

ETHNIC MINORITY BUSINESSES

2023

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FOREWORD

The “Ethnic Minority Businesses and Access to Finance” report was published in July 2013 by the Department for Communities and Local Government. It found that there was no evidence of racial discrimination by banks, however, ethnic minority businesses disproportionately faced challenges which make access to finance more difficult, including: collateral shortages, poor credit worthiness (as assessed through credit-scoring), lack of formal savings, poor financial track record and language barriers.

One of the actions resulting from this review was “to fund the independent research group BVA BDRC to extend the Small and Medium sized Enterprise Finance Monitor to conduct research on ethnic minority businesses’ experience of accessing finance and, through funding from Barclays, HSBC, Lloyds and NatWest.”

This is the fifth such report, providing analysis of SME Finance Monitor data by the ethnicity of the owner, senior partner or majority shareholder for the period Q1 2022 to Q2 2023. Ethnicity has been asked on the Monitor since Q2 2012 and this report is an update on a series of reports starting with the period Q2 2012 to Q2 2013. It is anticipated that further reports will be published.

This report includes an extra introduction from an external perspective. Joel Blake OBE has reviewed this report and provided his insight based on his extensive experience of this area of SME Finance.

The report, dataset and introduction have all been produced independently of government, finance providers and business organisations. In producing this report, and also the half-yearly reports covering UK-wide results, BVA BDRC is advised by a steering group whose membership is listed below, but BVA BDRC retains full and complete editorial control of the dataset and reports.

More details of the full report can be found at www.sme-finance-monitor.co.uk.

Shiona Davies

Editor, The SME Finance Monitor

December 2023

The Survey Steering Group comprises representatives of the following:

UK Finance

BVA BDRC

The British Business Bank

Dept. for Business and Trade

Make UK, the manufacturers' association

Federation of Small Businesses

Confederation of British Industry

Institute of Directors

British Chambers of Commerce

HM Treasury

Barclays Bank

HSBC

Lloyds Banking Group

NatWest Group

Santander

THE EXTERNAL PERSPECTIVE

THE EXTERNAL PERSPECTIVE

In today's diverse and dynamic business landscape, ethnic minority-owned businesses (EMBs) play a crucial role in fostering inclusive economic growth. The United Kingdom, with its rich tapestry of cultures and ethnicities, is home to a growing number of EMBs, though their appetite for growth is not always matched with the support they require.

EMBs face many challenges, from limited access to finance and need for greater support with financial illiteracy both within their businesses and communities, to contending with the impact of groupthink, geo-politics, economic disruption, cost of living crisis, health crisis and the acceleration of technological developments, all of which influence both the regulatory and financial models deployed by finance providers.

A refreshing element of this report was the recognition that EMBs are often founded by individuals with great ambition and a willingness to take higher risks, in order to contribute significantly to the nation's economic fabric - this is a factor that is so easily overlooked but evidenced well within this report.

My own decades of experience working in the convergent spaces between responsible finance, technology and professional services, have already highlighted to me that EMB founders are often driven by a deep-seated ambition to succeed with a determination to overcome obstacles. They are, by nature and culture, higher risk takers through the very basis of their historical and lived experiences - a trait that is invaluable in entrepreneurship and which often leads to greater and more inclusive innovation, for the benefit of all.

However, this inherent ambition can sometimes become a double-edged sword that they inherit - the risk-taking spirit, while essential for growth, can make EMBs appear too risky to conventional lenders, who often rely on traditional financial metrics to assess creditworthiness and monetary risk. Some entrepreneurs, despite their potential, often find themselves on the fringes of the financial system, facing difficulty in securing funding to fuel their ambitions.

In addition, one of the primary challenges facing EMB founders is a lack of financial literacy, with many of these entrepreneurs coming from backgrounds where access to quality financial education can be limited. As a result, many may not feel as confident in interpreting and applying financial concepts, managing their business finances, and making informed long-term growth decisions. Despite having the innate drive to overcome these challenges, a lack of financial literacy coupled with a lack of trust being treated equally can increase the perceived risk associated with EMBs and further deter lenders from offering inclusive financial support.

Another critical issue is the impact of groupthink within the financial industry. When decision-makers within financial institutions are largely homogeneous in terms of background and experience, they tend to follow conventional wisdom and adhere to established norms. This can lead to a both conscious and unconscious bias against EMBs, as their unique challenges and opportunities may not be fully understood or appreciated.

To create a more equitable lending environment, it is essential to foster diversity within financial institutions and encourage a more inclusive approach to risk assessment.

Cultural intelligence is a powerful tool in addressing these challenges. By recognising and valuing the cultural nuances of EMB founders, financial institutions can gain a better understanding of their businesses and risk profiles. This cultural intelligence can pave the way for more tailored financial solutions and foster deeper trust between EMBs and lenders.

In the age of inclusive digital transformation, technologies such as artificial intelligence (AI) offer a promising avenue for improving equitable access to finance. AI can help mitigate human biases in lending decisions by analysing a broader set of data points to assess more than creditworthiness. Over time, this can level the playing field for EMBs and make it easier for them to access the capital they need to grow their businesses.

Additionally, AI can aid in financial education by providing accessible, personalised, and culturally sensitive resources to EMB founders, thus increasing their financial literacy.

We have seen a lot of progress by lenders in tackling the issues faced by EMBs. Lenders are delivering a wide range of schemes and activities to tackle financial literacy and improve investment readiness, for example. The EMB SME Finance Monitor Report helps us to benchmark progress in improving outcomes.

While challenges persist, it is crucial to recognise the significant potential and resilience of EMBs in the UK. The ability to harness this potential lies in addressing the barriers they face and creating a more inclusive business environment. To achieve this, collaborative and strategic efforts between governments, financial institutions, and the business community with measurable and accountable outcomes, are essential.

Joel Blake OBE

Founder, GFA Exchange

USING THIS REPORT

This report provides key headline findings for SMEs based on the ethnic background of the owner, major shareholder or leading partner, split into four groups: Mixed, Asian, Black, and Chinese/Other (this latter group is very small and all figures should be treated as indicative at best). The categories that make up each of these groupings are detailed at the end of the report. 9% of all SMEs (excluding DK/Refused answers) were in one of these groups. Results are drawn from the 25,507 interviews conducted for the SME Finance Monitor between Q1 2022 and Q2 2023. The majority of responses are shown on this combined basis, to provide as robust a base size as possible. In some instances, questions have changed, or been added more recently, or rested from Q2 2020 to allow for more topical questions around Covid/ increased costs for example, and in these instances the base sizes will be smaller.

It should be noted that the sample design for the SME Finance Monitor focuses on size, sector and region and the data is weighted to be representative of all SMEs in England and the devolved nations. From this, ethnic minority SMEs can be identified from the responses they provide (see full question text at the start of the data table section) but there are no specific quotas for ethnic minority SMEs and all interviews are conducted in English.

Each chapter provides information on the views and behaviours of SMEs, split into an overall ethnic minority SME metric and the individual ethnic groups listed above, as previous work shows that there are differences between ethnicities that need to be considered, rather than treating them as one homogenous group. Analysis for this report has shown that, across a range of key data, results for one or more ethnicities are significantly different from the overall. Where such differences cannot be explained by a difference in the profile of SMEs concerned, it should not be assumed that ethnicity is the cause of such differences – a more detailed description of the analysis process, and the ‘health warning’ that comes with it, is provided below.

This report focuses on the period Q1 2022 to Q2 2023. Where key questions have been asked consistently over time, the data from the previous reports is included to show how, if at all, behaviour and perceptions have changed since the last report. This is shown as a series of time periods (e.g. Q1 2013 to Q2 2014) and on occasions this has meant a slight overlap in these time periods (namely Q1 and Q2 of each year).

How to use this report

Information on EMBs is provided in three formats, so that it can be accessed in the way most useful to users:

A **management summary** provides an overview of EMBs compared to the wider SME market. These highlight where EMBs are significantly different from their peers once the profile of SMEs has been taken into account. Where such differences cannot be explained by a difference in the profile of SMEs in that group, this is stated, but it should not be assumed that ethnicity is the cause of such differences – a more detailed description of the analysis process, and the ‘health warning’ that comes with it, is provided below.

There are **four chapters**, one for each theme from the presentation of the 2022 report: SME sentiment and context, growth and innovation, use of external finance and access to finance. Key questions to support each of these themes are included in these chapters with charts to show the comparisons between SMEs overall and EMBs, together with which data table provides more detail.

At the back of the report, an Appendix contains the main data tables. Whilst not all questions are reported in the chapters, all are included in the data tables, providing detailed comparative data between SMEs and EMBs.

A number of summary terms and definitions are used. They are included at the back of the report, with the relevant tables of results.

UNDERSTANDING THE ETHNIC CONTEXT – A HEALTH WARNING

This report provides information on EMBs and each of the four ethnic groups specified and for SMEs overall. Analysis for this report has shown that, across a range of key data, results for one or more ethnicities are significantly different from the UK overall.

It is important though to view these ethnic differences in context, firstly by accounting for any differences between the demographic profile of SMEs led by those from these ethnic backgrounds (such as the business age, size, or risk rating) and the national profile, which might explain why SMEs led by a given ethnicity have different results from the overall. The full list of demographics taken into account is provided at the end of this section, and some of the data analysed passed this ‘demographics’ test.

More detailed analysis was therefore done for the most important variables including past financial behaviour, current use of external finance, likely future financial behaviour and growth prospects, to identify *which* ethnicities were statistically significantly different from the overall picture. Where an ethnicity *is* statistically significantly different to the overall picture for one of these key variables, once demographics are taken into account, this is reported in the management summary section.

The existence of such statistically significant ethnic differences, even once the profile of SMEs has been taken into account, should not however be taken to mean that ethnicity is the cause of the difference per se: business demographics in themselves only explain a proportion of the variance in results, and there are other factors which will impact on, for example, success rates when a facility is applied for. These include those that cannot be fully covered within the questionnaire, such as how well the application is presented to the bank and that bank’s perception of, and willingness to lend to, that business or sector.

Other, broader, issues may be affecting results: for example, whilst quotas are set and controlled at a broad sector level, the mix of different business types within a broad sector may vary e.g. the mix of small sub-contract builders and Civil Engineers within the Construction sector. Similar issues may exist across other matched variables.

The fortunes of most SMEs are also linked to the local economies in which they operate and regional economic performance/prospects vary. ONS data show, for example, that economic deprivation at a very local level is spread widely across all regions and none of this can be reflected in the survey. So, if a large local employer opens up/contracts this will impact upon the sales and business environment of all local firms in a number of ways. This report can therefore only highlight the existence of such differences, not fully explain them.

The questions used as part of the demographics ‘test’ are: number of employees, external risk rating, sector, age of business, growth plans, profit/loss, credit balances held, growth, and business owner demographics (gender, age), whether the financial decision maker has had training, business formality (business plans etc.). Note that when one of these factors is the one being tested for significance it is removed from the ‘test’ before that analysis is run and then returned afterwards.

It should also be noted that in some instances the base size for an individual ethnic group allows only a **qualitative** assessment to be made. This is usually where the base size is below 100, and again this has been highlighted in the text.

MANAGEMENT SUMMARY

This summary reflects on the key characteristics of Ethnic Minority SMEs interviewed in the 18 months to Q2 2023 as part of the SME Finance Monitor, highlighting where these distinguish them from SMEs more generally. Differences within the EMB community are detailed in the full report. Please note that these SMEs have been interviewed (in English) as part of the general SME Finance Monitor work with no specific quotas set for ethnicity, so the profile of EMBs interviewed may not exactly match that of EMBs overall.

The EMBs in this report are typically small and young, with big ambitions for the future, even if current performance is an issue for some.

As with SMEs more generally, the majority of EMBs interviewed (79%) were small with 0 employees, but they differed from their peers in typically being much younger SMEs. EMBs were twice as likely as SMEs overall to have been trading for 5 years or less (59% v 30% of all SMEs), a trend that has been seen consistently since pre-pandemic.

In addition to the SMEs being younger, so too are the owners/MDs: 67% of those running EMBs were aged under 50, compared to 39% of SMEs overall.

A likely reflection of the size and age profile of EMBs was that not only did more of them have a worse than average risk rating (59% v 44% of all SMEs with a risk rating) but they were also more likely to have no risk rating available at all (17% v 11% of all SMEs).

Size, business age and risk profile are all elements that influence or reflect how SMEs are performing and should be born in mind for this analysis.

EMBs were very positive about the future

Almost 6 in 10 EMBs (57%) met the definition of an 'Ambitious Risk Taker', that is an SME that has ambitions both to be much bigger (65% of EMBs) and is also prepared to take risks (73% of EMBs) This is significantly higher than for SMEs overall, where a quarter met the definition of an 'Ambitious Risk Taker' (27%).

EMBs were also more likely to be planning to grow (61% v 43% of all SMEs) and to be planning any of a series of activities associated with growth (62% v 48% of all SMEs), notably taking on more staff (37% v 22% of all SMEs) or developing a new product or service (24% v 17% of SMEs).

They were also more likely to be trading overseas (23% v 19% of all SMEs) and, amongst those with employees, to employ staff from overseas (20% v 11% of all SME employers), while 12% were planning to sell more overseas (v 6% of all SMEs).

Whilst 43% of EMBs saw increased costs as a future barrier and 30% were worried about the economic climate, this was in line with SMEs overall (39% and 31%) and once their demographic profile was taken into account they were less likely to see these as barriers than their peers.

Continued

Continued

However, current performance showed some vulnerabilities

In a new question for 2023, EMBs were more likely to describe themselves as 'Struggling' (30% v 18% of SMEs overall), and while 33% of all SMEs felt they were 'Well off / Comfortable' this was the case for 18% of EMBs.

Other data provides some clues as to why this might be: EMBs were less likely to have made a profit in the previous year (56% v 75% of all SMEs), more likely to have got smaller in size (43% v 36% of all SMEs), and slightly less likely to have been innovative (35% v 40% overall). Half had seen an injection of personal funds into the business (52% v 35% of SMEs overall), with many of those making an injection feeling that it was something they 'had' to do.

Overall then, 49% of Ethnic Minority SMEs declared themselves in a 'good mood' about their business, significantly below the 59% of all SMEs. It should be noted though that, like SMEs overall, this mood has improved since the pandemic, when 34% of EMBs were in a 'good mood'.

Their use of finance was impacted by the pandemic but they have appetite for finance in future

From a financial standpoint, EMBs were as likely as their peers to be using any traditional form of external finance (both 37%), while 1 in 5 was still repaying Government back pandemic funding (21%). EMBs using any finance were slightly more likely to say that they were borrowing more than pre-pandemic (55% v 46% of all finance users) and more concerned about how they would repay the funding they had (35% v 17% of all finance users).

At the other end of the finance scale, 36% of EMBs met the definition of a 'Permanent non-borrower' with no apparent interest in finance (v 45% of SMEs overall). Once their demographic profile was taken into account, they were more likely to be in this category than their peers.

EMBs were as likely as their peers to have a high level of trust in their bank (60% v 59% of SMEs overall), to have had a need for funding in the previous year (9% v 6% of all SMEs), and to have had any borrowing 'event' (9% v 10% of all SMEs).

