

2019 Business Finance Survey:

SMEs



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Background

In 2012, BIS commissioned a new survey exploring the stages SMEs go through when considering the need to raise external finance (1,500 SMEs interviewed by CATI).

The British Business Bank repeated the survey in 2014 (1,000 SMEs interviewed), in 2015 (1,608 SMEs), 2016 (1,535 SMEs), in 2017 (2,070 SMEs) and 2018 (2,000 SMEs).

The 2019 survey is based on 4,003 SME interviews from 27th August to 25th November. Two versions of the questionnaire were used. Some new questions were added but core questions remain the same enabling comparison over time.

Statistically significant changes between the 2018 and 2019 surveys (at 95% confidence level) are identified by green arrows (increases) and red arrows (decreases).

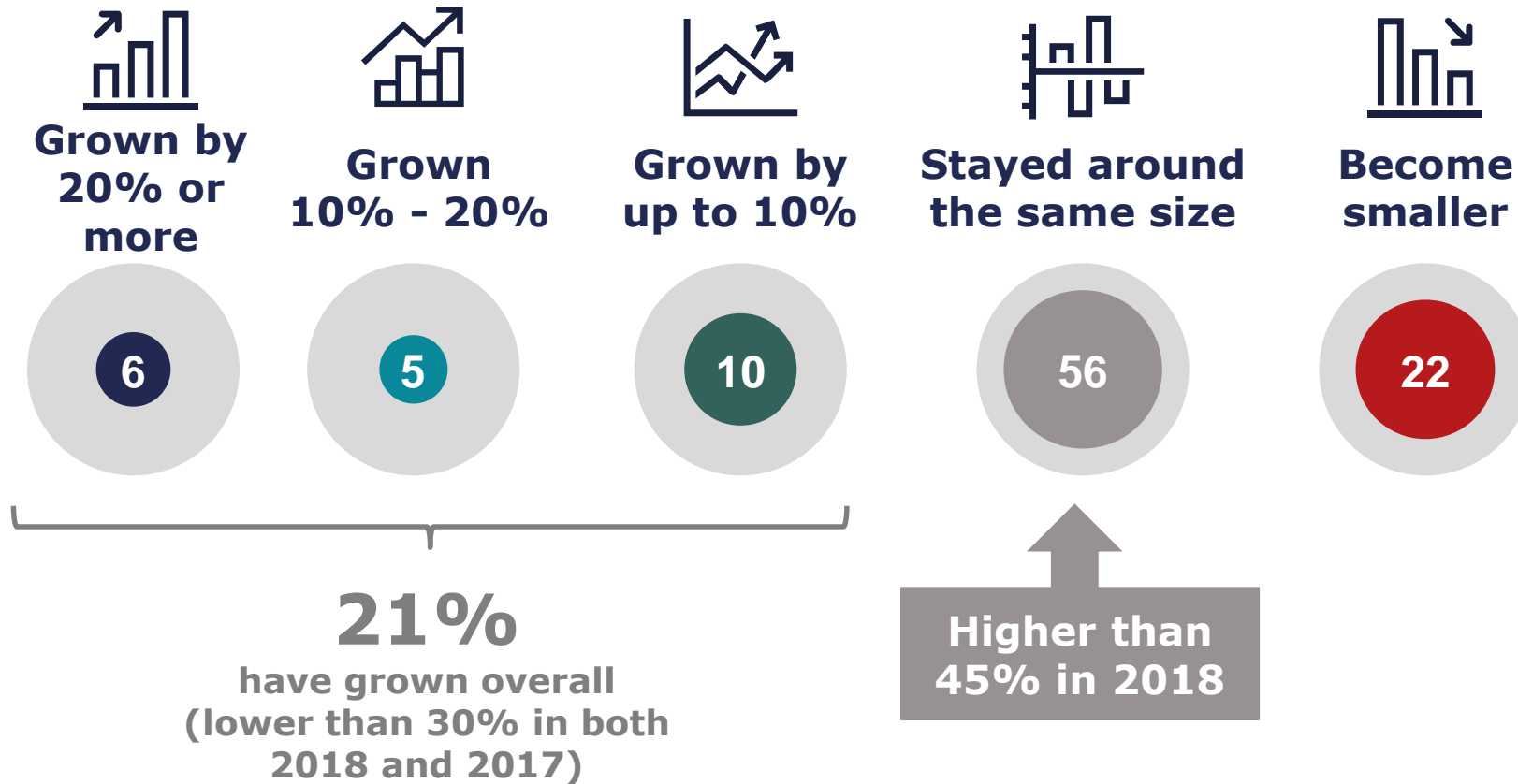




Growth

One in five SMEs has grown over the past 12 months

Growth of business turnover or in the number of employees in past 12 months (%)

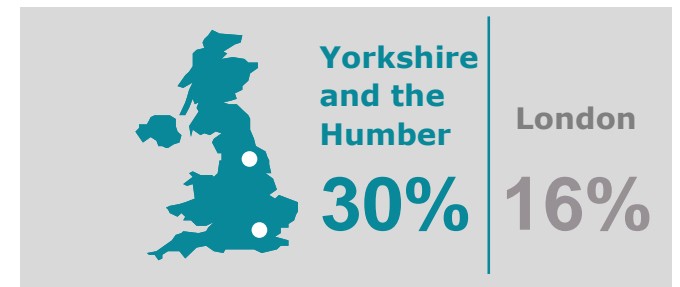


Proportion of firms with 3 years of 20%+ growth (= 2% of SMEs)

20%+ growth in previous two years (among firms with 20%+ growth in past year)



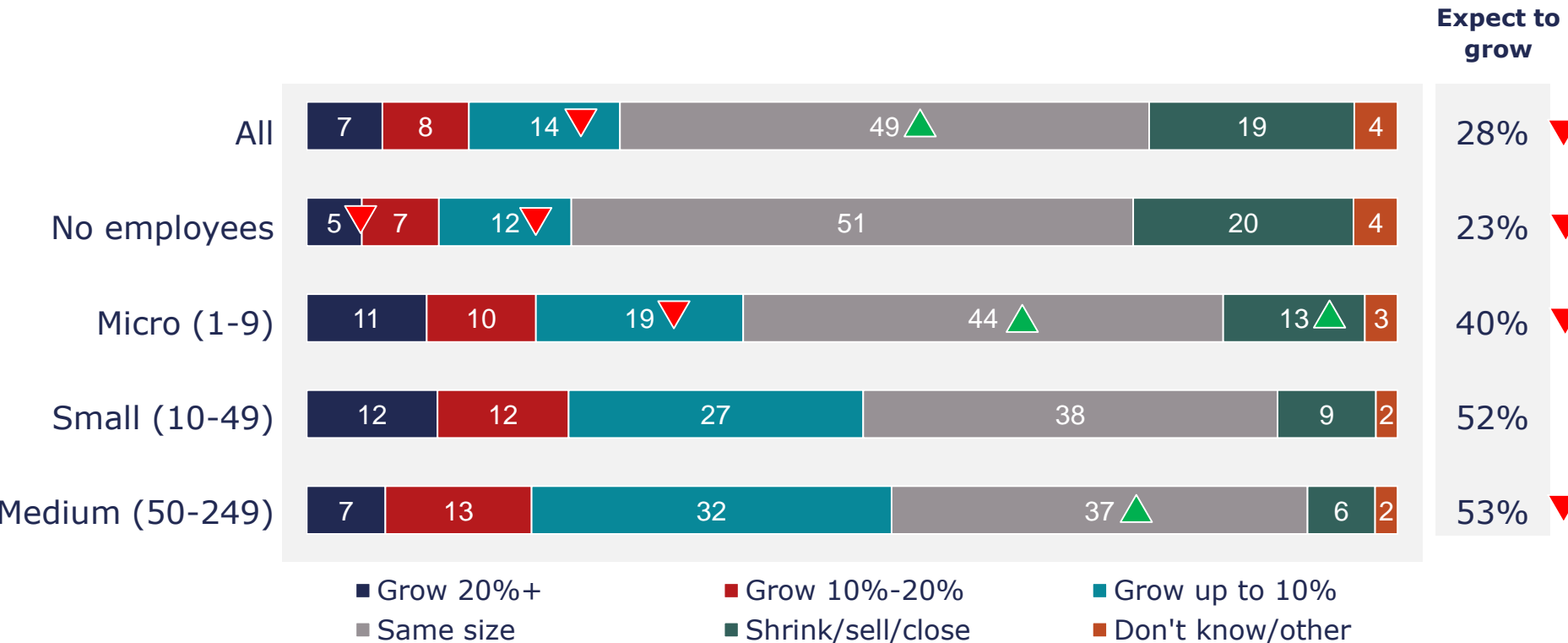
Highest/lowest growth



Base = all SMEs in business 2+ years (n=3,951), Question B4. All SMEs grown 20+% past 12 months (n=272). Question B4/B5. (single code, prompted). Question updated in 2019 to include growth of the number of employees in addition to turnover only (as per 2018).

Growth expectations are less buoyant than in 2018, especially among SMEs without employees. More SMEs expect to remain the same size

Growth expectations – by number of employees (%)



28% of businesses expect to grow over the next 12 months (lower than 36% in 2018 and 35% in 2017)

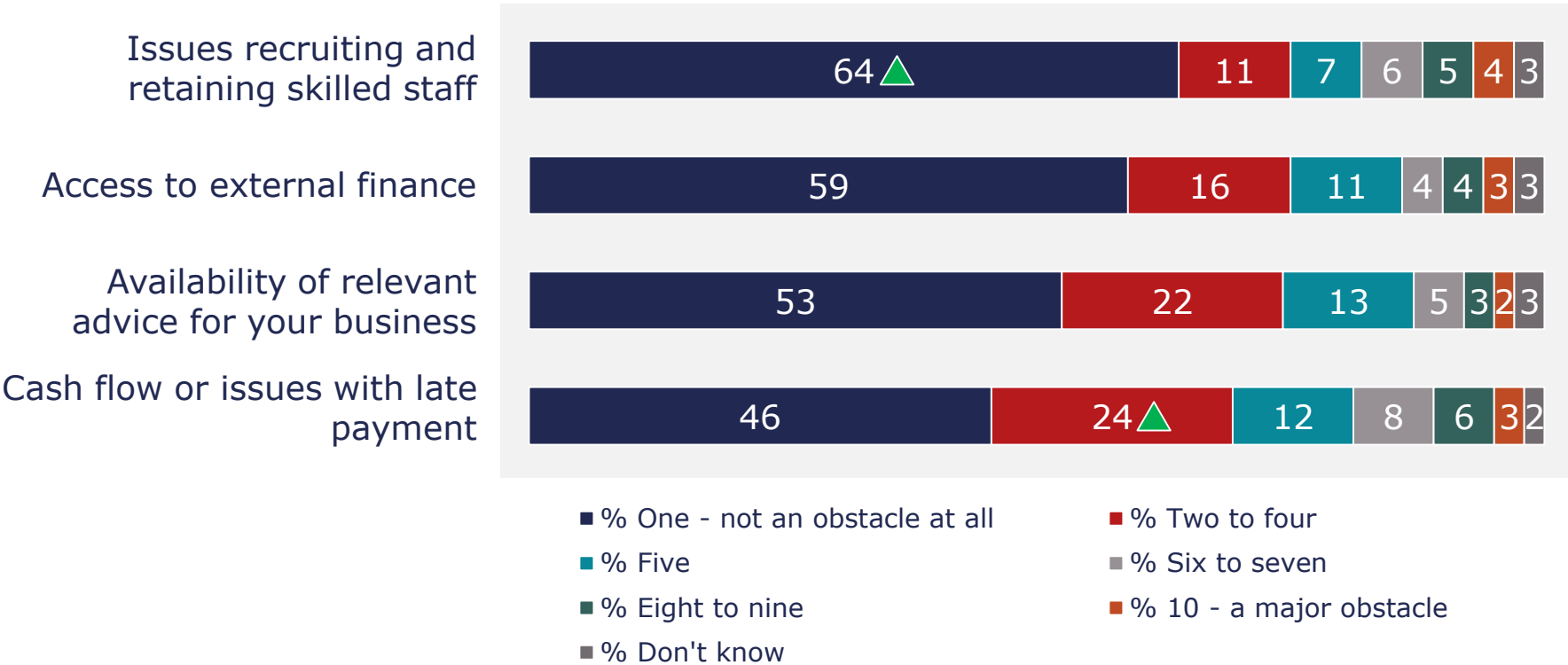
SMEs without employees are the least optimistic, with a fifth (20%) expecting to shrink, sell or close the business, compared to only 6% of medium-sized SMEs

▲ Sig higher than 2018
▼ Sig lower than 2018

Question B6 (single code, prompted). Base = all SMEs (n=2000), No employees (n=823), Micro (n=690), Small (n=316), Medium (n=171). Note: 'expect to grow' combination is subject to rounding so may not equal the sum of figures presented on the chart.

Recruiting and retaining skilled staff is less likely to be reported as an obstacle than 2018

Obstacles in the next 12 months (%)



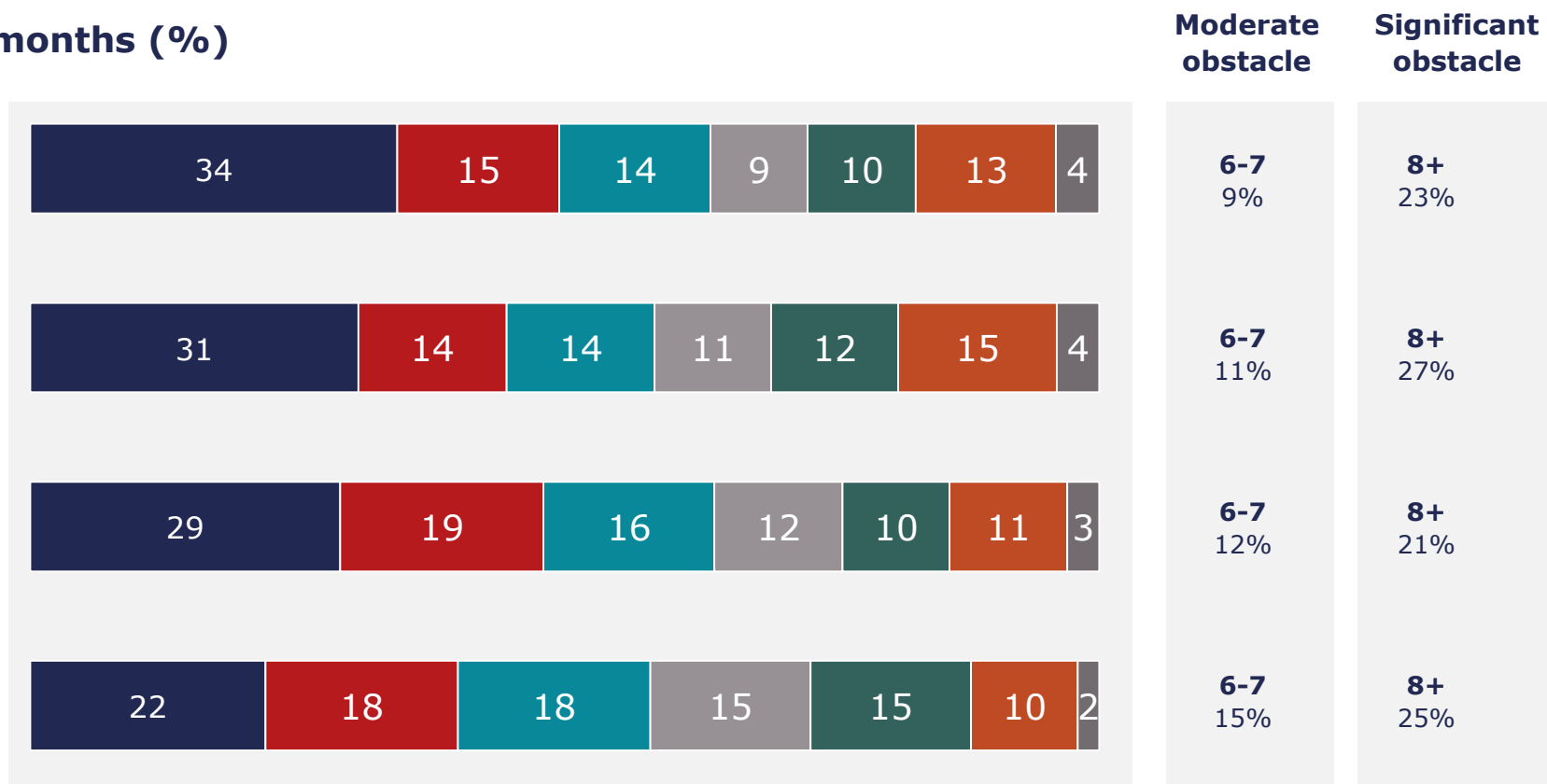
Moderate obstacle	Significant obstacle
6-7 6% in 2019 6% in 2018	8+ 8% in 2019 10% in 2018
6-7 4%	8+ 6%
6-7 5% in 2019 5% in 2018	8+ 5% in 2019 5% in 2018
6-7 8% in 2019 8% in 2018	8+ 9% in 2019 9% in 2018

▲ Sig higher than 2018
 ▼ Sig lower than 2018

Question B8 (single code, prompted). Base = all SMEs (n=4,003).

Political uncertainty and current economic climate are seen as the greatest obstacles

Obstacles in the next 12 months (%)



- % One - not an obstacle at all
- % Two to four
- % Five
- % Six to seven
- % Eight to nine
- % 10 - a major obstacle
- % Don't know

Question B8 (single code, prompted), all new codes in 2019. Base = all SMEs (n=4,003).



EU Exit

Note on methodology

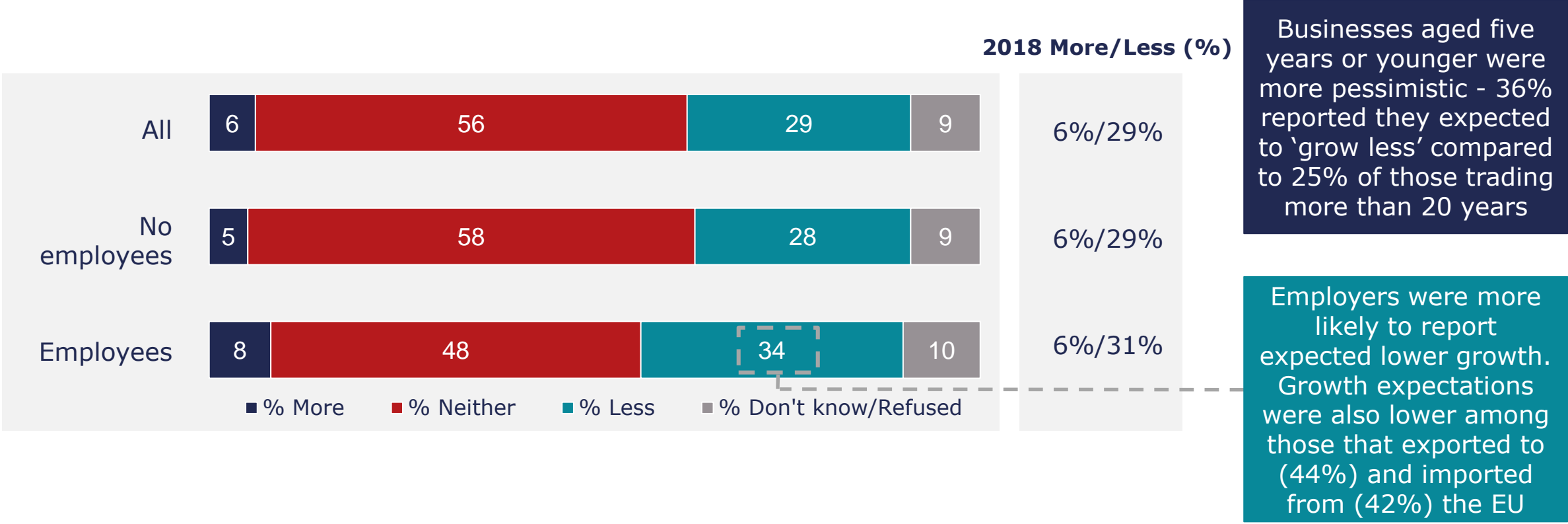
As in previous years, this section of the SME Finance Survey asked firms about the potential impacts of the UK leaving the EU.

The survey was in the field between the end of August and November. Interviews were completed before and after conclusion of the Withdrawal Agreement between the UK and EU on 17 October 2019.



On balance, SMEs were pessimistic when asked about the impact of leaving the EU on growth, though the majority reported it would not affect them

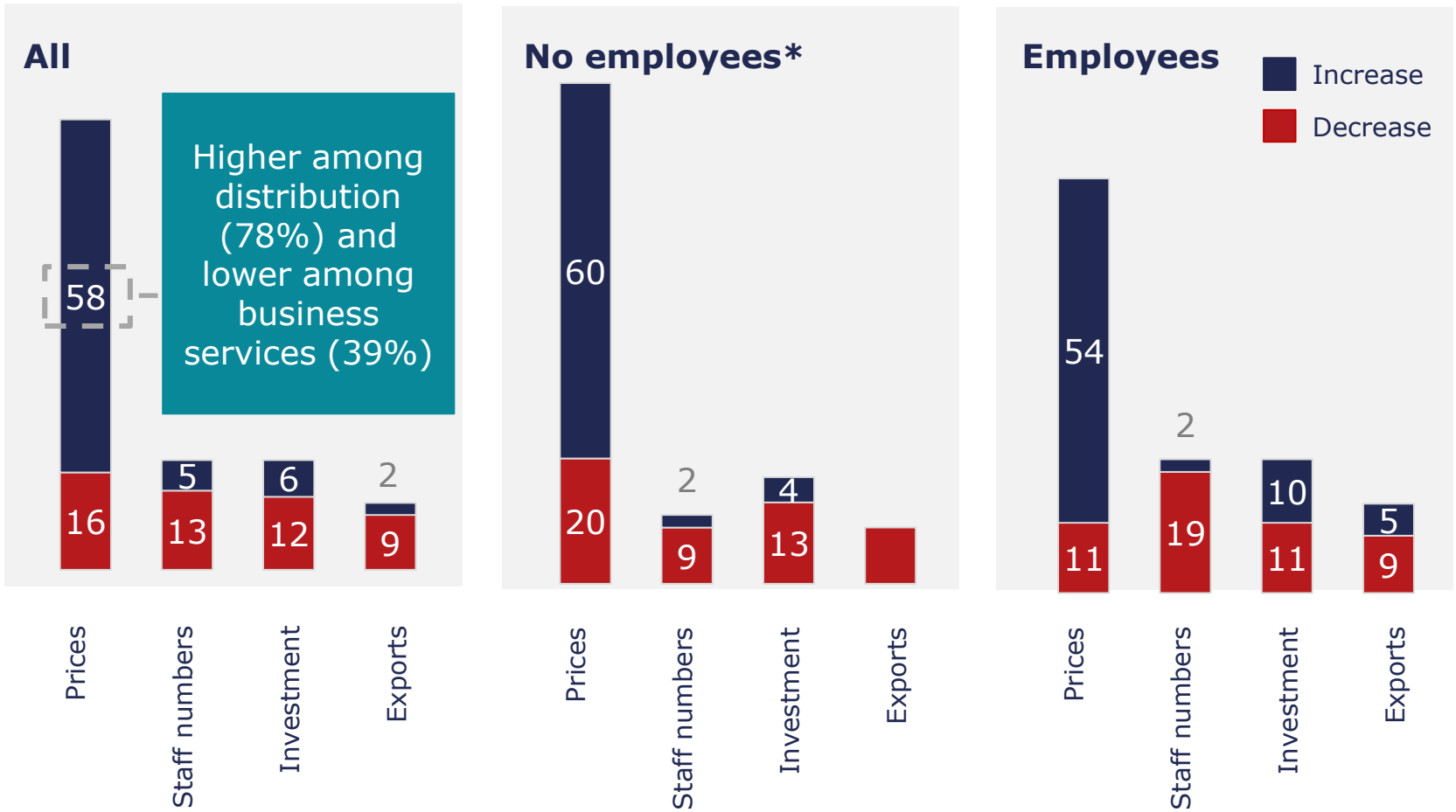
Reported expectations for growth as result of the UK leaving EU - by number of employees (%)



Base = all SMEs (n=2,000 in 2019, n=2,000 in 2018; no employees n=823 in 2019, n=821 in 2018; employees n=1,177 in 2019, n=1,179 in 2018. Question C6 (single code, prompted).

