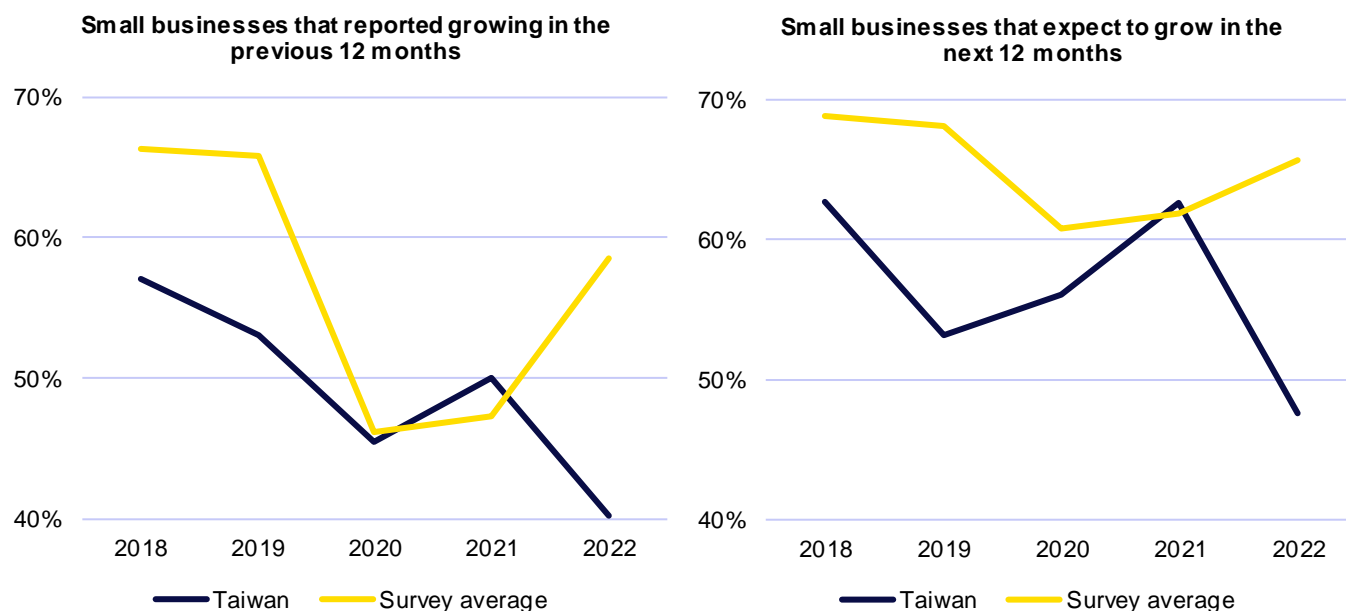


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

Taiwan market summary

Taiwan¹

Business and economic conditions



| | Taiwan 2022 | Survey average 2022 | Rank 2022 | Taiwan 2021 | Rank 2021 | Taiwan 2020 | Taiwan 2019 | Taiwan 2018 |
|--|-------------|---------------------|-----------|-------------|-----------|-------------|-------------|-------------|
| Businesses that grew in the last 12 months | 40.3% | 58.6% | 10/11 | 50.0% | 4/11 | 45.5% | 53.2% | 57.1% |
| Businesses that expect to grow in the next 12 months | 47.6% | 65.7% | 10/11 | 62.6% | 6/11 | 56.1% | 53.2% | 62.7% |
| Businesses that expect the local economy to grow in the next 12 months | 38.7% | 62.5% | 11/11 | 50.6% | 10/11 | 45.9% | 42.2% | 44.2% |
| Satisfied or very satisfied with the financial return of the business ² | 37.9% | 68.9% | 11/11 | N/A | N/A | N/A | N/A | N/A |

¹ For the purpose of this survey, data collected from small businesses in Hong Kong and Taiwan are shown separately from the data collected for the rest of China.

² Limited to owner, director, CEO/managing director or principal.