Too few applications were made to be able to report the results, but, qualitatively, EMB applications were somewhat less likely to have been successful. It should be noted that EMB applications were more likely to be from 0 employee SMEs and /or those applying for the first time, both groups where success rates are lower in the overall SME sample.

Looking forward, the future ambition amongst EMBs was potentially also reflected in them being more likely to be either planning to apply for finance (16% v 8% of all SMEs) or to be a Future would-be seeker (26% v 15% of all SMEs), albeit their confidence that they would be successful was somewhat lower than their peers (24% v 37% of all SMEs planning to apply).

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SENTIMENT AND CONTEXT

SME SENTIMENT AND CONTEXT

This chapter provides an overview of SME sentiment and contextual data for subsequent chapters. SMEs have faced a range of trading challenges since the SME Finance Monitor started in 2011, as economic conditions varied, General Elections and the Brexit referendum were held and the UK left the EU, but perhaps nothing quite as all-encompassing as the Covid-19 pandemic which, from March 2020, saw a series of lockdowns and other restrictions across the UK and the wider world. As the impact of the pandemic abates, SMEs now face new challenges around inflation and possible recession. Analysis of this data provides an indication of how SMEs have managed as conditions have changed pre to post pandemic.

For UK SMEs as a whole, the current position (H1 2023) can be summarised as:

“More SMEs are making a profit and/or hold £10k+ of credit balances. They still face a range of challenges, including increased costs, staff recruitment and the impact of the trading arrangements with the EU so whilst SME ‘mood’ was stable, a quarter of SMEs felt the future offered more threats than opportunities.”

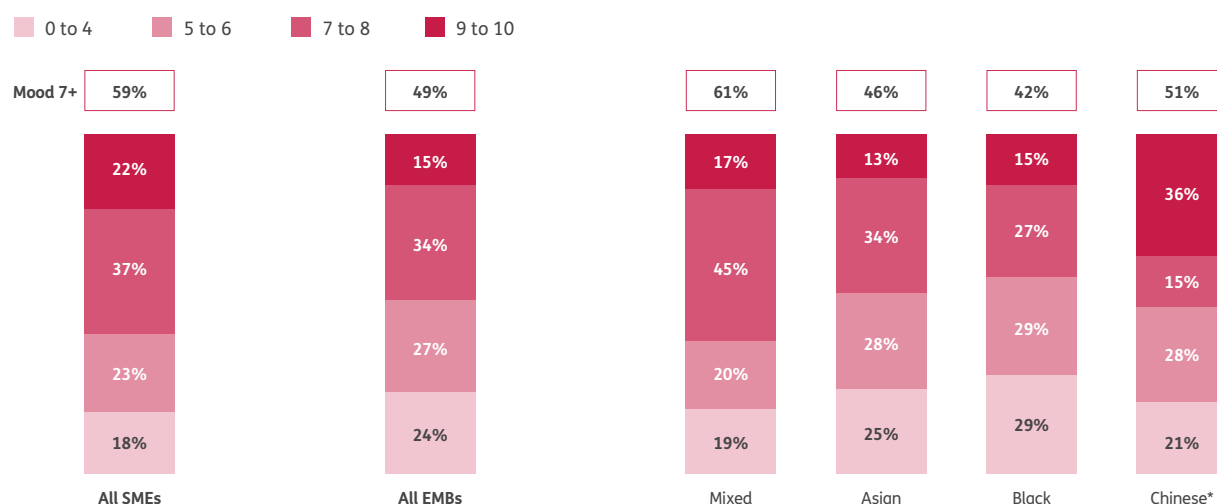
BUSINESS MOOD (TABLE 1P)

Across the 18 months to Q2 2023, over half of all SMEs (59%) reported feeling in a 'good' mood about their business (a score of 7-10 out of 10). This remained a marked improvement from when this question was first asked in Q2 2020 when 25% of SMEs were in a 'good' mood.

- EMB SMEs were slightly less likely to be in a 'good' mood (49%), ranging from 42% of Black SMEs to 61% of Mixed SMEs.
- 24% of EMBs were in a 'poor' mood (scores 0-4), with limited variation (19% of Mixed SMEs to 29% of Black SMEs). This was slightly higher than for SMEs overall (18%).

EMBs were somewhat less likely to be in a 'good' mood about their business than SMEs overall

Business mood Q1 2022–Q2 2023



CV1 Base: All SMEs Q122-Q2 23 25,507 977 182/559/191/45*

Limited analysis over time is possible, but comparing the 18 months to Q4 2021 to the current period to Q2 2023 showed that:

- The proportion of SMEs overall in a 'good' mood increased by 10 percentage points from 49% to 59%.
- There was also an increase for EMBs, of 15 percentage points, from 34% to 49% but they remained less likely than SMEs overall to be in a 'good' mood. Asian SMEs saw the largest increase in the proportion in a 'good' mood, increasing from 29% to 46%.
- The proportion of SMEs overall in a 'poor' mood decreased by 9 percentage points from 27% to 18%.
- There was a larger decrease amongst EMBs of 16 percentage points, from 40% to 24% in a 'poor' mood, again led by Asian EMBs, decreasing from 45% to 25% in a 'poor' mood.

PROFITABILITY (TABLE 1F)

Across the 18 months to Q2 2023, 75% of all SMEs (excluding DK answers) reported making a profit still below pre-pandemic levels.

In the 18 months to Q2 2023, EMBs were somewhat less likely than SMEs overall to have made a profit (56% v 75% of all SMEs), ranging from 52% of Asian SMEs to 61% Mixed SMEs.

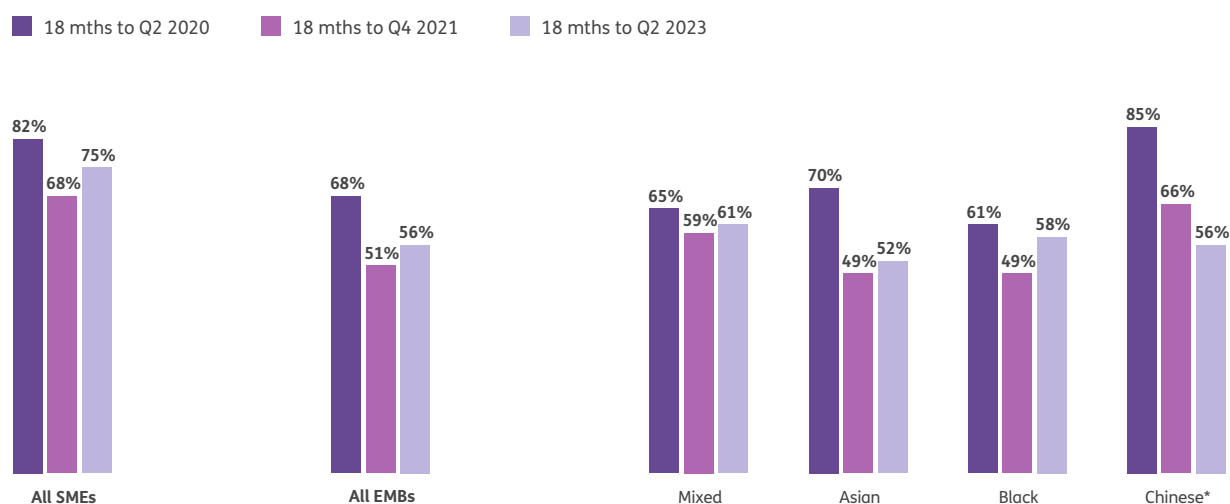
Profitability in the previous 12 months declined for all SMEs during the pandemic:

- In the 18 months to Q2 2020, 82% of SMEs reported making a profit, declining to 68% for the 18 months to Q4 2021 and then recovering somewhat to 75% in the 18 months to Q2 2023.

EMBs have typically been less likely than SMEs overall to report making a profit. In the 18 months to Q2 2020, 68% of EMBs reported making a profit, they too then saw a decline in the proportion reporting a profit during the pandemic, to 51% for the 18 months to Q4 2021, with only a limited increase in the current 18 months to Q2 2023 (56%):

EMBs were less likely than SMEs overall to have been profitable, with both groups seeing a decline in profitability during the pandemic that has not yet been recovered

Made a profit in previous 12 months (excl DK)



Q115 Base: All SMEs excl DK

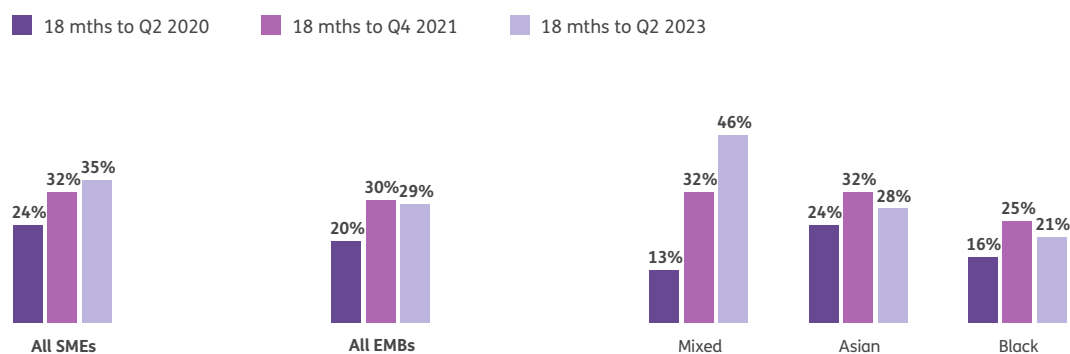
CREDIT BALANCES (TABLE 1H)

Across the 18 months to Q2 2023, 35% of all SMEs held credit balances of £10,000 or more. This proportion has increased steadily over time, and appeared little affected by the pandemic:

- EMBs were slightly less likely than SMEs overall to be holding £10,000 or more in credit balances in the 18 months to Q2 2023 (29% v 35% overall), but with wide variation, from 8% of the small group of Chinese EMBs to 46% of Mixed EMBs.
- They too have seen an increase in credit balances held over time, increasing from 20% holding such funds in the 18 months to Q2 2020, to 29% in the current 18 months to Q2 2023.

EMBs were slightly less likely than SMEs overall to hold £10,000 or more of credit balances but like their peers have seen an increase over time

Credit balances of £10k+ (excl DK)



Q117 Base: All SMEs excl DK 9719 439 92/245/85 too few Chinese SMEs to report

INCREASING COSTS (TABLE 1N)

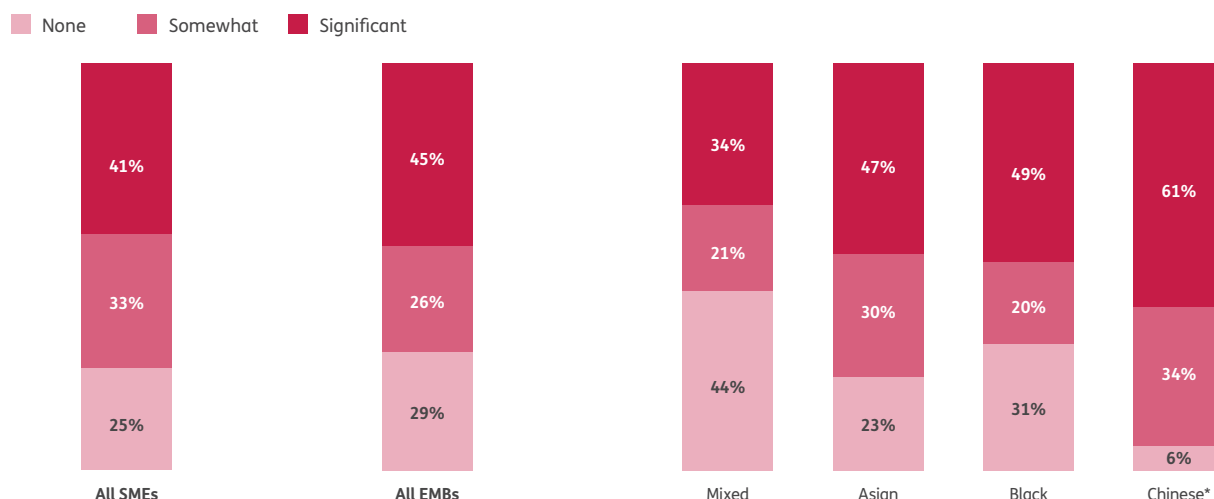
A new question from Q4 2021 has tracked the impact on SMEs of increasing costs. In the 18 months to Q2 2023, 41% of all SMEs reported having been ‘significantly impacted’ by increasing costs, while 33% had been ‘somewhat’ impacted and 25% reported no impact.

EMBs were as likely as their peers to have been ‘significantly impacted’ (45%), ranging from 34% of Mixed SMEs to 61% of the small group of Chinese SMEs.

They were slightly less likely to have been ‘somewhat’ impacted (26%), so overall 71% reported any impact from increased costs, compared to 75% of all SMEs. Almost all Chinese SMEs reported an impact (94%), compared to 56% of Mixed SMEs.

EMBs were as likely to have been impacted by increasing costs as their peers

Impact to date of increasing costs



cv3b Base: All SMEs 18mths to Q2 2023 25,507 977 182/559/191/45*

Looking forward, 39% of all SMEs in the 18 months to Q2 2023 thought increased costs represented a major future barrier to their business.

EMBs were as likely to rate costs as a future barrier (43%), ranging from 31% of Mixed SMEs to 52% of Asian SMEs.

As these are both recent metrics, no analysis over time is possible at this stage.

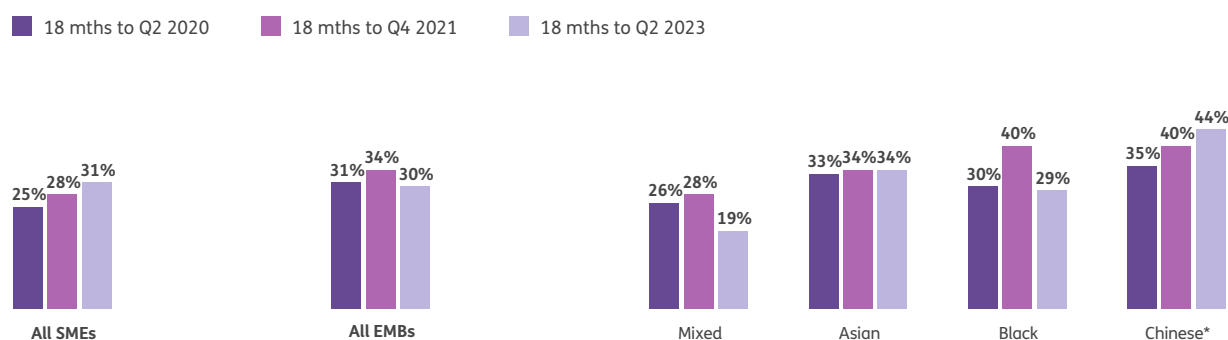
SEEING THE ECONOMIC CLIMATE AS A MAJOR BARRIER (TABLE 4D)

The other main future barrier to SMEs is the current economic climate, seen as a major barrier by 31% of all SMEs in the 18 months to Q2 2023.

Concern amongst EMBs was in line with SMEs overall at 30%, ranging from 19% of Mixed SMEs to 44% of the small group of Chinese SMEs.

