

Dirnad Economi Cymru
Economic Intelligence Wales



Wales SME Access to Finance Report

Sub-National and Devolved
Nation Analysis



Contents

Partner overview	3
Project overview	5
Devolved Nation project overview	6
Regional overview	8
Executive summary	11
Data analysis	15
Acknowledgements	39
Annex 1: Question set and variables analysed	40
Annex 2: Methodological caveats	43

Partner overview



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 Economic Intelligence Wales

Bringing together economic and SME research, Economic Intelligence Wales is a unique research collaboration between the Development Bank of Wales, Cardiff Business School, Bangor Business School, the Enterprise Research Centre, and the Office for National Statistics.

Economic Intelligence Wales collates and analyses data on the Welsh finance market, enriching understanding of the Welsh economy.

Its research provides robust and reliable insight into the supply of, and demand for, finance in the Welsh market within the broader Welsh economic context.

Economic Intelligence Wales produces quarterly, annual and bespoke reports to:

- Track the supply of, and demand for, finance across Wales
- Improve the understanding of SMEs and their role within the Welsh economy
- Create innovative ways of measuring, interpreting and tracking SME data
- Identify and address Welsh SME finance data gaps
- Improve the understanding of the Development Bank of Wales' wider economic impact

To access reports published to date and to sign up to receive Economic Intelligence Wales' reports, [click here](#).

Project overview



Devolved Nation project overview

The make-up of 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 the nature of 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 regional access to finance economies and developed 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 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 in each devolved nation, the British Business Bank is working alongside the Scottish Government's 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 Wales, published alongside one for Northern Ireland and one for Scotland.

Wales project methodology

In Wales, survey fieldwork was conducted by Beaufort Research as part of the October 2024 Business Omnibus Survey.

The survey findings are based on 500 interviews with business establishments located in Wales, identified through ownership of a business telephone line. Interviews were conducted between 30 September and 20 October 2024 using Computer Aided Telephone Interviewing technology. The fieldwork targeted small and medium businesses (SMEs), defined as businesses with up to 250 employees (full or part-time) at the location contacted. Eligible respondents were defined as the manager, proprietor, owner, managing director or other senior manager present at the time of interview. The sampling frame for the survey was designed to be representative of all SME business establishments located in Wales. To this end, the sampling frame included interlocking quotas on business activity and size within regions, based on business population counts supplied by Market Location. Once this data had been collected, weighting was applied to correct small deviations between the business activity and size composition of the survey sample and the wider



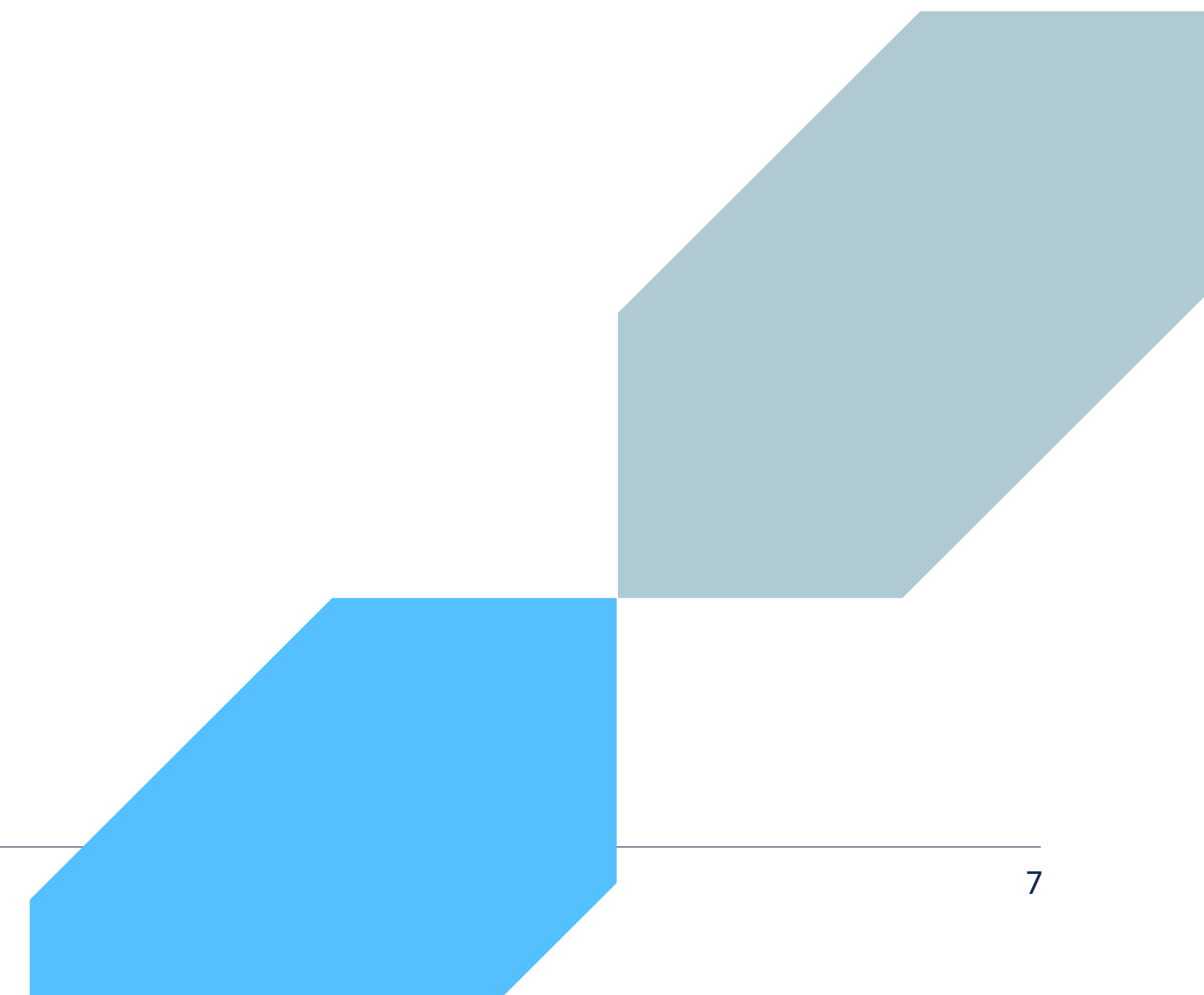
SME population. Table 1 shows the geographical profile of the sample. The four regions presented are further described in the next section.

The survey questionnaire sought responses on eight key questions, replicated from the British Business Bank’s annual Business Finance Survey (Annex 1). Alongside these, it collected information on a range of socio-demographic and business characteristics of the respondents, shown in Annex 1. This Omnibus Survey provides a larger sample of responses for Wales 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 Welsh SME finance landscape at a very granular level. Despite this large sample size, the data is still subject to a range of limitations. These are outlined in Annex 2 – Methodological caveats.

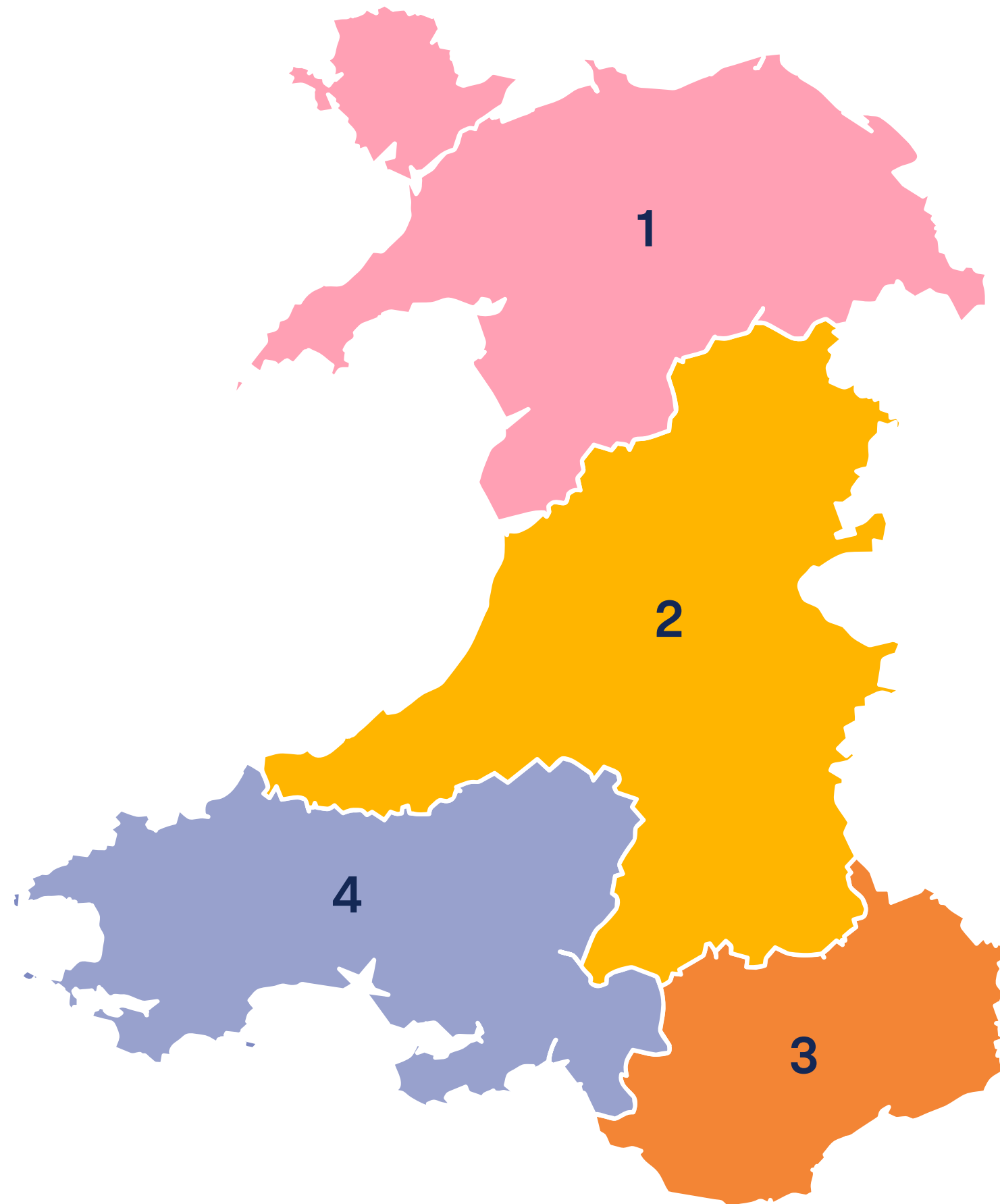
For the first time this year, the analysis is also complemented by the qualitative insights gathered via two virtual focus groups. The first of these was held on 17 January 2025 with a group of finance intermediaries who work with SMEs based in Wales. The second was held on 23 January 2025 with a diverse group of SMEs based in Wales that had experience of considering or accessing external finance.

Table 1
SME sample composition

Region	Sample size	% Sample
North Wales	111	22%
Mid Wales	70	14%
South East Wales	197	39%
South West Wales	122	24%
Total	500	100%



Regional overview



Data set is split by local authority, of which there are 22 and we have grouped them into the following regions:

Region	Local Authority	Colour
1. North Wales	Wrexham, Flintshire, Denbighshire, Conwy, Anglesey, Gwynedd – Arfon and Dwyfor only	Pink
2. Mid Wales	Ceredigion, Powys, Gwynedd – Merionnydd only	Yellow
3. South East Wales	Bridgend, Blaenau Gwent, Caerphilly, Cardiff, Rhondda Cynon Taf, Monmouthshire, Newport, Merthyr Tydfil, Torfaen, Vale of Glamorgan	Orange
4. South West	Swansea, Neath & Port Talbot, Carmarthenshire, Pembrokeshire	Lilac

1. North Wales

North Wales boasts a diverse SME ecosystem, encompassing rural, urban, and coastal areas. Predominantly rural, the region is characterised by a thriving tourism sector and SMEs in sectors like advanced manufacturing and renewable energy, with tech startups also on the rise. Coastal towns like Rhyl and Prestatyn exemplify North Wales’ economic diversity, with a historic focus on tourism now expanding to include commerce, industry, and retail.

Developments like the North Wales Growth Deal and Anglesey’s approval as a freeport by the Welsh and UK government aim to bolster connectivity and innovation, fostering growth opportunities for SMEs and further enhancing investment prospects for the region. StatsWales estimates for 2023 show there were approximately 60,000 SMEs in North Wales employing around 173,000 people.



2. Mid Wales

Mid Wales offers a picturesque backdrop for SMEs, with a blend of rural landscapes and small towns. The region's SMEs are diverse, spanning sectors such as agriculture, tourism, renewable energy, and niche manufacturing, across a broad spectrum of business sizes and economic activity. Despite facing challenges in connectivity and access to markets, initiatives like the Mid Wales Growth Deal aim to address infrastructure gaps and stimulate economic growth. SMEs benefit from supportive networks like the Mid Wales Manufacturing Group and Aberystwyth University's Innovation and Enterprise Campus. Estimates for 2023 show Mid Wales was home to around 27,000 SMEs, providing employment for over 67,000 individuals.¹

3. South East Wales

South East Wales is a dynamic hub for SMEs, blending urban centres like Cardiff and Newport with rural areas. The region boasts a well-established infrastructure with good public transport links. Cardiff and Newport combined form one of two innovation-led clusters as identified in Wales by the British Business Bank's Nations and Regions Tracker 2023. With a large proportion of innovation-led companies seeking grants and equity to support research and development, spinouts represent a considerable amount of the equity activity. Institutions like Cardiff University and initiatives supported by Cardiff Capital Region provide innovation and entrepreneurship support. In 2023, South East Wales had approximately 104,000 SMEs, employing over 322,000 people.

4. South West Wales

South West Wales offers a mix of coastal charm and industrial heritage, fostering a diverse SME ecosystem. Traditional sectors like agriculture and manufacturing coexist with emerging industries such as life sciences, marine technology, and renewable energy. Swansea, one of two Nations and Regions Tracker 2023 innovation-led clusters in Wales, drives innovation and entrepreneurship in the region. A large proportion of innovation-led companies in Swansea seek grants and equity to support research and development. Initiatives like the Swansea Bay City Deal aim to boost innovation and infrastructure, whilst the Celtic Freeport is focused on new economic growth, future skills, and manufacturing for South West Wales. With around 55,000 SMEs in the region in 2023, employing over 156,000 individuals, South West Wales continues to evolve as a hub for entrepreneurship and innovation.

Executive summary



Overall findings

57% of smaller businesses* in Wales were using external finance in late 2024. Credit cards were the most commonly used finance form among SMEs in Wales, with a 25% usage rate. The second and third most commonly used finance forms were Covid-19 loans (23%) and business overdrafts (16%).

Around one in five smaller businesses (21%) in Wales reported they experienced barriers to accessing finance, with the highest shares of respondents that identified barriers mentioning ability to obtain/repay finance (40%), time/complexity of finance applications (31%) and poor perceptions of/relationships with finance providers (18%).

Around 9 in 10 Welsh SMEs with debt (91%) perceived their current debt burden as manageable.

Around one in five (21%) smaller businesses in Wales reported requiring additional financing over the next 12 months. Of these, the majority (64%) said they had

a requirement at or below £50k, with another quarter of eligible respondents (25%) stating a requirement between £50k and £250k and the remaining 11% a larger requirement.

The most common finance forms that Wales based SMEs with a finance need anticipated accessing over the next year were business loans, mentioned by 56% of respondents, followed by grants with 37%. 39% of smaller businesses that anticipated needing finance over the coming year intended to use it for capital expenditure, while over four in ten (46%) indicated they would use it for working capital. Among Wales-based SMEs that anticipated needing finance over the next year, 61% felt confident in their ability to secure it.

More than half (55%) of Wales-based SMEs in 2024 expected their business performance to remain stable whereas just over a quarter (26%) expected growth and the rest a contraction or difficult trading conditions/risk of closure, at 12% and 7% respectively.

* Smaller businesses refers to businesses with 0-249 employees. We use the term interchangeably with the abbreviation 'SMEs' throughout the report.



Over half of Welsh SMEs **(57%)** reported using finance

1 in 5 experienced barriers to accessing finance



21% require additional financing over the next year

61% requiring finance felt confident about securing it





Sub-national findings

External finance use rates were broadly similar across the four regions of Wales (North Wales, Mid Wales, South East Wales, South West Wales), but statistically significant differences were observed with respect to usage of grants, which was much lower in South East Wales (3%) than in any other Welsh region.

Smaller businesses' views on whether they experienced barriers to accessing finance did not differ in a statistically

South East businesses were least likely to be using grants



Mid Wales businesses were least likely to require finance over the next year

significant way across the four regions of Wales, although respondents in South West Wales seemed more inclined to report this than those based elsewhere (26%).

