



The University of Hong Kong
Public Opinion Programme

Survey on Expenditure and Cash Flow Management of Local SMEs

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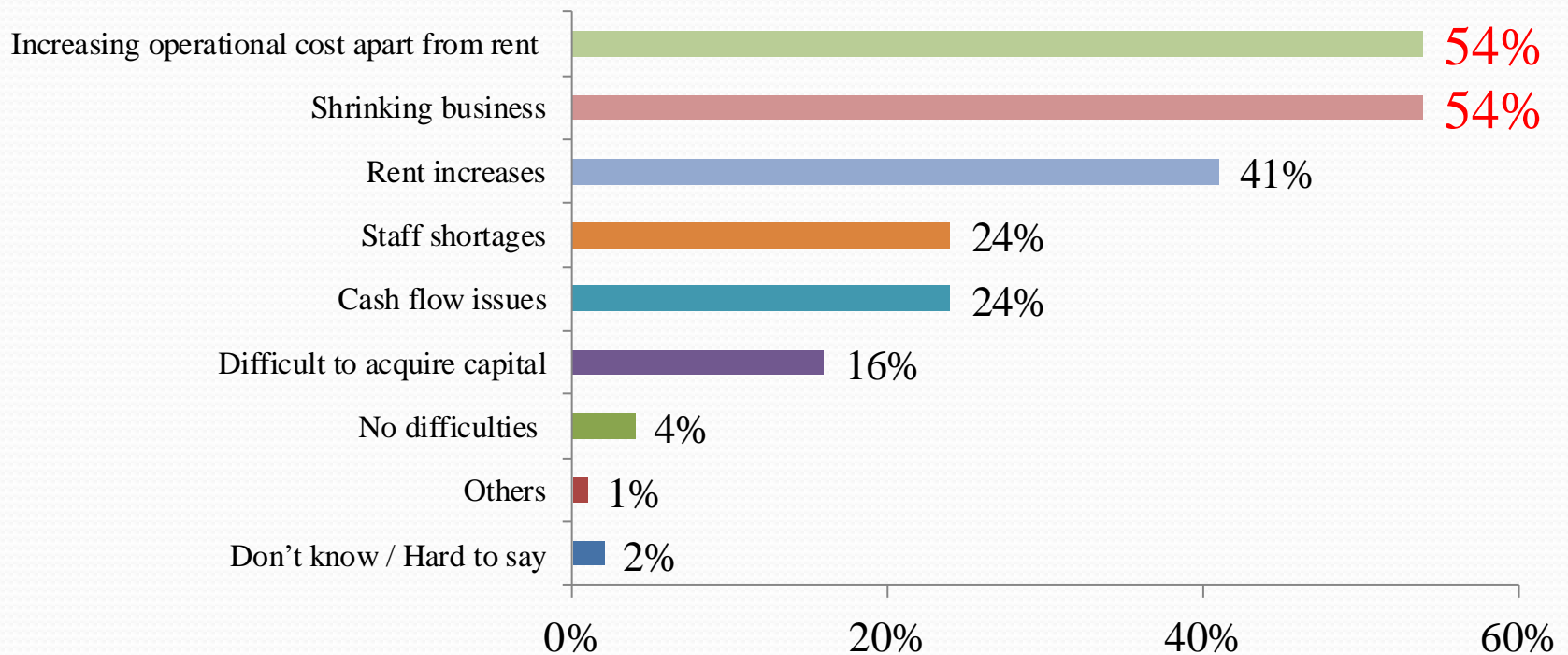
Research Background

- Objective: To study SME spending and cash flow management
- Collaboration: Visa Hong Kong Limited and Public Opinion Programme (POP) at the University of Hong Kong
- The questionnaire was jointly designed by Visa HK and POP
- POP was given full autonomy to design and conduct the survey
- POP takes full responsibility for all findings and their interpretations

Contact Information

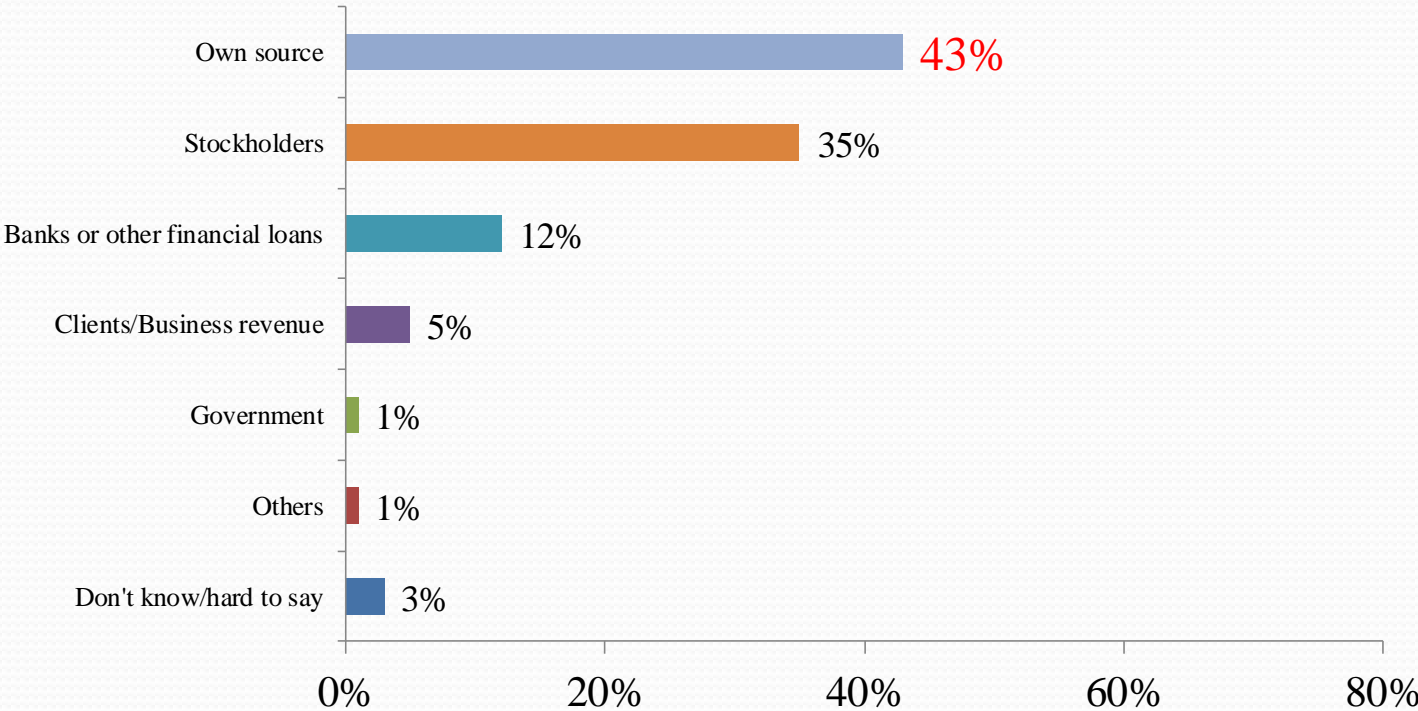
- Date of survey : February 21 to March 7, 2013
- Target population : Qualified employers or financial management staff of local SMEs
- Survey method : Random telephone interviews by real interviewers
- Sample size : 515 successful cases
- Overall effective response rate : 79.2%
- Standard error : Less than 2.2%, or sampling error not more than +/- 4.4% at 95% confidence level