As more SMEs saw the economic climate as a major barrier, there is now little to choose between them and EMBs

Seeing the economic climate as a major barrier 8-10



Q93 Base: All SMEs 18mths to Q2 2023 25,507 977 182/559/191/45*

This is a long-standing metric and so analysis over time is possible:

- Amongst SMEs overall, concern about the economic climate as a barrier increased, after a period of stability, from 14% in the 18 months to Q2 2018 to 31% in the 18 months to Q2 2023. This was back to levels last seen in the early days of the SME Finance Monitor (32% for the 18 months to Q2 2013).
- Concern about the economic climate has typically been slightly higher for EMBs: In the 18 months to Q2 2018, 20% were concerned (compared to 14% of SMEs overall), increasing to 31% in the 18 months to Q2 2020 (compared to 25% of SMEs overall).
- The proportion has then varied relatively little, so as concerns amongst all SMEs have increased there is currently little to choose between EMBs (30%) and SMEs (31%) for the 18 months to Q2 2023.

RECRUITMENT AS A MAJOR BARRIER (TABLE 4D)

In the 18 months to Q2 2023, 20% of SMEs *with employees* saw the recruitment and retention of staff as a major future barrier to their business (scores 8-10) and concern has risen steadily over recent years.

EMB employers were as likely as SME employers overall to be concerned about staff recruitment and retention (20%), with little variation (16-24%).

IMPACT OF EU TRADING ARRANGEMENTS (TABLE 1M)

All SMEs were asked what impact, if any, the new trading arrangements with the EU were having on their business. This is a more recent question, so no data over time is available for this report:

- 2% of SMEs reported that the new trading arrangements had made a positive impact and EMBs were in line (1%).
- The biggest single group (65% of all SMEs) said that the new arrangements had not had an impact, and this was also the case for EMBs (61%), increasing to 75% of Mixed SMEs.
- This left 33% of all SMEs reporting a negative impact from the new arrangements, again with EMBs in line (38%), ranging from 23% of Mixed SMEs to 45% of Black and 66% of the small group of Chinese SMEs.

HOW DO YOU FEEL ABOUT THE FUTURE? (TABLE 1Q)

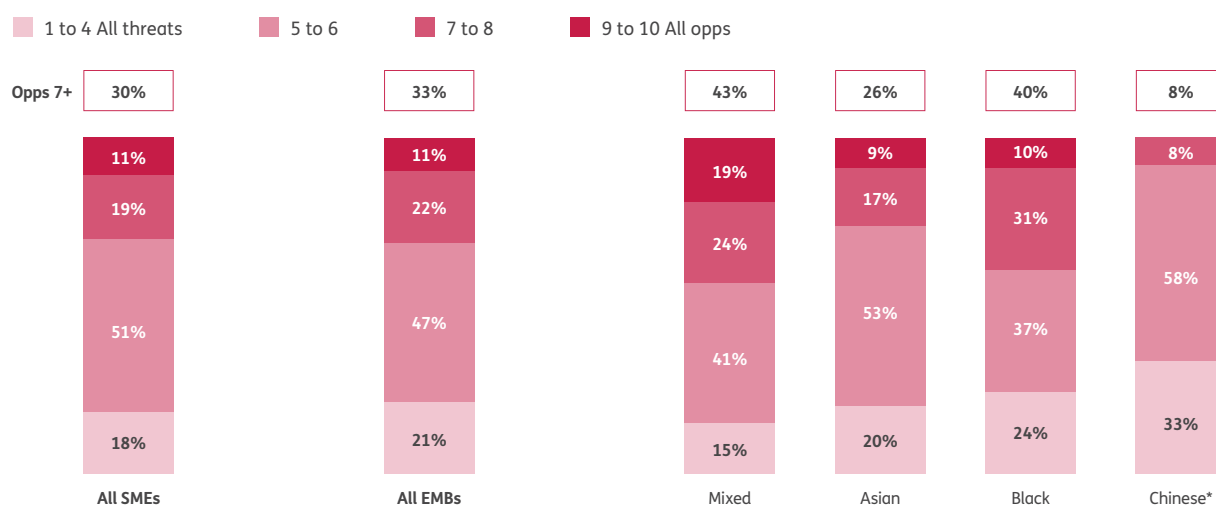
All SMEs were asked to give a score out of 10 for their view of the future for their business, from 1 (all threats, no opportunities) to 10 (all opportunities, no threats). Overall, for the 18 months to Q2 2023, 11% of SMEs saw lots of opportunities, and gave a score of 9-10, while at the other end of the scale, 18% gave a score of 1-4 as a result of seeing lots of threats.

EMBs were as likely as SMEs more generally to feel that the future offered lots of opportunities (11% v 11% of all SMEs scoring 9-10) and overall 33% gave a positive score of 7-10 (v 30% of all SMEs). This ranged from 43% of Mixed SMEs and 40% of Black SMEs to 26% of Asian SMEs and just 8% of the small group of Chinese SMEs.

At the other end of the scale, 21% of EMBs saw the future offering lots of threats (score 1-4), also in line with SMEs overall (18%). This ranged from 33% of the small group of Chinese SMEs to 15% of Mixed SMEs.

EMBs were as likely to see the future offering opportunities as SMEs overall, with the exception of the small group of Chinese SMEs

Future offers opportunities or threats Q1 2022–Q2 2023



CV7 Base: All SMEs Q122-Q2 23 25,507 977 182/559/191/45*

Limited analysis over time is possible, but comparing the 18 months to Q4 2021 to the current period Q1 2022 to Q2 2023 shows that:

- The proportion of SMEs seeing more opportunities than threats (score 7-10) changed very little (29% to 30%).
- There was similar stability for EMBs, with a change of 3 percentage points, from 30% to 33% seeing more opportunities across the two time periods and in line with SMEs overall.
- The proportion of SMEs overall seeing mainly threats was also broadly stable (22% to 18%) but declined for EMBs from 30% to 21%, led by the Mixed SMEs (27% to 15%).

ASSESSMENT OF CURRENT POSITION (TABLE 1R)

A new question from Q1 2023 asked SMEs to put themselves in one of four categories:

- **Struggling:** Our monthly revenue does not meet our needs and the business has no savings or investments
- **Managing:** Our monthly revenue meets our needs but the business has no real savings or investments
- **Comfortable:** Our monthly revenue meets our needs and the business has some savings as a cushion
- **Well off:** Our monthly revenue more than meets our needs and the business has a decent sum in savings or investments.

For H1 2023 only:

- 2% of all SMEs described themselves as 'Well off', with EMBs in line (1%)
- 31% of all SMEs described themselves as 'Comfortable'. EMBs were less likely to be in this category (17%), especially Mixed SMEs (12%)
- Half of both SMEs overall and of EMBs described themselves as 'Managing' (49% and 52% respectively). 73% of Mixed SMEs were in this category
- While overall 18% of SMEs described themselves as 'Struggling', this increased to 30% of EMBs, and 35% of Asian and Black SMEs.



2

GROWTH AND INNOVATION

GROWTH AND INNOVATION

This chapter looks at how SME growth and growth aspirations have been impacted by the pandemic and current trading conditions, and the extent to which SMEs have used innovation to develop their business. The latest position for SMEs overall is summarised as follows:

“In Q2 2023, 30% of SMEs had grown, still below pre-pandemic levels. Half, 53%, had either been innovative in the past year (40%) and/or planned to be innovative in the coming months (32%), while 43% were planning to grow. In the first half of 2023, 1 in 5 SMEs had both grown and planned to grow in the coming year, still somewhat below pre-pandemic levels.”

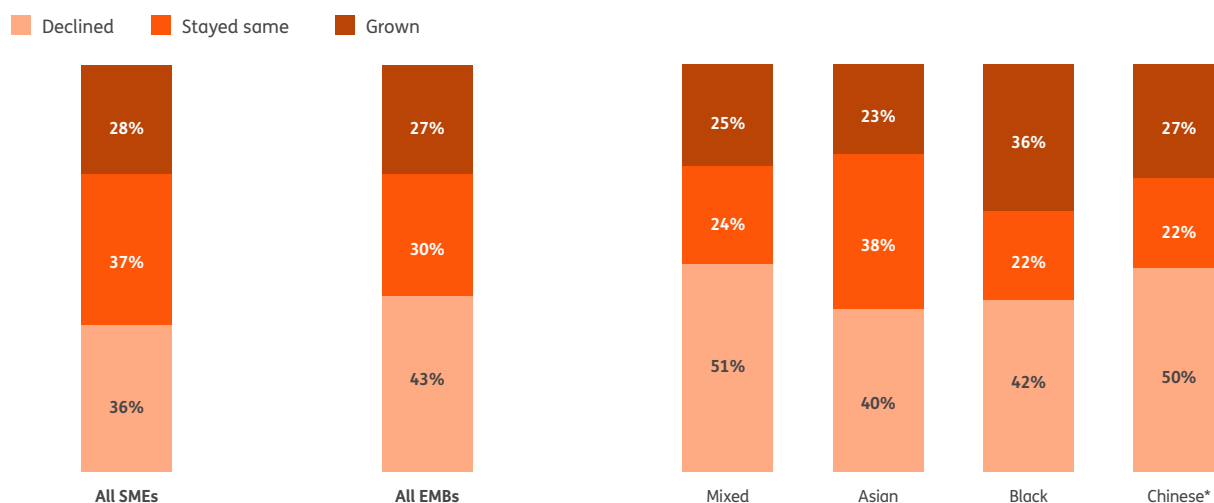
GROWTH IN THE PAST 12 MONTHS (TABLE 1G)

For the 18 months to Q2 2023, 28% of SMEs (excluding Starts and Dk answers), reported business growth in the previous year, 37% had stayed the same size and 36% had declined. Growth levels remain below those reported pre-pandemic.

- EMBs were as likely to have grown as SMEs overall (27% with limited variation with the exception of Black SMEs (36%).
- EMBs were though slightly more likely to have declined (43%) notably Mixed (51%) and Chinese (50%) SMEs.

EMBs were slightly more likely to have declined in the past year than SMEs overall

Past growth Q1 2022–Q2 2023



Q81 Base: All SMEs Q1 22-Q2 23 excl Starts and DK 23,733 842 158/482/166/36*

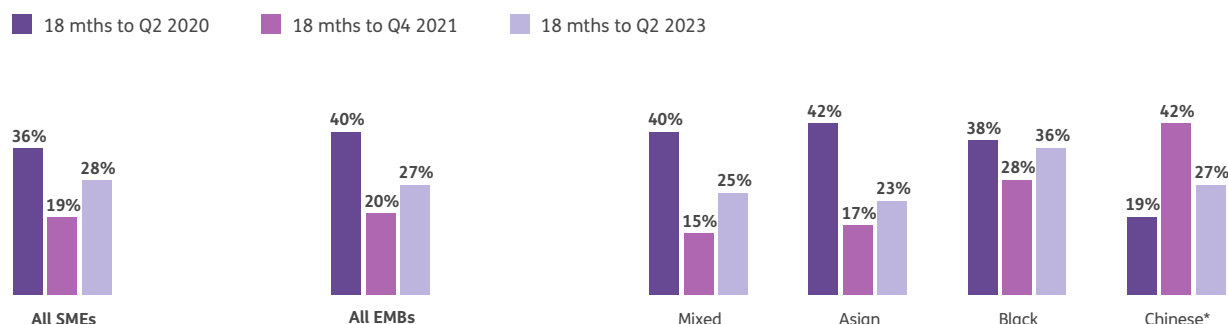
Scale up growth is defined as 3 years consecutive growth of 20% or more, in the last 10 years. In the 18 months to Q2 2023, 24% of SMEs (excluding Starts and DK) had met the definition, with EMBs in line (27%).

Reported growth was significantly affected by the pandemic and has not yet returned to pre-pandemic levels when 4 in 10 had typically grown. The chart below shows reported growth over recent periods:

- Overall, the proportion having grown fell from 36% in the 18 months to Q2 2020 to 19% in the 18 months to Q4 2021 before increasing to 28% for the 18 months to Q2 2023.
- Pre-pandemic EMBs were as likely to have grown as their peers. Reported growth during the pandemic years followed a similar pattern to SMEs overall: falling from 40% in the 18 months to Q2 2020 to 20% in the 18 months to Q4 2021 followed by an increase to 27% for the 18 months to Q2 2023.

Both SMEs overall and EMBs were less likely to have grown during the pandemic, and are not yet back to previous levels of growth

% that have grown



Q81 Base: All SMEs Q122-Q2 23 excl Starts and DK 23,733 842 158/482/166/36*

- During the pandemic more SMEs reported having declined, increasing from 20% in the 18 months to Q2 2020, to 55% in the 18 months to Q4 2021. The 36% for the 18 months to Q2 2023 was lower than during the pandemic but still above the 12-13% more usually seen.
- As with growth, EMBs followed a similar pattern in terms of declines, which increased from 20% in the 18 months to Q2 2020 to 56% in the 18 months to Q4 2021. 43% reported a decline for the 18 months to Q2 2023, leaving them slightly ahead of SMEs overall.

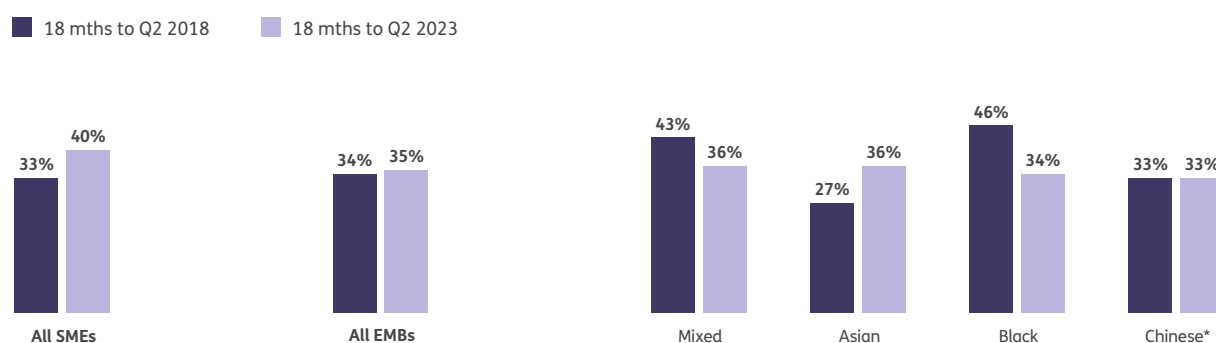
INNOVATION (TABLE 1L)

Innovative SMEs (40% of all SMEs in the 18 months to Q2 2023) are those SMEs that have either developed a new product or service (19%) or significantly improved an aspect of the business (35%). Levels of innovation increased during the pandemic and have remained somewhat higher since.

In the 18 months to Q2 2023, EMBs were slightly less likely to have been innovative (35%) with limited variation (33%-36%). They were both slightly less likely to have either developed a new product or service (14% v 19% of all SMEs) and/or significantly improved an aspect of the business (31% v 35% of all SMEs).

Unlike SMEs overall, EMBs were no more likely to have been innovative in the current 18 months to Q2 2023 than pre-pandemic

Have been innovative



Q84 Base: All SMEs Q122-Q2 23 25,507 977 182/559/191/45*

The chart also shows the difference in innovation between the 18 months to Q2 2018, pre-pandemic, and the current period.