13% of SMEs overall reported they expected to make changes as a result of the UK leaving the EU

Expected increase/decrease as result of leaving EU – of those that expected to make changes (%)



Amongst those SMEs that expected to make changes, the most often reported was increase in prices (58%)

Expected to make a positive* change = 10%

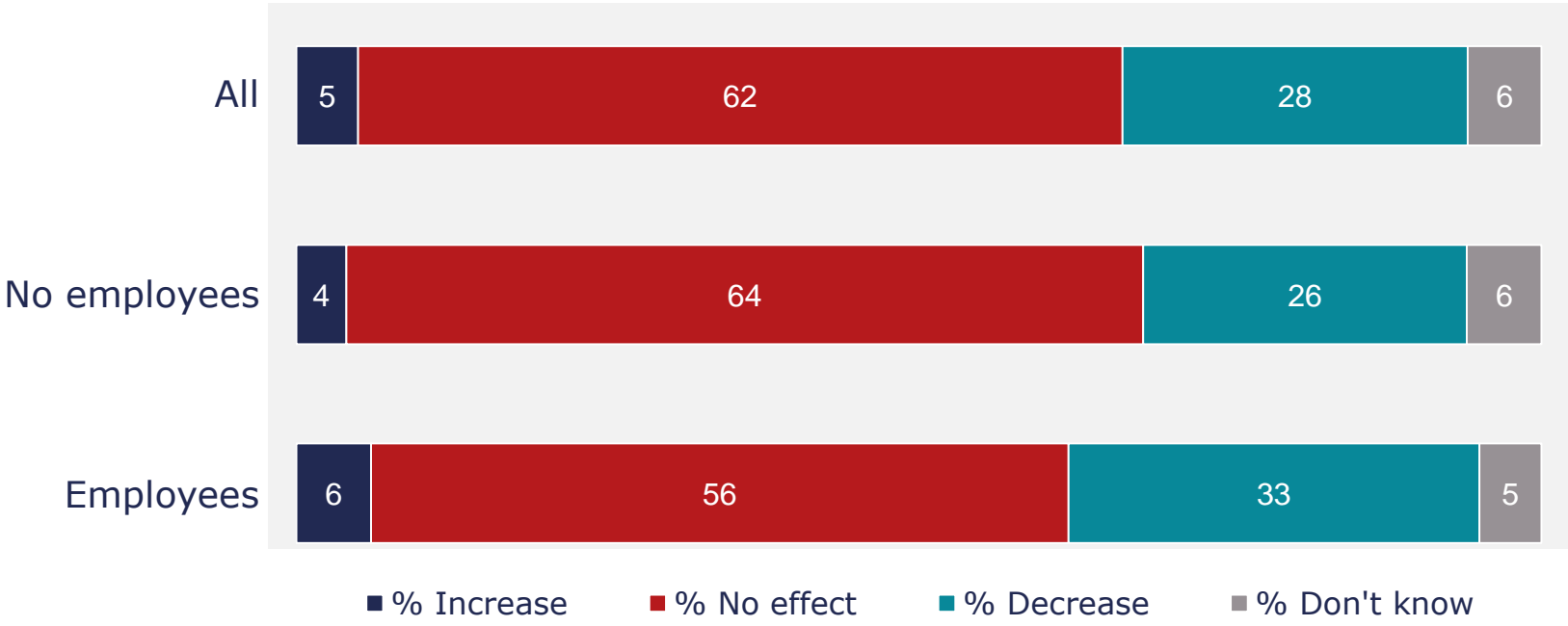
Expected to make a negative* change = 24%

Base = All firms that had made or expected to make any changes to investment, exports, staff numbers or prices as a result of the UK leaving the EU. (n=322; no employees n=82* (NOTE: LOW:BASE), employees = 240). Question C7 (multi code, prompted). Note: % that expected to make any positive/negative change are aggregate measures and cannot be calculated from the chart data above. *[Positive/negative] expected changes included [increase/decrease] staff numbers, investment or exports.

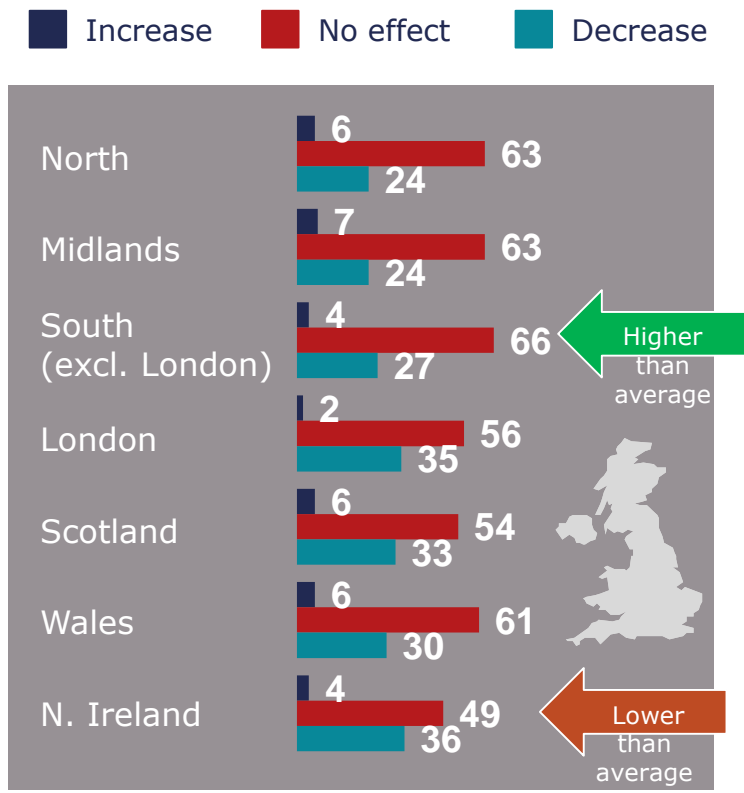
More than five SMEs reported that the impact on sales would be negative for every one SME that expected a positive impact

Expected impact of UK leaving the EU on sales – by number of employees (%)

In 2018: **16%** reported it had already affected sales
24% reported it would affect sales in the next 12 months
62% predicted no effect



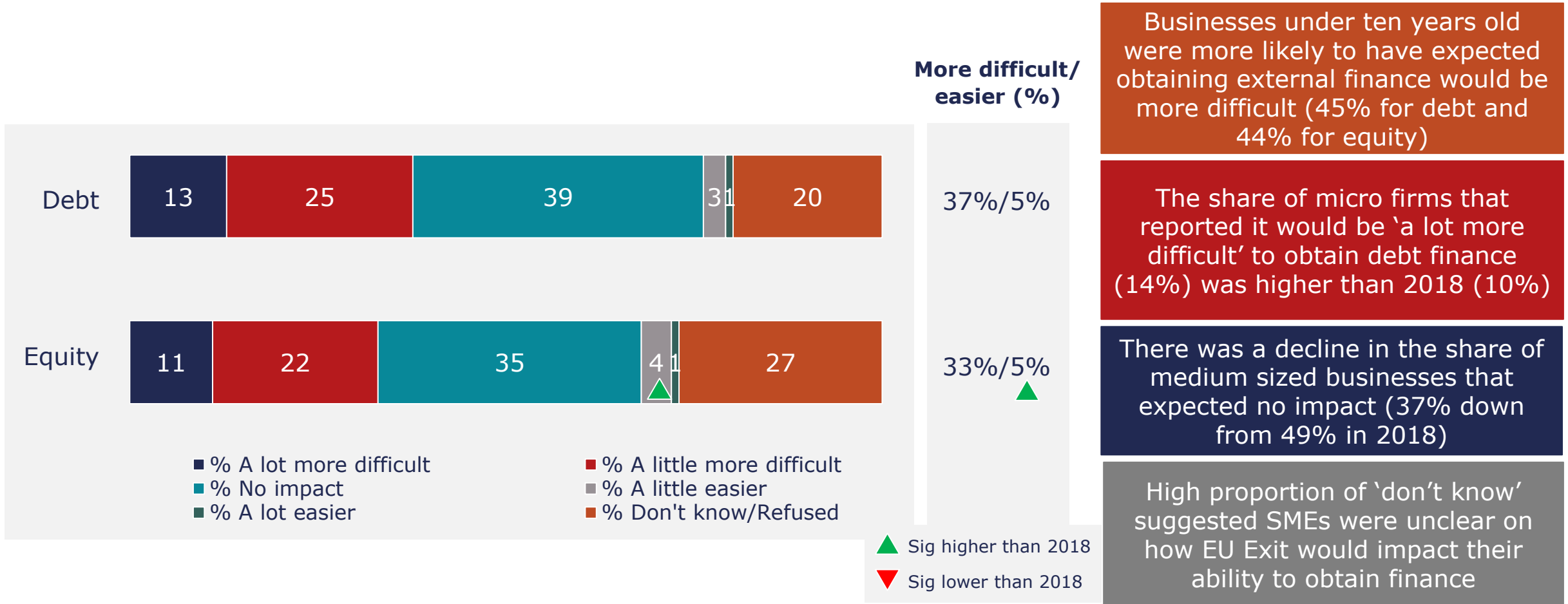
Expected impact of UK leaving the EU on sales by region and nation (%)



Question C11 (multi code, unprompted). Base = all SMEs (n=2000), No employees (n=823), employees (n=1,177). Note: 'Increase' includes responses "Yes – had already increased sales" and "Yes – expected sales to increase". 'Decrease' includes responses "Yes - had already decreased sales" and "Yes – expected sales to decrease".

Approximately one third of SMEs reported obtaining equity or debt finance would be more difficult

Expected impact of UK leaving the EU on obtaining debt and equity (%)



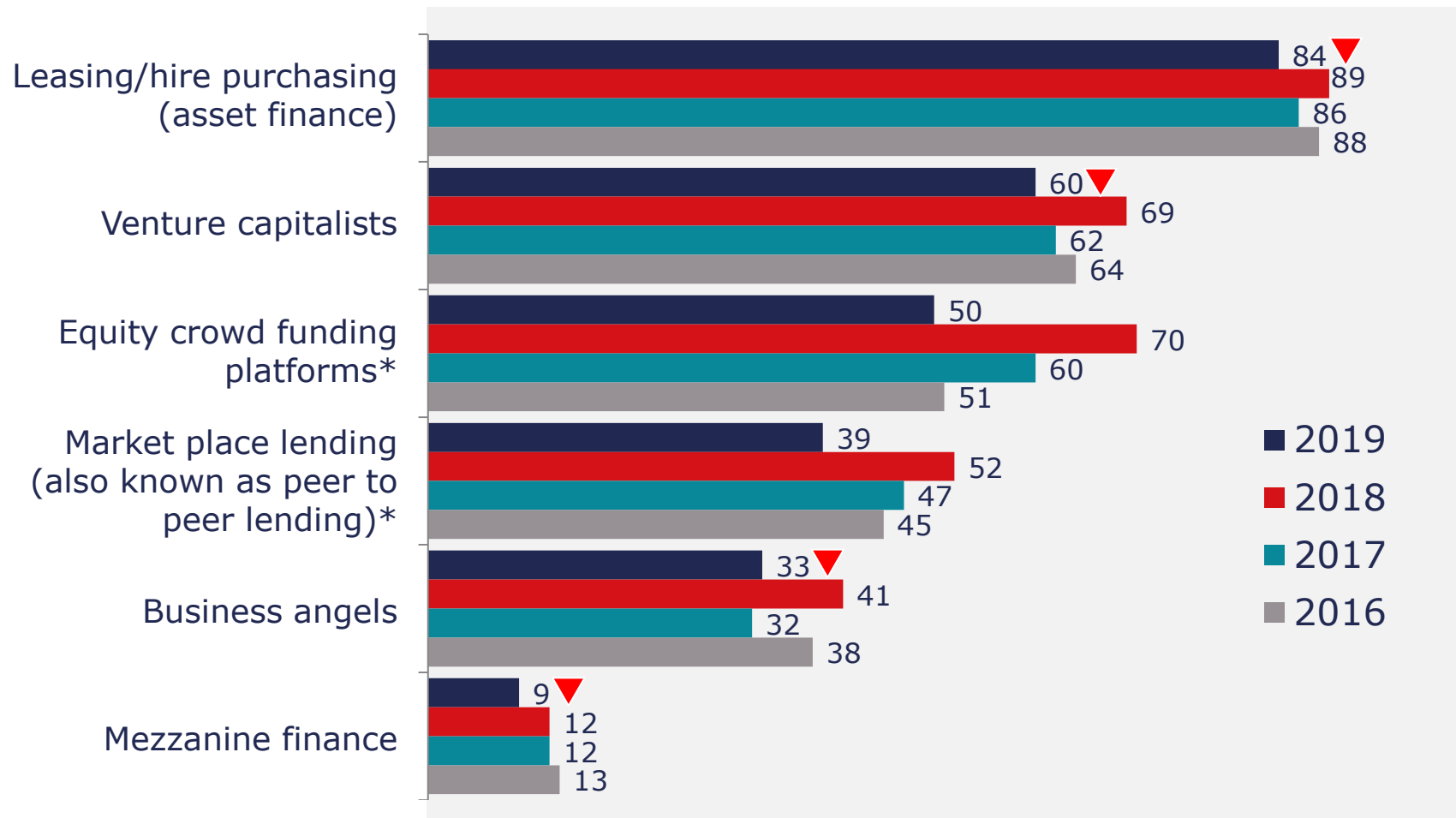
Base = all SMEs (n=2,000 In 2019, n=2,000 in 2018. Question C14 (single code, prompted). Note: combined easier/more difficult are subject to rounding so may not equal the sum of figures presented on the chart. 'More difficult' includes the responses "A lot more difficult to obtain" and "A little more difficult to obtain". 'Easier' includes the responses "A little easier to obtain" and "A lot easier to obtain".



Awareness of Finance

Awareness of leasing/hire purchase is substantially higher than other forms of external finance

Awareness of forms of external finance 2016-2019 (%)



A majority of SMEs (88%) are aware of at least one of the six key finance types, but only one in twenty (5%) are aware of all six

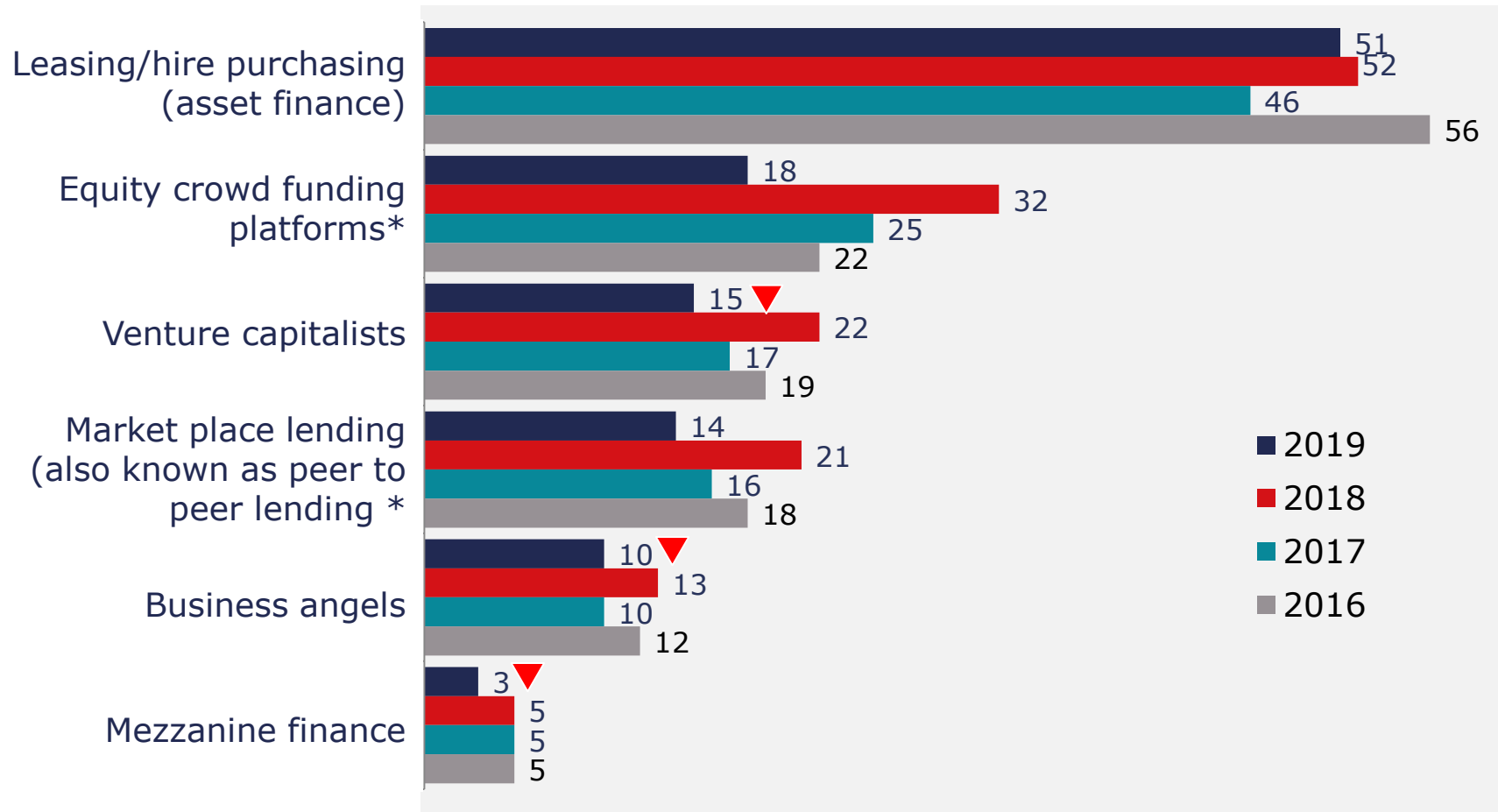
Awareness of the six finance types is higher among SMEs with employees, and those in the production and business service sectors

▲ Sig higher than 2018
▼ Sig lower than 2018

Base = all SMEs (n=4,003 in 2019, n=2,000 in 2018 n=2,070 in 2017, 1,535 in 2016). Question A1 (multi code, prompted). *Note "Peer-to-peer lending" and "Crowd funding platforms" in 2017-18. Note: Awareness of credit cards highest (94%).

Awareness of who to approach for specific products is generally lower than in 2018

Aware of who to approach for forms of external finance 2016-2019 (%)

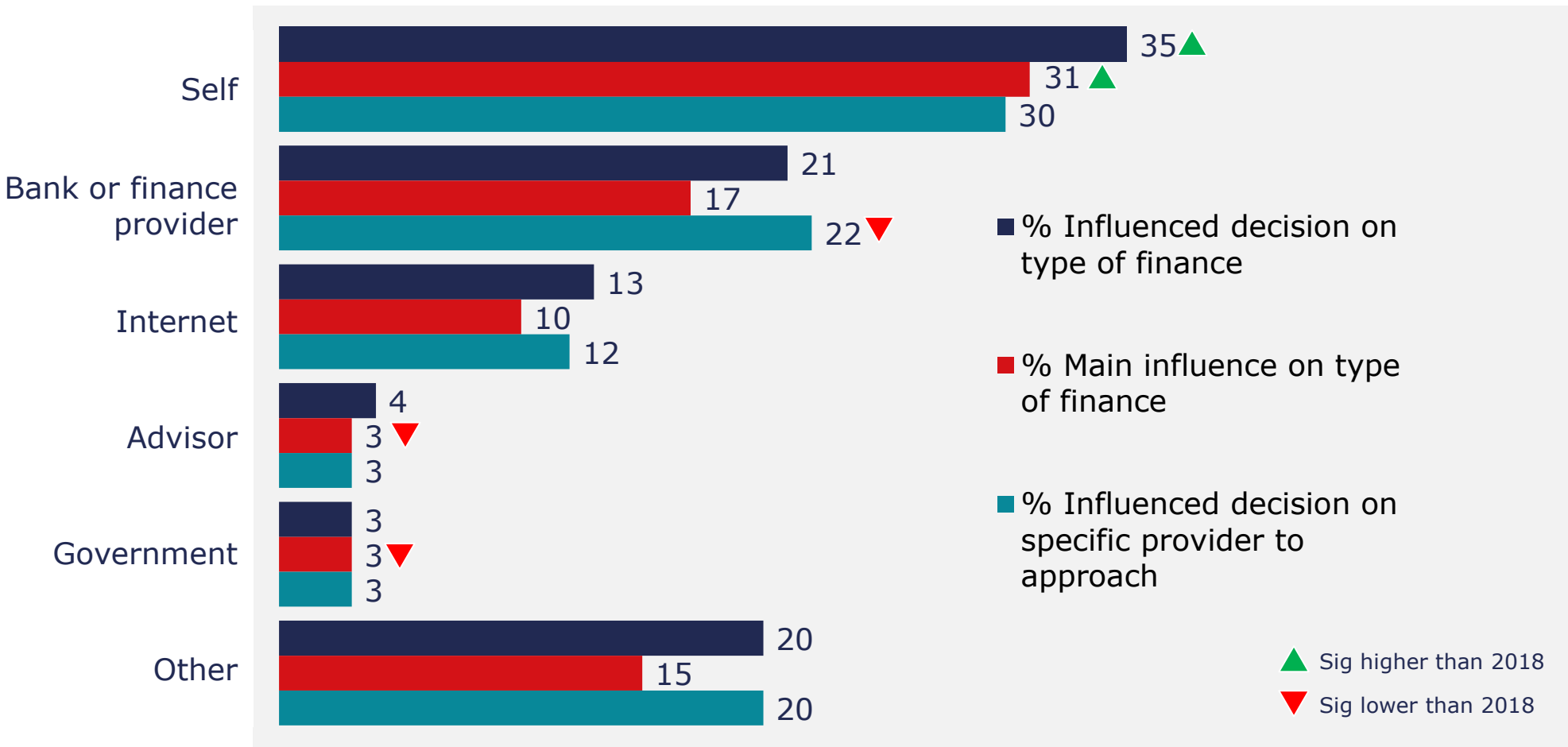


▲ Sig higher than 2018
▼ Sig lower than 2018

Base = all SMEs (n=4,003 in 2019, n=2,000 in 2018 n=2,070 in 2017). Question A2 (multi code, prompted). *Note: "Peer-to-peer lending" and "Crowd funding platforms" in 2017-18.

SMEs most commonly use their own knowledge and previous experience when choosing which provider to approach

Sources of information that influenced decision among those who've sought finance in the past three years (%)



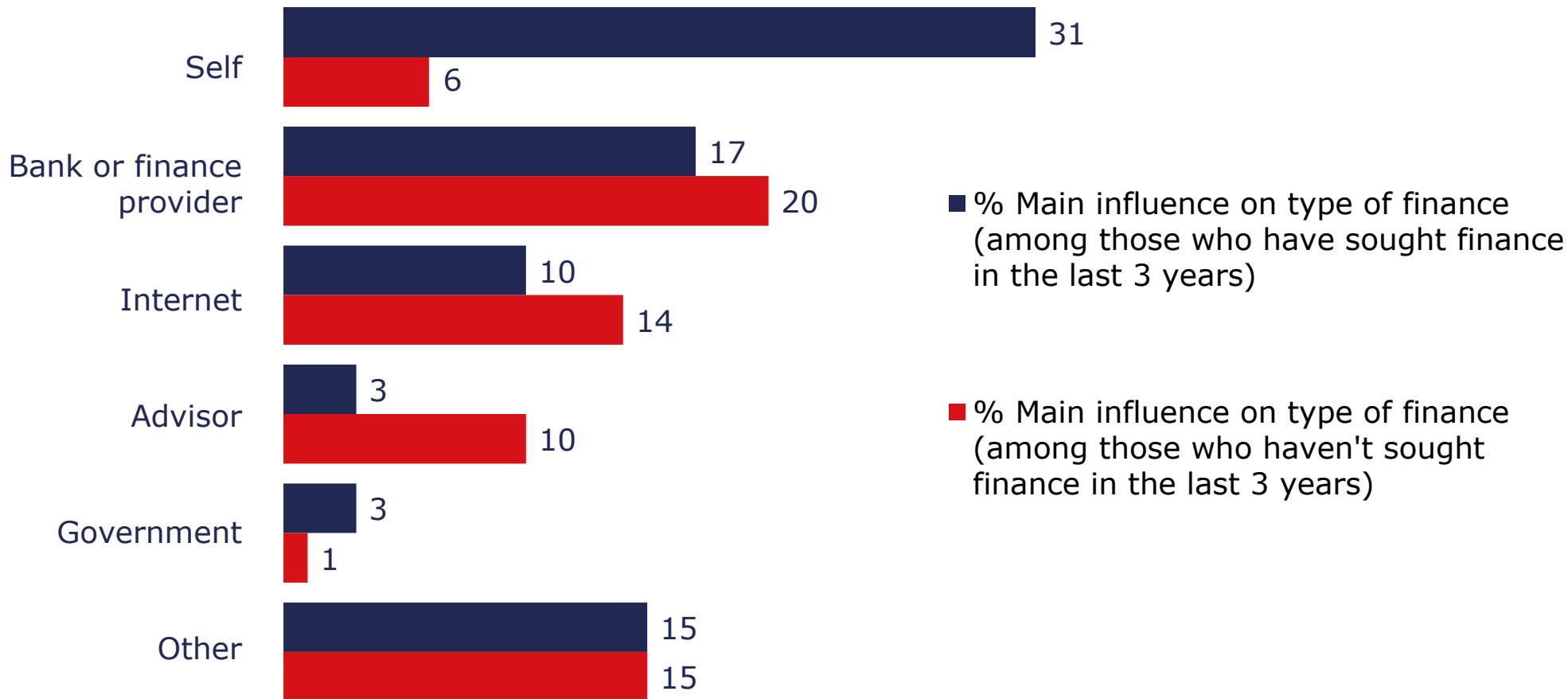
More businesses are relying on their self knowledge and previous experience when choosing the type of finance than in 2018.