Over 50% of the SMEs are currently facing “increasing operational cost apart from rent” and “shrinking business”



- [Q1] What is the major challenge(s) that your company is facing now under the current macro environment?
- 【Read out answers, order randomized by computer, multiple answers allowed】

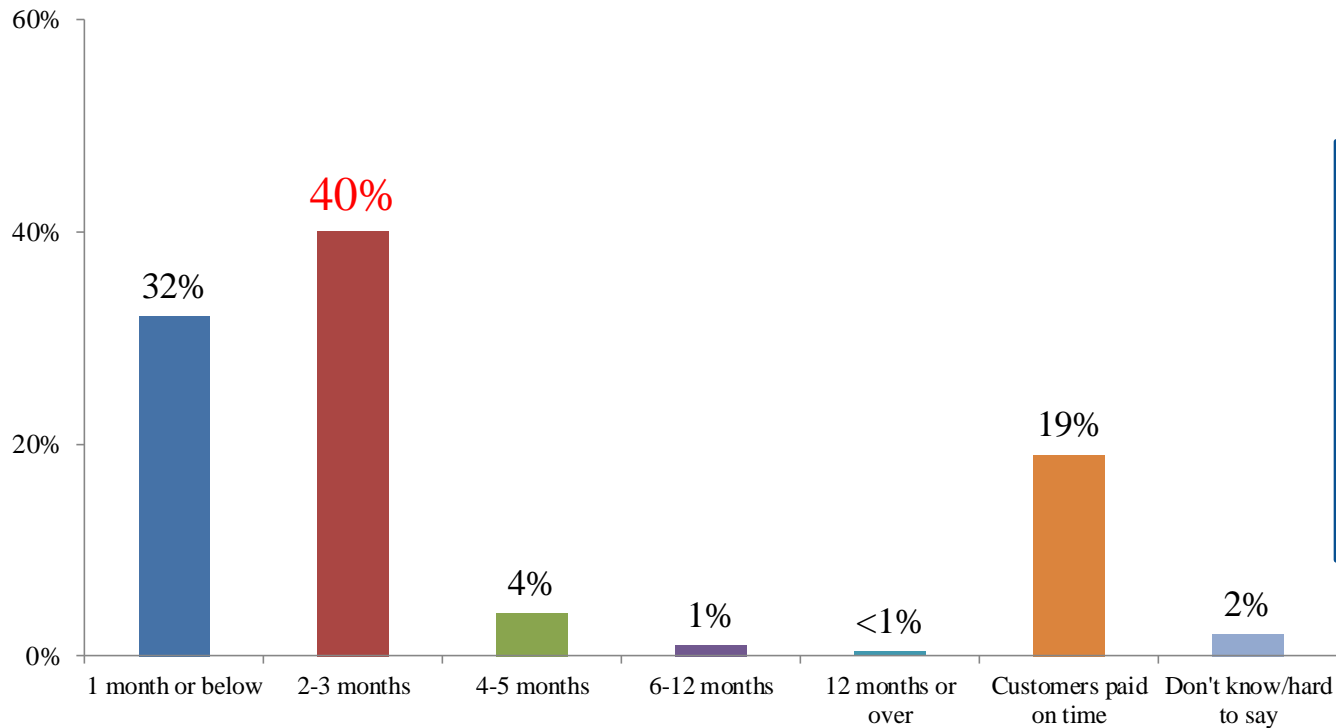
Over 40% of the SMEs are using their own source to fund themselves



— [Q2] What is your company's source of fund?

— Base=513

40% reportedly take 2 to 3 months on average to receive payments from their clients