- Overall, levels of innovation increased by 7 percentage points from 33% to 40%, but amongst EMBs there was no difference for these two periods (34% and 35%), albeit in the intervening period of the 18 months to Q2 2020, 42% of EMBs had been innovative but this was not maintained in the current period (35%).

GROWTH ASPIRATIONS (TABLE 4B)

43% of SMEs in the 18 months to Q2 2023 planned to grow, including 18% planning to grow by more than 20%, still slightly below pre-pandemic levels. 45% planned to stay the same size and 12% expected to get smaller, sell or close.

The 43% of SMEs in the 18 months to Q2 2023 that planned to grow included 18% planning to grow by more than 20%:

- EMBs were more likely to be planning to grow at all (61%). Growth ambitions ranged from 41% of Chinese SMEs, to 54% of Asian, 68% of Black and 72% of Mixed SMEs.
- EMBs were also more likely to be planning to grow by 20% or more (28%), notably Black SMEs (40%).

45% of SMEs expected to stay the same size:

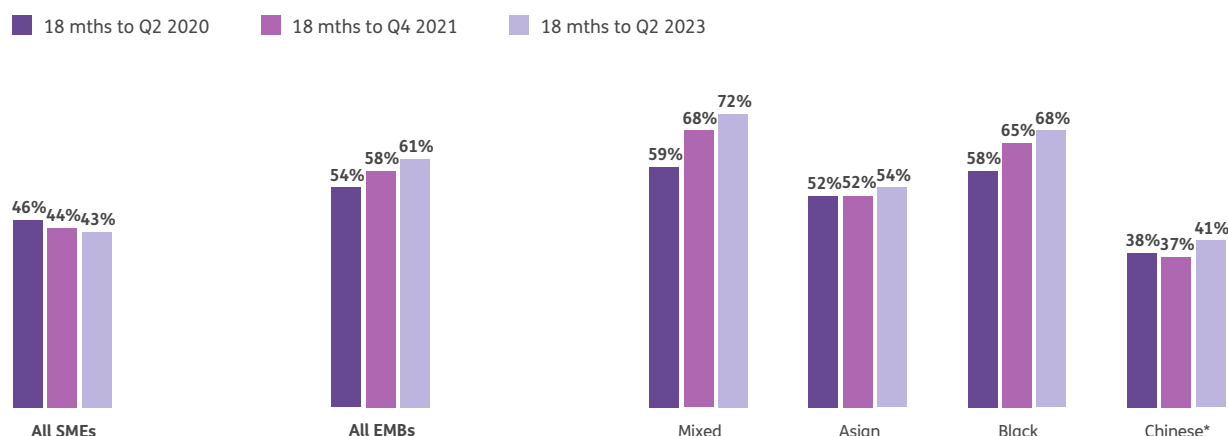
- This was slightly less likely to be the case for EMBs (30%), notably Mixed SMEs (19%).

12% of SMEs expected to get smaller or sell/close the business:

- This was the case for 9% of EMBs with limited variation with the exception of the small group of Chinese SMEs (19%).

EMBs have been consistently more likely to have ambitions to grow than SMEs overall

Growth ambitions



Q91 Base: All SMEs Q122-Q2 23 25,507 977 182/559/191/45*

Growth ambitions were initially badly impacted by the pandemic, but started to recover relatively quickly, such that the 18 month periods used in this analysis ‘flatten’ that dip.

- In the 18 months to Q2 2020, 46% of SMEs were planning to grow, declining slightly for the 18 months to Q4 2021 (44%) and then stable for the 18 months to Q2 2023 (43%).
- EMBs were increasingly more likely than SMEs overall to be planning to grow in these three periods: In the 18 months to Q2 2020 (54% v 46% overall), the 18 months to Q4 2021 (58% v 44%) and the 18 months to Q2 2023 (61% v 43%).
- Thus the gap between EMBs and SMEs overall increased from 8 percentage points to 18 over this period led by Mixed SMEs (59% to 72%) and Black SMEs (58% to 68%).

3

USE OF EXTERNAL FINANCE

USE OF EXTERNAL FINANCE

This chapter explores external finance in more detail, including current use and any concerns around repaying current borrowing, along with future appetite for funding. The latest position for SMEs overall is summarised as follows:

“In H1 2023, 43% of SMEs were using external finance, with increased use of ‘traditional’ finance at 38% and 18% that had taken, and were still repaying, pandemic funding (around two thirds of all those who took pandemic funding). 16% of borrowers were worried about how they would repay the funding they had taken and whilst the minority that had spoken to their lender were satisfied with the lender’s response, those that had not spoken were unsure about the response they would get.”

USE OF EXTERNAL FINANCE (TABLE 2A AND 2B)

All SMEs were asked about their current use of external finance across a range of both ‘core’ products (loans, overdrafts and credit cards) and ‘other’ products including leasing and asset finance. They were also asked about funding specifically related to the pandemic, much of it through Government backed schemes, with these questions were revised in Q1 2023 to provide a much clearer assessment of pandemic funding so that it could be included in the ‘overall use of finance’ figures. Data from these new questions in 2023 has been merged with the previous questions used in 2022 to provide the data reported here (so will differ slightly from other SMEFM data).

38% of SMEs reported using any external finance in the 18 months to Q2 2023 (including repaying pandemic funding from Q1 2023):

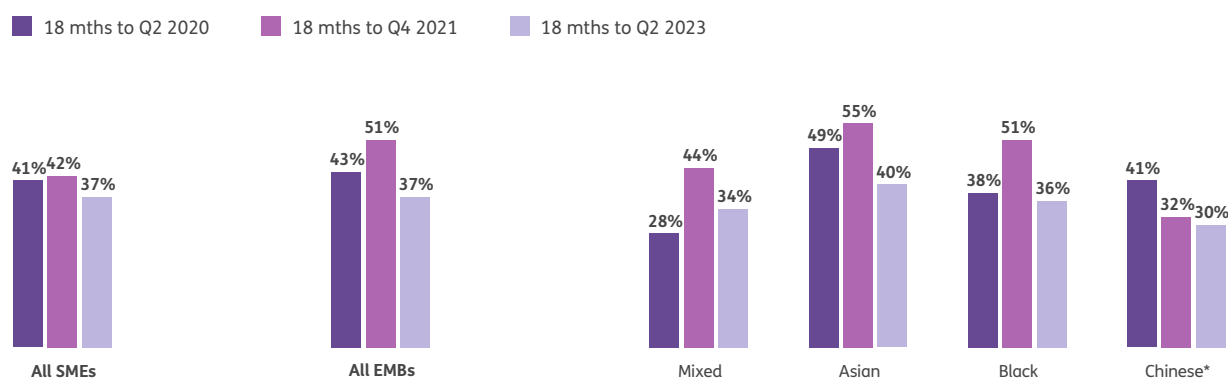
- EMBs were as likely to be using any external finance as their peers (40%) with limited variation with the exception of the small group of Chinese SMEs (25%).
- 28% of all SMEs were using one or more of the ‘core’ forms of finance (loans, overdrafts or credit cards), with EMBs in line (27%) with limited variation.
- 20% of all SMEs were using one or more of the ‘other’ forms of finance (such as leasing, HP etc), with EMBs in line (23%) again with limited variation.
- In H1 2023, 30% of all SMEs had taken Government back funding: 18% were still repaying it while 11% had repaid it. EMBs were in line: 33% had taken such funding made up of 21% who were still repaying it and 12% who had already repaid it.

Data over time is shown for any use of core and/or other forms of finance only (excluding pandemic funding) so as to be consistent with previous waves:

- In the 18 months to Q2 2018, 37% of SMEs were using any core /other forms of finance, with EMBs in line (36%).
- Both groups saw a slight increase in use of finance in the 18 months to Q2 2020 (to 41% and 43%) but whilst there was then little change for SMEs overall in the 18 months to Q4 2021 (42%), there was an increase for EMBs to 51%, with higher use of finance for all but the Chinese SMEs.
- In the 18 months to Q2 2023, use of finance was slightly lower for SMEs overall (37%) and much lower than previously for EMBs (37%).

In the 18 months to Q2 2023, EMBs were as likely to be using traditional finance as SMEs overall

Use of any core/other external finance



Q15 Base: All SMEs Q122-Q2 23 25,507 977 182/559/191/45*

CONCERNS ABOUT LEVELS OF DEBT AND REPAYMENT (TABLES 2D AND 2M)

In the 18 months to Q2 2023, 14% of all SMEs said that they were using more finance than they had been pre-pandemic. This is the equivalent of 46% of all users of finance (including those with pandemic related funding from Q1 2023):

- EMBs were as likely to be borrowing more than they used to (15%) and this was also a slightly higher percentage of EMB finance users (55%).

Also in the 18 months to Q2 2023, the equivalent of 7% of all SMEs said that they were worried about repaying the finance they had. This is the equivalent of 17% of all users of finance (including those with pandemic related funding from Q1 2023):

- EMBs were more likely to be concerned about repaying (14% of all EMBs) and again this was higher percentage of EMB finance users (35%).

PERMANENT NON-BORROWERS (TABLE 2J)

Permanent non-borrowers are those SMEs that appear to have little current or future appetite for external finance, based on the answers they provided to various questions. From Q1 2023 this metric has excluded those who took Government backed pandemic funding (whether they have repaid it or not) and the figures below include this adjustment for 2023.

In the 18 months to Q2 2023, 45% of SMEs met the definition of a PNB. This was slightly less likely to be the case for EMBs (36%), ranging from 30% of Mixed SMEs to 40% of Black SMEs.

Looking back over time, the proportion of all SMEs meeting the definition of a PNB was 47% in the 18 months to Q2 2018 before declining to 43% in the 18 months to Q2 2020 and then 38% in the 18 months to Q4 2021. The 45% meeting the definition in the 18 months to Q2 2023 is closer to pre-pandemic levels.

- EMBs have typically been less likely to meet the definition of a PNB but have followed a similar pattern over time: 38% met the definition in the 18 months to Q2 2018 (v 47%) before declining to 34% in the 18 months to Q2 2020 (v43%) and then 24% in the 18 months to Q4 2021 (v38%). The 36% in the 18 months to Q2 2023 is close to pre-pandemic levels (but still below the 45% of all SMEs).

KEY ATTITUDES TO FINANCE (TABLE 2K)

31% of SMEs in the 18 months to Q2 2023 agreed that they would be happy to use finance to help the business grow:

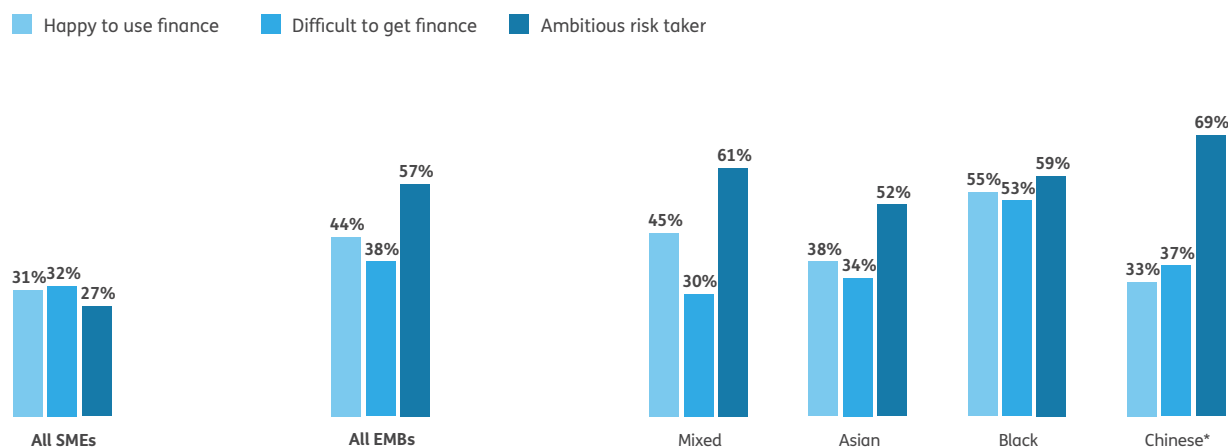
- EMBs were more likely to agree (44%) notably Black SMEs (55%).
- The proportion happy to use finance to help the business grow has been stable since the 18 months to Q2 2018 for SMEs overall (29-33%), with slightly more variation for EMBs (42-49%) but always higher than for SMEs overall.

The same proportion of SMEs in the 18 months to Q2 2023 (32%) agreed that they thought it would be difficult for a business like theirs to get funding if they needed it.

- EMBs were slightly more likely to agree (38%) notably Black SMEs (53%).

EMBs were more likely than SMEs overall to be an ‘Ambitious Risk Taker’, happier to use finance to grow but also slightly more concerned about being able to get finance

Attitudes to finance



Q96 Base: All SMEs Q122-Q2 23 25,507 977 182/559/191/45*

“Ambitious Risk Takers” are those SMEs that agree with both of the following attitudinal statements:

- We have a long term ambition to be a significantly bigger business.
- As a business we are prepared to take risks to become more successful.

In the 18 months to Q2 2023, 40% of SMEs had a long term ambition to be a significantly bigger business and 46% were prepared to take risks to become more successful. 27% of SMEs met both of these criteria and this proportion has changed little over time.

EMBs were much more likely to have a long term ambition to be a significantly bigger business (65%) and also more likely to be prepared to take risks to become more successful (73%). As a result, they were also much more likely to meet the definition of an Ambitious Risk Taker (57%) with limited variation (52% of Asian SMEs to 69% of the small group of Chinese SMEs).

HAPPY NON-SEEKERS IN PREVIOUS 12 MONTHS (TABLE 3C)

In the 18 months to Q2 2023, as in previous years, most SMEs (87%) met the definition of a Happy non-seeker of finance, that is an SME that had not applied for finance and said that nothing had stopped them from doing so.

- This was also true for EMBs (87%), with limited variation (81% to 90%).

Happy non-seekers have always made up the majority of SMEs in the survey:

- Pre-pandemic around 8 in 10 met the definition (83% in the 18 months to Q2 2018). During the pandemic, appetite for finance increased and the proportion of Happy non-seekers dropped slightly before increasing again, but analysis by 18-month period flattens this out somewhat, so the proportion of Happy non-seekers increased steadily from 83% in the 18 months to Q2 2018 to 87% in the 18 months to Q2 2023.
- EMBs followed the same pattern over this period, from 82% meeting the definition of an HNS in the 18 months to Q2 2018 to 87% in the current period.

4

ACCESS TO FINANCE

ACCESS TO FINANCE

Access to finance is at the core of the SME Finance Monitor reporting. In this chapter we look at demand for finance and the outcome of applications made. The proportion of SMEs with a need for finance and/or making an application was lower than in previous years, meaning the base sizes for EMBs is extremely limited. The latest position for SMEs overall is summarised as follows:

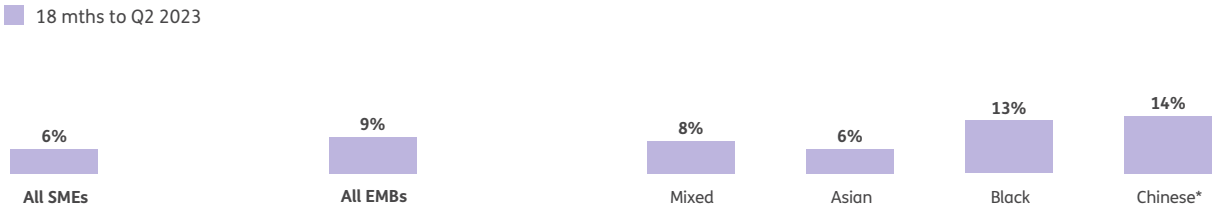
“Very few SMEs reported having had a need for funding and whilst a stable two thirds had gone on to make an application as a result of that need, fewer of these were to the main bank. Success rates remained below the pandemic ‘peak’ and pre-pandemic levels with smaller SMEs and loan applicants more likely to be declined. 1 in 5 expected to be a ‘Future Would-be seeker’ of funding, up from 1 in 7 in 2022, and confidence of any future application being successful remained below pre-pandemic levels.”

