

SME Finance Monitor

The presentation deck
To Q2 2025



An independent report by BVA BDRG, September 2025



The SME Finance Monitor Q2 2025

This survey was commissioned to provide a robust and respected independent source of information over time on the demand for, and availability of, finance for SMEs in the UK.

Over **250,000 SME interviews** have been conducted since the survey started in Q2 2011, across 57 waves of interviewing. Major changes were made to the questionnaire for Q1 2018, then further adjustments were made during 2020 as the pandemic hit and again at the start of 2023, to adapt to the current environment.

The report and supporting data are made available to **all** interested parties as a basis for decision-making and strategy setting. It is used by a wide range of organisations from the Government, to the Bank of England, banks, trade bodies and academics.

What the SME Finance Monitor covers

Past



Finance used



Borrowing events in the past 12 months and their outcome



Reasons for not borrowing

Current



Attitudes towards finance



Growth and innovation



International trade



Business demographics: size, sector, region, age of business, owner demographics such as age, gender and ethnicity

Future



Future plans for finance



Future growth ambitions



Optimism about the future

17,000

telephone interviews with financial decision makers at SMEs



with **0-249**
employees

and turnover
below **£25m**

Find out more at www.sme-finance-monitor.co.uk

This presentation deck links the usual update to the Government's recent Plan for Small and Medium Sized Businesses

This is an opportunity to set a benchmark for the Government's new SME plan

Launched at the end of July 2025, this plan covers some key areas that have been tracked by the SME Finance Monitor:

- **Fixing the fundamentals:** Reducing late payment and the regulatory burden
 - **Future proofing skills:** Recruitment and skills retention
 - **Unlocking access to finance:** Appetite for finance, applications, Would-be seekers and Permanent non-borrowers
 - **Opening up opportunities:** International trade and growth / innovation
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- The **main pack** contains these slides plus all the usual slides and additional analysis provided by size as well as by sector and other demographics to build understanding of how different parts of the economy are performing

This pack is not the only way to access SMEFM data

A range of options are available to meet your information needs:

The **management summary** (available as a standalone document after Q2 as well as Q4) provides key summary headlines from across SMEFM on both access to finance and important context – growth, innovation, international trade etc

The **main report** is published after Q4 each year:

- Each chapter starts with a **chapter summary** which provides the key headlines for that chapter in a bit more detail than the management summary offers
- The greatest **detail** is found in each chapter of the main report, getting behind the headlines to provide data both by different demographics and over time, providing a reference document on all things SME



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“The last few years are beginning to look like the **new normal** in many respects. Use of external finance, types of finance, and reported and predicted growth trends are all largely unchanged.

High costs, the economy and **political uncertainty** remain issues, and are likely contributing to the doubling of SMEs (to 30%) who see **mainly threats** (rather than opportunities) since 2022. On top of this, SMEs are **less happy** to borrow to grow, and confidence in application success (actual or possible) is down.

There remains **a clear divide in success rates** between those with 0-9 emps and those with 10-249 emps, and since Q3 2022, more applicants (notably the smaller ones) have turned down the facility offered to them, primarily due to cost.

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1 Fixing the fundamentals

2 Future proofing skills

3 Access to finance

4 Opening up opportunities



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Fixing the fundamentals

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“We want to reduce burdens on those who are taking the risks to start, run and grow a business”

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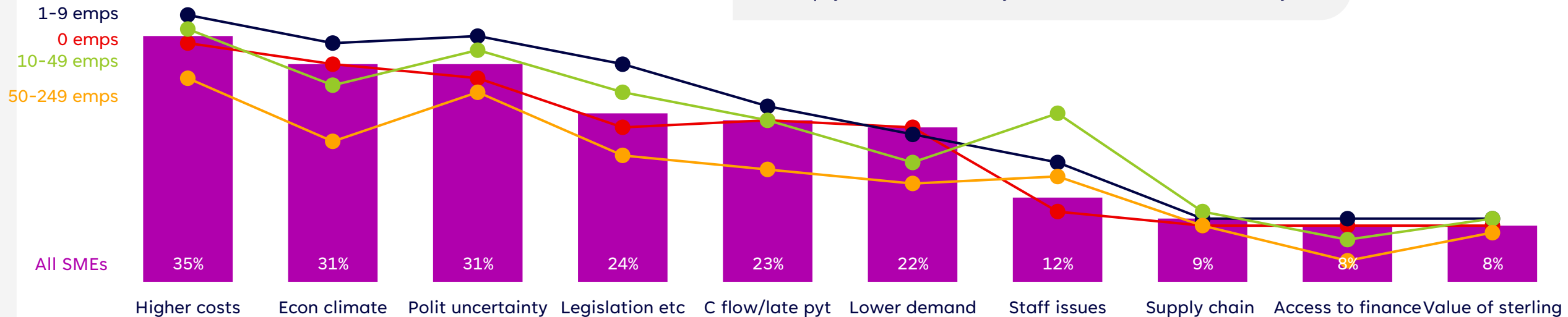
Current and future challenges

Key barriers: For SMEs YEQ2 25 higher costs remained the key future barrier, followed by the current economic climate alongside political uncertainty. For larger SMEs, political uncertainty is now more of an issue than the economic climate

YEQ2 2025: All rated 8-10 'major barrier' to business

Individually:

- Cash flow is mentioned by 15% of SMEs (15%/17%/14%/8% by size)
- Late payment is mentioned by 13% of SMEs with little variation by size

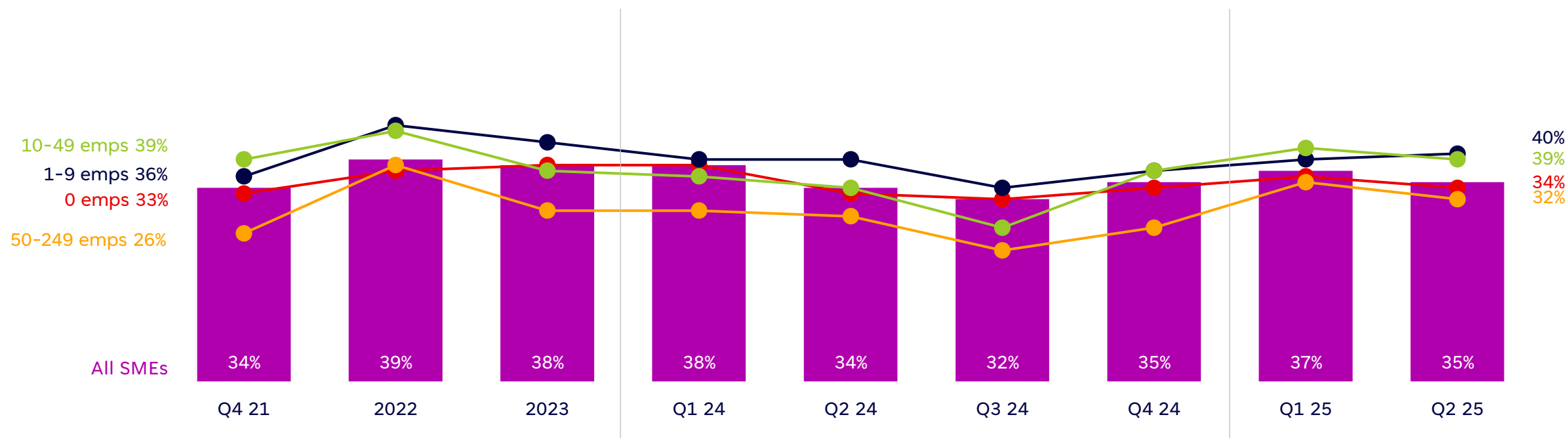


The top 3 barriers were more likely to be mentioned by:

- Those in Hospitality (54%, 47% and 39%), and those planning to apply for finance (45%, 42% and 39%)
- FWBS were more likely than their peers to be concerned about higher costs and the economic climate (45% and 42%)
- Those in Agriculture were more likely than their peers to be concerned about political uncertainty (39%)

Latest trends: In Q2 2025 itself, 35% of SMEs viewed costs as a potential barrier, in line with Q4 2024. It remains the top single barrier above the current economic climate (though by a narrow margin for smaller SMEs)

Time series: Higher costs 8-10 barrier (asked as Increasing costs to Q2 2024)



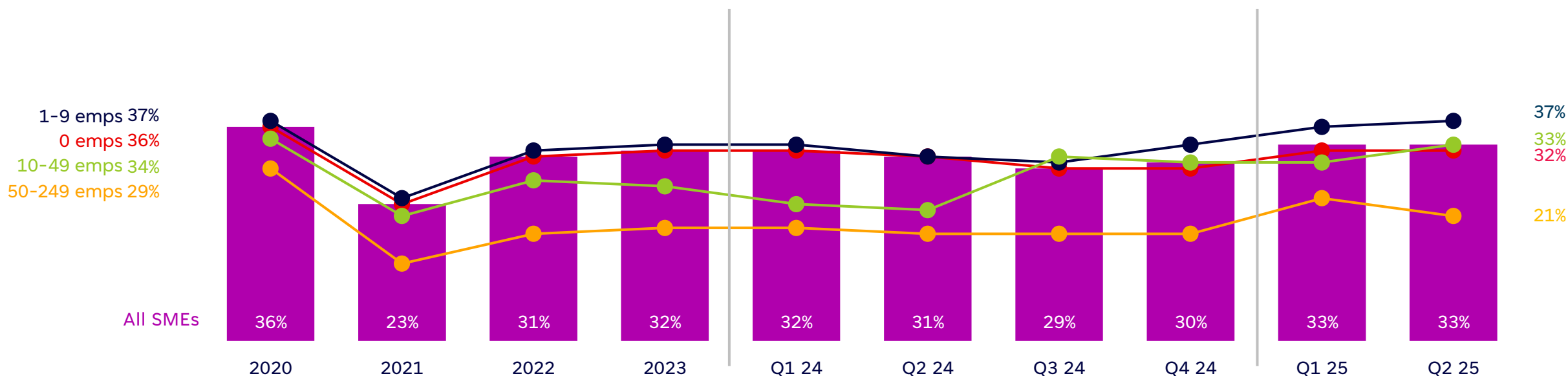
Higher costs are a key barrier across SMEs YEQ2 2025 (35%):

- Slightly more of an issue for those in Hospitality (54%) and Wholesale/Retail (42%), those with any future appetite for finance (45%), Import only SMEs (40%) those with 1-9 emp (38%) and Starts (37%)
- Slightly less of an issue for those in Health (22%), Permanent non-borrowers (27%) and those with 50-249 emps (29%)

Q93 Base : All SMEs Q2 2025 4260

Latest trends: Concerns about the economic climate have been around 1 in 3 since the start of 2024. Since Q3 2024 there has been a steady increase in 1-9 employee SMEs seeing this as a barrier

Recent time series: Current economic climate an 8-10 major barrier– by size of SME



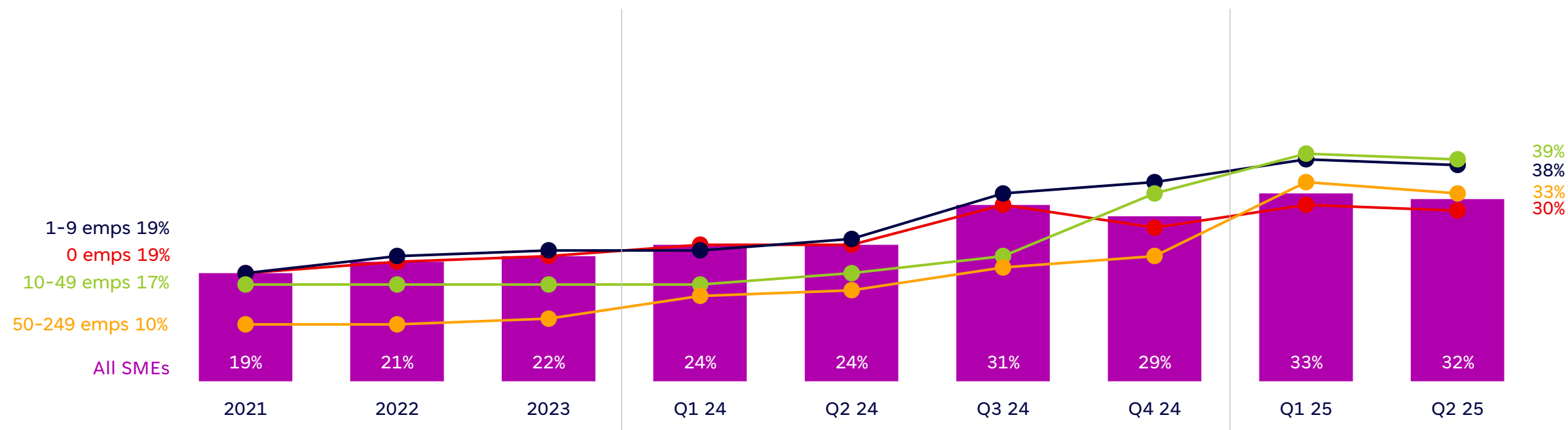
The economic climate is also a key barrier across SMEs YEQ2 2025 (31%):

- Slightly more of an issue for those in Hospitality (47%) those with any future appetite for finance (42%), Import only SMEs (39%)
- Slightly less of an issue for Permanent non-borrowers (26%) and those with 50-249 emps (20%)

Q93 Base : All SMEs Q2 2025 4260

Latest trends: 32% of SMEs viewed political uncertainty and government policy as a potential barrier, still at a higher level than seen prior to H2 2024, notably for those with 1-9 and 10-49 employees

Time series: Political uncertainty/future government policy 8-10 barrier



Political uncertainty has become an increasing barrier (31% YE Q2 2025):

- It is more of a barrier than the economic climate for those with 10-49 (33% v 28%) or 50-249 emps (27% v 20%) and those in Agriculture (39% v 32%)
- It is mentioned more by those in Hospitality (39%), Import only SMEs (38%) and those planning to apply for finance (39%)
- Slightly less of an issue for those in Health (18%) and Permanent non-borrowers (26%)