Banks and finance providers are less influential on which provider to approach.

Base = all SMEs who sought finance in the last three years (n=755), all SMEs did not seek finance in the last three years (n=1,254). Question A16 and Question A18 (multi code, unprompted). Question A17 (single code, unprompted). Other includes: 'Word of mouth/experience of colleagues/ peers etc. in obtaining finance'; 'Information from provider / supplier / dealer / manufacturer'; 'Only available option / most likely to be approved'; 'Emails / mailshots', Other (specify).

Those who have not sought finance previously are more likely to say they would rely on an advisor to help make that decision

Main source of information to influence decision on which type of finance to apply for? (%)

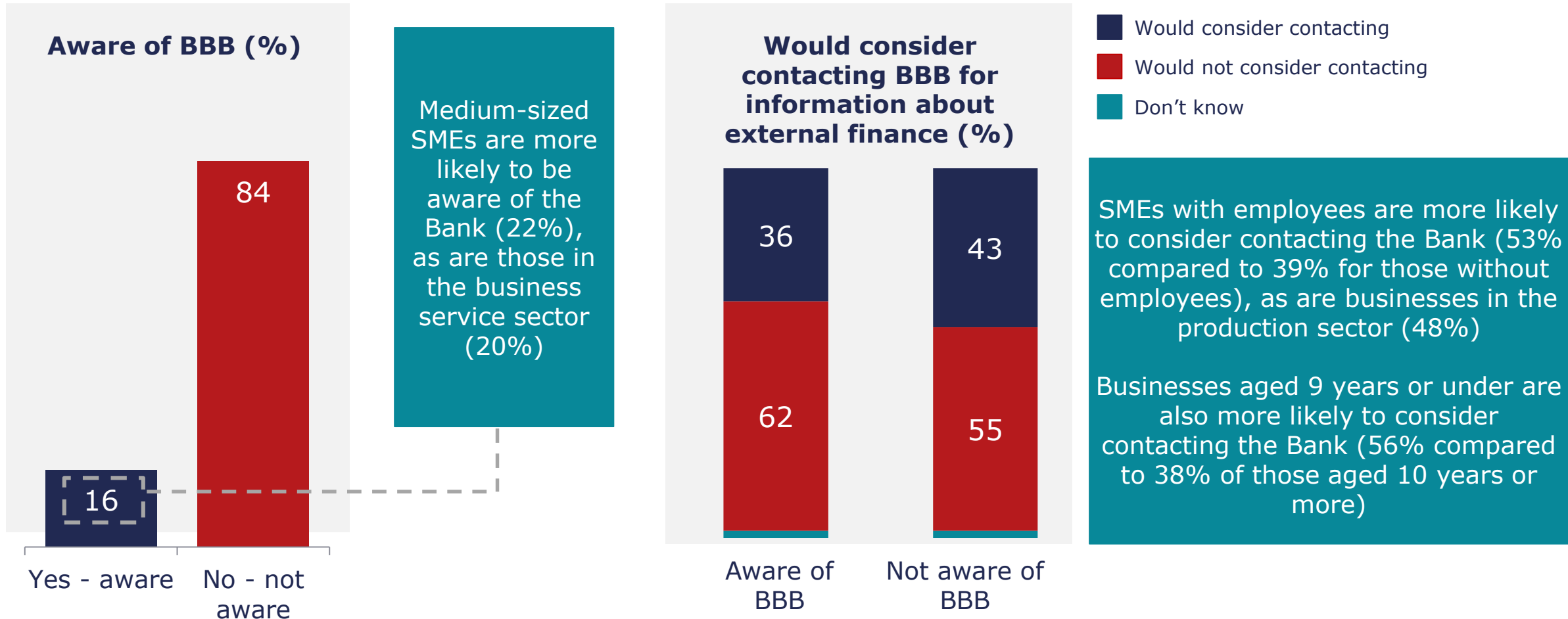


Base = all SMEs who sought finance in the last three years (n=755), all SMEs did not seek finance in the last three years (n=1,255). Question A17 (single code, unprompted). Other includes: 'Word of mouth/experience of colleagues/ peers etc. in obtaining finance'; 'Information from provider / supplier / dealer / manufacturer'; 'Only available option / most likely to be approved'; 'Emails / mailshots', Other (specify).



**Awareness of the
British Business Bank**

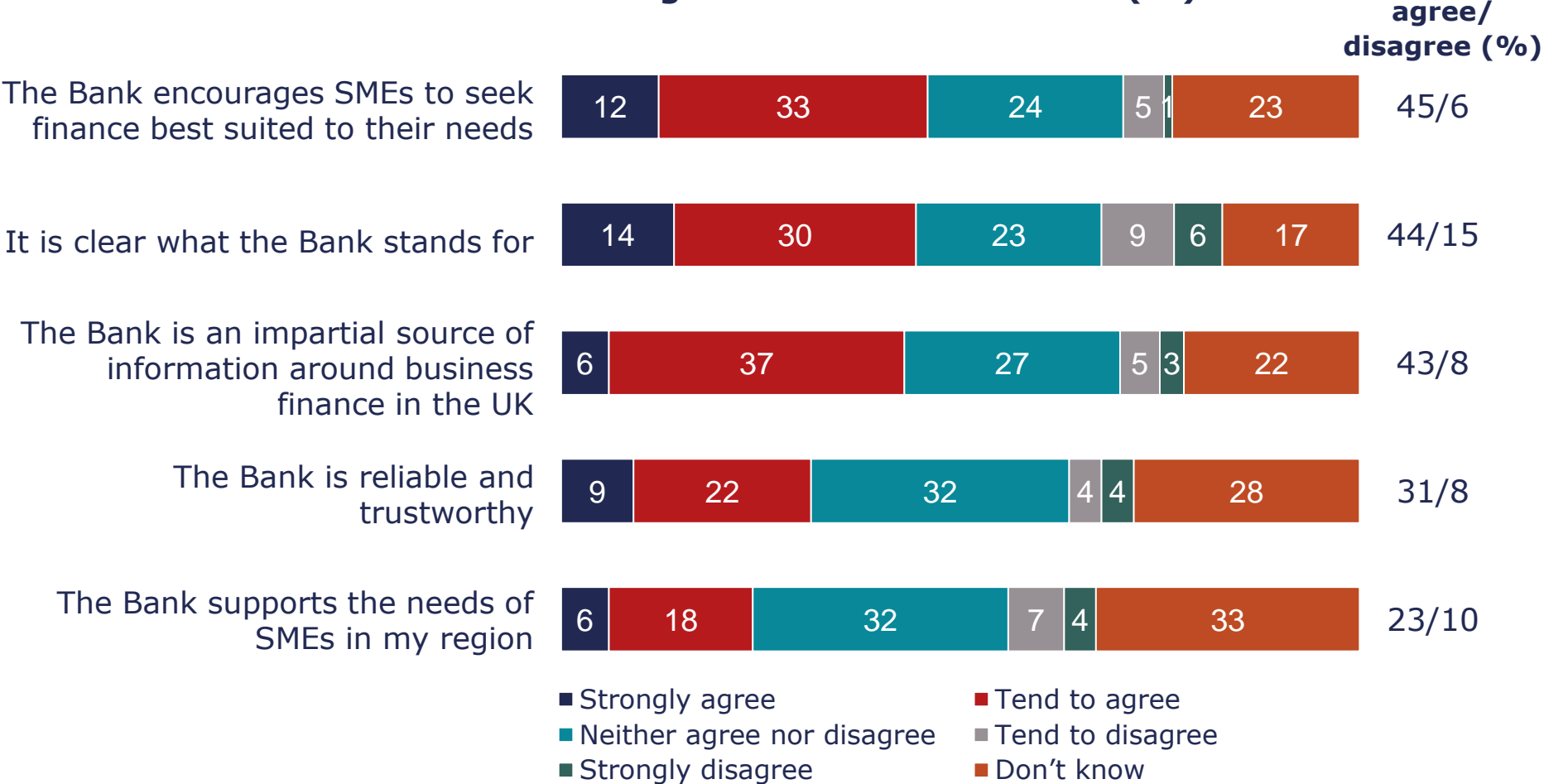
A large majority of SMEs are not aware of the British Business Bank. Four in ten SMEs say they would consider contacting the Bank for information



Base = all SMEs (n=4,003 in 2019). Question D12 and 13 (single code, prompted).

Just under half of SMEs aware of the Bank agree it is clear what the Bank stands for and the Bank encourages them to seek finance suited to their needs

Perceptions of the British Business Bank among those aware of the Bank (%)



Base = all SMEs aware of the British Business Bank (n=320 in 2019). Question D14 (single code, prompted). Note: 'agree/disagree' combination is subject to rounding so may not equal the sum of figures presented on the chart.

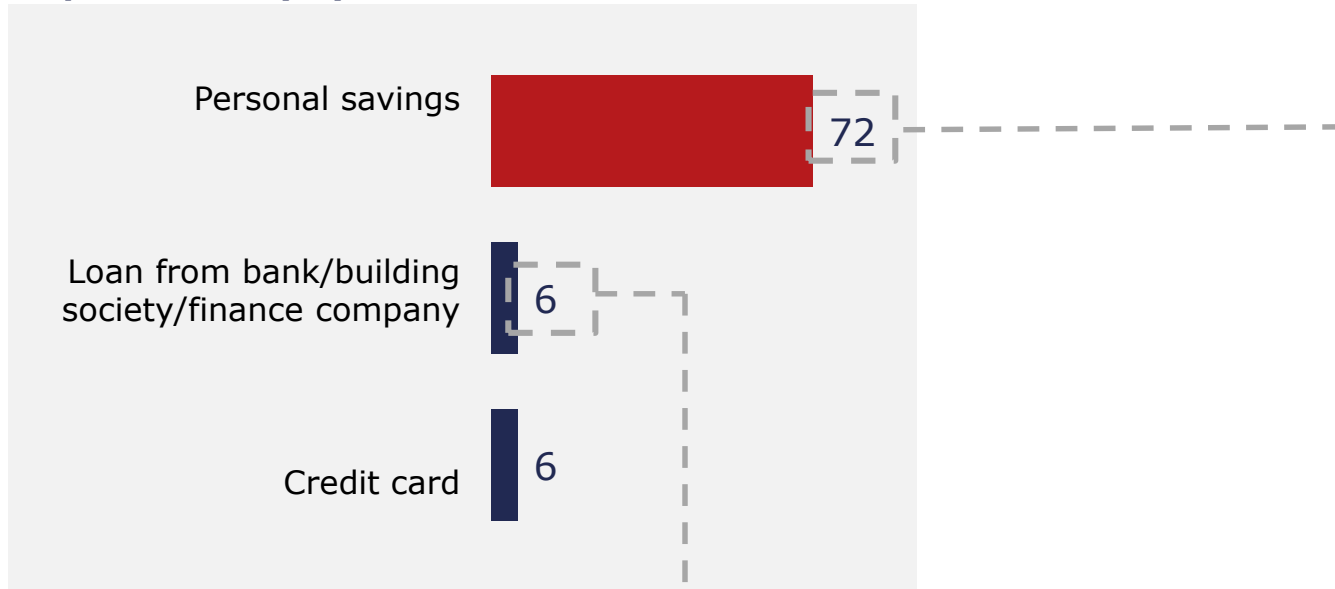


Finance Use

Personal savings continue to be by far the most commonly used source of finance to establish a business

Finance used in establishing business if started in last five years

Top mentions (%)



Higher among employers (15%) than non-employers (1%)

% personal savings - 2017-2019



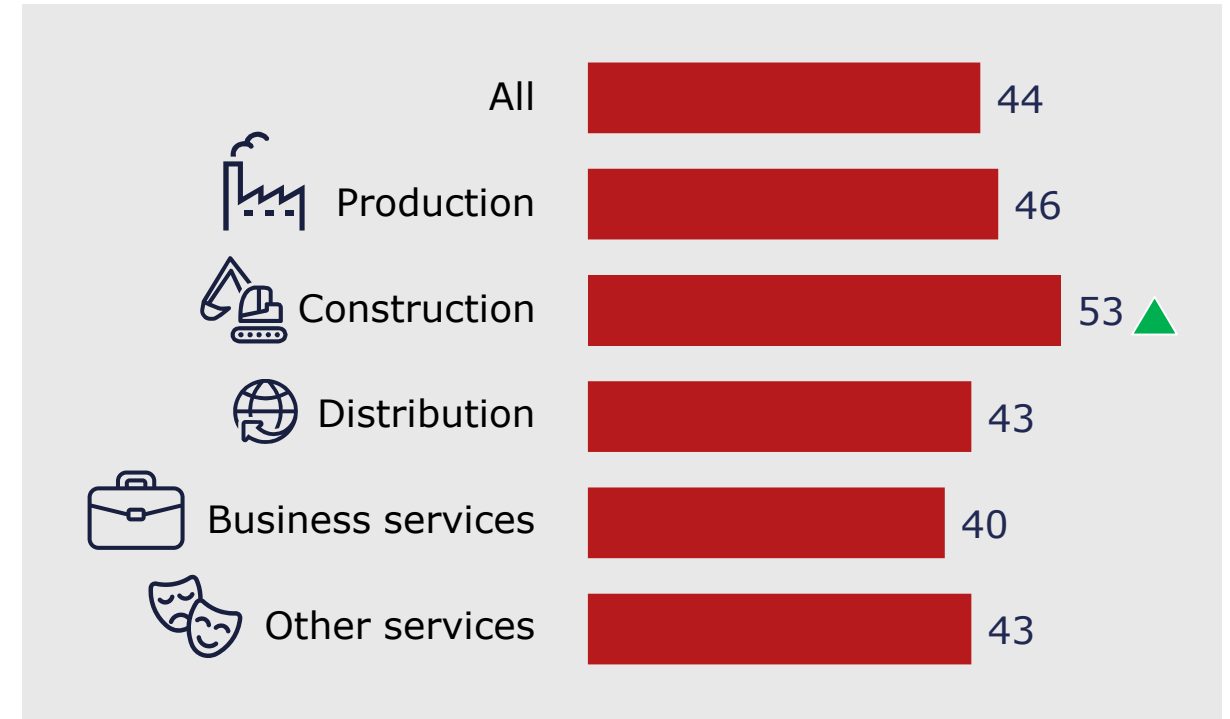
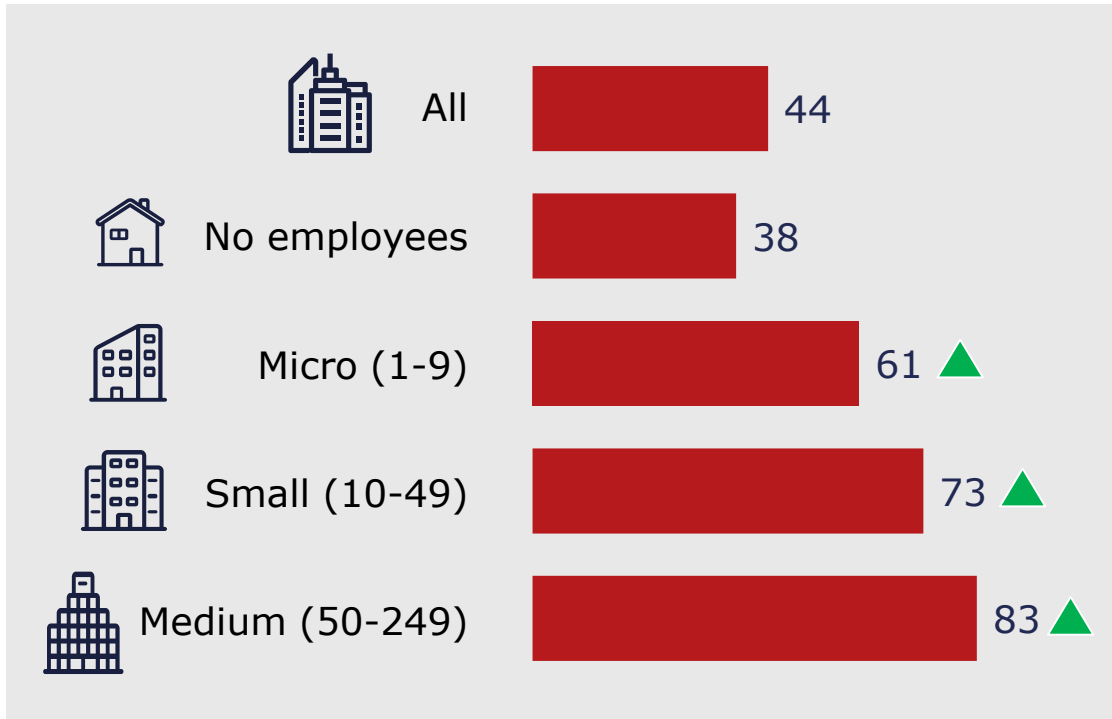
% personal savings – by age of businesses



▲ Sig higher than previous year
▼ Sig lower than previous year

The proportion of SMEs seeking external finance in the last 3 years has grown among employers and in the construction sector

Sought external finance in the previous three years - by employee size and sector (%)

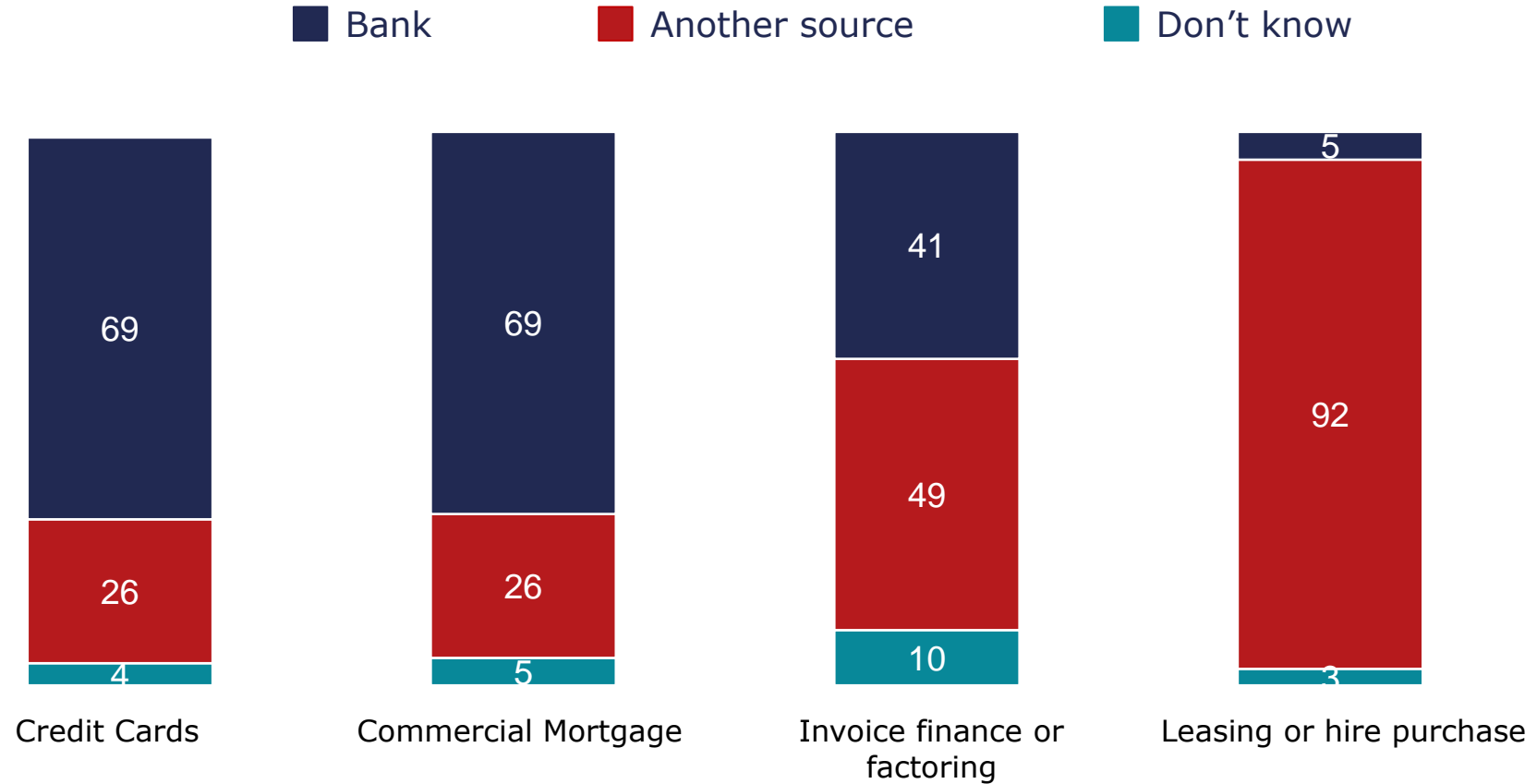


▲ Sig higher than 2018
▼ Sig lower than 2018

Base = all SMEs (n=4,003 in 2019, n=2,000 in 2018). No employees (n= 1,633 in 2019, 821 in 2018); micro (n=1381 in 2019 , 667 in 2018); small (n= 646 in 2019 , 311 in 2018); medium (n=343 in 2019, 201 in 2018). A6a BB (single code, prompted).

Credit cards and mortgages continue to be most commonly sought from banks

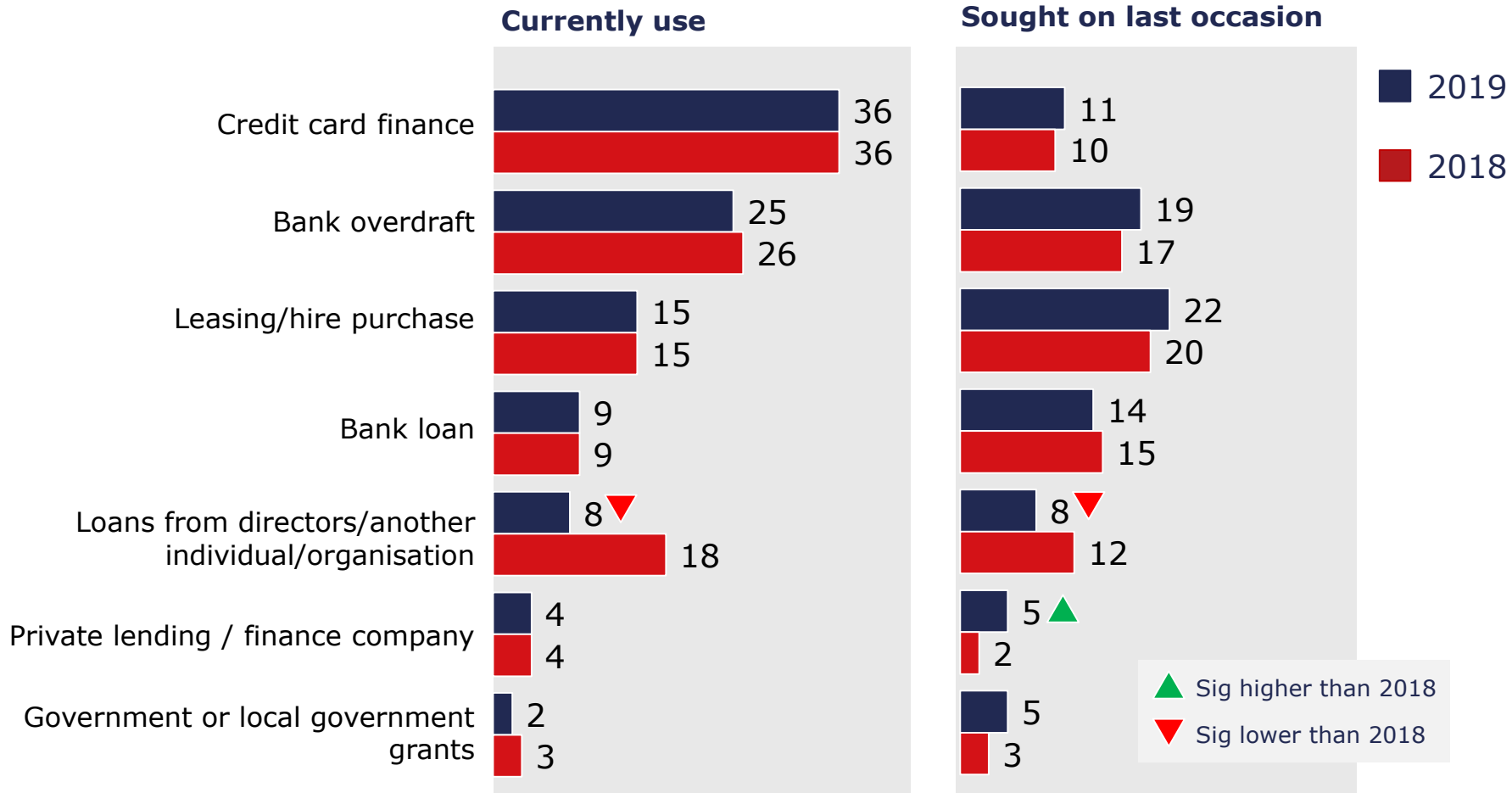
Seeking finance from bank vs. another source



Base = all SMEs who sought each form of non-bank finance (n=477 for credit cards/n=90 for commercial mortgage *NOTE: LOW BASE /n=74 for invoice finance or factoring *NOTE: LOW BASE /n=507 for leasing or hire purchase. Data not shown for finance categories with a base below 30. Question A6c (single code, prompted).

