

# THE CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2019-20

**CPA AUSTRALIA'S 11<sup>TH</sup> ANNUAL  
REPORT ON SMALL BUSINESS ISSUES  
AND SENTIMENT ACROSS ELEVEN  
ECONOMIES IN THE ASIA-PACIFIC**

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## OVERVIEW

*CPA Australia Asia-Pacific Small Business Survey* is the 11<sup>th</sup> in a series of annual surveys conducted by CPA Australia measuring:

- small business conditions in 2019
- small business confidence in 2020
- the drivers of small business growth
- technology uptake
- innovation
- access to finance.

Given the survey was conducted before the COVID-19 pandemic, this report largely excludes data from the questions measuring small business confidence in 2020.

The data presented in this report is compared across the 11 markets included in the survey and over time.

In total, 4193 small businesses completed the survey, including:

- 501 from Australia
- 772 from Mainland China<sup>^</sup>
- 303 from Hong Kong
- 506 from India
- 300 from Indonesia
- 300 from Malaysia
- 300 from New Zealand
- 305 from the Philippines
- 305 from Singapore
- 301 from Taiwan
- 300 from Vietnam.

<sup>^</sup> For this survey, the results for Mainland China exclude Hong Kong and Taiwan, which are shown separately.

The online survey was conducted with a random sample of small business owners/managers between 18 November 2019 to 12 December 2019. The sample was obtained through panel providers.

To qualify for the survey, participants were required to be an owner, a senior manager (defined as a Director, Principal, CEO, Managing Director, CFO or a Senior Manager) or a qualified accountant of a business with less than 20 employees.

Care was also taken to ensure that the survey sample for each market broadly represents the industry profile for that market.

# EXECUTIVE SUMMARY

CPA Australia's 11<sup>th</sup> annual Asia-Pacific Small Business Survey<sup>1</sup> found that overall, small business conditions were slightly weaker in 2019 than in 2018. At the time of the survey, the percentage of small businesses that expect to grow in 2020 was largely unchanged from 2019, however the coronavirus or COVID-19 is expected to put a large dent in small business confidence in 2020.

The survey found that businesses that are growing strongly or expect to grow strongly are much more likely to have the following features:

- a strong focus on technology and their investment in technology has made their business more profitable
- a focus on improving customer satisfaction rather than just relying on customer loyalty
- they are innovating through the expected introduction of new products, processes and services in 2020
- using social media to promote their business to potential customers and engage with existing customers
- selling online is important to their revenue
- a focus on improving business strategy
- exporting
- based in developing economies of Asia.

Other key highlights of the survey include:

- Small businesses from Vietnam, Indonesia and the Philippines were the most likely to report growing in 2019, while Australian and Hong Kong small businesses were again the least likely.
- Hong Kong recorded the largest fall in the number of small businesses that reported growing in 2019 from 2018, while Mainland China recorded the largest increase.
- The survey results show a strong link between the use of technology and strong business growth. Small businesses that grew strongly in 2019 were significantly more likely to have:
  - used social media to sell their products or services, to promote their business to potential customers and to communicate with existing customers
  - generated more than 10 per cent of their revenue through online sales
  - generated more than 10 per cent of their sales through new payment technologies
  - reviewed their cybersecurity protections in the past three months

Small businesses that grew strongly in 2019 were also far more likely to have reported their investment in technology in 2019 had already improved their profitability.

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<sup>1</sup> The survey was of 4193 businesses with less than 20 employees from Australia, Mainland China, Hong Kong, India, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Vietnam. For the purpose of this survey, the results for Hong Kong and Taiwan are shown separately from Mainland China. The survey was conducted online from 18 November to 12 December 2019.

- Younger respondents are more likely to:
  - have found their business and business revenue grew in 2019
  - use social media for business purposes
  - generate revenue from online sales
  - generate revenue from exports
  - state that they will innovate in 2020 through the introduction of a totally new product, service or process
  - have found that their investment in technology in 2019 increased their profitability
  - receive payments through new payment technologies
  - have invested in technologies other than computer equipment
  - be from developing Asian economies, especially Mainland China.
  
- Small businesses from Mainland China remain the leaders in the adoption of digital technologies, including selling online and receiving payment through new payment technologies, such as Alipay and WeChat Pay. In fact, it would be difficult to find a business from Mainland China that is not selling online and/or offering digital payment options.
- Small businesses from Australia and New Zealand remain laggards in the adoption of digital technologies with large numbers of Australian respondents not using social media in their business, not selling online and not receiving payment through new payment technologies despite the survey results showing that businesses using technology are more likely to be growing.
- Small businesses from Vietnam and Indonesia are the most likely to expect that they will be subject of a cyberattack in 2020. As a consequence, Vietnam's small businesses are by far the most likely to have reviewed their cybersecurity processes in the past three months.
- Small businesses from Mainland China and Indonesia are the most likely to state that they will innovate in 2020 through the introduction of a totally new product, process or service to their market or the world. Small businesses from Australia, New Zealand and Hong Kong are the least likely to state they will innovate.
- Small businesses from Mainland China and Indonesia were the largest creators of jobs in 2019.
- Businesses that grew in 2019 were much more likely to have found that improved customer satisfaction, improved business strategy and the introduction of a new product or service were positive influences on businesses than businesses that did not grow. Businesses that did not grow found that cost control and low rent were the most positive influences on their business in 2019.
- Respondents again identified increasing costs and increasing competition as the factors most likely to have had a detrimental impact on their business in 2019.
- As in previous years, small businesses from Australia and New Zealand were the least likely to have required external finance in 2019, despite Australian and New Zealand businesses reporting easier financing conditions than most other markets surveyed.

- Given robust growth and a focus on technology, it is not surprising that small businesses from Vietnam and Indonesia were the most likely to have accessed external finance in 2019. This is despite small businesses from Vietnam being the most likely to report 'difficult' financing conditions.
- Banks remained the main source of external finance for small businesses for all markets except Mainland China, where respondents were more likely to report that venture capital funding (or angel financing) and investors were their main source of finance.
- Business growth remains the main reason for accessing external finance in all markets. Given difficult business conditions that emerged in Hong Kong in 2019, it is not surprising that small businesses from that market were the most likely to have accessed external finance for business survival.
- It appears that the strong business growth in Vietnam is causing cashflow difficulties for some businesses, with businesses from that market being the most likely to have found it difficult to pay their debts in 2019 and the most likely to have borrowed to cover late payment from debtors. This in turn could be due to strong growth pushing up business costs, with Vietnam's small businesses being the most likely to report increasing costs as a barrier to growth.
- Businesses with more staff are more likely to have found their business grew in 2019. Likewise, businesses with more staff are much more likely to:
  - use social media for business purposes and use it in a variety of ways
  - generate revenue through online sales
  - sell overseas
  - expect to innovate in 2020
  - expect to be subject to a cyberattack
  - have found their investment in technology in 2019 has increased its profitability
  - received payment through new payment technologies
  - found the China-US trade war to have had a negative impact on their business.
- The banking, finance and insurance industries were the most likely to have grown in 2019. Public administration and safety; professional, scientific and technical firms; transport and warehousing; and rental, hiring and real estate services were the most likely to report not growing in 2019.
- Businesses that have been established for shorter periods were the most likely to report growing in 2019. Such businesses are also much more likely to use social media for business purposes, sell online and expect to innovate in 2020. They also were more likely to have found their investment in technology in 2019 had already been profitable.

# MAJOR FINDINGS

## MAJOR FINDING 1 – SMALL BUSINESS CONDITIONS 2019

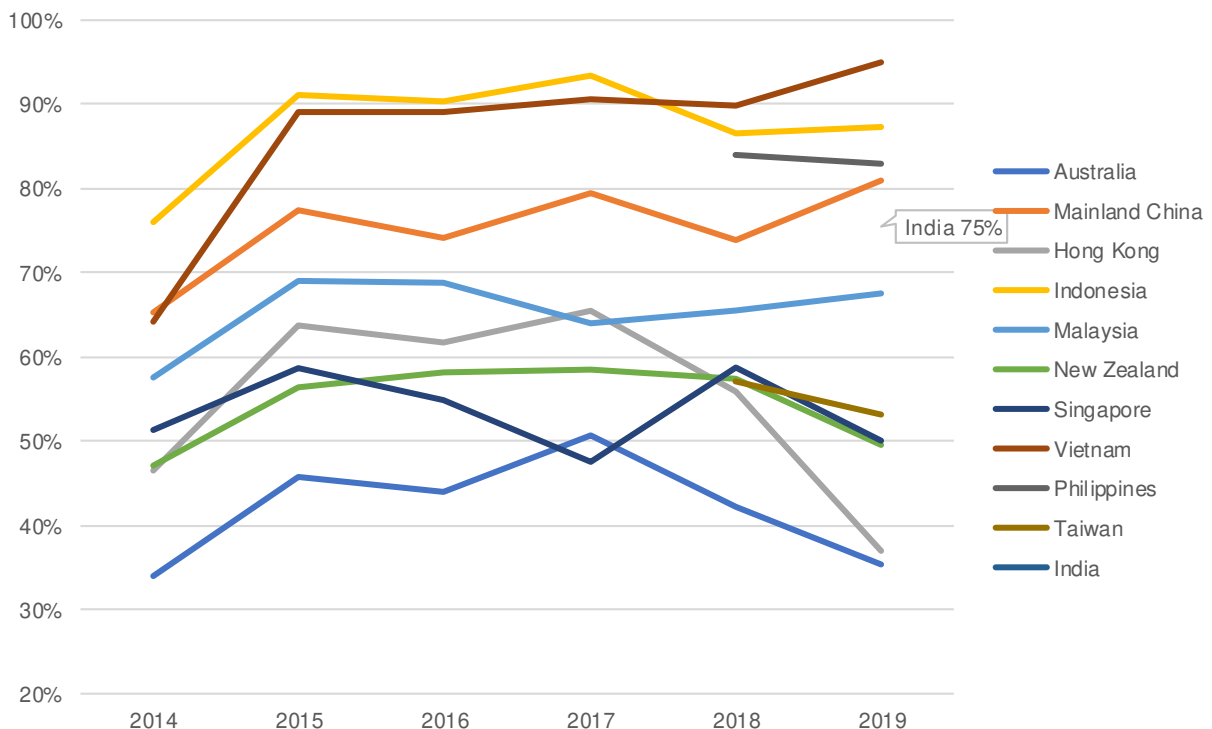
**The percentage of small businesses that reported they grew in 2019 was largely unchanged from 2018, with the notable exception of Hong Kong**

Small businesses from Vietnam, Indonesia, the Philippines and Mainland China were the most likely to report growing in 2019, while businesses from Australia and Hong Kong were the least likely.

The percentage of businesses that reported growing in 2019 compared with 2018 rose the most in Mainland China and Vietnam and fell the most in trade-exposed Hong Kong and Singapore.

These results are largely mirrored by the reported change in business revenues from 2018 to 2019. Small businesses from Vietnam, Indonesia and the Philippines were the most likely to report that their business revenues grew in 2019, while small businesses in Hong Kong were the most likely to state that revenues declined.

### ***Small businesses that reported growing in the previous 12 months – a comparison over time and by market***





## MAJOR FINDING 2 – DRIVERS OF SMALL BUSINESS GROWTH

### **There is a significant link between undertaking certain activities and strong business growth**

Small businesses that indicated they grew strongly in 2019 and expect to grow strongly in 2020 are significantly more likely to be selling online, innovating, exporting, improving business strategy and improving customer satisfaction.

Further, small businesses operating in developing economies, that have been established for less than 10 years, and where the respondent is aged under 40, are also significantly more likely to indicate that they grew strongly or expect to grow strongly in 2020.

Businesses that indicated they are growing strongly or expect to grow strongly are also more concerned about the possibility of cyberattacks and, therefore, are more likely to have reviewed their cybersecurity measures in the past six months.

Businesses that did not grow in 2019 are significantly more likely to state that a poor overall economic environment was a barrier to their growth than businesses that grew strongly.

### ***Businesses that grew strongly in 2019 are much more likely to have found the following:***

	Percentage that grew strongly in 2019	Percentage where the business was unchanged or shrank in 2019
Their investment in technology in 2019 was already profitable	70.9%	22.8%
Earned more than 10 per cent or more of their revenue from online sales	68.0%	33.6%
Received more than 10 per cent or more of their sales through new payment technologies such as Alipay, Apple Pay and WeChat Pay	68.5%	46.4%
Good staff was one of the most positive influences on their business	33.5%	20.4%
Improving business strategy was one of the most positive influences on their business	29.4%	11.4%
Introducing a new product or service was one of the most positive influences on their business	27.1%	11.6%
Improving customer satisfaction was one of the most positive influences on their business	37.7%	16.9%

Accessing external finance easy or very easy in the prior 12 months	<b>40.0%</b>	<b>26.1%</b>
Repaying debts was easy or very easy	<b>46.5%</b>	<b>26.2%</b>
Business used social media to sell products or services	<b>47.2%</b>	<b>24.5%</b>
Business used social media to learn about the behaviours of customers and potential customers	<b>42.1%</b>	<b>17.5%</b>
Business used social media to receive/ monitor customer feedback	<b>41.8%</b>	<b>17.4%</b>
Business last reviewed its cybersecurity protections in the past six months	<b>54.1%</b>	<b>33.3%</b>
Increased employee numbers in the prior 12 months	<b>69.8%</b>	<b>7.0%</b>

***Businesses that expect to grow strongly in 2020 are much more likely to expect the following:***

	<b>Expect to grow strongly in 2020</b>	<b>Expect to remain unchanged or shrink in 2020</b>
They will innovate through the introduction of a product, process or service totally new to their local market or the world in 2020	<b>53.8%</b>	<b>6.8%</b>
Expect revenue from overseas sales to grow strongly in 2020	<b>37.9%</b>	<b>5.4%</b>
Believe a cyberattack on their business is very likely or somewhat likely in 2020	<b>45.4%</b>	<b>27.6%</b>
Business will require external finance in 2020	<b>33.8%</b>	<b>9.7%</b>
If seeking finance, the business expects easy to very easy access to finance	<b>32.2%</b>	<b>20.9%</b>

***Demographics of businesses that grew strongly in 2019 or expect to grow strongly in 2020:***

	<b>Grew strongly in 2019</b>	<b>Unchanged or shrank in 2019</b>	<b>Expect to grow strongly in 2020</b>	<b>Expect to remain unchanged or shrink in 2020</b>
Business has 10 to 19 staff	<b>42.2%</b>	<b>21.7%</b>	<b>35.8%</b>	<b>26.9%</b>
Business has been established for 10 years or less	<b>73.9%</b>	<b>51.5%</b>	<b>78.8%</b>	<b>49.6%</b>
The respondent was aged under 40	<b>65.2%</b>	<b>37.7%</b>	<b>70.2%</b>	<b>38.6%</b>

## MAJOR FINDING 3 – DIFFERENCES BETWEEN ASIA, AUSTRALIA AND NEW ZEALAND

### Small businesses from Asia are much more likely to be undertaking activities associated with growth

Small businesses in Asia continue to be more likely than businesses in Australia and New Zealand to undertake activities the survey finds are closely associated with growth. This is highly likely to be contributing towards small businesses in Asia being more likely to be growing.

The investment that many small businesses in Asia are making in innovation, new payment technologies, social media and improving customer satisfaction should also support their long-term growth prospects.

Further, the stronger growth of small businesses in Asia is leading to them having much higher demand for external finance, despite access to finance being a lot more difficult in those locations (other than Mainland China). The relatively easier access to finance in Australia and New Zealand does not appear to influence the businesses' growth outlook.

A significant difference between small businesses in Asia, and Australia and New Zealand is their respective age profiles. Small businesses in Asia have typically been established for shorter periods of time and have a younger owner. The survey results show that these businesses are much more likely to be undertaking activities associated with growth such as leveraging technologies and innovation. A policy challenge for Australia and New Zealand is, therefore, how to attract younger people to start their own business or buy an existing business.

### *The major differences in the survey results between Australia, New Zealand and the average for Asia*

	Australia	New Zealand	Asia average
Business grew in 2019	35.3%	49.7%	71.8%
Increased business revenues in 2019	30.5%	45.7%	65.6%
	6.4%	7.3%	30.3%
Do NOT expect to sell into overseas markets in 2020	52.1%	47.7%	24.9%
Did NOT use social media for business purposes	45.1%	39.3%	13.2%
Business uses social media to sell products or services	17.2%	23.3%	44.0%

Business uses social media to communicate with existing customers	<b>22.6%</b>	<b>34.0%</b>	<b>48.6%</b>
Improving business strategy was one of the most positive influences on the business in 2019	<b>10.0%</b>	<b>17.0%</b>	<b>23.9%</b>
Improving customer satisfaction was one of the most positive influences on the business in 2019	<b>19.4%</b>	<b>24.7%</b>	<b>31.4%</b>
Received more than 10 per cent of their sales through new payment technologies such as Alipay, Apple Pay and WeChat Pay	<b>37.1%</b>	<b>42.1%</b>	<b>65.3%</b>
Earned more than 10 per cent or more of their revenue from online sales	<b>26.7%</b>	<b>26.0%</b>	<b>56.8%</b>
Found their investment in technology in 2019 was already profitable	<b>18.8%</b>	<b>23.0%</b>	<b>55.7%</b>
Required external finance in 2019 to fund business growth	<b>30.1%</b>	<b>31.4%</b>	<b>56.4%</b>

## MAJOR FINDING 4 – DIFFERENCES IN RESULTS BY AGE

### **Small businesses with younger respondents are much more likely to be growing**

Respondents aged under 40 are significantly more likely to state that their business is growing, creating jobs and focusing on key drivers of business growth including innovation, and leveraging technology.

Younger respondents were also more likely to have invested in technology in 2019 that has already improved their profitability. These respondents are more likely to have invested in artificial intelligence and mobile applications (apps) than older respondents, who were more likely to be investing in computer equipment.

Due to their typically stronger focus on increasing the use of technology, younger respondents are much more likely to expect a cyberattack in 2020 and are therefore more likely to have reviewed their cybersecurity in the past six months.

While younger respondents are seeking to grow their customer base through technology, innovation and improving customer satisfaction, older respondents are more likely to be relying on their existing customer base.

Given younger respondents are more likely to be with businesses that are growing, it is not surprising that they were much more likely to have required external finance in 2019. While there is little difference in ease or difficulty in accessing finance by age, younger respondents were less likely to state that a bank was their main source of external finance than their older counterparts.

Interestingly, older respondents are significantly less likely to be relying on cash sales than younger respondents. This may be due, in part, to a high percentage of younger respondents operating in developing economies where payment methods such as credit cards and electronic funds transfers appear less available.

Given these results, policy makers should consider how best to encourage and support younger people to start a business or to buy an existing business.

### ***Key differences in survey results between respondents aged under 40 and those aged 50 and over***

	Percentage of respondents under 40	Percentage of respondents 50 or over
Reported their business grew in 2019	76.5%	41.2%
Reported their business revenues grew in 2019	70.2%	39.3%

Increased employee numbers in 2019	<b>41.8%</b>	<b>13.1%</b>
Will introduce a new product, service or process unique to their market or the world in 2020	<b>32.8%</b>	<b>7.8%</b>
Expect revenue from overseas markets to grow strongly in 2020	<b>20.6%</b>	<b>6.9%</b>
Did NOT use social media for business purposes	<b>10.9%</b>	<b>40.7%</b>
Business used social media to sell products or services	<b>47.3%</b>	<b>22.5%</b>
Business used social media to communicate with existing customers	<b>50.9%</b>	<b>29.9%</b>
Business used social media to promote itself to potential customers	<b>51.8%</b>	<b>35.5%</b>
Improving business strategy was one of the most positive influences on their business in 2019	<b>24.8%</b>	<b>14.3%</b>
Improving customer satisfaction was one of the most positive influences on their business in 2019	<b>32.5%</b>	<b>24.8%</b>
More than 10 per cent of revenue comes from online sales	<b>59.4%</b>	<b>26.1%</b>
More than 10 per cent of sales received through digital online payment platforms, such as Alipay, Apple Pay and WeChat Pay	<b>58.8%</b>	<b>33.3%</b>
Consider it likely that their business will experience cyberattack(s) in 2020	<b>40.9%</b>	<b>22.6%</b>
Business last reviewed its cybersecurity protections in the past six months	<b>50.8%</b>	<b>34.6%</b>
Investment in technology in 2019 has already increased the business's profitability	<b>58.4%</b>	<b>24.9%</b>
The technology the business invested in most heavily in 2019 was computer equipment	<b>18.4%</b>	<b>34.5%</b>
Required external finance in 2019	<b>60.1%</b>	<b>28.3%</b>
Business growth was a main reason for requiring external finance in 2019	<b>57.6%</b>	<b>44.8%</b>
A bank was the main source of external finance in 2019	<b>33.8%</b>	<b>46.8%</b>
50 per cent or more of sales are received in cash	<b>51.1%</b>	<b>27.4%</b>
Has 10 to 19 staff	<b>42.1%</b>	<b>17.8%</b>

# SURVEY RESULTS

## WHAT DO HIGH GROWTH SMALL BUSINESSES DO DIFFERENTLY?

### Invested in technology

<p><b>70.9%</b></p> <p>of businesses that grew strongly reported that their investment in technology in 2019 was already profitable</p>	<p><b>22.8%</b></p> <p>of businesses that did not grow, or shrank, found their investment in technology in 2019 was profitable</p>
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<p><b>54.1%</b></p> <p>of businesses that grew strongly in 2019 reviewed their cybersecurity protections in the past six months</p>	<p><b>33.3%</b></p> <p>of businesses that did not grow, or shrank in 2019, reviewed their cybersecurity protections in the past six months</p>
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Businesses that reported growing strongly in 2019 are much more likely to have invested in technology and are significantly more likely to have found their investment was already profitable. This indicates that such businesses:

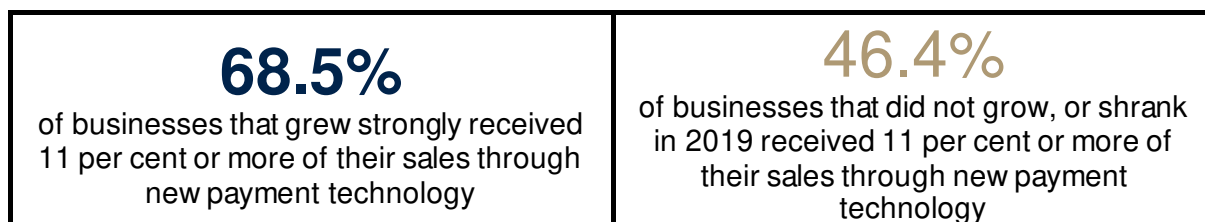
- may have better access to the skills, knowledge and experience required to invest in and use technology that generates a quick return on investment
- may have the extra resources required to invest in the right technology
- are less likely to have legacy systems
- are in a better position to take risks with technology.

Given the strong link between technology and business success, businesses should consider how best they can improve their understanding of technology so that they are better placed to make decisions on the types of technology their business needs and implement it. Further, they need to also consider increasing their investment cybersecurity to reduce the risk of a cyberattack on their critical systems.

### Selling online is an important part of their business

<p><b>69.0%</b></p> <p>of businesses that grew strongly in 2019 earned 11 per cent or more of their revenue from online sales</p>	<p><b>33.6%</b></p> <p>of businesses that did not grow, or shrank in 2019 earned 11 per cent or more of their revenue from online sales</p>
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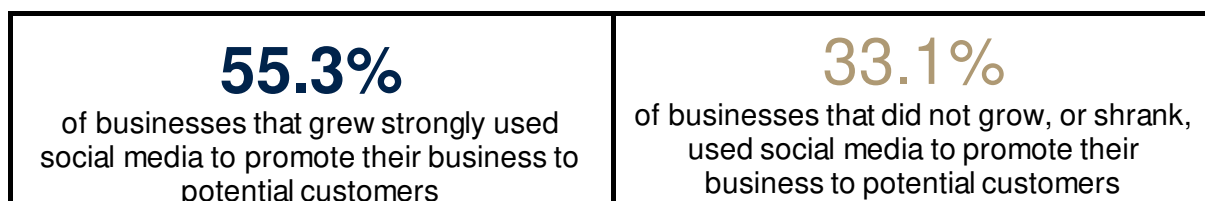
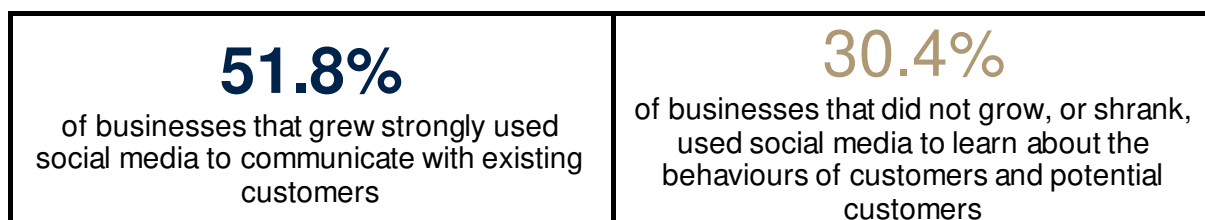
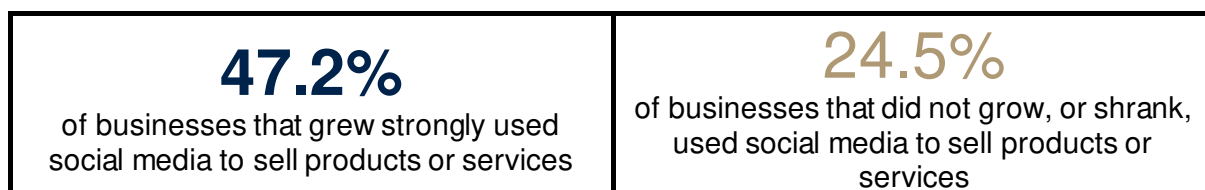




Businesses that reported growing strongly in 2019 and reported strong revenue growth were significantly more likely to have earned more than 10 per cent of their revenue from online sales.

Businesses seeking to grow, that are not selling online or earn very little from online sales, should consider investing more in developing various online channels for sales, including making it easier for customers to purchase online through new payment technologies such as PayPal, Alipay and Afterpay.

### Used social media for business purposes



As in previous years, there is a solid link between using social media for business purposes and strong business growth. Further, businesses that are growing strongly are significantly more likely to be using social media in a variety of ways, including selling, having two-way communication with existing and potential customers, and learning more about customer behaviours.

This indicates that there is value in small businesses increasing their social media presence, including using it as another channel to sell to customers and gathering customer data and feedback. Such data is important to form a better understanding of their customers and, if acted upon, improving customer satisfaction.

## Focused on improving customer satisfaction and business strategy

<p><b>37.7%</b></p> <p>of businesses that grew strongly in 2019 found that improving customer satisfaction had one of the most positive influences on their business</p>	<p><b>16.9%</b></p> <p>of businesses that did not grow, or shrank in 2019 found that improving customer satisfaction was one of the most positive influences on their business</p>
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<p><b>29.4%</b></p> <p>of businesses that grew strongly in 2019 found that improved business strategy had one of the most positive impacts on their business</p>	<p><b>11.4%</b></p> <p>of businesses that did not grow, or shrank in 2019, found that improved business strategy had one of the most positive impacts on their business</p>
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Businesses that reported growing strongly in 2019, and reported their revenues grew strongly, were much more likely to be focused on customers satisfaction and business strategy than businesses that did not grow.

While maintaining customer loyalty was also one of the most positive factors impacting businesses that grew strongly, it is not a distinguishing feature of growing businesses as businesses that did not grow also said they were focused on maintaining customer loyalty.

This indicates that spending time learning about customers and potential customers, as well as increasing the time spent on developing and implementing a business strategy, is important to business success. This may require small businesses to invest in technology that allows them to learn more about their customers and their behaviours, as well as seeking professional advice on the design and execution of business plans.

## Innovate through a new product or service

<p><b>53.8%</b></p> <p>of businesses that expect to grow strongly in 2020 will introduce a new product, service or process new to their market or the world</p>	<p><b>6.9%</b></p> <p>of businesses that do not expect to grow, or expect to shrink in 2020 will introduce a new product, service or process new to their market or the world</p>
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<p><b>27.1%</b></p> <p>of businesses that grew strongly in 2019 found that introducing a new product or service was one of the most positive influences on their business</p>	<p><b>11.6%</b></p> <p>of businesses that did not grow, or shrank in 2019, found that introducing a new product or service was one of the most positive influences on their business</p>
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The survey results show that there is a solid link between innovation through introducing a new product, process or service and business growth.

This indicates that spending more resources and time learning about customers, technological developments and industry trends and translating that through to new products and services is important to business success.

This result may also indicate that businesses that are growing strongly may have the extra resources required to invest in innovation and be in a better position to take risks that are associated with innovation. This culture of innovation is setting such businesses up for long-term success.

### Seeking to grow export

<p><b>37.9%</b></p> <p>of businesses that expect to grow strongly in 2020 expect strong growth in their overseas sales</p>	<p><b>5.4%</b></p> <p>of businesses that do not expect to grow, or shrink in 2020, expect strong growth in their overseas sales</p>
<p><b>25.1%</b></p> <p>of businesses that grew strongly in 2019 found that entering new markets was one of the most positive influences on their business</p>	<p><b>10.2%</b></p> <p>of businesses that did grow, or shrink in 2019, found that entering new markets was one of the most positive influences on their business</p>

As with previous results, businesses that expect their business and revenues to grow strongly in 2020 are significantly more likely to expect their overseas sales will grow strongly. Businesses that grew strongly in 2019 were also much more likely to report that entering new markets was one of the most positive influences on their business in that year.

This result may also indicate that businesses that are growing strongly may have the extra resources required to enter new markets and adapt their products or services to those markets and be in a better position to take risks associated with exporting. However, exposing a business to new competitive pressures and ideas from different markets, and diversifying income streams remains important for long-term business success.

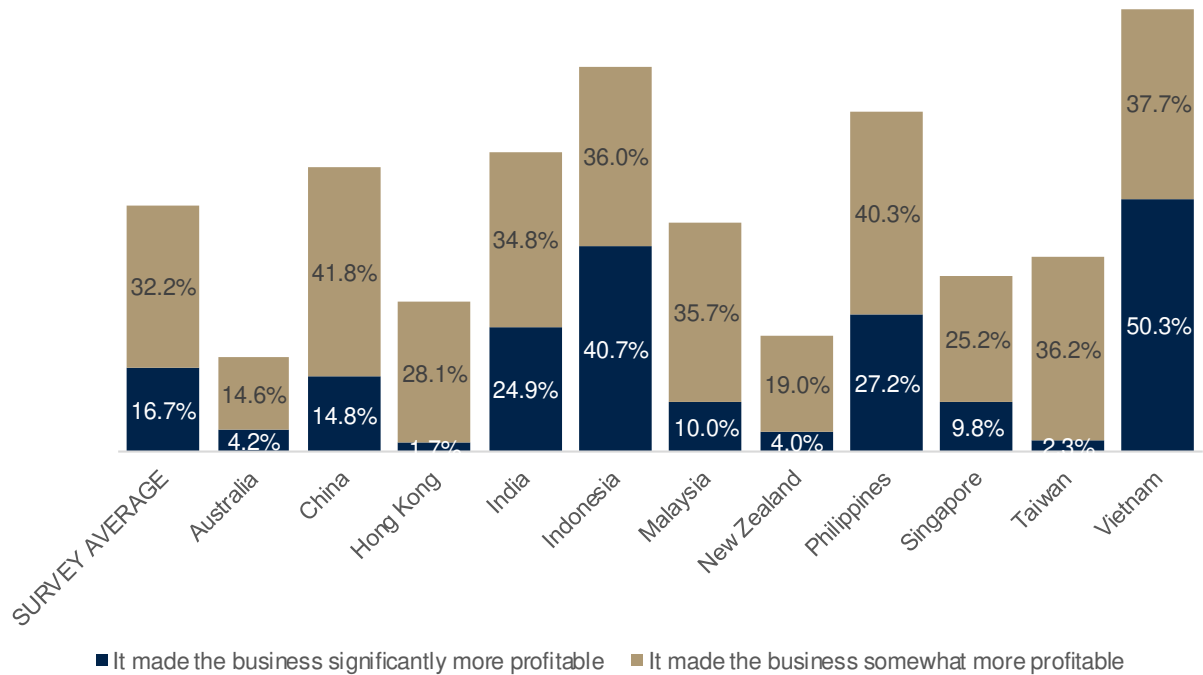
## SEVEN LESSONS FROM HIGH GROWTH SMALL BUSINESSES

- 1** Develop your capability to identify and implement the best technologies for your business
- 2** Invest in learning more about your customers and potential customers
- 3** Dedicate more time learning about industry trends and how emerging technologies could be applied to your business
- 4** Visit at least one new market a year to test whether there is demand for your products or services
- 5** Invest in increasing your social media presence and finding new way to use social media
- 6** Increase your presence on various online sales channels and use new payment technologies to make it easier for customers to pay online
- 7** Increase your focus on developing and implenting your business strategy

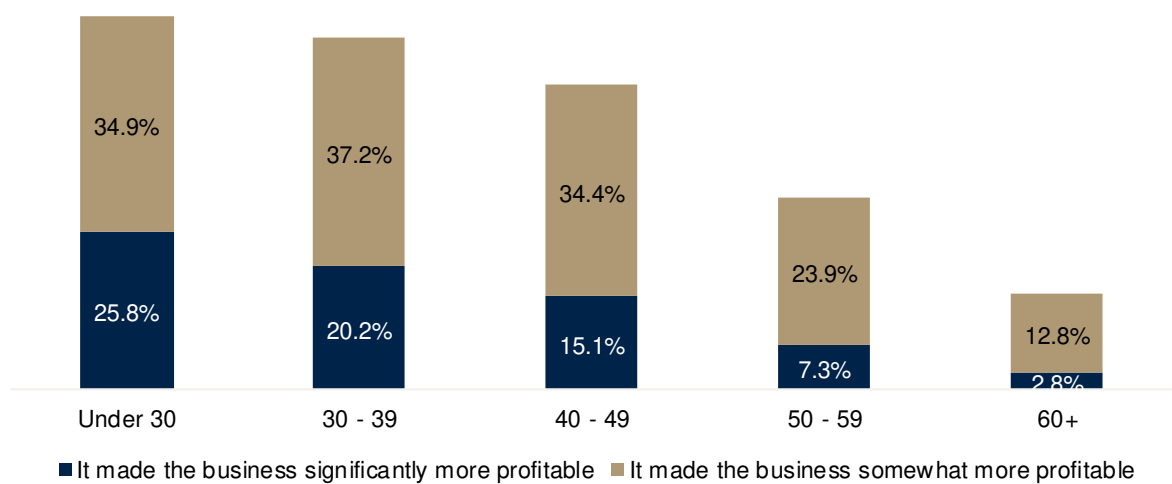
## SMALL BUSINESS AND TECHNOLOGY

### The impact of technology on small business profitability

#### *Investment in technology in 2019 made the business more profitable (by market)*



#### *Investment in technology in 2019 made the business more profitable (by age of respondent)*



### Key findings

Nearly half of small businesses found that their investment in technology in 2019 had already led to an increase in their profitability (48.9 per cent), largely unchanged from 2018 (48.0 per cent).