Some small regional variations were present in the share of SMEs with debt who perceived their debt burden as manageable, with North Wales showing the lowest share of businesses reporting this (82%), although this did not pass statistical significance tests.

Respondents based in Mid Wales were far less likely to report they expected to require additional finance over the next 12 months (14%) than their counterparts elsewhere, but regional differences were not found to be statistically significant. There were statistically significant differences across different regions of Wales in the share of SMEs requiring amounts over £250k, suggesting that respondents in North Wales were the least likely to report they had a finance requirement in this bracket (4%) while those based in the South West were the most likely (16%).

SMEs' confidence in securing additional finance over the next 12 months across the four regions of Wales did not differ in a statistically significant way from the national average, although smaller businesses in South West Wales

were more likely to feel confident in securing the additional finance they needed over the next year, compared to the rest of the nation (75%).

Smaller businesses' expectations of their performance over the next year were fairly similar across the four regions with no statistically significant differences detected, although a slightly higher proportion of respondents in South East Wales expected to grow (29%), while proportionally more respondents in North Wales anticipated negative business performance (18% a contraction and 8% trading difficulties/risk of closure) than in other regions.

Devolved Nations comparison

Wales had a similar proportion of smaller businesses using external finance as the other two Devolved Nations in the UK. Patterns of finance usage by type among Wales-based SMEs were similar to Northern Ireland with respect to most finance types except for credit cards and business overdrafts, which had higher usage rates more similar to the ones seen in Scotland.

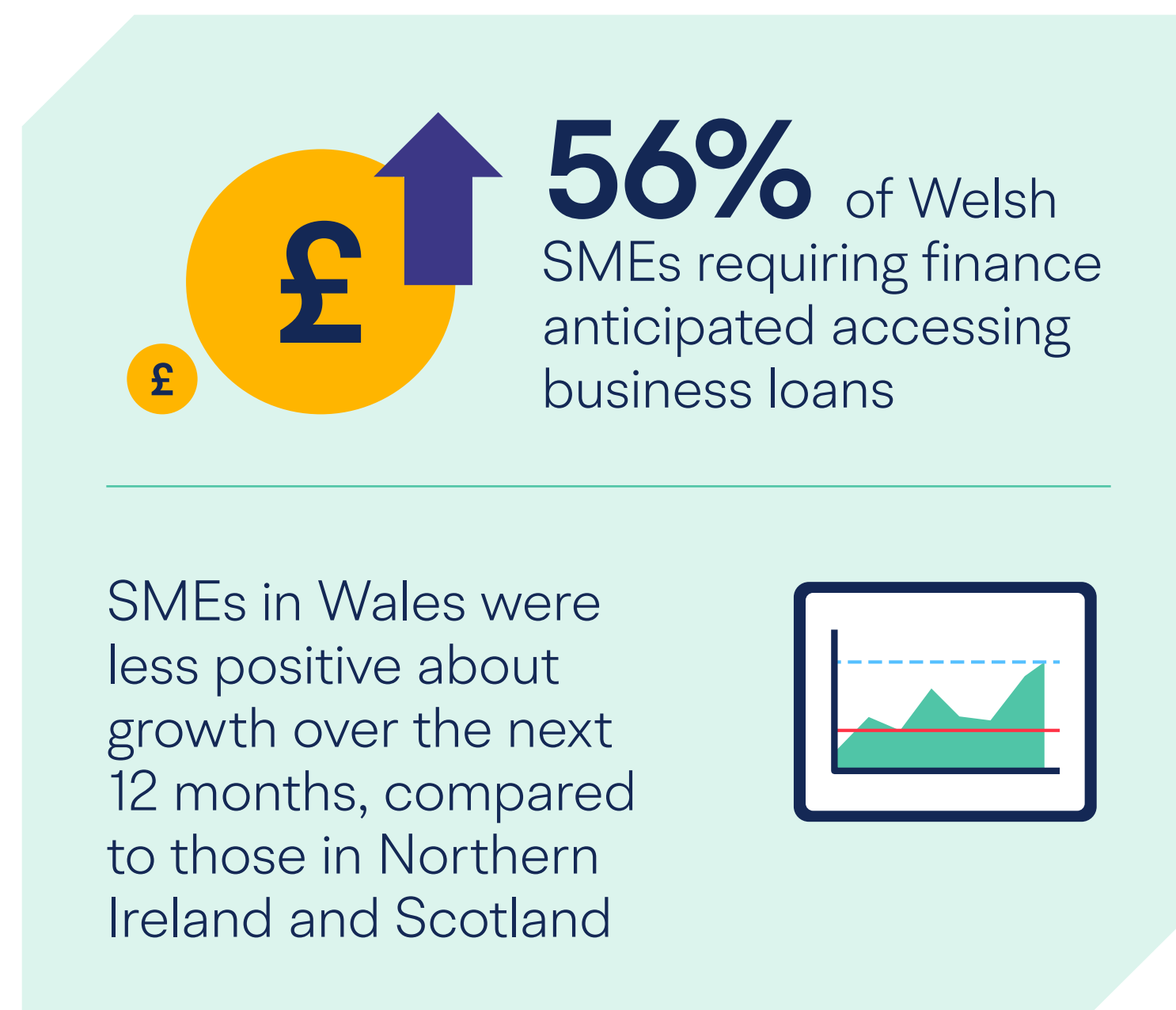


Wales was identical to Northern Ireland in terms of the share of SMEs reporting any barriers to external finance. Both nations scored much lower on this dimension than Scotland, where a significantly higher share of businesses were able to identify one or more barriers (42% compared with 21% in Wales and in Northern Ireland).

Meanwhile, the response patterns of smaller businesses that reported at least one barrier were slightly different across Wales, Northern Ireland and Scotland. In particular, time/complexity of finance applications has a much higher prevalence in Wales than in the other Devolved Nations, whereas lack of awareness or availability of finance options/support was less frequently reported in both Wales and Scotland than in Northern Ireland. In addition – and despite emerging as one of the top themes in all Devolved Nations – the ability to obtain/repay finance was a less widespread concern in Wales and Northern Ireland than in Scotland.

Smaller businesses’ perceptions of the manageability of their current debt were broadly aligned across the three Devolved Nations.

When compared with the other Devolved Nations of the UK, the overall proportion of SMEs that anticipated requiring additional financing over the next 12 months was significantly lower in Wales, at half or less than the level



seen in Scotland and Northern Ireland. Differences were also observed across the Devolved Nations in the size of the additional financing required, with proportionally more smaller businesses anticipating a finance requirement above £50k in Wales than in Northern Ireland.

Further, SMEs in Wales were more inclined to anticipate accessing business loans for meeting their finance needs over the next year compared to the other Devolved

Nations, and much less inclined to consider using credit cards, business overdrafts or equity investment for this purpose. They also had lower propensity to invest in research/process improvements/significant maintenance than SMEs in Scotland and Northern Ireland. Their confidence in their ability to secure the finance they needed over the next 12 months was broadly similar to Northern Ireland, but both nations lagged behind Scotland on this measure.

Wales-based SMEs were less positive about their growth prospects over the next 12 months compared to those located in Northern Ireland and Scotland, with a substantially higher share reporting they expected to remain stable than in the other two nations. However, all Devolved Nations saw a rise in the share of smaller businesses expecting to grow, compared to the previous year.



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)
7. Future finance needs (confidence)
8. Anticipated business performance



1. External finance usage

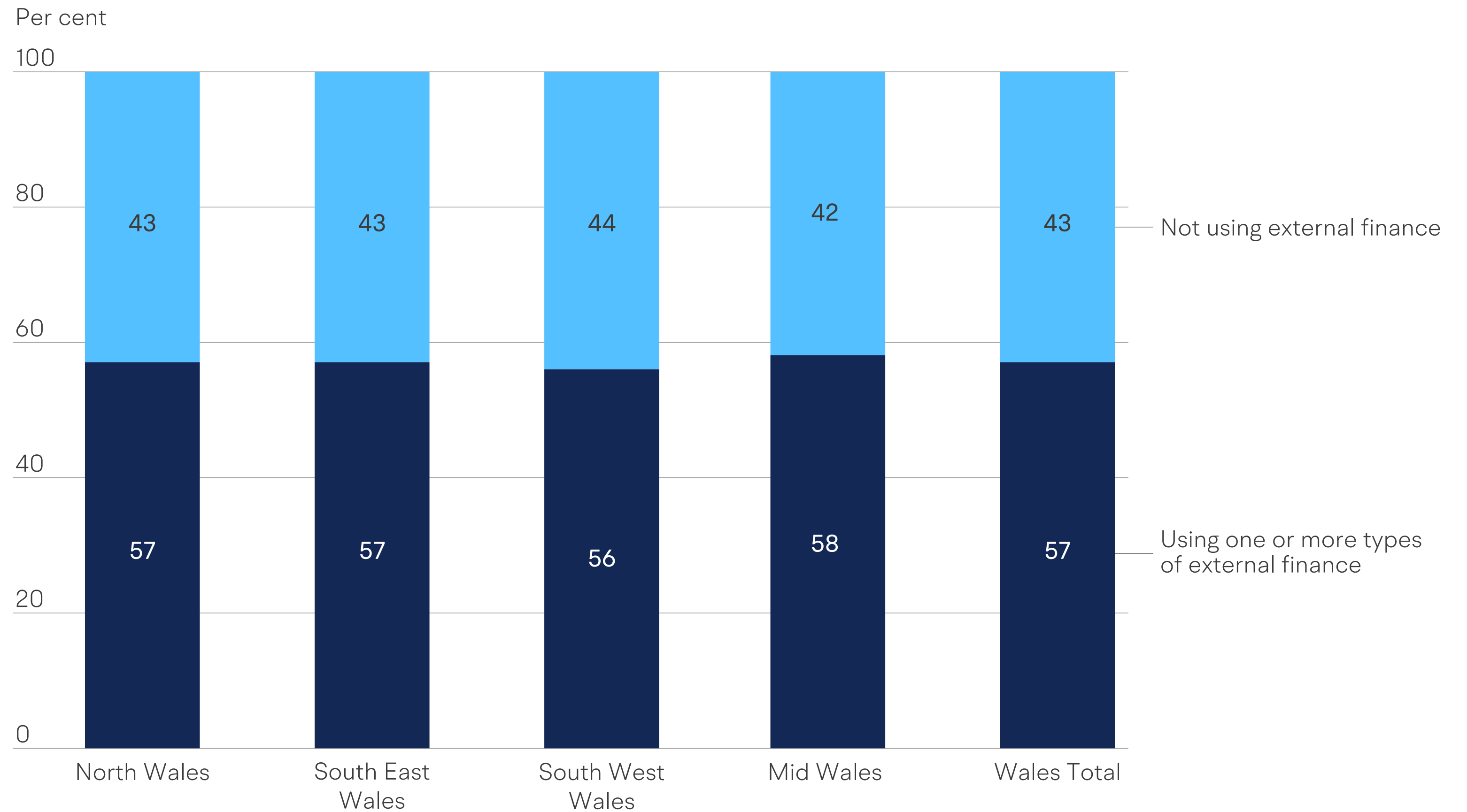
The results show that 57% of smaller businesses in Wales were using external finance² at the time of the survey (Figure B1.1), up from 49% in the survey carried out in October 2023. The overall finance usage rates were very similar across the four regions of Wales.

As in the previous year, credit cards were still the most commonly used finance form among smaller businesses in Wales, with a 25% usage rate. The second and third most commonly used finance forms were again Covid-19 loans (23%) and business overdrafts (16%), although the latter had a lower usage rate than in the 2023 survey (19%). Other (non pandemic-related) loan products and grants were used by (respectively) 11% and 9% of smaller businesses in Wales. The proportion of SMEs using other finance types – such as equity or asset/invoice/equity finance – was much smaller (6% or less) throughout the nation.

Figure B1.1

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

Unweighted sample sizes: Wales Total (500), North Wales (111), South East Wales (197), South West Wales (122), Mid Wales (70).





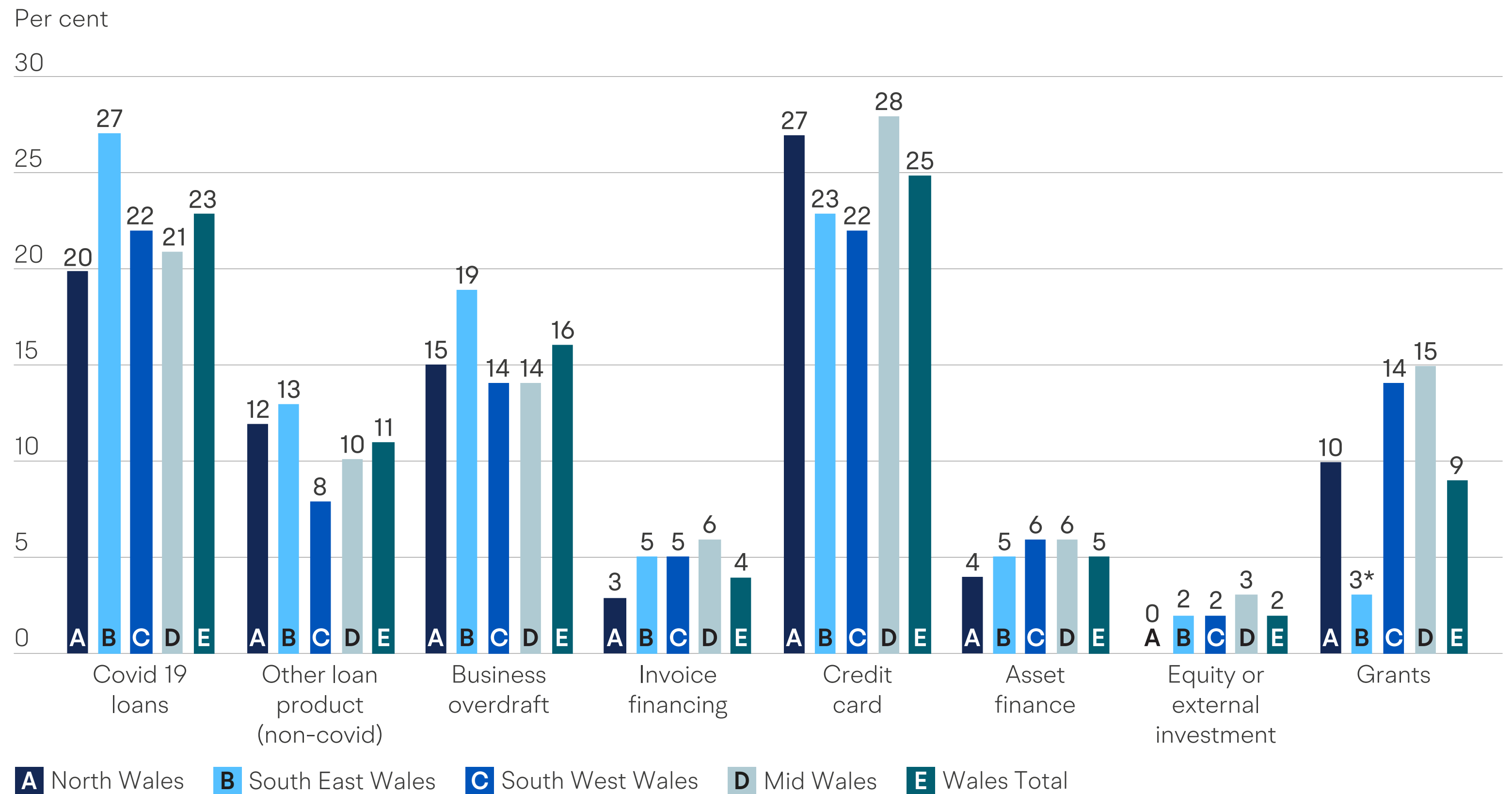
The popularity of credit cards was discussed further as part of our two focus groups with Wales-based intermediaries and businesses. Intermediaries recognised that businesses often use credit cards for secure payments on the road, rather than as a working capital mechanism, but their ease of access and convenience make them popular with the smallest or newest businesses in particular. They also suggested that credit cards use is likely more prevalent among micro-businesses and start-ups that lack a business credit record, as that can make the use of personal credit cards for business expenses a more attractive alternative. The SME participants similarly highlighted the transparency and convenience offered by credit cards especially to new entrepreneurs, which has been facilitated by new business credit solutions such as Allstar and Capital on Tap.

At the same time, various intermediaries shared that they are having proactive conversations with their clients about the limitations of credit cards for purposes other than expenses, noting that as these businesses look to grow, it's important for them to be aware of other financing options that can better support their longer-term needs (such as expansion).

Figure B1.2

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

Unweighted sample sizes: Wales Total (500), North Wales (111), South East Wales (197), South West Wales (122), Mid Wales (70).