Use of external finance and the type of finance sought on last occasion remain in line with 2018

% Finance currently use and sought on last occasion



58% of SMEs are **currently using** some form of external finance

30% are using a bank overdraft or loan, whilst 50% are using some form of non-bank finance (down from 56% in 2018)



SMEs with employees are more likely to use external finance (73%) than those without employees (53%)

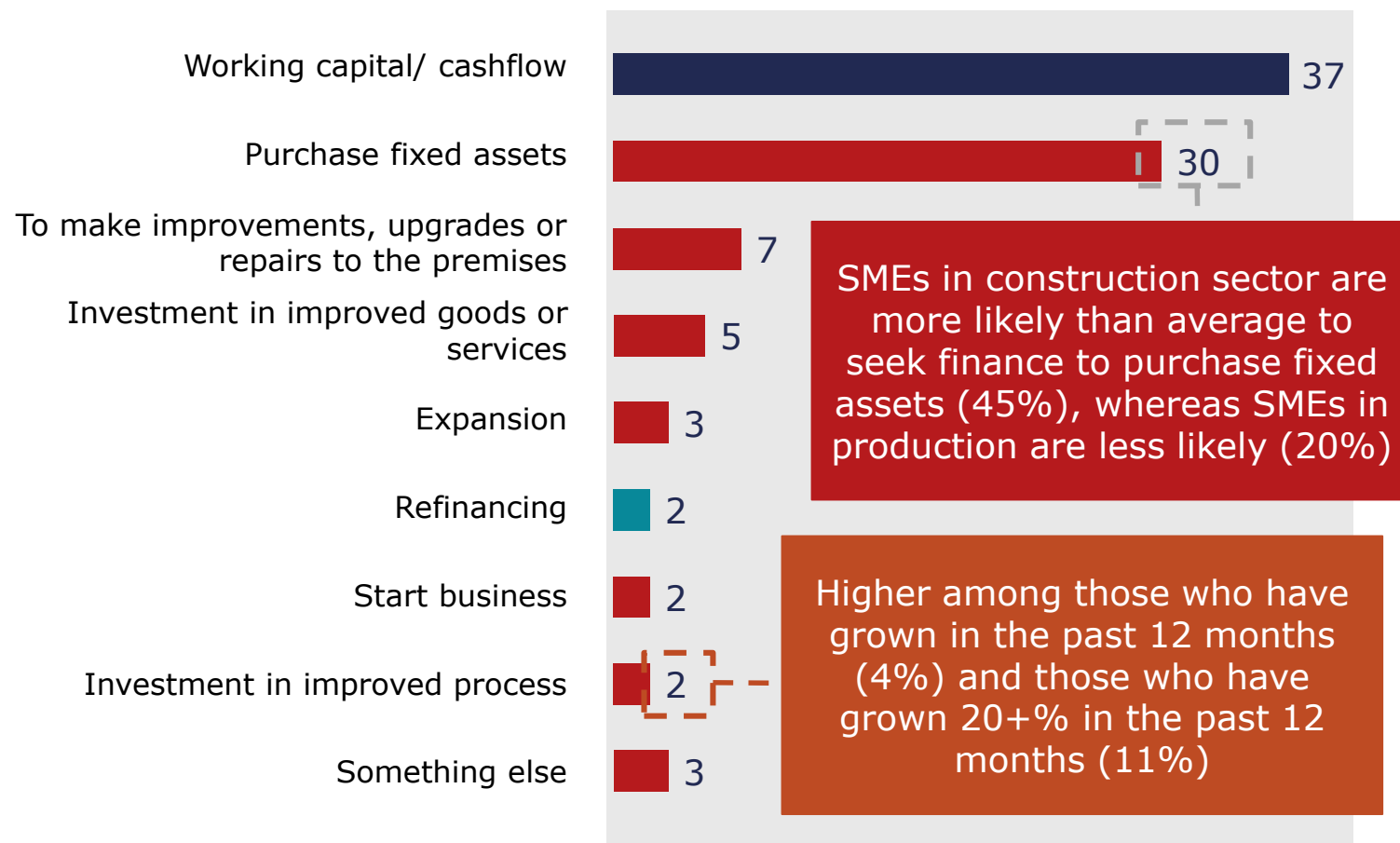


SMEs in the construction sector are more likely than average to use some form of external finance (69%)

Base = All SMEs (n=4,003 in 2019) Question A6a_AA (multi code, prompted). All SMEs that sought finance in the last three years (n=1,503 in 2019). A11b (multi code, unprompted). Those not shown less than 5% for both currently use or sought.

Over a third of SMEs seek finance for working capital, compared to three in ten seeking to finance purchase of fixed assets

% Main reason for seeking finance - last occasion in last three years



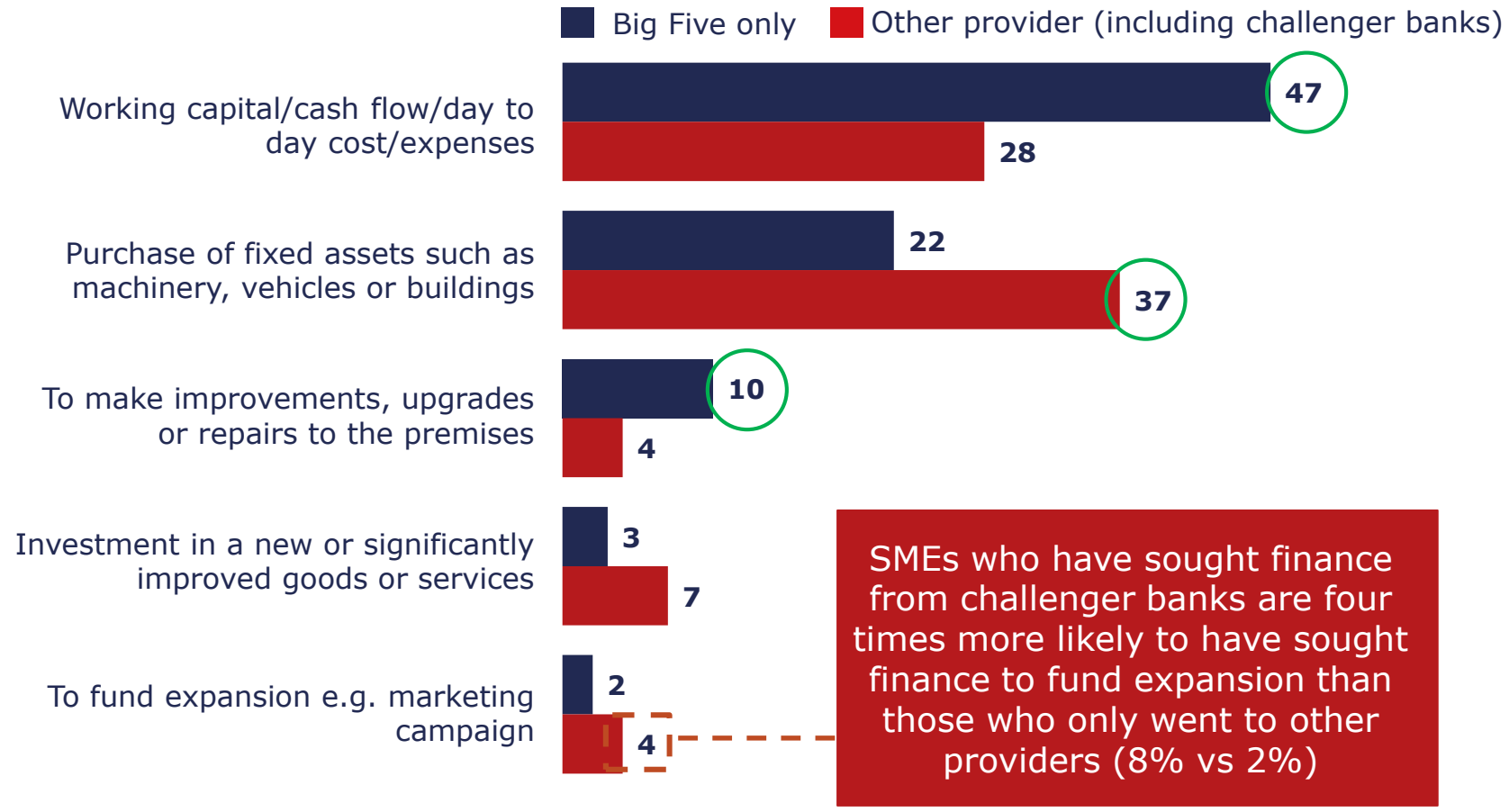
Most common reasons for seeking working capital is to **continue trading or for the general running of business** (56%), as well as to cover a **short-term gap in funds** (41%)

Most common reasons for refinancing are to **keep business open** or expand the business (50%), as well as to **look for a better deal** (32%) or **invest in a new or significantly improved process** (21%)*

Base = all SMEs that sought finance in the last 3 years (n=755 in 2019). Question A13b (single code, prompted). Those 1% or less not shown. All SMEs seeking finance for working capital (n=332 in 2019) Question A14 (multi code, prompted). All SMEs seeking finance for refinancing (n=39 in 2019, *NOTE: LOW BASE), Question A15 (multi code, prompted).

Working capital and capital for making improvements to the business is more likely to be sought from the big five banks

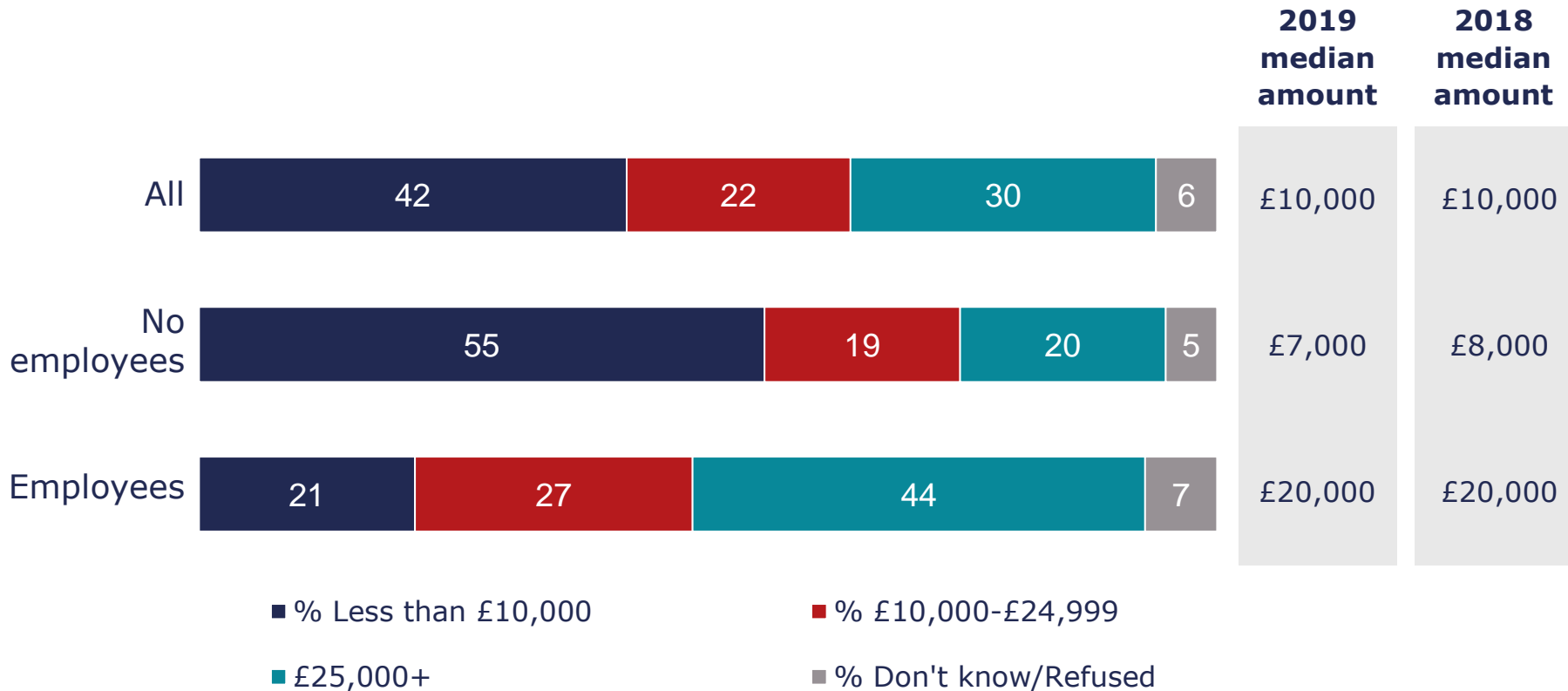
% Most important reason finance sought by type of finance provider



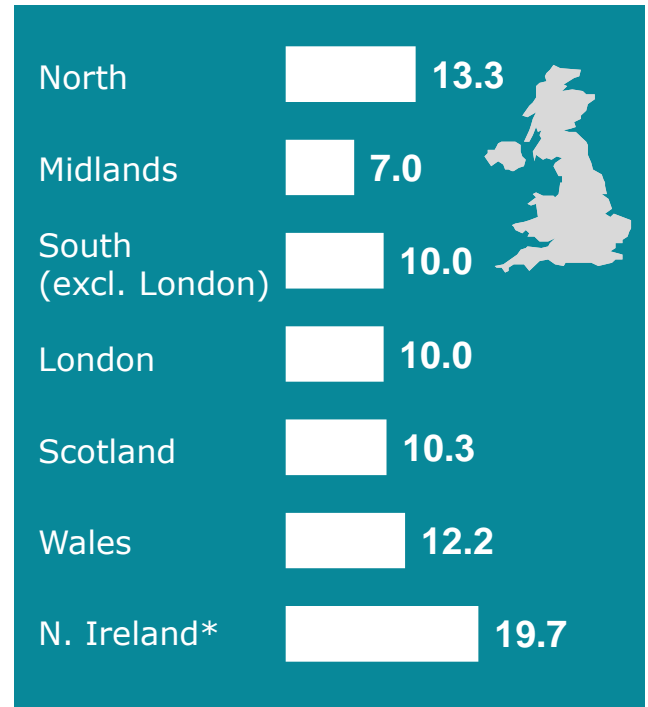
Base = all SMEs who sought finance in the last three years (n=755 in 2019) Only sought finance from big five banks n=300; finance sought from other finance providers n=434. Question A13b (single code, prompted).

Three quarters (75%) of SMEs without employees sought less than £25,000, compared to less than half (48%) of those with employees

% Amount of finance sought on last occasion by employee size



2019 Median amount by region (£'000s)

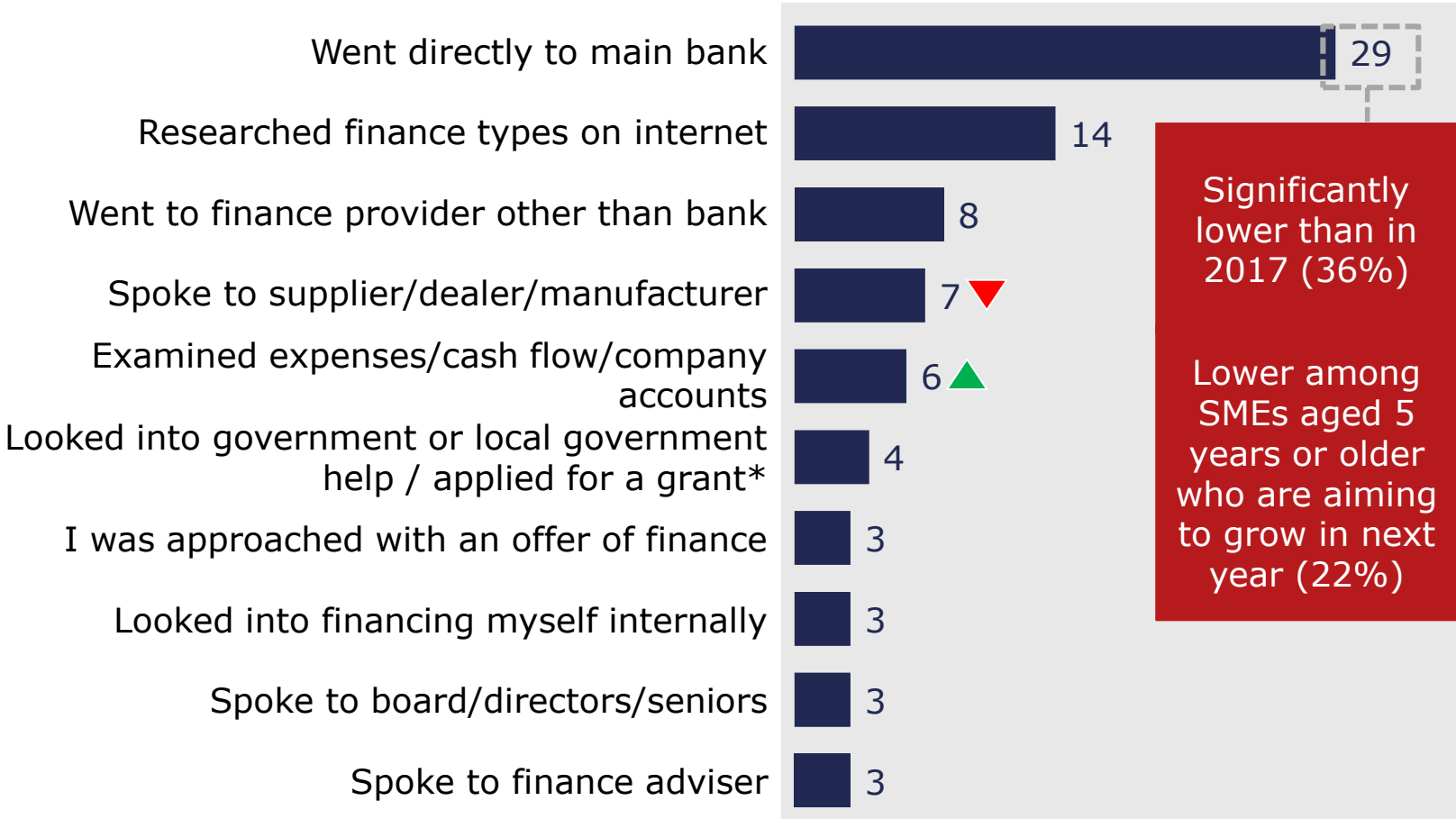


▲ Sig higher than 2018
▼ Sig lower than 2018

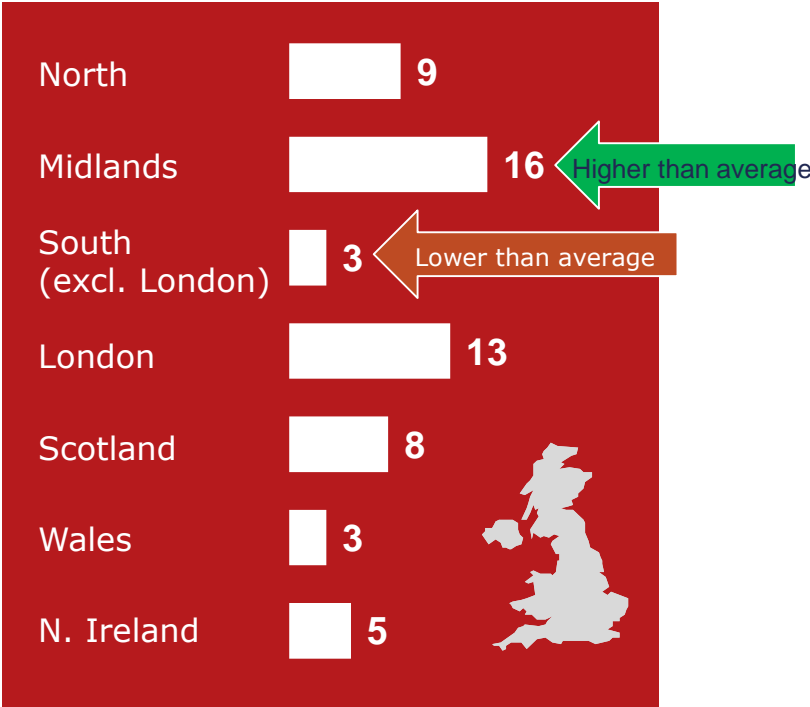
Base = all SMEs that sought finance in the last 3 years (n=755 in 2019, n=913 in 2018), n=173 no employees, n=582 employees. Question A28/A29 (single code, prompted). *Note. Northern Ireland has significantly more SMEs with a turnover of £1m or more than the average across the UK (8% vs. 5% overall).

More companies are looking at their company accounts than in 2018

% Who spoke to first when finance need identified – top mentions



% Went to finance provider other than main bank

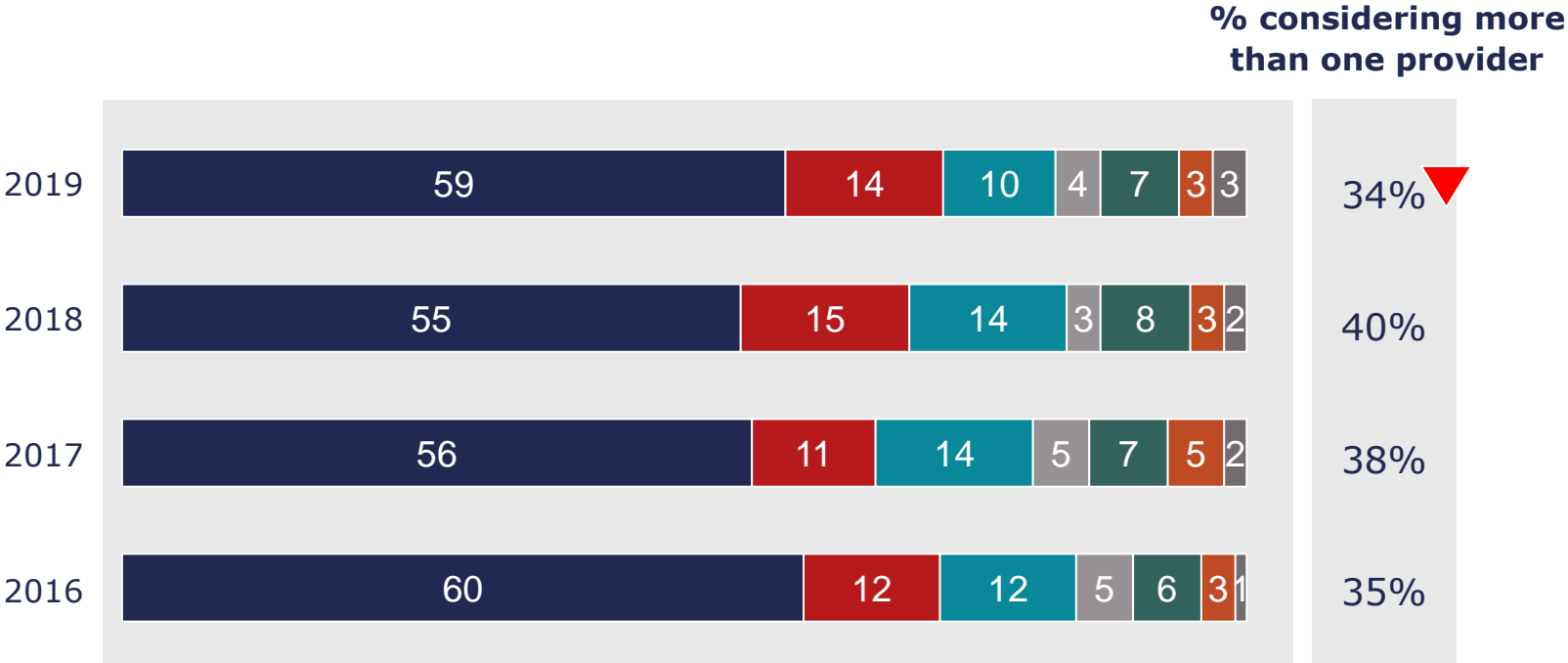


▲ Sig higher than 2018
▼ Sig lower than 2018

Base = all SMEs that sought finance in the last 3 years (n=755 in 2019, n=913 in 2018), n=932 in 2017. Question A19 (single code, unprompted). Those not shown 2% or less. *New code in 2019.

