

The CPA Australia Asia-Pacific small business survey 2009

Australia, Hong Kong, Malaysia and Singapore

CPA Australia Ltd ('CPA Australia') is one of the world's largest accounting bodies more than 122,000 members of the financial, accounting and business profession in 100 countries.

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About this survey

The Small Business Survey 2009 is a survey conducted with owners or senior representatives (including those in senior financial roles) of businesses with fewer than 20 employees. The markets included in the survey were Australia, Hong Kong, Malaysia and Singapore.

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The key objectives of the study were to:

- explore small business growth expectations;
- identify possible changes in employment by small business;
- understand small business attitudes and experiences regarding accessing finance and for what purpose such finance is being used; and
- identify possible changes to the frequency of certain financial management activities.

The Small Business Survey 2009 is part of a longitudinal study of small business being conducted by CPA Australia. The results present comparisons between the four markets included in this study. The report also presents a comparison of the experiences of Australian small business as reported in this survey with their experiences as reported in the 2008 survey. In order to make this comparison, many of the questions in this survey were drawn from the 2008 survey.

The 2009 survey was organised on behalf of CPA Australia by Insight Compass.

Interview method

In each market, the survey was conducted online among randomly selected owners or senior representatives of small businesses who were registered with a business research panel managed by GMI (Global Market Insite, Inc). Specifically, respondents were required to be an owner, a manager (defined as being a director, a principal, a CEO, a senior manager or a managing director) of a small business, or to be a qualified accountant, or the CFO (or similar title) within a business with fewer than 20 staff.

GMI was responsible for all aspects of administering the fieldwork including questionnaire programming, random selection of respondents from their business research panel, forwarding the survey to the selection of respondents and processing the resultant data.

Sample

In total, 510 respondents participated in Australia, 206 participated in Singapore, 205 participated in Malaysia and 204 participated in Hong Kong.

The results for the Australian study have been weighted back to known population statistics for Australian businesses with fewer than 20 employees. Weights were drawn from the latest business survey undertaken by the Australian Bureau of Statistics (*Report No: 8165.0 'Counts of Australian Businesses Including Entries and Exits', Jun 2003 to Jun 2007*). Accordingly, the weights used were:

In total, 510 respondents participated in Australia, 206 participated in Singapore, 205 participated in Malaysia and 204 participated in Hong Kong.

- non-employing businesses: 1,171,832 businesses (i.e. 61 per cent of all small businesses)
- one to four employees: 527,445 businesses (i.e. 27 per cent of all small businesses)
- five to nineteen employees: 228,313 businesses (i.e. 12 per cent of all small businesses)

Similar statistics were not available for the other markets included in this survey.

The sample for Australia, in comparison with the other markets and the 2008 Australian sample, is heavily weighted to businesses with nil to four employees. Hence the comparisons between markets and with the 2008 survey, should be interpreted as indicative.

Questioning

As noted earlier, many of the questions included in the 2009 survey were drawn from the 2008 survey which was conducted in May 2008. However, some of the 2008 questions were modified, and some new questions were included in the 2009 survey.

The Australian and Singaporean questionnaires were administered in English. The Hong Kong questionnaire was administered in both English and traditional Chinese and the Malaysian questionnaire was administered in both English and Bahasa Malaysia. For each market, the questionnaire included a total of 37 questions including screening and firmographic questions. The questionnaire included a number of skips depending on particular responses provided by respondents. Accordingly, not all respondents were required to answer all 37 questions. Each respondent took approximately 15 minutes to complete the survey.

Rounding

All percentage results shown in this report have been rounded to the nearest whole number. This means that if you add up the full range of results for some single-response questions, the total may come to just under or just over 100 per cent.

Key findings snapshot

Business growth and employment expectations

As shown in the survey, with more than half of the small businesses in each market expecting to experience some level of growth, business expectations over the next few years in Australia, Hong Kong, Malaysia and Singapore could be described as generally positive. Malaysian and Singaporean businesses are particularly positive.

The generally positive outlook is reflected in the demand for additional funding and predicted increase in staff numbers over the next 12 months, particularly in Hong Kong, Malaysia and Singapore.

The survey did not seek the reasons for this confidence or lack of confidence. However, growth expectations are most likely a consequence of the prevailing economic conditions in each of the markets surveyed and in the industry the business operates in.

In the context of the global economic recession, the type and levels of government stimulus in the various economies and the local economic outlook are also worth noting.

The small business sectors in Hong Kong, Singapore and Malaysia were the recipients of more direct government assistance (e.g. direct payroll incentives for hiring people made redundant elsewhere and government guaranteeing some borrowing by small business, etc). The Australian Government's package aimed at stimulating household consumption would, however, have had some flow-on effect to small business (further details on stimulus measures (see Economic outlook and government stimulus, page 8)

Malaysia

The high proportion of businesses in Malaysia that consider their business will experience growth over the next few years possibly explains why Malaysian businesses are more likely to expect increases in staff numbers and borrowings in the next 12 months. Small businesses should therefore continue to be a source of growth, including employment, for the Malaysian economy.

Given that the survey indicated that Malaysian small businesses are the most likely of the four markets surveyed to undertake management activities, their growth expectations may come from a good understanding of the resources they will require to meet the expected growth.

However, some businesses in Malaysia are expecting a decline in both growth and staff levels, possibly reflecting the different effects that the global financial crisis has had on different industries.

With more than half of the small businesses in each market expecting to experience some level of growth, business expectations over the next few years in Australia, Hong Kong, Malaysia and Singapore could be described as generally positive.

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Australia

While a small majority of Australian businesses are expecting some level of growth, they are generally not looking at increasing staffing nor seeking additional funds to help them meet that expected growth. The consequence of this is that many Australian businesses are looking to grow from existing resources over at least the next 12 months. For example, Australian businesses expecting to grow were significantly more likely to expect an increase in the hours their staff work. However, it can be assumed from the proportion of Australian businesses that undertake certain management activities, that many of them do not manage their business as well as they could and therefore they are unlikely to have access to the information they need to effectively plan for growth.

The reluctance to increase the number of staff could also be a consequence of some businesses 'carrying' staff in the past 12 months and therefore there is little capacity for many small businesses to increase employment. While Australian small businesses have not been a source of unemployment growth in the past 12 months, they are unlikely to be a source of employment growth in the next 12 months.

Hong Kong

The growth expectations for Hong Kong businesses are interesting. Like Malaysian businesses, Hong Kong businesses generally undertake a wider variety of management activities and with greater frequency than businesses in Australia and Singapore and they make use of a wider variety of finance products, pointing to a greater degree of sophistication. However, unlike Malaysian businesses, Hong Kong businesses are significantly less positive about their future growth expectations and more likely to be negative about the coming years. While not explaining the difference in growth expectations, these management activities are likely to give Hong Kong and Malaysian businesses a greater understanding of the future of their business and the industry they are in, which is likely to be reflected in their growth expectations and planning.

Possibly reflecting their understanding of their business, even though they are less positive about the future, Hong Kong businesses still indicate a relatively strong demand for additional funding and increasing staff numbers over the coming year.

Singapore

The Singaporean results point to a positive turnaround in growth expectations. The results from the survey for the past 12 months indicated a relatively negative Singaporean business sentiment as reflected in poor employment growth and a large percentage of additional funding being for business survival.

It would appear that many Singaporean businesses expect growth to be largely achieved from existing resources, at least over the next 12 months. Expected employment growth, for example, remains lower than Hong Kong which has lower growth expectations than Singapore and the expected demand for additional funding is also significantly lower than Hong Kong. This may be because they remain cautious following their experiences over the last 12 months. In comparison with Australian businesses (as a group), the survey indicates that Singaporean businesses (as a group) seem to better manage their resources and hence may be better positioned to use existing resources to grow their business.

While a small majority of Australian businesses are expecting some level of growth, they are generally not looking at increasing staffing nor seeking additional funds to help them meet that expected growth.

Many Australian small businesses do not manage their business as well as they could and therefore they are unlikely to have access to the information they need to effectively plan for growth.

While Australian small businesses have not been a source of unemployment growth in the past 12 months, they are unlikely to be a source of employment growth in the next 12 months.

Hong Kong businesses are significantly less positive about their future growth expectations and more likely to be negative about the coming years.

The Singaporean results point to a positive turnaround in growth expectations.

It would appear that many Singaporean businesses expect growth to be largely achieved from existing resources.

Funding needs

'Business growth', 'asset purchases', 'stock purchases' and 'to cover increasing sales' featured prominently as reasons why businesses in the three Asian markets borrowed money. In contrast, 'business survival' was the reason most frequently given by Australian businesses.

A significantly higher proportion of businesses in Singapore, Malaysia and Hong Kong sourced their additional funds from 'friends and family' compared with businesses in Australia.

In Australia and Singapore, a large percentage of businesses have not sought advice in the past 12 months, and those businesses that did seek advice did not do so on a regular basis.

Compared with businesses in the other three markets, Malaysian businesses were significantly more likely to be definite about their need for additional funds over the next 12 months. This is probably a reflection of the strong growth expectations in Malaysia and the fact that Malaysian businesses expect to grow from new resources.

The reasons given by businesses in the three Asian markets for requiring additional funds in the past 12 months appear to be more positive than those given by businesses in Australia. In particular, 'business growth', 'asset purchases', 'stock purchases' and 'to cover increasing sales' featured prominently as reasons why businesses in the three Asian markets borrowed money. In contrast, 'business survival' was the reason most frequently given by Australian businesses.

The survey results reveal that Hong Kong in particular and Malaysia make use of a wider variety of financing options. For Australia, the four least popular forms of finance do not increase in popularity with business size.

Across the four markets, 'banks' were the key source of funds, with over half of the businesses in each market using this source. Further, a significantly higher proportion of businesses in Singapore, Malaysia and Hong Kong sourced their additional funds from 'friends and family' compared with businesses in Australia.

Compared with Australia and Singapore, Hong Kong and Malaysian businesses are not only more likely to require additional funds in the next 12 months but also overall, expect the process of borrowing them not to be difficult. The concern over the difficulty of borrowing among many businesses, particularly in Australia and Singapore may be due to the small proportion of businesses that have actually spoken with their bank or other externals about their funding needs and therefore many would only be guessing what the responses will be.

Seeking advice

The survey shows that in Australia and Singapore, a large percentage of businesses have not sought advice in the past 12 months, and those businesses that did seek advice did not do so on a regular basis.

As the survey shows, 'business survival' is a major reason given for borrowing funds in the last 12 months in Australia and Singapore. However, many of those businesses are not willing to seek advice. If they did seek advice, they might be able to manage their businesses without the need for additional finance. Also, this reluctance of many Australian and Singaporean businesses to seek advice may help to explain why they are least likely to undertake management activities.

External accountants are the main source of advice for businesses from Australia and Hong Kong. Businesses in Malaysia and Singapore were significantly more likely to source advice from family and friends.

Business management

Malaysian businesses were the most likely to undertake the 'business management' activities listed in the survey and were the most likely to undertake financial management activities on a regular basis. Australian businesses were least likely to undertake business management activities. This trend is expected to continue in the next 12 months.

It can therefore be concluded that Malaysian and Hong Kong small businesses are generally better managed than businesses in Australia and Singapore and therefore they are well placed to manage through tough times and prosper in good times. This does not mean there is not room for improvement. The survey did not seek to find whether these management activities lead to better performance.

Other observations

In all markets but Malaysia, the closeness of the recent 'experienced' versus 'expected' percentages for most questions suggests that expectations were heavily influenced by recent experience. For example, the positive relationship between the need for funds in the past 12 months is similar to the likelihood of needing funds in the next 12 months.

The reasons why some Australians start a small business need to be investigated. The high proportion of Australian businesses that do not undertake activities typically considered integral to running a business may suggest that some Australians go into business to 'buy themselves a job'.

When looking at the survey sample, it is interesting that operators of businesses in Malaysia and Hong Kong were much more likely have been in business for a shorter period of time and to be under 40 years of age. However, their businesses as a general rule are more likely to undertake 'management activities' considered integral to running a business and to use a wider variety of funding options. This could be because of the higher percentage of business operators that had university degrees and the seemingly stronger family connection to business in the three Asian markets surveyed (as reflected in family and friends being a source of finance and advice for many businesses). That is, the small business operator may have been involved in the running of the family business from a relatively young age and therefore knows how to run it.

Malaysian and Hong Kong small businesses are generally better managed than businesses in Australia and Singapore and therefore they are well placed to manage through tough times and prosper in good times.

The high proportion of Australian businesses that do not undertake activities typically considered integral to running a business may suggest that some Australians go into business to 'buy themselves a job'.

Economic outlook and government stimulus

The Singapore Government forecasts that GDP growth will shrink by between 4 to 6 per cent in 2009.

Singapore

According to the Singapore Government, the Singaporean economy moved out of recession in the second quarter of 2009. In the second quarter of 2009, the seasonally adjusted growth of the Singaporean economy was 20.7 per cent higher than in the previous quarter. This is the first quarter since the first quarter of 2008 to record growth on a seasonally adjusted basis. In spite of this growth, the Singapore economy contracted by 6.5 per cent in the first half of 2009 and the Singapore Government forecasts that GDP growth will shrink by between 4 to 6 per cent in 2009.

To assist small business through the economic downturn, the Singaporean Government has announced a number of measures directly relevant to small business. They include:

- a jobs credit, which gives employers a 12 per cent cash grant on the first S\$2,500 of each month's wages for each employee on their payroll for 12 months
- a special risk-sharing initiative. This consists of two programs: the Bridging Loan Program, which is designed to improve small business access to working capital by the Government taking an 80 per cent share of the risk and a substantial proportion of the risk of trade finance
- the cap on losses that can be claimed against past taxable income (loss carry-back) is increased to \$200,000 from \$100,000
- the Government will reduce the corporate income tax rate from 18 to 17 per cent. This will take effect from the year of assessment 2010
- the Government will allow the cost of acquiring plant and machinery during the financial years ended 2009 and 2010 to be written down over two years, with 75 per cent of the write-down taking place in the first year.

Malaysia

The Malaysian Government expects the Malaysian economy to contract by between 4 and 5 per cent in 2009. On a quarter-by-quarter basis, the Malaysian economy shrank by 6.2 per cent in the first quarter and is forecast by the Malaysian Government to continue to contract until the third quarter.

To assist small business through the economic downturn, the Malaysian Government has announced a number of measures. The measures directly relevant to business include:

- employers that employ workers retrenched from 1 July 2008 be given a double tax deduction on the remuneration paid to the retrenched workers limited to up to 12 months per employee (with limits on the amount of the reduction)
- the Government has established a working capital guarantee scheme, which will assist businesses with shareholder equity below RM20 million to borrow to meet their working capital needs by providing an 80 per cent guarantee on the borrowing
- the Government has established an industry restructuring guarantee fund scheme. For businesses with shareholder equity below RM20 million, the scheme will provide a government guarantee of 80 per cent for loans to increase productivity, value-added activity and the application of green technology

The Malaysian Government expects the Malaysian economy to contract by between 4 and 5 per cent in 2009.

- the Government has reduced the Human Resource Development Fund levy imposed on employers from 1 per cent to 0.5 per cent for two years
- an accelerated depreciation allowance has been introduced allowing expenditure incurred on plant and machinery and on renovation and refurbishment of business premises to be claimed over two years for investments made between 10 March 2009 and 31 December 2010
- the Government has allowed companies to carry back up to RM100,000 in current year losses against the preceding year.

Hong Kong

According to the Hong Kong Government, on a seasonally adjusted quarter-to-quarter comparison, real GDP resumed growth at 3.3 per cent in the second quarter of 2009, after contracting for four consecutive quarters. The year-on-year decline of GDP in real terms also narrowed from 7.8 per cent in the first quarter to 3.8 per cent in the second quarter. The Hong Kong economy is forecast to contract by 3.5 to 4.5 per cent in 2009 by the Hong Kong Government.

