2016 Business Finance Survey: SMEs

A report by Ipsos MORI to the British Business Bank

February 2017
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- Impact of the EU referendum
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Background

- In 2012, BIS commissioned a new survey exploring the stages SMEs go through when considering the need to raise external finance and the specific actions they take (1,500 SMEs interviewed by CATI).
- Survey was repeated in 2014 (1,000 SMEs interviewed) and in 2015 (1,608 SMEs).
- 2016 survey is based on 1,535 interviews with SMEs. Some new questions were added, but core questions remain the same enabling comparison over time.
- Statistically significant changes between the 2015 and 2016 surveys (at 95% confidence level) are identified by circles (increases) and squares (decreases).
Survey Methodology

• 1,535 CATI interviews conducted between 25\textsuperscript{th} October and 22\textsuperscript{nd} November 2016 with average interview length of 23 minutes

• SMEs defined as businesses having 0 to 249 employees

• Quotas set by employment size and sector

• Interviews with person responsible for managing business finances

• Data weighted to BIS’s Business Population Estimates 2016 (BPE) by size and sector:

  ➢ 468 with no employees interviewed (weighted to 76%)
  ➢ 583 micros (1-9) interviewed (weighted to 20%)
  ➢ 312 small (10-49) interviewed (weighted to 4%)
  ➢ 172 medium (50-249) interviewed (weighted to 1%)

• Throughout this report we analyse findings by three British Business Bank segments: ‘Start up’ – SMEs less than five years old; ‘Scale up’ – SMEs trading for five years or more and aiming to grow in next 12 months; and ‘Stay ahead’ – trading for five years or more and any other growth outcome
Awareness of different types of finance
Awareness of P2P lending and credit cards continues to grow

Awareness of forms of external finance 2012-2016

- Credit cards: 97% (2016), 95% (2015), 93% (2014), 88% (2012)
- Leasing/HP: 95% (2016), 86% (2015), 85% (2014), 85% (2012)
- Government/LA grants: 75% (2016), 67% (2015), 73% (2014), 64% (2012)
- Venture capitalists: 64% (2016), 60% (2015), 64% (2014), 53% (2012)
- IF/Factoring: 53% (2016), 54% (2015), 52% (2014), 53% (2012)
- Crowd funding platforms (a): 13% (2012), 32% (2013), 49% (2014), 51% (2015)

Base = all SMEs (n=1,535 in 2016/ n=1,608 in 2015/ n=1,000 in 2014/ n=1,508 in 2012). Question A1 (multi code, prompted)

(a) ‘crowd sourcing’ in 2012-14
(b) ‘import/export finance’ in 2012-14
Awareness of who to approach is plateauing, and for some products it has fallen

Aware of who to approach for forms of external finance 2012-2016

- Credit cards: 78% (2016), 76% (2015), 75% (2014), 78% (2012)
- Leasing/HP: 56% (2016), 55% (2015), 54% (2014), 54% (2012)
- Gov./LA grants: 40% (2016), 36% (2015), 37% (2014), 37% (2012)
- Mezzanine finance: 5% (2016), 8% (2015), 5% (2014), 5% (2012)

(a) ‘crowd sourcing’ in 2012-14
(b) ‘import/export finance’ in 2012-14

Base = all SMEs (n=1,535 in 2016/n=1,608 in 2015/n=1,000 in 2014/n=1,508 in 2012). Question A2 (multi code, prompted)
Finance usage and application
Around two in three SMEs had ever sought external finance. One in five had sought it in the last 12 months.

When last sought external finance:

- Have not ever sought external finance: 30%
- Within last 12 months: 22%
- Over 1 year, up to 2 years ago: 9%
- Over 2 years, up to 3 years ago: 13%
- Over 3 years, up to 5 years ago: 3%
- More than 5 years ago: 16%
- Don't know/Refused: 6%

Base = all SMEs (n=1,535 in 2016). Question A11a (single code, prompted).
Half have sought external finance in last three years – credit cards, overdrafts and leasing/HP most common

Products sought in previous three years

- Credit card finance: 22%
- Bank overdraft: 20%
- Leasing/HP: 15%
- Bank loan/mortgage: 13%
- Family/friend loan: 9%
- Director loan: 9%
- Grants: 7%
- Government scheme: 3%
- Third party loan: 3%
- Asset finance: 2%
- Finance company/organisation: 1%
- Equity finance: 1%
- P2P lending: 1%
- Finance from parent/sister company: 1%
- None: 51%

Base = all SMEs (n=1,535 in 2016). Question A6a (multi code, prompted). Those not shown less than 1%.
Larger businesses more likely to have sought external finance. Also most common in production sector

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

- **All**: 48%
- **No employees**: 43%
- **Micro (1-9)**: 63%
- **Small (10-49)**: 76%
- **Medium (50-249)**: 82%

- **Production**: 62%
- **Distribution**: 53%
- **Construction**: 49%
- **Business services**: 46%
- **Other services**: 44%

Base = all SMEs (n=1,535 in 2016). A6a (single code, prompted)
Credit card finance, overdrafts and leasing/HP most commonly obtained in last three years

Forms of finance obtained in the previous three years

- Credit card finance: 44%
- Bank overdraft: 39%
- Leasing/HP: 28%
- Bank loan/mortgage: 23%
- Loans from directors: 18%
- Loans from friends/family: 18%
- Grants: 12%
- Loans from other third parties: 7%
- Government scheme: 5%
- Commercial mortgage: 5%
- Asset finance: 4%
- Equity finance: 1%
- P2P lending: 1%

Base = all SMEs that mentioned a finance type sought in the last 3 years (n=953 in 2016). Question A6b (multi code, prompted). Those not shown less than 1%.
Almost all who have sought finance types have been successful at least once - lower success with grants and mortgages

Forms of finance obtained in the previous three years – among those who sought each

- Bank: 95%
- Non-bank: 95%
- Leasing/HP: 96%
- Invoice finance/factoring: 93%
- Overdraft: 93%
- Mortgage: 81%
- Grants: 77%

Base = all SMEs that have sought that type of finance in the last 3 years (Bank n=725; Non-bank n=749; Mortgage n=90; Overdraft n=420; Grant n=228; Leasing/HP n=445; Invoice finance/factoring n=103). Question A6a/A6b (multi code, prompted)
Overdrafts, leasing/HP, loans and credit card finance also most commonly sought on last occasion

