

SME Finance Survey

Ipsos

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Contents

Background	3
SME demand for external financial support	6
Awareness and use of different types of finance	14
Perceptions of raising finance and future use	19
Innovation	26
Environmental, Social, Governance (ESG)	29
Summary	35
Annex	40

Background



SME Finance Survey 2023

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

The British Business Bank repeated the survey:

- 2014 (1,000 SMEs interviewed)
- 2015 (1,608 SMEs)
- 2016 (1,535 SMEs)
- 2017 (2,070 SMEs)
- 2018 (2,000 SMEs)
- 2019 (4,003 SMEs)
- 2020 (4,125 SMEs)
- 2021 (2,804 SMEs)
- 2022 (2,213 SMEs)

SME Finance Survey 2023

The 2023 survey is based on 1,723 SME interviews, with fieldwork conducted between 14 September 2023 and 11 December 2023.

Two versions of the questionnaire were used: a long version and a short version. Core questions remained the same in both versions to enable comparison over time. The survey was available via CATI and online.

Statistically significant changes between the 2022 and 2023 SME Finance surveys (at 95% confidence level) are identified by green arrows (increases) and red arrows (decreases).

Differences between sub-groups of firms by size and sectors in the 2023 survey are identified by green squares (higher) and red squares (lower).

Where figures in charts do not add to 100% this is due to rounding of percentages, exclusion of responses (eg 'don't know' and 'refused') or because the question allows more than one response.

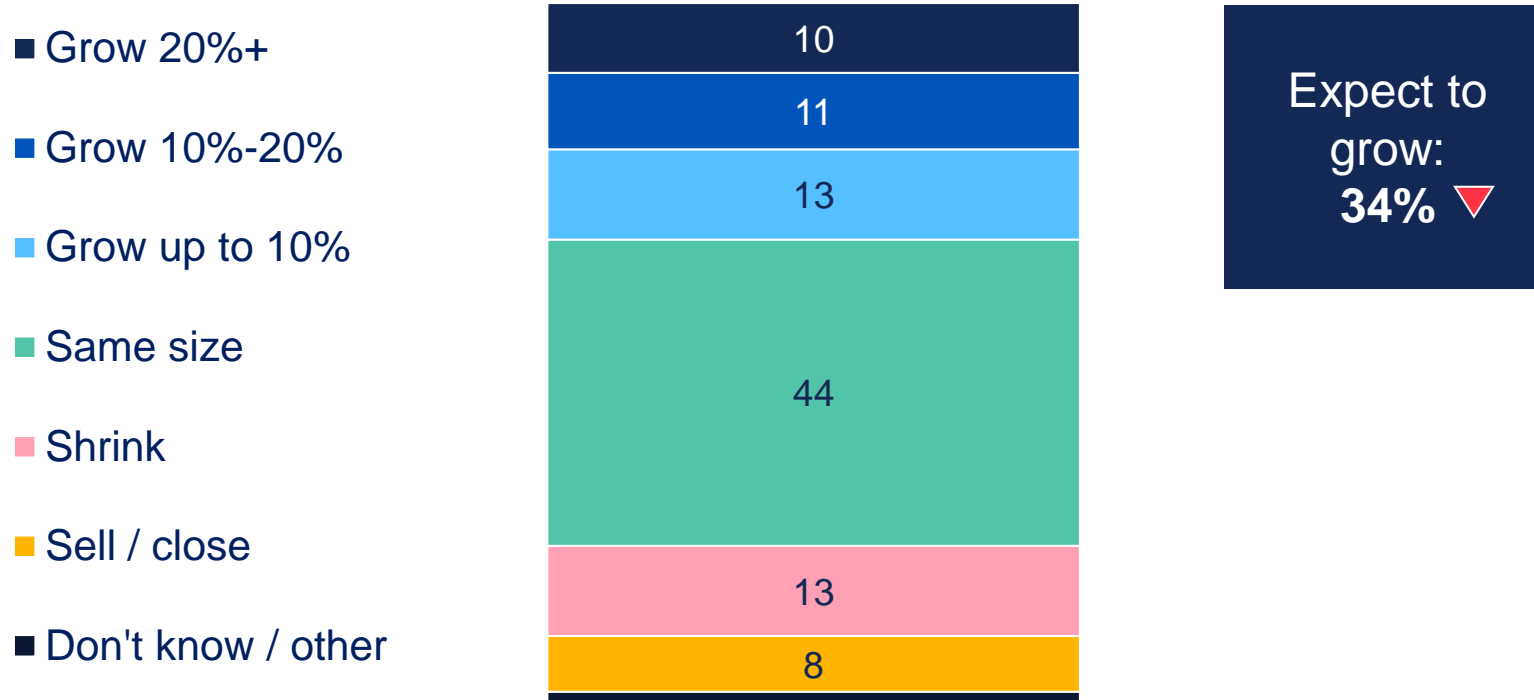
Responses of less than 0.5% but greater than 0% are marked with *.

SME demand for external financial support



A third of SMEs expect to grow over the next 12 months, compared to 39% in 2022 and 41% in 2021

Expectations for the business' turnover over the next 12 months (%)



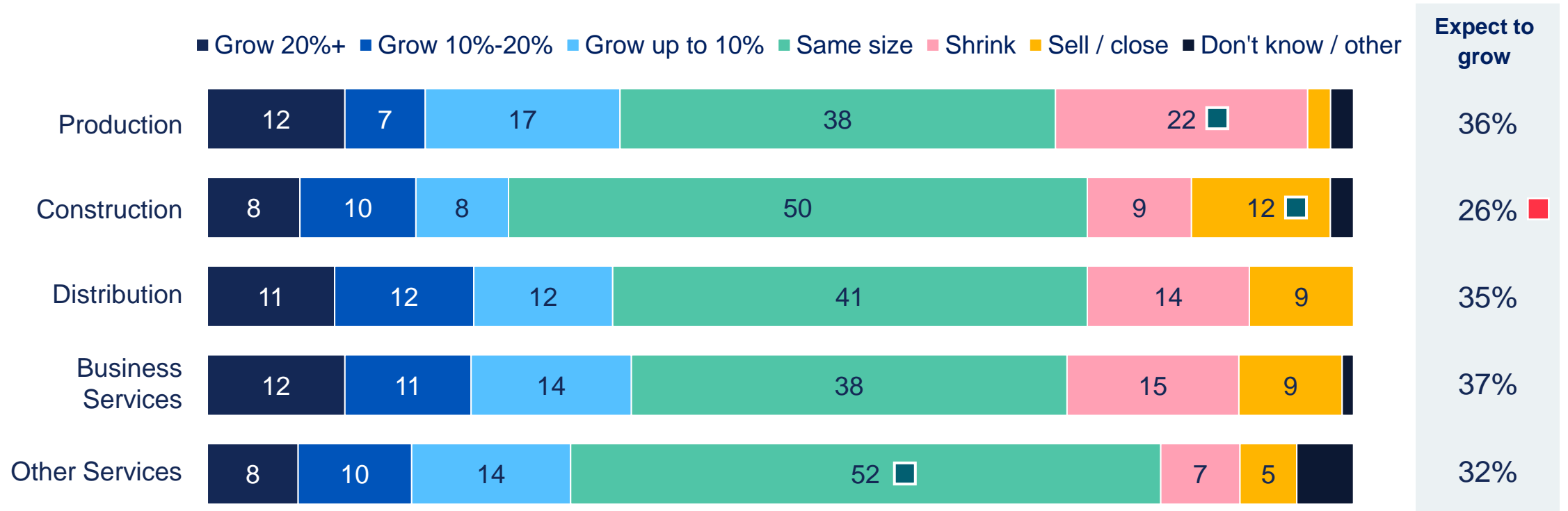
- Businesses with no employees are less likely to expect to grow (29%) than businesses with employees (48%).
- 44% of SMEs expect to stay the same size over the next 12 months. A much lower proportion, 21% overall, expect to shrink (13%) or sell or close their business (8%).

▲ Sig higher than 2022

▼ Sig lower than 2022

Firms in Business Services, Production and Distribution were most likely to anticipate growth

Expectations for business' turnover in the next 12 months (%)



B6 – Base: Production (n=221), Construction (n=352), Distribution (n=294), Business Services (n=592), Other Services (n=264).

■ Sig higher than overall
■ Sig lower than overall

Three in ten SMEs sought external finance in the past three years

Finance applied for or sought in the last three years (%)



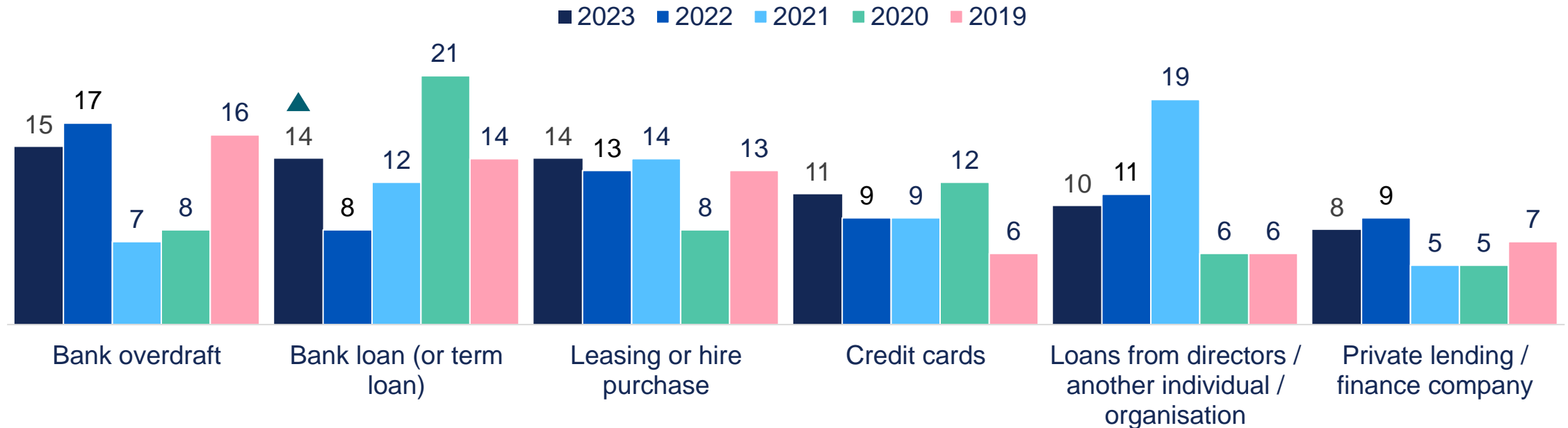
- 30% of SMEs sought external finance in the last three years (down from 39% in 2022 and 59% in 2021, which included COVID 19 support), including **28% that sought non-government-backed finance.**
- SMEs with no employees were less likely to have sought external finance (23%) or non-government-backed finance (22%) compared to SME employers (48% and 45% respectively).