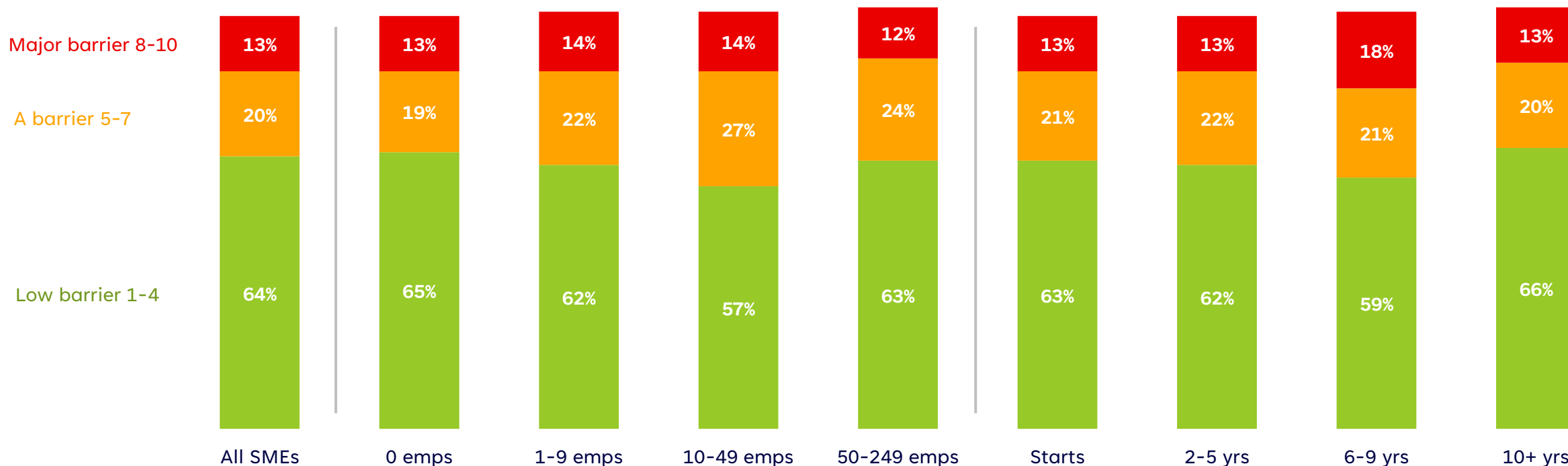
Q93 Base : All SMEs 3m to June 4260



Late payment

The impact of late payment: There is limited variation by size, age or sector in the proportion seeing late payment as a major barrier

Barrier of late payment by size and age – YEQ2 2025

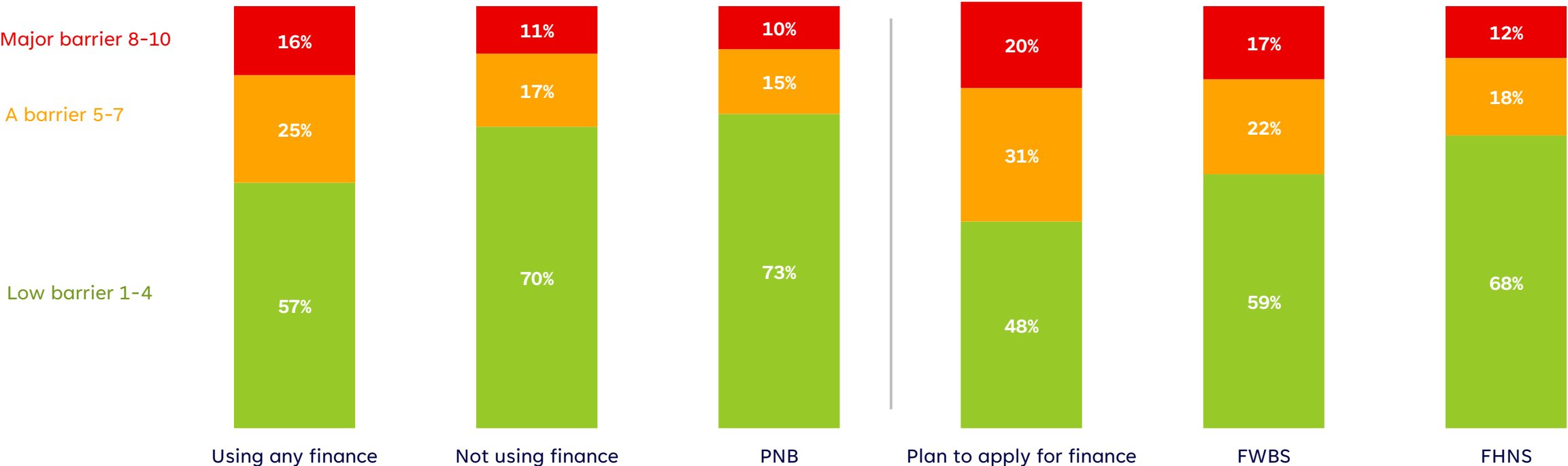


2014 to 2024, 'Cash flow/late payment' increased as a barrier from around 1 in 10 SMEs to around 1 in 5. As its own metric, late payment is a major barrier for 13% of SMEs:

- There is limited variation by size or age or by sector with the exception of Hospitality (6%) and Health (7%)
- It is also an issue for 18% of those Struggling

The impact of late payment: Those using, or planning to apply for, finance were more likely to see late payment as an issue than their peers

Barrier of late payment– YEQ2 2025



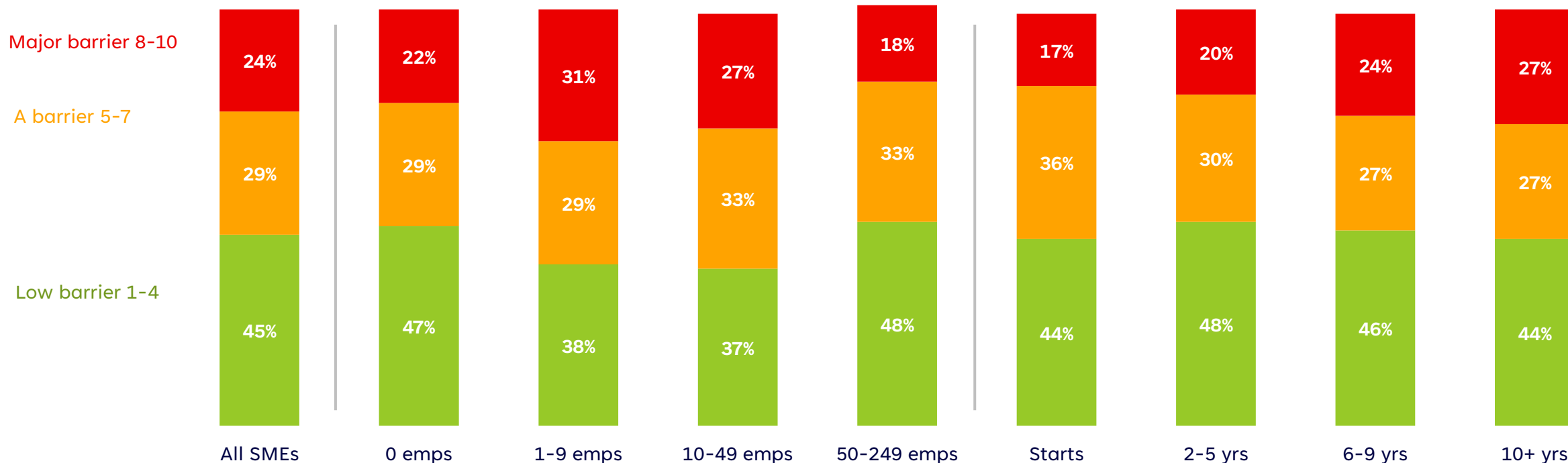
Q93_11 all SMEs YEQ2 2025 17,017



Legislation, regulation and red tape

The impact of legislation etc: This increases as a barrier by age of SME and also by size up to 10-49 employees, and is also higher for those using or planning to apply for finance

Barrier of legislation, regulation and red tape by size and age – YEQ2 2025



2016 to 2024, 'Legislation/regulation/red tape' increased as a barrier from around 1 in 10 SMEs to around 1 in 4 (24%).

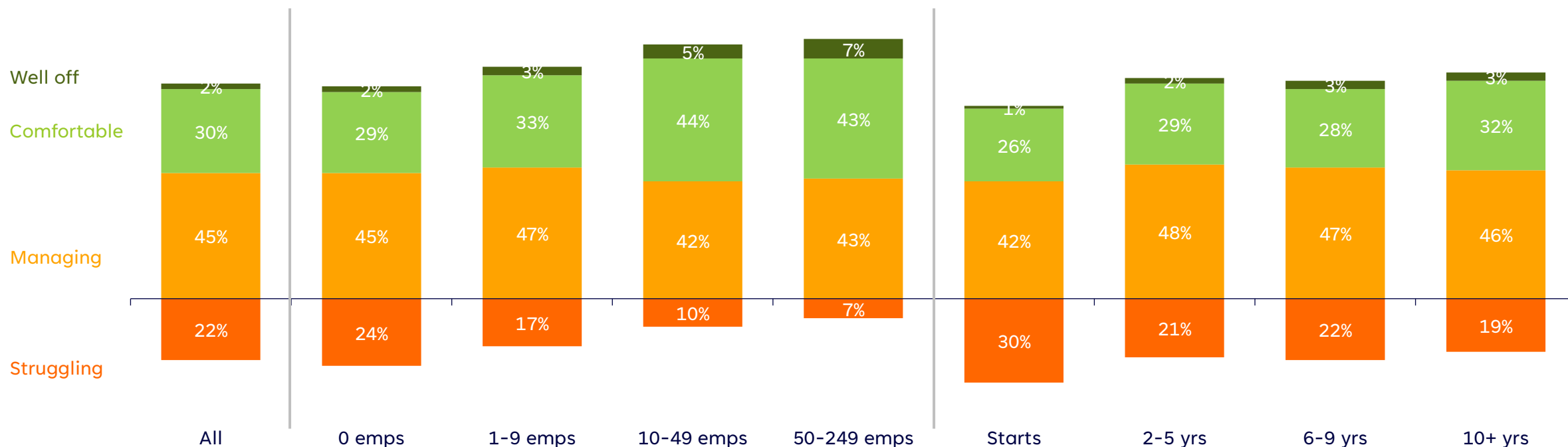
- It is more of an issue for those with 1-9 emps, and increases somewhat by age of SME
- It is more of an issue for those in Agriculture (35%), or Hospitality (34%) as well as those planning to apply for finance (31%) or currently using finance (29%)
- It is also an issue for 30% of those Struggling



SME sentiment

Sentiment: 1 in 3 SMEs felt they were currently Comfortable/Well off, rising to half of the larger SMEs. 1 in 5, mainly smaller and younger SMEs, were Struggling with monthly revenue not meeting their needs (up from 18% in 2023)

Overall assessment by size and age – YEQ2 2025



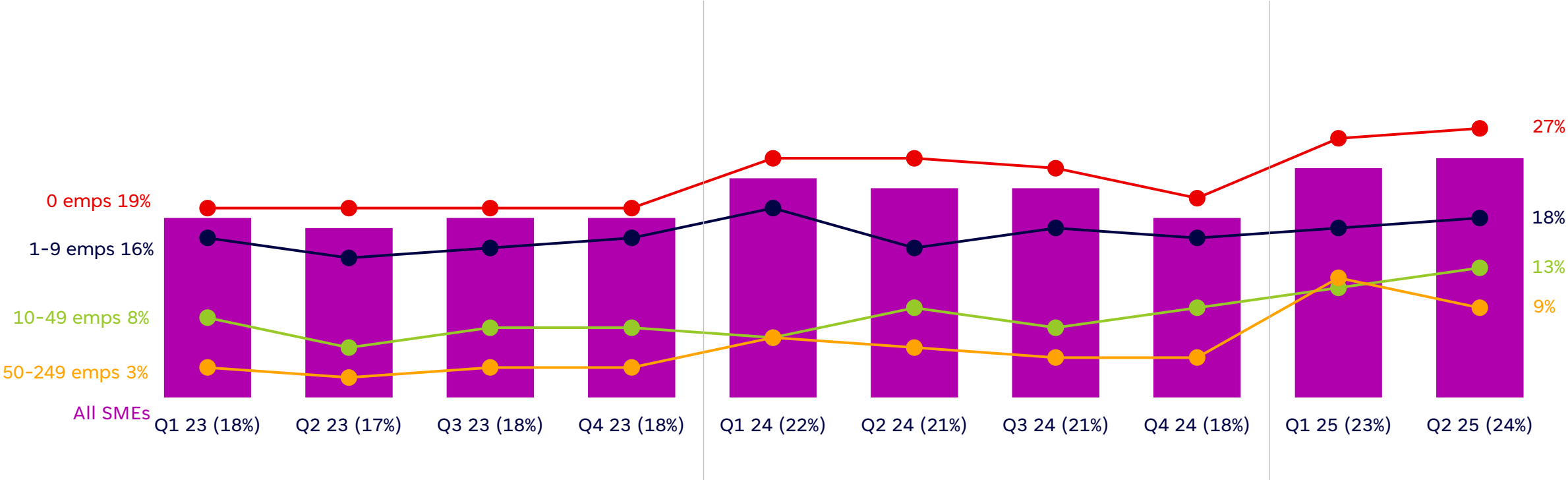
- Those more likely to be 'Struggling' included those in Agriculture (30%) and Hospitality (27%), London (31%), EMBs (36%) and those who either plan to apply for finance (37%) or expect to be a Future would-be seeker of finance (36%). Start-ups (30%) are also more likely to be 'Struggling'
- Those more likely to be 'Well off/Comfortable' included those with 10-49 or 50-249 emps (49% and 50%), and those in Property/Business Services (39%). SMEs from Y&H (42%), PNBs (42%) and those who grew in the past year (52%) were also more likely to be 'Well off/Comfortable'

nwc8 All SMEs YEQ4 2024 excl DK 16,919 3699/7169/4409/1642 356/1375/1751/13437

Struggling: Our monthly revenue does not meet our needs and the business has no savings or investments , and Well off: Our monthly revenue more than meets our needs and the business has a decent sum in savings and investments

24% of SMEs in the current period reported feeling that they were ‘Struggling’, above levels previously seen, led by the smallest SMEs

Time series: Feel that they are ‘struggling’



Qcv8 all SMEs 3m to June 4260

Fixing the fundamentals - overview

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The key future barriers to SMEs remain higher costs, the economic climate and political uncertainty, all somewhat higher in H1 2025 than in 2024, at around 1 in 3 SMEs.

Late payment is seen as a key barrier by 13% of SMEs, with little variation across key demographics, with the exception of those planning to apply for finance (20%). There is more variation for ‘legislation, regulation and red-tape’ (24% overall), increasing by age of SME and more of an issue for those with 1-9 emps (31%).

