs (56%) and those projecting flat or declining revenue (74%).

## Bank Lending Weakens

Just 28% of SMEs plan to use traditional bank finance for capital investment, either as a primary (19%) or secondary (9%) lender – significantly lower than the 38% figure in the first SME Growth Index in August 2014. This underscores a decade-long structural shift away from banks as the default funding source for business investment.

Ninety-five per cent of SMEs expect to use retained earnings or equity to partially or fully fund new investment, highlighting the significant addressable market for external SME lenders.

93%

of SMEs predicting revenue growth will invest in their business in the next six months



57%

of SMEs intend to use non-bank funding sources for new investment



28%

of SMEs plan to use bank lenders to back capital investment



## For SMEs

Non-bank finance is now established as a mainstream funding pathway for Australian businesses. For the 43% of SMEs not currently planning to use non-bank lending for new investment, the data presents a compelling reason to reassess non-bank funding sources as a means of staying agile and ready to take advantage of opportunities as they arise.

## For Brokers

In a market where funding structures are evolving quickly, brokers who proactively introduce non-bank options can differentiate their value, deepen client relationships and capture opportunities that may otherwise not be realised. By helping clients cut through the options to find the right solutions, brokers can position themselves as long-term strategic partners.

## How can ScotPac help?

ScotPac provides flexible business funding solutions to help SMEs invest and expand with confidence. Our range of business funding options – including our new [Line of Credit](#) – can be tailored to support growth by providing ready access to funds when they are needed most.



# Asset Based Lending Becomes a Core SME Funding Strategy

49% of Australia's SMEs are Turning Assets Into Action

## Overview

Almost half of Australia's SMEs are now engaged in some form of asset based lending, with 26% entering the market in the past year alone, while a further 23% signed on for an asset based loan before 2025.

## Adoption Set to Surge

The momentum looks set to continue throughout 2026, with 28% of SMEs confirming they plan to adopt an asset based lending solution in the next 12 months. The charge looks set to be led by larger SMEs with almost a third (31%) seeking scalable asset based lending options.

Importantly, just one in ten SMEs have ruled out asset based lending altogether, highlighting a significant addressable market. The encouraging news for brokers is that 65% of SMEs are now turning to brokers for support with asset based lending decisions.

## Awareness Gap

While only 5% of larger SMEs declared they had no knowledge of asset based lending, that figure increased to 13% for micro-SMEs (revenues between \$1-\$5 million) with smaller asset bases and less exposure to the range of finance solutions.

49%

of SMEs have adopted some form of asset based lending in the past two years



28%

of businesses plan to leverage the asset based lending market within the next 12 months



11%

of SMEs ruled out considering asset based lending



## For SMEs

SMEs are increasingly recognising that valuable capital often sits idle on their balance sheet, tied up in invoices, equipment or inventory. For growth-focused SMEs, asset based finance provides scalable funding that rises alongside revenue. For businesses navigating volatility, it offers flexibility and cash flow stability when it matters most.

## For Brokers

With asset based lending growing in prominence, brokers have a significant opportunity to explore potential options in advisory discussions with clients. The low proportion of SMEs ruling out asset based lending - combined with rising demand and awareness gaps among micro businesses - creates a large, underpenetrated market. Brokers who proactively educate clients on balance-sheet can add value for their clients.

## How can ScotPac help?

ScotPac's [Asset Based Finance](#) provides businesses with ongoing access to liquidity in a simple and flexible structure. It allows for a blend of assets - including inventory, debtors, property, plant and equipment - to be combined in a single security pool. It helps businesses to leverage their balance sheets to access the funding they need.



# Non-bank Lending Expands Beyond Capex as SMEs Rethink Core Funding

## General Business Borrowing Moves Towards Fast, Flexible Capital

### Overview

One in three SMEs accessed non-bank lending in the past 12 months to support their overall business borrowing needs, rather than solely for capital expenditure requirements.

Most of this cohort sourced an average of 67% of total borrowings from a single non-bank provider. At the other end of the spectrum, a small number of businesses (3%) sourced more than 80% their total borrowings from multiple non-bank lenders, reflecting a more diversified funding strategy.

The leading factors driving SMEs to non-bank lenders for broader borrowing needs were:

- Avoiding the use of non-property assets as security or personal guarantees (19%) and lending against the family home (16%)
- Streamlined onboarding and reduced administrative burden (17%)
- Faster access to funds (16%), particularly for smaller SMEs.

Less than one in ten SMEs ruled out the prospect of using non-bank lending. Notably, 12% of SMEs cited declining bank credit appetite as the primary trigger for turning to non-bank lending – up fourfold since 2018 – reinforcing the structural shift in credit availability.

34%



of SMEs sourced non-bank lending in the past 12 months

21%



of micro-SMEs cite the speed of non-bank funding as a driving factor

8%



of SMEs said they would never consider using a non-bank lender

### For SMEs

Non-bank lending is increasingly becoming part of the funding strategy for SMEs for day-to-day business support. The appeal is clear: faster approvals, streamlined processes and reduced reliance on personal guarantees.

### For Brokers

The data highlights two clear opportunities: educating SMEs on alternatives to property security and personal guarantees, and supporting clients to diversify funding relationships strategically rather than by necessity. With one in three SMEs accessing non-bank finance for general business needs, there remains headroom for brokers to position themselves as long-term capital partners.

### How can ScotPac help?

SMEs across all sectors need a reliable source of cash flow to stay on top of costs and succeed. ScotPac's team of lending specialists work with brokers and business owners to tailor working capital solutions that keep SMEs running smoothly in the face of rising costs. Find out more about how ScotPac can help SMEs more easily and predictably [manage their cash flow](#).