A6a_Type, A6a – Base: All SMEs (n=1,723 in 2023, n= 2,213 in 2022). Those less than 5% for sought in last three years not shown.

▲ Sig higher than 2022
▼ Sig lower than 2022

SMEs were most likely to have sought bank overdrafts most recently

Finance sought on last occasion (%)



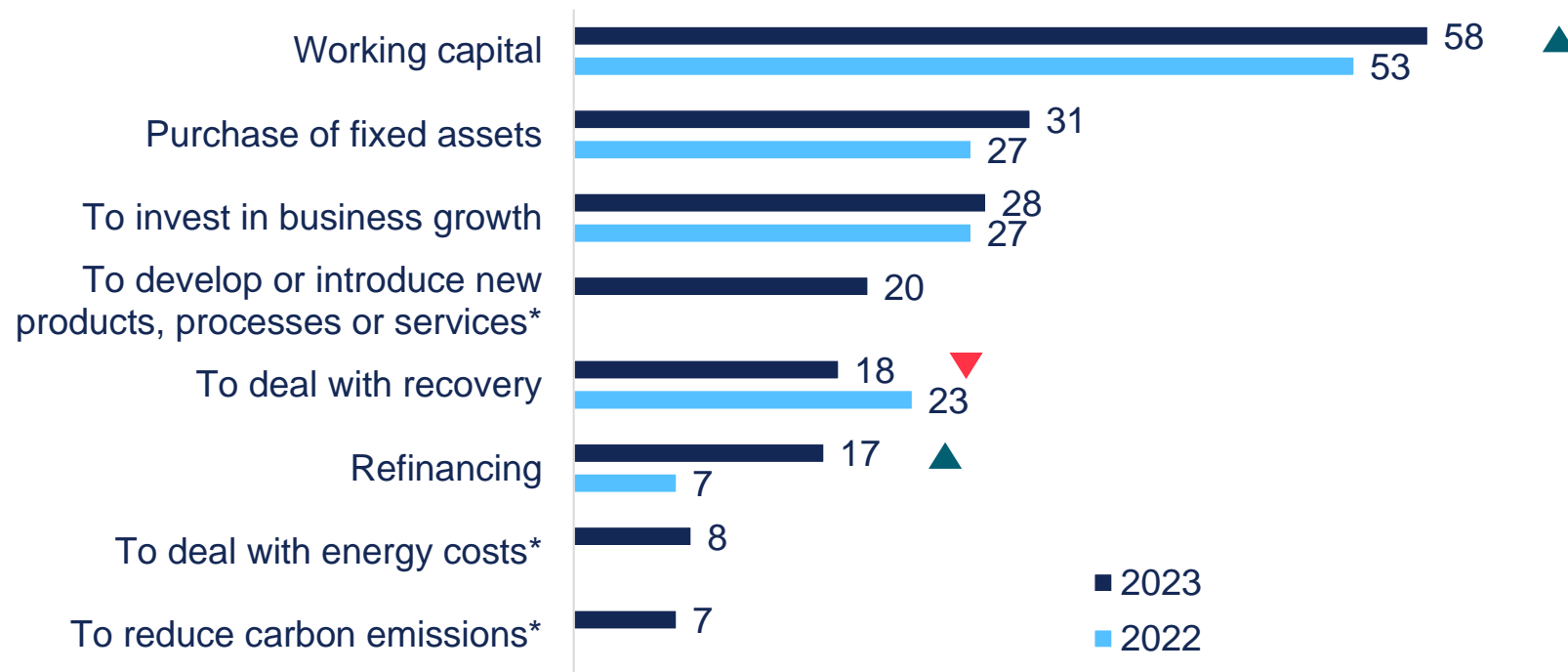
A11b – Base: All who have sought non-government backed finance in the last three years (n=706 in 2023, n=934 in 2022, n=1,813 in 2021, n=2,087 in 2020, n=1,541 in 2019). Those less than 5% for sought in last three years not shown.

▲ Sig higher than 2022

▼ Sig lower than 2022

Almost six in ten SMEs sought finance to help with working capital

Main reasons for seeking finance (%)



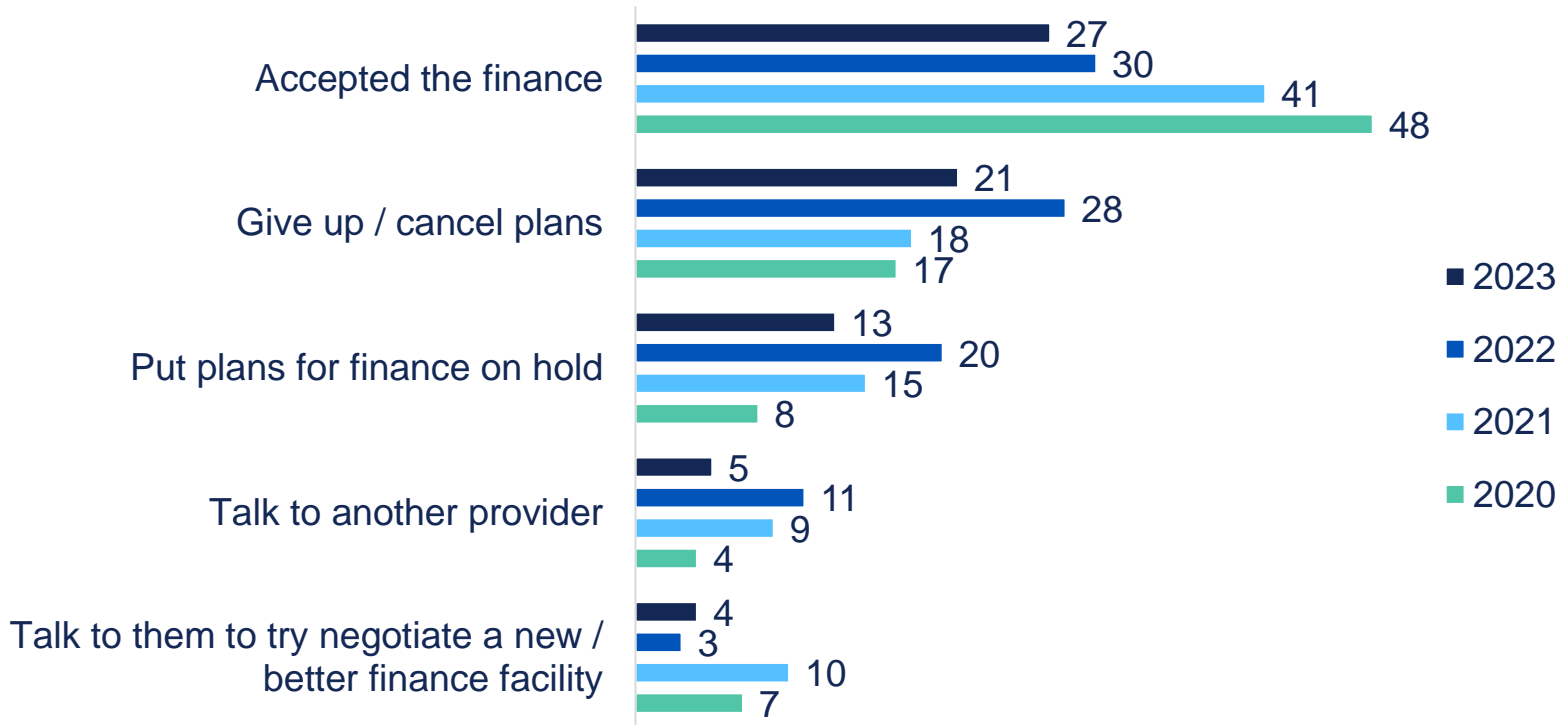
– Pre-pandemic**, fewer than two in five (37%) SMEs sought finance mainly to help with working capital. Only 2% of SMEs sought finance mainly to help with refinancing.

A13a_2 (long version only) – Base: All who sought non-government-backed finance in the last three years (n=335 in 2023, n=498 in 2022, n=755 in 2019). * Introduced in 2023. **Pre-pandemic findings are from the 2019 SME Finance Survey.