To assist small business through the economic downturn, the Hong Kong Government has announced a number of measures. These include:

- SMEs in general will be able to apply for loans of up to HK\$12 million under the Special Loan Guarantee Scheme. Under the scheme, the Hong Kong Government will provide an 80 per cent guarantee for the purpose helping businesses meet their liquidity needs during the global financial crisis
- the Hong Kong Government has allowed greater flexibility in the use of the loans under the SME Loan Guarantee Scheme, which aims to help SMEs to secure loans for acquiring business installations and equipment, and meeting working capital needs for general business uses by providing a guarantee.

The Hong Kong economy is forecast to contract by 3.5 to 4.5 per cent in 2009.

Australia

Australia recorded a 0.4 per cent rise in gross domestic product for the first quarter of 2009 compared with the same period last year and therefore avoided moving into a technical recession. The Australian Government predicts that GDP will decline for the period from July 2009 to June 2010 by 0.5 per cent.

To assist small business through the economic downturn, the Australian Government has announced a number of measures. These include the following:

- Australian small businesses have access to an additional 50 per cent tax deduction for eligible assets costing A\$1,000 or more purchased between 13 December 2008 and 31 December 2009 and installed before 31 December 2010
- businesses with an annual turnover of less than A\$2 million and an activity statement debt can apply to the Australian Taxation Office for a general interest charge-free payment arrangement until 30 June 2010
- the uplift factor on Pay As You Go tax instalments for 2009-10 for small businesses who pay their quarterly PAYG instalments based on their previous year's tax adjusted by GDP growth, will be reduced from 9 to 2 per cent. This also applies to the uplift factor used to calculate GST quarterly instalments.

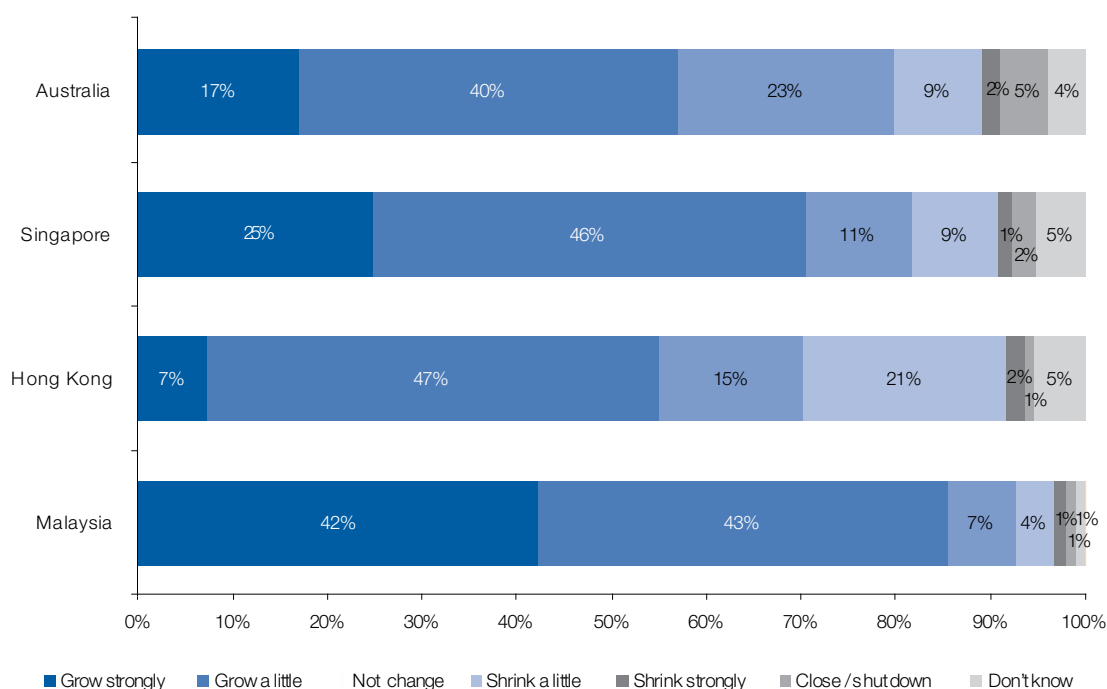
The Australian Government also provided substantial stimulus payments to households primarily to promote demand. The benefits of increased demand would have flowed through to many small businesses.

The Australian Government predicts that GDP will decline for the period from July 2009 to June 2010 by 0.5 per cent.

Survey charts and findings

Small business growth expectations

Figure 1: Business growth expectations for the next few years



Q4-5 In the next few years do you expect your business to . . . ? (single response) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)

Table 1: Business growth expectations for the next few years by number of employees

	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Grow strongly	15%	17%	31%	20%	24%	26%	21%	30%	22%	38%	51%	49%	4%	6%	13%	6%
Grow a little	40%	40%	28%	63%	43%	45%	54%	37%	39%	52%	38%	33%	35%	52%	42%	50%
Not change	24%	23%	17%	14%	9%	11%	13%	15%	17%	4%	6%	13%	22%	10%	16%	16%
Shrink a little	9%	8%	14%		11%	8%	8%	11%	11%	2%	5%	5%	9%	23%	22%	23%
Shrink strongly	1%	3%	3%		2%	1%	2%		6%	1%			4%	2%	2%	2%
Close /Shut down	5%	6%	7%			4%	2%	4%		2%			9%			1%
Don't know	4%	3%		3%	11%	6%		4%	6%	1%			17%	6%	4%	2%

Overall, taking into account businesses that expect to grow a little as well as those that expect to grow strongly, 85 per cent of businesses in Malaysia and 70 per cent of businesses in Singapore expect growth over the next few years. Both these percentages are significantly higher than the 58 per cent of businesses in Australia and the 54 per cent in Hong Kong that expect some growth over this period. However, it is important to note that for each market, the results are mixed, indicating that different sectors of each economy have been differently affected by the global financial crisis.

In comparing the growth expectations by numbers of employees (see Table 1), we find that businesses with no employees are the least confident about their growth expectations. In Australia, businesses with 10 to 19 employees have the highest level of confidence. However, Malaysian businesses with one to nine employees are the most confident group of all.

Analysis of other information from the survey that has not been included in this report revealed that in Australia and Singapore, younger businesses are significantly more optimistic about their growth prospects in the coming years.

Eighty-five per cent of businesses in Malaysia and 70 per cent of businesses in Singapore expect growth over the next few years.

Table 2: Comparison of business growth expectations with previous surveys of Australian small business

	June 2009	May 2008	October 2007	2003
Grow strongly	17%	24%	20%	20%
Grow a little	40%	43%	46%	39%
Growth sub-total	57%	67%	66%	59%
Not change	23%	23%	23%	33%
Decline	11%	8%	8%	7%
Close/shut down*	5%			
Don't know	4%	2%	3%	1%

* This option was not available in previous surveys.

Table 2 shows that the percentage of Australian small businesses expecting to grow has declined since the last survey, which was taken before the onset of the global financial crisis. It is the lowest recorded by CPA Australia. The percentage of businesses that expect to decline or close (16 per cent in 2009) is significantly higher than in all previous surveys.

The percentage of Australian small businesses expecting to grow has declined since the last survey, which was taken before the onset of the global financial crisis. It is the lowest recorded by CPA Australia.

Employment by small business

The following series of five figures (Figure 2A to Figure 2E) shows the incidence of changes in staffing, outsourcing and average hours worked by typical staff members over the past year along with the changes expected over the next 12 months.

Change in staff and hours worked over the past 12 months and expectations for the next 12 months.

Over the past 12 months and over the next 12 months:

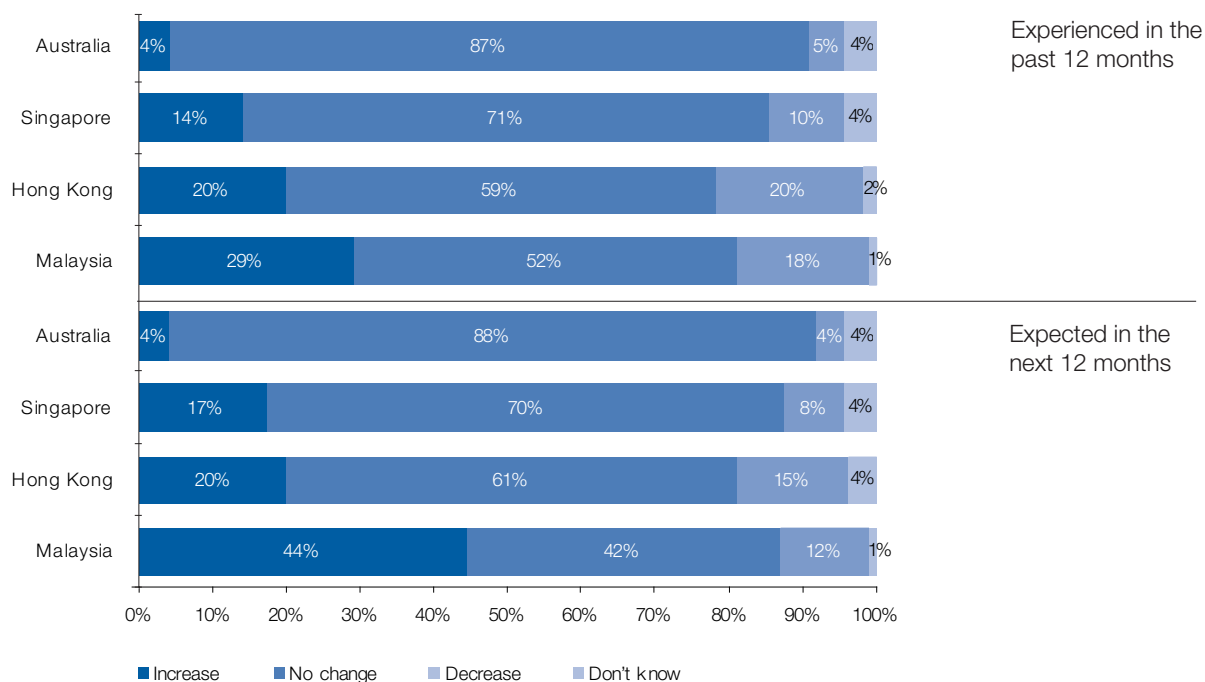
- a significantly higher proportion of Malaysian businesses have experienced and expect an increase in staff numbers
- a significantly higher proportion of Australian businesses have experienced and expect no changes in staff numbers. This could indicate that Australian small businesses believe that their labour resources are currently underutilised as they may have been hoarding staff over the last 12 months and therefore believe that their existing staff can meet expected increases in demand
- compared with Australia and Singapore, a higher proportion of Malaysian and Hong Kong businesses have experienced and expect a decrease in full-time staff numbers.

A significantly higher proportion of Malaysian businesses have experienced an increase in staff numbers over the past 12 months and expect an increase in staff numbers over the next 12 months.

Analysis of other information not included in this report revealed that:

- only in Hong Kong were larger businesses less likely than smaller businesses to have increased their numbers of full-time staff in the last 12 months. The largest Hong Kong businesses surveyed were also the most likely group of businesses to have reduced the number of their full-time staff over the past 12 months
- in Australia, those businesses that required additional funds in the past 12 months were more likely to have seen a decrease in the number of full-time and casual staff. This is consistent with the large percentage of Australian businesses that borrow for business survival (see Figure 6). In contrast, businesses in Singapore requiring additional funding in the last 12 months and those expecting to require additional funding in the next 12 months were more likely to increase the number of casual staff. This is consistent with the growth expectations among many Singaporean businesses, but may also reflect that uncertainty remains, hence the favouring of casuals over full-time staff
- in Australia, the smaller the business, the more likely it was that the average staff member would work longer hours
- in Singapore, the smaller the business, the more likely it was that there had been no change in the number of full-time employees
- in Singapore, businesses with the most employees were more likely to have reduced the amount of work they outsourced while smaller businesses (in terms of turnover), were more likely to have increased the amount of work they outsourced. This trend is expected to continue in the next 12 months
- in Hong Kong, the largest businesses (by turnover) were significantly more likely than other businesses to have experienced no change in their part-time and casual work force and no change in the amount of work they outsourced
- in Australia, those businesses expecting to grow in the following 12 months were significantly more likely to expect an increase in the hours worked by their average member of staff and to increase outsourcing. This is an indication that some Australian businesses are considering meeting business growth through existing resources and that they believe existing resources are underutilised.

Figure 2A: Changes in full-time staff numbers over the past 12 months and expectations for the next 12 months

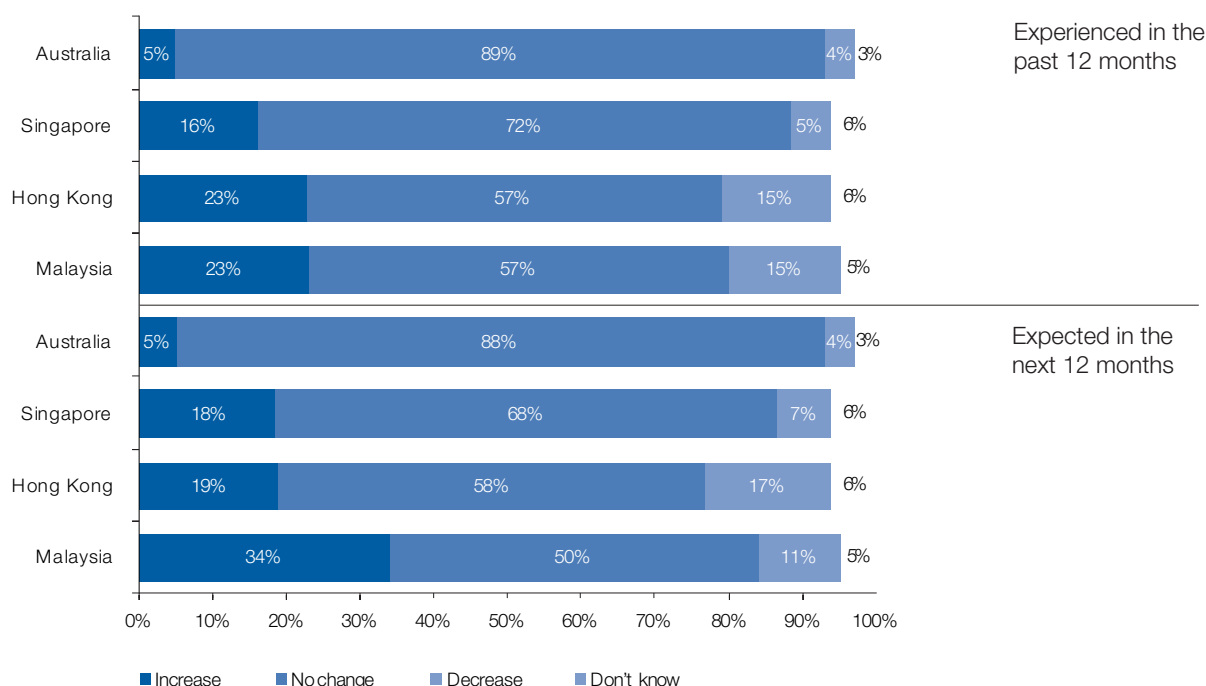


Q4-6 In relation to each of the following, please indicate whether your business has experienced an 'increase', 'decrease' or 'no change' in the past 12 months? (single response per activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)

Table 3: Comparison in changes in employment by size of employer over the past 12 months