Small businesses from developing economies were again much more likely to have experienced a boost in profits from their recent investment in technology. For example, 88.0 per cent of the respondents from Vietnam reported their investment in technology in 2019 had already improved their profitability, compared with only 18.8 per cent of Australian small businesses.

Age is also a factor in the short-term profitability of technology investment by small business, with respondents aged under 40 being far more likely to state their investment in technology in 2019 was already profitable (58.4 per cent) than respondents over 50 (24.9 per cent). Similarly, older respondents were more likely than younger respondents to state that their business did not invest in any technology in 2019 (34.8 per cent of respondents aged over 50 stated their business did not invest in any technology in 2019 compared with 15.6 per cent of respondents under 40).

Another factor influencing this result is the number of employees, with businesses with five or more employees being significantly more likely to report that their investment in technology in 2019 was already profitable (58.9 per cent) than businesses with no staff (27.3 per cent).

The technology that was most likely to have significantly increased a business's profitability in 2019 was artificial intelligence and machine learning.

### Other findings

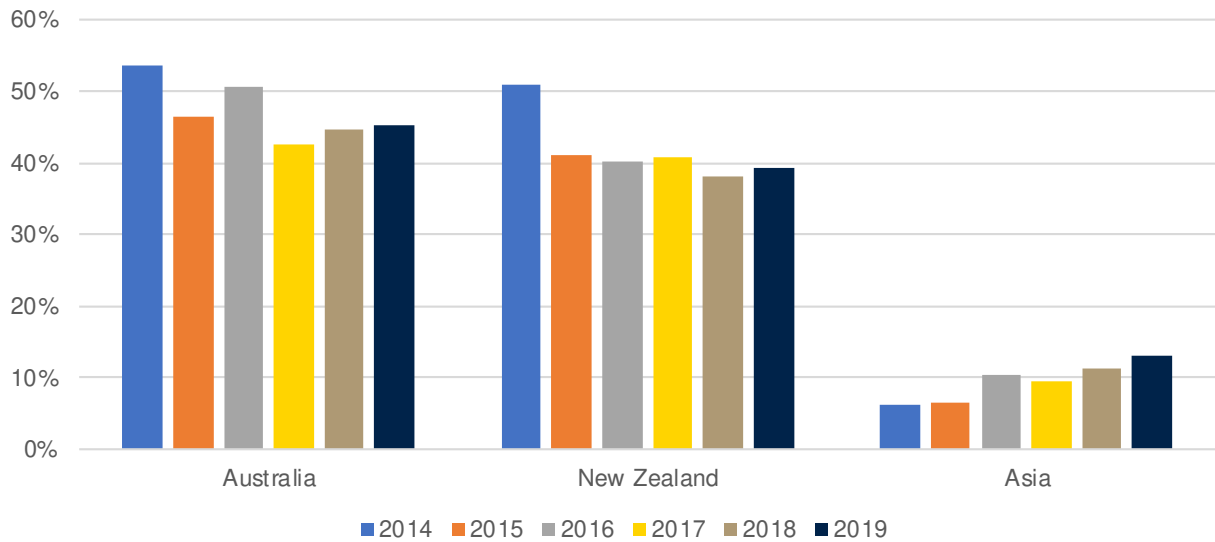
- Businesses that grew strongly in 2019 were significantly more likely to find that their investment in technology in 2019 was already profitable (70.8 per cent) than those that did not grow or shrank (22.8 per cent).
- Businesses that did not grow or shrank in 2019 were much more likely to have made no investment in technology (31.5 per cent) than those that grew strongly (14.3 per cent).

### Suggestions:

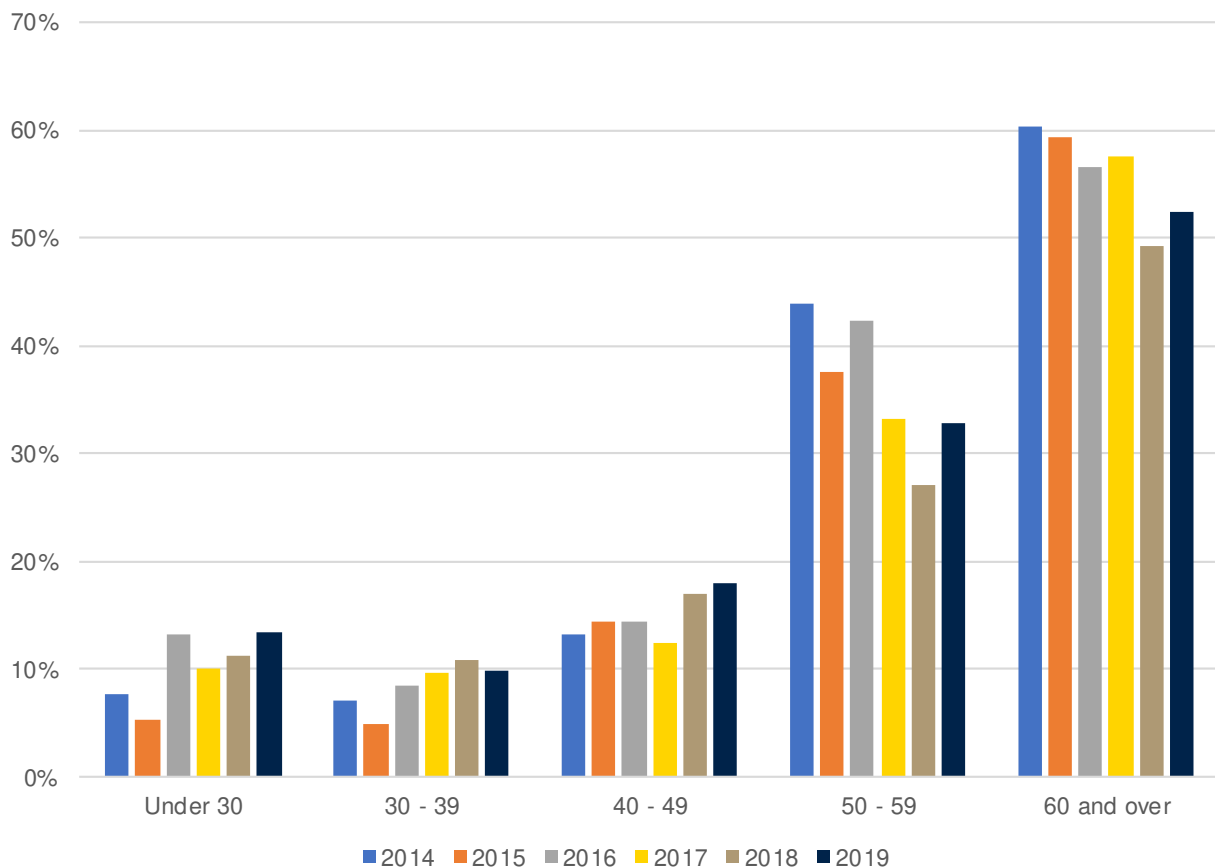
- Businesses should invest in developing their digital capability so they are more likely to invest in technology that improves their profitability sooner.
- Businesses with few employees could work with professional advisers to improve their understanding of technologies that can improve their profitability.
- Governments, with the support of professional advisers, should be assisting small businesses improve their understanding of technology.

## Social media

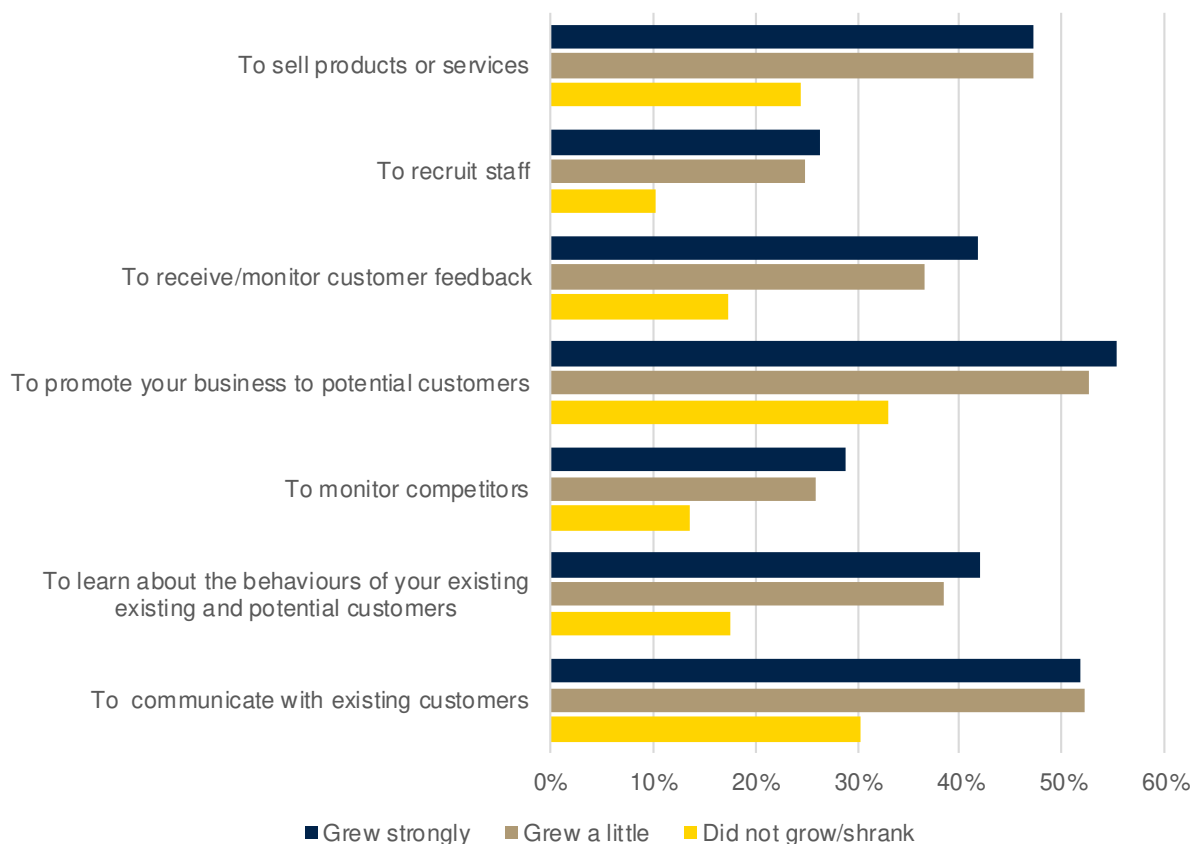
### *NOT using social media for business purposes (by market and over time)*



### *NOT using social media for business purposes (by age of respondent and over time)*



**What small businesses use social media for (comparison of those growing strongly with those that grew a little, and did not grow or shrank)**



**Key findings**

The survey results again demonstrate that small businesses that use social media are significantly more likely to be growing than businesses that are not. Further, small businesses in Asia remain far more likely to be using social media than businesses in Australia and New Zealand.

In addition, businesses that are growing are using social media in different ways. For example, most are using social media to engage with their existing customers and seek out new customers. Further, social media is a popular platform from which to sell products and services amongst growing small businesses.

The data shows that age of the respondent plays a big factor in whether a business uses social media, with respondent 50 or over being significantly less likely to use social media for business purposes. With a high percentage of respondents from Australia and New Zealand being 50 or over relative to Asia, this helps to explain the difference in social media uptake in those markets.

We note that the gap between older respondents using social media for business purposes and younger respondents has reduced somewhat over the past six years, however the gap remains large.



### Other findings

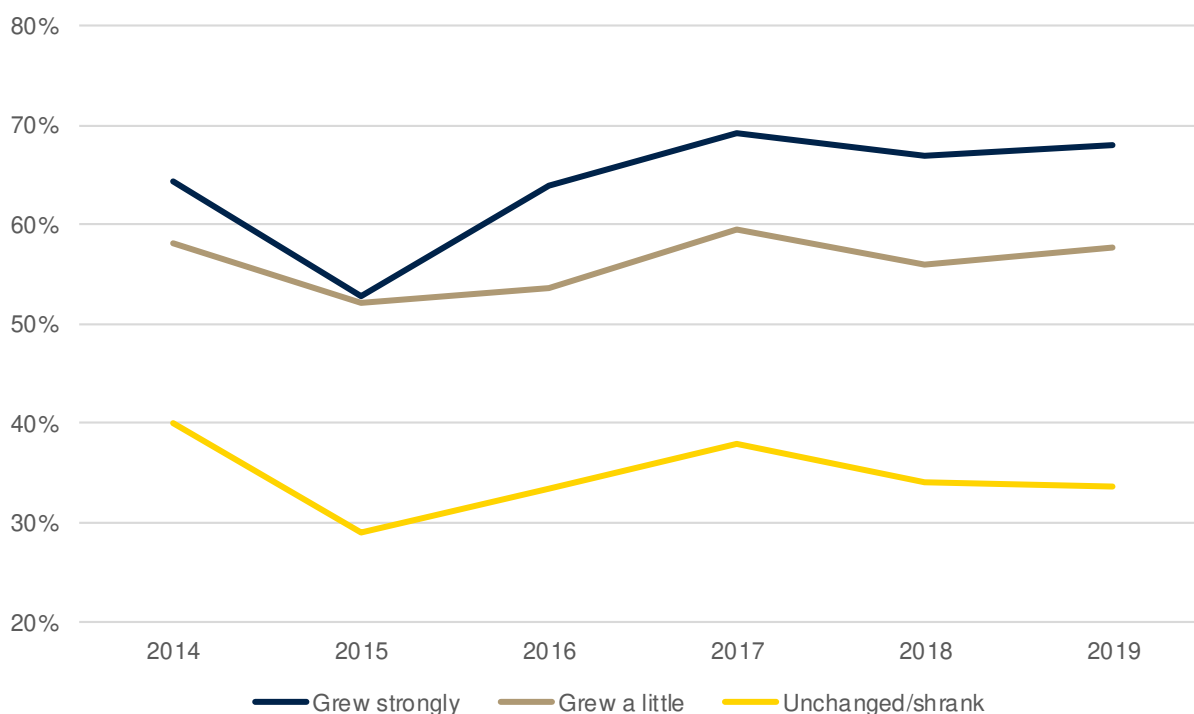
- Businesses with less than five staff are much more likely NOT to be using social media for business purposes.
- Using social media to recruit staff is popular with businesses with 10 to 19 staff.
- Businesses that have been established for over 20 years are significantly more likely NOT to use social media than younger businesses.

### Suggestions:

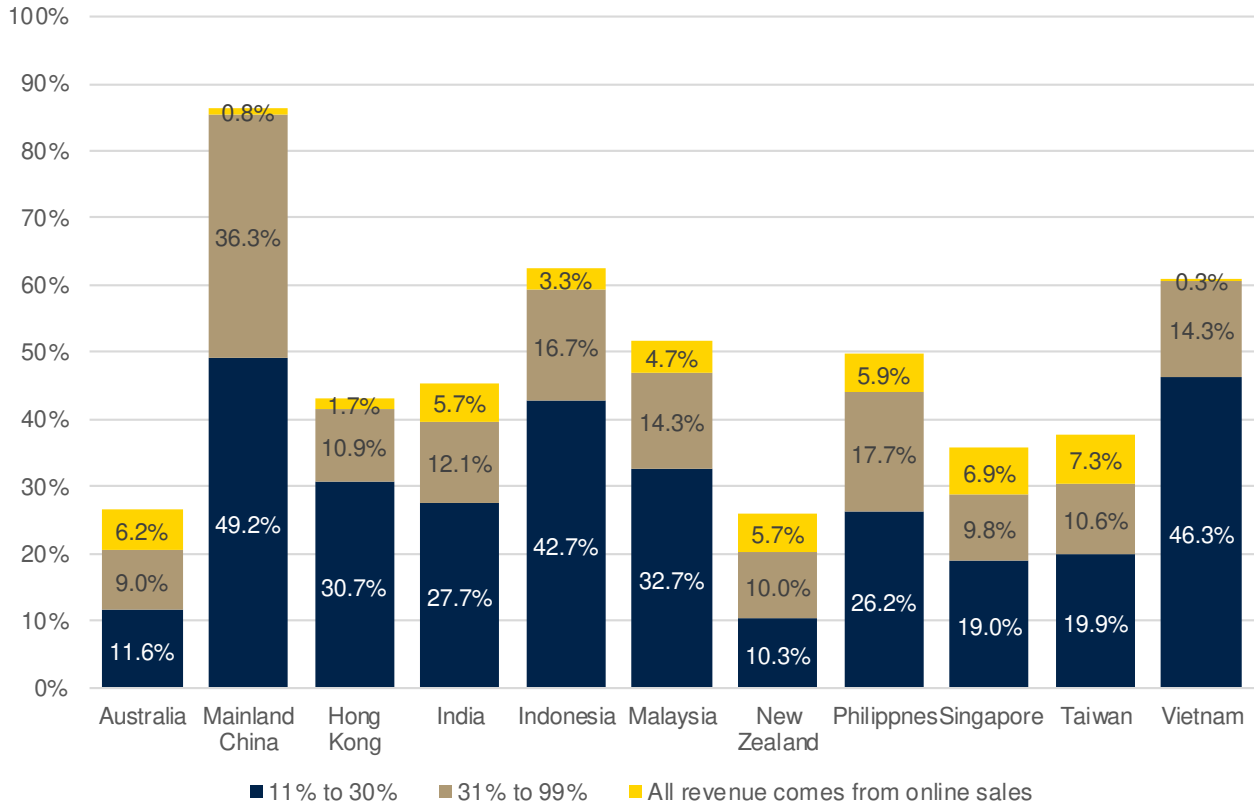
- Businesses not using social media for business purposes should invest in developing their capability to do so.
- Those businesses using social media only to promote their business should look to expand how they use social media, especially in the areas of learning more about customer behaviour, selling via social media and to receive feedback. This may require seeking expert advice.
- Governments, with the support of professional advisers, should educate small businesses about the value of using social media for business purposes and the various ways social media can be used.

## Selling online

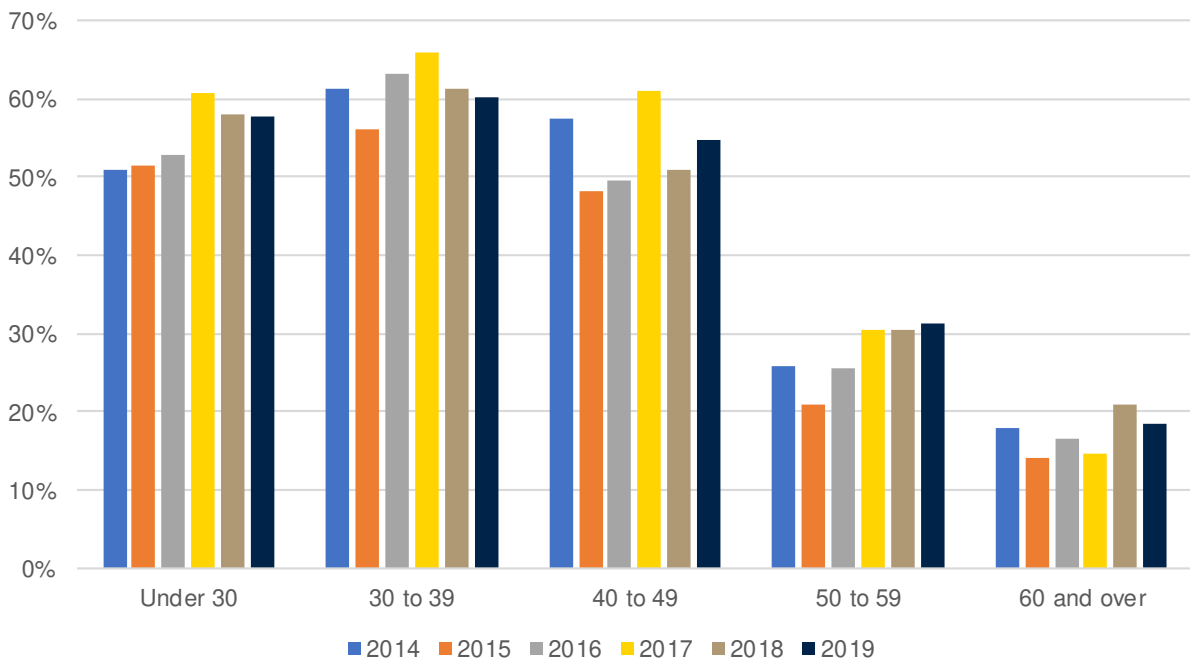
### *Percentage of businesses earning more than 10 per cent of revenue online – by whether they grew or not and over time*



**Percentage of business earning more than 10 per cent of revenue online – by market in 2019**



**Percentage of business earning more than 10 per cent of revenue online – by age and over time**



## Key findings

The survey data again shows that having online sales as a key part of a business (earning 10 per cent or more of revenue from online sales) is important to most businesses that are growing. Further, it is an essential element of businesses from Mainland China, whereas in Australia and New Zealand online sales remains significantly less likely to be undertaken by a small business.

As with social media usage, the age of the respondent appears to be an important factor influencing whether online sales is important to a business, with respondents aged 50 or over remaining significantly less likely to be generating more than 10 per cent of their revenue through online sales than younger respondents. With a high percentage of respondents from Australia and New Zealand being 50 or over relative to Asia, this helps to explain the difference in the uptake of online sales.

With the survey results showing a strong link between growth and online sales, more Australian and New Zealand businesses should be investing time in determining whether this approach is right for their business. Selling online should also be considered one way to enter new markets without having to commit significant resources to having a physical presence. It can also help reduce costs by lessening the need for business to be in high rent locations.

## Other findings

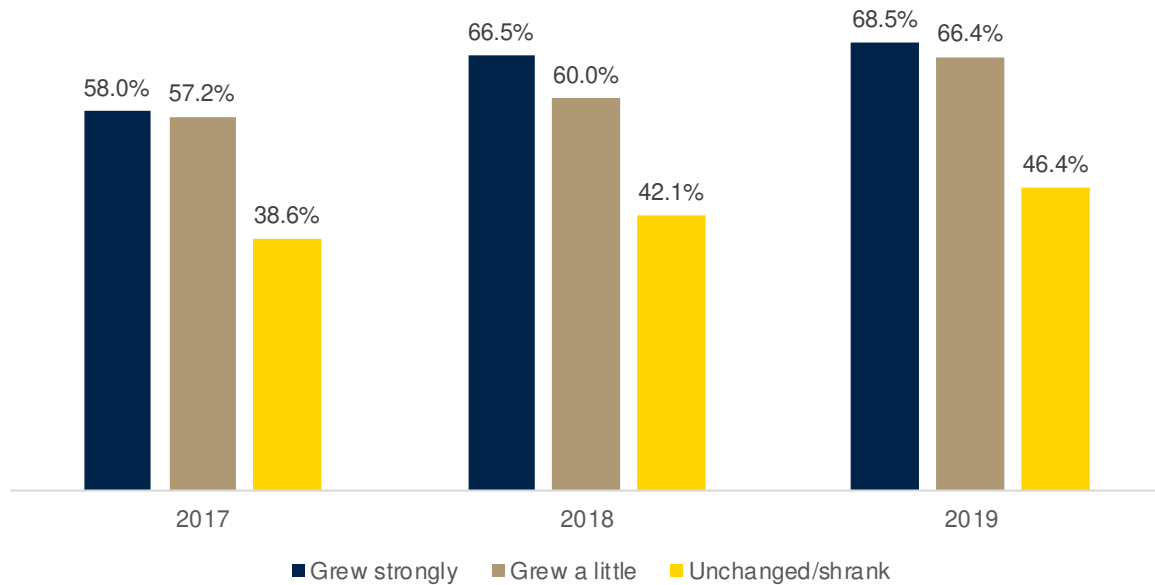
- The more staff a small business has, the more likely they are to be generating more than 10 per cent of sales online.
- Businesses generating more than 10 per cent of their revenue from online sales are much more likely to have increased employee numbers in 2019 than cut numbers.
- Businesses generating more than 10 per cent of the revenue from online sales are more likely to have reviewed their cybersecurity in the past six months

## Suggestions:

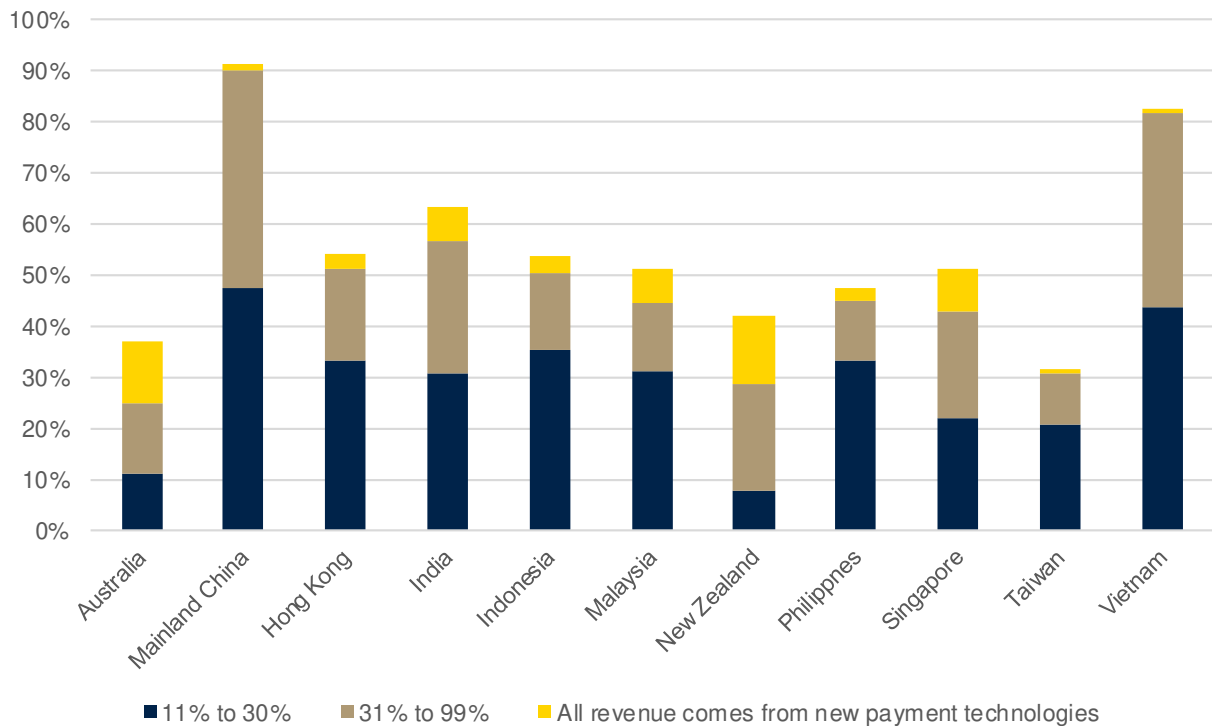
- Businesses not selling online should invest in developing their capability so that they can begin to do so, if appropriate.
- Businesses looking to expand into Mainland China must consider developing an online sales platform as part of their strategy to enter that market.
- Governments, with the support of professional advisers, should educate small businesses about the value of selling online and how best to do it.

## New payment technologies

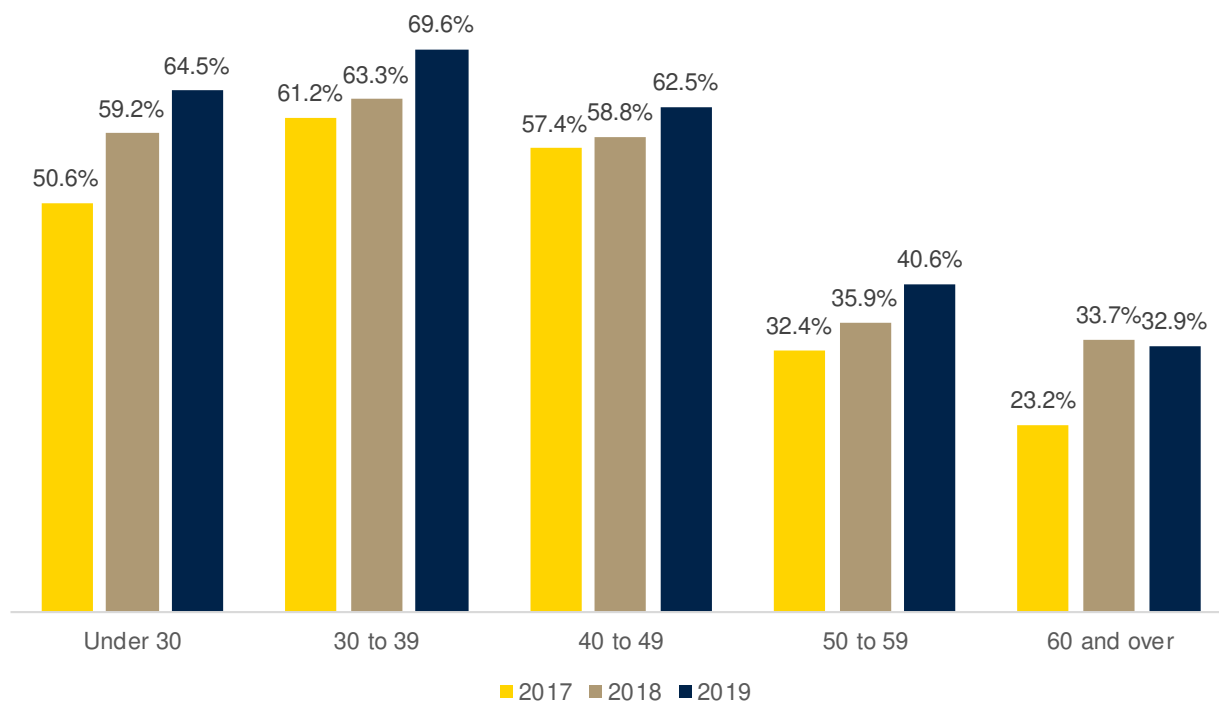
**Percentage of businesses receiving more than 10 per cent of their sales through new payment technologies such as Alipay, Apple Pay, WeChat Pay etc – by whether they grew or not, and over time**



**Percentage of businesses receiving more than 10 per cent of their sales through digital payment options, such as Alipay, Apple Pay, WeChat Pay etc - by market**



**Percentage of businesses receiving more than 10 per cent of their sales through digital payment options, such as Alipay, Apple Pay, WeChat Pay etc - by age**



**Key findings**

The popularity of new digital payment options such as Alipay and Apple Pay remains very high in Mainland China, with Vietnam fast catching up – in fact it would be difficult to find a small business in Mainland China or Vietnam that does not offer digital payment options to their clients.

Businesses that are making more than 10 per cent of their sales through new digital payment technologies remain much more likely to be growing. This may help explain why the popularity of new digital payment technologies increased slightly in 2019 from 2018.

As with social media and selling online, the age of the respondent is important to whether a business generates more than 10 per cent of its sales through new payment technologies. Respondents aged 50 or over remain significantly less likely to be generating more than 10 per cent of their revenue through these technologies than younger respondents. With a high percentage of respondents from Australia and New Zealand being 50 or over relative to Asia, this helps to explain the difference in uptake of such technologies in those markets.

Australian and New Zealand small business are the least likely to rely on cash sales (51.0 per cent of New Zealand businesses small businesses received no cash payments and 39.5 per cent of Australian small businesses). Businesses in Australia and New Zealand would appear to have a stronger reliance on credit cards, debit cards and electronic funds transfers.

While small businesses in developing markets in Asia are big users of technology, cash sales remain fundamental to their business (except for Mainland China and Vietnam). For example:

- Philippines – 80.3 per cent of businesses received 50 per cent or more of their sales in cash (down from 80.9 per cent in 2018).