# Looming Payday Super Changes Expose SME Cashflow Risk

High Awareness, Low Preparedness Ahead of July 1 Change

## Overview

Under the Federal Government's 'Payday Super' reforms, from 1 July 2026 employers will be required to pay superannuation contributions at the same time as wages, rather than quarterly.

Almost 90% of SMEs confirmed they are aware of the impending super payment changes, including 40% who report being highly aware and 48% generally aware.

However, the level of preparedness is lagging. Almost 70% of SMEs have not yet made any cash flow preparations to accommodate the shift. The gap is most pronounced among micro-SMEs (78%), compared with larger SMEs (58%).

For those SMEs that have acted or made preparations:

- 17% have sought support from their accountant
- 7% have turned to their broker for cash flow management advice
- 5% have secured new equity or debt funding ahead of the reform
- One in five businesses intend to reduce headcount.

88%

of SMEs have some level of awareness of the Payday Super changes



68%

of SMEs have made no cash flow preparations to support implementation



21%

of SMEs plan to reduce headcount to ease impending cash flow strain



## For SMEs

Businesses that rely on the quarterly super cycle as a de facto working capital buffer will need to reassess liquidity planning with the shift to payday super. As part of the change, the ATO will permanently close its free Small Business Superannuation Clearing House on 1 July 2026. SMEs that currently rely on the service to process employee super payments should consider financing options to transition to payroll software.

## For Brokers

The reform creates a clear advisory opportunity for brokers looking to deepen client relationships or generate new business. With most SMEs yet to prepare, brokers can play a critical role in helping clients quantify the working capital impact and structure funding solutions ahead of the transition.

## How can ScotPac help?

ScotPac has a wide range of [working capital solutions](#) to help businesses optimise their cash flow cash flow. With access to sufficient cash reserves, SMEs can ensure all operating expenses are covered, including supplier and inventory expenses, insurance and energy bills, and wages and superannuation costs.



# Staff Churn Leads to Mixed Productivity Outcomes

## Talent Retention Emerges as Competitive Advantage

### Overview

One in three businesses experienced high levels of staff attrition in the past 12 months, contributing to the average SME headcount declining for the 12th consecutive year of the Growth Index to 51 full-time equivalent employees.

While 15% of SMEs operating with reduced headcount reported no business impacts, the view on productivity levels was evenly split: 13% said lower staffing levels hurt productivity, and an equal proportion claimed productivity gains.

Other notable outcomes for SMEs with high attrition rates included:

- 12% faced extra training and induction costs
- 11% faced restricted growth opportunities and struggled to penetrate new markets
- 9% increased their use of outsourced services

A quarter of SMEs (23%) said they had low attrition rates and did not struggle to retain talent, with 10% claiming that stability made larger orders and transactions possible.

The findings reinforce that workforce stability is emerging as a key determinant of productivity performance and long-term growth capacity for Australian SMEs.

# 31%

of SMEs reported **higher levels of staff attrition** in the past 12 months



# 13%

said **fewer staff had hurt productivity** – while an equal share reported **enhanced productivity**



# 23%

of SMEs said they had **low staff attrition rates** which supported **expansion plans**



### For SMEs

As average SME headcount continues its long-term decline, the results suggest operational success will depend less on workforce size and more on workforce strategy. Businesses that execute on plans to invest in retention, training, AI and other operational efficiencies look well placed to convert workforce stability into strong operational performance.

### For Brokers

Workforce volatility has direct funding implications. Attrition-related costs including recruitment, training and outsourcing can all place pressure on working capital and margins. At the same time, SMEs experiencing workforce stability may seek funding to scale operations and capitalise on new demand. For brokers, understanding workforce trends within client businesses can provide early insight into emerging funding needs – well before they surface in financial statements.

### How can ScotPac help?

ScotPac offers a market-leading breadth of business and commercial finance solutions to help businesses become more productive and fuel long term-growth, whatever their staffing level situation. For more information, visit [ScotPac](#).



# 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 24th consecutive round of ScotPac's SME Growth Index. Each index round includes a mix of core questions and special questions which are refreshed in line with trends and challenges in the SME business environment.

The Round 24 research was conducted by East & Partners who interviewed 728 SME enterprises with annual revenues of A\$1-\$20 million.

All interviews were conducted over the telephone or face-to-face by an accredited East interviewer, speaking with the company Owner/ CEO (57%), CFO (21%), Finance Director (14%), Treasurer or other senior office holder.

The sample was framed in accordance with ANZSIC codes to provide a natural sample of the Australian enterprise population. 71% of interviewees were in Australian metropolitan centres, while 29% reside in regional areas.

The SMEs surveyed have operated continuously for an average of 16.3 years and manage an average of 51 full-time equivalent employees.

Sectors represented in the survey included Property & Business Services (14%), Wholesale (13%), Manufacturing (12%), Retail (10%), Transport & Storage (10%), Personal & Other Services (10%), Construction (10%) and other industries including Mining & Resources, Agriculture / Forestry / Fishing, Media & Telco, Accommodation, Cafes & Restaurants, Finance & Insurance (non-bank) and Electricity, Gas & Water.



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## About ScotPac

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

For over 35 years ScotPac has helped thousands of business owners succeed, offering Australasia's largest range of business funding solutions. We currently support more than 9,300 businesses and fund more than \$26 billion of invoices annually.

Since the previous SME Growth Index Report in September 2025, ScotPac has launched two new products to give businesses even more access to fast and flexible funding support.

- Line of Credit provides ongoing access to funds on demand – up to \$500,000 – with interest payable only on funds that are drawn down.
- Asset Based Finance operates as a single, revolving working capital product which can be secured against multiple asset classes including debtors, inventory, property, plant, and equipment.

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



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