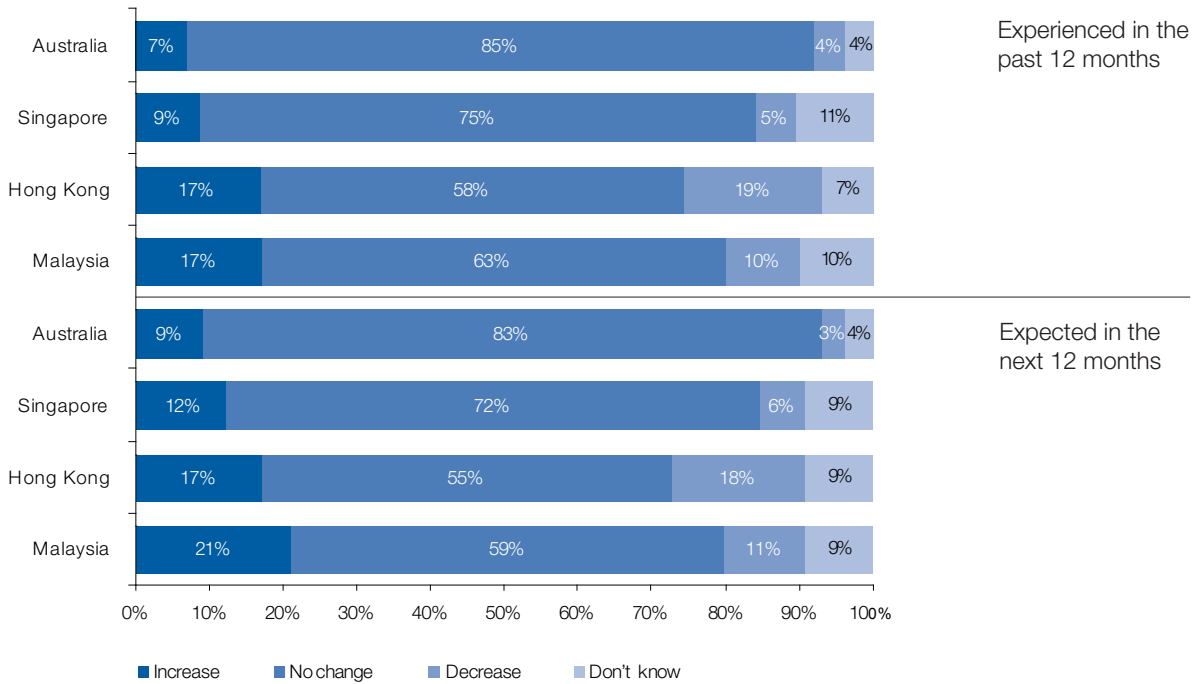
	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Increase	0%	6%	16%	23%	14%	17%	33%	6%	20%	38%	44%	23%	24%	20%		
No change	92%	85%	69%	60%	89%	73%	65%	48%	78%	56%	43%	46%	100%	56%	60%	49%
Decrease	2%	8%	14%	14%	11%	17%	15%	17%	21%	19%	10%	17%	16%	28%		
Don't Know	5%	1%	2%	3%	11%	2%	2%	4%	2%			4%		2%		

Figure 2B: Changes in part-time staff numbers over past 12 months and expectations for next 12 months



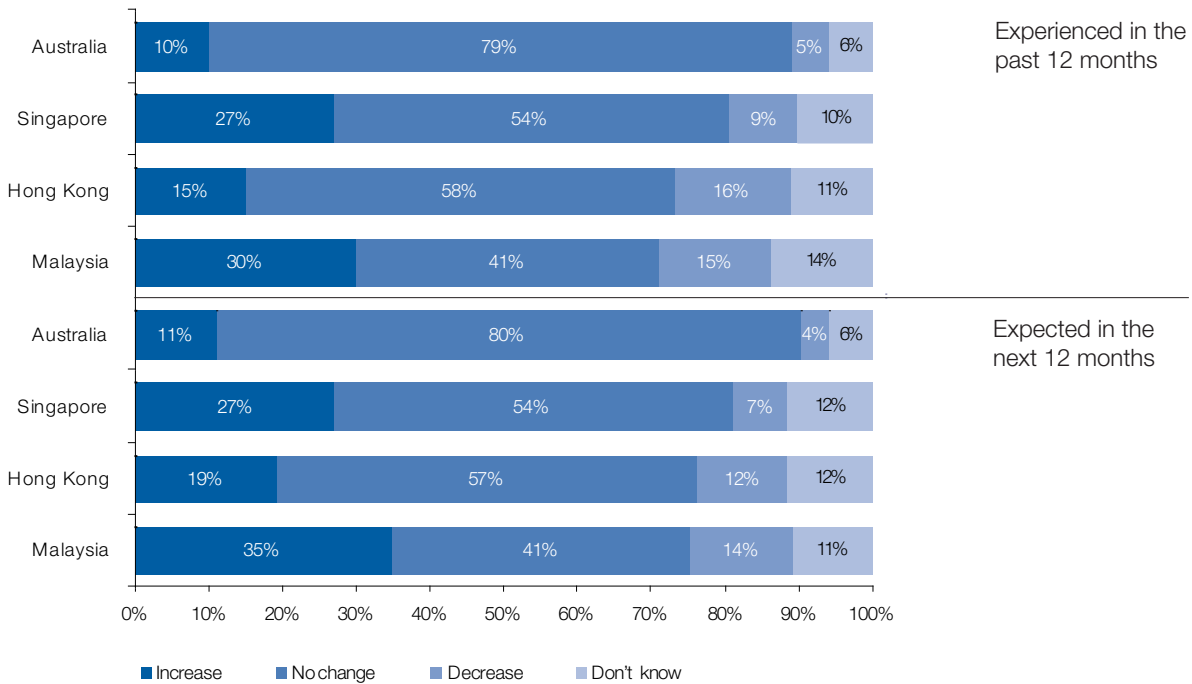
Q4-6 *In relation to each of the following, please indicate whether your business has experienced an 'increase', 'decrease' or 'no change' in the past 12 months? (single response per activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

Figure 2C: Changes in casual staff numbers over past 12 months and expectations for next 12 months



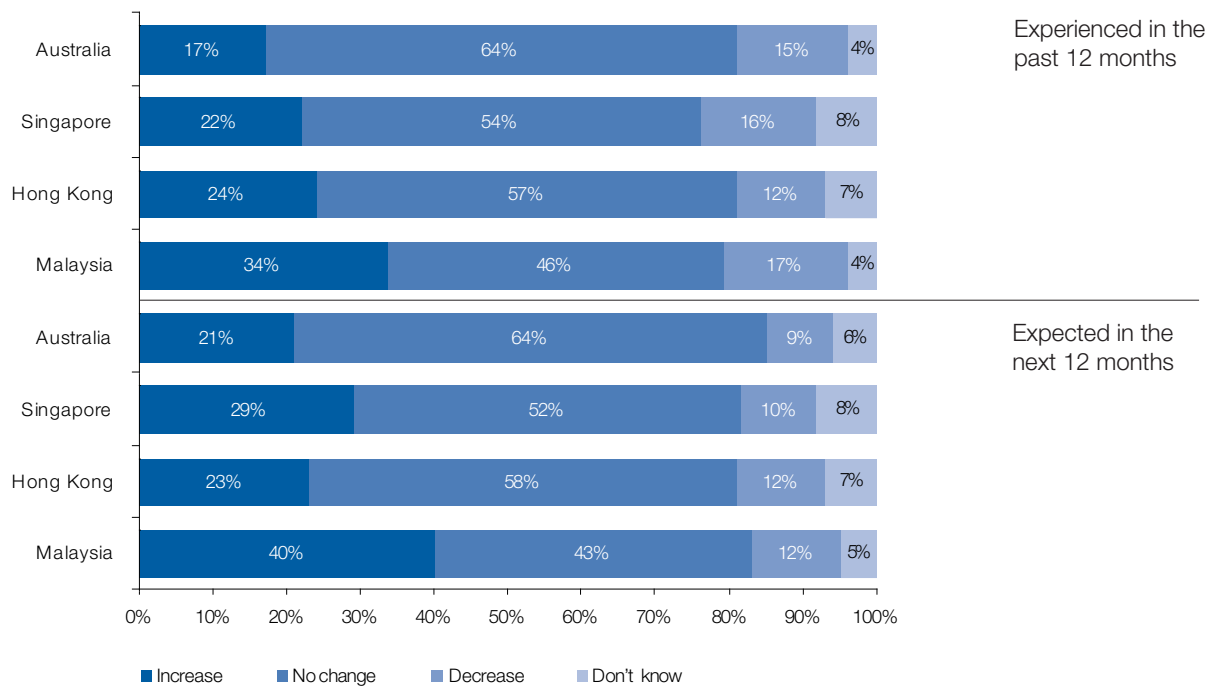
Q4-6 *In relation to each of the following, please indicate whether your business has experienced an 'increase', 'decrease' or 'no change' in the past 12 months? (single response per activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

Figure 2D: Changes in the level of outsourcing over past 12 months and expectations for next 12 months



Q4-6 *In relation to each of the following, please indicate whether your business has experienced an 'increase', 'decrease' or 'no change' in the past 12 months? (single response per activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

Figure 2E: Changes in average hours worked by a typical staff member over past 12 months and expectations for next 12 months

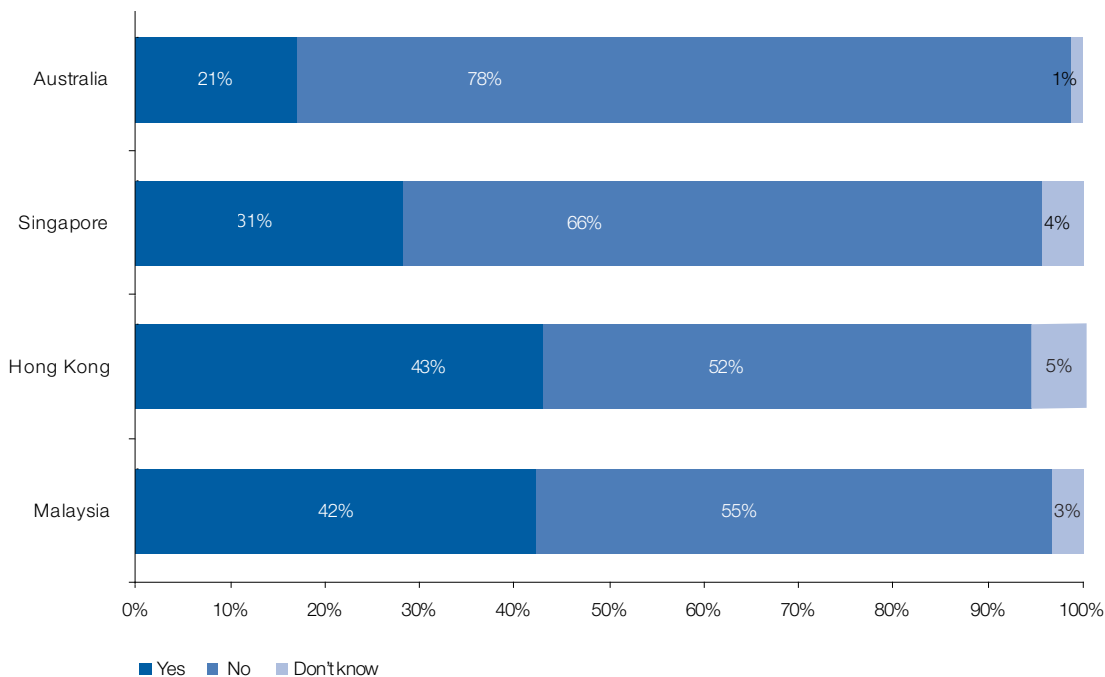


Q4-6 *In relation to each of the following, please indicate whether your business has experienced an 'increase', 'decrease' or 'no change' in the past 12 months? (single response per activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

Small business access to finance

The need for additional funding in the past 12 months

Figure 3: Need for additional funds in past year

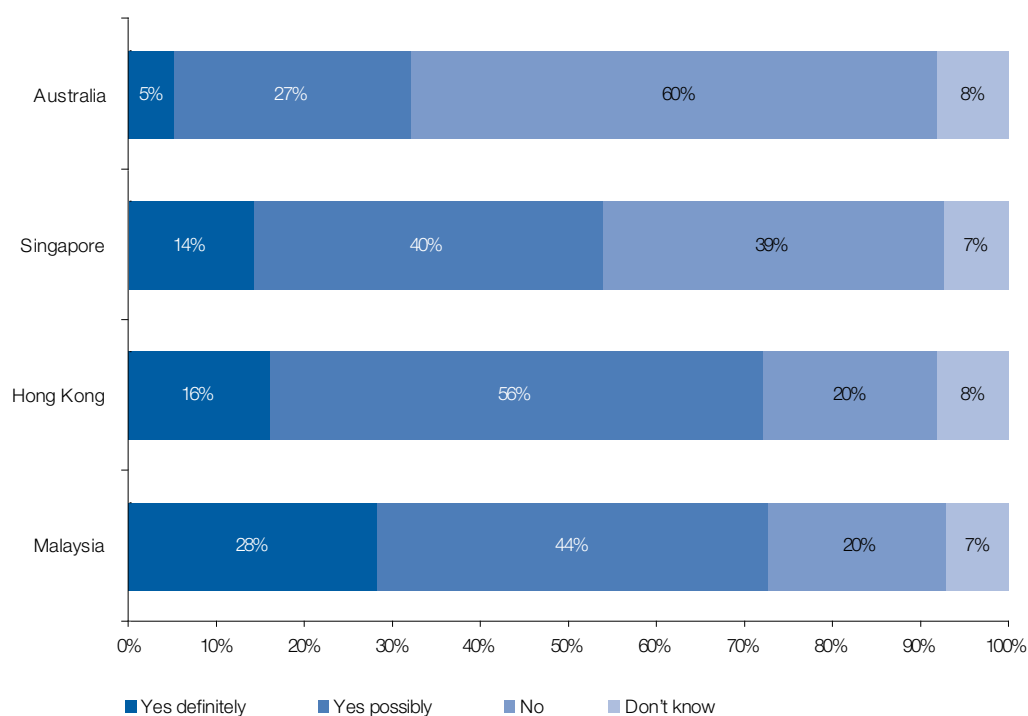


Q3-3 *In the last year, have you required additional funds to support your business operations outside of your existing cash resources? (single response) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

Table 4: Comparison of the requirement for additional funds over the past 12 months to business size by employees

	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Yes	18%	25%	26%	23%	22%	31%	35%	30%	17%	36%	51%	51%	30%	31%	47%	50%
No	81%	74%	72%	77%	72%	67%	63%	59%	78%	58%	48%	49%	65%	58%	51%	47%
Don't know	1%	1%	2%		7%	2%	2%	11%	6%	6%	2%		4%	10%	2%	3%

Figure 4: Envisaged need for additional funds in next 12 months



Q3-6 Do you envisage that your business will require additional funds over the next 12 months? (single response) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)

Table 5: Comparison between the envisaged need for additional funds in the next 12 months and number of employees

	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Yes definitely	3%	8%	9%	11%	15%	15%	10%	15%	11%	31%	25%	36%	9%	13%	22%	17%
Yes possibly	25%	29%	36%	31%	22%	42%	54%	37%	44%	40%	57%	33%	52%	46%	56%	64%
No	63%	57%	50%	51%	54%	35%	31%	37%	39%	19%	14%	26%	13%	27%	20%	17%
Don't know	8%	6%	5%	6%	9%	7%	4%	11%	6%	11%	3%	5%	26%	15%	2%	2%

Figure 3 shows that in the last year, only 21 per cent of Australian businesses required funds outside of their existing cash resources in order to support their business operations. In the May 2008 survey, 30 per cent of Australian business said they sought finance in the preceding 12 months.

Taking into account those businesses that definitely require additional funds as well as those that will possibly require

additional funds, Figure 4 shows that more than seven in 10 businesses in Hong Kong and Malaysia envisaged they may require additional funds over the coming year. This was significantly higher than the 54 per cent of Singaporean businesses and 32 per cent of Australian businesses that envisaged they may require additional funds in the next 12 months.

The low percentage of Australian businesses that envisage requiring funds in the next 12 months could be an indication that they are being more cautious. However, Hong Kong businesses, that generally have lower growth expectations, indicate a significantly higher demand for additional funds in the next 12 months. Finding an explanation for this contradiction is difficult without research into the reasons why small businesses are established in different markets.

