

A man with glasses and a goatee, wearing a black long-sleeved shirt and a brown leather apron, stands in a workshop or cafe. He is looking towards the camera with a slight smile. The background is dimly lit, showing wooden beams, shelves with various items, and warm ambient lighting.

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The State of AI in Small Business 2026 - Singapore

Contents

- 2 Foreword
- 3 AI works harder when it's built into everyday workflows
- 5 The real dividend from AI is capacity for growth
- 6 AI is only as good as its foundations
- 8 Building an AI-ready business
- 10 The road ahead for Singapore SMEs
- 12 Securing the AI advantage
- 14 Appendix



Foreword

Singapore's SMEs are turning AI adoption into AI advantage

Singapore's small and medium enterprises (SMEs) are the heart of its economy. From neighbourhood cafes and multi-generational family businesses, to design studios and tech start-ups, they bring real character and energy to the city. Over the years, they've found ways to adapt whenever change has been needed. Today, they're navigating rising costs, talent shortages and growing compliance demands. And for many, our survey tells us, AI is now helping them make the most of their people, time and resources.

This shift is happening at a national level too. Singapore has made AI a priority through its National AI Strategy 2.0, and Budget 2026 doubled down on its ambition to be a global AI hub. That goal can't be achieved without SMEs, which make up 99% of all commercial entities in Singapore.

At Xero, our mission is to make life better for people in small businesses, and the communities they serve. That's why we wanted to understand how Singapore's SMEs are experiencing AI: what's working, what's not, and what they need next. So we surveyed more than 1,000 business owners and decision-makers across Singapore.

What we found tells a story of real momentum, but also room to grow. More than nine in 10 SMEs are already using AI, and most say it's paying off. But many are still working out how to get the most from it.

Our hope is that this report gives business owners, policymakers and industry partners a clearer picture of how SMEs are using AI, and what it will take to help them turn it into lasting competitive advantage. At Xero, we're committed to walking alongside Singapore's SMEs at every stage of that journey.

It's no longer about adoption. It's about what happens next.

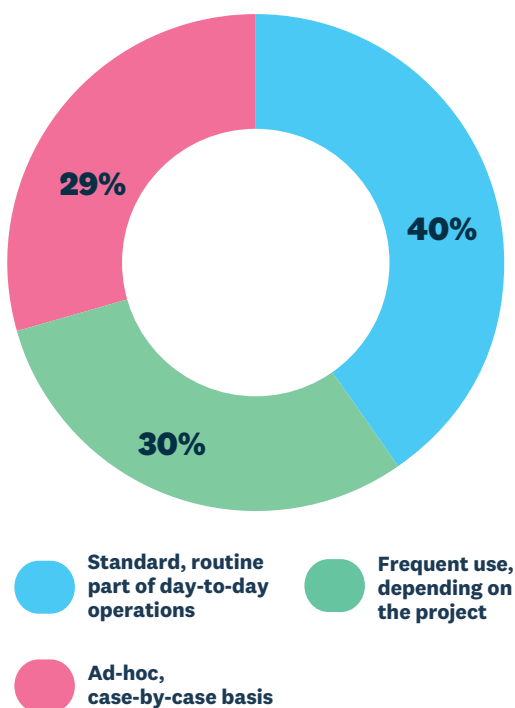
Koren Wines,
Managing Director, Xero APAC



Chapter 1: AI works harder when it's built into everyday workflows

For many of Singapore's small businesses, AI is now a natural part of how they run, not just another technology to manage. Adoption has moved well beyond experimentation into integration, with 94% of those polled already using it in their business. Increasingly, it's become part of their everyday workflows. 40% use AI as a standard part of day-to-day operations, while 30% deploy it for specific projects and just 29% use AI on an ad-hoc basis.

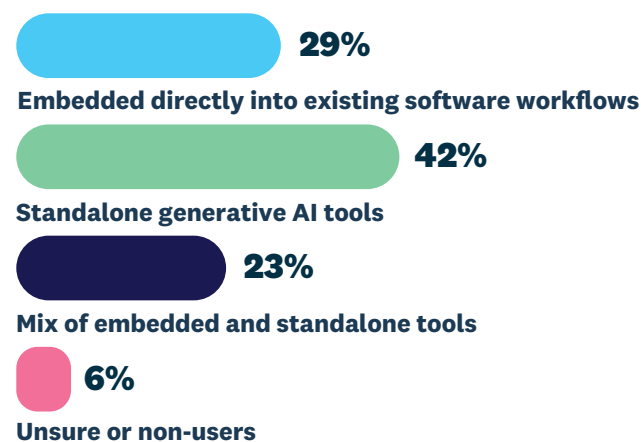
How regularly Singapore's SMEs deploy AI tools in daily operations



Q: Which of the following best describes how regularly your business uses AI tools or features?