Product sought on the last occasion

- Bank overdraft: 19%
- Leasing/HP: 18%
- Bank loan: 17%
- Credit card finance: 14%
- Loans from friends/family: 7%
- Loans from directors: 6%
- Grants: 6%
- Commercial mortgage: 4%
- Trust/charity funding: 2%
- P2P lending: 2%
- Private lending/finance company: 1%
- Asset finance: 1%
- Equity finance: 1%
- Parent/sister company: 1%
- Trade finance: *
- Mezzanine finance: *
- Credit union: *
- Other: 1%
- Don't know/Refused: 2%

Base = all SMEs that have sought finance in the last 3 years (n=886 in 2016). Question A11b (single code, unprompted)
Experience and word of mouth much more common information sources than external advice from banks

**Sources of information that influenced decision**

- **Previous experience within business/from other staff**: 21% influenced decision on type of finance, 30% on specific provider to approach.
- **Word of mouth/colleagues/peers**: 8% influenced decision on type of finance, 8% on specific provider to approach.
- **Information/advice from banks**: 7% influenced decision on type of finance, 4% on specific provider to approach.
- **Accountant**: 5% influenced decision on type of finance, 3% on specific provider to approach.
- **Other advisor**: 5% influenced decision on type of finance, 2% on specific provider to approach.

Base = all SMEs that sought finance in the last 3 years (n=886 in 2016). Question A16/A19 (single code, prompted).

Only top five sources for influence on finance type shown.

www.british-business-bank.co.uk
Seven in ten SMEs sought less than £25,000 of external finance on the last occasion

Amount of finance sought on last occasion by employee size

Base = all SMEs that sought finance in the last 3 years (n=886 in 2016). Question A28/A29 (single code, unprompted)

- All SMEs
  - % Less than £5,000: 29
  - % £5,000 to £9,999: 16
  - % £10,000-£24,999: 23
  - % £25,000-£49,999: 10
  - % £50,000-£99,999: 10
  - % More than £100,000: 5
  - 2016 mean amount: £214,000

- No Employees
  - % Less than £5,000: 36
  - % £5,000 to £9,999: 18
  - % £10,000-£24,999: 22
  - % £25,000-£49,999: 8
  - % £50,000-£99,999: 5
  - % More than £100,000: 7
  - 2015 mean amount: £25,000

- Employers
  - % Less than £5,000: 13
  - % £5,000 to £9,999: 13
  - % £10,000-£24,999: 25
  - % £25,000-£49,999: 16
  - % £50,000-£99,999: 8
  - % More than £100,000: 17
  - 2015 mean amount: £880,000

2016 mean amount: £214,000

2015 mean amount: £320,000

www.british-business-bank.co.uk
Main reason for seeking finance continues to be working capital followed by finance to purchase fixed assets

Main reason for seeking finance 2012-16 - last occasion in last three years

- Most common reasons for seeking working capital
  - 34% to cover a short term gap*
  - 25% as a safety net
  - 18% to fund general growth
  - 17% unexpected expense*
    - In total 46% required it as they needed the finance in the short term (marked by the asterisks)

Base = all SMEs that sought finance in the last 3 years (n=886 in 2016/n=715 in 2015/n=325 in 2014/n=588 in 2012).

Question A13/A14 (single code, prompted)

www.british-business-bank.co.uk
**Who spoke to first when finance need identified**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Went directly to main bank</td>
<td>38%</td>
</tr>
<tr>
<td>Researched finance types on internet</td>
<td>10%</td>
</tr>
<tr>
<td>Went to finance provider other than bank</td>
<td>9%</td>
</tr>
<tr>
<td>Sought advice from other businesses/friends</td>
<td>7%</td>
</tr>
<tr>
<td>Spoke to accountant</td>
<td>4%</td>
</tr>
<tr>
<td>Spoke to finance adviser</td>
<td>4%</td>
</tr>
<tr>
<td>Used a credit card/overdraft/existing facilities</td>
<td>3%</td>
</tr>
<tr>
<td>Looked into finance options</td>
<td>2%</td>
</tr>
<tr>
<td>Spoke to board/directors/seniors</td>
<td>2%</td>
</tr>
<tr>
<td>Was approached with an offer of finance</td>
<td>2%</td>
</tr>
<tr>
<td>Spoke to supplier/dealer/manufacturer</td>
<td>2%</td>
</tr>
<tr>
<td>Applied for finance</td>
<td>2%</td>
</tr>
</tbody>
</table>

43% of those seeking finance only approached the largest four UK banks (2015 = 50%)

Base = all SMEs that sought finance for reasons other than being proactive in the last 3 years (n=858 in 2016). Question A18 (single code, unprompted). Those not shown 1% or less.

www.british-business-bank.co.uk
Seven in ten SMEs contacted only one supplier when they last needed finance – an increase from 2015

Number of providers contacted 2012-2016

Those without employees more likely contact only one provider (74% vs. 60% with employees) only contacted one provider

47% of those who contacted just one provider only contacted a ‘big four bank’*

Base = all SMEs that sought finance in the last 3 years (n=886 in 2016/n=715 in 2015/n=325 in 2014/n=588 in 2012). Question A23 (single code, unprompted)

Of those who contacted one or more providers, for 12% this was or included a broker

*Not a significant difference from the overall 43% presented on slide 18
Having a longstanding relationship is the most common reason for contacting only one provider

Reasons for only approaching one provider on last occasion

- Longstanding relationship/trust: 45%
- First one gave/had what I wanted: 16%
- Too much hassle contacting more than one provider: 10%
- Cost/rates offered/best deal: 4%
- Only one available: 4%
- Had type of finance I wanted: 3%
- Too little time/needed finance quickly: 2%
- High likelihood of successful application: 2%

83% of those who only contacted one provider had an existing relationship with that provider

Base = all SMEs that contacted only one provider (n=461 in 2016). Question A26 (multi code, unprompted). Those not shown 1% or less.

www.british-business-bank.co.uk
Having a trusted brand, followed by suitability and ease, are the most common reasons for choosing a provider.

