

### SME Banking & Business Insights 2021

The 2021 SME Banking Insights Report is the third in a series undertaken by Judo Bank, and highlights once again, ongoing gaps in lending, relationship quality, and ultimately the low levels of trust that SME's are experiencing from the major banks in Australia.

In a year when they needed support the most, Australian **SME's with a turnover of \$1 million-\$20 million faced a widening gap in their lending needs of \$94.3 billion**, up \$4.6 billion from 2019.

Whilst those **SME's with a turnover of \$20 million - \$50 million**, but the data told a similar story, revealing a **\$119.2 billion lending gap**.

**Some of the key findings from this survey are shown below.**

#### Biggest Challenges Faced - Currently

% of Total

|  | A\$1 - 10m<br>(N: 1051) | A\$10 - 50m<br>(N: 702) | Total Market<br>(N: 1753) |
|--|-------------------------|-------------------------|---------------------------|
| None specifically  | 9.0                     | 29.5                    | 17.2                      |
| Not being able to plan/forecast where our business environment will be | 39.1                    | 31.8                    | 36.2                      |
| Cash flow management   | 22.6                    | 18.7                    | 21.0                      |
| Dealing with the coming reductions in support measures                 | 9.2                     | 6.3                     | 8.0                       |
| Lack of certainty around our revenues and customers                    | 8.1                     | 4.6                     | 6.7                       |
| Sheer survival   | 6.0                     | 1.6                     | 4.2                       |
| Accessing debt funding on acceptable terms                             | 5.9                     | 7.7                     | 6.6                       |
| TOTAL  | 100.0                   | 100.0                   | 100.0                     |

Note: no statistical variation by state, sector or lender

## Most Important Factor in Companies COVID-19 Recovery

% of Total

|  | A\$1 - 10m<br>(N: 1051) | A\$10 - 50m<br>(N: 702) | Total Market<br>(N: 1753) |
|--|-------------------------|-------------------------|---------------------------|
| Certainty around intra-state and inter-state border restrictions | 24.7                    | 18.9                    | 22.4                      |
| Strong cash flow   | 24.6                    | 20.2                    | 22.9                      |
| Getting our revenues back up again                               | 17.6                    | 18.9                    | 18.1                      |
| Cash in the bank   | 13.2                    | 16.7                    | 14.6                      |
| Being able to get our people back into the business              | 4.9                     | 6.3                     | 5.5                       |
| Accessing debt funding on acceptable terms                       | 5.3                     | 6.3                     | 5.7                       |
| Unsure/no view   | 9.5                     | 12.7                    | 10.8                      |
| <b>TOTAL</b>   | <b>100.0</b>            | <b>100.0</b>            | <b>100.0</b>              |

## Number One Post-Crisis Business Focus

% of Total

|  | A\$1-10m<br>(N: 1051) | A\$10-20m<br>(N: 702) | Total Market<br>(N: 1753) |
|--|-----------------------|-----------------------|---------------------------|
| Innovate - invest in new product/service development     | 9.8                   | 12.7                  | 11.0                      |
| Expand - domestic/international new markets and segments | 8.6                   | 12.5                  | 10.2                      |
| Consolidate - holding pattern                            | 27.8                  | 40.9                  | 33.0                      |
| Succession planning - bring forward handover plans       | 15.8                  | 7.0                   | 12.3                      |
| Exit - sell or wind down the business                    | 9.3                   | 4.7                   | 7.5                       |
| Other  | 0.3                   | 0.1                   | 0.2                       |
| Unsure/don't know yet                                    | 28.4                  | 22.1                  | 25.9                      |
| <b>TOTAL</b>   | <b>100.0</b>          | <b>100.0</b>          | <b>100.0</b>              |

Some other interesting insights from the survey on banking relationships were as follows, ranking the top five items for each category of SME based upon business turnover, are shown in the table below.

