



Stiff Competition and Sales Growth Remain As Key Challenges and Priorities For SMEs In 2018: Hong Leong Finance SME Survey

Singapore, 29 March 2018 – According to the inaugural SME Market Study by Hong Leong Finance (HLF), nearly three-quarters of small and medium enterprises (SMEs) cited stiff competition as a key challenge, and sales growth as one of their main priorities. The survey polled over 120 local SMEs on their key challenges and business priorities, adoption of digital technologies for enhancing work productivity, as well as the types of value-added services they wish to receive from financial service providers. ***(Please refer to the Appendix on Page 3)***

SME Challenges

Of the respondents, 74% voted industry competition and 40% cited manpower shortage as significant challenges in the Singapore SME market.

At industry level, competition is a pervasive problem. For IT, the challenge with the shortage of skilled labour (43%) is flagged just as high as competition. For F&B, high business costs (89%) arising from steep labour and rental costs was indicated as its topmost concern. For labour intensive industries, manpower shortage is ranked second highest after competition as they are affected more adversely by foreign employment curbs and policies. Examples of these industries include sectors in Logistics & Transport (45%), Manufacturing (35%), Construction (43%), and Services (46%), namely Cleaning, Security, Education, Healthcare, and Professional Services.

SME Priorities

In a recovering global economy with improving business sentiment, sales growth is a top priority for SMEs across all industries (75%).

Taking second place is operations and production capacity expansion with proper cost management (33%). On the other hand, product innovation comes a close second for industries in IT (29%) and Commerce (23%) as it gives them the competitive edge in the digital economy. Securing loans and managing cash flow were cited as key priorities by 43% of constructions firms.

SME Digitisation & Value-Added Services Desired from Financial Providers

The survey also found that nearly seven out of ten SMEs have stepped up in the adoption of technology and digital tools in the workplace to enhance productivity, particularly in the areas of business operations and finance.

A total of 64% of SMEs noted the importance of value-added services from financiers as these services can help sustain businesses and promote future growth or expansion. The most popular types of services are those that offer economic outlook (45%), overseas market information (33%) and advice on optimisation and cash flow management (32%). Some also appreciate advice on the adoption and implementation of technology (17%).

Compared to information from overseas markets, businesses in the growth and expansion stages prefer advice on investment opportunities (19%). Companies in the mature stage are more likely to enhance their profit and improve productivity by seeking assistance on digital adoption and implementation (20%).

HLF President Mr Ang Tang Chor said, “Hong Leong Finance is committed to supporting SMEs and partnering with them to achieve their business goals. We will step up our cash flow advisory services, supported by a variety of cash flow financing solutions such as the SME Working Capital Loans and Accounts Receivable Financing, to meet different SME needs.”

He added, “Hong Leong Finance will continue to play an active role in promoting SMEs Go Digital Programme in partnership with Info-communications Media Development Authority (IMDA) to help SMEs adopt technology to innovate and transform. Similarly, we will maintain the support for the Capability Development Grant by Enterprise Singapore by providing cash flow assistance via our SME Capability Ready Loan. This loan will help SMEs bridge the waiting period for the grant reimbursement while they build their capabilities and expand their operations.”

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About Hong Leong Finance

Hong Leong Finance (HLF) is Singapore’s largest finance company with 28 branches and 11 SME Centres island-wide. Its shareholders’ funds stand at S\$1.74 billion and deposits are at S\$10.66 billion as at 31 December 2017. HLF has been named “ASEAN Finance Company of the Year for four consecutive years since 2014 at the Asian Banking & Finance Retail Banking Awards. It is also ranked among the Top 100 Most Valuable Brands in Singapore for 2017 by Brand Finance.

Appendix

Key Highlights

Challenges



Stiff competition (74%)



Manpower shortage (40%)



High business cost (36%)

Priorities



Grow sales (75%)



Expand operations and production capacity and manage cost (33%)



Beef up branding and marketing (21%)

SME Digitalisation



68% are adopting digital tools



Digitalisation is mainly in Operations (32%)



Finance is another focal area (26%)

Appreciative Value-Added Services from Financial Partners



Singapore economy outlook (45%)



Overseas market outlook (33%)



Cash flow optimization (32%)



IT adoption and implementation ideas (17%)