Reasons for choosing provider

- Trusted brand: 28%
- Most suitable/appropriate for need: 18%
- Ease of application (e.g. little paper work): 15%
- Long term costs of finance: 11%
- Existing provider/already have relationship: 9%
- Terms and conditions (e.g. security required): 8%
- Short term servicing costs of finance: 7%
- Speed of obtaining finance: 6%
- Costs/charges/being the cheapest: 6%
- Likelihood of successfully obtaining the finance: 5%
- Only option available/limited choice: 5%
- Customer service: 4%
- Flexibility in drawing down and repaying money as needed: 2%
- High street presence: 2%

Base = all SMEs that sought external finance in the last 3 years (n=886 in 2016). Question A20 (multi code, unprompted). Those not shown less than 1%. www.british-business-bank.co.uk
Number of suppliers contacted may be related to increase in proportion of SMEs getting all the finance needed from first one

Whether successful in obtaining finance from first provider 2012-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>% Offered all</th>
<th>% Rejected offer</th>
<th>% Turned down</th>
<th>% Other</th>
<th>% DK/REF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>84</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>71</td>
<td>10</td>
<td>5</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>2014</td>
<td>79</td>
<td>8</td>
<td>3</td>
<td>6</td>
<td>32</td>
</tr>
<tr>
<td>2012</td>
<td>72</td>
<td>5</td>
<td>4</td>
<td>13</td>
<td>42</td>
</tr>
</tbody>
</table>

2016 = 90%  
2015 = 86%  
2014 = 90%  
2012 = 81%

Base = all SMEs that sought finance in the last 3 years (n=886 in 2016/n=715 in 2015/n=325 in 2014/n=588 in 2012).

Question A30 (single code, prompted)

www.british-business-bank.co.uk
This increase in success rate in obtaining finance is evident across different size bands and sectors (though not for production).

### Successful getting all they wanted – by size and age of business 2012-2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All SMEs</strong></td>
<td>72%</td>
<td>77%</td>
<td>81%</td>
<td>84%</td>
</tr>
<tr>
<td><strong>No employees</strong></td>
<td>71%</td>
<td>68%</td>
<td>67%</td>
<td>60%</td>
</tr>
<tr>
<td><strong>Micros (1-9)</strong></td>
<td>79%</td>
<td>76%</td>
<td>76%</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Small (10-49)</strong></td>
<td>82%</td>
<td>86%</td>
<td>81%</td>
<td>76%</td>
</tr>
<tr>
<td><strong>Medium (50-249)</strong></td>
<td>89%</td>
<td>89%</td>
<td>85%</td>
<td>89%</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>86%</td>
<td>86%</td>
<td>86%</td>
<td>91%</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>60%</td>
<td>69%</td>
<td>77%</td>
<td>79%</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
<td>77%</td>
<td>77%</td>
<td>81%</td>
<td>77%</td>
</tr>
<tr>
<td><strong>Business services</strong></td>
<td>79%</td>
<td>78%</td>
<td>86%</td>
<td>86%</td>
</tr>
<tr>
<td><strong>Other services</strong></td>
<td>57%</td>
<td>60%</td>
<td>68%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Base = all SMEs that sought external finance in the last 3 years (n=886 in 2016/n=715 in 2015/n=325 in 2014/n=588 in 2012). Question A30 (single code, unprompted)

www.british-business-bank.co.uk
The increase in success rate is evident when looking at those seeking bank loans/mortgages.

Whether successful in obtaining finance from first provider 2012-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Offered any finance</th>
<th>Offered all</th>
<th>% Rejected offer</th>
<th>% Turned down</th>
<th>% Other</th>
<th>% DK/REF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>88%</td>
<td>80</td>
<td>8</td>
<td>17</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>79%</td>
<td>65</td>
<td>14</td>
<td>9</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>89%</td>
<td>81</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>76%</td>
<td>70</td>
<td>6</td>
<td>4</td>
<td>18</td>
<td>0</td>
</tr>
</tbody>
</table>

Base = all SMEs that sought bank loans/mortgages in the last 3 years (n=168 in 2016/n= 208 in 2015/n=112 in 2014/n=185 in 2012), Question A30 (single code, prompted)
Higher proportion are granted bank loans/mortgages at the tenor period requested by the SME

Whether bank loan/mortgage obtained was for the same tenor period requested

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>75%</td>
</tr>
<tr>
<td>No – longer period</td>
<td>8%</td>
</tr>
<tr>
<td>No – shorter period</td>
<td>10%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>8%</td>
</tr>
</tbody>
</table>

Reasons for getting a mortgage/loan for a different period:

- "The bank did not want to spread risk over that long"
- "They told us that ‘it would help us’ to have it over a shorter period, we had no choice but to accept it even though it hasn’t helped"
- "I changed my mind about what would be best during the process"
- "Because of market forces within the bank industry. They were very gung ho at the start and then tightened up as the process continued"

Base = all SMEs that obtained a bank loan/mortgage in the last 3 years (n=152 in 2016/n=184 in 2015). Question A33 (single code, prompted)

www.british-business-bank.co.uk
Giving up if not offered full amount remains most common, though more are negotiating or looking elsewhere than 2015

What was done next if not offered full amount – 2012-2016

- **Give up/cancel plans**
  - 2016: 38%
  - 2015: 34%
  - 2014: 38%
  - 2012: 38%

- **Talk to another provider**
  - 2016: 19%
  - 2015: 12%
  - 2014: 15%
  - 2012: 23%

- **Negotiate with provider**
  - 2016: 7%
  - 2015: 17%
  - 2014: 23%
  - 2012: 30%

- **Used an existing form of finance**
  - 2016: 5%
  - 2015: 13%
  - 2014: 26%

- **Other**
  - 2016: 4%
  - 2015: 17%

- **Don’t know**
  - 2016: 1%
  - 2015: 17%

12% in 2016 accepted the finance offered
The proportion of SMEs overall using advice when seeking finance has declined, and is fairly consistent by size.

Sought external advice when applying for finance on last occasion - 2012-16 - by employee size

Base = all SMEs that sought finance in the last 3 years (2016=886/2015=715/2014=325/2012=588). A36 (single code, unprompted)

www.british-business-bank.co.uk
SMEs are however more inclined to want to seek external advice than in 2015

Likelihood of seeking external advice if had difficulties obtaining finance – 2012-2016

Base = all SMEs (n = 1,535 in 2016/n=1,512 in 2015/n=1,000 in 2014/n=1,508 in 2012). Question D12 (single code, prompted)

43% of those that would take advice willing to pay for it (52% in 2015)
For most SMEs the experience of raising finance met expectations. Fewer thought it worse than in 2015

Experience of raising finance vs. expectations, why was worse than expected 2015-2016

2016
- 19% significantly better
- 15% slightly better
- 64% matched expectations
- 4% slightly worse
- 2% significantly worse

2015
- 19% significantly better
- 20% slightly better
- 60% matched expectations
- 7% slightly worse
- 2% significantly worse

