The CPA Australia Asia-Pacific small business survey 2010

Australia, Hong Kong, Malaysia and Singapore

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First published
CPA Australia Ltd
ACN 008 392 452
Level 20, 28 Freshwater Place
Southbank Vic 3006
Australia

ISBN 978-1-921742-08-8

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About this survey

The CPA Australia Asia–Pacific Small Business Survey 2010 (the 2010 survey) is a survey that was conducted with owners or senior representatives (including those in senior financial roles) of businesses with less than 20 employees. The markets included in the survey are Australia, Hong Kong, Malaysia and Singapore. The survey was conducted during the period from 5 October to 12 October 2010.

The key objectives of the study were to:

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

The results present cross-market comparisons between the four markets included in this study. This report also presents a comparison of the experiences of small business from the four markets as reported in the 2010 survey with their experiences as reported in the CPA Australia Asia–Pacific Small Business Survey 2009 (the 2009 survey). In order to make this comparison, many of the questions in the 2010 survey were drawn from the 2009 survey.

The 2010 survey was organised on behalf of CPA Australia by NWC Opinion Research.

Interview method

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

NWC Opinion Research was responsible for all aspects of administering the fieldwork, including questionnaire programming, coordinating selection of respondents from Research Now's panel, forwarding the survey to respondents and processing the respondent data.

Sample

In total, 516 respondents participated in Australia, 208 participated in Singapore, 201 participated in Malaysia and 201 participated in Hong Kong.

Questioning

As noted earlier, many of the questions included in the 2010 survey were drawn from the 2009 survey, which was conducted in June 2009. However, some of the 2009 survey's questions were modified or removed, and new questions were included in the 2010 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 26 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 26 questions. Respondents took an average of 10 minutes each to complete the survey.

Rounding

All percentage results shown in this report have been rounded to one decimal point. 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

Region

Growth expectations

Small business growth expectations over the next few years are positive to very positive in the region. The results indicate that over 70 per cent of all businesses surveyed expect either strong or some growth over the next few years.

Singaporean and Hong Kong small business not only experienced a marked increase in business growth expectations, these two markets took over from the 2009 survey leader, Malaysia, as the most confident. While growth expectations have fallen slightly in Malaysia, Malaysian small businesses continue to be very positive about growth.

Growth expectations amongst Australian small businesses remain generally positive. However, the percentage of businesses that have a positive outlook has only increased very slightly and Australian small businesses remain significantly less confident than small businesses in the other markets included in this survey (particularly for businesses with nil to nine employees). Reflecting this lower level of confidence, Australian small businesses were more likely to seek additional funds to cover increasing expenses than for other reasons such as business growth, to purchase assets or to fund stock purchases.

Access to finance

This survey shows that in 2010 there has been a general shift from utilising funds for business survival to utilising funds for business growth in each market except, surprisingly, Hong Kong. This could indicate that not all Hong Kong businesses are enjoying the strong growth the Hong Kong economy is experiencing.

Also reflecting the positive outlook:

+ Malaysian and Singaporean small businesses indicated an increase in the use of funding to support stock and asset purchases; and
+ Hong Kong small businesses showed a greater demand for funding to cover increased sales.

Expected demand for additional finance over the next 12 months for Hong Kong, Singapore, Malaysia and larger Australian small businesses (with 10 to 19 employees) is strong, indicating that external finance will be used to take advantage of expected growth.

Notably, all markets generally expected access to finance to be neither difficult nor easy or relatively easy; perhaps indicating that the effects of the global financial crisis are diminishing and that lending conditions are easing (or businesses are becoming used to the current lending conditions). However, it appears that financing is a source of concern for some Malaysian businesses surveyed. This is likely to have driven the increase in expectations that friends and family will be a key source of funding in the coming year.

Staffing levels

Reflecting a strong economy, Singapore, Hong Kong, Malaysia and larger Australian small businesses (with 10 to 19 employees) all experienced reasonable net increases in staffing levels in 2010. Many small businesses in these markets expect this trend to continue in the next 12 months.

Following the trend of the 2009 survey, Australian small businesses were more likely to ask their staff to work more hours than to hire new staff. Australian small businesses were significantly more likely to not have changed their staff numbers in 2010, and are significantly more likely to not consider changing their staff numbers in 2011.

Sources of funding

All markets continued to show a heavy reliance on banks as a source of funding. Hong Kong, Malaysia and Singapore also had a strong preference for calling on friends and family for finance, much more so than Australian businesses. Australian businesses were also much more likely to rely on only one source of funding.

With funding required to support business growth, asset purchases and increasing sales, it was surprising to note that Hong Kong and Malaysian businesses have reduced their access to leasing, hire purchase and working capital facilities – types of financing that are a good match for those funding requirements.

Business management activities

Hong Kong businesses were the most likely to undertake business management activities in 2010, while businesses in Singapore showed a positive trend towards improved financial management. Malaysian businesses also seemed to have an increased focus on improving working capital. On the back of these improvements, Hong Kong and Singaporean small businesses became much more likely to use their own resources to fund their business needs than seek external financing. This should lead to an improvement in profitability amongst such small businesses.

Australian businesses remain the least likely to undertake a range of financial management activities. This in turn makes it difficult for those small businesses to optimise their working capital and access external finance (as lenders generally require such information).

Australian small businesses remain the most likely to seek advice from their external accountant.

Australia

The overall results show Australian small businesses are generally in a consolidation phase. While they are generally positive, most Australian small businesses – particularly the smallest businesses – are not investing for growth, but neither are they in survival mode (which was a major theme amongst Australian small businesses in the 2009 survey).

Hong Kong

The overall results show Hong Kong small businesses are generally in a growth phase. While there has been a strong surge in the number of Hong Kong respondents investing to grow their business and increase staff numbers, there appears to be a small number of small businesses that are more focused on survival.

Malaysia

The overall results show Malaysian small businesses are generally in a growth phase. Malaysian small businesses continue to expect to grow, although at a slightly slower rate than expected in the 2009 survey.

Singapore

The overall results show Singaporean small businesses are generally in a growth phase. The results show a strong surge in business confidence in the past year, as well as greater investment in business growth and increasing staff numbers. Singaporean small businesses appear to be the outstanding performers of the 2010 survey.

Economic outlook

Region

According to the International Monetary Fund's (IMF) *October 2010 World Economic Outlook*, "After leading the global recovery for a second year, Asia's economic outlook remains positive but, in its latest report on the state of the region's economy, the IMF cautions that inflationary pressures are emerging." The pace of economic recovery in advanced economies (excluding Australia) is being held back by persistently high unemployment, weak consumer spending, difficulty in accessing finance and those economies being heavily dependent on public sector stimulus. However, economic activity in Asia (except Japan) has generally rebounded swiftly from the economic downturn.

Part of Asia's recovery story is the resilience of domestic demand, particularly household consumption. Also important to Asia's recovery has been:

- the surge in net capital inflows, which according to the IMF is testament to Asia's improved resilience and economic framework;
- a rapid turnaround in exports; and
- the continued effects of expansionary fiscal and monetary policy.

The Asian Development Bank (ADB), in its *2010 Asian Development Outlook Update* of September 2010, forecast 8.2 per cent growth for the region for 2010, compared with 2.2 per cent for the United States, Eurozone and Japan.

The ADB predicts growth for Asia (excluding Japan) in 2011 will be 7.3 per cent (the IMF predicts growth for all of Asia, including Japan, Australia and New Zealand in 2011 of 6.7 per cent). This predicted slight slowdown in growth is due to the continued phasing out of economic stimulus, slower growth in world trade and the fact that 2011 is starting from a much higher base than 2010.

Australia

2010 has been a solid year for economic growth in Australia, with a large share of the growth until recently attributed to fiscal stimulus. While not reaching the huge growth numbers of many East Asian economies, Australia in comparison to other advanced economies has been an outstanding performer, with the IMF forecasting growth for 2010 of 3 per cent.

Other key themes in the Australian economy include:

- The fundamentals of the Australian economy remain sound and, together with the momentum built up in the economy, Australia should see above-trend growth for the second half of 2010.
- The private sector has been patchy (particularly retail sales), however, the private sector has now taken over from government stimulus in pushing demand.
- Many commentators are stating that the 'two-speed' economy has returned, with the resources sector significantly outperforming other sectors of the economy.
- Australia, with its commodity-based exports, is the advanced economy most clearly linked to emerging economies such as China and India. Therefore, Australia has been, and will continue to be, a significant beneficiary of economic growth from those economies.
- Leading economic indicators point to more growth. For instance, capital expenditure by business (particularly in the resources and related sectors) is expected to be 31 per cent higher in the next 12 months.
- The Australian dollar is at its highest level (in comparison to the United States dollar) in 28 years.
- Australia is unlikely to see a return to the rate of growth in credit that occurred prior to the global financial crisis. Credit demand is also likely to be low as cashed-up businesses are more likely to use their own resources to fund capital expenditure.
- Australia is still a domestically (rather than export) focused economy.

The IMF predicts that Australia's growth will reach 3.5 per cent in 2011, driven mainly by the resources sector and capital expenditure by business. Retail sales are also expected to pick up, although expected increases in interest rates will have an effect on private consumption. Unemployment is expected to decline slightly to 5.1 per cent. Inflation is a near-term risk (forecast to increase by 3 per cent in 2011), which means the central bank has a bias towards increasing interest rates into 2011.

Hong Kong

After suffering a decline in real GDP of 2.8 per cent in 2009, the IMF is predicting that the Hong Kong economy will grow by 6 per cent in 2010. According to the Hong Kong government, the Hong Kong economy continued to show a broad-based recovery in the second quarter of 2010, benefiting mainly from the robust growth momentum in mainland China and other Asian economies, resilient private consumption and the acceleration of business investment. Merchandise exports remained vibrant because of the rebounding inventory cycle, the strong performance of Asian markets and a moderate recovery in import demand from the United States. Exports of services likewise expanded strongly, on the back of a brisk expansion of inbound tourism (especially from mainland China) and further growth in financial and commercial activities.

Part of the boost to Hong Kong's economic growth has been the impact of the government's economic stimulus measures, including measures to boost infrastructure. According to the IMF's October 2010 edition of *Regional Economic Outlook: Asia and Pacific - Consolidating the recovery and building sustainable growth*, the Hong Kong government will begin withdrawing stimulus in 2011, which should have an impact on growth in 2011.

This rebound in growth has led to a rebound in confidence, causing Hong Kong property prices to experience sizeable increases in 2010. Such price increases have prompted Hong Kong policy makers to implement measures – such as imposing maximum loan to value ratios on high-end properties and higher stamp duties – to prevent the emergence of an asset price bubble.

Similar to Malaysia and Singapore, the IMF is forecasting the pace of Hong Kong's economic growth to decline to a more normal 4.7 per cent in 2011. This will be because of:

+ the gradual withdrawal of the government's economic stimulus, starting in 2011;
+ a softening of world trade;
+ the pace of mainland China's growth falling slightly (from 10.5 per cent in 2010 to a forecast 9.6 per cent in 2011); and
+ 2011 starting from a higher base than 2010.

Unemployment in 2011 is expected to decline from 4.4 per cent to 4.1 per cent, and inflation is expected to remain stable at around 3 per cent.

Malaysia

According to the ADB, in 2010 Malaysia rebounded strongly from the economic contraction of 2009 (when the economy shrank by 1.7 per cent). A strong recovery in exports was a significant factor in Malaysia's recent growth. Although economic growth in the first half of 2010 rose faster than anticipated, the ADB forecasts that the pace of economic growth will slow in the second half. In its September update, the ADB revised Malaysia's growth forecast for 2010 from 5.3 per cent (forecast in April) to 6.8 per cent.

Malaysia's growth has also been underpinned by a strong increase in private consumption in the first six months of 2010 and the impact of the government's stimulus measures quickening. The rate of economic growth is, however, expected to slow in 2011 to a touch above trend, due to:

+ the effects of the government's economic stimulus gradually reducing;
+ the government seeking to reduce its deficit;
+ slower forecast growth in world trade; and
+ the central banks tightening monetary policy.

The IMF predicts Malaysia's growth for 2011 to be a healthy 5.3 per cent. This is likely to see unemployment fall to 3.2 per cent (from 3.5 per cent in 2010). Inflation has been milder than expected, and is forecast to remain low (2.1 per cent for 2011). The ADB predicts that the substantial current account surpluses Malaysia has been experiencing will likely continue to underpin a firming ringgit.

Singapore

According to the Monetary Authority of Singapore's (MAS) September edition of *Recent Economic Developments in Singapore*, the Singaporean economy continues on a 'robust expansion path'. 2010 has been a remarkable year for the Singapore economy, with the IMF predicting real GDP growth of 15 per cent (granted, coming from a low base caused by the economy shrinking by 1.3 per cent in 2009). Such expansion has been driven by a rebounding inventory cycle (as businesses restock after running down inventories in 2008 and 2009). Therefore, trade-related sectors, particularly manufacturing (in particular the biomedical and electronics industries), have seen significant growth. The services sector posted broad-based growth, led by tourism-related activities. Strong domestic demand and robust regional demand for Singapore's exports have also driven Singapore's rapid recovery.

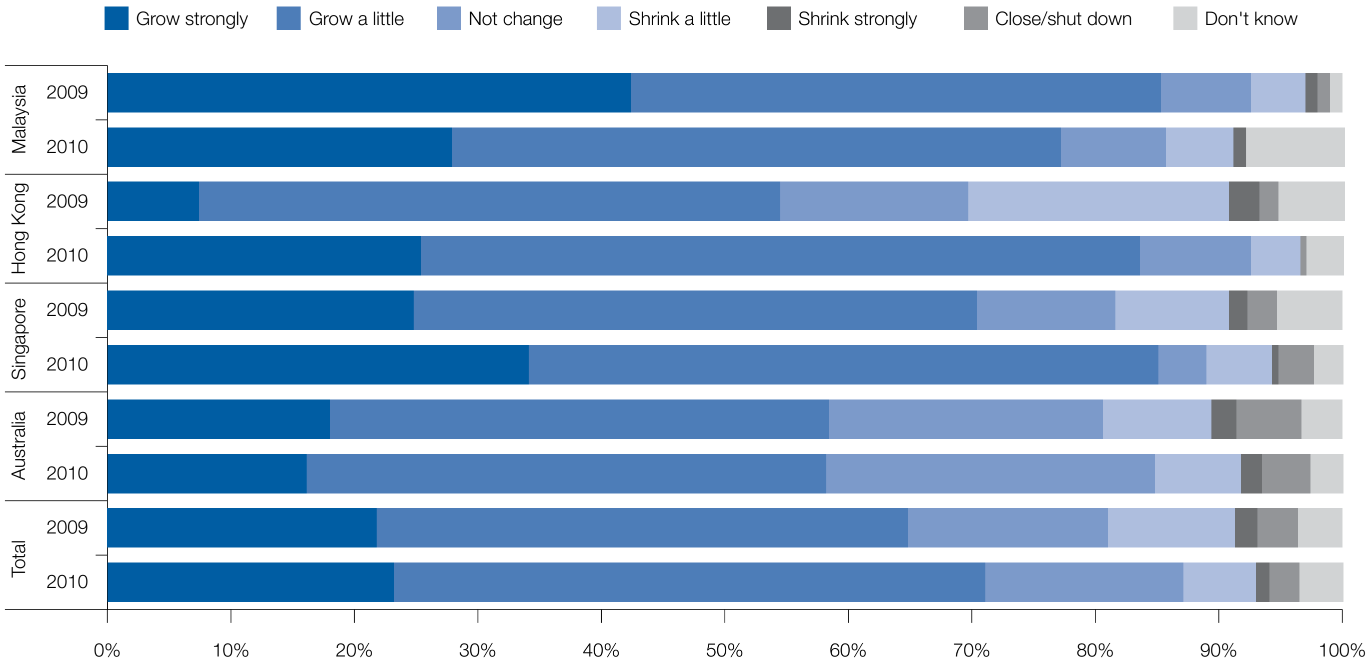
After strong growth in the second quarter of 2010, the growth in the Singaporean economy is expected to slow in the coming quarters, alongside low growth in the United States, Eurozone and Japan, and some easing in other Asian growth. Even with Singapore's exceptional growth in 2010 and property prices experiencing sizable increases, inflation remains under control (it is expected by MAS to be in the range of 2.5 to 3.5 per cent for 2010). Unemployment also remains very low, at around 3 per cent, leading to strong wages growth. The strong current account balance has seen an appreciation of the Singapore dollar in 2010.