▲ Sig higher than 2022
▼ Sig lower than 2022

More than a quarter accepted the finance offered, even if less than the full amount requested

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

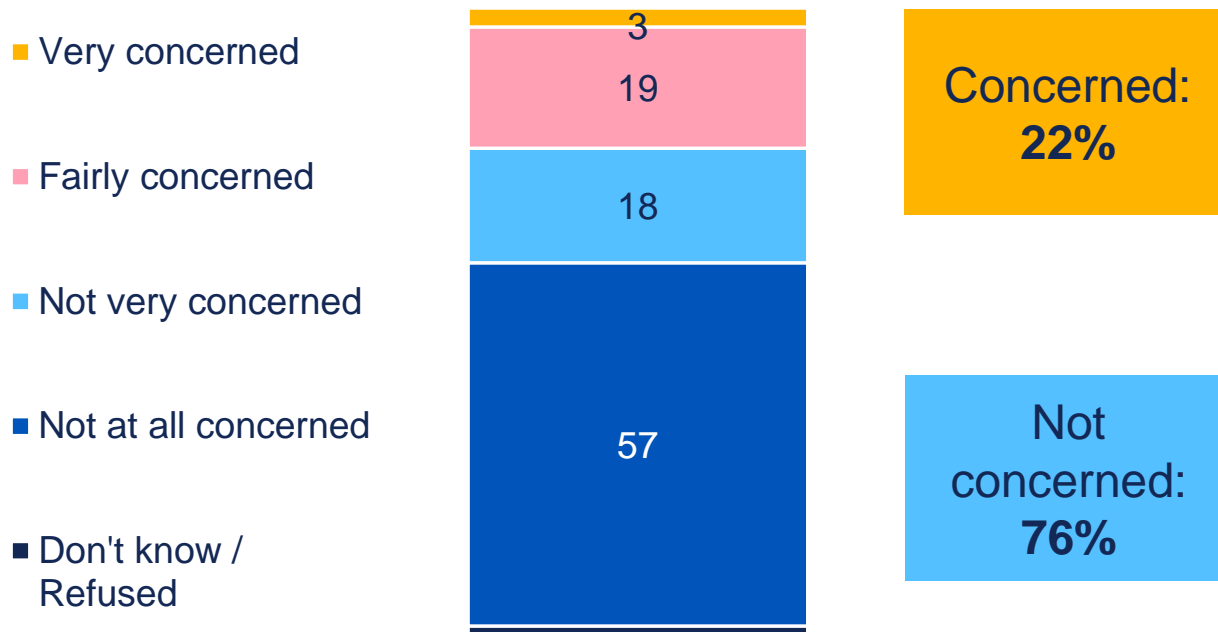


– Overall, there has been a decline in those who gave up/cancelled plans or put their plans on hold (34% versus 48% in 2022).

A32 (single code, prompted, long version only) – Base: All offered a smaller amount/worse terms/turned down for or did not accept non-government-backed* finance (n=65** in 2023, n=100 in 2022, n=85** in 2021, n=119 in 2020). * Changed in 2022. ** Small base.

Three quarters of SMEs that accepted a finance offer are not concerned about their ability to repay

How concerned, or otherwise, are you about your ability to make full repayments as and when they become due? (%)



- Firms with no employees are most likely to be concerned about their ability to make full repayments (29%).
- SMEs that are **likely to seek advice** on finance in future are more likely to be concerned about repayment than those that are unlikely to seek advice (35% versus 8%).

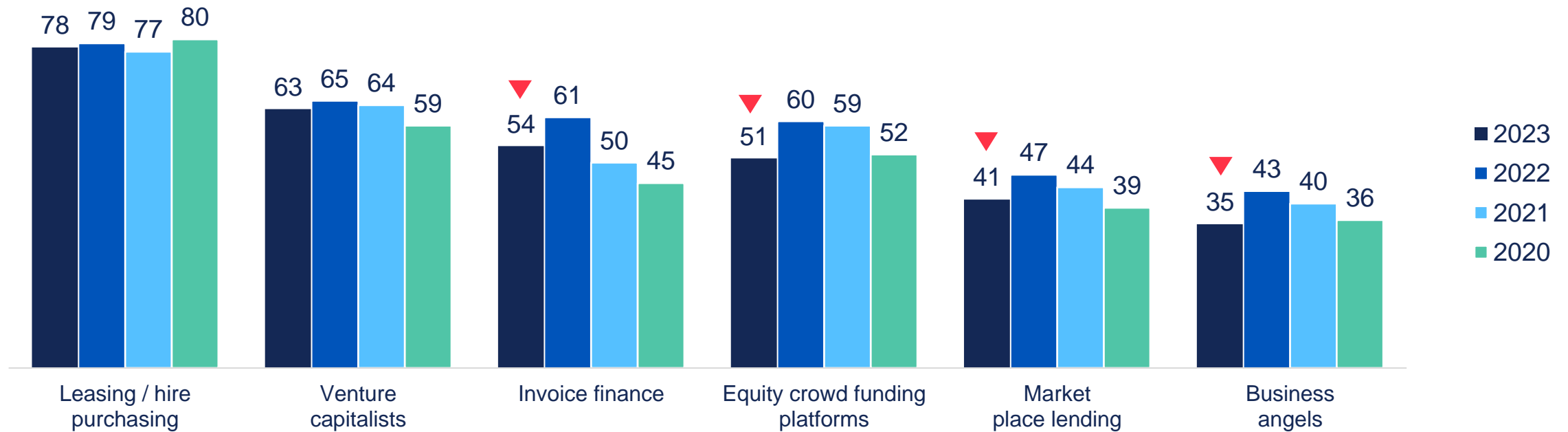
Awareness and use of different types of finance



Awareness of four alternative finance types has decreased since 2022

SME awareness of leasing/hire purchase has remained consistent over the last four years.

Awareness of main forms of alternative external finance 2020-2023 (%)

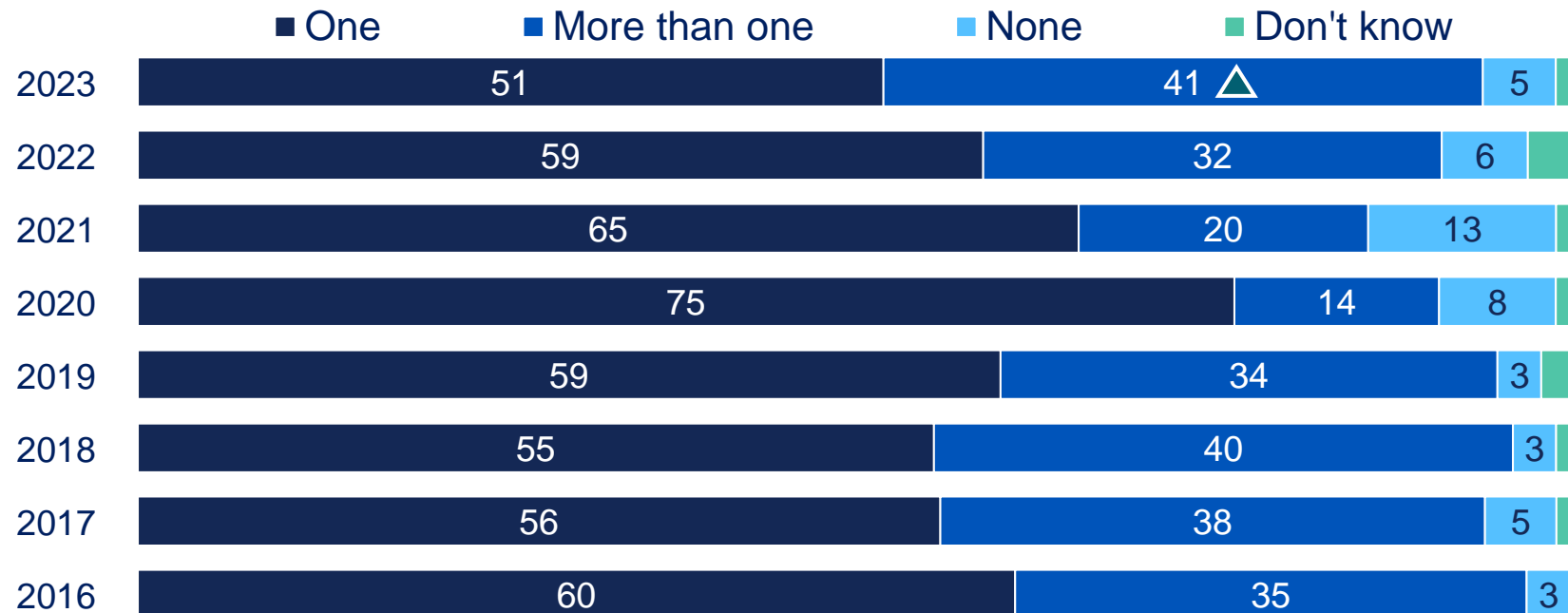


A1 (multi-code, prompted) – Base: All SMEs (n=1,723 in 2023, n=2,213 in 2022, n=2,804 in 2021, n=4,125 in 2020). Note: Three quarters (77%) of SMEs were aware of private lending / finance company in 2023.

▲ Sig higher than 2022
▼ Sig lower than 2022

A higher proportion of SMEs were considering more than one finance provider this year

Number of providers considered 2016-2023 (%)



– Of those who considered one or more finance providers, 51% contacted one provider and 20% contacted two providers. 13% did not contact any providers.

