CPA AUSTRALIA ASIA -PACIFIC SMALL BUSINESS SURVEY 2020-2021

CPA AUSTRALIA'S 12TH ANNUAL REPORT ON SMALL BUSINESS ISSUES AND SENTIMENT ACROSS ELEVEN ECONOMIES IN THE ASIA-PACIFIC

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CONTENTS

OVERVIEW

CPA Australia Asia-Pacific Small Business Survey is the 12th in a series of annual surveys conducted by CPA Australia. This edition of the survey measures:

- small business conditions in 2020
- small business confidence in 2021
- the impact of COVID-19 on small business
- the drivers of small business growth
- technology uptake
- innovation
- access to finance.

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

In total, 4227 small businesses completed the survey, including:

- 507 from Australia
- 779 from Mainland China^
- 306 from Hong Kong^
- 512 from India
- 301 from Indonesia
- 302 from Malaysia
- 300 from New Zealand
- 300 from the Philippines
- 307 from Singapore
- 303 from Taiwan^
- 310 from Vietnam.

^ 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 from 9 November 2020 to 10 December 2020. 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 taken to ensure that the survey sample for each market broadly represents the industry profile for that market.

EXECUTIVE SUMMARY

2020 was a tough year for small business due to the pandemic
CPA Australia's 12th annual Asia-Pacific Small Business Survey[1] found that while 2020 was a tough year for many of the region's small businesses, there are signs of confidence returning in 2021.

A survey record low of 46.2 per cent of small businesses grew during 2020, down from 65.8 per cent in 2019. Further reflecting the challenging environment, 31.3 per cent of businesses shrank last year, more than double the 14.5 per cent that shrank in 2019.

Unsurprisingly, the major cause of this difficult environment was COVID-19. 57.1 per cent of businesses experienced a major negative impact as a result of the pandemic last year. The next most common barrier to growth was a 'poor overall economic environment', at 26.1 per cent.

The poor growth results for last year are reflected in higher job losses in the sector. 14.7 per cent of small businesses reduced employee numbers in 2020, compared with 6.7 per cent in 2019. The job losses were however lower than expected. This is because many governments in the region introduced wage subsidy schemes, like Australia's JobKeeper, Singapore Jobs Support Scheme and Hong Kong's Employment Support Scheme.

2020 saw every market surveyed register their lowest recorded percentage of small businesses that grew. Hong Kong and Australian small businesses were again the least likely to grow, taking out the bottom two positions for the last three years. At the other end of the scale, small businesses in India, Vietnam, Philippines and Indonesia were the most likely to grow in 2020.

Last year's challenging business conditions are further illustrated by the percentage of small businesses that required external funds for survival. 41.0 per cent needed external finance for survival, up from 27.5 per cent in 2019. This result is the highest on record for this survey.

On a positive note, it appears the pandemic has led to an increase in technology adoption and digitalisation by small businesses. In 2020, 57.9 per cent of businesses received more than 10 per cent of revenue from online sales, up from 51.0 per cent in 2019.

Small business confidence returning in 2021
The survey shows small business confidence beginning to return. 60.8 per cent expect to grow this year, which is noticeably higher than the 46.2 per cent that grew last year. This growing optimism is flowing through to expected job creation by small businesses. 36.1 per cent of the region's small businesses expect to add employees this year.

However, for most businesses it won't be an immediate return to their post COVID-19 level. Only 14.5 per cent have already returned to their pre-pandemic levels, while 58.4 per cent expect to return to their pre-pandemic levels over the next two years.

Optimism is most apparent in India, where a significant 86.7 per cent of small businesses expect to grow this year, up solidly from 2020. This includes 54.7 per cent of businesses that believe they will grow strongly in 2021.

Hong Kong's small businesses remain the least optimistic, where only 21.2 per cent expect to grow and 49.0 per cent expect to shrink or shut down this year.

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[1] The survey was of 4227 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 9 November to 10 December 2020.

External funds are expected to fuel the recovery. Of the 73.1 per cent of businesses expecting to seek external finance this year, 50.8 per cent expect to use it for growth, up from 44.7 per cent last year.

Drivers of growth
Small business growth doesn't just happen by chance – it comes from good strategy, wise investments and a focus on customers, with some luck thrown in. The survey results again show a strong link between the following and business growing strongly:

- selling online
- innovating
- improving business strategy
- investing in technology
- improving customer satisfaction.

Small businesses are also significantly more likely to grow if they are in developing economies, have been established for less than 10 years, or the respondent is aged under 40. Small businesses that seek advice from experts in IT and business consultants are also more likely to grow strongly.

Technology
Businesses that grew strongly last year are much more likely to have invested in technology. Further, when investing in technology, they are far more likely to see a quick return. 81.0 per cent of businesses that grew strongly found their investment in technology in 2020 was already profitable, compared with 64.7 per cent that grew a little and 30.7 per cent that were unchanged.

The survey results again demonstrate that small businesses using 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.

Due to COVID-19, selling online became a more important source of revenue for small business across the region last year. This bodes well for such businesses as the survey data again shows they are much more likely to be growing. This is especially so if online sales make up more than 10 per cent of total sales.

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

As with other technologies, businesses offering new payment technologies to their customers are more likely to be growing.

Innovation
Innovation remains a key driver of business growth and job creation. Younger businesses and businesses from developing markets are more likely to be innovative.

The percentage of businesses that will innovate this year is down slightly from expectations for last year – 23.0 per cent will innovate in 2021 compared to 25.8 per cent in 2020.

In India, the large jump in the percentage of businesses that will innovate reflects well on its small business sector and government policies encouraging innovation. Such a focus should assist them to quickly recover from COVID-19 and set them up for long-term growth.

Major actions in response to COVID-19
As expected, small businesses were most likely to respond to the pandemic by focusing on actions that allowed them to better reach their customers, including a stronger emphasis on online sales. This was particularly the case for growing businesses, and businesses from Vietnam, Malaysia and Indonesia.

The crisis also prompted a reduction in capital expenditure, although not necessarily in technology. Many businesses had to make unplanned investments in technology to reach customers and support working from home.

Many businesses also turned to government for support as a result of the pandemic. Such support was essential for the continued operation of many small businesses across the region. It appears government support helped maintain cash flow at a workable level for many businesses as the percentage that cut costs and employee numbers was lower than expected given the extent of the crisis.

Access to finance

During a difficult 2020, the number of businesses that required external finance increased. 57.6 per cent of small businesses required external finance last year, up from 52.2 per cent in 2019. This was the highest percentage of businesses requiring external finance since 2017. Funding business survival was an important reason for this increase in demand.

Despite the challenges, businesses found it slightly easier to access finance last year than in 2019. This is attributed to greater government intervention, including loan guarantees, which encouraged banks to lend to the sector, plus grants and other government support.

Reflecting the increasing role of government during the pandemic, the importance of government grants as the main source of external finance jumped. This was particularly so for New Zealand, where 51.5 per cent nominated grants as their major source of finance last year, up from 7.0 per cent in 2019.

Not surprisingly, the high growth markets of Vietnam, Mainland China, Indonesia and India are the most likely to expect to access external funds this year. Growth is the most popular reason for expecting to seek that finance, however business survival remains important, except in Vietnam.

Sources of advice

Among businesses that sought advice last year, family and friends was the most popular source of that advice. Businesses that reported growing strongly in 2020 were significantly more likely to have sought advice from external experts – including business / management consultants, IT consultants and business or industry association – than businesses that didn't grow.

Many businesses that didn't seek advice struggled to grow. 25.1 per cent of businesses that didn't grow failed to seek external advice, compared with 8.3 per cent that did grow. In addition, only 6.5 per cent of businesses that didn't seek advice increased their employee numbers last year, well below the survey average of 24.8 per cent.

While governments became an increasingly important source of finance last year, only a small percentage (12.1 per cent) of businesses turned to them for advice. Businesses were more likely to turn to all other potential sources of advice, except for lawyers.

Influence of age on small business performance

Respondents aged under 40 are significantly more likely to state their business is:

- growing
- creating jobs
- focusing on key drivers of business growth, including innovation
- leveraging technology.

For example, older respondents were more likely to have not invested in technology last year. 36.5 per cent of respondents aged 50 and over didn't invest in technology, compared with 11.6 per cent of respondents under 40. When younger respondents do invest in technology, they are much more likely to make investments with a quicker return.

The survey data also shows that age of the respondent is a big factor in whether a business uses social media or sells online. Respondents aged 50 or over were significantly less likely to use social media for business purposes or generate sales through e-commerce.

Younger respondents are more likely to be 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, with a strong focus on customer loyalty.

Conclusion

The survey results confirmed that 2020 was a tough year for Asia-Pacific small businesses. The number that grew last year was a record low, primarily due to the impacts of COVID-19 on global economic and business activity.

It’s not all doom and gloom though, far from it. Small business confidence is up in all markets this year. This is especially so in India, Philippines, Indonesia and Vietnam.

The results also continue to show a strong link between investing in digital technologies, innovation, customer satisfaction and strategy. Small businesses in Asia continue to have a much stronger focus on these drivers of growth than their counterparts in Australia and New Zealand.

MAJOR FINDINGS

MAJOR FINDING 1 – 2020 WAS A TOUGH YEAR FOR MANY SMALL BUSINESSES

The percentage of small businesses that grew in 2020 was significantly lower than 2019

2020 was a difficult year for the region's small businesses. This was due primarily to the impacts COVID-19 had on global economic and business activity. A survey record low of 46.2 per cent of small businesses grew in 2020, down from 65.8 per cent in 2019. Further reflecting the challenging environment, 31.3 per cent of businesses shrank in 2020, more than double the 14.5 per cent that shrank in 2019.

Every market surveyed registered their lowest recorded percentage of small businesses that grew. The percentage of businesses that grew in 2020 compared with 2019 fell the most in Vietnam, Indonesia and Mainland China. Although, this is due to a relatively high comparison base in 2019 when most small businesses in those markets grew.

Hong Kong and Australian small businesses were again the least likely to grow. This reflects prolonged underperformance, which was exacerbated by COVID-19. These markets have taken out the bottom two positions for the past three years.

Small businesses in India, Vietnam, Philippines and Indonesia were the most likely to grow in 2020. However, all four markets registered a significant increase of small businesses that shrank compared to 2019.

The weaker results are largely mirrored in higher job losses by the sector last year. 14.7 per cent of small businesses reduced employee numbers in 2020, compared with 6.7 per cent in 2019. For employees of Hong Kong small businesses, 2020 was a particularly challenging year as small businesses in that market were the most likely to cut their headcount. These results are, however, better than what could have been if many governments hadn't introduced wage subsidy schemes last year, such as JobKeeper in Australia.

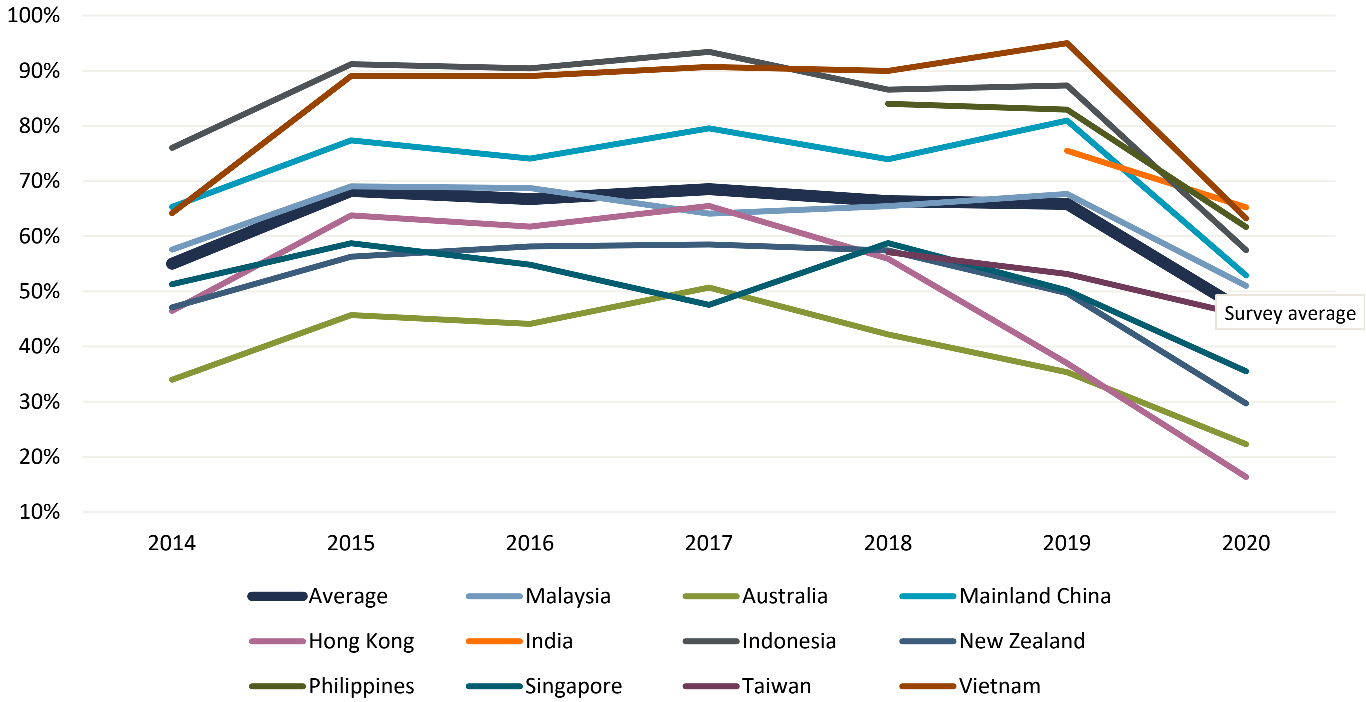
Last year's challenging business conditions are further illustrated by the percentage of businesses that required external funds for survival. In 2020, 41.0 per cent of small businesses needed external finance for survival, up from 27.5 per cent in 2019. This result is also the highest on record for this survey. On the flipside, 44.7 per cent businesses required funds for growth, down from 54.0 per cent in 2019.

All markets identified COVID-19 as their biggest challenge in 2020. This was especially the case in Vietnam, despite the success this nation had in managing the pandemic last year. A possible explanation is that COVID-19 had a harder impact on businesses in economies with a higher reliance on international trade, such as Vietnam.

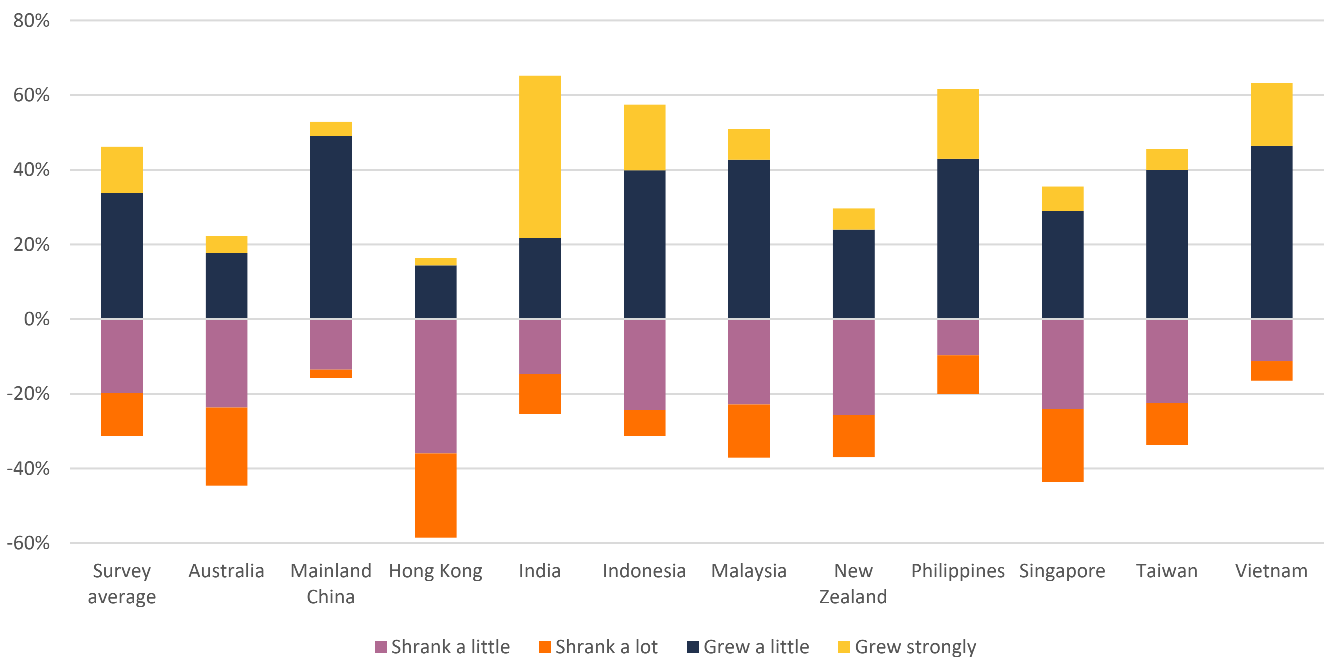
On a positive note, it appears the pandemic has led to an increase in technology adoption and digitalisation by small businesses. In 2020, 57.9 per cent of businesses received more than 10 per cent of revenue from online sales, up from 51.0 per cent in 2019. The year-on-year percentage point increase is the largest on record. In addition, the percentage of small businesses that received more than 10 per cent of sales through digital / online / mobile payment options increased from 60.1 per cent in 2019 to 64.2 per cent.

These are positive trends as the survey results continue to show that businesses earning revenue from online sales are more likely to grow than businesses that don't. Such an increase in digitalisation should hasten the recovery of those businesses.

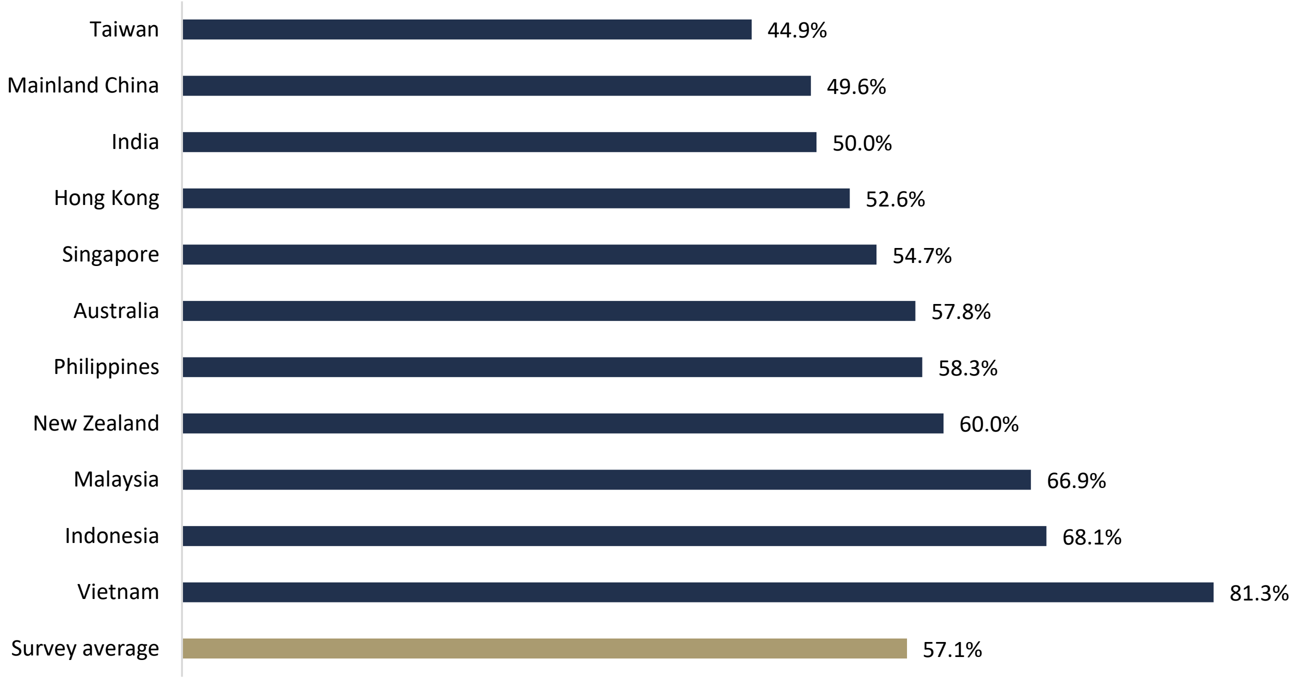
Small businesses that grew in the previous 12 months – a comparison over time and by market



Small businesses that grew compared with shrank in 2020 – by market



COVID-19 had a major negative on my business in 2020 – by market



MAJOR FINDING 2 – MANY SMALL BUSINESSES ARE EXPECTING TO REBOUND IN 2021

Following a difficult 2020, small businesses in the Asia-Pacific region are expecting to rebound in 2021

The survey findings show small business confidence picking up in 2021 across all surveyed markets. These green shoots of optimism are however somewhat dependent on the effective rollout of COVID-19 vaccines and easing of social distancing measures.

Optimism about a rebound is reflected in the percentage of small businesses that expect to grow in 2021. 60.8 per cent expect to grow this year, which is noticeably higher than the 46.2 per cent that grew last year. Likewise, 63.6 per cent expect their revenue to grow this year, up from the 48.1 per cent in 2020.

This growing positivity is flowing through to jobs. 36.1 per cent of the region's small businesses expect to add employees this year, up from 24.8 per cent last year.

Optimism is most apparent in India, where 86.7 per cent of small businesses expect to grow this year, up 21.5 percentage points from 2020. This result includes 54.7 per cent of businesses that believe they will grow strongly in 2021, by far the highest result of the markets surveyed.

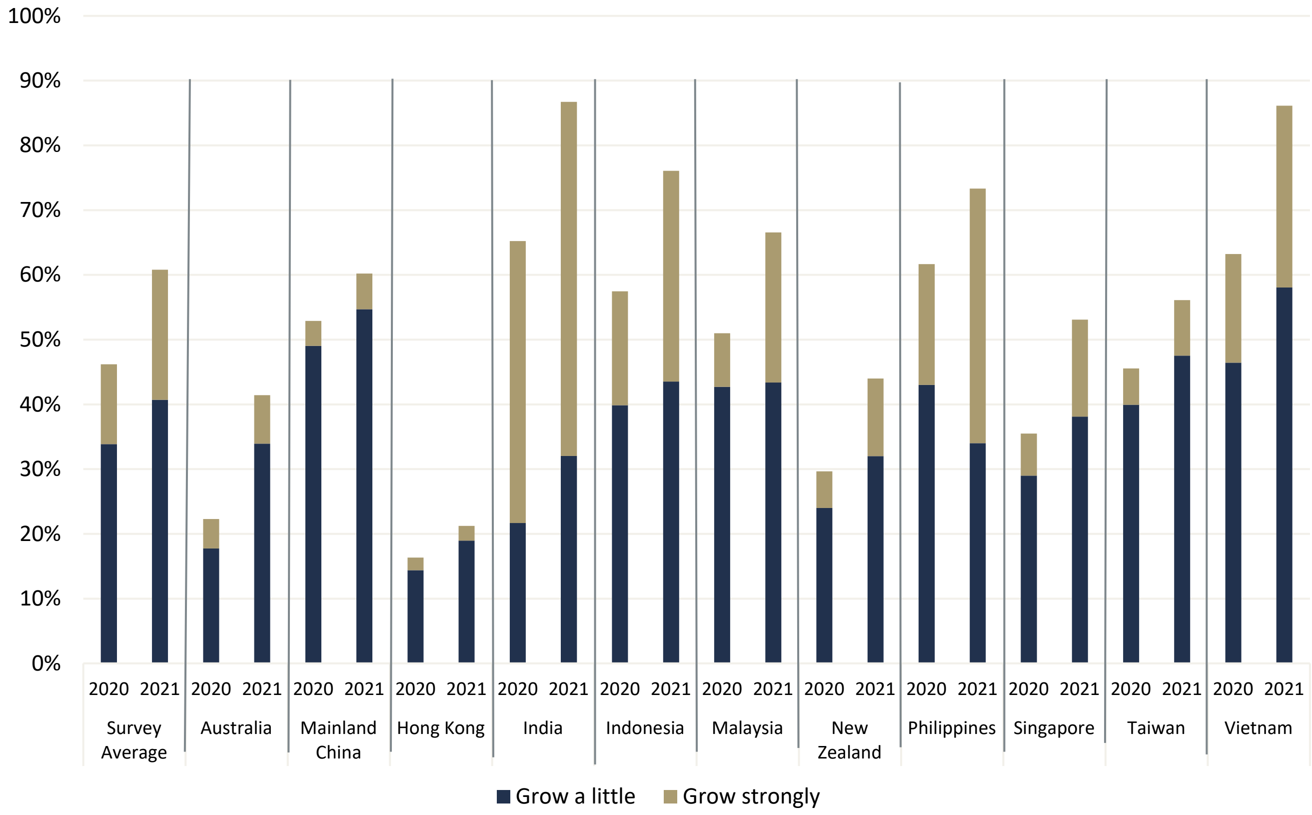
At the other end of the scale, Hong Kong's small businesses are still feeling the adverse impacts of two years of tough economic conditions. Only 21.2 per cent expect to grow this year, which is however up from the 16.3 per cent that grew in 2020. Of concern, 58.4 per cent of Hong Kong's businesses expect to shrink this year. These results are reflected in the low confidence the sector has in the local economy – 65.4 per cent expect the Hong Kong economy to shrink this year.

Reflecting overall increasing growth expectations, anticipated demand for external finance is higher this year. 73.1 per cent of businesses expect to access finance this year compared to 57.6 per cent that accessed such finance in 2020. Of the businesses expecting to seek external finance, 50.8 per cent expect to use it for business growth, up from 44.7 per cent last year. The higher percentage of small businesses anticipating needing external funding is indicative of growing confidence, and such funding should help to drive growth.

Small business expectations for 2021 compared with actual result for 2020 – survey average

	Actual result for 2020	Expectations for 2021
Small businesses that expect to grow	46.2%	60.8%
Small businesses that expect to shrink or close	31.3%	17.1%
Small businesses that expect to increase their employee numbers	24.8%	36.1%
Small businesses that expect to require external funds	57.6%	73.1%
Of those small businesses that expect to require external funds, the percentage that expect to use such funds for growth	44.7%	50.8%
Of those small businesses that expect to require external funds, the percentage that expect to use those funds for survival	41.0%	40.6%

Small business growth – experience in 2020 and expectations for 2021 – by market



MAJOR FINDING 3 – DRIVERS OF SMALL BUSINESS GROWTH

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

Small businesses that grew strongly in 2020 and expect to grow strongly in 2021 are significantly more likely to be selling online, innovating, exporting, improving business strategy, improving customer satisfaction and seeking advice from experts.

Small businesses operating in developing economies, businesses that have been established for less than 10 years, and where the respondent is aged under 40, were also significantly more likely to grow strongly last year or expect to grow strongly this year.

In response to COVID-19, small businesses that grew strongly last year were more likely to have begun or increased their focus on online sales, increased their investment in technology and made substantial changes to their product or the service they sell.

Seeking advice is also important for businesses that grew strongly. Such businesses were more likely to have sought advice from an IT consultant/specialist and a business/management consultant than businesses that didn't grow.

Businesses that grew strongly in 2020 or expect to grow strongly in 2021 are also more concerned about the possibility of cyberattacks. They are therefore more likely to have reviewed their cybersecurity measures in the past six months.

Businesses that grew strongly in 2020 are much more likely to have found the following

	Percentage that grew strongly in 2020	Percentage where the business was unchanged or shrank in 2020
Their investment in technology in 2020 was already profitable	**81.0%**	**30.4%**
Earned 10 per cent or more of their revenue from online sales	**76.2%**	**48.0%**
Received 10 per cent or more of their sales through new payment technologies such as Alipay, Apple Pay and WeChat Pay	**76.6%**	**56.8%**
Improved customer satisfaction was one of the most positive influences on their business	**37.4%**	**12.7%**
Good staff was one of the most positive influences on their business	**32.4%**	**17.5%**
Improved business strategy was one of the most positive influences on their business	**33.5%**	**12.7%**
Introducing a new product or service was one of the most positive influences on their business	**29.5%**	**11.5%**
Technology was one of the most positive influences on their business	**32.2%**	**13.6%**
Found accessing external finance was easy or very easy	**50.8%**	**30.3%**
Repaying debts was easy or very easy	**49.8%**	**26.0%**
Business used social media to learn about the behaviours of customers and potential customers	**44.3%**	**24.1%**
Business reviewed its cybersecurity protections in the past six months	**51.5%**	**35.5%**
Sought advice from an IT consultant/specialist	**36.4%**	**14.8%**
Sought advice from a business/management consultant	**33.7%**	**15.2%**
In response to COVID-19, began or increased their focus on online sales	**32.8%**	**18.2%**
In response to COVID-19, increased their investment in technology	**30.8%**	**12.0%**
In response to COVID-19, made substantial changes to the product or services they sell	**28.9%**	**12.5%**

Businesses that expect to grow strongly in 2021 are much more likely to expect the following

	Expect to grow strongly in 2021	Expect to remain unchanged or shrink in 2021
They will innovate through the introduction of a product, process or service totally new to their local market or the world in 2021	**58.9%**	**6.8%**
Expect revenue from overseas sales to grow strongly in 2021	**48.6%**	**3.7%**
Believe a cyberattack on their business is very likely in 2021	**43.7%**	**4.9%**
Business will require external finance in 2021	**50.8%**	**17.0%**
If seeking finance, the business expects easy to very easy access to finance	**40.8%**	**18.2%**
Expect it will be easy or very easy to pay their debts in 2021	**44.1%**	**22.3%**

MAJOR FINDING 4 – THERE ARE LARGE DIFFERENCES BETWEEN SMALL BUSINESSES IN ASIA, AND 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 that the survey results found are closely associated with growth. This is highly likely to be contributing towards the stronger growth of Asia's small business sector.

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 to have much higher demand for external finance. This is despite access to finance being more difficult in Asia.

The recent weak performance of Hong Kong's small business sector is not necessarily an indicator of issues with their capability and capacity. Hong Kong's small businesses are much more likely to be using digital technologies and exporting than their Australian and New Zealand peers. However, Hong Kong businesses, like small businesses in Australian and New Zealand would benefit from a stronger focus on innovation, customer satisfaction and business strategy.

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 less time and are run by someone who is younger. The survey results show that these businesses are much more likely to be undertaking activities associated with growth, including leveraging technologies, innovating, and creating jobs.

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, Hong Kong and the average for the rest of Asia

	Australia	New Zealand	Hong Kong	Rest of Asia average
Business grew in 2020	22.3%	29.7%	16.3%	54.6%
Will innovate through the introduction of a product, process or service new to their local market or the world in 2021	6.7%	8.7%	8.5%	28.5%
Do NOT expect to sell into overseas markets in 2021	53.6%	49.3%	18.6%	23.8%
Business used social media to sell products or services	21.1%	19.7%	35.0%	44.7%
Their investment in technology in 2020 was already profitable	18.9%	17.7%	25.2%	58.0%
Earned 10 per cent or more of their revenue from online sales	31.6%	25.7%	44.4%	66.6%
Received 10 per cent or more of their sales through new payment technologies such as Alipay, Apple Pay and WeChat Pay	40.9%	37.9%	57.3%	71.8%
Improved customer satisfaction was one of the most positive influences on their business in 2020	13.2%	11.0%	13.1%	26.1%
Improved business strategy was one of the most positive influences on their business in 2020	10.1%	12.3%	8.5%	23.4%
Found accessing external finance was easy or very easy in 2020	49.6%	52.9%	17.1%	33.4%
Business used social media to learn about the behaviours of customers and potential customers	10.7%	10.0%	24.5%	35.9%
In response to COVID-19, began or increased their focus on online sales	5.9%	6.3%	17.3%	29.8%
In response to COVID-19, increased their investment in technology	6.1%	8.7%	9.8%	22.4%

MAJOR FINDING 5 – SMALL BUSINESSES WITH YOUNGER RESPONDENTS ARE MUCH MORE LIKELY TO BE GROWING

There are significant differences in activities undertaken by small businesses by age

Respondents aged under 40 are significantly more likely to state 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 2020 that has already improved their profitability. These respondents are more likely to have invested in artificial intelligence and mobile applications (apps). Older respondents were more likely to invest in computer equipment.

Due to their typically stronger focus on technology, younger respondents are much more likely to expect a cyberattack in 2021, and therefore more likely to have reviewed their cybersecurity in the past six months.

Younger respondents were also more likely to have begun or increased their focus on online sales last year in response to COVID-19. Older respondents were more likely to have not made any major businesses changes in response to COVID-19, even where the pandemic had a negative impact on their business.

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, with a strong focus on customer loyalty.

Given younger respondents are more likely to be in businesses that are growing, it is not surprising that they were much more likely to have needed external finance in 2020. While there is little difference in ease or difficulty in accessing finance by age, younger respondents were more likely to source those funds from an investor.

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 2020	59.9%	21.1%
Expect business to grow in 2021	71.9%	39.6%
Increased employee numbers in 2020	38.0%	6.3%
Expect to increase employee numbers in 2021	48.6%	13.2%
Will introduce a new product, service or process unique to their market or the world in 2021	30.9%	7.5%
Expect revenue from overseas markets to grow in 2021	50.5%	23.3%
Business used social media to sell products or services	44.2%	24.6%
Business used social media to promote itself to potential customers	50.5%	35.6%
Improving business strategy was one of the most positive influences on their business in 2020	22.7%	12.1%
Improving customer satisfaction was one of the most positive influences on their business in 2020	25.4%	16.5%
Customer loyalty was one of the most positive influence on their business in 2020	32.5%	34.6%
More than 10 per cent of revenue comes from online sales	67.9%	35.1%
More than 10 per cent of sales is received through digital online payment platforms, such as Alipay, Apple Pay and WeChat Pay	63.4%	40.1%
Due to COVID-19, began or increased their focus on online sales	28.7%	12.8%
COVID-19 did not cause me to make major changes to my business	7.9%	25.8%
Consider it likely that their business will experience cyberattack(s) in 2021	45.3%	24.1%
Business reviewed its cybersecurity protections in the past six months	47.7%	34.3%
Investment in technology in 2020 has already increased the business's profitability	60.1%	22.8%
The technology most heavily invested in in 2020 was computer equipment	14.8%	26.4%
Required external finance in 2020	63.4%	38.6%
Business growth was a main reason for requiring external finance in 2020	49.8%	29.5%
50 per cent or more of sales are received in cash	54.4%	27.9%
Has 10 to 19 employees	42.1%	17.8%

SURVEY RESULTS

WHAT DO HIGH-GROWTH SMALL BUSINESSES DO DIFFERENTLY?

Technology is critical to high-growth businesses

81.0% of businesses that grew strongly found their investment in technology in 2020 was already profitable	**30.4%** of businesses that were unchanged or shrank, found their investment in technology in 2020 was profitable
51.5% of businesses that grew strongly in 2020 reviewed their cybersecurity protections in the past six months	**35.5%** of businesses that were unchanged, or shrank in 2020, reviewed their cybersecurity protections in the past six months
30.8% of businesses that grew strongly in 2020 increased their investment in technology in response to COVID-19	**12.0%** of businesses that were unchanged, or shrank in 2020, increased their investment in technology in response to COVID-19
32.2% of businesses that grew strongly in 2020 found that technology had a major positive influence on their business	**13.6%** of businesses that were unchanged, or shrank in 2020, found that technology had a major positive influence on their business

Businesses that grew strongly in 2020 are much more likely to have invested in technology. They are also significantly more likely to have found their investment in 2020 was already profitable. This indicates that such businesses:

- may have the skills, knowledge and experience (or access to such) needed to select and use the technology more likely to generate a quick return for them.
- may have the extra resources needed to invest in the right technology.
- are in a better financial 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 and application of it. This can include seeking advice from IT specialists. Such steps should better position them to make decisions on the types of technology their business needs and how best to implement it.

Increasing their focus on cybersecurity may also assist some small businesses to overcome possible concerns they have with investing in new technology.

Selling online is an important part of high-growth businesses

76.2% of businesses that grew strongly in 2020 earned 11 per cent or more of their revenue from online sales	**48.0%** of businesses that were unchanged, or shrank in 2020 earned 11 per cent or more of their revenue from online sales
76.6% of businesses that grew strongly in 2020 received 11 per cent or more of their sales through new payment technology	**56.8%** of businesses that were unchanged, or shrank in 2020 received 11 per cent or more of their sales through new payment technology
42.7% of businesses that grew strongly in 2020 used social media to sell products or services	**34.1%** of businesses that were unchanged, or shrank in 2020 used social media to sell products or services
32.8% of businesses that grew strongly in 2020 began or increased their focus on online sales in response to COVID-19	**18.2%** of businesses that were unchanged, or shrank in 2020, began or increased their focus on online sales in response to COVID-19

Businesses that grew strongly in 2020 were significantly more likely to have earned more than 10 per cent of their revenue from online sales.

Businesses seeking to grow should consider investing more in developing their online sales presence, including social media. Part of this focus should include making it easier for customers to purchase online through new payment technologies such as PayPal, Alipay and Afterpay.

It is somewhat disappointing that COVID-19 didn't encourage more small businesses to increase their focus on online sales. While there was an increase, the results were lower than anticipated, especially in Australia and New Zealand.

Used social media for business purposes

46.2% of businesses that grew strongly used social media to communicate with existing customers	**38.2%** of businesses that were unchanged, or shrank, used social media to communicate with existing customers
52.1% of businesses that grew strongly used social media to promote their business to potential customers	**40.7%** of businesses that were unchanged, or shrank, used social media to promote their business to potential customers
44.3% of businesses that grew strongly used social media to learn about the behaviours of customers and potential customers	**24.1%** of businesses that were unchanged, or shrank, used social media to learn about the behaviours of customers and potential customers

As in previous years, there is a solid link between using social media and strong business growth. Businesses that grew strongly are more likely to use social media in a variety of ways, including selling, having two-way communication with existing and potential customers, and learning more about their customers.

There is therefore 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 better understand their customers and therefore improving customer satisfaction.

Focused on improving customer satisfaction and business strategy

37.4% of businesses that grew strongly in 2020 found that improving customer satisfaction had one of the most positive influences on their business	**14.9%** of businesses that were unchanged, or shrank in 2020 found that improving customer satisfaction was one of the most positive influences on their business
33.5% of businesses that grew strongly in 2020 found that improved business strategy had one of the most positive impacts on their business	**12.7%** of businesses that were unchanged, or shrank in 2020, found that improved business strategy had one of the most positive impacts on their business

Businesses that grew strongly in 2020 were much more likely to be focused on customers satisfaction and business strategy than businesses that didn’t grow.

Maintaining customer loyalty was not a distinguishing feature of growing businesses. While businesses that grew strongly found that customer loyalty was important, it was also important for those that didn't grow.

Focusing on customers satisfaction and business strategy are essential for high-growth businesses. Therefore, spending more time learning about customers and potential customers, and developing and implementing a business strategy, is important to business success. This may require investing in technology that helps with learning more about their customers, and seeking professional advice on the design and execution of business plans.

Innovate through a new product or service

58.9% of businesses that expect to grow strongly in 2021 will introduce a new product, service or process new to their market or the world	**7.0%** of businesses that expect to not to change or shrink in 2021, will introduce a new product, service or process new to their market or the world

29.5% of businesses that grew strongly in 2020 found that introducing a new product or service was one of the most positive influences on their business	**11.5%** of businesses that were unchanged, or shrank in 2020, found that introducing a new product or service was one of the most positive influences on their business

28.9% of businesses that grew strongly in 2020 made substantial changes to the products or services they sell in response to COVID-19	**12.5%** of businesses that were unchanged, or shrank in 2020, made substantial changes to the products or services they sell in response to COVID-19

The survey results show there is a strong link between innovation through introducing a new product, process or service and business growth.

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 needed to invest in innovation, and therefore be positioned to take risks that are associated with innovation. This culture of innovation is setting such businesses up for long-term success.

Seeking to grow in new markets

48.6% of businesses that expect to grow strongly in 2021 expect strong growth in their overseas sales	**3.9%** of businesses that expect to not to change or shrink in 2021, expect strong growth in their overseas sales
28.9% of businesses that grew strongly in 2020 found that entering new markets was one of the most positive influences on their business	**10.1%** of businesses that were unchanged, or shrank in 2020, found that entering new markets was one of the most positive influences on their business

Businesses that are growing their exports are much more likely to grow overall. As with previous survey results, businesses that expect to grow strongly in 2021 are significantly more likely to expect their overseas sales will grow strongly.

Businesses that grew strongly in 2020 were also much more likely to report that entering new markets was one of the most positive influences on their business last year.

Businesses that are growing strongly may have the extra resources needed to enter new markets and adapt their products or services to those markets. They may also be better positioned to take risks associated with exporting. Diversifying income streams and exposing a business to new competitive pressures and ideas from different markets remains important for long-term business success.

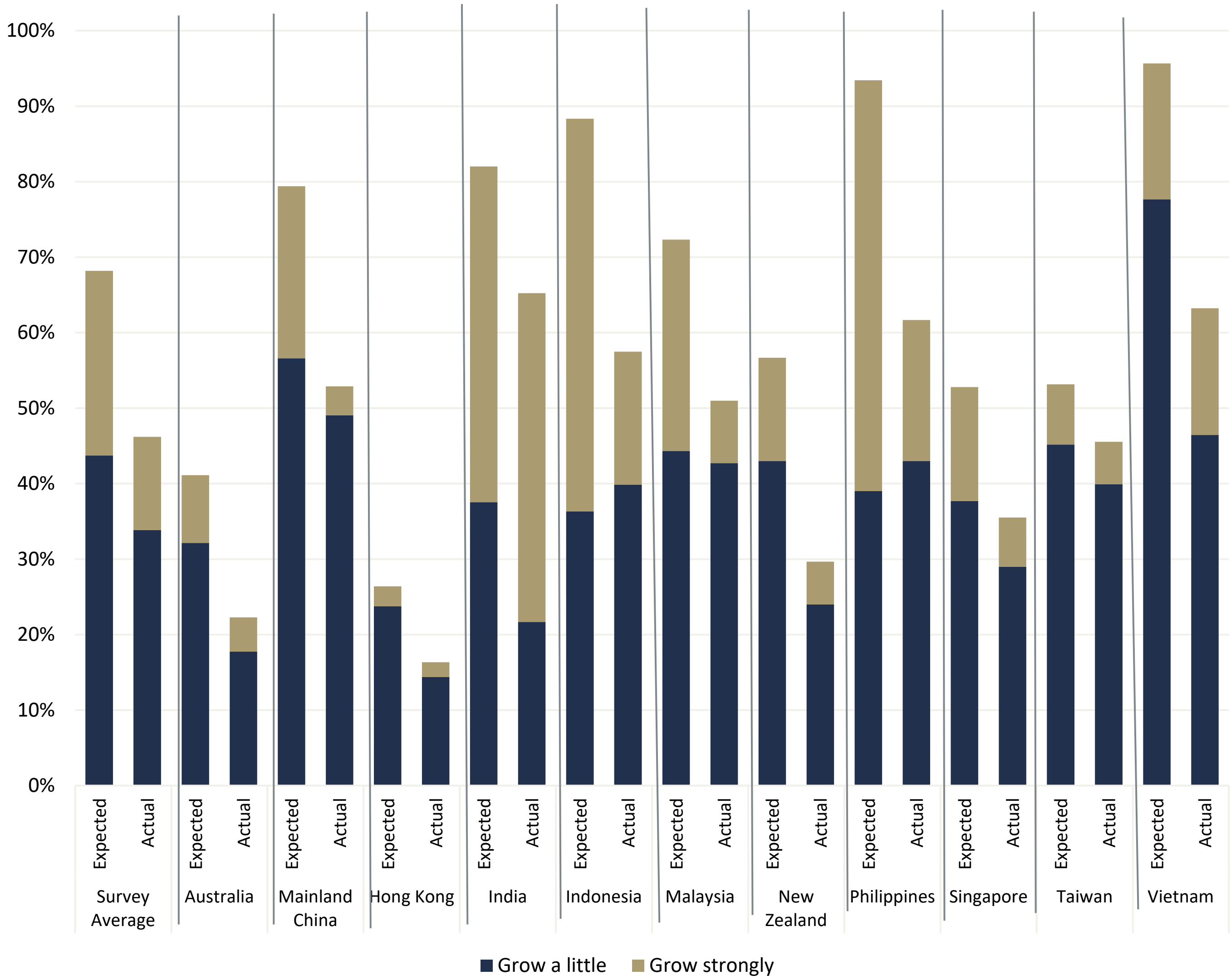
SEVEN LESSONS FROM HIGH-GROWTH SMALL BUSINESSES

1. Develop your capability to identify and implement the right technologies for your business
2. Invest in learning more about your customers and potential customers
3. Invest in researching and implementing new or improved products, processes or services
4. Test whether there is demand for your products or services in new markets
5. Increase your social media presence and expand the ways you use social media
6. Expand your e-commerce presence and use new payment technologies to make it easier for customers to pay online
7. Focus on improving your business strategy and its implementation

COVID-19 IMPACT ON SMALL BUSINESS

Impact on growth

Actual growth in 2020 compared to expected growth – by market



20.2%	57.1%
of businesses stated that COVID-19 had a major positive influence on their business in 2020	of businesses stated that COVID-19 had a major detrimental impact on their business in 2020

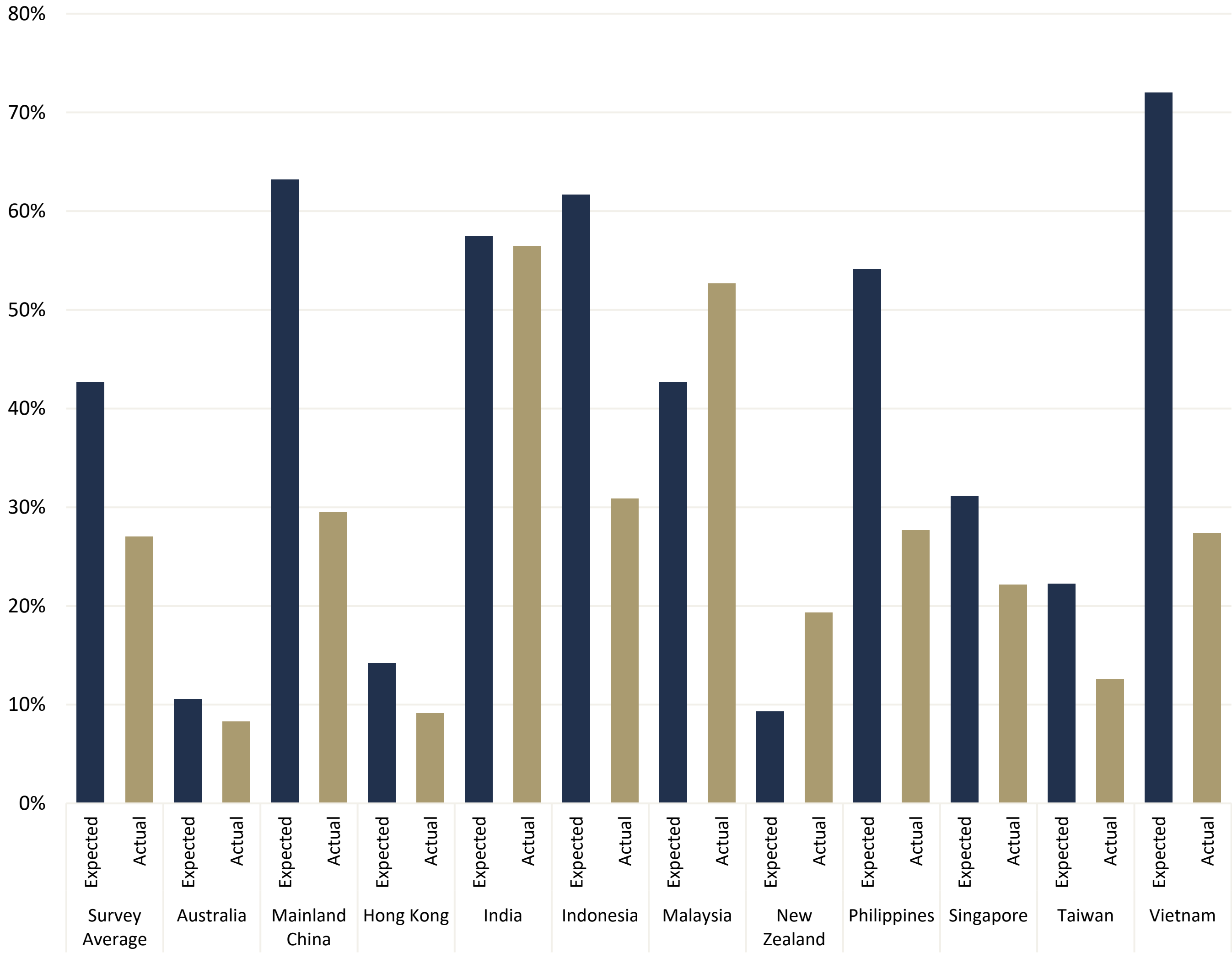
Unsurprisingly, the survey results show that COVID-19 had a major negative impact on small business in all markets in 2020. The pandemic led to less businesses growing last year compared with 2019, and the percentage of businesses that did grow failed to meet expectations in all markets.