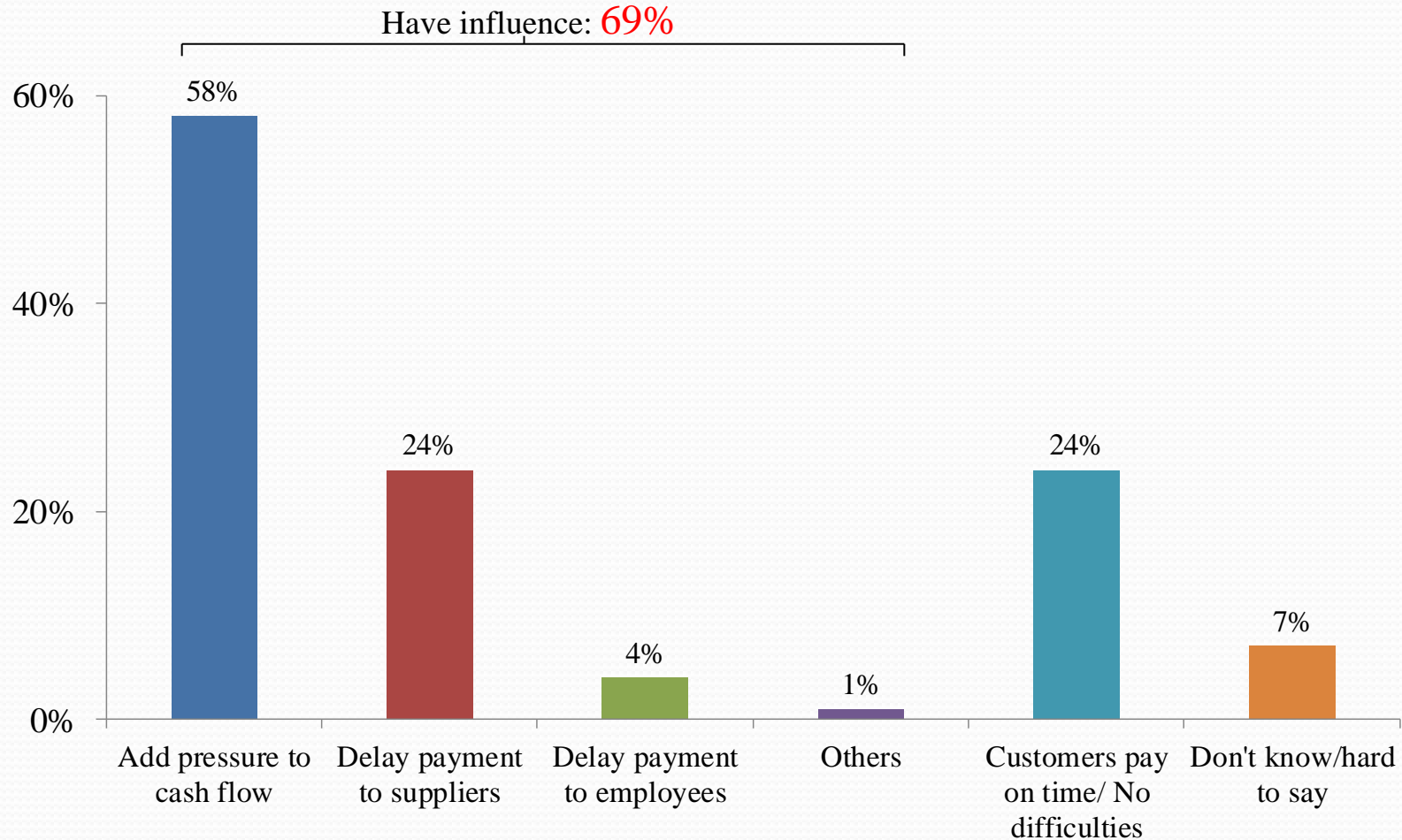


- Excluding customers
- paid on time
- Mean: 1.9 months
- Median: 2.5 months
Sampling error:
+/-0.17 month
Base: 402

-[Q3] In general, how much time on average does it take to receive payment from your customers?

- Base=514

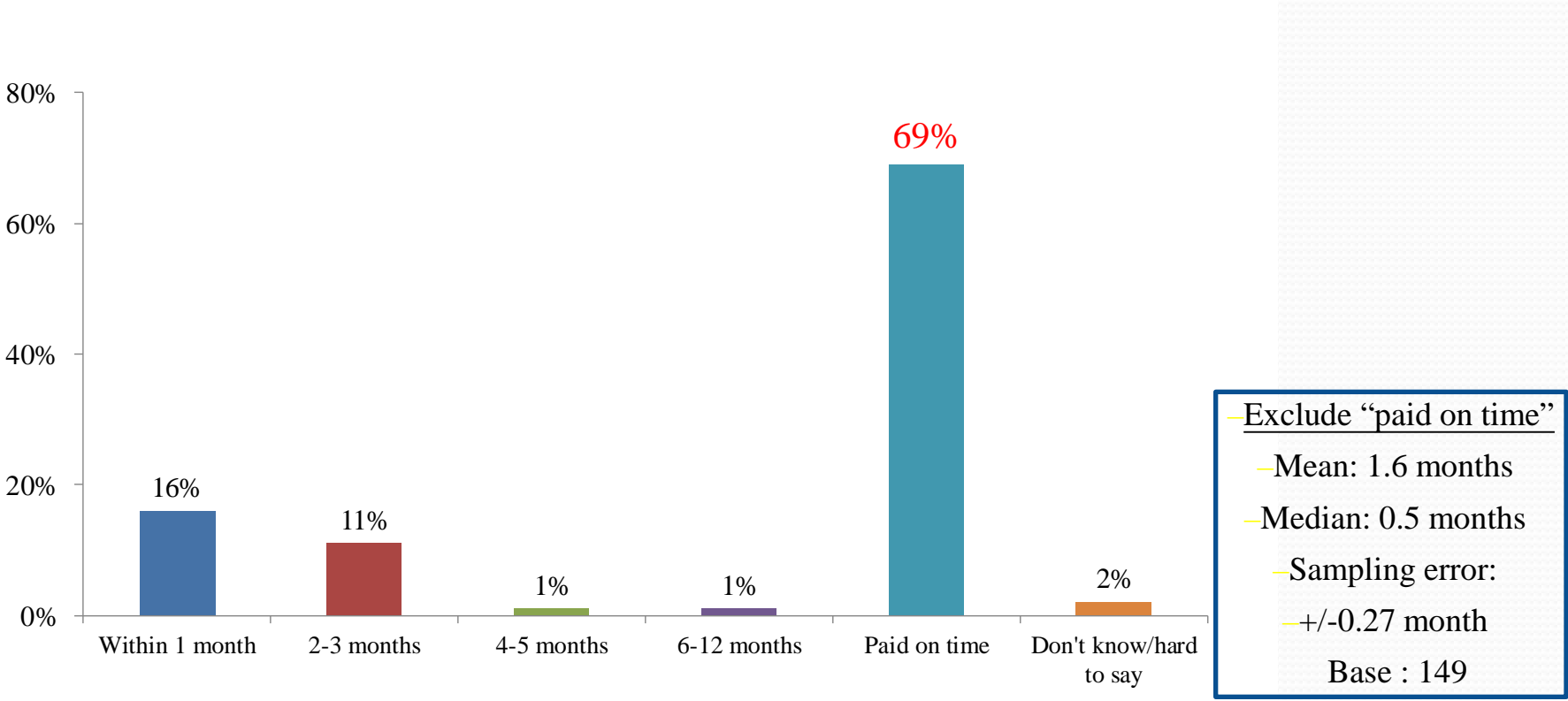
Almost 70% considered delayed payment from customers affect their operation



[Q4] Should your customers delay payment, how will it affect your business operation?