*Correlation is significant at the 0.05 level



When asked about key recent trends in SMEs’ use of different finance types and providers in Wales, finance intermediaries participating in our focus group discussions noted an increased use of non-high street banks and commercial finance brokers. This is consistent with the UK-wide insights of our latest [Small Business Finance Markets Report](#), which found that the share of gross lending generated by challenger and specialist banks in 2024 (60%) exceeded that of the big five UK banks for the fourth year in a row, up from 59% in 2023 and the highest on record.

Usage levels for different external finance types show some variations across smaller businesses located in different regions of Wales (Figure B1.2), although most of these did not meet statistical significance criteria. The only statistically significant difference detected related to usage of grants among respondents in South East Wales (3%), which was much lower there than in any other Welsh region.

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, although participants noted that location might affect businesses’ ability to access unstructured risk capital specifically.

Smaller businesses in particular recognised that the challenges of raising this type of finance outside major conurbations like Cardiff are more significant than elsewhere in Wales, even though the geographically-focused funds offered by the Development Bank of Wales and the British Business Bank have helped increase the local availability of this type of finance across the nation. These challenges can also be compounded by lower awareness of venture capital fundraising tools like the (Seed) Enterprise Investment Scheme, regional differences in investment practices and the strategies of regional investment companies. Access to risk capital is also particularly challenging for firms with complex or novel business models, as that makes it all the more vital for businesses to have access to supportive advisers and gain a sophisticated understanding of the finance options that are right for them, and for potential investors to be able to source the expertise they need to assess those businesses locally. All of these resources were found to be more difficult to access outside of the main finance hubs.

Figure B1.3

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

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

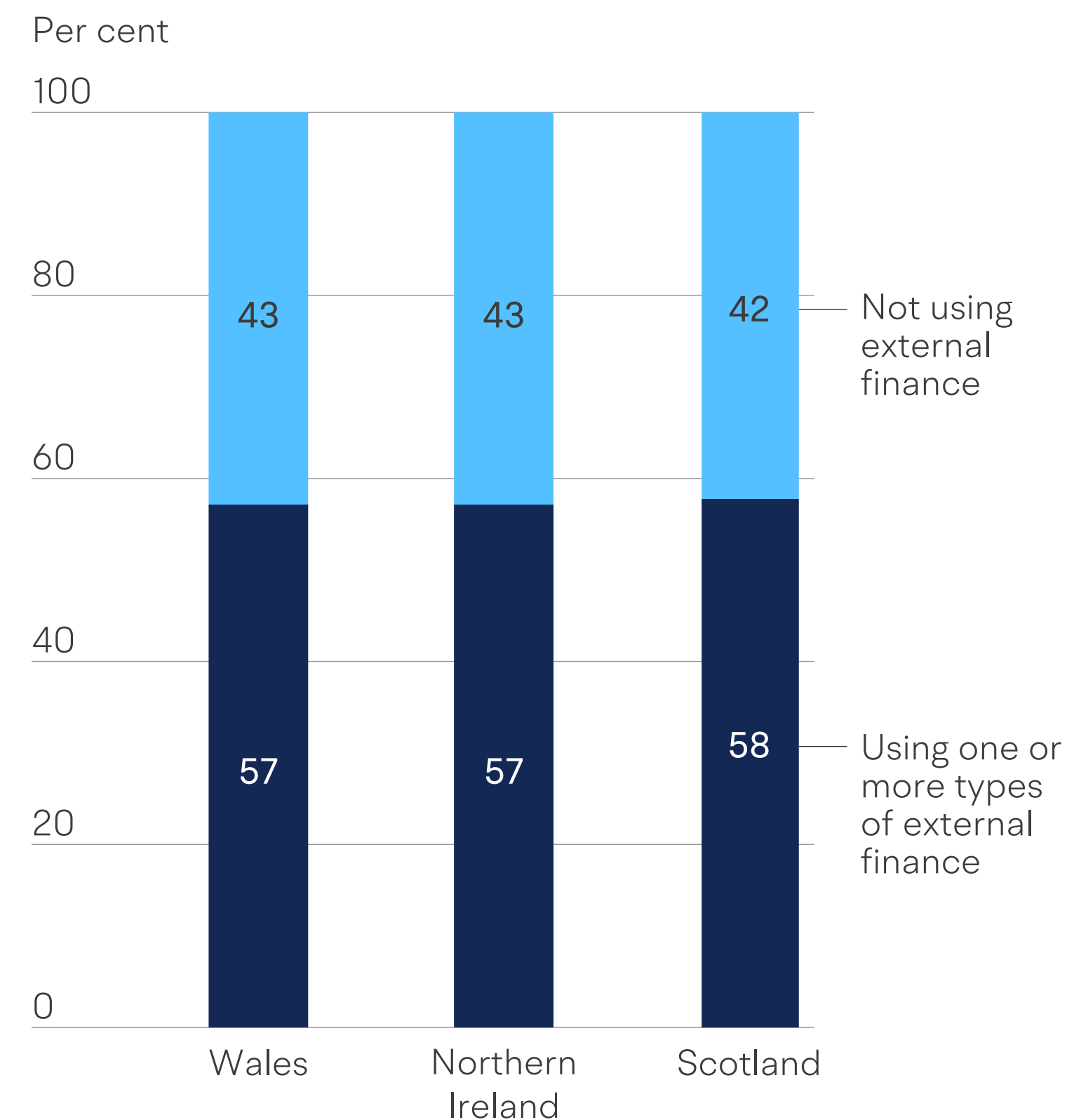


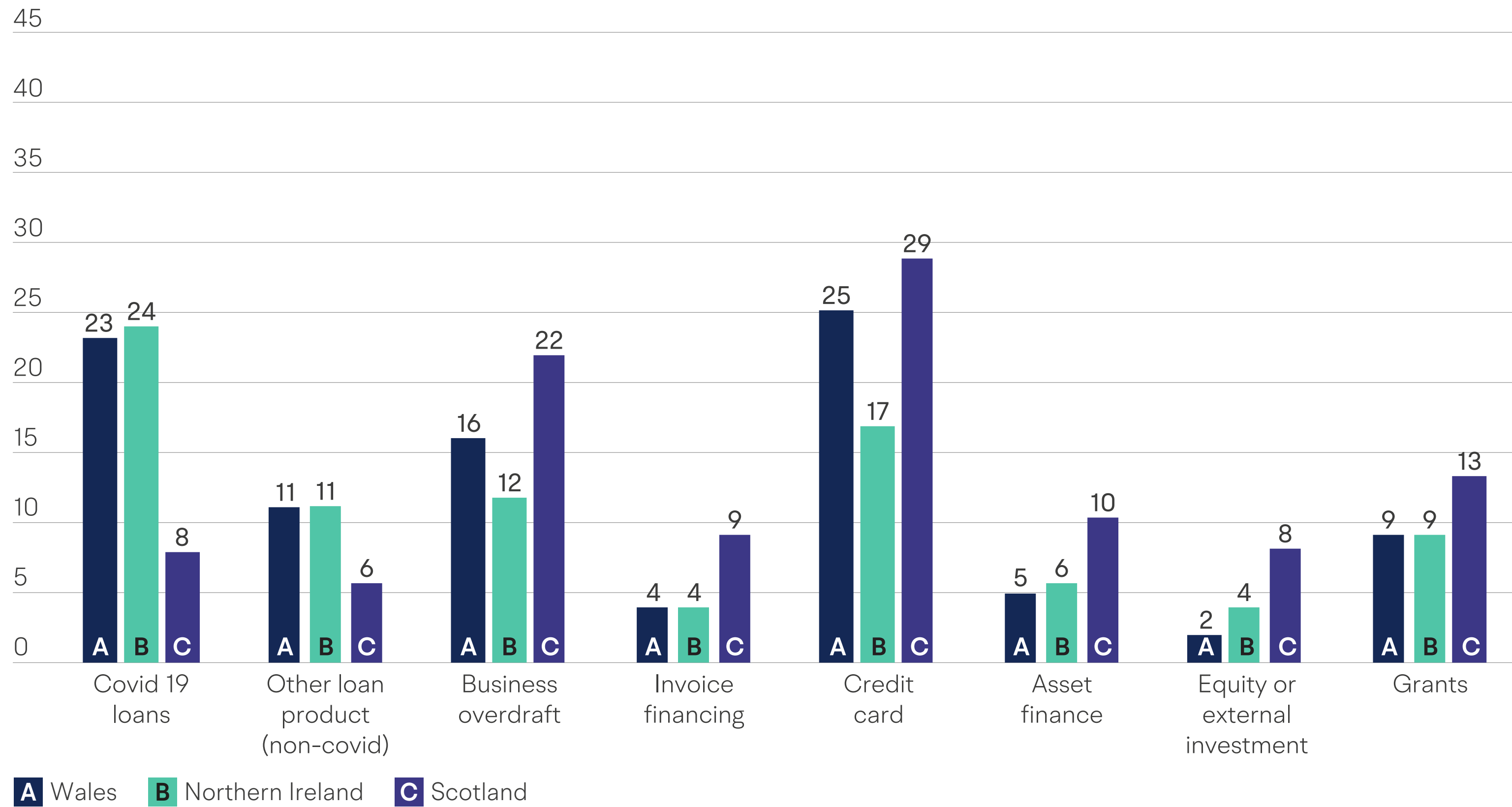


Figure B1.4

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

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

Per cent





2. Barriers to external finance

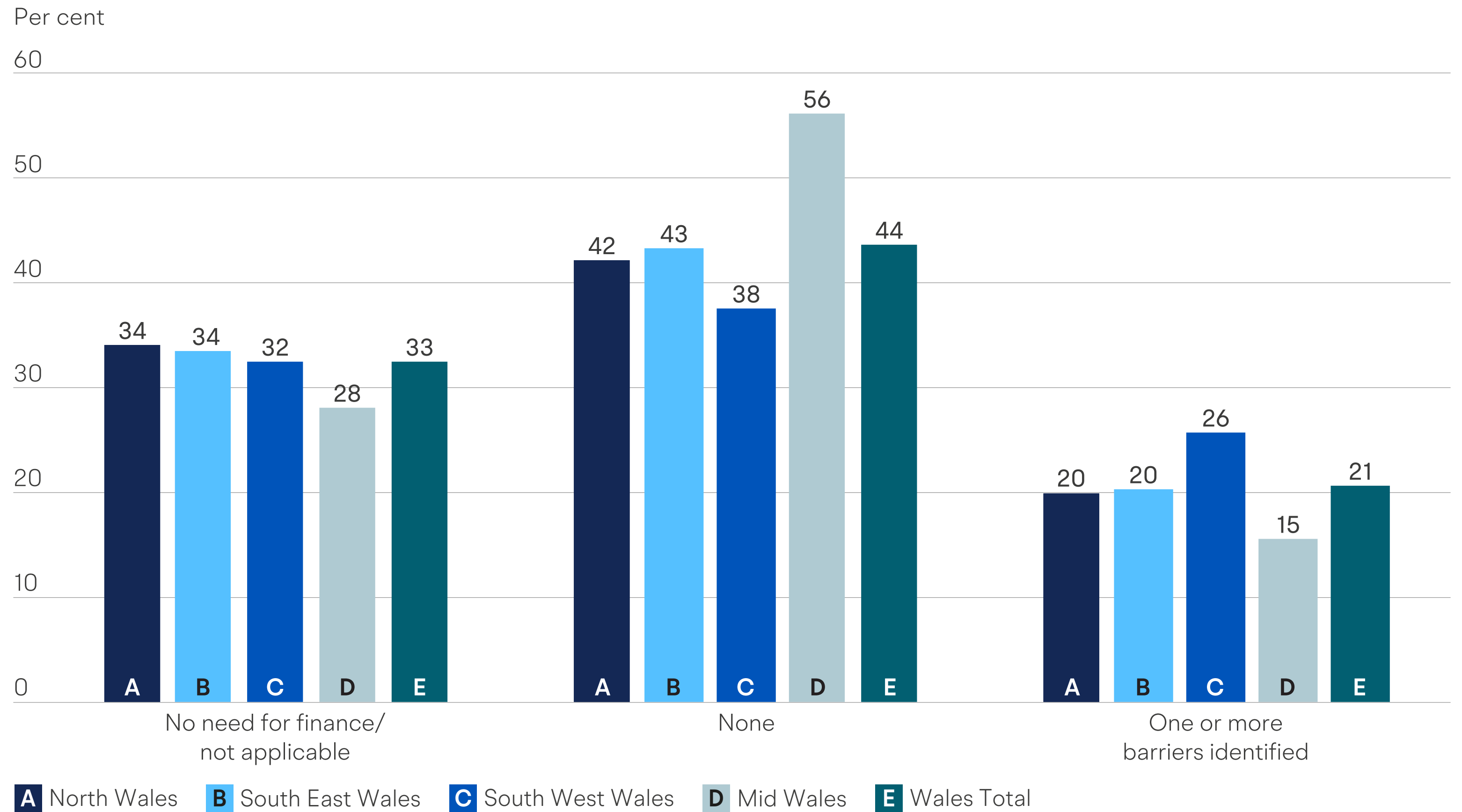
As shown in Figure B2.1, around one in five SMEs (21%) in Wales reported they experienced barriers to accessing finance, with the rest of the respondents mentioning “None” (44%), “No need for finance/ not applicable” (33%) or “Don’t know” (3%). The share of respondents reporting barriers was broadly the same as in the 2023 survey (20%).

Smaller businesses’ views on whether they experienced barriers to accessing finance did not differ in a statistically significant way across the four regions of Wales, although respondents in South West Wales seemed more inclined to report this than those based elsewhere.

Figure B2.1

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

Unweighted sample sizes: Wales Total (500), North Wales (111), South East Wales (197), South West Wales (122), Mid Wales (70).





The responses of businesses that agreed they 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.

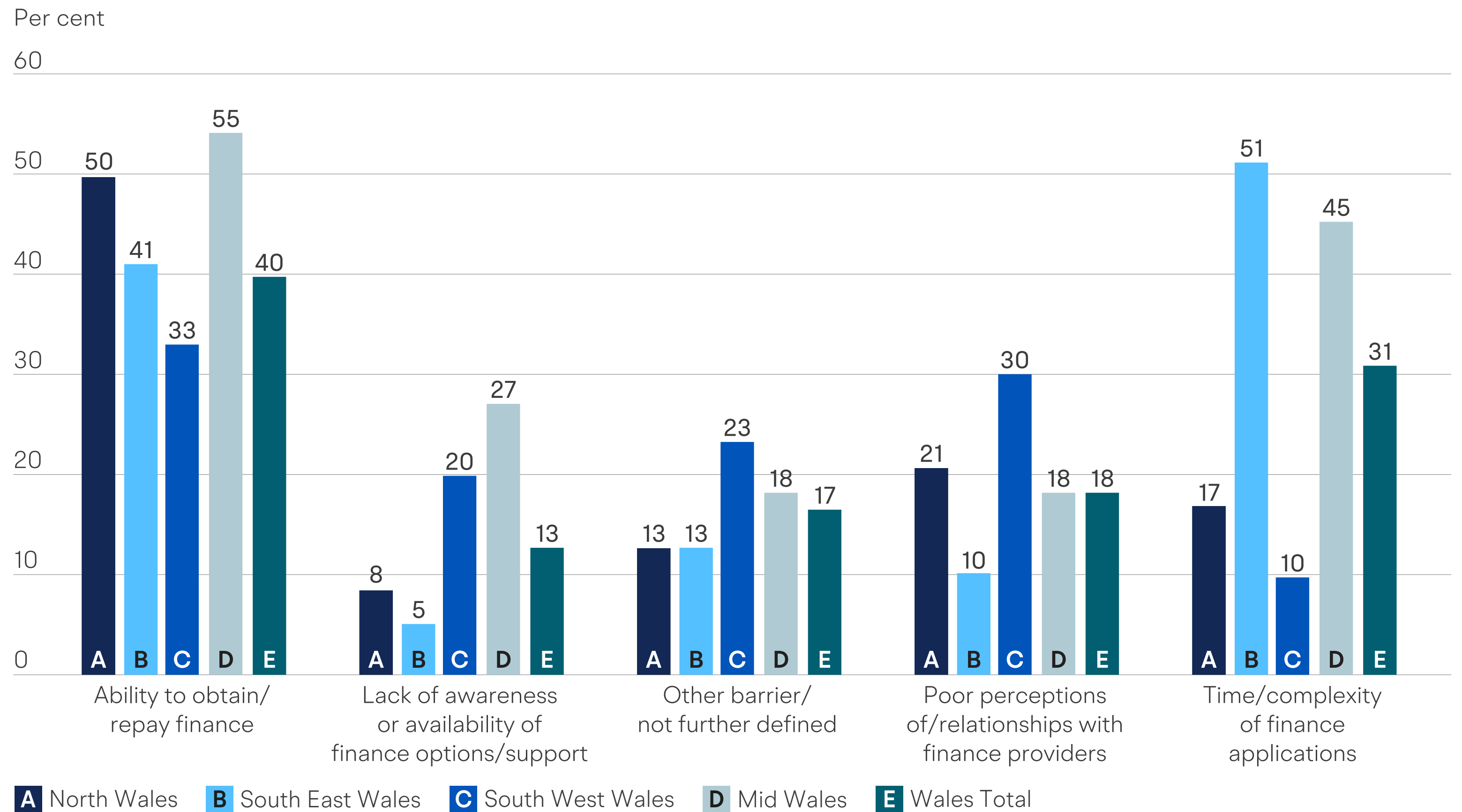
Of these, the most frequently reported by businesses in Wales as a whole were:

- **Ability to obtain/repay finance (40%):** 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, but the latest results suggest it was far more prevalent in 2024 than the previous year (when 26% reported it as a key barrier). This answer pattern seems to be driven by lingering concerns around borrowing costs, which is also corroborated by the feedback from our focus group with Wales-based SMEs, highlighting perceptions of high volatility and uncertainty in the market. Although interest rates have been reducing over the last 18 months,

Figure B2.2

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

Unweighted sample sizes: Wales Total (103), North Wales (23), South East Wales (38), South West Wales (30), Mid Wales (12).