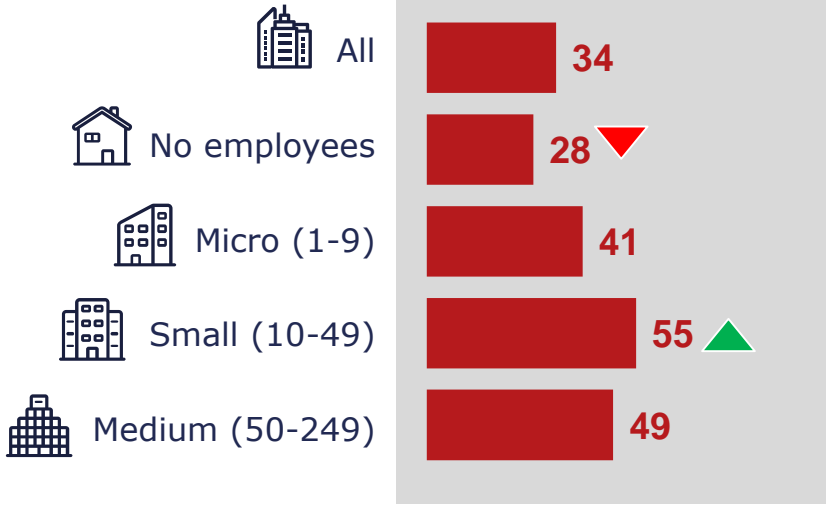
Fewer are considering more than one provider than in 2018

Number of providers considered 2016-2019



- % One
- % Two
- % Three
- % Four
- % Five+
- None
- % Don't know

% considering more than one by size

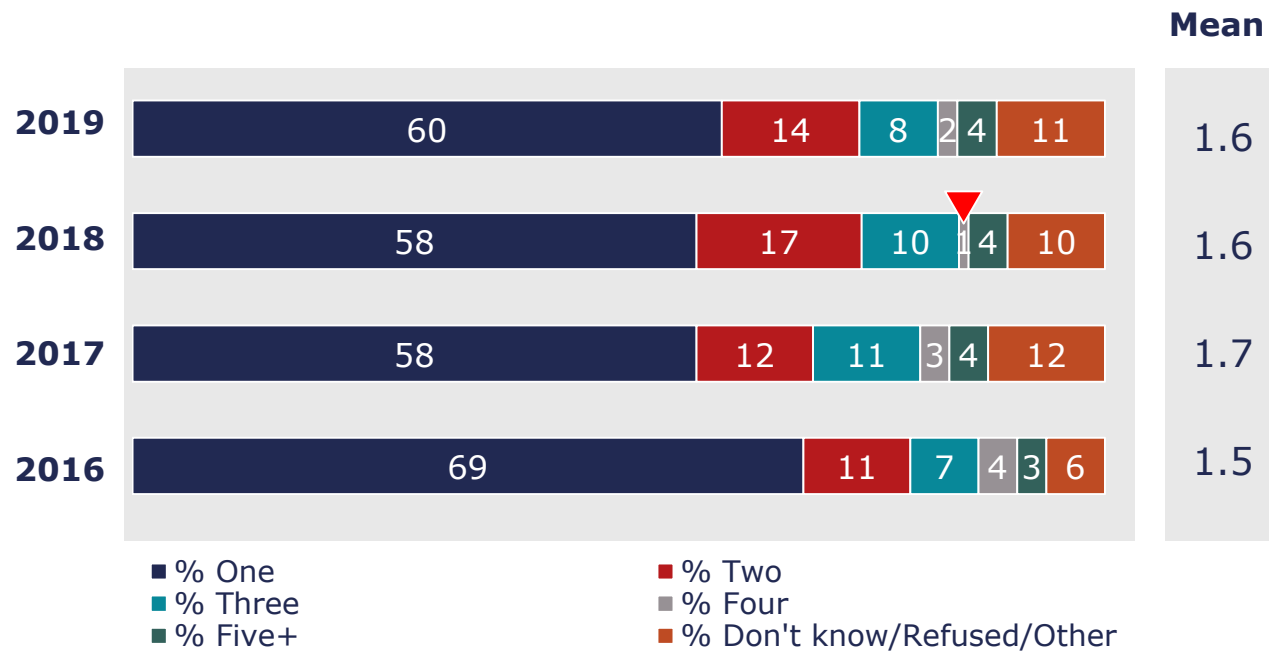


- ▲ Sig higher than previous year
- ▼ Sig lower than previous year

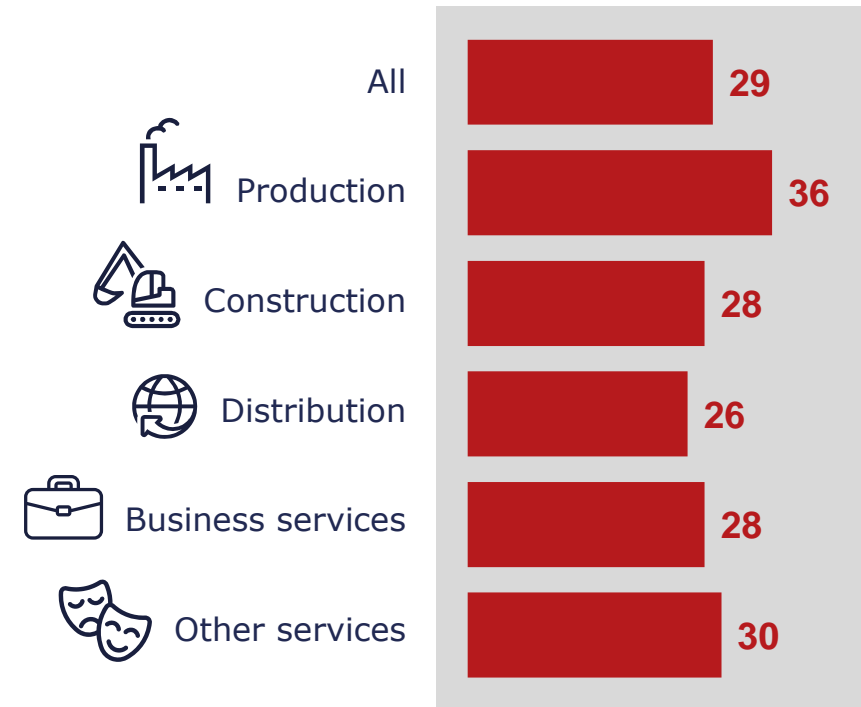
Base = all SMEs who sought finance in the last 3 years (n= 1,503 in 2019 n=913 in 2018 n=932 in 2017, n=886 in 2016). No employees n=359; micro n=573; small n=353; medium n=218. Question A22 (single code, unprompted). Note: 'considering more than one provider' is subject to rounding so may not equal the sum of figures presented on the chart.

The proportion of SMEs contacting more than one provider seems to have stabilised since 2016

Number of providers contacted 2017-2019



% contacting more than one by sector

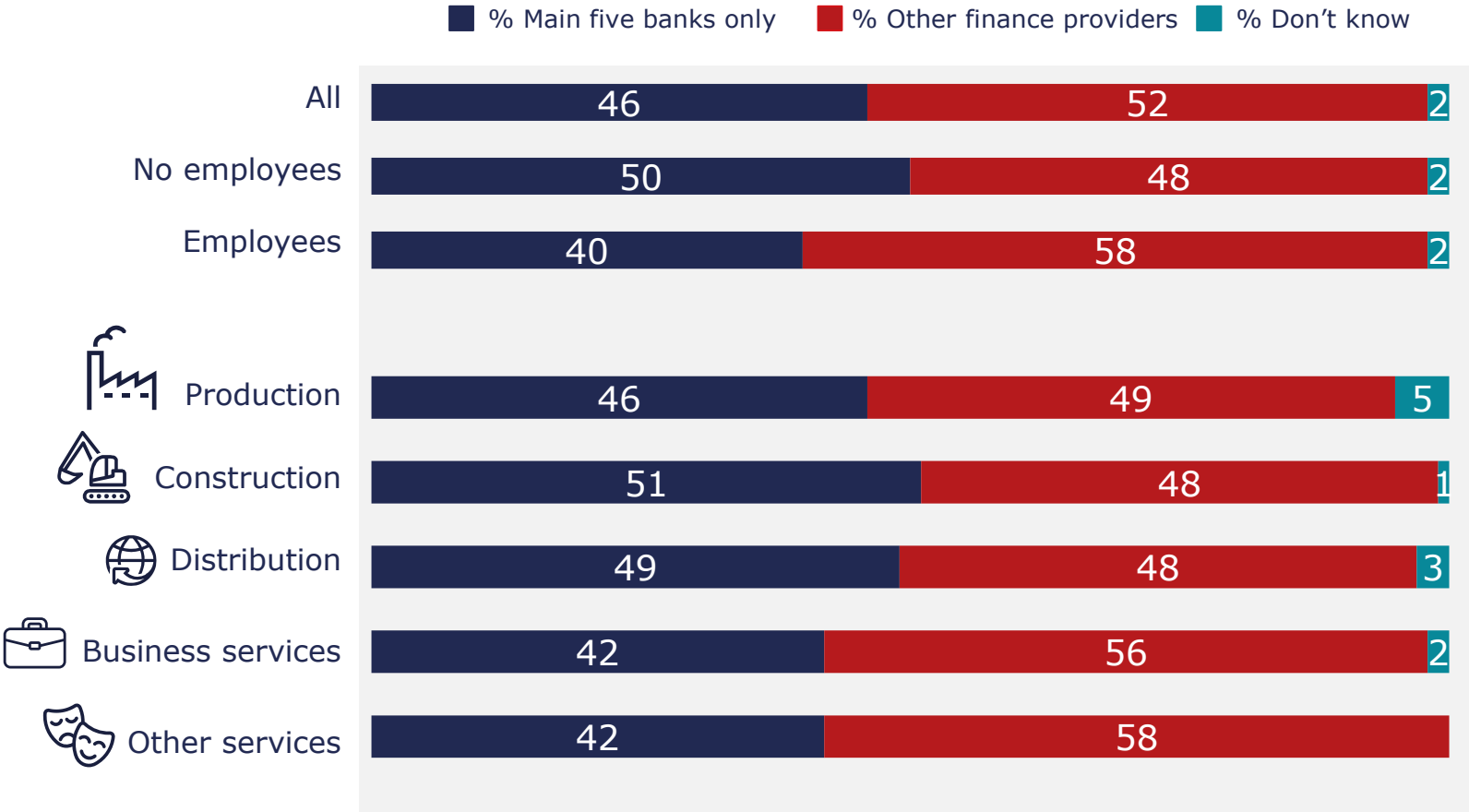
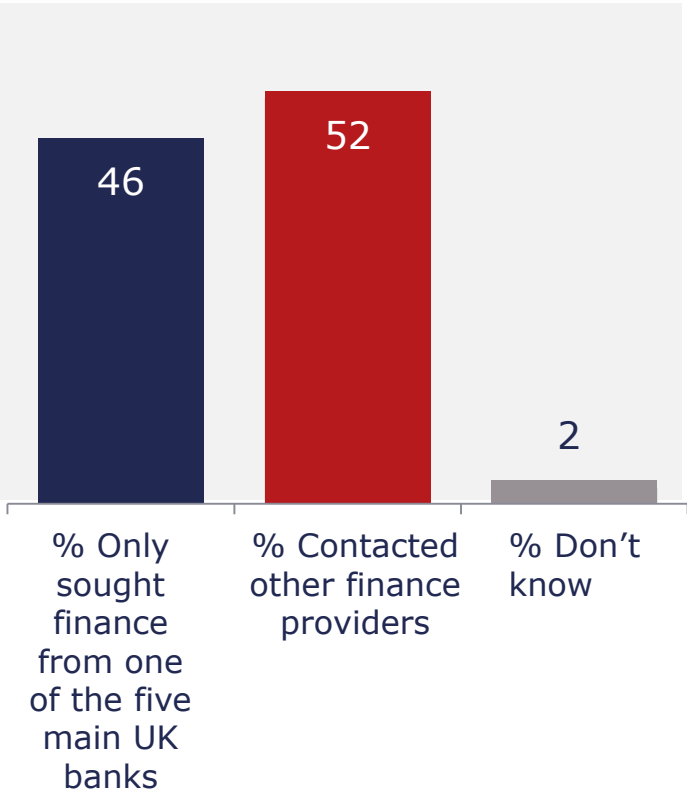


▲ Sig higher than previous year
 ▼ Sig lower than previous year

Base = all SMEs who sought finance in the last 3 years (n=1,412 in 2019, n=848 in 2018 n=865 in 2017; n=886 in 2016; n=715 in 2015; n=325 in 2014; n=588 in 2012). Production n=279; construction n=256; distribution n=295; business services n=350; other services n=232. Question A23 (single code, unprompted).

SMEs with employees are more likely to have contacted providers other than the five main UK banks

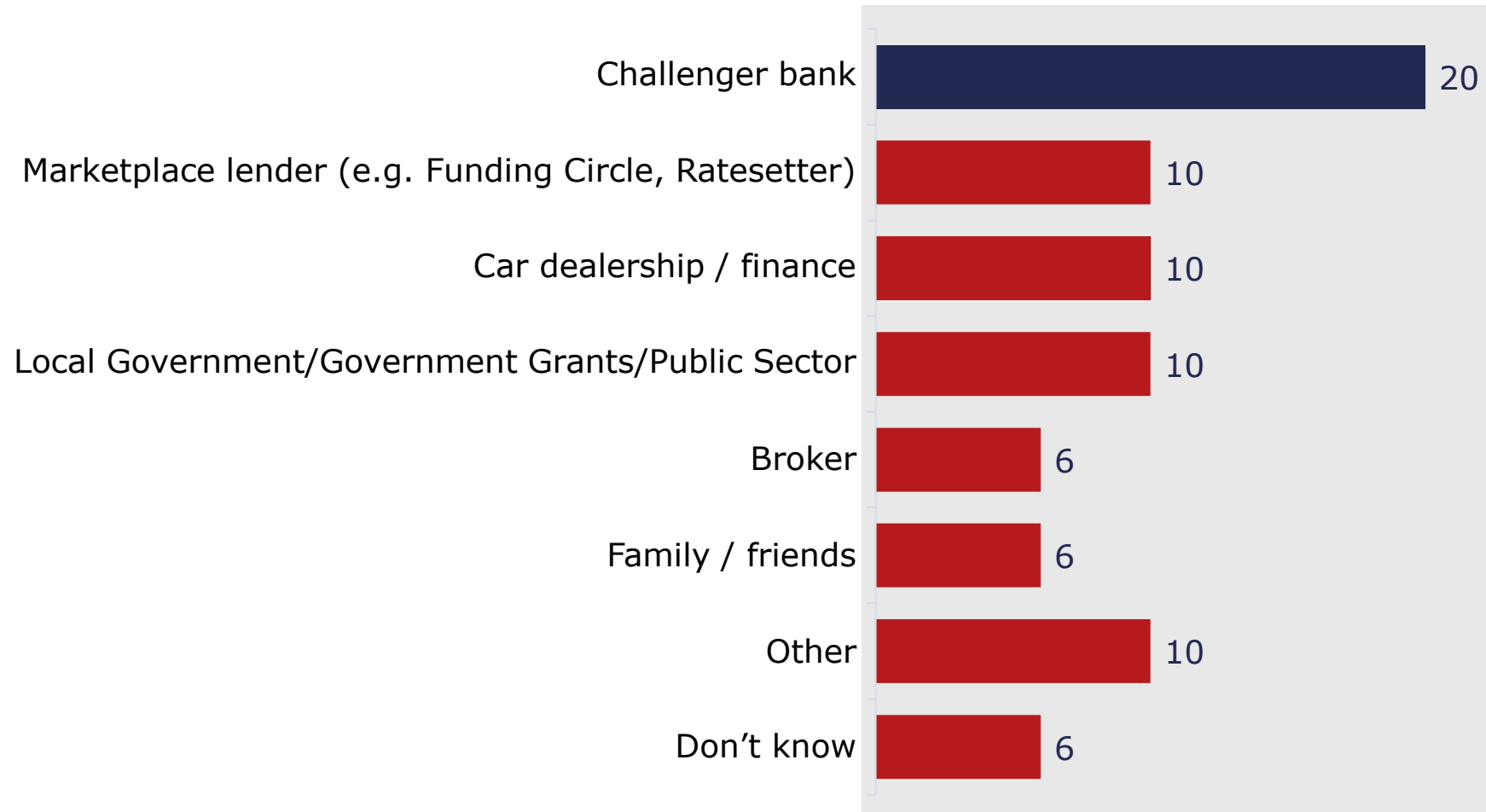
Was finance sought from any of the five largest UK banks



Base = all SMEs who sought finance in the last three years (n=755 in 2019) No employees n=173; employees n=582; production n=143; construction n=129; distribution n=158; business services n=197; other services n=128. Question A25 (single code, prompted).

Among those who have contacted finance providers other than the 'big five', one in five have contacted a challenger bank

% Providers businesses contacted for finance – top mentions

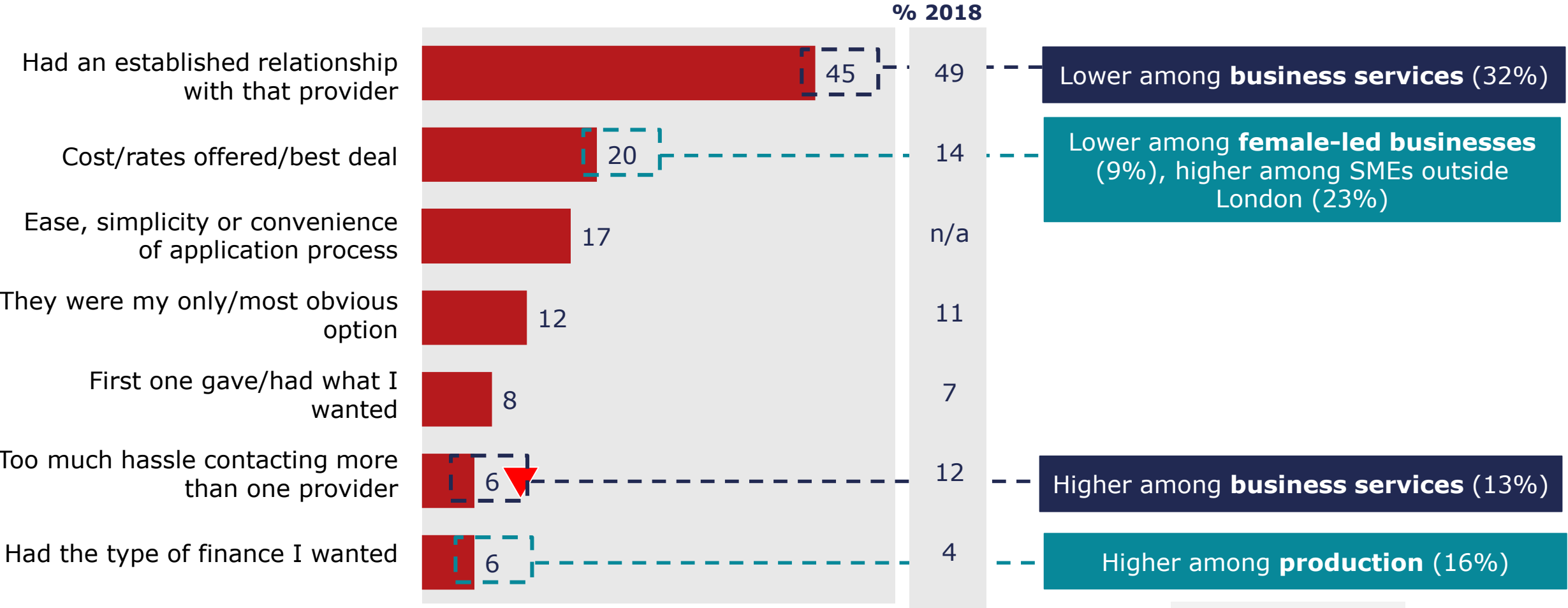


Medium-sized SMEs and those in the **production** sector are more likely to have contacted a **challenger bank** (48% and 35% respectively)

Base = all SMEs who contacted other financial providers (n=434 in 2019). Question A25a (multicode, unprompted). Those not shown 1% or less. New question in 2019.

Having an established relationship continues to be the most common reason for contacting only one provider

% Reasons for only approaching one provider on last occasion – top mentions



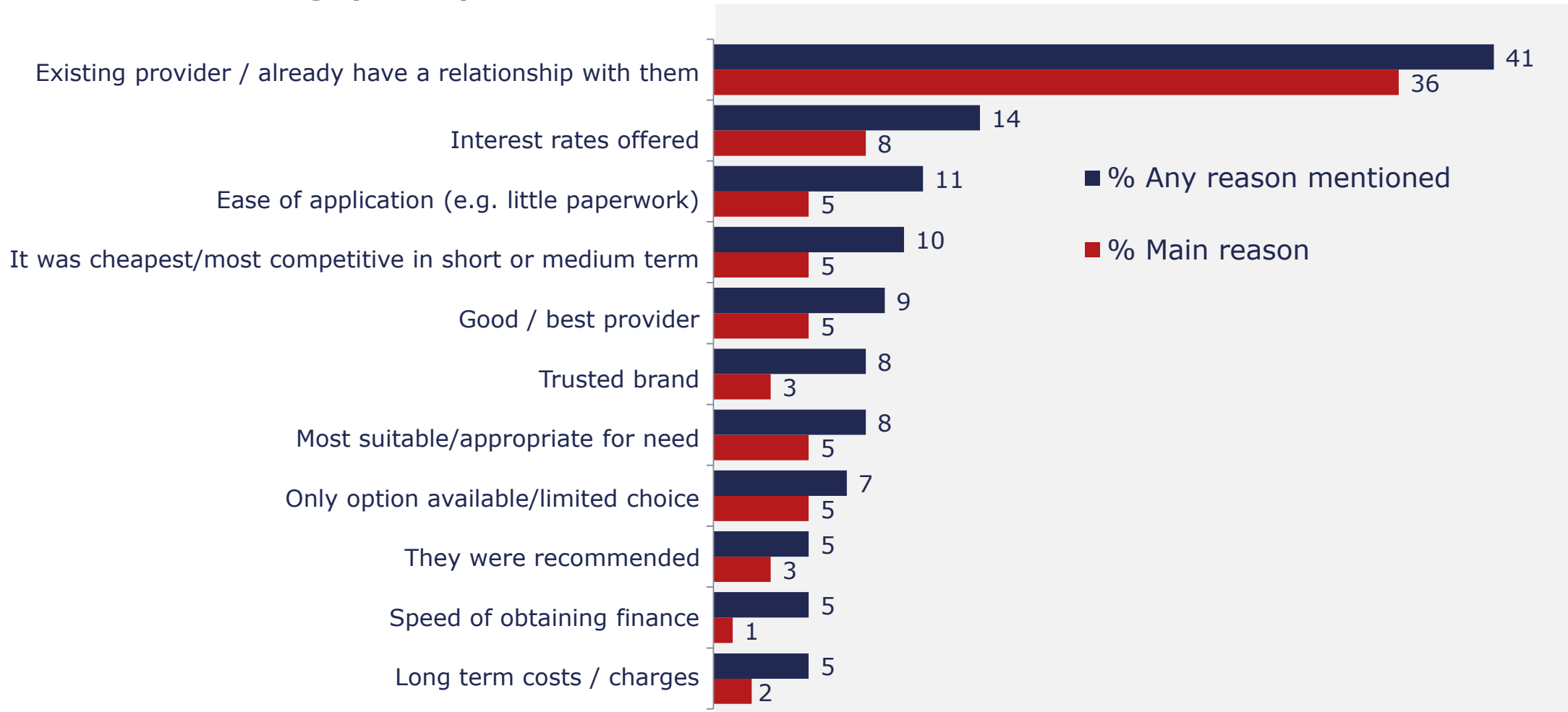
Base = all SMEs that contacted only one provider (n=357 in 2019, n=469 in 2018). Question A26 (multi code, unprompted). Those not shown 1% or less.

▲ Sig higher than 2018
▼ Sig lower than 2018



Having an established relationship continues to be the most common reason overall for choosing a specific provider

Reasons for choosing specific provider



Base = All SMEs that sought finance in the last three years (n=755 in 2019). Question A20 (multi code, unprompted); A21 (single code, prompted). Those with 4% or less for both not shown.