【Read out answers, order to be randomized by computer, multiple answers allowed】

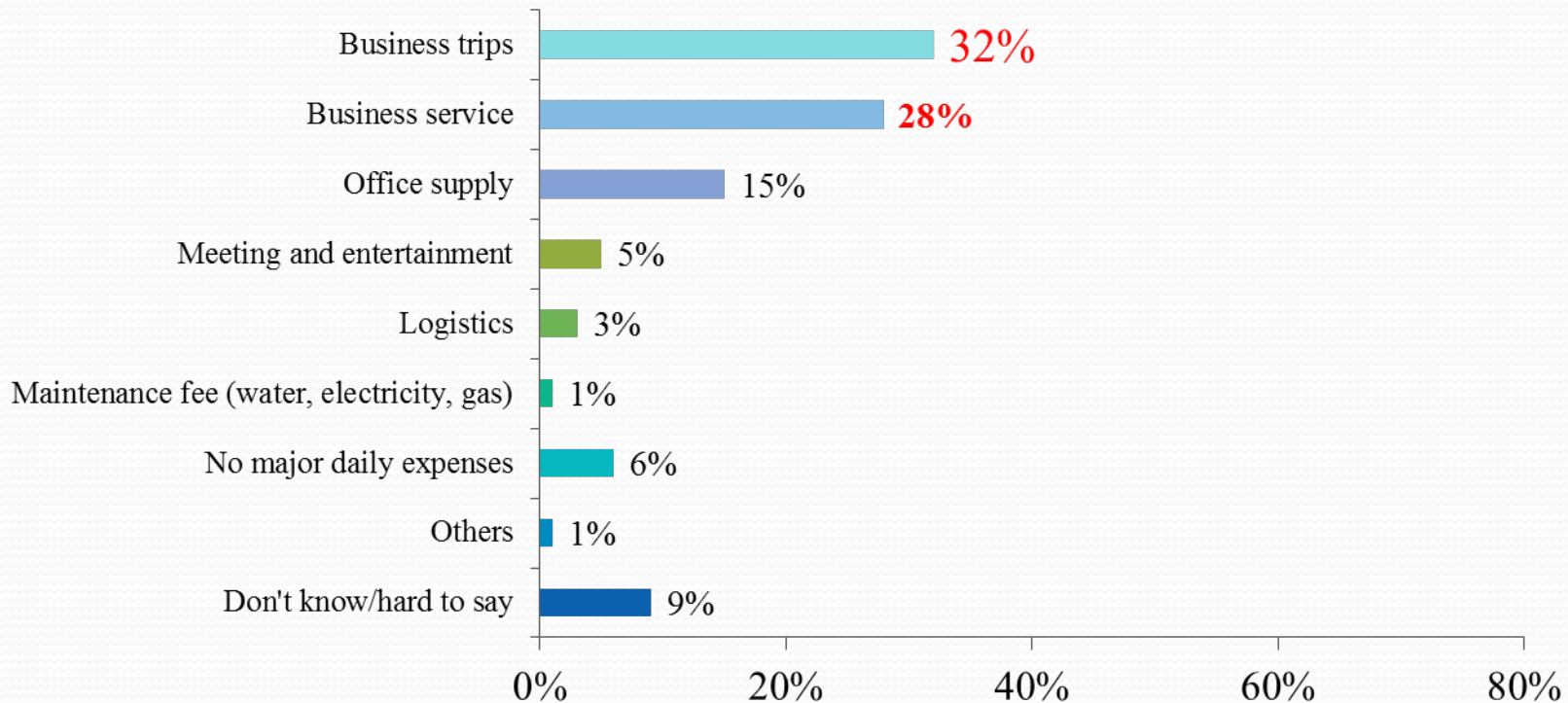
Almost 70% paid their suppliers/partners on time in 2012



– [Q5] Has your company delayed payment to your suppliers/business partners in 2012? If yes, how long was the delay in general?

– Base=513

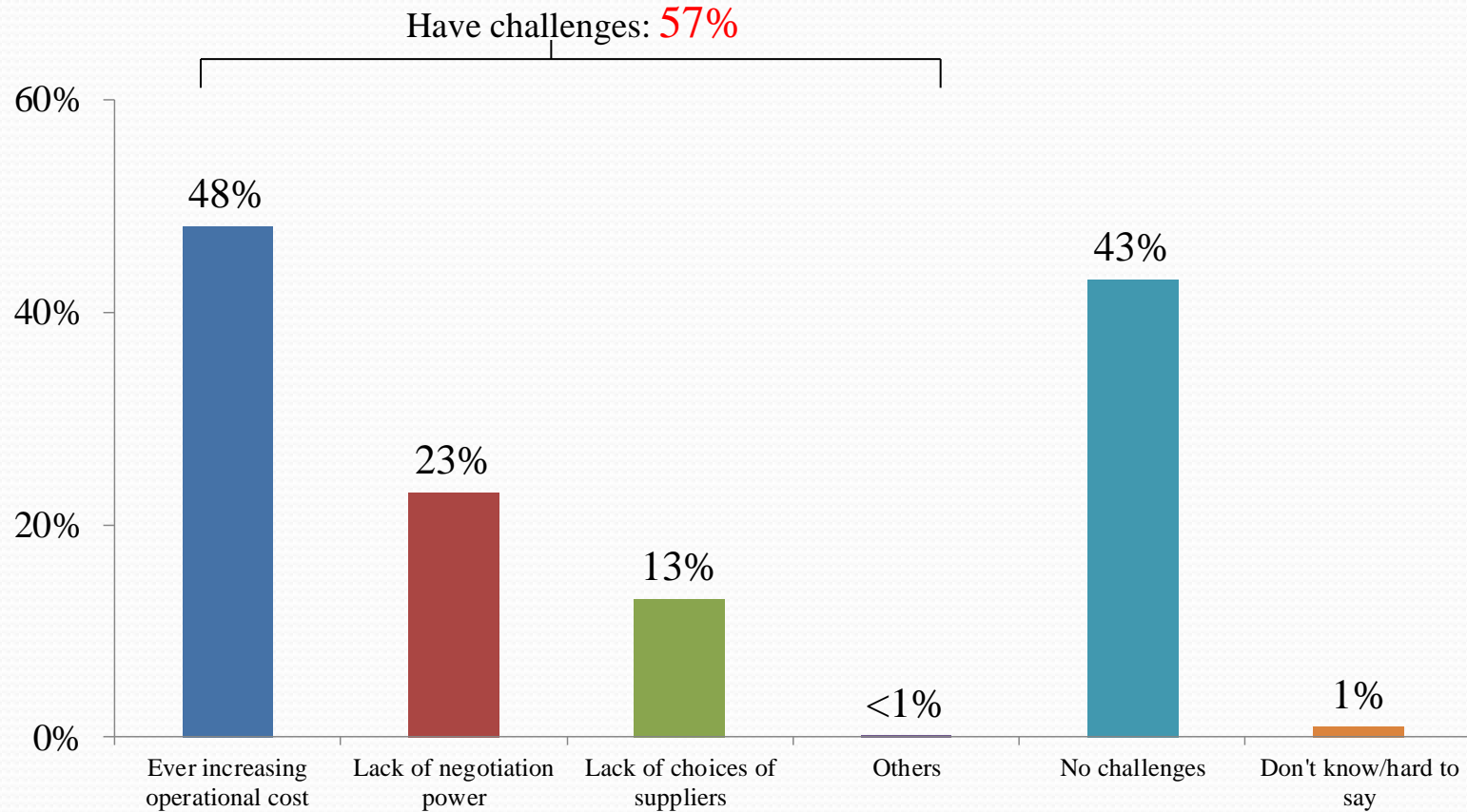
About 30% each reported “business trips” and “business service” as their major daily expenses



— [Q6] What are the major daily expenses for your company amenities? Please exclude those of staff, rent and raw materials.