The most significant shift, however, is in how AI is being used. Rather than treating it as a separate tool, 52% of SMEs are embedding AI directly into their existing software stack. By comparison, only 42% are still relying on standalone generative AI tools.

How Singapore's SMEs are integrating AI into their tech stack



Q: Which of the following best describes how your business currently uses AI?

Moreover, as Singapore's small businesses grow more comfortable with AI, they're also giving it more autonomy. More than seven in 10 SMEs (71%) now trust AI to complete tasks independently, though human users still remain largely responsible for the final outcome, with 39% reviewing and approving all outputs.

Ultimately, using AI has given SMEs real results. More than eight in 10 (83%) say it has provided clearer visibility into their business data and helped them make faster decisions. A similar number (86%) say AI has made their business more agile and competitive. This mirrors findings by [Singapore's Ministry of Manpower \(MOM\)](#) noting that firms using AI reported gains in worker productivity, decision quality and innovation capability.

Degree of human oversight and AI task autonomy

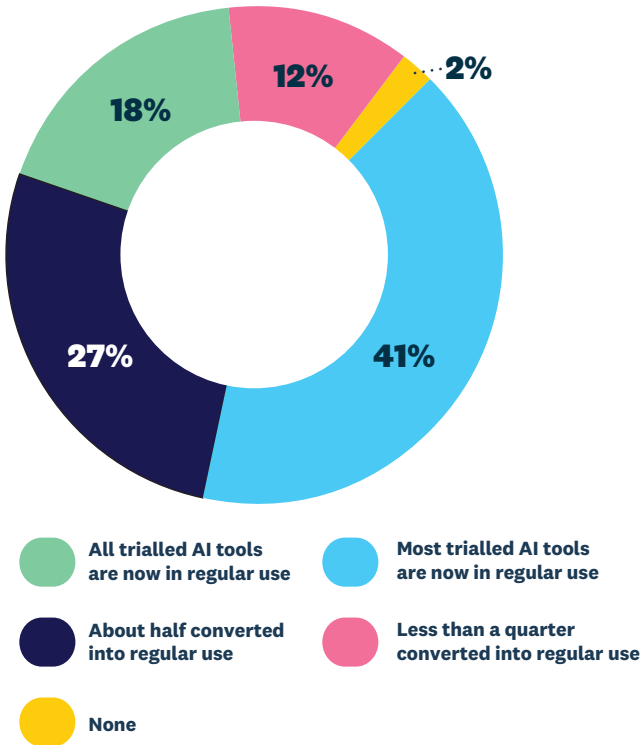


Q: Which best describes how much your AI does on its own today?

As technology advances, more software providers are adding AI to the tools small businesses use every day, from cloud accounting to inventory and customer management. That means businesses can turn the data they already have into useful insights and spend less time on routine tasks. For those with lean teams, the payoff can be significant.

Sustained government investment has compounded this momentum, including an over [S\\$1 billion commitment](#) to AI research and development. Initiatives like the [National AI Strategy 2.0](#) and the [AI Trailblazers programme](#) also provide practical support for businesses moving from exploration to implementation. The results of this support are evident: 86% of SMEs that ran AI pilots in the past year successfully converted at least half of them into regular use.

Trialled AI pilots converted into regular production use



Q: Thinking about the AI tools or pilots your business has trialled in the past 12 months, roughly what proportion are now in regular, day-to-day production use?