- Malaysia – 62.0 per cent received 50 per cent or more of their sales in cash (down from 68.1 per cent in 2018).
- Indonesia – 69.0 per cent received 50 per cent or more of their sales in cash (up from 63.1 per cent in 2018).
- Taiwan – 62.5 per cent received 50 per cent or more of their sales in cash (up from 61.3 per cent in 2018).

#### Other findings

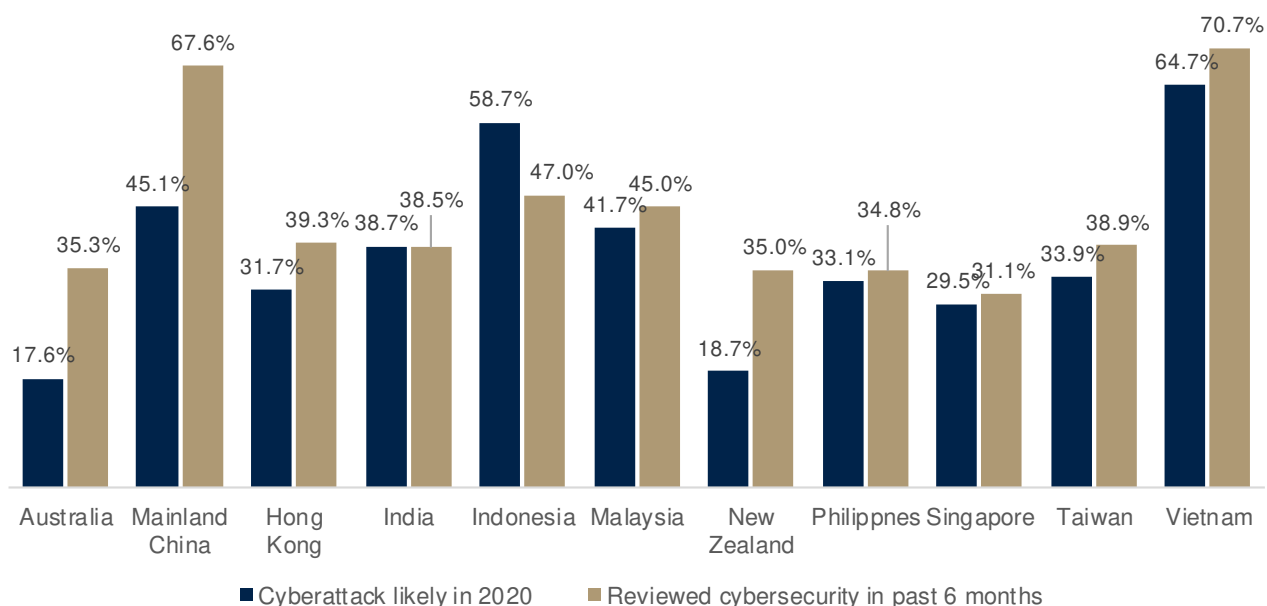
- Businesses with ten or more staff were more likely to be generating more than 10 per cent of their sales through new payment technologies.
- Where the respondent was the business owner, they were the least likely of the roles surveyed to be generating more than 10 per cent of their sales through new payment technologies
- Over two-thirds of retail businesses (68.4 per cent) generated more than 10 per cent of their sales through new payment technologies, while 47.1 per cent of businesses in that sector received 50 per cent or more of their sales in cash.

#### Suggestions:

- Businesses should consider new payment technologies, particularly online/ digital/ payment methods.
- Governments have a role to play in explaining new payment technologies and their advantages.
- Governments should be encouraging the development and deployment of new fintech products that make payments as seamless as possible.

## Cybersecurity

**Comparison of those who believe a cyberattack is likely in 2020 against those that have reviewed their cybersecurity in past six months (by market)**



## Key findings

The perceived threat of a cyberattack on the small businesses of the Asia-Pacific declined slightly in this survey from the previous survey, with 37.5 per cent of businesses saying that a cyberattack on their business is very likely or somewhat likely in 2020, compared with 39.4 per cent in 2019 and 45.6 per cent in 2018. A possible reason for this is that there has not been a major global cybersecurity scare in recent times.

Small businesses in Australia and New Zealand remain the least likely to expect a cyberattack, while small businesses from Vietnam and Indonesia are again the most likely to expect a cyberattack. The higher uptake of technology by small business in those markets compared to Australia and New Zealand helps to explain that difference.

It is pleasing that in nearly all markets, more businesses reviewed their cybersecurity in the past six months than believe their business is likely to be cyberattacked in 2020. Despite nearly six in ten Indonesian small businesses expecting that they will be cyberattacked in 2020, only 47.0 per cent have checked their cybersecurity in the past six months. This result is similar to the last survey and suggests that Indonesia's small business sector is probably more vulnerable to a cyberattack than other markets of the region.

### Other findings:

- Businesses with 10 to 19 staff are significantly more likely to have reviewed their cybersecurity in the past six months (60.9 per cent) than those with less than five staff (33.4 per cent).
- Businesses where the respondent is aged under 40 are more likely to have reviewed their cybersecurity in the past six months (50.8 per cent) than those where the respondent is aged 50 or over (34.6 per cent).
- Businesses that state they will innovate in 2020 are significantly more likely to believe that they are likely to be cyberattacked in 2020 (58.2 per cent) than those that state they will not innovate (14.5 per cent).
- Businesses from the banking, finance or insurance industry are the most likely to expect they will be cyberattacked in 2020 (54.3 per cent), while retail trade businesses are the least likely to expect to be cyberattacked (26.4 per cent).

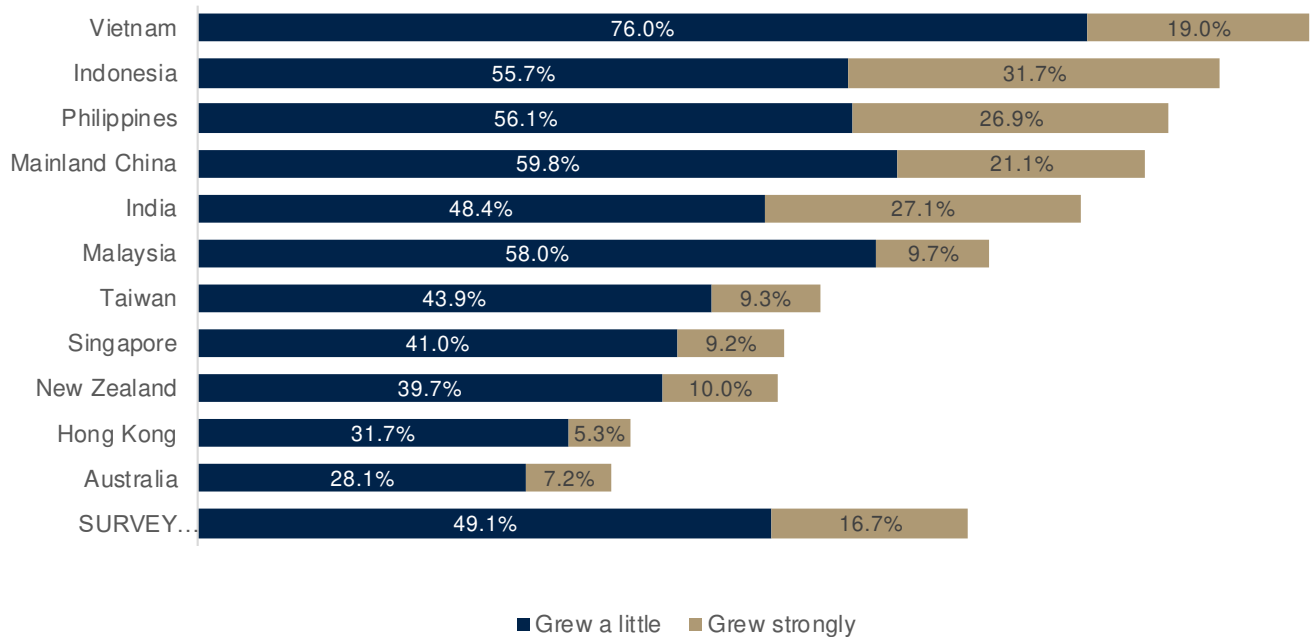
### Suggestions:

- Businesses of all sizes – and using varying levels of technology – are potentially vulnerable to cyberattack. They should take appropriate action to reduce risk.
- Businesses should consider seeking professional advice on what action they should take to reduce their cyber risk.
- Businesses should consider the tips on improving cybersecurity provided by government agencies, such as the Australian Cyber Security Centre at [cyber.gov.au](https://www.cyber.gov.au).
- Governments seeking to encourage innovation should provide targeted cybersecurity resources to businesses to help them better manage their (perceived) increased risk of cyberattack.

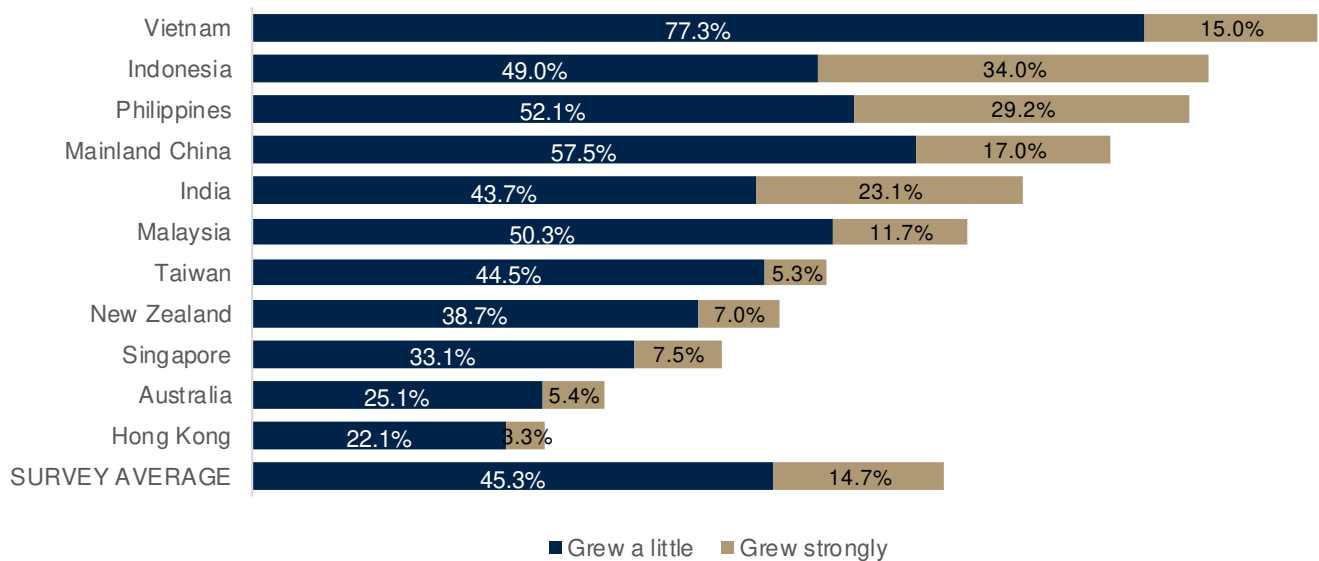
## SMALL BUSINESS CONDITIONS IN 2019

### Businesses that reported growing

#### *Businesses that grew in 2019 – by market*

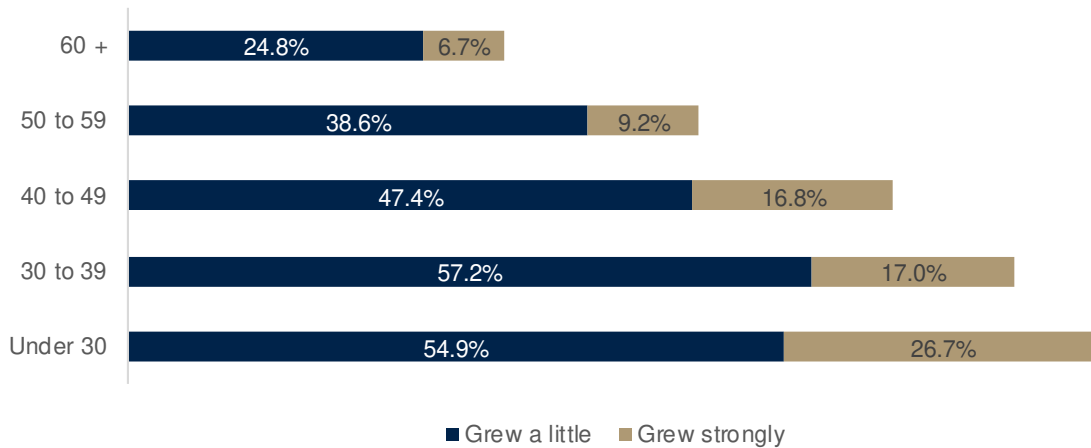


#### *Businesses with revenue growth in 2019 – by market*

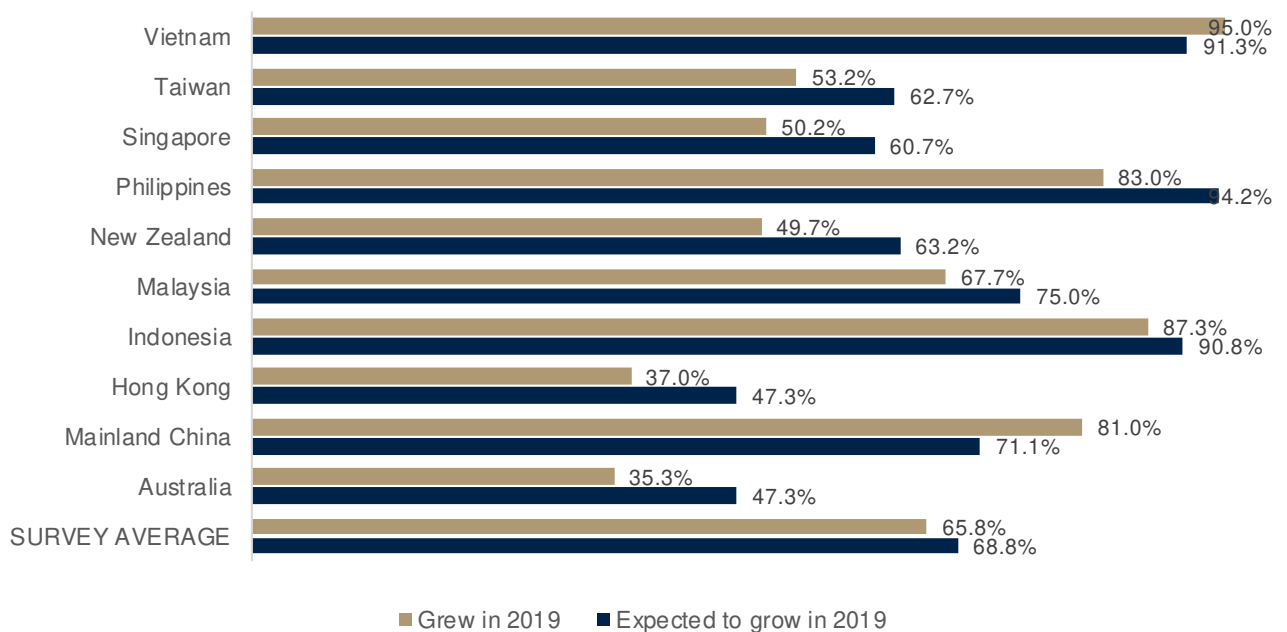




**Businesses that grew in 2019 – by age of respondent**



**Businesses that grew in 2019 compared to expectations for 2019 – by market<sup>^</sup>**



<sup>^</sup> The graph excludes India as this market was not included in the previous survey.

**Key findings**

The survey results show that small business conditions across the region were largely unchanged in 2019 from 2018, with 65.8 per cent of small businesses reported growing in 2019, compared with 66.3 per cent in 2018. In fact, the percentage of businesses that reported growing in 2019 is largely unchanged from 2017 (68.5 per cent) and 2016 (66.7 per cent). Given the economic environment in 2019 was characterised by uncertainties created by the trade war between US and other countries, including China, and slowing economic growth in many major economies, including the US, the 2019 result should be viewed positively.

Most markets experienced a decline in the number of businesses that reported growing, with Hong Kong experiencing the largest decline. However, Mainland China experienced the largest increase and Mainland China was one of only two markets where the percentage of businesses that reported growing in 2019 was higher than the percentage that expected to grow in 2019. With Mainland China's growth rate slowing and with the impacts of the trade war, this result reflects positively on the resilience and agility of China's small businesses. It also shows that the impact of the trade war was not as acute on small businesses from Mainland China as they may have expected in late 2018.

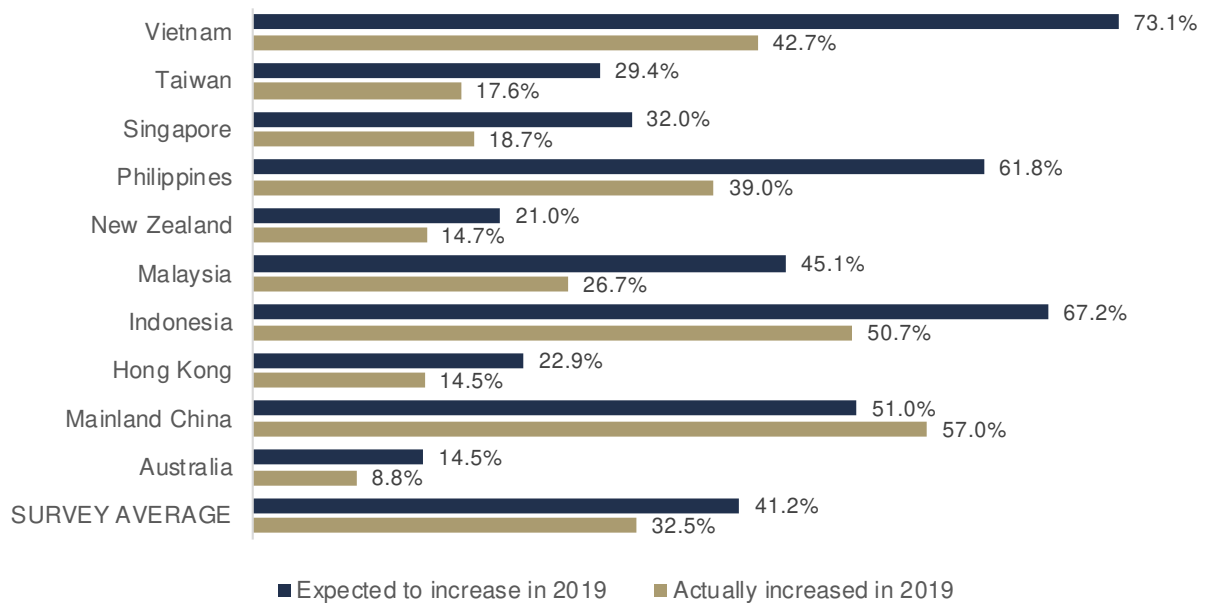
As in previous years, respondents aged under 40 were significantly more likely to report that their business grew, especially in comparison to respondents aged 50 and over. A similar result can be found for businesses that have been established for 10 years or less, especially in comparison to businesses that have been established for over 20 years. For governments, this data shows the value to the economy of encouraging and making it as easy as possible for young people to establish and run a business.

#### Other findings:

- Small businesses with 10 to 19 staff (78.8 per cent) and 5 to 9 staff (70.5 per cent) were significantly more likely to state that they grew than businesses with no staff (44.0 per cent).
- Respondents who stated they were the CEO of the business were more likely to state their business grew in 2019 (80.2 per cent) than CFOs (67.4 per cent) and the business owner (62.6 per cent).
- Of the industries with enough responses, businesses in the 'banking, finance or insurance' sector were the most likely to state that they grew in 2019 (81.5 per cent), while businesses from the 'professional, scientific and technical' sector were the least likely to report growing (58.8 per cent).
- Businesses that reported NOT earning any income from online sales were much less likely to report that their business grew in 2019 (43.6 per cent) than businesses earning more than 10 per cent of their revenue online (77.7 per cent).

## Small business as a creator of jobs in 2019

### *Actual increase in employee numbers in 2019 compared with expected increase – by market<sup>^</sup>*



<sup>^</sup> The graph excludes India as that market was not included in the previous survey.

### Key findings

There is a slight increase in the percentage of businesses that added staff in 2019, with 32.5 per cent of small businesses across the region adding to their number of employees, up from 30.3 per cent in 2018, but down from 34.3 per cent in 2017.

Small businesses from Mainland China were the most likely to have added to their staff numbers in 2019, followed by Indonesia and Vietnam. With Mainland China being the only market where the number of businesses that added staff in 2019 was more than expected, this possibly reflects that small businesses in Mainland China had a better than expected year.

For several markets, the percentage of businesses that added staff in 2019 was well below expectations, especially Vietnam, Philippines and Indonesia.

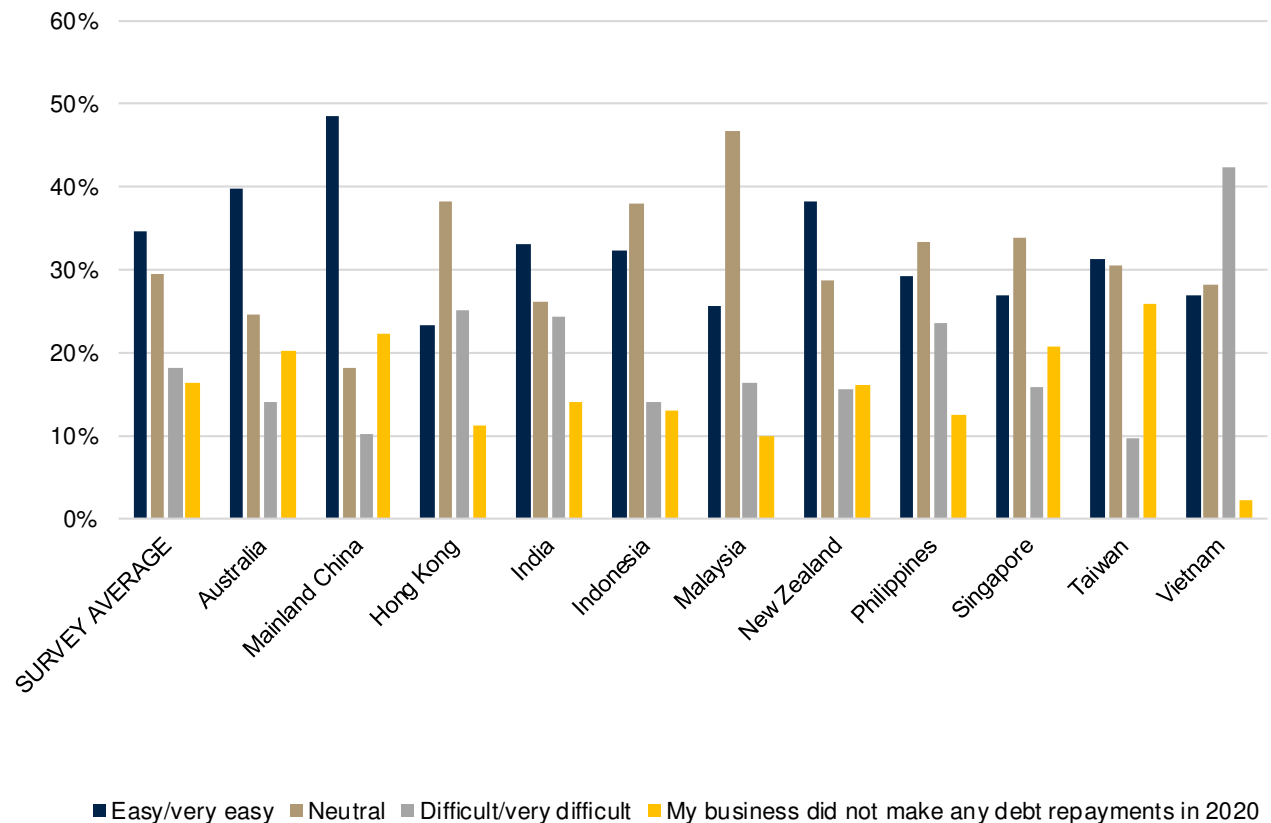
### Other findings:

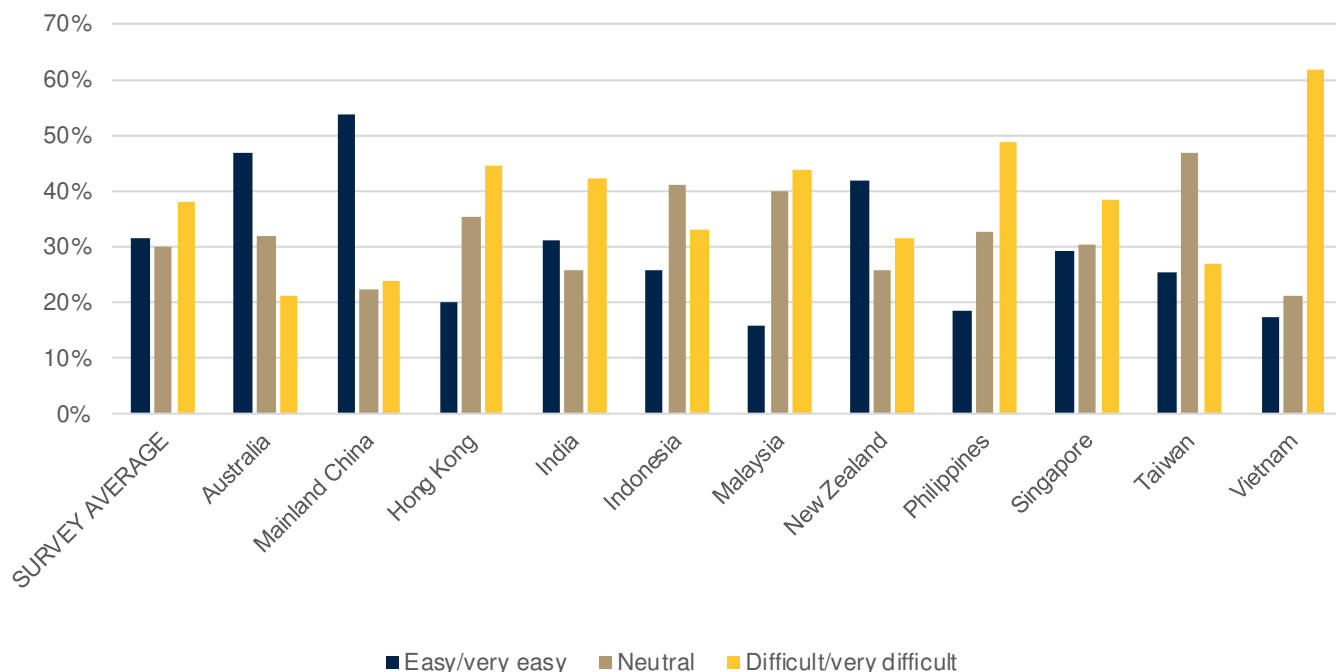
- It is no surprise that businesses that reported growing strongly in 2019 were significantly more likely than other businesses to add staff (69.8 per cent of those that grew strongly, compared with 7.7 per cent of businesses that were unchanged or shrank).
- As was the case in previous years, businesses with respondents aged under 40 were significantly more likely to have increased staff numbers in 2019 (41.8 per cent) than respondents aged 50 or over (13.1 per cent).
- Of businesses that have been established 10 years or less, 36.8 per cent added to their staff numbers, compared with 15.4 per cent of businesses established 21 years or more.

- Of the industries with enough responses, manufacturing businesses (39.9 per cent) and property and construction businesses (38.8 per cent) were the most likely to report adding staff in 2019, however the result was not significantly higher than other industries.
- Businesses that did NOT use social media in their business were less likely to have added staff in 2019 (15.9 per cent than the survey average 32.5 per cent).
- Businesses that nominated customer loyalty and cost control as having a major positive influence on their business were much less likely to have added staff in 2019 (28.6 per cent and 30.7 per cent respectively) than businesses that nominated ‘good quality capital equipment’ (51.7 per cent), ‘easy access to finance’ (50.9 per cent) and ‘improved business management’ (45.3 per cent).
- Those who said that easy access to finance had a major positive impact on their business were the most likely to have added staff in 2019 (50.8 per cent).
- Businesses that reported paying their debts was ‘very easy’ or ‘easy’ in 2019 were more likely to have added staff in 2019 than businesses that reported difficulty paying debts (40.2 per cent of businesses that reported it was easy or very easy for them to pay their debts added staff in 2019, compared with 28.0 per cent of businesses that reported it was difficult or very difficult for them to pay their debts).

### Ease or difficulty of paying debts and access to finance in 2019

#### Business experience in paying debts in 2019 – by market



**Business experience in accessing finance in 2019 – by market****Key findings**

Strong business growth did not necessarily lead to businesses reporting that repaying their debts in 2019 was easy, nor was access to finance easy. In fact, Vietnam which ranks first in the percentage of businesses that reported growing in 2019, was the most likely to state that both repaying their debts and access to finance was difficult, or very difficult. It may be that strong growth in Vietnam is leading to a shortage of finance, thus forcing creditors to demand payment terms and periods that businesses find difficult to meet, regardless of how fast they are growing.

On the other hand, small businesses in Australia were the least likely to grow in 2019, and yet they were the second most likely to state that their ability to repay debts in 2019, and their access finance, was easy or very easy. This may indicate that due to lower levels of growth, and therefore lower demand for external finance, small businesses have lower debt levels.

The large percentage of businesses from Mainland China reporting easy to very easy access to finance and debt repayment most likely reflects government policy to increase the supply of finance to that sector. This may, therefore, be translating through to easier payment terms and periods.

**Other findings:**

- The percentage of respondents that found access to finance easy or very easy in 2019 was up very slightly from 2018.
- Difficulties with access to finance or repaying debts appears to have little impact on business growth, with only a slight difference between the percentage of businesses that reported growing and those that reported not growing, and the ease or difficulty in accessing finance and repaying debt.

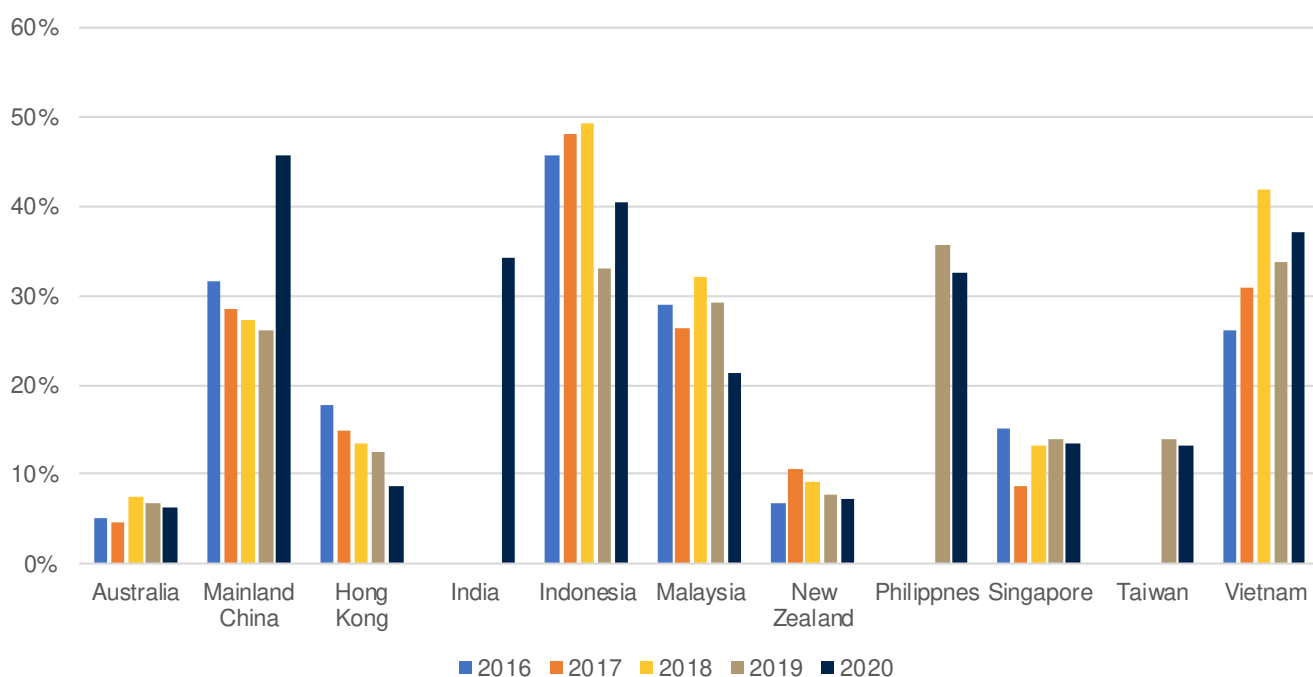
**Suggestions:**

- Small businesses seeking to grow should have a strong focus on technology, innovation and exporting. This may require building their capabilities in those areas through training, professional advice and/ or recruitment.
- Governments seeking to create an environment that supports a strong and growing small business sector should have a strong focus on policies supporting technology, innovation and exporting.
- Governments should work with professional advisers to help build the capability of small businesses so that they are better placed to focus on technology, innovation and exporting.
- Governments should be considering what are the drivers and barriers to younger people establishing a business and implement policies that encourage younger people to enter the sector.