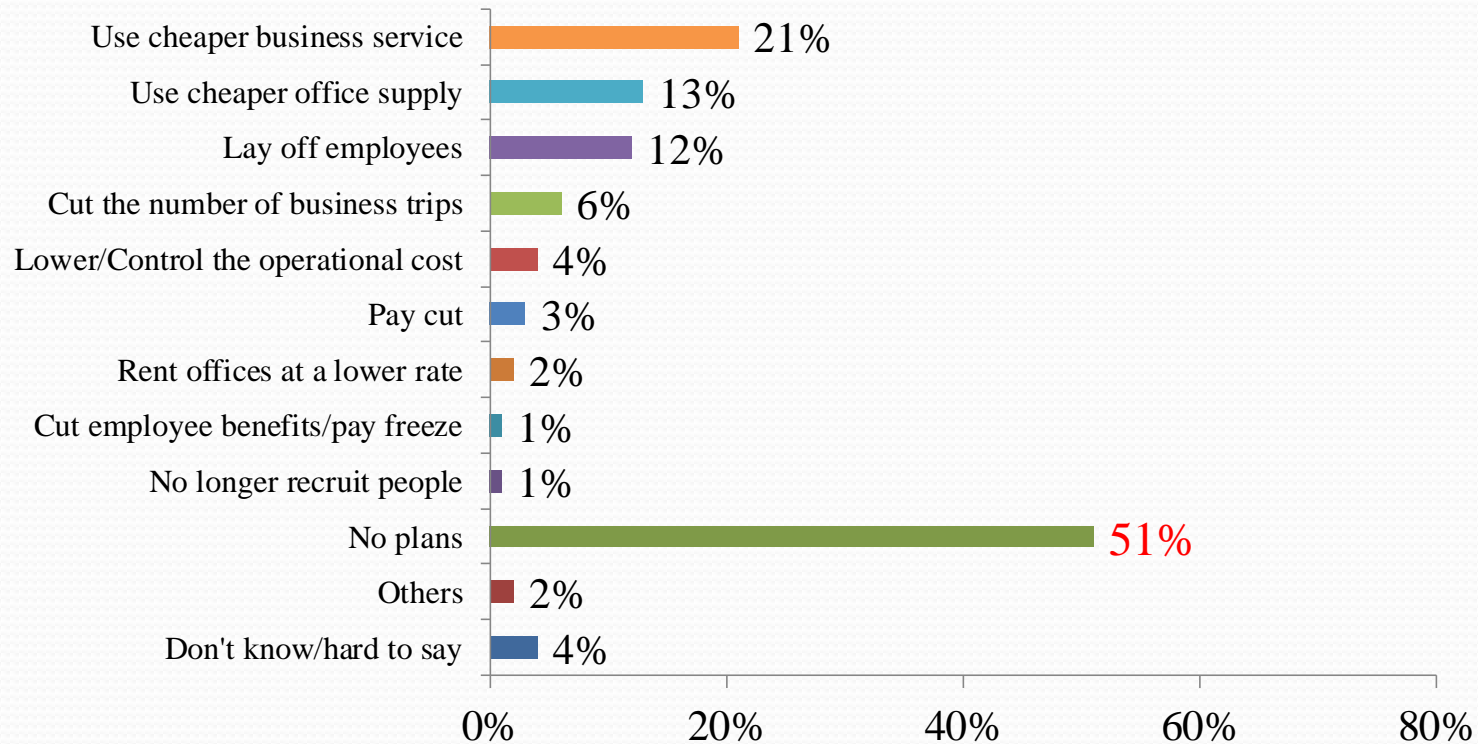
— 【Read out answers, order randomized by computer, only one answer is allowed】

Over 50% faced challenges in managing their expenses



[Q7] Are there any challenges you find in managing your company's expenses? If yes, what are the challenges? 【Read out answers, order to be randomized by computer, multiple answers allowed】