In comparing Australian results in the May 2008 survey with those of the 2009 survey, we see that the percentage of Australian respondents envisaging that they would need finance in the next 12 months has changed from 78 per cent saying 'no' in 2008 to only 60 per cent saying 'no' in 2009. This indicates that there may be a small pickup in borrowing by Australia small businesses.

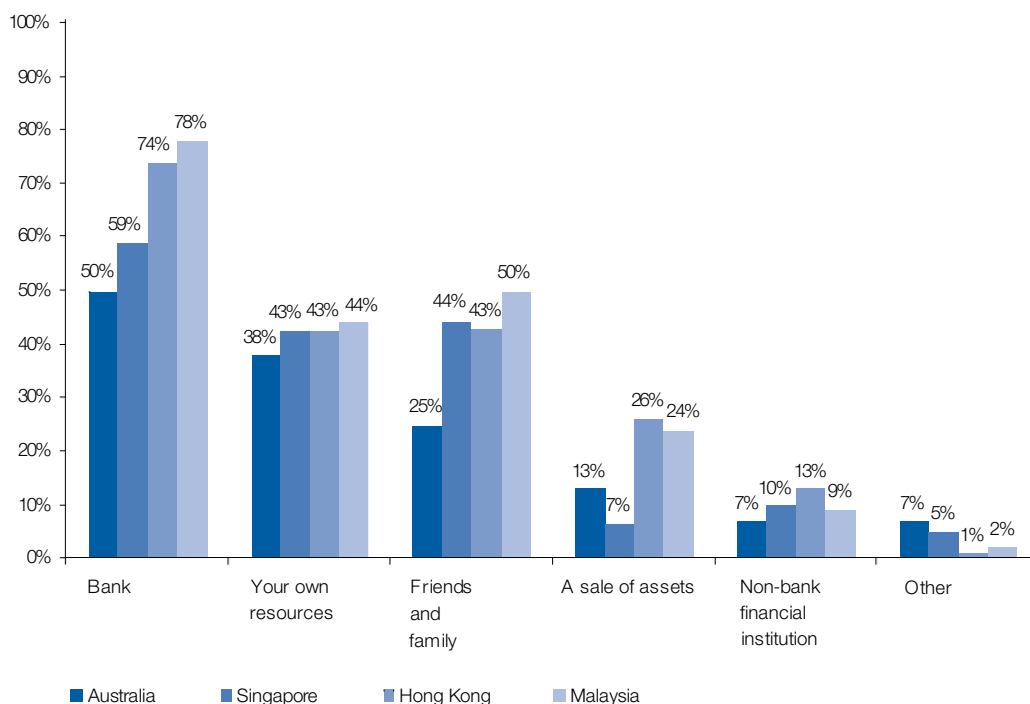
Analysis of other information from the survey that has not been included in this report revealed that:

- in Australia and Hong Kong there is a positive relationship between the need to borrow funds in the last year and the expectations for future growth
- except in Malaysia, there was nothing to indicate that larger businesses (in terms of number of employees) were significantly more likely to need to borrow funds in the next 12 months. However, the need for additional funding in the past 12 months was significantly higher for larger businesses in Hong Kong and Malaysia
- there was a positive relationship between the need for funds in the past, and the likelihood of needing funds in the future.

More than seven in 10 businesses in Hong Kong and Malaysia envisaged they may require additional funds over the coming year.

There was a positive relationship between the need for funds in the past, and the likelihood of needing funds in the future.

Figure 5: Source of the additional funds



Q3-4 And from which of the following sources were those 'required additional funds' obtained? (multiple response) (Australia n=113, Hong Kong n=87, Malaysia n=86, Singapore n=61)

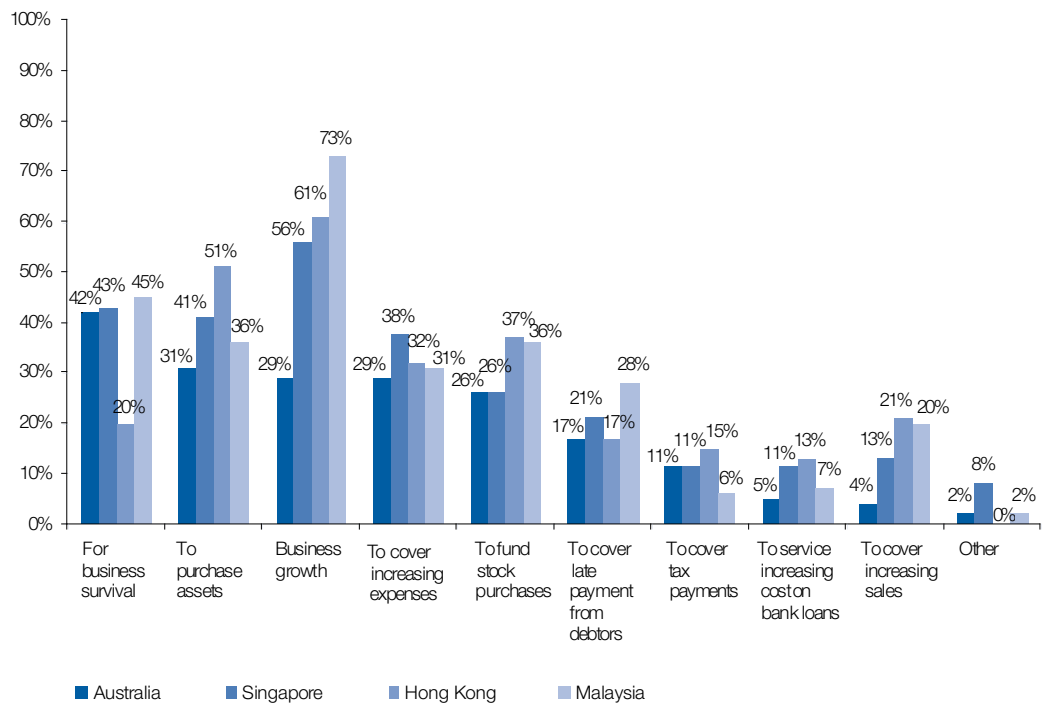
The sources from which businesses obtained these additional funds during the past year are shown in Figure 5.

When we compare the responses in the 2008 survey with those in the 2009 survey, we see that Australian businesses were less likely to source additional funds from a bank in 2009 (59 per cent in 2009 and 68 per cent in 2008), and more likely to seek finance from their own assets, family and friends and from the sale of assets.

Analysis of other information from the survey that has not been included in this report revealed that:

- in Australia and Malaysia, businesses with between five and 19 staff were significantly more likely to borrow from a bank
- in Australia, for female respondents and businesses less than five years old, family and friends were a significant source of additional finance. In Malaysia, the smaller the business in terms of number of employees, the more significant family and friends became as a source of finance.

Figure 6 Reasons for seeking additional funds



Q3-5 And which of the following best describe the reasons for the 'required additional funds'? (multiple response) (Australia n=113, Hong Kong n=87, Malaysia n=86, Singapore n=61)

Table 6: Comparison between the reasons for additional funds and the number of employees a business has

	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Business growth	28%	22%	40%	63%	40%	58%	53%	75%	67%	71%	75%	75%	71%	67%	52%	61%
To purchase assets	39%	22%	27%	13%	20%	38%	53%	50%		48%	25%	40%	29%	40%	57%	55%
To fund stock purchases	28%	22%	33%	25%	30%	19%	24%	50%		55%	28%	25%	29%	27%	43%	39%
To cover late payment from debtors	14%	17%	33%	25%	10%	19%	35%	13%	33%	26%	31%	25%		7%	19%	23%
To cover increasing expenses	25%	39%	27%	13%	30%	31%	47%	50%	33%	35%	25%	35%	14%	27%	33%	36%
To cover increasing sales	8%				10%	12%	6%	38%		19%	25%	15%	14%	27%	24%	18%
To cover tax payments	11%	13%	13%		10%	15%	6%	13%		6%	3%	10%		13%	5%	23%
To service increasing cost on bank loans	6%	4%	13%		10%	8%	12%	25%		10%	3%	10%				25%
For business survival	50%	41%	20%	13%	50%	42%	41%	38%	33%	61%	38%	35%	57%	33%	10%	14%
Other		6%	7%			12%	6%	13%	33%		3%					

The reasons businesses required these additional funds in the past 12 months are shown in Figure 6 (businesses were able to provide more than one response).

In comparing the 2009 Australian results with the results of the May 2008 survey, the percentage of businesses seeking finance for business growth dropped significantly (down from 49 per cent in 2008 to 29 per cent in 2009) and it increased for businesses seeking finance to survive (up from 36 per cent in 2008 to 42 per cent in 2009).

Analysis of other information from the survey that has not been included in this report revealed that:

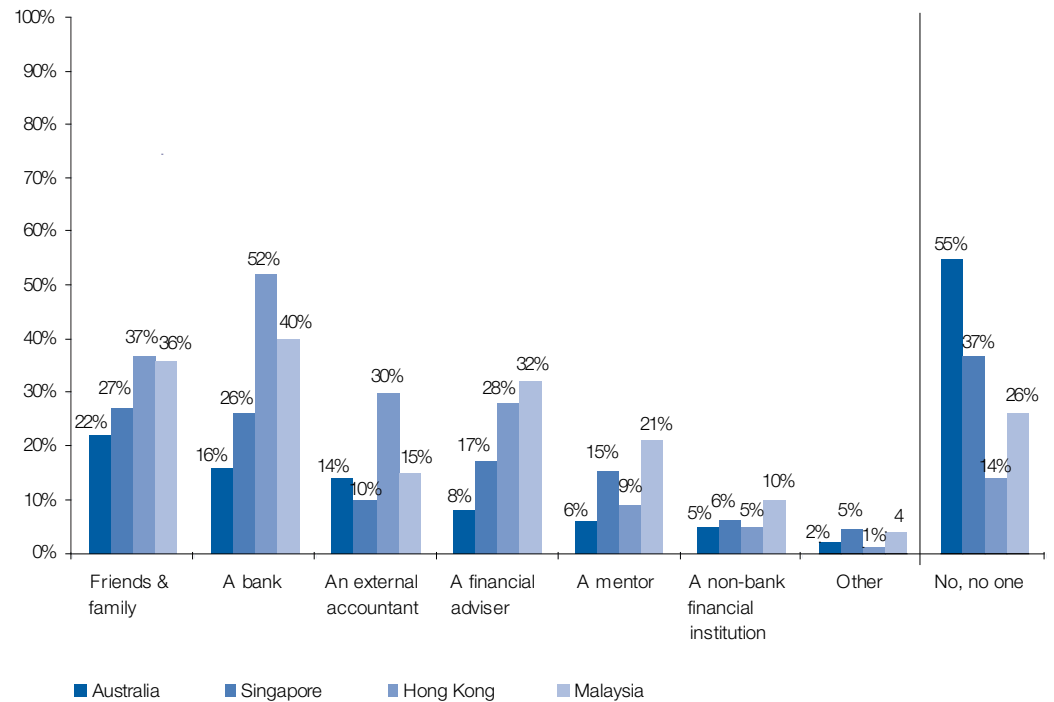
- in Hong Kong, Malaysia and Singapore, there was generally no relationship between the reasons requiring funds and the sources of funds
- in Australia, businesses that have been in operation for a short period of time were more likely to have required additional finance in the past year for business growth than older businesses
- in Australia, the larger the business in terms of number of employees, the more likely it was to require finance for business growth but the less likely it was to require finance to survive. However, also in Australia, other indicators of business growth such as requiring finance to purchase assets or to cover increasing sales did not increase with more staff. This was not the case in Singapore, where the proportion of businesses seeking finance for business growth, funding asset and stock purchases and to cover increasing sales all grew significantly with the number of employees in the business.

In comparing the 2009 Australian results with the results of the May 2008 survey, the percentage of businesses seeking finance for business growth dropped significantly and it increased for businesses seeking finance to survive.

The parties with whom small businesses have held discussions on their funding requirements for the next 12 months.

Only 45 per cent of Australian businesses compared with 86 per cent of Hong Kong businesses that anticipated that they would need additional funds over the next 12 months had actually discussed this need with another party.

Figure 7: The parties with whom discussions have already been held in relation to upcoming additional funding requirements



Q3-8 Have you already discussed your additional funding requirements for the next 12 months with any of the following? (multiple response) (Australia n=178, Hong Kong n=148, Malaysia n=149, Singapore n=111)

The larger the business (in terms of the number of its employees), the more likely it is to have sought advice on its funding requirements for the next 12 months with an external accountant, bank or financial adviser.

For those respondents that indicated that they expect to require additional funding in the next 12 months, Figure 7 shows the various parties with whom those businesses have held discussions with about their anticipated additional funding needs.

Perhaps reflecting the level of business certainty about their need for additional funds (see Figure 6), only 45 per cent of Australian businesses compared with 86 per cent of Hong Kong businesses had discussed this need with another party.

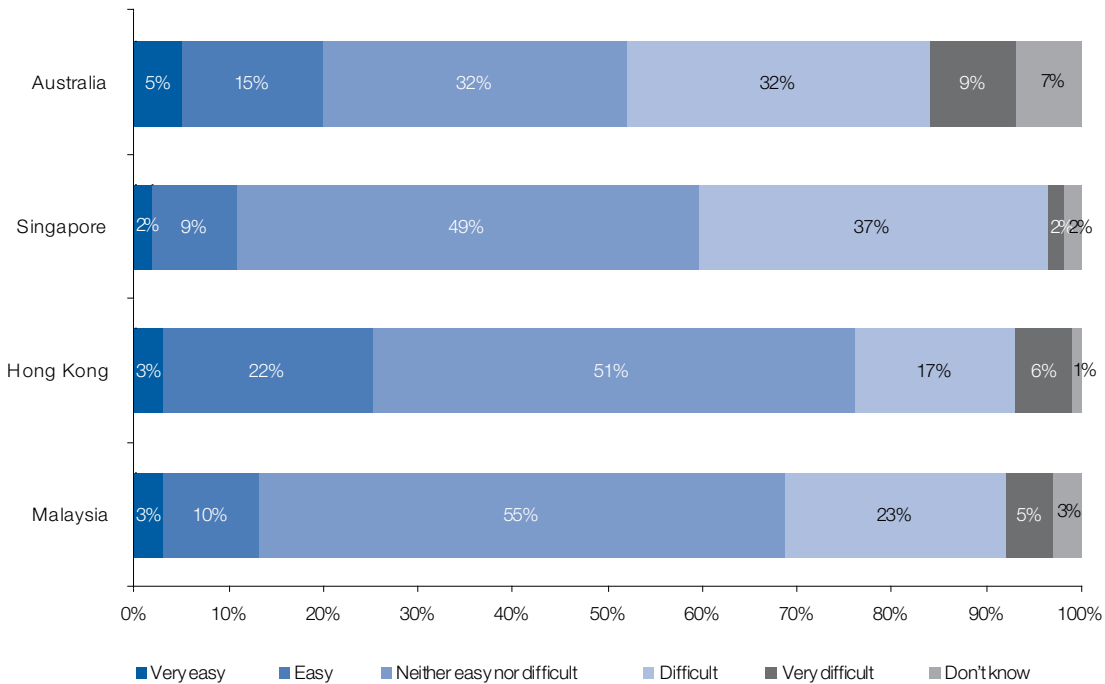
In an interesting comparison with the May 2008 survey, Australian businesses in this survey were far less likely to discuss their envisaged funding requirements with any external party, including their external accountant or financial adviser. This means that these businesses may not be getting the finance they need for their business.

If only 14 per cent of Australian businesses that had sought advice on financing from their external accountant, they are probably using accountants for advice on other issues.

Analysis of other information from the survey that has not been included in this report revealed that:

- across all markets, the larger the business (in terms of the number of its employees), the more likely it is to have sought advice on its funding requirements for the next 12 months with an external accountant, bank or financial adviser
- smaller businesses (in terms of their numbers of employees) in Malaysia and Singapore in particular, were far more likely to seek advice on their future funding arrangements from family and friends than larger businesses in those markets. In Hong Kong, smaller businesses were far more likely not to seek any advice.