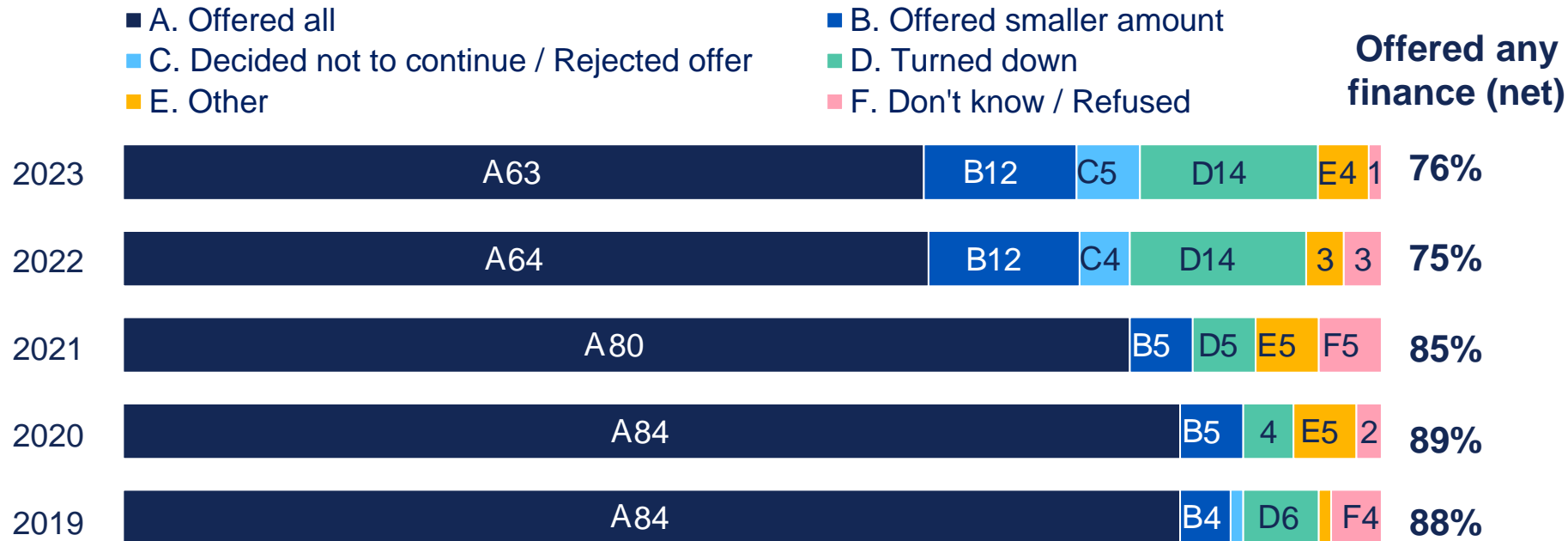
A22 (single code, unprompted, long version only) – Base: All who sought non-government-backed finance in the last 3 years (n=335). A23/A23b (long version only) – Base: All who considered one or multiple providers of finance (n=312).

▲ Sig higher than 2022

▼ Sig lower than 2022

Three quarters of SMEs obtained all or some of the finance they needed from the first provider

Whether successful in obtaining finance from first provider (%)



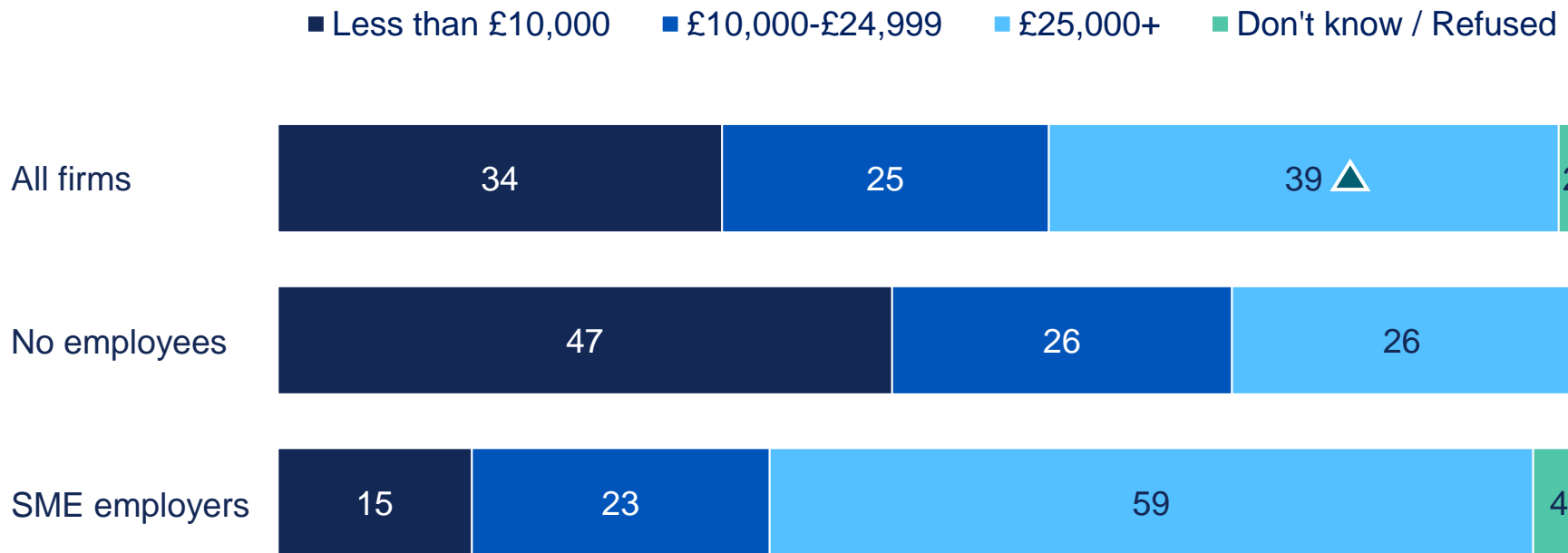
– Small (72%) and medium (86%) firms were more likely to have been offered all the finance they sought.

A30 (single code, unprompted, long version only) – Base: All who sought non-government-backed finance in the last 3 years (n=335 in 2023, n=498 in 2022, n=837 in 2021, n=1,366 in 2020, n=755 in 2019). ‘Offered any finance (net)’ may not equal the sum of figures presented on the chart due to rounding.

▲ Sig higher than 2022
▼ Sig lower than 2022

The increase in firms seeking finance facilities with a value exceeding £25,000 continued in 2023

Amount of finance sought on last occasion by business size (%)



– Businesses with employees remain more likely to seek higher values than businesses with no employees.

A28/A29 (single code, prompted) – Base: All who sought non-government-backed finance in the last 3 years (n=706), No employees (n=99), SME employers (n=603).

▲ Sig higher than 2022

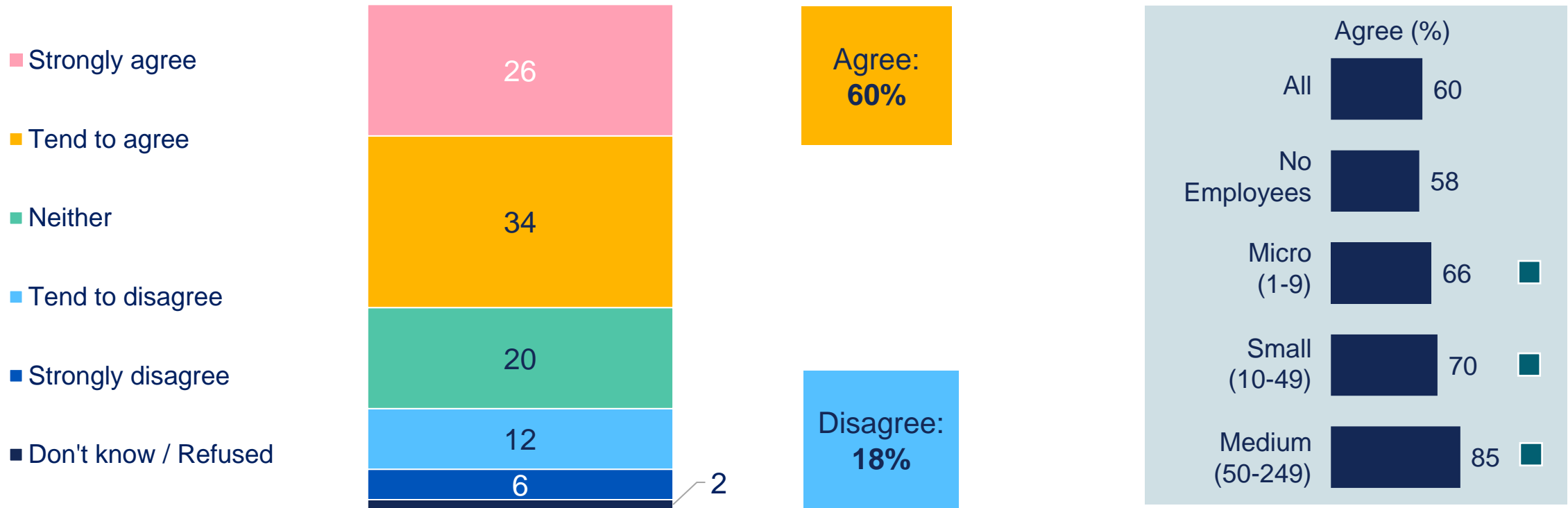
▼ Sig lower than 2022

Perceptions of raising finance and future use



Three in five SMEs are confident they know where to obtain information on external finance

I know where to obtain information on the types of finance and specific providers available (%)



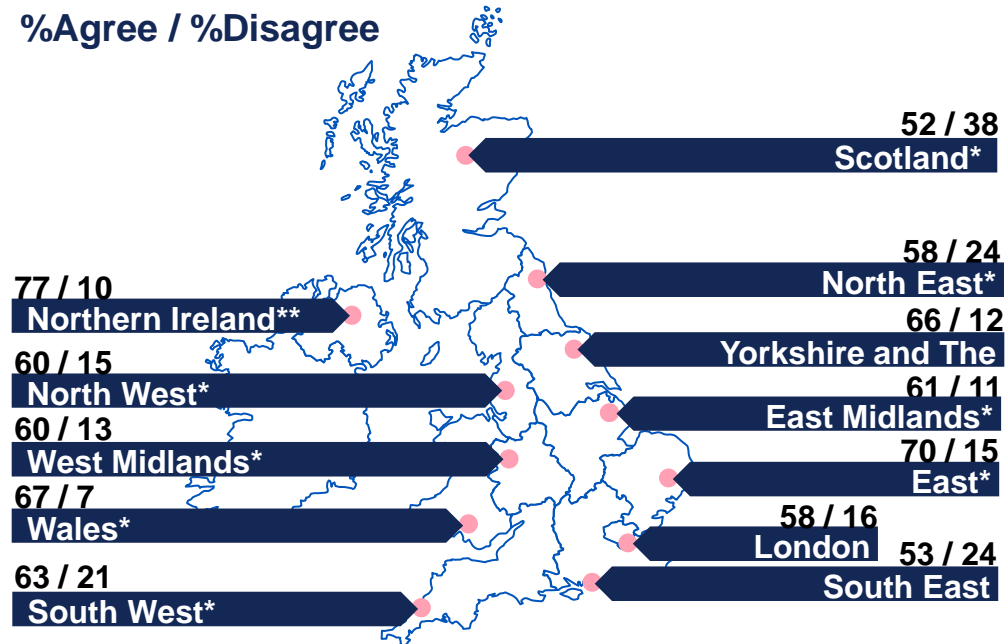
A5 (single code, prompted, long version only) – Base: All SMEs (n=822), No employees (n=220), Micro (n=354), Small (n=169), Medium (n=76).