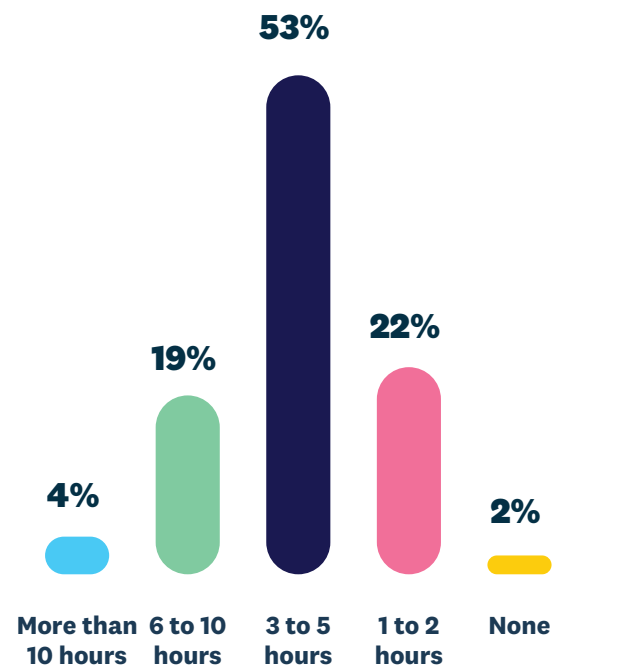
Chapter 2: The real dividend from AI is capacity for growth

With rising costs, talent shortages and growing compliance demands putting pressure on small businesses, every hour counts. AI can do more than help businesses work smarter; it can also give valuable time back. For Singapore’s small businesses, whose teams are lean and owners are juggling competing demands, taking repetitive administrative tasks off their plates creates more room to focus on what matters and invest that time in growing the business.

Channelling time saved towards strategic growth

Small businesses in Singapore can spend a substantial amount of time managing low-value administrative tasks. Over three-quarters (76%) of leadership and finance teams report losing anywhere between three to 10 or more hours each week on routine tasks such as chasing late payments, conducting bank reconciliations and manual data entry.

Hours lost per week to financial admin tasks

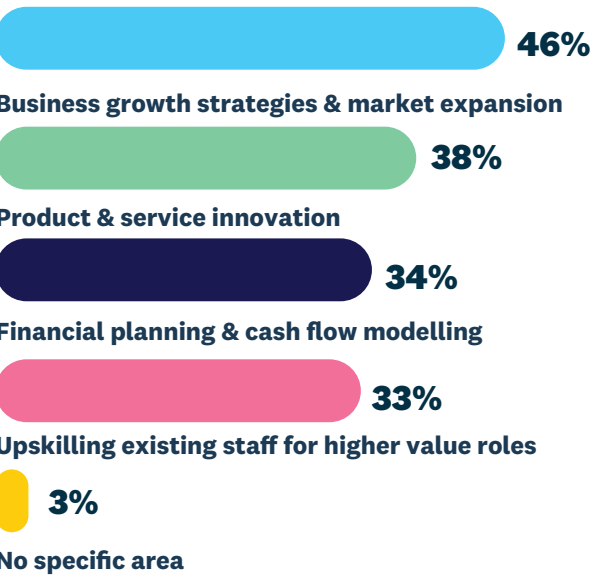


Q: How many hours per week do you estimate that your business leadership or finance staff are losing to financial administrative tasks (e.g., chasing payments, bank reconciliation, manual entry)?

The real benefit of freeing up those hours isn’t only about doing the same work in less time, but about what businesses can do with the time they get back.

For many SME owners, those hours back don’t just mean cost savings, but investing in the future. Almost half (46%) of business owners would invest the time savings into business growth strategies and expanding into new markets. Others would focus on developing new products and services (38%), financial planning and cash flow modelling (34%), and upskilling existing staff for higher-value roles (33%).

Areas where SMEs will reinvest reclaimed hours



Q: If AI tools could successfully reclaim 3 to 5 hours of administrative work per week for your leadership or finance staff, where would that time be redirected?

Chapter 3: AI is only as good as its foundations

AI is clearly being embraced, used and trusted by Singapore's SMEs. But getting the most out of it depends on more than just the underlying technology.

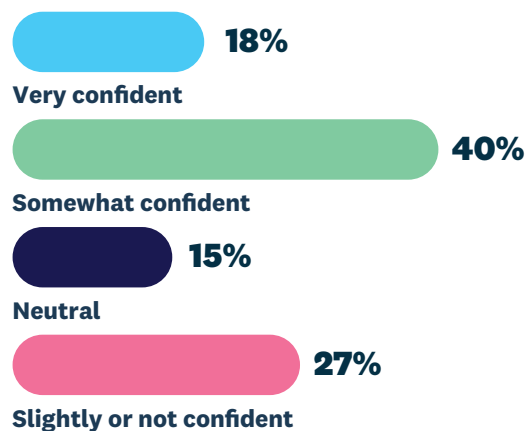
AI needs the right foundations to work well, from reliable data and connected systems to people with the skills and confidence to use it. Without these foundations in place, even the most capable AI tools can struggle to deliver meaningful results.