The IMF predicts that Singapore's economic expansion will slow to a rate more in line with trend. In 2011, the IMF projection is for economic growth at a more stable 4.5 per cent. Inflation is also projected to remain stable at around 2.4 per cent in 2011, and unemployment to remain very low, at 2.2 per cent.

Survey findings

Small business growth expectation

Figure 1: Business growth expectations for the next few years – comparison of the 2009 and 2010 survey results



Question 4-4: In the next few years do you expect your business to…?
(Single response) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Over 50 per cent of all businesses surveyed for the four markets expect to grow either strongly or a little in the next few years. Singapore had the strongest growth expectations at 85 per cent, which is likely due to the rapid increase in growth in the first half of 2010. Hong Kong and Malaysia followed at 83 per cent and 77 per cent, respectively. Australian expectations were significantly lower, with 58 per cent of businesses expecting growth.

Although Singapore has shown a marked increase in growth expectations from the previous year (2009), with a 14 per cent increase, the real stand out was Hong Kong. In the 2009 survey, 54 per cent of Hong Kong businesses expected growth; this year, growth expectations have increased to 83 per cent. The strong economic conditions in Hong Kong and mainland China are likely the major contributory factor in this significant increase in confidence.

Malaysian growth expectations have fallen slightly from 85 per cent to 77 per cent since the previous year (2009). This is in line with the economic forecast, which suggests that the pace of growth in the Malaysian economy will slow slightly in 2011.

Australia was more cautious, with a 1 per cent increase in growth expectations – from 57 per cent (2009) to 58 per cent in 2010. It remains considerably lower in growth expectations than the other markets, even though economic forecasts show the pace of growth in Australia increasing in 2011. This could in part be attributed to Australia's so-called 'two speed' economy, where the resources sector is significantly outperforming most other sectors. The level of confidence in Hong Kong, Malaysia and Singapore shows that these are potential markets for Australian small businesses.

Analysis of other information from the survey revealed that Malaysian businesses with 10 to 19 employees were less confident on growth. In fact, they recorded the highest result for expecting to close or shut down the business. This result is surprising given that larger businesses would be expected to have more resources to dedicate to growing the business. This result may reflect a slightly more conservative economic outlook for Malaysia in 2011 following the strong rebound in 2010.

A staggering 93 per cent of Singapore businesses with 10 to 19 employees are expecting growth in the next few years. In line with the overall result, all other Singaporean business sizes are also very optimistic about their growth prospects in the coming years. For Hong Kong businesses, those who have one to four employees have the highest growth expectations, with 93 per cent indicating they expect either strong or a little growth. More than 80 per cent of Hong Kong small businesses of all sizes (nil employees, one to four employees, five to nine employees and 10 to 19 employees) expect to grow in the next few years.

Australian business growth expectations by employee size were in line with the overall result, with the highest response for all business sizes expecting no change.

Table 1: Comparison of business growth expectations with previous surveys of Australian small business

	October 2010	June 2009	May 2008	October 2007	2003
Grow strongly	16%	17%	24%	20%	20%
Grow a little	42%	40%	43%	46%	39%
Growth sub-total	**58%**	**57%**	**67%**	**66%**	**59%**
Not change	27%	23%	23%	23%	33%
Decline	9%	11%	8%	8%	7%
Close/shut down*	4%	5%	–	–	–
Don't know	3%	4%	2%	3%	1%

* This option was not available in all surveys

The percentage of Australian small businesses expecting to grow has increased only slightly since the last survey, as shown in Table 1. This result remains below the highest levels of confidence recorded by CPA Australia just prior to the global financial crisis, in May 2008.

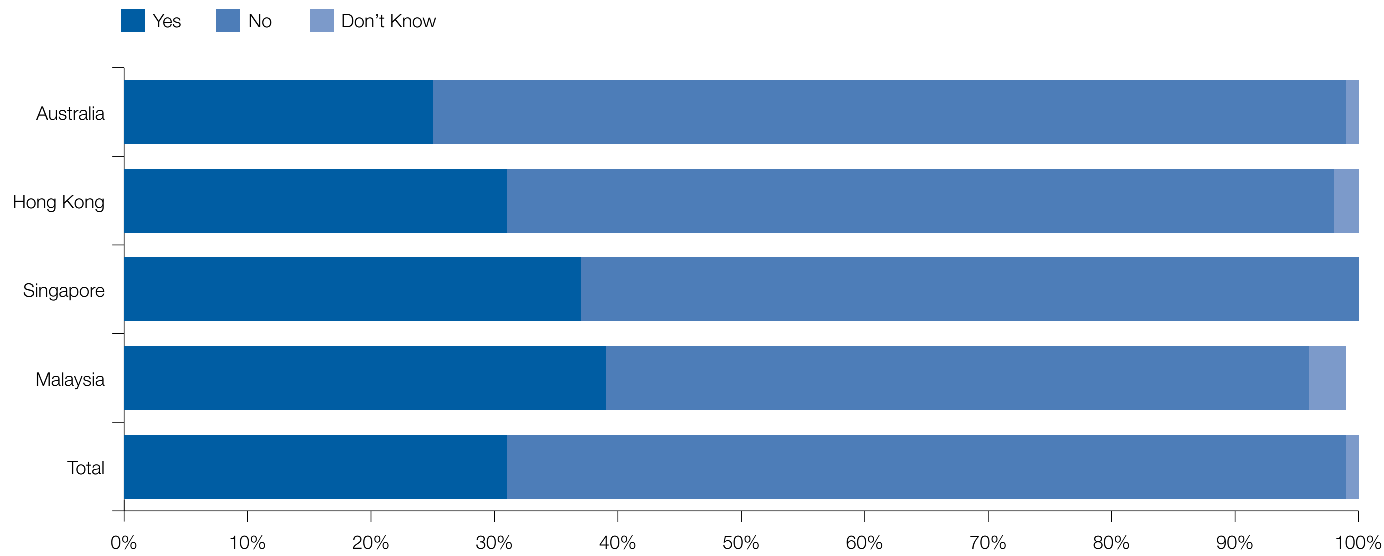
In other data collected in the survey, Australian small businesses with between five and 19 employees had the strongest growth expectation in 2010. Of those businesses with 10 or more employees, 31 per cent expected strong growth. This indicates that the larger Australian small businesses are more optimistic than other Australian businesses in the sample.

The percentage of businesses that expect to decline or close is again only slightly lower than recorded in the previous year (13 per cent in 2010 compared with 16 per cent in 2009). In 2010, a higher percentage of Australian small businesses are expecting no change than in recent surveys. These growth expectation results appear to reflect a cautious approach for the year ahead by Australian small businesses.

Small business access to finance

Businesses currently accessing finance

Figure 2: Businesses that currently have a business loan



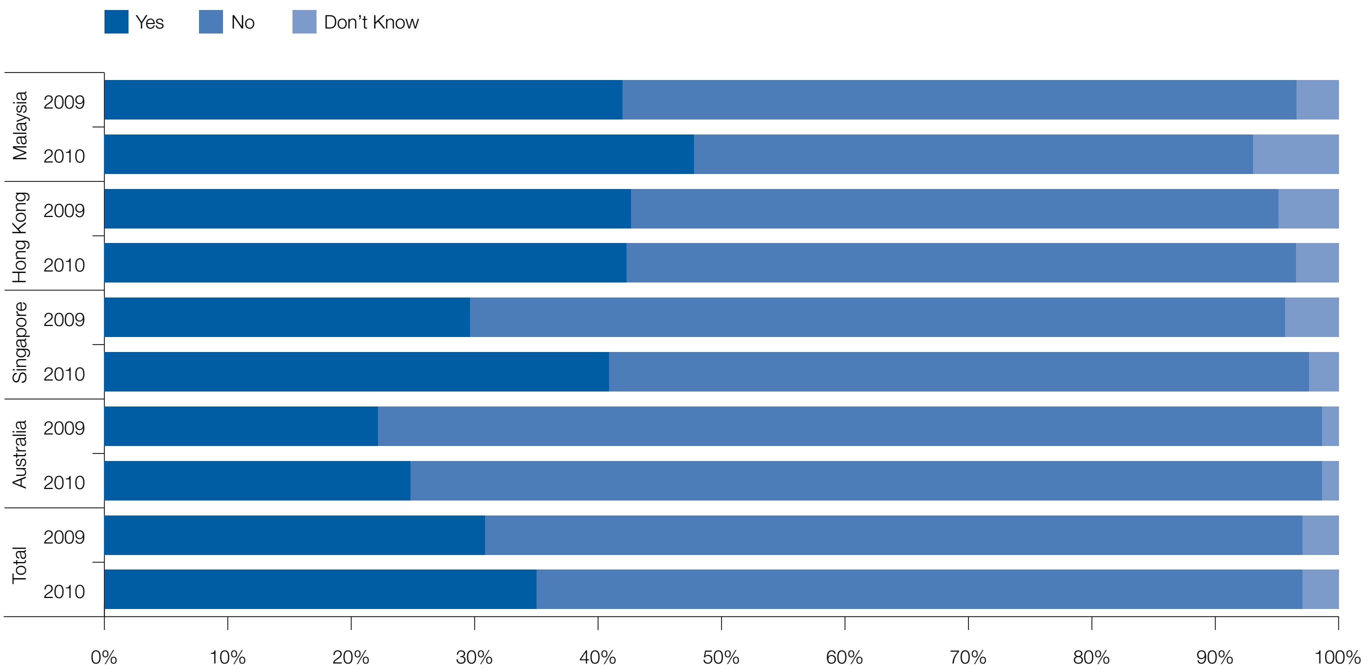
Question 3-11: Do you currently have any business loans?
(Single response) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

The results of the survey indicate that only Hong Kong businesses have, in comparison to the 2009 survey, seen a decline in the percentage of businesses with a current business loan. This is supported by the information shown in Figure 5 and Table 3, where Hong Kong businesses are expecting to increase the use of their own resources as a source of funding over the next 12 months.

Australian small businesses continue to be the least likely to have a business loan, although the percentage of those businesses that do have a current business loan has increased slightly since the 2009 survey. However, Table 6 shows that Australian businesses have indicated a high tendency to use personal credit cards for business purposes; therefore, the result shown in Figure 2 may be less reliable.

Singapore results indicate that since the 2009 survey, there has been a significant increase in reliance on business loans. When taking into account the strong growth expectations of Singaporean businesses, coupled with the fact that they have outperformed the other markets surveyed in business management activities, it is not surprising that they are comfortable in gearing up to support expected growth.

Figure 3: Need for additional funds in the past year – comparison of the 2009 and 2010 survey results



Question 3-3: In the last year, have you required additional funds to support your business operations outside of your existing cash resources?
(Single response) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Australian businesses had the lowest requirement for additional funds in the last year. This corresponds to Figure 2, where Australian businesses also have the lowest result for having a current business loan. These results may indicate that, with the lowest growth expectations, Australian small businesses are currently experiencing stagnant business conditions, possibly as a result of the completion of the fiscal stimulus during 2009 – 10.

Malaysian and Singaporean businesses noted an increase in requirements for additional funds from the previous year's results, with an 11 per cent increase for Singapore and 6 per cent increase for Malaysia. With the Singaporean economy experiencing a 'robust expansion path' (MAS, Sept 2010) that is underpinned by a rebounding inventory cycle, it is not surprising to see this increase in required funding.

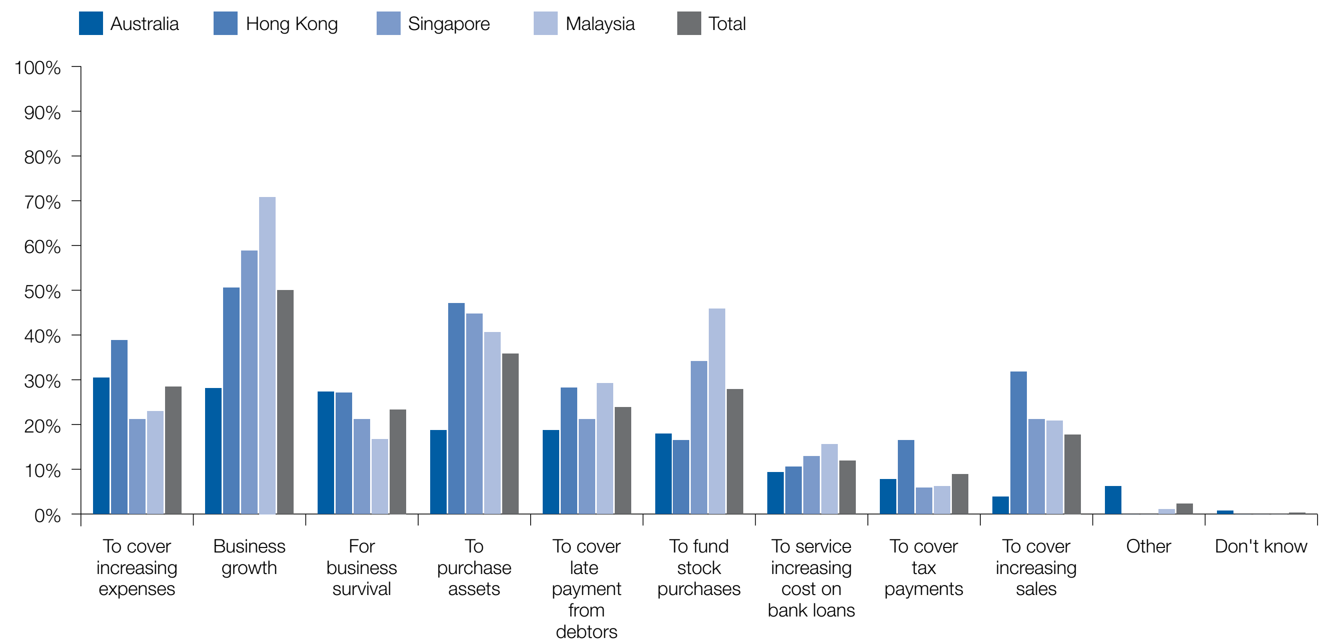
Analysis of other information from the 2010 survey and the 2009 survey revealed that:

+ While 48 per cent of Malaysian businesses did require additional funding in 2010, only 28 per cent had envisaged definitely needing additional funds in 2009; and while 41 per cent of Singaporean businesses did require additional funding in 2010, only 14 per cent had envisaged definitely needing additional funds in 2009. These figures reveal strong small business growth in these markets, and also that some businesses were caught off guard by the level of growth experienced over the last 12 months, and therefore borrowed to be able to meet increases in demand.
+ Australian results indicate that larger small businesses are significantly more likely to have borrowed in the last 12 months than smaller businesses. Interestingly, businesses with growth expectations, or expecting their business to remain neutral, are significantly more likely to have not borrowed in the last year than borrowed.

+ In a further measure of how business expectations do not necessarily match what happens in reality, the results for Australian businesses indicated that 60 per cent of respondents in 2009 did not expect to source additional funds in 2010; however, in the 2010 survey, a significantly higher figure – 74 per cent – actually had no need for additional funding. A similar gap was also noted with Hong Kong – in 2009, 20 per cent of businesses did not expect to require additional funds; compared to 2010 results, which indicated that 54 per cent actually did not require additional funds. Given the strong growth in the Hong Kong economy, this gap appears to be an anomaly more than anything else.
+ It appears that businesses with nil employees in Hong Kong, Singapore and Malaysia are more likely to require additional funds than businesses with nil employees in Australia.
+ Singaporean businesses with five to nine employees had the highest requirement for additional funds in the last year (55 per cent), indicating strong growth in Singaporean small businesses in the past 12 months.