▲ Sig higher than 2022 ■ Sig higher than overall
 ▼ Sig lower than 2022 ■ Sig lower than overall

Substantial variation in knowing where to obtain information on finance across the UK

I know where to obtain information on the types of finance and specific providers available (%)

%Agree / %Disagree



- Firms in the Northern Ireland** (77%), East of England* (70%), Wales* (67%) and Yorkshire and the Humber* (66%) were most likely to **agree** they know where to obtain information about external finance.
- Firms in Scotland* (38%) were most likely to **disagree** they know where to obtain information about external finance.

A5 (single code, prompted, long version only) – Base: All SMEs (n=822 in 2023), East (n=73*), East Midlands (n=52*), London (n=155), North East (n=43*), North West (n=72*), Northern Ireland (n=34**), Scotland (n=51*), South East (n=141), South West (n=77*), Wales (n=55*), West Midlands (n=74*), Yorkshire/Humber (n=60*). * Small base. ** Very small base.

A third (35%) of SMEs were considering applying for external finance in the next 12 months

Forms of finance considering applying for in next 12 months (%)



SMEs that are more likely to be considering some form of external finance in the next 12 months:

- Medium firms (58%)
- Small firms (61%)
- Micro firms (47%)
- SMEs up to 5 years old (51%)
- SMEs expecting high growth (20%+) (64%)
- SMEs in Production (53%)

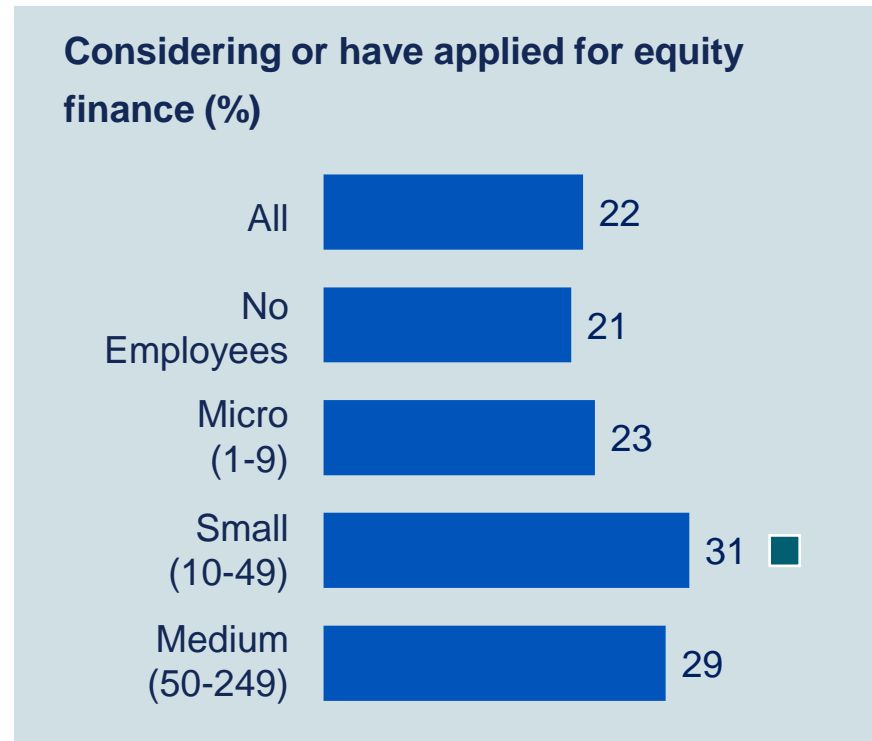
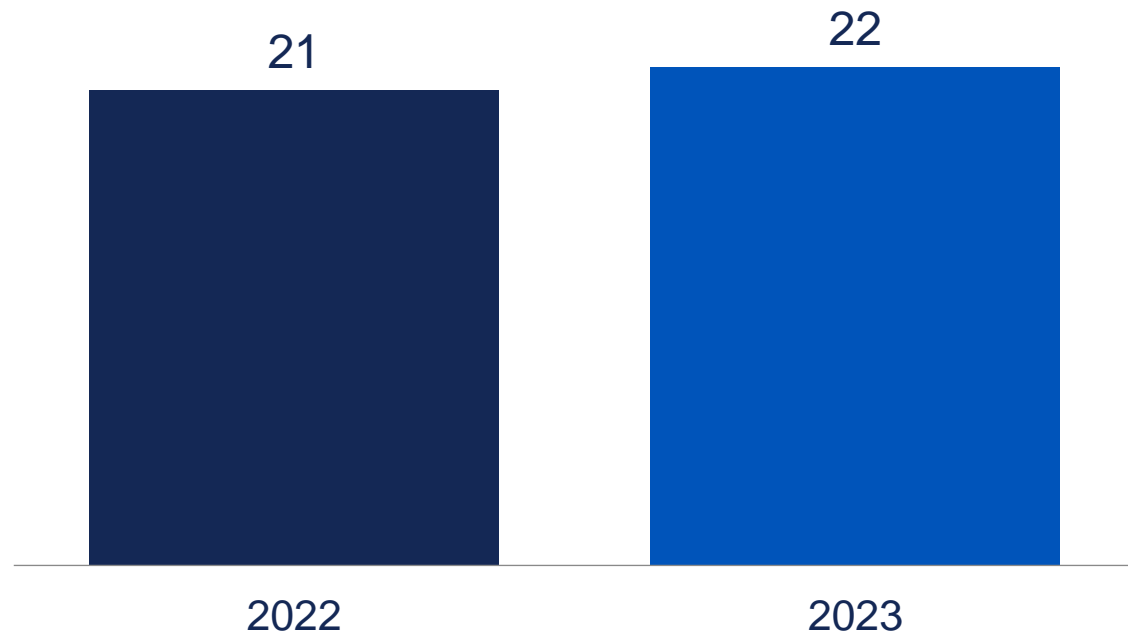
B3i (multi-code, prompted) – Base: All SMEs (n=1,723), Medium firms (n=169), Small firms (n=352), Micro firms (n=731), SMEs up to 5 years old (n=113), SMEs expecting high growth (20%+) (n=190), SMEs in Production (n=221). * Funds external to the business.

▲ Sig higher than 2022

▼ Sig lower than 2022

One in five SMEs who are aware of (but who have not sought) equity finance would consider it in future

Considering or have applied for equity finance (%)



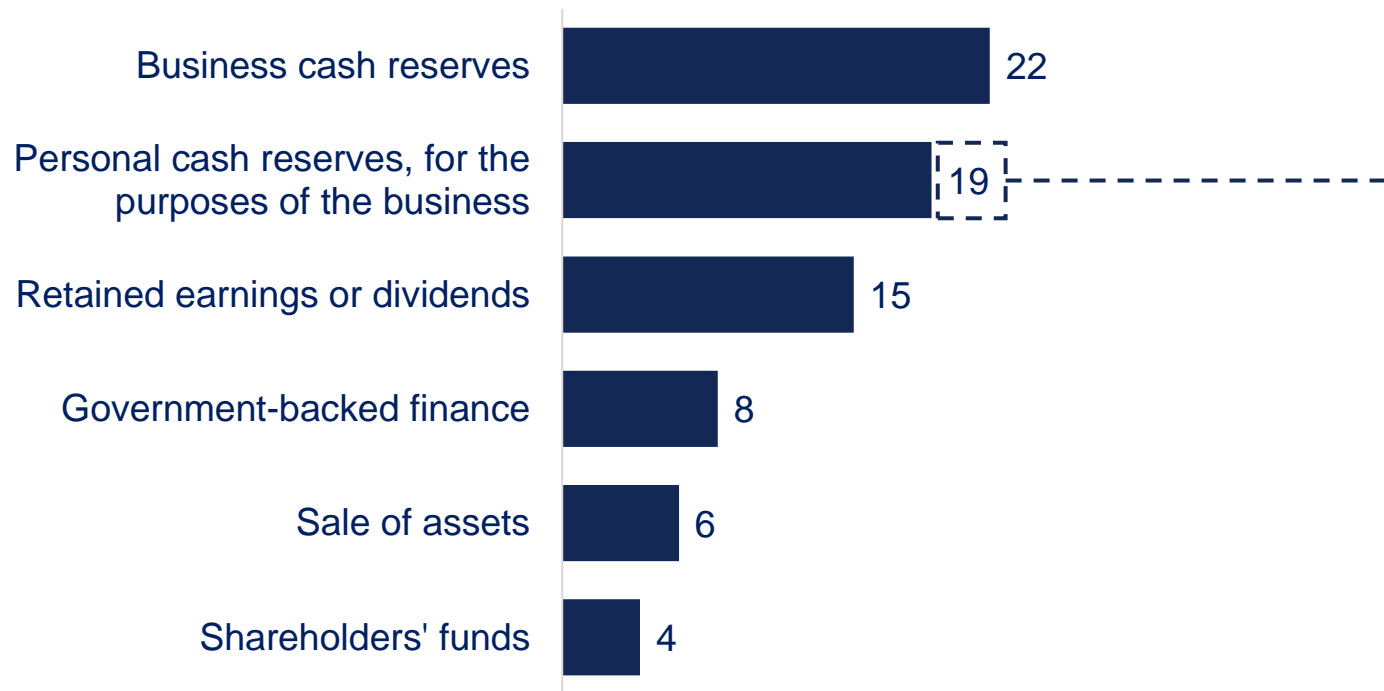
A6d_A – Base: All aware of equity finance but not sought it (n=465 in 2023, n=690 in 2022), No employees (n=103), Micro (n=194), Small (n=107), Medium (n=61).