Base = all SMEs that sought finance in the last 3 years (n=886 in 2016/n=715 in 2015), Base = all for whom experience of raising finance was worse than expected (n=122 in 2016). Question A37 (single code, unprompted), A38 (multi code, unprompted). Top five answers shown only for why it was worse.
SMEs are more likely to take finance out in business’ name than own name, though with credit cards it is split

Taking out finance in own name vs. business’s name

<table>
<thead>
<tr>
<th>Finance Type</th>
<th>% In name of business</th>
<th>% Own name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank overdraft</td>
<td>77%</td>
<td>28%</td>
</tr>
<tr>
<td>Bank loan</td>
<td>65%</td>
<td>34%</td>
</tr>
<tr>
<td>Commercial mortgage</td>
<td>64%</td>
<td>31%</td>
</tr>
<tr>
<td>Leasing or hire purchase</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Credit card finance</td>
<td>54%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Base = all SMEs who obtained each form of finance (n=391 for bank overdraft/n=247 for bank loan/n=79 for commercial mortgage/n=435 for leasing or hire purchase/n=439 for credit card finance). Question A10 (single code, prompted)
Grant funding
One in ten SMEs has obtained grant funding in the last decade, most commonly from local government

When received grant funding and where from

In total 10% of SMEs have obtained grant funding in the last ten years – there are no significant differences by age of business.

Around a third of these (32% of them) had received this grant in the previous year.

- Local government /LA: 45%
- Central government: 27%
- Charity: 7%
- University: 3%
- Another organisation: 17%
- Don't know: 1%

These include grants from the lottery, regional development organisations, the EU, CITB and colleges.

Base = all SMEs that received grant funding in the last 10 years (n=291 in 2016). D3 (multi code, unprompted)
Grant funding was used for a variety of reasons, and most commonly replaced other external finance

What grant funding was for and its use

<table>
<thead>
<tr>
<th>What grant funding was for</th>
<th>Use of grant funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in new capital/equipment</td>
<td>Replaced your need for other external finance for that purpose (40%)</td>
</tr>
<tr>
<td>Training/staff development</td>
<td>Was used in combination with external finance for that purpose (28%)</td>
</tr>
<tr>
<td>Expansion/growth</td>
<td>Temporarily delayed your need for other external finance for that purpose (12%)</td>
</tr>
<tr>
<td>Innovation</td>
<td>Or something else (15%)</td>
</tr>
<tr>
<td>Business start up</td>
<td>Don't know/Refused (4%)</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
</tr>
<tr>
<td>Relocation</td>
<td></td>
</tr>
<tr>
<td>Another reason</td>
<td></td>
</tr>
<tr>
<td>Don't know</td>
<td></td>
</tr>
</tbody>
</table>

Base = all SMEs that received grant funding in the last 10 years (n=291 in 2016). D4 (single code, prompted), D5 (single code, prompted)

www.british-business-bank.co.uk
In most cases SMEs did not seek other forms of finance for the project where grant funding was used.

Use of other forms of external finance for that project

- **Yes – bank overdraft/loan**
  - % Before obtained grant: 2%
  - % After obtained grant: 2%

- **Yes – equity finance**
  - % Before obtained grant: 1%
  - % After obtained grant: *

- **Yes – other external finance**
  - % Before obtained grant: 3%
  - % After obtained grant: 2%

- **No – grant funding was the first external finance sought**
  - % Before obtained grant: 90%
  - % After obtained grant: 93%

- **Don’t know/Refused**
  - % Before obtained grant: 3%
  - % After obtained grant: 2%

For 74% the process of obtaining grant funding made no difference to likelihood of applying for other forms of external finance in future (for 17% it increased likelihood; 8% decreased).

Base = all SMEs that received grant funding in the last 10 years (n=291 in 2016). D6 (multi code, prompted), D8 (multi code, prompted), D10 (single code, prompted)
Grant funding seen as time consuming and difficult to obtain, though SMEs confident about where to get information

<table>
<thead>
<tr>
<th>Attitudes to grant funding</th>
<th>% Strongly agree</th>
<th>% Slightly agree</th>
<th>% Neither/nor</th>
<th>% Slightly disagree</th>
<th>% Strongly disagree</th>
<th>% Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confident I know where to obtain information on grants/specific providers</td>
<td>24</td>
<td>26</td>
<td>8</td>
<td>15</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td>More time consuming to obtain than traditional bank finance</td>
<td>29</td>
<td>20</td>
<td>15</td>
<td>5</td>
<td>2</td>
<td>29</td>
</tr>
<tr>
<td>Do not consider grant funding as unlikely to obtain it</td>
<td>30</td>
<td>11</td>
<td>14</td>
<td>11</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>Will consider grant funding when thinking about future financing needs</td>
<td>12</td>
<td>13</td>
<td>11</td>
<td>16</td>
<td>41</td>
<td>8</td>
</tr>
<tr>
<td>Easier to obtain than traditional bank finance</td>
<td>6</td>
<td>6</td>
<td>19</td>
<td>17</td>
<td>19</td>
<td>33</td>
</tr>
</tbody>
</table>

Net agree/disagree:
- Confident I know where to obtain information on grants/specific providers: 50%/35%
- More time consuming to obtain than traditional bank finance: 49%/7%
- Do not consider grant funding as unlikely to obtain it: 41%/31%
- Will consider grant funding when thinking about future financing needs: 24%/57%
- Easier to obtain than traditional bank finance: 12%/36%

Base = all SMEs that are aware of or have obtained grant funding in the last 10 years (n=1,225 in 2016). D11 (single code, prompted)

www.british-business-bank.co.uk
Impact of the EU referendum
A majority of SMEs expect no impact from referendum result, but balance of view is that they will grow less

Expecting less growth most common in distribution sector (30%). Those in construction (15%) more likely to expect growth.

Base = all SMEs (n=1,535 In 2016). Question C6 (single code, prompted)
However more than four in five are not making changes as a result of the referendum result.