Overall, 22% of SMEs are ‘Struggling’, led by the 0 emps but with higher levels in 2025 itself for all size bands.

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Future proofing skills

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“Businesses want to be ready for a future defined by rapid technological and economic changes... using the latest technologies, improving leaders’ skillsets and undertaking innovation activity”

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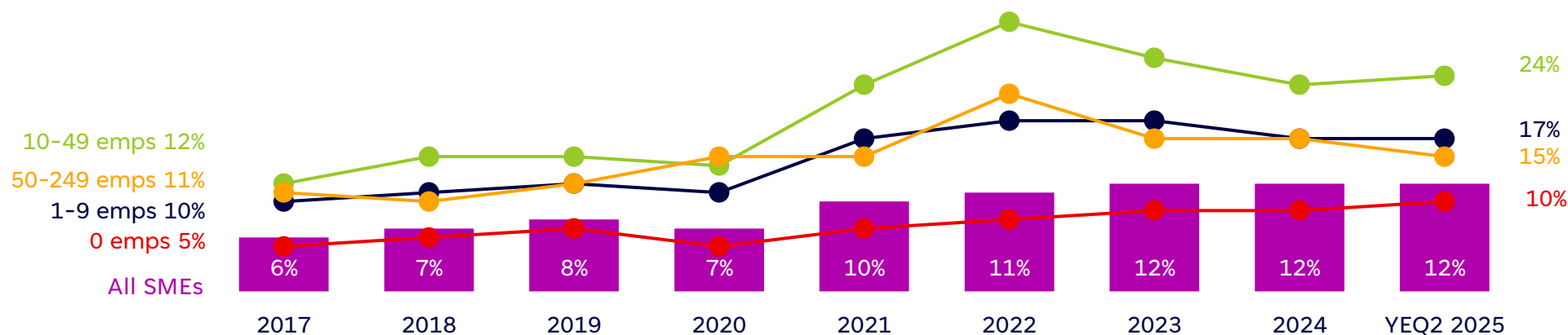




Recruitment and retention

Since 2023, 1 in 8 SMEs has seen recruiting and retaining staff as a barrier, increasing to around 1 in 5 employers

Annual time series: % issues recruiting and retaining staff 8-10 barrier



One in ten (12%) of SMEs regard staff issues as being a major obstacle over the next 12 months YEQ2 2025:

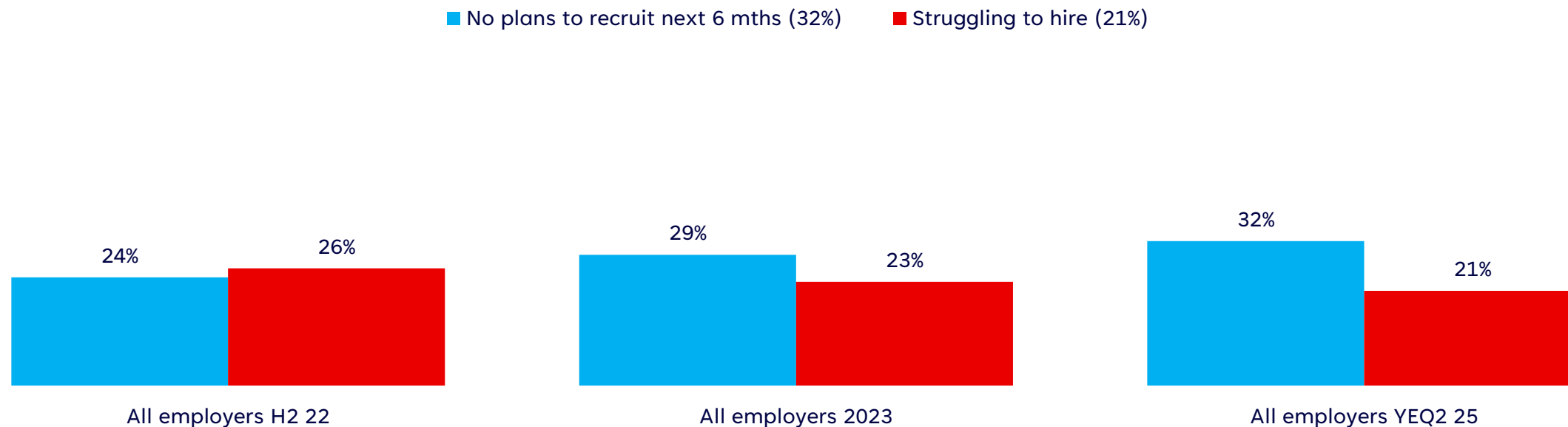
- By size: 24% with 10-49 emps (down from 30% in 2022) and 15% for those with 50-249 (down from 22% in 2022)
- Less of an issue for those in Health (7%), compared to 20% in Hospitality



Access to new employees

Recruitment: SME employers are now more likely to have no plans to recruit than to be struggling to recruit

Key Staff resources (employers) over time

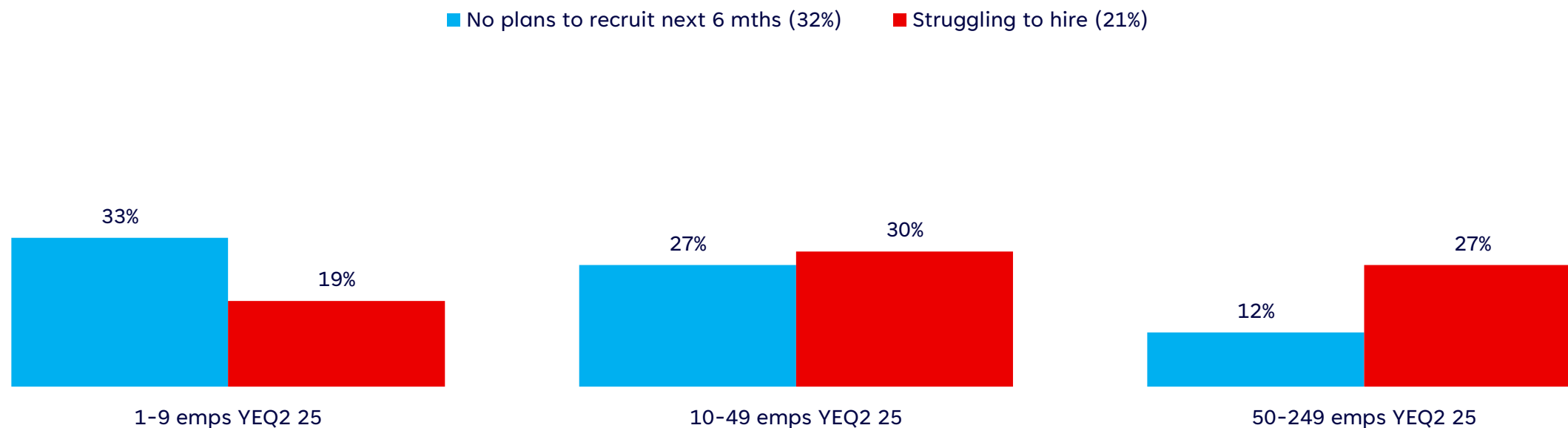


- Since H2 2022, the proportion of employers struggling to recruit has declined from 26% to 21%, while the proportion with no plans to recruit has increased from 24% to 32%.
- Employers with 1-9 emps remain more likely to say they have no plans to recruit (33%) than they do to say they are struggling to hire (19%), while the opposite is true for the largest SMEs (12% with no plans v 27% struggling to recruit)

NSTAFF all SMEs with employees YE Q2 25 13,310 7178/4421/1711

Recruitment: There are though clear differences by size of employer (though not by age), with larger employers more likely to be struggling to recruit than to have no recruitment plans

Key Staff resources (employers) YEQ2 2025 by size of employer



- Employers with 1-9 empls remain more likely to say they have no plans to recruit (33%) than they do to say they are struggling to hire (19%), while the opposite is true for the largest SMEs (12% with no plans v 27% struggling to recruit)
- There was limited variation by demographics for those with no plans to recruit, but it was somewhat higher for Future would-be seekers (40%)
- Those more likely to be struggling to hire include those in Health (28%) and those planning to apply for finance (30%), while export-only SMEs and PNBs were less likely (both 15%)

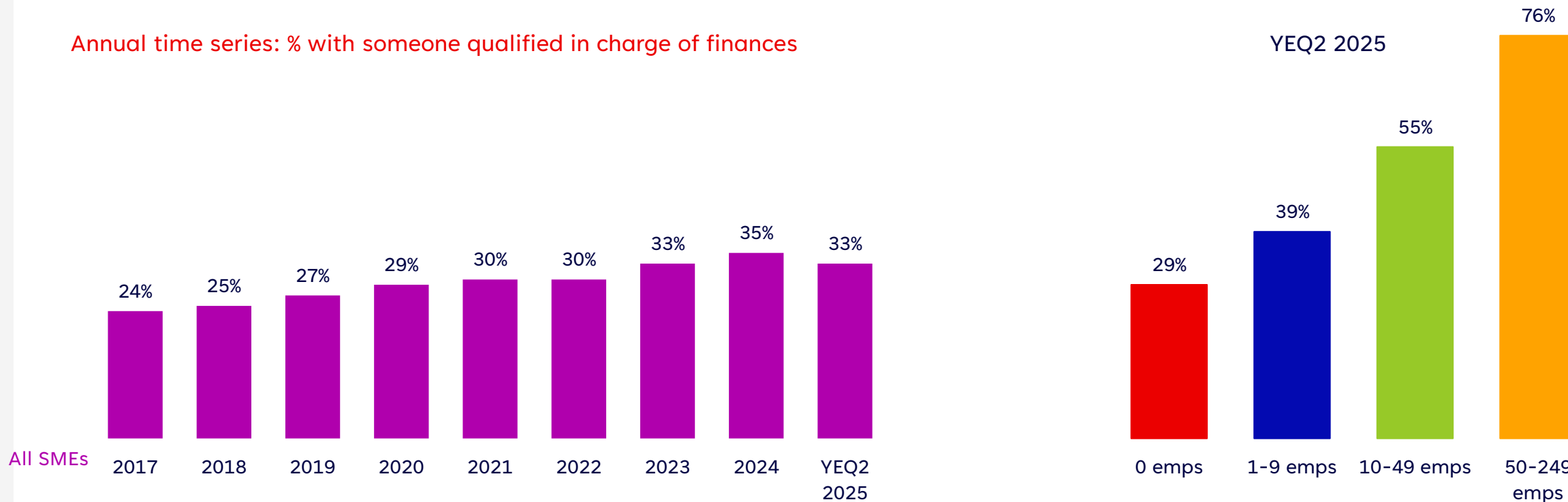
NSTAFF all SMEs with employees YEQ2 2025 13,310 7178/4421/1711



Financial qualification

1 in 3 SMEs now has someone qualified in charge of their finances, increasing markedly by size of SME (but with limited difference by age of SME)

Annual time series: % with someone qualified in charge of finances



The increase from pre-pandemic has been primarily driven by the 0 emp SMEs

Other SMEs more likely to have someone qualified in charge of their finances include:

- Hospitality (41%), Property/Business Services (40%) – compared to 26% in Construction
- 41% with an element of exporting to their business
- 41% of those who feel 'Well off' – compared to 28% of those 'Struggling'

Q93 Base : All SMEs 2024 17011

Future proofing skills – overview

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12% of SMEs and 18% of employers saw recruitment and retention of staff as a key barrier, somewhat lower than the 21% in 2022 but still twice the level seen pre-pandemic.

Since 2022, employers have become more likely to say they have no plans to recruit (now 32%) and less likely to say they are struggling to hire (now 21%), though this overall picture is due to those with 1-9 emps - the largest SMEs are twice as likely to be struggling to recruit (27%) as they are to have no plans to recruit (12%).

Over time, there has been a gradual increase in SMEs with a qualified person in charge of the finances (now 33%).

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Access to finance

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“The Government is promoting a broad and diverse finance market.. tackling funding gaps... and addressing the longstanding barriers to demand for finance”

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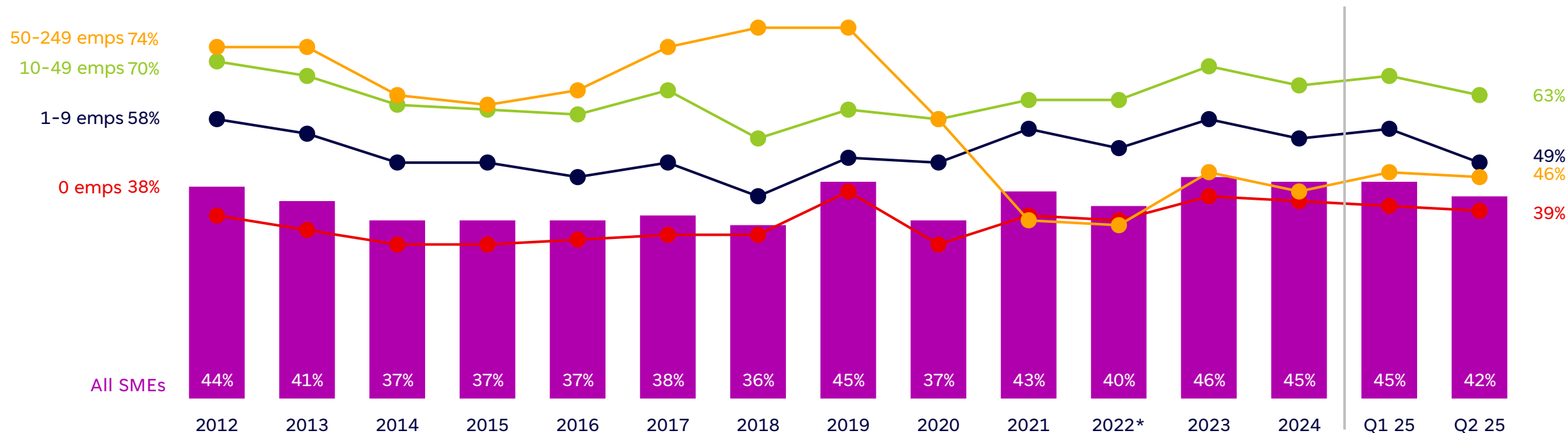




Business funding overview

Any external finance: The proportion of SMEs using external finance, 42% overall in Q2, has been broadly stable in the past year and currently back in line with Q2-3 2024