2022 was a challenging year for Taiwan's small businesses. 40.3 per cent of Taiwanese small businesses grew last year, down from 50 per cent in 2021. This was the second lowest result among the surveyed markets and the lowest on record for Taiwan. The low levels of satisfaction Taiwanese small business owners have with the financial returns they received from their business in 2022 mirrors this result.

2023 is expected to be another difficult year for Taiwan's small businesses. 47.6 per cent expect to grow. This result is again the second lowest of the surveyed markets and the lowest on record for Taiwan.

COVID-19, a slowing economy and rising costs appear to be the major causes of these results. A stronger focus on e-commerce, new payment technologies and customer satisfaction should help Taiwan's small businesses to recover and position themselves for longer term growth.

Use of technology

| | Taiwan 2022 | Survey average 2022 | Rank 2022 | Taiwan 2021 | Rank 2021 | Taiwan 2020 | Taiwan 2019 | Taiwan 2018 |
|---|--------------------|---------------------|-----------|--------------------|-----------|--------------------|--------------------|--------------------|
| More than 10 per cent of revenue came from online sales | 52.4% | 67.9% | 9/11 | 44.8% | 8/11 | 43.6% | 37.9% | 38.0% |
| Did not use social media for business purposes | 22.7% | 15.4% | 4/11 | 22.9% | 4/11 | 14.2% | 18.6% | 16.8% |
| Investment in technology by the business over the past 12 months has improved profitability | 35.5% | 55.2% | 10/11 | 38.7% | 8/11 | 31.7% | 38.5% | 33.0% |
| Technology the business invested in most heavily over the past 12 months | Computer equipment | Computer equipment | N/A | Computer equipment | N/A | Computer equipment | Computer equipment | Computer equipment |
| Consider the business likely to be cyberattacked in next 12 months | 33.9% | 47.2% | 8/11 | 41.9% | 5/11 | 38.0% | 33.9% | 37.3% |
| Reviewed the business' cybersecurity protections in past six months | 34.2% | 46.0% | 10/11 | 43.2% | 6/11 | 38.9% | 38.9% | 42.2% |
| More than 10 per cent of sales is received through digital payment options such as LINEpay, Apple Pay, JKOPay, Taiwan Pay, Alipay | 51.8% | 73.7% | 10/11 | 45.0% | 9/11 | 38.0% | 31.5% | 31.4% |
| Sought advice from IT consultants/specialists | 16.6% | 28.6% | 11/11 | 13.9% | 8/11 | 10.2% | N/A | N/A |
| Business operation is frequently or very frequently affected by internet connectivity issues | 19.5% | 30.5% | 9/11 | N/A | N/A | N/A | N/A | N/A |

While technology use improved in 2022 from 2021, Taiwan's small businesses continue to be much less likely to use technology than their counterparts across the region. The survey data shows:

- Taiwan's small businesses could make greater use of e-commerce. 52.4 per cent generated more than 10 per cent of their revenue online, compared with 89.1 per cent of Mainland Chinese small businesses.
- Taiwan's small businesses ranked second lowest in generating more than 10 per cent of their sales through digital and online payment technologies, such as LINEpay, Apple Pay and JKOPay (51.8 per cent compared with 94.1 per cent of small businesses from Mainland China).
- Taiwan's small businesses ranked third lowest in beginning or increasing their focus on online sales in response to COVID-19 (20.4 per cent compared to the survey average of 24.8 per cent).
- Taiwan's small businesses could make greater use of social media. 22.7 per cent did not use social media last year, compared with 2.1 per cent of Mainland Chinese businesses.

The poor short-term returns achieved from investing in technology is a possible explanation for the low levels of investment by Taiwan's small businesses. Only 35.5 per cent found their investment in technology improved their profitability last year. This is the second lowest result of the markets surveyed and compares to 82.7 per cent for India's small businesses.

Taiwan's small businesses have a large reliance on cash sales. 62.3 per cent received at least half of their sales in cash last year. Given the broad cross-section of industries represented in the Taiwan survey sample, it is assumed that many business-to-business transactions are conducted in cash.

In terms of cybersecurity, 34.2 per cent of Taiwan's small businesses reviewed their cybersecurity in the past six months and 33.9 per cent expect to be cyberattacked in 2023.