Context matters for quality AI output

AI needs context to produce useful insights. That means having clean, reliable and connected data that gives a clear picture of how the business operates.

Despite high enthusiasm, many Singapore SMEs still have work to do on their data and systems. Only 18% are very confident their current systems provide sufficient context for AI to make reliable operational decisions. Confidence is also noticeably lower among businesses using standalone AI tools compared to those using embedded AI, underscoring the value of integrated systems when it comes to scaling AI use.

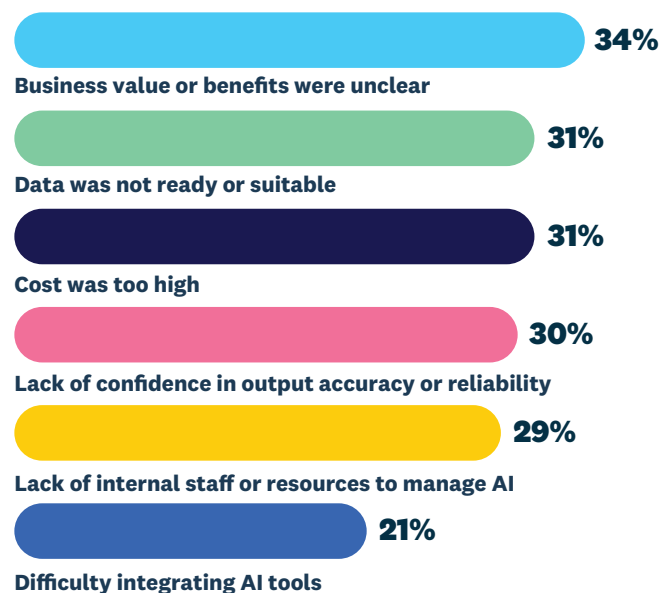
Confidence that current software provides sufficient data context for AI



Q: How confident are you that your current software systems provide enough complete context (e.g., data history, clean ledgers, system connections) for AI to output reliable operational decisions?

The lack of quality data was also among the leading reasons for AI pilots falling short of expectations. Among trialled AI pilots that didn't make it into regular use, 31% cited data readiness as a stumbling block, alongside unclear business value (34%), high costs (31%) and a lack of confidence in output accuracy (30%).

Top reasons why AI pilots fail to reach regular production



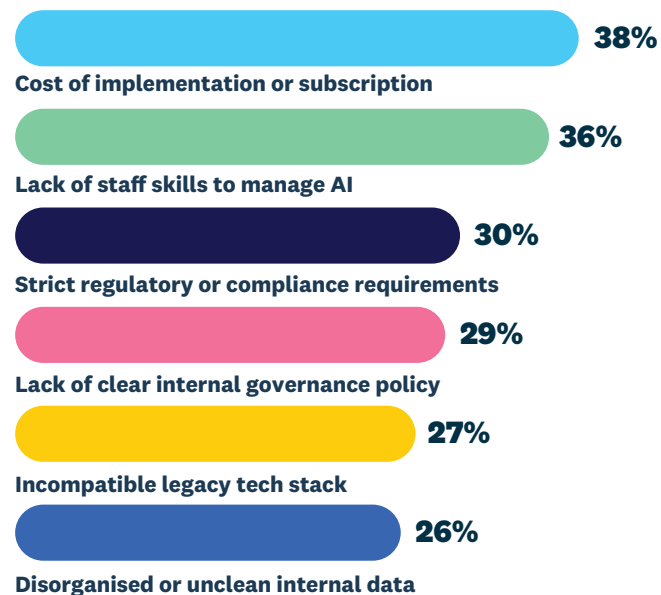
Q: What were the main reasons why some or all of the AI tools you trialled did not progress into regular use?

Overcoming operational and skill bottlenecks

When evaluating general barriers preventing businesses from expanding AI adoption, operational and resource constraints dominate. Businesses also need the right people, systems and processes to put AI to work.

For Singapore SMEs, cost is the biggest hurdle; 38% cited implementation and subscription costs as a barrier to expanding AI use, followed closely by a lack of skilled staff to manage AI (36%). Strict regulatory or compliance requirements are another challenge for 30%, while 29% struggle with a lack of clear internal governance policies. Furthermore, incompatible legacy tech stacks (27%) and disorganised internal data (26%) also prevent businesses from advancing further in their AI journey.