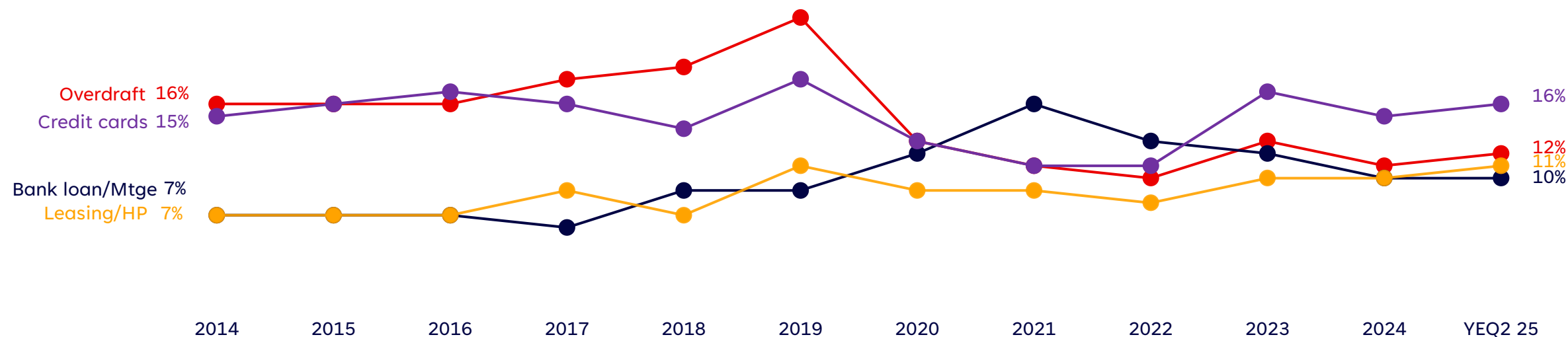
Annual time series: Currently using any external finance (new definition from Q1 2023)



Q14y/15y all SMEs Q4 2024 4253 *2022 annual figure adjusted to include best estimate re pandemic funding

Credit cards remained the most commonly used form of finance. Since 2021 the proportion with a loan/commercial mortgage has declined by 6 points, with use of the other forms of finance more stable

Annual time series: Main forms of finance used

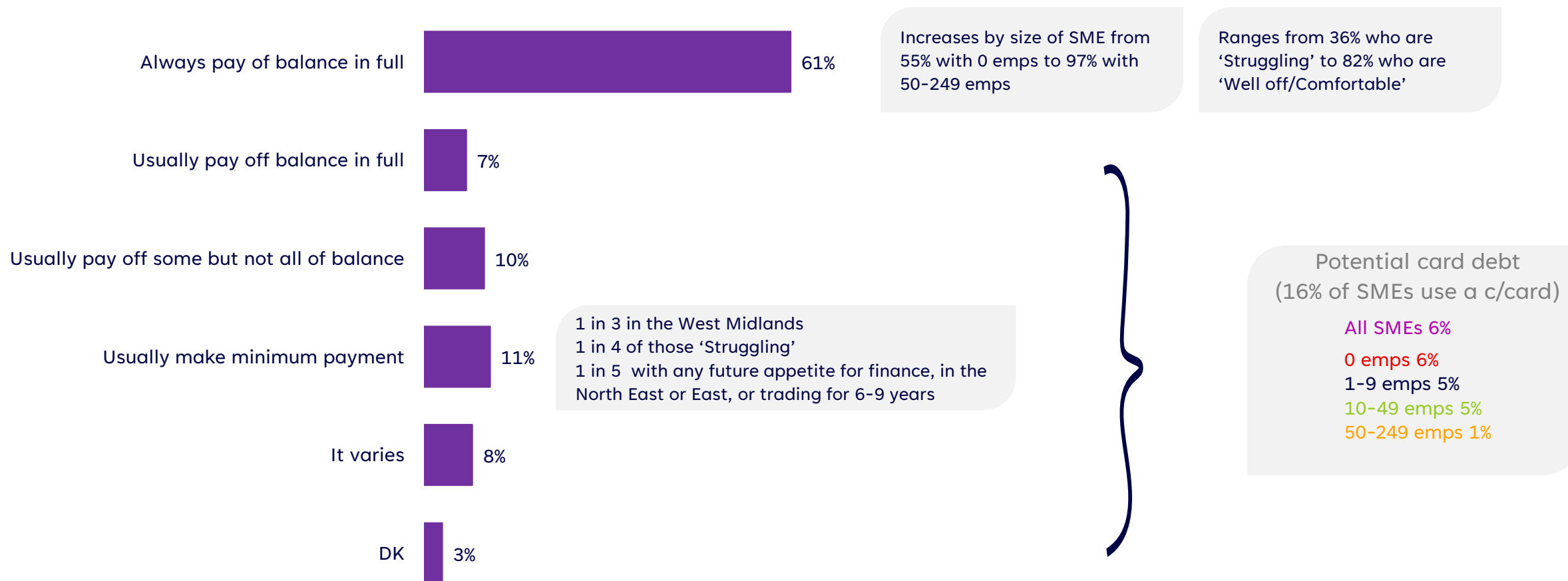


- YE Q2 2025 SMEs remained most likely to be using a credit card (16%), with little to choose between the other main products (10-12%)
- Since 2021, use of loans/commercial mortgages has declined from 16% to 10%, back in line with 2019. Use of credit cards has increased by a similar amount as use of the other forms of finance more stable

Q15 All SMEs YE Q2 2025 17,017

Amongst SMEs with a credit card, 6 in 10 say they clear the balance in full every month, increasing by size of SME. 1 in 4 of those 'Struggling' only make a minimum payment

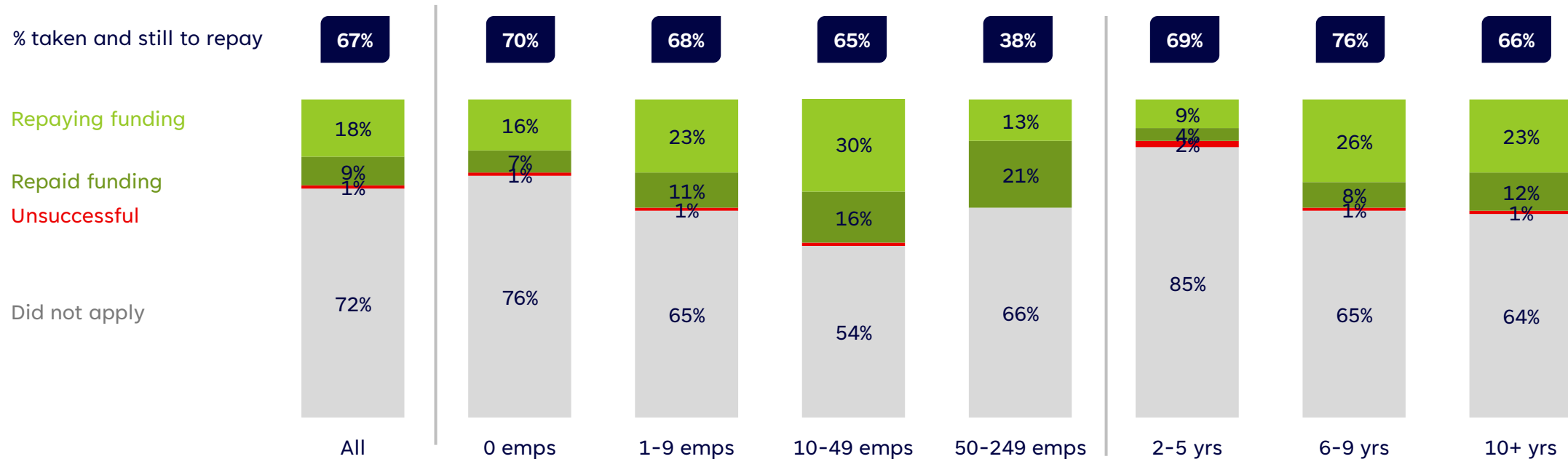
NEW How credit cards have been repaid in past 3 months – all with a credit card H1 2025



NEW Q15x All SMEs using a credit card in the business H1 2025 2072

Pandemic funding: Those with 10-49 employees were the most likely to have had pandemic funding. The largest SMEs were the least likely to still have any to repay

Pandemic funding (new question from Q1 2023): YEQ2 2025



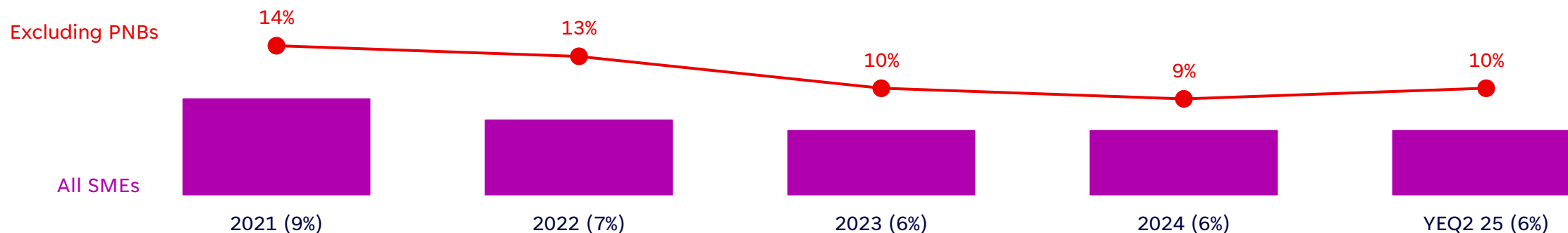
A stable 18% of all SMEs were still repaying government-backed pandemic funding

- Those with 1-9 or 10-49 emps were more likely to still be repaying finance, as were those trading for 6-9 yrs (26%)
- 42% of finance users reported that they were still repaying pandemic funding, as did 33% of those with plans to apply

Qbb2ax revised Q1 2023 All SMEs YEQ2 2025 excl DK 16,075 3666/6958/4077/1374

Repayment concerns: The proportion of SMEs concerned about repaying existing finance is stable, currently the equivalent of 6% of all SMEs

Time series: Any repayment concerns



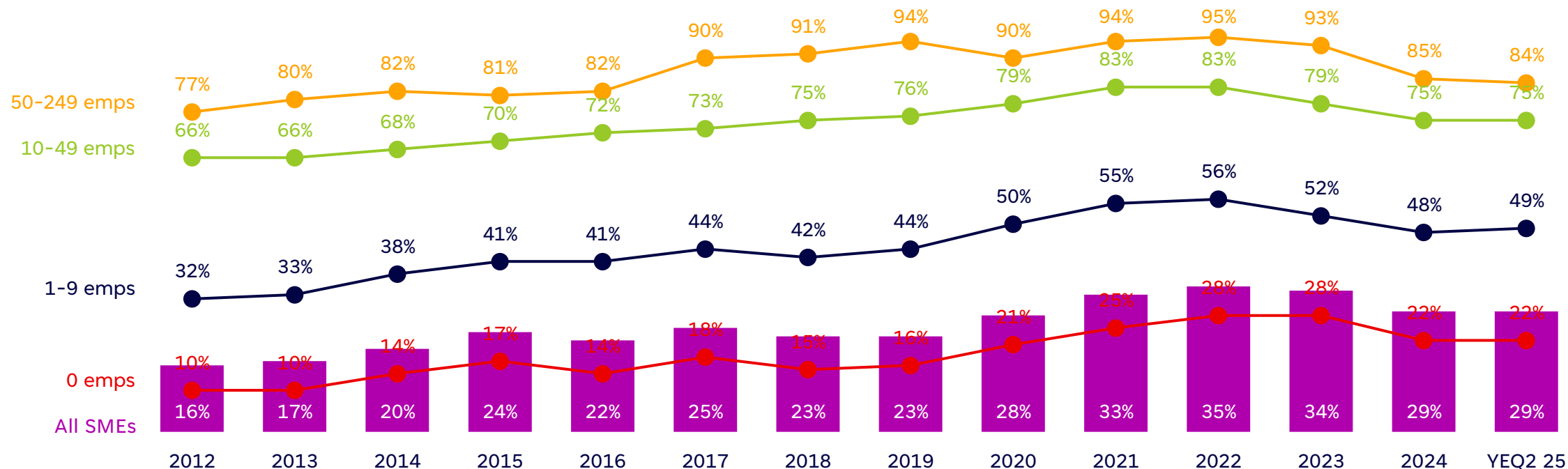
Amongst those using finance, repayment concerns (16% overall) were slightly higher amongst:

- Smaller SMEs (17% 0 emps and 16% 1-9 emps) and those trading for 2-5 years (23%)
- Those in Hospitality (25%)
- Those planning to apply for finance (33%) and Future WBS (26%)

BB2bb rebased to all SMEs YEQ2 2025 17,017

3 in 10 SMEs held £10,000 or more in credit balances, down from over a third between 2021-2023

Annual time series: £10k or more of credit balances held over time



29% of SMEs held £10k+ of credit balances YE Q2 2025, unchanged from 2024:

- By size, this varied from 22% of 0 emp SMEs to 84% of those with 50-249 emps
- By sector it ranged from 37% in Agriculture down to 14% in Health (20-33% elsewhere)
- 15% of Starts held such balances increasing to 35% of those trading for more than 10 years
- 30% of both PNBs and those using external finance held such sums, compared to 23% of those planning to apply for finance

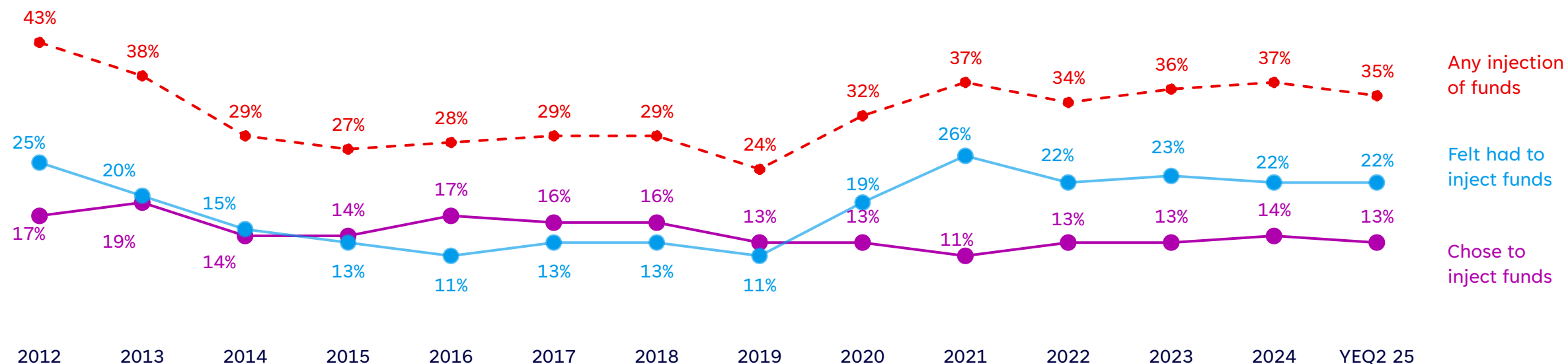
Q117 Base : All SMEs excl DK YE Q2 2025 9822

2014 to 2022, the proportion holding <£5k declined from 63% to 45% of SMEs overall but was 50% in 2023, 55% in 2024 and 56% YE Q2 25.

