Scotland SME Access to Finance Report

Scotland Sub-National and Devolved Nation analysis

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About British Business Bank

The British Business Bank is the UK government's economic development bank. Established in November 2014, its mission is to drive sustainable growth and prosperity across the UK and to enable the transition to a net zero economy, by improving access to finance for smaller businesses.

Its remit is to design, deliver and efficiently manage UK-wide smaller business access to finance programmes for the UK government. The British Business Bank's core programmes support over £17.4bn of finance to almost 64,000 smaller businesses (as at end March 2024).

As well as increasing the supply and diversity of finance for UK smaller businesses through its programmes, the Bank works to raise awareness and understanding of finance options available to smaller businesses.

Annual research publications include Small Business Finance Markets Report, Small Business Equity Tracker and Nations and Regions Tracker.

The British Business Bank Finance Hub provides independent and impartial information to businesses about finance options, featuring short films, expert guides, checklists and articles from finance providers to help make their application a success.

About Business Gateway

Business Gateway is a publicly funded service contributing to the economic wellbeing of Scotland by providing access to free business support services for anyone in Scotland looking to start-up, grow or develop their businesses. With local offices available in every area, advisers offer one-to-one advice and help businesses navigate the complex business support landscape. Additionally, there are a wealth of online resources and webinars to help improve business and digital skills.

Business Gateway supports over 50,000 people each year to start a new business or to grow and develop their existing business. The service helps people create between 7,000 and 10,000 new businesses each year and, since the end of the pandemic, more than 50% of new start-ups each year have been women-led businesses. Each start-up supported by the Business Gateway service is forecast to create between 1.2 – 1.3 new jobs.

Project overview

Devolved Nation project overview

The make-up of sub-regional economies can vary significantly within a particular nation. Factors such as location (urban/rural/coastal), the background of business owners (gender, age and ethnicity), the local business base, the size/maturity of businesses, and the sectoral make up all impact on the nature of sub-regional economies. This project seeks to understand the extent to which these differing characteristics affect or influence attitudes towards the use of external finance amongst the SME population.

Having supported the Northern Ireland Enterprise Barometer since 2021, the British Business Bank has worked with Enterprise Northern Ireland to better understand the differences between sub-regional access to finance economies and develop bespoke interventions accordingly. This project seeks to adopt a similar approach across Scotland and Wales, whilst simultaneously undertaking a devolved nations comparison. This is the second year the Bank has supported this project, after publishing a first suite of nation specific sub-regional access to finance reports in 2024.

Carrying out access to finance surveys with a minimum of 500 SME respondents and applying quotas to ensure the sample is representative of each devolved nation, the British Business Bank is working alongside Business Gateway, Economic Intelligence Wales and Enterprise Northern Ireland to produce a second edition of the reports released last year. This is the latest report for Scotland, published alongside one for Northern Ireland and one for Wales.

Scotland project methodology

The survey findings build on 505 online responses from SMEs located in Scotland.

The survey fieldwork targeted small and medium sized businesses with employees of up to 250. Email invites were sent to individuals identified as owners, directors or senior decision-makers in their business.

The online survey questionnaire was administered by the Diffley Partnership during October and November 2024 and represents the third wave of the Understanding Business survey. This survey was launched in 2023 to provide a quarterly, high-quality measure of sentiment across Scotland's business environment, including businesses of all sizes, in all sectors and across all parts of the country.

Table 1 shows the geographical profile of the sample. The six regions presented are described in the next section.

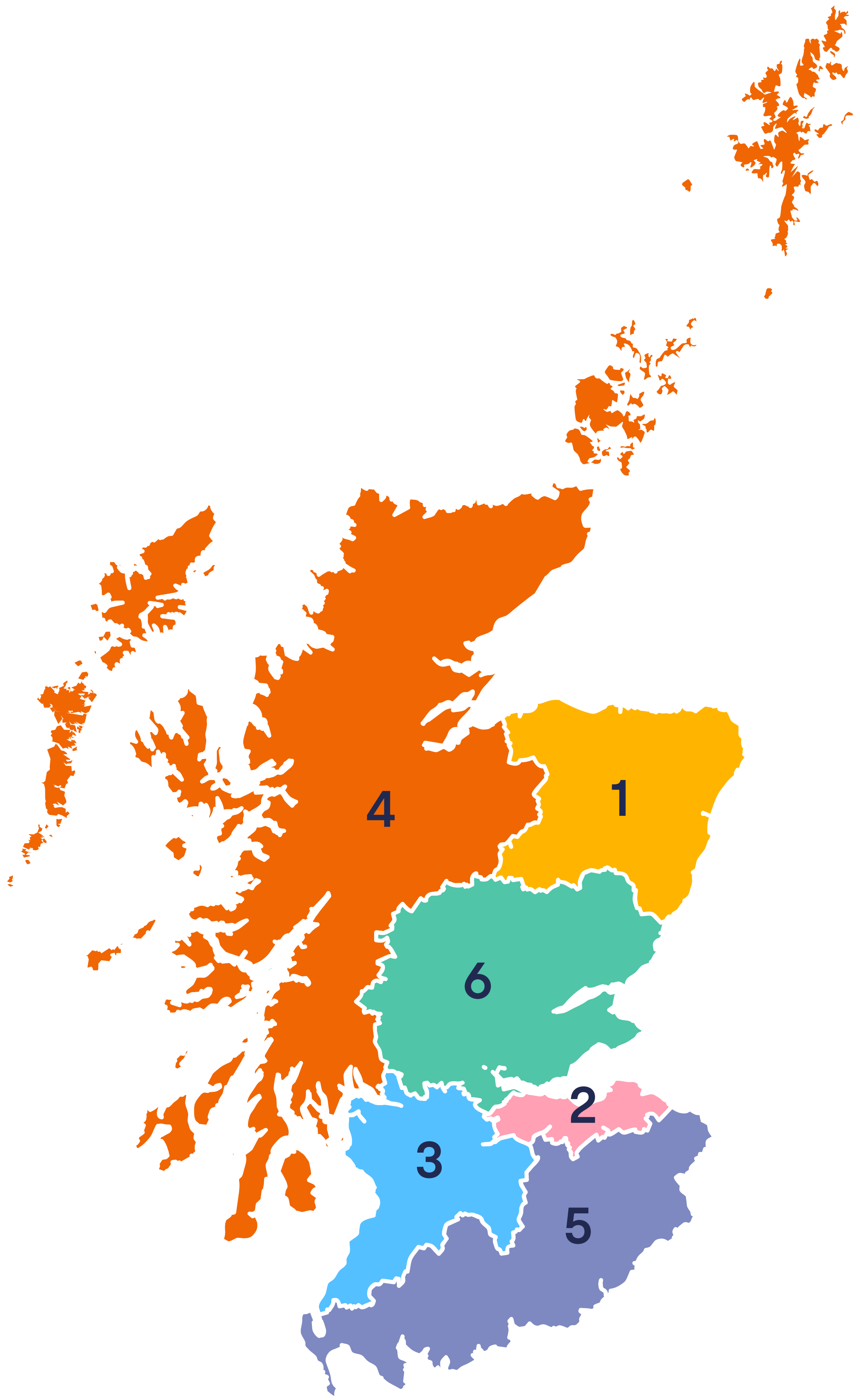
For the first time this year, the analysis is also complemented by the qualitative insights gathered via two virtual focus groups. The first of these was held on 28 January 2025 with a group of finance intermediaries who worked with smaller businesses based in Scotland. The second was held on 31 January with a diverse group of smaller businesses based in Scotland that had experience of considering or accessing external finance options.

Table 1

SME sample composition

	Sample size by region and employee size:				
Region	All employee size bands	0-9	10-49	50-249	% Sample
Aberdeen and North East	34	13	7	14	7%
Edinburgh and Lothians	120	61	24	35	24%
Glasgow and Strathclyde	232	88	85	59	46%
Highlands and Islands	39	29	4	6	8%
Scotland South	18	13	4	1	4%
Tayside, Central and Fife	62	27	18	17	12%
Total	**505**	**505**	**505**	**505**	**100%**

Regional overview



Data set is split by regional area, of which there are six and we have grouped them into the following regions:

Region	Local Authority	Colour
1. Aberdeen and North East	Aberdeen City, Aberdeenshire, Moray	Yellow
2. Edinburgh and Lothians	City of Edinburgh, East Lothian, Midlothian, West Lothian	Pink
3. Glasgow and Strathclyde	East Ayrshire, East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Ayrshire, South Lanarkshire, West Dunbartonshire	Blue
4. Highlands and Islands	Argyll and Bute, Eilean Siar (Western Isles), Highland, Orkney, Shetland	Orange
5. Scotland South	Dumfries and Galloway, Scottish Borders	Lilac
6. Tayside, Central and Fife	Angus, Clackmannanshire, DundeeCity, Falkirk, Fife, Perth and Kinross, Stirling	Green

1. Aberdeen and North East

The North East, featuring three councils including the city of Aberdeen, is best known for the central role it plays in Europe's oil and gas sector. As such, the North East is a buoyant economy that has a regional GVA per capita and average earnings that are consistently among the highest in the UK. However, the region is much more than oil and gas. Home to over 490,000 people, it also has a strong reputation in sectors such as life sciences and food and drink. Over half of all of Scotland's distilleries are located in Moray, for instance.

2. Edinburgh and Lothians

At the centre of this region is Edinburgh, the capital city of Scotland, while the Lothians encompasses the surrounding areas. Home to the Scottish Parliament, Edinburgh is often regarded as one of the world's best cities to visit. Economically, financial services are an important source of growth and jobs for the region – 30,000 people work in this sector alone – as are tourism, hospitality, creative industries, and professional services. The region is home to our universities, including one which is ranked as one of the top 50 universities in the world (University of Edinburgh), which contribute to a vibrant and buoyant entrepreneurial tech ecosystem.

3. Glasgow and Strathclyde

Like Edinburgh's role in the Lothians, Glasgow is at the heart of this region and comprises the country's largest population of over 635,000 people. The region is one of the largest city region economies in the UK, with a total of 11 local authority areas, and it has a growing business base in areas like finance, technology and space. A key factor in this growth is its world-class universities. Overall, the region generates over a third of all the jobs for the Scottish economy and a third of the nation's GVA.[1]

4. Highlands and Islands

The Highlands and Islands is a vast region characterised by its landscapes and diverse economy. The area stretches across large parts of Scotland including Highland Perthshire, the region's only city (Inverness), and the Shetland Isles in the far north. Featuring three island areas and two mainland councils, one of which is the largest mainland authority in the UK, the region is known for its strengths in primary sectors such as agriculture, food and drink, and tourism. Complementing these strengths are emerging sectors in the shape of renewables and space.

5. Scotland South

The South of Scotland is a rural region comprising Dumfries and Galloway and the Scottish Borders. Situated south of the Central Belt and extending to the border with England, the region covers more than 170 miles and is home to over 260,000 people – many of which live in small towns and villages spread throughout the region. Well-known for its market towns, rurality and history, the region's economy is diverse and home to sectors such as agriculture, tourism, renewables, manufacturing and the creative industries.[2]

6. Tayside, Central and Fife

In a vast area spanning three cities, five universities and seven local authority areas, this region is highly diverse and economically vibrant. The region is a mix of urban and rural and is home to the cities of Dundee, Perth, and Stirling. As a result, the regional economy is multifaceted with key industries ranging from sectors such as agriculture, fishing, tourism and manufacturing, to emerging sectors like life sciences and renewable energy. Dundee, for instance, is a well-regarded hub for gaming, life sciences and digital media.

Executive summary

Overall findings

58% of SMEs in Scotland were using external finance in late 2024. Credit cards were the most commonly used finance form among smaller businesses in Scotland, with a 29% usage rate, followed by business overdrafts (22%) and grants (13%).

Around four in ten smaller businesses (42%) in Scotland reported they experienced barriers to accessing finance, with the highest share of respondents that identified barriers mentioning ability to obtain/repay finance (51%), lack of awareness or availability of finance options/support (17%) and time/complexity of finance applications (16%).

Around 9 in 10 Scotland based businesses with debt (92%) perceived their current debt burden as manageable.

Slightly over four in 10 (41%) smaller businesses in Scotland reported requiring additional financing over the next 12 months. Of these, 63% said they had a requirement at or below £50k, with another 27% of eligible respondents stating a requirement between £50k and £250k and the remaining 10% a larger requirement.

The most common finance forms that Scotland based businesses with a finance need anticipated accessing over the next year were business loans (43%), followed by business overdrafts and credit cards with 28% and 25% respectively. Just under half (48%) of smaller businesses that anticipated needing finance over the coming year intended to use it for working capital, while a similar share (45%) also indicated they would use it for capital expenditure. Among Scotland based businesses that anticipated needing it over the next year, 70% felt confident in their ability to secure it.

Just over four in ten (41%) of Scotland based smaller businesses in 2024 expected stability over the next year, the same share (41%) expected growth, and the rest expected a contraction (14%) or difficult trading conditions/risk of closure (4%).

58%

of Scottish SMEs reported using finance

42%

experienced barriers to accessing finance

41%

require additional financing over the next 12 months

70%

of those requiring finance felt confident about securing it

Sub-national findings

Overall finance usage rates were lowest in the Highlands and Islands region, where only just under four in ten smaller businesses (38%) reported using any finance at the time of the survey. This difference with other regions was found to be statistically significant.

The Highlands and Islands region also had by far the lowest share of smaller businesses reporting they were using credit cards (13%).

Smaller businesses' views on whether they experienced barriers to accessing finance differed in a statistically significant way in the Scotland South region, which showed a lower share of respondents reporting barriers (28%) than any other region in Scotland.

Some small and statistically significant regional variations were present in the share of smaller businesses with debt who perceived their debt burden as manageable, with respondents in Tayside, Central and Fife showing the lowest share of businesses reporting this (86%).

Respondents based in the Scotland South and Highland and Islands regions were far less likely to report they expected to require additional finance over the next 12 months than their counterparts elsewhere, although this difference did not meet statistical significance criteria.

There were statistically significant differences across different regions of Scotland in the share of businesses that anticipated requiring amounts over £250k, suggesting that respondents in Edinburgh and Lothians were the most likely to report they had a finance requirement in this bracket (17%). Tayside, Central and Fife businesses also stood out for their high propensity to report considering equity finance (25%), which differed in a statistically significant way from the rest of the nation. Further, respondents based in the Highlands and Islands were far more likely than those located in other regions to select working capital as the intended purpose of the additional financing they anticipated requiring (80%).

Smaller businesses' confidence in securing the additional finance required over the next 12 months did not differ in a statistically significant way across the six regions, although respondents from Edinburgh and Lothians seemed less inclined to express confidence than their counterparts elsewhere (66%).

Smaller businesses' expectations of their performance over the next year differed across the six regions. However, only one statistically significant difference was detected at this level for Glasgow and Strathclyde, where respondents were particularly inclined to anticipate stability compared to those based in other regions (46%).

38%
of Highlands and Islands SMEs were using finance, v. 57% in Scotland as a whole

25%
of SMEs in Tayside, Central and Fife anticipated requiring equity over the next year

Devolved Nations comparison

Scotland had a comparable proportion of smaller businesses using external finance to Northern Ireland and Wales. Usage rates among Scotland-based smaller businesses were higher than the other Devolved Nations with respect to most finance types, except for Covid-19 loans and other (non pandemic-related) loan products, where usage rates were much lower than in the comparators.

Scotland had a significantly higher share of businesses reporting one or more barriers to external finance access than the other Devolved Nations, at around double the level seen in Wales and Northern Ireland.

Meanwhile, the response patterns of businesses that reported at least one barrier were slightly different across Scotland, Northern Ireland and Wales. In particular, the ability to obtain/repay finance was most frequently reported in Scotland and less prevalent in the other Devolved Nations, whereas the reverse was true for poor perceptions of/ relationships with finance providers.

Businesses' perceptions of the manageability of their current debt were broadly aligned across the three Devolved Nations.

When compared to the other Devolved Nations of the UK, the overall proportion of SMEs that anticipated requiring additional financing over the next 12 months in Scotland was broadly similar to Northern Ireland and nearly double the level seen in Wales. Differences can also be seen across the Devolved Nations in the size of the additional financing required, with proportionally fewer smaller businesses anticipating a finance requirement above £50k in Scotland or Wales than in Northern Ireland.