### **Banking Relationship Requirements:**

| SME Preferred Requirements  | \$1M to \$10M<br>Turnover | \$10M to \$50M<br>Turnover | Total<br>Market |
|---|---------------------------|----------------------------|-----------------|
| <i>(1) Removal of personal covenants/ assets as Loan security</i>                         | 75.0%                     | 48.1%                      | 64.2%           |
| <i>(2) Understanding that historical business performance is less relevant now</i>        | 39.8%                     | 44.6%                      | 41.7%           |
| <i>(3) Business Insight/Understanding</i>   | 38.4%                     | 46.6%                      | 41.7%           |
| <i>(4) Flexibility/Agility in Funding</i>   | 28.5%                     | 26.8%                      | 27.8%           |
| <i>(5) Industry insights/Sector- based advice/ Peer analysis/Benchmarking performance</i> | 31.0%                     | 34.8%                      | 32.5%           |

## Most Important Banking Relationship Attributes – Post COVID-19 Recovery

% of Total

|  | A\$1-10m<br>(N: 1051) | A\$10-50m<br>(N: 702) | Total Market<br>(N: 1753) |
|--|-----------------------|-----------------------|---------------------------|
| Deep understanding of my business  | 47.4                  | 50.0                  | 48.4                      |
| Reduce compliance burden/red tape/documentation issues                                 | 35.1                  | 35.6                  | 35.3                      |
| Understanding my real time cash position/100% cash visibility                          | 30.5                  | 37.9                  | 33.5                      |
| Flexibility with debt funding (term adjustments, higher limit, alternative facilities) | 30.3                  | 27.5                  | 29.2                      |
| Navigating regulatory changes/qualifying for Government stimulus measures              | 19.7                  | 17.1                  | 18.7                      |
| Accessibility to my banker   | 29.1                  | 34.8                  | 31.4                      |
| Speed of decision making   | 16.6                  | 15.0                  | 15.9                      |
| Other  |                       |                       |                           |
| Understanding/knowing the sector we work in  | 37.1                  | 38.0                  | 37.5                      |
| Deploying risk management and cyber solutions  | 16.8                  | 19.8                  | 18.0                      |
| Digitising the bank connections with our ERP   | 2.6                   | 7.0                   | 4.3                       |
| Networking with peers and customers  | 30.0                  | 17.0                  | 24.8                      |
| Unsure/no real view  | 4.9                   | 0.4                   | 3.1                       |

Note: no statistical variation by state, sector or lender

Note: sums to over N count due to multiple responding enabled

Scottish Pacific Finance also undertook a survey of SME's in November 2020 and some of the key outcomes from that survey are shown below:

| Percent of positive growth, negative growth and no change by state |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
|  | NSW   | VIC   | QLD   | WA    | SA/NT |
| Positive growth  | 57.0% | 4.6%  | 42.7% | 80.7% | 76.3% |
| Negative growth  | 13.5% | 69.1% | 8.9%  | 3.5%  | 11.3% |
| No change  | 29.5% | 26.3% | 48.4% | 15.8% | 12.5% |