This was more likely to be the case for those with 0 emps (63%), compared to 37% of those with 1-9 emps, 18% with 10-49 emps and 10% of those with 50-249 emps. It was also the case for 77% of those Struggling.

35% of SMEs had seen an injection of personal funds into the business, still broadly in line with the higher levels seen since 2021

Annual time series: Injections of personal funds in previous 12 months



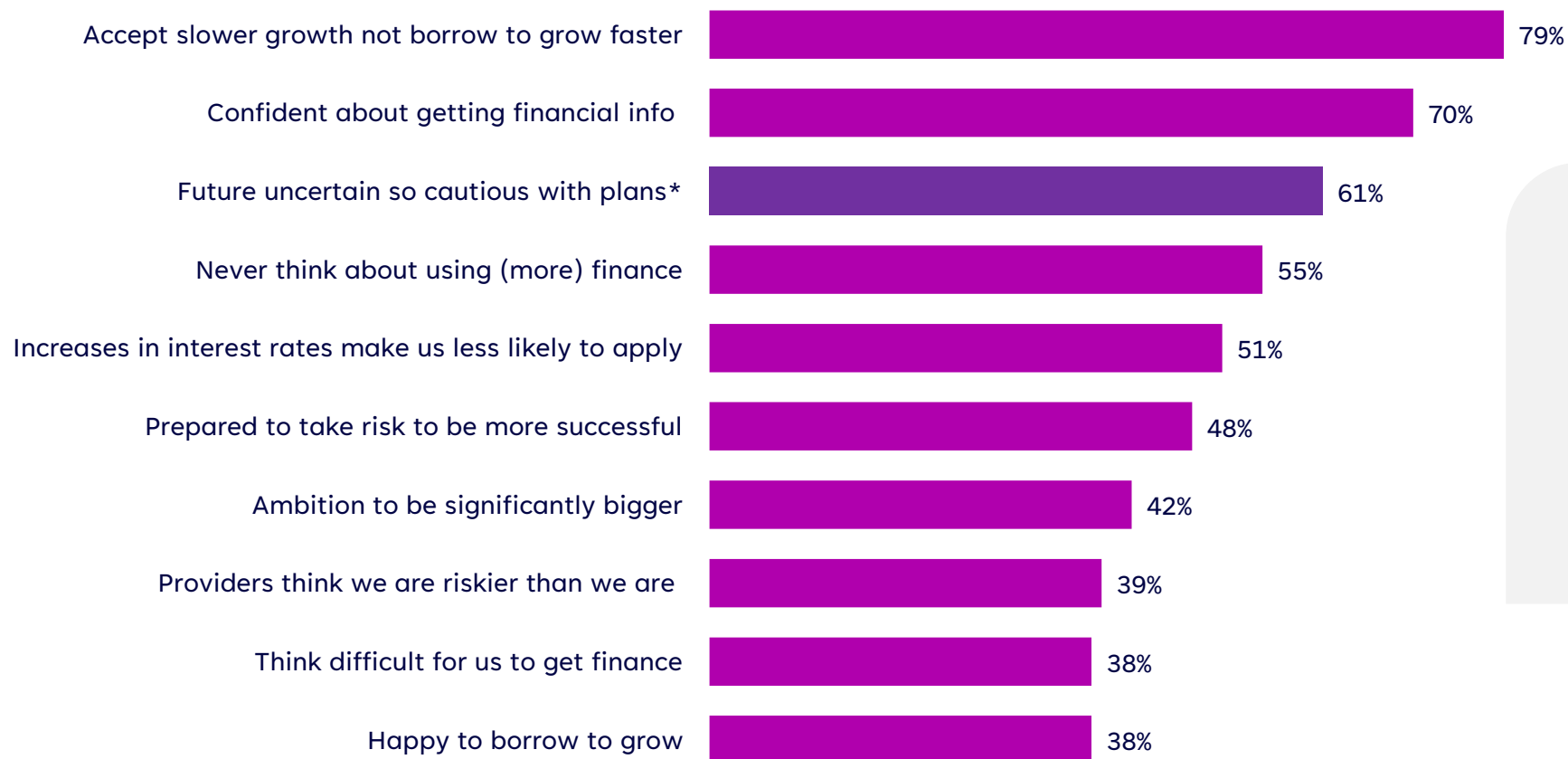
35% of SMEs had injections of personal funds YE Q2 2025:

- This varied by size from 37% with 0 emps (up from a quarter in 2019) and 32% with 1-9 emps, compared to 17% for 10-49 emps and 8% with 50-249 emps and declined by age of SME from 58% of Starts to 26% of those trading for 10+ yrs
- Other SMEs more likely to have had injections of personal funds included Hospitality (47%) and the Other Community sector (44%), those planning to apply for finance (56%) and those planning to grow (43%)

Q15d2 Base : All respondents YE Q2 2025 17,017

SMEs remained likely to accept slower growth than borrow to grow faster as 6 in 10 said they were being cautious because of an uncertain future (increasing to 7 in 10 finance users)

Attitudes to finance – all SMEs YEQ2 2025



All SMEs 61% agree

0 emps 60%

1-9 emps 64%

10-49 emps 63%

50-249 emps 44%

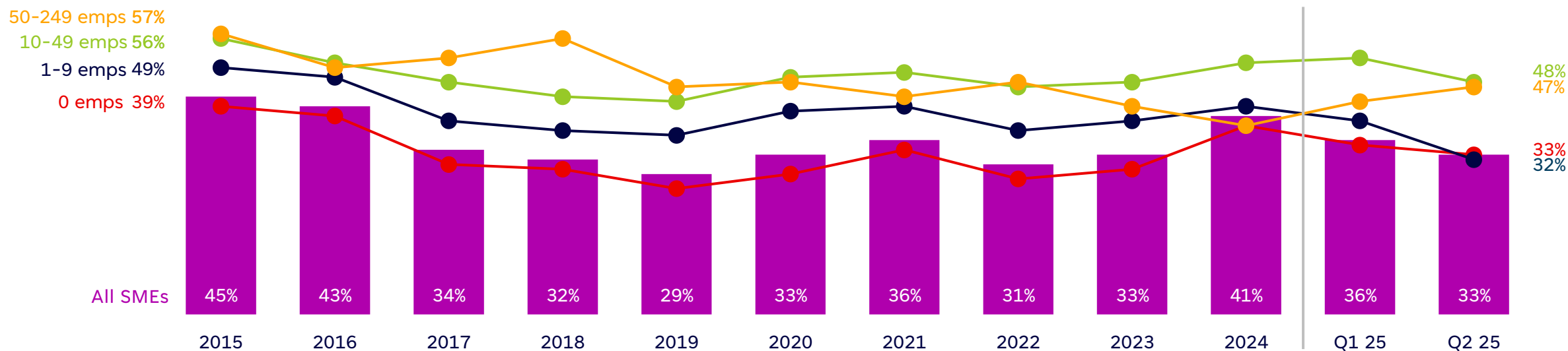
Use external finance 72%

Plan to apply 73%

Q96 all SMEs YEQ2 2025 17,017 *asked in H1 only

The proportion happy to borrow increased in the latter half of 2024, to 40% in Q4 but by Q2 2025 was back to 33% as smaller SMEs became less likely to agree

Annual time series: Happy to borrow to grow

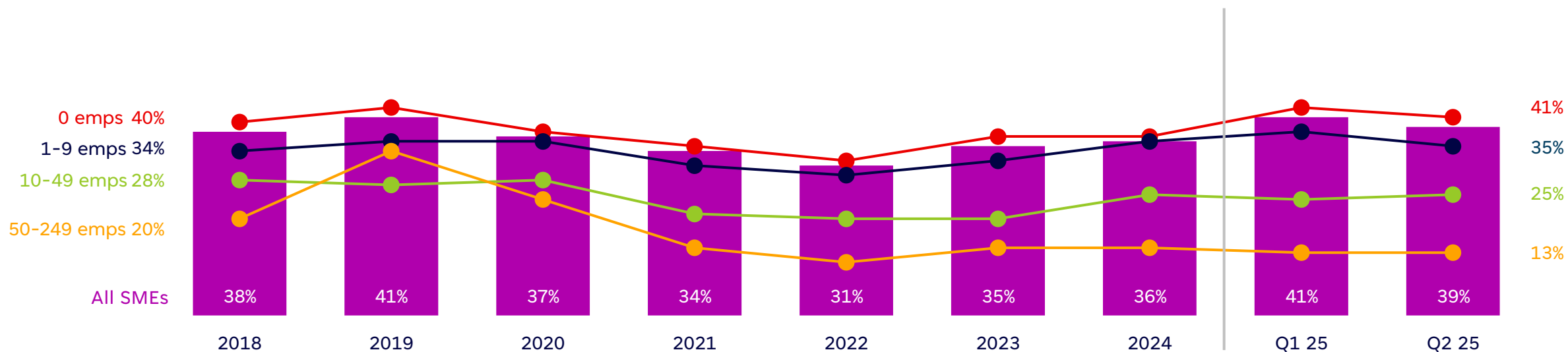


- The proportion of SMEs happy to borrow to grow has fluctuated since the pandemic. In 2024 as a whole, 38% were happy to borrow to grow and whilst this was unchanged for YE Q2 2025, for Q2 2025 itself it had dropped back to 33%, as smaller SMEs became less likely to agree .
- YE Q2 2025, those more likely to be happy to borrow to grow included those in Agriculture (45%), Starts (54%), EMBs (59%), ARTs (63%) those planning to grow (49%) and those with future appetite for finance (56% if planning to apply and 54% for FWBS)

Q96 Base All SMEs Q2 2025 4260

The number who think it could be difficult for them to get finance is somewhat higher in 2025, led by the smaller SMEs

Annual time series: Impression it is difficult for a business like ours to get finance

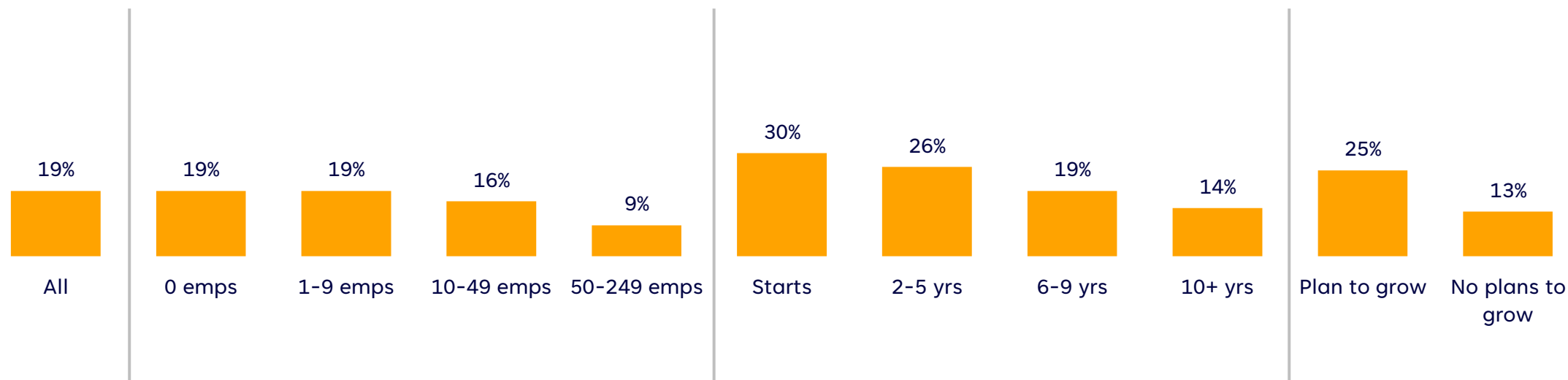


- In 2024 as a whole, 36% of SMEs felt it would be difficult for a business like theirs to get finance, increasing to 39% for YE Q2 2025
- YE Q2 2025 this was more likely to be the case for those in Hospitality (47%), Starts (48%), ARTs (50%) and those with future appetite for finance (57% if planning to apply and 53% for FWBS)

Q96 Base All SMEs Q2 2024 4260

1 in 5 SMEs are happy to borrow to grow, but also think it could be difficult for them to get finance, a sentiment more common amongst smaller and younger SMEs and those planning to grow

Happy to use finance but think it could be difficult to get: by key demographics YE Q2 2025



A stable 19% of SMEs agreed both that they were happy to borrow to grow but also that they thought it could be difficult for them to get finance, with smaller, younger SMEs and those planning to grow or apply for finance more likely to agree

Differences by sector were more muted:

- 26% for those in Agriculture v 15% in Property/Business Services, 16% in Health and Transport, 19-23% elsewhere