A NEED FOR EXTERNAL FINANCE (TABLE 3A)

6% of SMEs in the 18 months to Q2 2023 reported having had a need for external finance, whether they went on to apply for it or not. EMBs were slightly more likely to report a need (9%) due to Black (13%) and Chinese (14%) SMEs being more likely to report a need for funding.

EMBs were slightly more likely to have had a need for funding than SMEs overall

Had a need for funding



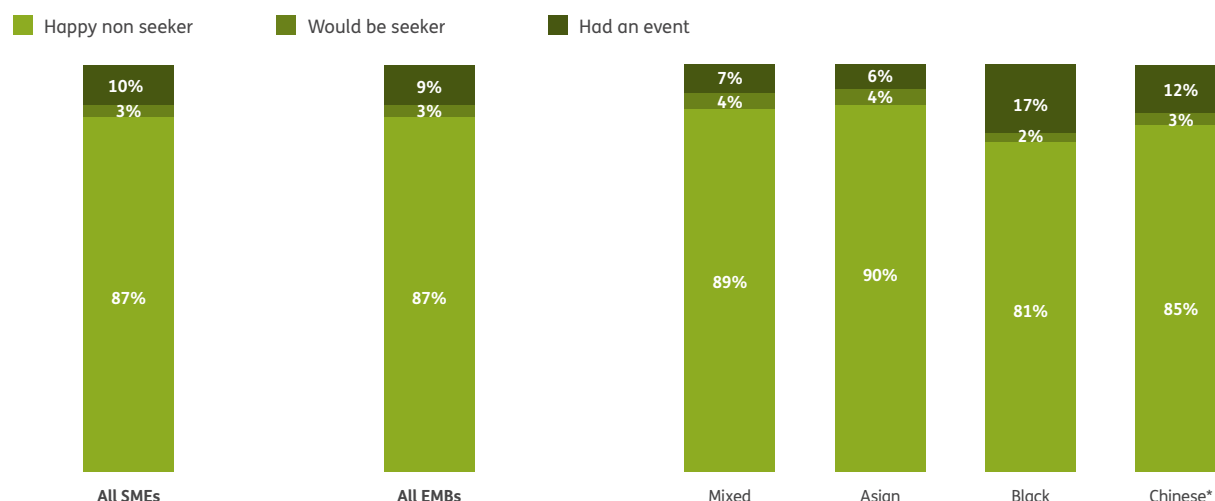
Q25 Base: All SMEs Q122-Q2 23 25,507 977 182/559/191/45*

BORROWING EVENTS AND WOULD-BE SEEKERS (TABLE 3C)

SMEs are divided into 3 categories based on their behaviour in the previous 12 months. Details of the Happy non-seekers, with no apparent appetite for finance, were provided in the previous chapter, here we look at those with an appetite for finance who either had a borrowing event or were a “Would-be seeker” of finance who wanted to apply but something stopped them.

EMBs reported similar borrowing behaviour to SMEs overall, albeit Black SMEs were more likely to report having a borrowing ‘event’

Borrowing behaviour in previous 12 months Q1 2022–Q2 2023



Pastfin Base: All SMEs Q122-Q2 23 excl Starts and DK 23,733 842 158/482/166/36*

- 10% of SMEs reported a borrowing event, compared to 9% of EMBs. Black SMEs, who were more likely to have had a need for funding, were also more likely to report a borrowing event (17%).
- Borrowing events have declined steadily over the 18 month periods featured in this report from 21% in the 18 months to Q2 2013 to 10% in the 18 months to Q2 2023. The same is also true for EMBs (23% to 9%).
- 3% of SMEs in the 18 months to Q 2023 met the definition of a “Would-be seeker” of finance and again EMBs were in line (3%) with little variation.
- The proportion of Would-be seekers of finance has always been limited, but also declined somewhat over the 18 month periods featured in this report from 8% in the 18 months to Q2 2013 to 3% in the 18 months to Q2 2023. The same is also true for EMBs (12% to 3%).

BORROWING EVENTS -DETAIL (TABLE 3D)

Given the very limited number of applications made Q1 2022 to Q2 23 and reported by Q2 2023, information about these applications is more qualitative than quantitative in nature (A total of 64 applications were reported from EMBs in this period out of a total of 684).

- 52% of applications were from first time applicants, and this was slightly less likely to be the case for EMBs (41%).
- 36% of applications were made online and this was more likely to be the case for EMBs (53%).
- The majority of applications were made in the name of the business, for both SMEs overall (90%) and EMBs (97%).

OUTCOME OF BORROWING EVENTS (TABLE 3E)

Given the very limited number of applications made, it is not possible to report on the success rates for Ethnic Minority SMEs as fewer than 50 reported the outcome of an application:

- Half of all applicants ended the process with no facility and indicatively this was more likely to be the case for EMBs.
- The key reasons for EMB applicants being turned down were poor credit rating/credit issues and affordability. The majority of EMB applicants were 0 employee SMEs, where success rates are typically lower. A qualitative assessment, due to limited base sizes, showed that the success rates for applications from EMBs with employees were more in line with SMEs overall.

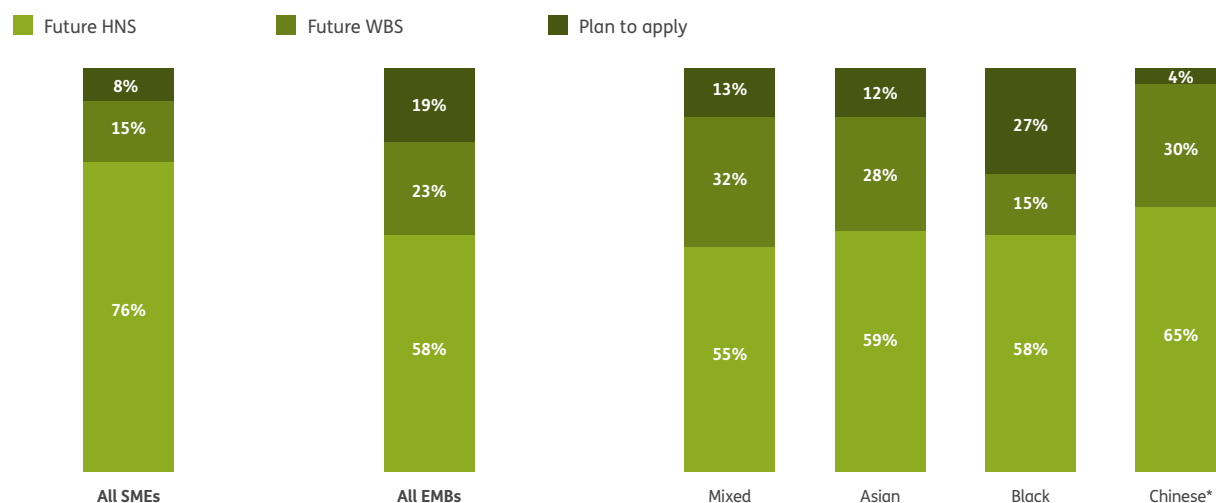
FUTURE BORROWING EVENTS (TABLE 4E)

In the 18 months to Q2 2023, when asked about their future plans, 8% of SMEs planned to apply for finance, 15% expected to be Future would-be seekers and the majority, 76%, expected to be Future happy non-seekers.

- EMBs were more likely to be planning to apply for finance (16%), notably Black SMEs (27%).
- EMBs were also more likely than SMEs overall to expect to be a Future would-be seeker of finance (26%). Around 3 in 10 Mixed, Asian and Black SMEs expected to be a FWBS, the exception being Black SMEs (15%) who were more likely to be planning to apply.
- As a result EMBs were somewhat less likely than SMEs overall to expect to be a Future happy non-seeker of finance (58%) with limited variation (55-65%).

EMBs have a higher future appetite for finance, both planning to apply and Future would-be seekers, than SMEs overall

Future borrowing behaviour Q1 2022–Q2 2023



Futfin Base: All SMEs Q122-Q2 23 excl Starts and DK 23,733 842 158/482/166/36*

Analysis over time showed that, pre-pandemic, typically just over 1 in 10 SMEs were planning to apply for finance, with 12% having such plans in the 18 months to Q2 2020. The figure of 8% for the 18 months to Q2 2023 is the lowest seen, albeit only 3 percentage points below 2019.

- Future appetite to apply for finance amongst EMBs has consistently been higher than for SMEs overall, being around 1 in 5 in previous periods (20% having such plans in the 18 months to Q2 2020), but as with SMEs overall, the figure for the latest period is somewhat lower at 16%.

There has been more variation in the proportion of Future would-be seekers, typically around 1 in 10 of all SMEs in the years immediately pre-pandemic (11% in the 18 months to Q2 2018) but increasing to 20% in the 18 months to Q4 2021. The lower figure for the current period of 15% was more in line with previous years.

- The proportion of EMBs that were Future would-be seekers was slightly higher than for SMEs overall immediately pre-pandemic (17% in the 18 months to Q2 2018) and then increased to 22% in the 18 months to Q4 2021 and again in the current period to 26%.

Finally around 8 in 10 SMEs met the definition of a Future happy non-seeker pre-pandemic (78% in the 18 months to Q2 2018). As appetite for finance increased, the proportion of FHNS declined to 68% in the 18 months to Q4 2021 but was back to 76% for the current 18 months to Q2 2023 (v15% of all SMEs).

- Pre-pandemic, the proportion of EMBs that were FHNS was stable but slightly lower than SMEs overall immediately pre-pandemic (64% in the 18 months to Q2 2018) and then declined to 55% for the 18 months to Q4 2021 and 58% for the 18 months to Q2 2023, as potential appetite for finance increased amongst this group.

CONFIDENCE IN A FUTURE APPLICATION (TABLE 4H)

All SMEs, irrespective of their future plans, were asked how confident they were that their bank would lend to them, if asked. For the 18 months to Q2 2023, 51% were confident of success, with confidence amongst those planning to apply somewhat lower at 37%.

- Overall confidence (irrespective of application plans) amongst EMBs was somewhat lower at 38%, ranging from 31% of Mixed SMEs to 42% of Black SMEs and 43% of the small group of Chinese SMEs.
- Base sizes for those planning to apply are limited, but confidence was again lower for EMBs than amongst such SMEs overall (24% v 37% of all planning to apply).

Over recent time periods, confidence amongst all SMEs that an application would be successful has declined from 60% in the 18 months to Q2 2018 and 57% in the 18 months to Q2 2020 to 51% in the current 18 months to Q2 2023.

- There has been a similar decline amongst all EMBs (from 48% in the 18 months to Q2 2018 and 52% in the 18 months to Q2 2020 to 38% in the current 18 months to Q2 2023), with confidence always lower than for SMEs overall.

5

TABLES 1A-4H

The following question (with appropriate permission sought beforehand) is asked to establish the ethnicity of the owner / partner(s) / majority shareholder. These are then grouped into 4 broader categories: Mixed (2%), Asian, (4%) Black (2%) and Chinese/other (<1%). EMBs make up 9% of the SME population (excluding Dk answers and refusals):

Q 144, ASK ALL:

Please can you tell me which category best describes...

IF SOLE PROPRIETOR (CODE 1) AT Q12, READ TEXT: your / the owner's ethnic background?

IF PARTNERSHIP (CODE 2 OR 3) AT Q12, READ TEXT: the ethnic background of the partners or majority of the partners?

IF LIMITED COMPANY (CODE 4) AT Q12, READ TEXT: the ethnic background of the majority shareholder?

Reassure if necessary: This is being collected purely for analysis purposes, and will be kept confidential along with the other data you have provided.

READ OUT IF NECESSARY, SINGLE CODE.

	(67)
White – British	1
White – Irish.....	2
Any other white background	3
Mixed – White and Black Caribbean	4
Mixed – White and Black African.....	5
Mixed – White and Asian.....	6
Mixed – Any other mixed background	7
Asian or Asian British – Indian	8
Asian or Asian British – Pakistani.....	9
	(68)
Asian or Asian British – Bangladeshi.....	0
Asian or Asian British – Any other Asian background	1
Black or Black British – Caribbean.....	2
Black or Black British – African	3
Black or Black British – Any other Black background	4
Chinese or ethnic group – Chinese.....	5
Chinese or ethnic group – Other ethnic group	6
(DO NOT READ OUT) Prefer not to say.....	7

1. CONTEXT (TABLES 1A-1R)

TABLE 1A SECTOR

Q1 2022-Q2 2023 – Sector	% of all SMEs	All EMB	Mixed	Asian	Black	Chinese
Agriculture, Hunting and Forestry; Fishing	3%	*	*	*	*	-
Manufacturing	5%	4%	2%	5%	3%	*
Construction	18%	15%	24%	14%	10%	7%
Wholesale and Retail Trade; Repairs	10%	10%	8%	15%	6%	3%
Hotels and Restaurants	4%	4%	4%	4%	3%	11%
Transport, Storage and Communication	13%	17%	11%	20%	18%	7%
Real Estate, Renting and Business Activities	28%	31%	31%	28%	34%	43%
Health and Social work	7%	7%	8%	4%	11%	6%
Other Community, Social and Personal Service Activities	12%	13%	12%	10%	16%	24%

TABLE 1B NUMBER OF EMPLOYEES

Q1 2022-Q2 2023 – All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
0 employees	76%	79%	84%	73%	86%	83%
1-9 employees	19%	19%	15%	24%	13%	15%
10-49 employees	4%	2%	1%	2%	1%	1%
50-249 employees	1%	*	*	*	*	1%

Q7 All SMEs

TABLE 1C DEVOLVED NATIONS

Q1 2022-Q2 2023 – All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
England	88%	97%	99%	97%	98%	91%
Scotland	6%	2%	1%	2%	2%	3%
Wales	3%	1%	1%	1%	-	6%
Northern Ireland	2%	*	*	*	*	-

All SMEs

TABLE 1C ENGLISH REGIONS – DETAIL

Q1 2022-Q2 2023 – All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
England	88%	97%	99%	97%	98%	91%
• London	19%	54%	58%	48%	65%	41%
• South East	16%	10%	9%	13%	7%	6%
• South West	9%	4%	5%	5%	3%	*
• East	10%	5%	7%	3%	5%	7%
• East Midlands	7%	5%	4%	7%	*	18%
• West Midlands	8%	8%	7%	10%	5%	7%
• North East	3%	1%	*	1%	*	2%
• North West	9%	7%	4%	7%	8%	11%
• Yorkshire & Humber	7%	4%	4%	4%	5%	*