Scotland-based smaller businesses were much less inclined to anticipate accessing grants to meet their finance needs over the next year than their counterparts in Northern Ireland and Wales, and more inclined to consider using business overdrafts, credit cards, invoice and asset finance.

Smaller businesses in Scotland were broadly similar to their counterparts in the other Devolved Nations in terms of the intended purposes of any additional financing sought, although proportionally more mentioned refinancing or investment in research/process improvement/significant maintenance. Their level of confidence in their ability to secure the finance they needed over the next 12 months was also the highest of all Devolved Nations.

Scotland based smaller businesses were more positive about their growth prospects over the next 12 months relative to their counterparts in Wales, and less so than businesses in Northern Ireland.

42%

of Scotland-based SMEs reported barriers in accessing finance, the highest proportion of all Devolved Nations

70%

of Scotland-based SMEs were confident in meeting their finance requirements over the next year, the highest proportion of all Devolved Nations

Data analysis

1. External finance usage
2. Barriers to external finance
3. Debt manageability
4. Future finance needs
5. Future finance needs (type)
6. Future finance needs (purpose)
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8. Anticipated business performance

1. External finance usage

The results show that 58% of smaller businesses in Scotland were using external finance[3] at the time of the survey (Figure B1.1), a lower share than in the survey carried out in Autumn 2023 (62%).

Overall finance usage rates were lowest in the Highlands and Islands and Scotland South regions, where only just under four in ten smaller businesses (38% and 39% respectively) reported using any finance at the time of the survey.

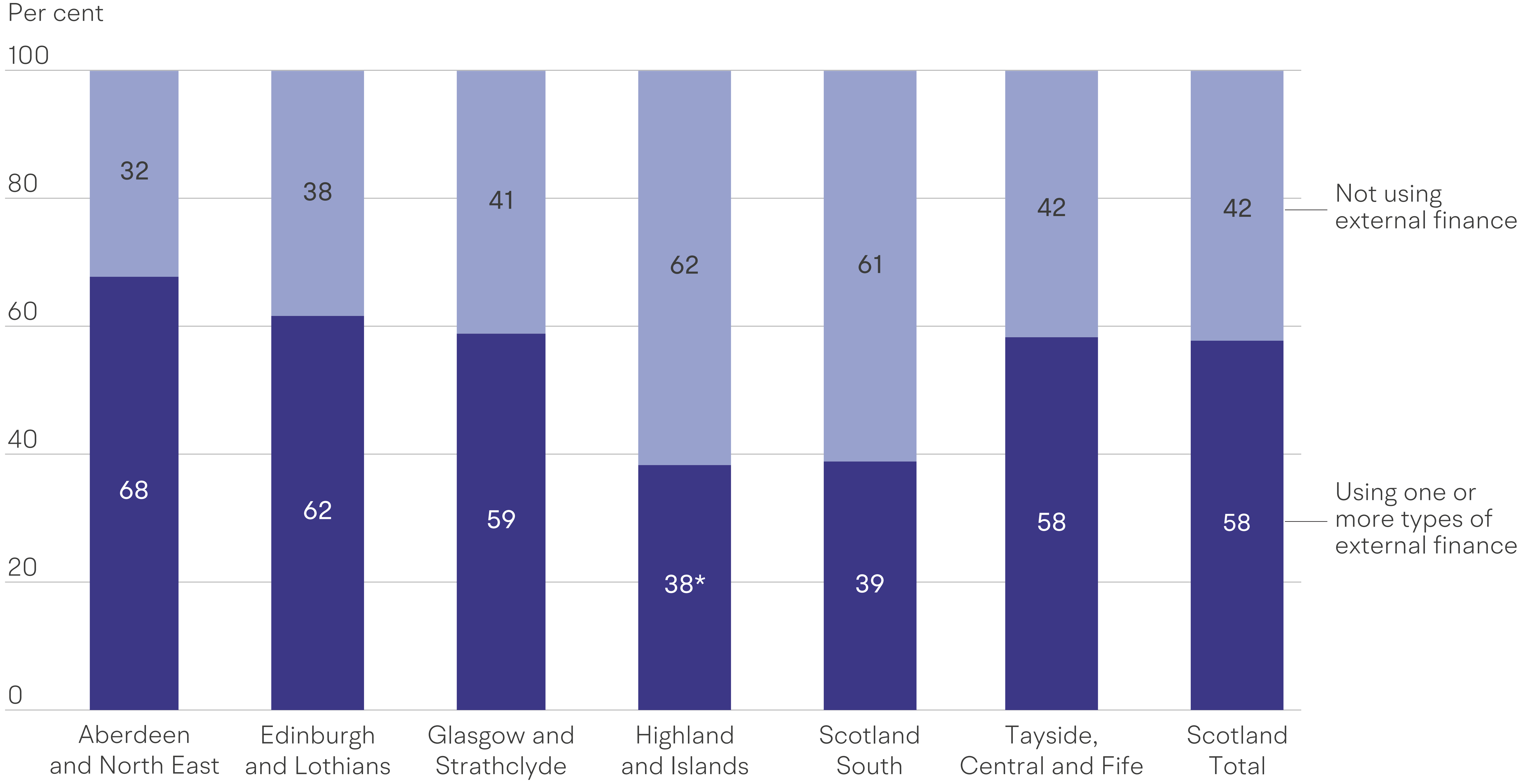
The difference in this proportion between the Highlands and Islands and the other regions was found to be statistically significant and had also been also identified in the previous year's survey, providing stronger evidence that use of finance is structurally lower in this area relative to the rest of Scotland.

Based on our focus group discussions with intermediaries and smaller businesses, the lack of differentiation in finance use patterns by type is to be expected. While location was regarded as a potential factor influencing access to finance, other business and economic conditions were also thought to play a significant role.

Figure B1.1

Use of external finance among businesses based in Scotland, by region

Unweighted sample sizes: Scotland Total (505), Aberdeen and North East (34), Edinburgh and Lothians (120), Glasgow and Strathclyde (232), Highlands and Islands (39), Scotland South (18), Tayside, Central and Fife (62).



*Correlation is significant at the 0.05 level.

For instance, participants noted that rural and remote areas (including but not limited to the Highlands and Islands region) face more challenges in accessing finance, since finance providers and investors tend to be concentrated in the central belt and major cities like Edinburgh and Glasgow. This can also be a matter of perceptions as businesses in less densely populated areas may have access to fewer opportunities to increase their awareness of finance options, including face-to-face interactions with lenders.

In addition, barriers may emerge from the interaction of location with business characteristics that make it less likely for entrepreneurs to consider engaging with finance. For instance, the prevalence of "lifestyle businesses" in some areas (where scaling up is less likely to be a key business objective) means that there may be concentrations of businesses that are less inclined to seek external finance for growth. As a further example, intermediaries noted that the perceived cultural resistance to raising external finance existing among family businesses – particularly with respect to equity finance – can lead to lower appetite in areas dominated by family-run firms. Addressing these challenges requires a multifaceted approach that considers both geographic and broader economic, cultural and management factors.

In 2024, credit cards were the most commonly used finance form among smaller businesses in Scotland, having been used by 29% of respondents across the nation (compared to 30% in the Autumn 2023 survey). The second and third most commonly used finance forms were business overdrafts with 22% and 13% respectively, showing a similar usage rate as in the 2023 survey (21% and 13%). The proportion of SMEs using other finance types – such as loans equity or asset/invoice/equity finance) was 10% or less throughout the nation. The most marked change in finance type preferences among smaller businesses in Scotland compared to the previous year's survey relates to Covid-19 loans (8%), as a much more significant share of respondents reported they were still using Covid-19 loans (18%) at that time.

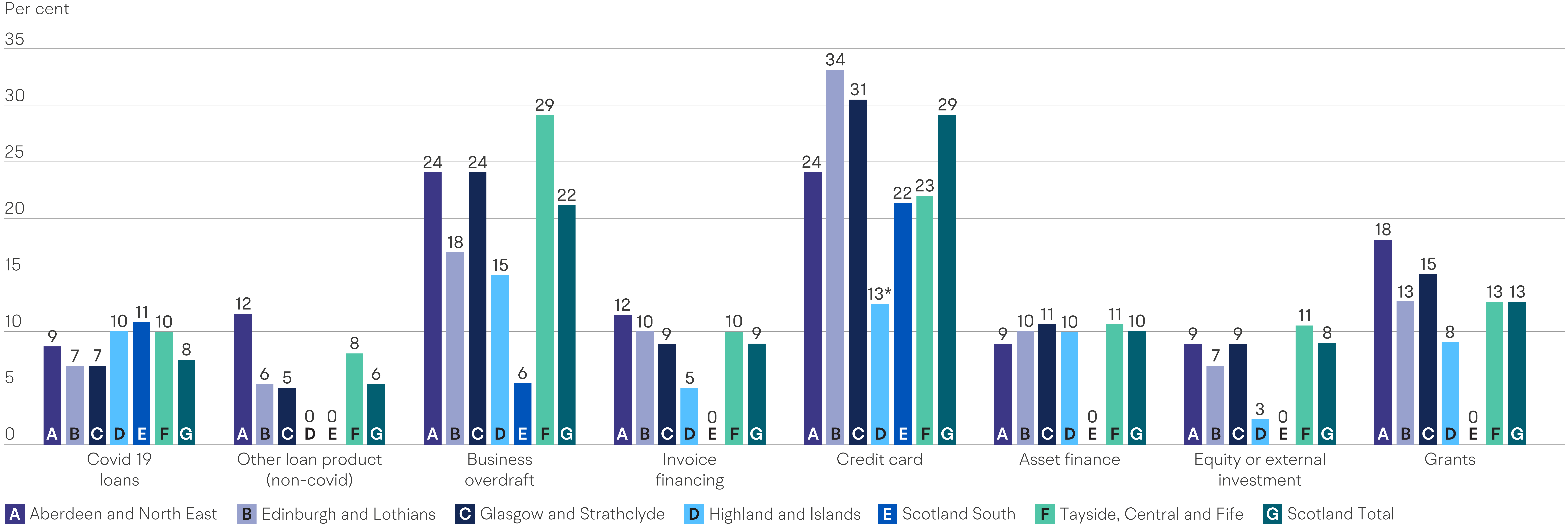
Usage levels for different external finance types show some variations across smaller businesses located in different regions of Scotland (Figure B1.2), although most of these did not meet statistical significance criteria. The only statistically significant difference detected related to the Highlands and Islands, which had by far the lowest share of smaller businesses reporting they were using credit cards (13%) of all regions in Scotland.

As stated previously, our focus group discussions with intermediaries and smaller businesses highlighted location as one of many relevant factors in ease of access to finance. Participants noted that location can have a particularly significant impact with respect to equity finance, since later-stage investors continue to be highly concentrated in London and earlier-stage investors in Edinburgh and Glasgow. That said, some entrepreneurs noted how the presence of government-backed programmes targeting more peripheral locations are alleviating location-based barriers for some businesses.

Figure B1.2

Use of external finance among businesses based in Scotland, by region and by finance type

Unweighted sample sizes: Scotland Total (505), Aberdeen and North East (34), Edinburgh and Lothians (120), Glasgow and Strathclyde (232), Highlands and Islands (39), Scotland South (18), Tayside, Central and Fife (62).



*Correlation is significant at the 0.05 level.

The popularity of credit cards was also discussed during our two focus groups with intermediaries and businesses. Intermediaries recognised that credit cards are widely seen as an easy and accessible source of finance, with a straightforward application process compared to options like bank loans or equity financing, as well as offering the advantage of being intuitive and familiar given many business owners will have used them in their personal lives. Cashback incentives and the ability to help businesses manage short-term cash flow issues by delaying payments also contribute to their popularity among businesses. Meanwhile, participants also noted the greater barriers that some businesses may experience when applying for other finance types, such as the complexity and lead time associated with securing loans and equity financing as well as the fact lenders often require personal guarantees to lend to smaller businesses.

Scotland had a comparable proportion of smaller businesses using external finance compared to the other two Devolved Nations of the UK (Figure B1.3). Usage rates among Scotland-based smaller businesses were higher the other two Devolved Nations with respect to most finance types except for Covid-19 loans and other (non-pandemic-related) loan products, where usage rates were much lower than in the comparators (Figure B1.4).

Figure B1.3

Use of external finance among businesses based in Scotland, Northern Ireland and Wales

Unweighted sample sizes: Scotland (505), Northern Ireland (816), Wales (500).