Businesses that found COVID-19 had a major negative impact on their business in 2020 were more likely to:
- be from Vietnam. This is interesting given the pandemic only had a minor impact on the country last year.
- be from the 'Rental, hiring and real estate' and the 'Accommodation and food services' sectors. This is not surprising given social distancing, travel restrictions and lockdowns.
- have been operating for ten years or less.

While far more businesses reported that COVID-19 had a major negative impact on their business, a small percentage of businesses found that it had a major positive influence on their business. Businesses in the 'health care and social assistance' industry, and businesses from Taiwan and India were the most likely to report it had a positive impact.

Impact on small business jobs creation

Actual increase in employee numbers in 2020 compared to expected increase



A poor 2020 had a mixed impact on jobs creation by small businesses. The number of businesses that cut employee numbers was higher in all markets in 2020 than 2019. 14.7 per cent of respondents cut employee numbers last year, compared with 6.7 per cent in 2019. Despite Hong Kong offering a wage subsidy scheme, nearly 30 per cent reduced their headcount in 2020, the highest result of the markets surveyed.

New Zealand small businesses were however more likely to recruit additional employees last year than they expected. One possible explanation for this is the wage subsidy scheme offered by the New Zealand government.

Businesses most likely to have added to their employee numbers in 2020 were in the ‘information, media and telecommunications’ sector and ‘banking, finance or insurance’ sector. Businesses most likely to have reduced employee numbers were in the ‘accommodation and food services sector’.

Respondents aged under 40 were significantly more likely to have added to their employee numbers last year than those aged 50 and over. Similarly, businesses established for ten years or less were more likely to have added to their headcount than older businesses.

Other impacts on small business

Differences in survey results from 2019 to 2020 – survey average

	2019	2020
More than 10 per cent of revenue comes from online sales	51.0%	57.9%
More than 10 per cent of sales received through new payment technologies such as PayPal, Alipay etc	60.1%	64.2%
Required external funds for business growth	54.0%	44.7%
Required external funds for business survival	27.5%	41.0%
A bank was the main source of external finance	36.2%	28.4%
A government grant was the main source of external finance	5.2%	11.2%
Increased number of employees	32.5%	24.8%
Decreased number of employees	6.7%	14.7%
Borrowing costs were the cost increase most detrimental to business	15.0%	22.3%
Business revenue has increased	60.0%	48.1%
Business revenue has decreased	17.6%	29.4%

There was a smaller than expected increase in businesses generating more than 10 per cent of their revenue online. With all markets surveyed experiencing restrictions on business activity at some point in 2020, and much commentary around the anticipated increase in online sales, our expectation was for a larger increase than 6.9 percentage points.

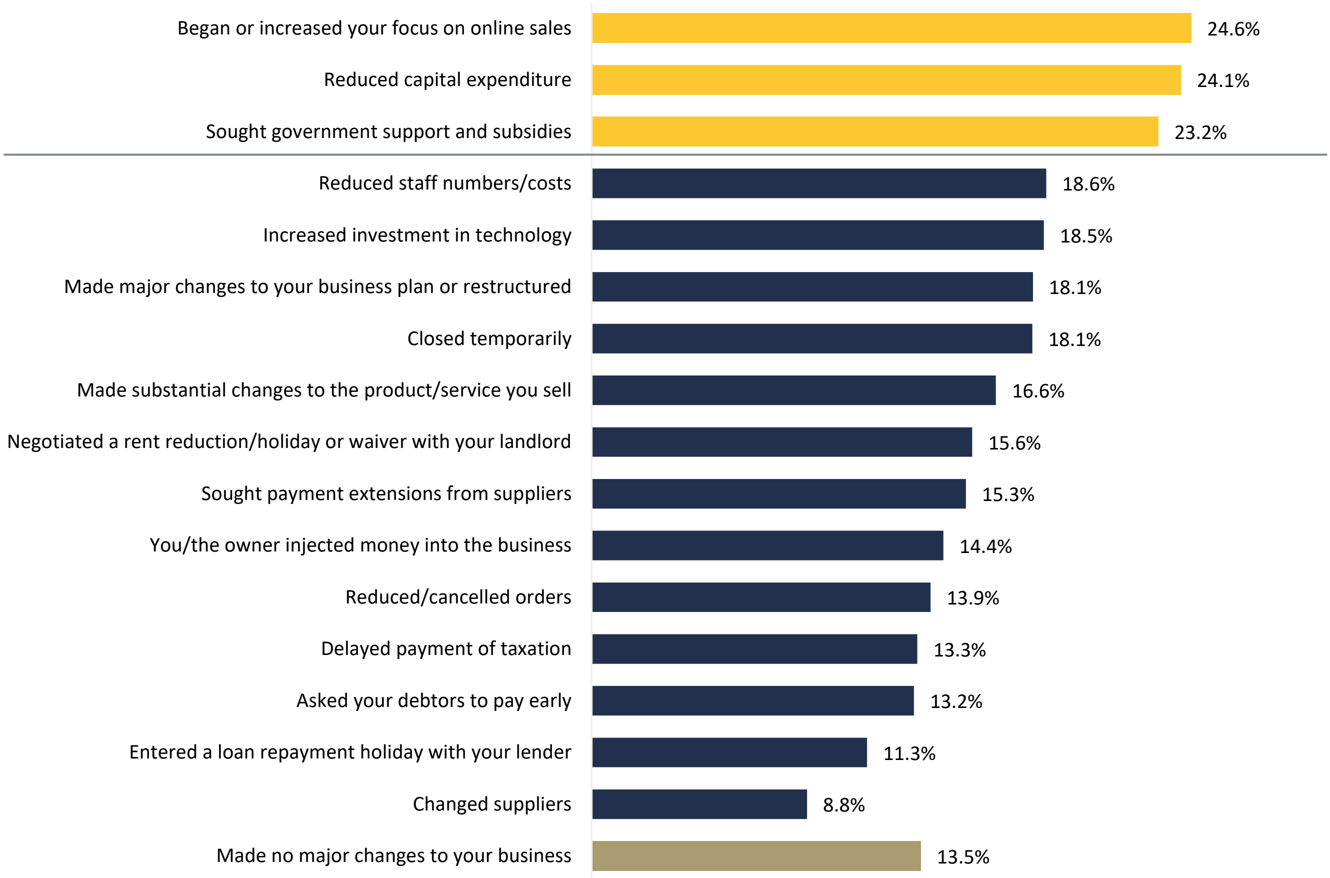
With over 24 per cent of businesses stating that they began or increased their focus on online sales in response to COVID-19, these results indicate that such a shift was not automatically beneficial to many small businesses last year. Larger businesses may have benefited more from this shift to online commerce.

While government grants were not a major source of external finance overall, this was not the case in New Zealand and Hong Kong. In both markets, the government became a major player in small business financing.

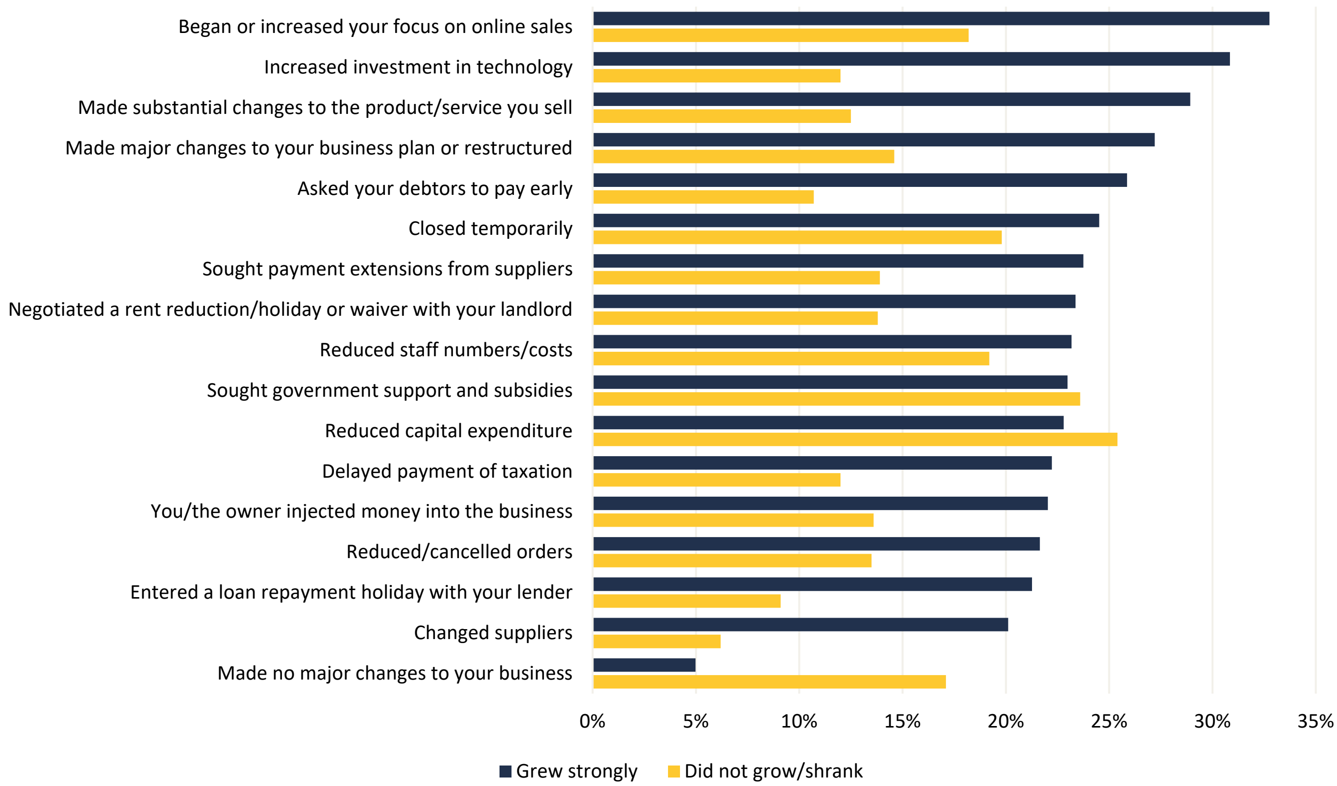
In New Zealand, the percentage of small businesses that nominated government grants as their main source of external finance surged from 7.0 per cent in 2019 to 51.3 per cent in 2020. For Hong Kong, the results jumped from 9.2 per cent in 2019 to 32.5 per cent last year. With governments across the world substantially ramping up their direct support of businesses through wage subsidies, grants and concessional loans, and many traditional lenders becoming more reluctant to lend given the uncertain economic environment, this result is not surprising.

Major actions taken in response to COVID-19

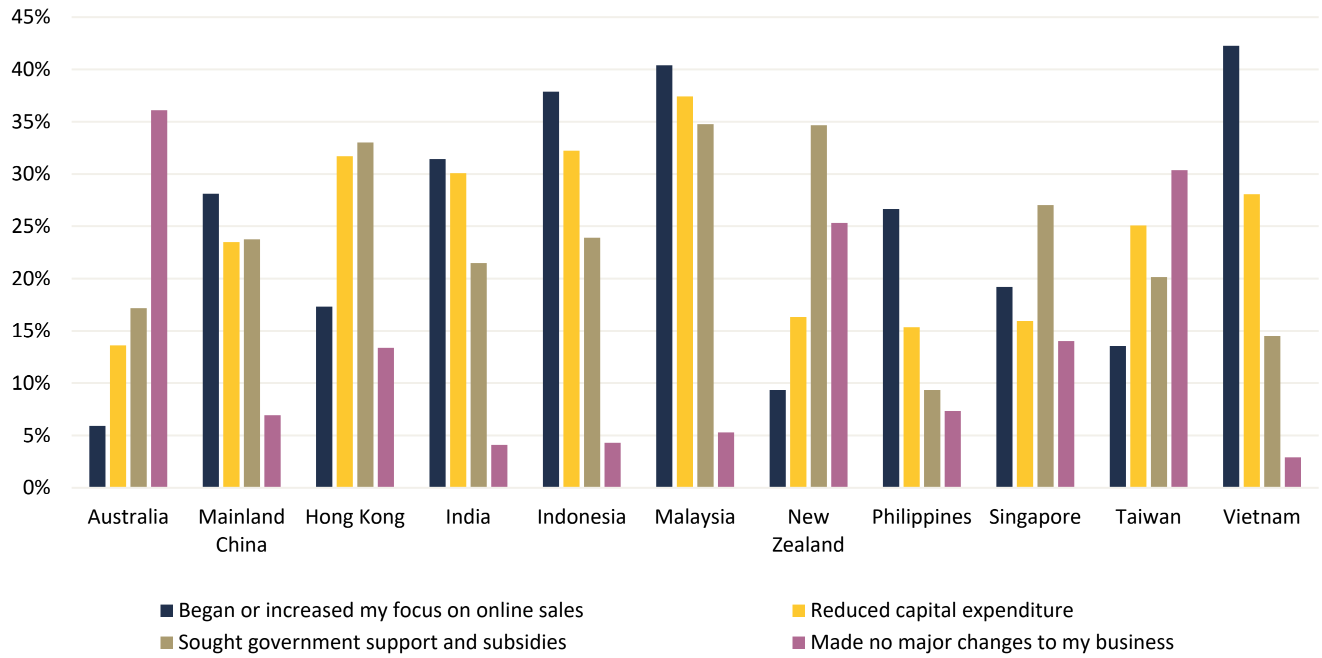
Major actions undertaken by small business in response to COVID-19 – all markets



Major actions undertaken by small business in response to COVID-19 – grew strongly in comparison to did not grow/shrank – all markets



Major actions your business undertook in response to COVID-19 – by market



As expected, small businesses mainly focused on actions that allowed them to better reach their customers due to the restrictions (including a stronger emphasis on online sales). This was particularly the case for growing businesses, and businesses from Vietnam, Malaysia and Indonesia.

The crisis also prompted a reduction in capital expenditure, although not necessarily in the technology space, with many businesses having to make unplanned investments to reach customers and support working from home.

Many also turned to government for support during this period. With many small businesses seeing their revenue decline and being under financial stress, government assistance would have been very welcome.

Government support may have limited or delayed the need for some businesses to reduce costs and employee numbers. A typical response to a downturn is to cut costs, including headcount. The relatively small number that cut costs may be beneficial for recovery, as small businesses may have maintained the capabilities essential to rebound. As governments withdraw subsidies, we may see businesses focus more on cost cutting, especially if such support is withdrawn early.

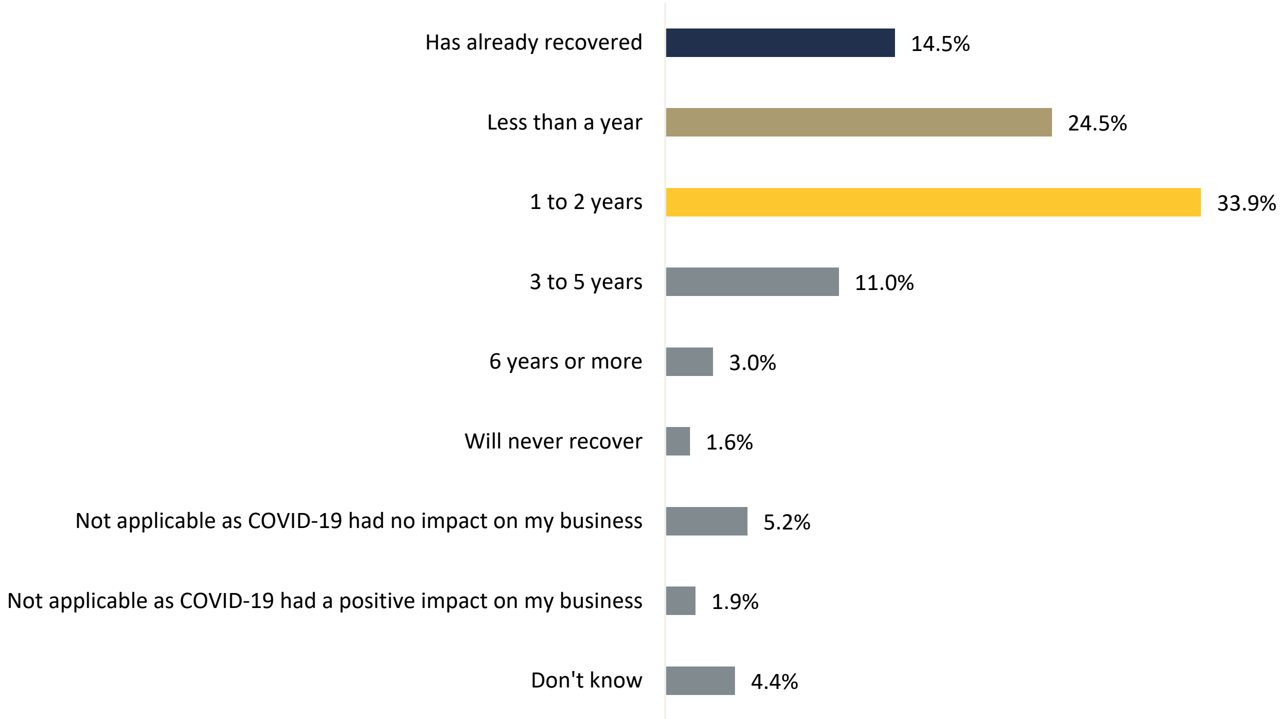
Growing businesses were more likely to focus on actions linked to growth including online sales, investment in technology and substantially changing the products or services they sold.

For businesses that didn’t grow, they were unsurprisingly focused on actions to help with cash flow and survival, including reducing capital expenditure, seeking government support or reducing employee numbers / costs.

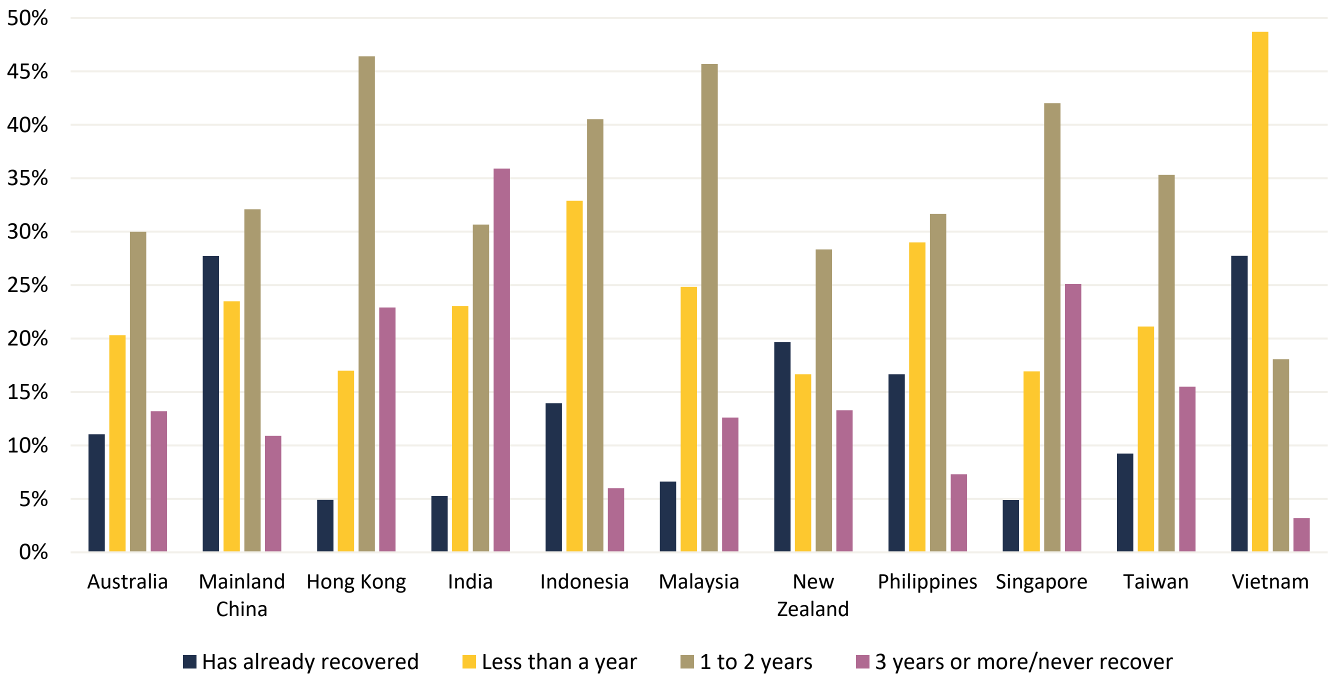
Reassuringly, most businesses acted in response to the pandemic. However, in Australia 36.1 per cent made no changes to their business. Small businesses in Australia that didn’t make any change were far less likely to grow. Further, those that didn’t seek advice were also far less likely to have made changes to their businesses. Such businesses are poorly placed for the recovery.

Recovery from COVID-19

If COVID-19 had a negative impact on your business how long do you believe it will take for it to recover to its pre-COVID-19 level – survey average?



If COVID-19 had a negative impact on your business how long do you believe it will take for it to recover to its pre-COVID-19 level – by market?



COVID-19 has had a diverse impact on the region's small businesses. Many small businesses from Mainland China and Vietnam have already recovered or expect to recover this year, reflecting the success that those countries had in managing the health and economic impacts of COVID-19 last year.

On the other hand, over one-third of India's small businesses expect it will take three years or more to recover to their pre-COVID-19 level.

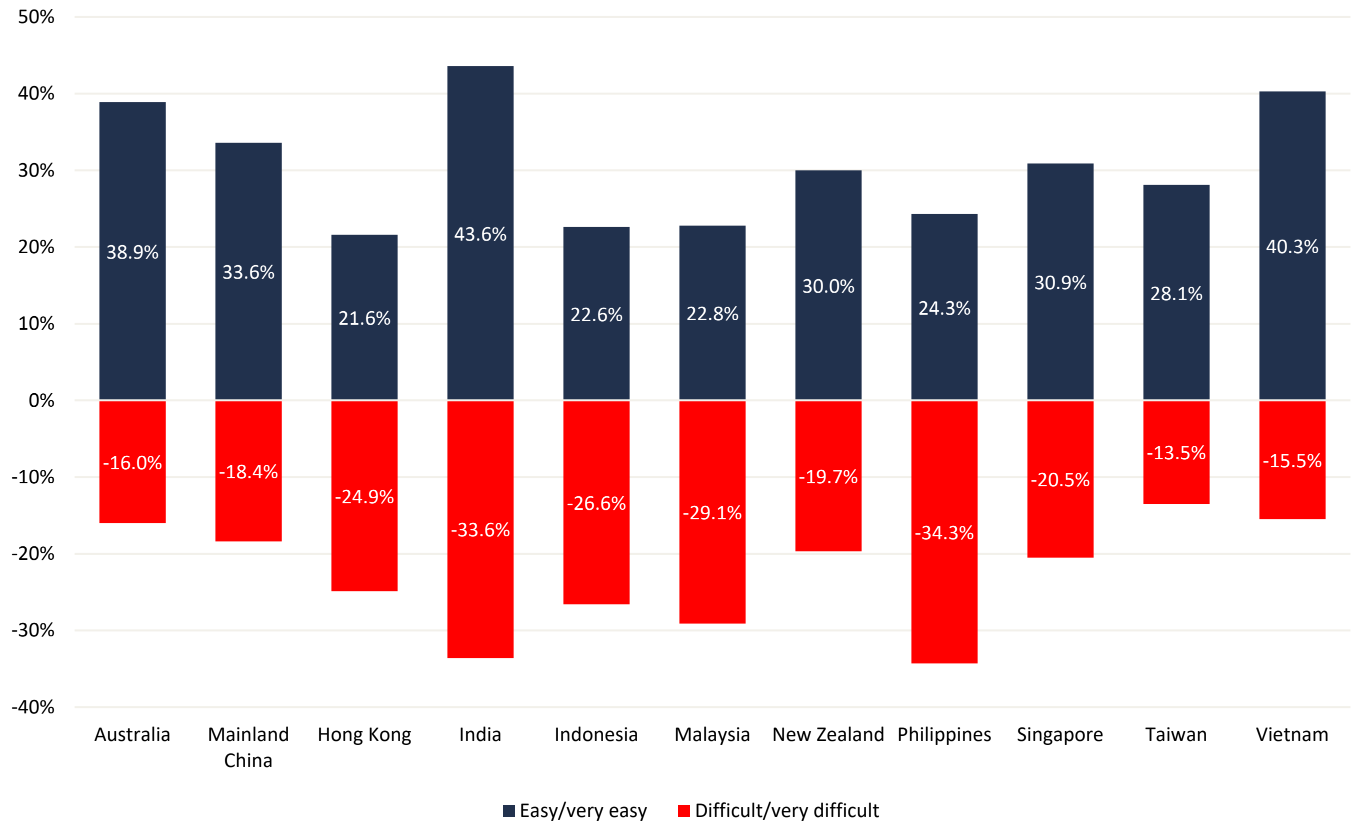
Businesses in the utilities sector are the most likely to expect to have fully recovered by the end of this year (52.2 per cent), followed by 'accommodation and food services businesses' (47.6 per cent).

Younger businesses seem more resilient than older businesses. Businesses established for ten years or less are more likely to have recovered or to expect to recover this year. Respondents aged under 40 are also more likely to have found that their business has recovered or expect it to recover this year than older respondents.

Overall, most businesses expect to return to their pre-COVID-19 levels in the next two years. The recovery could be accelerated through a fast roll-out of a vaccine.

Business solvency

Businesses ability to repay its debts in 2020 – by market



The mixed results for India's small businesses are reflected in this test of solvency. While India's small businesses were the most likely to find it easy or very easy to pay their debts in 2020, they were also the second most likely to find that they had difficult meeting their debt obligations in 2020.

Despite most Filipino small businesses growing, this was not necessarily translating to improved cash flow, with less than a quarter finding it easy to pay their debts in 2020.

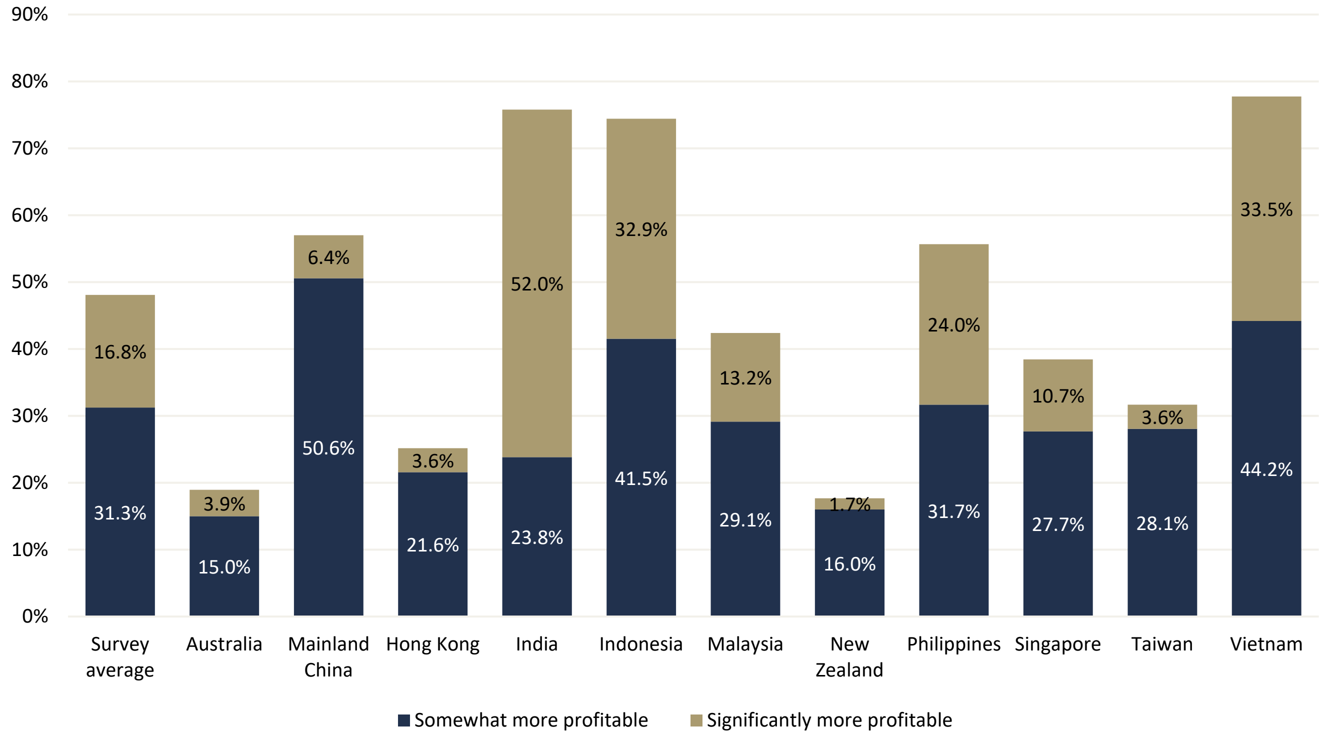
Despite 2020 being a very tough year for many of the region's small businesses, this has not necessarily translated into heightened concerns over business solvency. For Australia, Hong Kong, New Zealand, Singapore and Taiwan, there is little difference between the percentage of businesses that found it difficult to pay their debts in 2019 and 2020. This is most likely due to the government financial support available in those markets.

Vietnam is the one market where the percentage that had trouble paying their debts dropped substantially. In 2019, 42.3 per cent had trouble paying their debts compared to 15.5 per cent in 2020.

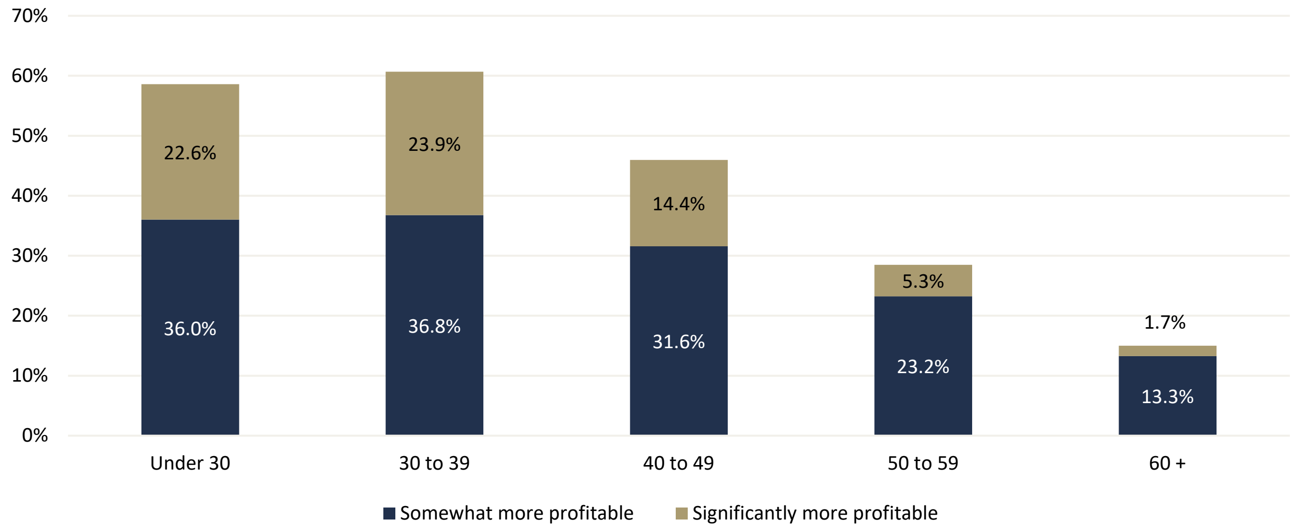
SMALL BUSINESS AND TECHNOLOGY

The impact of technology on small business profitability

Investment in technology in 2020 made the business more profitable – by market



Investment in technology in 2020 made the business more profitable – by age of respondent



Key findings

The survey results show that choosing the right technology impacts growth. Businesses that grew strongly last year were significantly more likely to find that their investment in technology in 2020 was already profitable (81.0 per cent). In comparison, of those businesses that didn't grow or shrank, 30.4 per cent found their investment in technology in 2020 was profitable.

A lack of investment in technology was also linked with no growth. Businesses that didn't grow or shrank during 2020 were much more likely to have made no investment in technology (26.5 per cent) than those that grew strongly (6.1 per cent).

Likewise, businesses that found technology to be a major positive influence on their business last year were more likely to grow strongly.

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, 77.7 per cent of small businesses from Vietnam reported their investment in technology last year had already improved their profitability, compared with only 18.9 per cent of Australian small businesses.

Age is also a factor in the short-term profitability of technology investment by small business. Respondents aged under 40 were far more likely to state their investment in technology in 2020 was already profitable (60.1 per cent) than respondents over 50 (22.8 per cent).

Similarly, older respondents were more likely to have not invested in any technology last year. 36.5 per cent of respondents aged 50 and over didn't invest in technology in 2020, compared with 11.6 per cent of respondents under 40.

Businesses with five or more employees are significantly more likely to be generating a quick return on technology investment. 58.5 per cent of business with five or more employees stated their investment in technology in 2020 was already profitable, compared with 21.1 per cent of businesses with no employees.

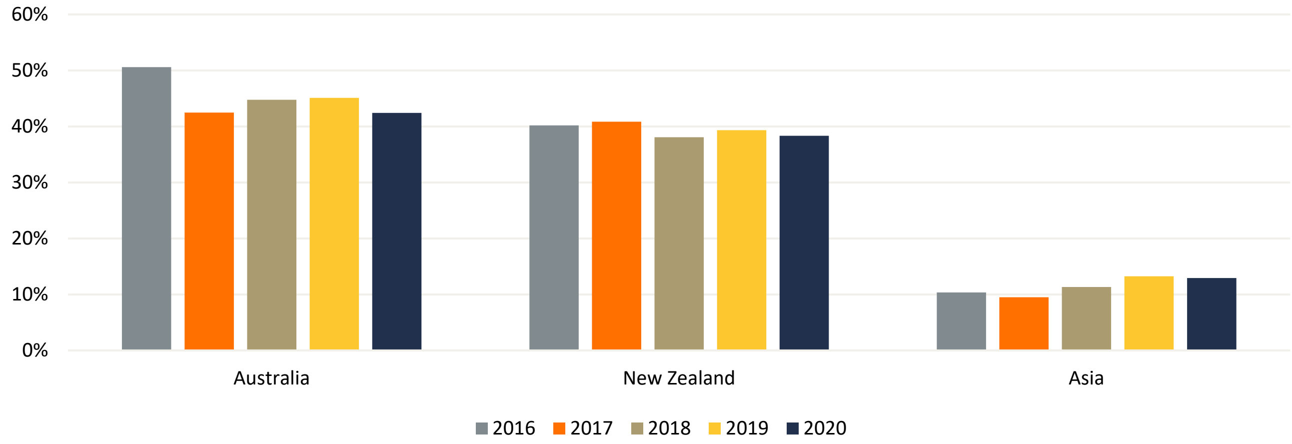
The technology that was most likely to have significantly increased a business's profitability in 2020 was business intelligence and analytical software, and customer relationship management software.

Suggestions:

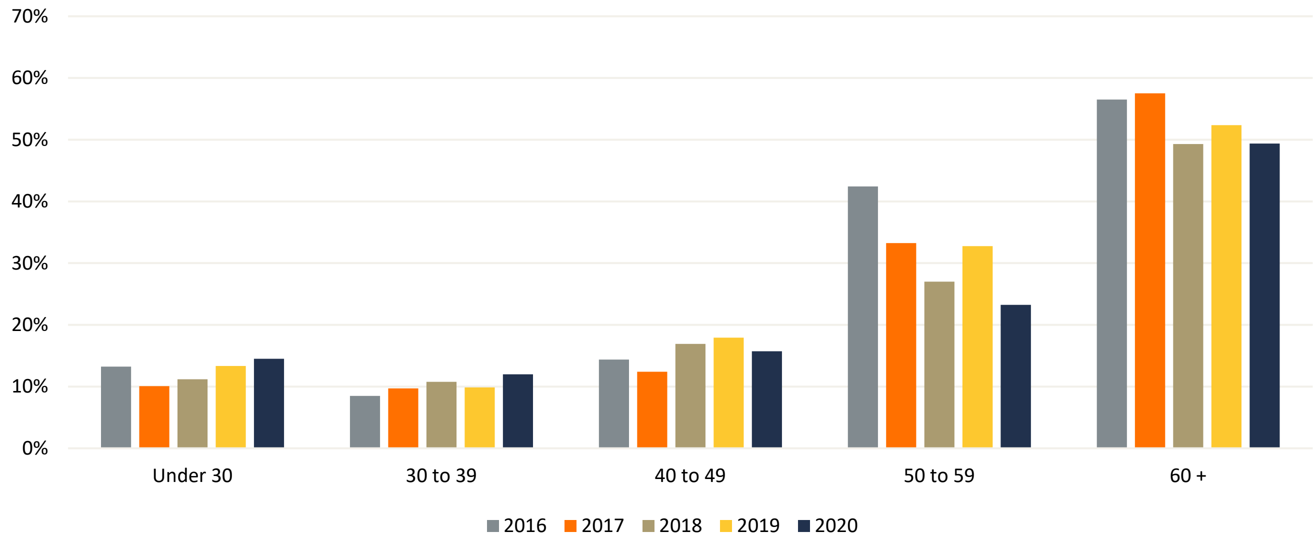
- Businesses should invest in developing their digital capability so that they are more likely to invest in technology that improves their profitability sooner.
- Businesses can also seek professional advice to improve their understanding of technologies that can improve their profitability.
- Governments,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

Social media

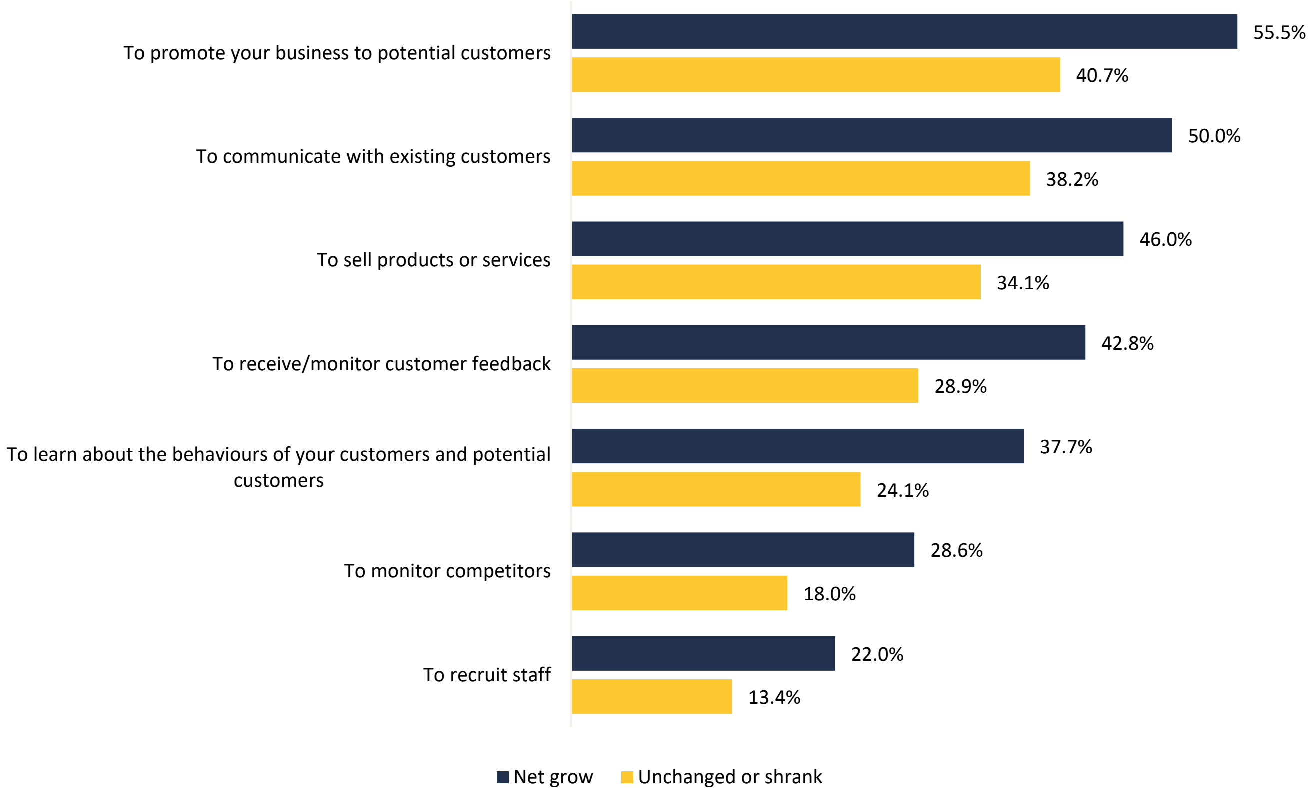
NOT using social media for business purposes – by market and over time



NOT using social media for business purposes – by age of respondent and over time



What small businesses use social media for – comparison of businesses that reported growing in 2020 with those that were unchanged or shrank



Key findings
The survey results again demonstrate that small businesses that use social media are much more likely to be growing than businesses that aren't. 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 use social media to seek our new customers and engage with their existing 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. Respondents aged 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 aged 50 or over relative to Asia, this helps to explain the difference in social media usage 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 five years, however the gap remains large.