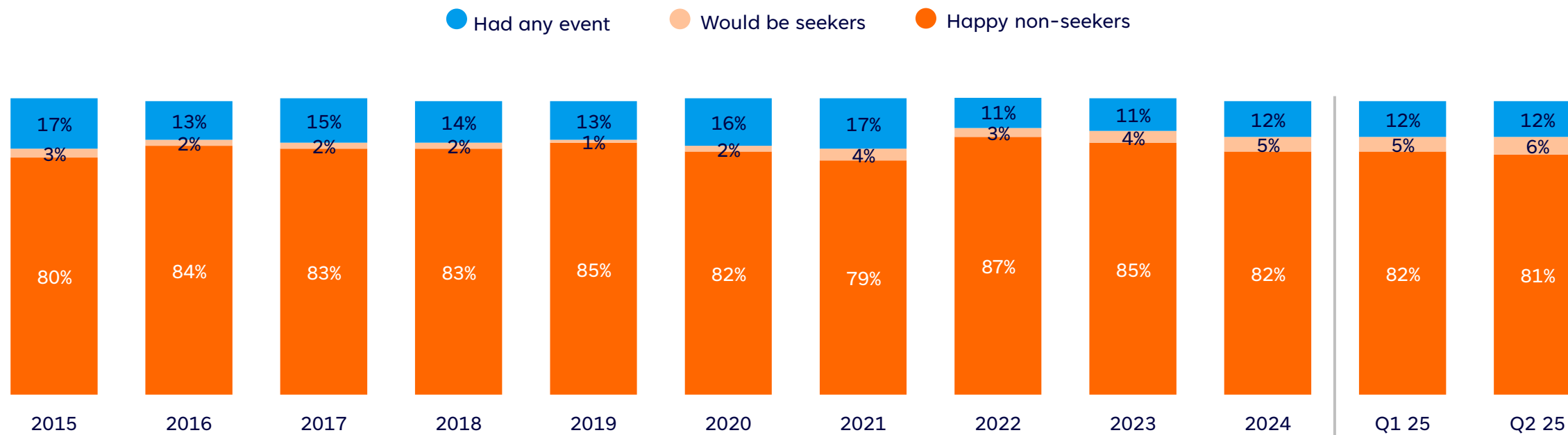
Q96 all SMEs 17,017



Applications for finance

Borrowing events: The increase in past borrowing events in 2020-2021 was not maintained from 2022, but appetite has been stable over recent years

Annual time series: Borrowing profile (past)

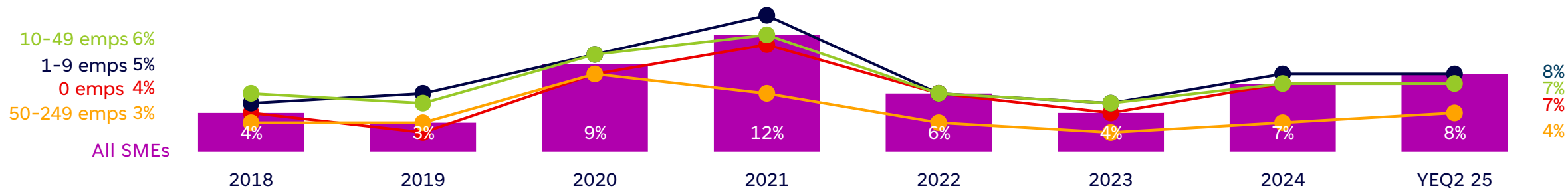


YEQ2 2025, borrowing events remained stable (13%) and as in previous years, most SMEs report having been a Happy non-seeker of finance (81%).

Pastfin Base : All SMEs Q2 2025 4260

Need for funding: There was a very slight increase in need for funding to YEQ2 2025, driven by a small change among 50-249 SMEs

Had a need for external funding (whether applied or not) – over time



From a low base in 2019, the need for finance increased markedly during 2020 and again in 2021 to 12% of SMEs. However, this has not been maintained since (8% for YEQ2 2025).

- YEQ2 2025, there was little variation in need by size of SME, excluding the largest (4%). Need was somewhat higher for Transport (11%), Wholesale/Retail and the Other Community sector (both 10%), as well as Starts (14%), as well as Export only SMEs (13%), and Ambitious Risk Takers (15%)
- 13% of those using finance reported a need compared to 3% not using finance, and need was also higher both for those with a borrowing event in the previous year (31%) and those planning to apply (24%), as well as past and future Would-be seekers (30% and 17%)

Q25 Base All SMEs All SMEs YEQ2 2025 17017

Funding was more likely to have been allocated for business development than for cash flow. 1 in 3 considered applying to their main bank, and a quarter applied to them for funding, similar to 2023-24, but lower than in previous years

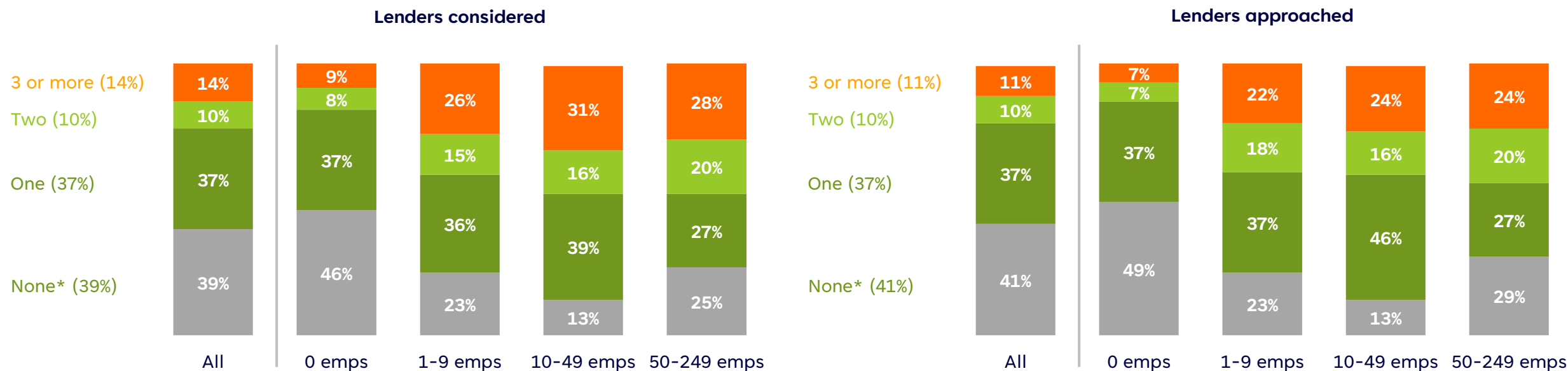
Behaviour in the 12 months prior to interview

Reported a funding need	2019: 3%	Q2-4 20: 10%	2021: 12%	2022: 6%	2023: 4%	2024: 7%	YE Q2 25: 8%
To fund Cash flow	49%	81%*	81%*	69%*	43%*	40%*	43%
To fund Bus Devlpt	58%	24%	24%	37%	56%	57%	58%
Spoke to bank/advisor	43%	55%	48%	43%	29%	34%* *	32%
Spoke to main bank	18%	38%	27%	23%	10%	19%	17%
Considered applying	63%	81%	80%	58%	56%	57%	55%
To main bank	37%	67%	64%	47%	30%	34%	32%
Applied	57%	80%	80%	61%	50%	51%	50%
To main bank	29%	65%	61%	47%	25%	27%	26%
Self-funded element	29%	12%	12%	29%	19%	18%	23%

Base varies, those who took no action excluded after each stage * from Q2 2020 this includes "Coping with impact of Covid 19" changed to "through trading difficulties" from Q1 2023. **From Q1 includes "Spoke to a finance broker"

Lenders: Applicants considered an average of 2 lenders, increasing for those with employees, and typically contacted 1-2

Number of providers considered and approached by those with a need for funding YEQ2 2025



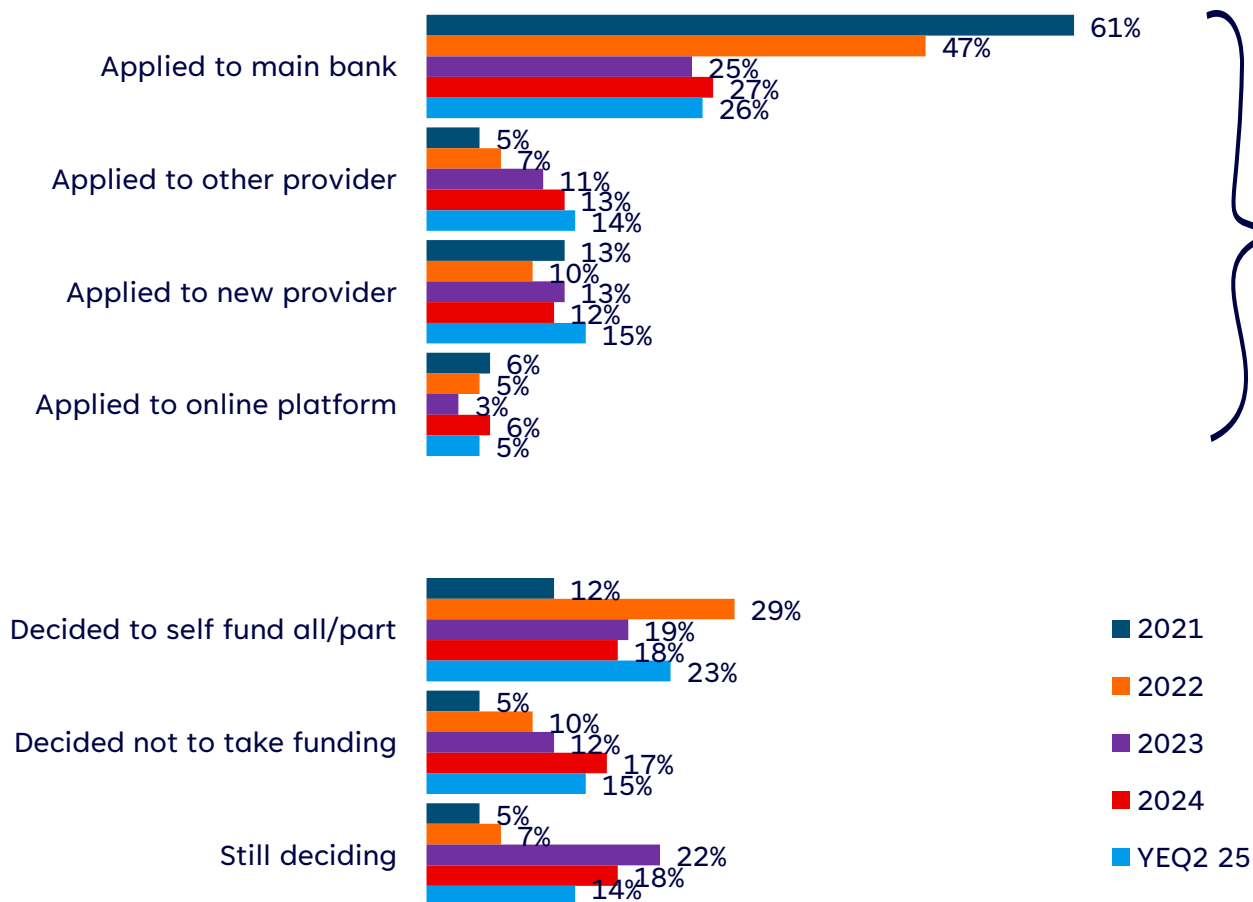
Most of the 39%/41% who did not consider/approach a lender went on to say that they had decided not to make an application. Once those are excluded:

- 61% who considered anyone considered 1 lender (decreasing by size from 69% of 0 emps to 36% of those with 50-249 emps)
- 64% only contacted one lender (decreasing by size from 73% of 0 emps to 38% of those with 50-249 emps)
- Around 20% considered or contacted 3 or more lenders, and this was more likely to be the case for those with employees than without, with little size difference otherwise

Q30x Base : All SMEs who took action on a need for funding excl DK YEQ2 2025 999 *the majority of those saying none did not make an application

Among those who had made a decision, a steady 6 in 10 had applied, but the main bank continues to take a lower share than previously

Applications made as a result of a need for finance



Any application:

- 80% 2021
- 61% 2022
- 50% 2023
- 51% 2024
- 50% YEQ2 25

Excluding the undecided YEQ2 2025 showed:

- 59% applied somewhere (v 61% in 2022 and 2024)
- 31% applied to main bank (v 47% in 2022, 33% in 2024)
- 16% applied to existing provider (v 7% in 2022, 16% in 2024)
- 17% applied to a new provider (v 10% in 2022 and 15% in 2024)

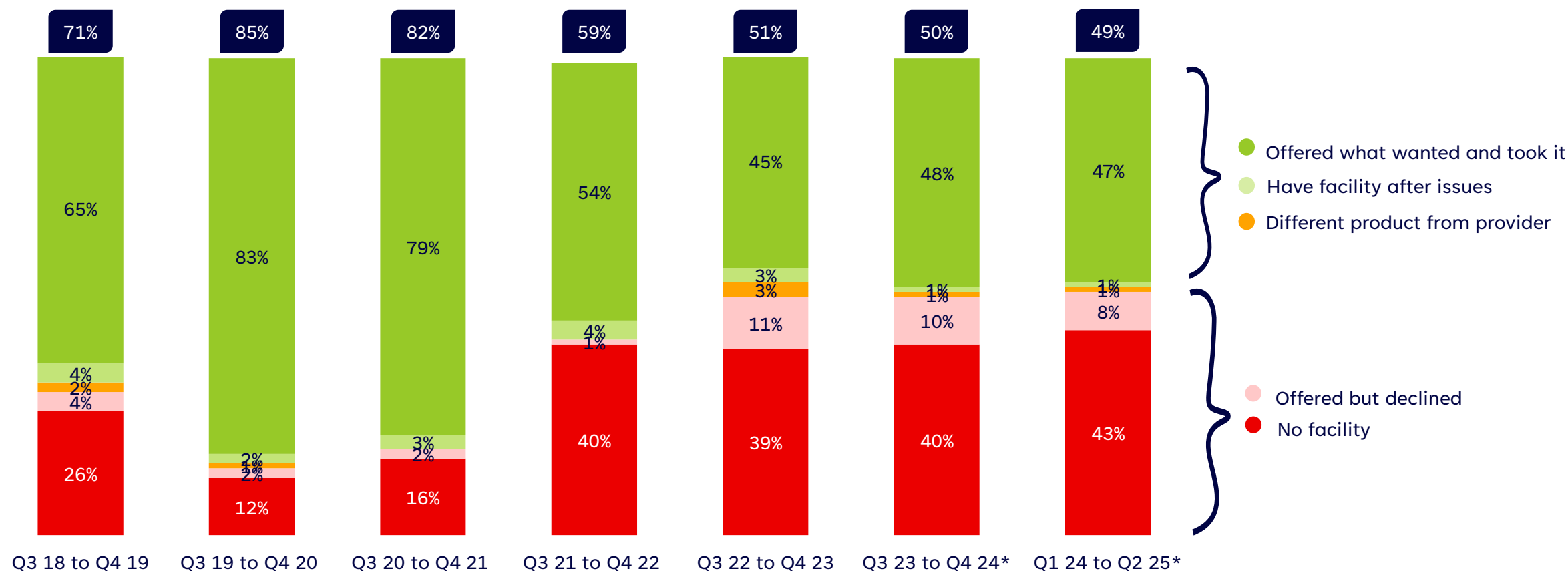
Q31 All respondents with a need for finance who had taken action 1804/904/665/988/1061