▲ Sig higher than 2022 ■ Sig higher than overall
 ▼ Sig lower than 2022 ■ Sig lower than overall

Two in five (43%) SMEs anticipate a need to finance their business in the next 12 months

This is higher among Medium firms (53%) and Small firms (52%).

Types of finance planned to use in the next 12 months (%)



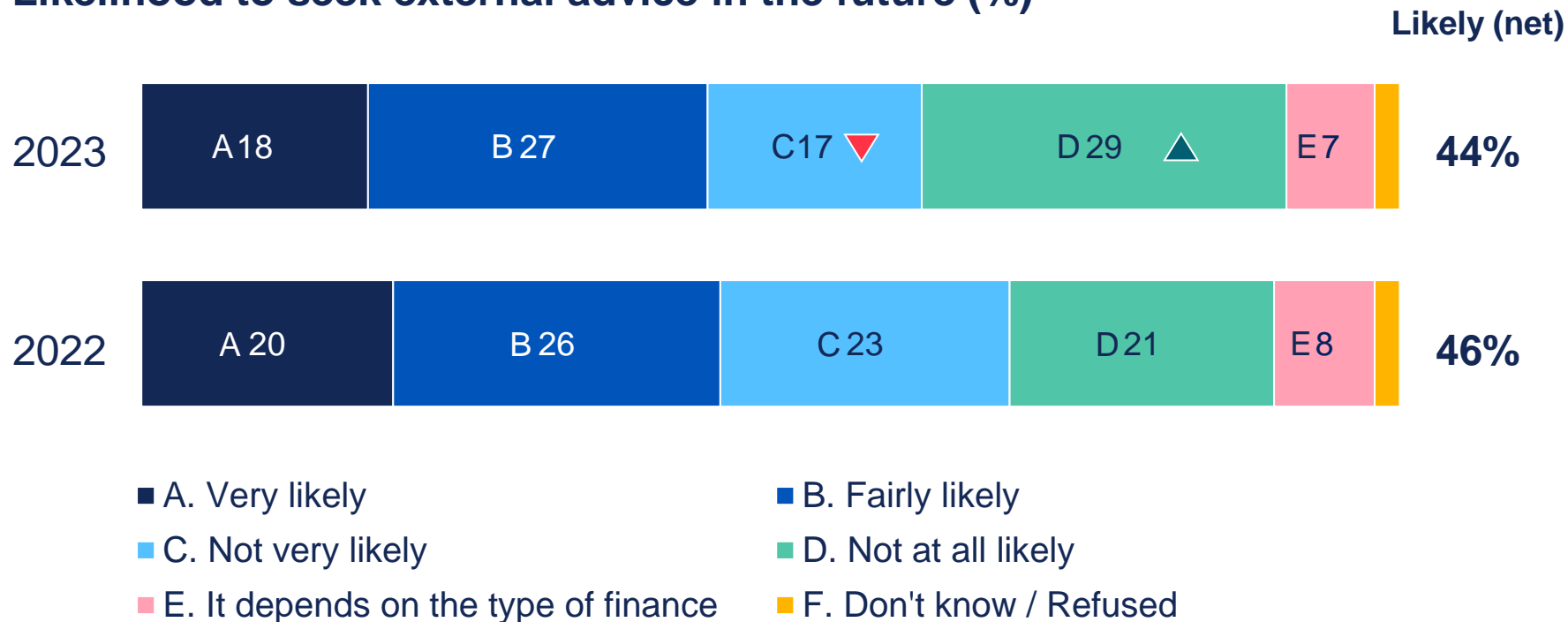
SMEs more likely to anticipate using personal cash reserves:

- SMEs who are not confident in knowing where to obtain finance product information (32%)
- Expect to have high growth (by 20% or more) (32%)
- SMEs in the South West (28%)
- SMEs that innovate (32%)

B3iaa – Base: All SMEs (n=1,723), SMEs who are not confident in knowing where to obtain finance product information (n=120), Expect to have high growth (by 20% or more) (n=190), SMEs in the South West (n=177), SMEs that innovate (n=249). Chart excludes SMEs who said 'none' = 53%.

More than four in ten SMEs likely to seek external advice if they need finance in the future

Likelihood to seek external advice in the future (%)



– **Micro (49%), Small (53%) and Medium (62%) firms** were more likely to say they would seek advice in the future.

B3ii (long version only) – Base: All SMEs (n=822 in 2023, n=1,168 in 2022); ‘Likely (net)’ may not equal the sum of figures presented on the chart due to rounding.

▲ Sig higher than 2022
▼ Sig lower than 2022

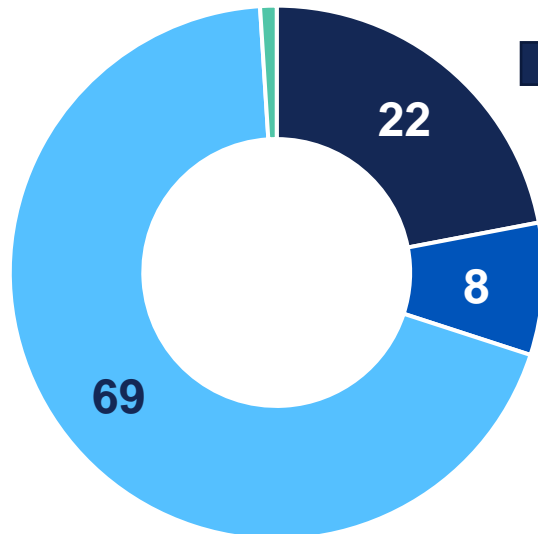
Innovation



One in five SMEs developed or introduced new products, processes or services in the last 12 months

Has your business developed or introduced new products, processes or services in the last 12 months? (%)

- Yes
- No - but wanted to
- No - and did not want to
- Don't know / Refused

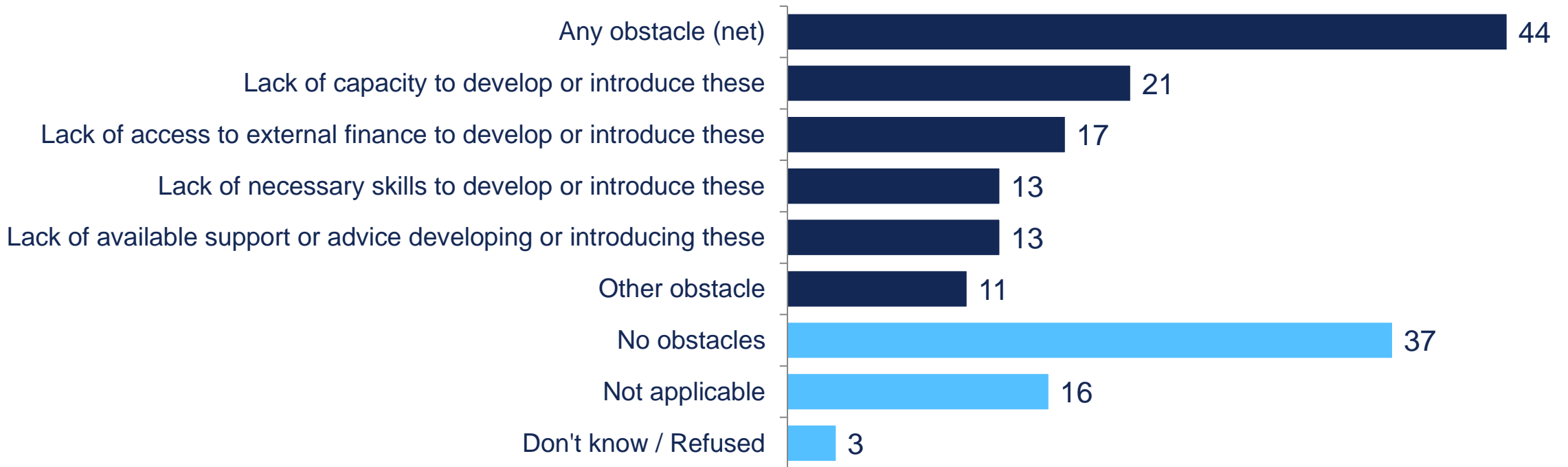


Among SMEs who developed or introduced new products, processes or services in the last 12 months, **80% considered these new to the business, and 43% considered them new to the market.**

G1 (long version only) – Base: All SMEs (n=822); G2 (long version only) – Base: All SMEs that developed or introduced new products, processes or services in the last 12 months (n=249). These questions were introduced in 2023.