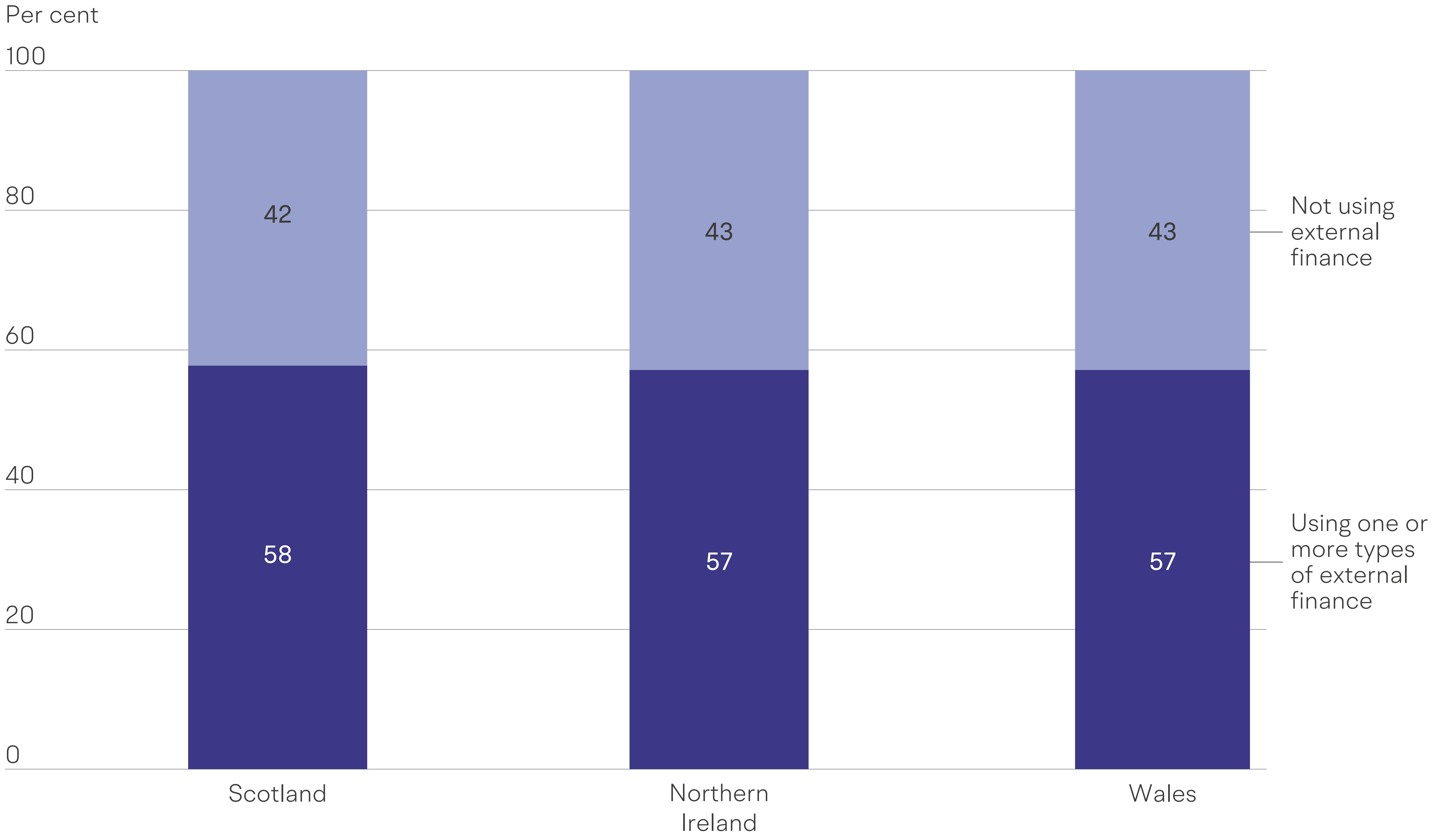
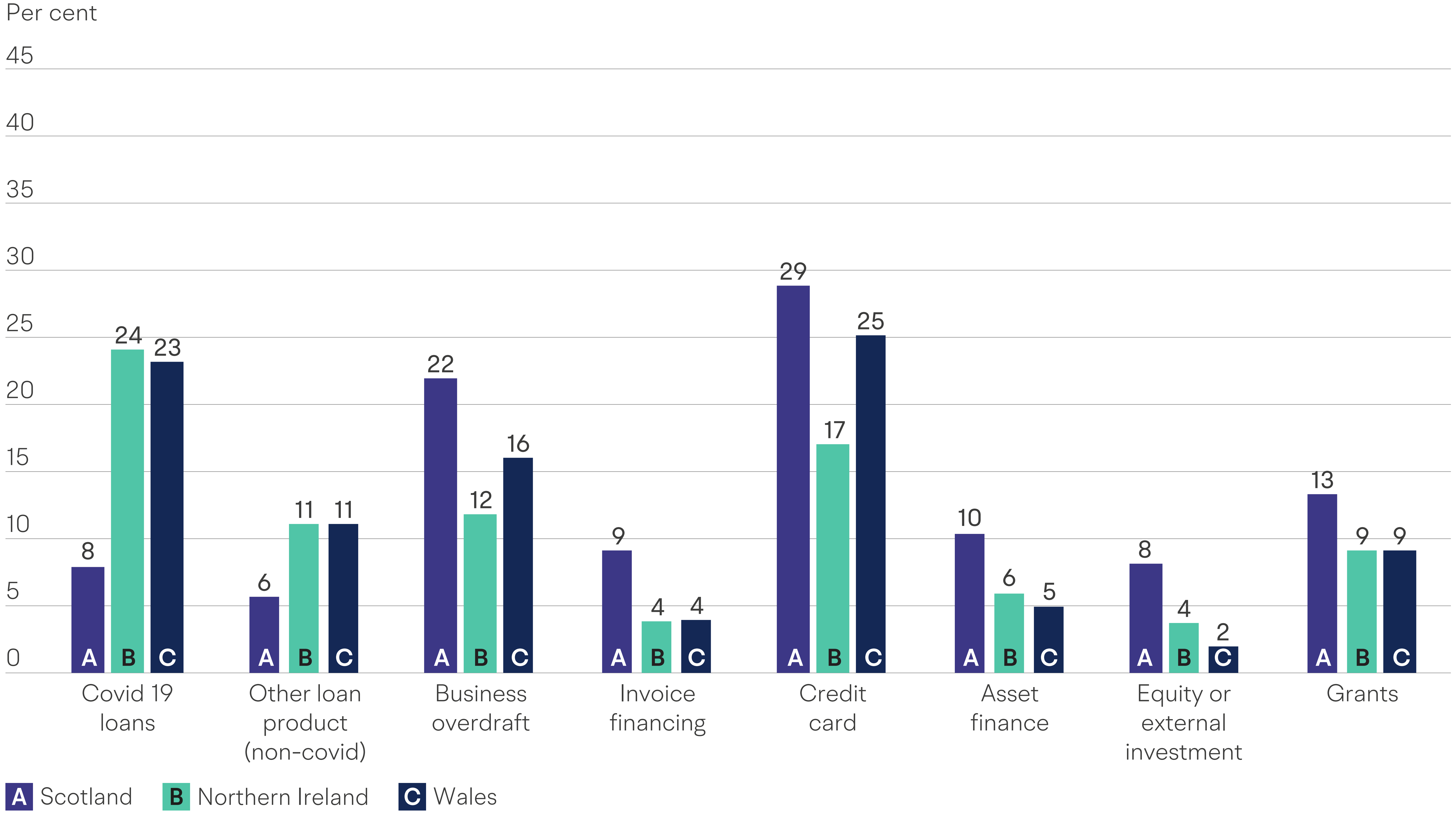


Figure B1.4

Use of external finance among businesses based in Scotland, Northern Ireland and Wales, by finance type

Unweighted sample sizes: Scotland (505), Northern Ireland (816), Wales (500).



2. Barriers to external finance

As shown in Figure B2.1, 42% of smaller businesses in Scotland reported they experienced barriers to accessing finance, with the rest of the respondents mentioning "None" (42%) or "No need for finance/not applicable/don't know" (16%). The share of respondents reporting barriers was similar but lower in the 2023 survey (37%).

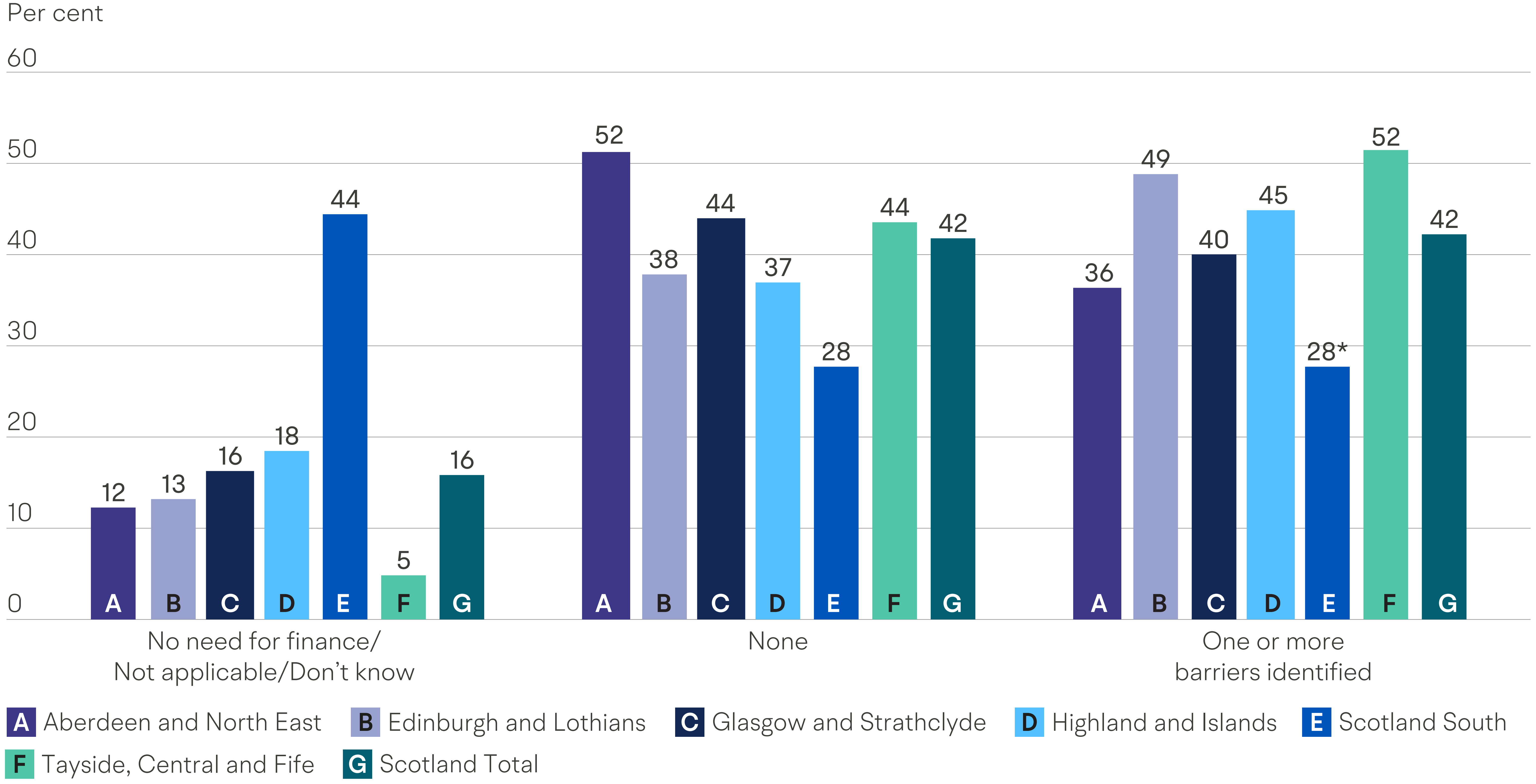
Smaller businesses' views on whether they experienced barriers to accessing finance in the Scotland South region differed in a statistically significant way from the rest of the nation, showing a lower share of respondents reporting barriers than any other region in Scotland.

Those businesses that had experienced barriers to external finance access related to 19 different themes. To streamline interpretation, our analysis groups these into five broader themes, as presented in Figure B2.2.

Figure B2.1

Barriers to external finance access among businesses based in Scotland, by region

Unweighted sample sizes: Scotland Total (498), Aberdeen and North East (33), Edinburgh and Lothians (119), Glasgow and Strathclyde (228), Highlands and Islands (38), Scotland South (18), Tayside, Central and Fife (62).

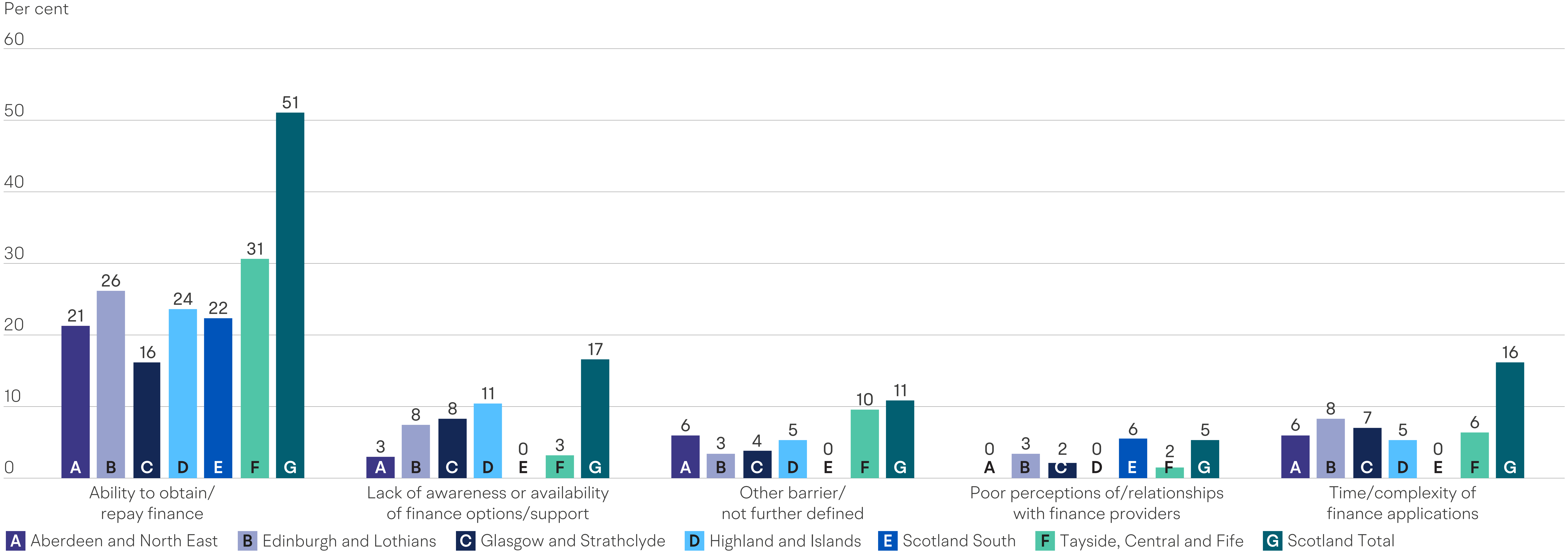


*Correlation is significant at the 0.05 level.

Figure B2.2

Barriers to external finance access among businesses based in Scotland, by theme and region

Unweighted sample sizes: Scotland Total (210), Aberdeen and North East (12), Edinburgh and Lothians (58), Glasgow and Strathclyde (91), Highlands and Islands (17), Scotland South (5), Tayside, Central and Fife (32).



Of these, the most frequently reported by businesses in Scotland were:

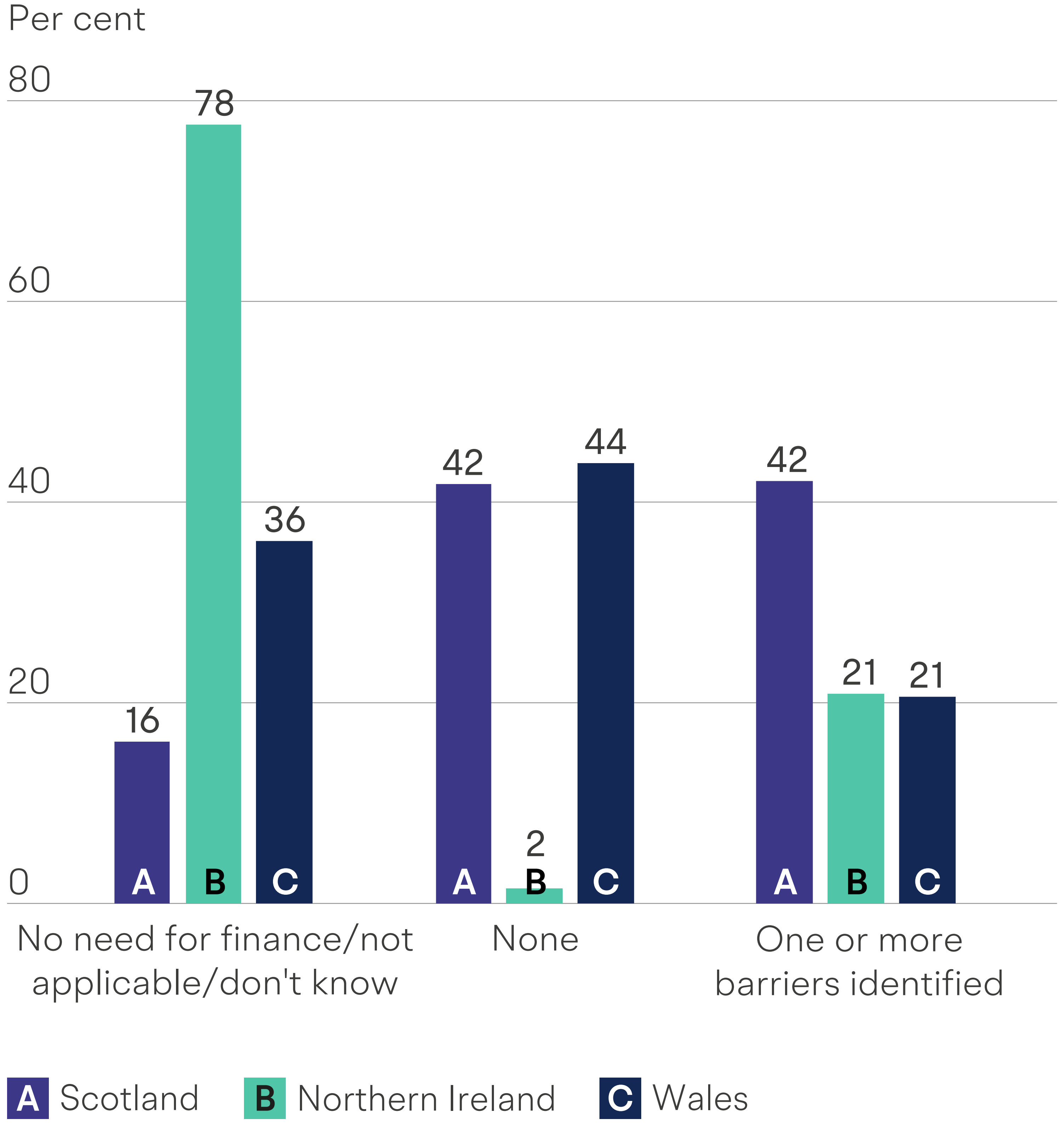
- **Ability to obtain/repay finance (51%):** the key barriers under this theme related to a lack of confidence in obtaining or repaying finance, typically driven by business characteristics/performance or past rejection. These encompass: (high) Interest rates; ineligibility/rejected; issues with overdraft; issues related to being self-employed; irregular cash flow/turnover; difficult for small company/low turnover. This was also one of the two most frequently mentioned barrier themes in 2023, although at that time it was reported by a smaller share of respondents (37%). Our focus groups confirmed that there were still concerns about economic uncertainty which may impact appetite for small business finance in Scotland. In addition, many businesses still regarded the cost of borrowing as still relatively high (even though interests rates have come down from their 2023 peak) and that there are still significant cost pressures for businesses to address, particularly in sectors like hospitality, retail and construction.
- **Lack of awareness or availability of finance options/support (17%):** this category encompasses all barriers that stem from a lack of awareness of finance options among businesses, or difficulties in finding information and advice that can help them access available and relevant finance solutions. Although this was already one of the two the top themes in the 2023 survey (alongside ability to obtain/repay finance) it was mentioned by a lower share of respondents at that time (7%) than in the latest survey. According to participants in our focus groups, this remains a key barrier especially for businesses in rural or remote areas, many of which are not well-informed about the full range of finance options available beyond traditional high street banks.