Changes/planned changes as result of referendum - by number of employees

Made changes

<table>
<thead>
<tr>
<th></th>
<th>0 employees</th>
<th>Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>52</td>
<td>526</td>
</tr>
<tr>
<td>Changes</td>
<td>2</td>
<td>91</td>
</tr>
<tr>
<td>Planned</td>
<td>90</td>
<td>86</td>
</tr>
</tbody>
</table>

Plans to change in next 12 months

<table>
<thead>
<tr>
<th></th>
<th>0 employees</th>
<th>Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>635</td>
<td>6510</td>
</tr>
<tr>
<td>Changes</td>
<td>84</td>
<td>78</td>
</tr>
<tr>
<td>Planned</td>
<td>624</td>
<td>10</td>
</tr>
</tbody>
</table>

Changes = 10%. More likely for those with employees (13% vs. 9% with no employees)

Changes = 13%. More likely for those with employees (18% vs. 12% with no employees)

Base = all SMEs (n=1,535 In 2016). Question C7/C8 (single code, prompted)
Employers in distribution are most likely to experience or expect a sales impact, those in other services are least.

Impact of referendum on sales – employers only

- % Yes - will affect sales in next 12 months
- % Yes - already affected sales

Total yes has/will affect sales:

<table>
<thead>
<tr>
<th>Category</th>
<th>% Yes - will affect sales</th>
<th>% Yes - already affected sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>36%</td>
<td>31%</td>
</tr>
<tr>
<td>Production</td>
<td>40%</td>
<td>25%</td>
</tr>
<tr>
<td>Construction</td>
<td>28%</td>
<td>19%</td>
</tr>
<tr>
<td>Distribution</td>
<td>45%</td>
<td>25%</td>
</tr>
<tr>
<td>Business services</td>
<td>36%</td>
<td>18%</td>
</tr>
<tr>
<td>Other services</td>
<td>16%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Base = all SMEs with employees (n=1,067 in 2016). Question C11 (multi code, prompted)
Employers who expect a change to sales are more likely to expect a decrease – but those in production are split

Impact of referendum on sales – employers only

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase by more than 20%</th>
<th>Increase up to 20%</th>
<th>Decrease up to 20%</th>
<th>Decrease by more than 20%</th>
<th>DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>3</td>
<td>21</td>
<td>54</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Production</td>
<td>1</td>
<td>41</td>
<td>37</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>Construction</td>
<td>4</td>
<td>11</td>
<td>66</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Distribution</td>
<td>3</td>
<td>21</td>
<td>55</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Business Service</td>
<td>3</td>
<td>14</td>
<td>58</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>Other Services</td>
<td>7</td>
<td>14</td>
<td>57</td>
<td>7</td>
<td>15</td>
</tr>
</tbody>
</table>

Base = all SMEs with employees that have or expect changes to sales as a result of referendum result (n=359 in 2016). Question C12 (single code, prompted)

www.british-business-bank.co.uk
Expected employers’ changes to investment and staff are more negative, though with exports they are positive

Changes to investment, staff and exports as a result of the EU referendum – employers only

Changes to investment

- A greater amount: 52%
- A smaller amount: 28%
- Don’t know: 17%
- Refused: 3%

Changes to staff

- Hire fewer new staff than would have been the case: 40%
- Hire more new staff than would have been the case: 26%
- Make staff redundant: 19%
- Use staff on different contracts (e.g. casual or zero-hours contract workers or self-employed workers): 17%
- Decrease number of hours of existing staff: 17%
- Increase number of hours of existing staff: 9%
- Make other changes to staff employed: 8%
- Don’t know/Refused: 9%

Among those who have/plan to change exports, 45% expect an increase and 31% a decrease

Base = all with employees who have already made or plan to make changes to investment (n=93 in 2016), all with employees who have already made or plan to make changes to staff employed (n=134 in 2016), all with employees who have already made or plan to make changes to exports (n=59 in 2016). Question C9 (single code, prompted), C10 (multi code, unprompted) and C13 (single code, prompted).
On balance more employers think obtaining equity or debt finance will be more difficult as a result of the referendum.

Impact of referendum on obtaining debt and equity – employers only

<table>
<thead>
<tr>
<th>Debt (e.g. overdraft, bank loan)</th>
<th>% A lot more difficult</th>
<th>% A little more difficult</th>
<th>% No impact</th>
<th>% A little easier</th>
<th>% A lot easier</th>
<th>% DK/Ref</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12</td>
<td>29</td>
<td>33</td>
<td>41</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity</th>
<th>% A lot more difficult</th>
<th>% A little more difficult</th>
<th>% No impact</th>
<th>% A little easier</th>
<th>% A lot easier</th>
<th>% DK/Ref</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9</td>
<td>25</td>
<td>31</td>
<td>31</td>
<td>30</td>
<td></td>
</tr>
</tbody>
</table>

More difficult / easier

41%/6%

35%/4%

Confidence levels strongly correlated with size of business

Base = all SMEs with employees (n=1,067 in 2016). Question C14 (single code, prompted)
Perceptions of raising finance and future use
The majority of SMEs are confident about assessing finance products, from own bank and from other banks.

Confidence in ability to raise finance 2016

Assessing finance products offered by own bank
- 27% Very confident
- 41% Somewhat confident
- 14% Neither/nor
- 14% Somewhat unconfident
- 7% Not at all confident
- 2% DK/Ref
- 68%/16%

Assessing finance products offered by other providers
- 19% Very confident
- 33% Somewhat confident
- 14% Neither/nor
- 15% Somewhat unconfident
- 15% Not at all confident
- 3% DK/Ref
- 52%/30%

Applying for external finance
- 20% Very confident
- 34% Somewhat confident
- 12% Neither/nor
- 14% Somewhat unconfident
- 15% Not at all confident
- 5% DK/Ref
- 54%/29%

Confidence levels strongly correlated with size of business.

Base = all SMEs (n=1,535 in 2016). Question A4 (single code, prompted)

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Ipsos MORI Social Research Institute
SMEs also confident in ability to obtain finance, though feel small businesses not treated the same

