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SMEs still struggle to secure funds for growth

Funding for investment and growth is one of the main problems for small- and medium-sized business, a survey by PricewaterhouseCoopers says.

And it is weighing more heavily, showing up in the firm's second private business barometer as 1 percentage point more significant than six months ago.

However, the barometer - a survey of 750 private businesses with an annual turnover of between \$10 million and \$100 million, and conducted twice a year - shows the funding issue is a by-product of success.

In the past year, businesses recorded an average rise in profit and sales of, respectively, 11.3 per cent and 13.2 per cent. These results buttress the findings of the Dun & Bradstreet survey released on Monday that showed a surge in profit and sales growth. Overall, about 85 per cent of businesses either met or exceeded revenue targets last financial year. The severity of the funding problem varies from industry to industry. In the distribution and wholesale, retail and agriculture sector, 80 per cent of small- and medium-sized businesses are affected, with nearer 35 per cent affected in the property, finance and insurance sectors.

Of the 750 companies surveyed 411, or 54.3 per cent, have expansion plans. The source of funds is to be their bank (102), existing shareholders (113), new shareholders (62), suppliers (29), business partners (55) or family and friends (50). Most businesses are using borrowings for working capital (47.6 per cent) and capital expenditure (27.9 per cent). Coming up with working capital is a challenge for 69.2 per cent of businesses. The two main areas of concern are the availability of cash-flow credit and security required against credit lines.

A PricewaterhouseCoopers partner, Karen Crawford, said businesses needed to look at flexible funding options.

"Cash-flow lending products, balance sheet finance and multiples of yearly earning are all options to consider and can help a business extend their banking relationship," she said.

The survey also found that in the next six months, about half the businesses plan to hire full-time or part-time employees and a fifth are planning to expand overseas, more than half of them in New Zealand.

This story was found at: <http://www.smh.com.au/articles/2007/10/09/1191695909157.html>