Over eight in ten get all of the finance required from the first provider

Whether successful in obtaining finance from first provider 2017-2019 (%)

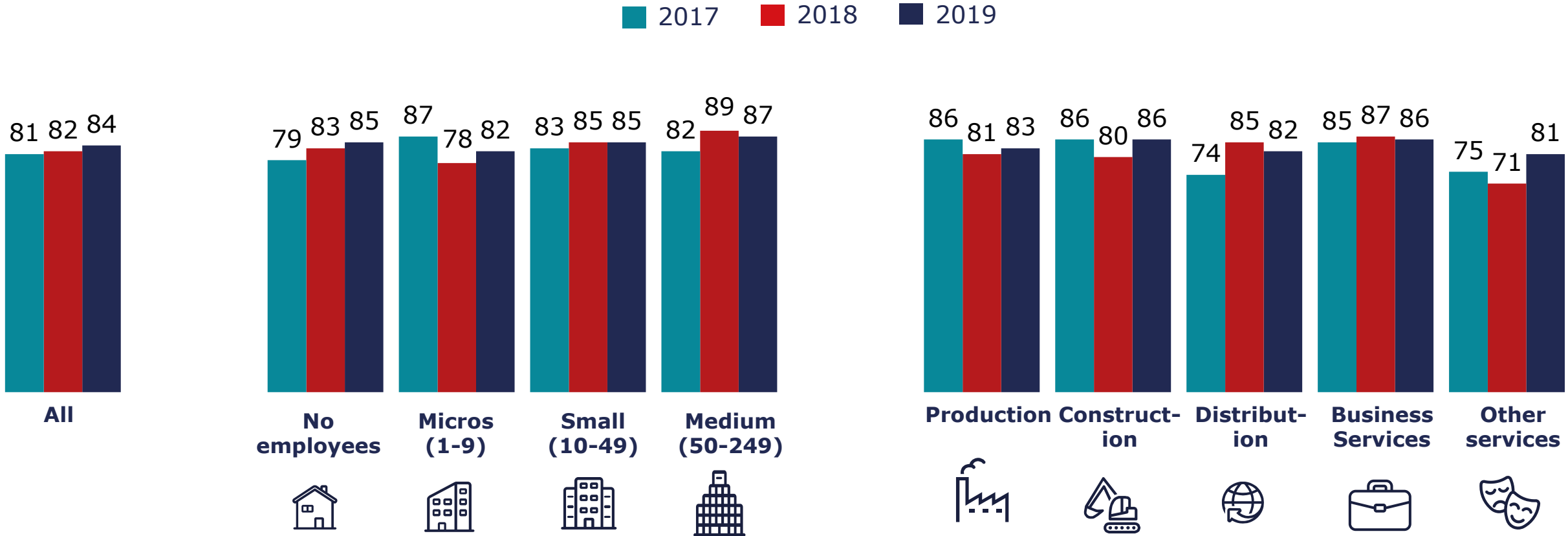


SMEs which have been trading for less than 5 years are less likely to have been successful in obtaining all or more than the finance required (73%)

Base = all SMEs that sought finance in the last 3 years (n=755 in 2019/n= 913 in 2018 /n=932 in 2017). Question A30 (single code, prompted). *Note question wording changes since 2016). 'Offered any finance (net)' is subject to rounding so may not equal the sum of figures presented on the chart.

Overall success rates in getting all the finance remain consistent with 2018

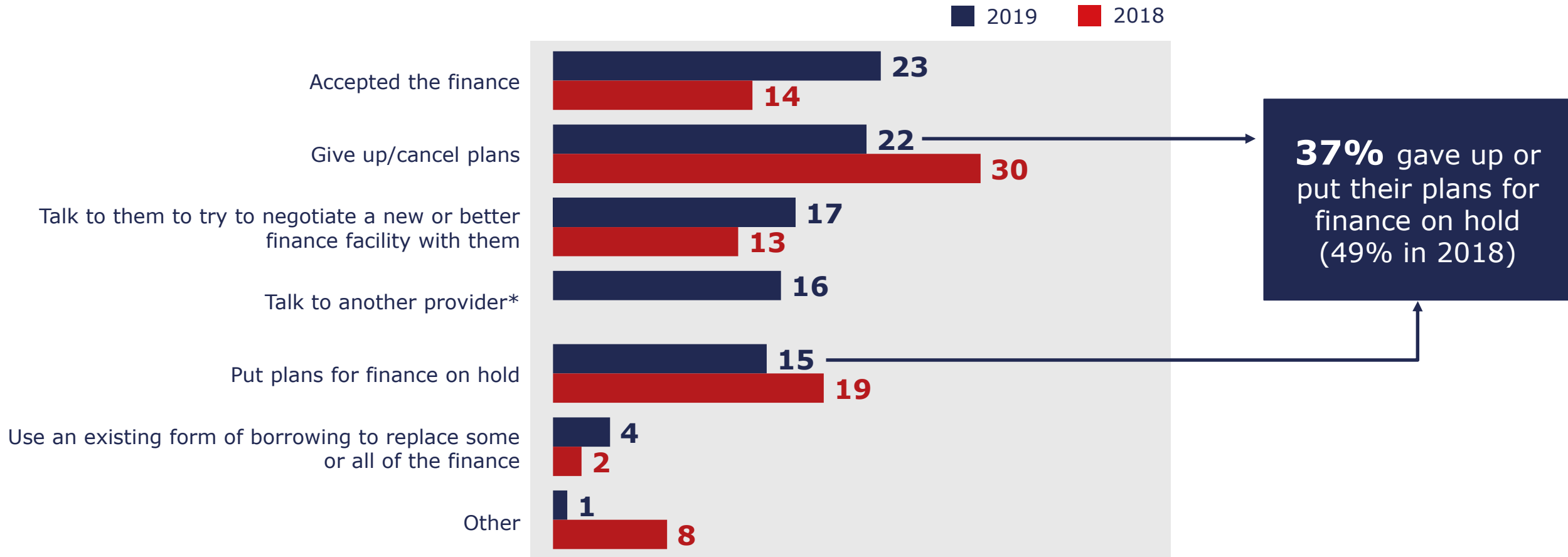
Successful getting all finance – by size of business 2017-2019 (%)



Base = all SMEs that sought external finance in the last 3 years (n=755 in 2109/ n=913 in 2018, n=932 in 2017; 2019: no employees n=173/micros n=294/small n=171/medium n=117) (Production n=143/construction n=129/distribution n=158 business services n=197/other services n=128). Question A30 (single code, prompted).

Over a third of SMEs who were not offered all the finance required either gave up or put their plans on hold

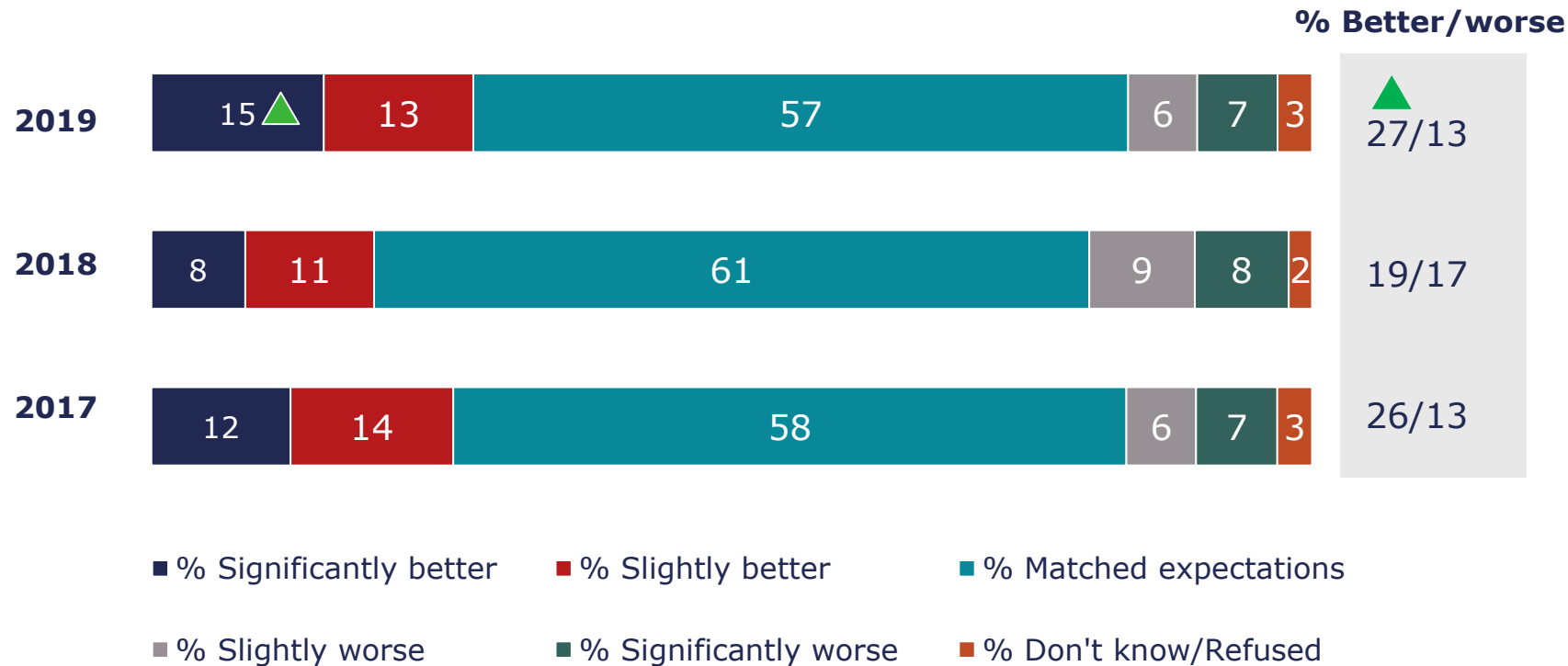
What was done next if not offered full amount (%)



Base = offered smaller amount/worse terms/turned down (n=73 in 2019, n= 87 in 2018). Question A32 (single code, prompted). NOTE: LOW BASE SIZE. *New code in 2019.

Over a quarter of businesses found raising finance to be a better experience than they had anticipated

Experience of raising finance vs. expectations 2017-2019 (%)



Groups more likely to have a better experience:

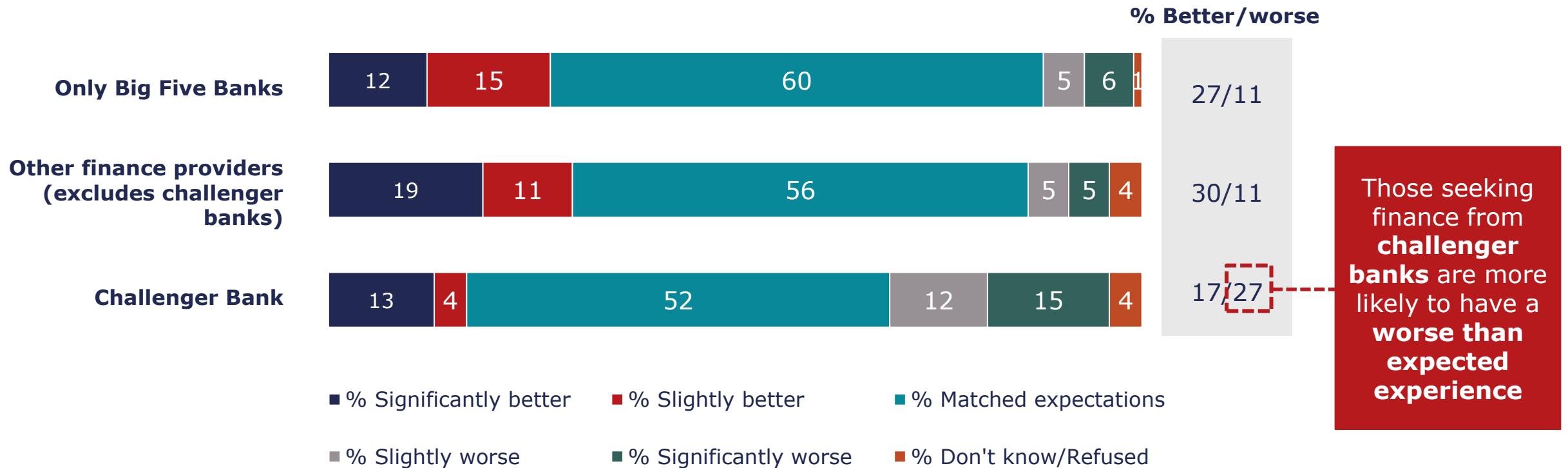
-  No employees (34%)
-  Other services (39%)
-  UK excluding London and the South East (30%)

▲ Sig higher than 2018
▼ Sig lower than 2018

Base = all SMEs who sought finance in the last 3 years (n=755 in 2019, n=913 in 2018, n=932 in 2017). Question A37 (single code, prompted). Note: '% Better/worse' is subject to rounding so may not equal the sum of figures presented on the chart.

Those who sought finance from a challenger bank are more likely to say their experience raising finance was worse than expected

Experience of raising finance vs. expectations by type of supplier (%)

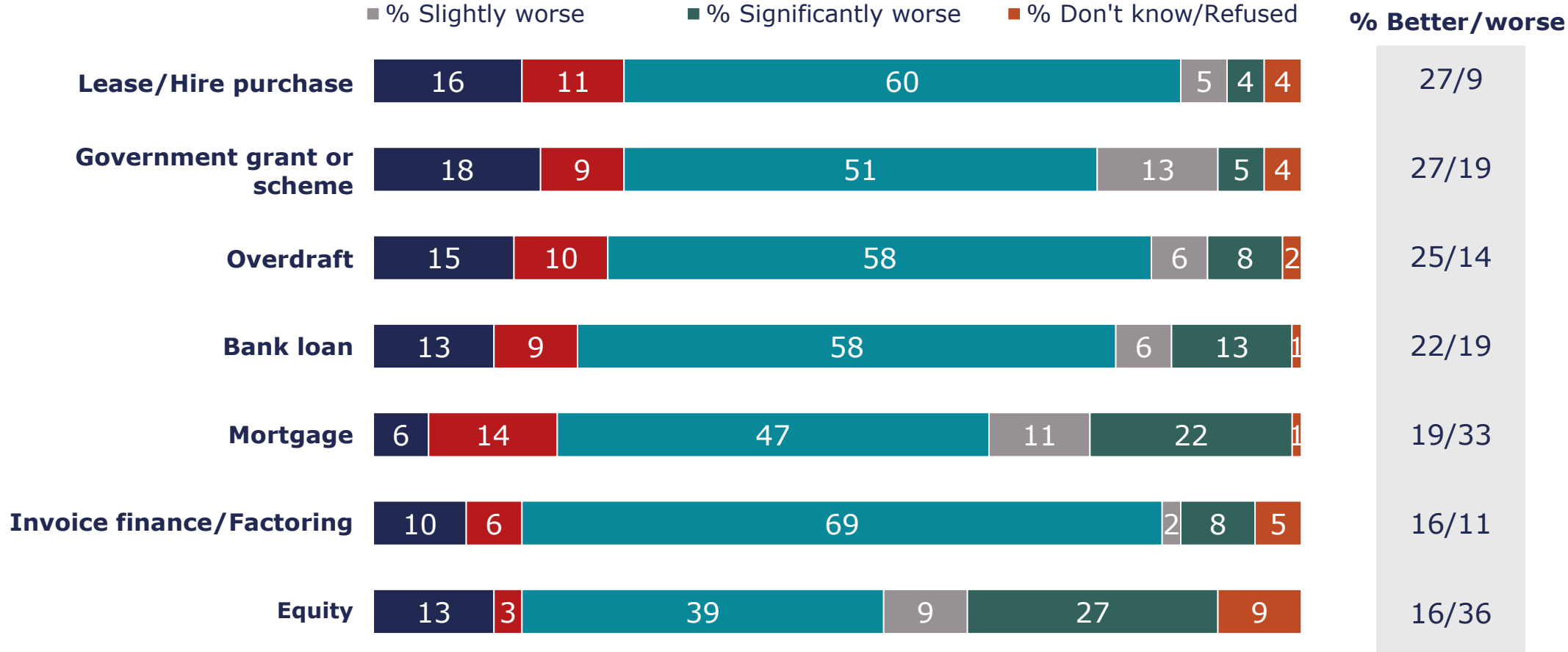


Base = all SMEs who sought finance in the last 3 years (Big Five n= 300; challenger banks n=114; other finance providers n=320). Question A37 (single code, prompted). Note: '% Better/worse' is subject to rounding so may not equal the sum of figures presented on the chart.

The experiences of raising finance against expectations varied by type of finance facility sought

Experience of raising finance vs. expectations by type of finance (%)

■ % Significantly better ■ % Slightly better ■ % Matched expectations
 ■ % Slightly worse ■ % Significantly worse ■ % Don't know/Refused

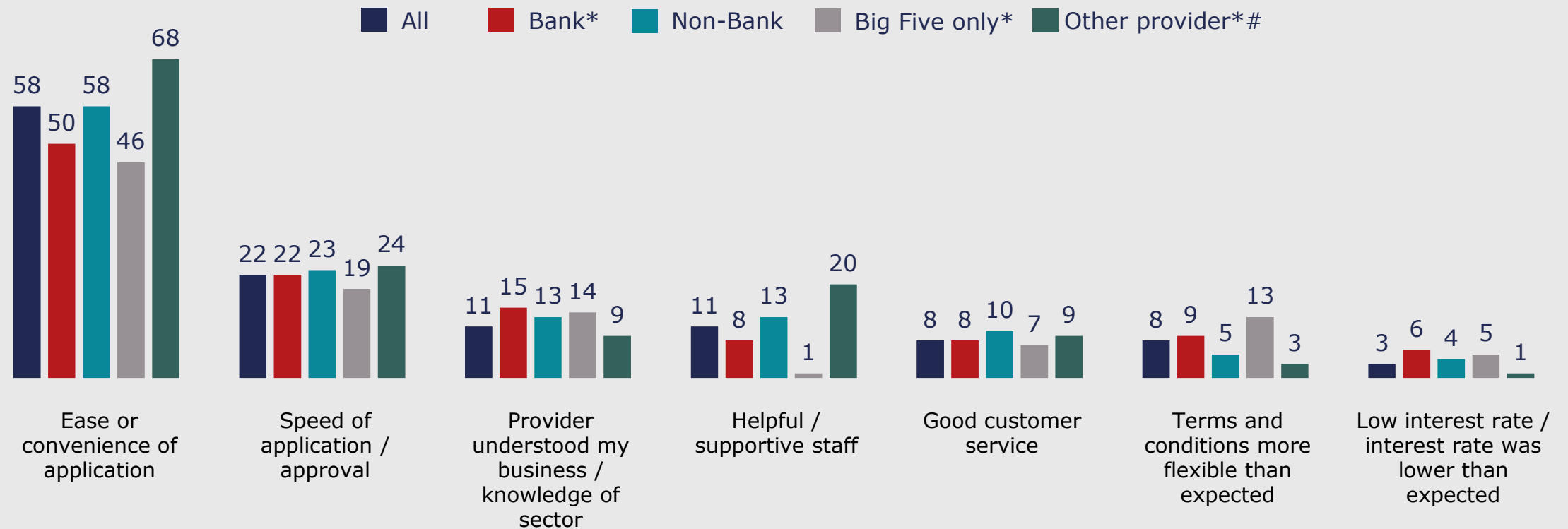


Base = all SMEs who sought finance in the last 3 years. Bank n=408; Non-bank n=684; Mortgage n=71; Overdraft n=295; Equity n=30; Government grant or scheme n=178; Lease/Hire purchase n=389; Invoice finance/Factoring n=53; Bank loan n=215. Question A37 (single code, prompted). Note: '% Better/worse' is subject to rounding so may not equal the sum of figures presented on the chart.

Ease or convenience of the application process was the most common reason for a positive experience

Why better than expected

Reasons experience was better than expected (%)

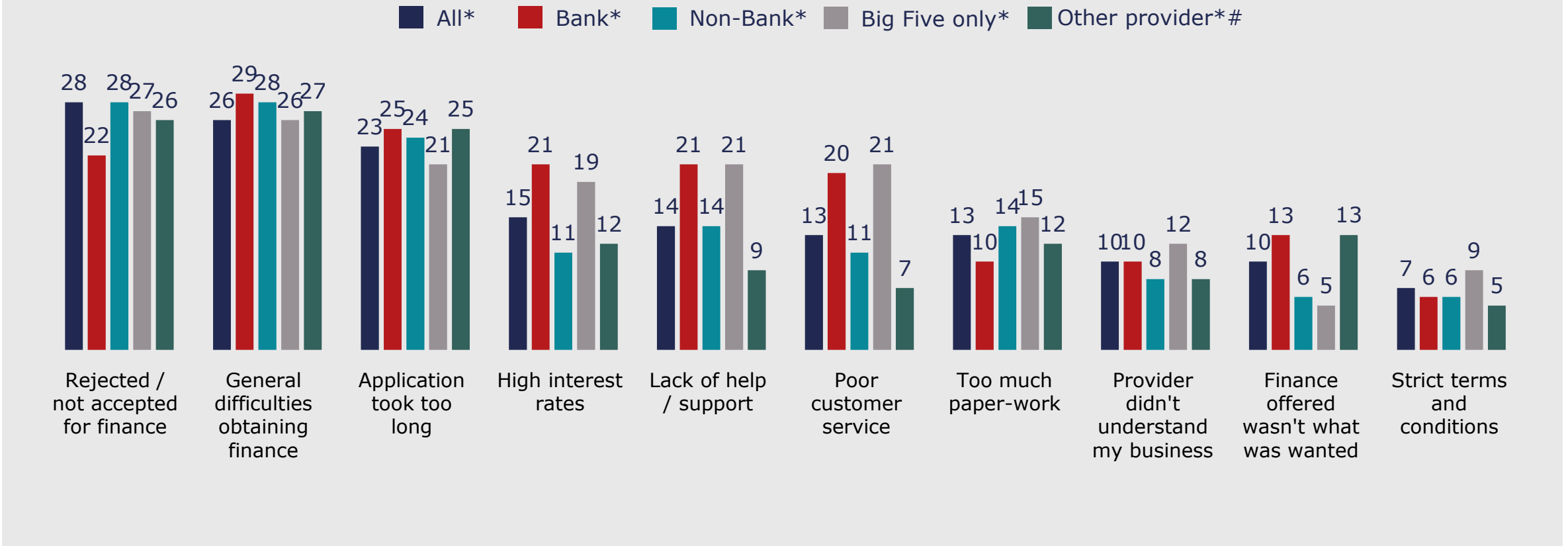


Base = all for whom experience of raising finance was better than expected (Overall n=154, Bank n=79, Non-Bank n=136, Big Five Bank only n=63, Other provider n=88)
 Question A37a (multi code, unprompted). *NOTE LOW BASE SIZE. # Including challenger banks. Those all 5% or less not shown. 'Don't know' also not shown.

Those seeking bank finance are more likely to say the reason for their worse than expected experience was due to high interest rates

Why worse than expected

Reasons experience was worse than expected (%)



Base = all for whom experience of raising finance was worse than expected (Overall n=94. Bank n=70, Non-Bank n=84, Big Five Bank only n=43, Other provider n=49)
 Question A38 (multi code, unprompted). *NOTE LOW BASE SIZE. # Including challenger banks. Those not shown 3% or less. 'Don't know' also not shown.

SMEs gave a variety of other reasons explaining why their experience was either worse or better than expected

Other reasons why experience was better or worse than expected



Other reasons why experience was better

"Was surprised because of Brexit coming up - expected attitude to purchasing equipment to be less accommodating"

"Because I'm a chartered accountant I just provided the stats figures they needed and had no problems"

"Forced a very thorough financial review of my business - very helpful"

"Because I learnt something new"



Other reasons why experience was worse

"More difficult as the competition for this finance was high"

"Negativity of high street banks"

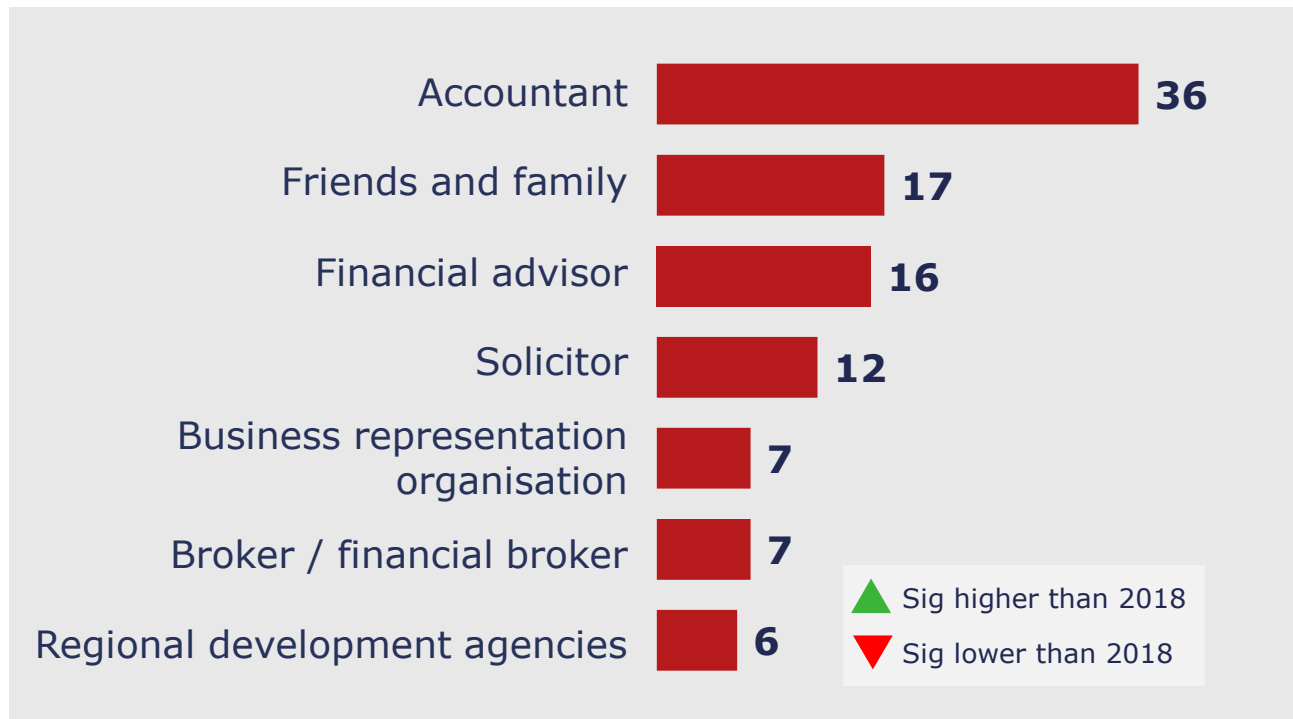
"Lack of availability of finance"

"Not enough movement in what they were offering"

"Inability to understand the products that the bank offered."