### Views on raising finance 2016

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree</th>
<th>Tend to agree</th>
<th>Neither/nor</th>
<th>Strongly disagree</th>
<th>DK/Ref</th>
<th>% Strongly agree</th>
<th>% Tend to agree</th>
<th>% Neither/nor</th>
<th>% Strongly disagree</th>
<th>% DK/Ref</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am confident in my ability and skills to obtain external finance from finance providers</td>
<td>29</td>
<td>35</td>
<td>13</td>
<td>11</td>
<td>8</td>
<td>65%</td>
<td>19%</td>
<td></td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>I am confident I know where to obtain information on the types of finance and specific providers available</td>
<td>28</td>
<td>37</td>
<td>11</td>
<td>13</td>
<td>7</td>
<td>65%</td>
<td>21%</td>
<td></td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>I know what finance providers look for when assessing finance applications</td>
<td>23</td>
<td>35</td>
<td>10</td>
<td>16</td>
<td>10</td>
<td>58%</td>
<td>26%</td>
<td></td>
<td>18%</td>
<td>7%</td>
</tr>
<tr>
<td>Finance providers give sufficient information about their products for me to judge whether they are suitable for my needs</td>
<td>13</td>
<td>32</td>
<td>20</td>
<td>18</td>
<td>8</td>
<td>45%</td>
<td>26%</td>
<td></td>
<td>24%</td>
<td>10%</td>
</tr>
<tr>
<td>All banks are the same in the way they treat smaller businesses</td>
<td>15</td>
<td>18</td>
<td>11</td>
<td>24</td>
<td>22</td>
<td>33%</td>
<td>46%</td>
<td></td>
<td>35%</td>
<td>11%</td>
</tr>
<tr>
<td>Banks are generally the only source of finance available to smaller businesses</td>
<td>5</td>
<td>13</td>
<td>6</td>
<td>32</td>
<td>40</td>
<td>18%</td>
<td>72%</td>
<td></td>
<td>60%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Base = all SMEs (n=1,535 in 2016). Question A5 (single code, prompted)
The perception remains among SMEs that gaining finance is difficult

Perceptions of how easy/difficult it is to gain finance 2012-2016

- **2016**: 13% Very easy, 56% Fairly easy, 20% Neither/nor
- **2015**: 15% Very easy, 55% Fairly easy, 17% Neither/nor
- **2014**: 11% Very easy, 58% Fairly easy, 12% Neither/nor
- **2012**: 8% Very easy, 69% Fairly easy, 15% Neither/nor

In 2016 SMEs perceive that (on average) 41% of those that apply for bank finance succeed in getting it (2015 = 38%; 2014 = 42%; 2012 = 32%)

Base = all SMEs (n=1,535 in 2016/1,608 in 2015/n=1,000 in 2014/n=1,508 in 2012). Question A39 (single code, prompted)

www.british-business-bank.co.uk
Fear of rejection, avoiding debt and expense remain the most common reasons for not applying for finance

Reasons for not applying for finance 2014-2016

<table>
<thead>
<tr>
<th>Reason</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fear of rejection</td>
<td>54%</td>
<td>57%</td>
<td>50%</td>
</tr>
<tr>
<td>Avoid additional debt</td>
<td>46%</td>
<td>41%</td>
<td>38%</td>
</tr>
<tr>
<td>Too expensive</td>
<td>41%</td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td>Strict T&amp;Cs</td>
<td>28%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>DK where to get finance</td>
<td>28%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Don't trust providers</td>
<td>28%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Economic conditions</td>
<td>28%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Take too long</td>
<td>19%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Reluctant to lend</td>
<td>31%</td>
<td>36%</td>
<td>31%</td>
</tr>
<tr>
<td>Poor credit history</td>
<td>25%</td>
<td>17%</td>
<td>7%</td>
</tr>
</tbody>
</table>

17% in 2016 didn’t need finance until recently or had other funds available

Avoiding additional debt is the most common single main reason (said by 25%), followed by fear of rejection (19%)

Base = all SMEs that had a need for finance in the last 12 months but did not apply (n=62 in 2016/n=95 in 2015/n=63 in 2014). Question B2 (multi code, prompted)

www.british-business-bank.co.uk
Around one in ten have considered equity - most common reason for not considering/seeking it is lack of need

Whether considered equity finance and reasons for not considering or seeking it

- Business does not need equity/have sufficient... 31%
- Don’t know where to obtain equity/how to go... 6%
- Don’t want to give up control 4%
- Ownership structure means equity is not... 4%
- Business not growing fast enough/sufficiently... 3%
- Too expensive/fees or due diligence too much 2%
- Too much time involved to write business... 2%
- Have no assets/equity to use 2%
- Don't know/understand what it is 2%
- Not suitable for our business 2%
- Thought would be rejected 1%
- Didn't occur to me to consider equity 1%
- Needed/wanted a different type of finance 1%
- Unwilling to risk business/property 1%

Base = all SMEs that are aware of equity and did not seek equity (n=1,160 in 2016), all who are aware of equity finance but did not seek it nor have not considered raising it (n=1,143 in 2016). Question A8 (single code, prompted) and A9 (multi code, unprompted). Those not shown less than 1%.
Business performance and innovation
Fewer SMEs are expecting to grow in next 12 months than was case in 2015, though this intent increases with size

Growth objectives – by number of employees (Increase turnover in next 12 months)

<table>
<thead>
<tr>
<th></th>
<th>Decrease in proportion expecting to grow (2015 = 56%; 2016 = 37%)</th>
<th>Aim to grow</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Grow substantially (20%+)</td>
<td>% Grow significantly (10-20%)</td>
</tr>
<tr>
<td>All</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>No employees</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Micro (1-9)</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Small (10-49)</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Medium (50-249)</td>
<td>8</td>
<td>12</td>
</tr>
</tbody>
</table>

Base = all SMEs (n=1,535 In 2016). Question B4 (single code, prompted)

www.british-business-bank.co.uk
However growth expectations are fairly consistent by sector

Growth objectives – by sector (Increase turnover in next 12 months)

<table>
<thead>
<tr>
<th></th>
<th>% Grow substantially (20%+)</th>
<th>% Grow moderately (up to 10%)</th>
<th>% Grow significantly (10-20%)</th>
<th>% Same size</th>
<th>% Shrink/sell/close</th>
<th>% Other/DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>10</td>
<td>17</td>
<td>47</td>
<td>15</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>10</td>
<td>21</td>
<td>44</td>
<td>13</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>8</td>
<td>12</td>
<td>50</td>
<td>15</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td>11</td>
<td>25</td>
<td>39</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business services</td>
<td>10</td>
<td>16</td>
<td>49</td>
<td>13</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td>10</td>
<td>13</td>
<td>49</td>
<td>15</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Base = all SMEs (n=1,535 In 2016). Question B4 (single code, prompted)
Decline since 2015 in perception that trading conditions will get better

Whether trading conditions will be better or worse in the next 12 months

Overall decrease in the proportion thinking conditions will get better (2015 = 44%; 2016 = 27%)

Better/ worse

<table>
<thead>
<tr>
<th></th>
<th>% Significantly better</th>
<th>% Slightly better</th>
<th>% About the same</th>
<th>% Slightly worse</th>
<th>% Significantly worse</th>
<th>% DK/Ref</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>8</td>
<td>19</td>
<td>45</td>
<td>18</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Start up</td>
<td>20</td>
<td>31</td>
<td>25</td>
<td>14</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Scale up</td>
<td>16</td>
<td>34</td>
<td>33</td>
<td>9</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Stay ahead</td>
<td>2</td>
<td>10</td>
<td>54</td>
<td>22</td>
<td>8</td>
<td>4</td>
</tr>
</tbody>
</table>

Base = all SMEs (n=1,535 in 2016). Question B5 (single code, prompted)

Start ups = less than 5 years old; Scale ups = 5+ years and planning to grow; Stay ahead = 5+ years and no plans to grow
One in five exports or plans to export in the next three years - more common among employers

Whether have exported or plan to export - by number of employees

Exporting most common in distribution (28%) and business service (26%) sectors. Less common in other services (15%) and construction (1%).