## SMALL BUSINESS AND INNOVATION

**Innovation is a key driver of business growth and job creation, and small businesses from Asia are much more likely to undertake it**

***Small businesses that state they will innovate through the introduction of a new product, service or process that is unique to their market or the world in the next 12 months - by market<sup>^</sup> and year***



<sup>^</sup> The Philippines and Taiwan were added to this survey in 2018. India was added this survey.

### Key findings

The percentage of businesses that state they will innovate through the introduction of a new product, process or service to their market or the world increased to 25.8 per cent in 2020 from 20.8 per cent in 2019, the best result over the past five years.

The large jump in the percentage of businesses from Mainland China that stated they will innovate in 2020 is the major reason for the increase in the overall 2020 result. This reflects well on China's small business sector and government policies to encourage innovation. Such a focus on innovation should assist them manage through the downturn caused by COVID-19.

Small businesses from developing economies remain much more likely to state they will innovate in 2020 than small businesses in developed economies. This may be the result of stronger business growth in those economies. This focus on innovation should also be creating demand for new ideas and an increasingly skilled workforce.

#### Other findings:

- Of the five cities from Mainland China surveyed, businesses in Beijing are by far the most likely to state they will innovate in 2020 (67.1 per cent compared with 46.7 per cent for Shanghai). Of the five cities from India surveyed, business in Delhi were the most likely to state they will innovate in 2020 (41.7 per cent).
- Businesses with 10 to 19 employees (37.3 per cent) remain more likely to state they will innovate in 2020 than those that have less than five employees (17.6 per cent).
- Businesses in the 'banking, finance or insurance' sector (40.1 per cent) are the most likely to state that they will innovate in 2020, while the transport and warehousing industry are, again, the least likely to state they will innovate (17.1 per cent).
- Younger businesses are again more likely to state they will innovate. Of the businesses that have been established for ten years or less, 28.6 per cent said they will innovate in 2020, while only 12.0 per cent of businesses established more than 20 years stated they will innovate
- Respondents aged under 40 were again significantly more likely to state they will innovate in 2020 (32.8 per cent) compared with respondents aged 50 or over (7.8 per cent).
- Businesses that expect their overseas sales revenue to grow strongly are significantly more likely to state they will innovate in 2020 (61.0 per cent) than businesses that do not expect to sell into overseas markets in 2020 (19.8 per cent).
- Businesses that believe it is very likely that their business will be cyberattacked in 2020 are significantly more likely to state they will innovate in 2020 (67.3 per cent) than those that believe a cyberattack is unlikely in 2020 (19.3 per cent).

#### Suggestions:

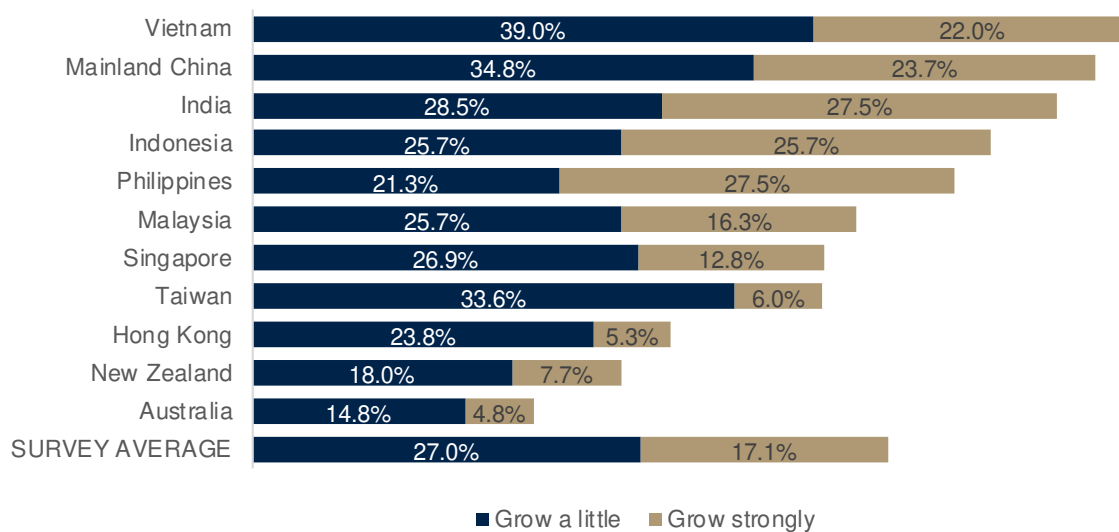
- Policy makers wanting to encourage innovation should consider how best to encourage young people to start or buy their own small business.
- Innovative businesses need to invest more in cybersecurity and governments should be offering information to assist them.
- Businesses seeking to innovate should spend time investigating what other businesses in their industry and other industries are doing, as well as other markets.
- Businesses not innovating may wish to partner with innovative businesses.



## SMALL BUSINESS AND EXPORTING

**Small businesses that expect to grow their revenue from exports are more likely to be growing, creating jobs and be from Asia**

### *Small businesses expecting revenue from overseas sales will grow in 2020 - by market*



### Key findings

Small businesses from Australia and New Zealand remain the least likely to sell into overseas markets in 2020 (52.1 per cent of Australia's small businesses expect NOT to sell into overseas markets and 47.7 per cent of New Zealand's small businesses).

Businesses that do not expect to innovate in 2020 remain significantly less likely to expect to sell to overseas markets in 2020 (51.8 per cent do not expect to sell overseas), compared with businesses that have said they will innovate (22.8 per cent of such businesses do not anticipate selling overseas).

Businesses with no staff are significantly less likely to expect to sell overseas in 2020 (44.0 per cent do not expect to sell overseas) than businesses with 5 to 19 staff (23.3 per cent do not anticipate selling overseas).

Older respondents are much more likely to NOT expect to sell into overseas markets in 2020. That is, 44.9 per cent of respondents aged 50 and over do NOT expect to sell overseas in 2020 compared with 25.2 per cent of respondents aged under 40.

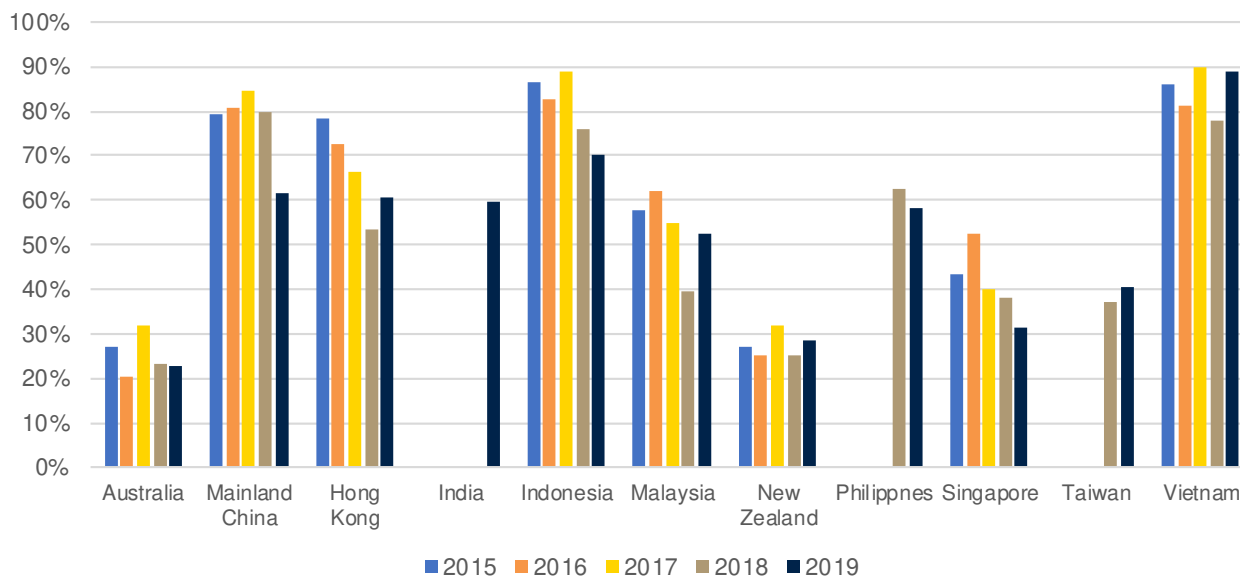
### Suggestions:

- Businesses seeking to grow should spend time investigating new markets, including accessing government support for exporting.
- Governments should continue to create new free trade agreements with other governments.
- If governments want to increase the number of exporting businesses, they should consider policies that attract younger people into starting or buying a small business.

## ACCESS TO FINANCE

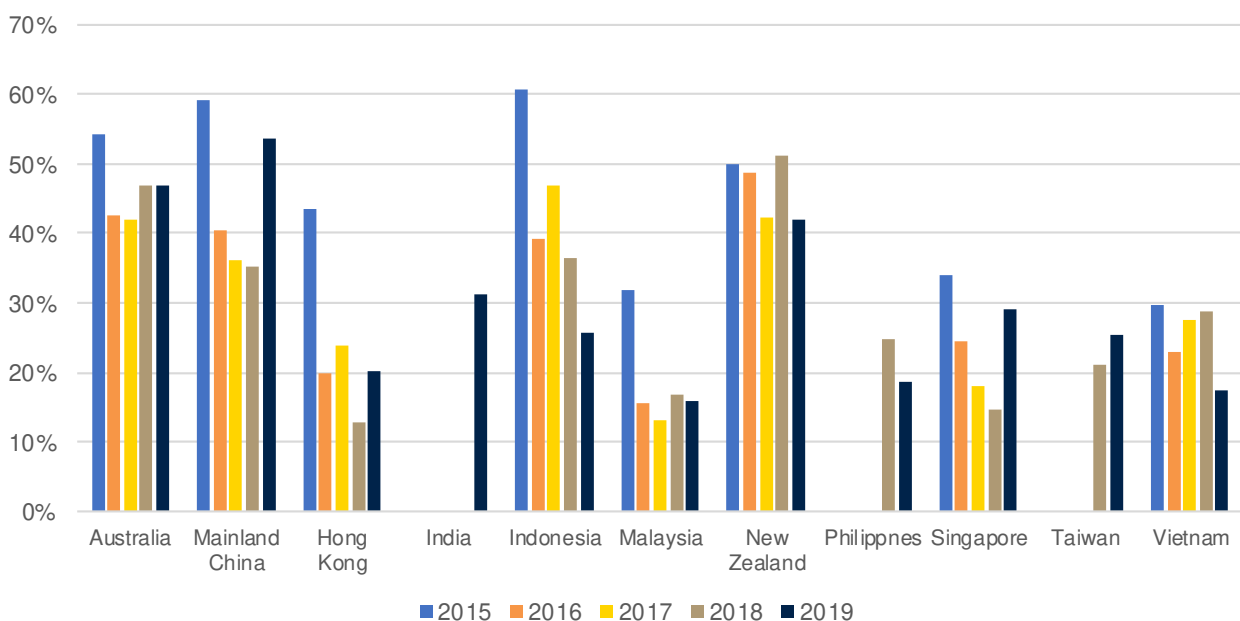
The ease with which businesses access finance continues to vary significantly between markets

*The percentage of businesses that required external finance in the past 12 months - by market and year<sup>^</sup>*



<sup>^</sup> The Philippines and Taiwan were added to the survey in 2018. India was added in 2019.

*Of those businesses that required external finance, the percentage that experienced easy to very easy financing conditions in the past 12 months - by market<sup>^</sup> and year*



<sup>^</sup> The Philippines and Taiwan were added to the survey in 2018. India was added in 2019.

## Key findings

The overall percentage of businesses that required external finance in 2019 was largely unchanged from 2018 (52.2 per cent in 2019 compared with 53.1 per cent in 2018). 2019, however, saw the lowest percentage of businesses that required external finance since 2014.

The connection between demand for finance and the ease or difficulty of accessing that finance continues to be tenuous. For example, relatively low numbers of businesses in Australia and New Zealand required external finance in 2019, yet of those that required external finance many found accessing finance was easy or neutral. In contrast, small businesses from Vietnam were the most likely to have required external finance in 2019, yet they were by far the most likely to report difficulty accessing finance. In other words, the need to finance growth or the acquisition of new capital assets are significantly more likely to influence demand for finance.

This does not mean that tougher financing conditions are not an issue of concern – it impacts where external finance is sourced from, the amount sourced, the cost of that finance and the tenor. All of these can put additional pressure on business, requiring some to alter their strategy.

Small businesses across the region were again more likely to state that accessing finance in 2019 was difficult than easy: 38.0 per cent of businesses stating their experience in accessing finance in 2019 was difficult or very difficult, compared with 31.6 per cent of businesses that found the experience easy or very easy.

The percentage of businesses that found accessing finance easy or very easy in 2019 was largely unchanged from 2018, where 30.2 per cent found accessing finance easy or very easy, which was the lowest result since 2011.

Reflecting a difficult environment, the number of small businesses from Mainland China that required external finance was down in 2019 from 2018, however, the ease of accessing that finance in that market jumped in 2019 from 2018. Meanwhile in Hong Kong, there was an increase in the number of small businesses requiring external finance despite tough economic and business conditions. It may be that cash flow problems caused by the tough operating environment led to more businesses needing to access external finance.

Australian and New Zealand small businesses were again the least likely to access external finance in 2019. This can be attributed to several unique characteristics of Australian and New Zealand small businesses, chief among them are:

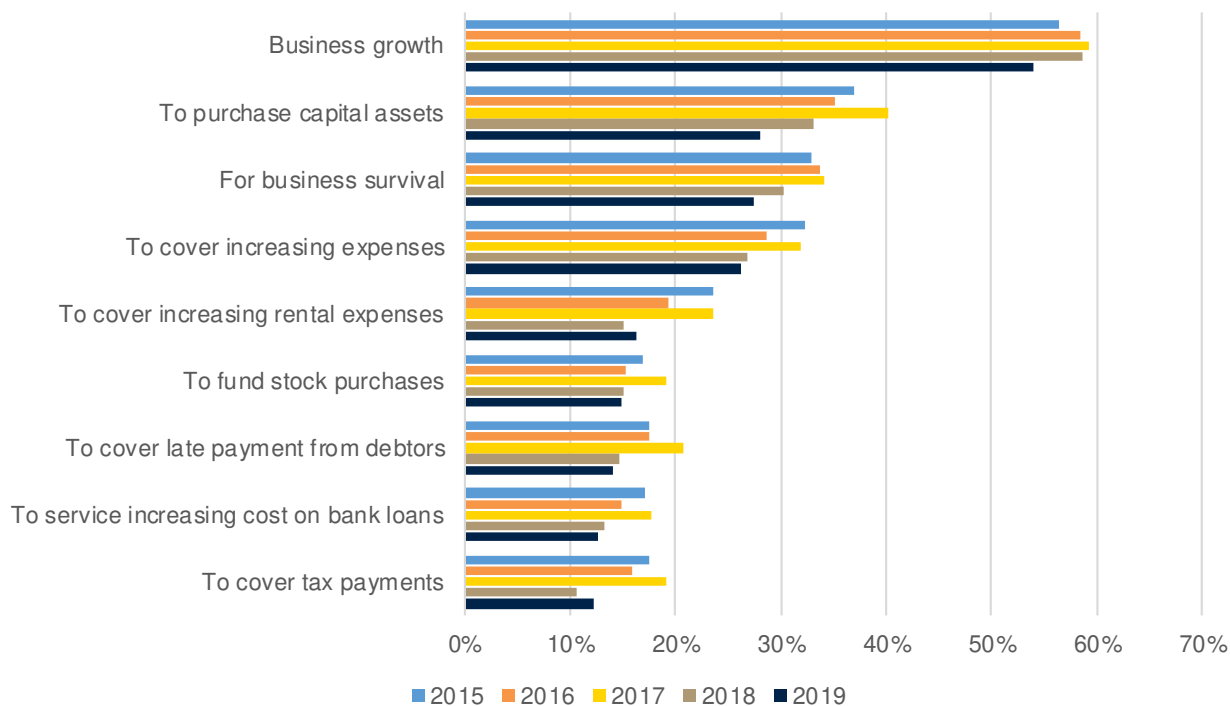
- the high percentage of respondents from those markets aged over 50 (respondents over 50 were much less likely to have required external finance in 2019).
- the high percentage of businesses from those markets that have been established for over 20 years (businesses established over 20 years were less likely to have required external finance).
- the high percentage of businesses from those markets that have less than five employees (businesses with less than five employees were significantly less likely to have required external finance).

### Other findings

- Growing businesses are, not surprisingly, significantly more likely to have required external finance in 2019, compared with businesses that are not growing. 61.4 per cent of businesses that reported growing in 2019 required external finance compared with 34.6 per cent of businesses that did not grow in 2019.
- Businesses with a higher number of employees are significantly more likely to have required external finance in 2019. For example, 65.7 per cent of respondents with 10 to 19 employees required external finance, compared with 36.4 per cent of respondents with less than five employees.
- Businesses that have been established five to 10 years were the most likely to have required external finance in 2019 (60.3 per cent) while businesses established for more than 20 years were the least likely (32.1 per cent). This may reflect the life cycle of business, with businesses in the five to 10-year bracket possibly experiencing a growth stage, while businesses that have been established over 20 years could be in decline. It may also reflect that longer established businesses could have more internal cash available, reducing their need for external finance.
- Older respondents were significantly less likely to have required external finance in 2019. While 62.6 per cent of respondents aged 30 to 39 stated they required external finance in 2019, only 17.8 per cent of respondents aged 60 and over needed external finance. This may reflect the changing needs and motivations of respondents as they age. For example, many of those aged 60 and over may not want to carry extra debt into retirement.
- CEO or CFO respondents were much more likely to indicate their businesses required external finance in 2019 compared to respondents who were the business owner (67.5 per cent for CEOs/CFOs compared with 44.3 per cent for business owners).
- Respondents who required external finance in 2019 were most likely to identify 'easy access to finance' as a factor having a positive influence on their business in that year.
- Problems with accessing finance was not seen as having a detrimental impact on many businesses, with only 9.2 per cent of respondents nominating it as a major negative factor for their business in 2019.
- There was a jump in the percentage of businesses whose main source of finance was banks who reported difficulty in accessing finance (28.7 per cent in 2018 compared with 40.5 per cent in 2019). However, banks were not the most difficult source of finance; 44.4 per cent of businesses that accessed finance through an investor in 2019 reported that it was difficult and 41.6 per cent reported difficulty in accessing government grants.
- Businesses who stated that their main sources of finance were a non-bank financial institution were the most likely to report easy financing conditions in 2019 (50.3 per cent), followed by venture capital funding (48.0 per cent reported easy financing conditions) and peer to peer lending (46.8 per cent).
- Businesses established for less than five years were less likely to experience easy financing conditions than older businesses (21.8 per cent, compared with the survey average of 30.2 per cent). Given their fewer years of experience, it is not surprising that lenders and investors may subject younger businesses to more scrutiny before providing them access to finance.
- Likewise, respondents aged under 30 were somewhat less likely to find access to finance easy or very easy than older respondents. Given their lack of business experience, it is not surprising that a potential lender or investor to make it more difficult for younger business owners to access finance.

## Reasons for seeking external finance

### Reasons for seeking external finance in the past 12 months - by year<sup>^</sup>



<sup>^</sup> This was a multi-response question.

### Key findings

Business growth remains the most popular reason for requiring external finance in 2019, with 54.0 per cent of respondents stating that it was one of their main reasons, down slightly from 58.6 per cent in 2018. Other reasons include to purchase capital assets (28.0 per cent, down from 33.2 per cent in 2018) and business survival (27.5 per cent, down from 30.4 per cent in 2018).

Small businesses from Vietnam (67.3 per cent) and Indonesia (64.9 per cent) were the most likely to have required external finance to fund business growth. On the other hand, small businesses from Australia (30.1 per cent) and New Zealand (31.4 per cent) were the least likely to have required external finance for growth.

Reflecting the economic and business conditions in Hong Kong and Vietnam, small businesses from Hong Kong were the most likely to require external finance for business survival (44.0 per cent), and Vietnam was the least likely (9.4 per cent).

Small businesses from Vietnam were also the most likely to state that they required external finance in 2019 to purchase capital assets (42.9 per cent), while small businesses from the Philippines were the least likely to cite this as a major reason for them (15.8 per cent).

Increasing costs remain a large headache for many small businesses, particularly in Vietnam, with businesses from Vietnam (43.2 per cent) and Hong Kong (36.4 per cent) the most likely to state that they borrowed to cover increasing expenses. The result for Vietnam in 2019 was up 15.8 percentage points from 2018, indicating the speed of growth in that

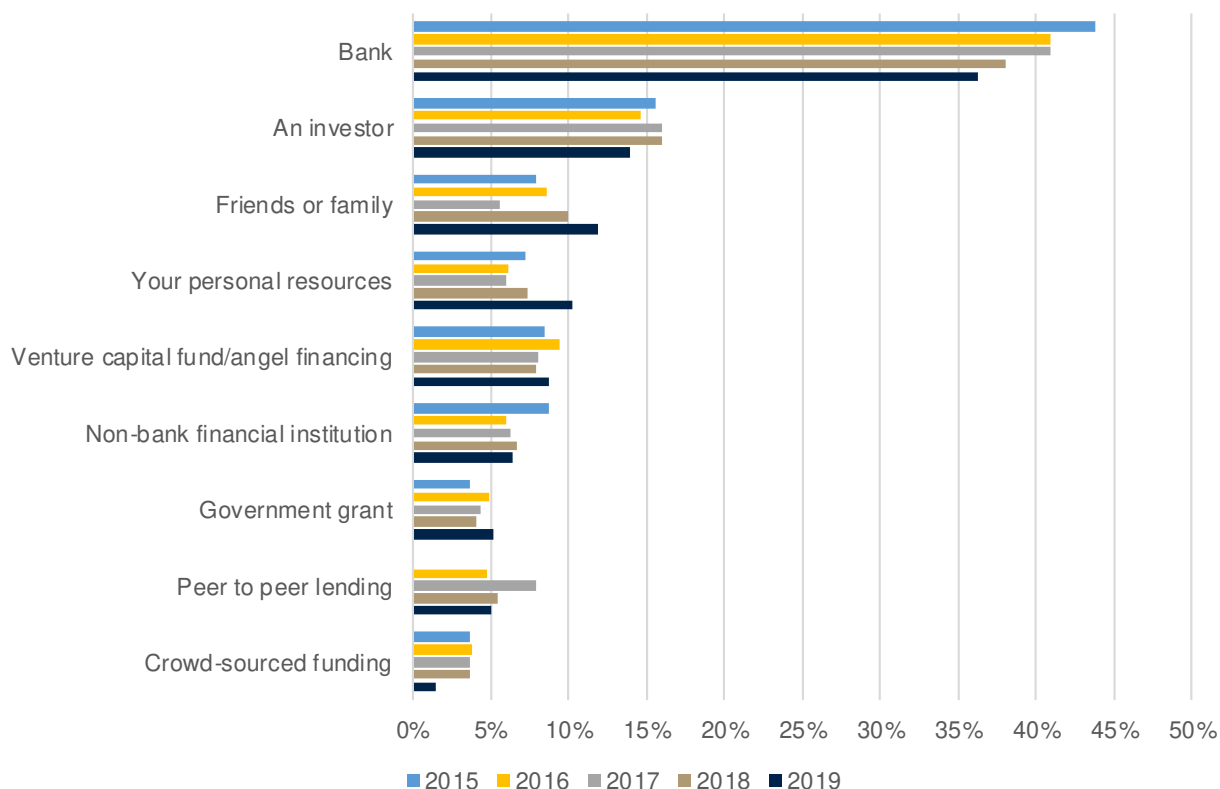
market is pushing up business costs.

Other findings

- The number of businesses that stated they required external finance to purchase capital assets only increased in Vietnam (32.4 per cent in 2018 to 42.9 per cent in 2019) and Malaysia (28.3 per cent in 2018 to 31.6 per cent in 2019), while it declined the most in Indonesia (35.5 per cent in 2018 to 20.9 per cent in 2019).
- Businesses established less than five years were the most likely to state that they required external finance for business growth in 2019 (60.5 per cent) and purchase capital assets (30.2 per cent), while businesses established 11 to 20 years were the most likely to have required external finance to cover increasing expenses (34.9 per cent).
- Businesses with 10 to 19 staff were more likely to have stated that business growth was one of their major reasons for needing external finance (59.7 per cent).
- Respondents aged 30 to 39 were the most likely to state that they required external finance for business growth (58.9 per cent), while only 25.0 per cent of respondents aged 60 and over required external finance for business growth, instead being more likely to require such finance for survival (32.8 per cent).
- Businesses from the utilities sector were the most likely to state that they required external finance to fund business growth (76.9 per cent), while businesses from the 'professional, scientific and technical services' sector were the most likely to have required external finance for business survival (33.3 per cent).

Main sources of external finance

The major source of external finance in the past 12 months - by year<sup>^</sup>



<sup>^</sup> Single choice only.

## Key findings

Banks remain the most common source of external finance, with 36.2 per cent of respondents that required external finance in 2019 stating that a bank was their main source of those funds. However, the popularity of banks as the main source of finance has fallen over the past five years, with the decline filled mainly by 'family and friends' and the 'personal resources' of the business owner. This most likely reflects the more difficult conditions for accessing external financing.

For small businesses that required external finance in 2019, banks were their main source of finance in all markets surveyed, with the notable exception of Mainland China, where small businesses stated that equity funding from a venture capital fund or investor was more likely to be their main source of external finance. The popularity of banks as being the main source of external finance in Mainland China dropped from 29.6 per cent in 2018 to 18.8 per cent in 2019.

At the other extreme, banks dominated small business financing in Vietnam in 2019 like no other market with 84.6 per cent of businesses that required external finance in 2019 stating that a bank was their main source of finance. The next highest market was New Zealand with 47.7 per cent.

Small businesses from Mainland China that required external finance in 2019 were the most likely to nominate venture capital fund or angel finance (22.2 per cent), and peer to peer lending (12.7 per cent) as their main source of finance in 2019. Crowd-sourced funding has never been a very popular source of finance for small business, with its popularity dropping in 2019, especially in Mainland China.

Small businesses from the Philippines were the most likely to nominate 'family and friends' as their main source of finance in 2019 (20.3 per cent), with small businesses from Mainland China (4.4 per cent) being the least likely to nominate this as their main source of finance. New Zealand small businesses were the most likely to nominate their own 'personal resources' as their businesses main source of finance.

Businesses that grew in 2019 and required external finance were more likely to nominate a bank, an investor or venture capital fund as their main source of finance than businesses that did not grow. Meanwhile, businesses that did not grow and required external finance were more likely to nominate 'family or friends' or their 'personal resources' as their main source of finance.

## Other findings

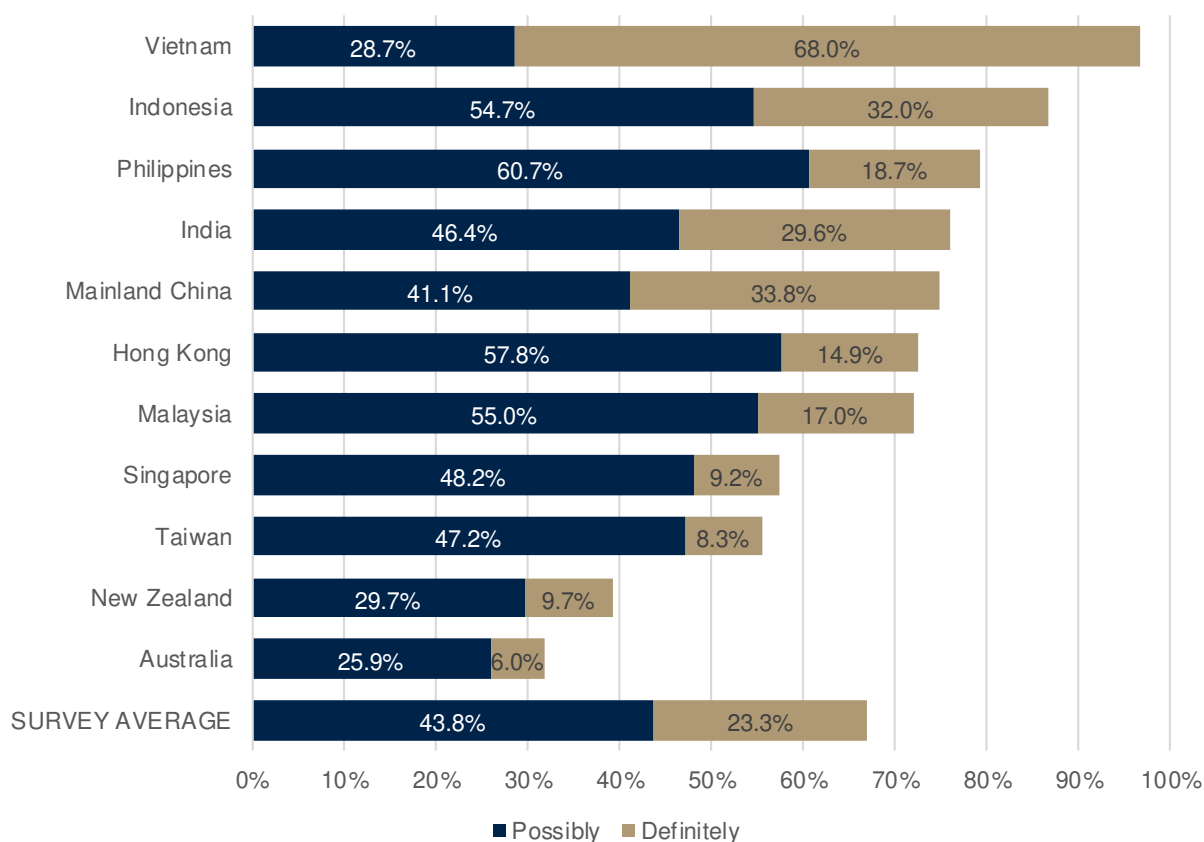
- Small businesses with no staff were more likely to nominate 'family and friends' (24.0 per cent) and their 'personal resources' (22.8 per cent) than a bank (17.4 per cent) as their main source of finance. Meanwhile, businesses with 10 to 19 staff were very unlikely to nominate 'family or friends' (4.8 per cent) or their 'personal resources' (5.1 per cent) as their main source of finance, preferring banks (41.8 per cent).
- Businesses in the 'information, media and telecommunications' sector were the least likely to nominate banks as their main source of finance in 2019 (27.1 per cent), and the most likely to nominate an investor (25.4 per cent).
- Businesses that have been established less than 11 years are less likely to nominate a bank as their main source of finance (33.4 per cent) compared with businesses that have been established 11 years or more (42.9 per cent).

- Respondents under 30 are the least likely to nominate that a bank was their main source of finance in 2019 (29.7 per cent compared with the survey average of 36.2 per cent). This is not surprising given that younger respondents may have less asset backing and experience.
- Within the five cities surveyed in Mainland China, Guangzhou was the city where small businesses were most likely to nominate an investor as their main source of finance in 2019 (33.7 per cent compared with the survey average of 13.9 per cent). Beijing was the city most likely to nominate venture capital or angel financing as their main source of finance in 2019 (41.8 per cent compared with the survey average of 8.8 per cent).

### Expected access to finance in 2020 and the ease or difficulty of accessing finance

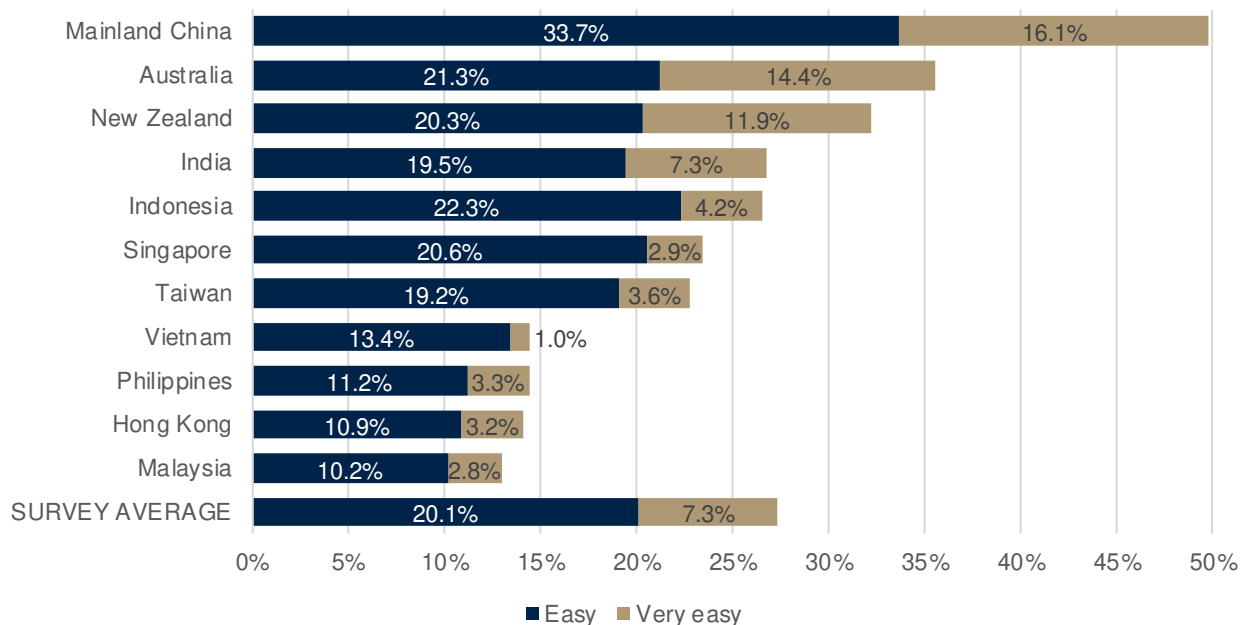
*It should be noted that the survey was conducted before the COVID-19 pandemic outbreak. The following has therefore been included for information purposes only. We provide no commentary on the below results.*

#### The percentage of businesses that expect to require external finance in 2020 - by market





***Of those that expect to access external finance in 2020, the percentage that expect easy or very easy financing conditions– by market***



**Suggestions:**

- Where a business identifies a need for external finance, they should approach their preferred sources of that finance early to improve the chances of securing the finance they seek at the best possible terms and price.
- Businesses should consider engaging a professional, such as an accountant or commercial finance broker, to assist the business meet the requirements of lenders and investors. An accountant can also provide guidance on the business case for external finance and may suggest other options.