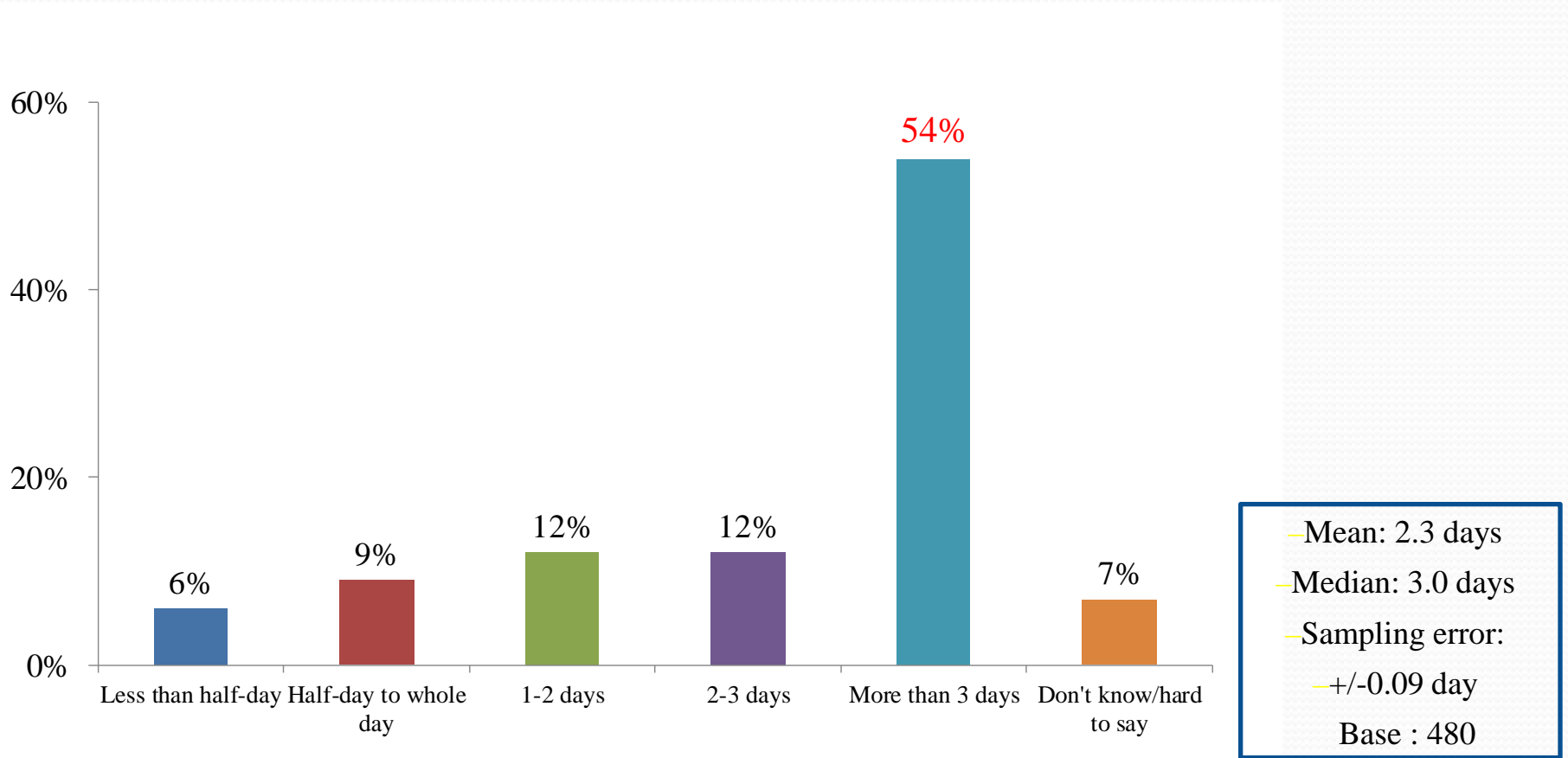
Over 50% have no plans to reduce their operation cost



— [Q8] Do you have any plan to reduce the operation cost of your company? 【Don't read out answers, multiple answers allowed】

—Base=513

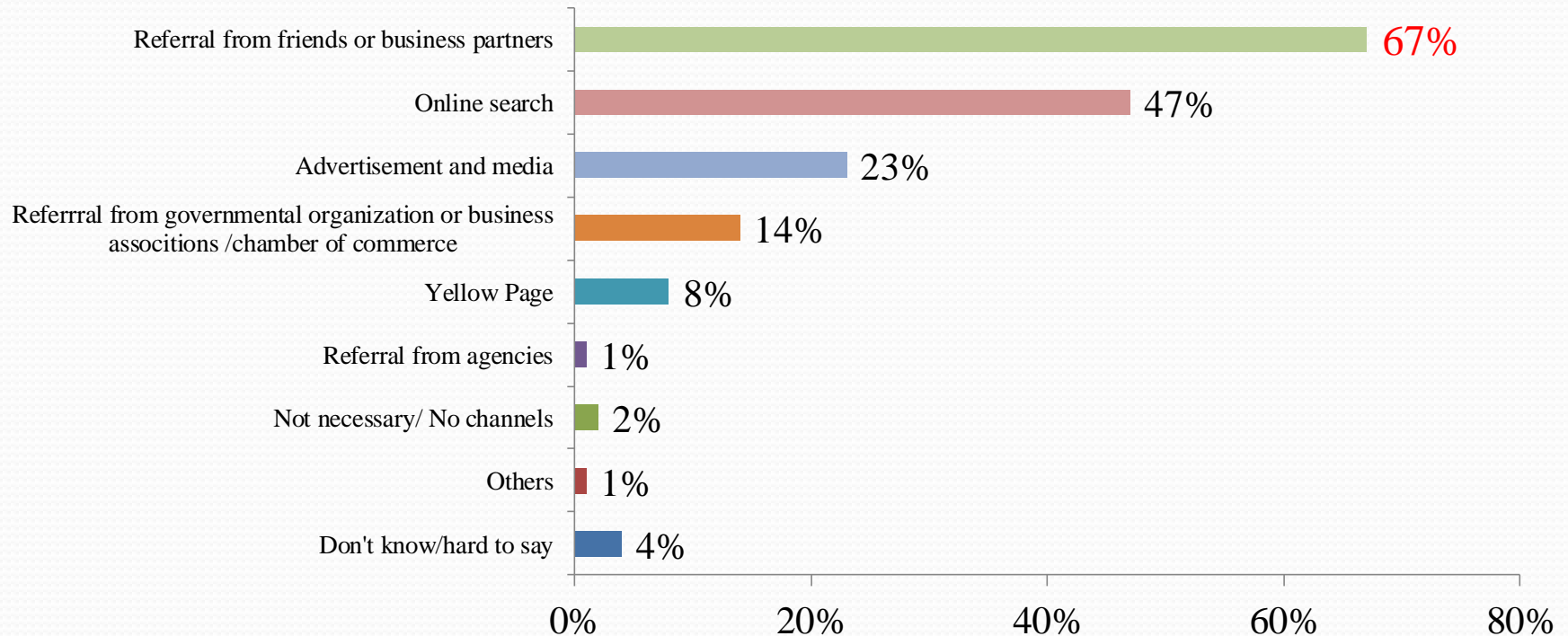
Over 50% of the respondents spend more than 3 days on average to deal with company's expenses per month



-[Q9] How much time on average do you or your financial management staff spend on managing the company's expenses per month?