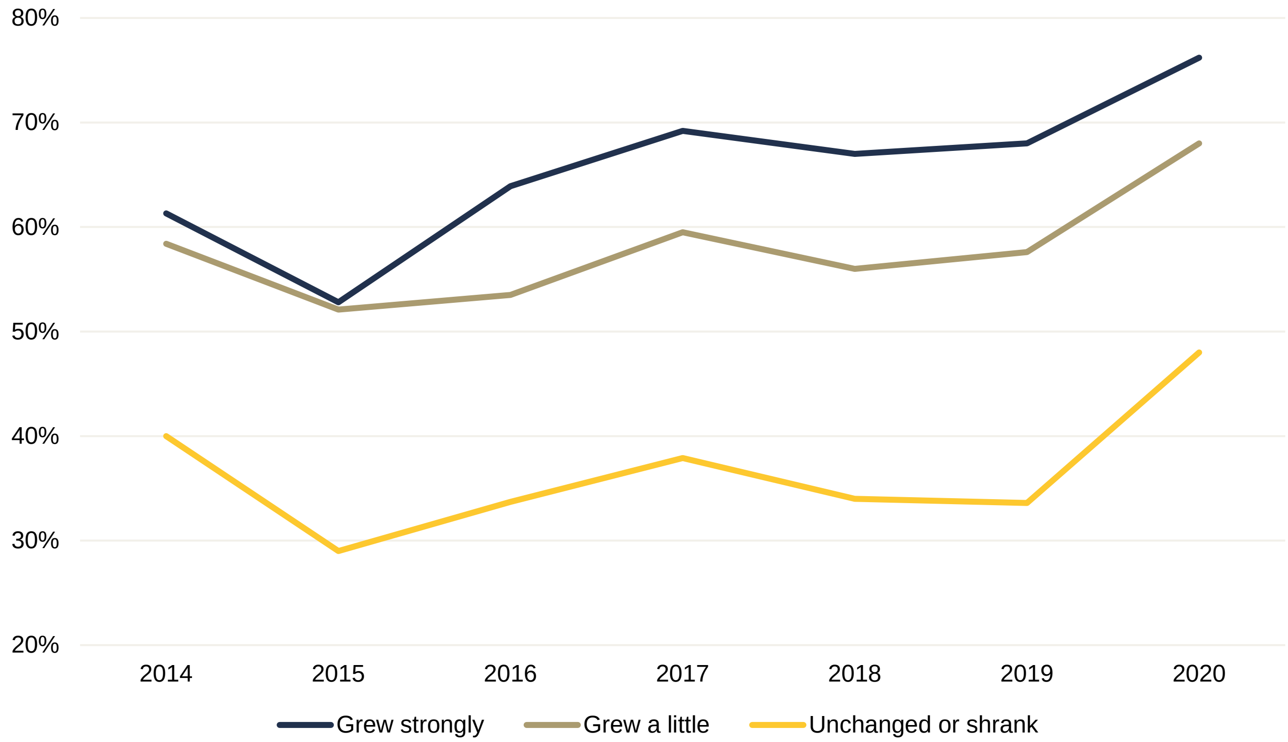
Other findings
- Businesses with less than five employees are much less likely to be using social media for business purposes.
- Using social media to recruit employees is popular with businesses with 10 to 19 employees.
- Businesses that have been established for over 20 years are significantly more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

Suggestions:

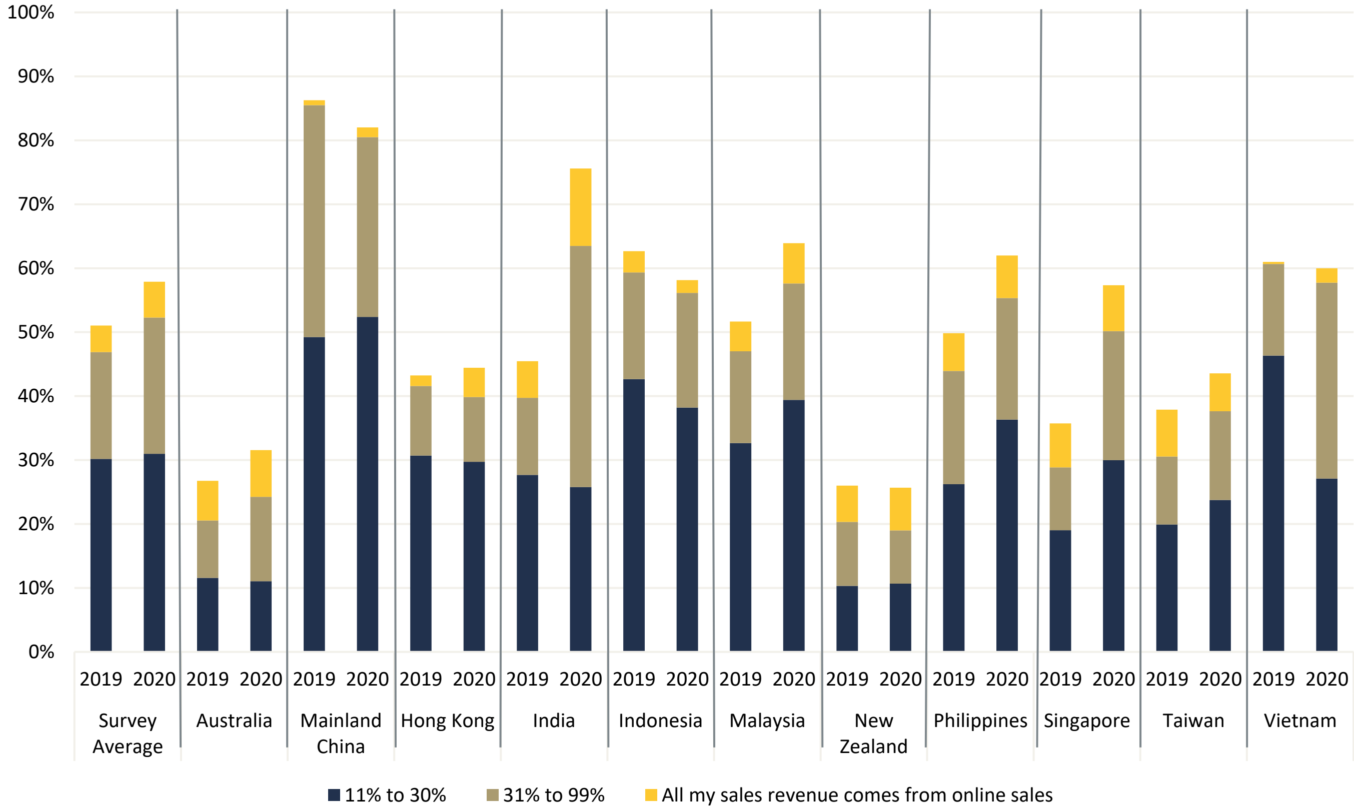
- Businesses not yet using social media should do so.
- Businesses using social media only to promote their business should look to expand how they use social media, especially in learning more about their customers, selling and to receive feedback. This may require seeking expert advice.
- Governments,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

Selling online

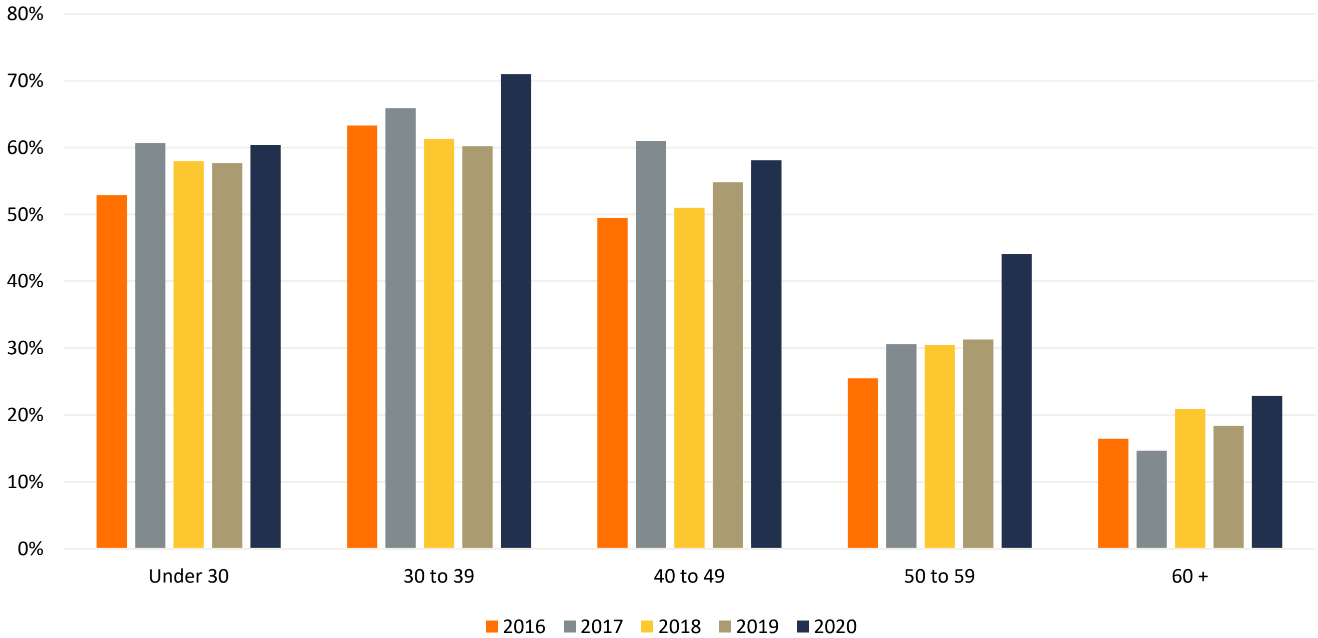
Percentage of businesses earning more than 10 per cent of revenue online – by whether they grew or not and over time



Percentage of business earning more than 10 per cent of revenue online – by market in 2020 compared with 2019



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



Key findings

Due to COVID-19, selling online became a more important source of revenue for small business across the region last year. However, the 6.9 percentage point increase in businesses generating more than 10 per cent of their revenue through e-commerce was less than expected.

The survey data again shows that online sales is important to growth, especially if online sales make up more than 10 per cent of total sales. For those that didn’t grow in 2020, the increased focus on e-commerce should assist with their recovery and growth.

Online sales are an essential element of businesses from Mainland China, whereas in Australia and New Zealand it remains significantly less likely to be undertaken by a small business. Large numbers of Indian small businesses turned to online commerce as an important source of revenue in 2020.

As with social media usage, the age of the respondent appears to be an important factor influencing whether online sales are important to a business. Respondents aged 50 or over remaining significantly less likely to be selling online than younger respondents. With a higher percentage of Australian and New Zealand respondents being 50 or over relative to respondents in Asia, this helps to explain the difference in the uptake of online sales.

Selling online is 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 (especially retail businesses) to be in high rent locations.

Other findings

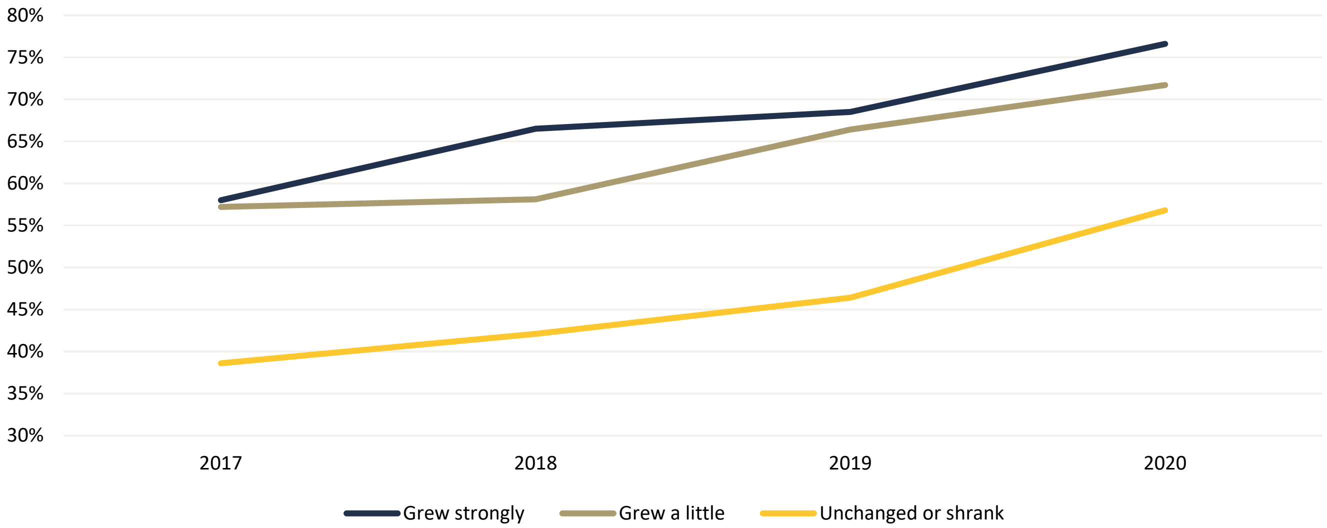
- The more employees a small business has, the more likely they are to be generating more than 10 per cent of sales online.
- Businesses in the ‘Information, media and telecommunications’ and ‘Retail trade’ were the most likely to generate more than 10 per cent of their income through online sales.
- Businesses in the ‘Property and construction’ and ‘Professional, scientific and technical’ sectors were the most likely to not sell online.
- Businesses generating more than 10 per cent of their revenue from online sales are much more likely to have increased employee numbers last year than cut numbers.

Suggestions:

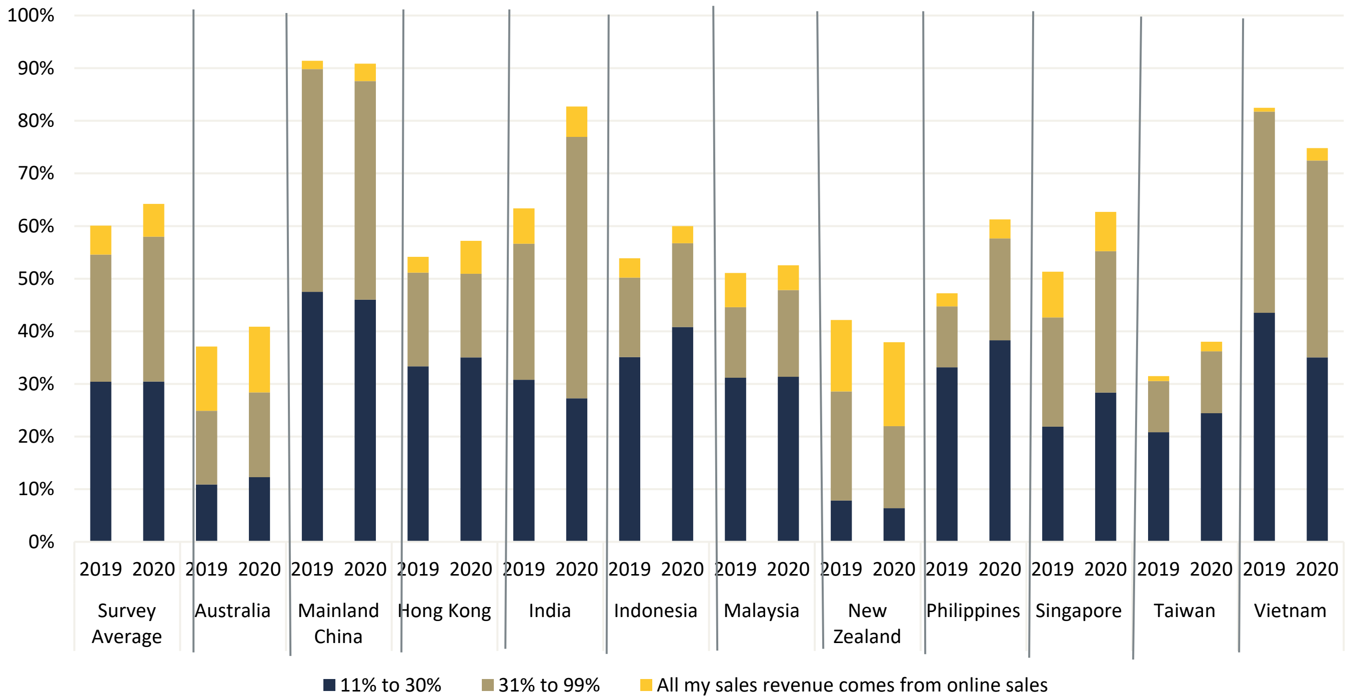
- Businesses not selling online should invest in developing their capability to do so, if appropriate.
- Businesses looking to expand into Mainland China must consider using a local online sales platform as part of their strategy to enter that market.
- Governments should help small business set up online sales channels and establish the infrastructure necessary to support online selling.

New payment technologies

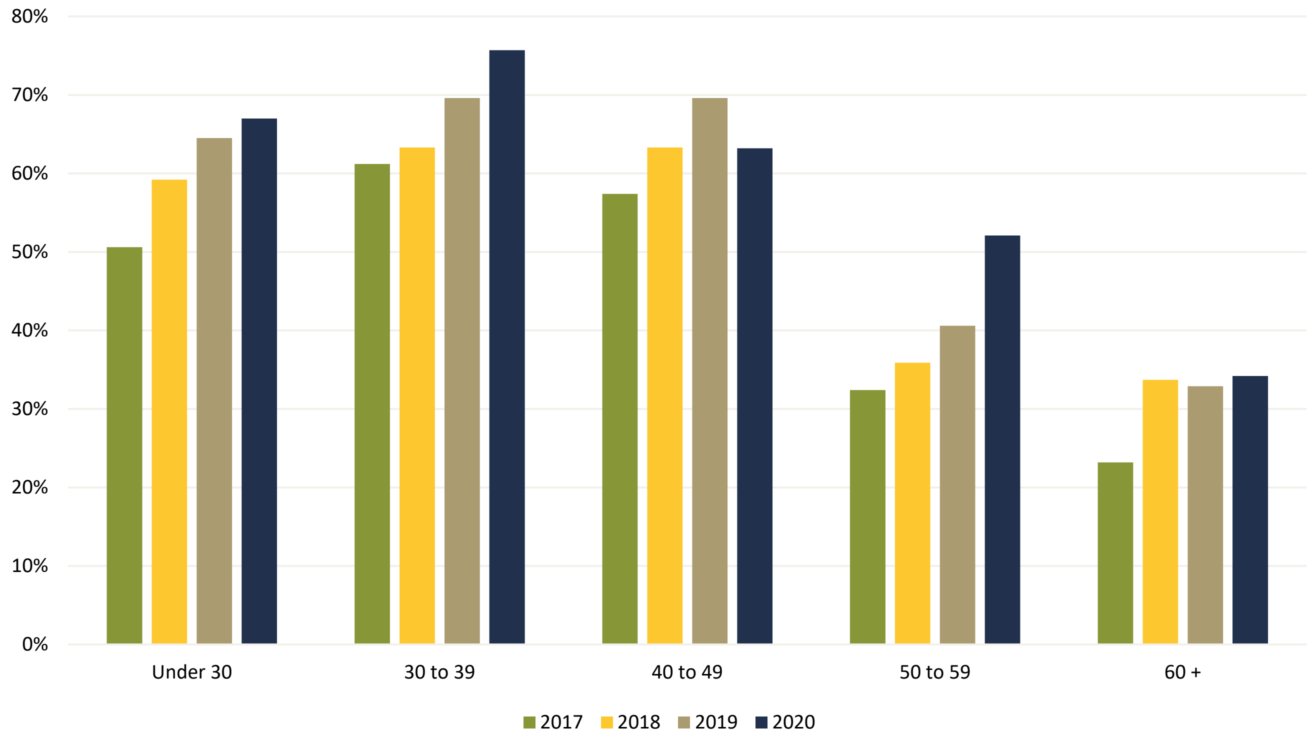
Percentage of businesses receiving more than 10 per cent of their sales through new payment technologies such as Alipay, Apple Pay, WeChat Pay etc – by whether they grew or not, and over time



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 and comparing 2019 to 2020



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 and over time



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

As with other technologies, businesses offering new payment technologies to their customers are more likely to be growing. This may help explain why new digital payment technologies continue to increase in popularity. The growth in online sales may also be contributing to the increasing use of new payment technology, with the results showing a link between the two.

As with social media and selling online, younger respondents are more likely to state their business generates more than 10 per cent of their revenue through these new payment technologies.

While Australian and New Zealand small businesses are unlikely to offer new payment technologies to customers, they are also unlikely to rely on cash sales. 51.7 per cent of New Zealand businesses small businesses and 41.6 per cent of Australian small businesses didn't receive any cash payments in 2020, the highest results of the markets surveyed. Businesses in Australia and New Zealand would appear to have a strong reliance on credit cards, debit cards and electronic funds transfers.

In contrast, while Taiwan's small businesses are also less likely than others to depend on new payment technologies, they instead place a high degree of reliance on cash sales. 64.7 per cent of Taiwanese small business received 50 per cent or more of their sales in cash, up from 62.5 per cent in 2019.

While small businesses in developing markets in Asia are big users of technology, cash sales remain fundamental to their business, although it's trending downwards. For example:

- 70.0 per cent of Filipino small businesses received 50 per cent or more of their sales in cash in 2020, down from 80.3 per cent in 2019.
- 61.6 per cent of Malaysian small businesses received 50 per cent or more of their sales in cash in 2020, down slightly from 62.0 per cent in 2019.
- 60.1 per cent of Indonesian small businesses received 50 per cent or more of their sales in cash in 2020, down from 69.0 per cent in 2019.

Other findings:

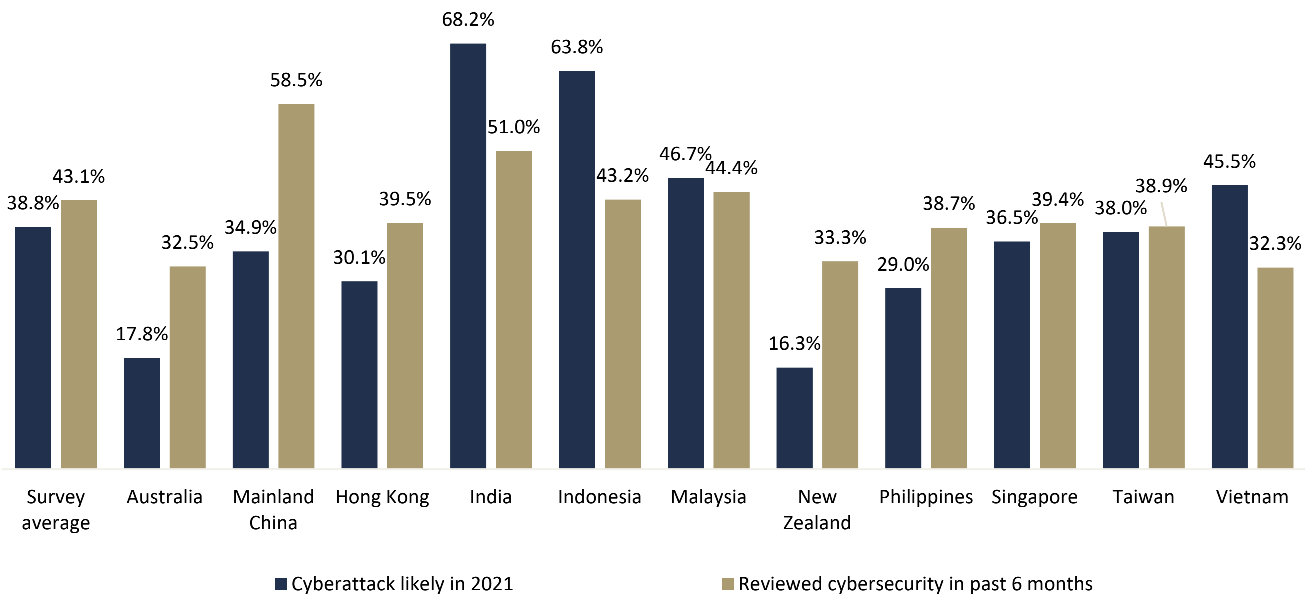
- Businesses with five or more employees were more likely to be generating more than 10 per cent of their sales through new payment technologies.
- Where the respondent was the business owner, they were less likely than CEOs or accountants to state their business generated more than 10 per cent of their sales through new payment technologies.
- 69.4 per cent of retail businesses generated more than 10 per cent of their sales through new payment technologies. However, 'Information, media and telecommunications' businesses were the most likely to receive payments through new payment technology (79.2 per cent).

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 encourage the development and deployment of new fintech products that make payments easier.

Cybersecurity

Comparison of those who believe a cyberattack is likely in 2021 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 increased slightly in this survey from the previous survey. 38.5 per cent of businesses say that a cyberattack on their business in 2021 is likely, up from 37.5 per cent in 2020.

Small businesses in Australia and New Zealand remain the least likely to expect a cyberattack, while small businesses from India and Indonesia are 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.

A positive is 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 2021.

However, there is significant room for improvement in India and Indonesia. Despite nearly seven in ten Indian small businesses expecting that they will be cyberattacked in 2021, only 51.0 per cent have checked their cybersecurity in the past six months. Indonesia has similar concerning results.

Other findings:

- Businesses with 5 to 19 employees are significantly more likely to have reviewed their cybersecurity in the past six months than those with less than five employees.
- Businesses where the respondent is aged under 40 are more likely to have reviewed their cybersecurity in the past six months than those where the respondent is aged 50 or over. Similarly, younger respondents are more likely to expect that their business will be cyberattacked this year.
- Businesses that state they will innovate in 2021 are significantly more likely to believe they will be cyberattacked than those not expecting to innovate. Similarly, such innovative businesses are much more likely to have reviewed their cybersecurity in the past six months.
- Manufacturing businesses, ‘Information, media and telecommunications’ businesses and ‘Banking, finance or insurance’ businesses are the most likely to have reviewed their cybersecurity systems in the past six months.
- Manufacturing and ‘Information, media and telecommunications’ businesses are the most likely to expect to be cyberattacked in 2021.
- ‘Property and construction’ businesses and ‘Rental, hiring and real estate’ businesses are the least likely to expected to be cyberattacked this year

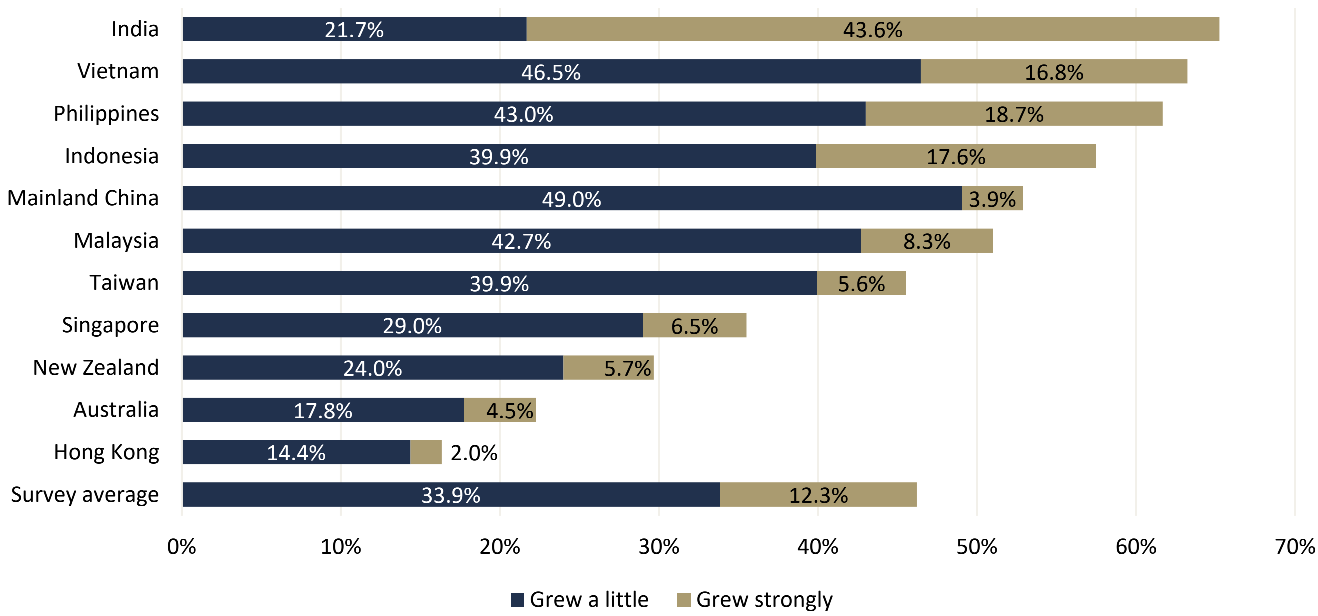
Suggestions:

- 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.
- Governments seeking to encourage innovation should provide targeted cybersecurity resources to businesses to help them better manage their (perceived) increased risk of cyberattack.

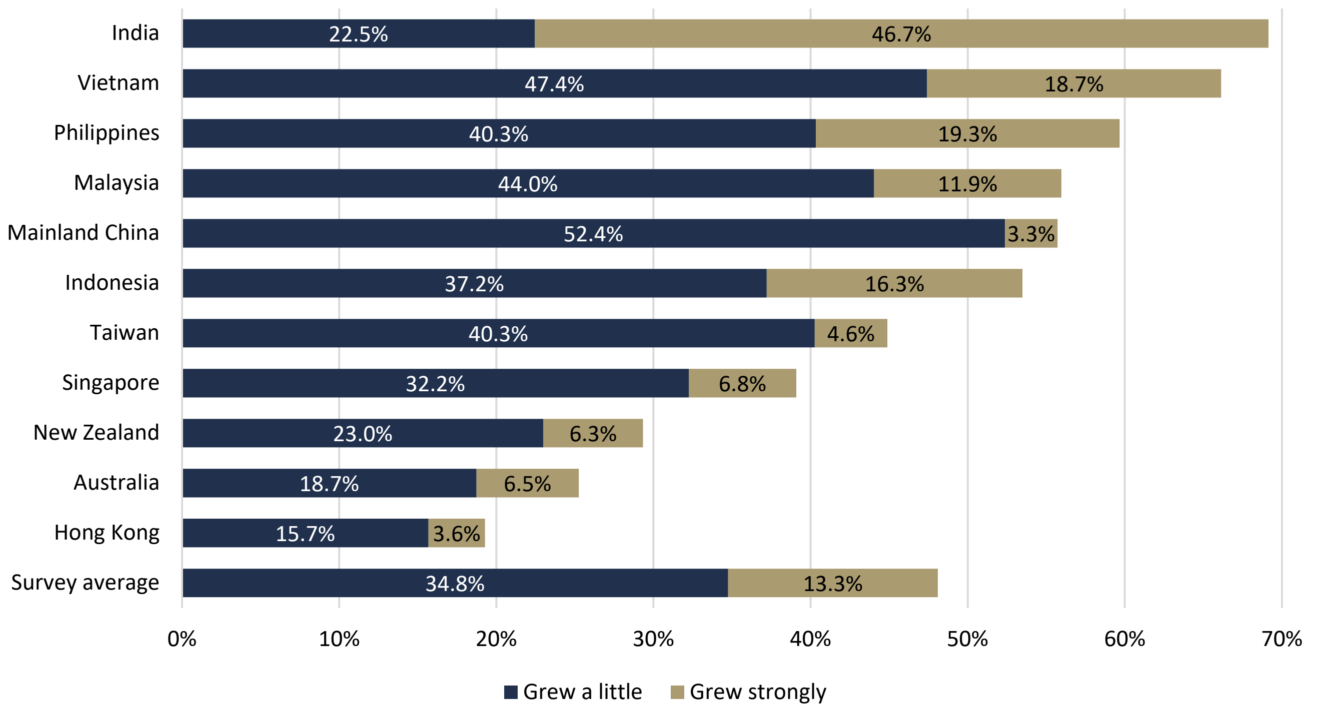
SMALL BUSINESS CONDITIONS IN 2020

Businesses growth

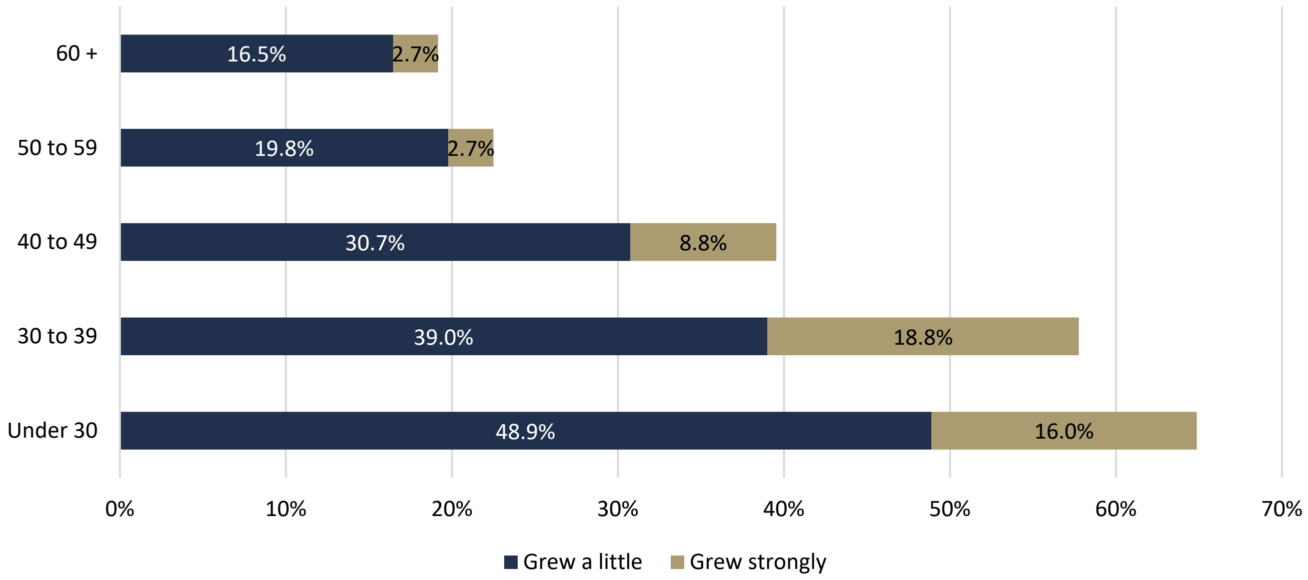
Businesses that grew in 2020 – by market



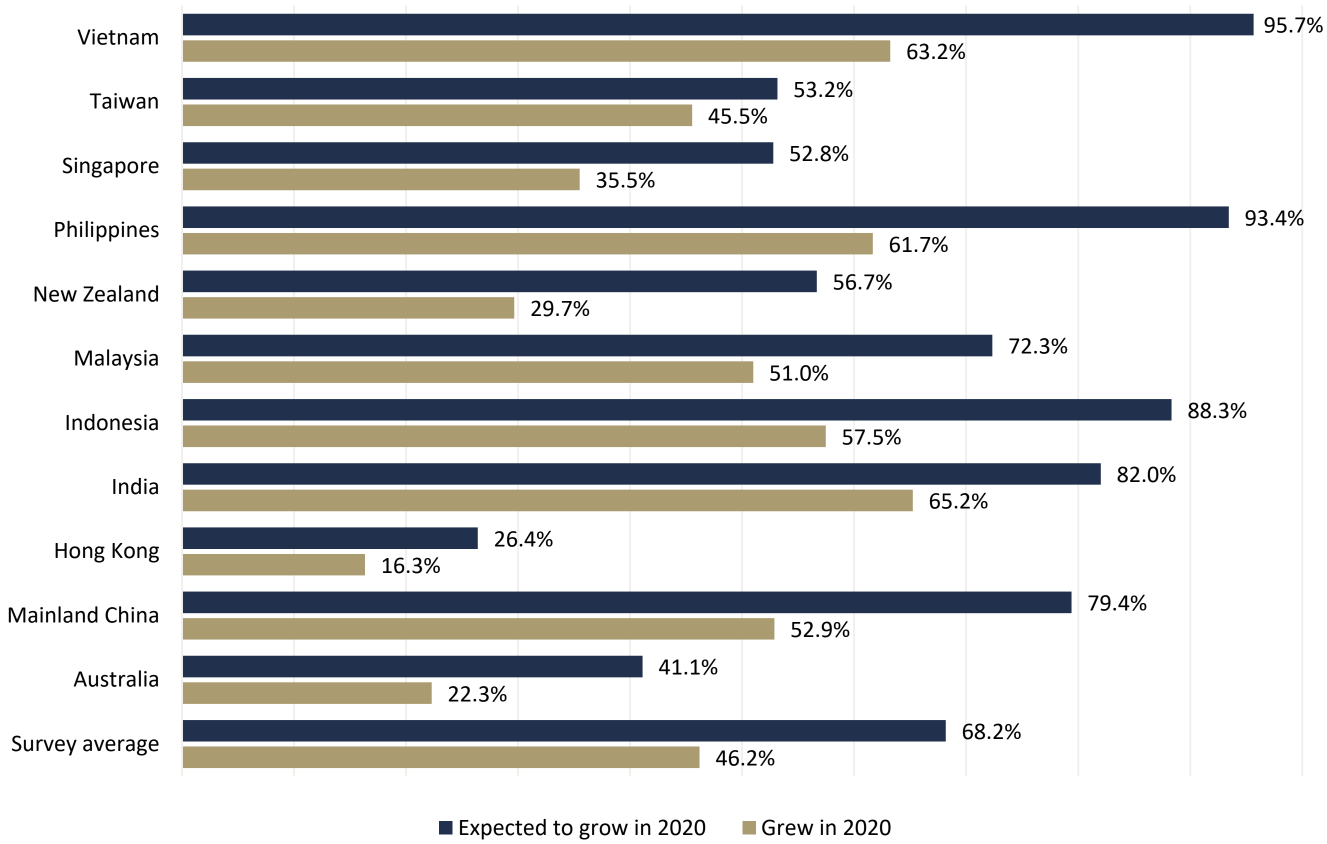
Businesses with revenue growth in 2020 – by market



Businesses that grew in 2020 – by age of respondent



Businesses that grew in 2020 compared to expectations for 2020 – by market



Key findings

2020 was a poor year for many small businesses across the region. 46.2 per cent reported growing in 2020, compared with 65.8 per cent in 2019. This is the lowest result since the beginning of the survey.

Similarly, the percentage of small businesses that shrank in 2020 was the highest since the beginning of the survey. 31.3 per cent shrank last year, more than double the 14.5 per cent that shrank in 2019.

It's no surprise that COVID-19 was the major cause of this result. 57.1 per cent said COVID-19 had a major negative impact on their business in 2020, well ahead of the next most popular option, the related 'poor overall economic environment'. For businesses that shrank last year, the issue that caused them the most difficulty by far was COVID-19 (70.1 per cent)

Customer loyalty, cost control and good employees were the factors which most positively impacted business in 2020. The most popular positive influences on fast-growing businesses were improved customer satisfaction (37.4 per cent), customer loyalty (33.9 per cent) and improved business strategy (33.5 per cent).

Vietnam's small businesses recorded the largest fall in the number of businesses that grew in 2020 compared 2019. The number of Vietnamese small businesses that grew in 2020 was down 31.8 percentage points from 2019. Taiwan recorded the smallest fall, down 7.7 percentage points. It should be noted that the health impact of the pandemic on these markets was low in comparison to many others.

Younger respondents remain far more likely to report that their business grew in 2020. 59.9 per cent of respondents aged under 40 reported growing last year, compared with 21.1 per cent of respondents aged 50 and over.

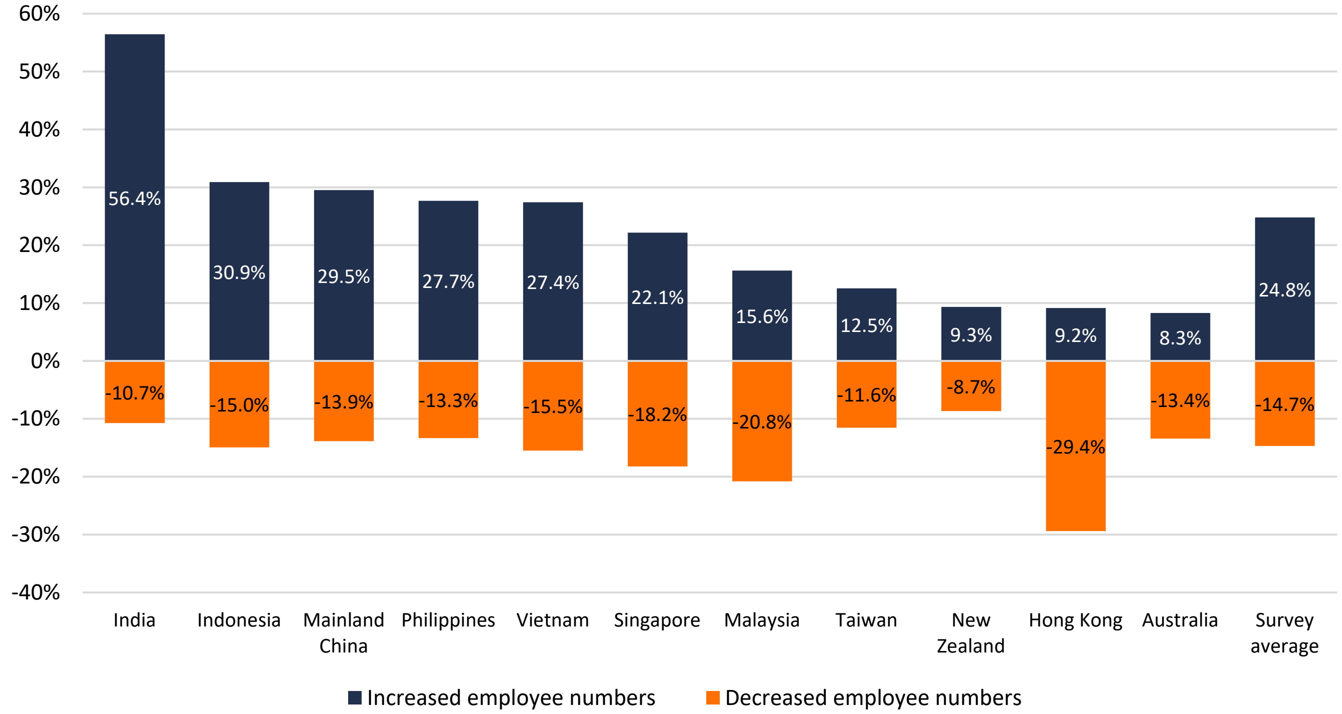
Similarly, younger businesses remained far more likely to grow in 2020. 52.7 per cent of businesses established under 11 years grew last year, compared with 33.7 per cent of business established for 11 years or more.

Other findings:

- Small businesses with more employees are more likely to grow. 52.9 per cent of small businesses with five to 19 employees grew last year, compared 36.9 per cent with under five employees.
- Respondents who were the CEO or CFO were more likely to report their business grew last year than the business owner: 53.4 per cent compared with 42.6 per cent.
- 'Information, media and telecommunication' businesses (63.0 per cent) and 'Banking, finance or insurance' businesses (60.4 per cent) were the most likely to grow last year.
- 'Wholesale trade' (42.2 per cent), 'Arts and recreation services' (39.8 per cent) and 'Accommodation and food services' (37.4 per cent) were the sectors most likely to shrink last year.
- Businesses selling online were far more likely to grow in 2020. 76.2 per cent of businesses that grew strongly last year, received more than 10 per cent of their revenue through online sales, compared to 48.0 per cent that didn't grow.

Small business and jobs in 2020

Small businesses that created new jobs in 2020 compared with reduced jobs – by market



Key findings
As to be expected given the tough business conditions, jobs creation by the region's small businesses was down in 2020. 24.8 per cent of businesses added to their employee numbers, down from 32.5 per cent in 2019. Meanwhile, 14.7 per cent of small businesses cut employee numbers last year, compared with 6.7 per cent in 2019 - this was the highest number on record.

This result is better than expected given nearly a third (31.3 per cent) reported shrinking. Various government assistance packages, especially wage subsidy schemes probably assisted in limiting job losses in the sector.

India's small businesses were the most likely to create jobs last year, with a net 45.7 per cent adding to their headcount. This result is are not surprising given Indian businesses were the most likely to grow.

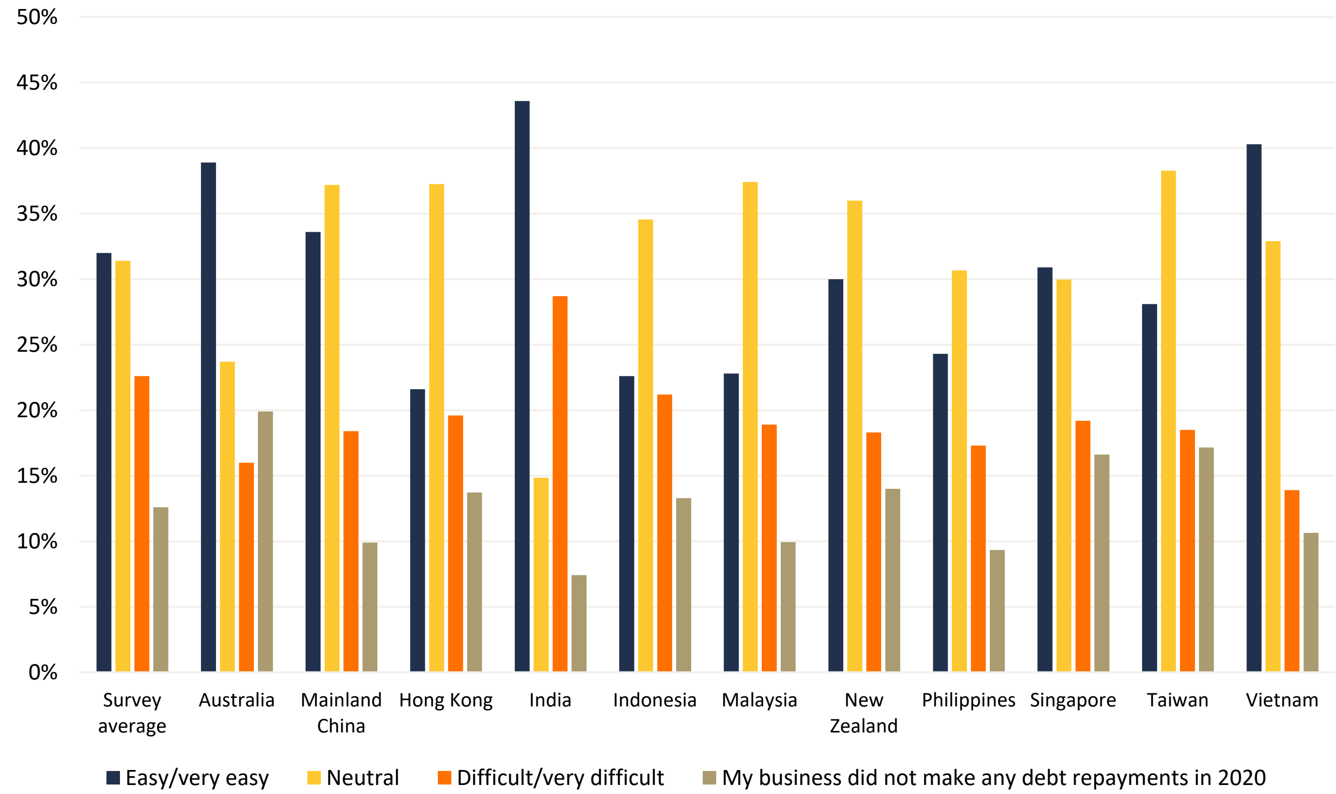
On the other hand, Hong Kong and Australian small businesses were more likely to cut employee numbers than increase. Given economic conditions have been difficult in Hong Kong for two years, this result is not surprising. Without government wage subsidy schemes in both markets, the result would most likely have been worse.

Other findings:
- High growth businesses were significantly more likely to add employees, with 77.2 per cent of those that grew strongly adding to their headcount, compared with 9.5 per cent of businesses that didn't grow.
- Similarly, 29.8 per cent of businesses that shrank in 2020 reduced employee numbers.