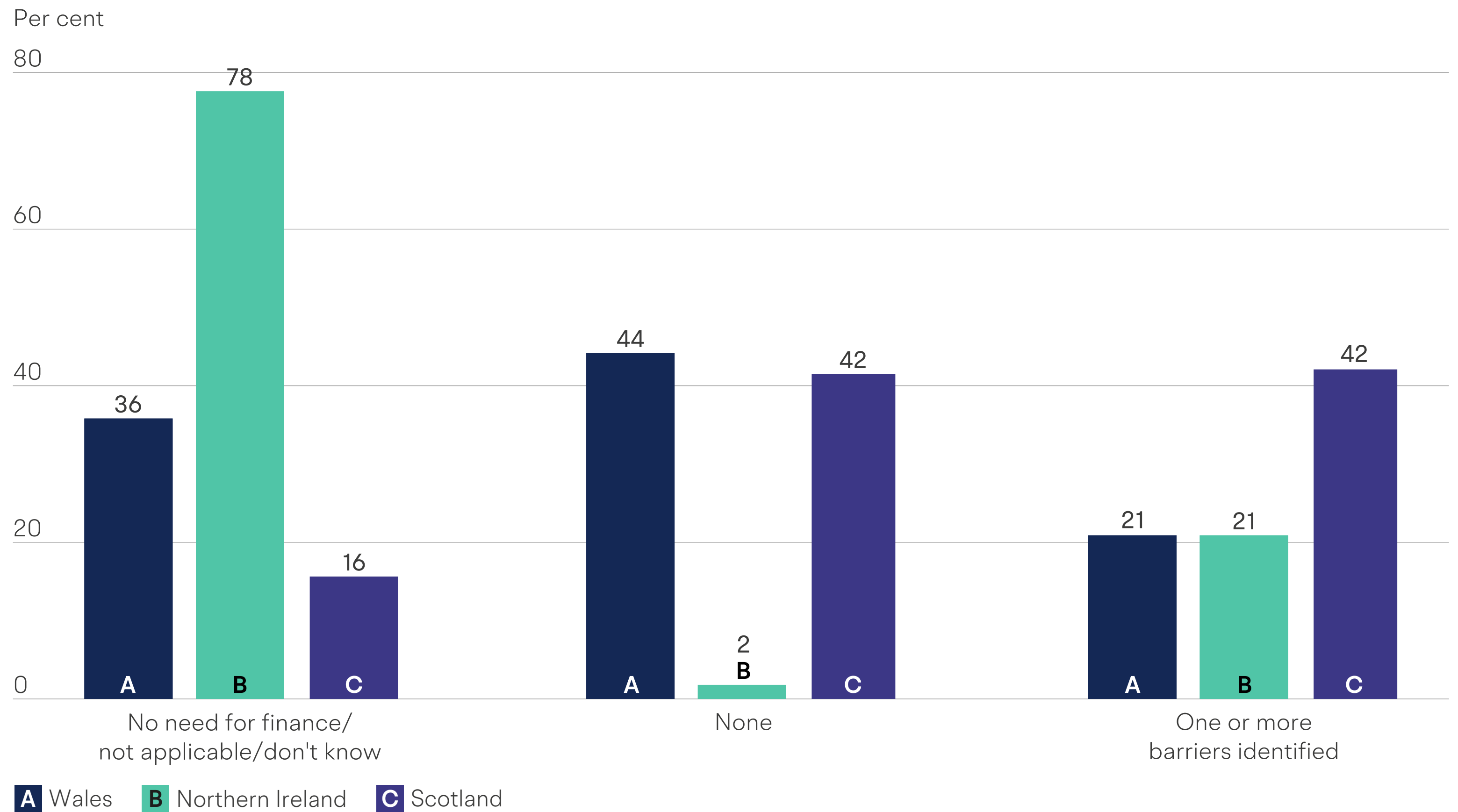
these results highlight that it is taking time for smaller businesses to readjust their expectations on this.

- **Time/complexity of finance applications (31%):** 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. 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 (26%) than in the latest survey.
- **Poor perceptions of/relationships with finance providers (18%):** the key barriers mentioned in this context related to negative perceptions or past experiences of interacting with finance providers, such as: Lack of (local) bank/banks closing/can't see a manager/speak face to face; Reluctance to lend/lack of finance; Lack of communication; General negative comment re: banks (unhelpful, lack of knowledge etc.). Poor perceptions of/relationships with finance providers was less of an issue in the 2024 survey than in the previous year's one, where it had been mentioned by 23% of respondents.

Figure B2.3

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

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





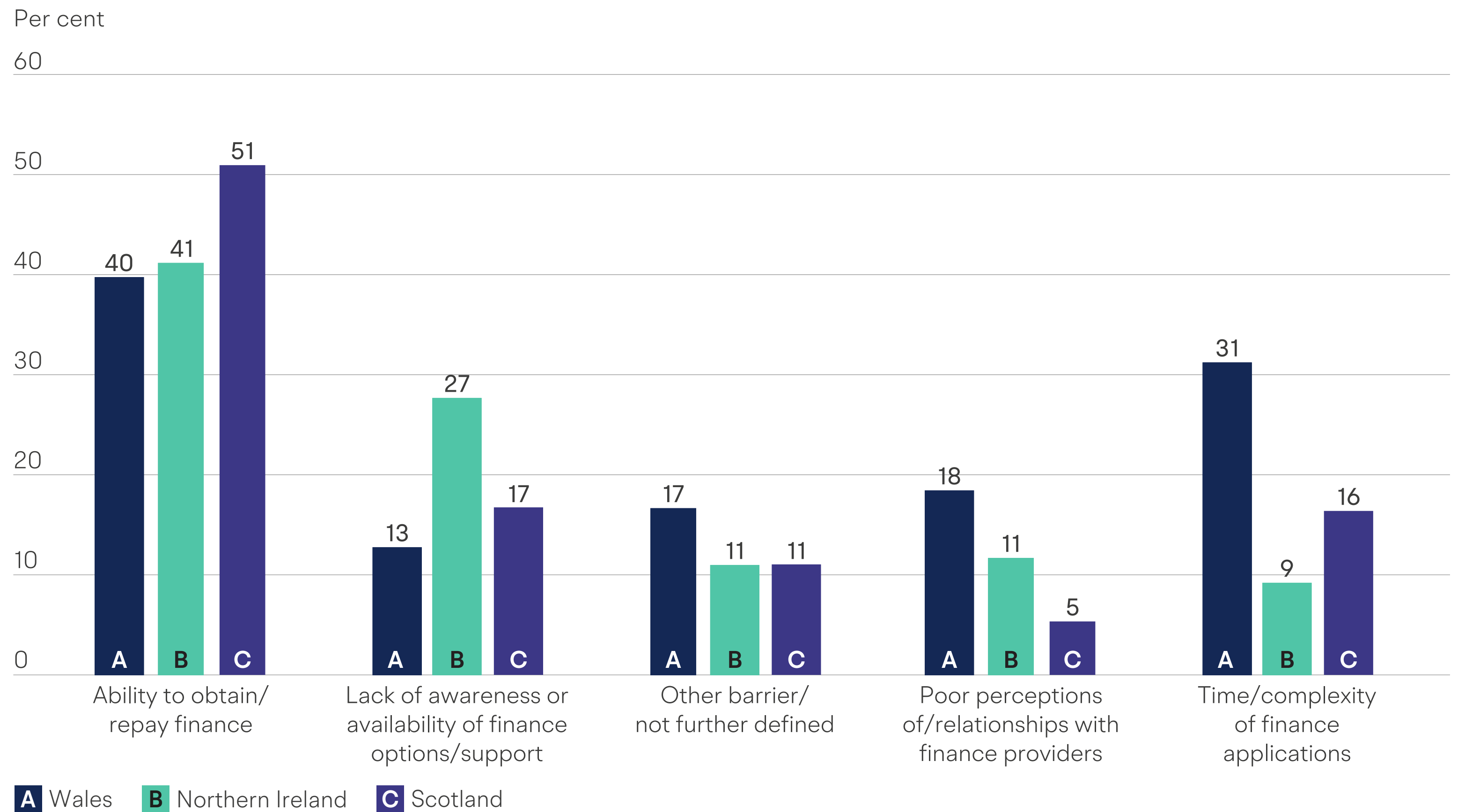
A smaller proportion of respondents also cited other types of barriers (17% in Wales as a whole, like last year) as well as barriers related to a lack of awareness or availability of finance options/support (13%).

Our focus group discussions highlighted that while location remains a significant factor in determining the accessibility of finance, location-specific barriers can often resolve themselves if the business community is well-connected and through advanced communication technology, enabling businesses to find information and establish online links with providers wherever they are. The participants believed location is often less of a factor than other characteristics, such as size and profitability. Therefore, when it comes to developing solutions to address these regions' finance gaps, it is crucial to understand the demographics of the local business community.

Figure B2.4

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

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

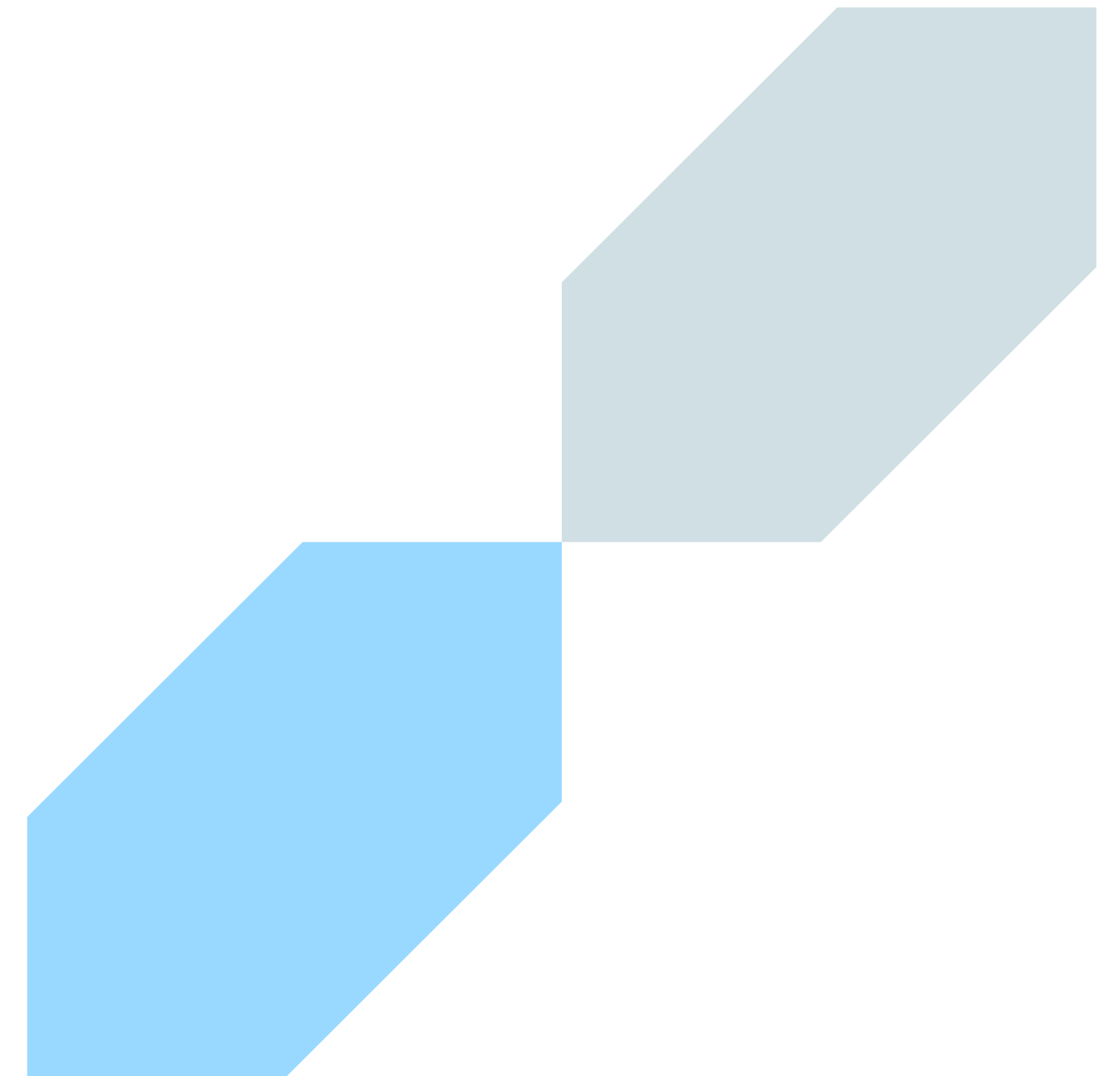




The importance of face-to-face contact and a personal relationship with their bank for some businesses – particularly the smallest and least financially sophisticated ones – was also noted and recognised as a factor that could interact with location. For instance, businesses in more rural areas tend to have lower awareness of the range of finance options available beyond their local high street bank and lower awareness of commercial broker services, which may leave them with more limited opportunities to learn more about external finance.

The focus group discussions with SMEs further touched on barriers that impact access to specific types of finance, such as grant funding, noting that this is particularly difficult for pre-revenue businesses and/or those that need non-dilutive capital to bridge cash flow gaps that might emerge while waiting for the grant to be paid out (which more providers are offering,

but are not yet widely available or known to many businesses). They also highlighted the highly complex and lengthy process required to access grants as well as a perception of declining success rates (given higher competition for existing grant funding schemes). Smaller businesses' perceived reliance on grants was also felt by intermediaries to potentially hinder their propensity to explore commercial finance alternatives, suggesting that efforts to facilitate better awareness of finance options in Wales should also aim to drive cultural change in the way smaller businesses look at raising finance externally.





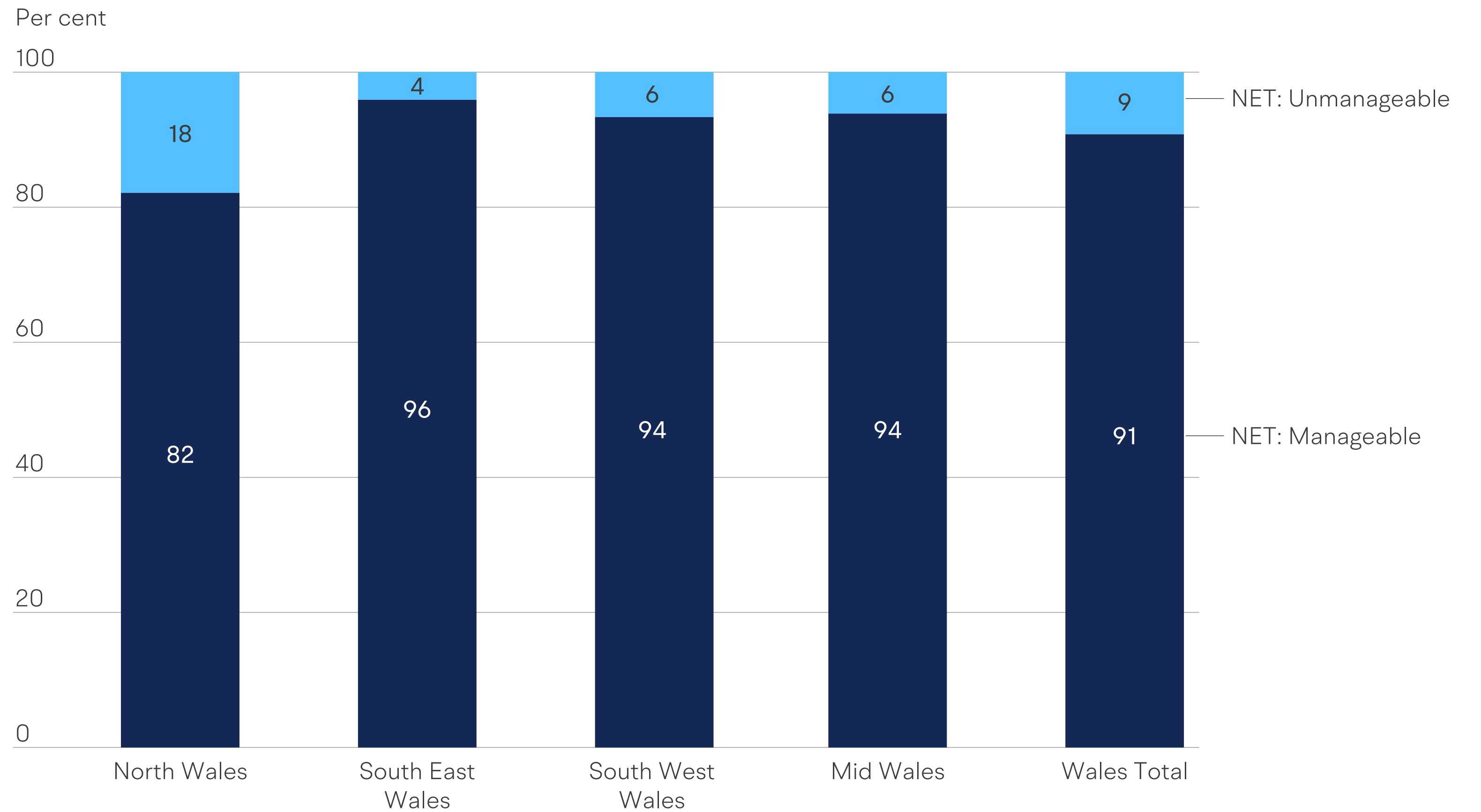
3. Debt manageability

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.