- Base=515

Two thirds of companies source business services/amenities with referral from friends or business partners

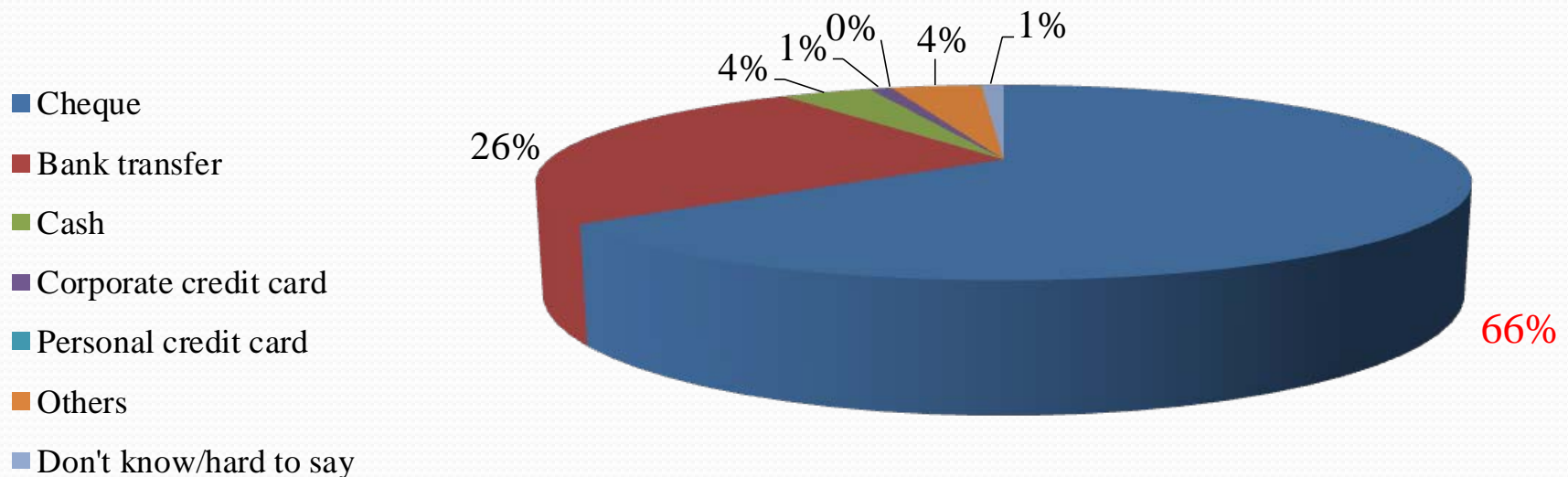


-[Q10] How do you source business services/amenities for your company?

【Read out answers, order randomized by computer, multiple answers allowed】

-Base=515

66% use cheque to pay their suppliers or business partners

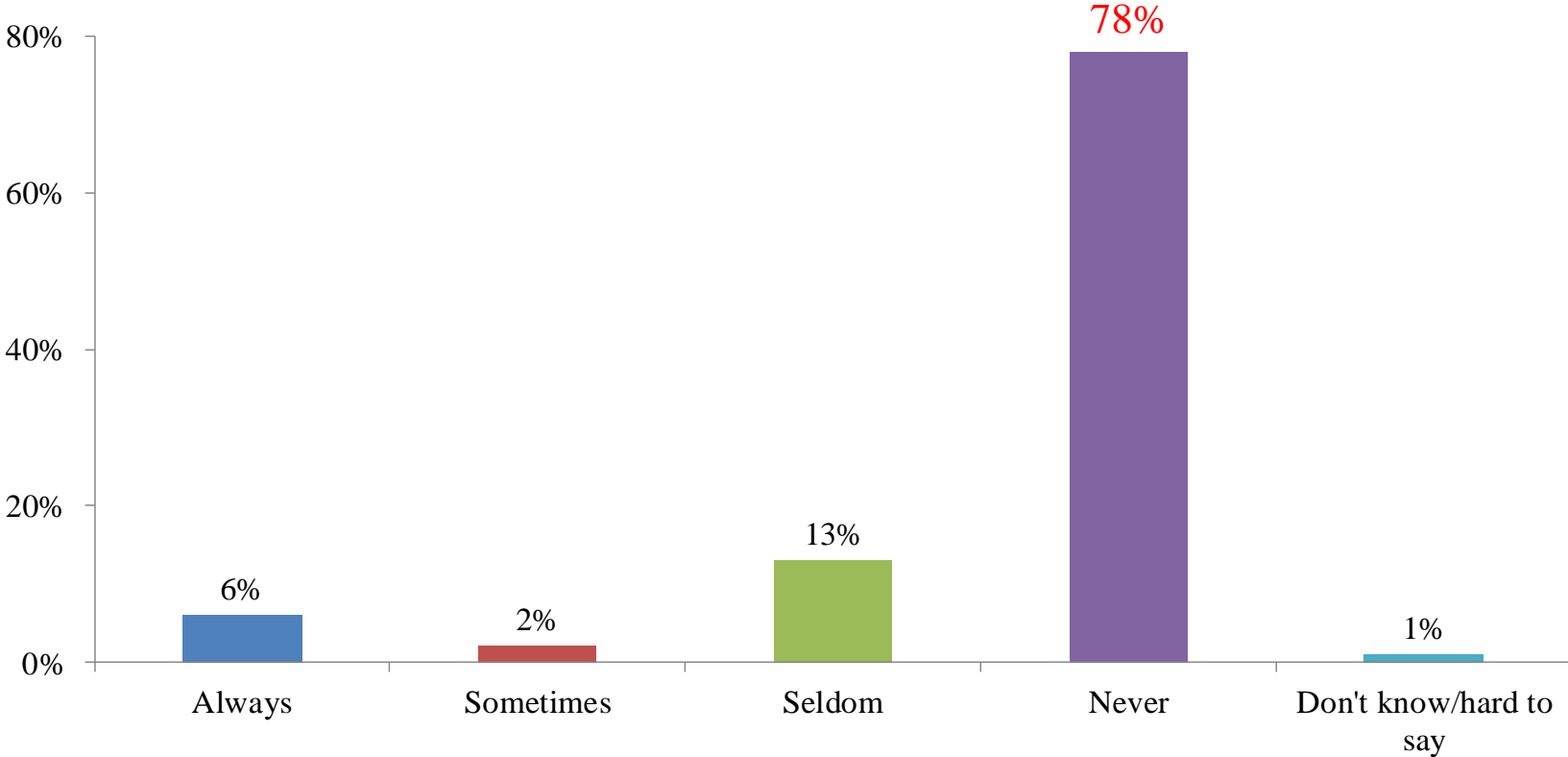


-[Q11] Which payment method does your company use most often when paying your suppliers or business partners?