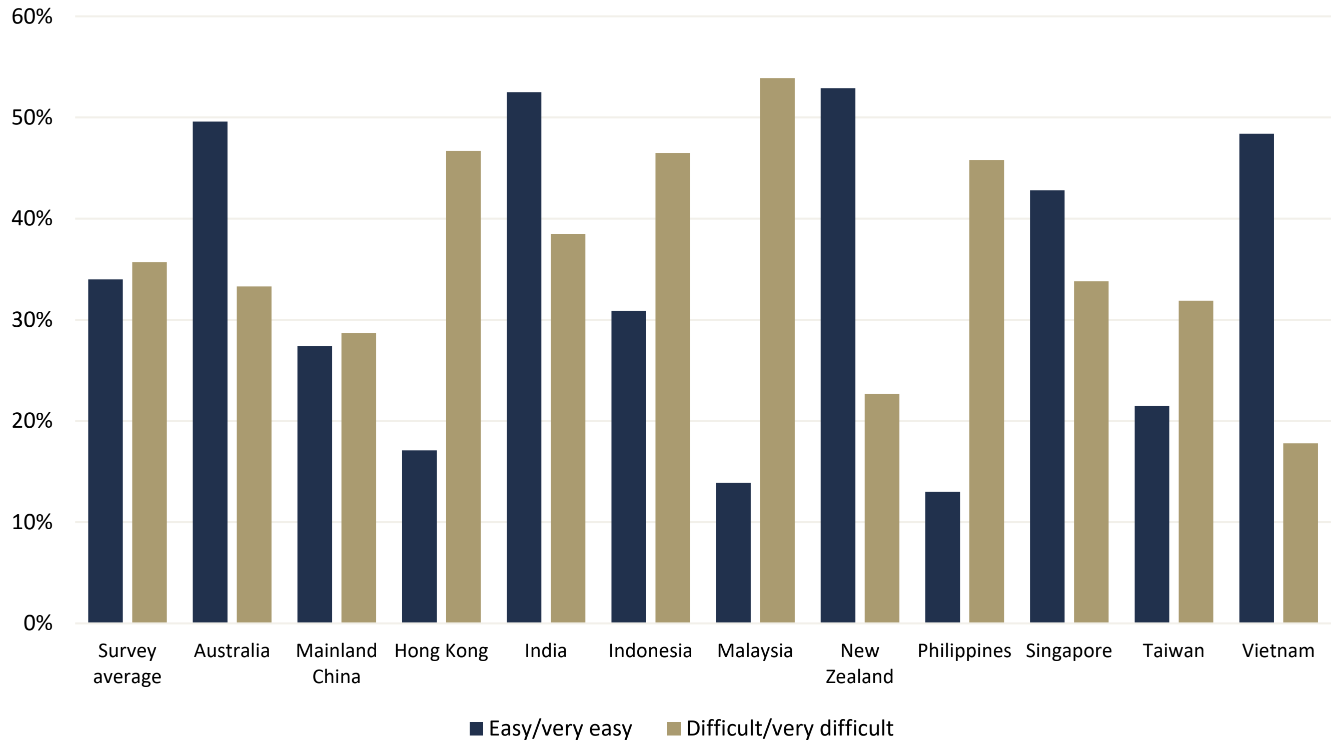
- Younger respondents remain significantly more likely to increase employee numbers. 38.0 per cent of businesses where the respondent was aged under 40 added to their headcount last year, compared with just 6.3 per cent of businesses where the respondent was aged 50 or over.
- Similarly, younger businesses are more likely to have added to their employee numbers in 2020. 31.0 per cent of businesses established for 10 years or less added employees, compared with 19.8 per cent of businesses established for more than ten years.
- 'Information, media and telecommunications' businesses (42.8 per cent) and 'Banking, finance or insurance businesses' (41.3 per cent) were the most likely to add to staff numbers last year. This is not surprising given these industries recorded the highest growth rates in 2020.
- 'Accommodation and food services' businesses (22.8 per cent) were the most likely to reduce employee numbers. Due to restrictions on movement to contain COVID-19, this result is also not surprising.
- Technology usage plays a part in small business jobs creation. 17.9 per cent of businesses that didn't use social media increased their employee numbers last year, compared with 31.4 per cent of businesses that used social media to sell their products or services.
- Businesses that nominated 'good quality capital equipment' (47.4 per cent) and 'easy access to finance' (47.0 per cent) as positive influences on their business in 2020 were the most likely to add employees.
- Businesses that reported experiencing 'cash flow difficulties' last year were the most likely to have reduced their headcount. Similarly, businesses that had trouble repaying their debts in 2020 were more likely to have cut staff numbers. 28.4 per cent of those that had solvency issues cut staff, compared to 7.5 per cent of businesses that found paying their debts easy or very easy.

Small business solvency and access to finance in 2020

Business experience in paying debts in 2020 – by market



Business experience in accessing finance in 2020 – by market



Key findings

While 2020 was a difficult year for many small businesses, this didn't necessarily result in a significant increase in small businesses having trouble paying their debts. 18.2 per cent of businesses had difficulty paying their debts in 2019 compared with 22.6 per cent of businesses in 2020. Engagement with the sector indicates that the significant amounts of financial assistance provided by governments reduced cash flow pressures for many businesses.

India's small businesses were both the most likely to experience an easy ability to pay their debts and difficulty in paying their debts last year. They were also likely to find accessing finance both easy and difficult. The strong growth in that market may be prompting strong competition for finance, causing some to seek that finance at higher rates. These higher rates and possible shorter loan terms may be putting cash flow pressure on some businesses.

The large percentage of Australian businesses reporting easy to very easy access to finance and debt repayment is not translating through to either higher growth rates or higher demand for external finance. Australian small businesses remain the least likely to have sought external finance. New Zealand businesses face similar experiences.

Other findings:

- Businesses that generated more than 10 per cent of their revenue through online sales were more likely to find it easier to pay their debts.
- Similarly, businesses that received more than 10 per cent of their sales through new payment technology such as ApplePay were more likely to find it easier to pay their debts last year.
- There was a slight decrease in the percentage of businesses that found paying their debts easy in 2020 from 2019. While, there was a slight increase in the percentage that found accessing finance easy.

- 'Information, media and telecommunication' businesses were the most likely to find paying their debts easy in 2020, reflecting the relatively positive year for the sector. Similarly, businesses from that sector were the most likely to have found accessing finance very easy.
- 'Public administration and safety' businesses were the most likely to have difficulty paying their debts in 2020, followed by 'Accommodation and food services' businesses.

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 support business recovery and growing the small business sector should have a strong policy focus on technology, innovation and exporting.
- Governments should implement policies that encourage younger people to buy or establish a business.

Major influences on business in 2020

Most popular positive influences on business in 2020 – by market

(Multiple response, so figures will add up to over 100 per cent)

	Most popular	Second most popular	Third most popular
Survey average	Customer loyalty (32.6%)	Cost control (24.5%)	Good employees (22.9%)
Australia	Customer loyalty (32.5%)	Good employees (19.7%)	COVID-19 (18.3%)
Mainland China	Customer loyalty (29.4%)	Government support/incentives (26.3%)	Improved customer satisfaction (25.9%)
Hong Kong	Cost control (32.4%)	Customer loyalty (26.8%)	Government support/incentives (21.6%)
India	Improved business strategy (35.7%)	Improved customer satisfaction (35.0%)	Technology (34.8%)
Indonesia	Customer loyalty (30.9%)	Improved customer satisfaction (27.6%)	Improved business strategy (24.3%)
Malaysia	Customer loyalty (42.4%)	Cost control (27.5%)	Good employees (25.8%) Improved business strategy (25.8%)
New Zealand	Customer loyalty (38.7%)	Good employees (23.0%)	Government support/incentives (16.7%)
Philippines	Customer loyalty (32.3%)	Improved customer satisfaction (28.7%)	Good employees (28.3%)
Singapore	Government support/incentives (29.0%)	COVID-19 (28.7%)	Cost control (27.4%)
Taiwan	COVID-19 (35.0%)	Cost control (24.8%)	Customer loyalty (22.8%)
Vietnam	Customer loyalty (50.0%)	Technology Improved customer satisfaction (32.9%)	E-commerce (32.3%)

Most popular positive influences on business in 2020 – by whether the business grew or not

(Multiple response, so figures will add up to over 100 per cent)

	Most popular	Second most popular	Third most popular
Grew strongly	Improved customer satisfaction (37.4%)	Customer loyalty (33.9%)	Improved business strategy (33.5%)
Grew a little	Customer loyalty (35.2%)	Improved customer satisfaction (29.7%)	Good employees (28.5%)
Didn't grow	Customer loyalty (31.3%)	Cost control (23.0%)	COVID-19 (20.3%

Most popular negative influences on business in 2020 – by market

(Multiple response, so figures will add up to over 100 per cent)

	Most popular	Second most popular	Third most popular	Fourth most popular
Survey average	COVID-19 (57.1%)	Poor overall economic environment (26.1%)	Increasing costs (23.4%)	Increasing competition (21.8%)
Australia	COVID-19 (57.8%)	Poor overall economic environment (23.7%)	Increasing costs (17.8%)	Cash flow difficulties (14.2%)
Mainland China	COVID-19 (49.6%)	Increasing costs (23.9%)	Cash flow difficulties (22.3%)	Increasing competition (22.0%)
Hong Kong	COVID-19 (52.6%)	Poor overall economic environment (33.0%)	Political instability (28.4%)	Increasing costs Increasing competition (19.0%)
India	COVID-19 (50.0%)	Cash flow difficulties (36.9%)	Poor overall economic environment Increasing competition (34.4%)	Increasing costs (32.2%)
Indonesia	COVID-19 (68.1%)	Increasing competition (29.2%)	Poor overall economic environment (22.9%)	Political instability (20.9%)
Malaysia	COVID-19 (66.9%)	Increasing costs (27.8%)	Poor overall economic environment Increasing competition (26.5%)	Political instability (26.2%)
New Zealand	COVID-19 (60.0%)	Increasing costs (18.0%)	Poor overall economic environment (16.7%)	Cash flow difficulties (14.7%)
Philippines	COVID-19 (58.3%)	Increasing costs (26.0%)	Increasing competition (23.7%)	Cash flow difficulties (17.0%)
Singapore	COVID-19 (54.7%)	Poor overall economic environment (27.7%)	Increasing competition (24.1%)	Cash flow difficulties (21.2%)
Taiwan	COVID-19 (44.9%)	Poor overall economic environment (38.0%)	Difficulty expanding into new markets (21.5%)	Increasing costs (20.5%)
Vietnam	COVID-19 (81.3%)	Poor overall economic environment (32.3%)	Increasing costs (28.7%)	Tax (27.7%)

Most popular negative influences on business in 2020 – by whether the business grew or not

(Multiple response, so figures will add up to over 100 per cent)

	Most popular	Second most popular	Third most popular	Fourth most popular
Grew strongly	COVID-19 (45.6%)	Increasing competition (33.3%)	Increasing costs (30.5%)	Poor overall economic conditions (26.2%)
Grew a little	COVID-19 (56.4%)	Increasing competition (26.0%)	Increasing costs (24.4%)	Poor overall economic conditions (22.4%)
Didn't grow	COVID-19 (60.9%)	Poor overall economic conditions (28.9%)	Increasing costs (21.6%)	Cash flow difficulties (20.5%)

Key findings

It's no surprise that COVID-19 had the greatest impact on small businesses across the region last year. While the overwhelming majority found the pandemic had negative impacts on their business, 20.2 per cent said it had a positive impact.

Health care businesses were the most likely to report the pandemic had a positive impact. Meanwhile, 'rental, hiring and real estate' businesses and 'accommodation and food services' businesses were the most likely to find it had a negative influence on their business.

'Customer loyalty' was the most popular positive influence on business last year. This is no surprise given that in challenging periods, businesses rely more heavily on existing customers than growing their market.

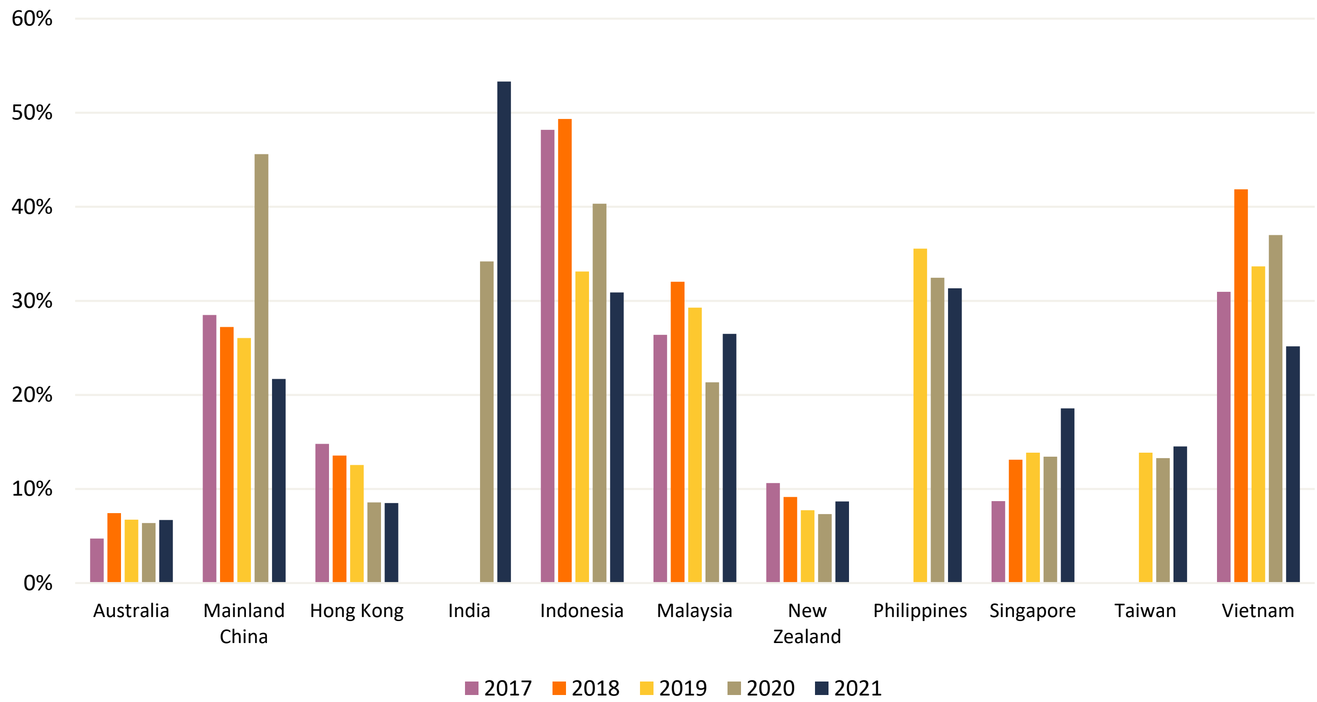
However, businesses that grew strongly were more likely to benefit from improving customer satisfaction. To improve customer satisfaction, businesses should consider investments that helps them to better understand their customers, such as business intelligence and analytical software.

Other findings:

- Retailers were the most likely to report that e-commerce had a positive influence on them last year.
- 'Accommodation and food services' businesses were the most likely to report that 'customer loyalty' and 'improved customer satisfaction' had a positive influence on them last year.
- Businesses that reported difficulty accessing finance and borrowing for business survival last year were more likely to have faced cash flow difficulties.
- Businesses facing cash flow difficulties were also more likely to reduce employee numbers than increase them last year.
- Businesses that used social media were more likely to report that 'improved customer satisfaction' and 'e-commerce' had a positive impact on them last year.
- Younger respondents were more likely to have found that 'improved customer satisfaction' and 'improved business strategy' had a positive influence on their business last year.

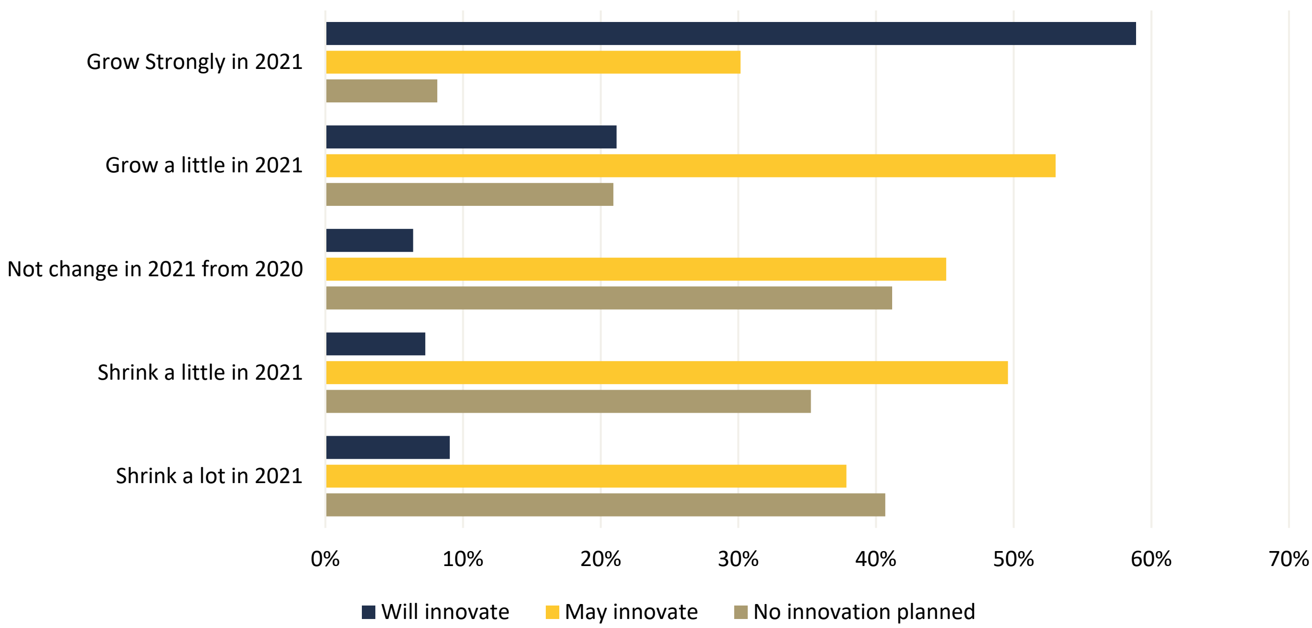
SMALL BUSINESS AND INNOVATION

Small businesses that state they will innovate in the next 12 months - by market^ and year

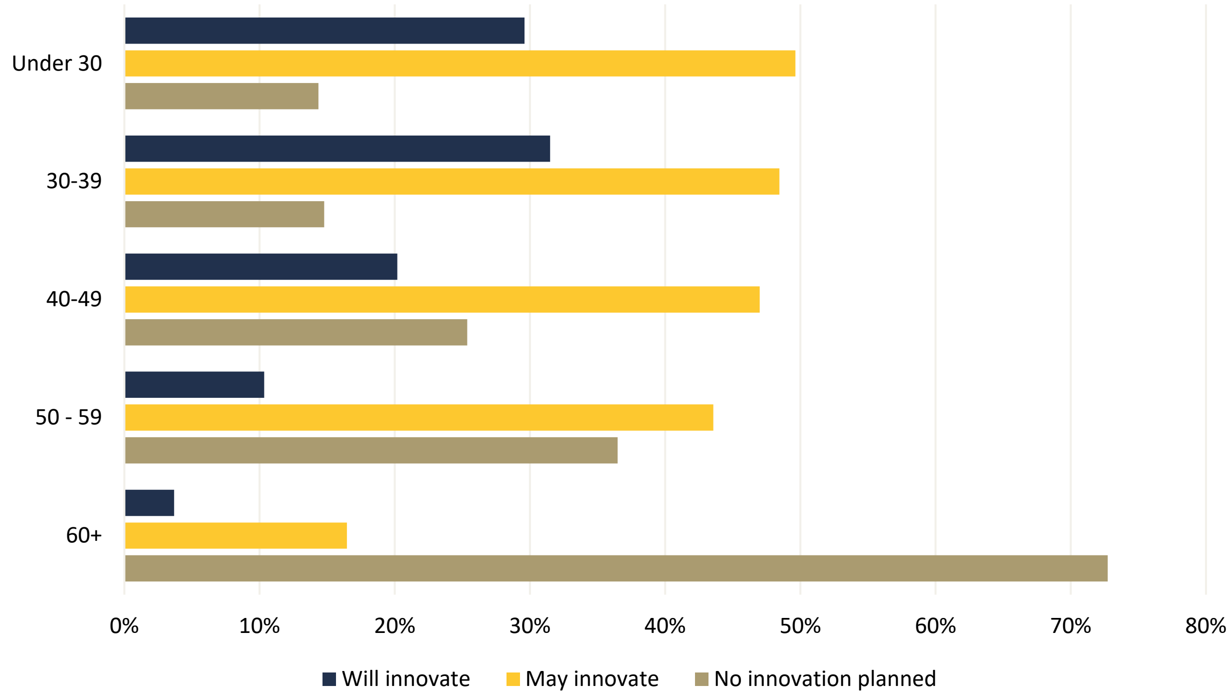


^ The Philippines and Taiwan were added to this survey in 2018. India was added in 2019.

Small businesses that state they will innovate in 2021 - by business growth expectations for that year



Small businesses that state they will innovate in 2021 - by age of respondent



Key findings
Innovation is a key driver of business growth and job creation, and younger businesses and businesses from developing markets are more likely to innovative.

The percentage of businesses that will innovate in 2021 is down slightly from 2020. 23.0 per cent will innovate this year through the introduction of a new product, process or service to their market or the world, compared to 25.8 per cent in 2020.

While there was an overall decrease in the percentage of small businesses expecting to innovate, small businesses in India, Singapore, Taiwan and Australia are more likely to seek innovation in 2021 than in 2020.

The large jump in the percentage of businesses from India that will innovate reflects well on India's small business sector and government policies to encourage innovation. This focus on innovation should assist them to quickly recover from the negative impacts of the COVID-19 and set them up for long-term business growth.

Small businesses that expect to grow strongly in 2021 are more likely to innovate in 2021 than small businesses that don't expect to grow. This may indicate that high growth businesses have the extra resources to invest in innovation. It may also indicate that their stronger growth potential gives them a higher risk appetite for innovation.

Younger businesses remain more likely to innovate. 30.9 per cent of respondents aged under 40 state they will innovate in 2021 compared to 7.5 per cent of respondents aged 50 or over.

Other findings:

- The larger the small business, the more likely they are to innovate. 30.5 per cent of businesses with 10 to 19 employees will innovate in 2021 compared with 16.2 per cent of this with less than five employees.

- 'Information, media and telecommunication' businesses are the most likely to innovate in 2021 (39.7 per cent). 'Administrative and support services' businesses are the least likely to innovate (12.3 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, 26.1 per cent will innovate in 2021, while only 12.0 per cent of businesses established more than 20 years will innovate.
- Exporting businesses are more likely to innovate 66.2 per cent of businesses that expect their overseas sales revenue to grow strongly in 2021 will innovate in 2021, compared with 12.0 per cent businesses that don't expect to sell into overseas markets.
- There is a link between cybersecurity concerns and innovation. 72.4 per cent of businesses that believe it very likely their business will be cyberattacked in 2021, will innovate this year, compared with 11.5 per cent that believe a cyberattack on their business is unlikely.
- Of the five cities from India surveyed, business in Delhi/Gurgaon are by far the most likely to state they will innovate in 2021 (82.1 per cent compared with 59.2 per cent in Chennai).
- Of the five cities from Mainland China surveyed, businesses in Chongqing are the most likely to state they will innovate in 2021 (27.7 per cent).

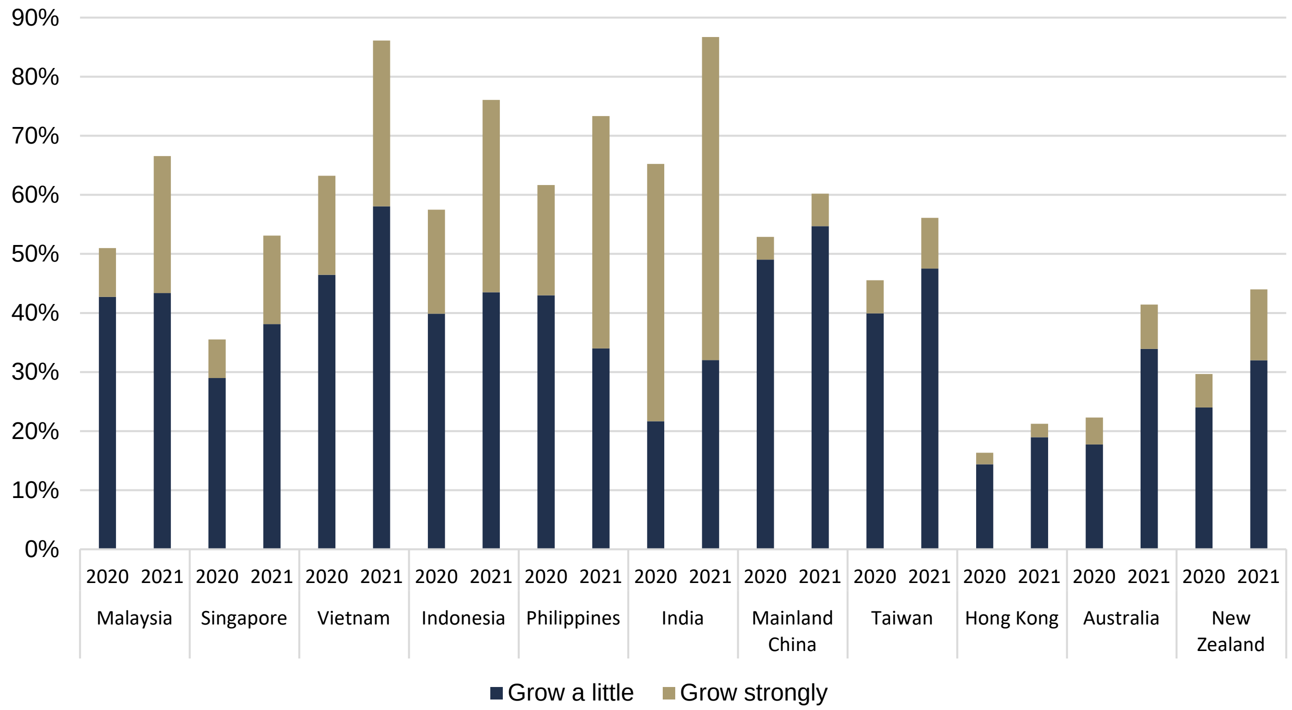
Suggestions:

- 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, including in other markets.
- Businesses not innovating may wish to partner with innovative businesses.

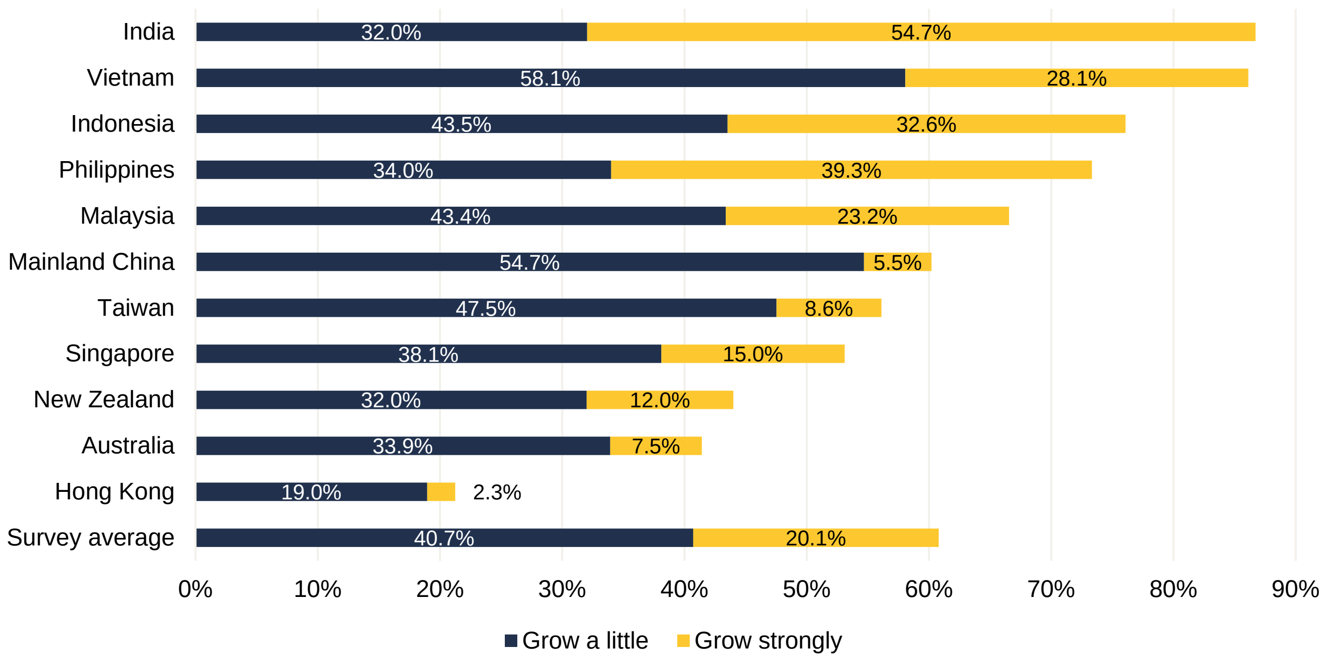
SMALL BUSINESS EXPECTATIONS FOR 2021

Small business growth expectations

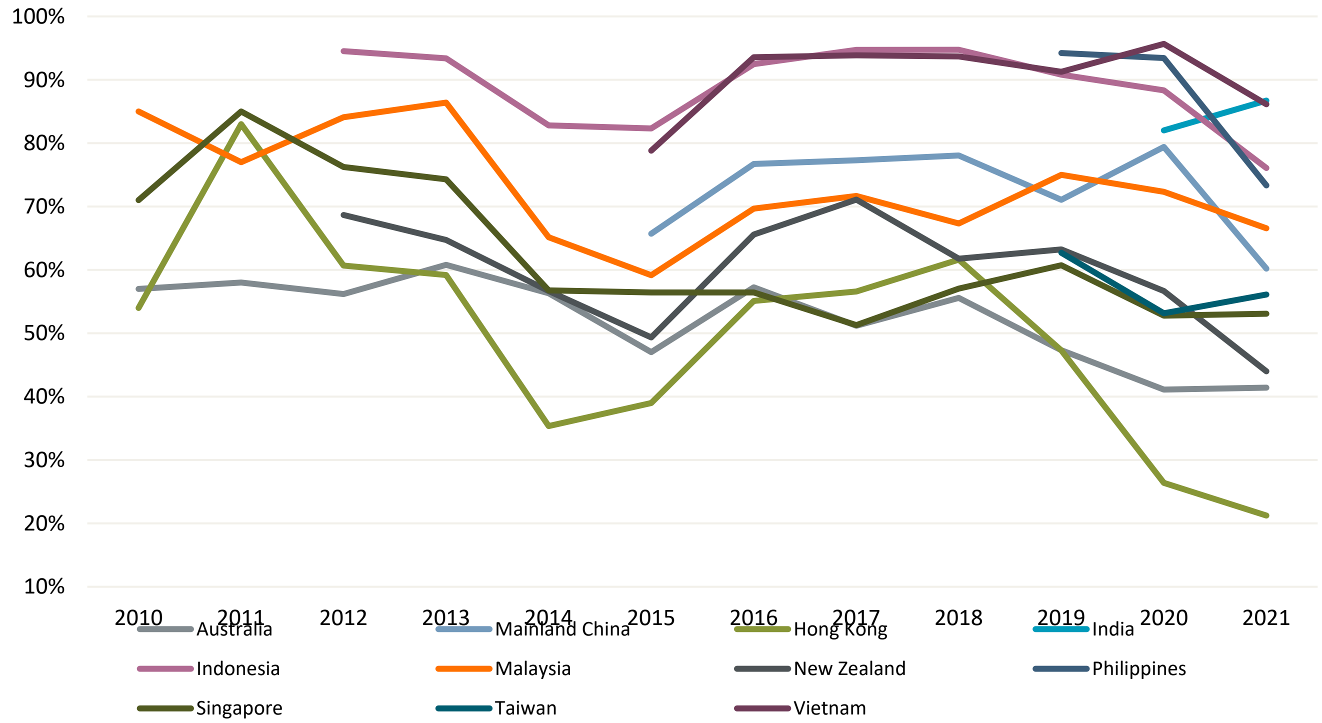
Small business growth - experience in 2020 and expectations for 2021 - by market



Small business growth expectations in 2021 – a comparison by market



Small businesses that expect to grow in the next 12 months – a comparison by market and over time



Key findings

2021 should be a more positive year for the region's small businesses. In all markets, the number of businesses that expect to grow this year is higher than the number that grew last year.

There is however a high level of uncertainty around this outlook, although this uncertainty appears to be diminishing at the time of writing. The outlook is dependent on many factors, especially the successful roll out of vaccines and efforts to control the pandemic before then. It also relies on governments not withdrawing support for the economy too early. It's better to deal with the consequences of providing support for too long withdrawing it too early.

The strong performance of India's small business sector in 2020 should continue and accelerate in 2021. Not only are India's small businesses the most likely to grow in 2021, they are by far the most likely to grow strongly. 54.7 per cent of Indian small businesses expect to grow strongly this year, significantly higher than the survey average of 20.1 per cent.

While Hong Kong's small businesses are slightly more confident in 2021, they remain the least likely to expect to grow. With only 21.2 per cent of businesses expecting to grow, this is significantly lower than the survey average of 60.8 per cent.

Similarly, Hong Kong businesses are the most likely to shrink, although less so than in 2020. 45.5 per cent of Hong Kong's businesses expect to shrink in 2021, down from 58.5 per cent that shrank last year. This compares to the survey average of 15.6 per cent expecting to shrink.

All sectors are looking forward to a stronger 2021. This is especially so for businesses in some of the hardest hit sectors during the pandemic – 'Arts and recreation services', 'Accommodation and food services' and 'retail trade'.

'Banking, finance or insurance' businesses are the most likely to expect to grow in 2021 (68.8 per cent), followed by 'Information, media and telecommunications' businesses (68.1 per cent). This is a continuation of the strong growth these sectors experienced last year.

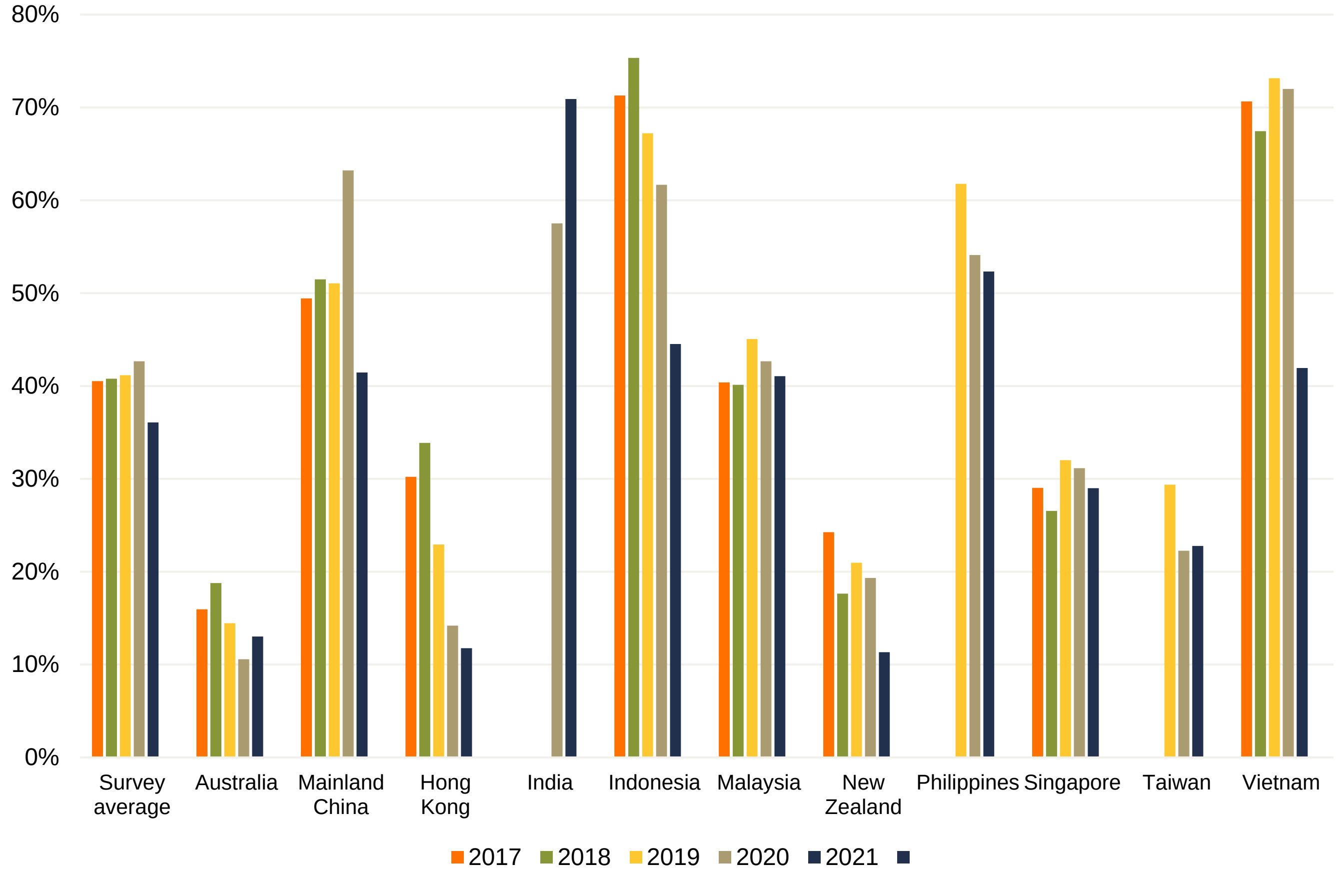
Wholesale trade businesses are the most likely to expect to shrink in 2021 (21.6 per cent), followed by 'Transport and warehousing' businesses (21.4 per cent). Businesses in both sectors also had a difficult 2020.

Other findings:

- Businesses with employees are more likely to expect to grow this year, especially businesses with 10 to 19 employees.
- Businesses that expect to grow their revenue from exports in 2021 are much more likely to expect to grow this year.
- Businesses that will innovate this year are significantly more likely to expect to grow.
- Respondents under 40 are significantly more likely to expect to grow this year than respondents 50 and over.
- Businesses established for ten years or less are much more likely to expect to grow than older businesses.

Small business employment expectations

Expect to increase employee numbers over the next 12 months from the previous 12 months – by market and over time



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

Key findings
A better 2021 for the region's small businesses is expected to positively impact jobs. In all markets, businesses are more likely to expect to add employees this year than added employees last year.

Similarly, in all markets, businesses are less likely to anticipate reducing their headcount this year than cut employees last year. This is especially the case in Hong Kong, where only 4.6 per cent of businesses expect to reduce employee numbers in 2021, compared with the 29.4 per cent that cut employees in 2020.

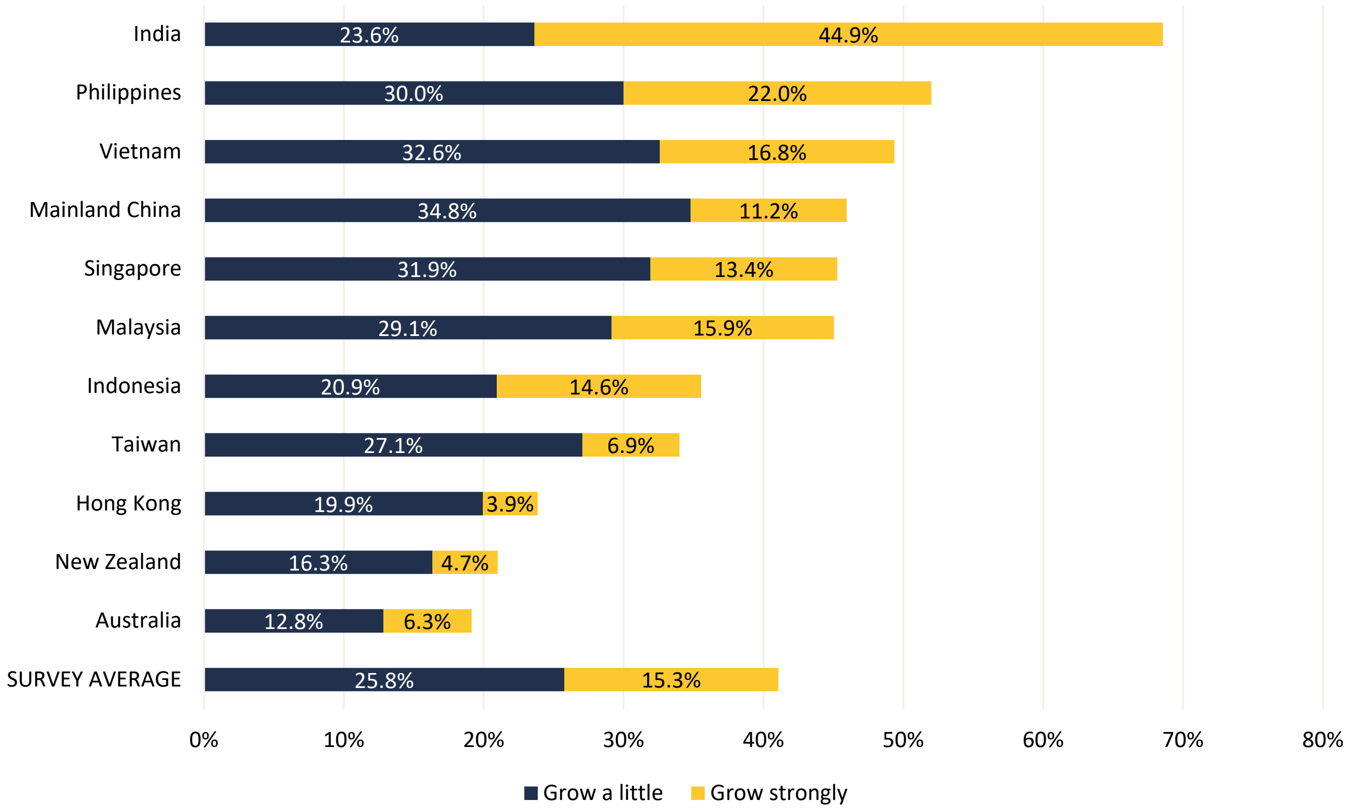
However, while 2021 is expected to be a better year for the region's small business, challenging economic conditions and uncertainty are resulting in the sector being somewhat less likely to expect to add employees this year when compared to expectations from previous years.

Reflecting strong growth expectations, Indian small businesses are the most likely to expect to add employees this year, while New Zealand small businesses are the least likely.

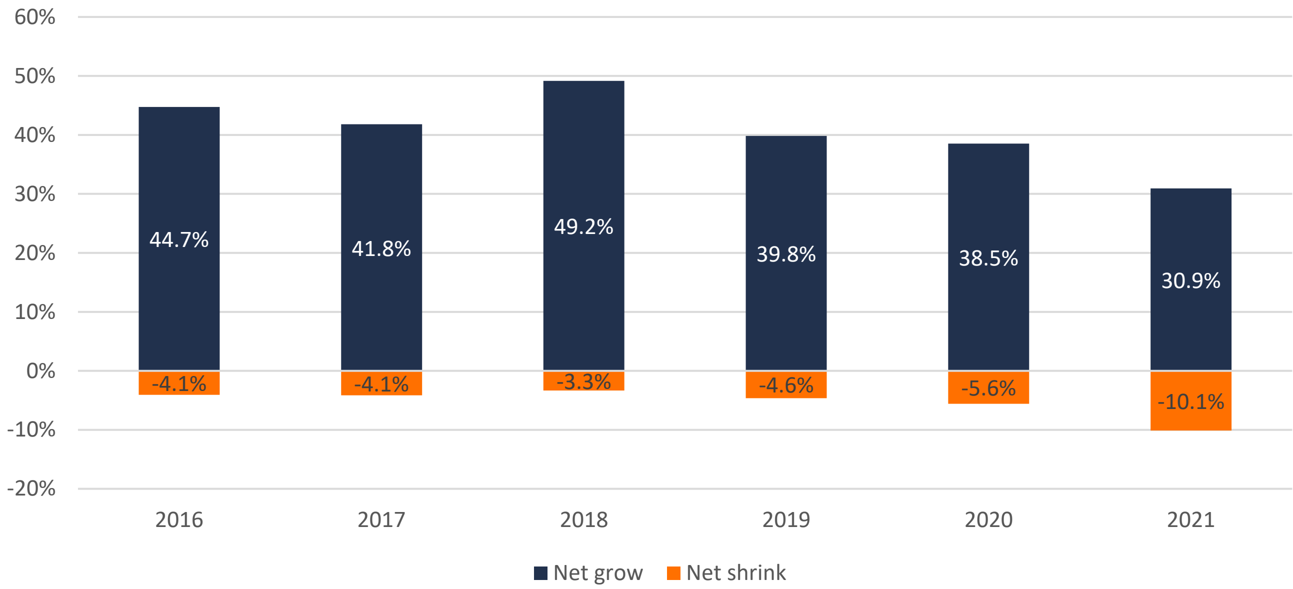
Other findings:
- Not surprisingly, businesses that expect to grow strongly are significantly more likely to expect to add employees this year.
- 'Information, media and communications' businesses are the most likely to expect to add employees this year. 54.5 per cent of such businesses expect to add employees this year compared to the survey average of 36.1 per cent
- Wholesale trade businesses are the least likely to expect to add employees (25.2 per cent), and the most likely to expect to reduce employees (15.2 per cent).
- Businesses that expect it will be very difficult to repay their debts in 2021 are the most likely to cut employees this year.
- Confidence in the local economy is a big influence on whether a business will recruit additional employees. 73.8 per cent of businesses that expect their local economy to grow strongly anticipate adding employees this year, compared with 39.5 per cent that expect their economy to grow a little and 15.0 per cent that don't expect it to grow.
- Exporting businesses are far more likely to recruit extra employees. 55.2 per cent of businesses that expect their revenue from exports will grow anticipate adding employees this year, compared with 26.4 per cent that don't expect to export.
- Innovative businesses are far more likely to add employees. 69.7 per cent of businesses that say they will innovate in 2021, expect to recruit additional employees this year, compared with 11.9 per cent that say they will not innovate.
- Age of the respondent influences expectations for adding employees. 48.6 per cent of respondents under 40 expect their business will add employees this year, compared with 13.2 per cent of respondents 50 and over.
- Similarly, businesses established for ten years of less are more likely to expect to add to their headcount this year (42.0 per cent) than more established businesses (25.2 per cent).