## OTHER SURVEY FINDINGS

### Positive and negative influences on business in 2019

#### ***Positive influences on small business***

The top four factors identified as having the most positive impact on business in 2019 were the same as 2018:

- Customer loyalty - 34.3 per cent, compared with 39.8 per cent in 2018
- Improved customer satisfaction - 29.5 per cent, compared with 33.4 per cent in 2018
- Good staff - 28.5 per cent, compared with 30.0 per cent in 2018
- Cost control - 24.3 per cent, compared with 26.6 per cent in 2018.

These were also the top four factors in 2016 and 2017 (although 'Good staff' was the second most popular choice in those years).

Businesses that grew strongly in 2019 identified the following factors as having the most positive impact on their business:

- Improved customer satisfaction – 37.7 per cent compared with the survey average of 29.5 per cent
- Customer loyalty – 33.8 per cent compared with the survey average of 34.3 per cent
- Good staff – 33.5 per cent compared with the survey average of 28.5 per cent
- Improved business strategy – 29.4 per cent compared with the survey average of 21.7 per cent.

When comparing the results between businesses that grew strongly and businesses that did not grow or shrank, we found that businesses that grew strongly in 2019 were more likely to have found the following as positive factors for their business:

- Improved customer satisfaction
- Improved business strategy
- Improved business management
- Introduced a new product or service
- Good staff
- Good quality capital equipment
- Easy access to finance
- Technology
- Entered new markets.

#### ***Negative influences on small businesses***

The top four factors identified as being the most likely to have a detrimental impact on business in 2019 were:

- Increasing costs - 33.8 per cent, compared with 39.9 per cent in 2018
- Increasing competition - 32.0 per cent, compared with 34.2 per cent in 2018
- Poor overall economic environment - 25.3 per cent, compared with 23.5 per cent in 2018
- Tax - 17.9 per cent, compared with 16.8 per cent in 2018.

Increasing costs and increasing competition have remained the key concerns of respondents throughout the life of this survey.

Businesses that did not grow or shrank were somewhat more likely to state that poor overall economic environment had a negative impact on their business in 2019 than businesses that grew strongly.

Costs identified as having the most detrimental impact on business in 2019 were:

- Staff costs - 32.5 per cent, compared with 34.9 per cent in 2018
- Materials - 28.2 per cent compared with 32.4 per cent in 2018
- Utility costs - 27.6 per cent, compared with 29.3 per cent in 2018
- Rent - 26.5 per cent, compared with 30.8 per cent in 2018.

These were also the top four costs in 2015, 2016, 2017 and 2018.

The percentage of Hong Kong businesses that identified rent as the cost most detrimental to their business was 41.9 per cent in 2019, down from 52.7 per cent in 2018. Further, Hong Kong businesses were no longer the most likely to nominate rent as a major detrimental cost to their business, with 47.7 per cent of businesses in Vietnam selecting that option. Having said that, the percentage of Hong Kong businesses selecting rent as detrimental to their business was still well above the survey average of 26.5 per cent.

Not surprisingly, businesses generating more than 30 per cent of their sales through new payment technologies are more likely to have found technology was one of their most positive influences on their business in 2019. Similar results were found for businesses using social media and for businesses generating at least some online sales.

### **Cash as a method of payment**

The reliance on cash as a means of payments varies widely, with a survey average of 22.4 per cent stating that cash makes up 75 per cent or more of their sales (down from 23.8 per cent in 2018). Businesses are most likely to state that cash makes up 75 per cent or more of their sales in the Philippines (56.7 per cent), Taiwan (41.5 per cent) and Malaysia (38.0 per cent).

Businesses are least likely to rely on cash for payment in New Zealand, where 51.0 per cent of respondents stated that none of their sales were in cash, followed by Australia (39.5 per cent).

### **Other findings**

- Small businesses with no employees are both the most likely to receive all their payments in cash and the most likely to receive none of their payments in cash.
- Businesses with more than 10 to 19 staff are the least likely to receive 75 per cent or more of their sales in cash (12.8 per cent compared with the survey average of 22.4 per cent)
- Businesses in the 'accommodation and food services' sector were the most likely to state that cash made up 75 per cent or more of their sales (33.7 per cent). Businesses from the 'rental, hiring and real estate services' were the most likely to state that they received none of their payments in cash (30.1 per cent).
- Small businesses established less than five years were the most likely to state that 75 per cent or more of their sales are in cash (26.8 per cent), while businesses established for more than 20 years are the most likely to state that none of their sales are in cash (27.6 per cent).

- Respondents aged 50 and over are significantly more likely to receive none of their payments in cash (35.2 per cent), compared with respondents aged under 40 (only 6.3 per cent received none of their payments in cash).
- Receiving payments in cash seems to have little impact on the percentage of businesses that reported growing strongly in 2019.

#### **Suggestions:**

- Small business should explore offering a variety of payment options to reduce risk and make it as easy as possible for customers to purchase their products or services.
- To reduce tax collection risks attached to the cash economy, governments could promote the benefits of non-cash payment methods.

## **Small business views on how the trade war will impact them in 2020**

*The survey was conducted before China and the US signed a 'phase one' trade deal.*

### **Key findings**

Most businesses expect the trade war to have some impact on their business in 2020, with only 23.3 per cent of businesses not expecting any impact on their business. Small businesses from Australia (43.7 per cent) and New Zealand (43.3 per cent) were the most likely to state that the trade war will have no impact on their business in 2020.

Businesses from Vietnam (56.0 per cent) and Hong Kong (54.4 per cent) were the most likely to believe that the trade war will have a negative impact on their business in 2020 (28.9 per cent of businesses from Mainland China expect it to have a negative impact in 2020, down from 39.7 per cent in 2019).

There was a relatively large increase in the percentage of businesses from Mainland China that state it is too early to tell what impact the trade war will have on their business. In 2019, 10.1 per cent said it was too early to tell, while in 2020, 24.4 per cent said it was too early to tell. This indicates that at the time of the survey, there was uncertainty as to how trade negotiations between China and the US would pan out.

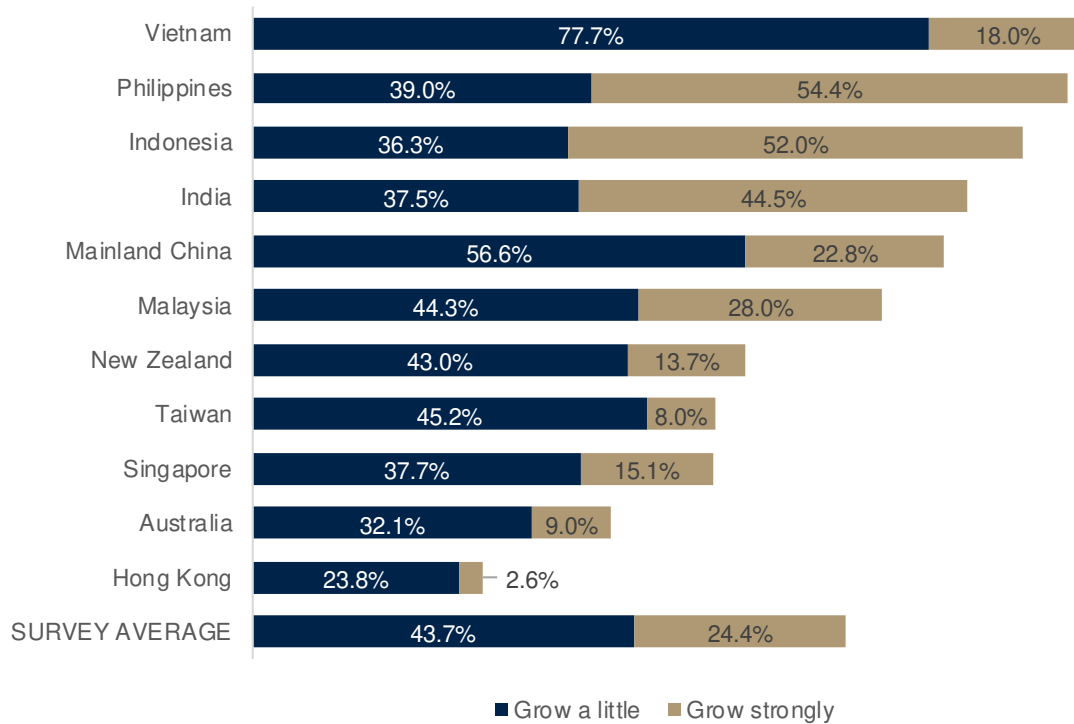
### **Other findings:**

- Businesses from the 'health care and social assistance' sector were the least likely to expect a trade war will have an impact on their business in 2020 (38.7 per cent).
- Businesses from the mining (53.6 per cent) and manufacturing sector (42.9 per cent) were the most likely to state that the trade war will have a negative impact on their business in 2020.
- Businesses that expect to shrink in 2020 are more likely to state that they believe a trade war will have a negative influence on their business (52.9 per cent) than those that expect to grow (31.7 per cent).
- Businesses that expect their overseas sales revenue to decline in 2020 are significantly more likely to expect the trade war will have a negative impact on their business (68.8 per cent), compared with those that expect their overseas sales revenue to grow (35.4 per cent).
- Businesses that expect the trade war will have no impact on their business are the most likely to NOT expect to undertake any innovation in 2020 (39.5 per cent, compared with the survey average of 23.3 per cent).

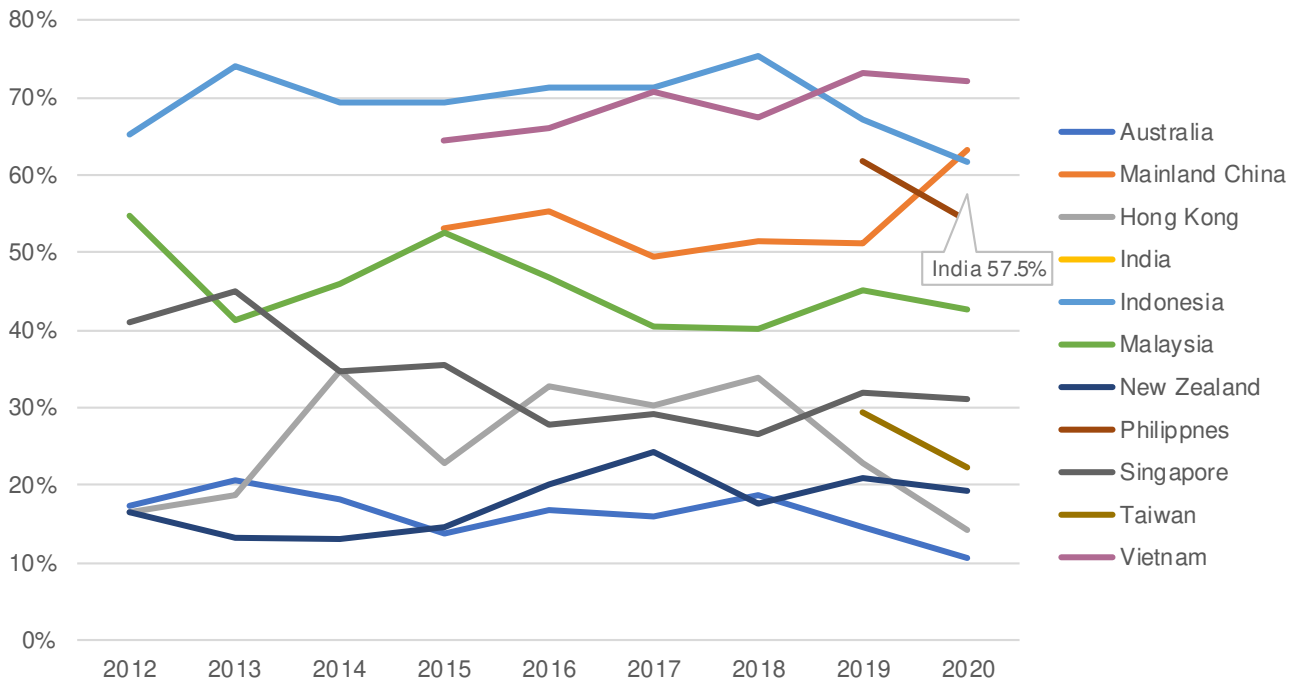
### Small business expectations for 2020

*It should be noted that the survey was conducted before the COVID-19 pandemic outbreak. The following has therefore been included for information purposes only. We provide no commentary on the below results.*

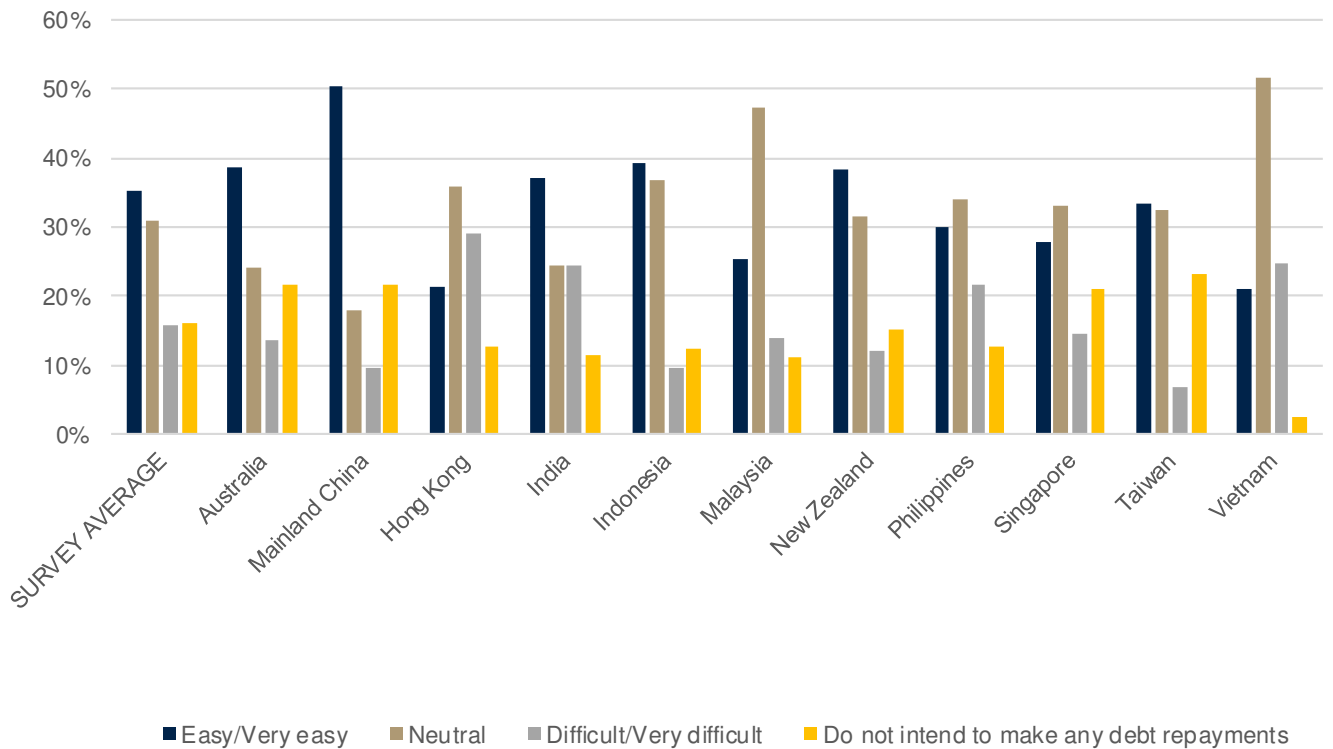
#### Small businesses that expect to grow in 2020 - by market



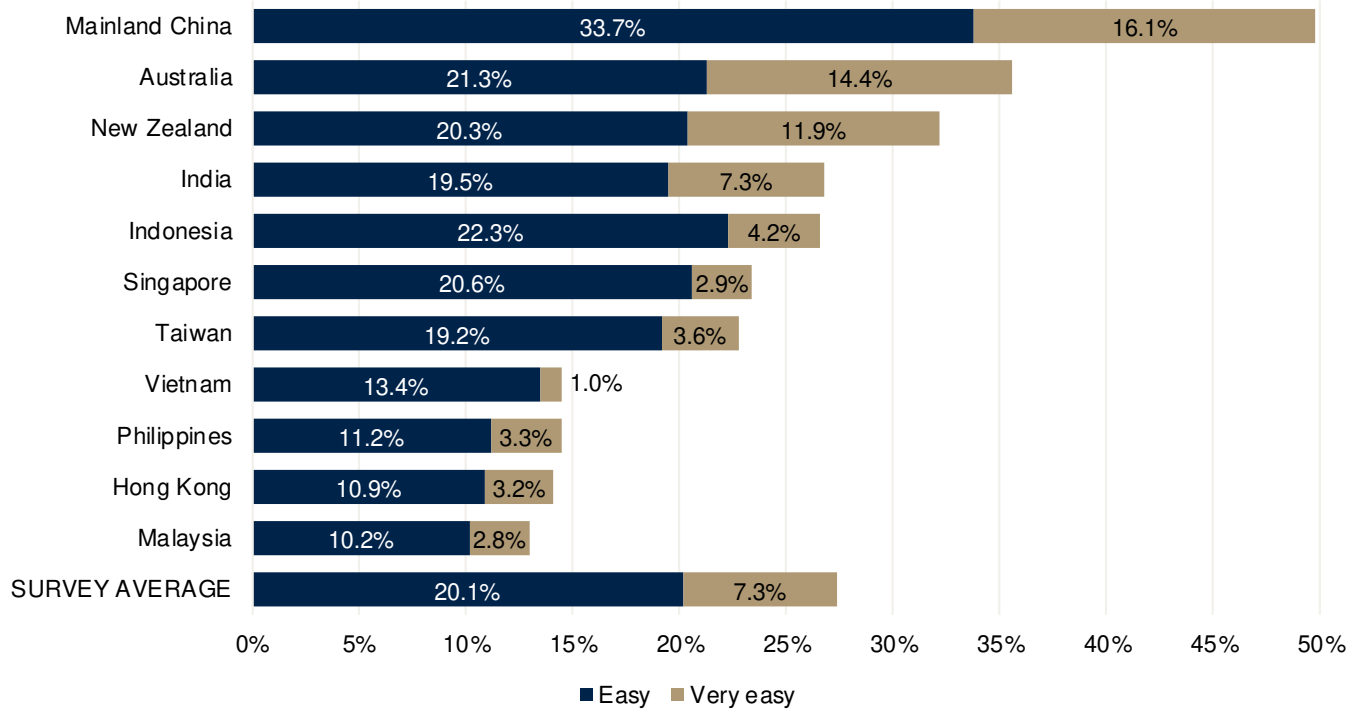
**Small businesses that expect to increase employee numbers in 2020 - by market and year**



**Business expectation for the ease of paying their debts in 2020 – by market**



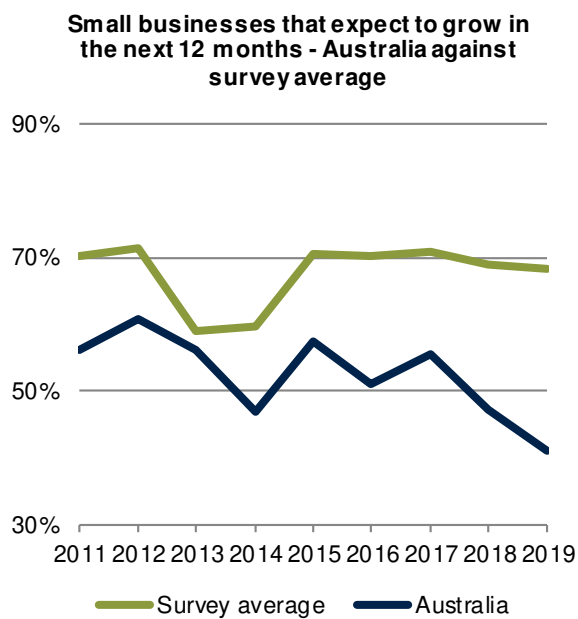
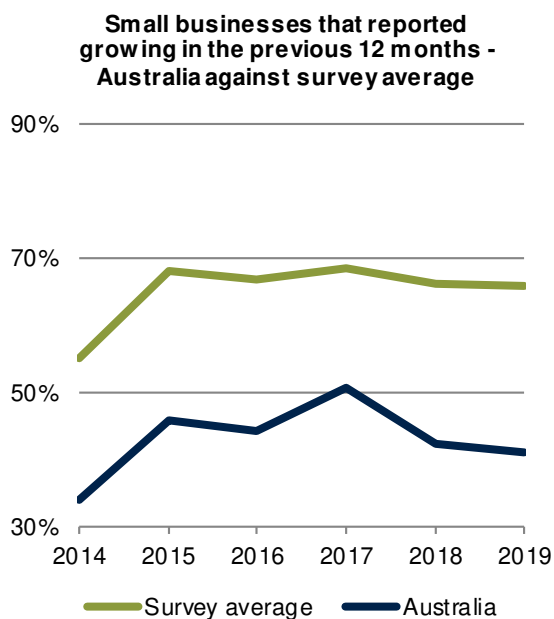
**Business expectations for easy or very easy access to external finance in 2020 – by market**



# MARKET SUMMARIES

## Australia market summary

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	35.3%	65.8%	11/11	42.2%	10/10	50.7%	44.1%	45.7%
<b>Businesses that expect to grow in the next 12 months</b>	41.1%	68.2%	10/11	47.3%	9/10	55.6%	51.2%	57.3%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	29.3%	59.1%	10/11	34.7%	9/10	42.3%	38.4%	43.5%



## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Increased employee numbers</b>	8.8%	32.5%	11/11	10.1%	10/10	13.7%	11.2%	11.8%
<b>Improved business management had a major positive impact on their business</b>	8.2%	17.6%	11/11	8.3%	10/10	11.7%	9.4%	10.4%
<b>Increasing costs had a major negative impact on their business</b>	32.5%	33.8%	8/11	35.0%	8/10	29.5%	28.1%	32.4%
<b>Required funds from an external source</b>	22.6%	52.2%	11/11	23.2%	10/10	31.7%	20.3%	27.1%
<b>Sought external funds for business growth</b>	30.1%	54.0%	11/11	31.6%	10/10	40.7%	33.0%	31.9%
<b>Found it easy or very easy to access external finance</b>	46.9%	31.6%	2/11	47.0%	2/10	42.0%	42.8%	54.4%
<b>A bank was the business's main source of external finance</b>	43.4%	36.2%	3/11	54.7%	2/10	45.7%	50.5%	52.2%

## Planned business activity over the next 12 months

	2020	Survey average	Rank	2019	Rank 2019	2018	2017	2016
<b>Expect to increase employee numbers</b>	10.6%	42.7%	11/11	14.5%	10/10	18.8%	15.9%	16.7%
<b>Will introduce a new product, service or process unique to their market or the world</b>	6.4%	25.8%	11/11	6.7%	10/10	7.4%	4.7%	5.1%
<b>Expect revenue from overseas markets to grow strongly</b>	4.8%	17.1%	11/11	4.6%	10/10	6.7%	3.1%	6.1%
<b>Will seek external funds</b>	6.0%	23.3%	11/11	6.9%	9/10	11.4%	8.5%	9.0%
<b>Expect easy to very easy access to finance</b>	35.6%	27.4%	2/11	26.5%	5/10	25.5%	30.7%	38.4%

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Did NOT earn any revenue from online sales</b>	56.5%	26.2%	1/11	59.8%	1/10	52.6%	60.2%	64.3%
<b>Did NOT use social media for business purposes</b>	45.1%	18.9%	1/11	44.8%	1/10	42.5%	50.6%	46.5%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	18.8%	48.9%	11/11	16.4%	10/10	26.7%	N/A	N/A
<b>Technology your business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
<b>Consider your business likely to be cyberattacked in next 12 months</b>	17.6%	37.5%	11/11	15.8%	10/10	25.8%	N/A	N/A
<b>Reviewed your business's cybersecurity protections in last six months</b>	35.3%	45.9%	8/11	37.6%	8/10	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	37.1%	60.1%	10/11	36.0%	9/10	33.3%	N/A	N/A

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Good staff	Good staff
Cost control	Improved customer satisfaction
Improved customer satisfaction	Cost control

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing costs	Increasing costs
Poor overall economic environment	Increasing competition
Increasing competition	Poor overall economic environment
Tax	Tax

## Impacts of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	23.2%	33.1%	10/11	21.6%	9/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	38.1%	65.4%	11/11	43.2%	10/10	44.0%	41.3%	50.0%
Respondent is aged under 40	17.6%	54.7%	11/11	20.8%	10/10	22.3%	11.4%	15.5%
Respondent is the business owner	69.9%	42.5%	1/11	66.7%	1/10	60.7%	67.5%	61.0%
Business has 10 to 19 employees	9.6%	34.6%	11/11	10.3%	10/10	18.8%	10.6%	12.2%

## Summary

2019 was a weaker year for Australian small businesses than 2018, with 35.3 per cent of businesses stating that they grew – the lowest percentage since 2014 and the lowest of the markets surveyed.

Australia's small businesses remain significantly less likely to have grown in 2019 than the survey leaders of Vietnam, Indonesia and the Philippines (all recording over 80 per cent of businesses that grew in 2019).

The relatively small number of Australian small businesses that experienced growth in 2019 is reflected in the small number that created new jobs, with only 8.8 per cent adding to their employee numbers in 2019 – the lowest result of the markets surveyed.

The long-term growth prospects of Australia's small business sector do not appear strong, with the survey results showing that only a comparatively small percentage of Australia's small businesses are undertaking activities and investments that characterise growing businesses – innovation, e-commerce, using social media and exporting.

While there are many areas in which Australia's small businesses lag their competitors from Asia, the use of technology stands out as an area of most concern. For example:

- Australia's small businesses continue to be significantly less likely to use social media for business purposes, compared with businesses from Asia, with 45.1 per cent stating that they do NOT use social media for business purposes (compared with just 1.7 per cent from Mainland China).
- Australia's small businesses continue to be significantly less likely to earn revenue from online sales, with 56.5 per cent stating that they do NOT earn any revenue from online sales (compared with 2.1 per cent in Mainland China).

- Australia's small businesses were the most likely to state that they did NOT make any investment in technology in 2019, with 34.7 per cent stating that they did not invest in technology (compared to only 3.0 per cent of respondents from Vietnam).
- When Australia's small businesses do invest in technology, they are significantly less likely than small businesses from Asia to have found the investment increased their profitability in the short-term, with 18.8 per cent stating their investment in technology in 2019 improved their profitability, compared with 88.0 per cent of small businesses from Vietnam.
- While Australia's small businesses are the second most likely to not receive any payments in cash (39.5 per cent), this is not translating through to the adoption of new digital payment technologies, such as Apple Pay and Alipay, with Australia's small businesses the least likely to make such payment technologies available to their customers. 45.8 per cent of Australia's small businesses do not allow customers to pay via new digital/online payment technologies, whereas only 0.8 per cent of small businesses from Mainland China do not accept payment through such technology.
- Australia's small businesses seem somewhat relaxed in their assessment of the likelihood of their business experiencing a cyberattack in the next 12 months with only 17.6 per cent stating that an attack is likely; compared to the survey average of 37.5 per cent.
- While most of Australia's small businesses believe a cyberattack on their business is not likely in 2019, many (35.3 per cent) have reviewed their cybersecurity measures in the past six months.

For policymakers and others seeking to promote stronger growth in Australia's small business sector, improving the digital capability of small business is a must. With most Australian small businesses having less than five employees, professional advisers such as accountants will play a critical role in building such capability.

Small businesses in Australia remain significantly less likely to expect to invest in innovation than small businesses from the Asian markets surveyed. This may be impacting the growth of many Australian small businesses, with the survey results showing that businesses that state they will introduce a new product, process or service that is unique to their market or the world in 2020 are significantly more likely to expect to grow their business.

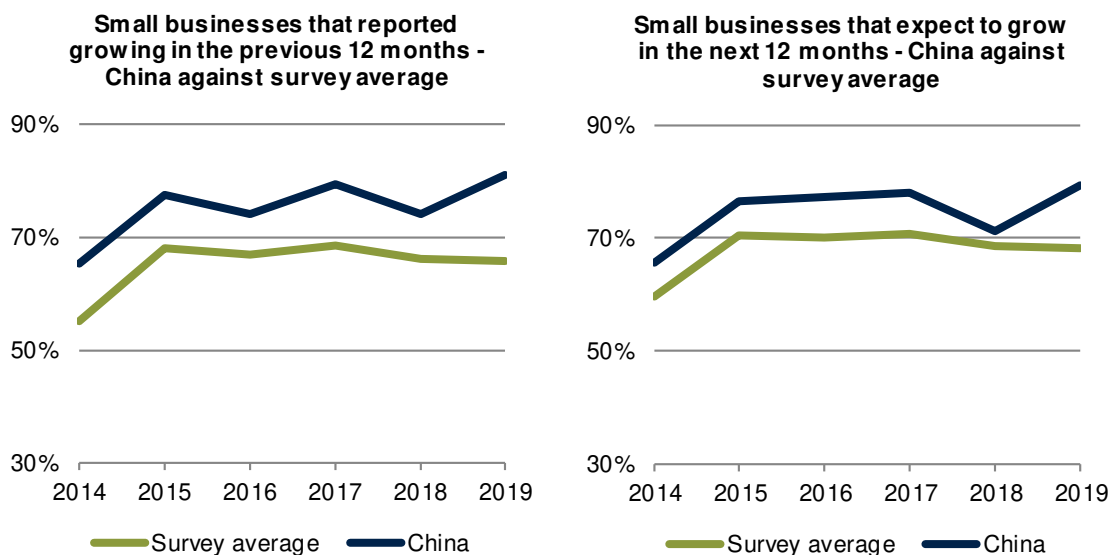
Australian small businesses also remain much less likely to expect to be focused on growing their revenue from exporting than their peers from Asia. With small business confidence in the Australian economy relatively low, seeking alternative markets is one way of growing business and diversifying revenue streams in difficult conditions. The survey results show that businesses that are expecting to grow their revenue from overseas sales are significantly more likely to be growing.

Australian small businesses continue to remain significantly less likely to have sourced funds from an external source than small businesses from Asia. This can be explained by low growth expectations and the limited need for finance to fund asset purchases or invest in innovation or market expansion. Difficulty accessing finance cannot explain this as Australia remains one of the easiest markets in which to access finance in the Asia Pacific. Where Australian small businesses access external finance, banks continue to be the most popular source of finance.

With a significant proportion of Australian small business owners close to or at retirement age, their lack of focus on digital technologies, innovation and exporting should make their recovery from COVID-19 difficult and long for many.

## Mainland China market summary<sup>2</sup>

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	81.0%	65.8%	4/11	74.0%	4/10	79.5%	74.1%	77.4%
<b>Businesses that expect to grow in the next 12 months</b>	79.4%	68.2%	5/11	71.1%	5/10	78.1%	77.3%	76.7%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	82.6%	59.1%	3/11	64.3%	5/10	76.7%	69.2%	71.1%

<sup>2</sup> All data for Mainland China excludes Hong Kong and Taiwan, which are shown separately for the purpose of this report.

## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Increased employee numbers	57.0%	32.5%	1/11	39.7%	3/10	43.9%	38.8%	43.1%
Improved business management had a major positive impact on their business	19.9%	17.6%	5/11	25.8%	5/10	29.2%	32.2%	33.1%
Increasing costs had a major negative impact on their business	26.9%	33.8%	10/11	34.4%	9/10	36.0%	36.2%	38.9%
Required funds from an external source	61.4%	52.2%	3/11	79.6%	1/10	84.5%	80.7%	79.3%
Sought external funds for business growth	53.0%	54.0%	6/11	59.9%	4/10	69.3%	66.5%	62.4%
Found it easy or very easy to access external finance	53.8%	31.6%	1/11	35.4%	4/10	36.1%	40.3%	59.3%
A bank was the business's main source of external finance	18.8%	36.2%	11/11	29.6%	9/10	31.3%	32.5%	27.7%

## Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
Expect to increase employee numbers	63.2%	42.7%	2/11	51.0%	4/10	51.5%	49.4%	55.2%
Will introduce a new product, service or process unique to their market or the world	45.6%	25.8%	1/11	26.0%	5/10	27.2%	28.5%	31.6%
Expect revenue from overseas markets to grow strongly	23.7%	17.1%	4/11	14.4%	6/10	17.2%	16.6%	15.7%
Will seek external funds	33.8%	23.3%	2/11	36.4%	3/10	39.8%	37.0%	45.2
Expect easy to very easy access to finance	49.8%	27.4%	1/11	33.8%	1/10	39.6%	42.7%	55.4%

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Did NOT earn any revenue from online sales</b>	2.1%	26.2%	11/11	5.4%	10/10	6.8%	7.7%	9.2%
<b>Did NOT use social media for business purposes</b>	1.7%	18.9%	11/11	3.7%	10/10	4.8%	2.9%	2.3%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	56.6%	48.9%	5/11	67.0%	4/10	74.1%	N/A	N/A
<b>Technology your business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
<b>Consider your business likely to be cyberattacked in next 12 months</b>	45.1%	37.5%	3/11	46.3%	3/10	44.9%	N/A	N/A
<b>Reviewed your business's cybersecurity protections in last six months</b>	67.6%	45.9%	2/11	69.0%	2/10	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	91.4%	60.1%	1/11	87.1%	1/10	84.2%	N/A	N/A

## Factors that had positive and negative influences on business

<b>Top four factors that had a positive influence on small business in 2019</b>	<b>Top four factors that had a positive influence on small business in 2018</b>
Good staff	Improved customer satisfaction
Improved customer satisfaction	Introduced a new product or service
Introduced a new product or service	Good staff
Positive overall economic environment	Improved business strategy

<b>Top four factors that had a negative impact on small business in 2019</b>	<b>Top four factors that had a negative impact on small business in 2018</b>
Increasing costs	Increasing costs
Poor overall economic environment	Poor overall economic environment
Increasing competition	Increasing rent
Increasing rent	Increasing competition

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	28.9%	33.1%	6/11	39.7%	4/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	74.2%	65.4%	3/11	64.8%	5/10	73.1%	68.6%	69.8%
Respondent is aged under 40	77.5%	54.7%	1/11	69.9%	2/10	68.5%	60.0%	59.5%
Respondent is the business owner	11.7%	42.5%	10/11	10.1%	10/10	6.1%	9.5%	23.8%
Business has 10 to 19 employees	73.1%	34.6%	1/11	70.0%	1/10	77.9%	68.8%	65.6%

## Key figures by city (excluding Hong Kong and Taiwan)

	Beijing	Chongqing	Guangzhou	Shanghai	Shenzhen	Mainland China average	Survey average
Businesses that grew in the last 12 months	84.9%	78.7%	81.4%	84.2%	75.8%	81.0%	65.8%
Businesses that expect to grow in the next 12 months	86.2%	73.5%	82.7%	82.2%	72.6%	79.4%	68.2%
Businesses that expect the local economy to grow in the next 12 months	88.2%	77.4%	79.5%	84.9%	83.4%	82.6%	59.1%
Increased employee numbers over the past 12 months	71.7%	47.7%	53.8%	60.5%	51.6%	57.0%	32.5%
Plan to increase employee numbers over the next 12 months	77.0%	52.9%	66.0%	67.8%	52.9%	63.2%	42.7%
Required external funds over the past 12 months	36.2%	78.1%	62.8%	48.0%	80.9%	61.4%	52.2%
Found access to external finance easy or very easy over the past 12 months	69.1%	60.3%	32.7%	63.0%	52.0%	53.8%	31.6%
Banks were the main source of external funds	14.5%	22.3%	26.5%	15.1%	13.4%	18.8%	36.2%



<b>Business growth was the main reason for seeking external finance</b>	49.1%	52.1%	62.2%	53.4%	48.0%	53.0%	54.0%
<b>Will seek external funds in next 12 months</b>	25.7%	49.0%	37.2%	25.0%	31.8%	33.8%	23.3%
<b>Expect easy to very easy access to finance in next 12 months</b>	56.0%	58.1%	27.7%	52.9%	54.4%	49.8%	27.4%
<b>Expect revenue from overseas markets to grow strongly over the next 12 months</b>	23.7%	37.4%	19.2%	17.8%	20.4%	23.7%	17.1%
<b>Will introduce a new product, service or process unique to their market or the world in the next 12 months</b>	67.1%	41.3%	43.6%	46.7%	29.9%	45.6%	25.8%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	36.8%	68.4%	64.1%	46.7%	66.2%	56.6%	48.9%
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	94.5%	90.1%	92.2%	90.6%	89.7%	91.4%	60.1%
<b>Did NOT use social media for business purposes</b>	3.3%	1.3%	1.9%	0.7%	1.3%	1.7%	18.9%
<b>Did NOT generate any sales online</b>	2.6%	2.6%	3.8%	0.7%	0.6%	2.1%	26.2%
<b>Think it is LIKELY their business will be cyberattacked in 2019</b>	34.9%	59.4%	37.2%	43.4%	50.3%	45.1%	37.5%
<b>Reviewed the business's cybersecurity protections in last six months</b>	62.5%	59.4%	73.7%	63.2%	79.0%	67.6%	45.9%
<b>Possible trade war between the US and a range of other economies will have a negative impact on the business in next 12 months</b>	11.9%	30.3%	41.7%	19.7%	40.1%	28.9%	33.1%
<b>Staff costs were most detrimental to the business</b>	23.0%	47.7%	37.8%	32.2%	55.4%	39.4%	32.5%
<b>Respondent aged under 40</b>	78.3%	71.6%	78.8%	84.9%	73.9%	77.5%	54.7%

## Summary

2019 was a positive year for Mainland China's small business sector, with 81.0 per cent of businesses stating that they grew which was higher than the 74.0 per cent in 2018 and the survey average of 65.8 per cent.

As in previous surveys, the number of small businesses from Mainland China that reported growing in 2019 was higher than most other markets included in this survey, and well above developed markets such as Australia, where only 35.3 per cent reported growing.

Fifty-seven per cent of respondents from Mainland China stated that they added staff in 2019, an increase of 17 percentage points from 2018, the highest among all markets, reflecting the high number of small businesses from Mainland China experiencing growth.

Small businesses from Mainland China continue to be leaders in using technology in their business. Of the eleven markets surveyed, they were the most likely to have earned revenue from online sales and the most likely to be using social media for business purposes. In fact, the percentage of Mainland Chinese small businesses making online sales and using social media is so high that it would be difficult to find businesses in Mainland China that are not. Further, they are not just dabbling in online sales – a staggering 86.3 per cent of them have earned more than 10 per cent of their revenue from online sales.

Another area of technology where Mainland China's small business sector is a clear leader is the use of digital and online payment options. Small businesses from the Mainland are by far the most likely to offer clients the option to pay via new digital or mobile payment methods, such as Alipay, WeChat Pay etc. More than nine in ten (91.4 per cent) respondents generate more than 10 per cent of their sales through such technology, significantly above the survey average of 60.1 per cent.

Mainland China's small businesses are most likely to rely on venture capital funding and angel financing as their main source of external finance. 22.2 per cent of Mainland China's small businesses stated that this was their main source of external funding, far outstripping the other ten markets surveyed.

Mainland China's small businesses are also making use of alternative financing, with small businesses from the Mainland being the most likely to access funding from peer-to-peer lending and crowd-sourced funding (14.2 per cent stated that this was their main source of external finance in 2019).

The strong level of digital capability in Mainland China's small business sector is also having a very positive impact on technology investment decisions. Of the small businesses from Mainland China that invested in technology in 2019, 56.6 per cent stated that such an investment was already profitable. In Australia, where digital technology has a relatively low uptake among small businesses, only 18.8 per cent of businesses that invested in technology in 2019 reported that their investment was already profitable. Small businesses from China were the most likely to state that the technology they invested in most heavily was customer relationship management (CRM) software, business intelligence and analytical software, and data visualisation software. They were also most likely to state that they will have plans to introduce a new product, service or process in 2020.

The innovative culture of Mainland China's small business sector is supporting current and future growth and is helping to improve the competitiveness of Mainland China's businesses, both domestically and globally. It is highly likely that the Chinese Government's strong focus and effort on innovation and technology is helping embed this innovative culture in their small businesses.

Ease of access to external finance is important for small businesses in Mainland China to help fund its growth and investment in technology. Reflecting this trend and positive business outlook for external funding, the percentages of businesses who found it easy or very easy to access external finance in 2019 were the highest of the markets surveyed.

Of course, small businesses from Mainland China, like all the other markets, face several challenges – with increasing costs being identified as the most significant barrier to their growth (26.9 per cent).

With over one third of Mainland China's small businesses identifying high staff costs as being one of the most detrimental cost to small businesses in 2019, it is unsurprising that 'good staff' was the factor most likely to be selected by Mainland Chinese businesses as having had the most positive impact on their business in 2019.

Small businesses in Mainland China also found that 'improved customer satisfaction' and 'introducing a new product or service' had the most positive impacts on their business in 2019. These results reflect the strong growth orientation of small businesses in Mainland China.

Uncertainties over the impact of the trade war between the US and other economies on businesses have appeared to ease with 28.9 per cent of Mainland China's small businesses stating that a trade war will have a negative impact on their business in 2020, down from 39.7 per cent in 2019. In fact, more Mainland China's small businesses believe such a trade war is an opportunity, with 34.3 per cent stating they expect it would have a positive impact on their business – the highest for all markets surveyed. This suggests that Mainland Chinese small businesses are focusing more on domestic growth.

With Mainland Chinese small businesses being the third most likely to expect a cyberattack in 2020, it is no surprise that over 67.6 per cent have reviewed their cybersecurity in the past six months.

Highlights of the five Mainland Chinese cities surveyed (Beijing, Chongqing, Guangzhou, Shanghai and Shenzhen) include:

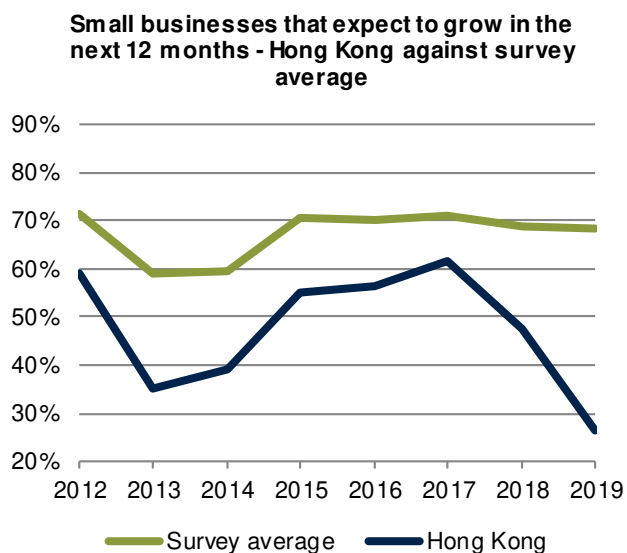
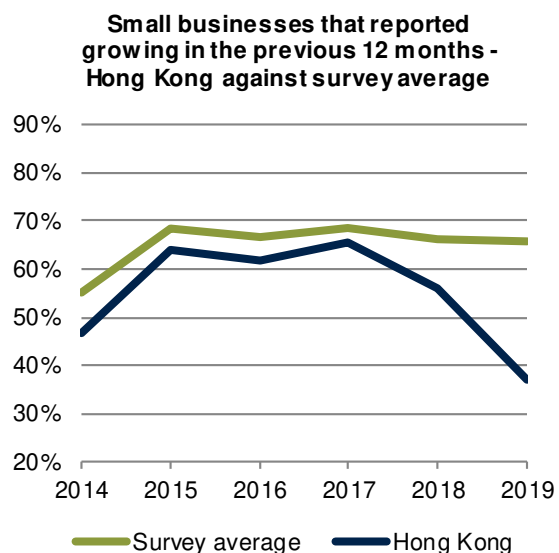
- Small businesses from Beijing were the most likely to report growing in 2019.
- Reflecting this result, small businesses from Beijing were the most likely to state that they increased employee numbers in 2019.
- Small businesses from Shenzhen were the most likely to have required external finance reflecting its status as a growing start-up hub with a raft of opportunities for external funding.
- On the same note, Shenzhen small businesses were the most likely to experience easy financing conditions.
- Small businesses from Guangzhou were the most likely to state that a bank was their main source of their finance, while small businesses from Shenzhen were the most likely to nominate peer-to-peer lending as their main source of finance.
- Small businesses from Beijing were the most likely to state that they will innovate in 2020.
- Shenzhen small businesses were the most likely to nominate 'introduced a new product or service' as having a major positive impact on their business in 2019, while Guangzhou small businesses were the most likely to nominate 'positive overall economic environment' as having a major positive impact on their business.
- Beijing small businesses were the least likely to expect that global trade tensions will have a negative impact on their business in 2020.
- Beijing small businesses were the most likely to be using social media to sell to customers and learn about the behaviours of customers and potential customers, while Shanghai small businesses were the most likely to be using social media to communicate with existing customers.

- Chongqing small businesses are the most likely to expect a cyberattack in 2020.
- Businesses from Shenzhen were the most likely to nominate staff costs as being detrimental to their business.

Looking at the results for Mainland China's small businesses, there is a lot to be positive about. A record number of small businesses are experiencing growth, they are leading in increasing employee numbers, and in adoption and use of technology across the region. Access to external funding for small businesses is relatively easy and a sizeable number are investing in innovation. These factors should assist many small businesses from Mainland China recover quickly from COVID-19 and be well-positioned for long-term growth.

## Hong Kong market summary<sup>3</sup>

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	37.0%	65.8%	10/11	55.9%	9/10	65.5%	61.7%	63.8%
<b>Businesses that expect to grow in the next 12 months</b>	26.4%	68.2%	11/11	47.3%	10/10	61.6%	56.6%	55.1%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	17.5%	59.1%	11/11	29.0%	10/10	57.7%	50.2%	52.1%

<sup>3</sup> For the purpose of this survey, data collected from small businesses in Hong Kong and Taiwan is shown separately from the data collected for the rest of China

## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Increased employee numbers	14.5%	32.5%	10/11	16.8%	9/10	30.0%	19.6%	32.5%
Improved business management had a major positive impact on their business	16.8%	17.6%	7/11	21.1%	6/10	19.4%	20.9%	20.4%
Increasing costs had a major negative impact on their business	26.4%	33.8%	11/11	43.0%	5/10	37.7%	37.3%	41.9%
Required funds from an external source	60.7%	52.2%	4/11	53.4%	5/10	66.5%	72.7%	78.1%
Sought external funds for business growth	46.2%	54.0%	8/11	52.3%	7/10	55.3%	51.8%	50.2%
Found it easy or very easy to access external finance	20.1%	31.6%	8/11	12.8%	10/10	23.8%	19.9%	43.5%
A bank was the business's main source of external finance	31.0%	36.2%	6/11	38.9%	6/10	43.2%	31.4%	47.3%
Rent was the most detrimental factor impacting their business	41.9%	30.8%	2/11	52.7%	1/10	51.0%	52.4%	54.3%

## Planned business activity over the next 12 months

	2020	Survey average	Rank	2019	Rank 2019	2018	2017	2016
Expect to increase employee numbers	14.2%	42.7%	10/11	22.9%	8/10	33.9%	30.2%	32.8%
Will introduce a new product, service or process unique to their market or the world	8.6%	25.8%	9/11	12.5%	8/10	13.5%	14.8%	17.7%
Expect revenue from overseas markets to grow strongly	5.3%	17.1%	10/11	7.9%	8/10	15.5%	13.5%	22.3%
Will seek external funds	14.9%	23.3%	7/11	17.9%	5/10	21.9%	24.4%	31.3%
Expect easy to very easy access to finance	14.1%	27.4%	10/11	11.8%	9/10	21.5%	19.3%	41.7%

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Did NOT earn any revenue from online sales	31.7%	26.2%	5/11	31.9%	5/10	17.4%	21.9%	18.5%
Did NOT use social media for business purposes	16.8%	18.9%	6/11	16.1%	5/10	11.3%	11.6%	5.3%
Investment in technology by the business over the past 12 months has improved profitability	29.7%	48.9%	9/11	32.6%	7/10	48.1%	N/A	N/A
Technology your business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
Consider your business likely to be cyberattacked in next 12 months	31.7%	37.5%	8/11	42.3%	5/10	44.2%	N/A	N/A
Reviewed your business's cybersecurity protections in last six months	39.3%	45.9%	5/11	53.8%	3/10	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	54.2%	60.1%	4/11	51.9%	4/10	54.5%	N/A	N/A

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Cost control	Cost control
Good staff	Customer loyalty
Customer loyalty	Good staff
Political stability	Introduced a new product or service <sup>^</sup>

<sup>^</sup> equal third

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Political instability	Increasing costs
Poor overall economic environment	Increasing competition
Increasing competition	Increasing rent
Increasing costs	Staff costs

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	54.5%	33.1%	2/11	52.0%	1/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	52.8%	65.4%	9/11	52.0%	8/10	64.8%	68.8%	58.9%
Respondent is aged under 40	53.1%	54.7%	7/11	44.4%	8/10	51.3%	55.3%	63.4%
Respondent is the business owner	8.9%	42.5%	11/11	11.1%	9/10	7.4%	8.4%	9.8%
Business has 10 to 19 employees	50.8%	34.6%	3/11	42.3%	3/10	58.4%	60.5%	60.8%

## Summary

2019 was a very challenging year for small businesses in Hong Kong, with only 37 per cent stating that they grew, the lowest on record for the city. With the onset of COVID-19 pandemic, this pessimism will continue in 2020.

The percentage of Hong Kong small businesses that reported growing in 2019 (37.0 per cent) was the second lowest among all surveyed markets, only slightly ahead of bottom-ranked Australia which recorded 35.3 per cent.

In addition to COVID-19, the potential impact that global trade tensions could have on Hong Kong's outward looking economy is also a concern for Hong Kong's small businesses, with 54.5 per cent of respondents forecasting that a global trade war could have negative impacts on their business, the second highest level of concern among the 11 markets surveyed, after Vietnam.

2019 also featured a decline in the number of Hong Kong small businesses adding staff, reflecting less positive small business sentiment than in 2018. In 2019, 14.8 per cent of businesses added to their headcount, compared with 16.8 per cent in 2018.

There was a fall in the percentage of Hong Kong small businesses that sourced finance from a bank in 2019 (31.0 per cent compared with 38.9 per cent in 2018). Following banks, investors were the next most likely source of finance, with Hong Kong's small businesses again being the most likely of the markets surveyed to nominate an investor as their main source of finance (25.0 per cent).

With Hong Kong's small businesses having a reasonable focus on digital technologies and experience in managing through challenging periods, we do expect that they will manage through these tough times and be reasonably placed to rebound quickly and take advantage of opportunities, such as southern China's Greater Bay Area initiative and support strategies that will add long-term value such as investment in innovation and technology.



A positive feature of Hong Kong small businesses is their focus on digital technologies. For example:

- 43.3 per cent of businesses generate more than 10 per cent of their revenue online, compared with 26.8 per cent of Australian small business.
- Only 16.8 per cent of Hong Kong small businesses do not use social media, compared with 45.1 per cent of Australian small business.
- 29.7 per cent of businesses that invested in technology in 2019 found that such an investment was already profitable, compared with 18.8 per cent of Australian small business.
- Hong Kong small businesses are one of the strongest users of new payment technologies, such as Alipay, Apple Pay and WeChat Pay. Over half (54.2 per cent) of Hong Kong's small businesses generate more than 10 per cent of their sales through such technologies, compared with 37.1 per cent of Australian small businesses.
- While 31.7 per cent of Hong Kong's small businesses expect a cyberattack in 2020, 39.3 per cent reviewed their cybersecurity measures in the past six months.

With Mainland China being the most important market for Hong Kong, it is no surprise that there is focus on digital technologies in Hong Kong. Other factors that are most likely driving this investment in technology by Hong Kong small businesses are increasing competition and concerns over staff and rental costs.

Having said that, there is significant room for Hong Kong's small businesses to improve their focus on technology. Businesses should at least keep up with technological trends to cater to changing customer needs and new industry practices. A stronger focus on technology should improve the number of Hong Kong businesses that report growing.

Considering local events during 2019, Hong Kong small businesses face several challenges in addition to COVID-19, with political instability being the issue Hong Kong businesses were most likely to nominate as a barrier to growth in that year. Reflecting the downward pressure local social incidents have on rental costs, Hong Kong's small businesses were most likely to nominate staff costs as the cost most detrimental to their business, breaking the five years hold of rent being the most detrimental cost, which came second in 2019.

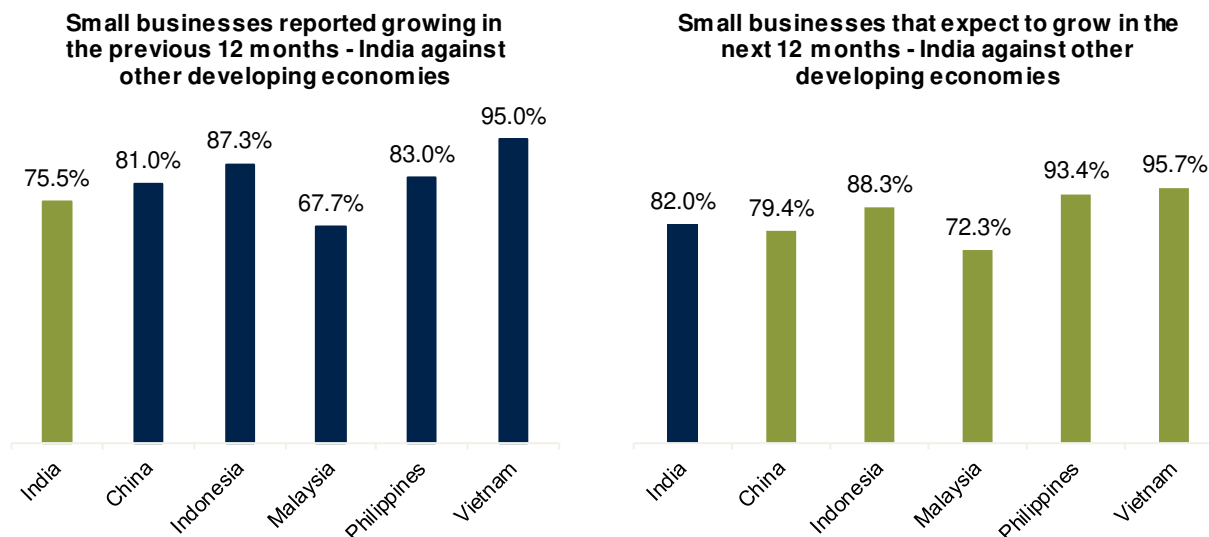
Given these concerns around costs, it is not surprising that Hong Kong businesses were again the most likely of the markets surveyed to nominate cost control as having the most positive impact on their business. However, the results show there is little correlation between cost control and growth.

Hong Kong's small businesses would benefit from a stronger focus on innovation (only 8.6 per cent of Hong Kong businesses stated they will innovate in 2020, compared with 45.6 per cent of businesses in top-placed Mainland China). Small businesses should be taking advantage of Hong Kong's proximity to leading innovation and technology centres, such as Shenzhen, and grasp the opportunities offered by significant government investment in innovation.

2019 was a highly challenging year for Hong Kong's small businesses and 2020 looks set to be even more challenging. We do, however, expect that the reasonable level of digital and management skills among Hong Kong's small businesses, plus their experience in managing through difficult periods, should see them recover fairly quickly from COVID-19 and return to growth in the medium-term as internal and external uncertainties recede.

## India market summary

### Business and economic growth



	2019	Survey average 2019	Rank 2019
<b>Businesses that grew in the last 12 months</b>	75.5%	65.8%	5/11
<b>Businesses that expect to grow in the next 12 months</b>	82.0%	68.2%	4/11
<b>Businesses that expect the local economy to grow in the next 12 months</b>	68.2%	59.1%	5/11

### Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019
<b>Increased employee numbers</b>	39.5%	32.5%	4/11
<b>Improved business management had a major positive impact on the business</b>	20.9%	17.6%	3/11
<b>Increasing costs had a major negative impact on the business</b>	35.6%	33.8%	4/11
<b>Required funds from an external source</b>	59.7%	52.2%	5/11
<b>Sought external funds for business growth</b>	58.6%	54.0%	4/11
<b>Found it easy or very easy to access external finance</b>	31.1%	31.6%	4/11
<b>A bank was the business's main source of external finance</b>	33.8%	36.2%	5/11

## Planned business activity over the next 12 months

	2020	Survey average	Rank 2020
Expect to increase employee numbers	57.5%	42.7%	4/11
Will introduce a new product, service or process unique to their market or the world	34.2%	25.8%	4/11
Expect revenue from overseas markets to grow strongly	27.5%	17.1%	2/11
Will seek external funds	29.6%	23.3%	4/11
Expect easy to very easy access to finance	26.8%	27.4%	4/11

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019
Did NOT earn any revenue from online sales	28.1%	26.2%	6/11
Did NOT use social media for business purposes	23.9%	18.9%	4/11
Investment in technology by the business over the past 12 months has improved profitability	59.7%	48.9%	4/11
Technology your business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A
Consider your business likely to be subjected to a cyberattack in next 12 months	38.7%	37.5%	5/11
Reviewed your business's cybersecurity protections in last six months	38.5%	45.9%	7/11
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	63.4%	60.1%	3/11

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a negative impact on small business in 2019
Improved customer satisfaction	Increasing costs
Good staff	Increasing competition
Customer loyalty	Tax
Technology	Cash flow difficulties

## Impact of a trade war

	2019	Survey average 2019	Rank 2019
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	27.9%	33.1%	7/11

## Demographics

	2019	Survey average 2019	Rank 2019
Business has been established for 10 years or less	72.1%	65.4%	5/11
Respondent is aged under 40	61.3%	54.7%	6/11
Respondent is the business owner	55.1%	42.5%	5/11
Business has 10 to 19 employees	25.7%	34.6%	5/11

## Key figures by city

	Delhi/ Gurgaon	Mumbai	Chennai	Bengaluru	Hyderabad	India average	Survey average
Businesses that grew in the last 12 months	78.6%	78.4%	66.3%	77.2%	75.5%	75.5%	65.8%
Businesses that expect to grow in the next 12 months	80.6%	84.7%	78.7%	89.1%	76.5%	82.0%	68.2%
Businesses that expect the local economy to grow in the next 12 months	73.8%	73.8%	59.6%	70.3%	61.7%	68.2%	59.1%
Increased employee numbers over the past 12 months	54.4%	38.7%	31.5%	30.7%	41.2%	39.5%	32.5%
Plan to increase employee numbers over the next 12 months	72.8%	57.7%	51.7%	51.5%	52.9%	57.5%	42.7%
Required external funds over the past 12 months	68.0%	59.5%	61.8%	50.5%	58.8%	59.7%	52.2%
Found access to external finance easy or very easy over the past 12 months	35.7%	30.3%	36.4%	19.6%	31.7%	31.1%	31.6%
Banks were the main source of external funds	38.6%	31.8%	32.7%	33.3%	31.7%	33.8%	36.2%
Business growth was the main reason for seeking external finance	57.1%	56.1%	52.7%	66.7%	61.7%	58.6%	54.0%
Will seek external funds in next 12 months	33.0%	30.6%	33.7%	28.7%	22.5%	29.6%	23.3%
Expect easy to very easy access to finance in next 12 months	27.6%	29.8%	30.4%	17.4%	27.6%	26.8%	27.4%
Expect revenue from overseas markets to grow strongly over the next 12 months	30.1%	30.6%	27.0%	26.7%	22.5%	27.5%	17.1%
Will introduce a new product, service or process unique to their market or the world in the next 12 months	41.7%	39.6%	21.3%	30.7%	35.3%	34.2%	25.8%

<b>Investment in technology by the business over the past 12 months has improved profitability</b>	65.0%	66.6%	57.3%	57.4%	51.0%	59.7%	48.9%
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	60.0%	64.0%	72.2%	62.0%	59.5%	63.4%	60.1%
<b>Did NOT use social media for business purposes</b>	23.3%	27.0%	18.0%	23.8%	26.5%	23.9%	18.9%
<b>Did NOT generate any sales online</b>	19.4%	26.1%	28.1%	37.6%	29.4%	28.1%	26.2%
<b>Think it is LIKELY their business will be cyberattacked in 2019</b>	55.3%	36.9%	37.1%	28.7%	35.3%	38.7%	37.5%
<b>Reviewed the business's cybersecurity protections in last six months</b>	46.6%	45.9%	37.1%	29.7%	32.4%	38.5%	45.9%
<b>Possible trade war between the US and a range of other economies will have a negative impact on the business in next 12 months</b>	31.1%	28.8%	31.5%	19.8%	28.4%	27.9%	33.1%
<b>Staff costs were most detrimental to the business</b>	34.0%	34.2%	34.8%	28.7%	24.5%	31.2%	34.9%
<b>Respondent aged under 40</b>	66.0%	63.9%	51.7%	58.4%	64.7%	61.3%	54.7%

## Summary

Small business conditions were positive in India in 2019, with over three quarters (75.5 per cent) of respondents stating their business grew, higher than the survey average of 65.8 per cent and well above developed markets such as Australia, where only 35.3 per cent of businesses reported growing. Reflecting positive business conditions, 39.5 per cent stated they added staff in 2019.

Of course, while the survey results are very positive, Indian small businesses also report challenges, with increasing costs – especially taxes – and increasing competition seen as the largest barriers to growth. Improved customer satisfaction was the factor that had the most positive impact on India's small businesses in 2019, and good staff and customer loyalty were the second and third most popular factors respectively.

Small businesses from India are relatively strong users of digital technologies, particularly in comparison to developed economies such as Australia, Singapore and New Zealand. Nearly half of Indian businesses surveyed (45.5 per cent) earned more than ten per cent of their revenue from online sales. Further, most use social media for business purposes, with 41.7 per cent stating that they use it to promote their business to potential customers.

A majority of India's small businesses are users of new digital payment technologies, such as Paytm, PhonePe and Amazon Pay. India's small business sector is ranked third in new digital payment technologies uptake, with 63.2 per cent of businesses receiving more than 10 per cent of their sales through such technologies.

India's small businesses are innovative, with more than one third (34.2 per cent) stating that they will introduce a totally new product, process or service to their market or the world in 2020, higher than the survey average of 25.8 per cent.

The strong investment in technology in India is producing benefits for many small businesses. 59.7 per cent stated that their investment in technology in 2019 has already resulted in improvements in profitability – above the survey average of 48.9 per cent. This result will no doubt encourage further investment in technology and assist India's small business sector to become more globally competitive.

38.7 per cent of India's small businesses expect to be cyberattacked in 2020, slightly above the survey average of 37.5 per cent. Given this result, it is not surprising that a similar proportion (38.5 per cent) of India's small businesses have reviewed their cybersecurity in the past six months.

Reflecting the strong growth and high investment needs of the majority of India's small business, nearly six in ten (59.7 per cent) accessed external finance in 2019, with a bank being the most likely source of that finance. However, many small businesses from India find accessing finance more difficult than easy, with 42.1 per cent of those who accessed finance reporting that it was difficult or very difficult, compared with the 31.1 per cent that found it easy.

Uncertainties over the impact of a possible trade war between the US and other economies on businesses are generally low, with only 27.9 per cent of small businesses stating that a trade war will have a negative impact on their business in 2020, below the survey average of 33.1 per cent. However, for some, such a trade conflict could create opportunities, with 24.9 per cent of Indian small businesses stating that they expect a trade war to have a positive impact on their business.

Highlights of the five Indian cities surveyed (Delhi/Gurgaon, Mumbai, Chennai, Bengaluru and Hyderabad) include:

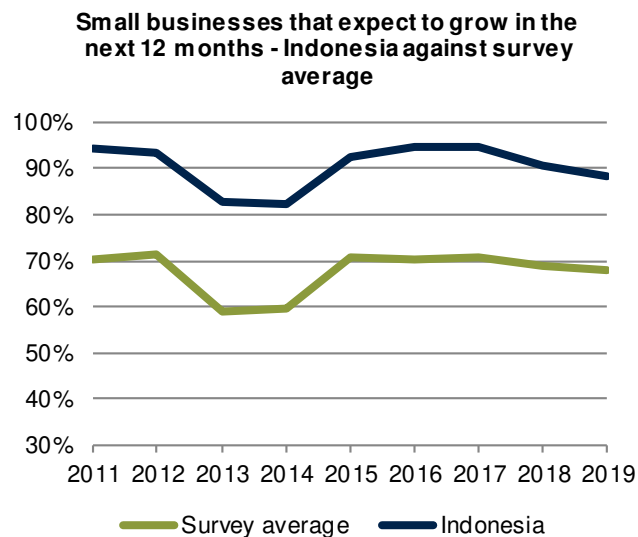
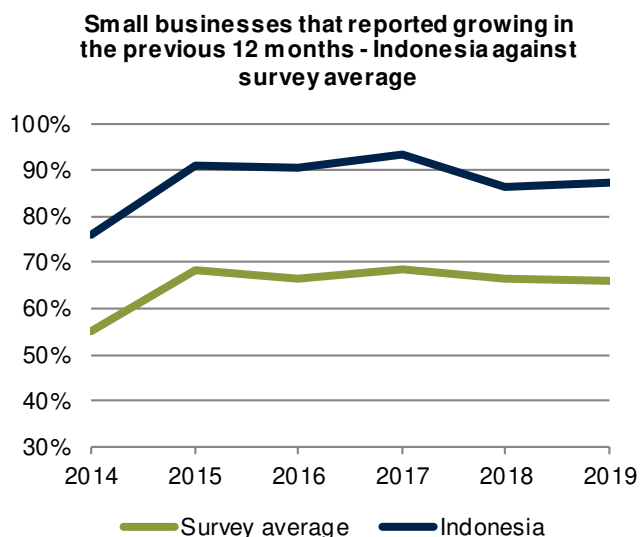
- Small businesses from Delhi/Gurgaon were most likely to have reported growing, increased employee numbers and required external finance in 2019.
- On the same note, small businesses from Delhi/Gurgaon were the most likely to experience easy financing conditions.
- Small businesses from Chennai were the most likely to nominate venture capital fund / angel financing as their main source of finance, and small businesses from Hyderabad were the most likely to choose non-bank financial institutions as their main source of finance.
- Small businesses from Delhi/Gurgaon were the most likely to state that they will innovate in 2020.
- Bengaluru small businesses were the most likely to nominate 'introduced a new product or service' as having a major positive impact on their business in 2019, while Mumbai small businesses were the most likely to nominate 'technology' as having a major positive impact on their business.
- Chennai businesses were the most likely to have more than 10 per cent of sales received through digital payment options.
- Chennai small businesses were the most likely to be using social media to sell to customers, communicate with existing customers and monitor competitors, while Bengaluru small businesses were the most likely to be using social media to promote their business to potential customers.