Application success rates

Application success rates: Post the era of Government backed schemes, success rates for the more recent 18-month periods are notably lower, with 4 in 10 declined and almost 1 in 10 refusing the offer of finance made to them

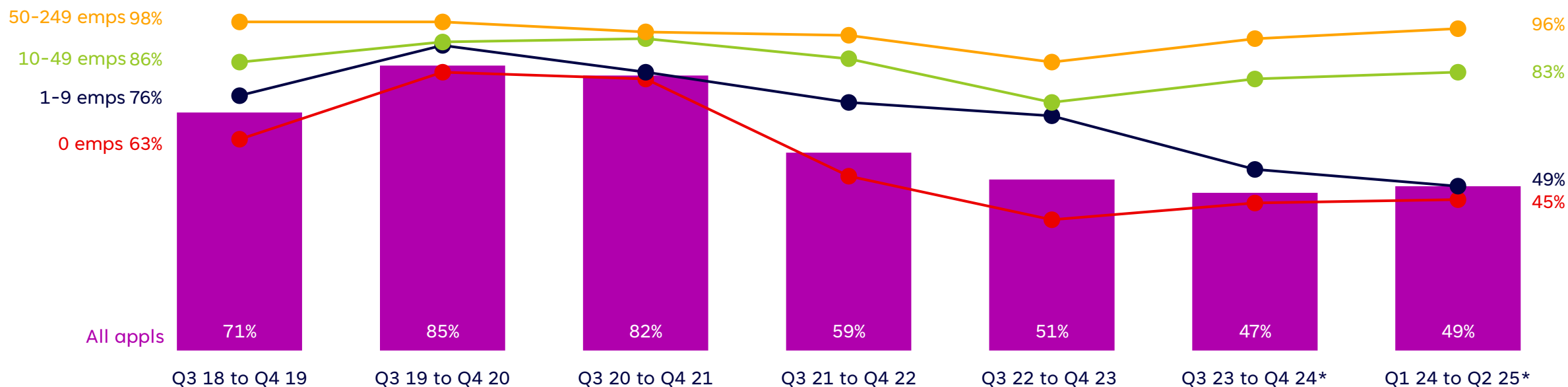
Global success rate: all applications reported from Q3 2018 to Q4 2024, occurring in the periods shown



Q39/57 Base : All Type 1a/b applications with a response 1552/3698/2245/1358/1056/1335/1137

The divergence between success rates for smaller and larger SMEs continues. Those with 1-9 employees have seen a marked decline recently, while those with 0 employees have seen a slight improvement to narrow the gap between the two groups

Annual time series: Success rate - all applications (interim data for last 2 time periods shown)



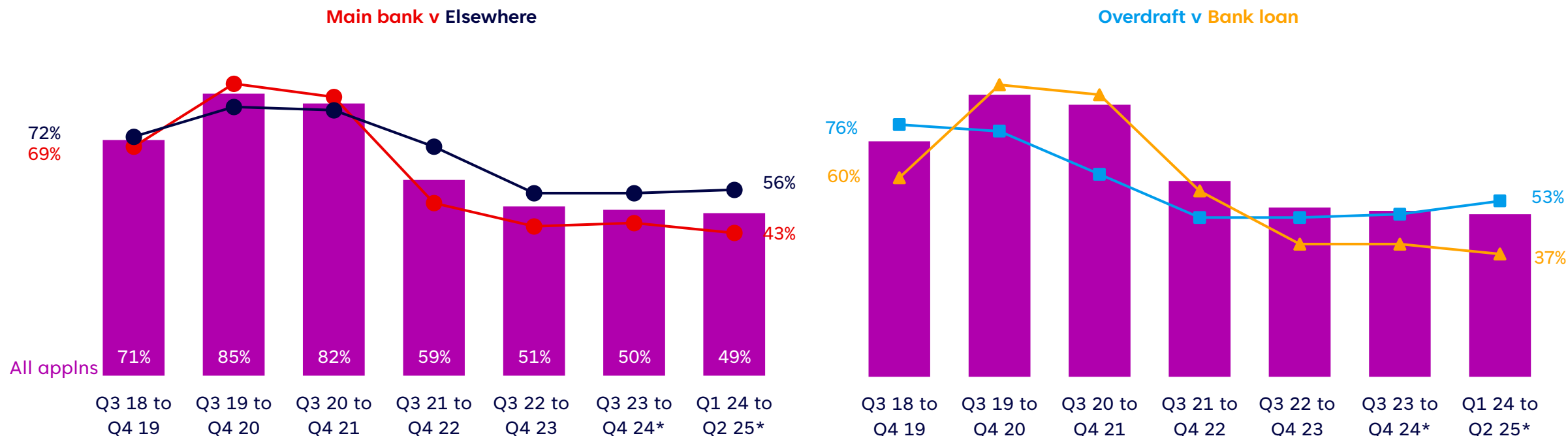
- Application success rates for larger SMEs have been more consistent over time with 8 in 10 or more getting the funding they wanted.
- This is in marked contrast to applicants with 0 or 1-9 emps where around half are successful – success rates for 0 emp SMEs declined immediately post pandemic with limited change since, while those for 1-9 emp SMEs declined more slowly to the current period

- It is the smaller applicants who are more likely to decline the offer made (9% for 0 emps and 7% for 1-9 emp SMEs) compared to 3% of those with 10-49 emps and none of those with 50-249 emps
- First time applicants are also more likely to decline the offer made (10%) as are those applying for a loan (8%)
- 22% of applications reported to date for 2025 itself saw the applicant decline the offer made

All SMEs Q1 2024 to Q2 2025 interim data from SUCRATE FILTERS table 122/577/357/81 CARE RE LOW BASE

On a limited base, success rates for applications made to main bank remain below those made elsewhere. Success rates for overdrafts have increased, widening the gap to loan success rates which have declined slightly

Annual time series: Success rate (all applications) indicative for 2024



- Success rates overall were stable (49%) but remained lower (-22 points) in the latest period than in the 18 months to Q4 2019, pre-pandemic. There was a larger drop in success rates for applications made to the main bank, which dropped by -26 points, compared to -16 points for those made elsewhere
- Over the same period, success rates for overdrafts are down -23 points (with no during-pandemic 'lift') with the same drop of -23 points for bank loans (which did have a pandemic 'lift')

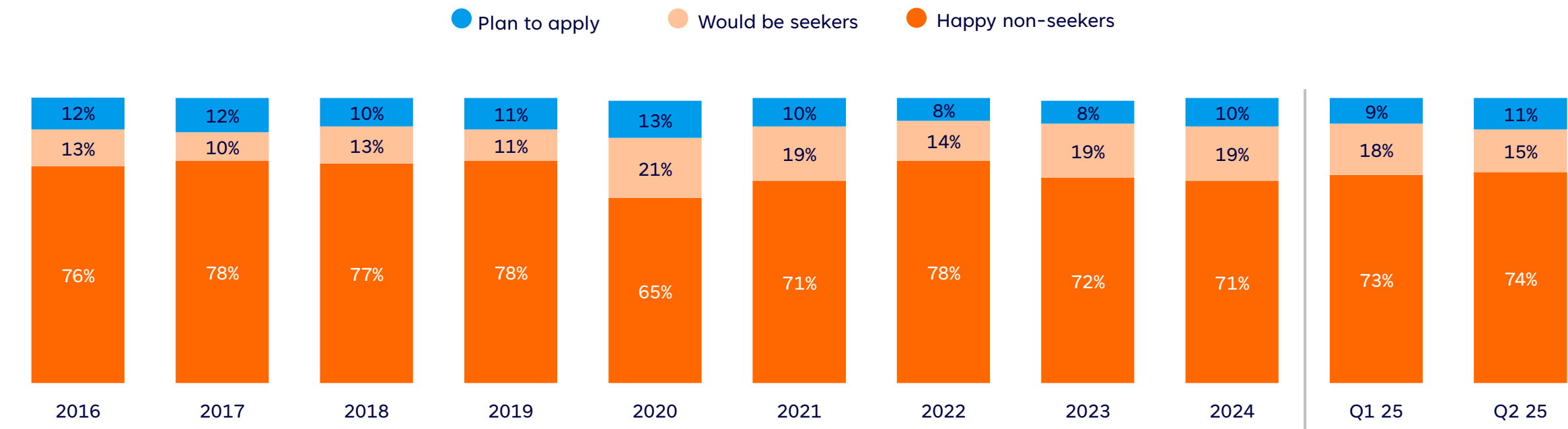
All SMEs applying in each period 1137 overall



Future appetite for finance?

Future borrowing events: Any appetite for future finance has been stable since 2023, and with more Future would-be seekers than typically seen pre-pandemic

Annual time series: Borrowing profile in future

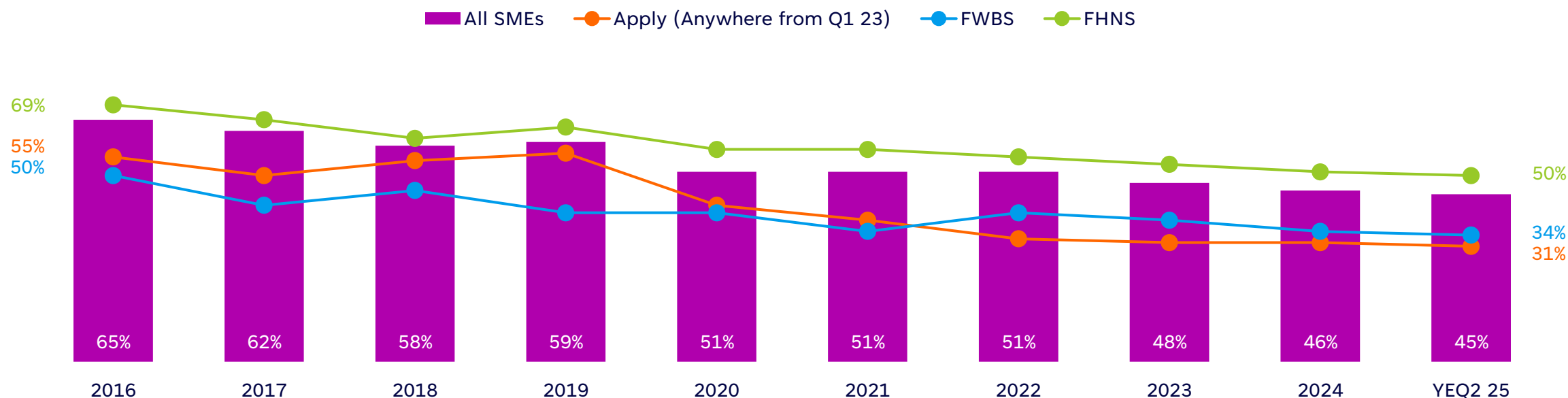


YEQ2 2025, the proportion planning to apply remained stable (10%) and as in previous years, most SMEs report having been a Happy non-seeker of finance (74%). There are more Future would-be seekers than past (16% YEQ2 2025)

Futfin Base : All SMEs Q2 2025 4260

Confidence in (actual or possible) application success has declined steadily since 2019, and now below half of SMEs (and 1 in 3 future applicants). Future Happy non-seekers (with no plans to apply) remain the most likely to think they would be successful

Annual time series: Confidence (very/fairly) bank would agree to facility next 3 months – by appetite for finance



Immediately pre-pandemic in 2019, 6 in 10 SMEs were confident of success with a (possible) application, falling to 51% the next year, 46% in 2024 and little changed in the current period (45%)

- Confidence amongst those planning to apply declined from 56% in 2019 to 33% in 2022, and little changed since (31% YEQ2 2025)
- Confidence amongst Future WBS remains similar to those with plans to apply (34%)
- The Future HNS are the largest group of SMEs with the biggest influence on the overall metric. Their confidence was declining pre-pandemic (69% in 2016 to 63% in 2019) and has declined steadily since, to 50% currently

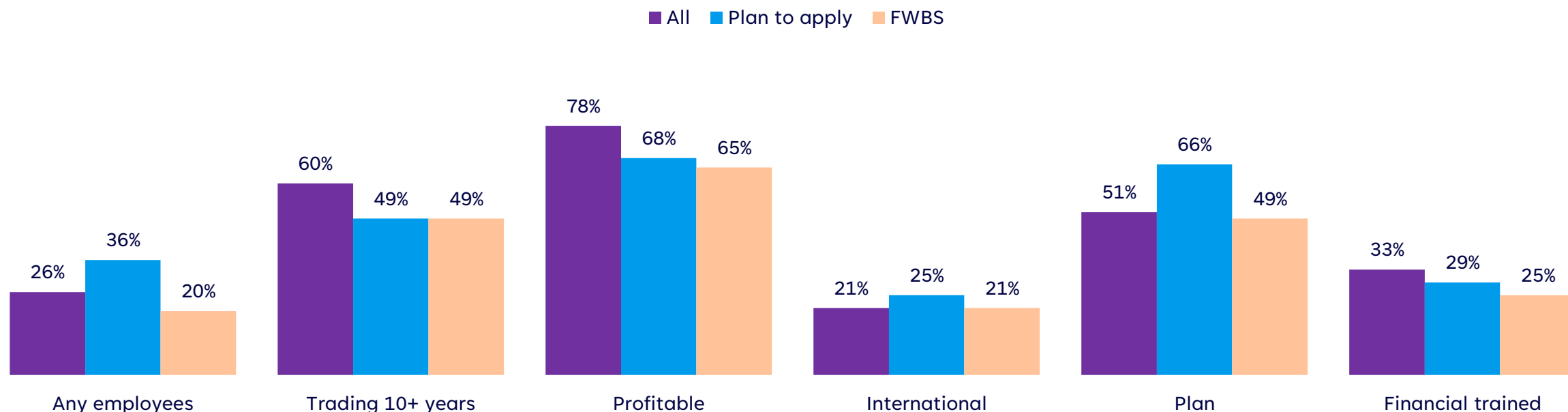
Q103/106 Base : All SMEs 17,011 by appetite for finance Since Q1 23 all those planning to apply have been treated as one group, not split by product



What sort of SMEs have a future appetite for finance?