Reasons for seeking additional funds

Figure 4: Reasons for seeking additional funds



Question 3-5: And which of the following best describe the reasons for the 'required extra funds'? (Multiple response) (Australia n=128, Hong Kong n=85, Malaysia n=96, Singapore n=85)

Table 2: Reasons why additional funding was sought – comparison of the 2009 and 2010 survey results

	Australia		Singapore		Hong Kong		Malaysia		Total	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
To cover increasing expenses	31.0%	30.5%	37.7%	21.2%	32.2%	38.8%	37.7%	22.9%	32.6%	28.4%
Business growth	29.2%	28.1%	55.7%	58.8%	60.9%	50.6%	73.3%	70.8%	52.7%	50.0%
For business survival	38.9%	27.3%	42.6%	21.2%	19.5%	27.1%	45.3%	16.7%	36.3%	23.4%
To purchase assets	27.4%	18.8%	41.0%	44.7%	50.6%	47.1%	36.0%	40.6%	37.8%	35.8%
To cover late payment from debtors	18.6%	18.8%	21.3%	21.2%	17.2%	28.2%	27.9%	29.2%	21.0%	23.9%
To fund stock purchases	25.7%	18.0%	26.2%	34.1%	36.8%	16.5%	36.0%	45.8%	31.1%	27.9%
To service increasing cost on bank loans	5.3%	9.4%	11.5%	12.9%	12.6%	10.6%	7.0%	15.6%	8.6%	11.9%
To cover tax payments	11.5%	7.8%	11.5%	5.9%	14.9%	16.5%	5.8%	6.3%	11.0%	8.9%
To cover increasing sales	2.7%	3.9%	13.1%	21.2%	20.7%	31.8%	19.8%	20.8%	13.3%	17.8%
Other	3.5%	6.3%	8.2%	0.0%	0.0%	0.0%	2.3%	1.0%	3.2%	2.3%
Don't know	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%

Question 3-5: And which of the following best describe the reasons for the 'required extra funds'? (Multiple response) (Australia n=128, Hong Kong n=85, Malaysia n=96, Singapore n=85)

The results for 2010 on why businesses accessed additional funds has shown a fundamental shift away from a focus on business survival to business growth in Malaysia and Singapore (and to a lesser extent in Australia), but not so in Hong Kong.

Malaysian businesses showed a marked decrease in seeking funding for business survival, down 28 per cent from 45 per cent in 2009 to 17 per cent in 2010. Prominent increases in required funding for Malaysian businesses were for funding stock purchases (although the use of inventory financing has decreased from the previous year) and servicing interest costs.

The most significant reason behind the borrowing by Malaysian and Singaporean small businesses is to support business growth. This bodes well for the small business sectors in those countries and for broader economic growth (given the significant contribution the small business sector makes to economic development).

The potential negatives for Malaysian businesses are, however, issues around working capital management (29 per cent of businesses stated that they borrowed to cover late payments from debtors) and the cost of borrowing. This indicates that Malaysian businesses could improve their collection of late payments and be more vigilant as to who they give credit to. If the need to borrow to cover borrowing costs continues to rise, this could impact on the future confidence of Malaysian businesses.

For Hong Kong businesses, there were noteworthy increases in funding required to cover both increased sales and late payments from debtors (both up 11 per cent from 2009). This would indicate that the increase in sales brought on by strong economic growth may possibly be applying additional cash-flow stress on businesses. Surprisingly, for Hong Kong, even though business confidence is very high, the percentage of businesses borrowing for business survival actually increased and the percentage of businesses that borrowed for business growth decreased. This could reflect that the last 12 months was not all 'smooth sailing' for at least some Hong Kong small businesses.

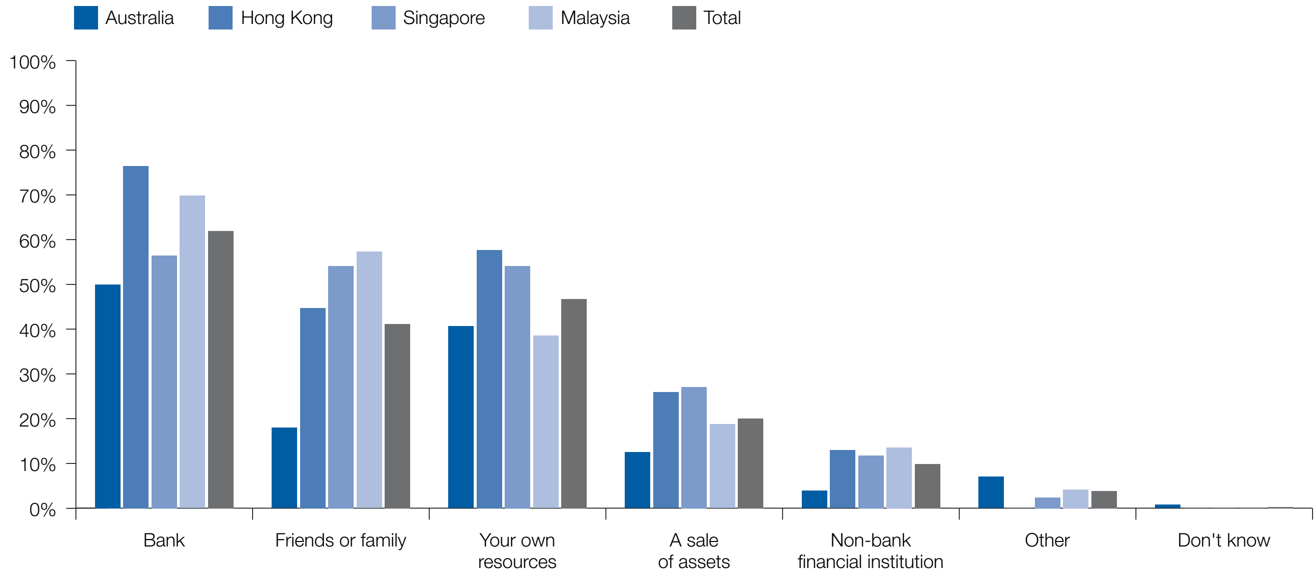
For Australia, while business survival as a reason for borrowing was no longer as important in 2010 as it was in 2009, the other reasons for borrowing showed little change between 2009 and 2010, indicating that Australian businesses remained cautious in the past 12 months.

Analysis of other information from the survey revealed that:

+ Larger Australian small businesses were more likely to seek funding for business growth than smaller businesses (50 per cent for businesses with 10 to 19 employees versus 20 per cent for one to four employees), and businesses with 10 to 19 employees were significantly more likely than other businesses to borrow funds to purchase assets. This reflects the higher level of confidence that Australian small businesses of this size have over smaller Australian businesses.
+ In Malaysia, business growth was the most likely reason for small businesses of all sizes to require additional funds, indicating that businesses of all sizes have benefited from Malaysia's recent economic expansion. Consistent with this, Malaysian businesses with one or more employees were very likely to seek additional funding for asset and stock purchases. Interestingly, Malaysian businesses with nil employees are much less likely to require funds for business survival than those with one to four employees.
+ Singaporean businesses with five to nine employees were the most likely to require funding for business growth and asset and stock purchase (compared to other sized businesses).
+ Additional funds for Hong Kong businesses appear to be required more evenly over the various categories, although those businesses with one to four employees indicated a higher reliance on funds for business survival. The smaller businesses were more likely than the larger small businesses to utilise funding for asset purchases and to cover increasing expenses and sales. The results from businesses with no employees indicate a significant number of businesses need additional funds to service increasing costs on bank loans and cover tax payments.

Sources of additional funds

Figure 5: Sources of additional funds



Question 3-4: And from which of the following sources were those 'required additional funds' obtained? (Multiple response) (Australia n=128, Hong Kong n=85, Malaysia n=96, Singapore n=85)

Table 3: Sources of additional funds – comparison of the 2009 and 2010 survey results

	Australia		Singapore		Hong Kong		Malaysia		Total	
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Bank	54.0%	50.0%	59.0%	56.5%	73.6%	76.5%	77.9%	69.8%	65.7%	61.9%
Friends or family	23.9%	18.0%	44.3%	54.1%	42.5%	44.7%	50.0%	57.3%	38.6%	41.1%
Your own resources	38.9%	40.6%	42.6%	54.1%	42.5%	57.7%	44.2%	38.5%	41.8%	46.7%
A sale of assets	12.4%	12.5%	6.6%	27.1%	26.4%	25.9%	24.4%	18.8%	17.9%	20.1%
Non-bank financial institution	5.3%	3.9%	9.8%	11.8%	12.6%	12.9%	9.3%	13.5%	8.9%	9.9%
Other	6.2%	7.0%	4.9%	2.4%	1.1%	0.0%	2.3%	4.2%	3.7%	3.8%
Don't know	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%

Question 3-4: And from which of the following sources were those 'required additional funds' obtained? (Multiple response) (Australia n=128, Hong Kong n=85, Malaysia n=96, Singapore n=85)

Banks are the most likely source of funding in each of the markets, reflecting the results of the 2009 survey. This possibly confirms commentary that small businesses have limited external funding options beyond banks and, therefore, if funding from this source becomes difficult or expensive (or both), this can have a major impact on small business. The reliance on banks seems stronger in Australia due to Australian small businesses being significantly less likely to source funds from family and friends in comparison to small businesses in Hong Kong, Malaysia and Singapore.

The difference between expected sources of finance in 2010 (as asked in the 2009 survey) and actual sources of finance in 2010, shows that while some businesses went into 2010 expecting to borrow from a bank, many instead used their own resources and / or borrowed from family and friends. This could be, in part, due to difficulty in accessing finance from banks.

It is interesting that despite the reported difficulties accessing finance from banks, Australian small businesses have only marginally increased the funding of their business from their own sources, and there has been no increase in funding from sale of assets. This is contrary to usual expectations that if finance remains difficult to source, businesses would seek to improve their cash position to provide an internal source of funding and decrease their reliance on external financing. However, the high use of credit cards by Australian small businesses may support such reported difficulties, as such businesses may be substituting this source of financing for more appropriate forms of finance because of its ease of access.

In reviewing the difference in results from 2009 to 2010, it was evident that Australian businesses are reducing their reliance on using friends and family. This could be a result of either the general reduced confidence (and therefore family and friends are less willing to invest or do not have the resources to invest) or improved conditions (and therefore Australian businesses are less likely to need to use family and friends as a bank of last resort).

Singapore recorded a notable increase from the previous year in small businesses's reliance on their own resources, friends and family, and sale of assets. Hong Kong businesses also trended towards using their own resources more in 2010 than in 2009. This is possibly due to difficulties accessing credit from other sources, together with the fact that both markets recorded strong results for both business and financial management activities, which can lead to the increase in availability of internal sources of finance.

The absence of any increase in utilising bank finance from the 2009 to 2010 results for all four markets may indicate that the impact of the global financial crisis on the availability of bank finance has impacted business appetite for bank funding.

Analysis of other information from the survey revealed that:

+ For Australian businesses, banks were the biggest source of funds for larger small businesses. Businesses with one to four employees were significantly more likely to use their own resources as a source of finance than businesses with 10 to 19 employees (56 per cent versus 15 per cent).
+ Australian businesses with an expectation of growing or neither growing nor declining in the next few years were more likely to seek funding from banks.

Reasons for not seeking additional finance

Table 4: Reasons for not seeking additional finance

	Australia	Singapore	Hong Kong	Malaysia	Total
	2010	**2010**	**2010**	**2010**	**2010**
The business had sufficient funds under its existing arrangements	48.8%	67.0%	63.3%	60.4%	55.7%
The business did not need additional funds	61.2%	50.9%	39.5%	42.9%	53.7%
Procedures to obtain funding from a financial institution are too complicated	2.6%	5.9%	8.3%	15.4%	5.7%
Interest rates were too high	4.2%	15.3%	20.2%	15.4%	10.0%
It was considered unlikely a financial institution would provide the funding required	3.7%	8.5%	6.4%	5.5%	5.2%
A previous loan was rejected	0.3%	0.0%	2.8%	2.2%	0.9%
The likelihood of unreasonable terms and conditions	1.3%	1.7%	5.5%	8.8%	3.0%
The risk of not being able to repay the loan	5.3%	6.8%	4.6%	14.3%	6.6%
The potential to lose control of the business	1.3%	5.9%	3.7%	6.6%	3.2%
The business no longer needed the additional funds (eg cancelled investment plans)	3.9%	9.3%	14.7%	16.5%	8.2%

Question 3-6: Which of the following best describes the reason for not applying for additional funds in the past 12 months? (Multiple response) (Australia n=381, Hong Kong n=109, Malaysia n=91, Singapore n=118)

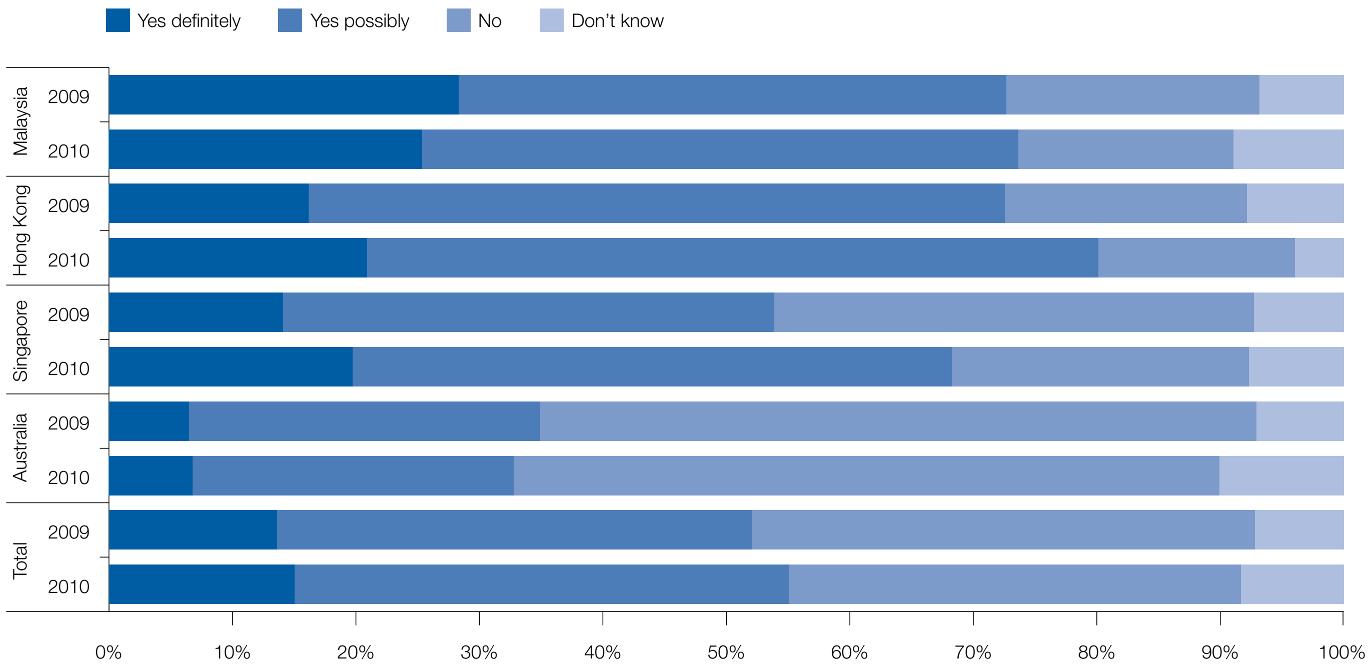
For the vast majority of businesses in all markets that did not seek additional finance in the past 12 months, the overriding reason was that they did not need such finance. This lack of demand could be caused by the business not undertaking activities that needed additional finance, or the business funding any projects out of its own resources. It is clear, however, that the lending conditions imposed by banks and the cost of finance, were not reasons that prevented businesses seeking finance, except in a small number of cases.

In Australia especially, lending conditions, loan procedures and the cost of finance were not reasons causing businesses to refrain from accessing finance, except in a small number of cases. This does not mean that lending conditions and the cost of finance were not issues for small business – anecdotal evidence certainly suggests they were issues. It may be that because of the lack of alternative sources of finance, Australian small business accepted such lending conditions and costs.