- Delhi/Gurgaon small businesses are the most likely to expect a cyberattack in 2020.
- Businesses from Delhi/Gurgaon were the most likely to nominate taxes as being detrimental to their business, while businesses from Mumbai are the most likely to state that rent as being detrimental to their business.

With significant numbers of India's small businesses having characteristics strongly connected with growth – a focus on technology, e-commerce, improving customer satisfaction and innovation - we are likely to see this sector recover quickly from COVID-19 and then grow strongly for some time to come. We are also likely to see several of India's current small businesses evolve to become large, successful global businesses in the next few years.

## Indonesia market summary

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	87.3%	65.8%	2/11	86.6%	2/10	93.4%	90.4%	91.2%
<b>Businesses that expect to grow in the next 12 months</b>	88.3%	68.2%	3/11	90.8%	3/10	94.7%	94.7%	92.5%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	75.7%	59.1%	4/11	79.0%	3/10	83.6%	90.1%	83.7%



## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Increased employee numbers</b>	50.7%	32.5%	2/11	55.7%	2/10	65.5%	63.4%	66.3%
<b>Improved business management had a major positive impact on their business</b>	22.3%	17.6%	2/11	31.1%	2/10	39.1%	34.0%	33.3%
<b>Increasing costs had a major negative impact on their business</b>	33.3%	33.8%	7/11	42.0%	6/10	35.5%	34.3%	36.9%
<b>Required funds from an external source</b>	70.3%	52.2%	2/11	75.7%	3/10	88.8%	82.5%	86.3%
<b>Sought external funds for business growth</b>	64.9%	54.0%	2/11	74.9%	1/10	77.8%	70.0%	64.0%
<b>Found it easy or very easy to access external finance</b>	25.6%	31.6%	6/11	36.4%	3/10	47.0%	39.2%	60.6%
<b>A bank was the business's main source of external finance</b>	34.6%	36.2%	4/11	43.7%	4/10	55.2%	50.0%	50.0%

## Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
<b>Expect to increase employee numbers</b>	61.7%	42.7%	6/11	67.2%	2/10	75.3%	71.3%	71.2%
<b>Will introduce a new product, service or process unique to their market or the world</b>	40.3%	25.8%	2/11	33.1%	3/10	49.3%	48.2%	45.8%
<b>Expect revenue from overseas markets to grow strongly</b>	25.7%	17.1%	3/11	22.6%	3/10	44.4%	39.6%	57.8%
<b>Will seek external funds</b>	32.0%	23.3%	3/11	36.7%	2/10	50.3%	43.9%	45.8%
<b>Expect easy to very easy access to finance</b>	26.5%	27.4%	5/11	31.5%	2/10	45.5%	41.3%	59.7%

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Did NOT earn any revenue from online sales</b>	14.0%	26.2%	9/11	11.1%	9/10	6.9%	14.9%	4.6%
<b>Did NOT use social media for business purposes</b>	11.3%	18.9%	8/11	7.2%	9/10	8.2%	9.6%	3.3%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	76.7%	48.9%	2/11	77.4%	1/10	85.5%	N/A	N/A
<b>Technology the business invested in most heavily over the past 12 months</b>	Computer equipment Mobile apps^	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
<b>Consider the business likely to be cyberattacked in next 12 months</b>	58.7%	37.5%	2/11	65.6%	2/10	76.6%	N/A	N/A
<b>Reviewed the business's cybersecurity protections in last six months</b>	47.0%	45.9%	3/11	47.2%	4/10	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	53.9%	60.1%	4/11	61.4%	2/10	48.7%	N/A	N/A

^ equal first

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Improved customer satisfaction	Improved customer satisfaction
Customer loyalty	Improved business strategy
Improved business strategy	Customer loyalty
Cost control	Technology

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing competition	Increasing competition
Increasing costs	Increasing costs
Poor overall economic environment	Poor overall economic environment
Difficulty expanding into new markets	Fluctuations in the value of the local currency

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	18.0%	33.1%	11/11	24.3%	8/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	84.7%	65.4%	1/11	77.0%	2/10	79.2%	76.6%	75.2%
Respondent is aged under 40	68.7%	54.7%	2/11	68.2%	3/10	71.7%	74.6%	79.4%
Respondent is the business owner	63.7%	42.5%	3/11	50.2%	5/10	26.0%	32.3%	35.6%
Business has 10 to 19 employees	26.7%	34.6%	4/11	37.7%	4/10	43.4%	59.1%	65.0%

## Summary

Conditions were very positive for Indonesia's small businesses in 2019, with 87.3 per cent of reporting that they grew, a slight increase from 86.6 per cent in 2018. Indonesia's small businesses were the second most likely to report growing, only behind Vietnam. This result was well above the survey average of 65.8 per cent.

In addition to the overall result, 31.7 per cent of small businesses stated that their growth in 2019 was very strong – the highest result of the markets surveyed. In comparison, only 5.3 per cent of Hong Kong's businesses recorded very strong growth in 2019.

Reflecting the very positive business conditions, 50.7 per cent of Indonesia's small businesses stated that they added to their employee numbers in 2019, the second highest among the markets surveyed.

One factor driving strong business growth is the relatively strong uptake of new technologies by Indonesia's small businesses. Most Indonesian small businesses sell online, with 62.7 per cent stating that more than 10 per cent of their revenue comes from online sales. Further, an overwhelming majority of Indonesia's small business use social media, and they are most likely to use social media for promoting their business to potential customers.

A majority of Indonesia's small businesses are users of new digital payment technologies, such as OVO, Go-Pay, PayPal and TCASH. While businesses from Mainland China are the clear leaders in the uptake of this new technology (91.4 per cent of businesses receiving more than 10 per cent of their sales from such technology), Indonesia's small business sector is in fourth place, with 53.2 per cent of businesses receiving more than 10 per cent of their sales through such technologies. Although this is down from the 2018 result of 61.4 per cent, it is still nearly double the 31.5 per cent in Taiwan.

Despite this, cash remains a very important payment option for Indonesia's small businesses, with more than two-thirds (69.0 per cent) stating that it makes up 50 per cent or more of their sales, up from 63.6 per cent in 2018. Given the broad cross-section of industries represented in Indonesia's survey sample, it can be assumed that many business-to-business transactions are still done in cash.

Despite 58.7 per cent of Indonesia's small businesses expecting a cyberattack in 2020, only 47 per cent stated that they have reviewed their cybersecurity in the past six months. In terms of the difference between expectations of an attack and taking action, the Indonesian results are the worst in the survey. While there is awareness in Indonesia that cybersecurity is an issue, it needs to better translate into action to protect business systems.

The strong investment in technology in Indonesia is producing benefits for most of Indonesia's small businesses. 76.7 per cent stated that their investment in technology in 2019 has already resulted in improvements in profitability – the second highest result of the markets surveyed. This result, plus Indonesia's strong business confidence, will no doubt encourage further investment in technology and assist Indonesia's small business sector to become more globally competitive.

Indonesia's small business sector continues to be highly innovative, with 40.3 per cent stating that they will introduce a totally new product, process or service to Indonesia or the world in 2020, the second highest result of the markets surveyed. This is likely to result in a stronger and more competitive small business sector.

Of course, while the survey results are overwhelmingly positive for Indonesia, businesses also report challenges, with increasing competition seen as the largest barrier to growth. However, competition is likely to have positive long-term implications, as it helps to encourage innovation and expansion into new markets – essential ingredients of growth according to the survey.

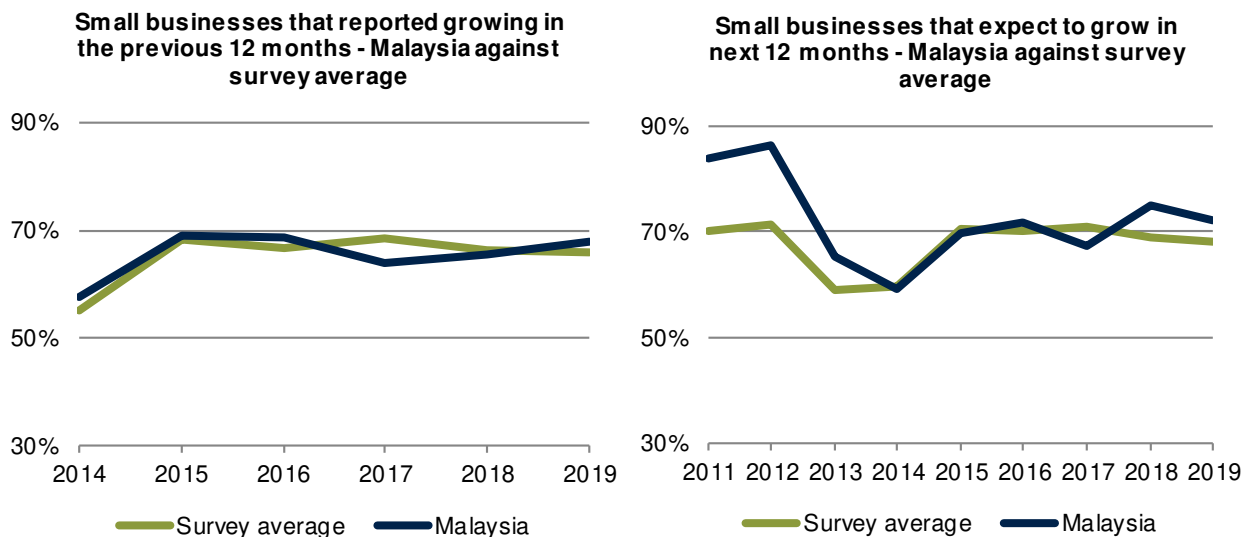
Reflecting the strong growth and high investment needs of most of Indonesia's small business, over seven out of ten (70.3 per cent) accessed external finance in 2019, with a bank being the most likely source of that finance. However, reflecting slightly more subdued sentiment, this result was down from the 75.7 per cent that required external finance in 2018. This may also reflect a decrease in respondents from Indonesia who found it easy to access finance, with 25.6 per cent reporting that accessing finance was easy or very easy in 2019, down from 36.4 per cent in 2018 and 47.0 per cent in 2017.

The prospect of a trade war between major global economies is not something that is thought to have a negative impact on many Indonesian small businesses, with only 18.0 per cent forecasting it will have a negative impact. In fact, more Indonesian small businesses believe such a trade war is an opportunity, with 29.0 per cent stating they expect it would have a positive impact on their business.

We see the future of Indonesia's small business sector as very positive. With significant numbers of Indonesia's small businesses having characteristics strongly connected with growth – a focus on technology, e-commerce, improving customer satisfaction, improving business strategy and innovation, we are likely to see this sector recover quickly from COVID-19 then grow strongly for some time to come. We are also likely to see several of Indonesia's current small businesses evolve to become large, successful global businesses in the next few years.

## Malaysia market summary

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	67.7%	65.8%	6/11	65.5%	5/10	64.1%	68.7%	69.0%
<b>Businesses that expect to grow in the next 12 months</b>	72.3%	68.2%	6/11	75.0%	4/10	67.3%	71.7%	69.7%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	55.3%	59.1%	6/11	69.1%	4/10	53.7%	52.8%	46.8%

## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Increased employee numbers</b>	26.7%	32.5%	6/11	25.7%	5/10	27.5%	33.6%	31.6%
<b>Improved business management had a major positive impact on their business</b>	29.0%	17.6%	1/11	28.3%	4/10	29.4%	27.0%	31.3%
<b>Increasing costs had a major negative impact on their business</b>	44.7%	33.8%	2/11	51.6%	1/10	52.1%	45.9%	48.7%
<b>Required funds from an external source</b>	52.7%	52.2%	7/11	39.5%	6/10	54.7%	62.2%	57.7%
<b>Sought external funds for business growth</b>	58.9%	54.0%	3/11	55.0%	6/10	62.1%	51.3%	51.4%
<b>Found it easy or very easy to access external finance</b>	15.8%	31.6%	11/11	16.7%	8/10	13.0%	15.7%	31.8%
<b>A bank was the business's main source of external finance</b>	29.7%	36.2%	7/11	35.8%	7/10	33.7%	40.8%	45.3%

## Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
<b>Expect to increase employee numbers</b>	42.7%	42.7%	6/11	45.1%	5/10	40.1%	40.4%	46.8%
<b>Will introduce a new product, service or process unique to their market or the world</b>	21.3%	25.8%	6/11	29.3%	4/10	32.0%	26.4%	29.0%
<b>Expect revenue from overseas markets to grow strongly</b>	16.3%	17.1%	6/11	19.4%	4/10	15.9%	18.2%	18.7%
<b>Will seek external funds</b>	17.0%	23.3%	6/11	22.4%	5/10	31.1%	29.3%	29.7%
<b>Expect easy to very easy access to finance</b>	13.0%	27.4%	11/11	10.9%	10/10	10.2%	13.6%	27.6%

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Did NOT earn any revenue from online sales	18.0%	26.2%	8/11	29.3%	6/10	52.6%	59.1%	58.2%
Did NOT use social media for business purposes	11.3%	18.9%	9/11	15.8%	7/10	40.8%	40.2%	41.2%
Investment in technology by the business over the past 12 months has improved profitability	45.7%	48.9%	6/11	41.4%	5/10	50.8%	N/A	N/A
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
Consider the business likely to be cyberattacked in next 12 months	41.7%	37.5%	4/11	45.4%	4/10	19.6%	N/A	N/A
Reviewed the business's cybersecurity protections in last six months	45.0%	45.9%	4/11	37.2%	9/10	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	51.1%	60.1%	7/11	47.7%	5/10	33.0%	N/A	N/A

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Improved customer satisfaction	Improved customer satisfaction
Good staff	Good staff
Improved business strategy	Improved business strategy

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing costs	Increasing costs
Increasing competition	Increasing competition
Poor overall economic environment	Poor overall economic environment
Fluctuations in the value of the local currency	Fluctuations in the value of the local currency

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	39.3%	33.1%	4/11	33.6%	7/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	73.0%	65.4%	4/11	73.7%	4/10	70.2%	73.3%	73.9%
Respondent is aged under 40	64.0%	54.7%	5/11	61.5%	5/10	57.6%	76.9%	74.2%
Respondent is the business owner	51.3%	42.5%	6/11	55.6%	4/10	41.7%	33.2%	46.8%
Business has 10 to 19 employees	19.0%	34.6%	9/11	21.4%	8/10	32.0%	47.2%	31.9%

## Summary

Small business conditions were positive in Malaysia in 2019, with over two thirds (67.7 per cent) of respondents stating their business grew, up from 65.5 per cent in 2018. The result was better than fellow ASEAN member Singapore (where 54.4 per cent reported growing), but lower than Vietnam (92.4 per cent), Indonesia (86.9 per cent) and the Philippines (83.4 per cent).

While the survey results in 2019 for Malaysia were generally positive, Malaysian small businesses also reported challenges, with increasing costs, especially the cost for materials, seen as the largest barrier to growth. Difficulty in accessing finance was also a challenge for many Malaysian small businesses in 2019, with only 15.8 per cent finding it easy or very easy to access external finance, the lowest of the markets surveyed.

It is not surprising to see that most small businesses in Malaysia reported growing in 2019. Throughout this survey series, Malaysia's small businesses have typically shown they have a focus on factors that are linked to long-term growth, including innovation, e-commerce and technology. They also show they have a strong focus on positive influences of growth, especially:

- improved customer satisfaction
- good staff
- improved business strategy.

More than a quarter (26.7 per cent) of Malaysia's small businesses stated that they added staff in 2019, reflecting robust growth for the sector.

Small businesses from Malaysia continue to be relatively strong users of digital technologies, particularly in comparison to their competitors from Australia, Singapore and New Zealand. Nearly half of Malaysian businesses surveyed (47.5 per cent) earned more than ten per cent of their revenue from online sales.



Further, an overwhelming majority use social media for business purposes, with 48.0 per cent stating that they use it to sell their products or services.

Malaysia's small businesses have also increased their usage of digital payment options, such as Alipay, PayPal and iPay88. More than half (51.1 per cent) stated that they earned more than 10 per cent of their sales through such technology compared with 47.7 per cent in 2018. Despite this, cash remains important to many Malaysian small businesses with 62.0 per cent stating that cash made up 50 per cent or more of their sales, higher than the survey average of 43.5 per cent.

With many of Malaysia's small businesses (45.7 per cent) stating that their investment in technology in 2019 has already been profitable, and the strong linkage between growth and technology, it is of no surprise that Malaysia's businesses are making greater use of digital payment technologies and other technologies more generally.

This relatively strong focus on technology is flowing through to concerns over the security of systems, with 41.7 per cent of respondents from Malaysia stating that they believe it is likely their business will be cyberattacked in 2020. As a response, Malaysia's small businesses are taking cybersecurity seriously, with 45.0 per cent stating that they reviewed their cybersecurity measures in the past six months.

Small businesses from Malaysia continue to have a reasonable focus on innovation, particularly in comparison to Australia, Hong Kong, New Zealand, Singapore and Taiwan, with 21.3 per cent stating that they will innovate in 2019. This innovative culture will support long-term growth and help to improve the competitiveness of Malaysia's businesses.

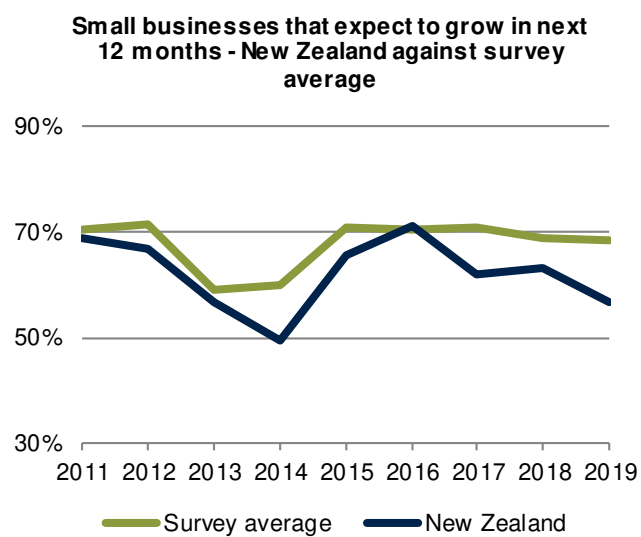
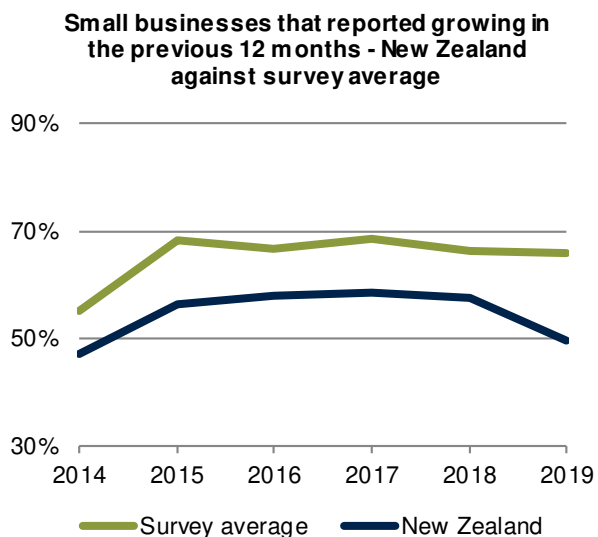
The number of Malaysian small businesses that required external finance in 2019 (58.9 per cent) was up from 2018 (55.0 per cent). Part of this increase can be attributed to less difficult financing conditions, with 41.7 per cent indicating that access to external finance was difficult or very difficult in 2019, compared with 46.0 per cent in 2018.

Global trade war concerns are impacting Malaysian small businesses, with over a third (39.3 per cent) expecting that this issue should have a negative impact on their business in 2020, above the survey average of 33.1 per cent. However, for some, such a trade conflict could create opportunities, with 20.0 per cent of Malaysian small businesses stating that they expect a trade war to have a positive impact on their business.

We see the future of Malaysia's small business sector as positive. With many of Malaysia's small businesses having characteristics connected with growth – a focus on technology, e-commerce, improving customer satisfaction, improving business strategy and innovation, we are likely to see much of this sector recover relatively quickly from COVID-19.

## New Zealand market summary

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	49.7%	65.8%	9/11	57.4%	7/10	58.5%	58.1%	56.3%
<b>Businesses that expect to grow in the next 12 months</b>	56.7%	68.2%	7/11	63.2%	6/10	61.8%	71.1%	65.6%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	38.3%	59.1%	9/11	46.5%	7/10	39.9%	61.5%	53.1%

## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Increased employee numbers</b>	14.7%	32.5%	9/11	18.4%	8/10	14.1%	19.6%	16.4%
<b>Improved business management had a major positive impact on their business</b>	11.7%	17.6%	9/11	10.6%	9/10	12.7%	15.6%	15.4%
<b>Increasing costs had a major negative impact on their business</b>	33.7%	33.8%	6/11	38.4%	7/10	27.5%	26.6%	25.1%
<b>Required funds from an external source</b>	28.7%	52.2%	10/11	25.2%	9/10	31.7%	25.2%	27.0%
<b>Sought external funds for business growth</b>	31.4%	54.0%	10/11	37.2%	9/10	32.0%	36.8%	25.0%
<b>Found it easy or very easy to access external finance</b>	41.9%	31.6%	3/11	51.3%	1/10	42.3%	48.7%	50.0%
<b>A bank was the business's main source of external finance</b>	47.7%	36.2%	2/11	57.7%	1/10	45.4%	48.7%	41.7%

## Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
<b>Expect to increase employee numbers</b>	19.3%	42.7%	9/11	21.0%	9/10	17.6%	24.3%	19.9%
<b>Will introduce a new product, service or process unique to their market or the world</b>	7.3%	25.8%	10/11	7.7%	9/10	9.2%	10.6%	6.8%
<b>Expect revenue from overseas markets to grow strongly</b>	7.7%	17.1%	8/11	5.5%	9/10	8.2%	6.0%	7.1%
<b>Will seek external funds</b>	9.7%	23.3%	8/11	5.8%	10/10	9.8%	8.6%	8.0%
<b>Expect easy to very easy access to finance</b>	32.2%	27.4%	3/11	30.2%	3/10	26.7%	24.5%	39.1%

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Did NOT earn any revenue from online sales</b>	55.3%	26.2%	2/11	50.6%	2/10	52.6%	59.1%	58.2%
<b>Did NOT use social media for business purposes</b>	39.3%	18.9%	2/11	38.1%	2/10	40.8%	40.2%	41.2%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	23.0%	48.9%	10/11	25.8%	9/10	26.8%	N/A	N/A
<b>Technology the business invested in most heavily over the past 12 months</b>	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
<b>Consider the business likely to be cyberattacked in next 12 months</b>	18.7%	37.5%	10/11	19.0%	9/10	19.6%	N/A	N/A
<b>Reviewed the business's cybersecurity protections in last six months</b>	35.0%	45.9%	9/11	39.0%	8/10	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	42.1%	60.1%	9/11	39.1%	8/10	33.0%	N/A	N/A

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Good staff	Good staff
Improved customer satisfaction	Improved customer satisfaction
Cost control	Cost control Introduced a new product or service <sup>^</sup>

<sup>^</sup> equal fourth

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing costs	Increasing costs
Tax	Increasing competition
Government regulation	Tax <sup>^</sup>
Increasing competition	Cash flow difficulties
Poor overall economic environment	Government regulation <sup>#</sup>

<sup>^</sup> equal second <sup>#</sup> equal fourth

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	26.3%	33.1%	8/11	19.7%	10/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	49.4%	65.4%	10/11	51.3%	9/10	51.6%	50.8%	55.6%
Respondent is aged under 40	25.0%	54.7%	10/11	27.1%	9/10	24.8%	17.9%	25.7%
Respondent is the business owner	62.7%	42.5%	4/11	63.9%	3/10	63.4%	58.5%	57.6%
Business has 10 to 19 employees	12.0%	34.6%	10/11	10.3%	9/10	14.4%	11.3%	12.2%

## Summary

Small business conditions in New Zealand were generally weaker in 2019 than in 2018, with less than half of respondents stating their business grew. 49.7 per cent of businesses reported that they grew in 2019, higher than Australia (35.3 per cent) and Hong Kong (37.0 per cent) but lower than the survey average of 65.8 per cent and significantly less likely than Vietnam (95.0 per cent).

Reflecting generally weaker business conditions in 2019, 14.7 per cent of New Zealand's small businesses reported that they added to their employee numbers in 2019, compared with 18.4 per cent in 2018.

A greater number of New Zealand's small businesses would experience growth if they increased their focus on innovation, technology, social media and exporting. While there are examples of innovative, tech-savvy and outward-looking New Zealand small businesses, the survey results show that they represent only a small number of small businesses, especially in comparison to small businesses from Mainland China, Indonesia and Vietnam.

New Zealand's small businesses continue to lag competitors from Asia in the application of technology in their business. For example:

- New Zealand's small businesses continue to be significantly less likely to use social media for business purposes, compared with businesses from Asia, with 39.3 per cent stating that they do not use social media for business purposes, compared with only 1.7 per cent of businesses from Mainland China.
- New Zealand's small businesses continue to be significantly less likely to earn revenue from online sale, with 55.3 per cent stating that they do not earn any revenue from online sales, compared with only 2.1 per cent of businesses from Mainland China. However, we expect this result to improve due to COVID-19 and New Zealand's small businesses being the most likely to nominate website as the technology they invested in most heavily during 2019.
- While New Zealand's small businesses are one of the least likely to rely on cash sales, this is not translating into the adoption of new digital payment technologies, such as Apple Pay, Alipay and WeChat Pay, with only 42.1 per cent of New Zealand businesses generating more than 10 per cent of their sales from such payment technology, compared with 91.4 per cent of businesses from Mainland China.
- The lack of focus on technology is flowing through to only 18.7 per cent of New Zealand small businesses expecting a cyberattack in 2020, the second lowest result of the markets surveyed. Despite this, 35.0 per cent reviewed their cybersecurity in the past six months

A possible explanation for the relatively lower use of technology is the lack of return many are receiving on their investment in technology. Only 23.0 per cent of New Zealand's small businesses reported that their investment in technology in 2019 had already been profitable, compared with the survey average of 48.9 per cent. Another explanation is the age profile of New Zealand's small business owners, which is significantly older than in Asia, with over half of respondents (55.3 per cent) aged 50 or over and a third aged 60 or over. The survey results show that those aged 50 or over are significantly less likely to be using technology, such as social media, or selling online.

Policymakers and others seeking to promote growth in New Zealand's small business sector should consider how to improve the digital capability of small business owners. With small business owners being time poor and often reluctant or unable to bring in expertise, professional advisers such as accountants should be supported by the government to improve capabilities of the small business sector.

Small businesses in New Zealand remain significantly less likely to expect to invest in innovation than small businesses from the Asian markets surveyed. This may be impacting the growth of some of New Zealand's small businesses, with the survey results showing that businesses which stated that they will undertake innovation in 2020 being significantly more likely to expect their business to grow.

New Zealand's small businesses remain much less likely to expect to earn revenue from exporting than their peers from Asia. The survey results show that businesses which are expecting to grow their revenue from overseas sales are significantly more likely to forecast that they will grow. Again, the government – with the assistance of professional advisers, can help to build the export capability of some small businesses.

New Zealand's small businesses continue to remain significantly less likely to have sourced funds from an external lenders and investors than small businesses from Asia (28.7 per cent, compared with the survey average of 52.2 per cent). The low number of small businesses

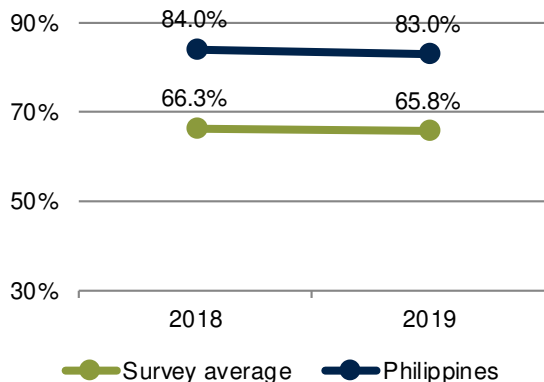
accessing external finance in 2019 is primarily driven by a lack of need for finance and does not appear to be the result of difficult lending conditions. Of those New Zealand small businesses that accessed external finance in 2019, 41.9 per cent found the experience easy or very easy; the third highest result of the markets surveyed.

With a significant percentage of New Zealand's small business owners close to, or at, retirement age, the lack of focus on new technologies, innovation and new markets may mean that many may experience a long and difficult recovery from COVID-19.

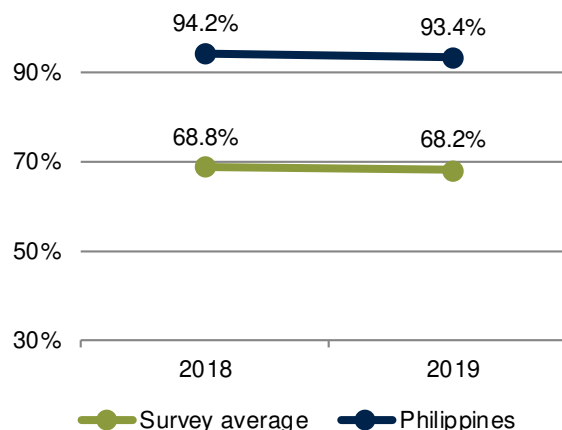
## Philippines market summary

### Business and economic growth

Small businesses that reported growing in the previous 12 months - Philippines against survey average



Small businesses that expect to grow in next 12 months - Philippines against survey average



	2019	Survey average 2019	Rank 2019	2018	Rank 2018
<b>Businesses that grew in the last 12 months</b>	83.0%	65.8%	3/11	84.0%	3/10
<b>Businesses that expect to grow in the next 12 months</b>	93.4%	68.2%	2/11	94.2%	1/10
<b>Businesses that expect the local economy to grow in the next 12 months</b>	83.3%	59.1%	2/11	81.8%	2/10

### Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
<b>Increased employee numbers</b>	39.0%	32.5%	5/11	38.2%	4/10
<b>Improved business management had a major positive impact on the business</b>	19.7%	17.6%	6/11	36.4%	1/10
<b>Increasing costs had a major negative impact on their business</b>	34.1%	33.8%	5/11	50.2%	2/10
<b>Required funds from an external source</b>	58.0%	52.2%	6/11	62.7%	4/10
<b>Sought external funds for business growth</b>	54.8%	54.0%	5/11	57.4%	5/10
<b>Found it easy or very easy to access external finance</b>	18.6%	31.6%	9/11	24.8%	6/10
<b>A bank was the business's main source of external finance</b>	28.8%	36.2%	8/11	30.5%	8/10



## Planned business activity over the next 12 months

	2020	Survey average	Rank 2019	2019	Rank 2019
Expect to increase employee numbers	54.1%	42.7%	5/11	61.8%	3/10
Will introduce a new product, service or process unique to their market or the world	32.5%	25.8%	5/11	35.6%	1/10
Expect revenue from overseas markets to grow strongly	27.5%	17.1%	1/11	28.0%	2/10
Will seek external funds	18.7%	23.3%	5/11	26.7%	4/10
Expect easy to very easy access to finance	14.5%	27.4%	9/11	23.9%	6/10

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Did NOT earn any revenue from online sales	21.3%	26.2%	7/11	22.7%	7/10
Did NOT use social media for business purposes	14.1%	18.9%	7/11	10.2%	8/10
Investment in technology by the business over the past 12 months has improved profitability	67.5%	48.9%	3/11	76.4%	3/10
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A
Consider the business likely to be cyberattacked in next 12 months	33.1%	37.5%	7/11	28.9%	8/10
Reviewed the business's cybersecurity protections in last six months	34.8%	45.9%	10/11	40.0%	6/10
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	47.2%	60.1%	8/11	43.1%	6/10

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Improved customer satisfaction	Improved customer satisfaction <sup>^</sup>
Good staff	Good staff
Improved business strategy	Improved business strategy

<sup>^</sup> equal first

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Increasing competition	Increasing costs
Increasing costs	Increasing competition
Tax	Tax
Cash flow difficulties	Fluctuations in local currency

### Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
<b>Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months</b>	26.2%	33.1%	9/11	34.7%	7/10

### Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
<b>Business has been established for 10 years or less</b>	82.6%	65.4%	2/11	83.1%	1/10
<b>Respondent is aged under 40</b>	64.9%	54.7%	4/11	65.3%	4/10
<b>Respondent is the business owner</b>	69.5%	42.5%	2/11	64.9%	2/10
<b>Business has 10 to 19 employees</b>	22.0%	34.6%	7/11	26.7%	6/10

### Summary

Conditions were very positive for small businesses in the Philippines in 2019, with more than eight in ten (83.0 per cent) reporting that they grew. This is the third highest result of the markets surveyed, only behind Vietnam and Indonesia, and well above the survey average of 65.8 per cent.