  Focus group participants also noted that along with the lack of awareness, many small business owners lack the confidence and skills to navigate the process of accessing external finance, making it difficult for them to identify and apply for options that are right for their business, or find out what support may be available for this purpose (for example, accelerator schemes).
- **Time/complexity of finance applications (16%):** this theme brought together barriers that related to the effort involved in seeking finance for a small business, including: bureaucracy/red tape/paperwork/too complex/request too much information; time/takes too long; difficulties with online banking/applications.

Figure B2.3

Barriers to external finance access among businesses based in Scotland, Northern Ireland and Wales

Unweighted sample sizes: Scotland (505), Northern Ireland (815), Wales (500).



This was slightly more of a challenge in the previous year's survey, where it had been mentioned by 21% of respondents. Our focus group discussions also touched on this issue, noting that it could be a significant one for many smaller businesses seeking more structured finance options such as loans or equity.

A smaller proportion of respondents also cited other types of barriers (11% in Scotland as a whole, like last year) as well as barriers related to poor perception of/relationships with finance providers (5%).

Scotland had a significantly higher share of businesses reporting one or more barriers to external finance access than the other Devolved nations, at around double the level seen in Wales and Northern Ireland (Figure B2.3). This closely replicates the picture emerging from the survey conducted in 2023.

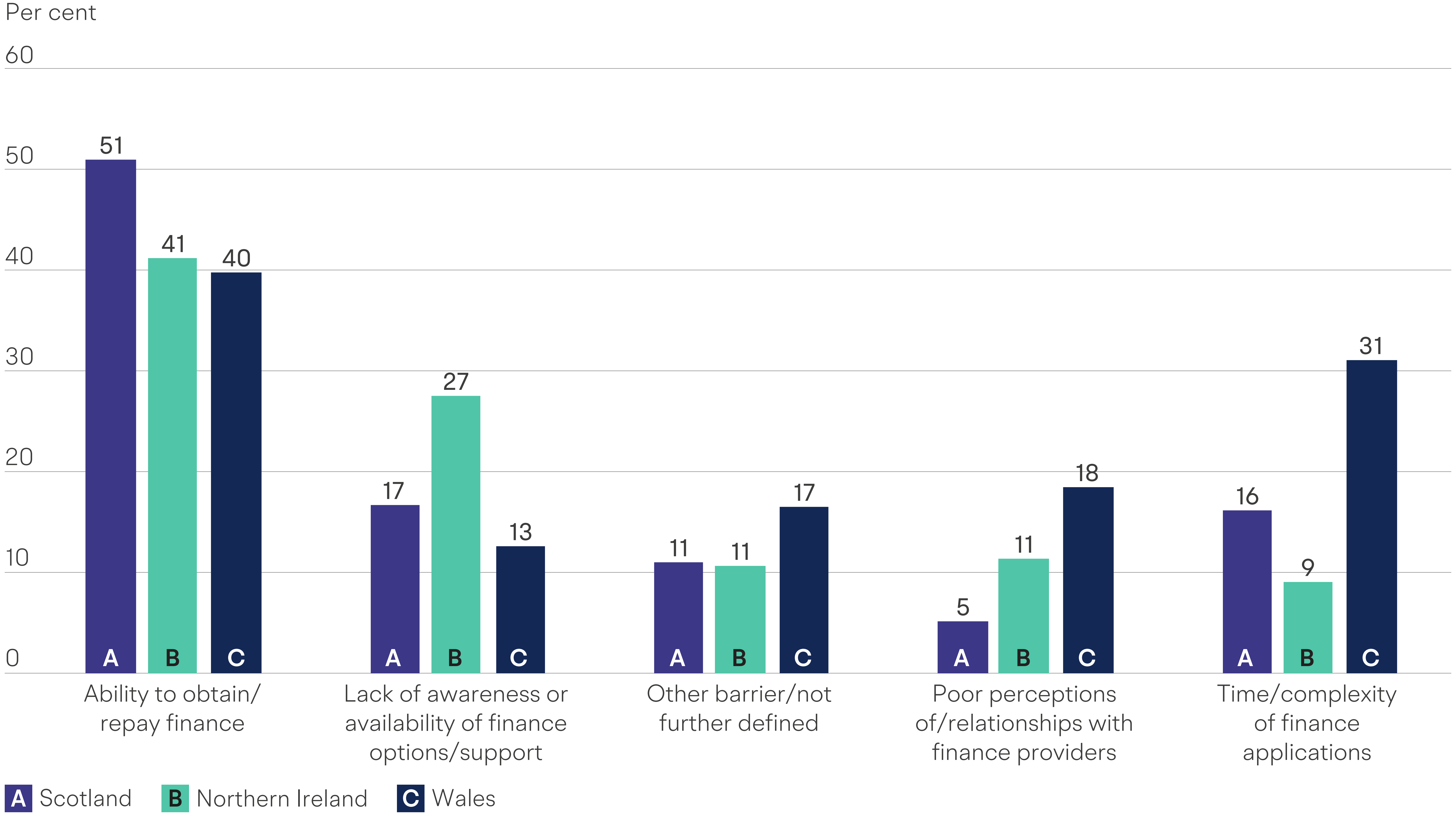
Meanwhile, the response patterns of businesses that reported at least one barrier were slightly different across Scotland, Northern Ireland and Wales (Figure B2.4).

In particular, the ability to obtain/repay finance was most frequently reported in Scotland and less prevalent in the other Devolved Nations, whereas the reverse was true for poor perceptions of/relationships with finance providers.

Figure B2.4

Barriers to external finance access among businesses based in Scotland, Northern Ireland and Wales, by theme

Unweighted sample sizes: Scotland (210), Northern Ireland (131), Wales (103).



3. Debt manageability

This question was asked to all survey respondents. Those that were not using debt finance at the time of the interview were given the opportunity to select a dedicated option ("the business has no debt").

To enable a clearer comparison, in Figure B3.1 we remove the latter group from our calculations, expressing the results as a share of all respondents that reported having debt at the time of the survey.

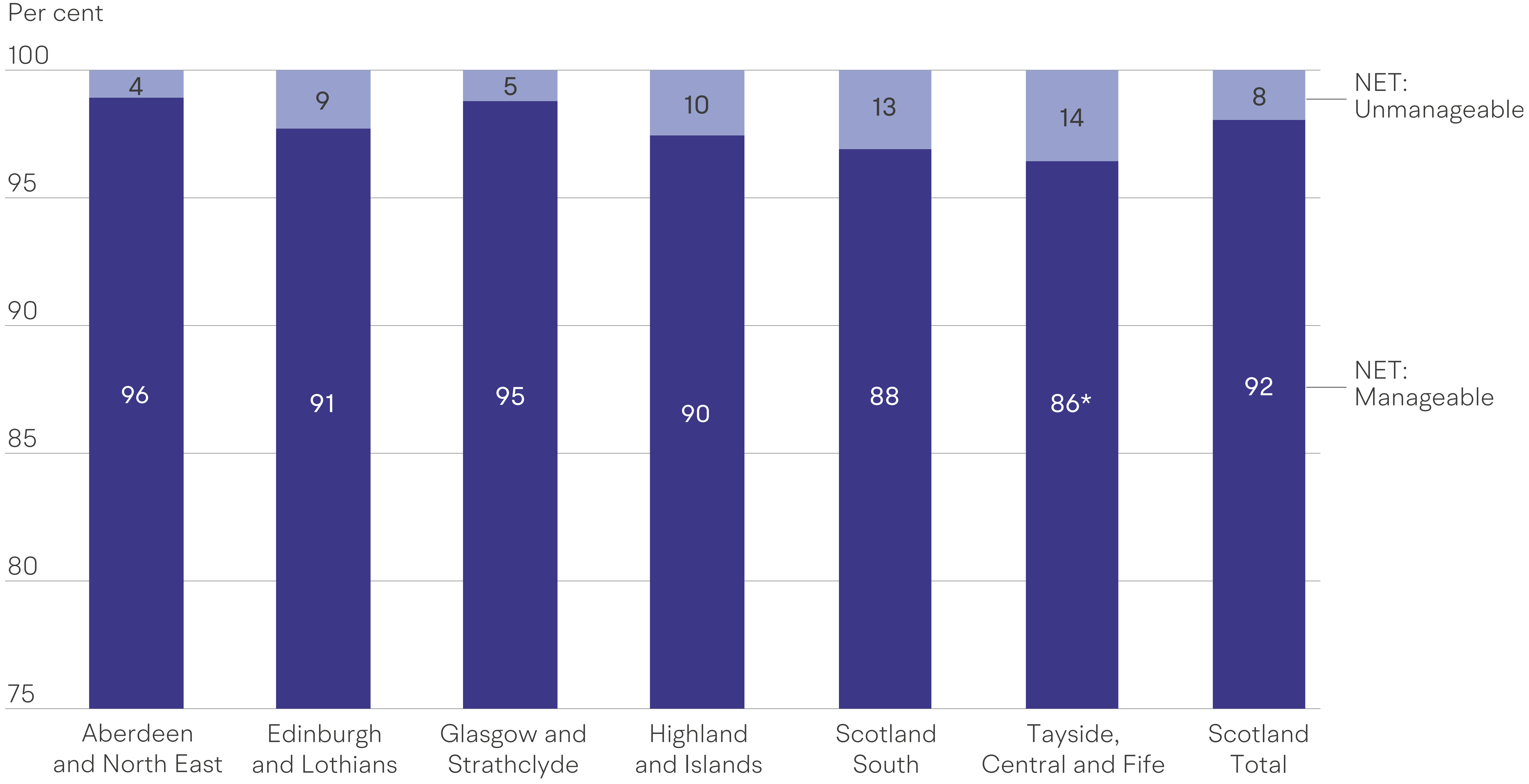
Around 9 in 10 Scotland based businesses with debt (92%) perceived their current debt burden as manageable, which closely replicates the result from the 2023 survey (90%). Some small and statistically significant regional variations were present, with respondents in Tayside, Central and Fife showing the lowest share of businesses reporting this (86%).

As in 2023, this proportion was also broadly in line with the other Devolved Nations of the UK (Figure B3.2).

Figure B3.1

Perceptions of current debt level manageability among businesses based in Scotland, by region

Unweighted sample sizes: Scotland Total (371), Aberdeen and North East (23), Edinburgh and Lothians (97), Glasgow and Strathclyde (165), Highlands and Islands (29), Scotland South (8), Tayside, Central and Fife (49).