Small business exporting expectations

Small businesses expecting revenue from overseas sales will grow in 2021 - by market



Small businesses expecting revenue from overseas sales will change in the next 12 months from the previous 12 months - 2016 to 2021



Key findings

It appears that the region's small business confidence in the global economy is down only slightly this year. 41.1 per cent expect revenue from exports to increase this year, compared with the average for the previous three years of 46.5 per cent. Further, only 10.1 per cent expect their export revenue to decrease.

India's small businesses won't just be relying on their domestic market for growth this year. They're the most likely to expect their revenue from overseas sales to grow in 2021. 68.6 per cent of Indian small businesses anticipate their revenue from overseas sales will grow this year, much higher than the survey average of 41.1 per cent.

On the other hand, small businesses from Australia and New Zealand remain the least likely to expect to sell into overseas markets this year. 53.6 per cent of Australian small businesses and 49.3 per cent of New Zealand small businesses don't anticipate exporting in 2021, compared with the survey average of 28.8 per cent.

Not surprisingly, businesses that expect to grow this year are much more likely to anticipate their revenue from exports will grow. 54.5 per cent of businesses that believe they will grow forecast their export revenue to grow, compared with 21.8 per cent of businesses that don't expect to grow.

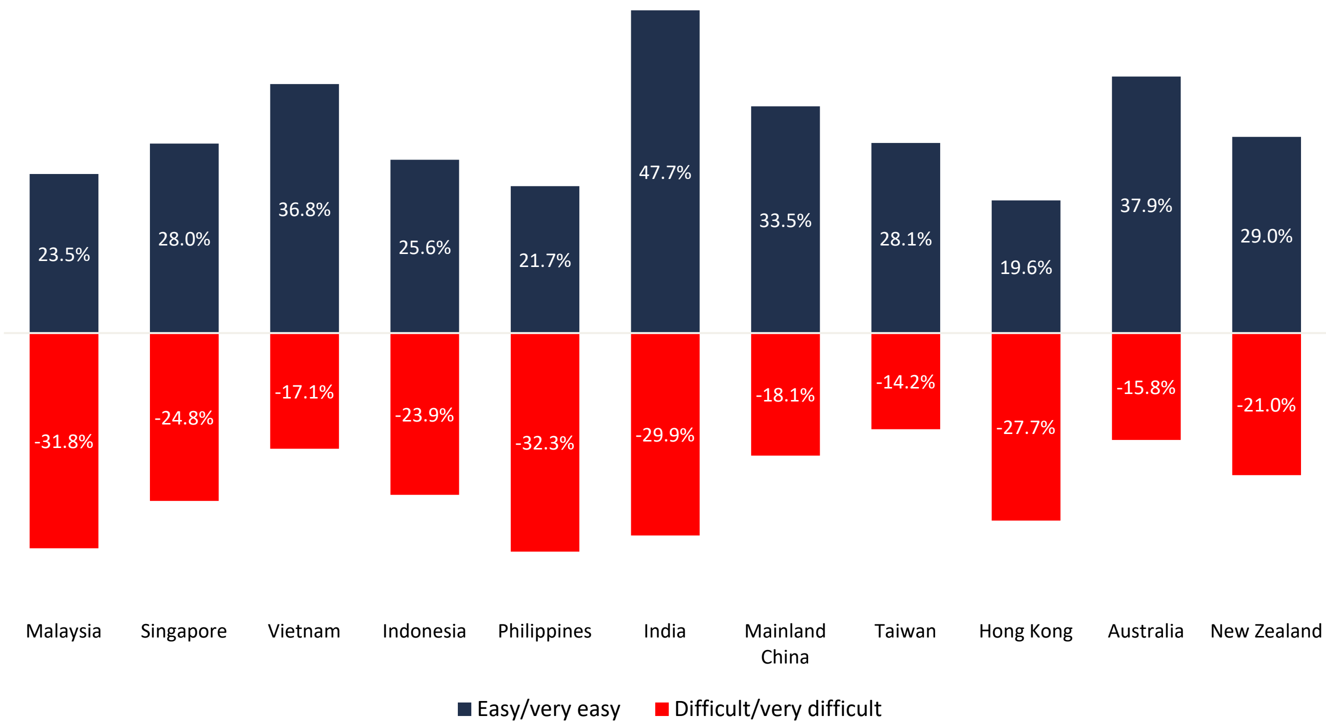
It should be noted that businesses not expecting to grow are only a little more focused on their domestic market. 30.7 per cent of businesses not anticipating they will grow this year, won't be selling into overseas markets, compared with 27.0 per cent that expect to grow.

Other findings:

- Businesses with no staff are significantly less likely to expect to sell overseas in 2021. 47.8 per cent don't anticipate selling overseas this year, compared with 21.5 per cent of businesses with 5 to 19 staff.
- 'Agriculture, forestry and fishing' businesses are the most likely not to export in 2021.
- 'Information, media and telecommunications' businesses are the most likely to expect an increase in their export revenue this year.
- Older respondents are much more likely to not expect to sell overseas in 2021. 55.0 per cent of respondents aged 60 and over don't expect to sell overseas this year compared with 22.5 per cent of respondents aged under 40.
- Businesses that will innovate in 2021 are much more likely to expect their export revenue to increase. 71.5 per cent of businesses that will innovate believe their export revenue will increase this year, compared with 12.6 per cent that won't innovate.
- Businesses that expect their revenue from exports to increase are more likely to have invested in Artificial Intelligence, business intelligence and analytical software, data visualisation software, customer relationship software and enterprise resource planning software than those not anticipating that they will export.

Small business solvency expectations

Business expectation for the ease of paying their debts in 2021 – by market



Key findings
The region's small businesses are most likely to expect that meeting their debt obligations this year will be easy or neutral. This may change as government support payments are withdrawn.

The survey results and engagement with the sector indicate that government support payments such as wage subsidy payments and direct grants helped improve cash flow and the solvency of many businesses last year. What is uncertain is the impact their withdrawal or reduction may have on business solvency this year.

The expectations for 2021 is almost identical to the experiences business had in 2020. 31.7 per cent of businesses expect it will be easy to repay their debts this year, compared to 32.0 per cent last year. Similarly, 22.7 per cent of businesses anticipate facing difficulty in repaying their debts this year compared to 22.6 per cent last year.

Indian small businesses are the most likely to expect it will be easy to repay their debts in 2021. However, they are also one of the most likely to expect to face difficulty repaying debts. This possibly indicates that the expected high growth in India is creating more competition for external finance, leading to some small businesses having to go to short term lenders charging higher rates, putting additional pressure on those businesses. This is reflected in Indian businesses being by far the most likely to nominate borrowing costs as a major impost on their business.

Solvency issues appear most concerning in Philippines, Malaysia and Hong Kong. Governments in those markets should be looking at steps that might reduce cash flow pressure such as a continuation of government support payments plus further actions to stimulate the local economy.

Access to finance appears to be a big influence on potential solvency issues. 57.2 per cent of businesses that anticipate facing difficulty accessing funds in 2021 expect problems repaying their debts, compared with 5.4 per cent of businesses that believe access to finance will be easy.

Not surprisingly, high growth businesses are more likely to expect an easy time meeting their debt obligations this year. 44.1 per cent of businesses that anticipate growing strongly in 2021, believe it will be easy for them to pay their debts, compared with 22.6 per cent of businesses that don’t expect to grow.

Other findings:

- Businesses with 10 to 19 employees are more likely to believe paying their debt obligations will be easy this year. 41.6 per cent of businesses with 10 to 19 staff expect it will be easy to pay their debts in 2021 compared with 26.9 per cent for businesses with nine employees or less.
- ‘Information, media and telecommunication’ businesses are the most likely to anticipate that it will be easy to pay their debts this year.
- ‘Public administration and safety’ businesses are the most likely to believe it will be difficult for them to pay their debts this year.
- Businesses that expect to borrow for business survival are more likely to anticipate it will be difficult to repay their debts this year (33.7 per cent), than businesses that are borrowing for growth (23.3 per cent).
- COVID-19 will continue to impact business solvency this year. 30.0 per cent of businesses that believe it will take them more than a year to recover from COVID-19, expect to face difficulty repaying their debts this year compared with 12.5 per cent of businesses that have already recovered.

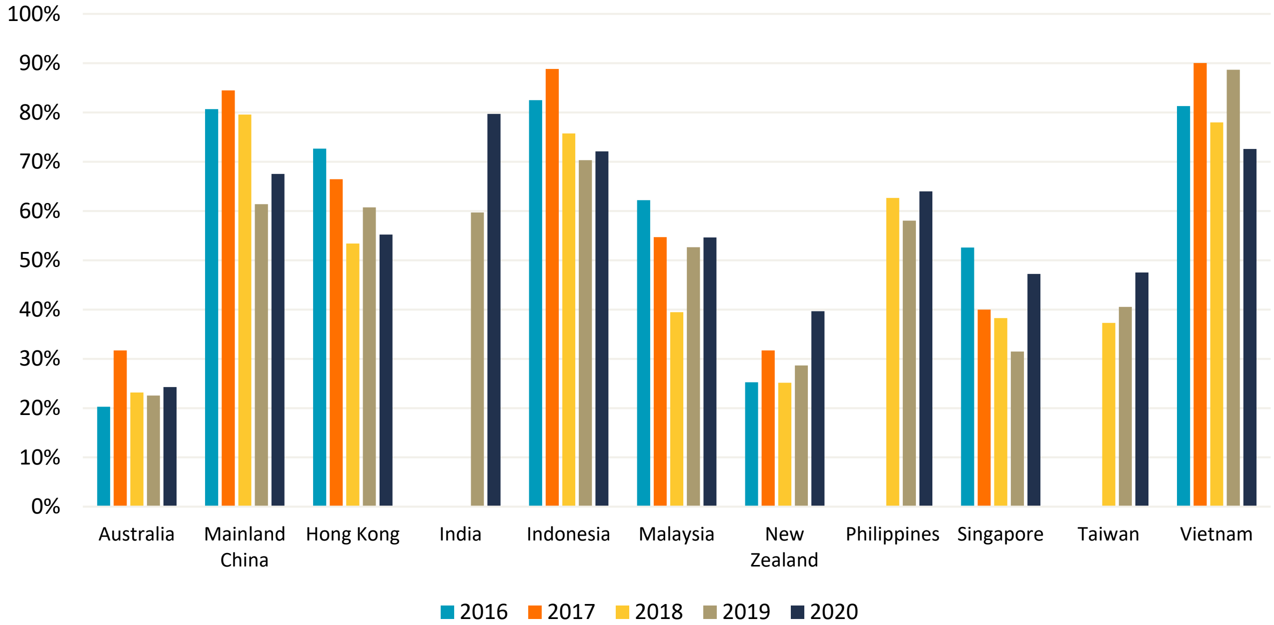
Suggestions:

- 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.
- Governments will need to be mindful of the impacts of the withdrawal of small business support programs. Where appropriate they should consider a gradual decrease in support to reduce the risk of negative business and economic consequences.

ACCESS TO FINANCE

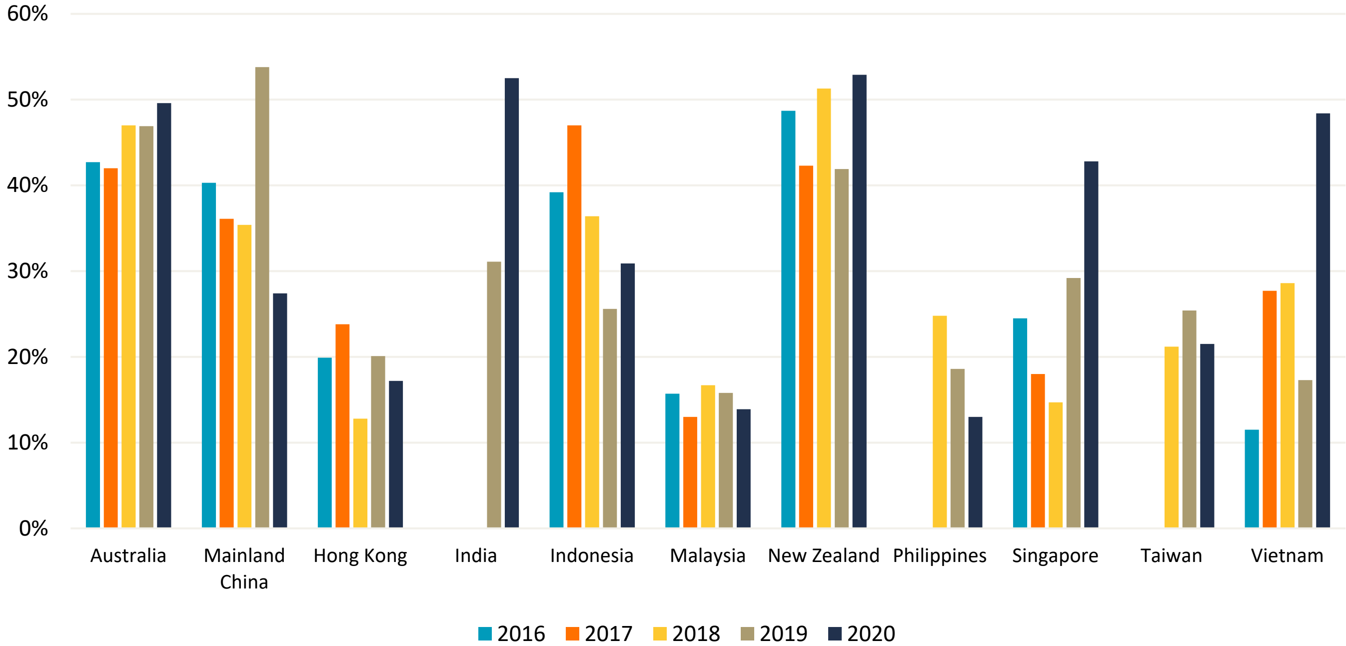
Ease of access to finance varies significantly between markets

Percentage of businesses that required external finance in the past 12 months – by market and year^



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

Of businesses that required external finance, percentage that experienced easy to very easy financing conditions in the past 12 months – by market^ and year



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

Key findings
During a difficult 2020, the number of businesses that required external finance increased. 57.6 per cent of small businesses required external finance in 2020, up from 52.2 per cent in 2019. This was the highest percentage of businesses requiring external finance since 2017.

Difficult business conditions didn’t necessarily lead to greater difficulty in accessing finance. 34.0 per cent of businesses that required finance last year found the experience easy, compared with 31.6 per cent of businesses in 2019. In fact, respondents experienced the easiest access to finance since 2015.

Similarly, fewer small business found accessing external finance difficult in 2020. 35.7 per cent of businesses that required finance last year found the experience difficult, down slightly from 38.0 per cent in 2019.

These results can be attributed to government intervention in the supply of finance. For example, government offering to guarantee or increase their guarantee on small business borrowing from banks.

Where bank finance was not available, governments helped fill the gap with grants and concessional loans. Businesses found accessing government grants easier in 2020 than previous years.

Vietnam reported the largest increase in businesses that found accessing external access easy. 48.4 per cent of small businesses in Vietnam needing external finance found the experience easy last year, up 31.2 percentage points from 2019. Similarly, Vietnam’s small businesses were the most likely to experience a fall in difficult financing conditions. 17.8 per cent reported difficult financing conditions in 2020, compared with 61.7 per cent in 2019.

Malaysian small businesses were the most likely to experience difficult financing conditions, with 54.0 per cent of small businesses that accessed finance finding the experience difficult last year, compared with the survey average of 35.7 per cent.

India experienced the largest increase in the number of small businesses requiring external finance in 2020 from 2019. This may partly be due to the easier financing conditions. 40.4 per cent of Indian respondents found accessing external finance to be very easy in 2020, up significantly from 10.3 per cent in 2019.

Australian and New Zealand small businesses were again least likely to access external finance last year. This can’t be attributed to difficult financing conditions as New Zealand small businesses were the most likely to experience easy financing conditions, with Australia a close third. Instead, this result can be attributed to several unique characteristics of Australian and New Zealand small businesses, including:

- the high percentage of respondents aged over 50 (respondents over 50 were much less likely to have required external finance in 2020).
- the high percentage of businesses 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 that have less than five employees (businesses with less than five employees were significantly less likely to have required external finance).

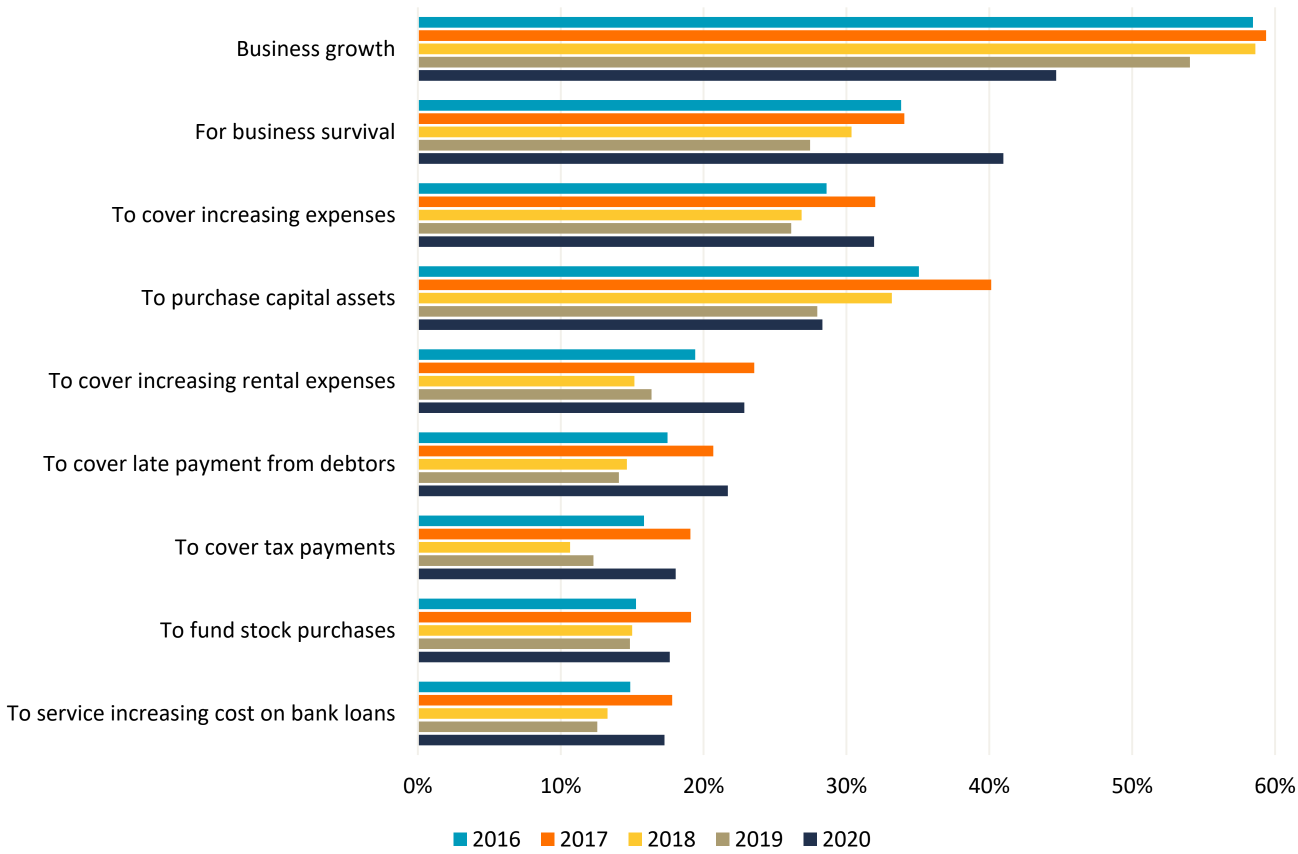
Other findings

- Growing businesses were significantly more likely to have required external finance in 2020, with 66.9 per cent of those that reported growing requiring external finance compared with 49.6 per cent of businesses that didn’t grow.
- Businesses with a higher number of employees were the most likely to have required external finance last year. 75.8 per cent of respondents with 10 to 19 employees required external finance, compared with 38.9 per cent of respondents with less than five employees.

- Younger businesses have a higher need for external finance. 58.5 per cent of businesses that have been established ten years or less required external finance in 2020, compared with 44.8 per cent of businesses established for more than 20 years. This may reflect that longer established businesses could have more internal cash available, reducing their need for external finance.
- Not surprisingly, businesses established less than five years were the most likely to experience difficult financing conditions in 2020. Similarly, respondents under 30 were the most likely to experience difficult financing conditions.
- Older respondents were significantly less likely to have required external finance last year. While 67.3 per cent of respondents aged 30 to 39 stated they required external finance in 2020, only 21.4 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 2020 at 77.0 per cent, compared to respondents who were the business owner at 48.8 per cent.
- Respondents who required external finance in 2020 where the 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 regarded as having a detrimental impact on many businesses, with only 12.9 per cent of respondents nominating it as a major negative factor for their business in 2020.

Reasons for seeking external finance

Reasons for seeking external finance in the past 12 months – by year^



^ This was a multi-response question.

Key findings
While business growth remains the most popular reason for requiring external finance in 2020, it was down from 2019. 44.7 per cent of respondents sourced finance last year to help with growth, compared with 54.0 per cent in 2019.

Small businesses from India (58.3 per cent) were the most likely to have required external finance to fund business growth, while small businesses from New Zealand (11.8 per cent) were the least likely to have required external finance for growth.

Reflecting tougher trading conditions brought on by COVID-19, borrowing for business survival jumped. 41.0 per cent sought external finance for business survival in 2020, up from 27.5 per cent in 2019. This reflects the more challenging business environment due to COVID-19.

Reflecting the successful management of the pandemic in Vietnam, small businesses from that market were the least likely to require external finance for business survival (16.0 per cent). Small businesses in Indonesia were the most likely to require external finance for business survival (51.6 per cent).

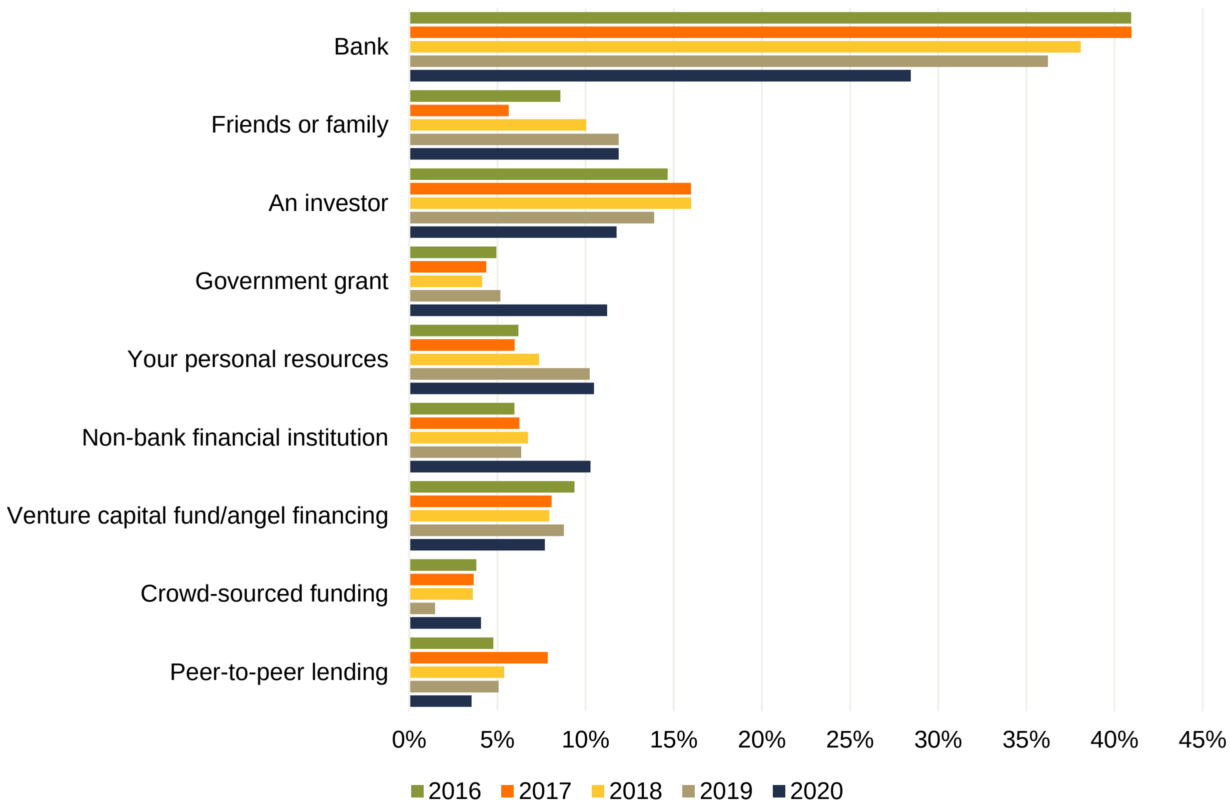
New Zealand registered the largest increase in the percentage of businesses that sought external finance for business survival. 49.6 per cent of small businesses required funds for survival last year, up 32.1 percentage points from 2019.

Small businesses from India were the most likely to state that they required external finance in 2020 to purchase capital assets (44.4 per cent). While New Zealand small businesses were the least likely to cite this as a major reason for accessing finance (5.9 per cent).

Other findings:
- The number of businesses that stated they required external finance to cover increasing expenses increased most in India (jumping from 16.9 per cent in 2019 to 50.2 per cent in 2020), while it declined the most in Vietnam (43.2 per cent in 2019 to 30.2 per cent in 2020).
- Businesses established ten years or less were more likely to have required external finance for growth in 2020 (49.1 per cent).
- Businesses with 10 to 19 employees were more likely to have required external finance for growth (50.8 per cent).
- Younger respondents were the most likely to have required external finance for business growth. 51.2 per cent of respondents aged 30 to 39 required finance for growth, compared with only 19.5 per cent of respondents aged 60 and over. This may be due to the possible higher risk appetite of younger respondents. Older respondents may be preparing their business for sale or succession and don’t want to take on additional debt.
- Respondents aged 60 and over were the most likely to require finance for business survival. 52.9 per cent of respondents aged 60 and over sought finance for business survival, compared with 40.6 per cent of respondents aged under 60.
- Businesses from the ‘information, media and telecommunication’ sector were the most likely to have required external finance for business growth (53.4 per cent).
- Businesses from the ‘arts and recreation services’ sector were the most likely to have required external finance for business survival (50.5 per cent).

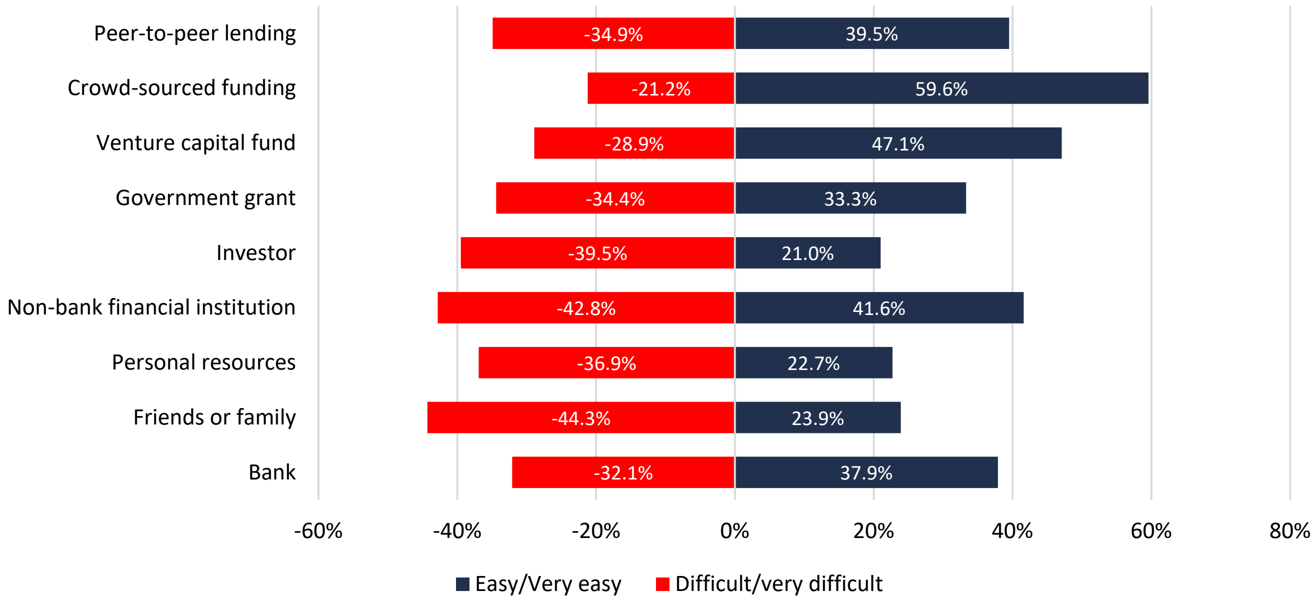
Main sources of external finance

The major source of external finance in the past 12 months – by year^



^ Single choice only.

Ease or difficulty of accessing finance in 2020 – by source



Top three sources of external finance in 2020 by market

Market	Most popular source of external finance	Second most popular source of finance	Third most popular source of finance
Australia	Bank (38.2%)	Government grant (19.5%)	Personal resources (17.9%)
Mainland China	Bank (30.4%)	Investor (15.2%)	Venture capital fund (13.3%)
Hong Kong	Government grant (32.5%)	Bank (30.2%)	Investor (15.4%)
India	Non-bank financial institution (36.0%)	Family and friends (13.5%)	Venture capital fund (12.7%)
Indonesia	Bank (31.3%)	Personal resources (15.2%)	Investor (13.8%)
Malaysia	Bank (28.5%)	Government grant (17.0%)	Family and friends/investor (15.2%)
New Zealand	Government grant (51.5%)	Bank (21.8%)	Personal resources (7.6%)
Philippines	Family and friends (21.4%)	Personal resources (20.8%)	Investor (15.1%)
Singapore	Bank (33.8%)	Investor (18.6%)	Government grant (13.8%)
Taiwan	Bank (31.3%)	Investor (20.1%)	Family and friends (16.0%)
Vietnam	Bank (55.6%)	Family and friends (15.1%)	Investor (9.8%)

Key findings
While banks remain the most common source of external finance, their popularity slipped in 2020. 28.4 per cent of respondents that required external finance in 2020 stated that a bank was their main source of those funds, down from 36.2 per cent in 2019. The gap created by this decline was filled mainly by government grants and non-bank financial institutions.

Banks were the most popular source of finance in all markets surveyed, except for Hong Kong, India, Philippines and New Zealand. In Hong Kong and New Zealand, government grants filled the financing gap. 51.3 per cent of New Zealand small businesses stated that government grants were their main source of finance in 2020, well up from 7.0 per cent in 2019. Similarly, in Hong Kong, government grants as the main source of finance jumped from 9.2 per cent in 2019 to 32.5 per cent last year.

While banks were the most popular source of small business finance in Vietnam last year, its popularity dropped substantially. 55.6 per cent of Vietnamese small businesses found that banks were their main source of funds in 2020, down from 84.6 per cent in 2019. The gap was filled by family and friends and peer-to-peer lending.

Small businesses from Mainland China that required external finance in 2020 were the most likely to nominate venture capital fund or angel finance (13.3 per cent) as their main source of finance.

Small businesses from Taiwan were the most likely to nominate an investor as their main source of finance in 2020 (20.1 per cent). Australian small businesses (1.6 per cent) were the least likely to nominate this as their main source of finance.

Businesses that grew in 2020 and required external finance were more likely to nominate a bank, friends or family, or a non-banking financial institution as their main source of finance, compared to businesses that didn't grow.

Meanwhile, businesses that didn't grow and required external finance were more likely to nominate their personal resources, government grants and peer-to-peer lending as their main source of finance, compared to businesses that grew.

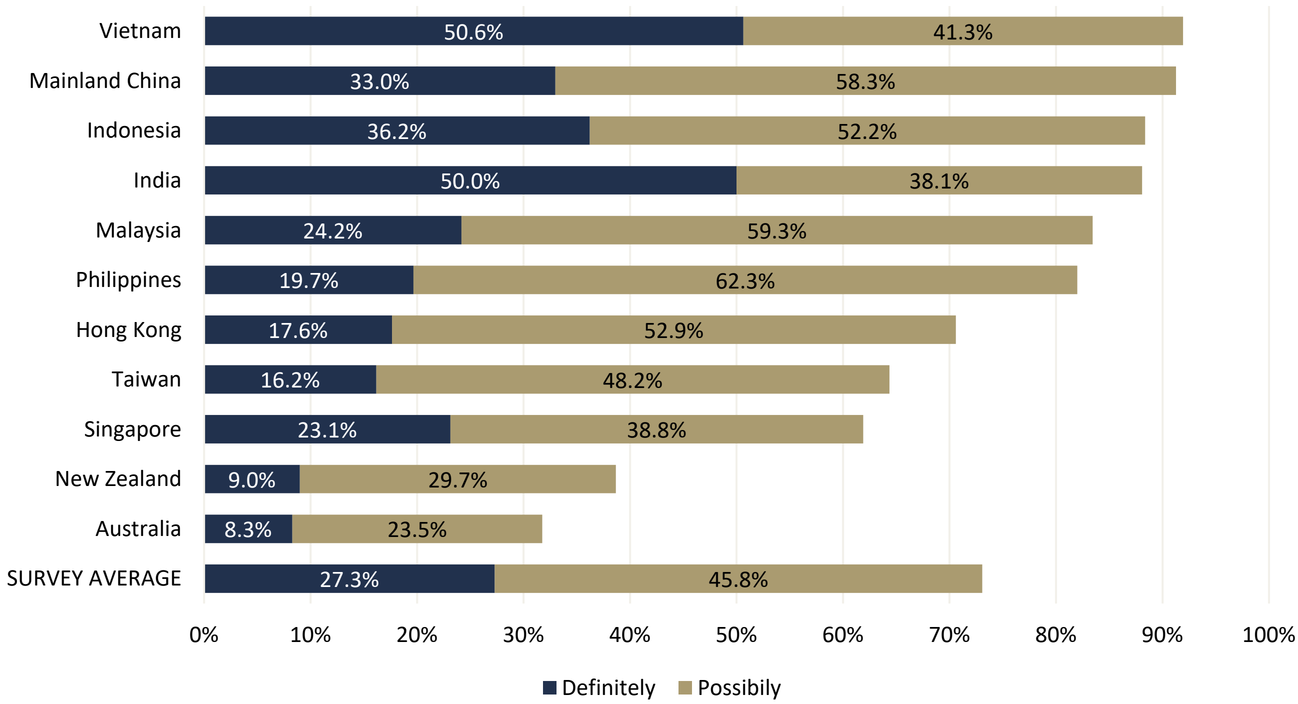
Family and friends were the most difficult source of finance, followed by non-bank financial institutions. 44.2 per cent of businesses whose main source of finance was family and friends found the experience difficult. This was followed by 42.8 per cent who sourced finance from a non-bank financial intuition.

Other findings:

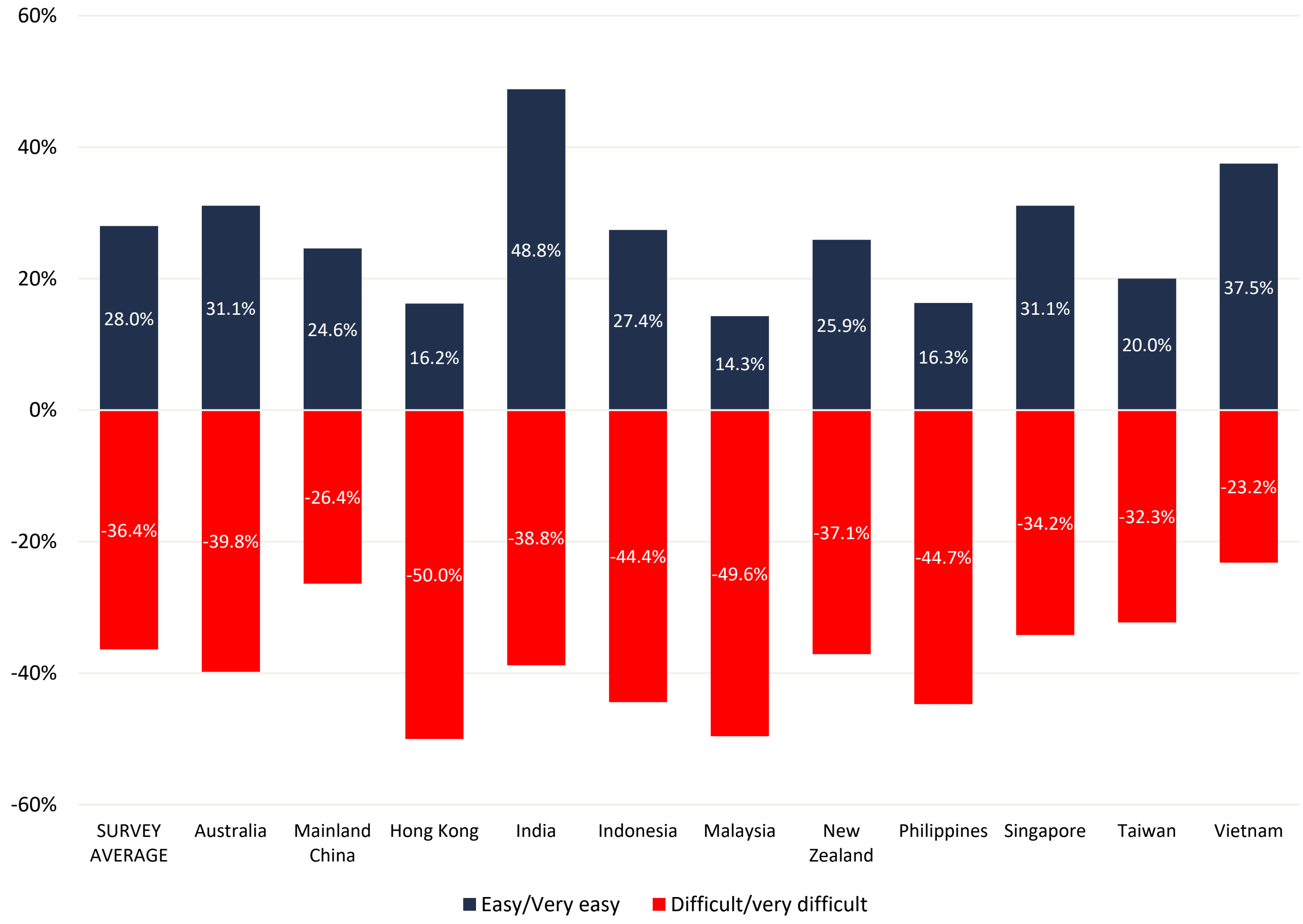
- Small businesses with no employees were more likely to nominate 'government grant' (24.8 per cent) and their 'personal resources' (18.8 per cent) than a bank (18.2 per cent) as their main source of finance.
- Businesses with 10 to 19 employees preferred banks as their main source of finance (32.6 per cent), over 'government grant' (9.3 per cent) and their 'personal resources' (4.2 per cent).
- Respondents under 30 are the least likely to nominate that a bank was their main source of finance in 2020 (23.5 per cent compared with the survey average of 28.2 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 2020 (23.3 per cent compared with the survey average of 11.8 per cent). Shenzhen was the city most likely to nominate venture capital or angel financing as their main source of finance in 2020 (18.0 per cent compared with the survey average of 7.7 per cent).
- Within the five cities surveyed in India, Delhi/Gurgaon was the city where small businesses were most likely to nominate a non-bank financial institution as their main source of finance in 2020 (73.6 per cent compared with the survey average of 10.3 per cent). Mumbai was the city most likely to nominate crowd-sourced funding as their main source of finance in 2020 (54.2 per cent compared with the survey average of 4.1 per cent).

Expected access to finance in 2021

Percentage of businesses that expect to require external finance in 2021 – by market



Of those that expect to access external finance in 2021, the percentage that expect easy or very easy financing conditions compared with those expecting difficult conditions – by market



Top three anticipated reasons for seeking external finance in 2021 – by market

Market	Most popular anticipated reason for seeking external finance in 2021	Second most anticipated reason for seeking external finance in 2021	Third most anticipated reason for seeking external finance in 2021	Fourth most anticipated reason for seeking external finance in 2021
Australia	Business growth (43.5%)	Business survival (36.6%)	Cover increasing expenses (29.2%)	Stock purchases (15.5%)
Mainland China	Business growth (48.0%)	Business survival (42.5%)	Cover increasing expenses (34.0%)	Capital purchases (29.7%)
Hong Kong	Business survival (45.4%)	Cover increasing expenses (38.0%)	Business growth (30.1%)	Cover increasing rent (19.9%)
India	Business growth (58.3%)	Business survival (49.9%)	Cover increasing expenses (45.2%)	Capital purchases (41.2%)
Indonesia	Business growth (57.5%)	Business survival (51.1%)	Capital purchases (23.3%)	Cover increasing expenses (17.3%)
Malaysia	Business survival (52.0%)	Business growth (51.2%)	Cover increasing expenses (40.5%)	Capital purchases (25.8%)
New Zealand	Business growth (37.9%)	Business survival (26.7%)	Cover increasing expenses (21.6%)	Capital purchases (19.8%)
Philippines	Business growth (51.2%)	Business survival (32.1%)	Cover increasing expenses (26.4%)	Capital purchases (17.9%)
Singapore	Business growth (50.0%)	Business survival (44.2%)	Cover increasing expenses (36.8%)	Cover increasing rent (23.7%)
Taiwan	Business growth (46.2%)	Business survival (34.9%)	Capital purchases (25.1%)	Cover increasing expenses (23.6%)
Vietnam	Business growth (67.4%)	Capital purchases/cover increasing expenses (28.1%)	Cover late payment from debtors (23.9%)	Cover increasing rent (20.4%)

Key findings
Reflecting expectations for an economic rebound in 2021, the anticipated demand for external finance is higher this year than accessed finance last year. 73.1 per cent of businesses expect to access finance this year (either definitely or possibly), compared to 57.6 per cent that accessed external finance in 2020.

Not surprisingly, the high growth markets of Vietnam, Mainland China, Indonesia and India are the most likely to expect to access funds this year. Growth is the most popular reason for expecting to seek that finance, however business survival is also important in each of those markets except Vietnam.

Malaysia is most likely to expect to source funds for survival in 2021. In fact, Malaysian businesses are slightly more likely to expect to source funds for survival than growth. Similarly, Hong Kong businesses are more likely to nominate business survival as the main reason to seek finance in 2021. This suggests that small businesses in those markets are uncertain as to whether the business environment will improve in 2021.

The percentage of businesses that expect easy access to finance in 2021 (28.0 per cent) is the highest result since 2018. This result may be influenced by an expectation that governments will continue to support business access to finance through SME loan guarantees and grants.

Businesses in India are most likely to expect easy access to finance in 2021 (48.8 per cent compared to the survey average of 28.0 per cent). Reflecting an expected continuation of a tough business environment, businesses in Hong Kong are the most likely to expect difficulty accessing finance (50.0 per cent compared to the survey average of 36.4 per cent).

Other findings:

- Unsurprisingly, businesses with strong growth expectations for 2021 are more likely to expect easy access to finance than those that don't. 40.9 per cent of businesses that expect to grow strongly in 2021 expect easy access to finance, compared with 18.4 per cent of businesses that do not expect to grow.
- Australian businesses are the least likely to nominate borrowing to fund capital purchases as a reason for expecting to seek external funds in 2021. With the Australian government offering substantial tax incentives to encourage such investment, this is disappointing. A possible reason for this is that over one third of Australian businesses didn't seek advice last year.
- Small businesses with 10 to 19 employees are more likely to expect easy financing conditions in 2021 (36.1 per cent compared with 20.1 per cent of businesses with fewer than five employees).
- Businesses that expect revenue from overseas sales to grow strongly are more likely to expect easy access to finance (45.9 per cent compared with 18.1 per cent of businesses that don't expect to sell overseas).
- Likewise, businesses that will innovate in 2021 are much more likely to expect easy access to finance (37.3 per cent compared with 17.2 per cent of businesses that don't expect to innovate). Similarly, innovative businesses are much more likely to expect to borrow. 59.8 per cent of business that will innovate in 2021 will seek external finance compared with 9.4 per cent that won't innovate.
- Businesses that have already recovered from COVID-19 or expect to recover this year are more likely to expect to seek external finance to support growth. Similarly, businesses that have already recovered from the impacts of COVID-19 are less likely to expect to seek finance for business survival than businesses that have yet to recover.

