

# Access to Finance Spotlight: Northern Ireland findings

Research report  
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This summary presents insights on Northern Ireland (NI) and is aimed at helping to support localised activity and inform future policies across the UK<sup>1</sup>. The NI slide deck provides additional insights and data visualisations which you may wish to view alongside this summary.

## Key Findings

- Respondents in NI were **less likely than the UK average to think that SMEs have taken on too much debt due to the Covid-19 pandemic.**
- There was a perceived **gap in the supply of later stage equity in NI.** Almost two in five respondents identified this gap, compared to one in five in the UK.
- When it comes to the quality of the ecosystem, slightly more respondents in NI saw the **ecosystem as being inadequate to support scaling SMEs** than the UK average.

### SME context: British Business Bank's SME Finance Survey 2020

The pandemic had a major impact on SMEs. The SME Finance Survey provides some valuable context from the perspective of SMEs themselves for the findings presented here.<sup>2</sup>

In Northern Ireland, 59% of SMEs contracted over the past 12 months, 36% stayed the same and only 4% grew, in line with the UK overall (58%, 32% and 9%, respectively).

Moving out of the pandemic, there was some optimism with 17% of SMEs in Northern Ireland expecting to grow over the next 12 months. Meanwhile, 3% of NI SMEs expected to close or sell the business during the same time period. This was in line with the UK overall (21% and 4%, respectively).

In terms of demand, 60% of NI SMEs said they had sought some sort of external finance support, including government grant funding, in the past three years (60% in the UK overall). This represents a slight increase in the use of external finance from 2019 in Northern Ireland a much larger increase in the UK overall (57% in NI, 44% in the UK overall).

<sup>1</sup> Findings are based on an online survey of 511 finance intermediaries (of whom 47 operated in Northern Ireland) and 36 in-depth online interviews (of which 3 related to Northern Ireland). Fieldwork took place between 23<sup>rd</sup> February and 21<sup>st</sup> March 2021. The research was conducted by Ipsos MORI, on behalf of the British Business Bank. For more information, please see the annex of the UK findings report.

<sup>2</sup> The SME Finance Survey 2020 was conducted by Ipsos MORI, on behalf of the British Business Bank, between 27<sup>th</sup> August and 25<sup>th</sup> November 2020. It was a telephone survey of 4,125 SMEs (of which 190 were from Northern Ireland).

## Demand for finance

In Northern Ireland, respondents thought **demand for finance in the nation was strong** across all development stages, with **59% saying demand exceeded supply**.

A majority of respondents in NI felt **SMEs would require additional finance due to the Covid-19 pandemic during the next 12-18 months**, especially debt finance (85%) and early stage equity (72%). These findings were similar to the UK overall.

“Demand for finance is always good. NI is reasonably well served at very early stages with NI government sponsored funds. This means that compared to other areas in Britain, we are better at an earlier stage.”

Financial advice respondent, NI

NI respondents were less **likely to agree** than respondents across the UK **that SMEs in their nation have taken on too much debt due to the Covid-19 pandemic** (22% NI versus 41% UK overall). This may explain why respondents expected SMEs to require additional debt finance during the next 12 to 18 months.

It also seemed that **respondents were more pessimistic than SMEs themselves about SMEs' ability to reduce their debt**. While 66% of NI respondents felt SMEs were not well-equipped to reduce their debt burden over the next 12-18 months, according to the SME Finance Survey, only 27% of NI SMEs that sought finance in 2020 were concerned about their ability to make full repayments.

“Come to the end of the government-backed schemes, they will all have to be repaid [...] so I think there will be a pick-up [in demand] and organisations will experience a reasonable supply. I don't see supply from financial organisations drying up and I think a lot of banks will be keen to lend.”

Financial advice respondent, NI

As in the UK overall, the **top three barriers to SMEs' demand for finance** identified by respondents in NI were lack of awareness of finance options available (72%), access to the supply of finance (57%) and aversion to taking on finance (49%). Fewer than one in five (17%) respondents identified EU Exit as a barrier to SMEs' demand for finance, in line with the UK average.

## Supply of finance

Despite a majority of respondents in NI expecting SMEs to require additional finance, 83% agreed that **there were gaps in the supply of finance for SMEs in their nation whatever their stage of development.**

“Mainstream banks will continue to shy away from doing too much business with smaller SMEs.”

Finance provision respondent, NI

NI respondents were almost twice as likely as the UK overall to **identify gaps in later stage equity supply** (38% versus 20% respectively). Furthermore, NI respondents were significantly more likely than the UK average to **expect a decrease in later stage (21% versus 10% respectively) and growth stage equity finance supply** (34% versus 13% respectively) over the next 12 to 18 months.

In line with the UK findings, around two-thirds (64%) of NI respondents also identified gaps in the supply of early stage equity finance.

## Finance ecosystem

**Respondents in NI were particularly positive about the ecosystem for SMEs consolidating success**, with 74% saying it was adequate. Opinion was more split on the adequacy of the ecosystem for start-ups or SMEs surviving, while NI respondents seemed **more negative than the UK average when it came to scale ups** (55% inadequate NI versus 42% inadequate UK).

“It's the next stage where there is a lack of proper assistance for businesses. Those that have got past the first two years, and are deemed to be existing businesses...[that's] where the challenge is.”

Financial advice respondent, NI

**NI respondents thought that most SMEs were well-informed about debt finance as an option** (76%) or about a specific provider of debt finance (76%). However, the majority thought that SMEs were **not very or not at all well-informed about early stage, growth stage or later stage equity** as a finance option or a provider of these finance types. Participants in the quantitative and qualitative research highlighted lack of knowledge about finance as a particular concern.

“Referral networks can be very patchy, it's sometimes about personal networks. There's still a way to go on putting out there what finance is available...to getting businesses fully aware. This is across the board not specific to a sector.”

Finance provision respondent, NI

## ESG and net zero

Respondents in NI were **split on the importance of net zero and ESG to SMEs**, with 34% and 43% respectively saying these were relevant to SMEs, similar to the UK overall. Respondents in the qualitative interviews suggested ESG and net zero were regarded as issues in their infancy for SMEs with many still pre-occupied by the Covid-19 pandemic .

“There is a desire to have a profitable business that is not doing any harm, which is not the same thing.”

Finance provision respondent, NI

Finally, there was **little confidence among respondents in NI (and the UK as a whole) that SMEs would have good access to finance to realise their ESG and/or net zero goals**. In Northern Ireland, 86% of those respondents who thought SMEs saw ESG and/or net zero as important said SMEs would have limited or no access to specific finance for this.



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