Overall around one in eight SMEs sought external advice

Sought external advice when applying for finance on last occasion (%)



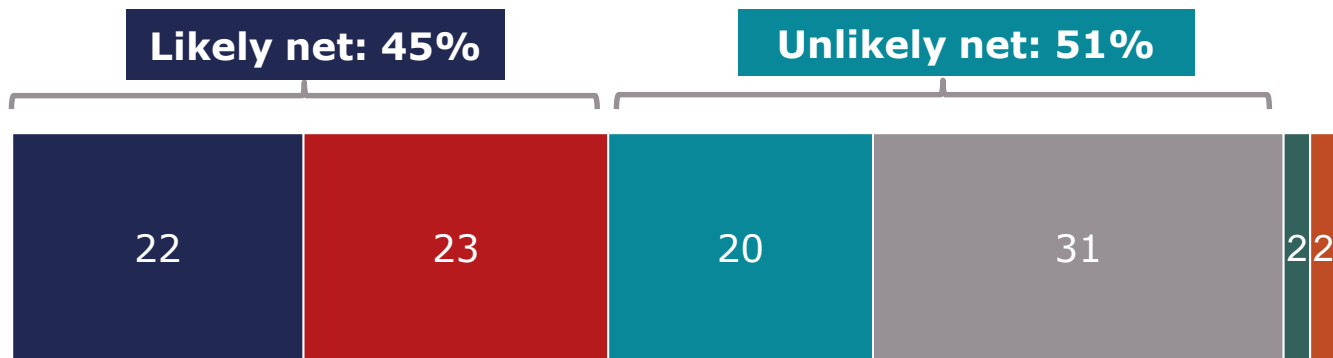
13% of SMEs that sought finance in the last 3 years sought external advice (compared to 18% in 2018)

Among all firms, those that have grown in the past 12 months are more likely to have sought advice from a **financial advisor** (5% compared to 2% overall, and 10% among high growth firms)

Similarly, those who expect to grow in the next 12 months are also more likely to say they **would seek external advice in future** (55% vs 45% overall)

Almost half of SMEs say they are likely to seek external advice if they needed finance in the next three months

Likelihood of seeking external advice in the next three months (%)



- % Very likely
- % Fairly likely
- % Not very likely
- % Not at all likely
- % Depends on the type of finance
- % Don't know/Refused/It depends

SMEs aged 5 years or older and who are aiming to grow in the next 12 months (57%), independent businesses (53%) SMEs with employees (49%) and those who sought non bank finance (49%) are **more likely to seek external advice**

Those within the distribution sector (61%) and SMEs aged 5 years or older who are not planning growth (56%) are more **unlikely to seek advice**

44% of those likely to seek advice say they are likely to pay for independent advice to help them obtain this finance

Groups **more likely to pay for advice** include:

- Businesses in London (56%)
- Never sought finance (55%)
- SMEs with employees (54%)



Equity Finance

Equity finance comes from a range of sources, most commonly via a third-party organisation or within the business

% Where sought equity finance from (multiple response question)



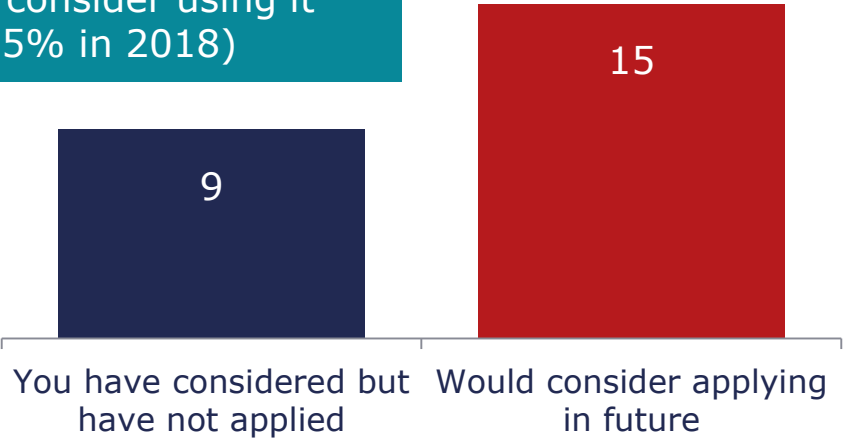
Only **1%** of all businesses currently use or have sought equity finance in the last three years

Base = all SMEs that have sought equity finance in the last 3 years (n=97 in 2019 * NOTE SMALL BASE). Question A7 (multi code, prompted)

Most SMEs not using equity finance have not considered it, although a greater share of smaller businesses would consider it in the future compared to 2018

Considering or have applied for equity finance (%)

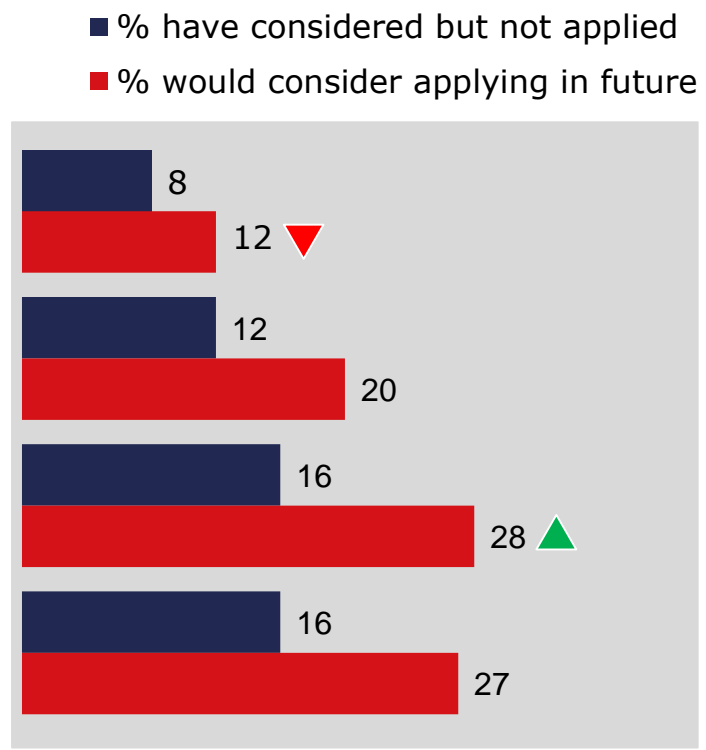
77% of firms aware of, but not currently using equity, have neither considered nor would consider using it (75% in 2018)



Higher among SMEs who are between 6-9 years old (15%) and in the production sector (14%)

Higher among SMEs up to 5 years old (29%) and firms expecting to grow (24%)

- No employees
- Micro (1-9 employees)
- Small (10-49 employees)
- Medium (50-249 employees)

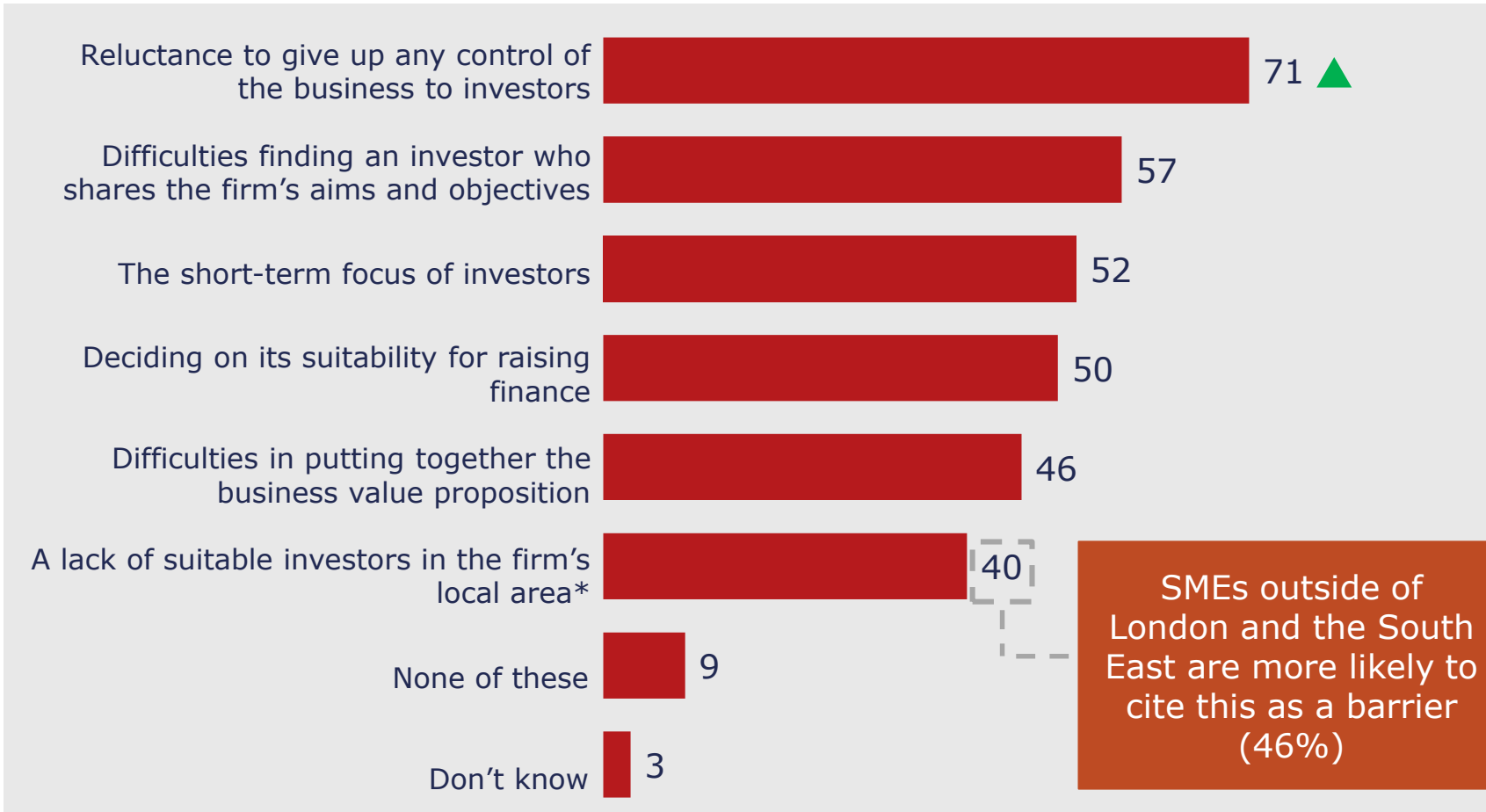


▲ Sig higher than 2018
▼ Sig lower than 2018

Base = all SMEs aware of alternative finance forms and not using/sought (n=2,337 for equity finance in 2019, n=1,182 in 2018). Question A6d_A (multi code, prompted).

Of firms that have considered equity: reluctance to give up control is more likely to be reported as a barrier than in 2018

Barriers to equity finance (%)



SME segments reporting specific barriers



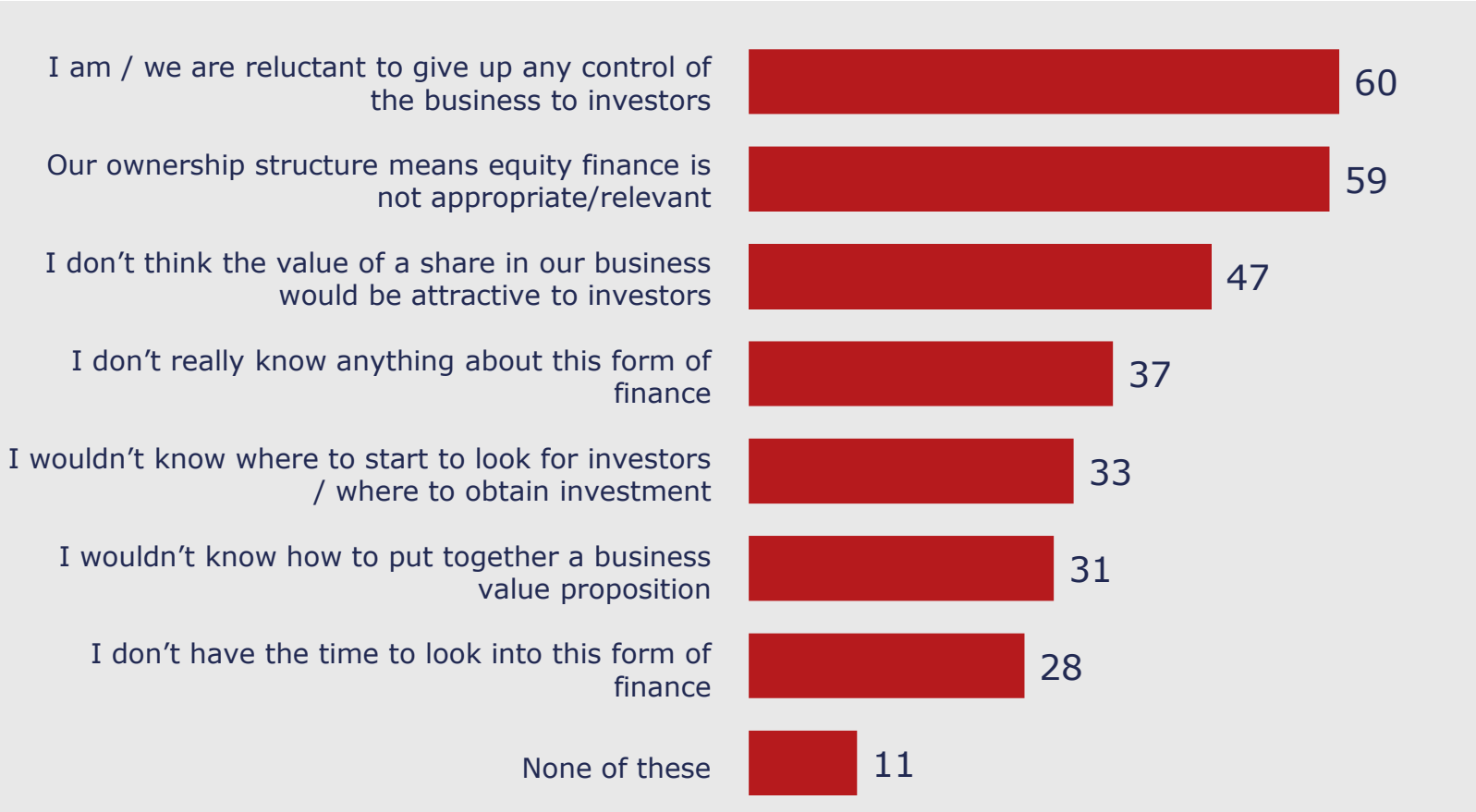
▲ Sig higher than 2018
▼ Sig lower than 2018

SMEs outside of London and the South East are more likely to cite this as a barrier (46%)

Base = All who applied for or have considered raising equity finance (n=772 in 2019). Question A9a (multi code, prompted). *New code in 2019.

Of firms that have not considered equity: six in ten are reluctant to give up control or do not think it is appropriate for them

Views of those who've not considered equity finance (%)



SME segments reporting specific barriers



Base = All who have not considered raising equity finance (n=1,651 in 2019). Question A9b (multi code, prompted).



Perceptions of Raising Finance and Future Use

Three-quarters are confident in applying for external finance from their bank, but increasingly lack confidence in applying for finance from other providers

Confidence in ability to assess finance products and apply for external finance (%)

- % Very confident
- % Somewhat confident
- % Neither confident nor unconfident
- % Somewhat unconfident
- % Not at all confident
- % Don't know/Refused

**Confident
2019/2018 (%)**

Assessing finance products

Offered by your own bank



67/69

Offered by other finance providers in the market



51/54

Applying for external finance

From your own bank*



74/NA

From different finance providers



48/54

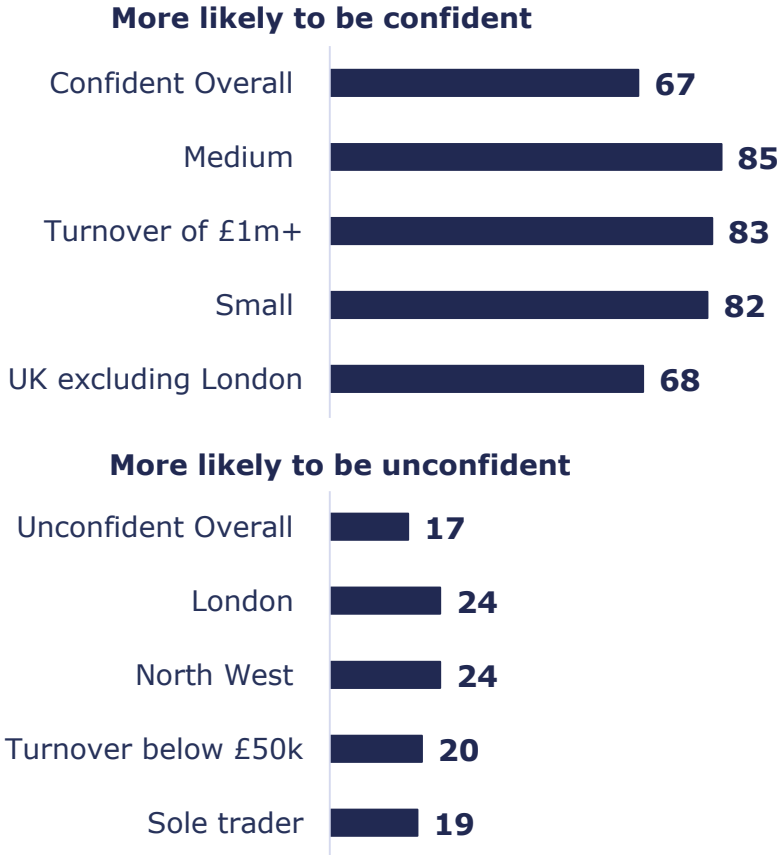
- ▲ Sig higher than 2018
- ▼ Sig lower than 2018

Base = all SMEs (n=2,000 in 2019 and 2018). Question A4 (single code, prompted). *Not asked in 2018. Note: Note: '% Confident' is subject to rounding so may not equal the sum of figures presented on the chart.

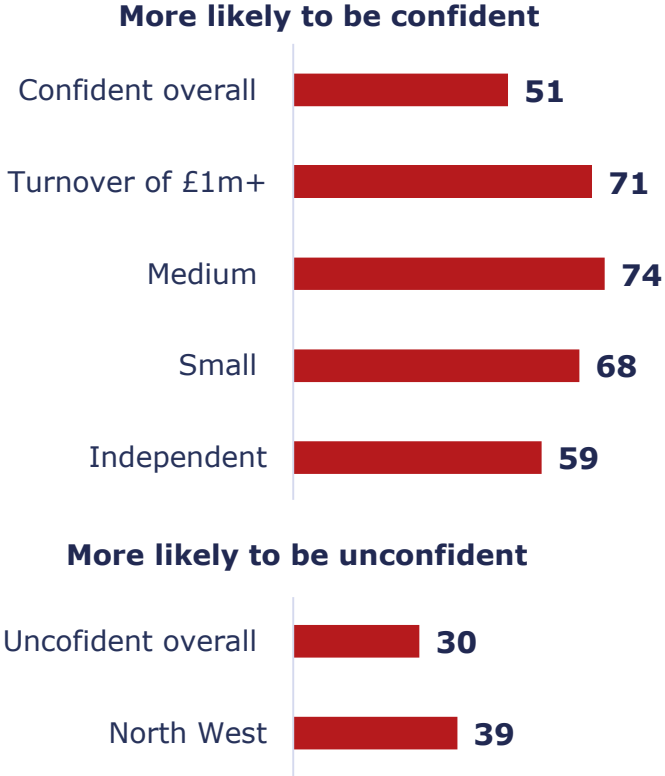
Firms with a turnover of £1m+ are the most confident about their ability to assess finance products

Confidence in ability to assess finance products – subgroup differences (%)

From own bank



From different providers



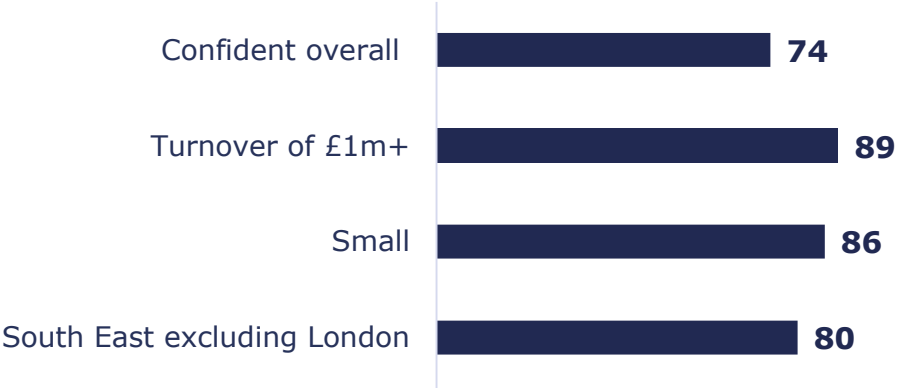
Base = all SMEs (n=2,000 in 2019) (Small n=316/ Medium n= 171/ Turnover of £1m+ n= 392/ Turnover below £50k n= 521/ Sole trader n= 995/ Other legal entity n=795/ independent n=776/ London n= 226/ North West n= 178). Question A4 (single code, prompted).

Firms with a turnover of £1m+ are the most confident about their ability to apply for external finance

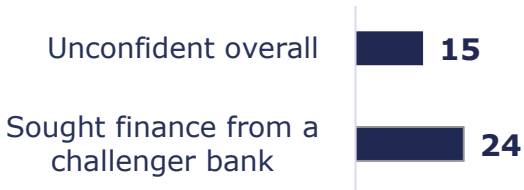
Confidence in ability to apply for external finance – subgroup differences (%)

From own bank

More likely to be confident



More likely to be unconfident



From different providers

More likely to be confident



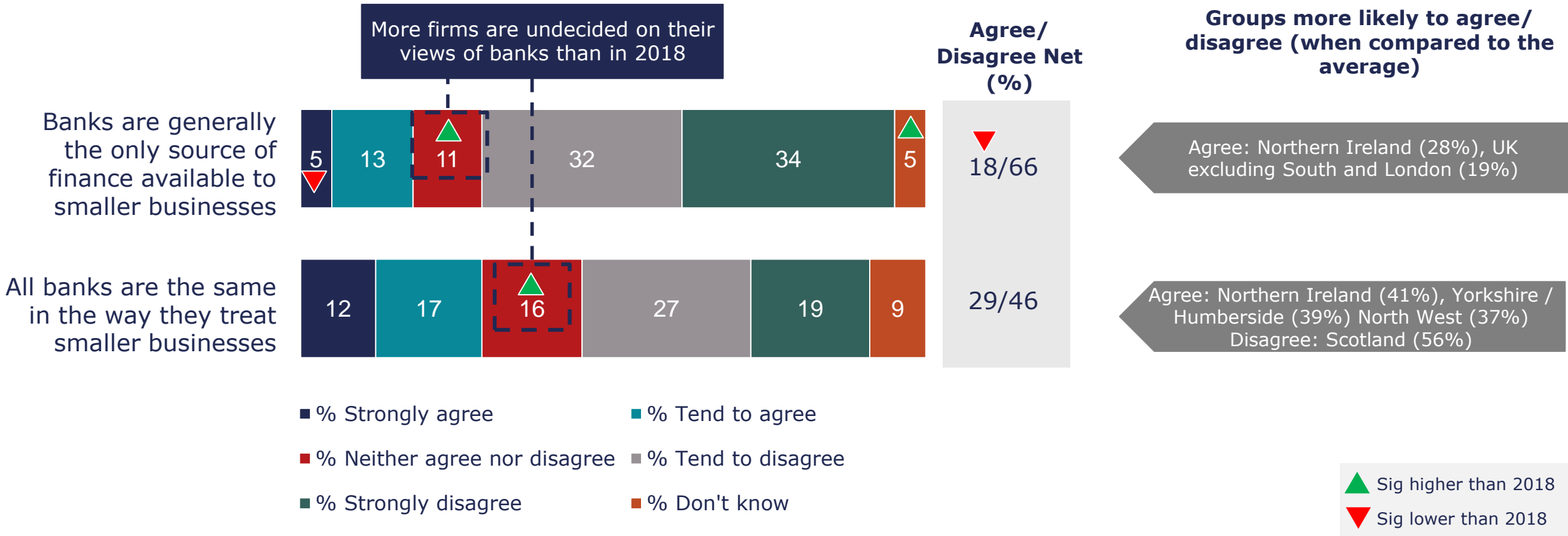
More likely to be unconfident



Base = all SMEs (n=2,000 in 2019) (Small n=316/ Firm with employees n=117/ firm with no employee n=832/ Turnover below £50k n= 521 /Turnover of £1m+ n= 392/ Sole trader n= 995/ Sought finance from a challenger bank n=320/ South East excluding London n=257). Question A4 (single code, prompted).