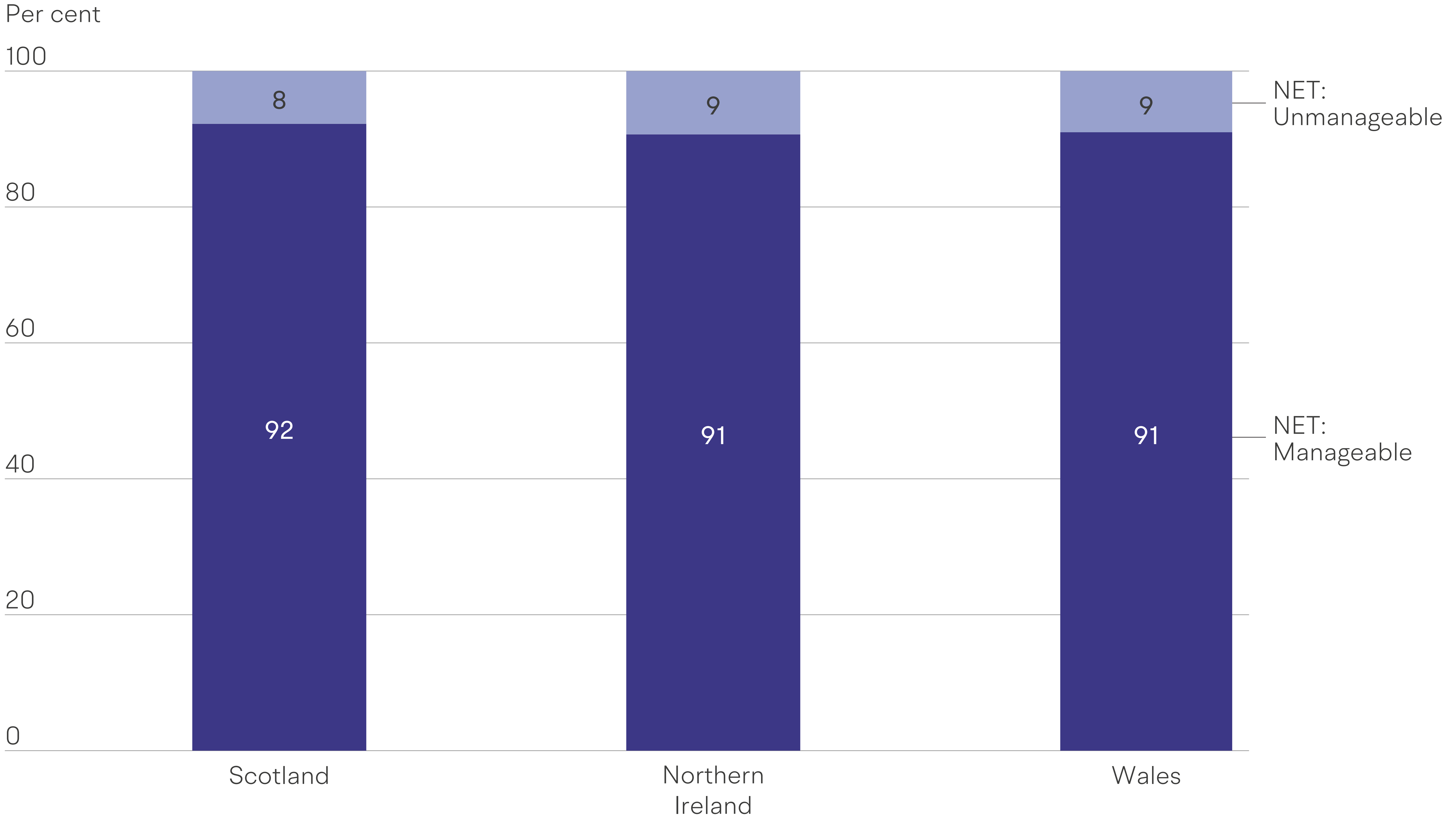


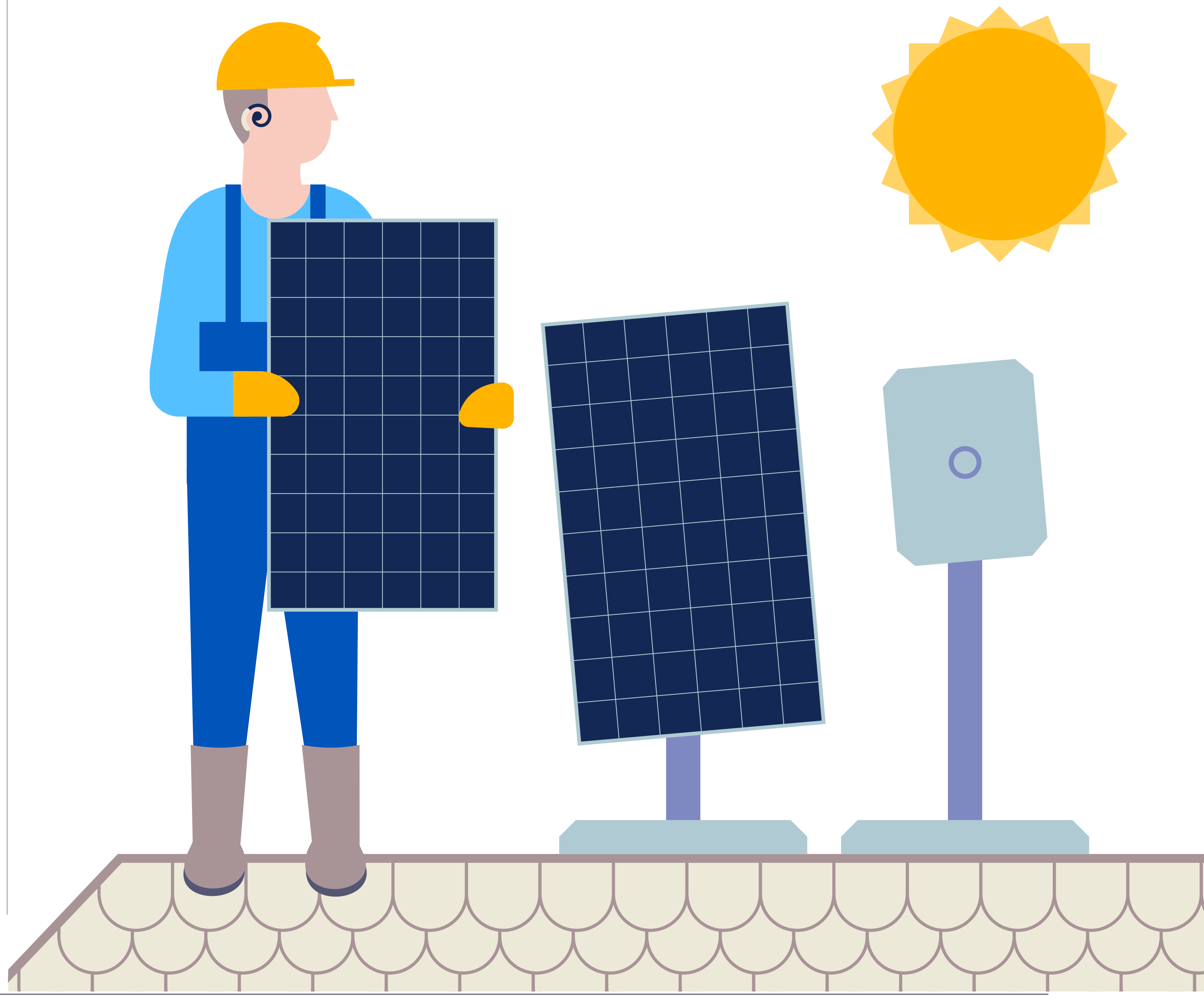
*Correlation is significant at the 0.05 level.

Figure B3.2

Perceptions of current debt level manageability among businesses based in Scotland, Northern Ireland and Wales

Unweighted sample sizes: Scotland (371), Northern Ireland (466), Wales (257).





4. Future finance needs

Slightly over four in 10 (41%) smaller businesses in Scotland as a whole reported requiring additional financing over the next 12 months (Figure B4.1). This is a higher share than in the 2023 survey (39%).

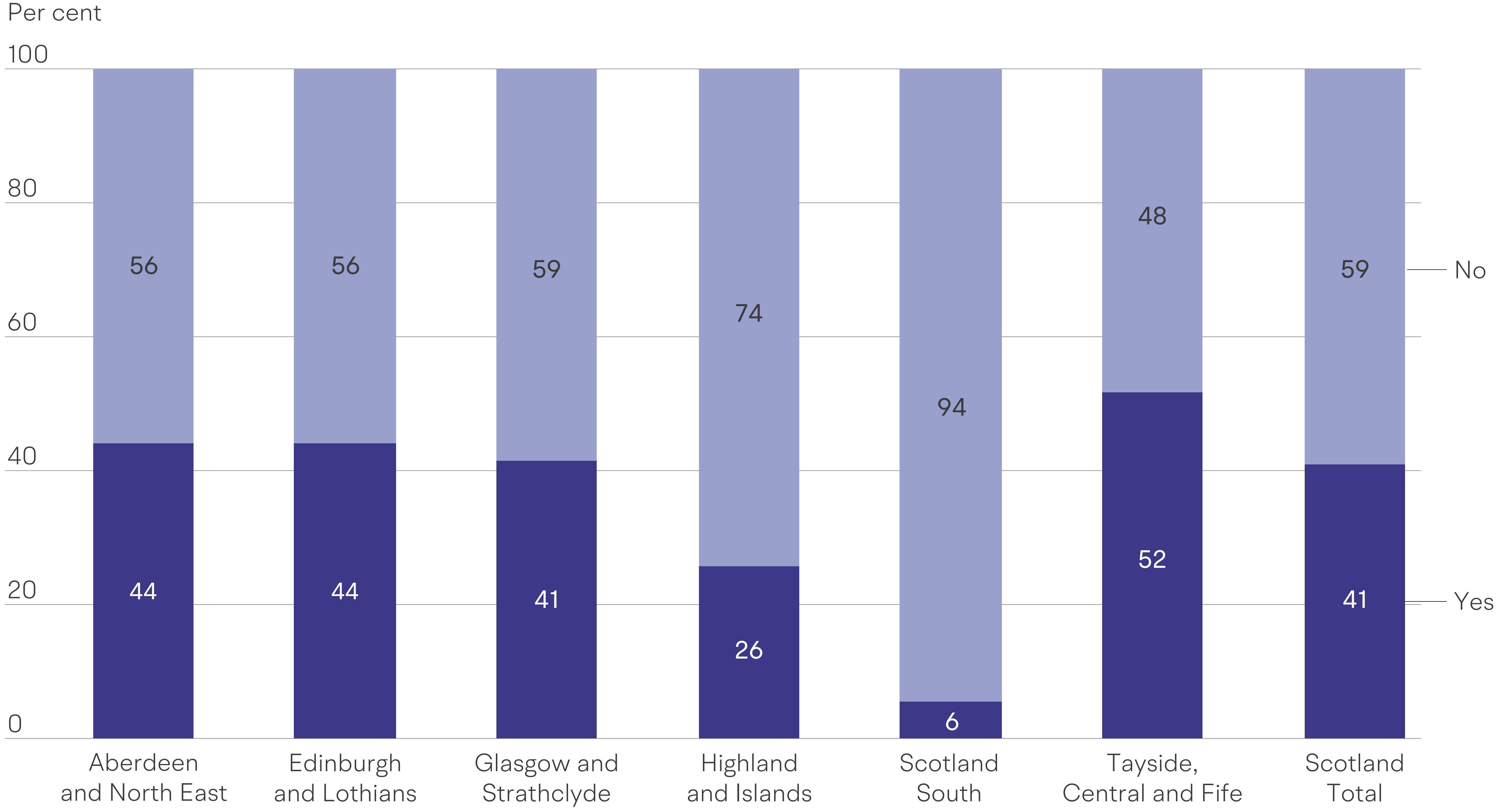
Respondents based in the Highlands and Islands and the Scotland South regions seemed far less likely to express this view than their counterparts elsewhere, although these differences did not meet statistical significance criteria. It should be noted that in Scotland South, only one respondent reported anticipating a need for finance over the next year. This implies that on all questions relating to future finance needs, sample sizes for this Scotland South are too low for a regional comparison and responses for this region all fit 100% into a single answer option.

The question also captured the scale of the additional financing potentially required by businesses, using six bands. In the analysis below, these six bands have been merged into three to boost the sample size for each option and align with the pattern of the responses received.

Figure B4.1

Proportion of SMEs in Scotland that anticipate needing additional financing over the next year, by region

Unweighted sample sizes: Scotland Total (505), Aberdeen and North East (34), Edinburgh and Lothians (120), Glasgow and Strathclyde (232), Highlands and Islands (39), Scotland South (18), Tayside, Central and Fife (62).



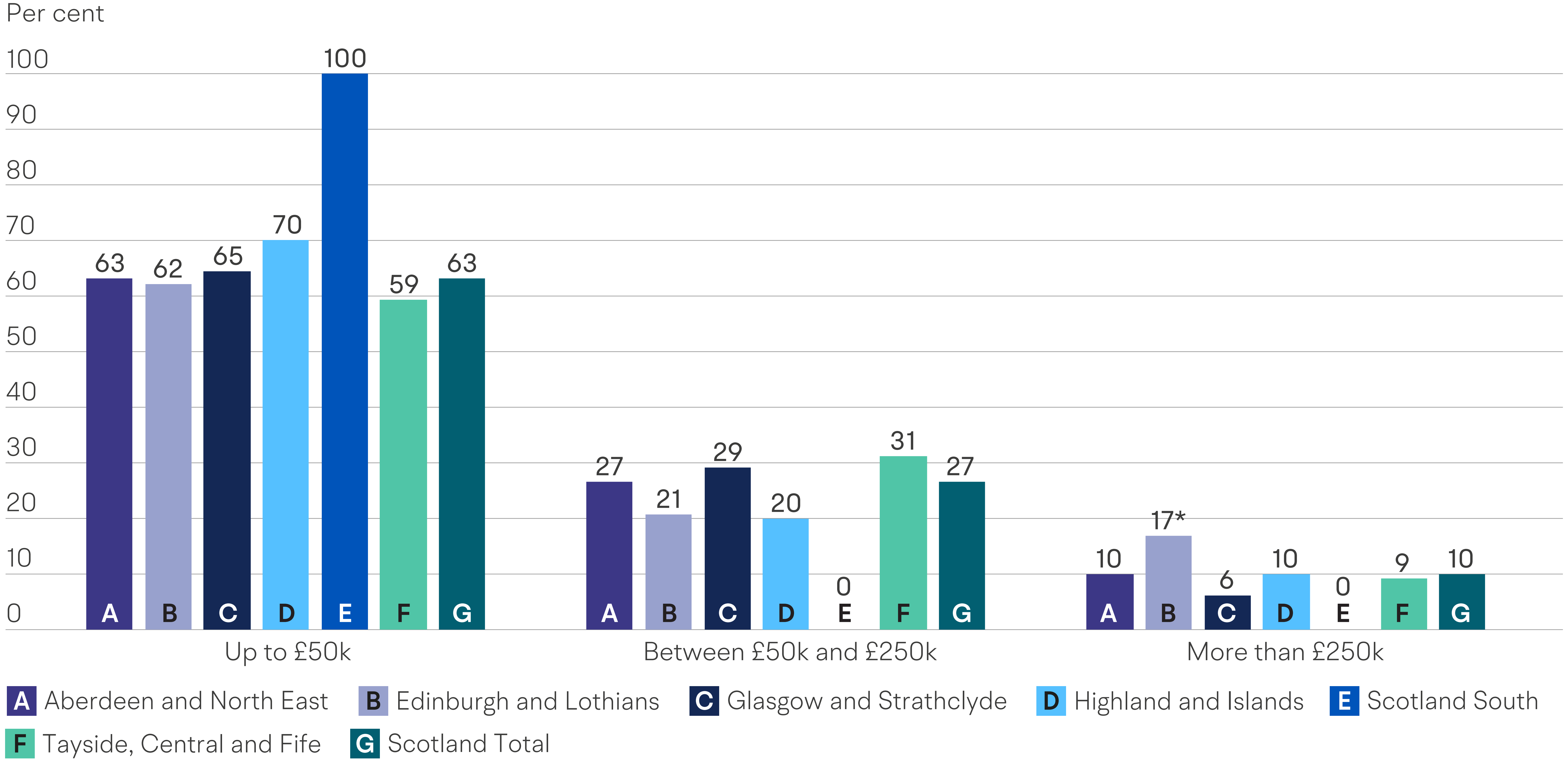
Of the Scotland-based businesses who anticipate needing additional financing over the next year, 63% said they had a requirement at or below £50k, with another 27% of eligible respondents stating a requirement between £50 and £250k and the remaining 10% a larger requirement. There were statistically significant differences detected across different regions of Scotland regarding amounts over £250k, suggesting that respondents in Edinburgh and Lothians were the most likely to report they had a finance requirement in this bracket.

When compared to the other Devolved Nations of the UK, the overall proportion of SMEs that anticipated requiring additional financing over the next 12 months was broadly similar to Northern Ireland (Figure B4.3) and nearly double the level seen in Wales. Differences can also be seen across the Devolved Nations in the size of the additional financing required, with proportionally fewer smaller businesses anticipating a finance requirement above £50k in Scotland or Wales than in Northern Ireland (Figure B4.4), returning a similar comparison as in the 2023 survey.

Figure B4.2

Size of financing requirement of SMEs in Scotland that anticipate needing additional financing over the next year, by region

Unweighted sample sizes: Scotland Total (207), Aberdeen and North East (15), Edinburgh and Lothians (53), Glasgow and Strathclyde (96), Highlands and Islands (10), Scotland South (1), Tayside, Central and Fife (32).



*Correlation is significant at the 0.05 level

Figure B4.3

Proportion of SMEs in Scotland, Northern Ireland and Wales that anticipate needing additional financing over the next year

Unweighted sample sizes: Scotland (505), Northern Ireland (816), Wales (500).