Biggest operational hurdles to adopting or expanding AI



Q: What are the biggest barriers preventing your business from adopting or expanding its use of AI?



Chapter 4: Building an AI-ready business

AI can do a lot for a small business, but capturing true competitive advantage requires more than switching on a new tool. This means creating the right environment for AI to do its job well, with clear guardrails, responsible use policies and people who have the skills and curiosity to work alongside it.

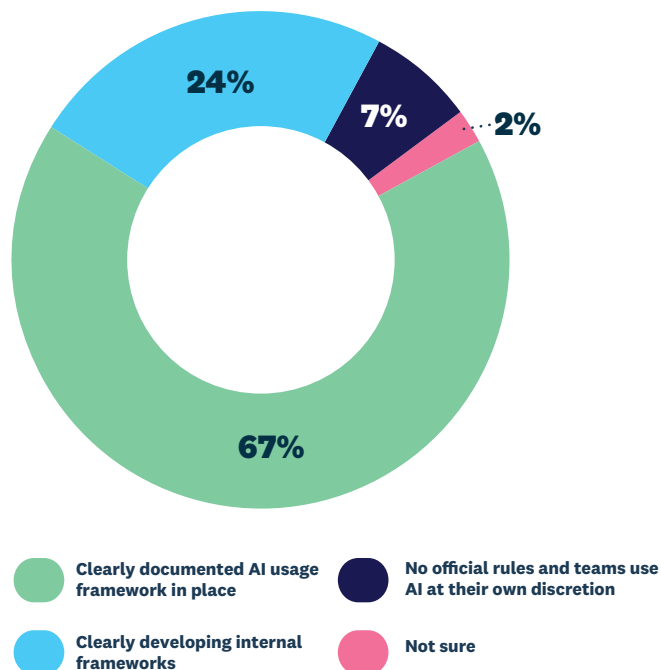
For Singapore's SMEs, the next step in the AI journey is becoming less about what AI can do and more about creating the right conditions for it to work well.

Good governance helps AI go further

Singapore's next stage of AI growth will be centred around safe and responsible use of the technology. Businesses need to think carefully about where human oversight fits in as AI moves from simple administrative tasks towards more active roles, making decisions and taking action.

Local SMEs are echoing the calls for AI safety outlined at the [2026 National Day Rally](#), with many prioritising formal governance. Among SMEs currently using AI, 67% already have a documented AI usage framework in place, while another 24% are actively drafting internal guidelines. Together, this suggests that the vast majority of local SMEs recognise the importance of clear governance guardrails. Policy formalisation is highest especially in regulated sectors like Financial & Insurance Services and Accounting.

Status of internal AI usage guardrails and policies



Q: Does your organisation have a formal governance framework, clear rules, or usage guardrails governing how employees leverage AI tools?

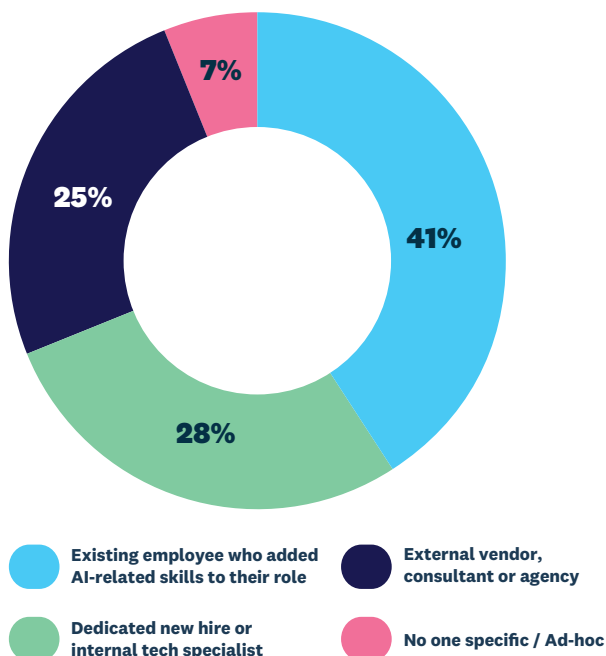
AI is changing roles, not replacing them

Contrary to longstanding concerns that AI automation would lead to fewer jobs and shrinking headcount, Singapore SMEs have instead taken a human-centric approach that aligns with national efforts towards responsible tech integration.