More than four in ten SMEs said they faced obstacles to innovation

Which of the following, if any, present an obstacle to your business developing or introducing new products, processes or services in the next 12 months? (%)

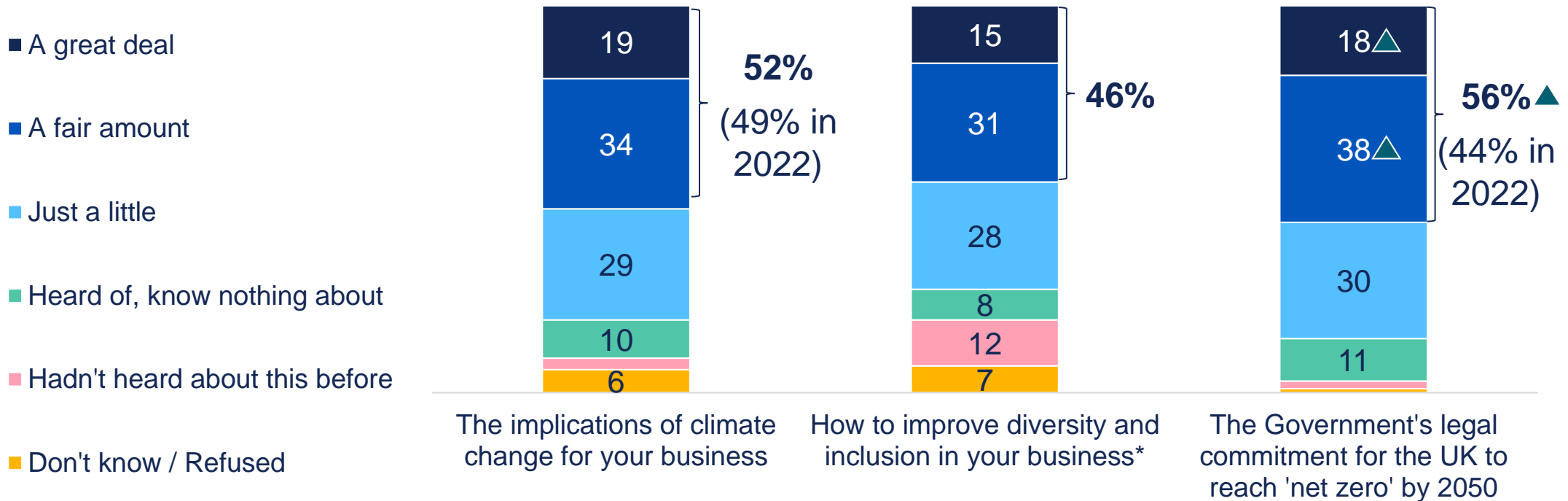


G3 (long version only) – Base: All SMEs (n=822). Participants were prompted to obstacle codes and multiple responses were allowed, excluding 'no obstacles', 'not applicable' and 'don't know / refused'. This question was introduced in 2023.

Environmental, Social, Governance (ESG)



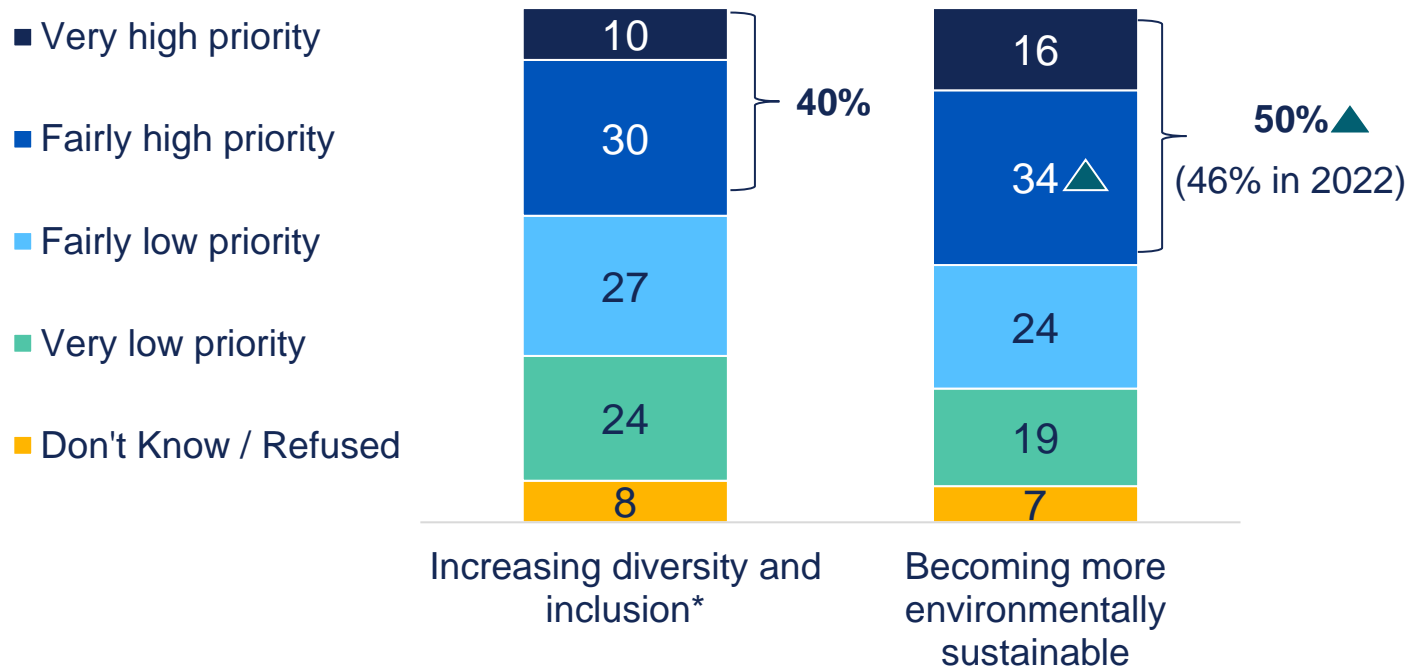
Half of SMEs said they knew at least a fair amount about climate change implications for their business



F2 (long version only) – Base: All SMEs (n=822 in 2023, n=1,169 in 2022, n=1,322 in 2021). 'Know at least a fair amount (net)' may not equal the sum of figures presented on the chart due to rounding. * Reintroduced in 2023. ▲ Sig higher than 2022
 In 2021 51% of SMEs knew at least a fair amount about how to improve diversity and inclusion in their business. ▼ Sig lower than 2022

Becoming more environmentally sustainable was a high priority for half of SMEs

Priorities for the business' operations and plans over the next 12 months (%)



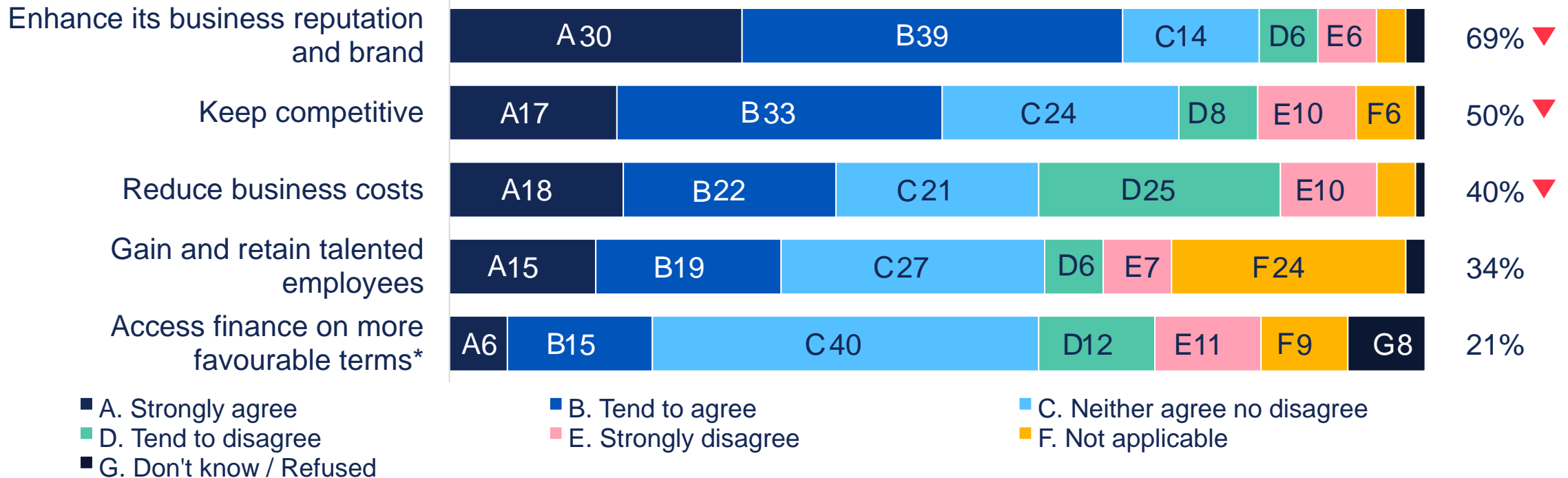
F3 (long version only) – Base: All SMEs (n=822, n=1,169 in 2022); ‘High priority (net)’ may not equal the sum of figures presented on the chart due to rounding. * Reintroduced in 2023.

▲ Sig higher than 2022

▼ Sig lower than 2022

Agreement that implementing ESG practices will be beneficial has declined across three measures

Implementing environmental sustainability practices enables your firm to ... (%)



F4 (long version only) – Base: All SMEs who consider environmental sustainability a priority in the next 12 months (n=462 in 2023, n=599 in 2022). ‘Agree (net)’ may not equal the sum of figures presented on the chart due to rounding. * Introduced in 2023.