Figure 8: Expected ease or difficulty of obtaining additional funding over the next 12 months



Since the last survey in 2008, Australian small businesses now believe finance is more difficult to obtain.

Q3-9 *Using the scale below, please indicate how easy or difficult you think it is going to be for your business to raise or borrow the additional funds over the next 12 months. (single response) (Australia n=178, Hong Kong n=148, Malaysia n=149, Singapore n=111)*

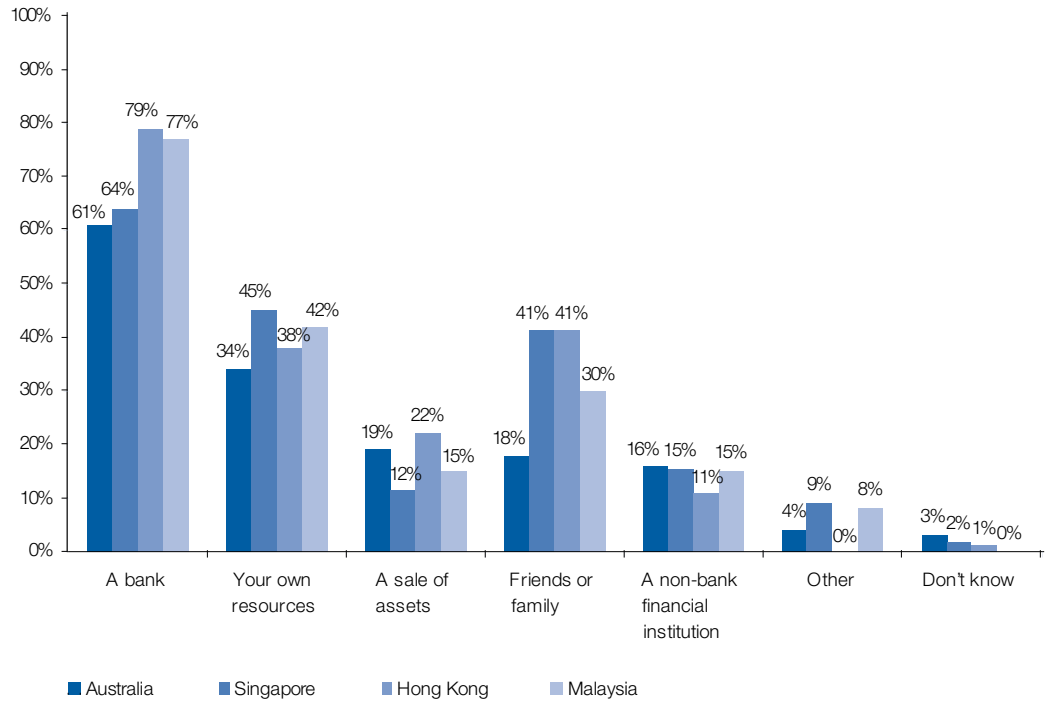
Since the last survey in 2008, Australian small businesses now believe finance is more difficult to obtain. For instance, in 2008 53 per cent of small business indicated that they thought the process of raising additional finance over the next 12 months would be fairly easy to very easy and 26 per cent thought it would be quite difficult to very difficult.

Analysis of other information from the survey that has not been included in this report revealed that:

- in Singapore in particular, the larger the small business, the easier they thought it would be for them to borrow funds
- in Australia, it was interesting to find that those who required funding in the past year were more likely to be negative about the ease of access to finance than businesses that had not required funding in the last year.

In Australia, it was interesting to find that those who required funding in the past year were more likely to be negative about the ease of access to finance than businesses that had not required funding in the last year.

Figure 9: Sources of additional funding in the next 12 months



Q3-7 From which of the following would you be most likely to seek those additional funds? (multiple response) (Australia n=178, Hong Kong n=148, Malaysia n=149, Singapore n=111)

There is a high percentage of businesses that expect to source funds from a bank, particularly in Australia and Singapore, but they have not yet discussed this with a bank.

In Hong Kong, Malaysia and Singapore, smaller businesses were most likely to source funds from family and friends.

The most likely sources for the additional funds businesses may require over the next 12 months are presented in Figure 9. It is interesting to note that in comparing Figures 7 and 9, there is a high percentage of businesses that expect to source funds from a bank, particularly in Australia and Singapore, but they have not yet discussed this with a bank. As suggested earlier, this is possibly a reflection of the low percentage of businesses that are definitely sure about their need for additional funds.

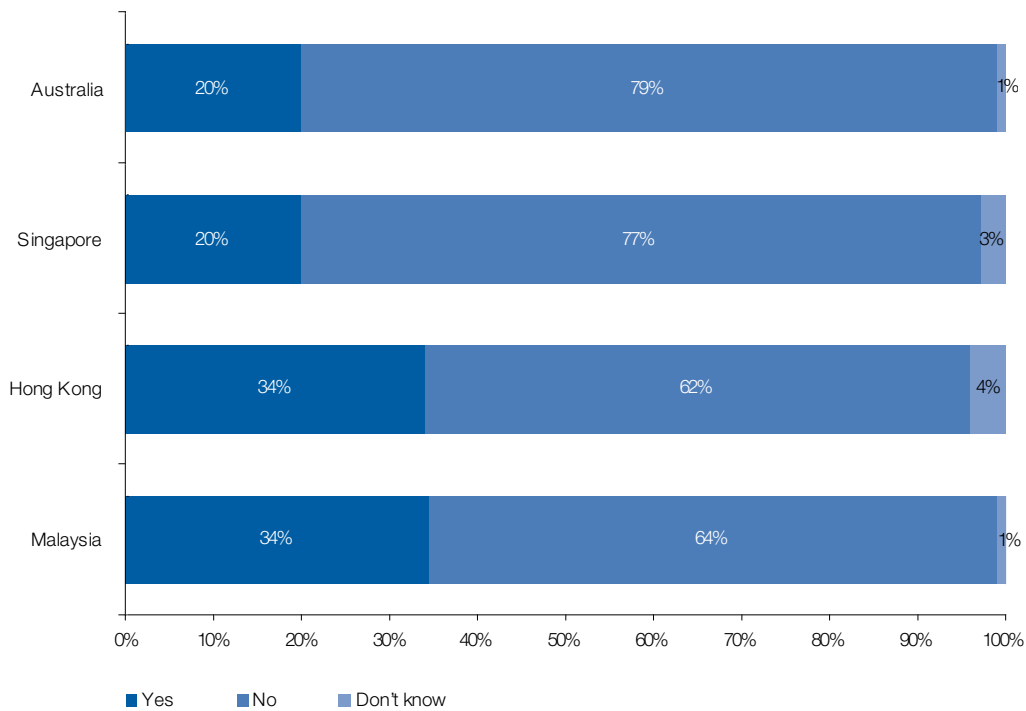
Since the last survey, Australian businesses now seem much more likely to meet their funding requirements from their own resources, sale of assets from family and friends.

Analysis of other information from the survey that has not been included in this report revealed that:

- in Australia and Singapore, respondents under 30 were significantly more likely to source finance for their business from family and friends than respondents over 60
- in all markets, the larger the small business, the more likely it was to use a bank as its major source of finance
- in Hong Kong, Malaysia and Singapore, smaller businesses were most likely to source funds from family and friends.

Small businesses that have a business loan

Figure 10: Current status in relation to having a business loan



Q3-10

Do you currently have any business loans? (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)

Table 7: Comparison between those businesses that have an existing loan and the number of employees

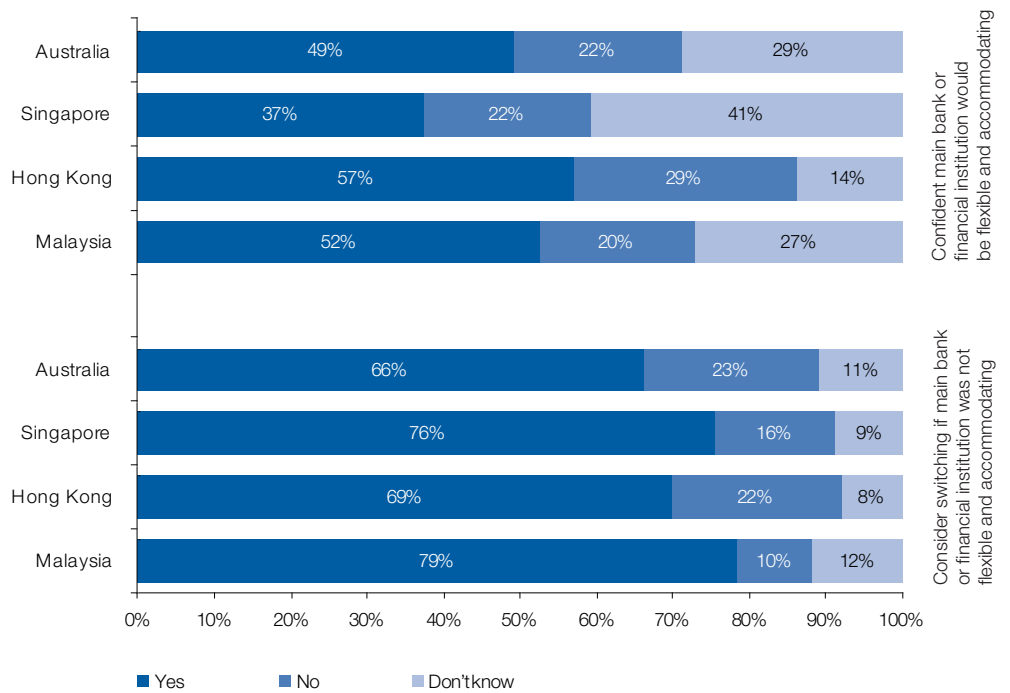
	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Yes	12%	29%	45%	31%	2%	18%	33%	33%	17%	25%	35%	62%	9%	19%	44%	43%
No	87%	71%	53%	69%	93%	81%	67%	56%	83%	73%	65%	36%	87%	75%	53%	52%
Don't know	0%	0%	2%		4%	1%		11%		2%		3%	4%	6%	2%	5%

Figure 10 shows the percentage of respondents in each market that have at least one business loan.

Analysis of other information from the survey that has not been included in this report revealed that in all markets, the larger the business by number of employees, the more likely it is to currently have business loans, particularly in Malaysia.

Small business confidence in their financier during difficult times

Figure 11: Flexibility expectations of own financial institution during difficult times, and switching consideration if they are not flexible



Q3-14 *If your business was under financial pressure, are you confident that your main bank or financial institution would be flexible and accommodating? (single response) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

Q3-15 *Would you consider switching your banking financial arrangements to someone else if they were not flexible and accommodating? (single response) (Australia n=111, Hong Kong n=59, Malaysia n=42, Singapore n=45)*

Generally, businesses are only moderately confident of businesses that their main bank or financial institution would be flexible and accommodating if the business was under financial pressure.

It can be seen from Figure 11 that generally, businesses are only moderately confident that their main bank or financial institution would be flexible and accommodating if the business was under financial pressure. This should be viewed as an emotive response, particularly in Australia and Singapore because of the small proportion of businesses in those markets that have actually held discussions with a bank (see Figure 7).

It may be because of signals from banks and others that borrowing is difficult that Singaporean businesses in particular are less confident about the flexibility of their banks.

The sample size of businesses that would not consider switching from their current bank or financial institution to another is very small and limits the degree to which further analysis can be undertaken. However, the two main reasons why they

would not consider switching were that they were generally satisfied with their current main bank or financial institution and the time and effort that would be involved in switching.

Analysis of other information from the survey that has not been included in this report revealed that:

- across all markets surveyed, the larger the business by number of employees, the more confident it was that its main bank or financial institution would be flexible and accommodating if the business was under financial pressure. Businesses with more employees were more likely to use a bank as a source for additional funds. This may suggest there is more likely to be a relationship between these businesses and their main lenders, which might be influencing a more positive disposition
- across all four markets, businesses with fewer or no employees were more likely to believe that their main lender would not be flexible or accommodating.

The larger the business by number of employees, the more confident it was that its main bank or financial institution would be flexible and accommodating if the business was under financial pressure.

Forms of financing used

Table 8: Forms of financing used (by market)

Financing forms:	Australia (n = 510)	Singapore (n =206)	Hong Kong (n = 204)	Malaysia (n = 205)
Credit cards	59%	47%	29%	55%
Overdrafts	29%	26%	30%	40%
Leasing	25%	19%	30%	26%
Hire purchase	19%	31%	50%	51%
Vendor financing	7%	13%	33%	23%
Debtor financing	3%	11%	22%	23%
International trade financing	2%	8%	21%	15%
Inventory financing	1%	6%	28%	11%
Other	5%	2%	2%	6%
None	28%	30%	11%	10%

Q3-1 Which of the following types of business financing has your business ever used? (multiple response) (n=510)

Table 9: Comparison of the forms of financing used in the last 12 months and number of employees

	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Leasing	16%	29%	62%	60%	2%	14%	29%	48%	11%	24%	24%	44%	26%	17%	29%	40%
Hire purchase	14%	19%	41%	46%	15%	29%	46%	33%	33%	47%	48%	74%	26%	40%	53%	61%
Debtor financing (also called 'factoring' or 'invoice financing')	2%	3%	12%	3%	4%	6%	21%	22%	6%	18%	29%	36%	17%	6%	18%	34%
International trade financing (borrowing or using credit to import or export)	1%	1%	14%	6%		6%	15%	15%	6%	8%	16%	33%	9%	13%	24%	27%
Overdrafts	20%	37%	48%	63%	15%	29%	25%	33%	6%	29%	54%	59%	26%	21%	31%	35%
Inventory financing (i.e. a loan made to a manufacturer using its inventory as collateral)	1%	0%	2%	9%		5%	8%	15%		9%	13%	18%	4%	13%	31%	41%
Credit cards	54%	63%	76%	80%	43%	51%	44%	44%	44%	54%	51%	69%	35%	27%	29%	28%
Vendor financing (i.e. a loan from one company to another that is used to buy goods from the company providing the loan)	5%	8%	14%	20%	4%	7%	21%	30%	6%	14%	37%	28%	9%	21%	40%	42%
Other	3%	9%	9%		2%	2%	4%		6%	8%	5%	5%	4%	2%		2%
None	35%	19%	7%	9%	43%	29%	19%	26%	39%	13%	3%		17%	21%	11%	5%

In Australia, the popularity of vendor financing, debtor financing, international trade financing and inventory financing was very low over the past 12 months and will remain very low over the next 12 months, regardless of the size of the business. This information indicates that there may be scope in the Australian market to grow these forms of financing. There is scope to research why small business demand for differing financing options is divergent between markets.

The heavy reliance on credit cards and overdraft facilities in Malaysia, while at the same time leasing and hire purchase are popular, may indicate contradictions in the Malaysian small business environment. Many Malaysian businesses are relying on short-term injections of finance from credit cards and overdrafts, which can be indicative of cash flow problems, while on the other hand, leasing and hire purchase activity (indicative of business expansion) are also popular. These contradictory statements are supported by Figure 6, where borrowing for business growth and business survival were both high. A possible explanation could be that the global financial crisis is impacting differently on different sectors of the Malaysian economy.

In comparison with the 2008 survey, Australian businesses appear to be reducing their reliance on short-term credit (70 per cent of Australian businesses were using credit cards in 2008 but only 59 per cent are using them in 2009; 50 per cent were using overdrafts in 2008, but only 29 per cent are using them in 2009). Also, Australian businesses seem to be reining in business expansion by reducing leasing (51 per cent in 2008, 25 per cent in 2009) and hire purchase (31 per cent were using hire purchase in 2008, but only 19 per cent are using it in 2009). This indicates that many businesses are seeking to improve their cash position. However, they remain cautious about committing to capital investment.

In Australia, the popularity of vendor financing, debtor financing, international trade financing and inventory financing was very low over the past 12 months and will remain low over the next 12 months, regardless of the size of the business.

The percentage of businesses that expected to use credit cards in the future was lower than the percentage that had ever used them in the past.