Total have/plan to export: 21% 18% 30%

Base = all SMEs (n=1,535 in 2016). Question C1/C2 (single code, prompted)

www.british-business-bank.co.uk
Around half of exporters perceive no barriers - not getting paid is the greatest fear

Main barrier to exporting – 2015-2016

- Ensuring you get paid and enforcing contracts: 13% (2016) vs 6% (2015)
- Lack of knowledge of how to export (e.g. how to deal with overseas regulations/customs procedures): 6% (2016) vs 9% (2015)
- Lack of internal funds: 3% (2016) vs 4% (2015)
- Protecting intellectual property: 3% (2016) vs 1% (2015)
- Time taken to receive payment: 3% (2016) vs 2% (2015)
- No barriers to exporting: 47% (2016) vs 32% (2015)
- Don’t know: 7% (2016) vs 0% (2015)
- Refused: 3% (2016) vs 0% (2015)

Concerns around getting paid (2016) = 16%

Base = all SMEs that have exported in last three years or plan to export in next three years [base definition in 2015: all SME exporters and non-exporters with exportable products/services] (n=424 in 2016/n=707 in 2015). Question C3 (single code, prompted)
Two in five SMEs are either innovating or plan to

Introducing new or significant improved goods and services/processes for producing or supplying goods and services in last/next 3 years

**Goods and services**

- Yes - goods: 15%
- Yes - services: 9%
- Yes - both: 7%
- No: 69%
- DK/Refused: 1%

**Processes for supplying goods and services**

- Yes - goods: 15%
- Yes - services: 3%
- Yes - both: 5%
- No: 76%
- DK/Refused: 1%

**Total innovating/planning to = 39%**

Those with employees more likely to/plan to (49% vs. 36% with no employees)

- Yes = 30%
- No = 76%
- DK/Refused = 1%

Base = all SMEs (n=1,535 in 2016). Question C4/C5 (single code, prompted)

www.british-business-bank.co.uk
Innovators more common among start ups, and more likely to use multiple finance types and shop around

Introducing new or significantly improved goods and services/processes for producing or supplying goods and services in last/next 3 years

- Start ups are most likely to innovate, while stay aheads are least likely to innovate
- Those intending to grow are generally more likely to innovate (50% intending to grow are innovators vs. 32% not intending to grow)
- Innovators also are more likely to have sought finance in the last three years, and to have sought several types of finance
- Innovators also are more likely to have ‘shopped around’ for finance – 57% of those who contacted three or more providers were innovators vs. 45% who approached just one or two
- Innovators comprised a higher proportion of those who sought the following finance types:
  - Grants (for example, 69% who sought a government grant are innovators)
  - Invoice finance/factoring (64%)
  - Loans from friends/family/directors (63%)

Base = all SMEs (n=1,535 in 2016). Question C4/C5 (single code, prompted)
Summing up
Summing up - 1

Awareness of different types of finance

• Awareness of certain types of non-bank finance, such as P2P lending, continues to grow

• Awareness of where to get types of finance is plateauing, and in some cases falling, after a number of years of growth

Finance use

• Half (48%) of SMES have sought finance in the last three years - credit card finance, bank loans and overdrafts and leasing/HP are the most commonly sought

• Fewer are seeking finance for working capital than in 2015 (42% vs. 53% in 2015) and more are seeking it for purchasing fixed assets (36% vs. 29% in 2015)

• The main bank is still the most likely first port of call when a finance need is identified and SMEs appear less likely to ‘shop around’ for finance than was the case 12 months ago
Summing up - 2

• This may be related to a high level of obtaining what they need first time - this has increased since 2015 (90% vs. 86%).

• It may also relate to the plateauing/falling awareness of where to get finance product types outlined - i.e. fewer SMEs are ‘learning by doing’

• Those that didn’t ‘shop around’ most commonly say it’s because they have a longstanding or trusting relationship with that provider

Grant Funding

• Around one in ten SMEs recall obtaining grant funding in the last ten years

• This funding type is viewed as difficult and time-consuming to obtain, and therefore many SMEs do not consider it when they need finance
Summing up - 3

EU Referendum

• While many SMEs have not changed their approach as a result of the referendum result, a majority reported being unsure of the impact and the view on balance is that it will have a negative rather than positive impact on sales, growth and accessing finance

• Those in the production sector appear an exception however, in that they are more likely to think sales will increase than decrease as a result

Perceptions of raising finance and future use

• It remains the case that more SMEs perceive raising finance to be difficult rather than easy

• Most SMEs remain confident in their abilities to assess finance products offered by their own bank, other providers’ products and applying for financing generally. Significant proportions are not confident though
Summing up - 4

Business performance and innovation

• Fewer SMEs are now expecting to grow (37% vs. 56% in 2015)
• There has been a similar decline in optimism in trading conditions over the next 12 months (27% expect conditions to improve vs. 44% in 2015) - possibly related to the EU referendum result
• One in five SMEs either exports or plans to in the next three years. Half of exporters perceive no main barrier to exporting though the most common concern is getting paid
• Two in five SMEs either are or are planning to innovate
Annex
Start up segment

*Defined as SMEs less than 5 years old*

- Start ups are more likely to have sought certain types of finance, such as grants, finance from Government schemes and loans from friends/family.
- They are the segment most likely to consider equity funding (12% vs. 6% overall).
- Start ups are more likely to have sought only a small amount of external finance on the last occasion (47% had sought less than £5,000) and their finance is more likely to be sought for start up or expansion.
- However, their attitude towards obtaining finance is more negative – they are more likely to think it is very difficult for small businesses to get finance (33%) and estimate fewer businesses are successful in obtaining finance.
- They are generally optimistic that trading conditions will improve over the next 12 months (51% vs. 29% overall).
- Start ups are most likely to innovate and say they will make changes as a result of the EU referendum (60% and 29% respectively).
Scale up segment