Suggestions:

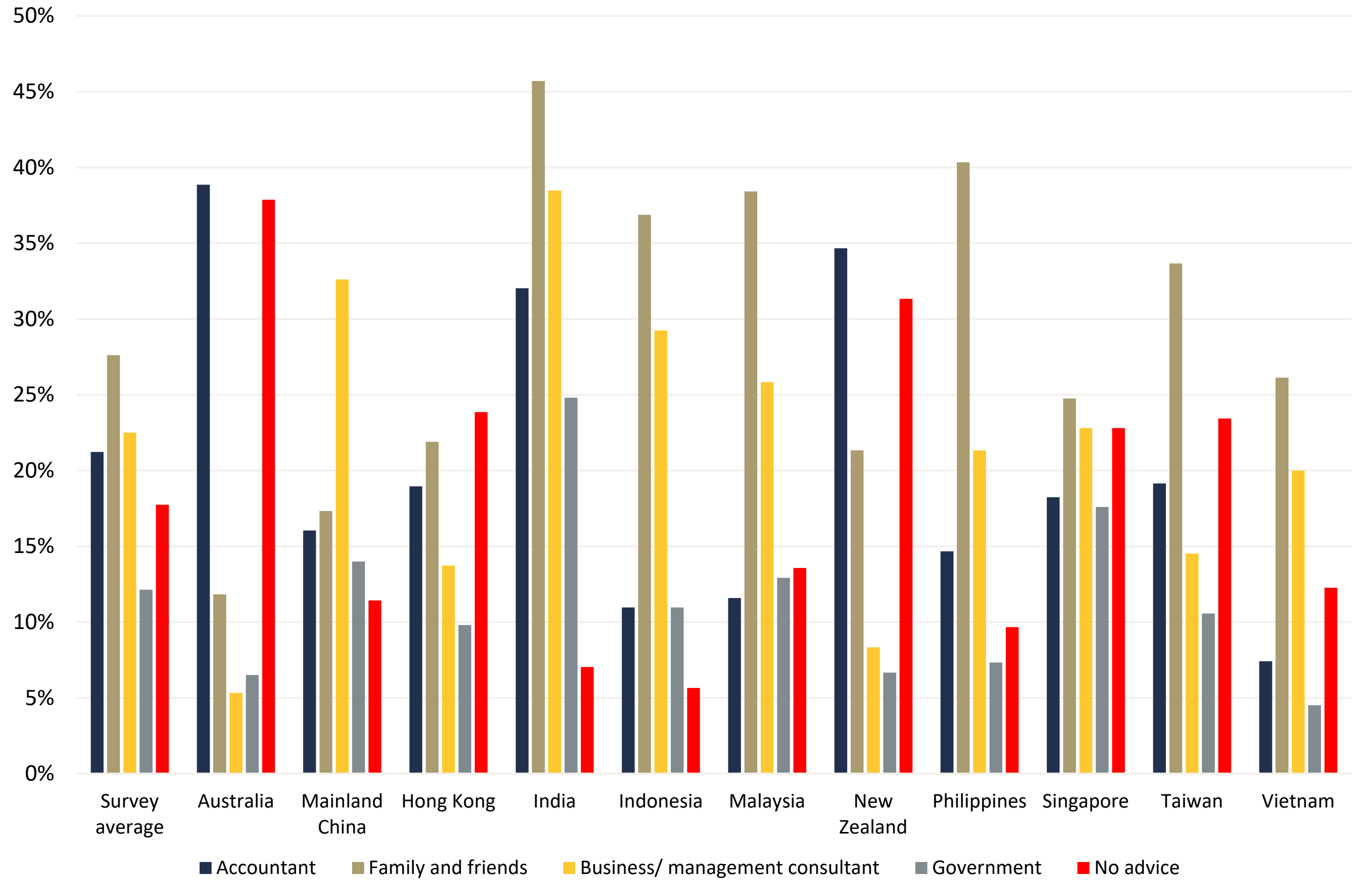
- Where a business identifies a need for external finance, they should approach their preferred sources of that finance early to improve the chances of securing the finance at the best possible terms and price.
- Businesses should consider engaging a professional, such as an accountant or commercial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

SOURCES OF ADVICE

Most popular sources of business advice in 2020 – by market

	Most popular	Second most popular	Third most popular	Did not seek advice
Survey average	Family and friends (27.6%)	Business partner or mentor (26.0%)	Bank or finance company (24.2%)	**17.7%**
Australia	Accountant (38.9%)	Family and friends (11.8%)	IT consultants/ specialists (9.1%)	**37.9%**
Mainland China	IT consultants/ specialists (34.3%)	Bank or finance company (33.5%)	Business/ management consultant (32.6%)	**11.4%**
Hong Kong	Family and friends (21.9%)	Bank or finance company (19.9%)	Accountant (19.0%)	**23.9%**
India	Family and friends (45.7%)	Business partner or mentor (40.6%)	IT consultants/ specialists (39.3%)	**7.0%**
Indonesia	Family and friends (36.9%)	Business partner or mentor (35.2%)	Business/ management consultant (29.2%)	**5.6%**
Malaysia	Family and friends (38.4%)	Bank or finance company (28.8%)	Business partner or mentor (27.5%)	**13.6%**
New Zealand	Accountant (34.7%)	Family and friends (21.3%)	Bank or finance company (12.3%)	**31.3%**
Philippines	Family and friends (40.3%)	Business partner or mentor (32.3%)	Business/ management consultant (21.3%)	**9.7%**
Singapore	Family and friends (24.8%)	Business/ management consultant (22.8%)	Business partner or mentor (22.5%)	**22.8%**
Taiwan	Family and friends (33.7%)	Business partner or mentor (21.8%)	Bank or finance company (19.5%)	**23.4%**
Vietnam	Bank or finance company (39.4%)	Business partner or mentor (37.4%)	Business or industry association (30.3%)	**12.3%**

Sources of business advice in 2020 – by market



Key findings

Among businesses that sought business advice in 2020, family and friends was the most popular source of advice. Indian small businesses were the most likely to have sought advice from that source, while Australian businesses were the least likely. Similarly, Indian small businesses were the most likely to have sought advice from a business partner or mentor with Australian small businesses the least likely.

Small businesses in Australia and New Zealand were significantly less likely than businesses in Asia to have sought business advice in 2020. 37.9 per cent of Australian small businesses and 31.3 per cent of small businesses in New Zealand didn't seek external advice from any source, compared to only 5.6 per cent in Indonesia.

Businesses that didn't seek advice struggled to grow. 25.1 per cent of businesses that didn't grow failed to seek external advice, compared with 8.3 per cent that did grow. In addition, only 4.3 per cent of businesses that didn't seek advice increased their employee count last year, well below the survey average of 24.8 per cent.

Businesses that didn't seek advice were also far less likely to be selling online, using social media and expecting to innovate in 2021. 56.8 per cent of businesses that didn't grow made no changes to their business in response to COVID-19. In short, these businesses are poorly placed to recover from COVID-19 impacts.

While governments became an increasingly important source of finance in 2020, only a small percentage (12.1 per cent) of businesses turned to them for advice. Businesses were more likely to turn to all other potential sources of advice, except for lawyers.

Highlighting the stronger focus on technology adoption, small businesses in India and Mainland China were most likely to have sought advice from IT consultants / specialists. Australian and Taiwanese small businesses were the least likely.

Other findings:

- Businesses in the ‘Administrative and support services’ sector were the least likely to have sought external advice in 2020. ‘Banking, finance or insurance’ businesses were the most likely to have sought external advice.
- ‘Information, media and telecommunications’ businesses were the most likely to have approached an IT consultant / specialist for advice
- ‘Accommodation and food services’ businesses were most likely to have sought advice from family and friends.
- Respondents aged below 40 were more likely to have sought external advice than respondents aged 50 or above.
- Businesses that reported growing strongly in 2020 were significantly more likely to have sought external advice compared to businesses that didn’t grow.
- Businesses with fewer than five employees were significantly less likely to have sought advice compared to businesses with more than ten employees.

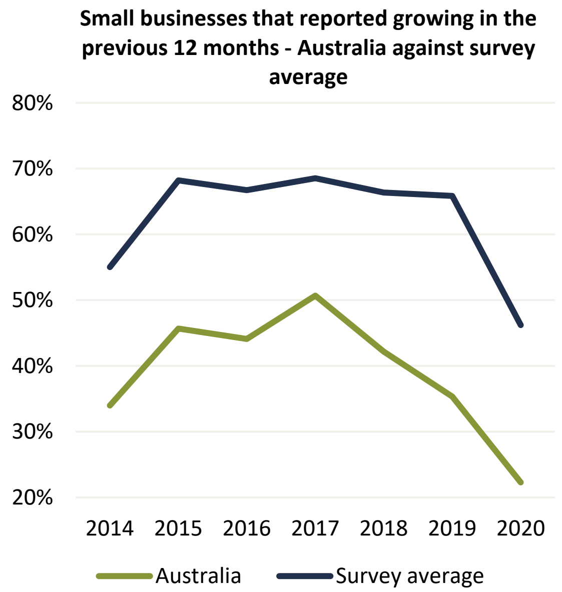
Suggestions:

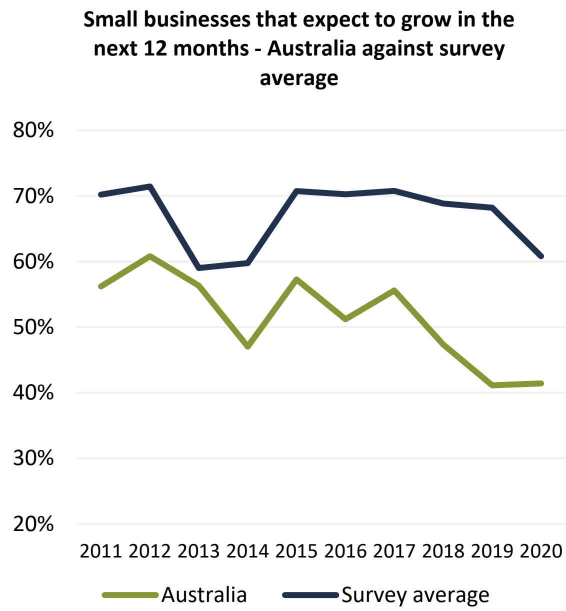
- Governments seeking to hasten business recovery, support sustainable growth and support job creation should consider introducing incentives for small businesses to seek professional advice.
- Governments should collaborate with professional advisers to assist small businesses build their capability and help improve their business processes.

MARKET SUMMARIES

Australia market summary

Business and economic conditions





	Australia 2020	Survey average 2020	Rank 2020	Australia 2019	Rank 2019	Australia 2018	Australia 2017	Australia 2016
Businesses that grew in the last 12 months	22.3%	46.2%	10/11	35.3%	11/11	42.2%	50.7%	44.1%
Businesses that expect to grow in the next 12 months	41.4%	60.8%	10/11	41.1%	10/11	47.3%	55.6%	51.2%
Businesses that expect the local economy to grow in the next 12 months	44.2%	58.6%	9/11	29.3%	10/11	34.7%	42.3%	38.4%

2020 was a significantly weaker year for Australian small businesses than 2019. Only 22.3 per cent of businesses grew last year. This is the lowest percentage for Australia since 2011 and the second lowest among the 11 markets surveyed.

2021 is expected to be a better year for Australia's small businesses. However, Australia's small business sector looks likely to underperform compared to most of the Asia-Pacific region. Only 41.4 per cent of businesses expect to grow compared with the survey average of 60.8 per cent.

The major contributors to the low anticipated growth rate include a weak and uncertain economic outlook, and the small percentage of Australia's small businesses that invest in or undertake activities that characterise growing businesses, being:

- innovation
- e-commerce
- social media use
- exporting.

Impacts of COVID-19

	Australia 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	57.8%	57.1%	6/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	5.9%	24.6%	11/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	31.4%	39.0%	7/11

Like all markets, Australia's small businesses considered COVID-19 their biggest challenge in 2020. 57.8 per cent found it had a negative impact on their business, well ahead of the next most selected reason, the related 'poor overall economic environment' at 23.7 per cent.

Despite the impact COVID-19 had on Australian small businesses last year, 36.1 per cent of respondents made no major changes to their business in response to the pandemic, the highest result of the markets surveyed.

Use of technology

	Australia 2020	Survey average 2020	Rank 2020	Australia 2019	Rank 2019	Australia 2018	Australia 2017	Australia 2016
Did NOT earn any revenue from online sales	51.3%	22.6%	2/11	56.5%	1/11	59.8%	52.6%	60.2%
Did NOT use social media for business purposes	42.4%	18.3%	1/11	45.1%	1/11	44.8%	42.5%	50.6%
Investment in technology by my business over the past 12 months has improved profitability	18.9%	48.1%	10/11	18.8%	11/11	16.4%	26.7%	N/A
Technology my business invested in most heavily over the past 12 months	Website	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	N/A	N/A
Consider my business likely to be cyberattacked in next 12 months	17.8%	38.8%	10/11	17.6%	11/11	15.8%	25.8%	N/A

Reviewed my business's cybersecurity protections in past six months	32.5%	43.1%	11/11	35.3%	8/11	37.6%	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	40.9%	64.2%	9/11	37.1%	10/11	36.0%	33.3%	N/A

The use of technology stands out as an area Australian small business lag in comparison to their counterparts in Asia:

- Australia's small businesses continue to be the most likely to not use social media (42.4 per cent compared with just 6.3 per cent of Mainland Chinese small businesses).
- Australia's small businesses continue to be significantly less likely to earn revenue from online sales (51.3 per cent did not earn any revenue from online sales compared with 4.1 per cent of Mainland Chinese small businesses).
- Australia's small businesses were the least likely to have begun or increased its focus on online sales as a response to the COVID-19 pandemic (5.9 per cent compared with the survey average of 24.6 per cent).
- Australia's small businesses were the most likely to not make any investment in technology in 2020 (40.0 per cent compared to only 5.2 per cent of small businesses from Vietnam).
- Australia's small businesses are the second most likely to not offer customers the choice of paying by new digital and payment technologies such as Apple Pay and Afterpay (44.7 per cent compared with just 0.7 per cent of Mainland Chinese small businesses).
- Australia's small businesses seem somewhat relaxed in relation to their cyber risk. Only 17.8 per cent believe an attack on their business is likely this year; compared with the survey average of 43.1 per cent. However, nearly a third (32.5 per cent) have reviewed their cybersecurity measures in the past six months.

One possible explanation for the low levels of investment in technology by Australian small businesses is the poor short-term returns they achieve. Of those businesses that invested in technology in 2020, only 18.9 per cent found that such investment improved their profitability. This compares to 77.7 per cent of small businesses from Vietnam.

Business activity over the past 12 months

	Australia 2020	Survey average 2020	Rank 2020	Australia 2019	Rank 2019	Australia 2018	Australia 2017	Australia 2016
Increased employee numbers	8.3%	24.8%	11/11	8.8%	11/11	10.1%	13.7%	11.2%
Improved customer satisfaction had a major positive impact on my business	13.2%	22.6%	9/11	19.4%	9/11	22.0%	20.7%	19.9%
Increasing costs had a major negative impact on their business	17.8%	23.4%	11/11	32.5%	8/11	35.0%	29.5%	28.1%
Required funds from an external source	24.3%	57.6%	11/11	22.6%	11/11	23.2%	31.7%	20.3%
Sought external funds for business growth	29.3%	44.7%	10/11	30.1%	11/11	31.6%	40.7%	33.0%
Sought external funds for business survival	42.3%	41.0%	7/11	27.4%	5/11	24.8%	19.1%	27.2%

Found it easy or very easy to access external finance	49.6%	34.0%	2/11	46.9%	2/11	47.0%	42.0%	42.7%
A bank was my business's main source of external finance	38.2%	28.4%	2/11	43.4%	3/11	54.7%	45.7%	50.5%

Planned business activity over the next 12 months

	Australia 2021	Survey average 2021	Rank 2021	Australia 2020	Rank 2020	Australia 2019	Australia 2018	Australia 2017
Expect to increase employee numbers	13.0%	36.1%	9/11	10.6%	11/11	14.5%	18.8%	15.9%
Will introduce a new product, service or process unique to their market or the world	6.7%	23.0%	11/11	6.4%	11/11	6.7%	7.4%	4.7%
Expect revenue from overseas markets to grow strongly	6.3%	15.3%	9/11	4.8%	11/11	4.6%	6.7%	3.1%
Will seek external funds	8.3%	27.3%	11/11	6.0%	11/11	6.9%	11.4%	8.5%
Expect easy to very easy access to finance	31.1%	28.0%	3/11	35.6%	2/11	26.5%	25.5%	30.7%

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Australian small business in 2020	Top four factors that had a positive influence Australian on small business in 2019	Top four factors that had a positive influence on Australian small business in 2018
Customer loyalty	Customer loyalty	Customer loyalty
Good staff	Good staff	Good staff
COVID-19	Cost control	Improved customer satisfaction
Cost control	Improved customer satisfaction	Cost control

Top four factors that had a negative impact on Australian small business in 2020	Top four factors that had a negative impact on Australian small business in 2019	Top four factors that had a negative impact on Australian small business in 2018
COVID-19	Increasing costs	Increasing costs
Poor overall economic environment	Poor overall economic environment	Increasing competition
Increasing costs	Increasing competition	Poor overall economic environment
Cash flow difficulties	Tax	Tax

Jobs

The relatively small number of Australian small businesses that experienced growth in 2020 is reflected in the small number that created new jobs. Only 8.3 per cent adding to their employee numbers last year – the lowest result of the markets surveyed.

The lack of expected growth in 2021 is likely to see only a small percentage (13.0 per cent) of Australia's small businesses increase employee numbers this year. This is the third lowest result of the markets surveyed.

Innovation

Small businesses in Australia remain highly unlikely to innovate. Only 6.7 per cent will introduce a new product, process or service that is unique to their market or the world in 2021, compared with the survey average of 23.0 per cent. This may impact the growth of the many Australian small businesses as the survey results show that innovative businesses are significantly more likely to grow.

Access to finance

Australian small businesses continue to remain significantly less likely to source funds from an external source than small businesses from Asia. It should be noted that Australia remains one of the easiest markets to access finance in the Asia Pacific.

The possible reasons for this low demand for external finance include the low number of Australian small businesses that are:

- growing
- purchasing capital assets
- innovating
- expanding into new markets.

Exports

Australian small businesses are much less likely to expect to increase their revenue from exporting in 2021 than their counterparts from Asia. Seeking alternative markets is one way of growing business and diversifying revenue streams in difficult conditions. The survey results show that businesses that expect to grow their revenue from exporting are significantly more likely to experience growth.

Demographics

	Australia 2020	Survey average 2020	Rank 2020	Australia 2019	Rank 2019	Australia 2018	Australia 2017	Australia 2016
Respondent is aged under 40	18.5%	53.9%	11/11	17.6%	11/11	20.8%	22.3%	11.4%
Business has been established for less than 11 years	44.4%	65.7%	11/11	38.1%	11/11	43.2%	44.0%	41.3%
Respondent is the business owner	66.3%	42.1%	2/11	69.9%	1/11	66.7%	60.7%	67.5%
Business has 10 to 19 employees	13.6%	32.8%	10/11	9.6%	11/11	10.3%	18.8%	10.6%

The age profile of Australia's small businesses owners may contribute to this digital divide with Asia. Australia is the most likely market to have respondents aged 50 and over. The survey results show that the use of digital technologies falls for respondents aged 50 and over, and falls sharply for respondents aged 60 and over, regardless of market.

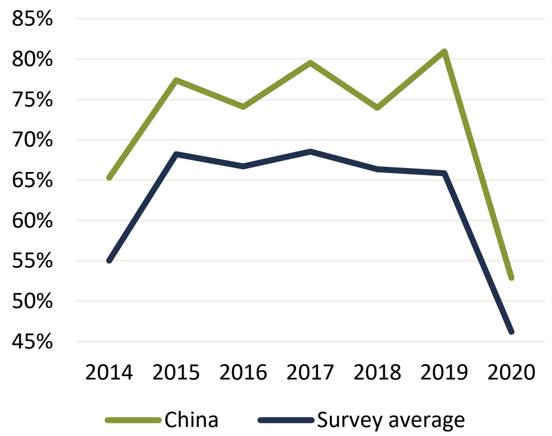
With a significant proportion of Australian small business owners close to or at retirement age, their lack of focus on digital technologies, innovation and exporting should make their recovery from COVID-19 difficult and long for many.

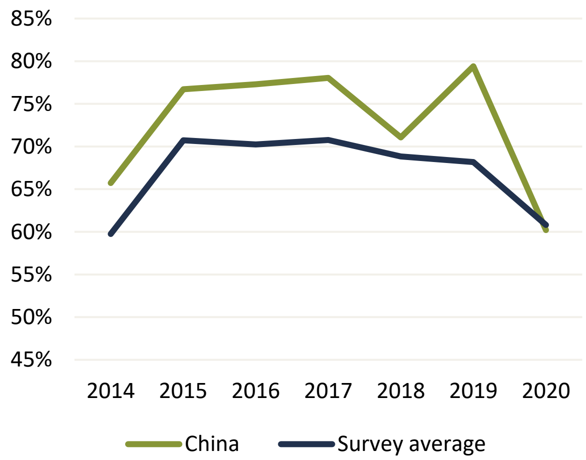
Policy recommendations

For policymakers seeking to help Australia's economic recovery and promote jobs creation, improving the digital capability of small business is essential. With most Australian small businesses having fewer than five employees and being time poor, external advisers will play a critical role in helping them improve such capability.

Mainland China market summary[2]

Business and economic growth





	China 2020	Survey average 2020	Rank 2020	China 2019	Rank 2019	China 2018	China 2017	China 2016
Businesses that grew in the past 12 months	52.9%	46.2%	5/11	81.0%	4/11	74.0%	79.5%	74.1%
Businesses that expect to grow in the next 12 months	60.2%	60.8%	6/11	79.4%	5/11	71.1%	78.1%	77.3%
Businesses that expect the local economy to grow in the next 12 months	66.5%	58.6%	6/11	82.6%	3/11	64.3%	76.7%	69.2%

2020 was a weaker year than 2019 for Mainland China's small business sector. 52.9 per cent of businesses stated that they grew last year, down significantly from 81.0 per cent in 2019. It is also the lowest reading for that market since 2014. However, the result was higher than many developed markets such as Australia, where only 22.3 per cent of small businesses reported growing.

2021 is expected to be a somewhat better year for Mainland China's small businesses. 60.2 per cent expect to grow. This is also a higher result than for the developed markets.

There are many positive results from Mainland China, with most of their small businesses already recovered or expecting to recover from COVID-19 in 2021. Further, digital technology is an important part of most businesses and a sizeable number are innovating. These factors should assist many Mainland Chinese small businesses have a successful 2021 and beyond.

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[2] All data for Mainland China excludes Hong Kong and Taiwan, which are shown separately for the purposes of this report.

Impacts of COVID-19

	China 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	49.6%	57.1%	10/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	28.1%	24.6%	5/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	51.2%	39.0%	2/11

Like all markets, respondents from Mainland China considered COVID-19 their biggest challenge in 2020 (49.6 per cent). They were however, the second least likely of the markets surveyed to nominate it as a major challenge to their business.

COVID-19 is not expected to be a major barrier for many Mainland Chinese small businesses in 2021. 51.2 per cent have already recovered from the negative impacts of the pandemic or expect to recover in 2021, the second highest result amongst the markets surveyed.

Use of technology

	China 2020	Survey average 2020	Rank 2020	China 2019	Rank 2019	China 2018	China 2017	China 2016
Did NOT earn any revenue from online sales	4.1%	22.6%	11/11	2.1%	11/11	5.4%	6.8%	7.7%
Did NOT use social media for business purposes	6.3%	18.3%	11/11	1.7%	11/11	3.7%	4.8%	2.9%
Investment in technology by the business over the past 12 months has improved profitability	57.0%	48.1%	4/11	56.6%	5/11	67.0%	74.1%	N/A
Technology your business invested in most heavily over the past 12 months	Artificial intelligence, machine learning and chatbots	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	N/A	N/A
Consider your business likely to be cyberattacked in next 12 months	34.9%	38.8%	7/11	45.1%	3/11	46.3%	44.9%	N/A
Reviewed your business's cybersecurity protections in past six months	58.5%	43.1%	1/11	67.6%	2/11	69.0%	N/A	N/A

More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	90.8%	64.2%	1/11	91.4%	1/11	87.1%	84.2%	N/A

Small businesses from Mainland China continue to be leaders in using technology in their business. Of the 11 markets surveyed, they were the most likely to earn revenue from online sales and the most likely to use social media for business purposes. In fact, it would be difficult to find a business in Mainland China that are not using technology.

Further, they are not just dabbling in online sales – a staggering 82.0 per cent earned more than 10 per cent of their revenue through that channel.

Mainland China's small businesses are also clear leaders in the use of digital and online payment options, such as Alipay and WeChat Pay. 90.8 per cent received over 10 per cent of their sales through such technology, significantly above the survey average of 64.2 per cent.

Mainland China was the only market where respondents nominated artificial intelligence, machine learning and conversational platforms such as chatbots as the technologies they invested most heavily in in 2020. Small businesses from Mainland China were also the most likely to invest in cloud computing, enterprise resource planning (ERP) software and data visualisation software. This suggests a desire amongst those businesses to move up the value chain.

The strong returns generated by such investments are helping to drive this focus on technology. 57.0 per cent of Mainland Chinese businesses that invested in technology in 2020 reported that their investments were already profitable. In Australia, only 18.9 per cent found their technology investment was profitable last year.

Most Mainland Chinese small businesses take cybersecurity seriously. 58.5 per cent reviewed their cybersecurity in the past six months – the highest result for all markets surveyed. Only 34.9 per cent expect their business to be cyberattacked in 2021.

Business activity over the past 12 months

	China 2020	Survey average 2020	Rank 2020	China 2019	Rank 2019	China 2018	China 2017	China 2016
Increased employee numbers	29.5%	24.8%	3/11	57.0%	1/11	39.7%	43.9%	38.8%
Improved customer satisfaction had a major positive impact on my business	25.9%	22.6%	5/11	25.4%	7/11	36.1%	33.0%	36.1%
Increasing costs had a major negative impact on their business	23.9%	23.4%	5/11	26.9%	10/11	34.4%	36.0%	36.2%
Required funds from an external source	67.5%	57.6%	4/11	61.4%	3/11	79.6%	84.5%	80.7%
Sought external funds for business growth	43.2%	44.7%	7/11	53.0%	6/11	59.9%	69.3%	66.5%
Sought external funds for business survival	42.0%	41.0%	8/11	36.3%	3/11	32.9%	35.2%	38.3%

Found it easy or very easy to access external finance	27.4%	34.0%	7/11	53.8%	1/11	35.4%	36.1%	40.3%
A bank was my business's main source of external finance	30.4%	28.4%	6/11	18.8%	11/11	29.6%	31.3%	32.5%

Planned business activity over the next 12 months

	China 2021	Survey average 2021	Rank 2021	China 2020	Rank 2020	China 2019	China 2018	China 2017
Expect to increase employee numbers	41.5%	36.1%	5/11	63.2%	2/11	51.0%	51.5%	49.4%
Will introduce a new product, service or process unique to their market or the world	21.7%	23.0%	6/11	45.6%	1/11	26.0%	27.2%	28.5%
Expect revenue from overseas markets to grow strongly	11.2%	15.3%	7/11	23.7%	4/11	14.4%	17.2%	16.6%
Will seek external funds	33.0%	27.3%	4/11	33.8%	2/11	36.4%	39.8%	37.0%
Expect easy to very easy access to finance	24.6%	28.0%	7/11	49.8%	1/11	33.8%	39.6%	42.7%

Innovation
The innovative culture of Mainland China's small business sector is supporting its recovery from COVID-19 and improving its competitiveness. It is highly likely that the Chinese Government's strong focus on innovation and technology is helping keep these issues front of mind for many small businesses.

Jobs
The smaller number of Mainland China's small businesses that grew in 2020 is reflected in the lower number that created new jobs. 29.5 per cent added to their employee numbers in 2020, the lowest percentage since 2014, down from 57.0 per cent in 2019.

The increase in the number of Mainland Chinese small businesses that expect to grow in 2021 is reflected in the greater number that forecast they will add to their headcount. 41.5 per cent expect to create new jobs this year, beating the survey average of 36.1 per cent.

Access to finance
Most Mainland Chinese small businesses sourced external finance in 2020. 67.5 per cent needed external financing in 2020, up from 61.4 per cent in 2019. However, the percentage that sought external financing for business growth decreased from 53.0 per cent in 2019 to 43.2 per cent in 2020, while the percentage that sought such finance for survival rose from 36.3 per cent to 42.0 per cent.

With challenging business conditions, it is not surprising that Mainland Chinese small businesses found it less easy to access finance last year. 53.8 per cent found accessing finance easy or very easy in 2019 compared with 27.4 per cent in 2020.

Mainland China's small businesses are the most likely to source finance from a venture capital fund or angel financier.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Chinese small business in 2020	Top four factors that had a positive influence on Chinese small business in 2019	Top four factors that had a positive influence on Chinese small business in 2018
Customer loyalty	Good staff	Improved customer satisfaction
Government support/incentives	Improved customer satisfaction	Introduced a new product or service
Improved customer satisfaction	Introduced a new product or service	Good staff
Entering new markets	Positive overall economic environment	Improved business strategy

Top four factors that had a negative impact on Chinese small business in 2020	Top four factors that had a negative impact on Chinese small business in 2019	Top four factors that had a negative impact on Chinese small business in 2018
COVID-19	Increasing costs	Increasing costs
Increasing costs	Poor overall economic environment	Poor overall economic environment
Cash flow difficulties	Increasing competition	Increasing rent
Increasing competition	Increasing rent	Increasing competition

Small businesses in Mainland China found that ‘customer loyalty’ and ‘improved customer satisfaction’ had the most positive impacts on their business in 2020. Those businesses are most likely focused on creating and strengthening brand experiences to manage through COVID-19 and position for future growth.

More than four in ten of Mainland China’s small businesses identified high staff costs as one of the most detrimental costs to their business last year. It is therefore unsurprising that ‘increasing cost’ was ranked second in the factors that had a negative impact on their business in 2020.

Key figures for 2020 by city (excluding Hong Kong and Taiwan)

	Beijing	Chongqing	Guangzhou	Shanghai	Shenzhen	Mainland China average	Survey average
Businesses that grew in the past 12 months	56.4%	49.7%	57.3%	40.6%	60.3%	52.9%	46.2%
Businesses that expect to grow in the next 12 months	63.5%	63.2%	61.8%	47.1%	64.5%	60.2%	60.8%
Businesses that expect the local economy to grow in the next 12 months	67.9%	74.2%	72.6%	47.1%	70.5%	66.5%	58.6%
Increased employee numbers in the past 12 months	32.1%	32.9%	34.4%	18.1%	30.1%	29.5%	24.8%
Plan to increase employee numbers over the next 12 months	46.8%	44.5%	47.1%	29.0%	39.7%	41.5%	36.1%
Required external funds over the past 12 months	66.0%	71.0%	58.6%	78.1%	64.1%	67.5%	57.6%
Found access to external finance easy or very easy over the past 12 months	38.8%	25.5%	28.3%	24.8%	20.0%	27.4%	34.0%
Banks were the main source of external funds	37.9%	27.3%	20.7%	35.5%	19.0%	30.4%	28.4%
Business growth was the main reason for seeking external finance	38.8%	54.5%	40.2%	36.4%	46.0%	43.2%	44.7%
Will seek external funds in next 12 months	32.1%	38.7%	23.6%	38.1%	32.7%	33.0%	27.3%
Expect easy to very easy access to finance in next 12 months	34.8%	21.8%	26.9%	20.3%	19.9%	24.6%	28.0%
Expect revenue from overseas markets to grow strongly over the next 12 months	16.0%	7.1%	11.5%	12.3%	9.0%	11.2%	15.3%
Will introduce a new product, service or process unique to their market or the world in the next 12 months	21.8%	27.7%	19.1%	21.3%	18.6%	21.7%	23.0%
Investment in technology by the business over the past 12 months has improved profitability	59.0%	60.0%	61.8%	45.8%	58.3%	57.0%	48.1%
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	90.1%	90.7%	92.8%	89.2%	91.4%	90.8%	64.2%
Did NOT use social media for business purposes	4.5%	3.9%	9.6%	9.7%	3.8%	6.3%	18.3%
Did NOT generate any sales online	2.6%	3.2%	3.8%	7.7%	3.2%	4.1%	22.6%

Think it is LIKELY their business will be cyberattacked in the next 12 months	41.0%	29.7%	27.4%	40.6%	35.9%	34.9%	38.8%
Reviewed the business's cybersecurity protections in past six months	56.4%	60.6%	51.0%	63.2%	61.5%	58.5%	43.1%
Staff costs were most detrimental to the business	39.1%	54.2%	48.4%	32.3%	45.5%	43.9%	32.6%
Respondent aged under 40	79.5%	63.2%	75.2%	39.4%	60.3%	63.5%	53.9%
COVID-19 had a major negative impact on my business in the past 12 months	49.4%	57.4%	51.6%	36.1%	53.2%	49.6%	57.1%
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	24.4%	32.3%	32.5%	25.2%	26.3%	28.1%	24.6%
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	41.7%	41.3%	58.0%	51.6%	63.5%	51.2%	39.0%

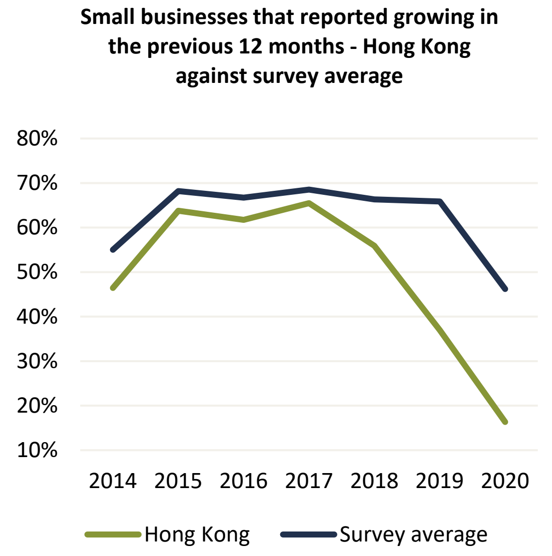
- Small businesses from Shenzhen were the most likely to grow in 2020.
- Small businesses from Guangzhou were the most likely to increase employee numbers in 2020.
- Small businesses from Shanghai were the most likely to need external finance in 2020. They were also the most likely to use that finance to cover tax payments, to fund stock purchases and to purchase capital assets.
- Small businesses from Chongqing were most likely to need external finance for business growth and business survival.
- Beijing small businesses were the most likely to experience easy access to finance and the most likely to source finance from a bank.
- Small businesses from Shenzhen were the most likely to source finance from a venture capital fund/angel financier.
- Guangzhou small businesses were most likely to find their investment in technology in 2020 had increased their profitability.
- Chongqing small businesses were the most likely to use social media to sell to customers and learn about the behaviours of customers and potential customers.
- Small businesses from Chongqing are the most likely to innovate in 2021.
- Chongqing small businesses were the most likely to find that 'improved customer satisfaction' and 'entering new markets' had a major positive impact on their business in 2020.
- Guangzhou small businesses were the most likely to find that 'Government support/incentives' had a major positive impact on their business in 2020.
- Shanghai small businesses were the least likely to have been negatively impacted by COVID-19, while businesses from Chongqing were the most likely.
- Businesses in Shenzhen are the most likely to have already recovered or expect to recover from the negative impacts of COVID-19 in 2021.
- Shanghai small businesses were the most likely to expect a cyberattack in 2021.
- Businesses from Chongqing were the most likely to find staff costs had a detrimental impact on their business.

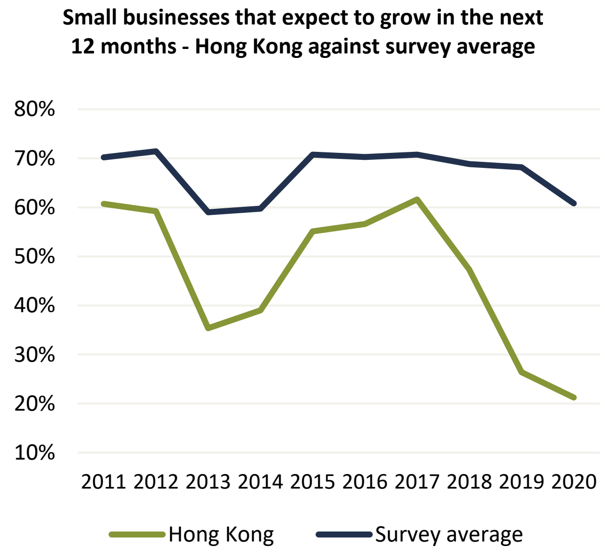
Demographics

	China 2020	Survey average 2020	Rank 2020	China 2019	Rank 2019	China 2018	China 2017	China 2016
Business has been established for 10 years or less	63.8%	65.7%	6/11	74.2%	3/11	64.8%	73.1%	68.6%
Respondent is aged under 40	63.5%	53.9%	5/11	77.5%	1/11	69.9%	68.5%	60.0%
Respondent is the business owner	24.9%	42.1%	9/11	11.7%	10/11	10.1%	6.1%	9.5%
Business has 10 to 19 employees	46.6%	32.8%	2/11	73.1%	1/11	70.0%	77.9%	68.8%

Hong Kong market summary[3]

Business and economic growth





	Hong Kong 2020	Survey average 2020	Rank 2020	Hong Kong 2019	Rank 2019	Hong Kong 2018	Hong Kong 2017	Hong Kong 2016
Businesses that grew in the last 12 months	16.3%	46.2%	11/11	37.0%	10/11	55.9%	65.5%	61.7%
Businesses that expect to grow in the next 12 months	21.2%	60.8%	11/11	26.4%	11/11	47.3%	61.6%	56.6%
Businesses that expect the local economy to grow in the next 12 months	13.4%	58.6%	11/11	17.5%	11/11	29.0%	57.7%	50.2%

2020 was a very challenging year for small businesses in Hong Kong. Only 16.3 per cent grew last year. This is the lowest result on record for the city and the lowest across the 11 markets surveyed.

Poor business conditions are expected to continue into 2021 for Hong Kong's small business. Only 21.2 per cent expect to grow in 2021, the lowest amongst all surveyed markets and significantly lower than the survey average of 60.8 per cent.

We expect most Hong Kong small businesses will manage through these tough times and return to growth in the medium to long term. This is because of the sector's reasonably strong focus on digital technologies and experience in managing through challenging periods. The opportunities that the Greater Bay Area initiative will create will also contribute to the recovery, as will government support for innovation and technology.

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

Impacts of COVID-19

	Hong Kong 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	52.6%	57.1%	8/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	17.3%	24.6%	8/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	21.9%	39.0%	10/11

Like all markets, Hong Kong's small businesses considered COVID-19 their biggest challenge in 2020, with 52.6 per cent saying it had a major impact on their business last year.

COVID-19 is expected to continue to have negative impacts on Hong Kong's small businesses in 2021. Only 21.9 per cent have recovered or expect to recover from the negative impacts of the pandemic in 2021, the second lowest of the 11 markets surveyed.

Use of technology

	Hong Kong 2020	Survey average 2020	Rank 2020	Hong Kong 2019	Rank 2019	Hong Kong 2018	Hong Kong 2017	Hong Kong 2016
Did NOT earn any revenue from online sales	29.4%	22.6%	4/11	31.7%	5/11	31.9%	17.4%	21.9%
Did NOT use social media for business purposes	19.6%	18.3%	4/11	16.8%	6/11	16.1%	11.3%	11.6%
Investment in technology by the business over the past 12 months has improved profitability	25.2%	48.1%	9/11	29.7%	9/11	32.6%	48.1%	N/A
Technology your business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	N/A	N/A
Consider your business likely to be cyberattacked in next 12 months	30.1%	38.8%	8/11	31.7%	8/11	42.3%	44.2%	N/A
Reviewed your business's cybersecurity protections in last six months	39.5%	43.1%	5/11	39.3%	5/11	53.8%	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	57.2%	64.2%	7/11	54.2%	4/11	51.9%	54.5%	N/A

The use of technology is a positive feature of Hong Kong small businesses:

- A large proportion of Hong Kong's small businesses generate revenue through online sales. 44.4 per cent receive more than 10 per cent of their revenue online, compared with 31.6 per cent of Australian small business.
- Most Hong Kong small businesses use social media. Only 19.6 per cent do not use social media, compared with 42.4 per cent of Australian small business.
- Hong Kong small businesses are strong users of new payment technologies, such as Alipay, Apple Pay and WeChat Pay. 57.4 per cent generate more than 10 per cent of their sales through such technologies, compared with 40.9 per cent of Australian small businesses.
- Hong Kong's small businesses could increase their focus on cybersecurity. 39.5 per cent reviewed their cybersecurity measures in the past six months, while 30.1 per cent expect to be cyberattacked in 2021.

The major contributors to the relatively strong focus of Hong Kong's small businesses on technology include:

- the high level of digital adoption in Mainland China and the importance of that market to Hong Kong's small businesses
- government incentives for technology adoption
- changing consumer behaviour brought on by COVID-19
- concerns over staff and rental costs.

However, there is room to increase the use of technology. Greater investment in technology could occur if small businesses achieved better returns on such investment. 25.2 per cent of Hong Kong small businesses that invested in technology in 2020 found that such investment was already profitable, much lower than the survey average of 48.2 per cent.

Business activity over the past 12 months

	Hong Kong 2020	Survey average 2020	Rank 2020	Hong Kong 2019	Rank 2019	Hong Kong 2018	Hong Kong 2017	Hong Kong 2016
Increased employee numbers	9.2%	24.8%	10/11	14.5%	10/11	16.8%	30.0%	19.6%
Improved customer satisfaction had a major positive impact on my business	13.1%	22.6%	10/11	18.5%	11/11	21.9%	24.2%	26.4%
Increasing costs had a major negative impact on their business	19.0%	23.4%	9/11	26.4%	11/11	43.0%	37.7%	37.3%
Required funds from an external source	55.2%	57.6%	6/11	60.7%	4/11	53.4%	66.5%	72.7%
Sought external funds for business growth	31.4%	44.7%	9/11	46.2%	8/11	52.3%	55.3%	51.8%
Sought external funds for business survival	44.4%	41.0%	5/11	44.0%	1/11	34.2%	39.8%	44.2%
Found it easy or very easy to access external finance	17.2%	34.0%	9/11	20.1%	8/11	12.8%	23.8%	19.9%
A bank was the business's main source of external finance	30.2%	28.4%	7/11	31.0%	6/11	38.9%	43.2%	31.4%
Rent was the most detrimental factor impacting their business	42.2%	28.7%	1/11	41.9%	2/11	52.7%	51.0%	52.4%

Planned business activity over the next 12 months

	Hong Kong 2021	Survey average 2021	Rank 2021	Hong Kong 2020	Rank 2020	Hong Kong 2019	Hong Kong 2018	Hong Kong 2017
Expect to increase employee numbers	11.8%	36.1%	10/11	14.2%	10/11	22.9%	33.9%	30.2%
Will introduce a new product, service or process unique to their market or the world	8.5%	23.0%	10/11	8.6%	9/11	12.5%	13.5%	14.8%
Expect revenue from overseas markets to grow strongly	3.9%	15.3%	11/11	5.3%	10/11	7.9%	15.5%	13.5%
Will seek external funds	17.6%	27.3%	8/11	14.9%	7/11	17.9%	21.9%	24.4%
Expect easy to very easy access to finance	16.2%	28.0%	10/11	14.1%	10/11	11.8%	21.5%	19.3%

Innovation

Hong Kong's small businesses remain highly unlikely to innovate. Only 8.5 per cent will introduce a new product, process or service that is unique to their market or the world in 2021. This compares with 53.3 per cent of businesses in top-placed India. This may impact the growth of many Hong Kong small businesses as the survey results show that innovative businesses are significantly more likely to grow.

To improve innovation, Hong Kong's small businesses could take greater advantage of Hong Kong's proximity to leading innovation and technology centres such as Shenzhen. They should also consider the opportunities offered by significant government support for innovation.

Jobs

The small number of Hong Kong small businesses that grew in 2020 is reflected in the number that created new jobs. Only 9.2 per cent added to their headcount last year, compared with the survey average of 24.8 per cent.

Reflecting weak business confidence for 2021, only 11.8 per cent of Hong Kong small businesses expect to increase employee numbers this year. This is the second lowest result of the markets surveyed.

Exports

COVID-19 has also hit expectations for revenue growth from exports in 2021. Only 3.9 per cent of Hong Kong small businesses expect revenue from overseas markets to grow strongly – the lowest of the markets surveyed.

Access to finance

Hong Kong small businesses were less likely to have needed external finance for business growth last year. 31.4 per cent of businesses sought finance for growth in 2020 compared with 46.2 per cent in 2019. The percentage that sought external finance for business survival increased slightly from 44.0 per cent in 2019 to 44.4 per cent in 2020.

Small businesses in Hong Kong were the most likely to nominate government grants as their main source of finance in 2020 (32.5 per cent). Banks were the next most likely source.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Hong Kong small business in 2020	Top four factors that had a positive influence on Hong Kong small business in 2019	Top four factors that had a positive influence on Hong Kong small business in 2018
Cost control	Cost control	Cost control
Customer loyalty	Good staff	Customer loyalty
Government support/incentives	Customer loyalty	Good staff Introduced a new product or service^
Good staff	Political stability	

^ equal third

Top four factors that had a negative impact on Hong Kong small business in 2020	Top four factors that had a negative impact on Hong Kong small business in 2019	Top four factors that had a negative impact on Hong Kong small business in 2018
COVID-19	Political instability	Increasing costs
Poor overall economic environment	Poor overall economic environment	Increasing competition
Political instability	Increasing competition	Increasing rent
Increasing costs Increasing competition^	Increasing costs	Staff costs

^ equal fourth

Hong Kong's small businesses faced some significant local and global challenges in 2020. Like all other markets surveyed, COVID-19 was the major barrier to growth for Hong Kong's small businesses, followed by the related 'poor overall economic environment'.

The costs Hong Kong's small businesses nominated as being most detrimental to their business in 2020 was again rent, followed by staff costs.

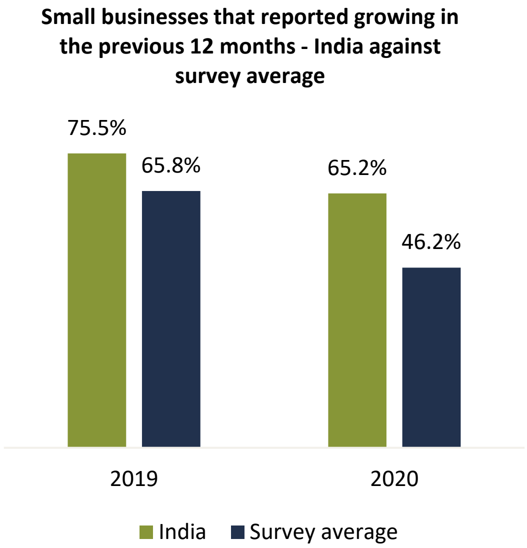
Given concerns around costs, it is not surprising that Hong Kong small businesses were again the most likely to nominate cost control as the factor that had the most positive impact on their business last year.