Table 10: Forms of financing that would be considered in future (by market)

Financing forms:	Australia (n = 510)	Singapore (n = 206)	Hong Kong (n = 204)	Malaysia (n = 205)
Credit cards	45%	27%	18%	23%
Overdrafts	45%	40%	31%	52%
Leasing	31%	23%	26%	20%
Hire purchase	19%	27%	40%	36%
Vendor financing	9%	19%	27%	26%
Debtor financing	4%	17%	21%	21%
International trade financing	3%	17%	29%	23%
Inventory financing	4%	13%	29%	17%
Other	7%	6%	3%	6%
None	21%	12%	6%	4%

Q3-2 *And if your business needed funds in the future, which of the following types of business financing would you consider using? (multiple response) (n=510)*

The forms of financing businesses would consider using in the future are presented in Table 10. Across all four markets, the percentage of businesses that expected to

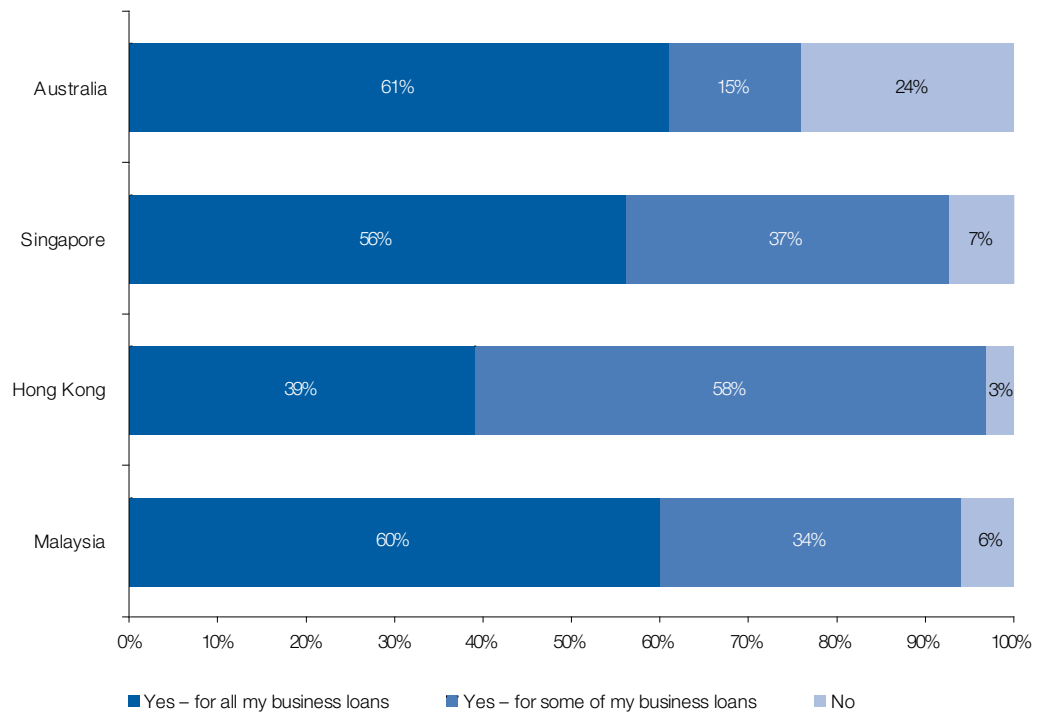
Businesses are more likely to consider using a form of financing if they have used it before.

use credit cards in the future was lower than the percentage that had ever used them in the past. Across all four markets, and particularly in Australia, Singapore and Malaysia, a much larger proportion of businesses would consider using overdrafts in the future than had ever used them in the past.

Analysis of other information from the survey that has not been included in this report revealed that:

- Across all four markets, businesses are more likely to consider using a form of financing if they have used it before
- It is interesting that 21 per cent of Australian businesses indicated that they will not be using any forms of financing. This could be due to lower optimism in Australian small businesses than in the other markets. Also, it could indicate that many Australian business owners are in business for reasons other than profit, such as lifestyle reasons.

Figure 12: Awareness of current interest rate on business loans



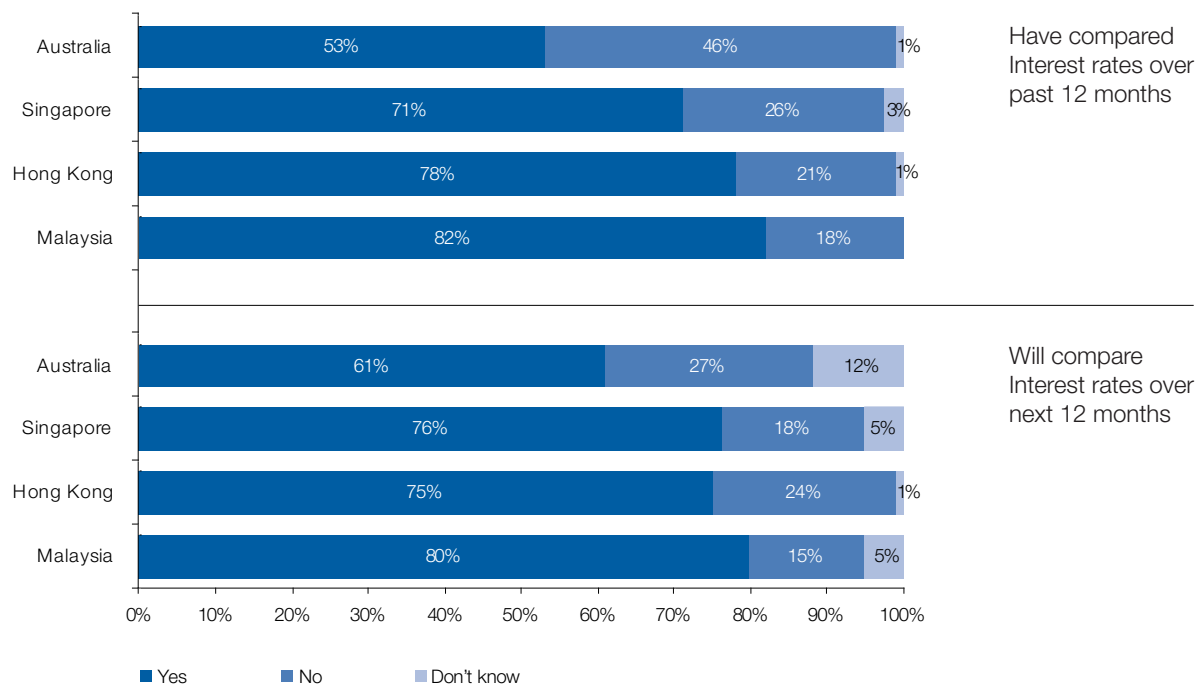
Q3-11 *And do you know what the current interest rate is on your business loans? (single response)) (Australia n=124, Hong Kong n=69, Malaysia n=70, Singapore n=41)*

As shown in Figure 12, the percentage of businesses in Australia that were not aware of the interest rates they were paying on borrowed funds was significantly higher than the percentages of businesses similarly unaware in the three Asian markets included in this study. However, for Australia, the percentage of businesses that are unaware of the current interest rates they are paying on at least some of their business loans has declined from 39 per cent in 2008 to 24 per cent in 2009.

Given that Hong Kong businesses are more likely to have used alternative forms of finance (where the interest rates or costs may not be readily identifiable) and have a number of

different forms of financing, it is understandable that many Hong Kong businesses are not aware of the interest rates they pay on all their different business loans. However, alternative finance may be more expensive and carry higher risks than other forms of finance. Therefore it is important to know the costs and risks associated with such finance.

Figure 13: Bank loan interest rate comparisons undertaken in the past 12 months, and those likely to be undertaken in the next 12 months



Q3-12 *And during the past 12 months, have you compared the interest rates on your business loans to those offered by other banks or finance providers? (single response) (Australia n=93, Hong Kong n=67, Malaysia n=66, Singapore n=38)*

Q3-13 *And over the next 12 months, do you think you will undertake a comparison of the interest rates on your business loans with those offered by other banks or finance providers? (single response) (Australia n=93, Hong Kong n=67, Malaysia n=66, Singapore n=38)*

Figure 13 shows the percentage of small businesses, (that knew the interest rates on at least some of their business loans), that had compared their interest rates with other interest rates in the past 12 months, and what percentage of those that know some of their rates that may compare those rates with other interest rates over the next 12 months.

It is good business practice to regularly review major expense items. Interest paid on borrowed funds is a major expense for many businesses. The fact is, however, that many businesses don't review the interest they are paying either because they are happy with their relationship with their bank or else because it is too difficult and time-consuming.

Business management activities undertaken by small business in the past 12 months

Table 11: Business management activities undertaken in the past 12 months (by market)

Management activities:	Australia (n = 510)	Singapore (n =206)	Hong Kong (n = 204)	Malaysia (n = 205)
Follow up on late payments from your customers	46%	48%	38%	60%
Use your personal credit card for business use	36%	33%	16%	36%
Increase marketing and promotion	24%	41%	47%	56%
Sell excess / obsolete stock	19%	18%	25%	25%
Reduce levels of stock held	19%	26%	28%	34%
Take up early discounts from suppliers	16%	17%	26%	30%
Offer discounts to customers to induce early payment	13%	30%	33%	34%
Seek a short-term injection of funds	10%	20%	29%	31%
Extend payment terms with suppliers	9%	18%	26%	36%
Sell personal assets to fund business activities	7%	8%	12%	14%
Decrease marketing and promotion	6%	6%	7%	5%
Sell business assets	5%	6%	13%	10%
None of the above	21%	14%	8%	5%
Don't know	1%	2%	1%	0%

Q4-3 Please indicate which of the following activities you have done in the past 12 months? (multiple response)

Table 12: Comparison of business management activities undertaken in the last 12 months and number of employees

	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Follow up on late payments from your customers	41%	46%	71%	77%	41%	52%	46%	52%	44%	47%	73%	74%	22%	35%	38%	43%
Reduce levels of stock held	17%	19%	33%	20%	15%	25%	31%	37%	33%	29%	40%	36%	30%	27%	27%	30%
Extend payment terms with suppliers	6%	7%	24%	17%	7%	16%	31%	19%	22%	28%	43%	49%		27%	40%	26%
Take up early discounts from suppliers	14%	15%	31%	20%	7%	19%	15%	30%	17%	32%	30%	33%	9%	21%	29%	33%
Offer discounts to customers to induce early payment	10%	14%	24%	14%	17%	31%	44%	22%	17%	24%	40%	54%	30%	29%	31%	38%
Sell excess / obsolete stock	20%	17%	22%	11%	9%	20%	25%	15%	17%	31%	16%	31%	22%	17%	20%	34%
Increase marketing and promotion	25%	18%	28%	34%	33%	36%	50%	52%	50%	53%	51%	74%	52%	42%	56%	43%
Decrease marketing and promotion	5%	6%	10%	9%	7%	6%	6%	4%	6%	4%	8%	3%	4%	6%	7%	8%
Sell business assets	5%	4%	5%	6%	4%	6%	6%	7%	11%	14%	3%	10%	17%	6%	16%	14%
Sell personal assets to fund business activities	6%	10%	9%	6%	9%	5%	13%	11%	22%	15%	13%	8%	4%	13%	4%	17%
Seek a short-term injection of funds	7%	13%	28%	6%	9%	21%	29%	19%	28%	32%	30%	31%	22%	19%	36%	33%
Use your personal credit card for business use	35%	41%	40%	23%	26%	41%	29%	22%	28%	42%	33%	31%	22%	21%	9%	16%
None of the above	23%	20%	9%	9%	24%	12%	10%	7%	11%	5%	6%	3%	17%	13%	9%	2%
Don't know	0%	1%	2%		4%	1%		7%		1%				2%		2%

Table 11 shows the extent to which businesses included in this survey undertook the management activities listed above during the past 12 months.

The larger the business by number of employees, the more likely it was to have undertaken management activities, including financial management activities.

Also, across all markets, those who required additional funds in the past 12 months or those who had a pre-existing business loan were also more likely to undertake some or all of the financial management activities listed. On the flip side, the likelihood of never undertaking any of the financial management activities listed was highest for the smallest businesses (those with nil to four employees).

Perhaps surprisingly given the current economic downturn, a significantly higher proportion of businesses in Australia had not undertaken any of the activities shown in Table 11 during the past 12 months, compared with businesses in the three Asian markets.

The larger the business by number of employees, the more likely it was to have undertaken management activities, including financial management activities. This may be because larger businesses have the extra resources to undertake such activities and/or because they have the extra resources they are required to undertake such activities to manage these resources.

Analysis of other information from the survey that has not been included in this report revealed that:

- in all markets, but particularly Australia, the larger the business by number of employees, the more likely it is to chase up late payments. This may be an indication that larger businesses are more likely to sell on credit and that they have the resources to chase up outstanding debt
- in Australia and Singapore, those businesses that required additional funding in the last 12 months, have a pre-existing loan or will require additional funds in future were significantly more likely to undertake every one of the activities listed in Table 11 than Australian and Singaporean businesses that do not. This may be because their lenders requires that they undertake these activities
- in Australia, those businesses with nil to four staff and in Singapore, those with nil employees were proportionately less likely than any other businesses to have undertaken any of the management activities listed. In Malaysia, businesses that did not receive any advice in the past year were also significantly less likely to undertake any of the management activities listed in Table 11
- In Australia, those businesses expecting to grow and businesses that were less than 10 years of age were more likely than other Australian businesses to have increased their marketing and promotion expenses in the last 12 months.

Table 13: Business management activities expected to be undertaken in the next 12 months (by market)

Management activities	Australia (n = 510)	Singapore (n =206)	Hong Kong (n = 204)	Malaysia (n = 205)
Follow up on late payments from your customers	38%	42%	33%	54%
Use your personal credit card for business use	27%	24%	9%	20%
Increase marketing and promotion	31%	43%	43%	64%
Sell excess / obsolete stock	18%	15%	27%	22%
Reduce levels of stock held	12%	21%	22%	30%
Take up early discounts from suppliers	15%	19%	21%	33%
Offer discounts to customers to induce early payment	16%	21%	31%	35%
Seek a short-term injection of funds	10%	20%	24%	35%
Extend payment terms with suppliers	6%	20%	31%	35%
Sell personal assets to fund business activities	4%	5%	9%	8%
Decrease marketing and promotion	2%	7%	14%	5%
Sell business assets	5%	6%	8%	8%
None of the above	22%	10%	5%	5%
Don't know	5%	5%	5%	4%

In Malaysia, businesses that did not receive any advice in the past year were also significantly less likely to undertake any of the management activities.

Q4-4

And please indicate which of the following activities you expect to do in the next 12 months? (multiple response)

Table 14: Comparison of management activities expected to be undertaken in the next 12 months and number of employees

	Australia				Singapore				Malaysia				Hong Kong			
	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19	Nil	1-4	5-9	10-19
Follow up on late payments from your customers	35%	35%	50%	66%	35%	39%	48%	52%	33%	41%	70%	67%	13%	31%	36%	39%
Reduce levels of stock held	11%	13%	16%	14%	15%	20%	27%	22%	33%	22%	35%	36%	13%	17%	24%	25%
Extend payment terms with suppliers	4%	6%	17%	17%	11%	14%	35%	30%	11%	27%	40%	54%	33%	29%	39%	
Take up early discounts from suppliers	14%	15%	24%	17%	15%	20%	21%	19%	17%	28%	38%	44%	4%	25%	22%	23%
Offer discounts to customers to induce early payment	14%	17%	26%	20%	15%	21%	29%	15%	33%	29%	38%	41%	35%	19%	31%	38%
Sell excess / obsolete stock	16%	19%	21%	17%	11%	16%	19%	11%	22%	25%	16%	26%	17%	27%	22%	33%
Increase marketing and promotion	31%	30%	34%	46%	39%	44%	44%	44%	44%	62%	68%	69%	52%	50%	47%	35%
Decrease marketing and promotion	1%	2%	3%	3%	7%	7%	6%	7%	6%	6%	3%	8%	8%	27%	14%	
Sell business assets	4%	6%	9%	6%	6%	13%	7%		11%	7%	5%	13%		13%	13%	
Sell personal assets to fund business activities	3%	6%	7%	3%	6%	10%			12%	5%	10%		4%	8%	4%	14%
Seek a short-term injection of funds	9%	11%	19%	11%	7%	25%	31%	11%	28%	34%	38%	36%	9%	19%	29%	28%
Use your personal credit card for business use	28%	25%	24%	26%	13%	32%	27%	15%	11%	25%	17%	15%	4%	10%	7%	11%
None of the above	26%	19%	14%	6%	20%	9%	6%	4%	17%	5%	3%	3%	13%	4%	9%	1%
Don't know	4%	7%	3%		11%	4%	2%	7%	6%	6%	2%	3%	9%	6%	2%	5%

As they indicated in the 2008 survey and also in 2009, a higher percentage of Malaysian businesses (not dependant on the number of employees) have indicated that they intend to undertake the management activities listed in Table 13 in the next 12 months. This probably indicates that they intend to take advantage of the expected positive business conditions.