Lending procedures, interest rates and unreasonable terms and conditions were more likely to be a cause in Malaysia for discouraging businesses from borrowing. This means that there are a small number of Malaysian businesses that believe they need finance but cannot or do not try to access such finance. Such businesses could benefit from assistance of accountants to improve the likelihood of accessing finance and / or increase their confidence in accessing finance.

Forecast – demand for finance

Figure 6: Expected demand for additional finance in the next 12 months – comparison of the 2009 and 2010 survey results



Question 3-7: Do you envisage that your business will require additional funds over the next 12 months? (Single response) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Taking into account the answers of either 'yes definitely' or 'yes possibly', Hong Kong businesses are the most likely to require funding over the next 12 months. Given that Hong Kong has the highest expectations for growth for the coming year, this result is not surprising – as it is likely that they are foreseeing these funding requirements to support business growth. Also reflecting the positive outlook of the majority of Singaporean and Malaysian businesses, both noted large demand for additional funds, at 69 per cent and 73 per cent, respectively.

Australia's expected demand for finance is substantially lower than the other markets, perhaps due to the lack of expected business growth.

When reviewing the data from the same question in the 2009 survey, Malaysia and Australia's expected demand for funds in 2010 has only increased slightly. However, Singapore's demand has increased by 15 per cent (from 54 per cent in 2009 to 69 per cent in 2010) and Hong Kong has experienced an 8 per cent increase (from 72 per cent in 2009 to 80 per cent in 2010). The economic growth in those markets will be the key factor in these results.

Reflecting the positive outlook of Hong Kong business, although only 42 per cent of Hong Kong businesses required additional funding in the past year, 80 per cent envisage that they will require additional funding in the next 12 months.

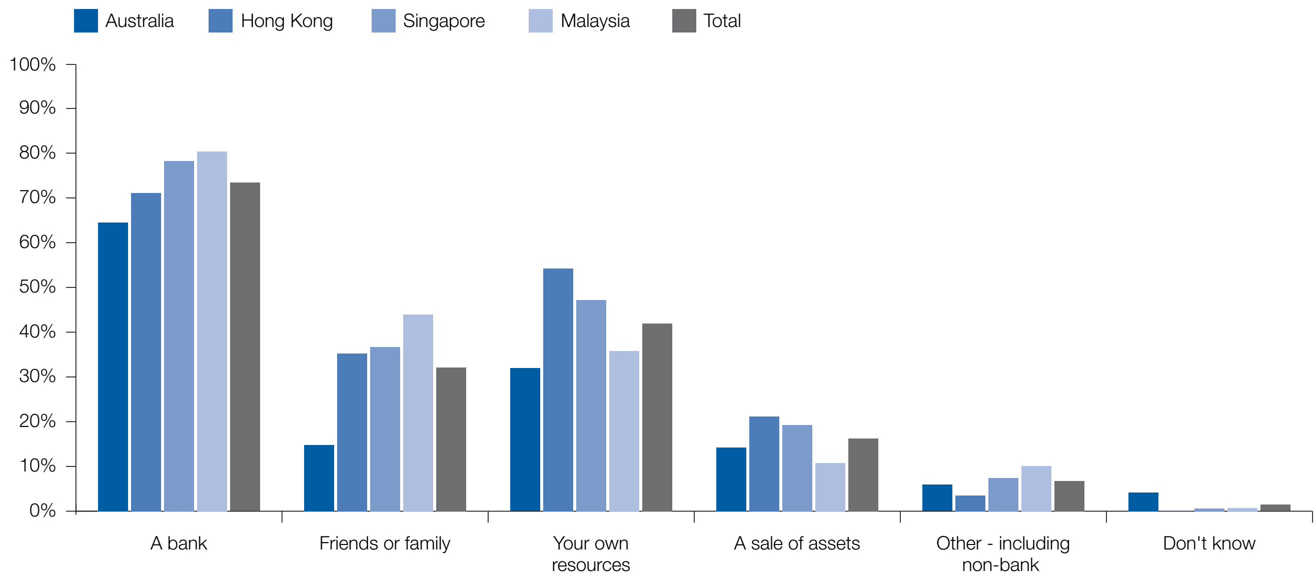
There has been a significant decrease in the number of Singaporean businesses that have stated that they will not require additional funding in the next year (declining from 39 per cent in 2009 to 24 per cent in 2010), again reflecting the positive outlook in Singapore.

Analysis of other information from the survey reveals that, notably, 81 per cent of Hong Kong businesses with nil employees expect to either definitely or possibly require additional funds in the next 12 months. In comparison, only 23 per cent of the same size businesses in Australia, 45 per cent in Malaysia and 46 per cent in Singapore expect to either definitely or possibly require additional funds in the next 12 months.

The small decline in the expected demand for finance in Malaysia may be attributed to Malaysian businesses adjusting their demand for finance because of perceived difficulties accessing financing, or the cost of finance, as noted in Table 4.

Forecast – Most likely sources of finance

Figure 7: Most likely sources of additional finance



Question 3-8: From which of the following would you be most likely to seek those additional funds? (Multiple response) (Australia n=169, Hong Kong n=161, Malaysia n=148, Singapore n=142)

Table 5: Comparison of most likely sources of additional finance with 2009 survey

	Australia		Singapore		Hong Kong		Malaysia		Total	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
A bank	62.9%	64.5%	64.0%	71.1%	79.1%	78.3%	77.2%	80.4%	70.8%	73.4%
Friends or family	18.5%	14.8%	41.4%	35.2%	41.2%	36.7%	29.5%	43.9%	31.4%	32.1%
Your own resources	34.3%	32.0%	45.0%	54.2%	37.8%	47.2%	41.6%	35.8%	39.1%	41.9%
A sale of assets	19.1%	14.2%	11.7%	21.1%	21.6%	19.3%	15.4%	10.8%	17.4%	16.3%
Other	3.9%	5.9%	9.0%	3.5%	0.0%	7.5%	8.1%	10.1%	14.3%	6.8%
Don't know	2.2%	4.1%	1.8%	0.0%	1.4%	0.6%	0.0%	0.7%	4.9%	1.5%
A non-bank financial institution*	16.3%	–	15.3%	–	10.8%	–	14.8%	–	1.4%	–

*Option not provided in 2010

Question 3-8: From which of the following would you be most likely to seek those additional funds? (Multiple response) (Australia n=169, Hong Kong n=161, Malaysia n=148, Singapore n=142)

Looking toward the future, a clear first choice by all businesses seeking finance is via a bank. Four out of five Malaysian businesses stated that they would use bank funding, and Hong Kong closely followed with 78 per cent. This could be a reflection of the confidence in the banking sector in all of the markets surveyed, but also highlights the lack of alternatives for many small businesses.

Hong Kong, Malaysia and Singapore also showed a solid preference for accessing finance through family and friends, in direct contrast to Australian businesses. It is also worth noting that businesses in Malaysia, Singapore and Hong Kong are also more likely to use their own resources (44 per cent, 37 per cent and 35 per cent, respectively) than Australian businesses (15 per cent). Australian businesses are also less likely to use multiple sources of finance.

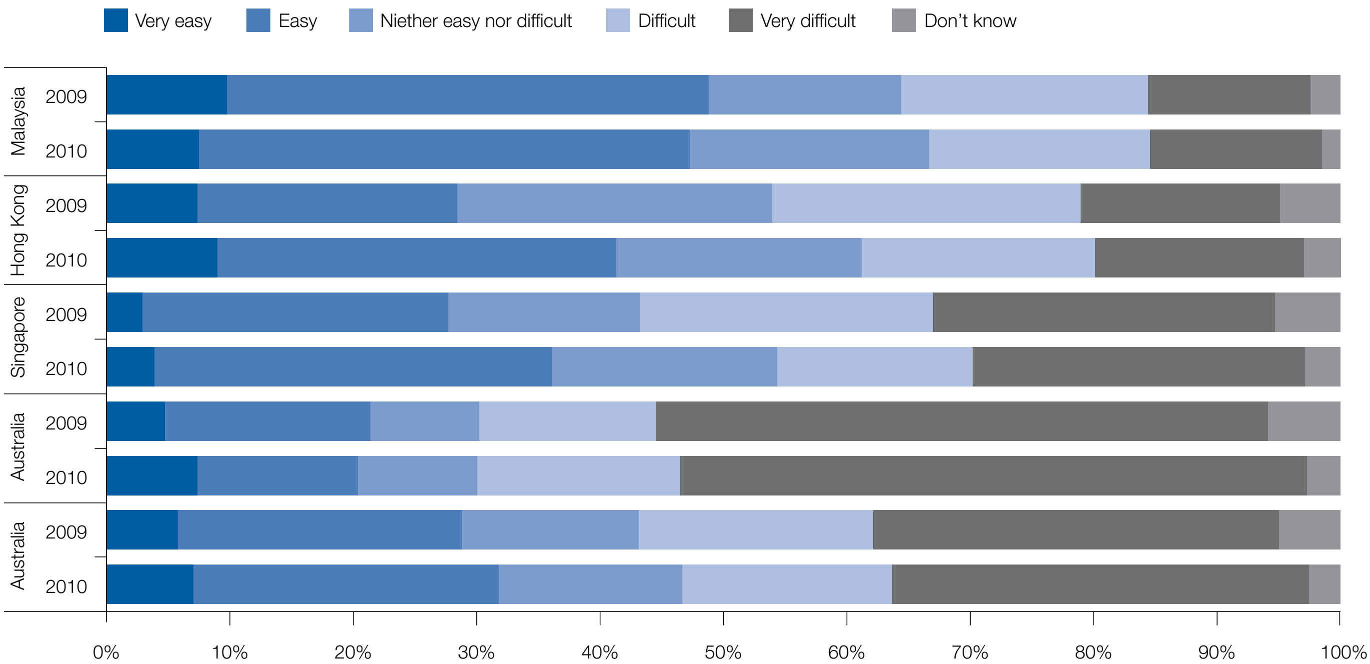
In the last 12 months, 70 per cent of Malaysian businesses seeking finance sourced their funding from banks. For those Malaysian businesses considering accessing finance in the next 12 months, 80 per cent have a preference for bank finance. This trend is also reflected amongst Singaporean businesses. For Malaysian businesses seeking finance, this reflects a high level of confidence in the Malaysian banking sector.

Utilising funds from family and friends has also shown a shift in preference. In Australia, 32 per cent accessed funds from this source, however, only 18 per cent suggest that they would use this source in the future. Malaysia also showed similar results, with 57 per cent having previously called on family and friends for funds, but only 44 per cent indicating that they would most likely approach family and friends for funding support in the future. This could be a further indication of the greater confidence in the banking system.

The most disappointing result from this comparison is that Malaysia was the only market that indicated a positive shift towards greater utilisation of their own resources for funding. The other three markets all showed a substantial decline in utilising their own resources. This may be due to easing credit conditions, resulting in businesses shifting back to what has become a more traditional form of financing (such as bank funding). With less than half of businesses in Australia and Hong Kong chasing up late payments from debtors once a month, it could be suggested that they could increase profitability (through reduced interest and bank charges) and possibly decrease the need for bank finance by improving their financial management activities.

Forecast – expected ease of obtaining funding

Figure 8: Expected ease or difficulty of obtaining additional funding over the next 12 months – comparison of the 2009 and 2010 survey results



Question 3-10: 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=169, Hong Kong n=161, Malaysia n=148, Singapore n=142)

As the credit crunch begins to ease, it appears that confidence in the ability to access funds is returning. The comparison results from 2009 to 2010 show that for each of the four markets, there was an increase in those who thought it is going to be either easy or very easy to obtain additional funding, with the highest increase in Hong Kong (up from 25 per cent in 2009 to 31 per cent in 2010). This is confirmed by the decline in the number of responses of 'difficult' or 'very difficult' in all markets. This may encourage more small businesses to consider growing their business through external finance.

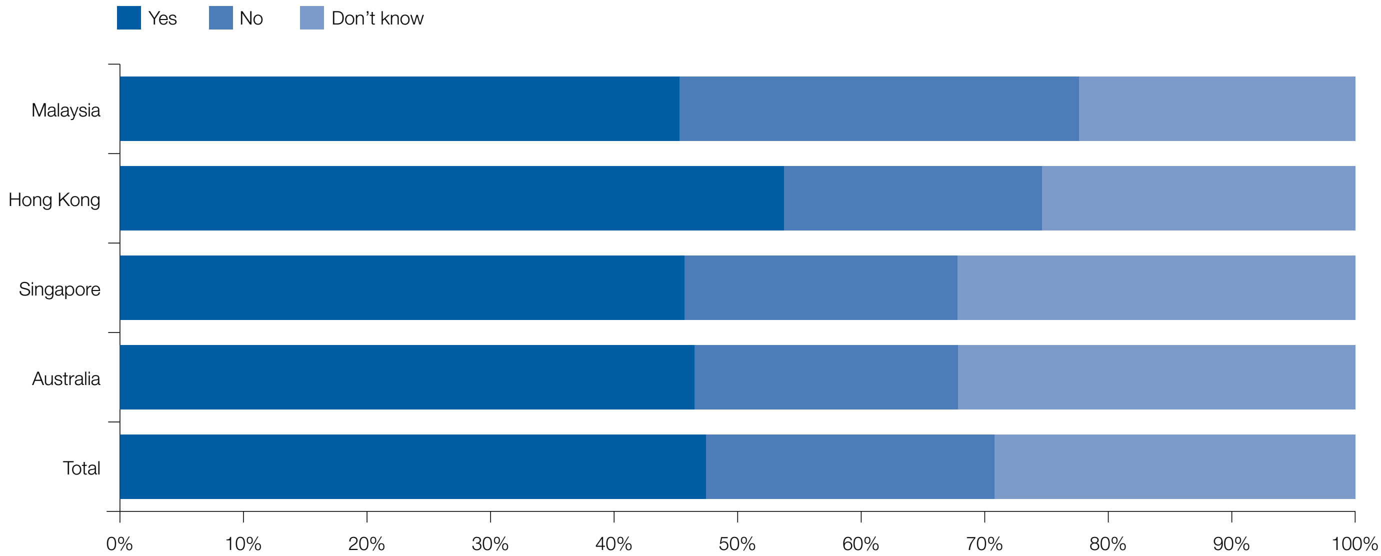
For this question, Singapore in particular showed a marked decrease in the perception that finance would be more difficult to access (from 39 per cent in 2009 to 19 per cent in 2010), which most likely reflects business confidence in that market, built on the back of Singapore's recent extraordinary economic expansion.

There was an indication from some Malaysian businesses that did not borrow that lending conditions are discouraging borrowing. This is possibly reflected in the indication that Malaysian businesses that are borrowing are least likely to expect lending conditions to be easy or very easy.

Meanwhile, partly reflecting anecdotal evidence that borrowing conditions in Australia remain tough, Australian businesses expecting to borrow in the next 12 months were most likely, for the second year, to expect borrowing conditions to be very difficult. However, the number is still small.

Forecast – confidence in accommodation of banks in tough times

Figure 9: Confidence in whether banks will be flexible and accommodating in tough times



Question 3-12: 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=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Small businesses in all of the markets surveyed remain fairly positive that their main financier will be flexible and accommodating, with Hong Kong businesses the most optimistic, at 54 per cent.

In comparison with the results from the same question from the 2009 survey, a higher percentage of Malaysian businesses this year do not think that their banker or financier will be flexible or accommodating in tough times. In addition, more than 20 per cent of Malaysian small businesses remain unsure of their financiers' attitudes. Hong Kong shares this uncertainty, with the uncertainty climbing since the last survey. It should, however, be noted that confidence amongst Malaysian and Hong Kong small businesses that their bank would be helpful is still very strong.

Singaporean businesses showed the highest level of change in confidence in the flexibility of their bank since the last survey. This shift could be a result of the strong growth in Singapore over the last 12 months, and actions taken by banks in Singapore to assist customers.

