

## **MEDIA RELEASE**

**21 May 2019**

### **Gen Y small business suffers Collateral Financing Effect, finds MYOB Business Monitor**

Nearly half (44%) of Gen Y small businesses have applied for finance in the last year and more than a third (39%) of those applications were declined, according to the latest findings from the MYOB Business Monitor.

The report, which explores the state of play of 1,000 Australian small businesses, found Gen Y businesses were more likely to apply for finance, compared to 23% of Gen X small business owners and 15% of the Baby Boomer generation. This trend looks set to continue in the next 12 months, with 36% of Gen Y-run small businesses expected to apply for finance, versus 16% of Gen Xers and 8% of Baby Boomers.

With data demonstrating a decline in home ownership among younger generations of Australians\*, MYOB CEO, Tim Reed considers the rate of success of finance applications for Gen Y small business a warning shot to the way financial access is provided to the small business community as a whole.

“This isn’t something you can pin on smashed avo. Australia’s youngest small business owners struggle to get access to finance because they’re less likely to own their own home. Many of us have believed tying business loans to home ownership has been a problem with the lending system that has existed for years, but for the first time we’re now seeing the generational impact,” he said.

“For too long there has been a lack of competition in the small business lending market, which has led to a lack of product innovation. Small business shouldn’t have to put up their own property as collateral to drive their business forward. We believe the birth of a new generation of small business financiers, as well as the bipartisan support for the Federal Government’s Australian Securitisation Fund, is in response to this market need.”

In addition to financial access barriers, the findings may also suggest Gen Y small businesses are bearing the brunt of consequences from the Hayne Royal Commission.

“Recent data from the Reserve Bank of Australia\*\* demonstrates growth in bank loans of between \$100,000 and \$500,000 has been in negative for the last three quarters, which further compacts the frustrations of small business operators,” said Mr Reed.

In its tenth year, the MYOB Business Monitor dissects key factors affecting small business. Topics include financial stability and business pressure points.

### ***Economic outlook***

While access to finance is a sticking point for Gen Y small business, they maintain a positive outlook. Thirty-one per cent of Gen Y respondents said the economy will improve in the next 12 months, while just 28% of small business nationwide expect this. In fact, 45% of all respondents expect the economy to decline, versus 38% in October 2018, indicating a darker outlook in this election year.

Revenue is another area where Gen Y are feeling buoyant, with 37% reporting revenue went up in the last 12 months (versus 25% at national average) and 38% stating revenue will be up in the year to come (versus 28%). Nationwide, the 12 months ahead look less rosy than six months ago, with expectations for an increased revenue forecast reducing five points from 33% in October 2018 to 28%.

When asked why revenue had increased in the last 12 months, most replied there had been an increase in customer demand (28%), followed by the current economic climate and development of better relationships with customers (jointly 14%). For those who had stated revenue had decreased during the last 12 months, one third (33%) said the reason was the current economic climate, while 21% put it down to decreased customer demand.

On profitability, on balance, the last 12 months have been positive for small business, with respondents more likely to say profit has increased (30%) than decreased (26%). The next 12 months are looking more positive still, with 34% saying they expect more profit in the year to come. Gen Y were most likely to report more profits gained in the last 12 months (42%) and are also more likely to expect a profit increase in the 12 months to come (44%).

“It’s interesting to see that the economy has worked in favour for some in the last 12 months, but most feel it’s been the reason for a decline if that’s what they’ve experienced,” said Mr Reed.

“An election environment tends to create instability for small business; they want to get to a point of certainty with policy settings so they can plan. An election outcome will always bring a sigh of relief, regardless of outcome, as expectations for the next three years become clear.”

### ***Business pressures and priorities***

The top issues most likely to cause Australian small businesses a lot to extreme concern this year are fuel prices (40%, down 6 points from 46% in October 2018), utility costs (40%) and cashflow (35%, up 7 points from 28% in October 2018).

In terms of priorities for the year ahead, small business are most likely to invest in diversifying the variety of products or services offered (25%), customer retention strategies (24%) and jointly, the sale of products or services online and prices and margins on products sold (23%).

Gen Y are most likely to diversify their product or service range in the coming year at 33%, versus the national average of 25%. They’re also likely to be more aggressive with their customer acquisition strategy this year. Thirty-one per cent of Gen Y-run small business will increase investment in this area, versus the 21% national average.

“The research tells us there’s a lot for small business to feel optimistic about in the coming year, but it’s worrying to see cashflow such a creeping concern for the community. If cashflow causes problems, the wheels can fall off very quickly in other areas, so making sure businesses can get paid on time should continue to be an absolute priority for all,” said Mr Reed.

### ***State overview: have you tried to access finance in the last 12 months?***

	New South Wales	Victoria	Queensland	South Australia	Western Australia
<b>Sample</b>	306	280	215	73	93
<b>Yes, and was successful</b>	20%	18%	18%	24%	19%
<b>Yes, but was not successful</b>	10%	8%	6%	3%	16%
<b>Have not tried to access finance for the business</b>	68%	71%	74%	70%	65%
<b>Don't know</b>	2%	3%	1%	3%	-
<b>Nett Yes</b>	30%	26%	24%	27%	35%

**An interview with Tim Reed and more information about the findings are available on request.**

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For further comment or other information please contact:

Collette Betts, Australia PR and Corporate Affairs Manager, MYOB

M: +61 406 947 551/ E: collette.betts@myob.com

#### **About the MYOB Business Monitor**

Now in its tenth year, the MYOB Business Monitor is a national survey of 1,000+ Australian small and medium business owners and managers, from sole traders to mid-sized companies, representing the major industry sectors. The Business Monitor researches business performance and attitudes in areas such as profitability, cash flow, pipeline, technology usage and the government. It has run since 2009, commissioned to independent market research firm Colmar Brunton. This most recent survey ran in April 2019. The businesses participating in the online survey were both non-employing and employing businesses. All data has been weighted by industry type, location and number of employees, which are in line with the Australian Bureau of Statistics (ABS - Counts of Australian businesses, including entries & exits - 8165.0).

#### **About MYOB**

MYOB is a leading provider of online business management solutions. MYOB makes business life easier for approximately 1.2 million businesses across Australia and New Zealand by simplifying accounting, payroll, tax, practice management, CRM, job costing, inventory and more. MYOB operates across three core segments – Clients and Partners (business solutions to SMEs and Advisers); Enterprise Solutions (larger businesses) and Payment Solutions. In addition, we provide ongoing support via many client service channels including a network of over 40,000 accountants, bookkeepers and other consultants. We are committed to ongoing innovation, particularly through our Connected Practice Strategy and through the development of the MYOB Platform. For more information visit <https://www.myob.com/au/> or follow @MYOB on Twitter.

\* Source: Grattan 2017 <https://www.abc.net.au/news/2017-07-17/home-ownership-in-australia-declines-for-decades/8677190>

\*\* Source: Reserve Bank of Australia, April 2019