Rather than replacing workers, businesses are expanding roles and upskilling employees to work alongside AI. Existing employees with added AI responsibilities are the most common owners of AI (41%), suggesting many SMEs are choosing to build AI capabilities within their existing teams. In contrast, just 28% view AI primarily as a way to replace headcount.

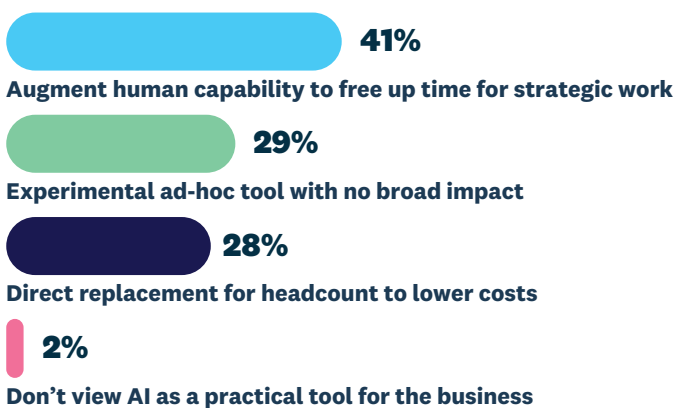


Responsibility for driving and managing AI within the business



Q: Who mainly drives and runs AI in your business?

Long term management strategy toward AI workforce integration



Q: Which statement best describes your management team's long-term philosophy on AI adoption?

This aligns with data from the [Ministry of Manpower \(MOM\)](#), which found no evidence of widespread job displacement due to AI: less than a tenth of local firms reported reducing their headcount after adopting AI, while the majority reported redesigning roles and creating new AI-related jobs. According to MOM, these findings suggest that AI is currently having a greater impact on how work is done than on broad-based job displacement.

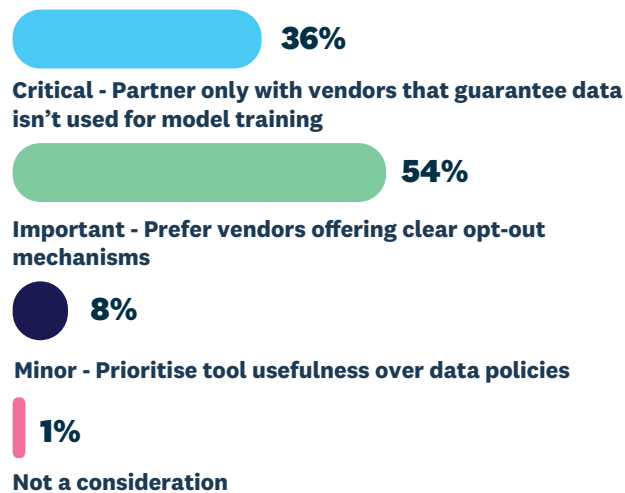
Holding vendors to high privacy standards

As AI becomes more deeply embedded in everyday business operations, trust will become just as important as what the technology can actually do. For SMEs, that makes privacy and transparency more than just technical considerations, but part of choosing the right vendors and tools.

Nine in 10 (90%) Singapore SMEs rate vendor data privacy and AI usage policies as critical and important factors when selecting their AI providers.

For 36%, that means only partnering with vendors offering explicit guarantees on data usage and access, including reassurance that customer data won't be used to train external AI models. Another 54% will look for vendors that offer clear ways to opt-out.

Data privacy expectations when selecting AI software providers



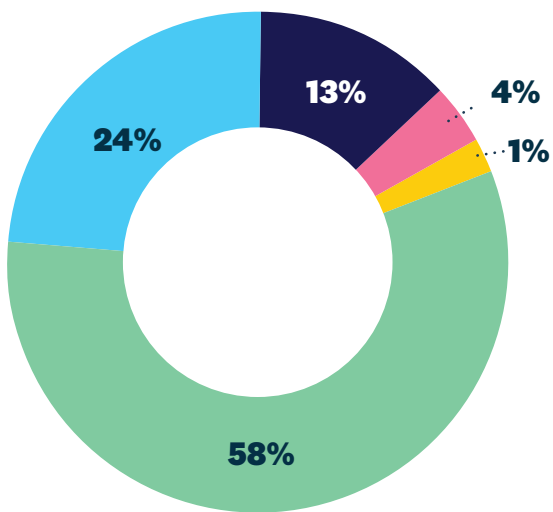
Q: When selecting a software provider, how important are their data privacy and AI usage policies (e.g. ensuring your data isn't used to train external AI models)?