▲ Sig higher than 2022
▼ Sig lower than 2022

Current economic conditions were the top obstacle to SMEs becoming more environmentally sustainable

Which of the following, if any, present an obstacle to your business becoming more environmentally sustainable in the next 12 months? (%)

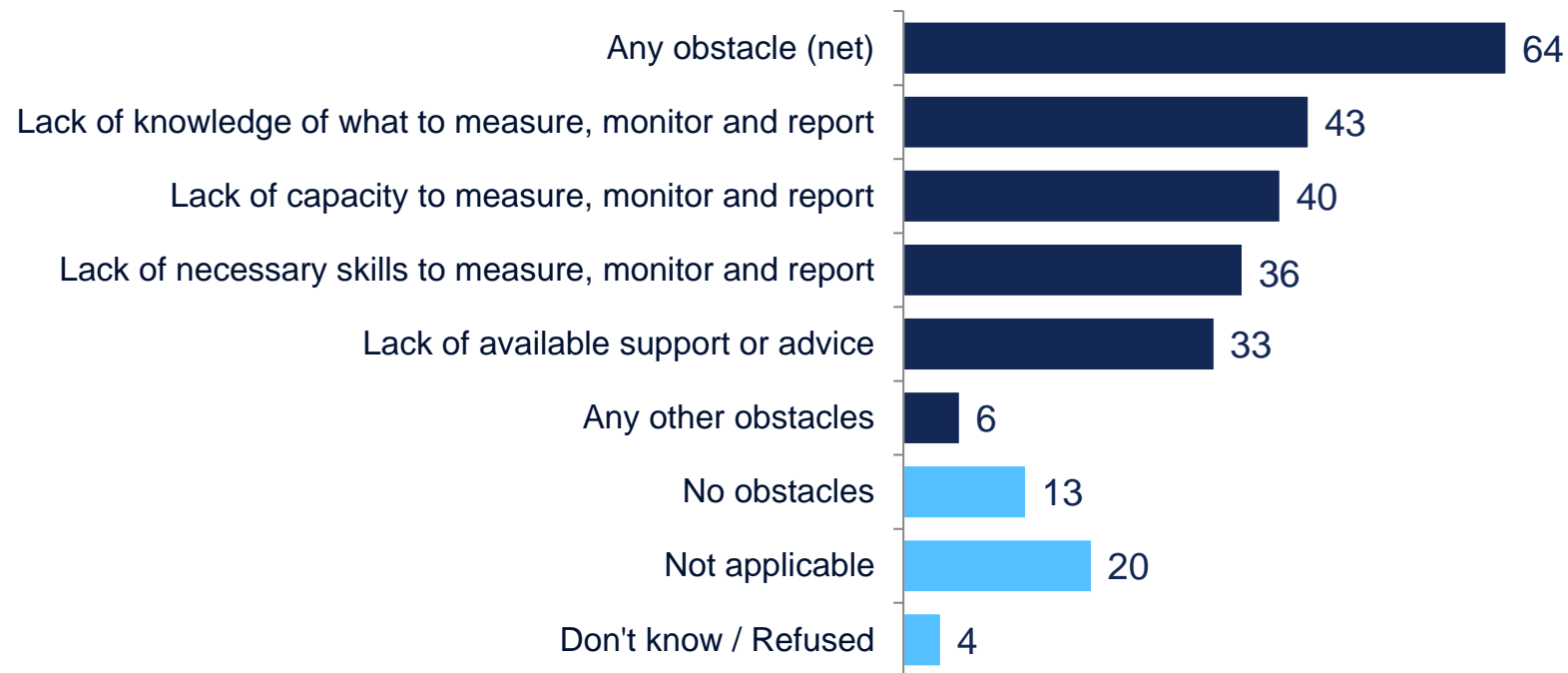


F6 (long version only) – Base: All SMEs that consider environmental sustainability a priority in the next 12 months (n=462 in 2023, n=599 in 2022). * Introduced in 2023.

▲ Sig higher than 2022
▼ Sig lower than 2022

Two thirds of SMEs said they faced obstacles to reporting carbon emissions

Which of the following, if any, present an obstacle to your business measuring, monitoring or reporting its carbon emissions? (%)



- Only 5% of SMEs were currently measuring, monitoring or reporting their carbon emissions, while 14% said they were not right now but that they intended to do so.
- Small firms (23%) and Medium firms (32%) were more likely to be measuring, monitoring or reporting their carbon emissions.

F9, F10 (long version only) – Base: All SMEs (n=822). Participants were prompted to obstacle codes and multiple responses were allowed excluding ‘no obstacles’, ‘not applicable’ and ‘don’t know / refused’. These questions were introduced in 2023.

Summary



SME demand for external financial support

- A third of SMEs expect to grow over the next 12 months, compared to 39% in 2022 and 41% in 2021
- Firms in Business Services, Production and Distribution were most likely to anticipate growth
- Three in ten SMEs sought external finance in the past three years
- More than a quarter of SMEs sought some type of non-government-backed finance
- SMEs were most likely to have sought bank overdrafts most recently
- Almost six in ten SMEs sought finance to help with working capital
- More than a quarter accepted the finance offered, even if less than the full amount requested
- Three quarters of SMEs that accepted a finance offer are not concerned about their ability to repay.

Awareness and use of different types of finance

- Awareness of four of the types of alternative finance has decreased since 2022
- A higher proportion of SMEs were considering more than one finance provider this year
- Three quarters of SMEs obtained all or some of the finance they needed from the first provider
- The increase in firms seeking finance facilities with value exceeding £25,000 continued in 2023.

Perceptions of raising finance and future use

- Three in five SMEs are confident they know where to obtain information on external finance from
- Substantial variation in knowing where to obtain information on finance across the UK
- A third of SMEs were considering applying for external finance in the next 12 months
- One in five SMEs who are aware of (but who have not sought) equity finance would consider it in future
- Two in five SMEs anticipate a need to finance their business in the next 12 months
- More than four in ten SMEs said they were likely to seek external advice if they needed finance in the future.

Innovation

- One in five SMEs developed or introduced new products, processes or services in the last 12 months
- More than four in ten SMEs said they faced obstacles to innovation.

Environmental, Social, Governance (ESG)

- Half of SMEs said they knew at least a fair amount about climate change implications for their business
- Becoming more environmentally sustainable was a high priority for half of SMEs
- Agreement that implementing ESG practices will be beneficial has declined across three measures
- Current economic conditions were the top obstacle to SMEs becoming more environmentally sustainable
- Two thirds of SMEs said they faced obstacles to reporting carbon emissions.

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Annex

Sector definitions

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

Business profile – sector

Sector	Target	Achieved	% (out of 100%)	Weighted* %
ABCDE Primary / manufacturing	255	221	13%	8%
F Construction	255	352	20%	16%
GHI Distribution	340	294	17%	20%
JKLMN Business services	510	592	34%	33%
PQRS Other services	340	264	15%	23%
Total	1,700	1,723	100%	100%

*Based on the October 2023 business population estimates.

Business profile – size

Size band	Target	Achieved	% (out of 100%)	Weighted* %
No employees	680	455	26%	72%
Micro (1-9)	655	823	42%	20%
Small (10-49)	255	351	20%	4%
Medium (50-249)	170	167	10%	1%
Total	1,700	1,723	100%	100%

*Based on the October 2023 business population estimates.

Business profile – region

Region	Target	Achieved	% (out of 100%)	Weighted* %
East	170	150	9%	10%
East Midlands	128	117	7%	7%
London	213	194	11%	19%
North East	102	92	5%	3%
North West	153	151	9%	10%
South East (excl. London)	213	279	16%	15%
South West	136	177	10%	9%
West Midlands	136	140	8%	8%
Yorkshire & Humberside	119	127	7%	7%
Scotland	128	113	7%	5%
Wales	119	110	6%	4%
Northern Ireland	85	73	4%	2%
Total	1,700	1,723	100%	100%

*Based on the October 2023 business population estimates.

Business profile – Gender, ethnicity and disability

Among the 463 sole traders, 23% are women, 6% identify as being an ethnic group other than White, and 9% consider themselves to have a disability.

Proportion of ownership of the business (among businesses with employees)	Women	Ethnic group other than White	People with a disability
None	35%	82%	84%
More than one percent but less than 50%	22%	6%	7%
50% or more, but less than 100%	29%	2%	2%
100%	10%	4%	2%
DK / Prefer not to say	4%	6%	6%
Total	100%	100%	100%

Finance sought

Sought finance	Definition	%
Sought any external finance	CODE 1 AT ANY OF A-S AT A6a OR CODE 1 AT A6a_RLS	30%
Sought any non-government-backed finance	CODE 1 AT A AT A6a AND CODE 2,98 AT A AT A6a_c OR CODE 1 AT G AT A6a AND CODE 2,98 AT G AT A6a_c OR CODE 1 AT H AT A6a AND CODE 2,98 AT H AT A6a_c OR CODE 1 AT O AT A6a AND CODE 2,98 AT O AT A6a_c OR CODE 1 AT ANY OF B,C,F,I,J,K,M,N,P,Q,S AT A6a	28%
Sought any government-backed finance	CODE 1 AT A AT A6a AND CODE 1 AT A AT A6a_c OR CODE 1 AT G AT A6a AND CODE 1 AT G AT A6a_c OR CODE 1 AT H AT A6a AND CODE 1 AT H AT A6a_c OR CODE 1 AT O AT A6a AND CODE 1 AT O AT A6a_c OR CODE 1 AT D AT A6a OR CODE 1 AT A6a_RLS	10%
Sought non-government-finance only	CODE 1 AT A6A_TYPE AND NOT CODE 3 AT A6A_TYPE	20%
Sought government-backed finance only	CODE 1 AT A6A_TYPE AND NOT CODE 2 AT A6A_TYPE	2%
Did not seek any external finance	(CODE 2,3,98,99 AT EACH OF A-S AT A6a AND CODE 2,3,98,99 AT A6a_RLS) OR CODE 2 AT A6x	70%
Considered (but not sought) any non-government-backed finance	CODE 2 AT A AT A6a AND CODE 2,98 AT A AT A6a_c OR CODE 2 AT G AT A6a AND CODE 2,98 AT G AT A6a_c OR CODE 2 AT H AT A6a AND CODE 2,98 AT H AT A6a_c OR CODE 2 AT O AT A6a AND CODE 2,98 AT O AT A6a_c OR CODE 2 AT ANY OF B,C,F,I,J,K,M,N,P,Q,S AT A6a	16%

A6a_TYPE – Base: All SMEs (n=1,723).