Business activity over the past 12 months

| | Taiwan 2022 | Survey average 2022 | Rank 2022 | Taiwan 2021 | Rank 2021 | Taiwan 2020 | Taiwan 2019 | Taiwan 2018 |
|--|-------------|---------------------|-----------|-------------|-----------|-------------|-------------|-------------|
| Increased employee numbers | 18.5% | 35.0% | 11/11 | 15.5% | 10/11 | 12.5% | 17.6% | 20.8% |
| Improved customer satisfaction had a major positive impact on the business | 21.7% | 27.0% | 8/11 | 17.1% | 8/11 | 14.9% | 18.6% | 19.5% |
| Improved business management had a major positive impact on the business | 15.0% | 22.0% | 10/11 | 11.6% | 9/11 | 10.2% | 11.3% | 13.9% |
| Increasing costs had a major negative impact on the business | 30.7% | 31.1% | 6/11 | 27.1% | 8/11 | 20.5% | 29.6% | 29.4% |
| Required funds from an external source | 48.2% | 62.5% | 7/11 | 46.1% | 8/11 | 47.5% | 40.5% | 37.3% |
| Sought external funds for business growth | 42.4% | 52.1% | 8/11 | 44.1% | 6/11 | 39.6% | 48.4% | 46.0% |

| | | | | | | | | |
|---|-------|-------|------|-------|-------|-------|-------|-------|
| Sought external funds for business survival | 41.1% | 44.3% | 5/11 | 44.8% | 6/11 | 36.1% | 30.3% | 26.5% |
| Found it easy or very easy to access external finance | 29.8% | 45.9% | 8/11 | 21.0% | 10/11 | 21.5% | 25.4% | 21.2% |
| A bank was the business' main source of external finance | 47.0% | 38.2% | 3/11 | 28.0% | 7/11 | 31.3% | 26.2% | 29.2% |
| Did not spend any time and resources on ESG practices | 38.3% | 21.4% | 3/11 | N/A | N/A | N/A | N/A | N/A |

Impacts of COVID-19

| | Taiwan 2022 | Survey average 2022 | Rank 2022 | Taiwan 2021 | Rank 2021 | Taiwan 2020 |
|---|-------------|---------------------|-----------|-------------|-----------|-------------|
| COVID-19 had a major negative impact on the business in the past 12 months | 42.2% | 36.7% | 4/11 | 51.6% | 8/11 | 44.9% |
| My business' major reaction to COVID-19 was to begin or increase its focus on online sales | 20.4% | 24.8% | 9/11 | 17.7% | 8/11 | 13.5% |
| My business' major reaction to COVID-19 was to increase investment in technology | 17.6% | 19.1% | 8/11 | 8.1% | 11/11 | 9.6% |

Planned business activity over the next 12 months

| | Taiwan 2023 | Survey average 2023 | Rank 2023 | Taiwan 2022 | Rank 2022 | Taiwan 2021 | Taiwan 2020 | Taiwan 2019 |
|---|-------------|---------------------|-----------|-------------|-----------|-------------|-------------|-------------|
| Expect to increase employee numbers | 21.4% | 44.9% | 11/11 | 26.5% | 9/11 | 22.8% | 22.3% | 29.4% |
| Will introduce a new product, service or process unique to their market or the world | 19.8% | 34.4% | 10/11 | 18.7% | 9/11 | 14.5% | 13.3% | 13.9% |
| Expect revenue from overseas markets to grow strongly | 15.7% | 23.7% | 7/11 | 11.0% | 10/11 | 6.9% | 6.0% | 10.6% |
| Will seek external funds | 27.2% | 33.6% | 6/11 | 19.0% | 8/11 | 16.2% | 8.3% | 11.9% |
| Expect easy to very easy access to finance | 24.3% | 42.3% | 9/11 | 21.1% | 9/11 | 20.0% | 22.8% | 19.5% |

COVID-19

As in 2021, Taiwan's small businesses considered COVID-19 their biggest challenge in 2022. 42.2 per cent thought it had a negative impact on their business, the fourth highest result of the markets surveyed. This was, however, down from the 51.6 per cent in 2021 and 44.6 per cent in 2020.