It would be interesting in Australia to see how this graph develops over the coming years as the introduction of more small-to-medium-enterprise (SME) business bankers starts to have an impact. One can only speculate whether Australian banks adopting a specific SME code of banking practice and being rigorous in communicating this to their customers, would result in further improvements in small business confidence in banks.

Figure 9 also gives an indication of the chance of businesses switching banks. If a business does not have full confidence in their bank, it can be assumed that they may be more likely to consider switching. In Australia, at least, if banking competition increases, this may become a more important issue for banks.

Forms of financing

Forms of financing used

Table 6: Types of business financing used – comparison of the 2009 and 2010 survey results

	Australia		Singapore		Hong Kong		Malaysia		Total	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Credit cards	61.8%	62.6%	46.6%	45.7%	28.9%	36.8%	55.1%	38.3%	51.8%	50.5%
Bank loan (secured)*	–	33.1%	–	41.4%	–	33.8%	–	41.3%	–	36.2%
Overdrafts	33.3%	29.5%	25.7%	28.9%	29.9%	32.8%	40.5%	28.9%	32.6%	29.8%
Leasing	30.0%	22.5%	19.0%	20.7%	30.4%	19.9%	26.3%	6.5%	27.5%	18.8%
Loan or equity injection from family or friend*	–	17.6%	–	30.8%	–	33.8%	–	32.8%	–	25.7%
Hire purchase	21.6%	17.1%	30.6%	31.7%	50.5%	21.4%	51.2%	34.8%	33.9%	23.7%
Bank loan (unsecured)*	–	12.2%	–	19.7%	–	32.3%	–	17.9%	–	18.2%
Chattel mortgage*	–	8.1%	–	2.9%	–	11.9%	–	7.0%	–	7.6%
Vendor financing	8.2%	4.7%	12.6%	11.1%	32.8%	11.4%	22.9%	17.9%	16.2%	9.4%
Debtor financing	3.7%	3.3%	11.2%	11.5%	22.1%	10.0%	23.4%	19.9%	12.0%	9.0%
Inventory financing	1.4%	2.7%	5.8%	12.5%	27.9%	12.9%	11.2%	9.5%	8.8%	7.6%
International trade financing	2.9%	1.6%	7.8%	17.8%	21.1%	13.9%	15.1%	7.0%	9.3%	7.7%
Other	5.9%	2.5%	2.4%	1.0%	2.0%	1.0%	6.3%	2.0%	4.6%	1.9%
None	23.3%	20.5%	29.6%	15.9%	11.3%	16.4%	9.8%	14.4%	19.8%	17.9%

* Option not provided in 2009

Question 3-1: Which of the following types of business financing has your business ever used? (Multiple response) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

The 2010 survey introduced the additional financing options of secured bank loans, unsecured bank loans, loan or equity injection from family or friend and chattel mortgages. As a direct result of the global financial crisis, banks globally reassessed their risk portfolio and, particularly for the small business sector, shifted their lending preferences to secured lending. The results tend to confirm this, however, the popularity of unsecured bank loans in Hong Kong is surprising.

The results found in Table 6 indicate that Malaysian businesses have less reliance on banking products (credit cards, bank loans and overdrafts) and a higher reliance on working capital facilities (vendor, debtor and inventory finance). The results also show that these businesses have reduced their usage of credit cards (down 17 per cent from 2009), overdrafts (down 11 per cent), leasing arrangements (down 20 per cent) and hire purchase (down 20 per cent). This will provide real benefits to the profitability of these businesses, as working capital facilities are generally less costly than credit card debt and overdrafts.

Hong Kong businesses also reduced their usage of leasing and hire purchase, down 10 per cent and 29 per cent, respectively. In addition, they have substantially reduced the level of working capital facilities, with vendor financing decreasing by 22 per cent, debtor financing by 12 per cent and inventory financing by 15 per cent in comparison to the 2009 survey results.

Australian small businesses were less likely to access finance through working capital facilities than Hong Kong, Malaysia and Singapore – a trend that follows the results of the previous survey.

Such working capital facilities can:

+ reduce costs;
+ be a better match to what they are financing; and
+ free up working capital.

There is therefore a need for lending institutions, governments, industry associations and accountants (as key business advisors) in Australia to help improve small business understanding of different financing options and when such options are the most appropriate form of finance. Such action is necessary before the growth of such forms of financing will occur.

Australian small businesses also have the highest reliance on credit cards for finance, at 63 per cent for 2010. This may be due to the possibility that many Australian businesses are of the opinion that credit card finance is more easily accessible than traditional methods of finance, even though other forms of finance may be more appropriate for the circumstances.

A substantial decline in Singaporean businesses that do not use business finance (down from 30 per cent in 2009 to 16 per cent in 2010) is most likely a result of the strong growth experienced by this country over the past 12 months. That is, in order to meet increased demand, more businesses had to borrow, for example, to purchase stock and assets.

The use of international trade finance in Hong Kong, Malaysia and Singapore reflects the more export-orientated nature of those economies. With small business confidence high in Hong Kong, Malaysia and Singapore, these markets present export opportunities for businesses in all four markets. Australian businesses that are not so confident about the Australian market, should consider accessing international trade finance to assist them exporting to these other markets. However, the high Australian dollar will make exporting more difficult.

Forms of financing businesses would consider using

Table 7: Types of financing business would consider using – comparison of the 2009 and 2010 survey results

	Australia		Singapore		Hong Kong		Malaysia		Total	
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Bank loan (secured)*	–	41.5%	–	49.0%	–	42.3%	–	58.2%	–	46.0%
Credit cards	45.5%	36.6%	26.7%	26.0%	17.6%	17.4%	22.9%	21.9%	32.9%	28.6%
Overdrafts	47.6%	33.5%	40.3%	30.3%	30.9%	24.9%	52.2%	35.3%	44.1%	31.7%
Bank loan (unsecured)*	–	22.7%	–	25.0%	–	47.8%	–	23.9%	–	27.8%
Leasing	33.1%	21.7%	22.8%	19.2%	26.0%	11.4%	20.0%	7.5%	27.6%	16.9%
Loan or equity injection from family or friend*	–	21.3%	–	31.7%	–	28.4%	–	24.9%	–	25.1%
Hire purchase	20.2%	12.4%	26.7%	27.9%	40.2%	11.9%	36.1%	24.4%	27.9%	17.3%
Vendor financing	9.8%	6.6%	19.4%	17.3%	27.5%	16.4%	25.9%	13.4%	17.7%	11.6%
Chattel mortgage*	–	4.7%	–	4.3%	–	15.4%	–	4.0%	–	6.4%
Debtor financing	5.1%	2.7%	17.0%	15.4%	21.1%	10.0%	21.0%	12.9%	13.1%	8.2%
International trade financing	3.7%	1.2%	16.5%	15.4%	28.9%	16.9%	23.4%	10.0%	14.2%	8.2%
Inventory financing	5.3%	1.2%	12.6%	14.9%	29.4%	14.9%	17.1%	12.9%	13.2%	8.3%
Other	7.6%	4.1%	6.3%	1.0%	3.4%	0.5%	6.3%	0.5%	6.4%	2.2%
None	19.0%	14.7%	12.1%	7.2%	5.9%	7.5%	4.4%	4.5%	12.7%	10.2%

* Option not provided in 2009

Questions 3-2: And if your business needed funds in the future, which of the following types of business financing would you consider using?
(Multiple response) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

With regard to the types of financing a business would consider using, 58 per cent of Malaysian small businesses were likely to consider secured bank loans. This is a significantly higher figure than for Singapore (49 per cent), Hong Kong (42 per cent) and Australia (41 per cent). It is understandable that secured bank loans are generally more popular than unsecured bank loans, because of the comparable costs and availability of this type of finance: unsecured finance is generally more expensive, and anecdotal evidence from Australia suggests that banks are significantly less willing to provide unsecured finance than secured finance. It is, therefore, surprising that Hong Kong businesses are more willing to seek unsecured finance.

Australian businesses were the most likely to consider credit cards (37 per cent) as a possible form of financing, while Singaporean businesses were more inclined than the other respondents to consider loan or equity injection from family and friends (32 per cent, compared to Hong Kong at 28 per cent, Malaysia at 25 per cent and Australia at 21 per cent).

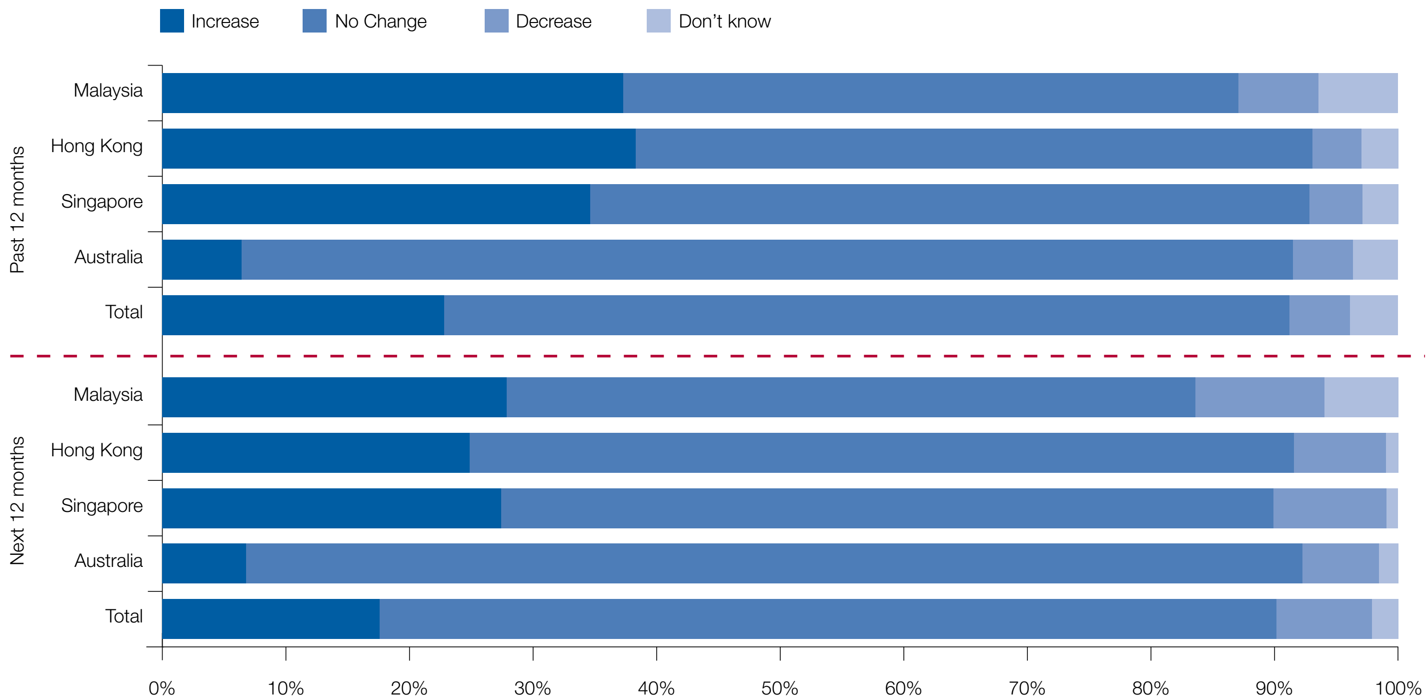
Australian businesses were the most likely to not consider any funding at all. This corresponds to their responses as shown in Figure 3, where Australian businesses were the most likely to not require additional funds. Australian businesses are also less likely to consider any working capital finance (vendor, debtor and inventory finance). With such high interest and associated costs involved in reliance on credit cards and overdrafts, Australian businesses should consider increasing their use of their own resources and / or working capital facilities to increase profitability and cash flow.

The appetite for leasing in all markets has decreased from the previous year. This is an interesting result given that in Figure 4 a high percentage of Hong Kong, Malaysian and Singaporean businesses stated that they required additional funds in the past year for asset purchases, and leasing is a particularly good fit for this type of financing.

Hong Kong businesses show a significant decline in interest for working capital finance. A possible reason for this decline is that many Hong Kong businesses are more confident in meeting their working capital requirements from internal sources of finance. This confidence may, in part, be because Hong Kong businesses have a higher propensity to undertake financial management activities (such as preparing cash-flow forecasts) than other markets. These activities may be helping Hong Kong businesses improve their working capital position reducing the need for external finance.

Small business employment

Figure 10: Changes in full-time staff numbers over the past 12 months and expectations for the next 12 months



Question 4-5: 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- changes in number of full time staff in past 12 months

Question 4-6: In relation to each of the following, please indicate whether you expect your business to 'increase', 'decrease', or 'no change' in the next 12 months – projected changes in number of full time staff in next 12 months (Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Table 8: **Changes in full-time employment over the past 12 months for each market by number of employees**

Australia

Past 12 months	Nil	1–4	5–9	10–19
Increase	1%	6%	16%	37%
No change	96%	83%	75%	46%
Decrease	1%	10%	9%	17%
Don't know	2%	1%	0%	0%
Next 12 months	**Nil**	**1–4**	**5–9**	**10–19**
Increase	1%	6%	12%	34%
No change	93%	82%	81%	60%
Decrease	2%	8%	7%	3%
Don't know	4%	4%	0%	3%

Malaysia

Past 12 months	Nil	1–4	5–9	10–19
Increase	27%	37%	25%	29%
No change	45%	50%	52%	55%
Decrease	27%	7%	16%	11%
Don't know	1%	6%	7%	5%
Next 12 months	**Nil**	**1–4**	**5–9**	**10–19**
Increase	18%	50%	31%	36%
No change	45%	37%	55%	52%
Decrease	36%	3%	9%	7%
Don't know	1%	10%	5%	5%

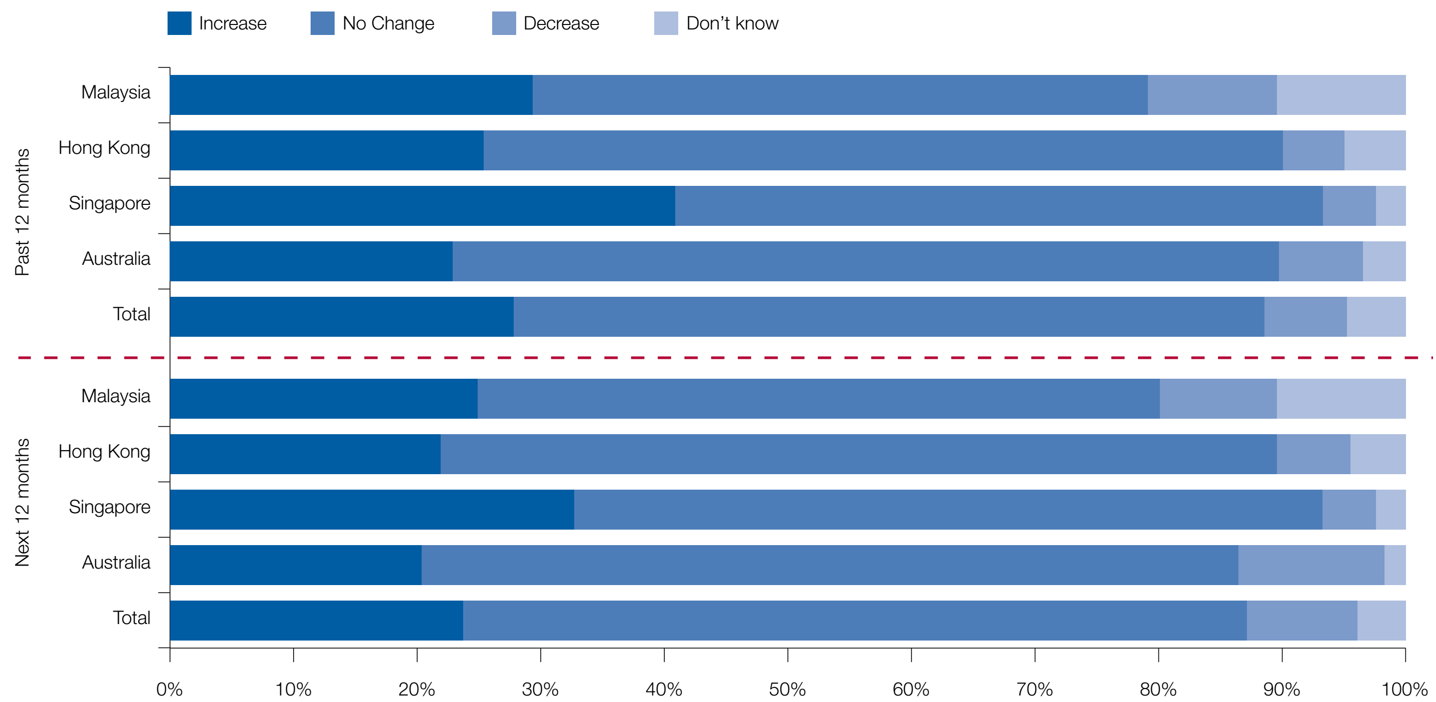
Hong Kong

Past 12 months	Nil	1–4	5–9	10–19
Increase	29%	26%	31%	23%
No change	62%	69%	57%	72%
Decrease	5%	5%	10%	4%
Don't know	4%	0%	2%	1%
Next 12 months	**Nil**	**1–4**	**5–9**	**10–19**
Increase	29%	51%	43%	37%
No change	62%	46%	44%	58%
Decrease	5%	0%	9%	2%
Don't know	4%	3%	4%	3%