SMEs are less likely to agree that banks are the only source of finance available to smaller businesses than in 2018

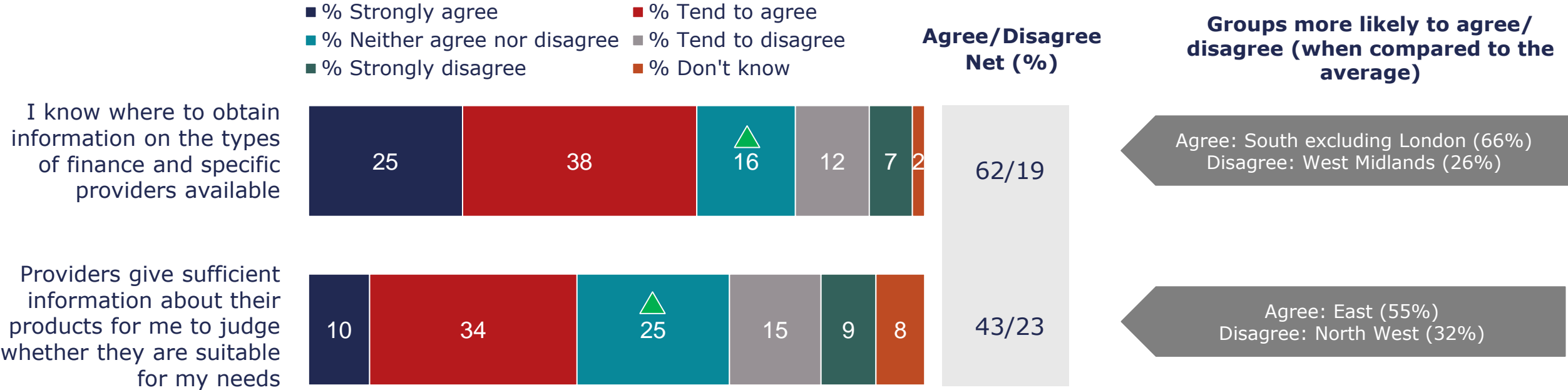
Views on banks (%)



Base = all SMEs (n=2,000 in 2019 and 2018). A5 (single code, prompted).

Just over one in five SMEs disagree that providers give sufficient information about their products to judge if they are suitable

Views on information provision (%)



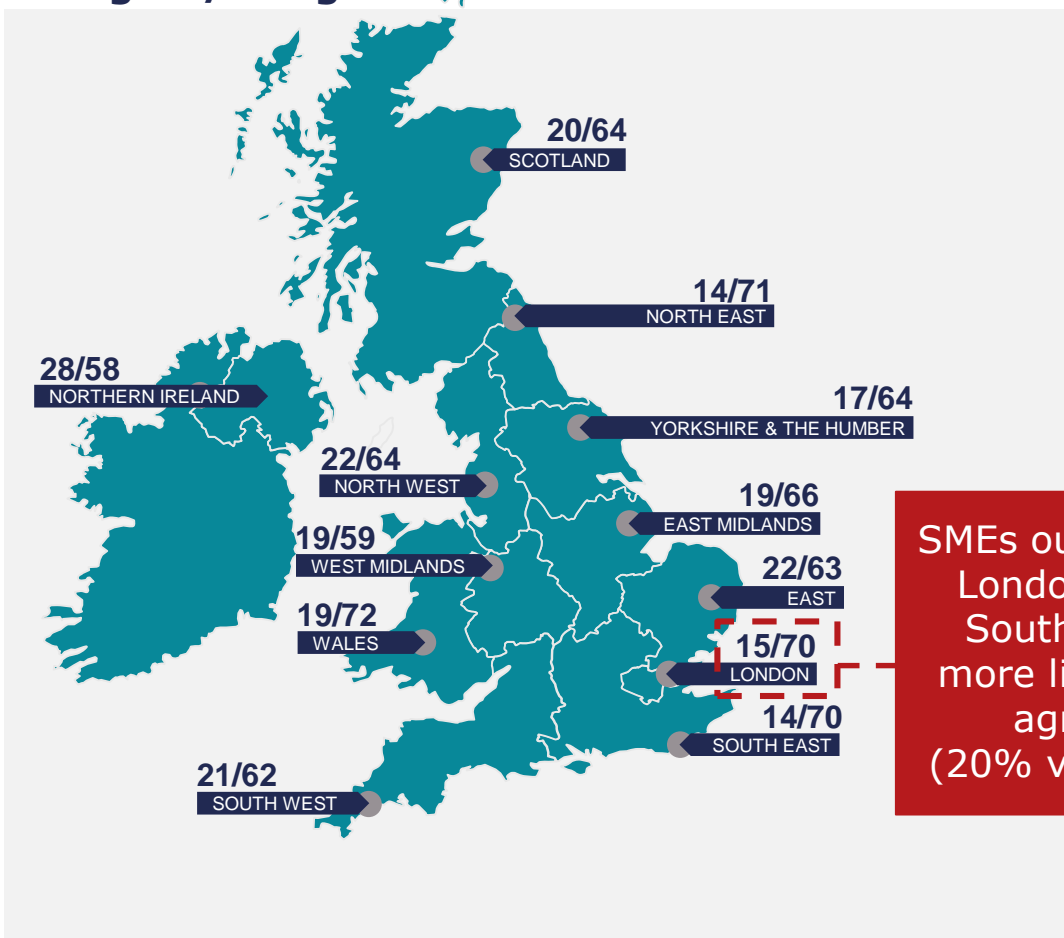
▲ Sig higher than 2018
▼ Sig lower than 2018

Base = all SMEs (n=2,000 in 2019 and 2018, except for "I am confident I know where to obtain information on the types of finance and specific providers available" n=4,003 in 2019). A5 (single code, prompted). Note: '% Agree/disagree' is subject to rounding so may not equal the sum of figures presented on the chart.

SMEs outside of the South East and London are more likely to agree that Banks are the only source of finance available to smaller businesses

“Banks are generally the **only source of finance** available to smaller businesses”

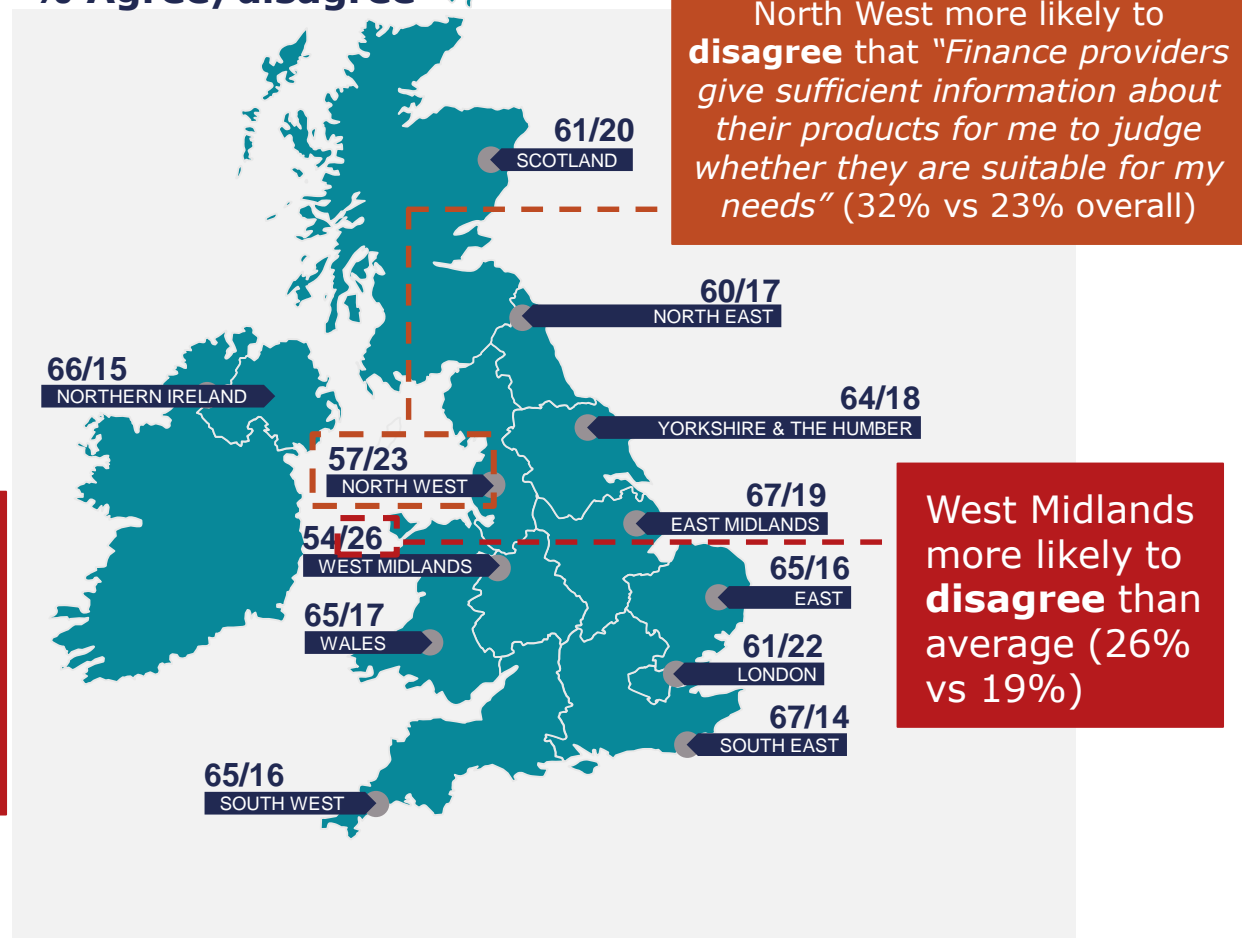
% Agree/disagree



SMEs outside of London and South East more likely to agree (20% vs 15%)

“I am confident **I know where to obtain information** on the types of finance and specific providers available”

% Agree/disagree



North West more likely to **disagree** that “Finance providers give sufficient information about their products for me to judge whether they are suitable for my needs” (32% vs 23% overall)

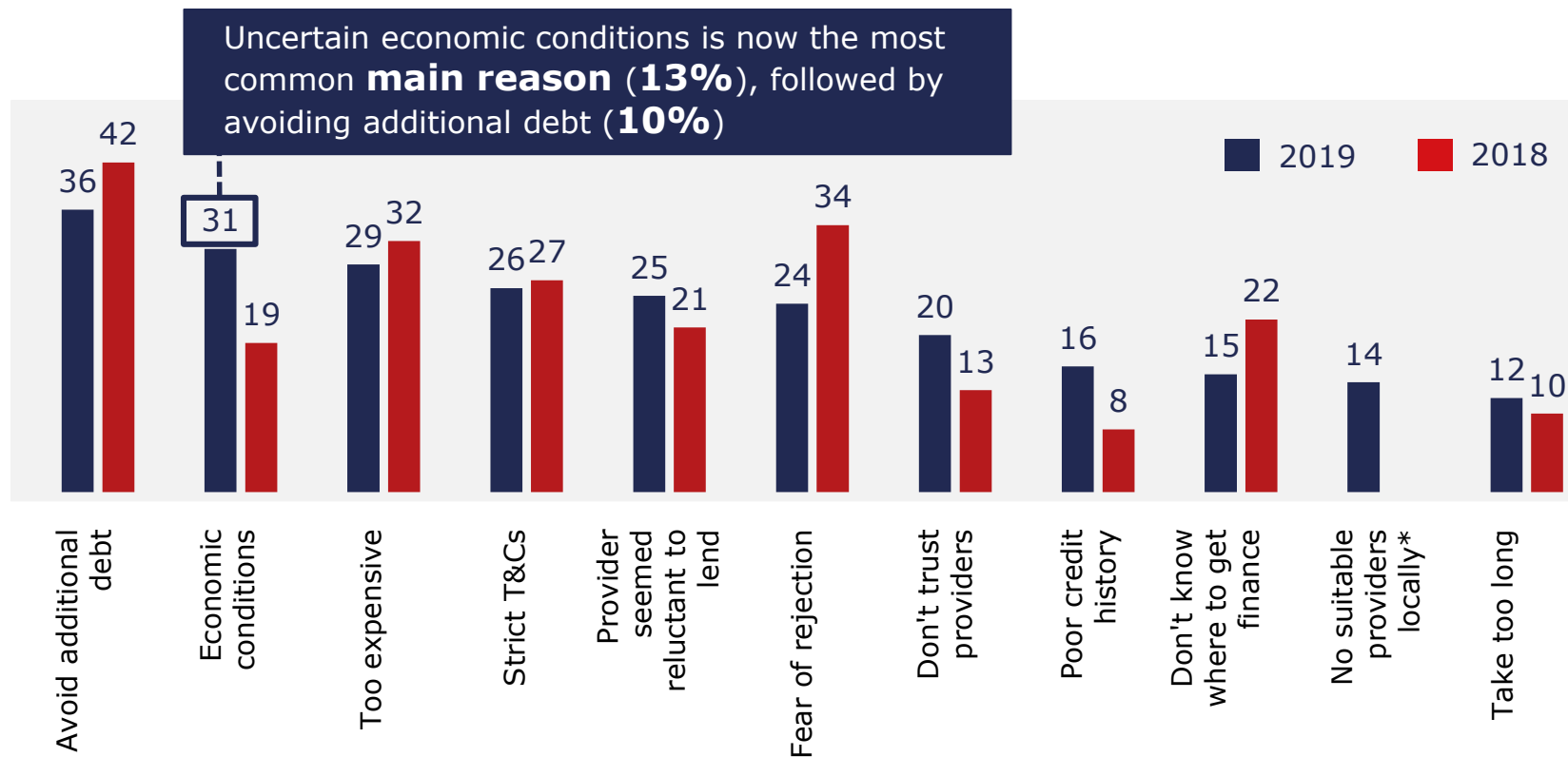
West Midlands more likely to **disagree** than average (26% vs 19%)

Base = all SMEs (n=2,000 in 2019). A5 (single code, prompted).

Avoiding additional debt is still the most common reason for not applying for finance, followed by economic conditions and the cost of finance

Discouragement and reasons for not applying for finance (%)

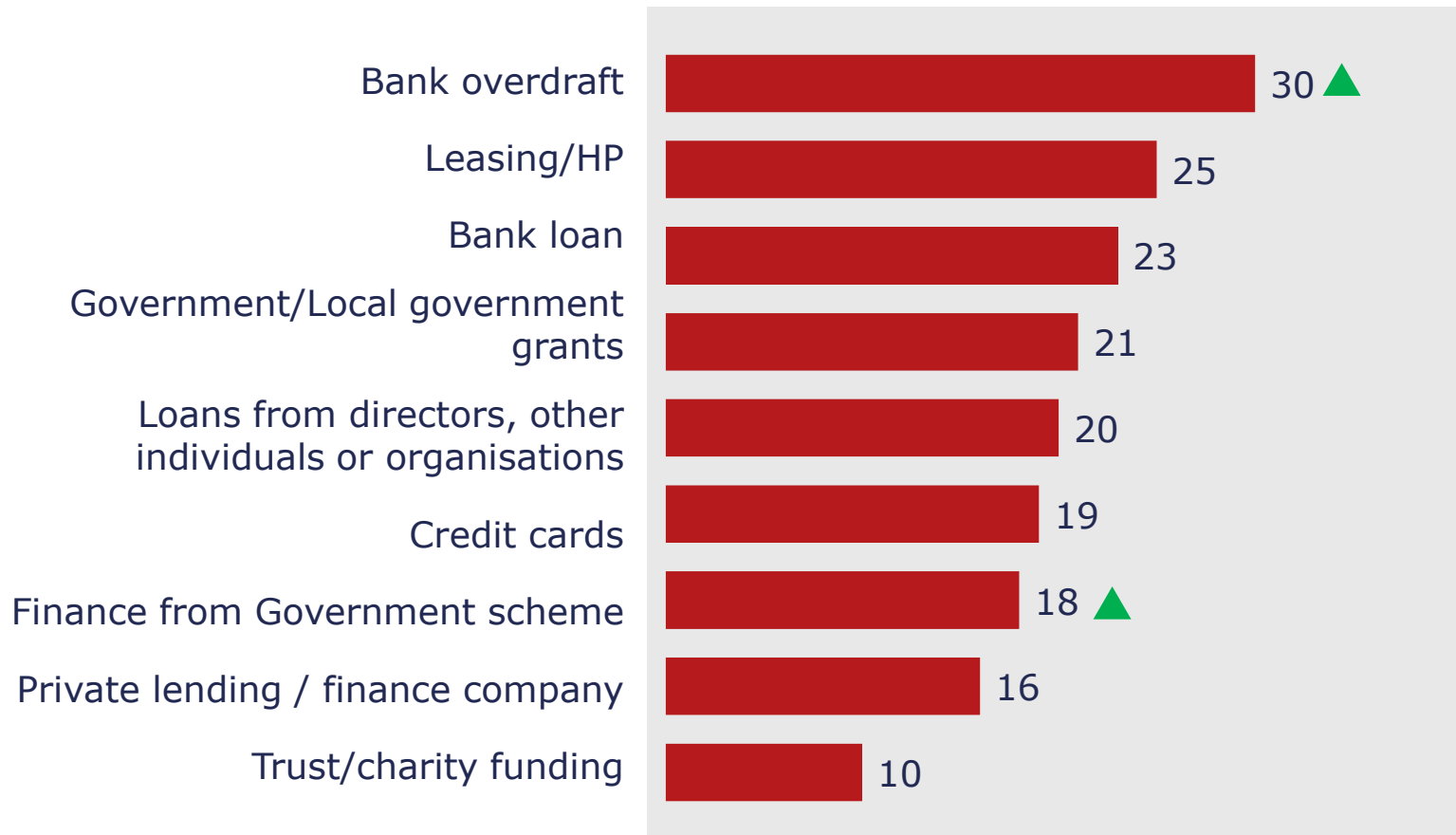
6% reported they wanted to apply for external finance in the last 12 months, but something stopped them (also 6% in 2018)



Base = all SMEs (n=2,000 in 2019 and n=2018 in 2018) Question B1 (single code prompted). Base = All who wanted finance in last 12 months but did not apply (n=102 in 2018, n=85 in 2017) Question B2 (multi code, prompted). Note B2 codes at 5% or below not shown. * New code in 2019. Question B3 (single code, prompted).

The proportion of SMEs considering applying for a bank overdraft or a Government Scheme in the next three months has increased

Forms of finance considering applying for in next 3 months (%)



82% of SMEs are not considering applying for any form of external finance

17% of SMEs are considering applying for any form of external finance in the next three months

SMEs more likely to consider applying

- SMEs expecting to grow in next 12 months + (26%)
- Firms with employees (27%)
- Production sector (22%)

▲ Sig higher than 2018
▼ Sig lower than 2018

Base = all SMEs who considered applying for finance in the next 3 months except those who answered Don't know or refused (n=664 in 2019) B3i (multi code, prompted). Note: Commercial mortgage, marketplace lending, equity crowd funding platform, invoice finance or factoring (asset based) all 1%.



Summing Up

Summary - 1

- Growth in terms of turnover or in the number of employees is lower than in 2018, with around one in five SMEs reporting growth in the past year.
- There is a fall in the proportion of SMEs expecting their business to grow in 2020, with a greater share expecting their business to remain stable.
- Around a quarter consider political uncertainty and the current economic climate as significant obstacles. However, issues recruiting staff and cash flow are seen as less of an obstacle than in 2018.
- Although SMEs were pessimistic about the impact of leaving the EU on growth, a majority reported it would not affect them. Only 13% had made, or planned to make, changes as a result of leaving the EU, the majority of which reported increased prices.
- As in 2018, a majority (62%) reported that the UK leaving the EU had not had, and would not have, an effect on sales: but for every one SME that expected a positive impact (5%) there were more than five (28%) that predicted a negative impact.
- Approximately one third of SMEs reported obtaining debt and equity finance would be more difficult after leaving the EU.

Summary - 2

- Awareness of forms of external finance tends to be lower in 2019 than in 2018. Awareness of the six key finance types is higher than average among employers, than firms with no employees, and firms in the production and business service sectors.
- Awareness of specific providers of finance is also lower in 2019 than in 2018 for some types of finance but remains stable for asset finance.
- More SMEs in 2019 say their own knowledge and previous experience was the main influence when choosing the type of finance to apply for. Those who have not previously sought finance are more likely to say they would rely on an advisor when making that decision.
- Awareness of the British Business Bank is relatively low. Only around one in six SMEs say they have heard of the Bank but four in ten say they would consider contacting the Bank for information, with employers and younger businesses more likely to do so.
- Among those who are aware of the Bank, few SMEs have a negative association with the Bank, but a significant proportion do not have a strong perception of what the Bank does or is there to do.

Summary - 3

- Around six in ten (58%) SMEs are currently using external finance.
- Just under half (44%) of SMEs have sought finance in the past three years but the proportion of employers and SMEs in the construction sector doing so has grown since 2018.
- The proportion of SMEs considering more than one provider has fallen since 2018 – this is driven by a fall in the share of SMEs without employees doing so. The proportion of SMEs contacting only one provider remains stable.
- Among those seeking finance, over half of SMEs sought it from a finance provider which wasn't one of the big five banks. One in five SMEs seeking finance from an alternative provider, approached a challenger bank.
- As in previous years, a large majority (84%) were successful in getting all of the finance they applied for. Among those who were not offered the full amount, 37% gave up or put their plans on hold (compared to 49% in 2018).
- A greater proportion of SMEs said that their experience of raising finance was better than their expectations in 2018. The ease or convenience of the application was the key reason cited for having a positive experience.

Summary - 4

- Around one in eight businesses who've sought finance in the past three years have also sought external advice. Firms who have grown in the past 12 months are more likely to have sought advice from a financial advisor. Similarly, SMEs who expect to grow are also more likely to say they would seek external finance in future.
- Among those aware of equity finance, the proportion of small SMEs (10-49 employees) that would consider applying in future has increased since 2018.
- Reluctance to give up control of the firm continues to be the key barrier to applying for equity finance and has increased in prevalence since 2018.
- Three-quarters are confident in applying for external finance from their bank, but confidence in applying for finance from other providers has fallen since last year.
- Almost one-quarter of SMEs disagree that providers give sufficient information about their products to judge if they are suitable and one in five disagree that they know where to obtain information on the types of finance and specific providers available.
- SMEs outside of the South East and London are more likely to agree that Banks are the only source of finance available to smaller businesses.



Annex

Sector definitions

Production	A Agriculture, Forestry and Fishing
	B Mining and Quarrying
	C Manufacturing
	D Electricity, gas, steam and air conditioning supply
	E Water supply, sewerage, waste management and remediation activities
Construction	F Construction
Distribution	G Wholesale and retail trade; repair of motor vehicles and motorcycles
	H Transportation and storage
	I Accommodation and food service activities
Business Services	J Information and communication
	K Financial and insurance activities
	L Real estate activities
	M Professional, scientific and technical activities
	N Administrative and support service activities
Other Services	O Public administration and defence; compulsory social security
	P Education
	Q Human health and social work activities
	R Arts, entertainment and recreation
	S Other service activities
	T Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
	U Activities of extraterritorial organisations and bodies