
MYOB Australian Small Business Survey

Special Focus Report: GST and Banking

Q2 2004

Small Business Survey Report

Prepared for MYOB

Prepared by AMR Interactive

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About the Study

This report presents findings for Special Focus Questions from the Q2 2004 MYOB Small Business Survey comprising a national sample of 2,896 small business proprietors and general managers, whose businesses have a connection to the internet, conducted in April 2004. These are defined as both non-employing and employing businesses up to a maximum of 20 employees. Results have been weighted to reflect the small business population distribution according to the Australian Bureau of Statistics (ABS) for company size, length of time operating, region and selected ANZSIC Industry divisions. Refer to ABS publications *Characteristics of Small Business*, 8127.0, 2001 and *Small Business in Australia*, 1321, 2001.

For a copy of the main report please contact the survey project manager or MYOB Public Relations.

Special Focus Areas presented are:

- GST collection and calculation
- Perceptions of main financial institutions
- Main financial institution
- Satisfaction with main financial institution
- Online financial activities

Note: some areas repeat sections of the main report to provide contextual information.

The findings of the research are presented by industry type:

Industry	Sample
Agriculture	128
Manufacturing	270
Construction	283
Wholesale trade	134
Retail trade	409
Accommodation, cafes, restaurants	103
Transport and storage	99
Communication services	225
Finance and insurance	190
Property and business services	346
Education	89
Health and community	183
Cultural and recreational services	95
Personal and other services	209
Information & Communications Technology	56
Tourism	14



GST Collection

Table 1: Where GST collections are being banked (%)

Majority of small businesses keep GST in main account

	Main Cheque Account %	Cash Management %	Special GST offset account %
Total	80	5	15
Agriculture	92	3	5
Manufacturing	79	8	13
Construction	76	6	18
Wholesale trade	84	3	14
Retail trade	77	4	19
Accommodation, cafes, restaurants	82	2	16
Transport and storage	78	2	20
Communication, media & marketing services	80	5	15
Finance and insurance	75	9	16
Property and business services	77	7	17
Education	94	1	5
Health and community	87	4	9
Cultural and recreational services	85	6	10
Personal and other services	75	7	18
Information & Communications Technology	87	6	7
Tourism*	79		21

Base: Online small businesses that are registered for GST

Q: What are you currently doing with the GST you are collecting? Keeping it in my main cheque account; Putting it in a cash management trust; In a special GST offset account

*Caution low base

AMR Interactive, 2004 (n =2,673)

The overwhelming majority of small businesses keep the GST they have collected in their main cheque account, making it impossible to distinguish it from the company's money.

At an industry level the Education (94%) and Agricultural (92%) sectors have a proportionately higher number of businesses keeping GST in their main accounts.

Putting collections in a special GST offset account is lead by Transport & Storage (20%) and Retail Trade (19%), ahead of the 15% of all businesses using this method.

When it comes to the least popular method, storing GST collections in a cash management trust, Finance and Insurance (9%) and Manufacturing (8%) lead.



GST Calculation

Table 2: Which point GST liabilities and availability of covering funds are calculated (%)

Most owners calculate GST liabilities on a Quarterly basis

	Daily %	Weekly %	Monthly %	Quarterly (Only when doing the BAS) %
Total	3	12	29	54
Agriculture	1	12	20	66
Manufacturing	5	14	34	47
Construction	2	13	32	52
Wholesale trade	6	8	37	47
Retail trade	3	14	27	54
Accommodation, cafés & restaurants	5	15	27	53
Transport & Storage	7	13	23	55
Communication, media & marketing services	3	12	27	58
Finance & Insurance	3	10	44	43
Property & Business Services	2	13	37	48
Education		7	25	66
Health & Community services	1	9	26	59
Cultural & Recreational services	3	19	21	58
Personal & Other Services	2	8	35	55
Information & Communications Technology (ICT)		11	14	75
Tourism*		5	32	63

Base: Online small businesses registered for GST

Q: At what point do you work out your GST liabilities and whether you have any money to cover it?

Daily; Weekly; Monthly; Quarterly (Only when I do the BAS)

*Caution low base

AMR Interactive, 2004 (n=2,673)

Looking at when small business owners work out their GST liabilities and whether they have enough money to cover it, the majority (54%) do so quarterly, when they do the BAS.

