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## **Singapore SMEs behind on transition to Digital Economy: QBE Research**

*Rate of digital adoption slower than expected among SMEs, with many hesitant to adopt digital safeguards despite facing an uptick in cyber incidents in the last 12 months.*

Singapore's SMEs are still lagging in digital adoption and are not adequately prepared for the national transition to a digital economy, according to the fourth edition of QBE Insurance's annual survey of Singapore SMEs. The results found that SMEs have been slow to take up cyber protection measures, digital payment offerings and government support for digitalisation.

Despite SMEs indicating real concern around security, fraud and cyber hacks, a quarter of those surveyed said they do not have any internal processes or policies to protect themselves from such risks – a figure that rises to one-third when looking only at smaller-sized SMEs. This is in spite of an uptick in national-level incidents in the past year, with 90 per cent of SMEs admitting to being aware of possible cyber risks.

40 per cent of SMEs identified the high cost of investment as the main reason for either not digitalising or not making more use of digital technologies and processes. Other key reasons included lack of digital skills within their businesses and lack of financing and funds.

Government support for digitalisation was also raised in the findings, highlighting a disconnect between awareness and uptake. While 65 per cent of SMEs indicated that they are aware of the various forms of government support available to help businesses digitalise, only 30 per cent have gone on to utilise the support. This is despite the realisation by many businesses that they lack the digital skills needed to move forward.

### **A resistance to cashless payments?**

While employing both offline and online payments for their businesses, a quarter of all SMEs (24 per cent) have indicated a preference for old-world payment methods like cheques and cash,

despite the government's continual investment in cashless infrastructure and large-scale education initiatives around new payment technologies and tools.

Further to this, the survey measured awareness and acceptance of PayNow Corporate – a business-centric peer-to-peer payment platform launched in August 2018, with the backing of the Association of Banks in Singapore, to offer businesses secure transfer of funds with banks, government agencies and other businesses. But despite 71 per cent of all SMEs admitting to knowing of the service, only a minority (26 per cent) are actually using it to receive and make payments.

Close to 10 per cent of all SMEs are unwilling to use PayNow Corporate at all while 29 per cent are sitting on the fence, unsure of whether they will open themselves up to the service in the future. The top reason indicated for reluctance to use it is the fear that the platform is unsecure and vulnerable to fraud and hacking, as cited by 32 per cent of respondents who have indicated that they are unwilling to use the service.

“SMEs form 99 per cent of Singapore’s businesses. It is important that they continue to align to the overall economic direction for Singapore set by the government. While many are still showing hesitation towards digitisation, they should tap on resources available to help smoothen their transition to the digital economy,” said Mr Karl Hamann, CEO of QBE Insurance Singapore.

“In turn, insurers must also see themselves as part of the digital revolution. In partnering with local SMEs to underwrite risks specific to digital vulnerabilities, we can help quicken the pace of technological adoption throughout Singapore’s most dominant business community,” he added.

## **Singapore’s SMEs generally optimistic about 2019, more considering overseas expansion**

The survey also covered broader business sentiment and intent. SMEs were observed to be upbeat about their businesses and the overall economy coming into 2019, with 44 per cent indicating that they think business will pick up in the next 12 months. 39 per cent are also of the opinion that Singapore’s economy will pick up over the same period.

SMEs are generally expecting growth in many areas. 38 per cent are expecting to expand their businesses this year, among which, almost half (47 per cent) intend to internationalise.

Interestingly, this year's survey finds that among smaller-sized SMEs who intend to internationalise, 40 per cent of them are domestic-only and will be making their first ventures abroad. Subsequently, only 25 per cent of medium-sized enterprises who intend to internationalise will be doing so for their first time, with the figure dropping to 18 per cent for large SMEs. The sizeable proportion of smaller SMEs who are intending to venture abroad for the first time is indicative of a growing appetite among Singapore's enterprises to conduct global business<sup>1</sup>.

## **SMEs remain oblivious towards risk**

Congruent with past editions of the survey, this year's results found that SMEs in Singapore continue to operate without adequate business protection across the board. Only 17 per cent of SMEs hold insurance for loss of key staff – their most common business issue in the past year. 27 per cent held insurance for inventory damage and/or loss and just 20 per cent had protection against cyber hacks, two issues which were tied as the second most common business issue that SMEs ran into in 2018.