All SMEs

TABLE 1D AGE OF BUSINESS

Q1 2022-Q2 2023 – All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Starts (<2 yrs)	20%	43%	45%	44%	38%	56%
2-5 yrs	10%	16%	13%	15%	22%	9%
6-9 yrs	10%	10%	11%	7%	13%	18%
10-15 yrs	17%	14%	15%	17%	8%	8%
15 yrs +	42%	17%	17%	17%	20%	10%

Q13 All SMEs

TABLE 1E EXTERNAL RISK RATING

External risk ratings have been supplied for almost all completed interviews by D&B or Experian, the sample providers. Risk ratings are not available for around 15% of respondents, typically the smallest ones, but also around a quarter of those of Black or Chinese ethnicity. D&B and Experian use slightly different risk rating scales, and so the Experian scale has been matched to the D&B scale as follows:

D&B	Experian
1 Minimal	Very low/Minimum
2 Low	Low
3 Average	Below average
4 Worse than average	Above Average/High/Maximum/Serious Adverse Information

Q1 2022-Q2 2023 – All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	23,756	886	166	510	169	41*
Minimal	7%	3%	1%	4%	3%	1%
Low	15%	6%	4%	9%	4%	3%
Average	34%	32%	42%	34%	22%	25%
Worse than average	44%	59%	53%	53%	72%	71%

All SMEs where risk rating provided

All SMEs over time Minimal/Low Risk rating	Total	All EMB	Mixed	Asian	Black	Chinese
Q2 2012 to Q2 2013	16%	12%	10%	14%	6%	14%
Q1 2013 to Q2 2014	18%	11%	7%	13%	9%	27%
Q1 2014 to Q2 2015	23%	15%	14%	17%	9%	16%
Q1 2015 to Q2 2016	24%	16%	16%	18%	8%	26%
Q1 2017 to Q2 2018	22%	14%	14%	16%	8%	16%
Q1 2019 to Q2 2020	23%	16%	11%	20%	14%	13%
Q1 2022 to Q2 2023	22%	9%	5%	13%	7%	4%

TABLE 1F PROFITABILITY

SMEs reported on whether they made a profit or loss in their last 12 month trading period:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Made a profit	62%	46%	47%	44%	50%	40%
Broke even	7%	10%	1%	15%	9%	10%
Made a loss	14%	26%	28%	25%	27%	21%
Dk/refused	17%	18%	24%	16%	15%	29%
<i>Profit excl DK</i>	75%	56%	61%	52%	58%	56%

Q115 (Q241) All SMEs

All SMEs over time

Profitability (excluding DK)

	Total	All EMB	Mixed	Asian	Black	Chinese
Q2 2012 to Q2 2013	69%	56%	53%	58%	48%	60%
Q1 2013 to Q2 2014	72%	55%	62%	57%	32%	65%
Q1 2014 to Q2 2015	78%	63%	64%	69%	44%	55%
Q1 2015 to Q2 2016	80%	60%	60%	66%	47%	71%
Q1 2017 to Q2 2018	81%	64%	65%	65%	62%	58%
Q1 2019 to Q2 2020	82%	68%	65%	70%	61%	85%
Q3 2020 to Q4 2021	68%	51%	59%	49%	49%	66%
Q1 2022 to Q2 2023	75%	56%	61%	52%	58%	56%

TABLE 1G GROWTH (EXCLUDING STARTS)

All SMEs, excluding those who were Starts, were asked about the extent to which they had grown in the previous 12 months:

Q1 2022-Q2 2023 –**All SMEs excluding Starts**

	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	23,733	842	158	482	166	36*
Grown by 40% or more	3%	3%	5%	2%	3%	1%
Grown by 20-40%	8%	10%	6%	8%	14%	10%
Grown by less than 20%	17%	15%	14%	12%	19%	17%
Grown (any)	28%	27%	25%	23%	36%	27%
Stayed the same size	37%	30%	24%	38%	22%	22%
Declined	36%	43%	51%	40%	42%	50%
Scale up (20%+ for 3 years in last 10)	24%	27%	30%	22%	33%	37%

Q81 (245a) All SMEs excl Starts and DK

All SMEs over time –**Grown (excluding Starts and DK)**

	Total	All EMB	Mixed	Asian	Black	Chinese
Q1 2013 to Q2 2014	41%	39%	36%	42%	36%	27%
Q1 2014 to Q2 2015	41%	36%	28%	38%	38%	32%
Q1 2015 to Q2 2016	40%	41%	28%	40%	42%	60%
Q1 2017 to Q2 2018	42%	40%	54%	36%	42%	39%
Q1 2019 to Q2 2020	36%	40%	40%	42%	38%	19%
Q3 2020 to Q4 2021	19%	20%	15%	17%	28%	42%
Q1 2022 to Q2 2023	28%	27%	25%	23%	36%	27%

Q81 (245a) All SMEs excl Starts and DK

All SMEs over time –

Declined (excluding Starts and DK)	Total	All EMB	Mixed	Asian	Black	Chinese
Q1 2013 to Q2 2014	17%	24%	20%	24%	30%	25%
Q1 2014 to Q2 2015	13%	14%	13%	12%	21%	9%
Q1 2015 to Q2 2016	12%	13%	8%	12%	21%	2%
Q1 2017 to Q2 2018	13%	11%	10%	9%	18%	13%
Q1 2019 to Q2 2020	20%	20%	19%	19%	27%	13%
Q3 2020 to Q4 2021	55%	56%	56%	63%	42%	40%
Q1 2022 to Q2 2023	36%	43%	51%	40%	42%	50%

Q81 (245a) All SMEs excl Starts and DK

TABLE 1H CREDIT BALANCES TYPICALLY HELD – SUMMARY

Q1 2022-Q2 2023 All SMEs excl DK	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	9719	439	92*	245	85*	17*
None	2%	2%	1%	1%	5%	-
Less than £5,000	45%	47%	33%	49%	51%	86%
£5-9.9k	18%	21%	20%	22%	24%	6%
£10,000 or more	35%	29%	46%	28%	21%	8%
<i>£10k+ reduces need for finance (all SMEs)</i>	13%	11%	20%	10%	7%	1%

Q117 (Q244) All SMEs excluding DK/refused

All SMEs over time

£10k+ credit balances (excluding DK)	Total	All EMB	Mixed	Asian	Black	Chinese
Q2 2012 to Q2 2013	15%	14%	9%	17%	11%	31%
Q1 2013 to Q2 2014	17%	17%	16%	18%	9%	26%
Q1 2014 to Q2 2015	21%	20%	27%	19%	11%	33%
Q1 2015 to Q2 2016	23%	17%	18%	18%	15%	22%
Q1 2017 to Q2 2018	25%	20%	21%	21%	14%	40%
Q1 2019 to Q2 2020	24%	20%	13%	24%	16%	16%
Q3 2020 to Q4 2021	32%	30%	32%	32%	25%	17%
Q1 2022 to Q2 2023	35%	29%	46%	28%	21%	8%

TABLE 1I AGE OF OWNER / MANAGING PARTNER

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	22,522	960	176	551	189	44*
18-30 years old	4%	7%	11%	6%	3%	22%
31-50 years old	35%	59%	68%	56%	61%	46%
51-65 years old	44%	29%	17%	33%	30%	33%
66+ years old	16%	4%	3%	5%	6%	*

Q127 (Q248) All SMEs excluding DK

TABLE 1J GENDER OF OWNER / MANAGING PARTNER

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Male	76%	78%	56%	88%	84%	56%
Female	23%	22%	44%	12%	16%	44%
Joint	1%	*	*	*	*	-

Q126 All SMEs

TABLE 1K FINANCIAL DECISION MAKER HAS FINANCIAL QUALIFICATION AND/OR TRAINING

Q1 2022-Q2 2023 – All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	23,136	963	179	548	191	45*
Yes	31%	36%	25%	38%	37%	52%
No	69%	64%	75%	62%	63%	48%

Q129 (Q251) All SMEs excluding DK

TABLE 1L BUSINESS FORMALITY

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	25,507	977	182	559	191	45*
Planning (any)	54%	56%	48%	60%	60%	40%
Produce regular management accounts	44%	41%	32%	46%	43%	30%
Have a formal written business plan	24%	34%	30%	31%	44%	29%
International (any)	19%	23%	30%	20%	25%	13%
Export goods or services	10%	14%	10%	12%	21%	11%
Import goods or services	14%	19%	23%	18%	19%	4%
Innovate (any)	40%	35%	36%	36%	34%	33%
Develop new product or service	19%	14%	17%	15%	9%	22%
Significantly improve aspect of business	35%	31%	34%	30%	31%	26%
Have a business mentor	14%	18%	26%	13%	22%	7%

Q84 (Q223) All SMEs

Q1 2022-Q2 2023 All SMEs with employees	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	20,451	748	135	454	125	34*
Overseas staff (any)	11%	20%	21%	20%	14%	43%
Non-British EU staff	9%	14%	17%	13%	10%	31%
Other overseas staff	5%	12%	11%	13%	9%	22%

Q84 (Q223) All SMEs

All SMEs over time –**Business formality**

	Total	All EMB	Mixed	Asian	Black	Chinese
Planning						
Q2 2012 to Q2 2013	55%	62%	56%	62%	72%	68%
Q1 2013 to Q2 2014	54%	62%	58%	63%	68%	57%
Q1 2014 to Q2 2015	53%	62%	60%	65%	59%	56%
Q1 2015 to Q2 2016	53%	62%	64%	64%	57%	56%
Q1 2017 to Q2 2018	56%	60%	66%	55%	67%	73%
Q1 2019 to Q2 2020	56%	61%	50%	63%	64%	60%
Q1 2022 to Q2 2023	54%	56%	48%	60%	60%	40%
International						
Q2 2012 to Q2 2013	11%	14%	15%	14%	10%	21%
Q1 2013 to Q2 2014	14%	22%	25%	21%	16%	28%
Q1 2014 to Q2 2015	15%	20%	18%	18%	19%	42%
Q1 2015 to Q2 2016	16%	20%	15%	17%	24%	44%
Q1 2017 to Q2 2018	15%	18%	28%	15%	20%	32%
Q1 2019 to Q2 2020	15%	17%	27%	16%	12%	17%
Q1 2022 to Q2 2023	19%	23%	30%	20%	25%	13%
Innovation						
Q2 2012 to Q2 2013	39%	42%	37%	44%	44%	43%
Q1 2013 to Q2 2014	38%	41%	34%	42%	44%	50%
Q1 2014 to Q2 2015	37%	41%	47%	36%	43%	59%
Q1 2015 to Q2 2016	37%	39%	48%	35%	39%	47%
Q1 2017 to Q2 2018	33%	34%	43%	27%	46%	33%
Q1 2019 to Q2 2020	37%	42%	42%	44%	40%	35%
Q1 2022 to Q2 2023	40%	35%	36%	36%	34%	33%

TABLE 1M IMPACT OF NEW EU TRADING ARRANGEMENTS

From Q1 2021, all SMEs were asked about the impact of the new EU trading arrangements:

Q1 2022- Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	24,567	935	172	534	186	43*
Very positive impact	*	*	*	*	*	-
Positive	2%	1%	2%	2%	*	3%
No impact	65%	61%	75%	60%	54%	31%
Negative	26%	29%	18%	28%	36%	53%
Very negative impact	7%	9%	5%	10%	9%	13%
Positive (any)	2%	2%	2%	2%	1%	3%
Negative (any)	33%	38%	23%	38%	45%	66%

Q84c All SMEs excl DK

TABLE 1N IMPACT TO DATE OF INCREASING COSTS

In a new question from Q4 2021, all SMEs were asked to what extent they had already been impacted by increasing costs:

Q1 2022- Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Significantly	41%	45%	34%	47%	49%	61%
Somewhat	33%	26%	21%	30%	20%	34%
No impact	25%	29%	44%	23%	31%	6%
<i>Any impact</i>	75%	71%	56%	77%	69%	94%

Qcv3b All SMEs

TABLE 1O TRUST IN MAIN BANK

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Trust in main bank:						
High (8-10)	59%	60%	66%	58%	58%	56%
Medium (5-7)	31%	33%	26%	37%	33%	23%
Low (1-4)	11%	8%	8%	5%	9%	22%

Q24b All SMEs

TABLE 1P THE OVERALL MOOD OF SMES

All SMEs were asked to rate their mood about their business with a score out of 10, where 10 was the most positive:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Score 7-10	59%	49%	61%	46%	42%	51%
9-10 very good mood	22%	15%	17%	13%	15%	36%
7-8	37%	34%	45%	34%	27%	15%
5-6	23%	27%	20%	28%	29%	28%
0-4 Very poor mood	18%	24%	19%	25%	29%	21%

CV1 All SMEs

This was a new question introduced during the pandemic so no data from previous reports is available. However, data for Q3 2020 to Q4 2021 is shown below to give an idea of sentiment during the pandemic.

**All SMEs over time –
Business mood**

	Total	All EMB	Mixed	Asian	Black	Chinese
'Good' mood 7-10						
Q3 2020 to Q4 2021	49%	34%	48%	29%	32%	39%
Q1 2022 to Q2 2023	59%	49%	61%	46%	42%	51%
'Poor' mood 0-4						
Q3 2020 to Q4 2021	27%	40%	31%	45%	34%	44%
Q1 2022 to Q2 2023	18%	24%	19%	25%	29%	21%

TABLE 1Q A FUTURE OF OPPORTUNITIES OR THREATS

All SMEs were asked to rate the extent to which they felt the future for their business consisted of only threats (score 1) or only of opportunities (score 10)

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
<i>Score 7-10 opportunities</i>	30%	33%	43%	26%	40%	8%
9-10 All opportunities	11%	11%	19%	9%	10%	0%
7-8	19%	22%	24%	17%	31%	8%
5-6	51%	47%	41%	53%	37%	58%
1-4 All threats	18%	21%	15%	20%	24%	33%

CV7 All SMEs

This was a new question introduced during the pandemic so no data from previous reports is available. However, data for Q3 2020 to Q4 2021 is shown below to give an idea of sentiment during the pandemic.

**All SMEs over time –
Business prospects**

	Total	All EMB	Mixed	Asian	Black	Chinese
7-10 opportunities						
Q3 2020 to Q4 2021	29%	30%	22%	31%	36%	31%
Q1 2022 to Q2 2023	30%	33%	43%	26%	40%	8%
1-4 Threats						
Q3 2020 to Q4 2021	22%	30%	27%	32%	28%	21%
Q1 2022 to Q2 2023	18%	21%	15%	20%	24%	33%

TABLE 1R CURRENT BUSINESS SITUATION

A new question from Q1 2023 asked SMEs to put themselves in one of four categories:

- **Struggling:** Our monthly revenue does not meet our needs and the business has no savings or investments
- **Managing:** Our monthly revenue meets our needs but the business has no real savings or investments
- **Comfortable:** Our monthly revenue meets our needs and the business has some savings as a cushion
- **Well off:** Our monthly revenue more than meets our needs and the business has a decent sum in savings or investments.