There is some variation by industry, with three quarters in the ICT sector and two thirds in the Education and Agricultural sectors do this on a quarterly basis, compared to less than half in Property & Business Services (48%), Manufacturing, Wholesale Trade (both 47%) and Finance & Insurance (43%).

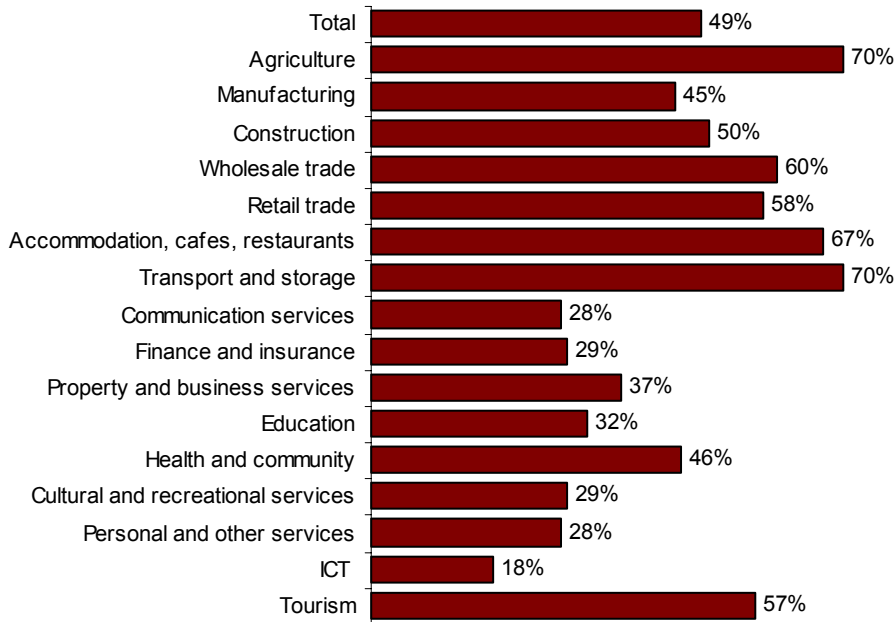
The Finance and Insurance industry leads in working out GST liabilities on a monthly basis (44%), while Cultural and Recreational Services are ahead in weekly (19%).



Business borrowings

Chart 1: Exposure to banks or financial institutions (% who indicate current borrowings)

Around half of small businesses operate with borrowings



Base: Online Small Businesses

Q: Does your business currently have borrowings from a bank or financial institution on which you pay interest?

AMR Interactive, 2004 (n=2,833)

Half of small businesses currently supporting borrowings from a bank or financial institution on which they are paying interest.

From an industry perspective, this exposure is highest in the Agricultural and Transport and Storage sectors, with seven out of ten businesses reporting they have borrowings. This is followed by two thirds in the Accommodation, cafes & restaurants sector.

Industries with low levels of borrowings that may be of interest to lenders wanting to aid expansion include the ICT (18%), Personal Services, Communication, Media & Marketing Services (both 28%), Cultural & Recreational and Finance & Insurance (both 29%) sectors.

Interest earned on GST provisions

Table 3: Interest earned on GST provisions (%)

Most small businesses do not earn interest on GST provisions

	No interest %	Some %	Don't Know %
Total	58	21	21
Agriculture	55	23	22
Manufacturing	58	28	15
Construction	58	17	25
Wholesale trade	70	13	17
Retail trade	57	19	23
Accommodation, cafés & restaurants	65	11	24
Transport & Storage	51	24	25
Communication, media & marketing services	55	18	27
Finance & Insurance	65	21	14
Property & Business Services	55	30	16
Education	51	19	30
Health & Community services	66	17	17
Cultural & Recreational services	66	13	21
Personal & Other Services	58	21	21
Information & Communications Technology (ICT)	62	10	29
Tourism*	27	20	53

Base: Online small businesses with borrowings on which they pay interest.

Q: Did you earn interest last year on your GST provisions? None (in non interest bearing account); Don't know; Some

*Caution low base

AMR Interactive, 2004 (n=1,415)

Amongst businesses with borrowings, the majority (58%) did not earn any interest on their GST provisions last year. Around one fifth did, while a further fifth do not know, which suggests these owners or managers are not directly involved with accounting for and managing GST provisions.

Those industries having the highest proportion of businesses with borrowings that earned interest on GST provisions are Property & Business Services (30%) and Manufacturing (28%).