When polled on their thoughts towards holding business insurance, a strong majority of SMEs (73 per cent) indicated that price is the overriding factor, while more than half (53 per cent) admitted that insurance is lower on their list priorities than other things. 44 per cent agreed that they would only consider buying business insurance if hearing or reading about unfortunate incidents hitting other businesses.

In general, Singapore SMEs are laid-back in their attitudes towards business insurance, and take a reactive approach to dealing with common business issues – a finding consistent with previous survey results. This is an indication of how much further education and awareness is needed about the risks confronting SMEs' business operations.

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<sup>1</sup> Survey Definition: Small SMES = 5-50 staff, <SGD 1m Revenue, Medium SMEs = (51-200 staff, <SGD 1m Revenue) or (5-200 staff, 1m - < SGD25m Revenue), Large SMEs = 5-200 staff, SGD 25m – 100m

# News release



“Our yearly survey provides an accurate indication of SMEs’ sentiment towards their own businesses and the economy at large. This year is no different. The survey has highlighted areas of opportunity for us to partner with local SMEs to help them achieve their full potential while giving them the peace of mind to operate every day. We are always on-hand to assist with their risk management and mitigation needs, however specific to their individual business. We hope SMEs will come to realise the importance of business protection and start to see the long-term benefits of conducting robust risk management regularly,” said Mr Hamann.

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## **About QBE Insurance (Singapore) Pte Ltd**

QBE has been represented in Singapore since 1891. As an industry leader with more than 128 years of proven performance in Singapore, QBE’s success is built on the strength of our partnerships with professional insurance intermediaries. QBE Singapore is part of the International Division of QBE Insurance Group Limited. QBE Insurance Group’s 2018 half-year results can be found at [www.qbe.com](http://www.qbe.com). Headquartered in Sydney, Australia, the QBE Group operates out of 31 countries around the globe, with a presence in every key insurance market.

## **About the research**

This SME research was the fourth iteration of a survey designed and conducted in November 2018 by ORC International on behalf of QBE, in an effort to better understand SMEs’ behaviours and business challenges. Interviews were conducted with 491 SMEs across various industries in Singapore.

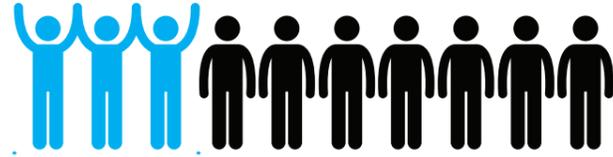
# Singapore SMEs behind on transition to Digital Economy: QBE Research

Rate of digital adoption slower than expected among SMEs, with many hesitant to adopt digital safeguards



**65%  
AWARE**

of government outreach and support for digitalisation



**ONLY 30%**

have actually utilised this support



**90%  
aware of  
cyber risks**

**1 in 4**



**Do not have** any internal processes or policies to protect themselves from such risk

**Barriers to Digitalisation**

**40%**

High cost of investment

**35%**

Lack of digital skills

## SMEs are resistant to cashless payments



**24%**

still prefer old-world payment methods like cash and cheque



**71%**

aware of PayNow Corporate

**ONLY 26%**

have turned to PayNow Corporate to conduct business payments

**PAY NOW**

**9%**

unwilling to use PayNow Corporate

**32%**

hesitant to digitalise due to fraud and security concerns

**29%**

unsure of whether they will open themselves up to the service in future

## SMEs optimistic about 2019

**44%**

expect their business to pick up in the next 12 months

**39%**

expect the economy to improve over the next 12 months

**38%**

expect their business size to increase in the next 12 months

**47%**

who are looking to grow their business are also looking to internationalise

## SMEs remain oblivious towards risk

**75%  
of SMEs**

encountered at least 1 business issue in 2018

Top issues SMEs ran into in 2018

- Key staff leaving the business
- Inventory loss and/or damage
- Cyber-hacking

## SME attitudes towards insurance

**73%**

quoted price as the most important criteria to purchasing insurance products

**53%**

prioritise other business needs above securing insurance

**44%**

Agreed that they would only consider buying business insurance if hearing or reading about unfortunate incidents hitting other businesses