In all markets, if a business has undertaken an activity in the past 12 months, it is more likely than not that it will undertake that activity again in the next 12 months. For those that are attempting to get small business to improve their management practices, the first step is therefore to get small business to undertake the activity in the first place.

Consistent with the finding reported earlier regarding fewer businesses considering using credit cards in the future, across all four markets the percentage of businesses intending to use a personal credit card for business over the next 12 months is lower than the percentage that used a credit card for business over the previous 12 months.

Analysis of other information from the survey that has not been included in this report revealed that:

- in Australia, Singapore and Malaysia, larger employers are more likely to follow up on late payments in the next 12 months
- in Australia, those who required additional funding in the last 12 months, have a pre-existing loan or require additional funds were significantly more likely to indicate that they will undertake every one of the activities listed in Table 13. In

If a business has undertaken an activity in the past 12 months, it is more likely than not that it will undertake that activity again in the next 12 months.

Singapore, those businesses expecting to require additional funds in the next 12 months were more likely to undertake most of the management activities listed than those Singaporean businesses not requiring additional funds

- in Australia, businesses that have been operating for a shorter period of time are significantly more likely to expect to increase their marketing and promotion spend over the next 12 months
- in Malaysia, businesses that did not receive any advice in the past year from an external source were significantly less likely to indicate that they would be undertaking any of the listed management activities in the coming 12 months.

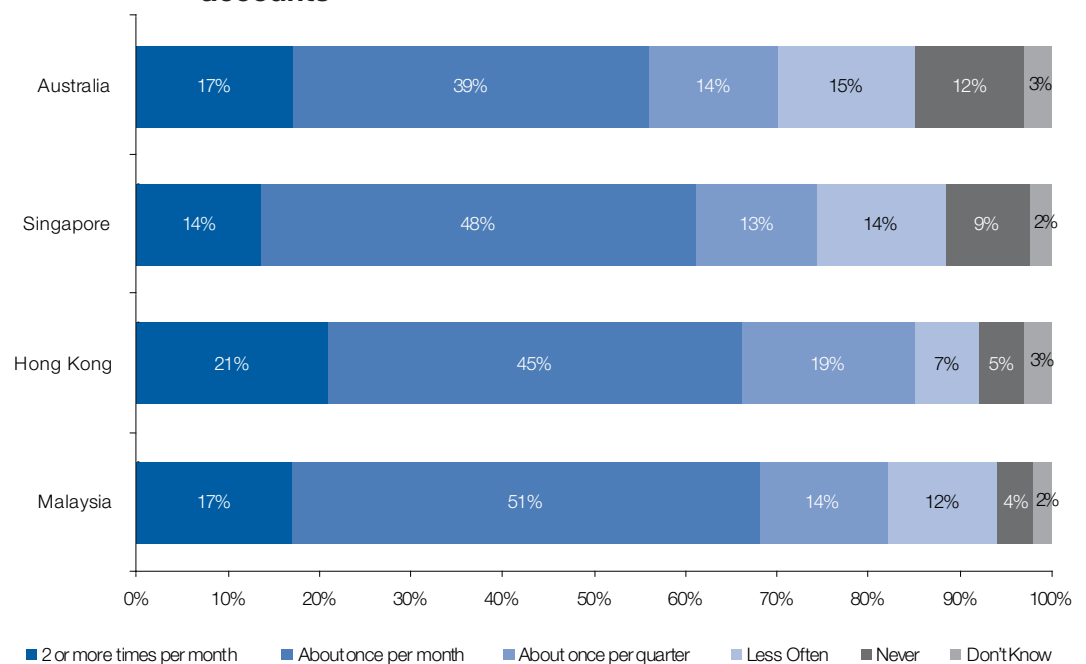
Financial management activity

The incidence of undertaking financial management activities is shown in the following series of Figures 14A to 14G. Table 15 shows the percentage of businesses in each country that undertook each of the financial management activities at least once per month.

The percentage of Australian businesses that undertake the financial management activities listed in figures 14A to 14G at least monthly is generally lower than the percentages in other markets. This could be as a result of the higher percentage of very small businesses in Australia, that is, those with nil to four employees (who according to our survey are less likely to undertake financial management activities). Even if this assumption is correct, there is still room for significant improvement in the financial management of small business in Australia.

Analysis of other information from the survey that has not been included in this report revealed that in all markets, of those who undertake financial management activities at least monthly, the larger the business (both in number of employees and turnover), the more likely it was to have undertaken all the financial management activities listed.

Figure 14A: Frequency of financial management activity: Reconcile bank accounts

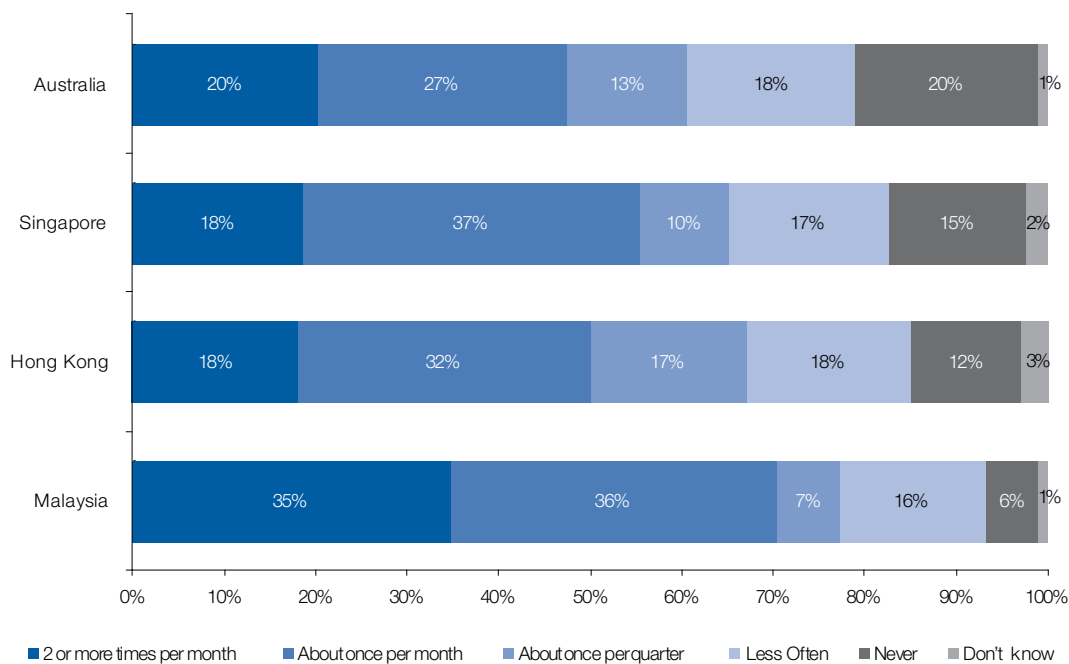


Q2-1

Using the scale shown below, please indicate how often your business does each of the following. (single response per activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)

In comparing the Australian results in Figure 14A with the results of the 2008 survey, we find a decline in the percentage of businesses that reconciled bank accounts at least once per month from 78 per cent to 47 per cent and an increase in the proportion of businesses that never reconciled (from 5 to 20 per cent). Again, this may be explained by the higher percentage of very small businesses (those with nil employees) in the 2009 Australian survey sample.

Figure 14B: Frequency of financial management activity: Chase up late payments

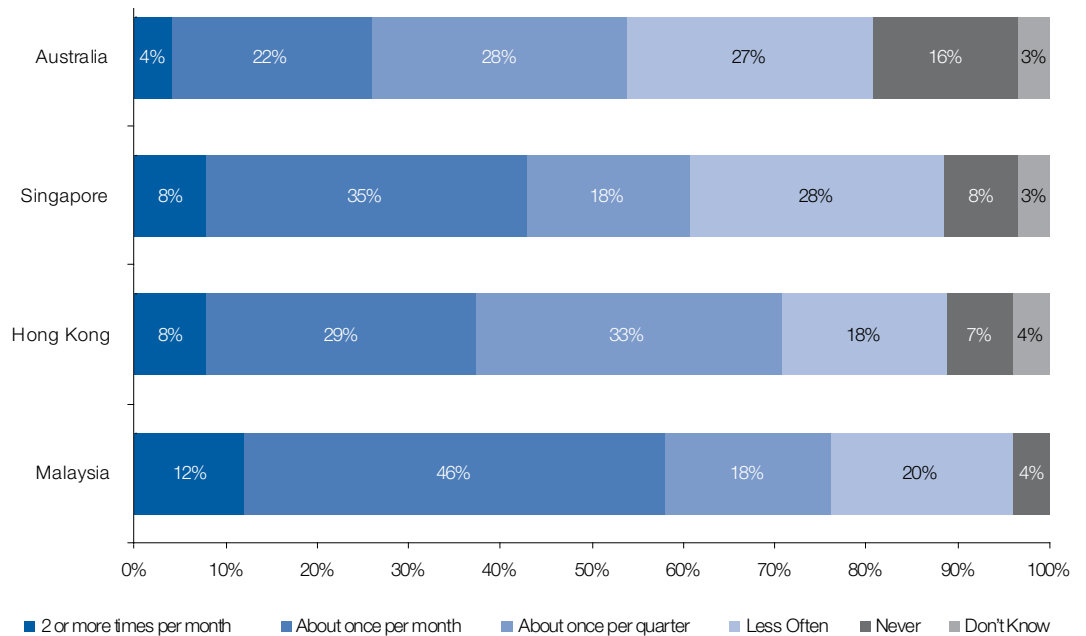


Q2-1 *Using the scale shown below, please indicate how often your business does each of the following. (single response/activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

In comparing the Australian results in Figure 14B with the 2008 survey, we find a decline in the percentage of businesses that chased up late payments from 60 per cent at least once per month to 47 per cent. In difficult economic times, it is hard to understand why a business would not chase up late payments on a very regular basis unless it did not have any outstanding debts (i.e. if it only has cash sales). On a more positive note, and possibly as a consequence of the current economic downturn, the percentage of businesses never chasing up late payments has declined from 25 to 20 per cent.

In difficult economic times, it is hard to understand why a business would not chase up late payments on a very regular basis unless it did not have any outstanding debts.

Figure 14C: Frequency of financial management activity: Prepare financial statements

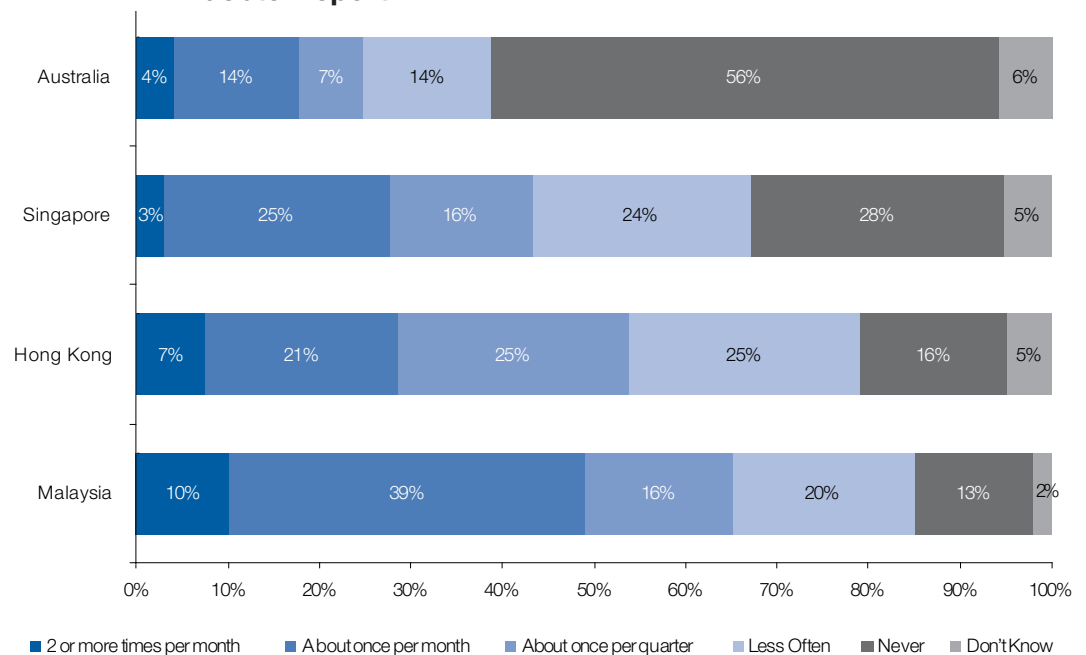


Q2-1 *Using the scale shown below, please indicate how often your business does each of the following. (single response/activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

Financial statements provide businesses with a wealth of information on their business, and the more frequently they are prepared, the better the business can be managed.

In comparing the Australian results in Figure 14C with the 2008 survey, we find a decline in the percentage of businesses that prepared financial statements on at least a monthly basis from 42 to 26 per cent. Financial statements provide businesses with a wealth of information on their business, and the more frequently they are prepared, the better the business can be managed.

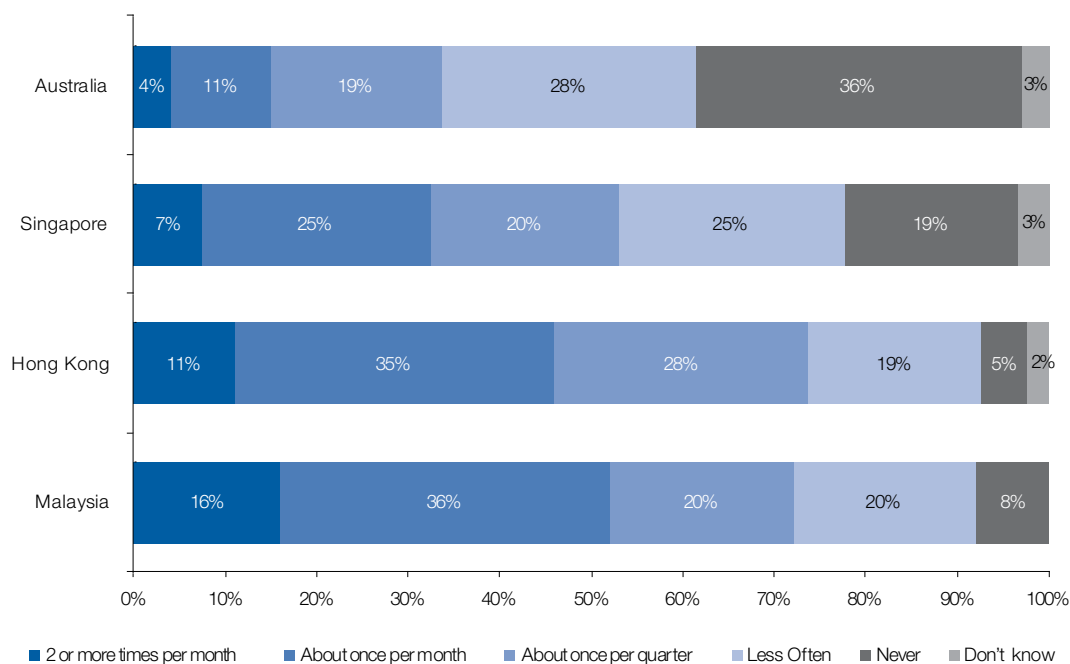
Figure 14D: Frequency of financial management activity: Produce aged debtor report



Q2-1 *Using the scale shown below, please indicate how often your business does each of the following. (single response/activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

In comparing the Australian results in Figure 14D with the 2008 survey, we find a significant decline in the percentage of businesses that prepare aged debtor reports on at least a monthly basis from 42 to 18 per cent. We also find an increase in the percentage of businesses that never prepare such reports (up from 44 to 56 per cent). This may also reflect the decline in the number of businesses not chasing up late payments on a monthly basis.