【Read out answers, order to be randomized by computer, only one answer is allowed】

-Base=513

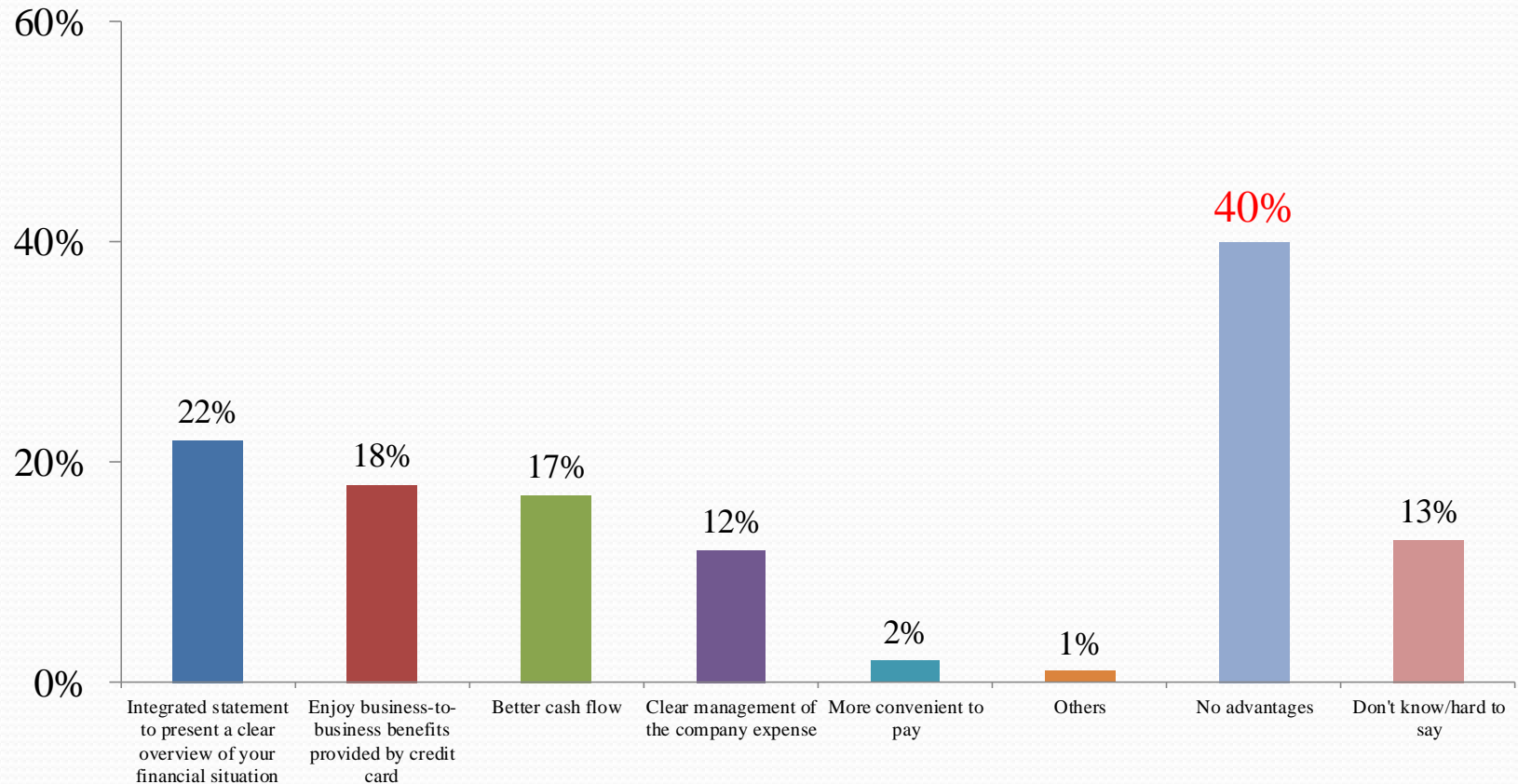
Nearly 80% never settle payment with corporate credit cards



-[Q13] How often does your company settle payment with corporate credit cards? (Interviewer probe intensity)

- Base=515

40% can't think of any advantage of using corporate credit cards

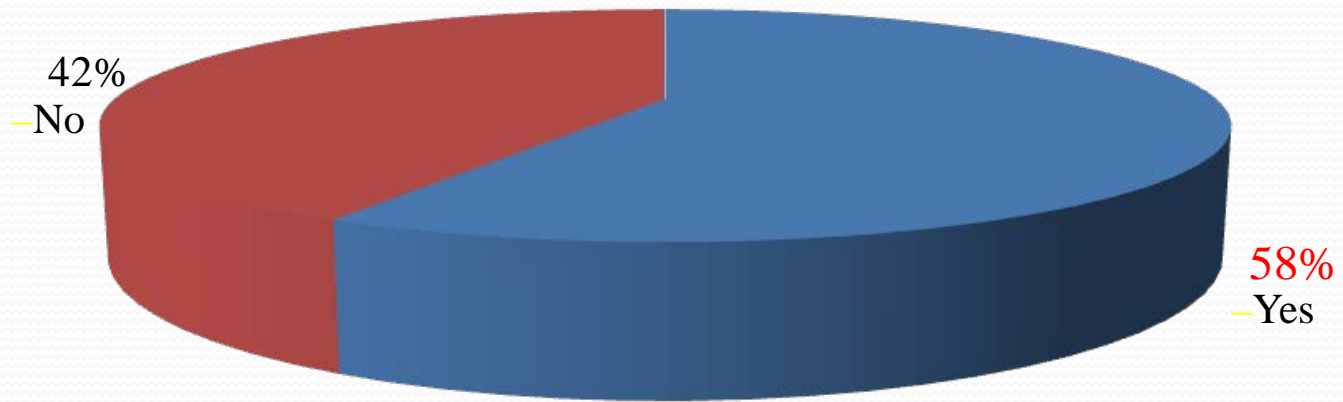


-[Q14] What do you think are the advantages of using corporate credit cards to pay for company expenses?

- **【Read out answers, order randomized by computer, multiple answers allowed】**

-Base=514

58% know that some credit cards provide a repayment period of up to 56 days



-[Q15] Do you know that some credit cards provide a repayment period up to 56 days?

-Base=512

Conclusion

- Over half (54%) considered “increasing operational costs” and “decreasing business volume” as major challenges facing their business, but they did not have a plan or strategy to offset the rising operation costs.
- On cash flow management, 40% would take 2-3 months to receive payment from their customers, 69% said delayed payment would affect their business operation.
- In 2012, most SMEs settled payments with their partners on time, 24% admitted late payment caused them to delay payment to their suppliers.

Conclusion

- Labour, rents and material costs aside, 57% saw challenges in managing their company's expenses, including business trips, services and office supplies; 54% spent "3 days or longer" each month to manage their company's expenses.
- Two-thirds (66%) of SMEs used cheques to settle payments, less than 1% had ever used corporate credit cards; 41% could not name any advantage of using corporate credit cards to settle company payments; 42% were not aware of the 56-day repayment period provided by some financial institutions issuing credit cards. These show that local SMEs are not familiar with the concept of corporate credit cards.

End of Presentation