As this is only a part-sample, from Q1 2023, the results are only indicative for individual EMB groups:

H1 2023 only All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	8505	369	65*	206	73*	25*
Well off	2%	1%	2%	*	*	*
Comfortable	31%	17%	12%	20%	21%	11%
Managing	49%	52%	73%	45%	44%	64%
Struggling	18%	30%	13%	35%	35%	25%

CV8 All SMEs

2. FINANCIAL MATTERS (TABLES 2A-2M)

TABLE 2A USE OF EXTERNAL FINANCE IN LAST 5 YEARS

SMEs are asked if they are using any of a series of forms of finance, including loans, overdrafts and credit cards as well as other forms such as invoice finance and asset finance. If they have not used any of the forms of finance listed, they are asked whether they have used any of the list of forms of finance in the previous 5 years.

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	25,507	977	182	559	191	45*
Use now	38%	40%	35%	43%	39%	25%
Used in past but not now	4%	1%	-	1%	2%	-
Not used at all	58%	60%	65%	56%	60%	75%

Q14/15 All SMEs Combined table to include revised definition of use of external finance from Q1 2023

TABLE 2B CURRENT USE OF KEY FORMS OF FINANCE

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	25,507	977	182	559	191	45*
Use any 'core' product:	27%	28%	23%	30%	30%	24%
Bank overdraft	10%	8%	5%	7%	13%	10%
Bank loan / mortgage	13%	17%	14%	18%	17%	18%
Credit cards	12%	12%	8%	13%	13%	17%
Any other loans/overdraft	3%	4%	2%	5%	2%	4%
Use non-core form of finance:	20%	23%	24%	26%	20%	18%
Leasing, HP or vehicle finance	9%	8%	3%	10%	9%	11%
Loans/equity from directors etc	6%	14%	11%	17%	11%	13%
Other forms of funding	9%	8%	14%	7%	6%	7%
Use any	37%	37%	34%	40%	36%	30%

Q14/15 All SMEs

All SMEs over time –**Use of external finance**

	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Use any external finance:</i>						
Q2 2012 to Q2 2013	41%	46%	49%	47%	40%	38%
Q1 2013 to Q2 2014	39%	40%	39%	40%	40%	39%
Q1 2014 to Q2 2015	37%	41%	38%	40%	49%	38%
Q1 2015 to Q2 2016	36%	36%	39%	32%	40%	60%
Q1 2017 to Q2 2018	37%	36%	33%	36%	37%	36%
Q1 2019 to Q2 2020	41%	43%	28%	49%	38%	41%
Q3 2020 to Q4 2021	42%	51%	44%	55%	51%	32%
Q1 2022 to Q2 2023	37%	37%	34%	40%	36%	30%
<i>Core finance:</i>						
Q2 2012 to Q2 2013	34%	37%	38%	37%	33%	34%
Q1 2013 to Q2 2014	31%	29%	30%	29%	31%	17%
Q1 2014 to Q2 2015	29%	31%	26%	34%	32%	22%
Q1 2015 to Q2 2016	29%	26%	29%	25%	25%	40%
Q1 2017 to Q2 2018	30%	28%	26%	29%	26%	26%
Q1 2019 to Q2 2020	35%	34%	25%	37%	33%	26%
Q3 2020 to Q4 2021	31%	39%	28%	41%	43%	22%
Q1 2022 to Q2 2023	27%	28%	23%	30%	30%	24%
<i>Other forms of finance:</i>						
Q2 2012 to Q2 2013	17%	19%	19%	20%	15%	18%
Q1 2013 to Q2 2014	17%	19%	17%	20%	13%	30%
Q1 2014 to Q2 2015	17%	19%	22%	15%	25%	26%
Q1 2015 to Q2 2016	16%	20%	23%	15%	25%	32%
Q1 2017 to Q2 2018	13%	16%	18%	15%	14%	23%
Q1 2019 to Q2 2020	15%	16%	6%	20%	12%	21%
Q3 2020 to Q4 2021	24%	27%	26%	30%	22%	21%
Q1 2022 to Q2 2023	20%	23%	24%	26%	20%	18%

Q14/15 All SMEs *definition change

TABLE 2C USE OF GOVERNMENT BACKED PANDEMIC FUNDING

In a revised question from Q1 2023, SMEs were asked if they had taken any Government backed pandemic funding and whether they were still repaying it:

H1 2023 – All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	7993	349				
Took and still repaying	18%	21%				
Took but have repaid	11%	12%				
Tried but not successful	1%	1%				
Did not apply	70%	67%				

Qbb2ax All SMEs excl DK

TABLE 2D CHANGE IN USE OF EXTERNAL FINANCE DUE TO PANDEMIC

From Q1 2021, SMEs using any external finance (except those only using grants) we asked how their use of external finance had changes as a result of the pandemic. The table below is based on all SMEs:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Borrowing more than we used to	14%	15%	9%	17%	21%	17%
Borrowing about the same as used to	13%	9%	9%	10%	6%	8%
Borrowing less than used to	3%	3%	4%	5%	0%	0%
Don't know	3%	4%	2%	3%	8%	0%
All not using any relevant finance	68%	67%	76%	65%	65%	75%
<i>% finance users using more finance</i>	46%	55%	42%	53%	76%	67%

Q14b All SMEs Combined data to include slight change to question text

TABLE 2E INJECTION OF PERSONAL FUNDS IN PREVIOUS 12 MONTHS

From Q3 2012, SMEs were asked whether personal funds had been injected into the business in the previous 12 months, by the owner or any director, and whether this was something they had *chosen* to do or *felt* that they had to do.

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Injected funds – chose to do	13%	17%	9%	17%	24%	12%
Injected funds – had no choice	22%	36%	37%	35%	32%	54%
Not something you have done	65%	48%	54%	48%	44%	34%

Q15d All SMEs

All SMEs over time	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Any injection of personal funds:</i>						
Q2 2012 to Q2 2013	42%	50%	51%	47%	63%	46%
Q1 2013 to Q2 2014	35%	43%	38%	44%	53%	30%
Q1 2014 to Q2 2015	28%	37%	36%	32%	55%	26%
Q1 2015 to Q2 2016	28%	43%	43%	36%	61%	45%
Q1 2017 to Q2 2018	29%	42%	51%	35%	56%	38%
Q1 2019 to Q2 2020	25%	33%	31%	30%	47%	12%
Q1 2022 to Q2 2023	35%	52%	46%	52%	56%	66%

TABLE 2F MAIN BUSINESS ACCOUNT – BUSINESS OR PERSONAL

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,388	972	181	557	189	45*
Personal account	8%	8%	7%	10%	9%	*
Business account	92%	92%	93%	90%	91%	100%

Q24 All SMEs excluding DK

TABLE 2G IMPACT OF TRADE CREDIT

SMEs were asked whether they received trade credit from their suppliers and, if so, whether this reduced their need for external finance

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Receive Trade Credit	37%	28%	18%	36%	23%	28%
<i>Reduces need for finance</i>	21%	17%	11%	22%	13%	8%
No trade credit	63%	72%	82%	64%	77%	72%

Q14y All SMEs

TABLE 2H IMPACT OF TRADE CREDIT AND CREDIT BALANCES

The table below shows the proportion of all SMEs who reported that their need for external finance was reduced either by trade credit and/or by holding £10,000 or more in credit balances:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Yes	31%	26%	31%	29%	19%	10%
No	69%	74%	69%	71%	81%	90%

Q14y/Q117 All SMEs

TABLE 2I BUSINESS FUNDING

It is now possible to provide a broader definition of “business funding” which includes any SME that uses external finance, and/or has injected personal funds and/or receives trade credit from suppliers:

Q1 2022-Q2 2023 – All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Use external finance	37%	37%	34%	40%	36%	30%
No finance but use trade credit	20%	15%	6%	21%	13%	20%
No finance/TC but injected funds	14%	23%	24%	16%	30%	48%
Business Funding	70%	76%	64%	78%	79%	98%

Q14y/15/15d2 All SMEs based on traditional definition

TABLE 2J THE PERMANENT NON-BORROWER

Data from the report allows for identification of those SMEs who seem firmly dis-inclined to borrow, because they meet **all** of the following conditions:

- Are not currently using external finance
- Have not used external finance in the past 5 years
- Have had no borrowing events in the previous 12 months
- Said that they had had no desire to borrow in the previous 12 months
- Reported no inclination to borrow in the next 3 months.

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Yes	45%	36%	30%	36%	40%	33%
No	55%	64%	70%	64%	60%	67%

All SMEs Combined table to include changes to definition from Q1 2023 to include Government backed funding

All SMEs over time	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Permanent non-borrowers:</i>						
Q2 2012 to Q2 2013	36%	28%	26%	39%	18%	53%
Q1 2013 to Q2 2014	41%	33%	36%	33%	23%	48%
Q1 2014 to Q2 2015	45%	39%	44%	41%	25%	43%
Q1 2015 to Q2 2016	47%	42%	41%	48%	29%	29%
Q1 2017 to Q2 2018	47%	38%	37%	40%	31%	56%
Q1 2019 to Q2 2020	43%	34%	42%	30%	39%	29%
Q3 2020 to Q4 2021	38%	24%	29%	23%	24%	32%
Q1 2022 to Q2 2023	45%	36%	30%	36%	40%	33%

TABLE 2K ATTITUDES TO EXTERNAL FINANCE IN THE BUSINESS

Since Q3 2014 a range of questions have been added to provide a better understanding of attitudes to external finance. SMEs were asked to what extent they agreed with each of a number of attitudinal statements (shown in full below) and the proportions agreeing (strongly or slightly) are shown below:

- As a business we are happy to use external finance to help the business grow and develop.
- Our current plans for the business are based entirely on what we can afford to fund ourselves.
- We never think about whether we could or should use more external finance in the business.
- We will accept a slower growth rate that we fund ourselves rather than borrowing to grow faster.
- A further increase in the cost of credit would make us less likely to apply for new external finance.
- As a business we are prepared to take risks to become more successful.
- Because the future feels uncertain we are being very cautious with our plans for the business
- My impression from what I see and hear is that it is quite difficult for businesses like ours to get external finance.
- We have a long-term ambition to be a significantly bigger business.

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	25,507	977	182	559	191	45*
Plans based on what can afford	85%	81%	78%	78%	86%	92%
Accept slower rate of growth	80%	73%	68%	68%	86%	70%
Future feels uncertain so cautious	63%	72%	66%	71%	83%	57%
Less likely to apply if cost of credit increased	52%	49%	43%	48%	56%	51%
Never think about using (more) finance	53%	46%	37%	48%	50%	55%
Prepared to take risks to succeed	46%	73%	76%	70%	75%	73%
Feel quite difficult to get finance	32%	38%	30%	34%	53%	37%
Long term ambition to be bigger	40%	65%	65%	61%	66%	91%
Happy to use finance to grow	31%	44%	45%	38%	55%	33%

Q96 (Q238a5) All SMEs

Two of these attitude statements were added in H2 2017 to better understand attitudes to growth and risk. These were:

- We have a long term ambition to be a significantly bigger business.
- As a business we are prepared to take risks to become more successful.

The long-term ambition question was rested in H1 2018 but included again in H2 2018.

The percentage agreeing with each statement is shown below, along with the proportion who agree with both statements, the “Ambitious risk takers”:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Long term ambition to be bigger	40%	65%	65%	61%	66%	91%
Prepared to take risks to succeed	46%	73%	76%	70%	75%	73%
<i>Ambitious risk takers</i>	27%	57%	61%	52%	59%	69%

Q96 (Q238a5) All SMEs

All SMEs over time	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Agree happy to use finance to grow:</i>						
Q1 2014 to Q2 2015	43%	57%	59%	60%	57%	22%
Q1 2015 to Q2 2016	44%	56%	52%	54%	63%	46%
Q1 2017 to Q2 2018	33%	49%	38%	49%	60%	42%
Q1 2019 to Q2 2020	29%	42%	41%	44%	40%	31%
Q1 2022 to Q2 2023	31%	44%	45%	38%	55%	33%

TABLE 2L CURRENT AND POTENTIAL USE OF EXTERNAL FINANCE

The table below shows the answers to the attitudinal statement “Happy to use external finance to help the business grow and develop”, analysed by whether the SME is *currently* using external finance:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Using finance and happy to use in future	16%	21%	21%	19%	25%	23%
Not using finance but happy to in future	16%	23%	24%	19%	30%	10%
Using finance but not happy to in future	21%	16%	13%	21%	11%	7%
Not using finance and not happy to in future	48%	40%	42%	41%	34%	60%

Fingrow (Q96/Q15) All SMEs

TABLE 2M REPAYMENT CONCERNS

SMEs are now given several opportunities to express concern about their ability to repay existing facilities, both at Q78c (above) and as a result of taking borrowing related to the pandemic (reported later) The question below brings these strands together and is based on all SMEs:

Q1 2022 – Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Concerned about repaying	7%	14%	11%	15%	15%	17%
<i>Concerned (finance users)</i>	17%	35%				
Not concerned	93%	86%	89%	85%	85%	83%

Qbb2bb All SMEs Combined table to include changes to definition from Q1 2023

3. NEED FOR FINANCE AND APPLICATIONS MADE (TABLES 3A-3E)

TABLE 3A NEED FOR FUNDING

The new questionnaire starts by asking all SMEs whether they have had a need for (more) external funding in the past 12 months, whether they went on to apply for it or not. Those who applied for finance as a result of that need for funding are shown as having a Type 1 borrowing event in later tables.

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Yes, had need for funding	6%	9%	8%	6%	13%	14%
<i>Applied for that funding</i>	3%	5%	3%	3%	10%	7%
No need for funding	94%	91%	92%	94%	87%	86%

Q25 All SMEs

TABLE 3B DETAIL OF BORROWING 'EVENTS' IN THE PAST 12 MONTHS

As well as reporting any applications made as a result of a need for finance, SMEs reported on any other Type 1 (new application or renewal), as well as Type 2 (bank sought cancellation/renewal) and Type 3 (SME sought cancellation/reduction) borrowing events in the previous 12 months, or the automatic renewal of an overdraft.

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Type 1: New application/renewal	4%	6%	4%	4%	10%	7%
Applied re need for finance	3%	5%	3%	3%	10%	7%
Other application/renewal	1%	1%	1%	1%	*	2%
Type 2/3: Cancel/renewal by bank or SME paying off early	2%	2%	1%	1%	4%	5%
Auto renewal of overdraft	5%	2%	3%	1%	4%	-
Any event	10%	9%	7%	6%	17%	12%

Pastevt All SMEs

TABLE 3C FINANCIAL BEHAVIOUR IN 12 MONTHS PRIOR TO INTERVIEW

The tables below allocate all SMEs to one of three groups:

- **Had an event:** those SMEs reporting any Type 1 (new application or renewal), Type 2 (bank sought cancelation/renewal), Type 3 (SME sought cancellation/reduction) borrowing event in the previous 12 months, or the automatic renewal of an overdraft. More detail was provided in the previous table.
- **Would-be seekers:** those SMEs that had not had a borrowing event, but said that they would have ideally liked to apply for funding in the previous 12 months.
- **Happy non-seekers:** those SMEs that had not had a borrowing event, and also said that they had not wanted to apply for any (further) funding in the previous 12 months.