Despite the impact COVID-19 had on Taiwan's small businesses last year, 28.1 per cent made no major changes to their business in response to the pandemic, the highest percentage among the markets surveyed.

Employment

Notwithstanding the decrease in the number of Taiwanese small businesses that grew in 2022, there was an increase in those that employed more staff. 18.5 per cent added to their headcount in 2022, up slightly from 15.5 per cent in 2021.

An expected downturn in business activity in 2023 is translating into less optimistic headcount expectations. 21.4 per cent of Taiwan's small businesses expect to add to their headcount this year, the lowest result of the markets surveyed and well below the survey average of 44.9 per cent.

Innovation

Taiwan's small businesses are unlikely to innovate. Only 19.8 per cent state they will introduce a new product, process or service that is unique to their market or the world in 2023. This is the second lowest result of the markets surveyed and well below the survey average of 34.4 per cent. This may affect the growth of many Taiwanese small businesses, as the survey results have shown a correlation over many years between innovation and business growth.

Access to finance

Despite fewer Taiwanese small businesses experiencing growth last year, slightly more of them accessed external finance in 2022 (48.2 per cent) than 2021 (46.1 per cent). Of the Taiwanese small businesses that accessed finance, 42.4 per cent sourced that finance for business growth, while 41.1 per cent accessed it for survival.

Of those that needed external funds last year, 43.7 per cent said they found the experience difficult, compared to 37.1 per cent in 2021. That difficulty is expected to continue this year, with 44.4 per cent forecasting the experience will be tough, well above the survey average of 27.4 per cent. Banks were the main source of that finance.

Factors that had positive and negative influences on business

| Top four factors that had a positive influence on Taiwanese small business in 2022 | Top four factors that had a positive influence Taiwanese on small business in 2021 | Top four factors that had a positive influence on Taiwanese small business in 2020 |
|--|--|--|
| COVID-19 | COVID-19 | COVID-19 |
| Cost control | Customer loyalty | Cost control |
| Customer loyalty | Cost control | Customer loyalty |
| Improved customer satisfaction^ | Improved customer satisfaction | Technology |

| Top four factors that had a negative impact on Taiwanese small business in 2022 | Top four factors that had a negative impact on Taiwanese small business in 2021 | Top four factors that had a negative impact on Taiwanese small business in 2020 |
|---|---|---|
| COVID-19 | COVID-19 | COVID-19 |
| Poor overall economic environment | Poor overall economic environment | Poor overall economic environment |
| Increasing costs | Increasing costs | Difficulty expanding into new markets |
| Political instability | Increasing competition | Increasing costs |

^aequal rank

Taiwan's small businesses could improve their performance if they have a stronger focus on "improved customer satisfaction", "improved business strategy" and "improved business management".

In addition to COVID-19, Taiwan's small businesses found that "poor overall economic environment" and "increasing costs" also had negative impacts on their business. Labour costs and foreign exchange fluctuations were the costs most detrimental to Taiwan's small businesses in 2022.

Demographics

| | Taiwan 2022 | Survey average 2022 | Rank 2022 | Taiwan 2021 | Rank 2021 | Taiwan 2020 | Taiwan 2019 | Taiwan 2018 |
|---|-------------|---------------------|-----------|-------------|-----------|-------------|-------------|-------------|
| Respondent aged under 40 | 50.8% | 47.6% | 5/11 | 34.5% | 8/11 | 54.8% | 44.2% | 44.9% |
| Business set up for less than 11 years | 54.0% | 61.1% | 9/11 | 58.7% | 6/11 | 58.7% | 56.5% | 60.4% |
| Respondent is the business owner | 11.8% | 36.9% | 10/11 | 14.8% | 10/11 | 16.8% | 13.6% | 14.2% |
| Business has 10 to 19 employees | 22.0% | 37.1% | 8/11 | 15.2% | 10/11 | 21.8% | 23.9% | 21.5% |

Policy suggestions

Policymakers should consider measures that support more of Taiwan's small businesses to embrace digital transformation, help them build their management capability and reduce their reliance on cash sales.