*Defined as SMEs 5+ years old and planning to grow*

- This segment is the most knowledgeable about seeking and obtaining external finance - two in three (68%) are aware of at least six finance types or more
- Reflecting this, scale-ups are more likely to disagree that banks are the only source of external finance (78% disagree vs. 72% overall)
- They are more likely to have been successful in obtaining a larger number of finance types recently and more confident in their ability to assess and apply for finance. This group estimate more businesses are successful in obtaining finance
- Scale ups are more likely to seek loans from directors, third parties or via a P2P platform
- This segment is more optimistic about trading conditions over the next 12 months (49% expect conditions to improve vs. 27% overall)
- They are more likely than stay ahead businesses to export, innovate and to make changes as a result of the EU referendum (though aside from exporting, they are less likely than start ups to do these)
Stay ahead segment

Defined as SMEs 5+ years old and have no plans to grow

- The need and desire for external finance appears lowest in this segment. Stay aheads are more likely to have not considered raising external finance in the last five years (this was the case for 20% of them).
- They are less likely to have considered equity finance (96% have not), mainly on the grounds that they feel they do not need it.
- These businesses are less likely to consider information on available finance forms as useful and less likely to seek external advice on finance.
- Among those who have sought finance, this is more likely to be bank forms of finance such as an overdraft.
- They are more negative about trading conditions over the next 12 months, but the least likely to make changes as a result of the EU referendum (86% have not and do not expect to make changes).
- Stay aheads are less likely to export (83% vs. 77% overall do not) or innovate (68% vs. 60% overall do not).
Devolved administrations

Scotland
• The banking landscape is different in Scotland to the rest of the UK, with SMEs there more likely to use RBS, Bank of Scotland and Clydesdale
• The finance products sought by Scotland-based SMEs differ in some ways too – they are more likely to have sought leasing/HP on the last occasion
• They are less likely to think banks treat small businesses the same as others (58% disagree vs. 46% overall) and more likely to strongly disagree that grant funding is easy to obtain (28% vs. 19% overall).

Wales
• SMEs based in Wales are more likely to agree that banks are the only source of external finance, and (perhaps related to this) more confident that they know where to obtain finance
• They are more likely to expect their turnover to stay about the same over the next 12 months (61% vs. 47% overall)
• Wales-based SMEs are less likely to export

N.B. While SMEs based in Northern Ireland were included in this study, separate analysis has not been possible due to the small number of interviews
Those in distribution are most likely to experience or expect an impact on sales, those in other services are least likely.

Impact of referendum on sales

Also impacting those with employees more (Changes = 36% vs. 27% with no employees)

- % Yes - will effect sales in next 12 months
- % Yes - already affected sales

Total yes has/will effect sales:

- All: 29%
- Production: 35%
- Construction: 26%
- Distribution: 38%
- Business services: 30%
- Other services: 23%

Base = all SMEs (n=1,535 In 2016). Question C11 (multi code, prompted)
SMEs who expect a change to sales are more likely to expect a decrease – but those in production are positive

Impact of referendum on sales

<table>
<thead>
<tr>
<th>Industry</th>
<th>% Increase sales by more than 20%</th>
<th>% Increase sales up to 20%</th>
<th>% Decrease sales up to 20%</th>
<th>% Decrease sales by more than 20%</th>
<th>% DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>21</td>
<td>50</td>
<td>18</td>
<td>8</td>
<td></td>
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<tr>
<td>Production</td>
<td>45</td>
<td>34</td>
<td>5</td>
<td>12</td>
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<tr>
<td>Construction</td>
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<td>57</td>
<td>14</td>
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<tr>
<td>Distribution</td>
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<td>Business service</td>
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<td>Other services</td>
<td>13</td>
<td>46</td>
<td>20</td>
<td>8</td>
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</tbody>
</table>

Base = all SMEs that have or expect changes to sales as a result of referendum result (n=487 in 2016). Question C12 (single code, prompted)
Most expect to invest a smaller amount, but with staff and export changes the picture is more mixed

Changes to investment, staff and exports as a result of the EU referendum

Among those who have/plan to change exports, 35% expect and increase and 45% a decrease

Changes to investment

- A greater amount: 62%
- A smaller amount: 13%
- Don’t know: 18%
- Refused: 7%

Changes to staff

- Hire more new staff than would have been the case: 39%
- Hire fewer new staff than would have been the case: 33%
- Use staff on different contracts (e.g. casual or zero-hours contract workers or self-employed workers): 31%
- Make staff redundant: 20%
- Decrease number of hours of existing staff: 19%
- Increase number of hours of existing staff: 15%
- Make other changes to staff employed: 10%
- Don’t know/Refused: 7%

Base = all who have already made or plan to make changes to investment (n=128 in 2016), all who have already made or plan to make changes to staff employed (n=153 in 2016), all who have already made or plan to make changes to exports (n=70 in 2016). Question C9 (single code, prompted), C10 (multi code, unprompted) and C13 (single code, prompted).
On balance more SMEs think obtaining equity or debt finance will be more difficult as a result of the referendum.

Impact of referendum on obtaining debt and equity

<table>
<thead>
<tr>
<th>Debt (e.g. overdraft, bank loan)</th>
<th>More difficult / easier</th>
</tr>
</thead>
<tbody>
<tr>
<td>% A lot more difficult</td>
<td>11</td>
</tr>
<tr>
<td>% A little more difficult</td>
<td>26</td>
</tr>
<tr>
<td>% No impact</td>
<td>35</td>
</tr>
<tr>
<td>% A little easier</td>
<td>52</td>
</tr>
<tr>
<td>% A lot easier</td>
<td>22</td>
</tr>
<tr>
<td>Confidence levels strongly correlated with size of business</td>
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</table>

<table>
<thead>
<tr>
<th>Equity</th>
<th>More difficult / easier</th>
</tr>
</thead>
<tbody>
<tr>
<td>% A lot more difficult</td>
<td>9</td>
</tr>
<tr>
<td>% A little more difficult</td>
<td>25</td>
</tr>
<tr>
<td>% No impact</td>
<td>30</td>
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<tr>
<td>% A little easier</td>
<td>42</td>
</tr>
<tr>
<td>% A lot easier</td>
<td>31</td>
</tr>
</tbody>
</table>

Base = all SMEs (n=1,535 in 2016). Question C14 (single code, prompted)
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