Singapore

Past 12 months	Nil	1–4	5–9	10–19
Increase	6%	14%	27%	59%
No change	83%	84%	50%	33%
Decrease	6%	2%	23%	2%
Don't know	5%	0%	0%	6%
Next 12 months	**Nil**	**1–4**	**5–9**	**10–19**
Increase	13%	22%	41%	60%
No change	75%	74%	50%	34%
Decrease	6%	2%	7%	4%
Don't know	6%	2%	2%	2%

Figure 11: Changes in average hours worked for employees over the past 12 months and expectations for the next 12 months



Question 4-5: 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- changes in number of full time staff in past 12 months

Question 4.6: In relation to each of the following, please indicate whether you expect your business to 'increase', 'decrease', or 'no change' in the next 12 months – projected changes in number of full time staff in next 12 months
(Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

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

+ The hiring intentions of Hong Kong, Malaysian and Singaporean businesses are almost identical, and are significantly stronger than Australian businesses. This must, in part, be attributed to the stronger business confidence in these markets.
+ Malaysian businesses did experience, and expect, the largest decrease in staff numbers (however, when balanced with staff increases, more Malaysian small businesses expect an increase in staff numbers than a decrease).
+ The hiring intentions of Australian businesses again remain weak. This is a reflection of the less positive outlook Australian businesses have over the next few years. On the other hand, about a quarter of Australian businesses expect to increase the average hours worked by their staff, indicating a strong preference for getting more out of their existing staffing, rather than hiring staff.
+ When reviewing the 2009 survey results, Australian businesses expected a 4 per cent increase in full time staff; the 2010 survey notes that the actual increase in full time staff was 7 per cent. This may indicate that Australian businesses are cautious in their expectations.
+ A significant minority of the respondents from Hong Kong, Malaysia and Singapore expect to increase the average hours worked in the next 12 months. The mix of the large number of small businesses from those markets that want to increase staff numbers and increase the number of hours they will want their staff to work, reflects a very positive outlook for the next 12 months and is indicative of a strong expansion of many small businesses in those markets.

Comparison of expected staffing from the 2009 survey to the actual results noted in 2010 highlighted the following:

+ The actual increase in Singaporean full time staffing numbers for 2010 (27 per cent) was significantly higher than their hiring expectations for that period (17 per cent), which is not surprising given the very strong economic growth Singapore has experienced in 2010.
+ The actual increase in full time staff numbers for Malaysian businesses (28 per cent) was substantially lower than the expectations in 2009 (44 per cent). This may indicate that many Malaysian businesses were overly optimistic in 2009.
+ Hong Kong businesses experienced a slight increase in actual full time staff in 2010 (25 per cent) compared to expectations in 2009 of 20 per cent. In addition, in 2009, 15 per cent of businesses expected a decrease in full time staff, while only 7 per cent of businesses actually experienced a decrease in 2010. This is a reflection of the strong growth that Hong Kong has experienced in 2010. This trend also occurred in part-time staff numbers.

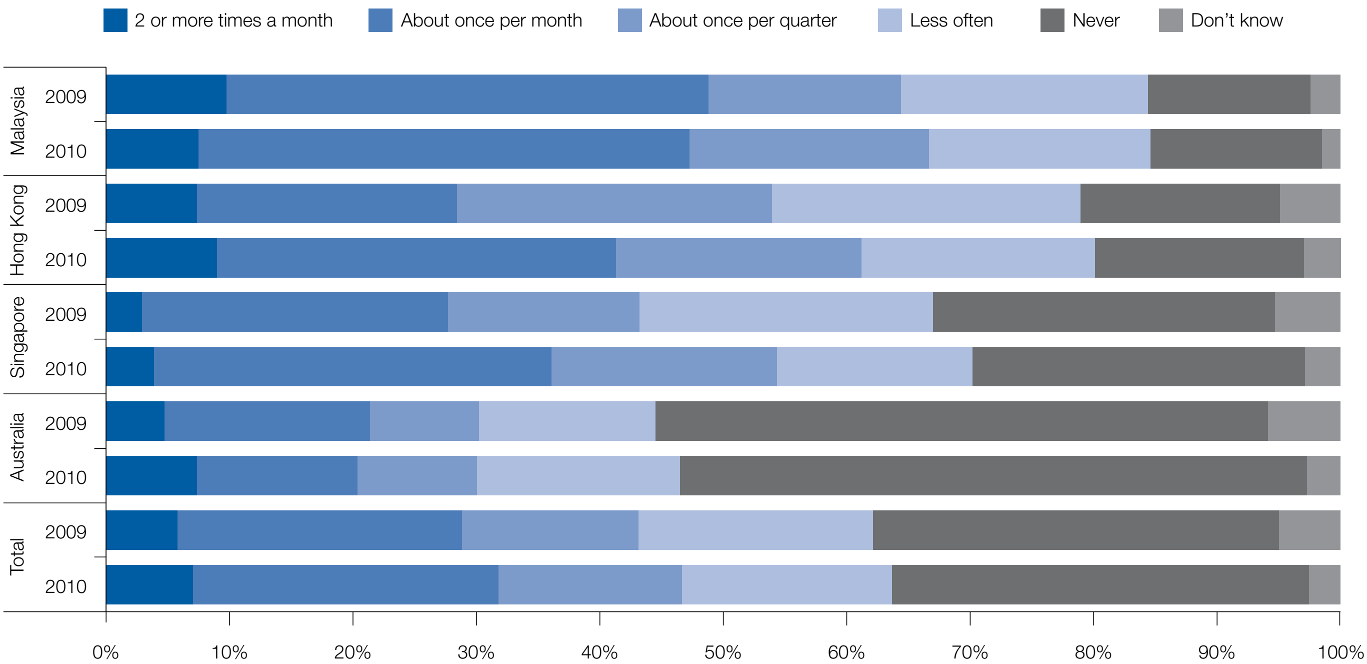
Analysis of other information reveals that:

+ For Australian businesses, those with one to four staff have been much more likely to expect no change in the number of full time staff they have. Businesses with 10 to 19 employees were most likely to experience growth or decline in number of full time staff. A similar trend for casual and part-time staff was also noted. The response on outsourcing indicates that Australian businesses do not particularly favour outsourcing.
+ For Malaysia, for all business sizes (by number of employees), there was a notable percentage (between 45 per cent and 55 per cent) that experienced no change in full time staffing levels, a trend that was replicated for part time, casual and outsourced staffing levels.
+ A large percentage of Singaporean businesses with 10 to 19 staff reported growth in full time staffing (59 per cent).
+ In Australia, growth in employment is most likely to come from businesses with between 10 and 19 staff.
+ In line with the growth expectations of those Hong Kong businesses with between one and four employees, 51 per cent from this business group are also expecting to increase full time staffing levels.

Business management activities

Aged–debtor reports

Figure 12: The frequency of preparing aged-debtor reports – comparison of the 2009 and 2010 survey results



Question 2-1: Using the scale shown below, please indicate how often your business does each of the following - preparing aged debtor reports
(Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

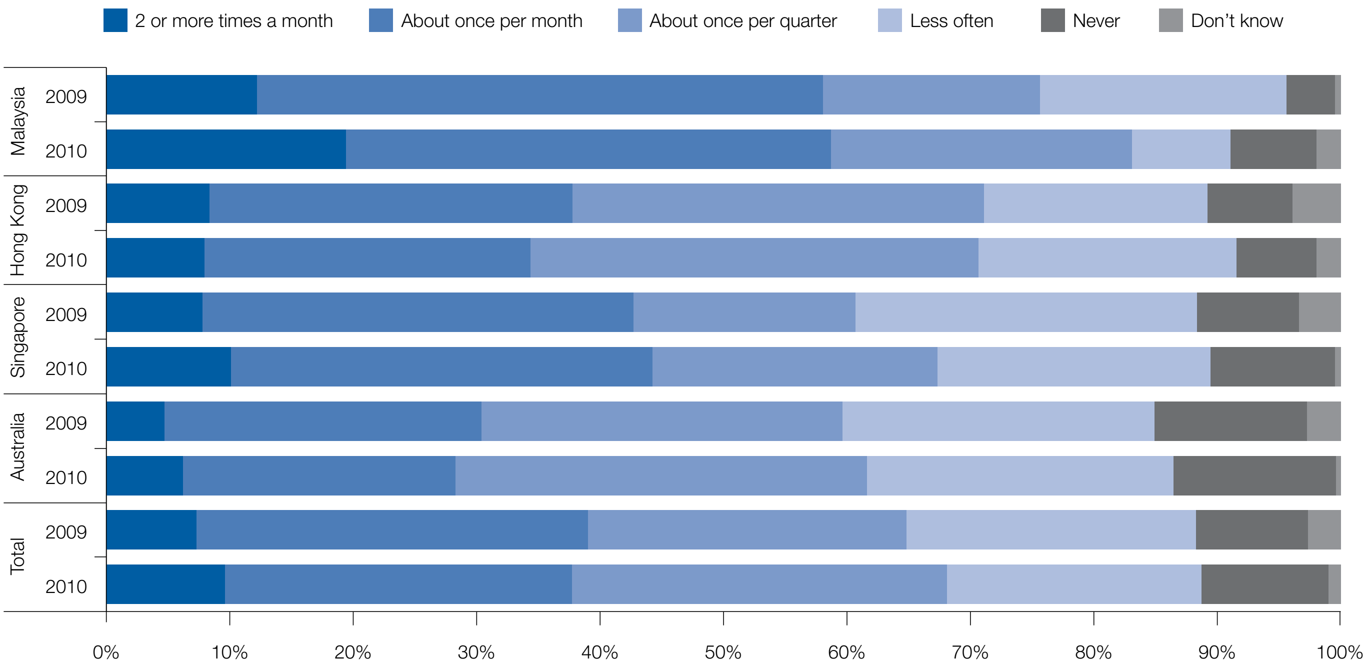
The aged-debtor report is an essential tool for assessing late payments from customers, assisting in identifying late-paying customers and increasing the rate of collection. Undertaking this activity regularly helps to decrease reliance on sourcing external funding for business.

The results show a significantly higher percentage of businesses in Hong Kong, Malaysia and Singapore prepare aged-debtor reports than Australian and Malaysian businesses. In particular, both Hong Kong and Singapore have increased this activity when compared to last year, and Malaysia has been consistent in their approach to this activity. It is disappointing to note that 51 per cent of Australian businesses and 27 per cent of Singaporean businesses never produce aged-debtors reports.

In terms of regularity, both Hong Kong and Singapore have increased their tendency to produce aged-debtor reports on a monthly basis. Meanwhile, Australian businesses actually decreased the frequency with which they prepare such reports, possibly indicating that debtors are getting better at paying on time.

Financial statements

Figure 13: Frequency of preparing financial statements – comparison of the 2009 and 2010 survey results



Question 2-1: Using the scale shown below, please indicate how often your business does each of the following - preparing financial statements
(Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Financial statements are the key to assessing the financial performance and position of every business. They provide financial information that can be measured and monitored and will assist in improving the overall performance of the business. In particular, a regular review of financial statements will supply business owners and managers with a wealth of information that can be utilised to improve profitability and increase the value of the business.

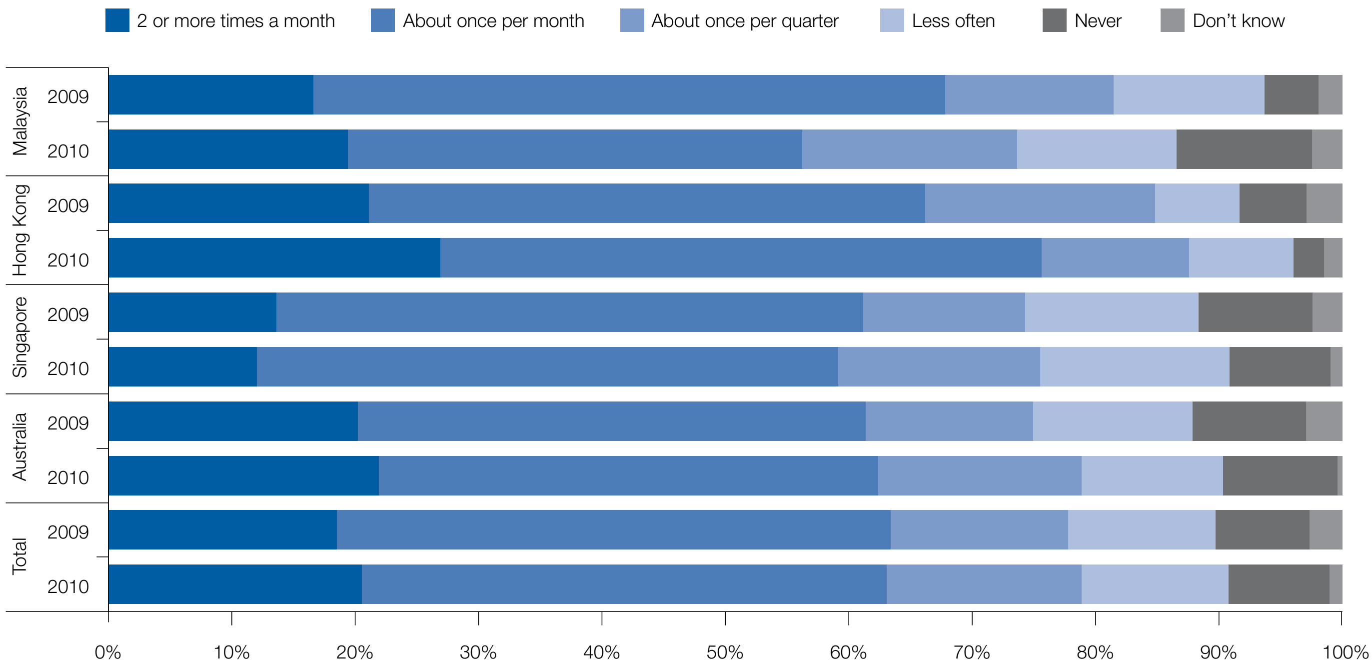
The results from the 2010 survey reveal that Malaysian and Singaporean businesses have increased the frequency with which they produce financial statements. In particular, the percentage of Malaysian businesses that are running financial statements two or more times per month has increased by 7 per cent from the 2009 survey. Unfortunately, both Hong Kong and Australian businesses appear to have decreased the frequency with which they produce these reports.

It is uncertain whether businesses are preparing financial statements purely for compliance reasons or are also using them to improve business performance. Given that businesses in Hong Kong, Malaysia and Singapore are less likely than Australian businesses to seek advice from an accountant, it seems unlikely that many businesses in those markets are getting full value out of their financial statements.

There is scope to improve businesses' understanding of the value of financial statements as an essential business tool. Governments, lenders, industry associations and accountants all have a role to play in increasing that understanding.