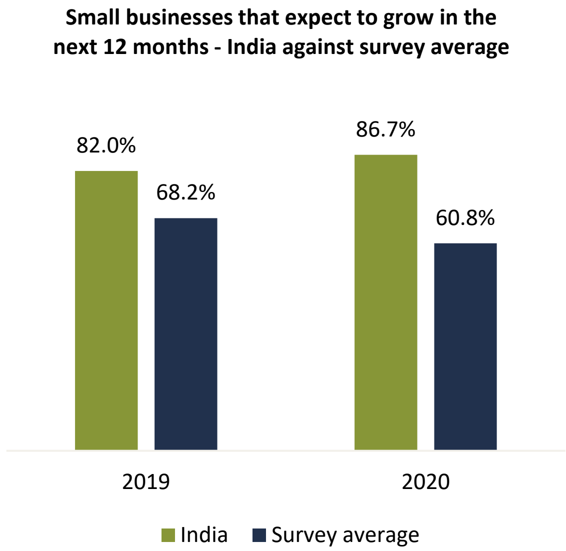
Demographics

	Hong Kong 2020	Survey average 2020	Rank 2020	Hong Kong 2019	Rank 2019	Hong Kong 2018	Hong Kong 2017	Hong Kong 2016
Business has been established for 10 years or less	54.9%	65.7%	9/11	52.8%	9/11	52.0%	64.8%	68.8%
Respondent is aged under 40	46.4%	53.9%	9/11	53.1%	7/11	44.4%	51.3%	55.3%
Respondent is the business owner	11.4%	42.1%	11/11	8.9%	11/11	11.1%	7.4%	8.4%
Business has 10 to 19 employees	41.8%	32.8%	4/11	50.8%	3/11	42.3%	58.4%	60.5%

India market summary

Business and economic growth





	India 2020	Survey average 2020	Rank 2020	India 2019	Rank 2019
Businesses that grew in the last 12 months	65.2%	46.2%	1/11	75.5%	5/11
Businesses that expect to grow in the next 12 months	86.7%	60.8%	1/11	82.0%	4/11
Businesses that expect the local economy to grow in the next 12 months	79.9%	58.6%	2/11	68.2%	5/11

2020 was relatively positive for India's small businesses. 65.2 per cent of businesses stated that they grew last year. This was highest result amongst the 11 markets surveyed, however it was down from 2019.

In addition, 43.6 per cent of India's small businesses stated that they experienced very strong growth – again the highest result of the markets surveyed. In comparison, only 2.0 per cent of Hong Kong's businesses recorded very strong growth in 2020.

2021 is expected to be a very strong year for India's small businesses. 86.7 per cent expect to grow, the highest result of the markets surveyed.

There are many positive aspects of the results from India. Many small businesses have characteristics strongly connected with growth, including a focus on:

- technology
- e-commerce
- improving business strategy and customer satisfaction
- innovation.

We are therefore likely to see India's small businesses recover quickly from COVID-19 and grow strongly in 2021 and beyond. Several of India's current small businesses are likely to evolve into large, successful global businesses in the next few years.

Impacts of COVID-19

	India 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	50.0%	57.1%	9/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	31.4%	24.6%	4/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	28.3%	39.0%	9/11

Like all markets, small businesses from India considered COVID-19 their biggest challenge in 2020. 50.0 per cent selected the pandemic as having a major negative impact on their business last year, which was less than the survey average of 57.1 per cent.

The pandemic is likely to remain a significant challenge for India's small businesses in 2021. Only 28.3 per cent have already recovered or expect to recover from the negative impacts of COVID-19 in 2021 – lower than the survey average of 39.0 per cent.

Use of technology

	India 2020	Survey average 2020	Rank 2020	India 2019	Rank 2019
Did NOT earn any revenue from online sales	10.0%	22.6%	10/11	28.1%	6/11
Did NOT use social media for business purposes	14.5%	18.3%	7/11	23.9%	4/11
Investment in technology by the business over the past 12 months has improved profitability	75.8%	48.1%	2/11	59.7%	4/11
Technology your business invested in most heavily over the past 12 months	Customer Relationship Management software	Computer equipment	N/A	Computer equipment	N/A
Consider your business likely to be subjected to a cyberattack in next 12 months	68.2%	38.8%	1/11	38.7%	5/11
Reviewed your business's cybersecurity protections in last six months	51.0%	43.1%	2/11	38.5%	7/11
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	82.7%	64.2%	2/11	63.4%	3/11

Small businesses from India are strong users of digital technologies, particularly in comparison to Australia, Singapore and New Zealand. Most make online sales and 75.6 per cent earned more than ten per cent of their revenue from that channel in 2020. In addition, 31.4 per cent began or increased its focus on e-commerce as a response to COVID-19.

Further, most use social media for business purposes. Only 14.5 per cent of India's small businesses do not use social media. 50.2 per cent use it to promote their business to potential customers.

Most of India's small businesses allow customers to pay using new digital payment technologies such as Paytm, PhonePe and Amazon Pay. 82.7 per cent received more than 10 per cent of their sales through such technologies, well above the survey average of 64.2 per cent.

India's small businesses take cybersecurity seriously. 51.0 per cent reviewed their cybersecurity in the past six months. However, an even stronger focus on cybersecurity would be beneficial given 68.2 per cent believe that they will be cyberattacked in 2021 – the highest result of the markets surveyed.

Helping to drive this focus on technology are the strong returns such investments are generating. 75.8 per cent of India's small businesses that invested in technology in 2020 found that such investments were already profitable. This result is the second highest, only behind Vietnam.

Business activity over the past 12 months

	India 2020	Survey average 2020	Rank 2020	India 2019	Rank 2019
Increased employee numbers	56.4%	24.8%	1/11	39.5%	4/11
Improved customer satisfaction had a major positive impact on my business	35.0%	22.6%	1/11	36.6%	5/11
Increasing costs had a major negative impact on the business	32.2%	23.4%	1/11	35.6%	4/11
Required funds from an external source	79.7%	57.6%	1/11	59.7%	5/11
Sought external funds for business growth	58.3%	44.7%	1/11	58.6%	4/11
Sought external funds for business survival	46.6%	41.0%	3/11	22.5%	7/11
Found it easy or very easy to access external finance	52.5%	34.0%	2/11	31.1%	4/11
A bank was the business's main source of external finance	11.3%	28.4%	11/11	33.8%	5/11

Planned business activity over the next 12 months

	India 2021	Survey average 2021	Rank 2021	India 2020	Rank 2020
Expect to increase employee numbers	70.9%	36.1%	1/11	57.5%	4/11
Will introduce a new product, service or process unique to their market or the world	53.3%	23.0%	1/11	34.2%	4/11
Expect revenue from overseas markets to grow strongly	44.9%	15.3%	1/11	27.5%	2/11
Will seek external funds	50.0%	27.3%	2/11	29.6%	4/11
Expect easy to very easy access to finance	48.8%	28.0%	1/11	26.8%	4/11

Innovation
India's small businesses are very innovative. 53.3 per cent will introduce a totally new product, process or service to their market or the world in 2021 – the highest result of the markets surveyed. The survey results show that innovative businesses are more likely to grow.

Jobs
Reflecting positive business conditions, India's small businesses were a major source of jobs growth in 2020. 56.4 per cent added staff – again the highest result of the markets surveyed.

The very high growth expectations of India's small businesses in 2021 is expected to see large numbers of businesses employing additional staff. 70.9 per cent expect to add jobs this year, the highest result of the markets surveyed.

Access to finance
India's small businesses had very strong demand for external finance in 2020. 79.7 per cent needed external finance last year, up from 59.7 per cent in 2019. India's small business were the most likely to source that finance for business growth.

Of those businesses that sought external finance, most found the experience easy or very easy. India's small businesses were the second most likely to report easy access to finance. India's small businesses were the most likely to source that finance from a non-bank financial institution.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Indian small business in 2020	Top four factors that had a positive influence on Indian small business in 2019
Improved business strategy	Improved customer satisfaction
Improved customer satisfaction	Good staff
Technology	Customer loyalty
Customer loyalty	Technology

Top four factors that had a negative impact on Indian small business in 2020	Top four factors that had a negative impact on Indian small business in 2019
COVID-19	Increasing costs
Cash flow difficulties	Increasing competition
Poor overall economic environment Increasing competition^	Tax Cash flow difficulties

^ equal third

Small businesses in India found that 'improved business strategy' and 'improved customer satisfaction' had the most positive impacts on their business in 2020. This indicates that many of India's small businesses are focused on longer-term growth.

Key figures for 2020 by city

	Delhi/ Gurgaon	Mumbai	Chennai	Bengaluru	Hyderabad	India average	Survey average
Businesses that grew in the last 12 months	97.2%	30.5%	72.4%	55.1%	70.5%	65.2%	46.2%
Businesses that expect to grow in the next 12 months	99.1%	71.4%	87.8%	84.7%	90.5%	86.7%	60.8%
Businesses that expect the local economy to grow in the next 12 months	99.1%	61.0%	82.7%	75.5%	81.0%	79.9%	58.6%
Increased employee numbers over the past 12 months	94.3%	37.1%	63.3%	31.6%	54.3%	56.4%	24.8%
Plan to increase employee numbers over the next 12 months	98.1%	47.6%	79.6%	56.1%	72.4%	70.9%	36.1%
Required external funds over the past 12 months	100%	79.0%	81.6%	64.3%	72.4%	79.7%	57.6%
Found access to external finance easy or very easy over the past 12 months	61.3%	73.5%	38.8%	33.3%	47.4%	52.5%	34.0%
Banks were the main source of external funds	3.8%	9.6%	8.8%	23.8%	15.8%	11.3%	28.4%
Business growth was the main reason for seeking external finance	53.8%	48.2%	72.5%	58.7%	60.5%	58.3%	44.7%
Will seek external funds in next 12 months	83.0%	24.8%	64.3%	30.6%	46.7%	50.0%	27.3%
Expect easy to very easy access to finance in next 12 months	58.5%	69.6%	35.6%	35.5%	40.0%	48.8%	28.0%
Expect revenue from overseas markets to grow strongly over the next 12 months	87.7%	18.1%	37.8%	27.6%	51.4%	44.9%	15.3%
Will introduce a new product, service or process unique to their market or the world in the next 12 months	82.1%	31.4%	59.2%	38.8%	54.3%	53.3%	23.0%
Investment in technology by the business over the past 12 months has improved profitability	98.1%	61.9%	74.5%	71.4%	72.4%	75.8%	48.1%
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	97.2%	84.6%	78.9%	80.0%	75.6%	82.7%	64.2%
Did NOT use social media for business purposes	4.7%	14.3%	27.6%	10.2%	16.2%	14.5%	18.3%
Did NOT generate any sales online	0%	8.6%	8.2%	17.3%	16.2%	10.0%	22.6%

Think it is LIKELY their business will be cyberattacked in the next 12 months	97.2%	66.7%	69.4%	39.8%	65.7%	68.2%	38.8%
Reviewed the business's cybersecurity protections in past six months	52.8%	61.9%	59.2%	48.0%	33.3%	50.1%	43.1%
Staff costs were most detrimental to the business	47.2%	42.9%	48.0%	35.7%	46.7%	44.1%	32.6%
Respondent aged under 40	90.6%	48.6%	72.4%	59.2%	66.7%	67.6%	53.9%
COVID-19 had a major negative impact on my business in the past 12 months	43.4%	40.0%	52.0%	64.3%	51.4%	50.0%	57.1%
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	33.0%	20.0%	44.9%	32.7%	27.6%	31.4%	24.6%
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	8.5%	26.7%	42.9%	36.7%	28.6%	28.3%	39.0%

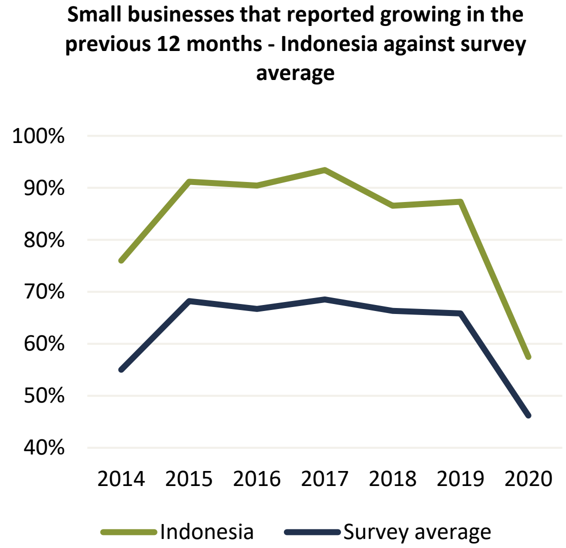
- Small businesses from Delhi/Gurgaon were the most likely to grow, increase employee numbers and need external finance in 2020.
- Small businesses from Bengaluru were the most likely to have been negatively impacted COVID-19, while small businesses from Mumbai were the least.
- Small businesses from Chennai were the most likely to have recovered or expect to recover from negative impacts of COVID-19 in 2021.
- Small businesses from Mumbai were the most likely to experience easy financing conditions.
- Small businesses from Bengaluru were the most likely to source finance from a bank.
- Small businesses from Delhi/Gurgaon were the most likely to source finance from a non-bank financial institution.
- Small businesses from Delhi/Gurgaon are the most likely to innovate in 2021.
- Delhi/Gurgaon small businesses were the most likely to find 'introduced a new product or service' and 'improved customer satisfaction' had major positive impacts on their business in 2020.
- Chennai small businesses were the most likely to find 'technology' had a major positive impact on their business in 2020.
- Delhi/Gurgaon businesses were the most likely to receive more than 10 per cent of their sales through digital payment options.
- Bengaluru small businesses were the most likely to use social media to promote their business to potential customers and to communicate with existing customers.
- Mumbai small businesses were the most likely to have reviewed their cybersecurity protections in the past six months.
- Delhi/Gurgaon small businesses are the most likely to expect a cyberattack in 2021.

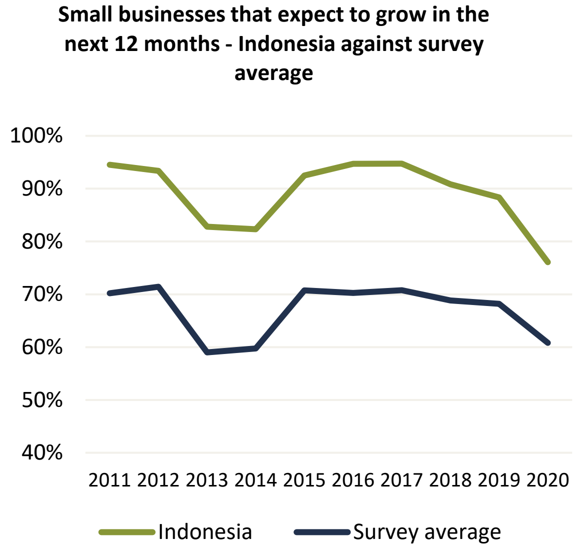
Demographics

	India 2020	Survey average 2020	Rank 2020	India 2019	Rank 2019
Business has been established for 10 years or less	70.3%	65.7%	5/11	72.1%	5/11
Respondent is aged under 40	67.6%	53.9%	3/11	61.3%	6/11
Respondent is the business owner	50.8%	42.1%	6/11	55.1%	5/11
Business has 10 to 19 employees	53.3%	32.8%	1/11	25.7%	5/11

Indonesia market summary

Business and economic growth





	Indonesia 2020	Survey average 2020	Rank 2020	Indonesia 2019	Rank 2019	Indonesia 2018	Indonesia 2017	Indonesia 2016
Businesses that grew in the last 12 months	57.5%	46.2%	4/11	87.3%	2/11	86.6%	93.4%	90.4%
Businesses that expect to grow in the next 12 months	76.1%	60.8%	3/11	88.3%	3/11	90.8%	94.7%	94.7%
Businesses that expect the local economy to grow in the next 12 months	68.8%	58.6%	3/11	75.7%	4/11	79.0%	83.6%	90.1%

2020 was a weaker year for Indonesia's small businesses than 2019. 57.5 per cent grew last year, which is higher than the survey average of 46.2 per cent. However, this is down significantly from the 87.3 per cent that grew in 2019.

2021 is expected to be a better year for Indonesia's small businesses. 76.1 per cent of businesses expect to grow, the third highest result of the 11 markets surveyed.

There are many positive aspects of the results from Indonesia. Many small businesses have characteristics strongly connected with growth, including a focus on:

- technology
- e-commerce
- improving customer satisfaction
- innovation.

We are therefore likely to see Indonesia's small businesses recover quickly from COVID-19 and grow strongly in 2021 and beyond. Several of Indonesia's current small businesses are likely to evolve into large, successful global businesses in the next few years.

Impacts of COVID-19

	Indonesia 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	68.1%	57.1%	2/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	37.9%	24.6%	3/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	46.8%	39.0%	3/11

Like all markets, Indonesia's small businesses considered COVID-19 their biggest challenge in 2020. 68.1 per cent selected it as a major barrier to growth, the second highest result amongst the markets surveyed.

COVID-19 is however not expected to be a major limiting factor for many Indonesian small businesses in 2021. 46.8 per cent have already recovered from the negative impacts of the pandemic or expect to recover in 2021, the third highest result amongst the markets surveyed.

Use of technology

	Indonesia 2020	Survey average 2020	Rank 2020	Indonesia 2019	Rank 2019	Indonesia 2018	Indonesia 2017	Indonesia 2016
Did NOT earn any revenue from online sales	12.0%	22.6%	8/11	14.0%	9/11	11.1%	6.9%	14.9%
Did NOT use social media for business purposes	14.6%	18.3%	6/11	11.3%	8/11	7.2%	8.2%	9.6%
Investment in technology by the business over the past 12 months has improved profitability	74.4%	48.1%	3/11	76.7%	2/11	77.4%	85.5%	N/A
Technology the business invested in most heavily over the past 12 months	Mobile apps	Computer equipment	N/A	Computer equipment Mobile apps^	N/A	Computer equipment	N/A	N/A
Consider the business likely to be cyberattacked in next 12 months	63.8%	38.8%	2/11	58.7%	2/11	65.6%	76.6%	N/A
Reviewed the business's cybersecurity protections in past six months	43.2%	43.1%	4/11	47.0%	3/11	47.2%	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	60.0%	64.2%	6/11	53.9%	4/11	61.4%	48.7%	N/A

^ equal first

One factor driving growth of Indonesia's small businesses is their relatively strong uptake of new technologies. Most Indonesian small businesses sell online. 58.1 per cent received more than 10 per cent of their revenue from online sales.

Further, an overwhelming majority of Indonesia's small business use social media. Only 12.0 per cent do not use social media in their business. Indonesia's small businesses are the most likely to use social media for selling products or services.

Most of Indonesia's small businesses offer customers the choice of paying by new digital and mobile payment technologies, such as OVO, GoPay, PayPal and TCASH. 60.0 per cent received more than 10 per cent of their sales through such technology, slightly below the survey average of 64.2 per cent.

Cash however remains a very important payment option for Indonesia's small businesses. 60.0 per cent state that it makes up 50 per cent or more of their sales. This is down from 69.0 per cent in 2019. Given the broad cross-section of industries represented in Indonesia's survey sample, it is assumed that many business-to-business transactions are done in cash.

Indonesia's small businesses could take cybersecurity more seriously. While 53.8 per cent expect to be cyberattacked in 2021, only 43.2 per cent have reviewed their cybersecurity in the past six months.

Helping to drive this focus on technology are the strong returns such investments are generating. 74.4 per cent of Indonesia's small businesses that invested in technology in 2020 reported such investments were already profitable. This is the third highest result of the 11 markets surveyed.

Business activity over the past 12 months

	Indonesia 2020	Survey average 2020	Rank 2020	Indonesia 2019	Rank 2019	Indonesia 2018	Indonesia 2017	Indonesia 2016
Increased employee numbers	30.9%	24.8%	2/11	50.7%	2/11	55.7%	65.5%	63.4%
Improved customer satisfaction had a major positive impact on my business	27.6%	22.6%	4/11	41.0%	2/11	46.6%	48.4%	46.9%
Increasing costs had a major negative impact on their business	20.3%	23.4%	8/11	33.3%	7/11	42.0%	35.5%	34.3%
Required funds from an external source	72.1%	57.6%	3/11	70.3%	2/11	75.7%	88.8%	82.5%
Sought external funds for business growth	50.7%	44.7%	3/11	64.9%	2/11	74.9%	77.8%	70.0%
Sought external funds for business survival	51.6%	41.0%	1/11	37.9%	2/11	48.9%	48.5%	50.8%
Found it easy or very easy to access external finance	30.9%	34.0%	6/11	25.6%	6/11	36.4%	47.0%	39.2%
A bank was the business's main source of external finance	31.3%	28.4%	4/11	34.6%	4/11	43.7%	55.2%	50.0%

Planned business activity over the next 12 months

	Indonesia 2021	Survey average 2021	Rank 2021	Indonesia 2020	Rank 2020	Indonesia 2019	Indonesia 2018	Indonesia 2017
Expect to increase employee numbers	44.5%	36.1%	3/11	61.7%	6/11	67.2%	75.3%	71.3%
Will introduce a new product, service or process unique to their market or the world	30.9%	23.0%	3/11	40.3%	2/11	33.1%	49.3%	48.2%
Expect revenue from overseas markets to grow strongly	14.6%	15.3%	5/11	25.7%	3/11	22.6%	44.4%	39.6%
Will seek external funds	36.2%	27.3%	3/11	32.0%	3/11	36.7%	50.3%	43.9%
Expect easy to very easy access to finance	27.4%	28.0%	5/11	26.5%	5/11	31.5%	45.5%	41.3%

Innovation
Indonesia’s small business sector continues to be highly innovative. 30.9 per cent will introduce a totally new product, process or service to Indonesia or the world in 2021, the third highest result of the markets surveyed. This focus on innovation is likely to result in a stronger and more competitive small business sector in the long term.

Jobs
The lower number of Indonesian small businesses that grew in 2020 is reflected in a fall in the number that created new jobs. 30.9 per cent added to their employee numbers in 2020, down from 50.7 per cent in 2019.

With more of Indonesia’s small businesses forecasting they will grow in 2021, it is not surprising that more of them expect to increase their employee numbers. 44.5 per cent expect to increase their headcount this year, beating the survey average of 36.1 per cent.

Access to finance
Indonesia’s small businesses were very likely to have sourced external finance in 2020. 72.1 per cent needed external finance last year, up slightly from 70.3 per cent in 2019. However, reflecting difficult trading conditions, 51.6 per cent sought that finance for business survival – the highest result of the markets surveyed.

Respondents from Indonesia found accessing external finance in 2020 easier than 2019. 30.9 per cent found accessing finance in last year was easy or very easy, up from 25.6 per cent in 2019. Banks were the most likely source of that finance.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Indonesian small business in 2020	Top four factors that had a positive influence on Indonesian small business in 2019	Top four factors that had a positive influence on Indonesian small business in 2018
Customer loyalty	Improved customer satisfaction	Improved customer satisfaction
Improved customer satisfaction	Customer loyalty	Improved business strategy
Improved business strategy	Improved business strategy	Customer loyalty
Cost control	Cost control	Technology

Top four factors that had a negative impact on Indonesian small business in 2020	Top four factors that had a negative impact on Indonesian small business in 2019	Top four factors that had a negative impact on Indonesian small business in 2018
COVID-19	Increasing competition	Increasing competition
Increasing competition	Increasing costs	Increasing costs
Poor overall economic environment	Poor overall economic environment	Poor overall economic environment
Political instability	Difficulty expanding into new markets	Fluctuations in the local currency

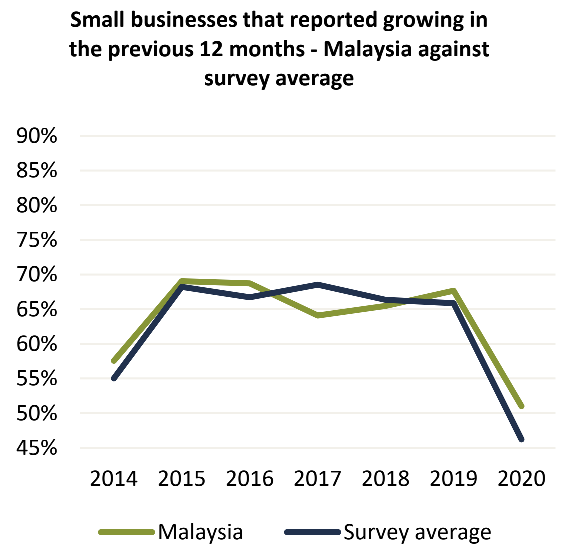
Small businesses in Indonesia found that ‘increasing competition’ was the second most likely barrier to growth in 2020. However, this is likely to have positive long-term implications, as it encourages innovation and expansion into new markets – essential ingredients of growth.

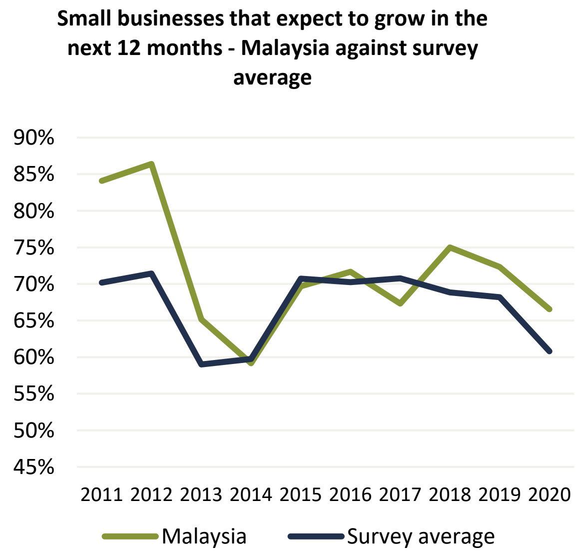
Demographics

	Indonesia 2020	Survey average 2020	Rank 2020	Indonesia 2019	Rank 2019	Indonesia 2018	Indonesia 2017	Indonesia 2016
Business has been established for 10 years or less	79.4%	65.7%	4/11	84.7%	1/11	77.0%	79.2%	76.6%
Respondent is aged under 40	62.5%	53.9%	6/11	68.7%	2/11	68.2%	71.7%	74.6%
Respondent is the business owner	57.5%	42.1%	4/11	63.7%	3/11	50.2%	26.0%	32.3%
Business has 10 to 19 employees	25.2%	32.8%	7/11	26.7%	4/11	37.7%	43.4%	59.1%

Malaysia market summary

Business and economic growth





	Malaysia 2020	Survey average 2020	Rank 2020	Malaysia 2019	Rank 2019	Malaysia 2018	Malaysia 2017	Malaysia 2016
Businesses that grew in the last 12 months	51.0%	46.2%	6/11	67.7%	6/11	65.5%	64.1%	68.7%
Businesses that expect to grow in the next 12 months	66.6%	60.8%	5/11	72.3%	6/11	75.0%	67.3%	71.7%
Businesses that expect the local economy to grow in the next 12 months	68.2%	58.6%	4/11	55.3%	6/11	69.1%	53.7%	52.8%

2020 was a weaker year for Malaysia's small businesses than 2019. 51.0 per cent grew last year, down from the 67.7 per cent that grew in 2019. The result was better than fellow ASEAN member Singapore (where 35.5 per cent grew), but lower than Vietnam (63.2 per cent), the Philippines (61.7 per cent) and Indonesia (57.5 per cent).

2021 is expected to be a better year for Malaysia's small businesses. 66.6 per cent of businesses expect to grow, which is higher than the survey average of 60.8 per cent.

There are many positive aspects of the results from Malaysia. Many small businesses have characteristics strongly associated with growth, including a focus on:

- innovation
- e-commerce
- good staff
- improved business strategy.

We are therefore likely to see Malaysia's small businesses recover from COVID-19 and grow in the second half of 2021 and beyond.

Impacts of COVID-19

	Malaysia 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	66.9%	57.1%	3/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	40.4%	24.6%	2/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	31.5%	39.0%	6/11

Like all markets, Malaysian small businesses considered COVID-19 their biggest challenge in 2020. 66.9 per cent selected it as their biggest barrier to growth, the third highest result amongst the markets surveyed.

COVID-19 is expected to continue to create challenges for Malaysia's small businesses in 2021. Only 31.5 per cent have recovered or expect to recover from the negative impacts of the pandemic in 2021, below the survey average of 39.0 per cent.

Use of technology

	Malaysia 2020	Survey average 2020	Rank 2020	Malaysia 2019	Rank 2019	Malaysia 2018	Malaysia 2017	Malaysia 2016
Did NOT earn any revenue from online sales	14.2%	22.6%	7/11	18.0%	8/11	29.3%	52.6%	59.1%
Did NOT use social media for business purposes	10.6%	18.3%	9/11	11.3%	9/11	15.8%	40.8%	40.2%
Investment in technology by the business over the past 12 months has improved profitability	42.4%	48.1%	6/11	45.7%	6/11	41.4%	50.8%	N/A
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	N/A	N/A
Consider the business likely to be cyberattacked in next 12 months	46.7%	38.8%	3/11	41.7%	4/11	45.4%	19.6%	N/A
Reviewed the business's cybersecurity protections in last six months	44.4%	43.1%	3/11	45.0%	4/11	37.2%	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	52.5%	64.2%	8/11	51.1%	7/11	47.7%	33.0%	N/A

One factor driving growth of Malaysia's small business is their relatively strong use of digital technologies. Selling online is becoming increasingly important for Malaysia's small businesses. 63.9 per cent earned more than ten per cent of their revenue from online sales in 2020, up from 47.5 per cent in 2019.

COVID-19 acted as a catalyst for the increase in online sales. 40.4 per cent of Malaysian small businesses began or increased their focus on online sales as a major reaction to COVID-19 – the second highest result of the markets surveyed.

Further, an overwhelming majority of Malaysia's small businesses use social media. Only 10.6 per cent do not use social media in their business. 61.3 per cent use it to promote their business to potential customers.

Most of Malaysia's small businesses offer customers the choice of paying by new digital and mobile payment technologies to customers, such as Alipay, PayPal and iPay88. 52.5 per cent received more than 10 per cent of their sales through such technology, which is however below the survey average of 64.2 per cent.

Cash however remains a very important payment option for Malaysia's small businesses. 61.6 per cent stated that it made up 50 per cent or more of their sales in 2020, well above the survey average of 46.4 per cent. Given the broad cross-section of industries represented in Malaysia's survey sample, it is assumed that many business-to-business transactions are done in cash.

Malaysia's small businesses have a relatively strong focus on cybersecurity. 44.4 per cent reviewed their cybersecurity measures in the past six months, while 46.7 per cent expected their business will be cyberattacked in 2021.

Helping to drive this focus on technology are the strong returns such investments are generating. 42.4 per cent of Malaysia's small businesses that invested in technology in 2020 reported such investments were already been profitable.

Business activity over the past 12 months

	Malaysia 2020	Survey average 2020	Rank 2020	Malaysia 2019	Rank 2019	Malaysia 2018	Malaysia 2017	Malaysia 2016
Increased employee numbers	15.6%	24.8%	7/11	26.7%	6/11	25.7%	27.5%	33.6%
Improved customer satisfaction had a major positive impact on my business	25.2%	22.6%	6/11	40.0%	4/11	41.8%	33.7%	30.0%
Increasing costs had a major negative impact on their business	27.8%	23.4%	3/11	44.7%	2/11	51.6%	52.1%	45.9%
Required funds from an external source	54.6%	57.6%	7/11	52.7%	7/11	39.5%	54.7%	62.2%
Sought external funds for business growth	43.6%	44.7%	5/11	58.9%	3/11	55.0%	62.1%	51.3%
Sought external funds for business survival	45.5%	41.0%	4/11	25.3%	6/11	35.8%	33.1%	35.1%
Found it easy or very easy to access external finance	13.9%	34.0%	10/11	15.8%	11/11	16.7%	13.0%	15.7%
A bank was the business's main source of external finance	28.5%	28.4%	8/11	29.7%	7/11	35.8%	33.7%	40.8%

Planned business activity over the next 12 months

	Malaysia 2021	Survey average 2021	Rank 2021	Malaysia 2020	Rank 2020	Malaysia 2019	Malaysia 2018	Malaysia 2017
Expect to increase employee numbers	41.1%	36.1%	6/11	42.7%	6/11	45.1%	40.1%	40.4%
Will introduce a new product, service or process unique to their market or the world	26.5%	23.0%	4/11	21.3%	6/11	29.3%	32.0%	26.4%
Expect revenue from overseas markets to grow strongly	15.9%	15.3%	4/11	16.3%	6/11	19.4%	15.9%	18.2%
Will seek external funds	24.2%	27.3%	5/11	17.0%	6/11	22.4%	31.1%	29.3%
Expect easy to very easy access to finance	14.3%	28.0%	11/11	13.0%	11/11	10.9%	10.2%	13.6%

Innovation
Malaysia's small businesses continue to have a reasonable focus on innovation, particularly in comparison to small businesses from Australia, Hong Kong, New Zealand, Singapore and Taiwan. 26.5 per cent will introduce a totally new product, process or service to Malaysia or the world in 2021. This innovative culture should support long-term growth and improve the competitiveness of Malaysia's small businesses.

Jobs
Reflecting a challenging 2020, only 15.6 per cent of Malaysian small businesses added to their employee numbers.

However, a more positive business outlook is reflected in expected jobs growth. 41.1 per cent of Malaysian small businesses expect to increase their employee numbers next year, which is above the survey average of 36.1 per cent.

Access to finance
Most Malaysian small businesses needed external finance in 2020. 54.6 per cent sought external finance last year, up slightly from 52.7 per cent in 2019. However, reflecting difficult trading conditions, 45.5 per cent sought that finance for business survival, compared with 25.3 per cent in 2019.

Respondents from Malaysia found accessing finance challenging. Only 13.9 per cent finding it easy or very easy to access, the second lowest of the markets surveyed.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Malaysia small business in 2020	Top four factors that had a positive influence on Malaysian small business in 2019	Top four factors that had a positive influence on Malaysian small business in 2018
Customer loyalty	Customer loyalty	Customer loyalty
Cost control	Improved customer satisfaction	Improved customer satisfaction
Improved business strategy Good staff^	Good staff	Good staff
	Improved business strategy	Improved business strategy

^ equal third

Top four factors that had a negative impact on Malaysian small business in 2020	Top four factors that had a negative impact on Malaysian small business in 2019	Top four factors that had a negative impact on Malaysian small business in 2018
COVID-19	Increasing costs	Increasing costs
Increasing costs	Increasing competition	Increasing competition
Increasing competition Poor overall economic environment^	Poor overall economic environment	Poor overall economic environment
	Fluctuations in the value of the local currency	Fluctuations in the value of the local currency

^ equal third

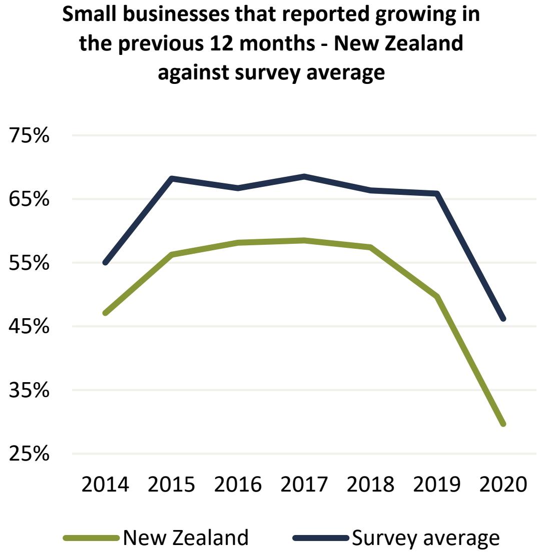
Small businesses in Malaysia found that ‘increasing costs’ was the second most likely barrier to growth in 2020. Utilities and materials were the costs that caused them the most detriment.

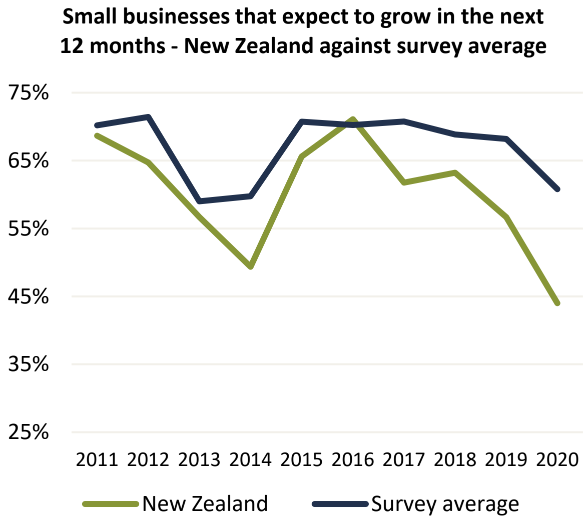
Demographics

	Malaysia 2020	Survey average 2020	Rank 2020	Malaysia 2019	Rank 2019	Malaysia 2018	Malaysia 2017	Malaysia 2016
Business has been established for 10 years or less	82.8%	65.7%	2/11	73.0%	4/11	73.7%	70.2%	73.3%
Respondent is aged under 40	66.2%	53.9%	4/11	64.0%	5/11	61.5%	57.6%	76.9%
Respondent is the business owner	51.0%	42.1%	5/11	51.3%	6/11	55.6%	41.7%	33.2%
Business has 10 to 19 employees	25.8%	32.8%	6/11	19.0%	9/11	21.4%	32.0%	47.2%

New Zealand market summary

Business and economic growth





	NZ 2020	Survey average	Rank 2020	NZ 2019	Rank 2019	NZ 2018	NZ 2017	NZ 2016
Businesses that grew in the last 12 months	29.7%	46.2%	9/11	49.7%	9/11	57.4%	58.5%	58.1%
Businesses that expect to grow in the next 12 months	44.0%	60.8%	9/11	56.7%	7/11	63.2%	61.8%	71.1%
Businesses that expect the local economy to grow in the next 12 months	41.7%	58.6%	10/11	38.3%	9/11	46.5%	39.9%	61.5%

2020 was a significantly weaker year for New Zealand's small businesses than 2019. Only 29.7 per cent grew last year, down significantly from the 49.7 per cent that grew in 2019. This result was third lowest among the 11 markets surveyed, with only Australia (22.3 per cent) and Hong Kong (16.3 per cent) reporting a lower percentage of businesses that grew.

2021 is expected to be a better year for New Zealand's small business. However, New Zealand's small business sector is likely to significantly underperform most of the Asia-Pacific region. Only 44.0 per cent expect to grow compared with the survey average of 60.8 per cent.

The major contributors to the low anticipated numbers of growing businesses this year include a weak and uncertain economic outlook, and the small percentage of New Zealand small businesses that invest in or undertake activities that characterise growing businesses, especially:

- innovation
- e-commerce
- social media use
- exporting.

Impacts of COVID-19

	NZ 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	60.0%	57.1%	4/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	9.3%	24.6%	10/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	36.3%	39.0%	5/11

Like all other markets, New Zealand's small businesses considered COVID-19 their biggest challenge in 2020. 60.0 per cent reported the pandemic had a major negative impact in 2020, higher than the survey average of 57.1 per cent. Despite this impact, 25.3 per cent of New Zealand's small businesses made no major changes to their business in response to the crisis, the third highest result of the markets surveyed.

Use of technology

	NZ 2020	Survey average 2020	Rank 2020	NZ 2019	Rank 2019	NZ 2018	NZ 2017	NZ 2016
Did NOT earn any revenue from online sales	59.0%	22.6%	1/11	55.3%	2/11	50.6%	52.6%	59.1%
Did NOT use social media for business purposes	38.3%	18.3%	2/11	39.3%	2/11	38.1%	40.8%	40.2%
Investment in technology by the business over the past 12 months has improved profitability	17.7%	48.1%	11/11	23.0%	10/11	25.8%	26.8%	N/A
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	N/A	N/A
Consider the business likely to be cyberattacked in next 12 months	16.3%	38.8%	11/11	18.7%	10/11	19.0%	19.6%	N/A
Reviewed the business's cybersecurity protections in last six months	33.3%	43.1%	9/11	35.0%	9/11	39.0%	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	37.9%	64.2%	11/11	42.1%	9/11	39.1%	33.0%	N/A

The use of technology stands out as an area in which New Zealand small businesses lag their Asian counterparts.

- New Zealand's small businesses continue to be significantly more likely to not use social media for business purposes (38.3 per cent compared with just 6.3 per cent of businesses from Mainland China).
- New Zealand's small businesses continue to be significantly less likely to earn revenue from online sales (59.0 per cent do not earn any revenue from online sales, compared with only 4.1 per cent of businesses from Mainland China).
- New Zealand's small businesses were the second least likely to have begun or increased its focus on online sales as a major reaction to COVID-19 (9.3 per cent compared to the survey average of 24.6 per cent).
- New Zealand's small businesses were the second most likely to not make any investment in technology in 2020 (38.3 per cent compared to only 5.2 per cent of small businesses from Vietnam).
- New Zealand's small businesses are the most likely to not make new payment technologies such as Apple Pay available to their customers (45.0 per cent compared with just 0.7 per cent of Mainland Chinese small businesses).
- New Zealand's small businesses seem somewhat relaxed in their cyber risk assessment for 2021. Only 16.3 per cent believe an attack on their business is likely this year. This is the lowest result of the markets surveyed. However, 33.3 per cent reviewed their cybersecurity measures in the past six months

One possible explanation for the low levels of investment in technology by New Zealand's small businesses is the poor short-term returns they achieve. Of those businesses that invested in technology in 2020, only 17.7 per cent found their investment improved their profitability. This is the lowest result of the 11 markets surveyed and significantly lower than the survey average of 48.1 per cent.

Business activity over the past 12 months

	NZ 2020	Survey average 2020	Rank 2020	NZ 2019	Rank 2019	NZ 2018	NZ 2017	NZ 2016
Increased employee numbers	9.3%	24.8%	9/11	14.7%	9/11	18.4%	14.1%	19.6%
Improved customer satisfaction had a major positive impact on my business	11.0%	22.6%	11/11	24.7%	8/11	24.5%	19.6%	21.6%
Increasing costs had a major negative impact on their business	18.0%	23.4%	10/11	33.7%	6/11	38.4%	27.5%	26.6%
Required funds from an external source	39.7%	57.6%	10/11	28.7%	10/11	25.2%	31.7%	25.2%
Sought external funds for business growth	11.8%	44.7%	11/11	31.4%	10/11	37.2%	32.0%	36.8%
Sought external funds for business survival	49.6%	41.0%	2/11	17.4%	9/11	14.1%	15.5%	18.4%
Found it easy or very easy to access external finance	52.9%	34.0%	1/11	41.9%	3/11	51.3%	42.3%	48.7%
A bank was the business's main source of external finance	21.8%	28.4%	9/11	47.7%	2/11	57.7%	45.4%	48.7%

Planned business activity over the next 12 months

	NZ 2021	Survey average 2021	Rank 2021	NZ 2020	Rank 2020	NZ 2019	NZ 2018	NZ 2017
Expect to increase employee numbers	11.3%	36.1%	11/11	19.3%	9/11	21.0%	17.6%	24.3%
Will introduce a new product, service or process unique to their market or the world	8.7%	23.0%	9/11	7.3%	10/11	7.7%	9.2%	10.6%
Expect revenue from overseas markets to grow strongly	4.7%	15.3%	10/11	7.7%	8/11	5.5%	8.2%	6.0%
Will seek external funds	9.0%	27.3%	10/11	9.7%	8/11	5.8%	9.8%	8.6%
Expect easy to very easy access to finance	25.9%	28.0%	6/11	32.2%	3/11	30.2%	26.7%	24.5%

Jobs
The relatively small number of New Zealand small businesses that experienced growth in 2020 is reflected in the small number that created new jobs last year. Only 9.3 per cent added to their headcount in 2020, down from 14.7 per cent in 2019.

The lack of expected growth in 2021 is likely to see only a small percentage (11.3 per cent) of New Zealand's small businesses increase employee numbers this year. This is the lowest result of the markets surveyed.

Innovation
Small businesses in New Zealand remain highly unlikely to innovate. Only 8.7 per cent will introduce a new product, process or service that is unique to their market or the world in 2021, compared with the survey average of 23.0 per cent. This small number of innovative businesses may impact the growth of the sector as the survey results show that such businesses are significantly more likely to grow.

Access to finance
New Zealand's small businesses continue to remain significantly less likely to source funds from external sources than small businesses from Asia (39.7 per cent, compared with the survey average of 57.6 per cent). Of the New Zealand small businesses that accessed finance, they were significantly more likely to use that finance for survival than growth. 11.8 per cent sourced that finance for business growth, while 49.6 per cent accessed it for survival.

Of those New Zealand small businesses that accessed external finance in 2020, 52.9 per cent found the experience easy or very easy - the highest result of the markets surveyed.

Exports
New Zealand's small businesses remain much less likely to expect to increase revenue from exporting in 2021 than their peers from Asia. Seeking alternative markets is one way of growing business and diversifying revenue streams in difficult conditions. The survey results show that businesses that expect to grow their revenue from exporting are significantly more likely to grow.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on NZ small business in 2020	Top four factors that had a positive influence on NZ small business in 2019	Top four factors that had a positive influence on NZ small business in 2018
Customer loyalty	Customer loyalty	Customer loyalty
Good staff	Good staff	Good staff
Government support/incentives	Improved customer satisfaction	Improved customer satisfaction
Cost control	Cost control	Cost control Introduced a new product or service^

^ equal fourth

Top four factors that had a negative impact on NZ small business in 2020	Top four factors that had a negative impact on NZ small business in 2019	Top four factors that had a negative impact on NZ small business in 2018
COVID-19	Increasing costs	Increasing costs
Increasing costs	Tax	Increasing competition Tax^
Poor overall economic environment	Government regulation	
Cash flow difficulties	Increasing competition	Cash flow difficulties Government regulation#

^ equal second   # equal fourth

Small businesses in New Zealand found that 'increasing costs' was the second most likely barrier to growth in 2020. Taxes and utilities were the costs that caused them the most detriment last year.