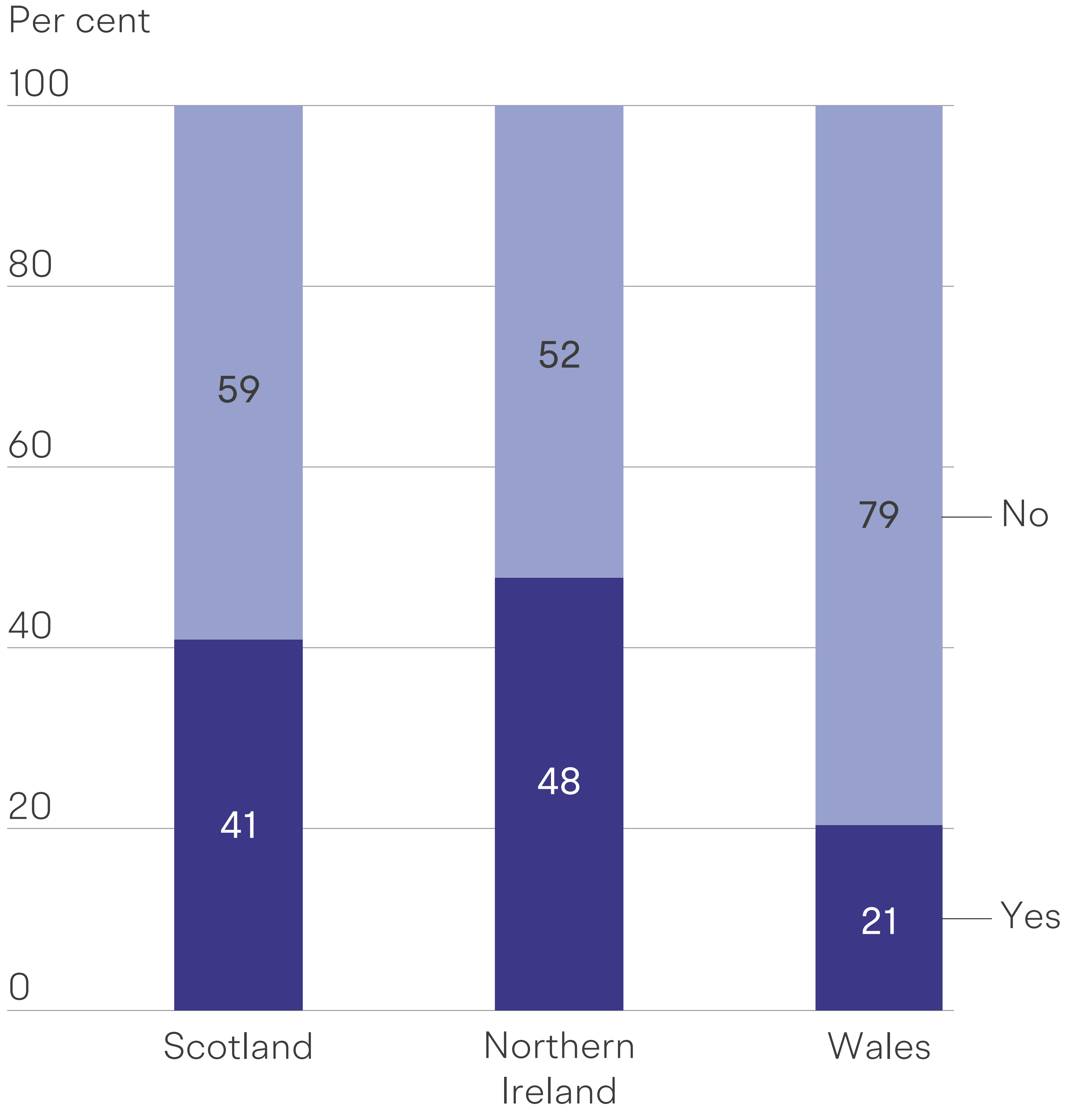
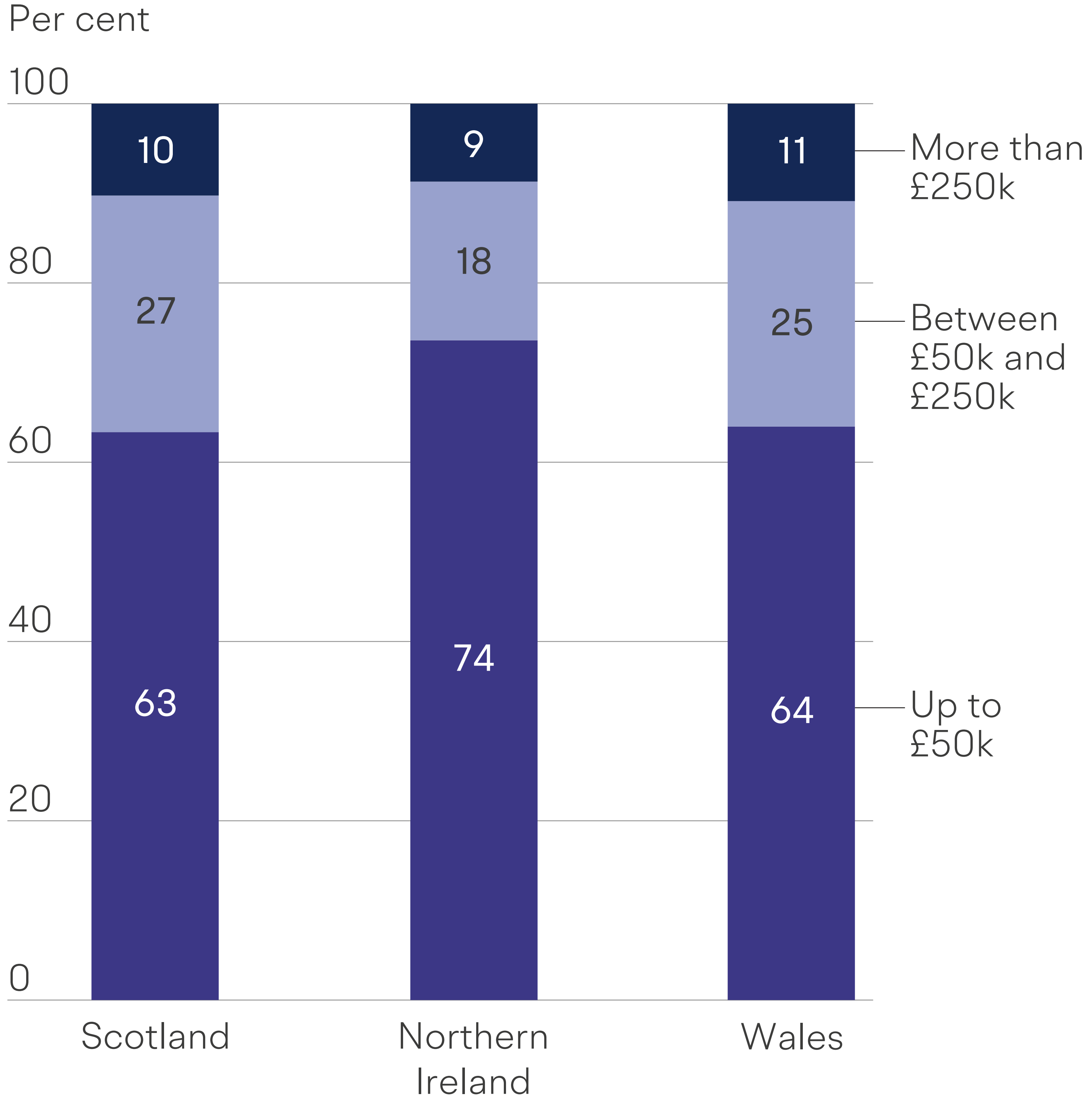


Figure B4.4

Size of financing requirement of SMEs in Scotland, Northern Ireland and Wales that anticipate needing additional financing over the next year

Unweighted sample sizes: Scotland (207), Northern Ireland (405), Wales (142) .



5. Future finance needs (type)

Consistent with our previous survey findings, the most common finance forms that Scotland based businesses with a finance need anticipated accessing over the next year were business loans, mentioned by 43% of respondents (Figure B5.1).

Credit cards and business overdrafts were also relatively popular compared to other finance types, but were mentioned by a lower proportion of businesses (25% and 28% respectively). All other finance types were selected by fewer than 20% of businesses.

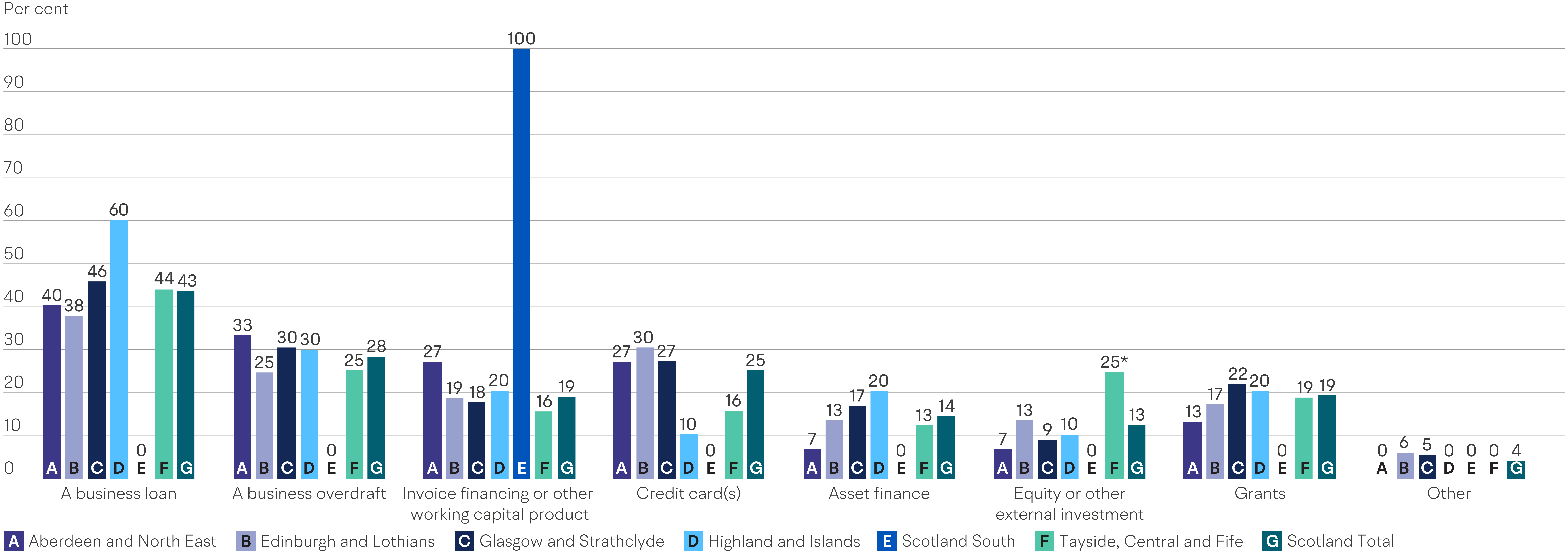
Tayside, Central and Fife stood out for its respondents' high propensity to report considering equity finance, which differed in a statistically significant way from the corresponding values in the rest of the nation.

Compared to their counterparts in the other Devolved Nations of the UK, SMEs in Scotland were much less inclined to anticipate accessing grants to meet their finance needs over the next year, and more inclined to consider using business overdrafts, credit cards, invoice and asset finance (Figure B5.2). This is consistent with the results from the previous year's survey.

Figure B5.1

Types of finance sought by SMEs in Scotland that anticipate needing additional financing over the next year, by region

Unweighted sample sizes: Scotland Total (207), Aberdeen and North East (15), Edinburgh and Lothians (53), Glasgow and Strathclyde (96), Highlands and Islands (10), Scotland South (1), Tayside, Central and Fife (32).

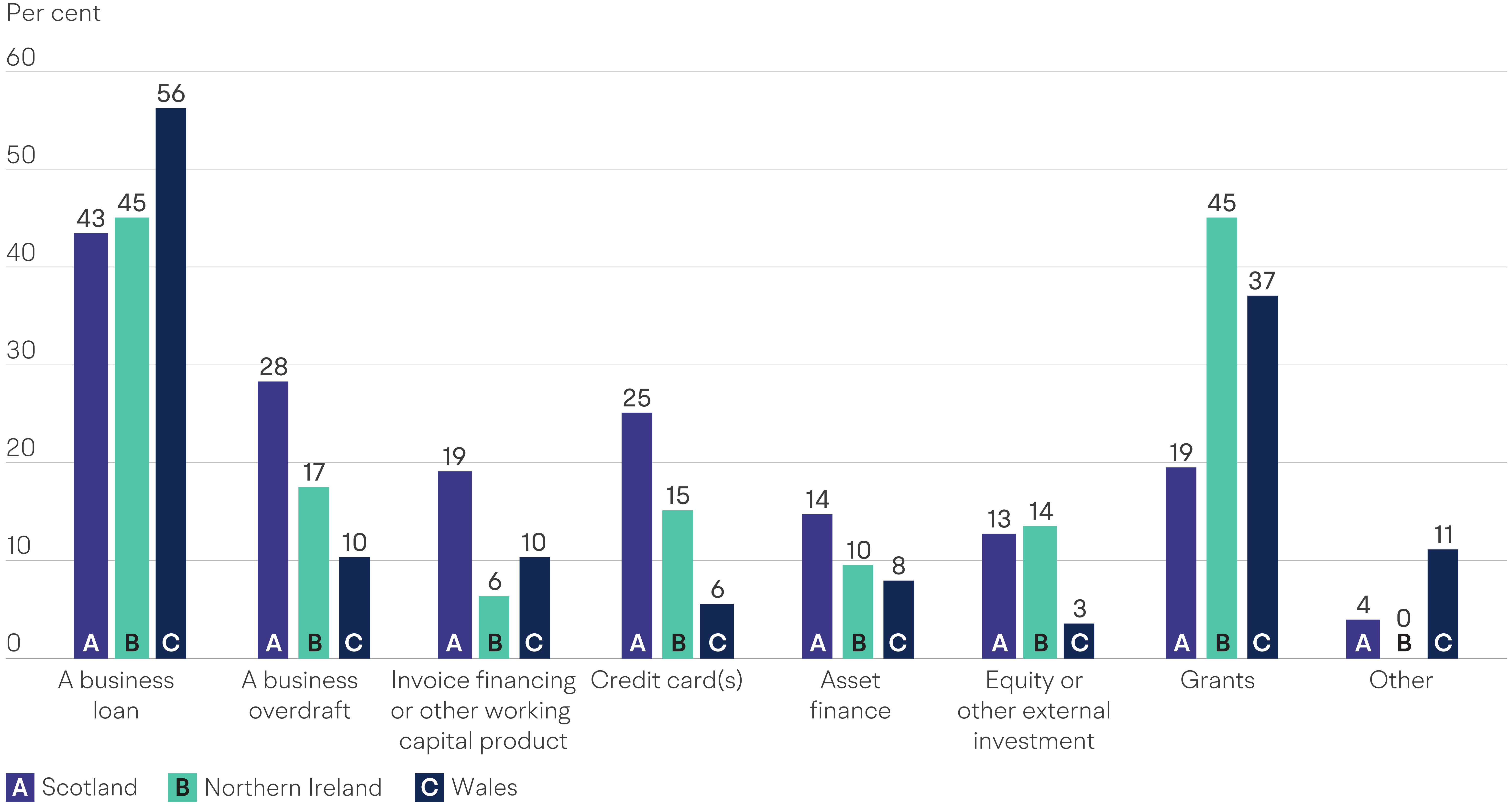


*Correlation is significant at the 0.05 level.

Figure B5.2

Types of finance sought by SMEs in Scotland, Northern Ireland and Wales that anticipate needing additional financing over the next year

Unweighted sample sizes: Scotland (207), Northern Ireland (656), Wales (142).



6. Future finance needs (purpose)

In Scotland as a whole (Figure B6.1), 48% of smaller businesses that anticipated needing finance over the coming year intended to use it for working capital (up from 40% in the 2023 survey), while a similar share (45%) indicated they would use it for capital expenditure (up from 44% in the 2023 survey).

Other planned uses, such as investment in research/ process improvements/significant maintenance refinancing or managing existing debt and actions relating to environmental sustainability, were mentioned by 35%, 18% and 7% of respondents each. This marks a decline for the former, in that 12% of Scotland based smaller businesses had considered using finance for this purpose in the previous year's survey.

Businesses in the six regions of Scotland had slightly different views on how they planned to use any additional financing required, one of which was statistically significant. Specifically, respondents in the Highlands and Islands region were particularly inclined to mention requiring additional finance in order to invest in working capital.

Scotland based SMEs were broadly similar to their counterparts in Wales and Northern Ireland in terms of the intended purposes of any additional financing sought, although proportionally more businesses in Scotland mentioned refinancing or investment in research/process improvement/significant maintenance (Figure B6.2). While the pattern of responses also varied on other purposes, the hierarchy was broadly similar, with working capital ranking first and capital expenditure ranking second across all the three Nations.