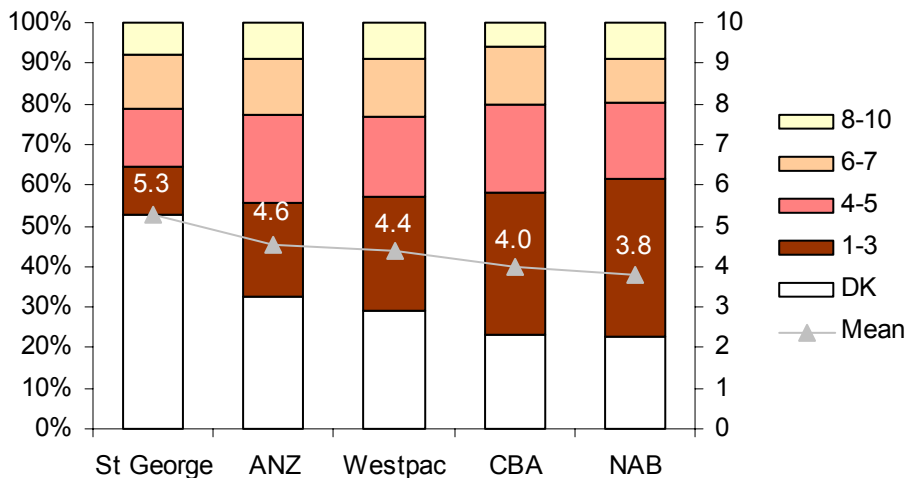
At the other end of the scale, seven out of ten Wholesalers with borrowings did not earn interest last year on their GST provisions, along with two thirds of those in the Health & Community Services, Cultural & Recreational Services, Communication, Media & Marketing Services and Finance & Insurance sectors.



Perception of major financial institutions

Chart 2: Perception of the major Australian financial institutions (%)

St George comes out ahead of the 'big four' banks in Australia



Q: For each one please think about how much you *like them*, *trust them* and *feel they reflect the values you stand for*. Even if you don't use the financial institution, but have an opinion of it please give a rating. If you honestly have no impression of them, select 'Don't Know'.

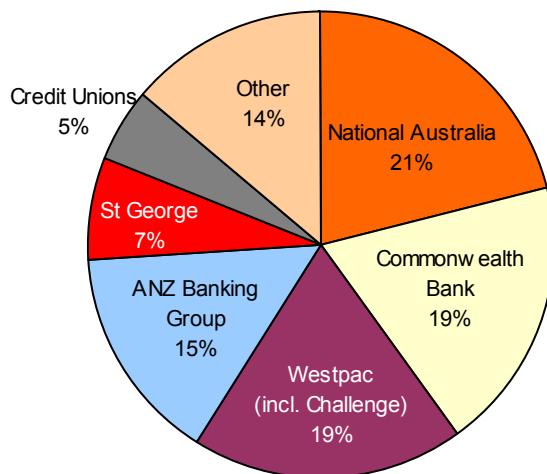
AMR Interactive, 2004 (n=2,833)

When asked to rate how much each of the five largest banks in Australia are liked, trusted and reflect the values of small business owners, none stand out as being exemplary. Amongst those who had an opinion of the individual banks, St George comes out with a higher mean on the 10-point scale (the only one scoring above 5) than the other four, with NAB receiving the highest number of ratings below 4, scoring the lowest on a mean of 3.8. The relatively better result for St George may be associated with a positive response to their recent 'small enough' ad campaign.

Main bank or financial institution

Chart 3: Main bank or financial institution (%)

The four largest banks hold almost three quarters of the market



Q: Who is your company's main bank or financial institution?

AMR Interactive, 2004 (n=2,833)

Satisfaction with Financial Institution

Table 4: Rating of satisfaction with financial institution (%)

Majority of business owners are satisfied with their bank

	Very Satisfied %	Somewhat Satisfied %	Neither %	Somewhat Dissatisfied %	Very Dissatisfied %
Total	18	46	14	17	4
Agriculture	18	47	8	22	5
Manufacturing	19	44	15	19	3
Construction	18	43	14	20	5
Wholesale trade	14	42	15	27	1
Retail trade	15	48	16	17	4
Accommodation, cafés & restaurants	19	46	12	20	4
Transport & Storage	17	51	13	15	3
Communication, media & marketing services	23	44	14	14	5
Finance & Insurance	27	47	13	11	2
Property & Business Services	20	46	18	11	6
Education	19	50	8	15	9
Health & Community services	19	45	18	17	2
Cultural & Recreational services	14	52	15	17	3
Personal & Other Services	23	50	10	13	4
Information & Communications technology	28	32	9	20	10
Tourism*	10	41	11	25	12

Base: Online small businesses

Q: Are you satisfied with your financial institution? Very Satisfied, Somewhat Satisfied, Neither, Somewhat Dissatisfied, Very Dissatisfied.

