Tax gripes head Top 10 list of barriers to SME business growth

Scottish Pacific SME Growth Index highlights concerns of small business owners

High taxes and having to deal with multiple taxes topped the list of business growth-inhibitors in a survey of 1,200 Australian SMEs, with 62 percent of respondents citing these issues as a barrier to growth.

The survey also found SME owners have significant issues with credit, with 61 percent saying credit conditions are a barrier to growing their businesses.

The Scottish Pacific SME Growth Index highlights the views of SMEs from each state and from a diverse range of industries, with annual turnover of $1-20 million.

Scottish Pacific CEO, Mr Peter Langham, said while an encouraging majority (62.8 percent) of SMEs surveyed were predicting growth over the next six months, business owners felt strongly about obstacles put in their way.

"Credit issues were two of the top three obstacles cited by business owners. Credit conditions placed on them by lenders, and access to funding, are making it more difficult than it should be for SMEs to achieve their business goals," Mr Langham said.

Highlighting the constraints on small business, 77 percent of the SMEs forecasting revenue growth said they were required to use personal assets as collateral for business growth.

"There are plenty of lending propositions available in the marketplace, that don't require real estate security. The challenge is raising awareness levels so more SMEs know they don't have to put their house on the line to fund their business," Mr Langham said.

"The fact that more than three-quarters of the business owners surveyed were doing so, indicates that many SMEs are not aware of how to access funds outside of the banking system," he said.

Scottish Pacific is a leading independent provider in the Australian debtor finance industry, which funds more than 4,500 SMEs with combined annual revenues of $65 billion.

The debtor finance industry is growing, but Mr Langham said there is work to be done.

"It's obvious that as an industry we need to work harder to let business owners know that debtor finance provides a viable option to help them grow, without putting the family home in the mix," he said.

The Index, executed for Scottish Pacific by research firm East & Partners, found:

SME businesses continue to have issues with credit. Six out of ten say conditions of credit are a barrier to growth, while five out ten cite the availability of credit. 26 percent also nominate the lack of friendly private equity funding as a barrier.

The actual cost of credit is not a major factor. Only 8.3 percent say this is a barrier to growth.

Government related barriers figure prominently. Six out of ten businesses say high taxes restrict their growth, while just under four out of ten cite "red tape/regulatory change/imposts". Another 28.1 percent blame Government policies for being business unfriendly.

Cash flow issues were a growth barrier for 35.4 percent of SMEs.

Only 10.4 percent cited the quality of available talent as a barrier to growth.About Scottish Pacific

Scottish Pacific Debtor Finance Pty Ltd provides working capital solutions to SMEs with annual turnover of almost $5 billion, offering the broadest range of trade and debtor finance solutions in Australasia. Established in 1988, Scottish Pacific has full operations centres in Sydney, Melbourne, Perth, Brisbane, Auckland and China. Scottish Pacific was awarded the 2014 Best Cash Flow Lender by broker publication The Adviser, as voted by brokers, in their inaugural Non-Bank Lending Awards.

About the Scottish Pacific SME Growth Index

The biannual Index, initiated in September 2014, will help benchmark SME growth in Australia and highlight issues of concern to the SME business community. For the inaugural Index, East & Partners interviewed 1,257 SME businesses with annual revenues of between A$1-20 million in late July/early August 2014. 82 percent of respondees were SME business owners, CEOs or CFOs. The next Index will be released in March 2015.

About debtor finance

Debtor finance is a line of credit secured against accounts receivable. Also known as invoice finance, factoring, cashflow finance and invoice discounting, it provides access to working capital that would otherwise be tied up in receivables for 30 to 60 days or more. Debtor finance is ideal for growing businesses, providing the capital required to fund growth. It can also be used in start up and re-financing stages, particularly as an option to free up real estate property from the security mix. Other common situations are merger/acquisition and MBO, where the receivables of the target company can be financed to raise a percentage of the purchase price.

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Copy of the complete Scottish Pacific SME Growth Index available on request.

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