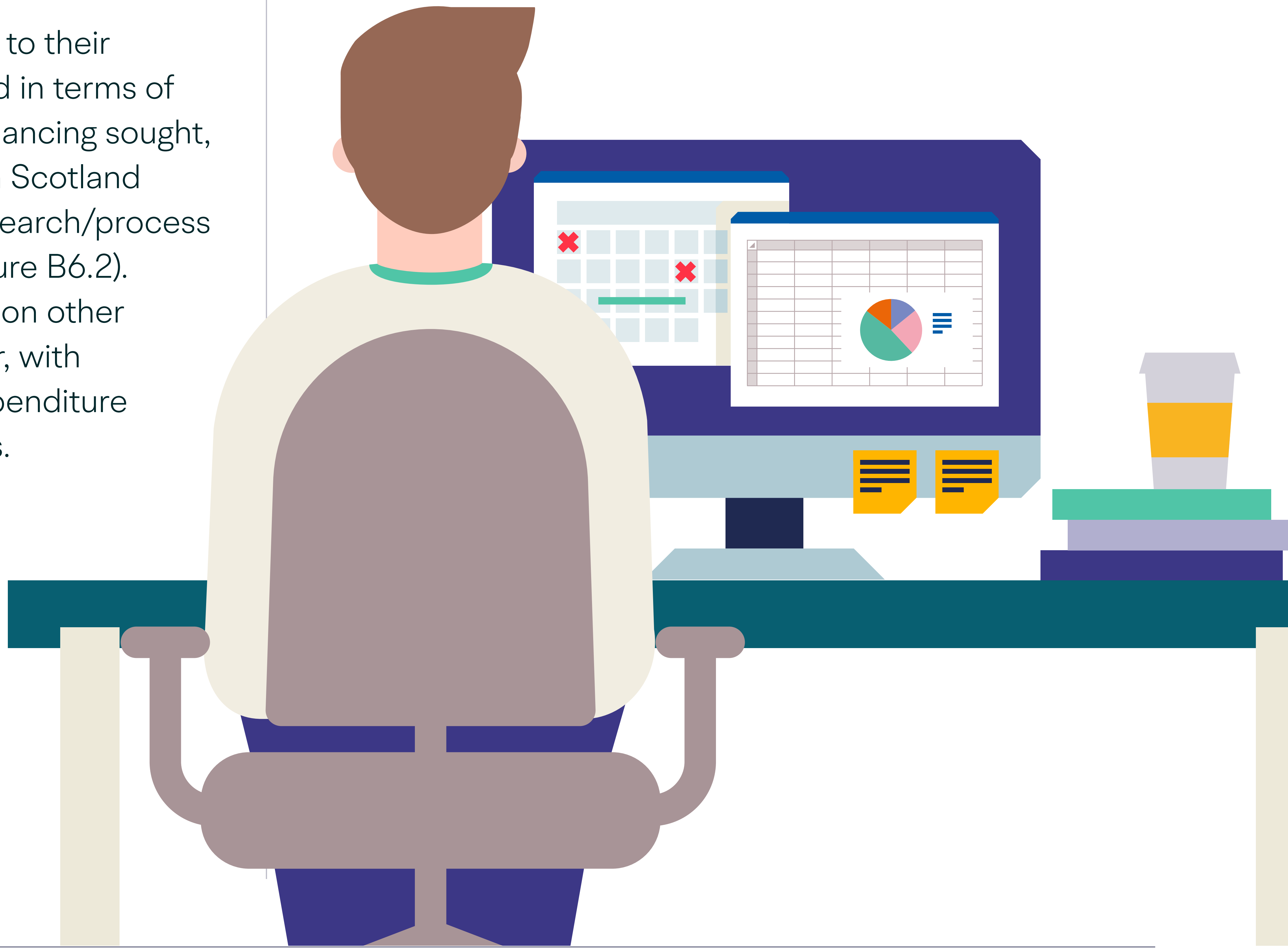
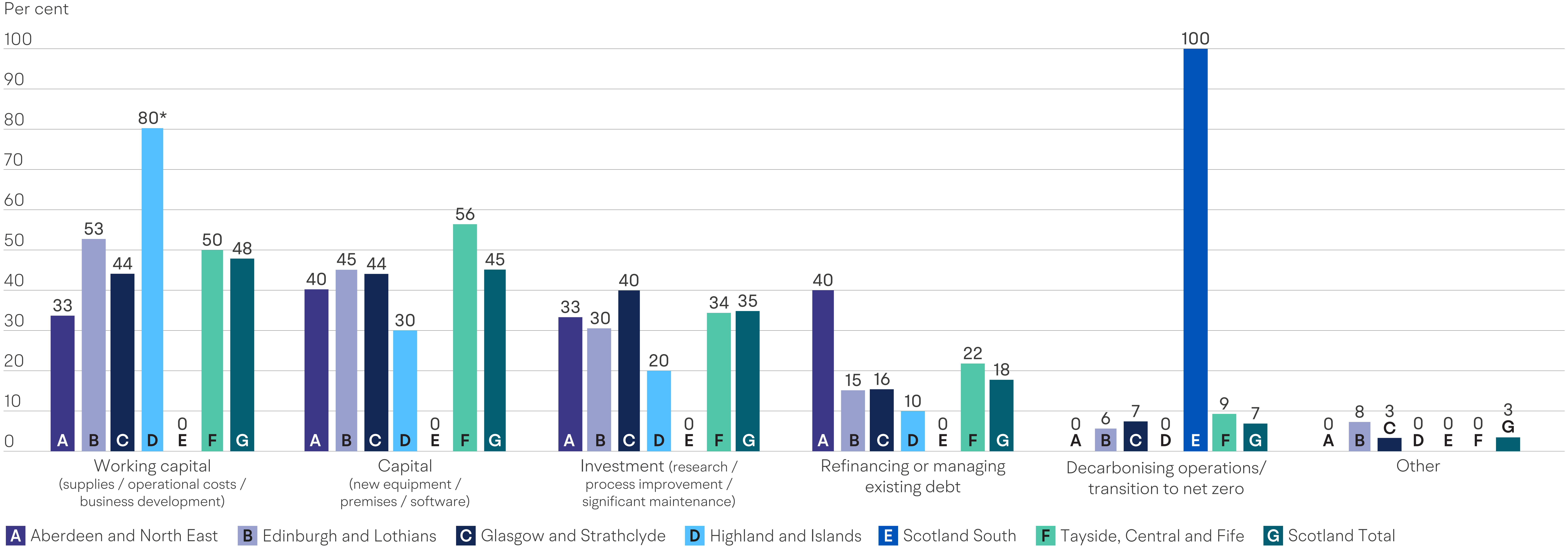


Figure B6.1

Planned use of finance by SMEs in Scotland that anticipate needing additional financing over the next year, by region

Unweighted sample sizes: Scotland Total (207), Aberdeen and North East (15), Edinburgh and Lothians (53), Glasgow and Strathclyde (96), Highlands and Islands (10), Scotland South (1), Tayside, Central and Fife (32).

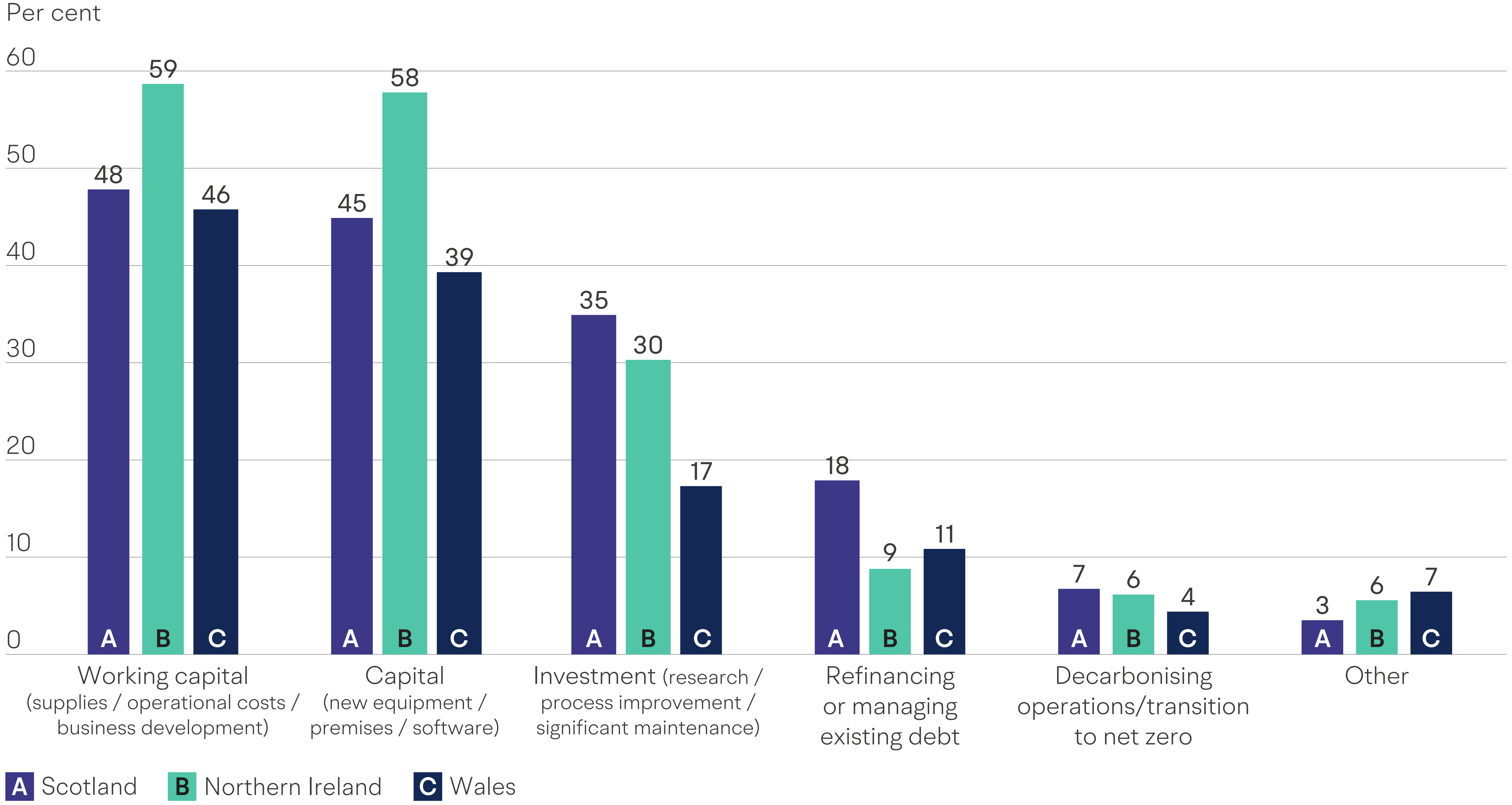


*Correlation is significant at the 0.05 level.

Figure B6.2

Planned use of finance by SMEs in Scotland, Northern Ireland and Wales that anticipate needing additional financing over the next year

Unweighted sample sizes: Scotland (207), Northern Ireland (653), Wales (142).



7. Future finance needs (confidence)

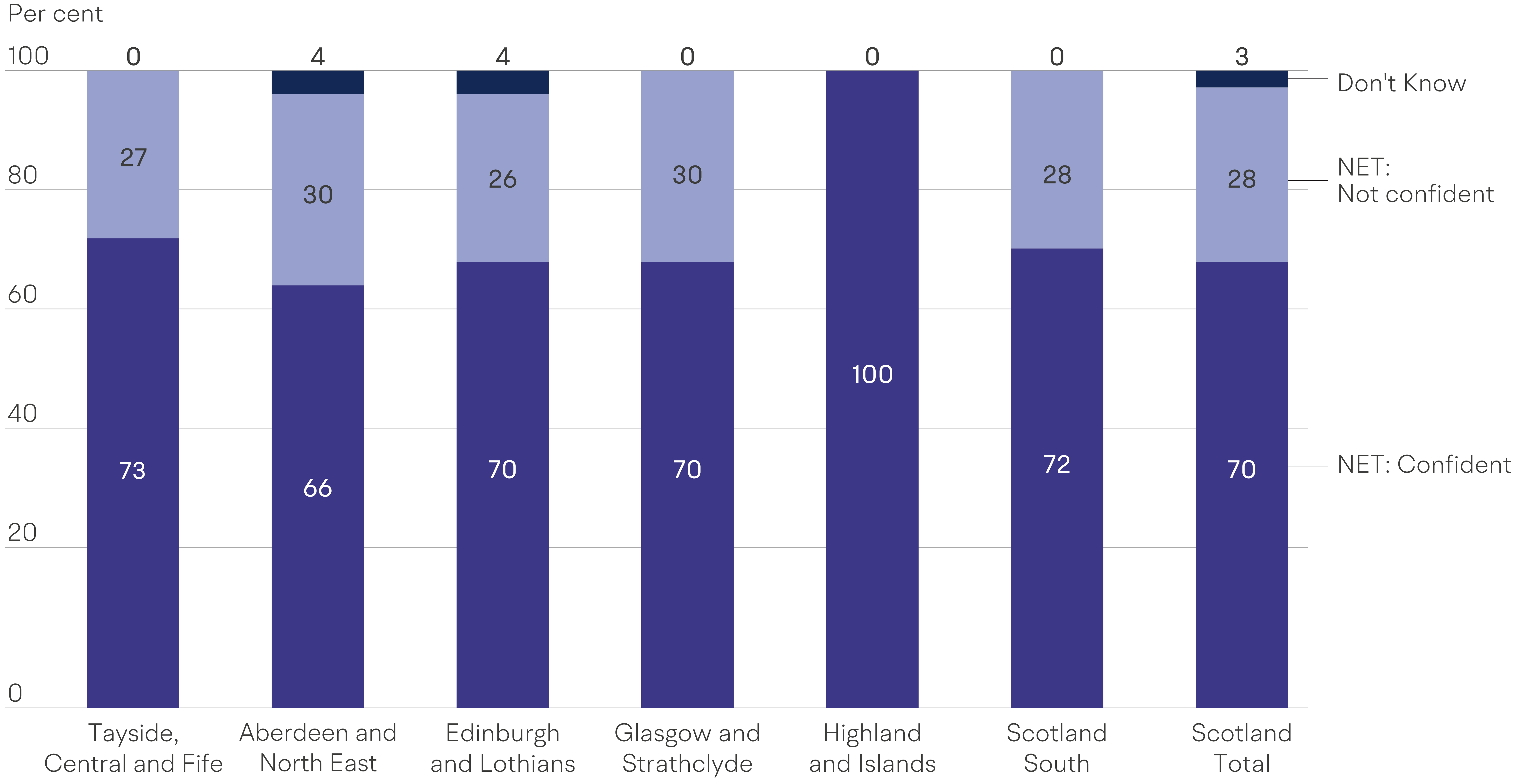
Confidence in getting finance among Scotland-based businesses that anticipated needing it over the next year was at 70%, a similar share as in the previous year's survey (68%). Confidence levels within the six regions did not differ in a statistically significant way, although respondents from Edinburgh and Lothians seemed less inclined to express confidence than their counterparts elsewhere (Figure B7.1).

Confidence levels in Scotland as a whole were the highest of all Devolved Nations (Figure B7.2).

Figure B7.1

Confidence in accessing additional financing for SMEs in Scotland that anticipate needing it over the next year, by region

Unweighted sample sizes: Scotland Total (207), Aberdeen and North East (15), Edinburgh and Lothians (53), Glasgow and Strathclyde (96), Highlands and Islands (10), Scotland South (1), Tayside, Central and Fife (32).

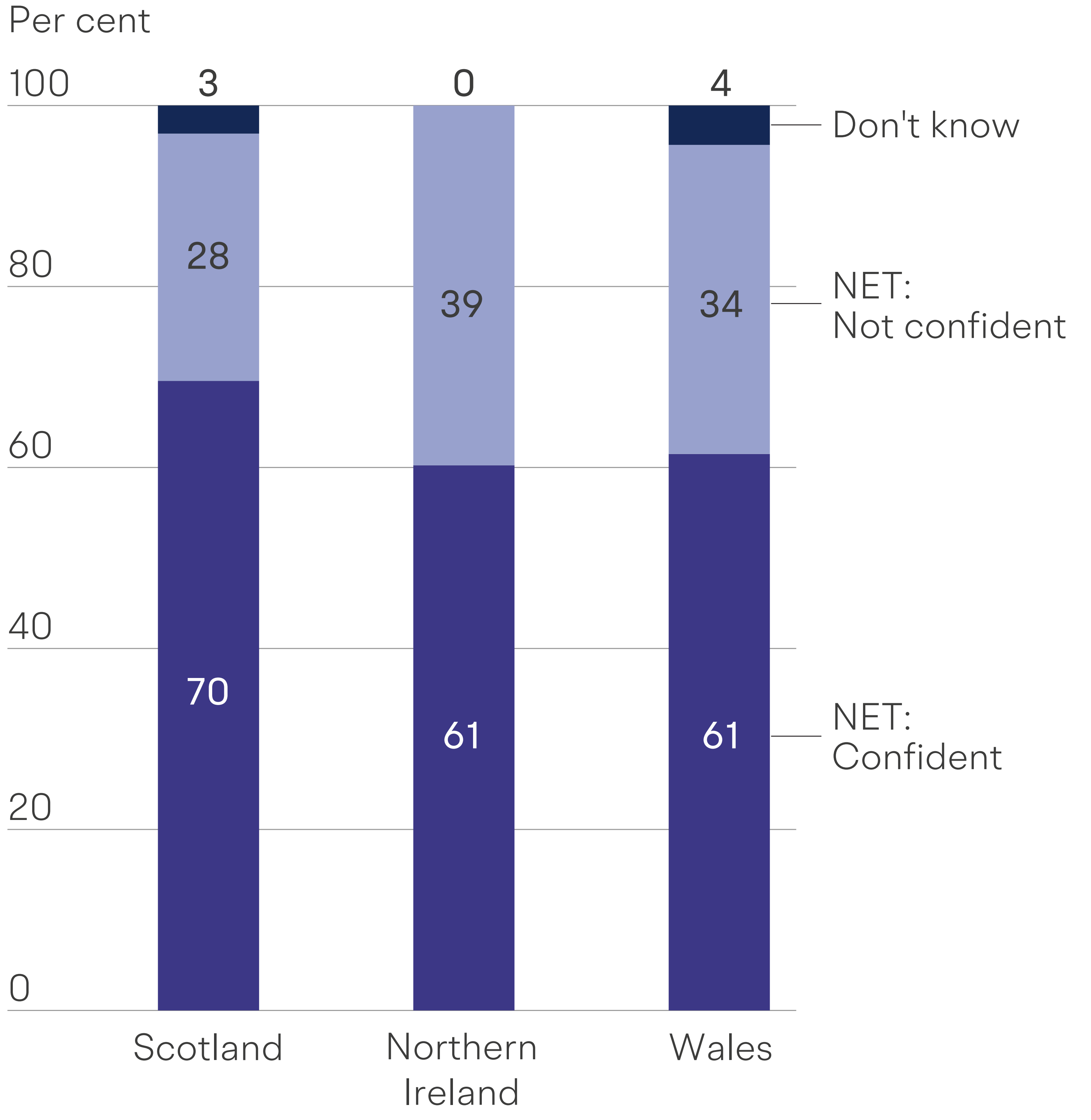


Our focus groups discussed the perceptions of businesses' confidence in securing finance in Scotland. It was felt by both groups that business confidence levels were not particularly high at the beginning of 2025, due to perceptions of continued uncertainty in the market and investors' risk appetite remaining below peak. In addition, specific concerns were highlighted regarding costs and cash flow in well-established but low-margin consumer-facing sectors like tourism, retail, and leisure, which may require changes in financing strategies by those businesses.