Figure B3.1

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

Unweighted sample sizes: Wales (257), North Wales (66), South East Wales (95), South West Wales (62), Mid Wales (33).





Around nine in ten Welsh businesses with debt (91%) perceived their current debt burden as manageable, which closely replicates the result from the 2023 survey (92%). Some small regional variations were present, with North Wales showing the lowest share of businesses reporting this (81%), although this did not pass statistical significance tests.

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

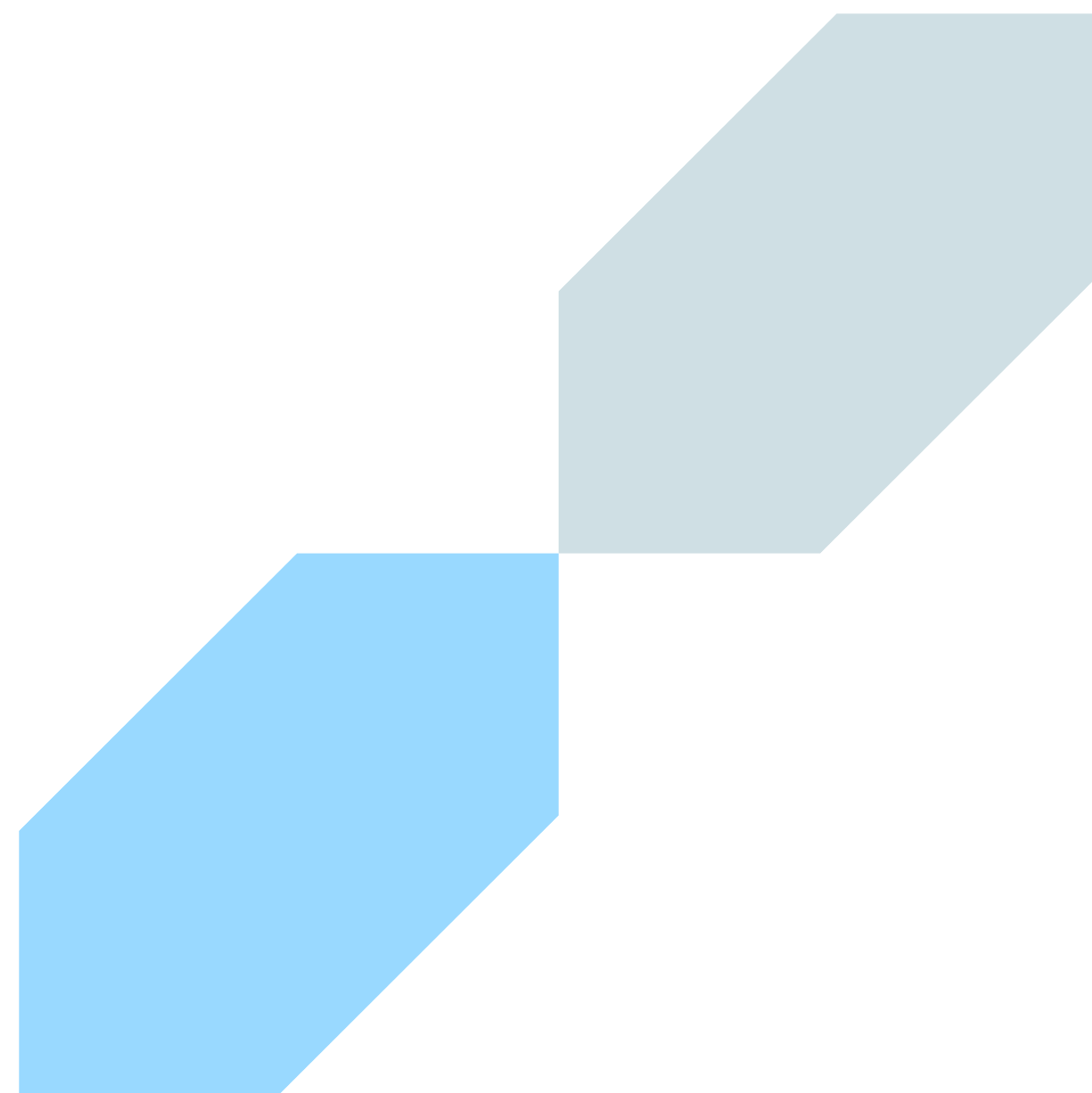
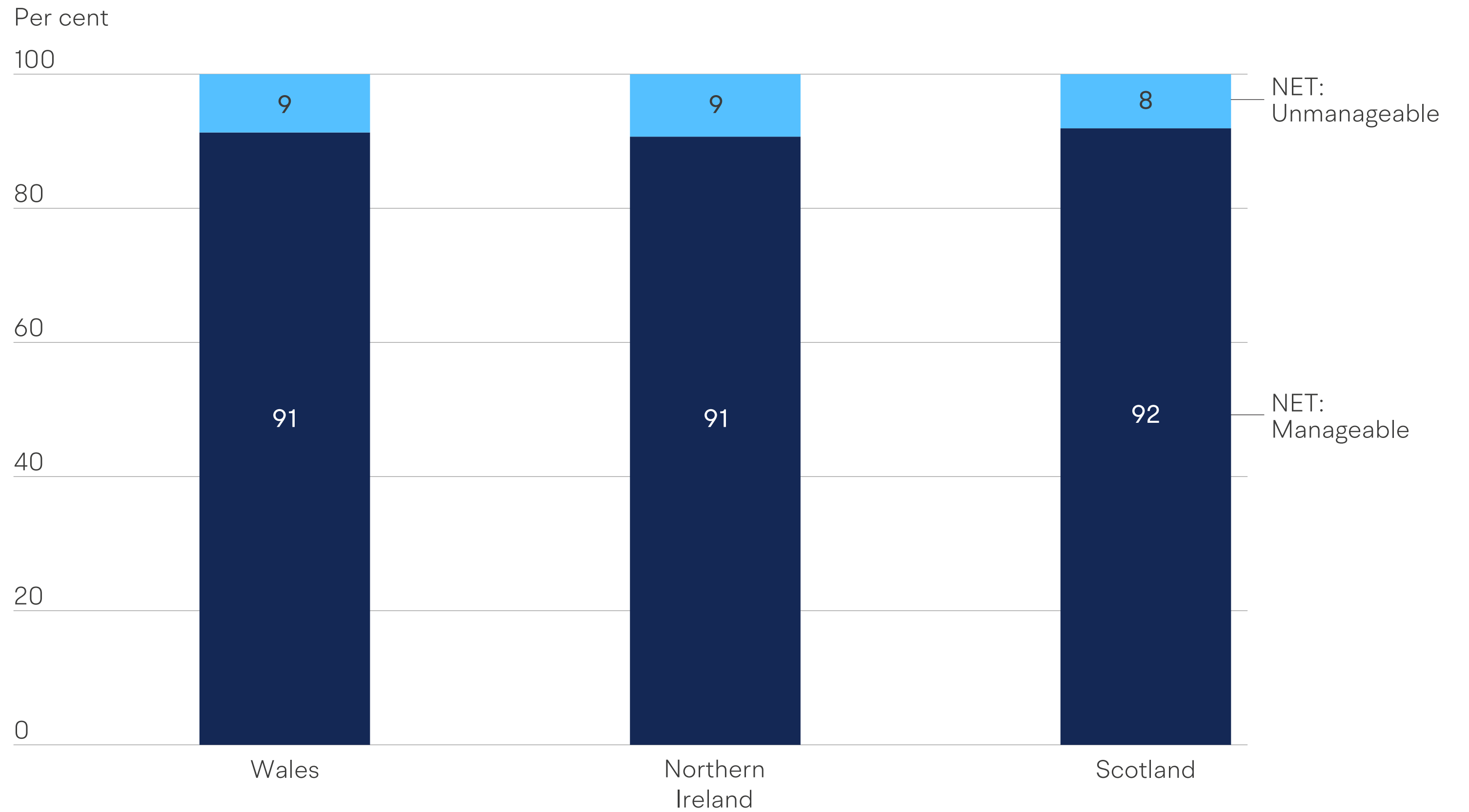


Figure B3.2

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

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





4. Future finance needs

Around one in five (21%) smaller businesses in Wales as a whole reported requiring additional financing over the next 12 months (Figure B4.1).

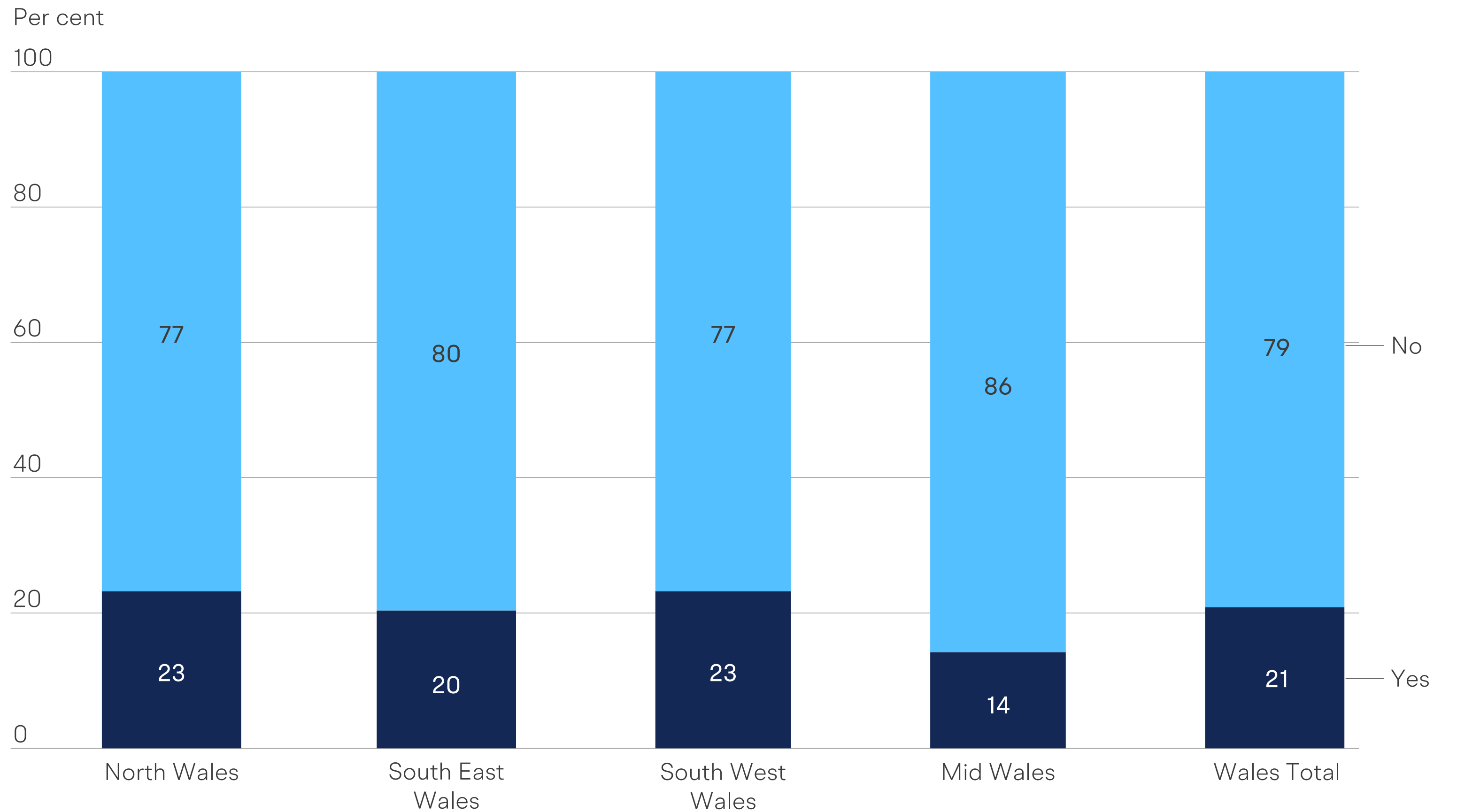
This is a higher share than in the 2023 survey (16%), although (as discussed on page 29) it remains far lower than the share observed in the other Devolved Nations in 2024. Respondents based in Mid Wales were far less likely to express this view than their counterparts elsewhere, but regional differences were not found to be statistically significant.

This positive trend in the expected demand for finance during 2025 was recognised by intermediaries participating in our focus group. In this discussion, it was noted that – possibly due to the persistently challenging macroeconomic environment, requiring careful management of financing risks – more businesses were focused on securing long-term cash flow funding and planning for the year ahead in early 2025 compared to Q4 of last year.

Figure B4.1

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

Unweighted sample sizes: Wales (500), North Wales (111), South East Wales (197), South West Wales (122), Mid Wales (70).





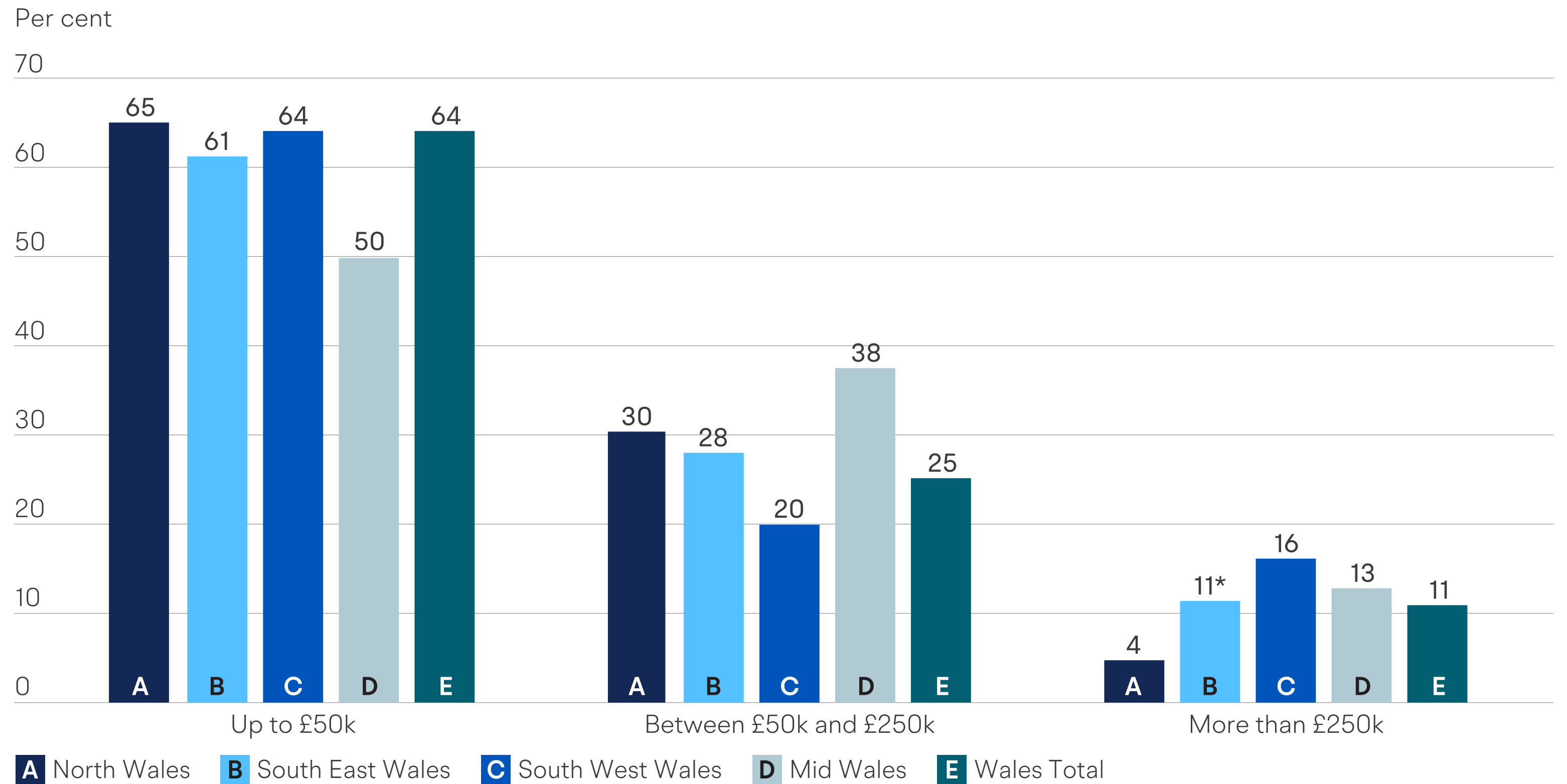
The question also captured the scale of the additional financing potentially required by businesses, using six bands. In the analysis below, these six bands have been merged into three to boost the sample size for each option and align with the pattern of the responses received.