Chapter 5: The road ahead for Singapore SMEs

Looking ahead, Singapore SMEs remain optimistic and willing to invest in AI.

More than eight in 10 (82%) say the return on their AI investments over the past year has met or exceeded expectations, while just 14% say returns have fallen short. This mirrors data from Singapore’s [Infocomm Media Development Authority \(IMDA\)](#) showing that local SMEs adopting AI-enabled solutions through the Productivity Solutions Grant (PSG) yielded average cost savings of 52% in 2024. Those adopting AI cybersecurity tools registered even higher average cost savings of 71%.

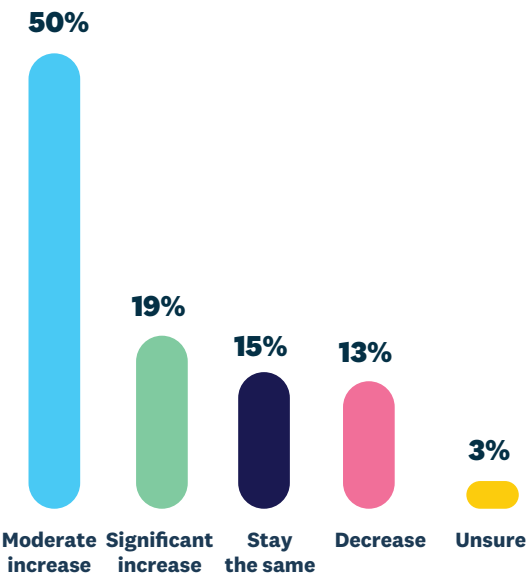
AI return on investment over past 12 months



Q: Thinking about the AI tools you’ve adopted in the last 12 months, has the return on investment (time or money saved vs. cost) met your expectations?

Over the next 12 months, 69% of SMEs plan to increase their total investment in AI tools and software. Separately 44% remain open to investing in more advanced AI once operational ROI is demonstrated, while 21% are already actively investing. For 22%, clearer software pricing models is the missing piece.

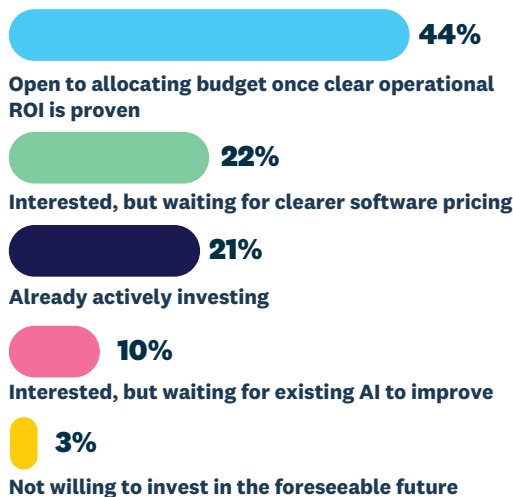
Expected change in AI and software spending over next 12 months



Q: How do you expect your business’s total spending on AI tools and software to change over the next year?



Current mindset toward investing in advanced AI capabilities



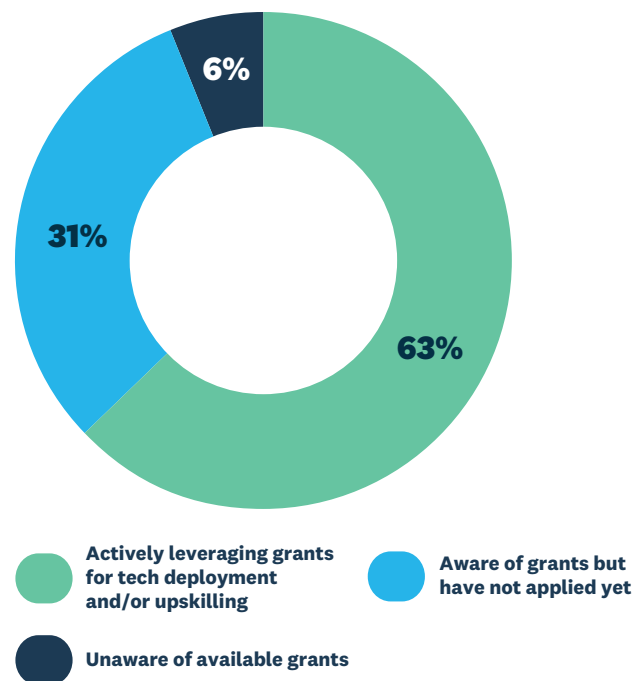
Q: Which statement best reflects your organisation's current mindset toward investing in advanced AI capabilities or agents?