*Caution low base

AMR Interactive, 2004 (n=2,833)

When asked about their satisfaction level with their financial institution, a majority of small business owners say they are somewhat satisfied (46%), while almost one in five give a rating of very satisfied (18%). A similar proportion is somewhat dissatisfied (17%), and around one in seven are ambivalent towards their bank (14%).

Those in the ICT sector have the highest number of very satisfied owners (28%), followed closely by those in Finance and Insurance (27%). Sharing third place are businesses in the Education and Personal & Other services sectors.

Interestingly, ICT is the most polarised industry when it comes to satisfaction in this area, with 10% saying they are very dissatisfied. Education also exhibits this profile, with very dissatisfied owners at 9%. Property and Business services rounds this out on 6%.

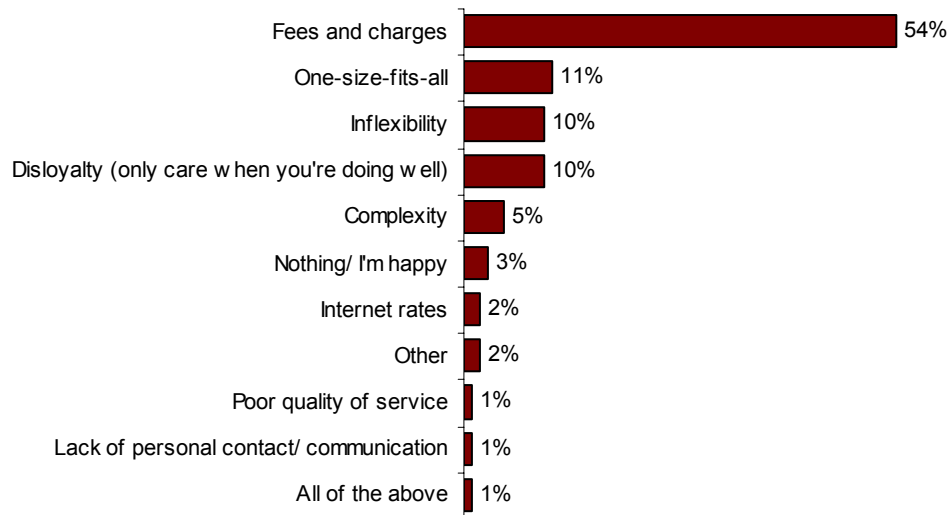
Other sectors with high levels of somewhat dissatisfied owners are Wholesale Trade (27%) and Agriculture (22%).



Most annoying aspect of service provided by bank

Chart 4: Most annoying aspect of service provided by bank (%)

Fee and charges are clearly the most irritating for owners



Base: Online small businesses

Q: What annoys you most about the service provided by your bank?

AMR Interactive, 2004 (n=2,833)

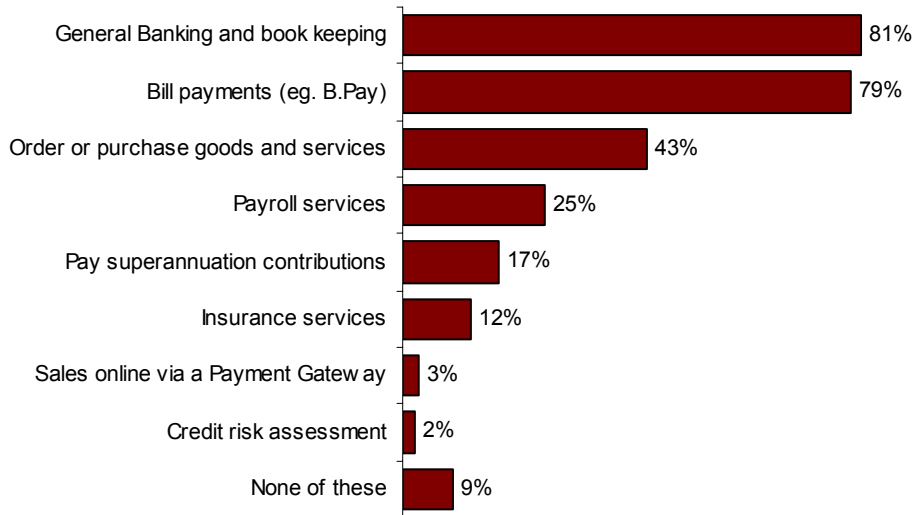
Looking at the service provided by banks, the number one annoyance for more than half of small business owners is fees and charges (54%). Coming a distant second are One-size-fits all, Inflexibility and Disloyalty, all the greatest bug bear for around one in ten owners.