Demographics

	NZ 2020	Survey average 2020	Rank 2020	NZ 2019	Rank 2019	NZ 2018	NZ 2017	NZ 2016
Business has been established for 10 years or less	52.0%	65.7%	10/11	49.4%	10/11	51.3%	51.6%	50.8%
Respondent is aged under 40	26.0%	53.9%	10/11	25.0%	10/11	27.1%	24.8%	17.9%
Respondent is the business owner	61.0%	42.1%	3/11	62.7%	4/11	63.9%	63.4%	58.5%
Business has 10 to 19 employees	13.0%	32.8%	11/11	12.0%	10/11	10.3%	14.4%	11.3%

The age profile of New Zealand's small business owners may contribute to the digital divide they have with Asia. New Zealand is the second most likely of the markets surveyed to have respondents aged 50 and over. The survey results show that the use of digital technologies falls for respondents aged 50 and over, and falls sharply for respondents aged 60 and over, regardless of market.

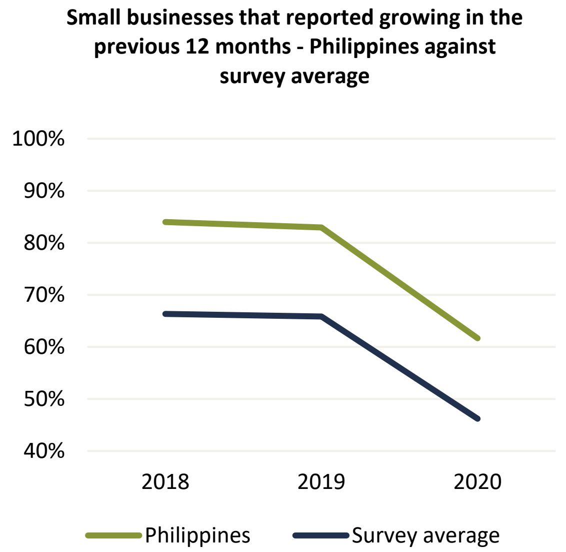
With a significant proportion of New Zealand's small business owners close to or at retirement age, their lack of focus on digital technologies, innovation and exporting should make their recovery from COVID-19 difficult and long for many.

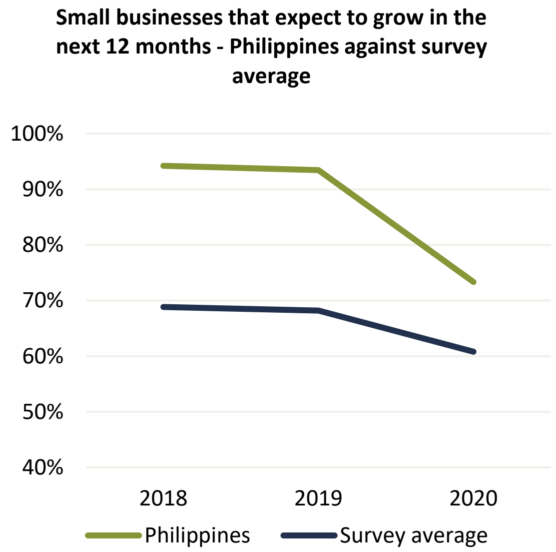
Policy recommendations

For policymakers seeking to help New Zealand's economic recovery and promote jobs creation, improving the digital capability of small business is essential. With most of New Zealand's small businesses having fewer than five employees and the owners being time poor, external advisers will play a critical role in helping the sector.

Philippines market summary

Business and economic growth





	Philippines 2020	Survey average 2020	Rank 2020	Philippines 2019	Rank 2019	Philippines 2018
Businesses that grew in the last 12 months	61.7%	46.2%	3/11	83.0%	3/11	84.0%
Businesses that expect to grow in the next 12 months	73.3%	60.8%	4/11	93.4%	2/11	94.2%
Businesses that expect the local economy to grow in the next 12 months	66.7%	58.6%	5/11	83.3%	2/11	81.8%

2020 was a weaker year for Filipino small businesses than 2019. 61.7 per cent grew last year, down from the 83.0 per cent that grew in 2019. However, the result was higher than many developed markets such as Australia, where only 22.3 per cent of small businesses reported growing.

In addition, 18.7 per cent of Philippines small businesses stated that their growth was very strong – the second highest result of the markets surveyed. In comparison, only 2.0 per cent of Hong Kong's businesses recorded very strong growth in 2020.

2021 is expected to be a better year for Filipino small businesses. 73.3 per cent of businesses expect to grow, beating the survey average of 60.8 per cent.

Overall, the results for the Philippines small business sector are positive. Many small businesses have characteristics strongly connected with growth, including a focus on:

- technology
- e-commerce
- improving customer satisfaction
- improving business strategy
- innovation.

We are therefore likely to see many Filipino small businesses recover quickly from COVID-19 and grow strongly in 2021 and beyond. Given these results, we believe several Filipino small businesses are likely to evolve into large, successful global businesses in the next few years.

Impacts of COVID-19

	Philippines 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	58.3%	57.1%	5/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	26.7%	24.6%	6/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	45.7%	39.0%	4/11

Like all markets, Filipino small businesses considered COVID-19 their biggest challenge. 58.3 per cent said that COVID-19 had a major negative impact on their business in the past 12 months, largely in line with the survey average of 57.1 per cent.

COVID-19 is not expected to be a major limiting factor for many Filipino small businesses in 2021. 45.7 per cent have already recovered from the negative impacts of the pandemic or expect to recover in 2021, higher than the survey average of 39.0 per cent.

Use of technology

	Philippines 2020	Survey average 2020	Rank 2020	Philippines 2019	Rank 2019	Philippines 2018
Did NOT earn any revenue from online sales	11.7%	22.6%	9/11	21.3%	7/11	22.7%
Did NOT use social media for business purposes	9.3%	18.3%	10/11	14.1%	7/11	10.2%
Investment in technology by the business over the past 12 months has improved profitability	55.7%	48.1%	5/11	67.5%	3/11	76.4%
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	29.0%	38.8%	9/11	33.1%	7/11	28.9%
Reviewed the business's cybersecurity protections in last six months	38.7%	43.1%	8/11	34.8%	10/11	40.0%
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	61.3%	64.2%	5/11	47.2%	8/11	43.1%

One factor driving growth of the Philippines small business sector is their relatively strong uptake of new technologies. Most Filipino small businesses sell online. 62.0 per cent received more than 10 per cent of their revenue from online sales, up from 49.8 per cent in 2019.

One reason for the increase of Filipino small businesses selling online is the impact of COVID-19. 26.7 per cent reported that they began or increased their focus on online sales as a response to COVID-19 – slightly higher than the survey average of 24.6 per cent.

Further, an overwhelming majority of Filipino small businesses use social media. Only 9.3 per cent do not use social media in their businesses. They are most likely to use social media to promote their business to potential customers.

Most Filipino small businesses offer customers the choice of paying by new digital and mobile payment technologies such as PayPal, PayMaya and Globe Telecom. 61.3 per cent received more than 10 per cent of their sales through such technologies in 2020, up from 47.2 per cent in 2019.

Cash however remains a very important payment option for Filipino small businesses. 70.0 per cent received 50 per cent or more of their sales in cash last year, the highest result of the 11 markets surveyed. Given the broad cross-section of industries represented in the Philippines survey sample, it is assumed that many business-to-business transactions are done in cash.

Considering their increasing focus on digital technologies, it is surprising that only 29.0 per cent of Filipino small businesses expect to be cyberattacked in 2021. This is below the survey average of 38.8 per cent. However, 38.7 per cent reviewed their cybersecurity measures in the past six months.

Helping to drive this focus on technology are the strong returns such investments are generating. 55.7 per cent of Filipino small businesses that invested in technology in 2020 reported such investments were already profitable. This is above the survey average of 48.1 per cent.

Business activity over the past 12 months

	Philippines 2020	Survey average 2020	Rank 2020	Philippines 2019	Rank 2019	Philippines 2018
Increased employee numbers	27.7%	24.8%	4/11	39.0%	5/11	38.2%
Improved customer satisfaction had a major positive impact on my business	28.7%	22.6%	3/11	40.7%	3/11	51.6%
Increasing costs had a major negative impact on their business	26.0%	23.4%	4/11	34.1%	5/11	50.2%
Required funds from an external source	64.0%	57.6%	5/11	58.0%	6/11	62.7%
Sought external funds for business growth	43.2%	44.7%	6/11	54.8%	5/11	57.4%
Sought external funds for business survival	32.3%	41.0%	10/11	20.9%	8/11	21.3%
Found it easy or very easy to access external finance	13.0%	34.0%	11/11	18.6%	9/11	24.8%
A bank was the business's main source of external finance	14.6%	28.4%	10/11	28.8%	8/11	30.5%

Planned business activity over the next 12 months

	Philippines 2021	Survey average 2021	Rank 2021	Philippines 2020	Rank 2020	Philippines 2019
Expect to increase employee numbers	52.3%	36.1%	2/11	54.1%	5/11	61.8%
Will introduce a new product, service or process unique to their market or the world	31.3%	23.0%	2/11	32.5%	5/11	35.6%
Expect revenue from overseas markets to grow strongly	22.0%	15.3%	2/11	27.5%	1/11	28.0%
Will seek external funds	19.7%	27.3%	7/11	18.7%	5/11	26.7%
Expect easy to very easy access to finance	16.3%	28.0%	9/11	14.5%	9/11	23.9%

Innovation
The Philippines' small business sector is highly innovative. 31.1 per cent will introduce a totally new product, process or service to the Philippines or the world in 2021; the second highest result of the markets surveyed. This innovative culture is likely to contribute to Filipino small business sector recording strong growth in the coming years.

Jobs
The lower number of Filipino small businesses that grew in 2020 is reflected in the smaller number that increased their headcount in 2020. 27.7 per cent added to their employee numbers last year, down from 39.0 per cent in 2019.

The rebound in growth expectations for 2021 is reflected in an increase in the number of Filipino small businesses that expect to add to their employee numbers this year (52.3 per cent).

Access to finance
Most Filipino small businesses needed external finance in 2020. 64.0 per cent needed external finance last year, up from 58.0 per cent in 2019. However, reflecting a tougher business environment in 2020, 43.2 per cent sourced finance for growth last year, down from 54.8 per cent in 2019, while 32.2 per cent sought finance for survival, up from 20.9 per cent in 2019.

Respondents from the Philippines were the least likely of the markets surveyed to find accessing finance was easy or very easy. They were also the second least likely to have sourced funds from a bank. Instead, they were more likely to source finance from family or friends or from their own personal resources.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Filipino small business in 2020	Top four factors that had a positive influence on Filipino small business in 2019	Top four factors that had a positive influence on Filipino small business in 2018
Customer loyalty	Customer loyalty	Customer loyalty Improved customer satisfaction^
Improved customer satisfaction	Improved customer satisfaction	
Good staff	Good staff	Good staff
Improved business strategy	Improved business strategy	Improved business strategy

^ equal first

Top four factors that had a negative influence on Filipino small business in 2020	Top four factors that had a negative influence on Filipino small business in 2019	Top four factors that had a negative influence on Filipino small business in 2018
COVID-19	Increasing competition	Increasing costs
Increasing costs	Increasing costs	Increasing competition
Increasing competition	Tax	Tax
Cash flow difficulties	Cash flow difficulties	Fluctuations in local currency

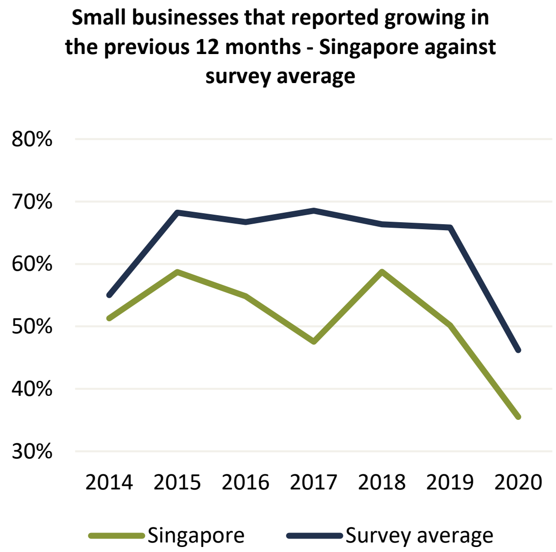
Small businesses in the Philippines found ‘increasing costs’ and ‘increasing competition’ the second and third largest barriers to growth last year. However, increasing competition is likely to have positive long-term implications, as it encourages innovation and expansion into new markets – essential elements of growth.

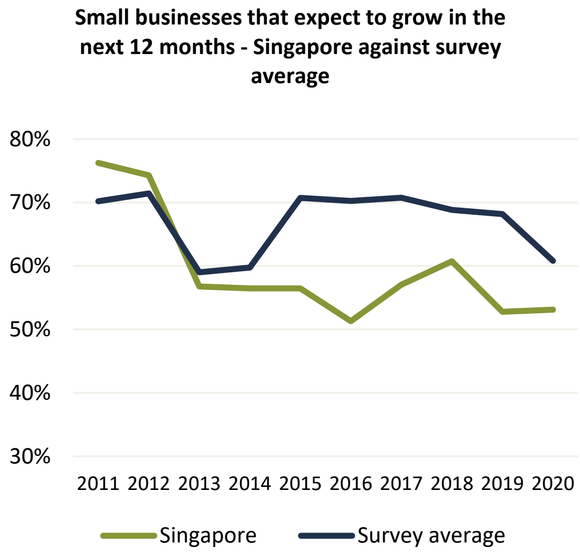
Demographics

	Philippines 2020	Survey average 2020	Rank 2020	Philippines 2019	Rank 2019	Philippines 2018
Business has been established for 10 years or less	82.0%	65.7%	3/11	82.6%	2/11	83.1%
Respondent is aged under 40	69.3%	53.9%	2/11	64.9%	4/11	65.3%
Respondent is the business owner	66.3%	42.1%	1/11	69.5%	2/11	64.9%
Business has 10 to 19 employees	17.0%	32.8%	9/11	22.0%	7/11	26.7%

Singapore market summary

Business and economic growth





	Singapore 2020	Survey average 2020	Rank 2020	Singapore 2019	Rank 2019	Singapore 2018	Singapore 2017	Singapore 2016
Businesses that grew in the last 12 months	35.5%	46.2%	8/11	50.2%	8/11	58.7%	47.5%	54.8%
Businesses that expect to grow in the next 12 months	53.1%	60.8%	8/11	52.8%	9/11	60.7%	57.0%	51.3%
Businesses that expect the local economy to grow in the next 12 months	46.3%	58.6%	7/11	39.0%	8/11	53.1%	55.1%	39.4%

2020 was a weaker year for Singapore's small businesses than 2019. Only 35.5 per cent of businesses grew last year, down from 50.2 per cent in 2019. This result was fourth lowest among the 11 markets surveyed. Only New Zealand (29.7 per cent), Australia (22.3 per cent) and Hong Kong (16.3 per cent) reported a lower percentage of businesses that grew.

2021 is expected to be a better year for Singapore's small businesses. 53.1 per cent expect to grow. This is higher than New Zealand (44.0 per cent), Australia (41.4 per cent) and Hong Kong (21.4 per cent).

There are many positive aspects of the results from Singapore. Singapore's small businesses do reasonably well in using digital technologies and innovation. These, plus well-designed government support programs should help the sector recover from COVID-19 and be positioned for longer term growth.

Impacts of COVID-19

	Singapore 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	54.7%	57.1%	5/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	19.2%	24.6%	7/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	21.8%	39.0%	11/11

Like all other markets, Singapore's small businesses considered COVID-19 their biggest challenge in 2020. 54.7 per cent reported the pandemic had a major negative impact on their business last year.

COVID-19 is expected to continue to be a major barrier for many Singaporean small businesses in 2021. Only 21.8 per cent have already recovered or expect to recover from COVID-19 in 2021, the lowest result amongst the markets surveyed.

Use of technology

	Singapore 2020	Survey average 2020	Rank 2020	Singapore 2019	Rank 2019	Singapore 2018	Singapore 2017	Singapore 2016
Did NOT earn any revenue from online sales	24.4%	22.6%	5/11	39.0%	3/11	38.0%	37.7%	35.5%
Did NOT use social media for business purposes	14.7%	18.3%	5/11	27.9%	3/11	22.1%	20.3%	22.3%
Investment in technology by the business over the past 12 months has improved profitability	38.4%	48.1%	7/11	35.1%	8/11	31.4%	35.1%	N/A
Technology the business invested in most heavily over the past 12 months	Website	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	N/A	N/A
Consider your business likely to be cyberattacked in next 12 months	36.5%	38.8%	6/11	29.5%	9/11	30.4%	35.4%	N/A
Reviewed your business's cybersecurity protections in last six months	39.4%	43.1%	6/11	31.1%	11/11	34.0%	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	62.7%	64.2%	4/11	51.3%	6/11	42.7%	36.4%	N/A

One factor which should support the recovery and long-term growth of Singapore's small businesses is their focus on digital technologies. Most Singaporean small businesses sell online. 57.3 per cent received more than 10 per cent of their revenue from online sales, compared with only 25.7 per cent of small businesses in New Zealand.

Further, an overwhelming majority of Singapore's small businesses use social media. Only 14.7 per cent do not use social media. Singapore businesses are most likely to use social media to promote their business to potential customers and to communicate with existing customers.

Most of Singapore's small businesses allow customers to pay them using new digital payment technologies such as Alipay, Apple Pay and WeChat Pay. 84.8 per cent received payment through such technology in 2020, up from 69.8 per cent in 2019 and 66.1 per cent in 2018. Contributing to this positive trend is Singapore's excellent communications infrastructure and world-leading digital support for small businesses from the government.

Singapore's small businesses have a reasonably strong focus on cybersecurity. 39.5 per cent of reviewed their cybersecurity in the past six months and 36.5 per cent expect to be cyberattacked in 2021, up from 29.5 per cent in 2020. Singapore's small business may however benefit from an even stronger focus cybersecurity. Government programs such as Go Safe for Business can assist small business with their cybersecurity.

Helping to drive this focus on technology are the reasonable returns such investments are generating. 38.4 per cent of Singapore's small businesses that invested in technology in 2020 reported such investments were already profitable, up from 35.1 per cent in 2019.

Business activity over the past 12 months

	Singapore 2020	Survey average 2020	Rank 2020	Singapore 2019	Rank 2019	Singapore 2018	Singapore 2017	Singapore 2016
Increased employee numbers	22.1%	24.8%	6/11	18.7%	7/11	21.1%	20.3%	19.7%
Improved customer satisfaction had a major positive impact on my business	13.4%	22.6%	8/11	26.2%	6/11	27.4%	23.0%	25.2%
Increasing costs had a major negative impact on their business	20.5%	23.4%	6/11	36.1%	3/11	45.9%	42.0%	41.9%
Required funds from an external source	47.2%	57.6%	9/11	31.5%	9/11	38.3%	40.0%	52.6%
Sought external funds for business growth	45.5%	44.7%	4/11	45.8%	9/11	62.9%	52.5%	52.1%
Sought external funds for business survival	43.4%	41.0%	6/11	15.6%	10/11	30.2%	27.9%	25.2%
Found it easy or very easy to access external finance	42.8%	34.0%	5/11	29.2%	5/11	14.7%	18.0%	24.5%
A bank was the business's main source of external finance	33.8%	28.4%	3/11	28.1%	9/11	42.2%	35.2%	41.4%

Planned business activity over the next 12 months

	Singapore 2021	Survey average 2021	Rank 2021	Singapore 2020	Rank 2020	Singapore 2019	Singapore 2018	Singapore 2017
Expect to increase employee numbers	29.0%	36.1%	7/11	31.1%	7/11	32.0%	26.6%	29.0%
Will introduce a new product, service or process unique to their market or the world	18.6%	23.0%	7/11	13.4%	7/11	13.9%	13.1%	8.7%
Expect revenue from overseas markets to grow strongly	13.4%	15.3%	6/11	12.8%	7/11	18.2%	11.5%	11.3%
Will seek external funds	23.1%	27.3%	6/11	9.2%	9/11	16.2%	12.5%	16.1%
Expect easy to very easy access to finance	31.1%	28.0%	4/11	23.4%	6/11	12.0%	12.4%	15.0%

Innovation

Small businesses in Singapore are increasingly likely to innovate. 18.6 per cent say they will introduce a new product, process or service that is unique to their market or the world in 2021, compared with 13.4 per cent last year and 13.9 per cent in 2019. This increase should have positive impacts on growth in the sector as the results show that innovative businesses are significantly more likely to grow.

Jobs

Despite a fall in the number of Singaporean small businesses that grew in 2020 from 2019, there was a slight increase in the number that employed additional staff. 22.1 per cent added to their headcount last year compared with 18.7 per cent in 2019.

An expected pick up in business activity in 2021 should see the sector create a large number of jobs. 29.0 per cent of Singapore's small businesses expect to add to their headcount in 2021.

Access to finance

Singapore's small businesses were more likely to have accessed external finance in 2020 than 2019. 47.2 per cent needed external finance last year compared with 31.5 per cent in 2019. Reflecting difficult business conditions in 2020, 43.4 per cent sought external finance for business survival, up from 15.6 per cent in 2019.

Respondents from Singapore found accessing external finance in 2020 easier than 2019. 42.8 per cent found accessing finance last year was easy or very easy, up from 29.2 per cent in 2019. Banks were the most likely source of that finance.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Singapore's small business in 2020	Top four factors that had a positive influence on Singapore's small business in 2019	Top four factors that had a positive influence on Singapore's small business in 2018
Government support/incentives	Customer loyalty	Customer loyalty
COVID-19	Good staff	Improved business strategy
Cost control	Improved customer satisfaction	Cost control
Technology	Cost control	Improved customer satisfaction

Top four factors that had a negative impact on Singapore's small business in 2020	Top four factors that had a negative impact on Singapore's small business in 2019	Top four factors that had a negative impact on Singapore's small business in 2018
COVID-19	Increasing competition	Increasing competition Increasing costs^
Poor overall economic environment	Increasing costs	
Increasing competition	Poor overall economic environment	Poor overall economic environment
Cash flow difficulties	Difficulty expanding into new markets	Increasing rent

^ equal first

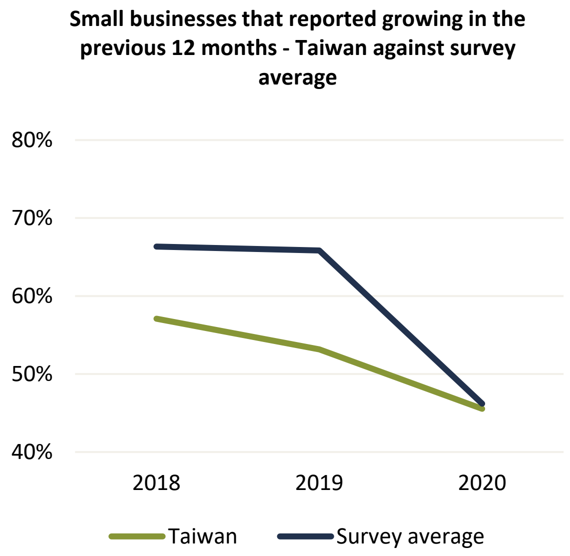
Small businesses in Singapore found the 'poor overall economic environment' and 'increasing competition' were the other major barriers to growth in 2020. However, increasing competition is likely to have positive long-term implications, as it encourages innovation and expansion into new markets – essential ingredients of growth.

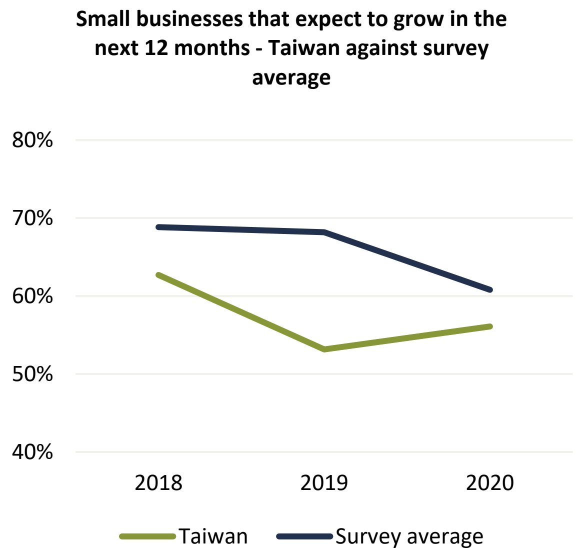
Demographics

	Singapore 2020	Survey average 2020	Rank 2020	Singapore 2019	Rank 2019	Singapore 2018	Singapore 2017	Singapore 2016
Business has been established for 10 years or less	59.3%	65.7%	7/11	63.6%	7/11	64.4%	62.3%	65.2%
Respondent is aged under 40	47.6%	53.9%	8/11	44.6%	8/11	44.6%	43.6%	51.3%
Respondent is the business owner	36.5%	42.1%	7/11	49.5%	7/11	37.6%	35.4%	32.6%
Business has 10 to 19 employees	33.6%	32.8%	5/11	21.3%	8/11	31.7%	32.5%	48.4%

Taiwan market summary[4]

Business and economic growth





	Taiwan 2020	Survey average 2020	Rank 2020	Taiwan 2019	Rank 2019	Taiwan 2018
Businesses that grew in the last 12 months	45.5%	46.2%	7/11	53.2%	7/11	57.1%
Businesses that expect to grow in the next 12 months	56.1%	60.8%	7/11	53.2%	8/11	62.7%
Businesses that expect the local economy to grow in the next 12 months	45.9%	58.6%	8/11	42.2%	7/11	44.2%

2020 was a weaker year for Taiwan's small businesses than 2019. 45.5 per cent of businesses grew last year, down from 53.2 per cent in 2019. In good news, this result was the highest of the advanced economies included in the survey (Australia, Hong Kong, New Zealand, Singapore and Taiwan).

2021 is expected to be a better year for Taiwan's small businesses. 56.1 per cent expect to grow. This result is also the highest of the advanced economies included in the survey.

Taiwan's small businesses were the least affected by COVID-19 in 2020. However, a stronger focus on e-commerce, new payment technologies and customer satisfaction should position more Taiwanese businesses for longer term growth.

[4] 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.

Impacts of COVID-19

	Taiwan 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	44.9%	57.1%	11/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	13.5%	24.6%	9/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	30.4%	39.0%	8/11

Taiwan's small businesses were the least likely to report that COVID-19 was a major challenge in 2020. Still, 44.9 per cent reported the pandemic had a major negative impact on their business in 2020, which was the biggest challenge for the island's businesses. Given this result, it is not surprising that 30.4 per cent of Taiwan's small businesses made no major changes to their business in response to the crisis, the second highest result of the markets surveyed.

Use of technology

	Taiwan 2020	Survey average 2020	Rank 2020	Taiwan 2019	Rank 2019	Taiwan 2018
Did NOT earn any revenue from online sales	29.7%	22.6%	3/11	32.2%	4/11	34.0%
Did NOT use social media for business purposes	14.2%	18.3%	8/11	18.6%	5/11	16.8%
Investment in technology by the business over the past 12 months has improved profitability	31.7%	48.1%	8/11	38.5%	7/11	33.0%
Technology your business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	Computer equipment
Consider your business likely to be subjected to a cyberattack in next 12 months	38.0%	38.8%	5/11	33.9%	6/11	37.3%
Reviewed your business's cybersecurity protections in last six months	38.9%	43.1%	7/11	38.9%	6/11	42.2%
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	38.0%	64.2%	10/11	31.5%	11/11	31.4%

There is room for Taiwan's small businesses to have a stronger focus on technology:

- Taiwan's small businesses could make greater use of e-commerce. 43.6 per cent generated more than 10 per cent of their revenue online, compared with 82.0 per cent of Mainland Chinese small businesses.
- Taiwan's small businesses are the second least likely to generate more than 10 per cent of their sales through digital and online payment technologies, such as PayPal, Apple Pay and WeChat Pay (38.0 per cent compared with 90.8 per cent of small businesses from Mainland China).
- Taiwan's small businesses were the third least likely to have begun or increased their focus on online sales as a reaction to COVID-19 (13.5 per cent compared to the survey average of 24.6 per cent).

However, an overwhelming majority of Taiwanese small businesses use social media. Only 14.2 per cent do not use social media, compared with 42.4 per cent of Australian small businesses.

Taiwan's small businesses also have a reasonably strong focus on cybersecurity. 38.9 per cent of Taiwan's small businesses reviewed their cybersecurity measures in the past six months and 38.0 per cent expect to be cyberattacked in 2021. Taiwan's small business may however benefit from an even stronger focus cybersecurity.

One possible explanation for Taiwan's underperformance on technology is the relatively poor short-term returns they achieve on their technology investment. Of those that invested in technology last year, 31.7 per cent found their investment improved their profitability. This compares with the survey average of 48.1 per cent.

Business activity over the past 12 months

	Taiwan 2020	Survey average 2020	Rank 2020	Taiwan 2019	Rank 2019	Taiwan 2018
Increased employee numbers	12.5%	24.8%	8/11	17.6%	8/11	20.8%
Improved customer satisfaction had a major positive impact on my business	14.9%	22.6%	7/11	18.6%	10/11	19.5%
Increasing costs had a major negative impact on their business	20.5%	23.4%	7/11	29.6%	9/11	29.4%
Required funds from an external source	47.5%	57.6%	8/11	40.5%	8/11	37.3%
Sought external funds for business growth	39.6%	44.7%	8/11	48.4%	7/11	46.0%
Sought external funds for business survival	36.1%	41.0%	9/11	30.3%	4/11	26.5%
Found it easy or very easy to access external finance	21.5%	34.0%	8/11	25.4%	7/11	21.2%
A bank was the business's main source of external finance	31.3%	28.4%	5/11	26.2%	10/11	29.2%

Planned business activity over the next 12 months

	Taiwan 2021	Survey average 2021	Rank 2021	Taiwan 2020	Rank 2020	Taiwan 2019
Expect to increase employee numbers	22.8%	36.1%	8/11	22.3%	8/11	29.4%
Will introduce a new product, service or process unique to their market or the world	14.5%	23.0%	8/11	13.3%	8/11	13.9%
Expect revenue from overseas markets to grow strongly	6.9%	15.3%	8/11	6.0%	9/11	10.6%
Will seek external funds	16.2%	27.3%	9/11	8.3%	10/11	11.9%
Expect easy to very easy access to finance	20.0%	28.0%	8/11	22.8%	7/11	19.5%

Innovation
Taiwan's small businesses are currently unlikely to innovate. Only 14.5 per cent state they will introduce a new product, process or service that is unique to their market or the world in 2021, compared with the survey average of 23.0 per cent.

Jobs
The decline in the number of Taiwanese small businesses that grew in 2020 is reflected in a decline in the number of small businesses that created new jobs in 2020. Only 12.5 per cent added to their headcount in 2020, down from 17.6 per cent in 2019.

An expected pick up in business activity in 2021 should see the sector create more new jobs this year. 22.8 per cent of Taiwan's small businesses expect to add to their headcount in 2021.

Access to finance
Taiwan's small businesses were more likely to have accessed external finance in 2020 than 2019. 47.5 per cent needed external finance last year compared with 40.5 per cent in 2019. Reflecting difficult business conditions in 2020, 36.1 per cent sought external finance for business survival, up from 30.3 per cent in 2019.

Respondents from Taiwan found accessing external finance in 2020 slightly less easy than 2019. 21.5 per cent found accessing finance last year was easy or very easy, down from 25.4 per cent in 2019. Banks were the most likely source of that finance.

Factors that had positive and negative influences on business in 2020

Top four factors that had a positive influence on Taiwan small business in 2020	Top four factors that had a positive influence on Taiwan small business in 2019	Top four factors that had a positive influence on Taiwan small business in 2018
COVID-19	Customer loyalty	Customer loyalty
Cost control	Cost control	Good staff
Customer loyalty	Good staff	Cost control
Technology	Introduced a new product or service	Introduced a new product or service

Top four factors that had a negative impact on Taiwan small business in 2020	Top four factors that had a negative impact on Taiwan small business in 2019	Top four factors that had a negative impact on Taiwan small business in 2018
COVID-19	Increasing costs	Increasing costs
Poor overall economic environment	Poor overall economic environment	Poor overall economic environment
Difficulty expanding into new markets	Staff cost	Increasing competition
Increasing costs	Increasing competition	Staff cost^ Political instability

^ equal fourth

Taiwan's small businesses found that 'poor overall economic environment', 'difficulty expanding into new markets' and 'increasing costs' also had negative impacts on their business.

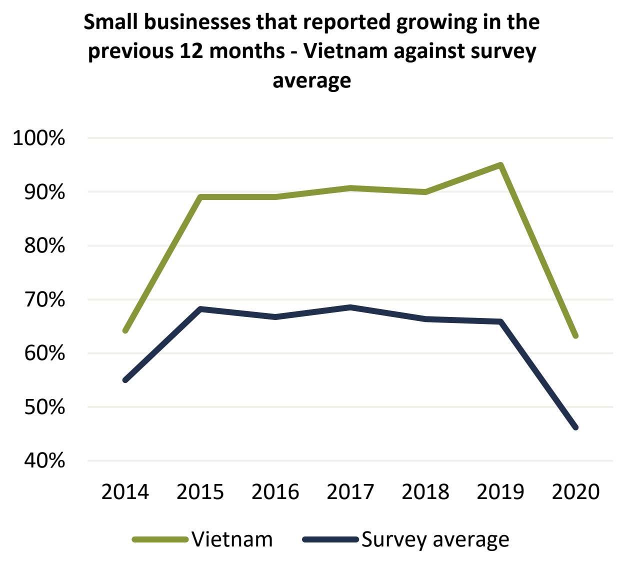
Staff costs were the costs most detrimental to Taiwan's small business in 2020. A stronger focus on technology, such as automation, can reduce the need for staff or free up staff to perform higher value-added tasks.

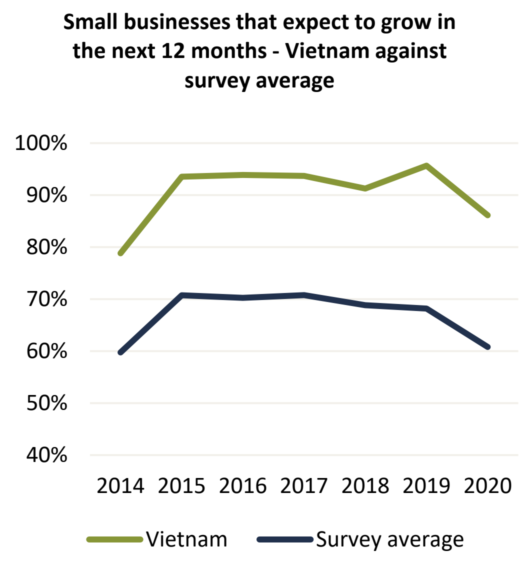
Demographics

	Taiwan 2020	Survey average 2020	Rank 2020	Taiwan 2019	Rank 2019	Taiwan 2018
Business has been established for 10 years or less	58.7%	65.7%	8/11	56.5%	8/11	60.4%
Respondent is aged under 40	54.8%	53.9%	7/11	44.2%	9/11	44.9%
Respondent is the business owner	16.8%	42.1%	10/11	13.6%	9/11	14.2%
Business has 10 to 19 employees	21.8%	32.8%	8/11	23.9%	6/11	21.5%

Vietnam market summary

Business and economic growth





	Vietnam 2020	Survey average 2020	Rank 2020	Vietnam 2019	Rank 2019	Vietnam 2018	Vietnam 2017	Vietnam 2016
Businesses that grew in the last 12 months	63.2%	46.2%	2/11	95.0%	1/11	90.0%	90.7%	89.0%
Businesses that expect to grow in the next 12 months	86.1%	60.8%	2/11	95.7%	1/11	91.3%	93.7%	93.9%
Businesses that expect the local economy to grow in the next 12 months	86.5%	58.6%	1/11	95.0%	1/11	92.2%	85.0%	85.8%

2020 was a weaker year for Vietnam’s small businesses than 2019. 63.2 per cent grew last year, down significantly from 95.0 per cent in 2019. However, Vietnam’s businesses were the second most likely to report growing in 2020. Further, more reported growing strongly last year than 2019. 28.1 per cent of Vietnam’s small businesses grew strongly in 2020, compared with 18.0 per cent in 2019.

2021 is expected to be a better year for Vietnam’s small businesses. 86.1 per cent of businesses expect to grow, the second highest result of the 11 markets surveyed.

There are many positive aspects of the results from Vietnam. Many small businesses have characteristics strongly connected with growth, especially a focus on:

- technology
- e-commerce
- innovation
- exports.

We are therefore likely to see Vietnam’s small businesses recover quickly from COVID-19 and grow strongly in 2021 and beyond. Several of Vietnam’s small businesses are likely to evolve into large, successful global businesses in the next few years.

Impacts of COVID-19

	Vietnam 2020	Survey average 2020	Rank 2020
COVID-19 had a major negative impact on my business in the past 12 months	81.3%	57.1%	1/11
My business's major reaction to COVID-19 was to begin or increase its focus on online sales	42.3%	24.6%	1/11
My business has already recovered from the negative impacts of COVID-19 or I expect it to recover in the next 12 months	76.5%	39.0%	1/11

Like all markets, Vietnam's small businesses considered COVID-19 their biggest challenge in 2020. 81.3 per cent saying it had a major impact on their business last year – the highest of the markets surveyed.

COVID-19 is however not expected to be a major barrier for Vietnam's small businesses in 2021. 76.5 per cent have already recovered from the negative impacts of the pandemic or expect to recover in 2021, the highest result amongst all markets surveyed.

Use of technology

	Vietnam 2020	Survey average 2020	Rank 2020	Vietnam 2019	Rank 2019	Vietnam 2018	Vietnam 2017	Vietnam 2016
Did NOT earn any revenue from online sales	21.9%	22.6%	6/11	6.3%	10/11	14.9%	4.3%	12.6%
Did NOT use social media for business purposes	21.6%	18.3%	3/11	4.0%	10/11	10.4%	2.0%	8.1%
Investment in technology by the business over the past 12 months has improved profitability	77.7%	48.1%	1/11	88.0%	1/11	76.4%	76.4%	N/A
Technology the business invested in most heavily over the past 12 months	Point of Sale equipment	Computer equipment	N/A	Artificial intelligence, machine learning and chatbots	N/A	Website	N/A	N/A
Consider the business likely to be cyberattacked in next 12 months	45.5%	38.8%	4/11	64.7%	1/11	65.7%	80.7%	N/A
Reviewed the business's cybersecurity protections in last six months	32.3%	43.1%	11/11	70.7%	1/11	69.6%	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	74.8%	64.2%	3/11	82.5%	2/11	60.0%	62.5%	N/A

One factor driving growth of Vietnam's small businesses is their strong uptake of new technologies. Most Vietnamese small businesses sell online. 60.0 per cent received more than 10 per cent of their revenue from online sales.

Small businesses in Vietnam were the most likely to have begun or increased its focus on online sales as a reaction to COVID-19 (42.3 per cent).

Further, an overwhelming majority of Vietnam's small business use social media. Only 21.6 per cent do not use social media in their business. Vietnam's small businesses are the most likely to use social media for promoting their business to potential customers.

Most of Vietnam's small businesses offer customers the choice of paying by new digital and mobile payment options such as Alipay and WeChat Pay. 74.8 per cent received more than 10 per cent of their sales through such technology, the third highest result of the markets surveyed.

Cash however remains a very important payment option for Vietnam's small businesses. 61.3 per cent received 50 per cent or more of their sales in cash. Given the broad cross-section of industries represented in Vietnam's survey sample, it is assumed that many business-to-business transactions are done in cash.

However, Vietnam's small businesses were the most likely to have invested in Point of Sale equipment in 2020. It is probable that this will contribute to a decrease in cash transactions over time.

Vietnam's small businesses could take cybersecurity more seriously. While 45.5 per cent expect to be cyberattacked in 2021, only 32.3 per cent have reviewed their cybersecurity in the past six months.

Helping to drive this focus on technology are the very strong short-term returns such investments are generating. 77.7 per cent of Vietnam's small businesses that invested in technology in 2020 reported such investments were already profitable. This is the highest result of the 11 markets surveyed.

Business activity over the past 12 months

	Vietnam 2020	Survey average 2020	Rank 2020	Vietnam 2019	Rank 2019	Vietnam 2018	Vietnam 2017	Vietnam 2016
Increased employee numbers	27.4%	24.8%	5/11	42.7%	3/11	56.0%	64.8%	53.9%
Improved customer satisfaction had a major positive impact on my business	32.9%	22.6%	2/11	41.7%	1/11	49.5%	34.2%	51.6%
Increasing costs had a major negative impact on their business	28.7%	23.4%	2/11	50.0%	1/11	43.4%	29.6%	43.2%
Required funds from an external source	72.6%	57.6%	2/11	88.7%	1/11	78.0%	90.0%	81.3%
Sought external funds for business growth	58.2%	44.7%	2/11	67.3%	1/11	70.1%	47.6%	63.5%
Sought external funds for business survival	16.0%	41.0%	11/11	9.4%	11/11	16.2%	32.1%	10.7%
Found it easy or very easy to access external finance	48.4%	34.0%	4/11	17.3%	10/11	28.6%	27.7%	23.0%

A bank was the business's main source of external finance	55.6%	28.4%	1/11	84.6%	1/11	46.9%	46.1%	50.8%

Planned business activity over the next 12 months

	Vietnam 2021	Survey average 2021	Rank 2021	Vietnam 2020	Rank 2020	Vietnam 2019	Vietnam 2018	Vietnam 2017
Expect to increase employee numbers	41.9%	36.1%	4/11	72.0%	1/11	73.1%	67.4%	70.6%
Will introduce a new product, service or process unique to their market or the world	25.2%	23.0%	5/11	37.0%	3/11	33.7%	41.9%	31.0%
Expect revenue from overseas markets to grow strongly	16.8%	15.3%	3/11	22.0%	5/11	29.4%	51.2%	26.8%
Will seek external funds	50.6%	27.3%	1/11	68.0%	1/11	38.5%	54.8%	44.5%
Expect easy to very easy access to finance	37.5%	28.0%	2/11	14.5%	8/11	26.6%	24.2%	22.9%

Innovation

Vietnam's small business sector continues to be innovative. 25.2 per cent will introduce a totally new product, process or service to Vietnam or the world in 2021, slightly higher than the survey average of 23.0 per cent. This focus on innovation is likely to result in Vietnam having a stronger and more competitive small business sector in the long term.

Jobs

Vietnam's small businesses created less new jobs in 2020 than in 2019. 27.4 per cent added to their employee numbers in 2020, down from 42.7 per cent in 2019. This reflects the smaller number of businesses that grew last year.

An expected pick up in business activity in 2021 should see the sector create a large number of jobs. 41.9 per cent of Vietnam's small businesses expect to add to their headcount in 2021.

Access to finance

Vietnam's small businesses were very likely to have sourced external finance in 2020. 72.6 per cent needed external finance in 2020, the second highest result.

Vietnam's small businesses were the least likely to source such finance for business survival. 16.0 per cent accessing finance for survival compared with the survey average of 41.0 per cent. Instead, they were much more likely to need external finance for growth (58.2 per cent)

Respondents from Vietnam found accessing external finance considerably easier last year than 2019. 48.4 per cent found accessing finance in 2020 easy or very easy, up from 17.3 per cent in 2019. Banks were by far the most likely source of that finance.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on Vietnam's small business in 2020	Top four factors that had a positive influence on Vietnam's small business in 2019	Top four factors that had a positive influence on Vietnam's small business in 2018
Customer loyalty	Technology	Improved customer satisfaction
Technology Improved customer satisfaction^	Improved customer satisfaction	Customer loyalty
	Good staff	Good staff
E-commerce	Cost control	Improved business strategy

^ equal second

Top four factors that had a negative impact on Vietnam's small business in 2020	Top four factors that had a negative impact on Vietnam's small business in 2019	Top four factors that had a negative impact on Vietnam's small business in 2018
COVID-19	Increasing competition	Increasing competition
Poor overall economic environment	Increasing costs	Increasing costs
Increasing costs	Increasing rent	Difficulty expanding into new markets
Tax	Cash flow difficulties	Tax

Small businesses in Vietnam found the 'poor overall economic environment', 'increasing costs' and 'tax' as the largest barriers to growth outside of COVID-19. Vietnam's small businesses were the most likely to find tax was a challenge to their business.

Demographics

	Vietnam 2020	Survey average 2020	Rank 2020	Vietnam 2019	Rank 2019	Vietnam 2018	Vietnam 2017	Vietnam 2016
Business has been established for 10 years or less	89.4%	65.7%	1/11	71.7%	6/11	77.0%	64.5%	80.3%
Respondent is aged under 40	69.7%	53.9%	1/11	65.0%	3/11	75.7%	41.8%	72.2%
Respondent is the business owner	27.1%	42.1%	8/11	33.7%	8/11	19.7%	5.3%	15.5%
Business has 10 to 19 employees	45.5%	32.8%	3/11	59.7%	2/11	47.9%	75.4%	73.9%

ABOUT THE SURVEY

The *CPA Australia Asia-Pacific Small Business Survey 2020-21* 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. The survey was conducted from 9 November 2020 to 10 December 2020.

India was included for the first time in 2019. Philippines and Taiwan were first included in 2018. Mainland China and Vietnam were first included 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 Dynata and their Asian panel partner iPanel Online and AIP Corporation.

To qualify for the survey, participants were needed to be an owner, a senior manager or a qualified accountant of a business with less than 20 employees.

Sample

4227 participants completed the survey, including 507 from Australia, 779 from Mainland China, 306 from Hong Kong, 512 from India, 301 from Indonesia, 302 from Malaysia, 300 from New Zealand, 300 from the Philippines, 307 from Singapore, 303 from Taiwan and 310 from Vietnam.

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

Of the 506 participants from India, 106 were from Delhi/Gurgaon, 105 were from Mumbai, 89 were from Chennai, 98 were from Bengaluru and 105 were from Hyderabad.

Questioning

The questions were largely drawn from previous surveys. Several questions and options relating to COVID-19 were added to this survey.

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 to the nearest percentage.