Reconciliation of bank accounts

Figure 14: Frequency of reconciling bank accounts – comparison of the 2009 and 2010 survey results



Question 2-1: Using the scale shown below, please indicate how often your business does each of the following – reconciling bank accounts (Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

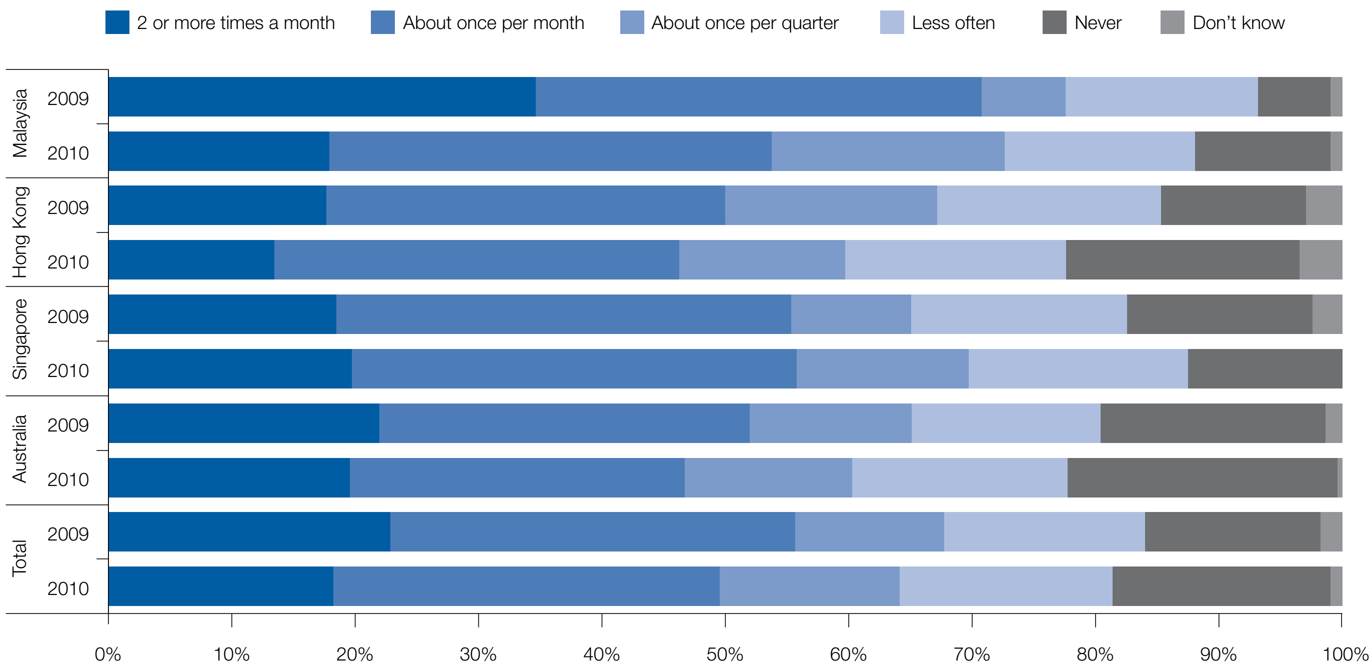
It is not surprising that all businesses surveyed had a high incident of reconciling bank accounts. Small businesses are more likely to be focused on cash flow given that they do not have as easy access to finance as larger businesses do, and are, therefore, more likely to manage their bank accounts regularly.

Reconciling bank accounts on a frequent basis is also one of the main tools businesses should implement to reduce the risk of fraud. It is, therefore, not surprising that this is the financial management activity that businesses are most likely to do, in all markets, at least monthly.

Hong Kong small businesses have increased the frequency with which they reconcile bank accounts, while Singapore and Australia have decreased their frequency slightly. The regularity of reconciling bank accounts by Malaysian businesses has declined, which is particularly interesting given the high incidence by Malaysian businesses of undertaking other financial management activities. Hopefully, this decline is an aberration and does not reflect a small increase in complacency amongst some Malaysian small businesses in relation to internal controls.

Chasing up late payment

Figure 15: Frequency of chasing up late payment – comparison of the 2009 and 2010 survey results



Question 2-1: Using the scale shown below, please indicate how often your business does each of the following - chasing up late payment
Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

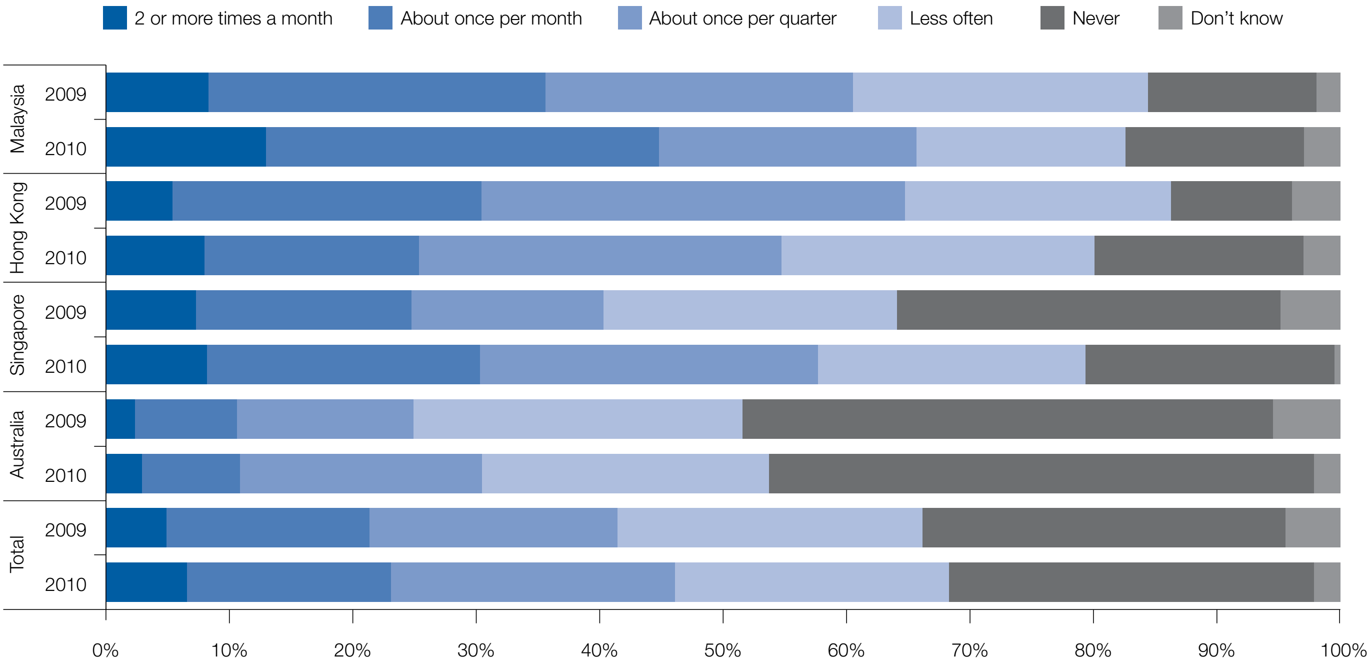
Regular collections of amounts outstanding from debtors will significantly improve both cash flow and profitability of every business. As a direct result of the global financial crisis, many businesses have experienced an increase in delay of receipts from customers and this has intensified the pressure on cash flow. Good business practice calls for businesses to chase up customer payments before they become late payments. Businesses should, where appropriate, check the credit worthiness of customers before giving them credit, thus reducing the risks of late payment.

Although economic conditions have improved since the last survey, there remain risks in the global economy and, therefore, it remains difficult to understand why a business would not chase up late payments on a very regular basis, unless it has only cash sales. It is, therefore, concerning that (except in Singapore) businesses are less likely to chase up late payments at least quarterly in 2010 than they were in 2009.

While economic conditions may have improved and, therefore, debtors may be paying on time, it is important that businesses still work to improve their working capital by getting more debtors to pay on time.

Financial Ratios

Figure 16: Frequency of preparing financial ratios – comparison of the 2009 and 2010 survey results



Question 2-1: Using the scale shown below, please indicate how often your business does each of the following – preparing financial ratios
(Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

As mentioned earlier, regular review of the financial status of a business will enhance the overall performance and success of that business. Financial ratios are an essential tool to assess the ongoing viability and strategic direction of a business.

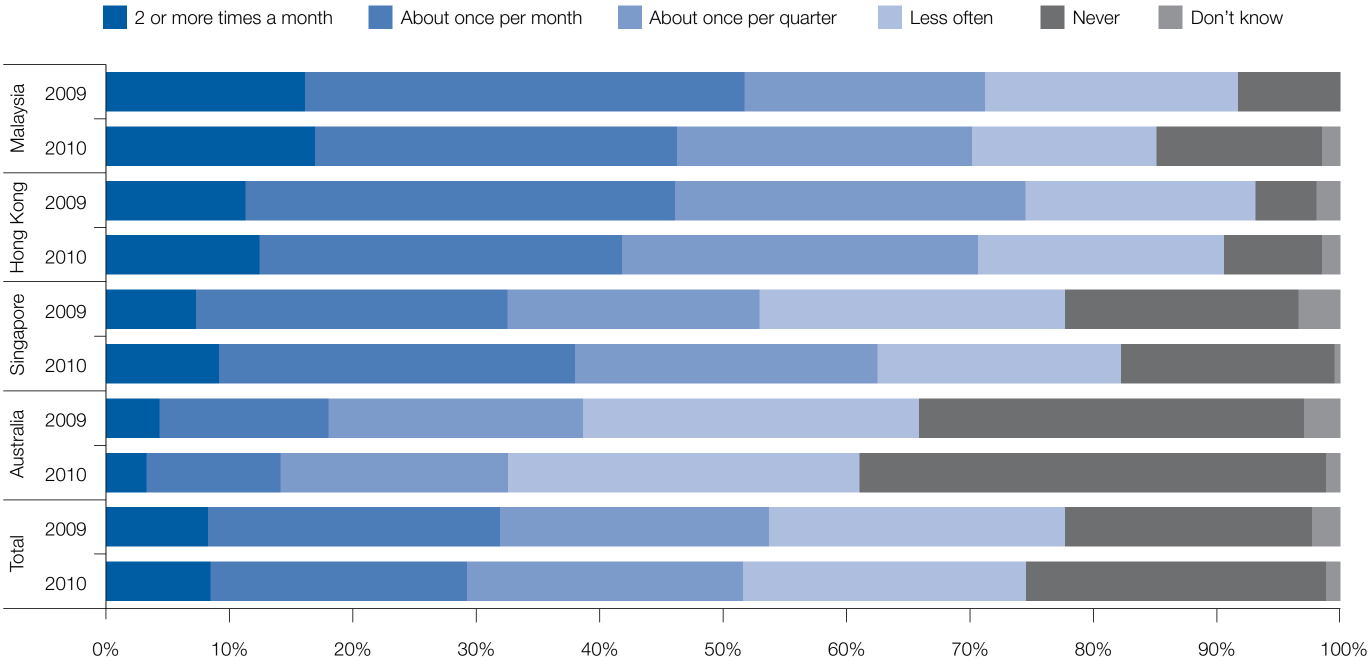
The Australian businesses surveyed were significantly less likely to prepare financial ratios, with 67 per cent indicating that they prepared financial ratios less often than once per quarter, or never. Malaysian and Singaporean businesses have increased the frequency of preparation of financial ratios, while it appears Hong Kong has decreased this activity slightly.

The general improvement in financial management activities and, in particular, the preparation of financial ratios places many Singaporean small businesses in a position to take full advantage of the strong economic growth Singapore is experiencing. This could be a result of the good financial management techniques that Singaporean businesses adopted during the economic downturn.

Financial software makes it relatively easy for businesses to prepare financial ratios. However, most business owners are unlikely to be able to understand such ratios without the assistance of an accountant.

Cash-flow forecasts

Figure 17: Frequency of preparing cash-flow forecasts – comparison of the 2009 and 2010 survey results



Question 2-1: Using the scale shown below, please indicate how often your business does each of the following – preparing cash flow forecasts
(Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Cash–flow forecasting is an essential tool for managing cash flow and assessing financing requirements. It is often the most underutilised financial management tool for business. Forecasting cash flow, particularly in tough times, assists businesses with reducing the risk of running out of cash, and can help identify cash that may become available to invest in opportunities that emerge.

Once again, Australian businesses were the least likely to produce cash–flow forecasts. It is discouraging to see that, when comparing the Australian 2010 results with the previous year's results, there has been an increase in those businesses that never produce these forecasts. Malaysian businesses appear to have decreased the frequency with which they are preparing such forecasts. Hong Kong also showed a very small decline in frequency. Singaporean businesses, however, increased the frequency of preparing such reports slightly, in line with their overall improvement in financial management activities.

While problems with cash flow may have receded for most businesses, it is still very important for businesses to remain focused on improving their cash position, as this is a very important source of finance. Preparing cash–flow forecasts frequently will assist in achieving this goal.

Other business management activities

Table 9: Business management activities undertaken in the past 12 months – comparison of the 2009 and 2010 survey results

	Australia		Singapore		Hong Kong		Malaysia		Total	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Follow up on late payments from your suppliers	49.0%	41.7%	48.1%	51.4%	37.7%	38.3%	60.0%	36.3%	48.8%	41.9%
Use your personal credit card for business use	37.3%	39.0%	32.5%	29.8%	16.2%	22.9%	36.1%	20.9%	32.4%	31.2%
Increase marketing and promotion	23.1%	23.3%	40.8%	45.2%	46.6%	40.8%	56.1%	47.8%	36.6%	34.8%
Take up early discounts from suppliers	16.9%	17.3%	16.5%	26.9%	26.5%	15.9%	30.2%	28.9%	21.0%	20.9%
Reduce levels of stock held	20.0%	15.5%	25.7%	23.6%	28.4%	20.4%	34.1%	35.3%	25.2%	21.4%
Sell excess / obsolete stock	18.6%	14.7%	18.0%	20.2%	25.5%	32.3%	24.9%	26.4%	20.9%	21.0%
Offer discounts to customers to induce early payment	13.9%	12.2%	29.6%	24.0%	33.3%	28.4%	33.7%	35.8%	23.9%	21.5%
Extend payment terms with suppliers	9.6%	9.7%	18.0%	21.2%	26.5%	21.4%	36.1%	25.4%	19.0%	16.7%
Seek a short-term injection of funds	12.0%	9.7%	19.9%	22.6%	28.9%	13.4%	30.7%	25.9%	19.9%	15.6%
Sell personal assets to fund business activities	7.8%	6.6%	8.3%	8.2%	11.8%	14.4%	13.7%	8.5%	9.7%	8.6%
Decrease marketing and promotion	6.7%	5.6%	5.8%	5.8%	6.9%	9.0%	4.9%	8.5%	6.2%	6.8%
Sell business assets	4.7%	6.0%	5.8%	9.1%	12.7%	8.5%	9.8%	8.5%	7.3%	7.5%
None of the above	19.2%	19.4%	13.6%	11.1%	7.8%	9.5%	5.4%	9.0%	13.6%	14.2%
Don't know	0.8%	1.4%	2.4%	0.5%	1.5%	3.5%	0.5%	4.0%	1.2%	2.0%

Question 4-2: Please indicate which of the following activities you have done in the past 12 months? (Multiple responses) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Hong Kong businesses were the most likely to undertake a number of the activities outlined in Table 9, during 2010. In particular, they appear to be more focused on improving working capital management through reducing excess / obsolete stock, extending payment terms with suppliers and reducing discounts offered to customers. This would indicate that small businesses in Hong Kong are focused on cash flow management and are implementing good financial management to improve cash flow.

Table 9 also shows that Singaporean businesses have generally improved their financial management, providing positive responses to this question in all categories.