Of the Welsh SMEs that anticipated needing additional financing over the next year, the majority (64%) said they had a requirement at or below £50k, with another quarter of eligible respondents (25%) stating a requirement between £50k and £250k, and the remaining 11% a larger requirement. There were statistically significant differences detected across different regions of Wales on amounts over £250k, suggesting that respondents in North Wales were the least likely to report they had a finance requirement in this bracket while those based in the South West were the most likely.

Figure B4.2

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

Unweighted sample sizes: Wales Total (142), North Wales (39), South East Wales (51), South West Wales (37), Mid Wales (15).



*Correlation is significant at the 0.05 level



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

Figure B4.3
Proportion of SMEs in Wales, Northern Ireland and Scotland that anticipate needing additional financing over the next year

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

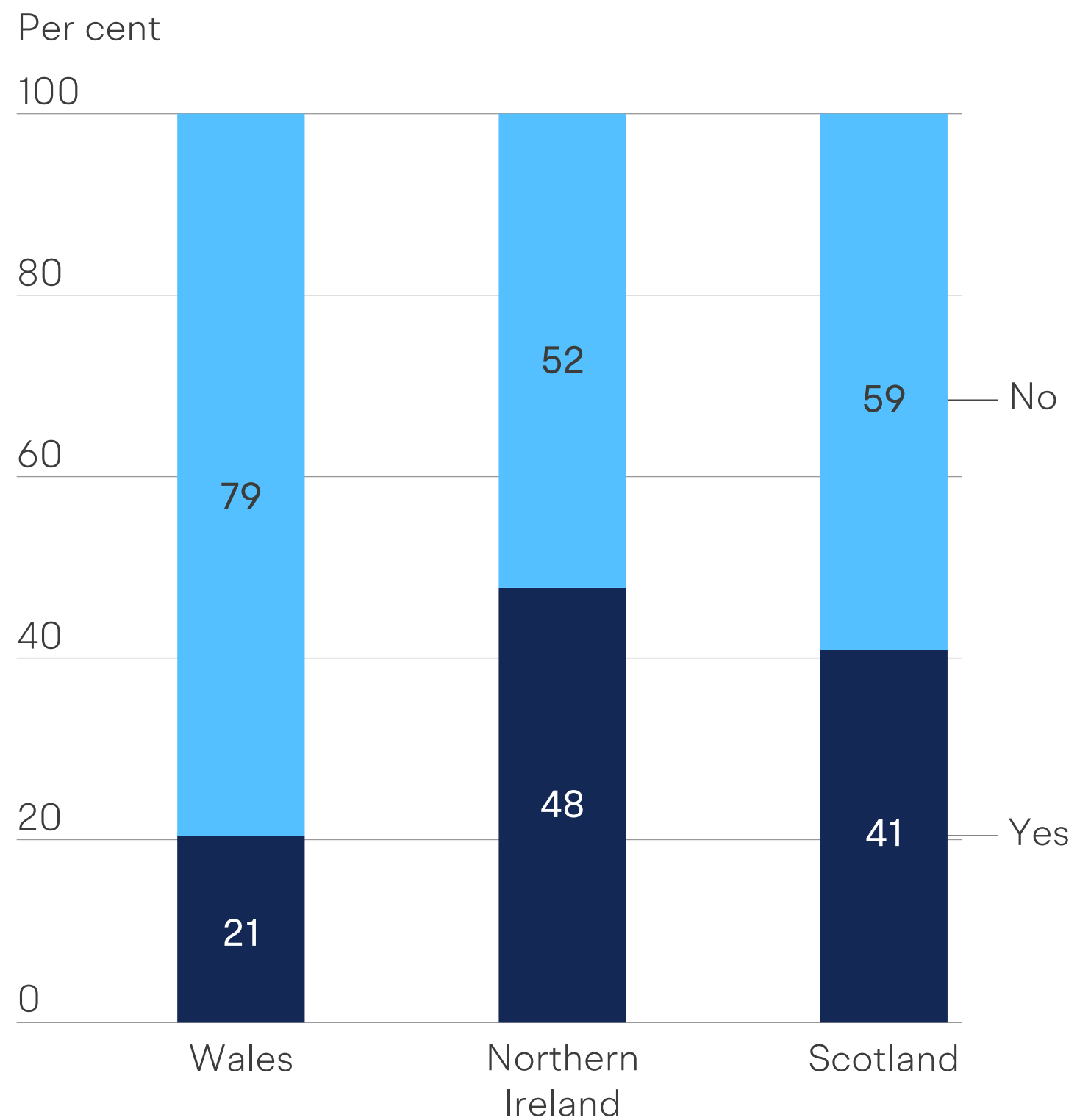
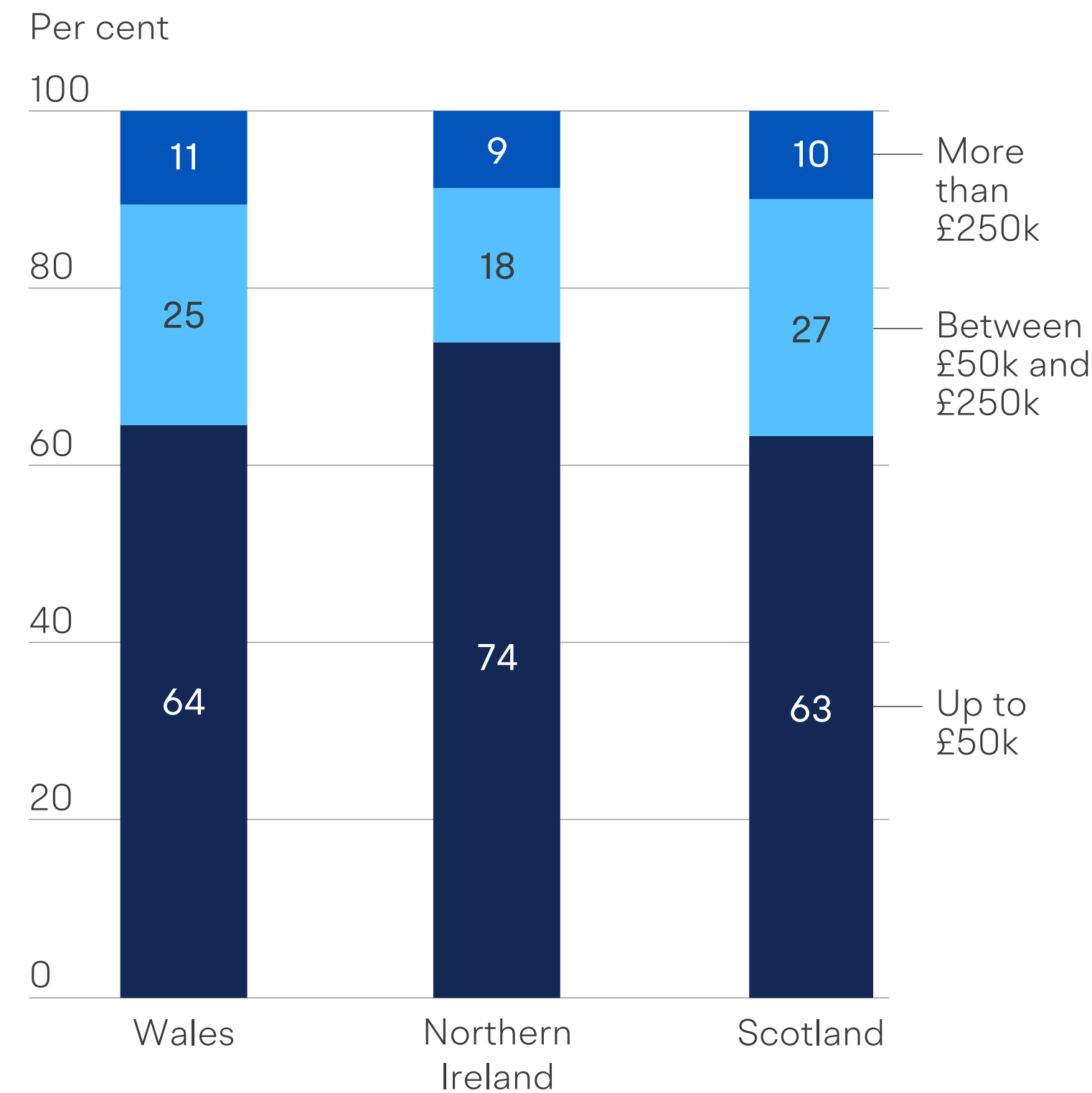


Figure B4.4
Size of financing requirement of SMEs in Wales, Northern Ireland and Scotland that anticipate needing additional financing over the next year

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





5. Future finance needs (type)

Consistent with our previous survey findings, the most common finance forms that Wales-based businesses with a finance need anticipated accessing over the next year were business loans, mentioned by 56% of respondents, followed by grants with 37% (Figure B5.1).

Invoice finance and business overdrafts were also relatively popular compared with other finance types, but were mentioned by a lower proportion of businesses (10% in both cases). Credit cards, asset finance and equity finance were selected by fewer than 10% of businesses.

Some regions stood out for their high propensity to report considering some of these finance forms. SMEs in South West Wales were the most inclined to anticipate accessing grants (with SMEs in North Wales being the least inclined), while those in South East Wales had the highest propensity to anticipate accessing asset finance. Other regional differences are visible as well, for example the fact that North and Mid Wales had a considerably higher share of businesses that anticipated accessing business loans than the Southern regions of Wales, and that Mid Wales had the highest prevalence of businesses mentioning invoice finance. Nevertheless, these differences were not found to be statistically significant.

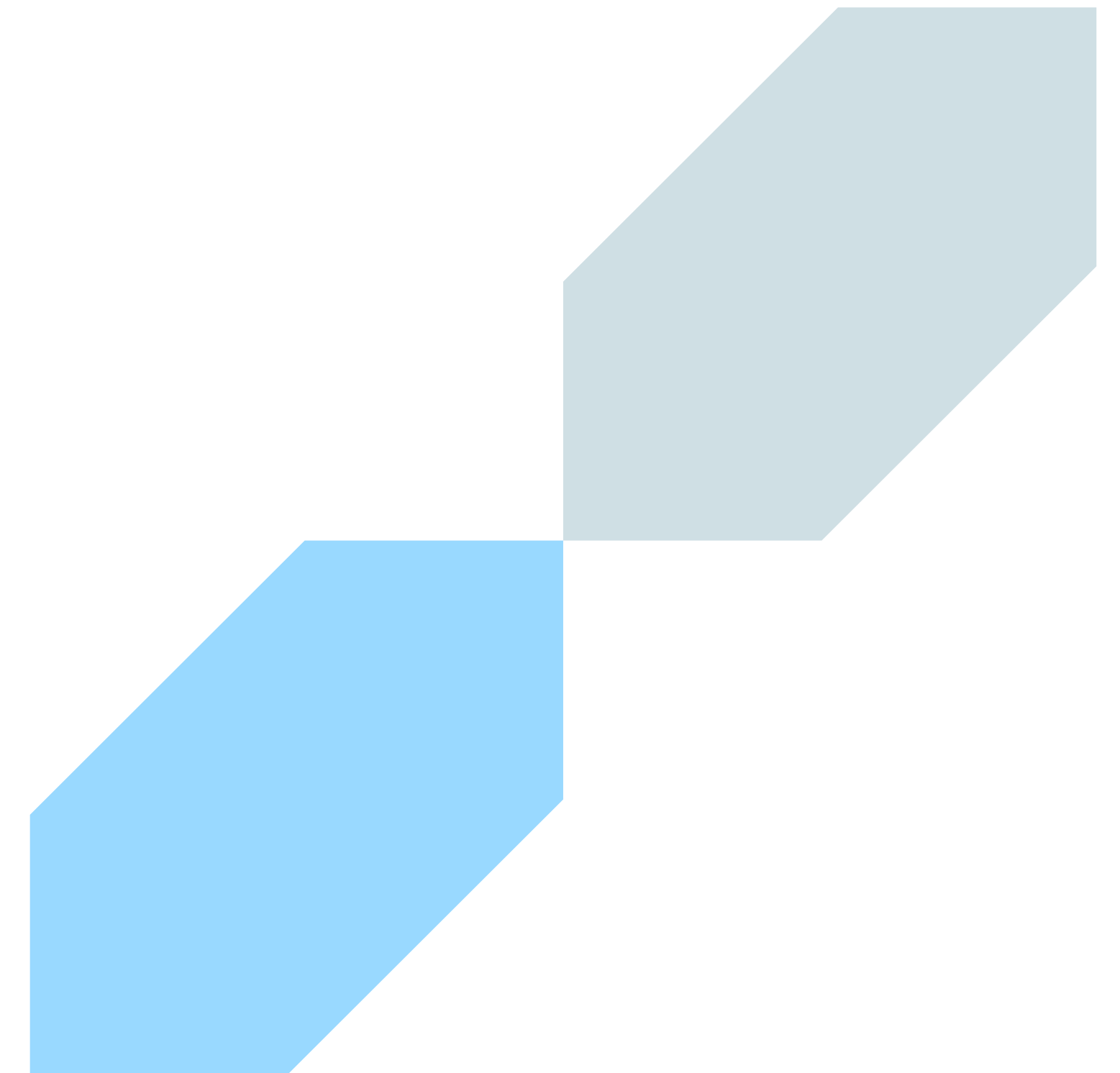
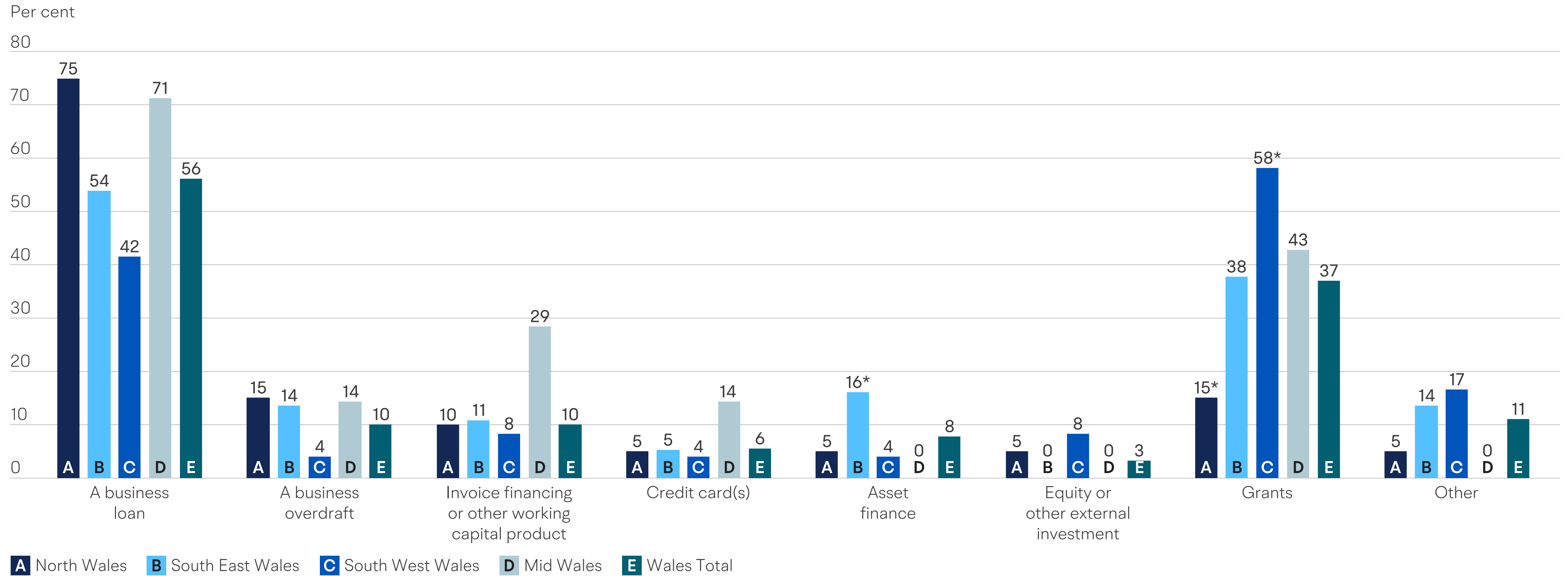




Figure B5.1

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

Unweighted sample sizes: Wales Total (142), North Wales (30), South East Wales (56), South West Wales (42), Mid Wales (14).