Capitalising on national support and grant ecosystems

Singapore's support ecosystem can help turn AI interest into action for SMEs. In its [Budget 2026](#) announcement, the government doubled down on strengthening Singapore's position as a global AI hub, positioning the technology as a strategic advantage for local businesses. This builds on the robust national support ecosystem of grants, digital initiatives and support programmes, giving SMEs the help required as they adopt AI.

The survey findings showed that many SMEs are already making use of that support; almost two-thirds (63%) are actively leveraging Singapore government grants to fund technology deployment and/or workforce upskilling, while an additional 31% are aware of available grants but have yet to apply.

SME engagement with available digital and AI grants



Q: Are you aware of or currently leveraging Singapore government grants (e.g., Budget 2026 initiatives, IMDA frameworks) to support your digital or AI transitions?

That support can help businesses overcome some of the practical hurdles that come with adopting new technology. Through national grant schemes, government-backed digital initiatives and mentorship programmes that connect businesses with experienced technology partners, SMEs can access funding, tools and guidance designed to help them take the next step with greater confidence.

Securing the AI advantage

Singapore's SMEs have proven once again that their greatest strength lies in their agility and readiness to embrace change.

The findings in this report show that most have moved beyond experimenting with AI, with many now embedding it into the tools and workflows they use every day. They're seeing the benefits too, from greater visibility and faster decision-making to time saved on routine work. The next challenge is turning that momentum into lasting value by building the right foundations around AI.

But capturing true competitive advantage requires SMEs to move away from fragmented, standalone tools toward connected, reputable platforms powered by clean data and enterprise grade security safeguards. It also means combining robust data foundations with human-in-the-loop governance and giving employees the skills and confidence to work alongside AI.

Combined with the support available through government grants and programmes, these foundations can help SMEs reduce administrative work, make better use of their people and create more capacity for growth.

To evolve AI adoption into lasting business value, small businesses should consider four core actions:

1. Prioritise integrated software workflows

Move away from disconnected point solutions toward core business software ecosystems with built-in, embedded AI capabilities.

2. Audit and strengthen data readiness

Connect and organise data across the business, from financial and operational information to customer data, so AI has context to deliver more useful insights and reliable outputs.

3. Establish human-in-the-loop governance

Formalise internal usage guardrails to manage operational risk, while ensuring human judgement remains core to important decisions.

4. Capitalise on available government support

Tap into pre-approved digital transformation grants to offset adoption and workforce training costs, as well as mentorship programmes for guidance on technical deployment.

Xero: a strategic partner for Singapore's SMEs

**To navigate this journey smoothly, having
the right technology partner is essential.**

Xero is here to support Singapore's small and medium business community every step of the way. More than just accounting software, Xero's cloud-based platform provides the connected data foundation, built-in AI capabilities, and enterprise-grade security safeguards SMEs need to eliminate administrative drag, gain real-time visibility, and turn baseline digital adoption into a lasting competitive advantage.



Appendix

The information and commentary in this report is only a guide and should not be taken as taxation, financial or legal advice. We recommend you check with an independent expert that what you're doing is right for you and your business.

Notes to editors

- Answers may not total 100% due to rounding
- Survey options may have been edited for readability
- Past year refers to the past 12 months at the time of survey fieldwork

Methodology

This report is based on research commissioned by Xero and conducted by Pureprofile. The data was collected through an online survey of 1,018 independently recruited business owners and senior decision-makers from small to medium-sized businesses (fewer than 200 employees and annual revenue of not more than S\$100 million) in Singapore. The survey included 32 questions and was carried out between 29 July and 5 August 2026.

Percentages have been rounded to the nearest whole number for presentation purposes and may not sum to exactly 100%.

About Pureprofile

Pureprofile is a global data and insights organisation providing industry-leading online research solutions to agencies, marketers, researchers and brands and businesses. Founded in 2000 and based in Surry Hills, Australia, they operate in North America, Europe and APAC and have delivered solutions for over 850 clients.