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Have had an event	10%	9%	7%	6%	17%	12%
Would-be seekers	3%	3%	4%	4%	2%	3%
Happy non-seekers	87%	87%	89%	90%	81%	85%

Pastfin (Q115/209) All SMEs

**All SMEs over time –
Financial behaviour**

	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Had an event:</i>						
Q2 2012 to Q2 2013	21%	23%	27%	24%	20%	15%
Q1 2013 to Q2 2014	17%	15%	13%	16%	20%	8%
Q1 2014 to Q2 2015	16%	17%	12%	18%	19%	9%
Q1 2015 to Q2 2016	16%	14%	15%	12%	17%	14%
Q1 2017 to Q2 2018	15%	12%	6%	14%	9%	8%
Q1 2019 to Q2 2020	13%	15%	16%	13%	23%	7%
Q1 2022 to Q2 2023	10%	9%	7%	6%	17%	12%
<i>Would-be seeker:</i>						
Q2 2012 to Q2 2013	8%	12%	10%	11%	20%	7%
Q1 2013 to Q2 2014	6%	10%	13%	9%	13%	2%
Q1 2014 to Q2 2015	4%	7%	9%	4%	15%	7%
Q1 2015 to Q2 2016	3%	7%	8%	4%	14%	5%
Q1 2017 to Q2 2018	2%	6%	15%	4%	5%	4%
Q1 2019 to Q2 2020	1%	2%	1%	3%	1%	-
Q1 2022 to Q2 2023	3%	3%	4%	4%	2%	3%
<i>Happy non-seeker:</i>						
Q2 2012 to Q2 2013	71%	64%	63%	65%	60%	78%
Q1 2013 to Q2 2014	78%	75%	74%	76%	67%	90%
Q1 2014 to Q2 2015	80%	76%	79%	78%	66%	84%
Q1 2015 to Q2 2016	81%	79%	77%	84%	69%	80%
Q1 2017 to Q2 2018	83%	82%	78%	81%	84%	88%
Q1 2019 to Q2 2020	85%	82%	82%	84%	77%	93%
Q1 2022 to Q2 2023	87%	87%	89%	90%	81%	85%

Pastfin (Q115/209) All SMEs

TABLE 3D NATURE OF APPLICATIONS MADE

This section has changed the most compared to previous reports and is no longer limited to just loan and overdraft applications. It is based on all Type 1 applications made rather than all SMEs (as one SME may have made several applications, with different outcomes). The applications shown here were made and reported between Q1 2022 and Q2 2023, but despite the time period there were very few applications reported:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	682	64*				
First time applicant	52%	41%				
Applied online	36%	53%				
Applied in business name	90%	97%				

Q35b/Q53, Q37/55, Q38/56 Applications reported 2019-Q2 2020

As a result fewer than 50 Ethnic Minority SMEs reported the outcome of an application for finance and so this data is not included in this report.

4. THE FUTURE (TABLES 4A-4H)

TABLE 4A PLANS FOR GROWTH RELATED ACTIVITIES

All SMEs were also asked whether they were planning any activities traditionally associated with growth, such as taking on staff:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	<i>25,507</i>	<i>977</i>	<i>182</i>	<i>559</i>	<i>191</i>	<i>45*</i>
Any activity	48%	62%	72%	56%	63%	65%
Take on more staff	22%	37%	45%	33%	35%	48%
Sig steps to reduce carbon f'print	20%	23%	17%	25%	27%	12%
Develop a new product or service	17%	24%	29%	21%	27%	10%
Invest in plant, machinery or premises	17%	20%	18%	17%	24%	36%
Start to sell/sell more overseas	6%	12%	21%	7%	13%	14%
Other major expenditure	9%	16%	9%	18%	17%	35%

Q90 All SMEs

TABLE 4B GROWTH PLANS FOR NEXT 12 MONTHS

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	25,507	977	182	559	191	45*
Grow by more than 40%	6%	11%	11%	12%	12%	9%
Grow by 20-40%	12%	17%	16%	12%	28%	1%
Grow by less than 20%	24%	33%	46%	30%	28%	31%
All planning to grow	43%	61%	72%	54%	68%	41%
Stay the same size	45%	30%	19%	35%	26%	41%
Become smaller	6%	4%	3%	4%	3%	19%
Plan to sell/pass on /close	6%	5%	5%	8%	3%	-

Q91 (Q225) All SMEs

The growth question was initially amended in Q4 2012 so 2013 is the first year shown in the time series below:

All SMEs over time

Plan to grow	Total	All EMB	Mixed	Asian	Black	Chinese
Q1 2013 to Q2 2014	49%	55%	51%	58%	61%	57%
Q1 2014 to Q2 2015	45%	61%	56%	62%	65%	58%
Q1 2015 to Q2 2016	44%	60%	57%	57%	71%	64%
Q1 2017 to Q2 2018	46%	54%	64%	47%	66%	64%
Q1 2019 to Q2 2020	46%	54%	59%	52%	58%	38%
Q3 2020 to Q4 2021	44%	58%	68%	52%	65%	37%
Q1 2022 to Q2 2023	43%	61%	72%	54%	68%	41%

Q91 (Q225) All SMEs

TABLE 4C PAST AND FUTURE GROWTH PLANS

Q1 2022-Q2 2023 All SMEs

Ex Starts	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	22,692	808	152	460	160	36*
Grow and grow again	18%	20%	22%	12%	30%	11%
Stayed same but expect to grow	11%	15%	16%	16%	11%	18%
Declined but expect to grow	12%	19%	25%	14%	25%	6%
Grew but no plan to grow	12%	10%	6%	11%	8%	16%
Stayed same and no plan to grow	27%	15%	6%	23%	10%	4%
Declined and no plan to grow	21%	22%	25%	22%	15%	45%
<i>% of all planning to grow that grew last year</i>	44%	37%	35%	29%	45%	31%

Q81/91 (Q225) All SMEs excl Starts

TABLE 4D OBSTACLES TO RUNNING THE BUSINESS IN THE NEXT 12 MONTHS

SMEs were asked to rate the extent to which each of 9 factors were perceived as obstacles to them running the business as they would wish in the next 12 months:

Q1 2022-Q2 2023 All SMEs

8-10 impact score	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
<i>Any of these</i>	62%	62%	45%	75%	51%	67%
Increased costs	39%	43%	31%	52%	36%	49%
Political uncertainty / future govt policy	21%	18%	10%	22%	15%	31%
The current economic climate	31%	30%	19%	34%	29%	44%
Legislation, regulation and red tape	19%	21%	17%	19%	27%	26%
Supply chain issues	17%	18%	14%	23%	15%	10%
Changes in value of sterling	12%	18%	4%	24%	22%	12%
Cash flow/issues with late payment	11%	17%	9%	18%	22%	26%
Recruiting/retaining staff	11%	12%	8%	16%	6%	29%
<i>Recruit/retain amongst employers</i>	20%	20%	19%	20%	24%	16%
Access to external finance	7%	14%	8%	15%	17%	20%

Q93 (Q227) All SMEs

All SMEs – over time**8-10 obstacles****Total****All EMB****Mixed****Asian****Black****Chinese*****The economic climate***

Q2 2012 to Q2 2013

32%

40%

36%

41%

40%

35%

Q1 2013 to Q2 2014

24%

32%

31%

31%

35%

35%

Q1 2014 to Q2 2015

16%

19%

24%

15%

21%

31%

Q1 2015 to Q2 2016

13%

18%

19%

16%

23%

9%

Q1 2017 to Q2 2018

14%

20%

24%

18%

21%

12%

Q1 2019 to Q2 2020

25%

31%

26%

33%

30%

35%

Q3 2020 to Q4 2021

28%

34%

28%

34%

40%

40%

Q1 2022 to Q2 2023

31%

30%

19%

34%

29%

44%

Legislation and regulation

Q2 2012 to Q2 2013

13%

15%

16%

16%

16%

5%

Q1 2013 to Q2 2014

13%

13%

13%

12%

11%

20%

Q1 2014 to Q2 2015

12%

13%

9%

12%

16%

22%

Q1 2015 to Q2 2016

11%

11%

7%

11%

16%

9%

Q1 2017 to Q2 2018

16%

15%

20%

13%

17%

12%

Q1 2019 to Q2 2020

19%

18%

15%

21%

13%

15%

Q1 2022 to Q2 2023

19%

21%

17%

19%

27%

26%

Political uncertainty/Govt policy

Q1 2015 to Q2 2016

10%

14%

10%

13%

19%

9%

Q1 2017 to Q2 2018

15%

19%

29%

18%

14%

13%

Q1 2019 to Q2 2020

24%

29%

34%

27%

32%

27%

Q1 2022 to Q2 2023

21%

18%

10%

22%

15%

31%

Continued

Continued

<i>Cash flow and late payment</i>						
Q2 2012 to Q2 2013	12%	17%	22%	13%	27%	5%
Q1 2013 to Q2 2014	10%	16%	15%	17%	17%	8%
Q1 2014 to Q2 2015	9%	12%	8%	11%	15%	17%
Q1 2015 to Q2 2016	8%	12%	9%	10%	20%	9%
Q1 2017 to Q2 2018	10%	13%	13%	13%	16%	2%
Q1 2019 to Q2 2020	14%	14%	15%	13%	17%	8%
Q1 2022 to Q2 2023	11%	17%	9%	18%	22%	26%
<i>Access to external finance</i>						
Q2 2012 to Q2 2013	11%	20%	32%	17%	21%	4%
Q1 2013 to Q2 2014	9%	16%	20%	15%	17%	6%
Q1 2014 to Q2 2015	7%	16%	15%	12%	30%	15%
Q1 2015 to Q2 2016	5%	13%	18%	8%	23%	9%
Q1 2017 to Q2 2018	5%	10%	8%	9%	15%	7%
Q1 2019 to Q2 2020	7%	12%	14%	10%	18%	3%
Q1 2022 to Q2 2023	7%	14%	8%	15%	17%	20%

Q93 (Q227) All SMEs

TABLE 4E FINANCIAL PLANS FOR NEXT 3 MONTHS

When thinking about SMEs with no plans to apply/renew in the next 3 months, it is important to distinguish between two groups:

- Those that were happy with the decision, because they did not need to borrow (more) or already had the facilities they needed – the Happy non-seekers.
- And those that felt that there were barriers that would stop them applying (such as discouragement, the economy or the principle or process of borrowing) – the Future would-be seekers.

These Future would-be seekers can be split into 2 further groups:

- Those that had identified that they were likely to need external finance in the coming three months.
- Those that thought it unlikely that they would have a need for external finance in the next 3 months but who thought there would be barriers to them applying, were a need to emerge.

Q1 2022-Q2 2023 All SMEs

Future finance plans	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Plan to apply/renew	8%	16%	13%	12%	27%	4%
Future would-be seekers– with identified need	1%	3%	*	4%	2%	2%
Future would-be seekers– no immediate identified need	14%	23%	31%	24%	13%	28%
Happy non-seekers	76%	58%	55%	59%	58%	65%

Futfin All SMEs

All SMEs – over time**Future finance plans****Total****All EMB****Mixed****Asian****Black****Chinese**

<i>Plan to apply:</i>						
Q2 2012 to Q2 2013	14%	23%	20%	24%	28%	7%
Q1 2013 to Q2 2014	13%	23%	25%	22%	29%	15%
Q1 2014 to Q2 2015	13%	23%	17%	23%	32%	12%
Q1 2015 to Q2 2016	13%	22%	25%	18%	31%	6%
Q1 2017 to Q2 2018	11%	18%	24%	16%	23%	8%
Q1 2019 to Q2 2020	12%	20%	13%	23%	18%	23%
Q3 2020 to Q4 2021	11%	23%	15%	23%	29%	17%
Q1 2022 to Q2 2023	8%	16%	13%	12%	27%	4%
<i>Future would-be seeker:</i>						
Q2 2012 to Q2 2013	21%	27%	28%	24%	37%	17%
Q1 2013 to Q2 2014	18%	21%	22%	21%	26%	8%
Q1 2014 to Q2 2015	14%	13%	9%	12%	22%	16%
Q1 2015 to Q2 2016	12%	14%	9%	12%	24%	19%
Q1 2017 to Q2 2018	11%	17%	16%	17%	21%	6%
Q1 2019 to Q2 2020	14%	17%	23%	13%	21%	18%
Q3 2020 to Q4 2021	20%	22%	28%	21%	21%	13%
Q1 2022 to Q2 2023	15%	26%	32%	29%	15%	31%
<i>Happy non-seeker:</i>						
Q2 2012 to Q2 2013	65%	51%	52%	52%	36%	76%
Q1 2013 to Q2 2014	69%	56%	53%	57%	45%	78%
Q1 2014 to Q2 2015	73%	63%	74%	65%	46%	72%
Q1 2015 to Q2 2016	75%	64%	66%	70%	46%	75%
Q1 2017 to Q2 2018	78%	64%	60%	67%	56%	86%
Q1 2019 to Q2 2020	74%	63%	64%	64%	61%	62%
Q3 2020 to Q4 2021	68%	55%	57%	56%	50%	70%
Q1 2022 to Q2 2023	76%	58%	55%	59%	58%	65%

TABLE 4F USE OF, AND FUTURE APPETITE FOR, FINANCE

The table below combines current use of external finance with future plans for application:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Use finance and plan to apply	6%	9%	5%	8%	16%	4%
Don't use finance but plan to apply	3%	6%	8%	4%	11%	-
Use finance but no plans to apply	31%	28%	29%	32%	20%	26%
No use or plans to apply for finance	61%	56%	57%	56%	53%	70%

Futfin/Q15 All SMEs

TABLE 4G FUTURE WOULD-BE SEEKERS – MAIN REASON FOR NOT PLANNING TO APPLY

As sample sizes are small, results are only reported for ethnic minority SMEs overall:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
Unweighted base:	3359	186				
Reluctant to borrow now (any)	74%	68%				
Issues with <u>principle</u> of borrowing	5%	4%				
Issues with <u>process</u> of borrowing	9%	13%				
Discouraged (any)	7%	10%				
Direct (Put off by bank)	*	1%				
Indirect (Think I would be turned down)	7%	9%				

Q104/105 (Q239a) Future would-be seekers SMEs

TABLE 4H CONFIDENCE BANK WOULD AGREE IF APPLIED FOR FINANCE

All SMEs are now asked how confident they would be that their bank would say yes if they were to apply for finance. The table below shows confidence as a whole across all SMEs, then confidence for those with any appetite for finance (those planning to apply or Future would-be seekers) compared to those with no plans to apply (the Future happy non-seekers) for all SMEs and those in the EMB category. Base sizes for individual EMB groups are too limited to report by intention to borrow, with the exception of Asian SMEs:

Q1 2022-Q2 2023 All SMEs	Total	All EMB	Mixed	Asian	Black	Chinese
<i>Unweighted base:</i>	25,507	977	182	559	191	45*
Overall confidence	51%	38%	31%	38%	42%	43%
<i>Confidence if plan to apply</i>	37%	24%	-	20%	-	-
<i>Confidence if Future would-be seekers</i>	40%	35%	-	35%	-	-
<i>Confidence if Future Happy non-seekers</i>	54%	42%	43%	43%	46%	22%

Q103/106 All SMEs

All SMEs – over time

Overall confidence if applied	Total	All EMB	Mixed	Asian	Black	Chinese
Q1 2017 to Q2 2018	60%	48%	48%	48%	46%	56%
Q1 2019 to Q2 2020	57%	52%	45%	55%	51%	47%
Q1 2022 to Q2 2023	51%	38%	31%	38%	42%	43%