*Correlation is significant at the 0.05 level

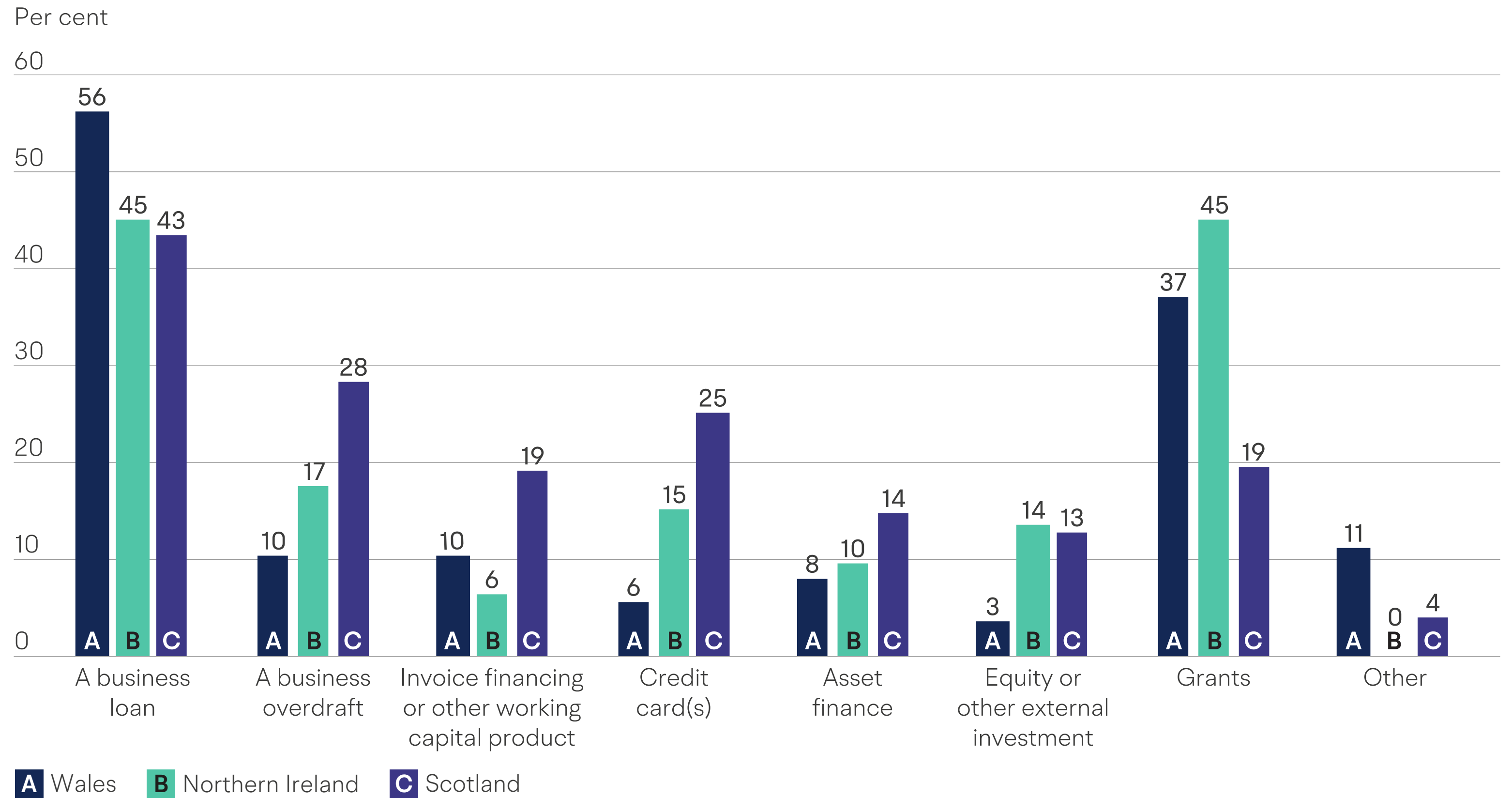


Compared with their counterparts in the other Devolved Nations of the UK, SMEs in Wales were more inclined to anticipate accessing business loans for meeting their finance needs over the next year, and much less inclined to consider using credit cards, business overdrafts or equity investment for this purpose (Figure B5.2). This is consistent with the results from the previous year's survey.

Figure B5.2

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

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





6. Future finance needs (purpose)

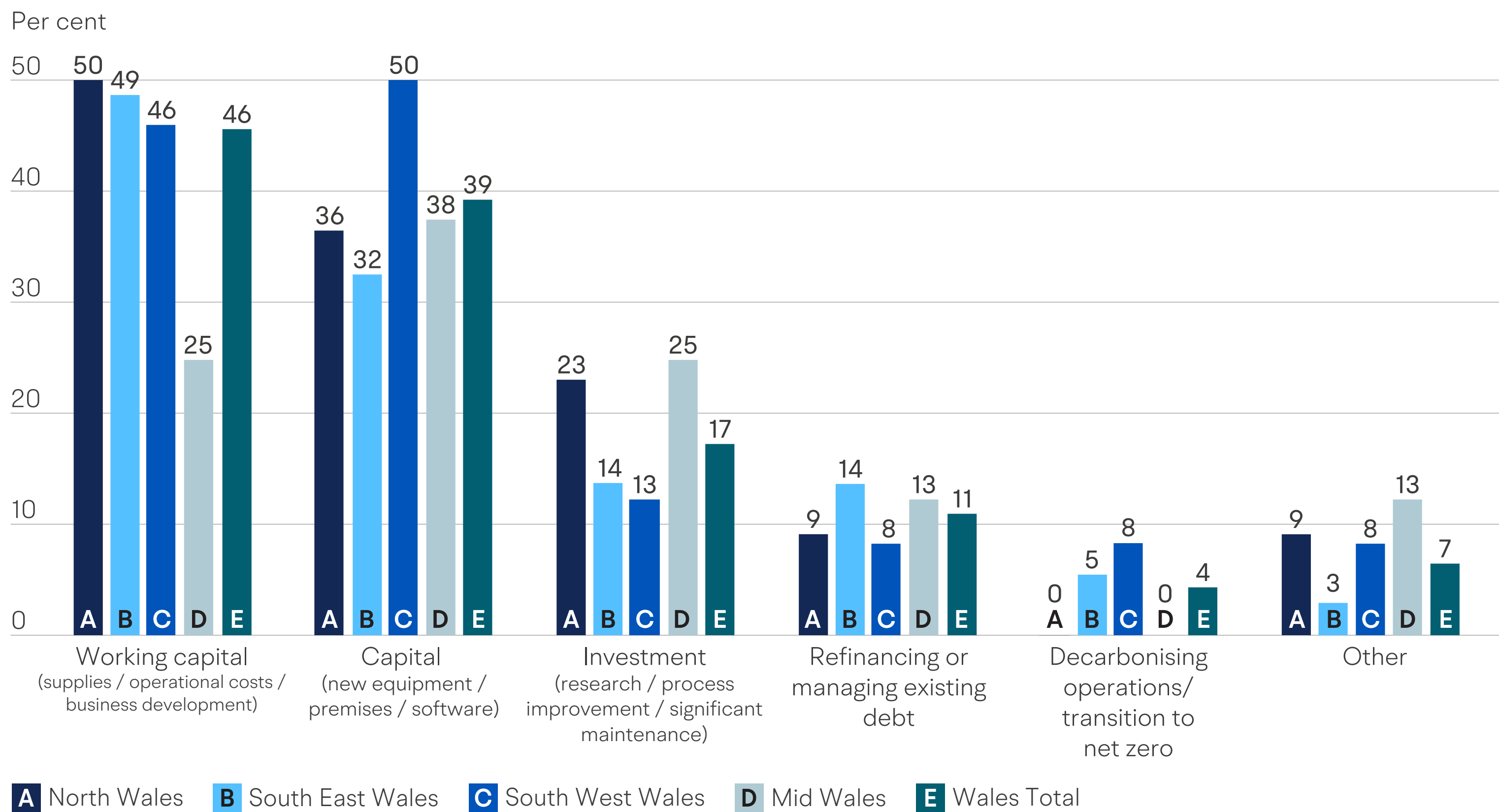
In Wales as a whole (Figure B6.1), 39% of smaller businesses that anticipated needing finance over the coming year intended to use it for capital expenditure (down from 51% in the 2023 survey), while over four in ten (46%) indicated they would use it for working capital (up from 43% in the 2023 survey).

Other planned uses, such as investment in research/process improvements/significant maintenance and refinancing or managing existing debt, were mentioned by 17% and 11% of respondents each, with a much smaller share (4%) mentioning actions relating to environmental sustainability. This marks a sharp decline for the latter, in that 14% of Wales-based smaller businesses had considered using finance to invest in environmental sustainability in the previous year's survey.

Figure B6.1

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

Unweighted sample sizes: Wales Total (142), North Wales (30), South East Wales (56), South West Wales (42), Mid Wales (14).





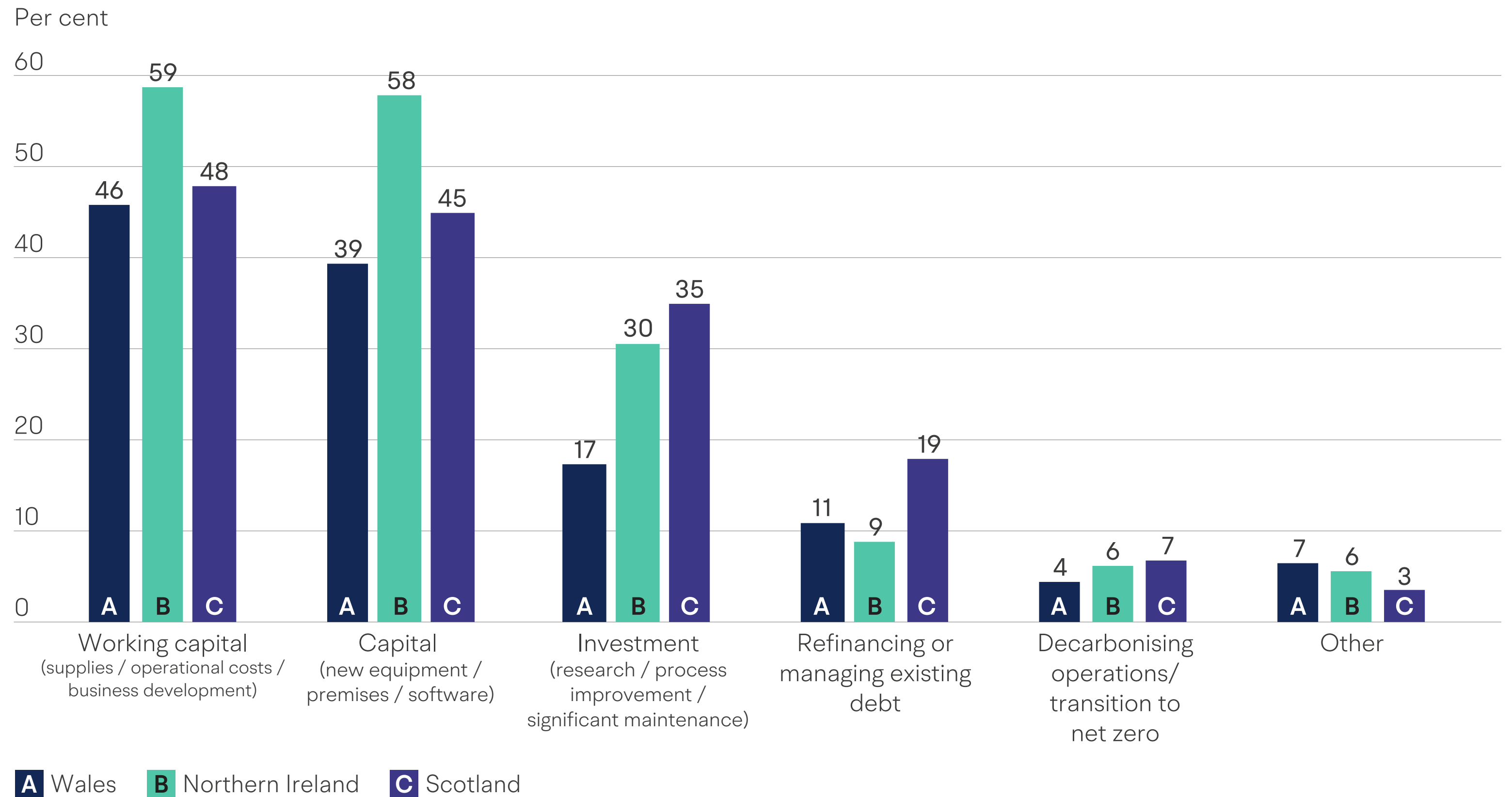
Smaller businesses in the four regions of Wales had broadly similar views on how they planned to use any additional financing required, in that their responses did not show statistically significant differences across the nation. That said, respondents based in Mid Wales were the least likely to mention working capital and the most likely to mention investment in research/process improvement/significant maintenance.

Wales-based SMEs were broadly similar to their counterparts in Northern Ireland and Scotland in terms of the intended purposes of any additional financing sought, except for investment in research/process improvement/significant maintenance, which was selected by a far lower proportion of respondents in Wales than in the other Devolved Nations of the UK (Figure B6.2). While the pattern of responses also varied between Wales and other Devolved Nations on other purposes, the hierarchy was broadly similar, with working capital ranking first and capital ranking second across all the three Nations.

Figure B6.2

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

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





7. Future finance needs (confidence)

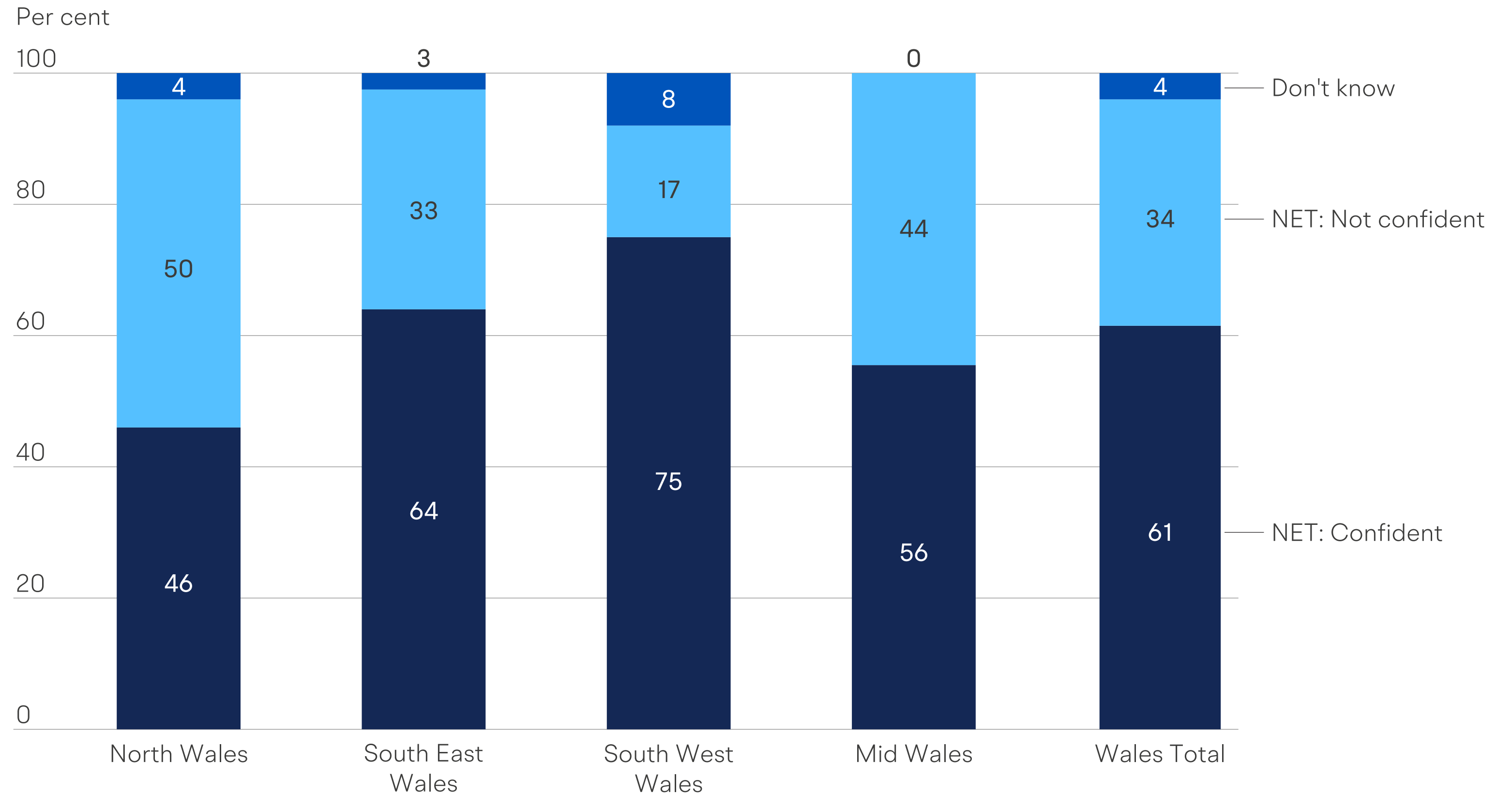
Confidence in securing finance among Wales-based businesses that anticipated needing it over the next year was at 61%, a slightly lower share than in the previous year's survey (65%).