Figure B7.2

Confidence in accessing additional financing for SMEs in Scotland, Northern Ireland and Wales that anticipate needing it over the next year

Unweighted sample sizes: Scotland (207), Northern Ireland (560), Wales (142).



8. Anticipated business performance

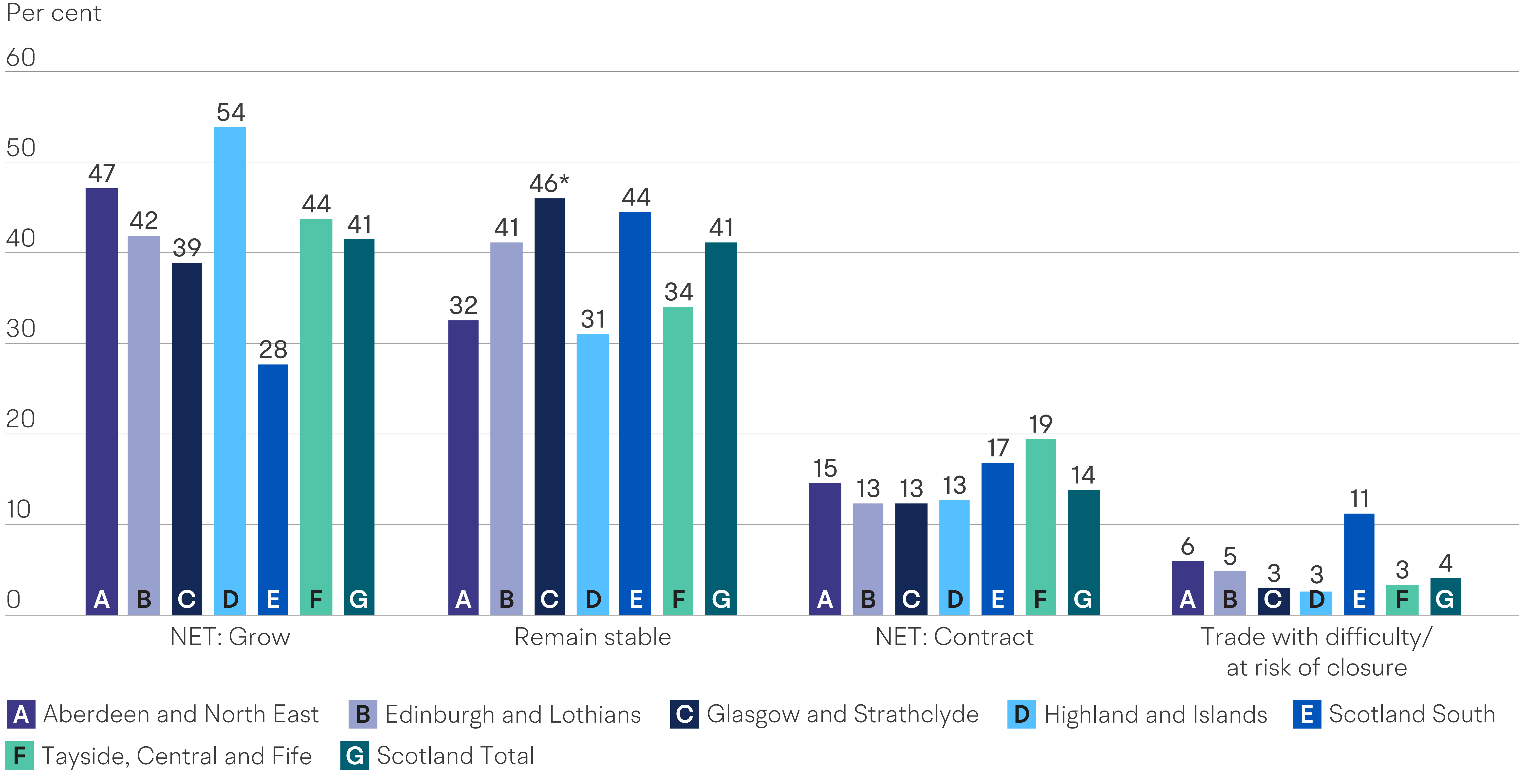
Just over four in ten (41%) of Scotland based smaller businesses in 2024 expected stability, whereas the same share (41%) expected growth and the rest expected a contraction or difficult trading conditions/ risk of closure, at 14% and 4% respectively (Figure B8.1).

Overall this reflects a more positive picture than the 2023 survey, where a slightly lower share (17%) expected either of these negative scenarios, but the proportion expecting growth was slightly lower (38%).

Figure B8.1

Expected performance over the next 12 months of SMEs in Scotland, by region

Unweighted sample sizes: Scotland Total (505), Aberdeen and North East (34), Edinburgh and Lothians (120), Glasgow and Strathclyde (232), Highlands and Islands (39), Scotland South (18), Tayside, Central and Fife (62).



*Correlation is significant at the 0.05 level.

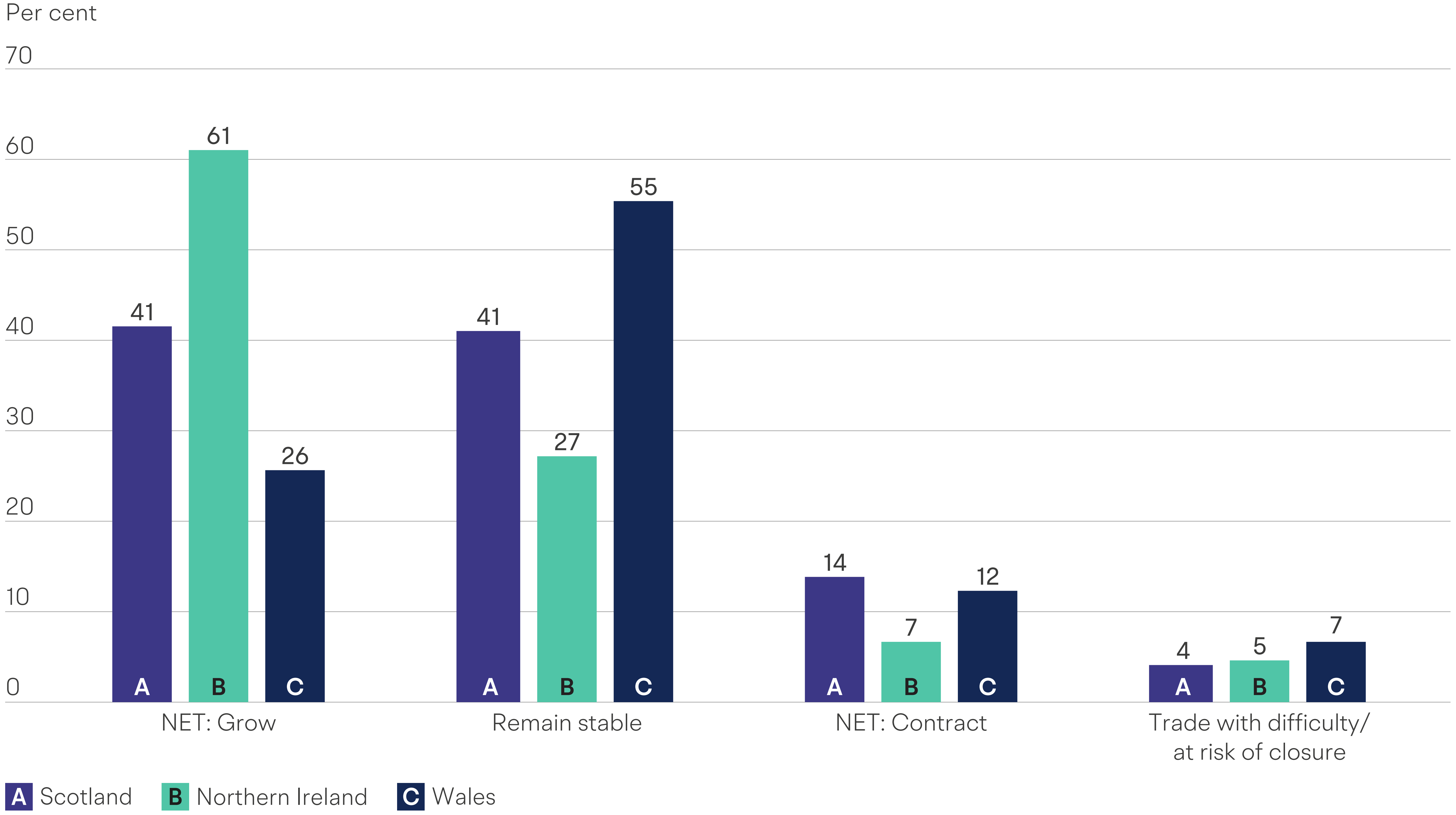
Results differed across the six regions but only one statistically significant difference was detected at this level for Glasgow and Strathclyde, where respondents were particularly inclined to anticipate stability (46%) compared to their counterparts based elsewhere.

Scotland based smaller businesses were more positive about their growth prospects over the next 12 months relative to their counterparts in Wales and less so than businesses in Northern Ireland (Figure B8.2). This is consistent with the 2023 survey, although all Devolved Nations have seen a rise in the share of smaller businesses expecting grow in the 2024 survey.

Figure B8.2

Expected performance over the next 12 months of SMEs in Scotland, Northern Ireland and Wales

Unweighted sample sizes: Scotland (505), Northern Ireland (816), Wales (500).



Acknowledgements

This report, along with its accompanying analysis, was produced by the British Business Bank in collaboration with Business Gateway. We would like to thank co-authors Martina Tortis, in the British Business Bank's Economics Team, and Susan Nightingale and Barry McCulloch in the British Business Bank's UK Network Team. We would also like to thank our partners Business Gateway, especially Hugh Lightbody and Alyson Pearson. Lastly, we would like to thank the Diffley Partnership, for the fieldwork conducted for this report, and to all the participants in our focus group discussions.

Annex 1:

Question set and variables analysed

Table 2

Question set and variables analysed

Variable name/Survey question	Description
Q1. Is your business currently using any of the following finance options?	Whether the business was using any of the following finance types at the time of the survey: asset finance; business overdrafts; Covid-19 loans; credit cards; grants; invoice financing; other loan products; none of the above.
Q2. What, if any, difficulties or barriers (actual or perceived) have you experienced when accessing finance?	Any access to finance barriers the business had experienced; answers were collected in an open-ended format
Q3. How would you describe the current level of debt in your business?	The extent to which the business regarded their level of debt as manageable at the time of the survey, rated on a 4-point scale from: 1= Very unmanageable to 4= Very manageable. An additional option was provided for businesses that had no debt at the time ("business has no debt").
Q4. Are you likely to require additional financing for your business, during the next 12 months?	Whether the business anticipated a finance need over the 12 months following the survey, including an estimated size range (less than £10k; £10-£50k; £100k to £250k; £250k to £1m; more than £1m).
Q5. What type of finance do you anticipate accessing?	Whether the business anticipated using any of the following finance types to meet their additional financing needs: asset finance; business overdrafts; business loans; credit cards; grants; invoice financing or other working capital product; other.
Q6. What do you plan to use this finance for?	Whether the business anticipated using any of the additional financing accessed for the following purposes: working capital (supplies/operational costs/business development); capital (new equipment/premises/software); investment (research/process improvement/significant maintenance); refinancing or managing existing debt; decarbonising operations/transition to net zero; other.
Q7. How confident are you that you will be able to access additional financing for your business?	Confidence in the business's ability to access the additional financing required, rated on a 4-point scale from 1= Not at all confident to 4= Very confident.
Q8. How do you anticipate your business will perform during the year ahead?	Whether the business anticipated their performance over the 12 months following the survey to fit one of the following categories: grow significantly; grow moderately; remain stable; contract moderately; contract significantly; trade with difficulty; at risk of closure.

Table 2 (continued)

Question set and variables analysed

Variable name/Survey question	Description
Local Authority	The local authority in which the business was located at the time of the survey. This information was then used to assign respondents to one of six geographical regions within Scotland: Aberdeen and the North East; Edinburgh and Lothians; Glasgow & Strathclyde; Highlands and Islands; Scotland South; and Tayside, Central and Fife. For further information, see the relevant section of the report.
Number of employees	Range for all part time and full-time employees permanently employed at the business's named location, excluding the respondent (0; 1; 2-4; 5-9;10-19; 20-24; 25-49; 50-249).
Activity group	The business's main sector of operation at the time of the survey, based on the SIC 2007 section classification).
Turnover	Turnover range (less than £200k; £200k-£500k; £500k-£1m; £1m-5m; £5m or more).
When started	The age range of the business at the time of the survey, measured in calendar years (0-2 years ; 2.1-5 years; 5.1-10 years; 10+ years)+
Business structure	The responding business's legal status (sole trader; partnership; limited company).
Gender (respondent)	The respondent's gender (male; female; other).
Gender (management team)	Gender mix among the responding business's Owners/Partners/Directors team (all male, all female, mixed; other).
Ethnic group	The respondent's ethnic group (white; mixed or multiple ethnic groups; Asian or Asian British; Black African, Caribbean or Black British; other ethnic group).

Annex 2:

Methodological caveats

This survey provides a larger sample of responses for Scotland than would be possible to collect via UK-wide surveys (which have bigger constraints in terms of the extent of the fieldwork they can complete in any individual UK Nation and region). As such, it provides unprecedented opportunities to analyse the Scottish SME finance landscape at a very granular level.

Despite this large sample size, the data is still subject to a range of limitations. Firstly, the more granular the analysis, the greater the risk of drawing suboptimal conclusions based on insufficient sample sizes. For instance, disaggregating a question with six answer options across six regions of Scotland can result in the 500 responses being broken down into 36 data points, some or all of which may contain less than 10 responses each. This can make interpretation of the data at such granular levels uncertain.

To help interpretation, we therefore test all of our comparisons for statistical significance and share this information as appropriate throughout the analysis. We describe comparisons as statistically significant when we can establish (with a reasonable level of confidence) that any differences detected across categories in the survey sample reflects genuine differences in the business population, rather than “noise” from sampling imperfections or other sources of survey bias. This has important implications for navigating report. In particular, charts should always be considered alongside the accompanying commentary and data annotation, since those will clarify which of the differences in values that are visible in the chart are likely to reflect genuine differences in the SME population, and which are not.

Caveats also apply to the comparisons with similar surveys from the other devolved nations of the UK. While we have made every effort to collect data in a consistent way across Wales, Northern Ireland and Scotland, there are some slight methodological differences in the design, sampling and administration of each survey, which make it essential for readers to review the “project methodology” section included at the beginning of each report. As a result, we take a cautious approach to comparing results across the three nations, focusing on the broader differences only.

Endnotes

1 The information used in this section is from Invest Glasgow: Invest Glasgow | Invest in Scotland | World Changing Glasgow.

2 The information used in this section is from South of Scotland Enterprise: The South of Scotland region (southofscotlandenterprise.com)

3 This was calculated by subtracting respondents selecting either don't know or "none of the above (types of finance)" in Question 1 from the overall total of respondents to that question.

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Publication date: March 2025