## Revenue forecasts – optimism varies by industry

Transport sector staying positive

**60%**

in the transport sector are expecting growth

Retailers expect revenue decline

**39%**

of retailers expect revenue decline compared to 33.5% expecting growth

Mining the most resilient

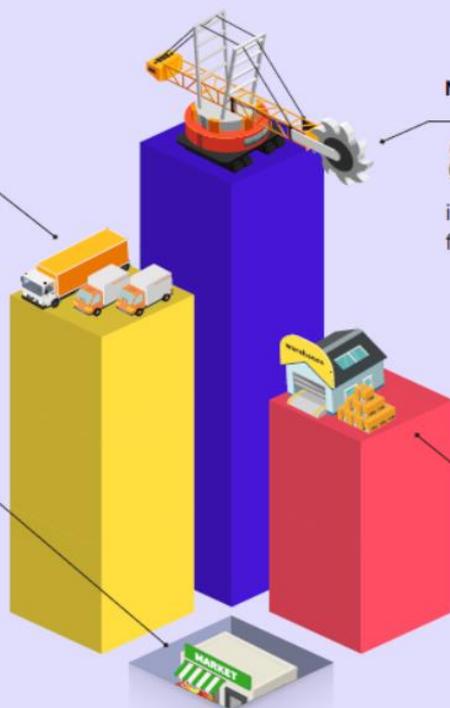
**88%**

in the mining industry forecast positive growth

Manufacture and Wholesale SMEs are optimistic

**37%**

in the Manufacture and Wholesale industry expecting growth

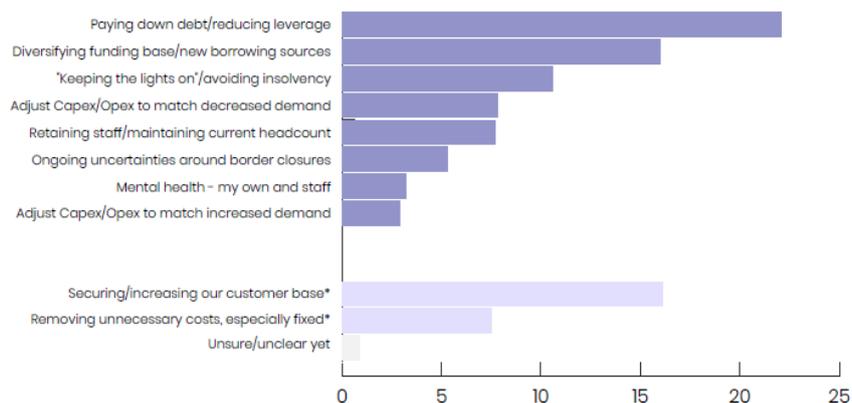


### Percent of revenue growth and decline by sector

|                 | Mining | Transport | Manufact. | Wholesale | Retail |
|-----------------|--------|-----------|-----------|-----------|--------|
| Revenue growth  | 87.9%  | 60.2%     | 37.1%     | 37.0%     | 33.5%  |
| Average growth  | 8.0%   | 3.4%      | 1.2%      | 2.0%      | 1.7%   |
| Revenue decline | 7.7%   | 12.2%     | 29.3%     | 31.5%     | 38.7%  |
| Average decline | -0.6%  | -2.1%     | -3.8%     | -2.5%     | -4.9%  |

### Main Challenge for 2021

% of SMEs – Total Market (N:1252)



## Pandemic puts spotlight on new ways to fund SMEs

**1 in 12**

SMEs now twice as likely to fund their new investment using a non-bank than bank

**1 in 8**  
plan to in the near future



only  
**17%**

of SMEs would approach their main bank to help fund business growth

**84%**

of SMEs indicated conditions of loan remains a pain point

Source: ScotPac [www.scotpac.com.au](http://www.scotpac.com.au)

## Closing, selling, looking beyond Job Keeper – impact on SMEs

SMEs looking to close or sell

**1/3**

SMEs plan to sell or close their business if no significant improvement

Smaller SMEs hit hardest

SMEs in \$1-5m turnover range care almost double as likely to look to close or sell within 6 months than those in \$5-20m range



SMEs looking for new funding options

**2/3**

planning to adjust business funding method to deal with pandemic aftermath

Source: ScotPac [www.scotpac.com.au](http://www.scotpac.com.au)

If you would like to access a full copy of either or both the [SME Banking Insights](#) report for 2021 issued by Judo Bank and/or the [Scottish Pacific Survey](#) results report, please click on the links [HERE](#) and [HERE](#).

### Key Business Takeaways

- **Business forward planning** (operating budgets, cashflow, understanding your working capital requirements) are more important than ever;
- **Having a strong banking relationship and collaboration** for your business funding requirements and growth plans, is pivotal to ensuring you have a better chance of having suitably structured finance facilities in place, for when the business needs them;
- **Strategic planning** (combined with scenario projections) should be a strong on-going process in your business. This strategic process must be effectively executed – not just treated as an annual event that does not result in real positive changes to the business growth & profitability;
- **If you are thinking of exiting your business**, early planning and preparation is critical to ensuring the best outcomes on sale price, taxation and other matters, so you have the best chance of meeting your business exit objectives;

**For assistance with any of these matters for your business, please speak to your CBSW Director or Business Advisory Consultant Lyall Bear.**

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