Confidence levels across the four regions of Wales did not differ in a statistically significant way from the national average, although for the second year in a row, smaller businesses in South West Wales were more likely to feel confident in securing the additional finance they needed over the next year, compared to the rest of Wales (Figure B7.1).

Figure B7.1

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

Unweighted sample sizes: Wales Total (142), North Wales (30), South East Wales (56), South West Wales (42), Mid Wales (14).





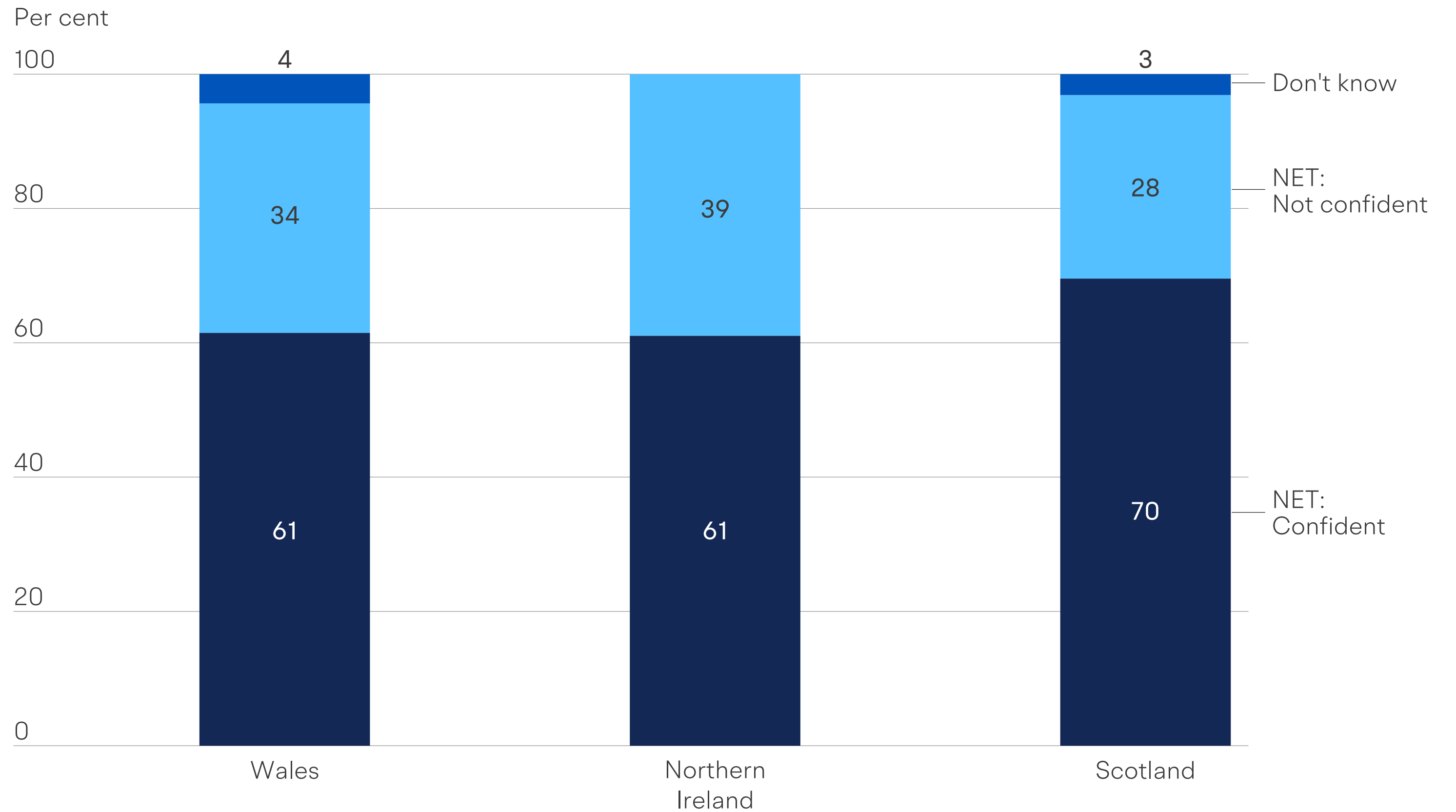
Confidence levels in Wales as a whole were broadly similar to Northern Ireland, but both nations lagged behind Scotland on this measure (Figure B7.2).

Our focus group discussions with finance intermediaries and smaller businesses explored their perceptions of businesses' confidence in securing finance in Wales. 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, investors' risk appetite remaining below peak, and more specific concerns 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 Wales, Northern Ireland and Scotland that anticipate needing it over the next year

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





8. Anticipated business performance

SMEs’ general business performance expectations over the year ahead did not differ in a statistically significant way across the four regions of Wales. More than half (55%) of Wales-based smaller businesses in 2024 expected stability, whereas just over a quarter (26%) expected growth and the rest a contraction or difficult trading conditions/risk of closure, at 12% and 7% respectively (Figure B8.1).

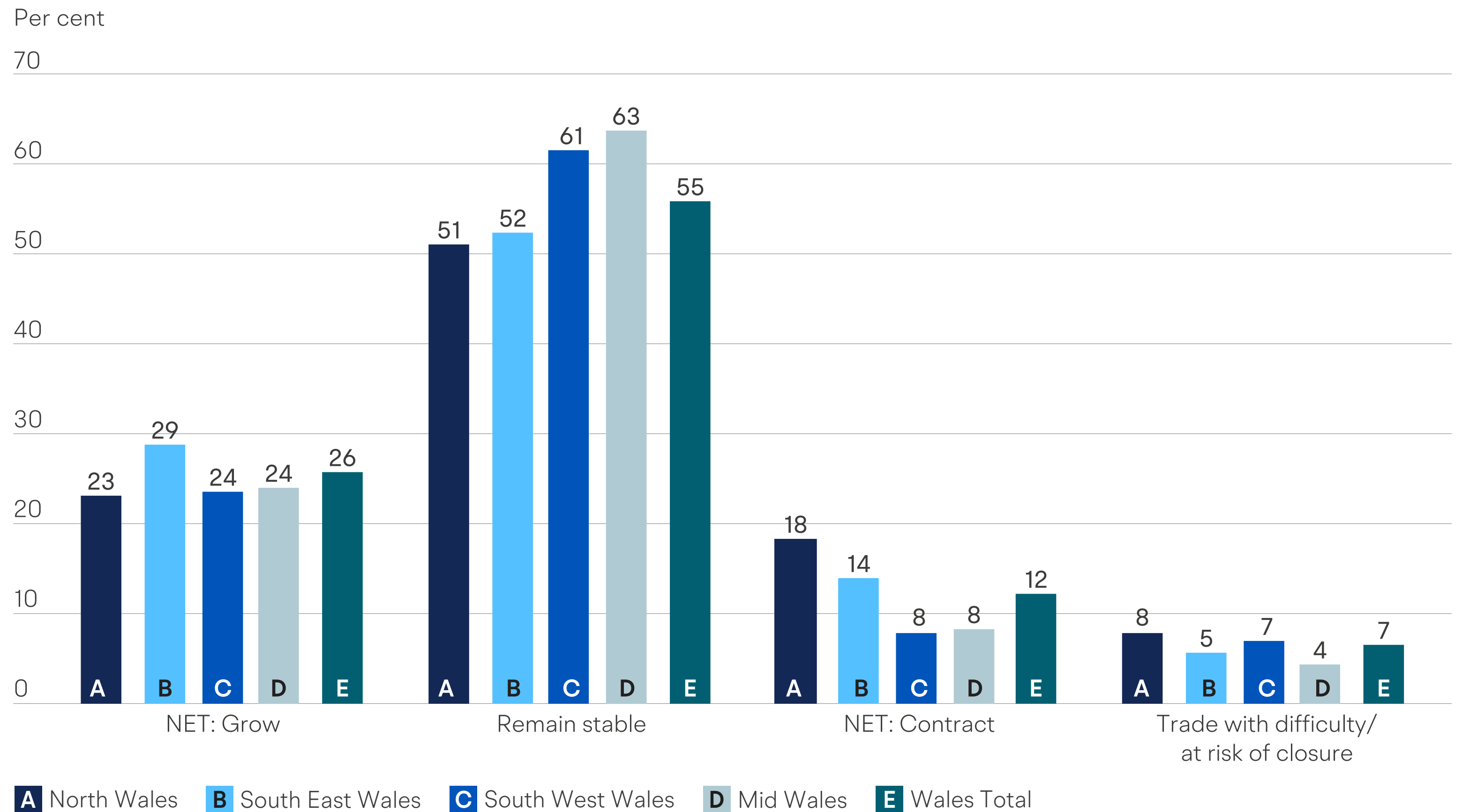
This reflects a slightly more positive picture than the 2023 survey, where 22% expected growth and 16% expected negative performance.

Results were fairly similar across the four regions with no statistically significant differences detected, although a slightly higher proportion of respondents in South East Wales expected to grow, while proportionally more

Figure B8.1

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

Unweighted sample sizes: Wales Total (500), North Wales (111), South East Wales (197), South West Wales (122), Mid Wales (70).





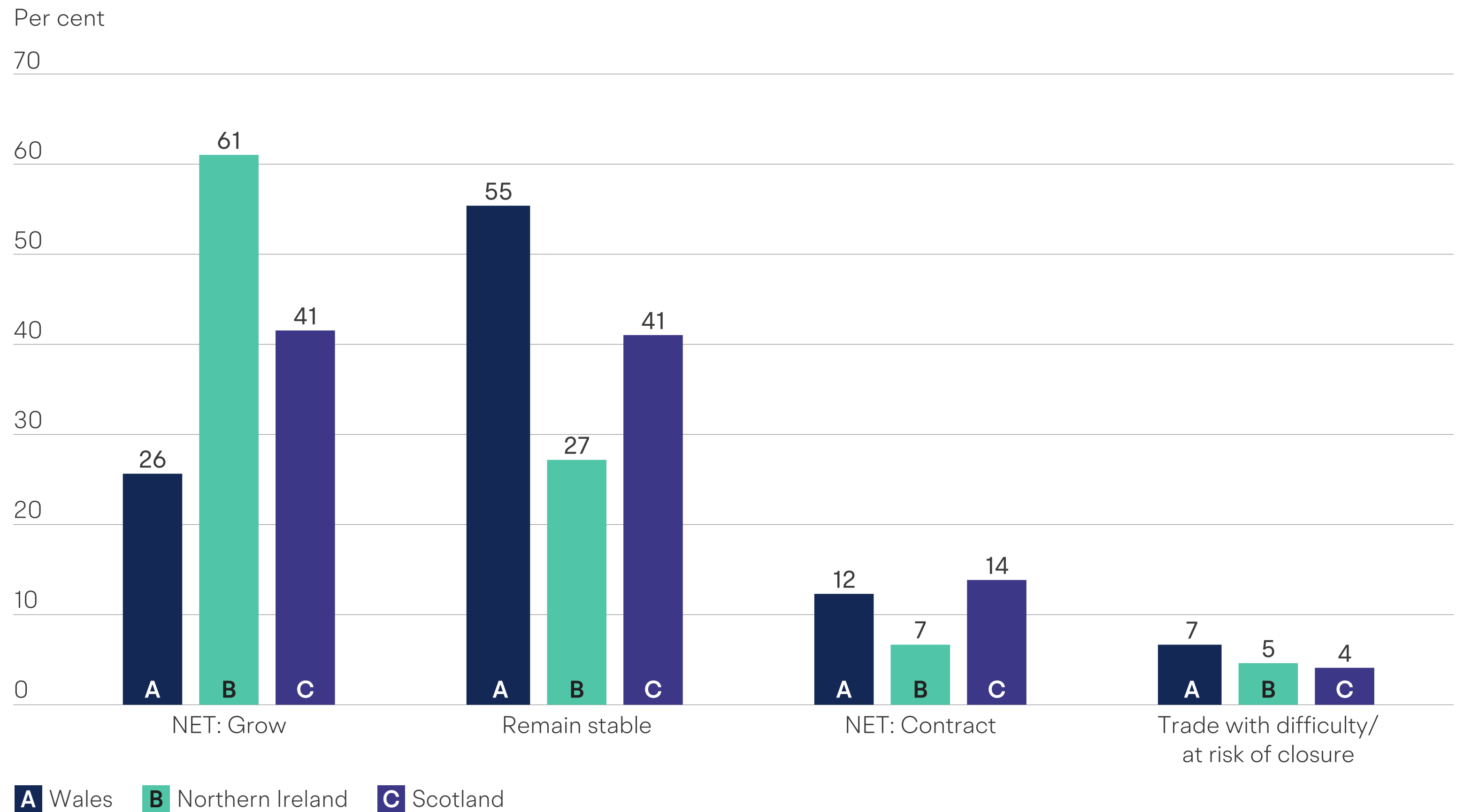
respondents in North Wales anticipated negative business performance (contraction/trading difficulties/risk of closure) than in other regions.

Wales-based SMEs were less positive about their growth prospects over the next 12 months compared to those located in Northern Ireland and Scotland, with a substantially higher share reporting they expected to remain stable than in the other two nations. This is consistent with the 2023 survey, although all Devolved Nations have seen a rise in the share of smaller businesses expecting to grow in the 2024 survey (Figure B8.2).

Figure B8.2

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

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



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Annex 1: Question set and variables analysed



Table 2

Overview and description of the Wales Omnibus survey variables/questions

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 interview: 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 finance barriers the business had experienced; answers were collected in an open-ended format and subsequently coded into 22 categories.
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 interview, 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 interview, 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 interview to fit one of the following categories: grow significantly; grow moderately; remain stable; contract moderately; contract significantly; trade with difficulty; at risk of closure.
Local Authority	The Local Authority in which the business was located at the time of the interview. This information was then used to assign respondents to one of four geographical regions within Wales (South East Wales; South West Wales; Mid Wales; North Wales), further described in the Wales – Regions Overview.
Number of employees	Range for all part time and full time employees permanently employed at the business’s named location, including the respondent (1 employee; 2–9 employees; 10+ employees).



Table 2 (continued)

Overview and description of the Wales Omnibus survey variables/questions

Variable name/Survey question	Description
Activity group	The business's main sector of operation at the time of the interview, based on the SIC 2007 section classification. Answers were then further aggregated into the following macro-sectors: agriculture, mining and utilities (SIC 2007 sections A-B-D-E); construction/transport (F-H-J.61 only) ; wholesale/retail (G); hotels and other services (I, J.58-59-60 only, R, S.95-96 only); manufacturing (C); finance and business services (J. 62-63 only, K, L, M, N).
Turnover	Turnover range for the last financial year, in relation to the business's named location only (under £100k; £101k-£500k; £500k+).
When started	The time range in which the business was set up, relative to the time of the interview (20 years ago or less; 20-40 years ago; 40+ years ago)
Business structure	The responding business's legal status (sole trader; partnership; limited company)
Gender (respondent)	The respondent's gender (male; female; other/prefer not to say)
Gender (management team)	Gender mix among the responding business's Owners/Partners/Directors team (all male, all female, or mixed)
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 Wales 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 Welsh 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 four regions of Wales can result in the 500 responses being broken down into 16 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 the 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 StatsWales: Business structure in Wales by size-band and measure. Available at: <https://statswales.gov.wales/Catalogue/BusinessEconomy-and-Labour-Market/Businesses/Business-Structure/Headline-Data/latestbusinessstructureinwales-by-sizebandmeasure>.
- 2 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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