Clearly fees and charges are seen to be excessive by the majority of small business owners, however with total satisfaction levels at 54%, it would seem that most are prepared to 'grin and bear it'.

Online financial activities

Chart 5: Financial activities conducted online (%)

General Banking and Payments online are the most common



Base: Online small businesses

Q: Which of the following does your company do via the internet?

AMR Interactive, 2004 (n=2,833)

While general banking and paying bills using the internet have become the most widespread financial activities conducted online by connected businesses, just over four in ten small companies also use the web to order goods and services. Those that do not undertake any kind of regular financial activity online are in the minority, at a mere 9%.

Growth areas that vendors should focus on are payroll, making superannuation contributions, and insurance services. The majority using the web for general banking would most likely be open to these services being more readily available online, as they become accustomed to making regular use of the internet for transacting.

Sales via a payment gateway will need to raise awareness to take off, and most likely require more businesses to establish a presence on the internet via their own websites before they are comfortable with this service. Of course the nature of the business itself must also be one that is feasible for making sales online.

Appendix: Questionnaire items

Financial dealings

1. Are you satisfied with your financial institution?
 1. Very Satisfied
 2. Somewhat satisfied
 3. Neither
 4. Somewhat dissatisfied
 5. Very dissatisfied
 2. What annoys you most about the service provided by your bank?
 1. Internet rates
 2. Complexity
 3. Fees/ charges
 4. Inflexibility
 5. One-size-fits-all solutions
 6. Disloyalty (only care about you when you're doing well)
 7. Other (specify)
 3. Are you registered for GST?
 1. Yes
 2. No
 4. What are you currently doing with the GST you are collecting?
 1. Keeping it in my main cheque account
 2. Putting it in a cash management trust
 3. In a special GST offset account
 5. At what point do you work out your GST liabilities and whether you have any money to cover it?
 1. Daily
 2. Weekly
 3. Monthly
 4. Quarterly (only when I do the BAS)
 5. Never (GST does not apply)
 6. Does your business currently have any business borrowings on which you pay interest?
 1. Yes
 2. No
- Ask if 6(1)**
7. Did you earn interest last year on your GST provisions?
 1. None (in non interest bearing account)
 2. Don't know
 3. Some



8. We would like you to rate how you feel about a number of financial institutions. For each one please think about how much you like them, trust them and feel they reflect the values you stand for. Even if you don't use the financial institution, but have an opinion of it please give a rating. If you honestly have no impression of them, select 'Don't Know'.

Click Next to rate the first one.

ROTATE: Westpac; National Australia Bank (NAB); ANZ; Commonwealth Bank (CBA); St. George] is an institution I like and trust and feel reflects my values.

Does this apply:

1. Not at all well
 - 2.
 - 3.
 - 4.
 - 5.
 - 6.
 - 7.
 - 8.
 - 9.
 10. Very well
- Don't Know

9. Who is your company's main bank or financial institution?

1. ANZ Banking Group
2. Citibank
3. Commonwealth Bank
4. Macquarie Bank
5. National Australia Bank
6. St George Bank
7. Westpac Bank (incl. Challenge)
8. Other (specify)

10. Which of the following does your company do via the Internet?

1. Bill payments (eg. B.Pay)
2. General Banking and book keeping (eg. funds transfer between accounts)
3. Payroll services
4. Insurance services
5. Credit risk assessment
6. Sales online via an IP Payment Gateways (eg Using ANZ's eGate)
7. Pay superannuation contributions
8. Order or purchase goods and services for the business