Both Table 9 and Figure 15 show that Malaysian small business has shown a marked decrease in the percentage of small businesses that follow up late payments from customers. This may be because the working capital position of Malaysian businesses has improved as a consequence of the strong economic conditions in Malaysia (and hence customers are paying within agreed terms), however, chasing up late payment is good business practice in good and bad times. Possibly also reflecting that the working capital position of Malaysian small businesses has improved, Malaysian businesses were significantly less likely to use their personal credit card for business purposes, and were significantly less likely to seek extended payment terms with suppliers.

It is disappointing to see that, over the past 12 months, close to one in four Australian small businesses have not undertaken any of the activities noted in Table 9. It is difficult to determine the reasons for this, however, it should be noted that it is highly likely that Australian businesses would improve overall business performance and enhance cash flow if they were to be more proactive in implementing some or all of the above financial and business management practices.

The fact that businesses in Hong Kong, Malaysia and Singapore are more likely to have a current loan than businesses in Australia could be one contributing factor in those markets' greater likelihood of undertaking business (including financial) management activities (and on a more frequent basis) – because the conduct of financial management activities is a requirement often imposed by lenders. However, the difference in the percentages of respondents with business loans in the different markets is not significant enough to suggest that this is a major factor. What may be more relevant to explain the difference is the higher percentage of very small businesses (nil to four employees) in the Australian sample. Even if this assumption is correct there is still significant room for improvement in the financial management activities of Australian small businesses. Governments, banks, industry associations and accountants all have a role to play in overcoming this major issue.

Forecast for the next 12 months

Table 10: Business management activities expected to be undertaken in the next 12 months – comparison of the 2009 and 2010 survey results

	Australia		Singapore		Hong Kong		Malaysia		Total	
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Follow up on late payments from your suppliers	39.0%	31.6%	41.7%	42.3%	33.3%	24.4%	54.1%	32.3%	41.2%	32.4%
Increase marketing and promotion	31.8%	30.0%	42.7%	48.1%	43.1%	44.8%	63.9%	53.7%	41.7%	40.2%
Use your personal credit card for business use	26.3%	28.3%	24.3%	17.3%	9.3%	11.4%	19.5%	12.4%	21.6%	20.4%
Take up early discounts from suppliers	15.7%	16.1%	18.9%	23.6%	21.1%	17.4%	33.2%	23.9%	20.4%	19.1%
Reduce levels of stock held	12.4%	13.6%	20.9%	22.1%	21.6%	19.4%	29.8%	24.4%	18.8%	18.1%
Sell excess / obsolete stock	18.2%	14.2%	15.0%	22.1%	27.5%	27.9%	22.0%	27.4%	20.0%	20.4%
Offer discounts to customers to induce early payment	17.1%	10.7%	20.9%	19.2%	31.4%	28.9%	34.6%	32.3%	23.6%	19.4%
Seek a short-term injection of funds	11.0%	8.3%	20.4%	20.2%	24.0%	19.4%	35.1%	31.3%	19.5%	16.6%
Extend payment terms with suppliers	7.1%	5.8%	20.4%	20.2%	30.9%	19.9%	34.6%	28.4%	18.8%	15.0%
Sell personal assets to fund business activities	4.9%	4.7%	4.9%	9.6%	9.3%	7.5%	8.3%	6.5%	6.3%	6.4%
Sell business assets	5.7%	4.5%	6.3%	5.3%	8.3%	5.5%	7.8%	6.5%	6.7%	5.2%
Decrease marketing and promotion	2.0%	3.1%	6.8%	3.9%	13.7%	6.5%	5.4%	6.0%	5.6%	4.4%
None of the above	20.2%	20.9%	10.2%	12.5%	4.9%	8.0%	4.9%	9.0%	12.8%	14.9%
Don't know	5.3%	7.0%	5.3%	3.9%	4.9%	5.0%	3.9%	7.0%	5.0%	6.0%

Question 4-3: And please indicate which of the following activities you expect to do in the next 12 months? (Multiple responses) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

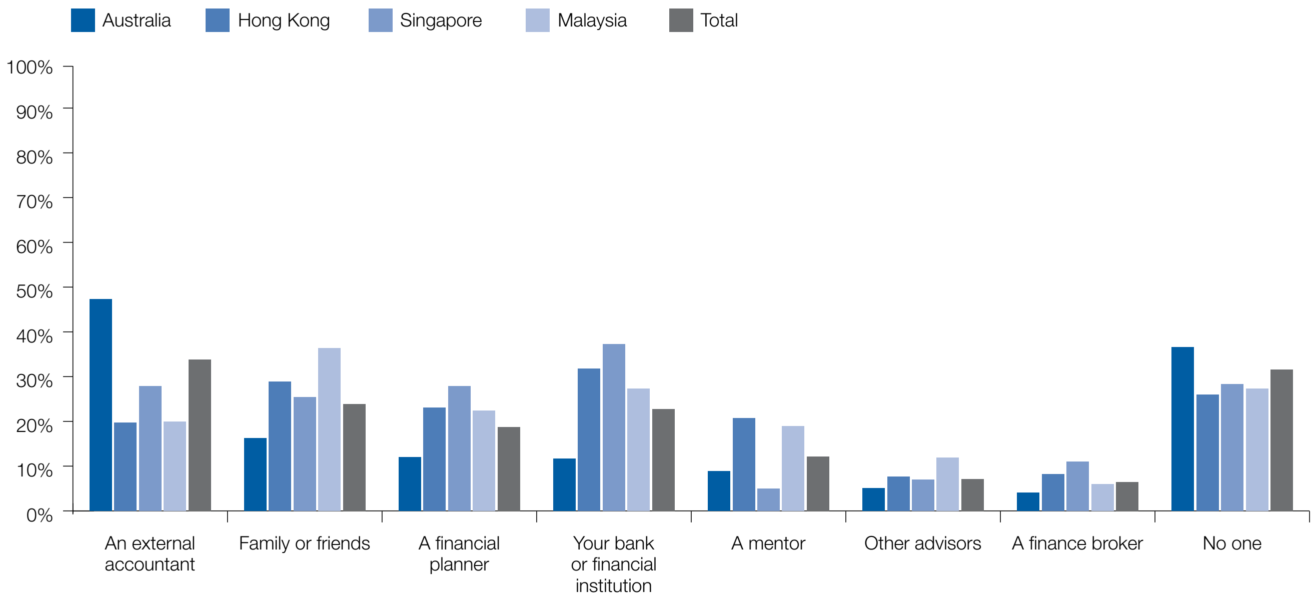
Table 10 indicates that Australian small businesses generally expect to continue to take a lacklustre approach to managing their business in 2011, with the highest incident of expected activity being chasing up late payments from customers (32 per cent). Twenty-one per cent expect to do none of the activities listed in table 10.

Singaporean small businesses are expecting to continue their active approach to managing their business in 2011. With the exception of marketing, Hong Kong small businesses expect to undertake fewer of the business management activities listed than they are currently undertaking. This could be due to their high growth expectations; hence they may be busy increasing business activity at the cost of maintaining good management practices. This will have negative consequences in the future for such businesses.

Malaysian businesses show a similar trend to Hong Kong but, in their case, this result is puzzling, because they have slightly lower growth expectations than the previous year. They also show the highest expectations of seeking short term injections of funds. However, they would be better served by implementing improved working capital management to free up internal cash, which could be used to replace such short term funding requirements (which can be expensive).

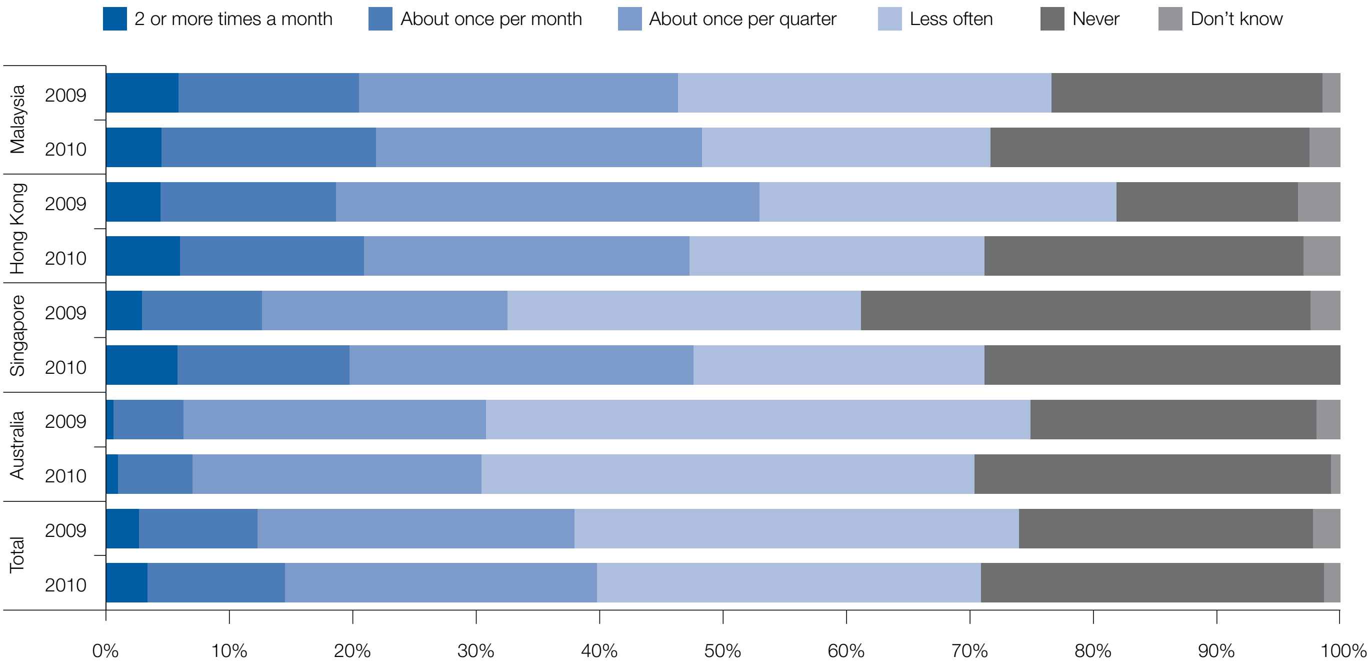
Sources of advice

Figure 18: Sources of business advice in the past 12 months



Question 4-1: During the past 12 months, have you received any advice for your business from any of the following? (Multiple response) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Figure 19: Frequency of meeting external accountant



Question 2-1f: Using the scale shown below, please indicate how often your business does each of the following. – Meet with your external accountant to discuss performance (Single response per activity) (Australia n=516, Hong Kong n=201, Malaysia n=201, Singapore n=208)

Reflecting the results from the 2009 survey, Australian businesses are again the most likely to seek advice from their external accountant. They are also significantly more likely to seek advice from their accountant than other independent sources of advice. It is notable that while most small businesses in Hong Kong, Malaysia and Singapore do meet their external accountant at some time, Figure 18 indicates that such meetings are more likely to be compliance focused.

These results suggest that Australian accountants are more likely to be providing value-added services to small business than accountants in the other markets. While many businesses in Hong Kong, Malaysia and Singapore look well run on paper, if they are not seeking advice from their accountant, it is likely that they are not getting full value out of such good practices. There is, therefore, scope for accountants to provide more value-added advice to small business. Accountants should promote themselves as an important partner in improving and growing small business.

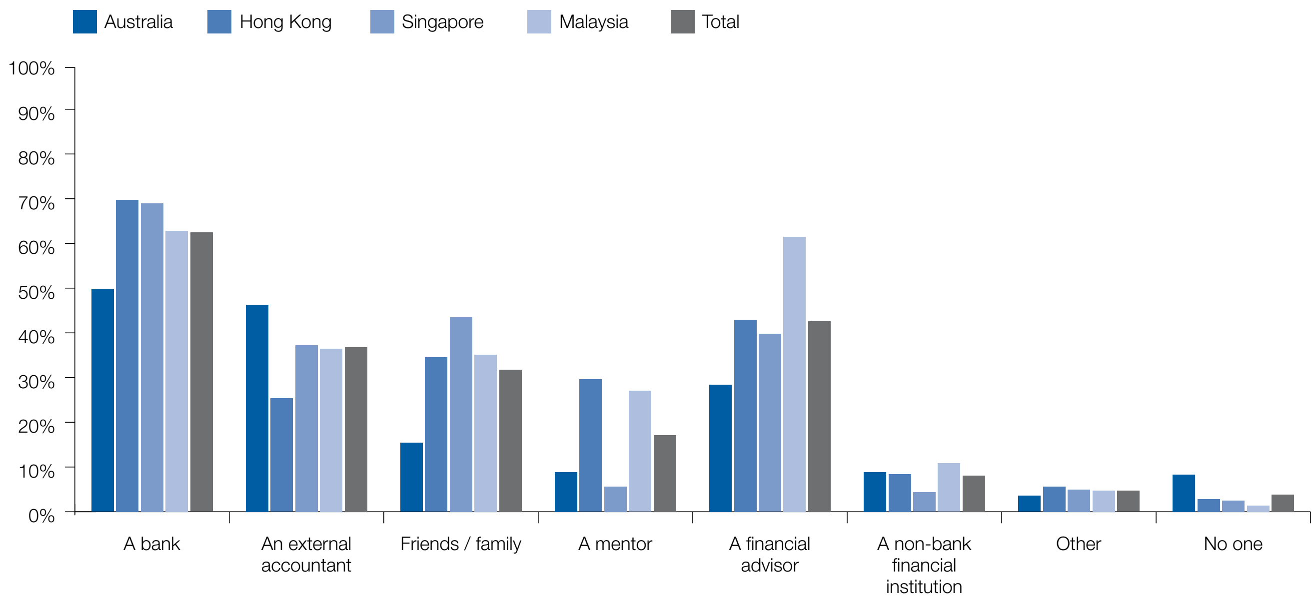
On the other hand, Australian small businesses are also the most likely to have not received advice from anyone in the past 12 months. While 95 per cent of Australian businesses use a tax agent to lodge their tax returns, it appears that this is a lost opportunity as most are not taking advantage of their time with their accountant to seek business advice.

Other sources of advice in Australia, such as banks, are little used by business. It is not surprising, given that financial planners in Australia are focused on private-wealth creation, that they are not a frequently used source of business advice.

Small businesses in Malaysia, Singapore and especially Hong Kong are significantly more likely to source advice from a bank. Australian banks, with their significant recent investment in improving business banking, would do well to investigate why banks in these markets are such an important source of advice.

Reflecting the very important role family and friends play in business in Hong Kong, Malaysia and Singapore (such as a source of finance), it is not surprising that Hong Kong, Malaysian and Singaporean businesses are much more likely than their Australian counterparts to seek advice from that source.

Figure 20: Potential sources of advice if seeking finance



Question 3-9: If you are considering seeking financial advice, who will you seek advice from? (Multiple response) (Australia n=169, Hong Kong n=161, Malaysia n=148, Singapore n=142)

Banks, not surprisingly, are the main source of advice in nearly all markets for businesses considering seeking finance. However, many businesses will also seek advice from independent parties, including accountants and family and friends.

A significant anomaly is the importance of financial advisors as a source of advice on business finance in Malaysia. This may be because Malaysian financial advisors are significantly involved in arranging finance as well as advising on it.

Survey sample details

Number of employees

Firmographics	Australia	Singapore	Hong Kong	Malaysia
Nil (Sole Trader)	43%	23%	19%	15%
1-4	39%	28%	34%	24%
5-9	11%	21%	19%	30%
10-19	7%	28%	28%	31%

Years in operation

Firmographics	Australia	Singapore	Hong Kong	Malaysia
Under 5 years	24%	39%	35%	46%
5 - 10 years	32%	36%	31%	31%
11 - 20 years	22%	18%	24%	14%
21+ years	22%	7%	10%	5%

Age

Firmographics	Australia	Singapore	Hong Kong	Malaysia
Under 30	5%	16%	20%	30%
30 - 39	18%	42%	38%	33%
40 - 49	24%	31%	28%	28%
50 - 59	32%	10%	13%	7%
60+	21%	1%	1%	2%

Question 1-2: Which of the following best describes the number of staff employed in your oranisation?
Question 5-1: For how long has the business been in existance?
Question 5-2: Are you aged...?