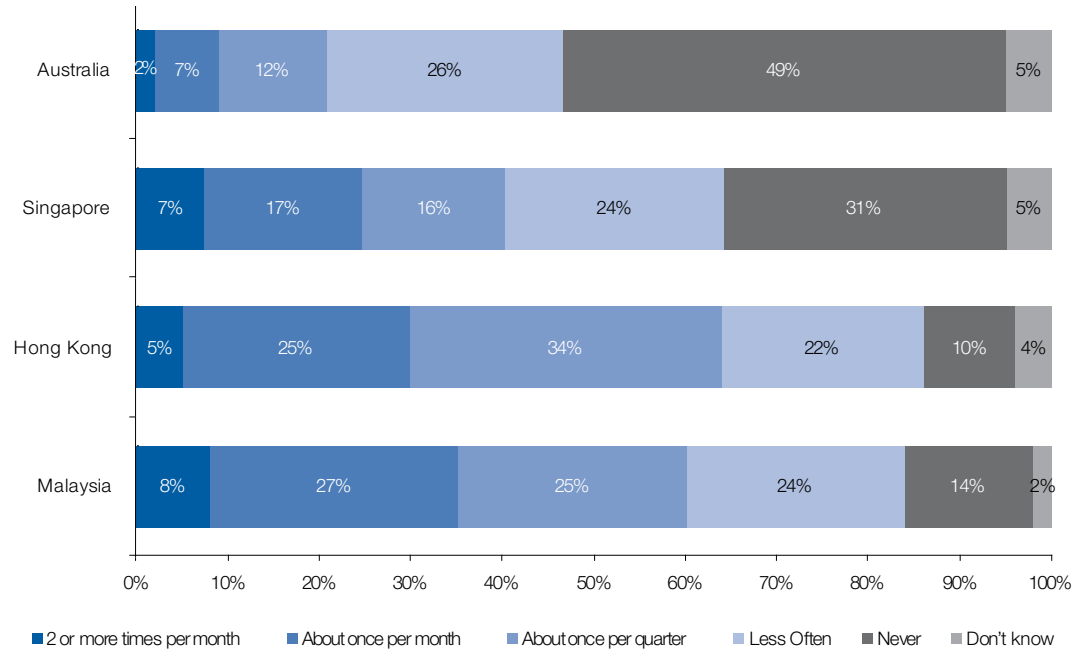
Figure 14E: Frequency of financial management activity: Prepare cash flow forecast



Q2-1 *Using the scale shown below, please indicate how often your business does each of the following. (single response/activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

In comparing the Australian results in Figure 14E with the 2008 survey, we find a decline in the percentage of businesses that prepare cash flow forecasts on at least a monthly basis from 24 to 15 per cent. Again, many would expect that the percentage of businesses preparing cash flow forecasts during tougher economic conditions to increase. Having said that, there was a slight decrease in the number of businesses that never prepared cash flow forecasts (down from 41 in 2008 to 36 per cent in 2009), which indicated that for some businesses, the message that cash flow forecasting is important has been understood and converted into action.

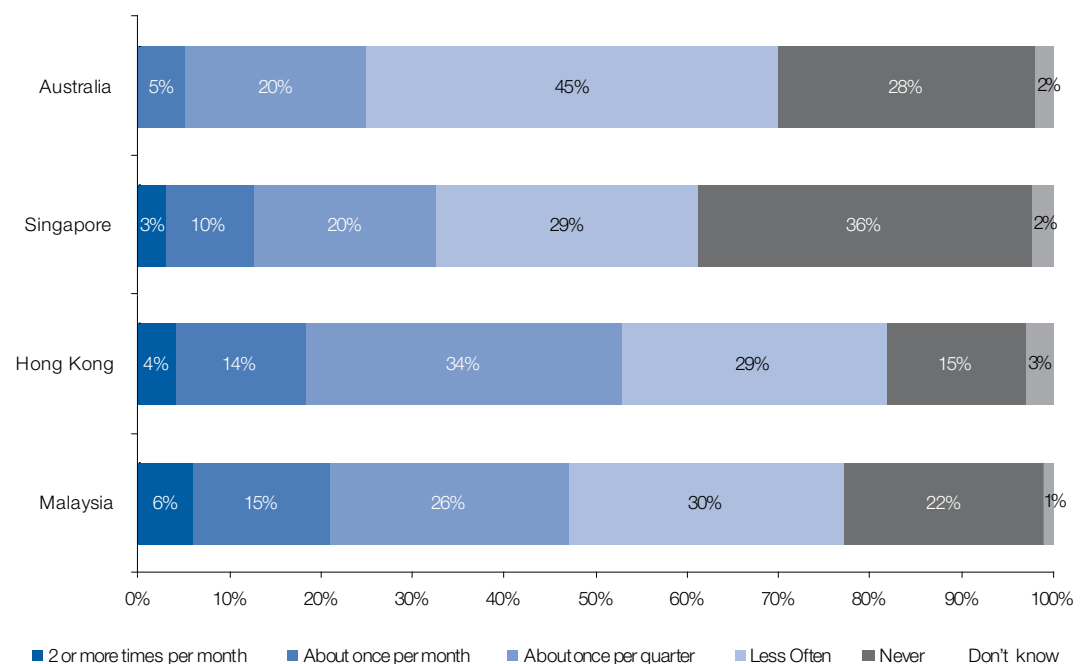
Figure 14F: Frequency of financial management activity: Prepare financial ratios



Q2-1 *Using the scale shown below, please indicate how often your business does each of the following. (single response/activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

In comparing the Australian results in Figure 14F with the 2008 survey, we find a decline in the percentage of businesses that prepare financial ratios at least once a month from 20 in 2008 to 9 per cent in 2009.

Figure 14G: Frequency of financial management activity: Meet external accountant



Q2-1 *Using the scale shown below, please indicate how often your business does each of the following. (single response/activity) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

In comparing the Australian results in Figure 14G with the 2008 survey, we find a decline in the percentage of businesses that meet with their external accountant at least once a month from 15 per cent in 2008 to 5 per cent in 2009 and a significant increase in the percentage of businesses that never meet their external accountant (up from 12 per cent in 2008 to 28 per cent in 2009). Both of these figures could partly explain why Australian businesses are less likely to carry out the financial management activities listed above. Despite that, the majority of Australian businesses using external accountants were very happy with the advice they were receiving.

Table 15: Financial activities undertaken at least once per month (by market)

Financial activities:	Australia (n = 510)	Singapore (n = 206)	Hong Kong (n = 204)	Malaysia (n = 205)
Reconcile bank accounts	57%	61%	66%	68%
Chase up late payments	47%	55%	50%	71%
Prepare financial statements	26%	43%	38%	58%
Prepare aged debtor report	18%	28%	28%	49%
Prepare a cash flow forecast	15%	33%	46%	52%
Prepare financial ratios	9%	25%	30%	36%
Meet with external accountant to discuss performance	5%	13%	19%	20%

Q2-1 *Using the scale shown below, please indicate how often your business does each of the following. (single response per activity)*

Table 16: Financial management activities undertaken less often than once a quarter or never undertaken (by market)

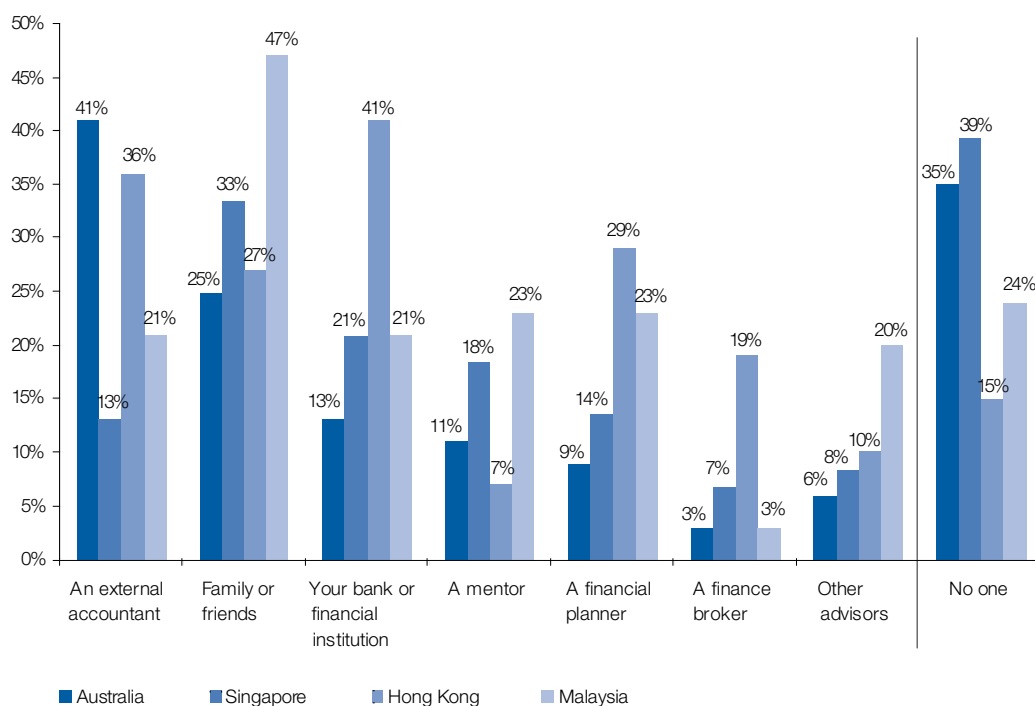
Financial activities:	Australia (n = 510)	Singapore (n = 206)	Hong Kong (n = 204)	Malaysia (n = 205)
Reconcile bank accounts	27%	23%	12%	16%
Chase up late payments	38%	32%	30%	22%
Prepare financial statements	43%	36%	25%	24%
Prepare aged debtor report	70%	52%	41%	33%
Prepare a cash flow forecast	64%	44%	24%	28%
Prepare financial ratios	75%	55%	32%	38%
Meet with external accountant to discuss performance	73%	65%	44%	52%

Australian and Singaporean businesses were more likely to undertake the financial management activities listed rarely (i.e. less often than once a quarter), or never.

Q2-1 *Using the scale shown below, please indicate how often your business does each of the following. (single response per activity)*

As shown in Table 16, Australian and Singaporean businesses were more likely to undertake the financial management activities listed either rarely (i.e. less often than once a month) or never. On the other hand, as Table 15 shows, businesses in Malaysia were significantly more likely to undertake them. It should be noted that this survey does not measure business performance. Therefore we can't say whether the carrying out of these activities leads to improved performance of the businesses.

Figure 15: Sources of advice received over past 12 months



Q4-1 *During the past 12 months, have you received any advice for your business from any of the following? (multiple response) (Australia n=510, Hong Kong n=204, Malaysia n=205, Singapore n=206)*

Figure 15 shows the sources of advice that small businesses used during the past 12 months.

It is interesting to note the apparently strong demand from many Hong Kong businesses for advice from professionals including external accountants, their banks, financial planners and finance brokers. This is also reflected in Figure 7 on page 20. The amount of advice they are receiving may be helping Hong Kong business operators to have a deeper understanding of their businesses which, in turn, may be reflected in their level of confidence in the future.

In Australia and Hong Kong, external accountants are by far the major source of advice for small business. Our 2008 survey also showed this.

Analysis of other information from the survey that has not been included in this report revealed that:

- businesses in Hong Kong with five or more employees were significantly more likely than smaller businesses to use an external accountant, bank or a financial planner as a source of advice

- in Malaysia, businesses with from 10 to 19 employees were significantly less likely than smaller Malaysian businesses to have received advice from no-one.
- in Australia, those using advice in the past year from family and friends and no one were significantly more likely than other Australian businesses to have never used any form of financing.

In general, the majority of businesses considered the advice provided was helpful or very helpful and the small number that didn't feel this way were generally neutral about it, noting that it was neither helpful nor unhelpful. Overall, 19 per cent of Singaporean businesses rated the advice by an external accountant as either unhelpful or very unhelpful, and 11 per cent of businesses in Singapore rated the advice provided by a mentor as either unhelpful or very unhelpful.

Businesses in Hong Kong with five or more employees were significantly more likely than smaller businesses to use an external accountant, bank or a financial planner as a source of advice.

Small business sample details

A profile of the small business survey participants in each of the four countries included in this study is provided in Table 17 below. Separate profiles are provided for the organisation and for the actual survey respondent.

Table 17: Small business sample details

Organisation details	Australia (n = 510)%	Singapore (n = 206)%	Hong Kong (n = 204)%	Malaysia (n = 205)%
Q1-2. Number of staff employed by your organisation				
Nil employees	39%	22%	11%	9%
1 - 4 employees	42%	41%	24%	41%
5 - 9 employees	11%	23%	22%	31%
10 - 19 employees	7%	13%	43%	19%
Q5-2. Including yourself, number of employees working full-time in the business				
0 - 2 employees	74%	38%	18%	20%
3 - 4 employees	12%	33%	24%	38%
5 - 9 employees	9%	17%	27%	29%
10 - 19 employees	5%	11%	31%	13%
Q5-3. Years the small business has been in existence				
Under 5 years	32%	37%	48%	46%
5 - 10 years	27%	33%	25%	31%
11 - 20 years	25%	17%	19%	12%
21 + years	17%	10%	6%	10%
Don't know	0%	2%	1%	0%
Q5-8. Total sales of the small business over the past year				
Under AUD\$200,000	60%	47%	29%	53%
AUD\$200,000 < AUD\$500,000	12%	20%	27%	21%
AUD\$500,000 < AUD\$1 million	8%	10%	14%	9%
AUD\$1 million < AUD\$2 million	4%	5%	5%	3%
AUD\$2 million < AUD\$5 million	3%	2%	5%	2%
AUD\$5 million or more	0%	2%	6%	3%
Prefer not to disclose	12%	14%	13%	8%

Respondent details	Australia (n = 510) %	Singapore (n = 206)%	Hong Kong (n = 204)%	Malaysia (n = 205)%
Q5-1. Gender				
Male	44%	52%	60%	69%
Female	56%	48%	40%	31%
Q5-4. Years with the small business				
Under 5 years	37%	46%	56%	57%
5 - 10 years	28%	32%	26%	33%
11 - 20 years	22%	17%	12%	7%
21+ years	12%	5%	2%	3%
Q5-5. Age				
Under 30 years	9%	18%	34%	28%
30 – 39 years	17%	34%	43%	45%
40 – 49 years	29%	24%	19%	20%
50 – 59 years	27%	19%	4%	6%
60+ years	18%	4%	0%	0%
Q5-6. Highest level of formal education achieved				
Up to Year 11	14%	1%	22%	8%
Year 12	15%	7%	14%	7%
Trade qualification	20%	16%	6%	14%
Diploma	23%	32%	15%	18%
University degree	19%	29%	35%	45%
Postgraduate qualification	9%	15%	8%	8%
Q5-7. Ownership interest in the business				
Yes	91%	82%	67%	83%
No	8%	16%	30%	16%
Don't know	1%	2%	3%	1%



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