In addition to the overall result, 26.9 per cent of businesses stated that their growth in 2019 was very strong – the third highest result of the markets surveyed. In comparison, only 5.3 per cent of Hong Kong's businesses recorded very strong growth in 2019.

Reflecting the very positive business conditions, 39.0 per cent of small businesses in the Philippines stated that they added to their employee numbers in 2019.

One factor driving strong business growth is the relatively strong uptake of new technologies by small businesses in the Philippines. Many Filipino small businesses sell online, with 49.8 per cent stating that more than 10 per cent of their revenue comes from online sales. Further, an overwhelming majority of Filipino small businesses use social media, and they are most likely to use social media to communicate with existing customers.

More small businesses in the Philippines should consider new digital payment technologies, such as PayPal, PayMaya and Globe Telecom. That is, 47.2 per cent of Filipino small businesses receive more than 10 per cent of their sales through such technologies compared

with 91.4 per cent of small businesses from Mainland China.

One reason for this slow uptake of digital payment technologies is the high reliance small businesses in the Philippines place on cash, with 80.3 per cent of businesses stating that it makes up 50 per cent or more of their sales, the highest result of the markets surveyed. Given the broad cross-section of industries represented in the Philippines survey sample, it can be assumed that many business-to-business transactions are still cash transactions.

Considering the strong focus on digital technologies (except for digital payment technologies), it is surprising that only 33.1 per cent of small businesses in the Philippines expect to be cyberattacked in 2020, which is below the survey average of 37.5 per cent.

The strong investment in technology in the Philippines is producing benefits for a large percentage of the nation's small businesses, with 67.5 per cent stating that their investment in technology in 2019 has already improved their profitability – well above the survey average of 48.9 per cent. This result, plus the changes to consumer behaviour driven by COVID-19 will no doubt encourage further investment in technology and assist Filipino small businesses to become more globally competitive.

The Philippines' small business sector is highly innovative, with 32.5 per cent stating that they will introduce a totally new product, process or service to the Philippines or the world in 2020; above the survey average of 25.8 per cent. This innovative culture is likely to contribute to the Philippines small business sector recording strong growth in the coming years.

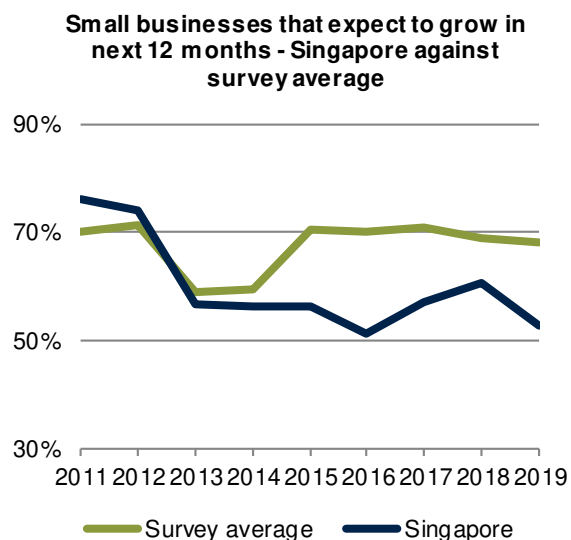
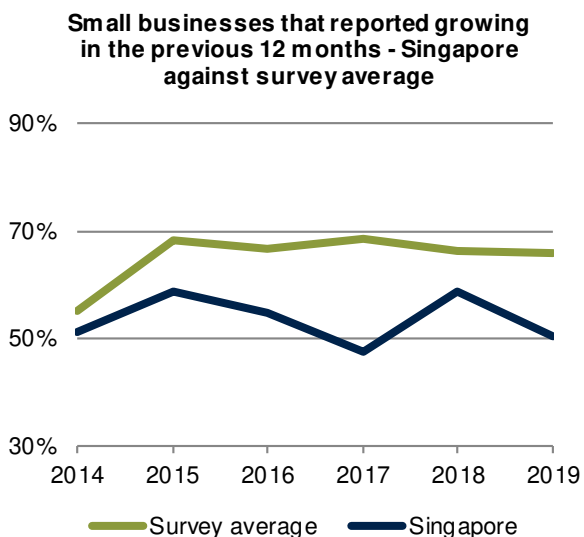
Of course, while the survey results are overwhelmingly positive for the Philippines, businesses also report challenges, with increasing competition and increasing costs seen as the largest barriers to growth. However, competition is likely to have positive long-term implications, as it helps to encourage innovation and expansion into new markets – essential ingredients to growth.

The strong growth of small businesses in the Philippines is not necessarily being reflected in the demand for external finance, especially in comparison to the other high growth markets of Vietnam, Indonesia and Mainland China. This may reflect that Filipino small businesses are making better use of their existing assets, and/or they are able to largely fund their growth and capital asset needs from internal sources. Respondents from the Philippines were much more likely to find that accessing finance was difficult than easy, which may also explain the relatively lower demand for external finance.

The results for the Philippines small business sector are very positive. With significant numbers of Filipino small businesses having characteristics strongly connected with growth – a focus on technology, e-commerce, improving customer satisfaction, improving business strategy and innovation, we are likely to see this sector recover quickly from COVID-19 and then grow strongly for some time to come.

## Singapore market summary

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	50.2%	65.8%	8/11	58.7%	6/10	47.5%	54.8%	58.7%
<b>Businesses that expect to grow in the next 12 months</b>	52.8%	68.2%	9/11	60.7%	8/10	57.0%	51.3%	56.5%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	39.0%	59.1%	8/11	53.1%	6/10	55.1%	39.4%	48.1%

## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Increased employee numbers</b>	18.7%	32.5%	7/11	21.1%	6/10	20.3%	19.7%	19.7%
<b>Improved business management had a major positive impact on their business</b>	14.1%	17.6%	8/11	20.1%	7/10	18.7%	16.8%	20.3%
<b>Increasing costs had a major negative impact on their business</b>	36.1%	33.8%	3/11	45.9%	3/10	42.0%	41.9%	36.1%
<b>Required funds from an external source</b>	31.5%	52.2%	9/11	38.3%	7/10	40.0%	52.6%	43.5%
<b>Sought external funds for business growth</b>	45.8%	54.0%	9/11	62.9%	3/10	52.5%	52.1%	52.6%
<b>Found it easy or very easy to access external finance</b>	29.2%	31.6%	5/11	14.7%	9/10	18.0%	24.5%	34.1%
<b>A bank was the business's main source of external finance</b>	28.1%	36.2%	9/11	42.2%	5/10	35.2%	41.4%	38.5%

## Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
<b>Expect to increase employee numbers</b>	31.1%	42.7%	7/11	32.0%	6/10	26.6%	29.0%	27.7%
<b>Will introduce a new product, service or process unique to their market or the world</b>	13.4%	25.8%	7/11	13.9%	7/10 <sup>^</sup>	13.1%	8.7%	15.2%
<b>Expect revenue from overseas markets to grow strongly</b>	12.8%	17.1%	7/11	18.2%	5/10	11.5%	11.3%	17.7%
<b>Will seek external funds</b>	9.2%	23.3%	9/11	16.2%	7/10	12.5%	16.1%	15.8%
<b>Expect easy to very easy access to finance</b>	23.4%	27.4%	6/11	12.0%	8/10	12.4%	15.0%	28.3%

<sup>^</sup> equal seventh with Taiwan

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Did NOT earn any revenue from online sales	39.0%	26.2%	3/11	38.0%	3/10	37.7%	35.5%	33.2%
Did NOT use social media for business purposes	27.9%	18.9%	3/11	22.1%	3/10	20.3%	22.3%	18.1%
Investment in technology by the business over the past 12 months has improved profitability	35.1%	48.9%	8/11	31.4%	8/10	35.1%	N/A	N/A
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
Consider your business likely to be cyberattacked in next 12 months	29.5%	37.5%	9/11	30.4%	7/10	35.4%	N/A	N/A
Reviewed your business's cybersecurity protections in last six months	31.1%	45.9%	11/11	34.0%	10/10	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	51.3%	60.1%	6/11	42.7%	7/10	36.4%	N/A	N/A

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Good staff	Improved business strategy
Improved customer satisfaction	Cost control
Cost control	Improved customer satisfaction

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing competition	Increasing competition
Increasing costs	Increasing costs <sup>^</sup>
Poor overall economic environment	Poor overall economic environment
Difficulty expanding into new markets	Increasing rent

<sup>^</sup> equal first

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
<b>Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months</b>	41.3%	33.1%	3/11	38.9%	5/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Business has been established for 10 years or less</b>	63.6%	65.4%	7/11	64.4%	6/10	62.3%	65.2%	65.5%
<b>Respondent is aged under 40</b>	44.6%	54.7%	8/11	44.6%	7/10	43.6%	51.3%	47.7%
<b>Respondent is the business owner</b>	49.5%	42.5%	7/11	37.6%	6/10	35.4%	32.6%	34.2%
<b>Business has 10 to 19 employees</b>	21.3%	34.6%	8/11	31.7%	5/10	32.5%	48.4%	33.2%

## Summary

The performance of Singapore's small businesses in 2019 was reasonably positive, with the majority (50.2 per cent) stating that their business grew, though this was a decline from 2018, where 58.7 per cent grew.

There is also a small decrease in the percentage of Singaporean small businesses that added staff over the past 12 months, with 18.7 per cent adding to their staff numbers in 2019 – down from 21.1 per cent in 2018; though Singaporean small businesses remain the most likely of the developed economies in the survey to have added staff.

The major challenges Singapore's small businesses faced in 2019 were increasing costs and increasing competition – with this being the case for several years. Singapore's small businesses were the fourth most likely of the markets surveyed to select increasing competition as a barrier to their growth. However, this is not necessarily negative, as it can be beneficial to businesses in the long-term as it encourages them to undertake activities and make investments to stay ahead of competitors, especially in the areas of innovation, exporting and technology, as well as having a stronger customer focus.

Singaporean small businesses were most likely to nominate staff costs as the cost increase most detrimental to their business in 2019, followed by utility costs. Given concerns over increasing staff costs, it is of no surprise that many Singaporean small businesses nominated good staff as having a positive influence on their business in 2019.

Slightly fewer of Singapore's small businesses state that they will innovate through the introduction of a new product, service or process in 2020 (13.4 per cent) than in 2019 (13.9 per cent).

Singapore's small businesses typically have a strong focus on using digital technologies in their business, especially in comparison to Australian small business, although there is room for improvement. For example, with 35.7 per cent of Singapore's small businesses generating more than 10 per cent of their revenue online compared with the survey average of 51 per cent. Further, there is a strong link between online sales and business growth.

An overwhelming majority of small businesses in Singapore use social media for business purposes, with only 27.9 per cent saying that they did not use social media, although this is still above the survey average of 18.9 per cent. This suggests that there are opportunities for Singapore's small businesses to expand their usage of social media for business purposes. The survey results show that businesses that use social media to communicate with existing customers and to promote their business to potential customers, are much more likely to be growing strongly.

Around 70 per cent of Singapore's small businesses receive payment from digital and mobile payment options such as Alipay, Apple Pay and WeChat Pay, up from around 66 per cent in 2018 and around 57 per cent in 2017. With Singapore's excellent communications infrastructure and world-leading support for small businesses wishing to grow their digital presence, we expect more Singaporean small businesses to adopt digital payment technologies in the next 12 months.

Investment in technology is also producing benefits for many of Singapore's small businesses, with 35.1 per cent of respondents stating that their investment in technology in 2019 had already improved profitability, up from 31.4 per cent in 2018. With increasing concerns over costs, investment in technology may also help Singapore's small businesses better control costs.

Singapore's small businesses typically do not believe that their systems will experience a cyberattack in 2020, with only 29.5 per cent stating that a cyberattack is likely, less than the survey average of 37.5 per cent. Given this result, it is not surprising that 31.1 per cent of Singapore's small businesses reviewed their cybersecurity in the past six months. We would, however, suggest that Singapore's small business should have a stronger focus cybersecurity. Government programs such as [Go Safe for Business](#) can assist small business with their cybersecurity.

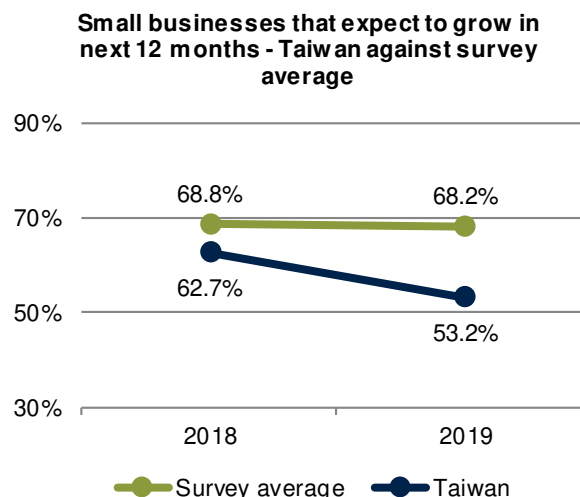
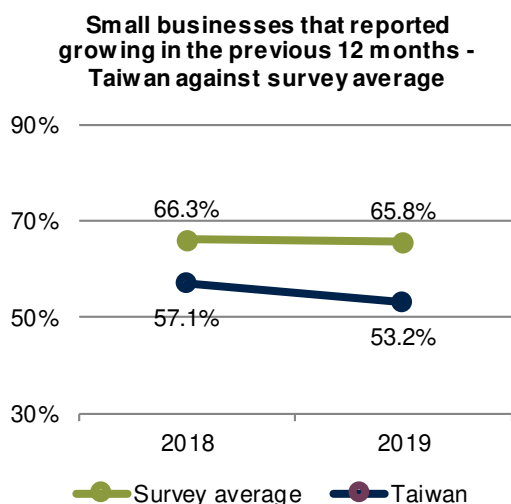
Singapore's small businesses remain somewhat reluctant to seek external finance. Only 31.5 per cent of businesses required external funds in 2019, the lowest percentage since the survey began collecting data on this issue. This may reflect positively on the management capability of Singapore's small businesses as they are making better use of existing assets to grow their business. Further, it suggests that some are funding their growth through internal sources, which reflects better cash flow management.

While Singapore's small businesses do reasonably well on using digital technologies in their business, a stronger focus on such technologies, as well as innovation will be important for their recovery from COVID-19 and beyond.



## Taiwan market summary<sup>4</sup>

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018
<b>Businesses that grew in the last 12 months</b>	53.2%	65.8%	7/11	57.1%	8/10
<b>Businesses that expect to grow in the next 12 months</b>	53.2%	68.2%	8/11	62.7%	7/10
<b>Businesses that expect the local economy to grow in the next 12 months</b>	42.2%	59.1%	7/11	44.2%	8/10

### Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
<b>Increased employee numbers</b>	17.6%	32.6%	8/11	20.8%	7/10
<b>Improved business management had a major positive impact on the business</b>	11.3%	17.6%	10/11	13.9%	8/10
<b>Increasing costs had a major negative impact on the business</b>	29.6%	33.8%	9/11	29.4%	10/10
<b>Required funds from an external source</b>	40.5%	52.2%	8/11	37.3%	8/10
<b>Sought external funds for business growth</b>	48.4%	54.0%	7/11	46.0%	8/10
<b>Found it easy or very easy to access external finance</b>	25.4%	31.6%	7/11	21.2%	7/10
<b>A bank was the business's main source of external finance</b>	26.2%	36.2%	10/11	29.2%	10/10

<sup>4</sup> For the purpose of this survey, data collected from small businesses in Taiwan and Hong Kong are shown separately from the data collected for the rest of China

## Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019
Expect to increase employee numbers	22.3%	42.7%	8/11	29.4%	7/10
Will introduce a new product, service or process unique to their market or the world	13.3%	25.8%	8/11	13.9%	7/10 <sup>^</sup>
Expect revenue from overseas markets to grow strongly	6.0%	17.1%	9/11	10.6%	7/10
Will seek external funds	8.3%	23.3%	10/11	11.9%	8/10
Expect easy to very easy access to finance	22.8%	27.4%	7/11	19.5%	7/10

<sup>^</sup> equal seventh with Singapore

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Did NOT earn any revenue from online sales	32.2%	26.2%	4/11	34.0%	4/10
Did NOT use social media for business purposes	18.6%	18.9%	5/11	16.8%	4/10
Investment in technology by the business over the past 12 months has improved profitability	38.5%	48.9%	7/11	33.0%	6/10
Technology your business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A
Consider your business likely to be subjected to a cyberattack in next 12 months	33.9%	37.5%	6/11	37.3%	6/10
Reviewed your business's cybersecurity protections in last six months	38.9%	45.9%	6/11	42.2%	5/10
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	31.5%	60.1%	11/11	31.4%	10/10

## Factors that had positive and negative influences on business in 2019

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Cost control	Good staff
Good staff	Cost control
Introduced a new product or service	Introduced a new product or service

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing costs	Increasing costs
Poor overall economic environment	Poor overall economic environment
Staff cost	Increasing competition
Increasing competition	Staff cost <sup>^</sup> Political instability

<sup>^</sup> equal fourth

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	38.9%	33.1%	5/11	41.6%	3/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Business has been established for 10 years or less	56.5%	65.4%	8/11	60.4%	7/10
Respondent is aged under 40	44.2%	54.7%	9/11	44.9%	6/10
Respondent is the business owner	13.6%	42.5%	9/11	14.2%	8/10
Business has 10 to 19 employees	23.9%	34.6%	6/11	21.5%	7/10

## Summary

The performance of Taiwan's small businesses in 2019 was generally positive although slightly weaker than in 2018, with 53.2 per cent stating that their business grew in 2019, compared with 57.1 per cent in 2018.

Reflecting 2019 being slightly more subdued year for Taiwan's small businesses, only 17.6 per cent added to their headcount in 2019, down from 20.8 per cent in 2018.

While Taiwan does well in comparison to Australia on their use of digital technologies, there is room for a stronger focus on the following important drivers of growth:

- Online sales. While Taiwan does relatively well in comparison to Australia, Mainland China's small businesses are the clear leaders in e-commerce in the region with 86.3 per cent of businesses generating more than 10 per cent of their revenue online.
- Using digital payments technology. Taiwan's small businesses were the least likely of the markets surveyed to be generating more than 10 per cent of their sales through digital and online payment technologies, such as PayPal, Apple Pay and WeChat Pay. Only 31.5 per cent of Taiwan's small businesses generated more than 10 per cent of their sales through such technology, in comparison to 91.4 per cent of small businesses from Mainland China.

- Using social media to improve understanding of customers. Taiwan's small business should find that using social media to gain a better understanding of customer behaviours, and to receive and monitor customer feedback, will help with growth.
- Cybersecurity. While 38.9 per cent of Taiwan's small businesses reviewed their cybersecurity measures in the past six months, this was below the survey average of 45.9 per cent.

Overall, only 10.6 per cent of Taiwan's small businesses stated that technology had one of the most positive impacts on their business in 2019, compared to the survey average of 20.0 per cent and 45.7 per cent in Vietnam.

We make these suggestions as the survey results indicate that there is a link between a focus on digital and e-commerce adoption and business growth. Further, with businesses from Taiwan indicating that staff costs were the costs most detrimental to their business in 2019, a stronger focus on technology, such as automation, can reduce the need for staff or free up staff to perform higher value-added tasks.

Taiwan's small businesses faced several challenges in addition to global trade tensions in 2019, with increasing costs being the issue Taiwan's businesses are most likely to nominate as a barrier to growth. Other issues of concern include local economic conditions, staff cost, and increasing competition.

In addition to a stronger focus on technology, Taiwan's small businesses would also benefit from a greater focus on innovation as only 13.3 per cent of Taiwan's businesses declared they will innovate in 2020 compared with the survey average of 25.8 per cent and 45.6 per cent of businesses from top-ranked Mainland China.

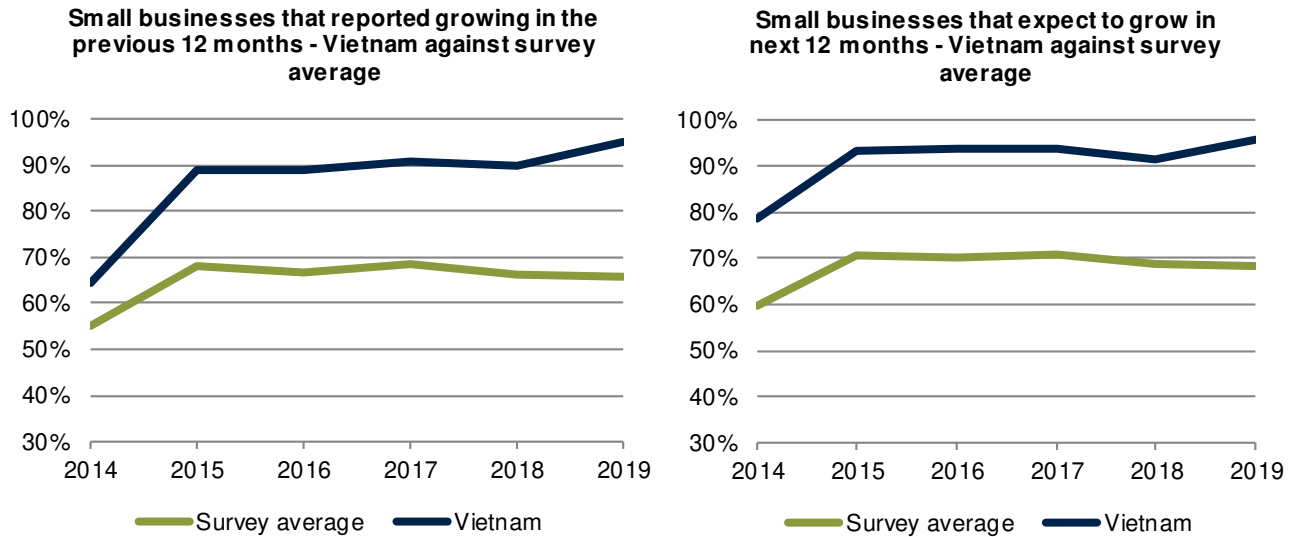
While 53.2 per cent of Taiwan's businesses grew in 2019, only 40.5 per cent required funds from an external source. This reflects positively on the management capability of Taiwan's small businesses, as they are making better use of existing assets to grow their business. Further, it suggests that some are funding their growth from internal sources, which reflects good cash flow management.

The relatively low level of demand for finance may also reflect that many did not experience easy conditions when seeking external finance in 2019, with only 25.4 per cent stating that they found access to finance easy, below the survey average of 31.6 per cent.

More of Taiwan's small businesses need to increase their use of digital technologies in their business, including online sales, as well as having a stronger focus on customer satisfaction if they are going to recover from the negative business impacts of COVID-19 quickly.

## Vietnam market summary

### Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Businesses that grew in the last 12 months</b>	95.0%	65.8%	1/11	90.0%	1/10	90.7%	89.0%	89.0%
<b>Businesses that expect to grow in the next 12 months</b>	95.7%	68.2%	1/11	91.3%	3/10	93.7%	93.9%	93.5%
<b>Businesses that expect the local economy to grow in the next 12 months</b>	95.0%	59.1%	1/11	92.2%	1/10	85.0%	85.8%	91.0%

## Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Increased employee numbers</b>	42.7%	32.5%	3/11	56.0%	1/10	64.8%	53.9%	48.1%
<b>Improved business management had a major positive impact on the business</b>	20.0%	17.6%	4.11	29.4%	3/10	28.9%	25.5%	41.0%
<b>Increasing costs had a major negative impact on the business</b>	50.0%	33.8%	1/11	43.4%	4/10	29.6%	43.2%	57.1%
<b>Required funds from an external source</b>	88.7%	52.2%	1/11	78.0%	2/10	90.0%	81.3%	85.8%
<b>Sought external funds for business growth</b>	67.3%	54.0%	1/11	70.1%	2/10	47.6%	63.5%	70.3%
<b>Found it easy or very easy to access external finance</b>	17.3%	31.6%	10/11	28.6%	5/10	27.7%	23.0%	29.7%
<b>A bank was the business's main source of external finance</b>	84.6%	36.2%	1/11	46.9%	3/10	46.1%	50.8%	62.8%

## Planned business activity over the next 12 months

	2029	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
<b>Expect to increase employee numbers</b>	72.0%	42.7%	1/11	73.1%	1/10	67.4%	70.6%	66.1%
<b>Will introduce a new product, service or process unique to their market or the world</b>	37.0%	25.8%	3/11	33.7%	2/10	41.9%	31.0%	26.1%
<b>Expect revenue from overseas markets to grow strongly</b>	22.0%	17.1%	5/11	29.4%	1/10	51.2%	26.8%	19.7%
<b>Will seek external funds</b>	68.0%	23.3%	1/11	38.5%	1/10	54.8%	44.5%	47.1%
<b>Expect easy to very easy access to finance</b>	14.5%	27.4%	8/11	26.6%	4/10	24.2%	22.9%	22.9%

## Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
<b>Did NOT earn any revenue from online sales</b>	6.3%	26.2%	10/11	14.9%	8/10	4.3%	12.6%	13.9%
<b>Did NOT use social media for business purposes</b>	4.0%	18.9%	10/11	10.4%	7/10	2.0%	8.1%	3.2%
<b>Investment in technology by the business over the past 12 months has improved profitability</b>	88.0%	48.9%	1/11	76.4%	2/10^	76.4%	N/A	N/A
<b>Technology the business invested in most heavily over the past 12 months</b>	Artificial intelligence, machine learning and conversational platforms such as chatbots	Computer equipment	N/A	Website	N/A	N/A	N/A	N/A
<b>Consider the business likely to be cyberattacked in next 12 months</b>	64.7%	37.5%	1/11	65.7%	1/10	80.7%	N/A	N/A
<b>Reviewed the business's cybersecurity protections in last six months</b>	70.7%	45.9%	1/11	69.6%	1/10	N/A	N/A	N/A
<b>More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay</b>	82.5%	60.1%	2/11	60.0%	3/10	62.5%	N/A	N/A

## Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Technology	Improved customer satisfaction
Improved customer satisfaction	Customer loyalty
Good staff	Good staff
Cost control	Improved business strategy

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing competition	Increasing competition
Increasing costs	Increasing costs
Increasing rent	Difficulty expanding into new markets
Cash flow difficulties	Tax

## Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	56.0%	33.1%	1/11	43.7%	2/10

## Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	71.7%	65.4%	6/11	77.0%	2/10	64.5%	80.3%	80.7%
Respondent is aged under 40	65.0%	54.7%	3/11	75.7%	1/10	41.8%	72.2%	79.7%
Respondent is the business owner	33.7%	42.5%	8/11	19.7%	7/10	5.3%	15.5%	17.7%
Business has 10 to 19 employees	59.7%	34.6%	2/11	47.9%	2/10	75.4%	73.9%	65.5%

## Summary

Small business conditions were very positive in Vietnam in 2019, with 95.0 per cent reporting that they grew – the highest result of all the markets surveyed, and the highest result ever recorded in this survey, and well above the survey average of 65.8 per cent. While the overall results are more positive than in 2018, the percentage of businesses in Vietnam that grew strongly was down from 26.9 per cent in 2018 to 19.0 per cent in 2019.

Reflecting these strong business conditions, 42.7 per cent of Vietnam's small businesses added to their employee numbers in 2019 – the third highest amongst the markets surveyed. This result was down from 2018, where 56.0 per cent added staff. The fall can be attributed to the decline in the number of businesses that reported growing strongly in 2019 from 2018.

Small businesses from Vietnam continue to be strong adopters of new technology. Many of Vietnam's small businesses sell online and use social media in their business, with only 4.0 per cent not using social media for business purposes. Further, digital payment options such as Alipay and WeChat Pay are an important part of many Vietnamese small businesses, with 82.5 per cent receiving more than ten per cent of their sales from that channel in 2019, up from 60.0 per cent in 2018.

The growing trend in digital payment adoption is reflected in the decrease in popularity of cash as a payment option for Vietnam's small businesses. Only 27.7 per cent of businesses stated that cash made up 50 per cent or more of their sales, which was down from 57.9 per cent in 2018.

Cybersecurity is taken seriously in Vietnam given that 64.7 per cent of Vietnamese respondents believe that a cyberattack on their business is likely in 2020 – the highest result of the markets surveyed. This concern is most likely driven by the increasing use of technology in Vietnam, not because of any identified risk factor. Due to these concerns, Vietnamese small businesses were also the most likely of the markets surveyed to review their cybersecurity in the past six months.



The strong level of investment in technology in Vietnam is producing benefits for a clear majority of small businesses, with 88.0 per cent of respondents stating that such investment in 2019 has already improved profitability – the highest result of the markets surveyed.

Vietnam was the only market in which respondents nominated artificial intelligence, machine learning and conversational platforms such as chatbots as the technology they made the biggest investment in in 2019. Vietnam's small businesses was also the only market that nominated technology as the most positive factor for their business in 2019. This suggests that the focus on emerging technologies such as artificial intelligence amongst Vietnam's small businesses is an indication of a desire to move up the value chain.

On the same note, Vietnam's small business sector continues to be highly innovative, with 37.0 per cent stating that they will introduce a totally new product, process or service to Vietnam or the world in 2020 – up from 33.7 per cent in 2019. This is likely to result in Vietnam having a more competitive small business sector and stronger economic growth over the medium to long-term.

Reflecting strong growth and investment in technology, 88.7 per cent of Vietnamese small businesses accessed external finance in 2019 – the highest result of the markets surveyed,. However, small businesses from Vietnam continue to find accessing finance more difficult than easy, with 61.7 per cent of those who accessed finance reporting that it was difficult or very difficult, compared with the 17.3 per cent that found it easy.

Of course, while the survey results are overwhelmingly positive for Vietnam, businesses did also report challenges, with increasing competition and increasing costs being identified as the largest barriers to growth. The percentage that selected these challenges was up from 2018, with Vietnam's small businesses the most likely to cite increasing competition and increasing costs as barriers to growth. However, increasing competition reflects a vibrant economy and should result in businesses focusing more on innovation and improving business models; both critical to sustainable growth.

With significant numbers of Vietnam's small businesses having characteristics strongly connected with growth, such as a focus on technology, e-commerce, exports and innovation, they should recover quickly from COVID-19 and then grow strongly.

## ABOUT THE SURVEY

*The CPA Australia Asia-Pacific Small Business Survey 2019-20* is part of a longitudinal annual study of small business across the region conducted by CPA Australia since 2009. This report presents a cross-market comparison between the eleven markets surveyed and, where applicable, a comparison of results from 2009 onwards. The survey was conducted between 18 November and 12 December 2019.

India was included in the survey series for the first time in 2019. Philippines and Taiwan were first included in 2018. Mainland China and Vietnam were first included in the survey in 2014. Indonesia and New Zealand were first included in 2011.

The survey in Mainland China was conducted in Beijing, Chongqing, Guangzhou, Shanghai and Shenzhen (Shenzhen was added for the first time in 2018).

The survey in India was conducted in Delhi/Gurgaon, Mumbai, Chennai, Bengaluru and Hyderabad.

For this report, all data shown for China excludes Hong Kong and Taiwan, which are shown separately.

### ***Interview method***

In each market, the online survey was conducted amongst a random sample of small business owners/senior managers. The sample was obtained through online panel provider Research Now/SSI and their Asian panel partner iPanel Online and AIP Corporation. To qualify for the survey, participants were required to be an owner, a senior manager or a qualified accountant of a business with less than 20 employees.

### ***Sample***

In total, 4193 participants completed the survey, including 501 from Australia, 772 from Mainland China, 303 from Hong Kong, 506 from India, 300 from Indonesia, 300 from Malaysia, 300 from New Zealand, 305 from the Philippines, 305 from Singapore, 301 from Taiwan and 300 from Vietnam.

Of the 772 participants from Mainland China (which for this report excludes Hong Kong and Taiwan), 152 were from Beijing, 155 were from Chongqing, 156 were from Guangzhou, 152 were from Shanghai and 157 were from Shenzhen.

Of the 506 participants from India, 103 were from Delhi/Gurgaon, 111 were from Mumbai, 89 were from Chennai, 101 were from Bengaluru and 102 were from Hyderabad.

### ***Questioning***

The questions were largely drawn from previous surveys. Some slight modifications to wording were made to several repeated questions.

Questionnaires in Australia, India, New Zealand, the Philippines and Singapore were administered in English. The Hong Kong and Taiwan questionnaires were administered in traditional Chinese, the questionnaire for Malaysia was administered in both English and Bahasa Malaysia, Indonesia's questionnaire was administered in Bahasa Indonesia, Mainland China's questionnaire was administered in simplified Chinese, and Vietnam's questionnaire was administered in Vietnamese.

### ***Rounding***

All percentage results shown in this report have been rounded.