Compared to SMEs overall, those planning to apply are more likely to have employees and to plan, but less likely to have been around for more than 10 years, or to have made a profit

Characteristics of those with future appetite for finance: Current demographics

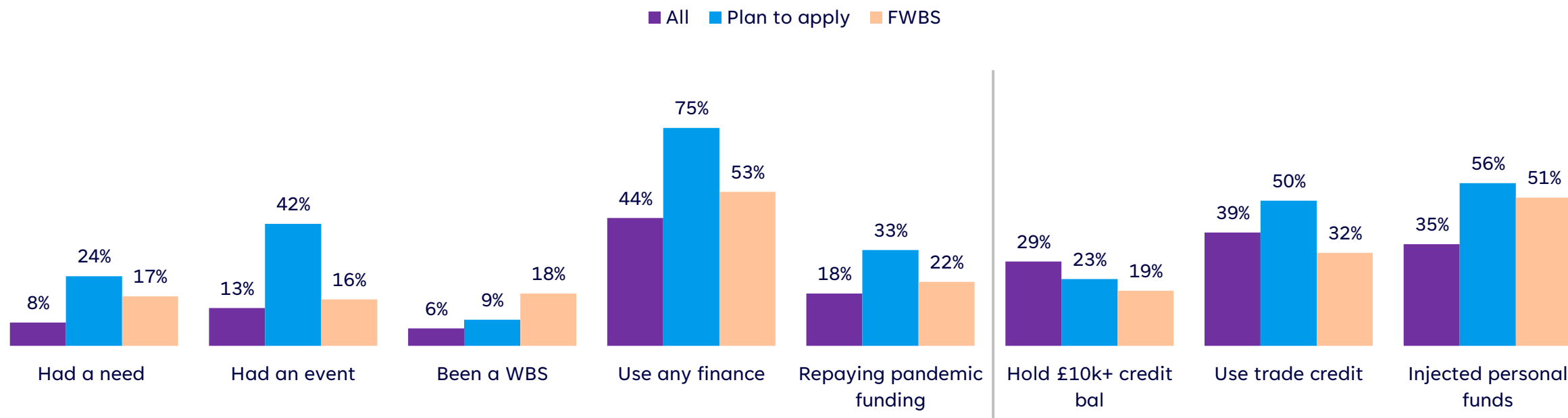


Those expecting to be a Future would-be seeker are the least likely of the three groups to have employees, or to have made a profit or to have someone in charge of the finances who is trained

Futfin Base : All SMEs 17,017 / 1951/ 1990

Most of those planning to apply are already using finance, including repaying pandemic funding, and 4 in 10 had already had a borrowing event in the current year. Over half have injected personal funds into the business

Characteristics of those with future appetite for finance: Funding in past year



Compared to those planning to apply, FWBS are less likely to have had a need for finance or a borrowing event in the past 12 months, as likely to have injected personal funds into the business and more likely to have been a would-be seeker of finance in the past year

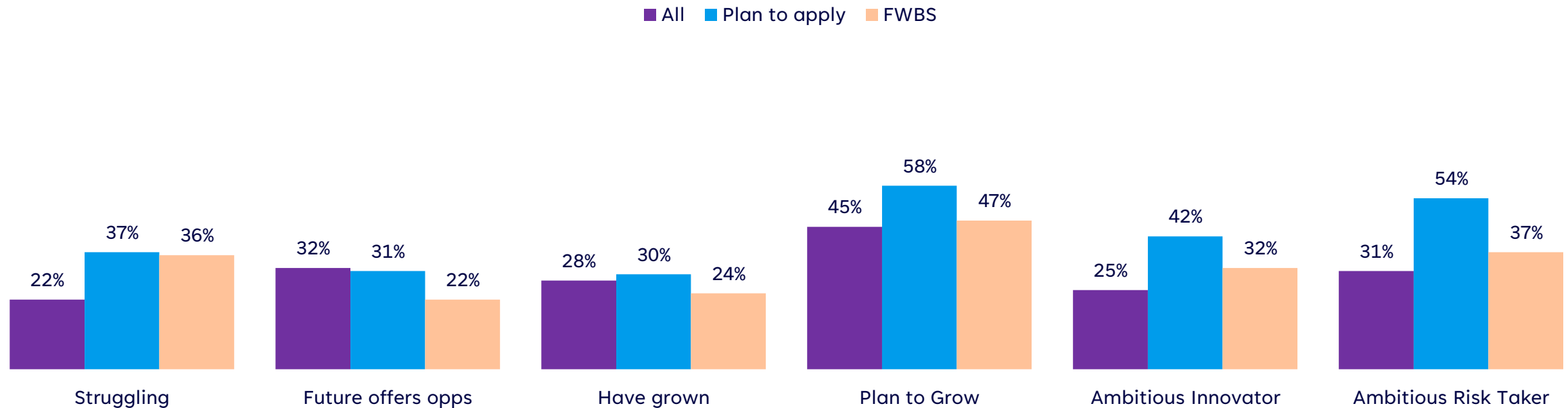
Half of those planning to apply are looking for a new facility
1 in 5 of those planning to apply is already using 3 or more forms of finance:

	All	Apply	FWBS
C.Card	16%	30%	22%
OD	12%	34%	14%
Loan/CM	10%	20%	10%

Futfin Base : All SMEs 17,017 / 1951/ 1990

Those planning to apply are more likely to have grown/plan to grow and be an Ambitious Innovator / Risk Taker, but 1 in 3 is currently ‘Struggling’. FWBS are somewhat less positive about the future (though as likely to be ‘Struggling’)

Characteristics of those with future appetite for finance: Growth

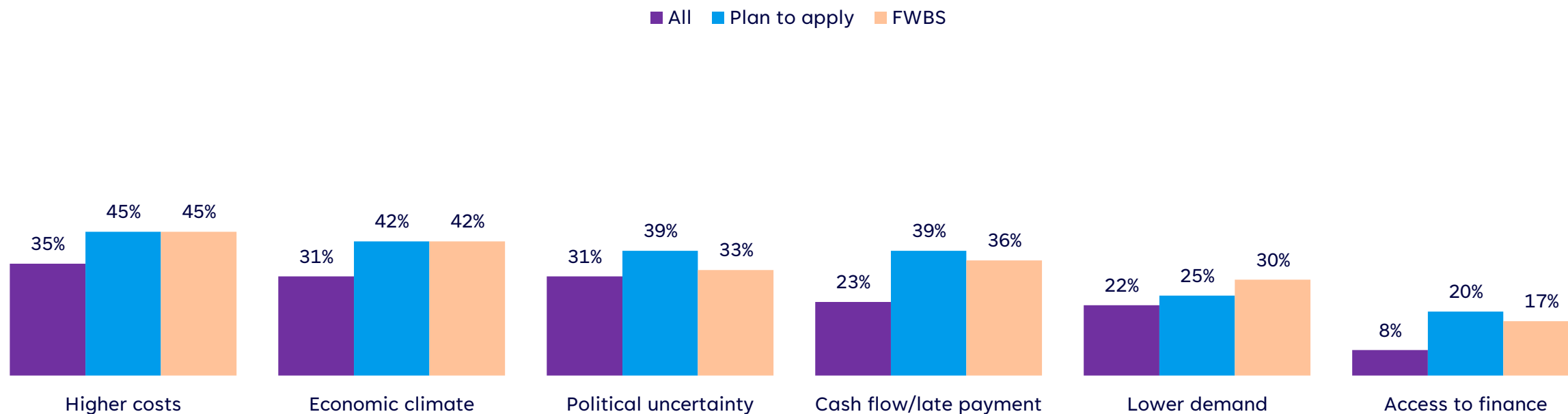


Compared to those planning to apply, FWBS are as likely to be Struggling but less likely to feel the future offer opportunities, have grown/plan to grow or to be an Ambitious innovator/Risk Taker

Futfin Base : All SMEs 17,017 / 1951/ 1990

Those with any appetite for finance are more likely to see barriers, notably higher costs, the economic climate (a key barrier for FWBS not applying) and cash flow/late payment

Characteristics of those with future appetite for finance: Barriers



Those planning to apply and FWBS give quite similar scores in terms of barriers, and higher than their peers with no future appetite for finance

Futfin Base : All SMEs 17,017 / 1951/ 1990



Understanding Would-be seekers

Half of past Would-be seekers mentioned the process as the main barrier to application, while the same proportion of those looking forward mentioned the economic climate/ their predicted performance in that economy

Main reason for not seeking borrowing – All “Would-be seekers” YE Q2 2025

Main reason for not applying:

6% of SMEs were “Would be seekers” of finance

16% of SMEs were “Future would be seekers” of finance

Discouraged: had asked informally but felt put off, or assumed would be turned down, already borrowing all we could, banks don’t lend to us for environ/ethical

30% (4% direct)

13% (1% direct)

Process: think it’s too expensive, too much hassle, needs security

44%

17%

Principle: prefer not to lose control, or can get funds elsewhere: no longer includes “prefer not to borrow”

15%

8%

Climate: felt it was not the right time to borrow in the current economic climate

11%

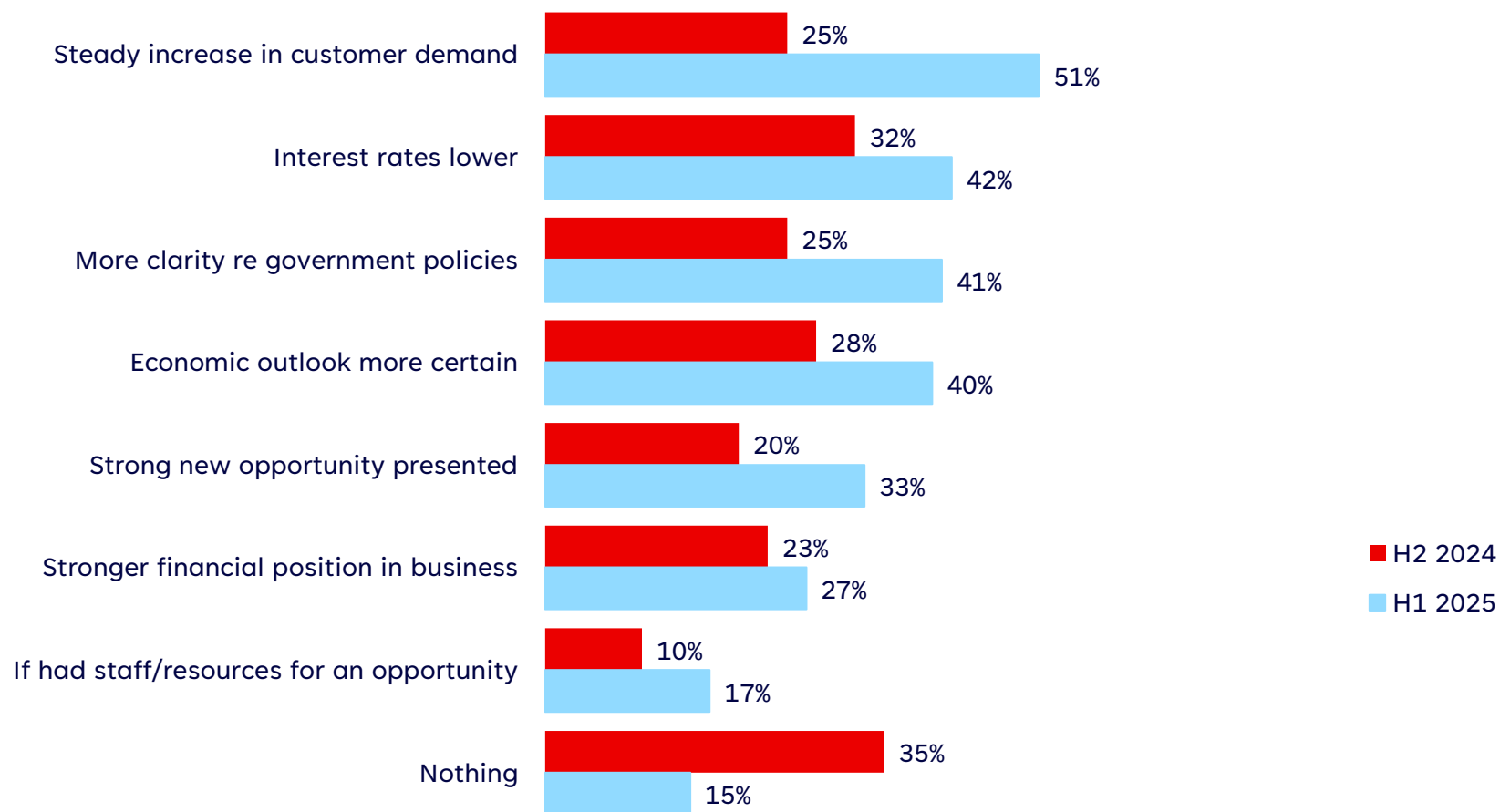
53% (42% economic climate, 11% performance)

Q32b/77b Q104/105

Base : All “would be seekers” 452/1990 Indirect discouragement now includes “thought I would be turned down” AND “already borrowing as much as felt we could”

Analysis across the time this question has been asked shows increased mentions of almost all factors, notably an increase in customer demand, as fewer SMEs say nothing would change their mind

Changes needed to borrow in current economic climate - All Future WBS selecting this option over time



Q104b All FWBS selecting economic climate 607/385

Both those who plan to apply and FWBS have fewer resources and face greater challenges than PNBs or current users of Finance. Those planning to apply are the most innovative

	YEQ2 2025	All	Use Finance	PNB	Plan to apply	FWBS
Resources	Made a profit (excl DK)	78%	76%	83%	68%	65%
	Have grown (excl Starts /DK)	28%	29%	27%	30%	24%
	£10k+ credit balances	29%	30%	30%	23%	19%
	Been/plan to be innovative	57%	62%	49%	75%	65%
	Future offers opportunities	32%	26%	37%	31%	22%
	Have any Business Funding	44%	100%	-	75%	53%
Challenges	'Struggling'	22%	26%	16%	37%	36%
	Repaying pandemic funding	18%	42%	-	33%	22%
	Higher costs major barrier	35%	40%	27%	45%	45%
	Economic climate major barrier	31%	35%	26%	42%	42%
	Recruitment & retention major barrier (employers)	18%	21%	12%	25%	21%
	Not confident application would be successful (all)	21%	25%	13%	31%	37%

Colour coding adapted so green always better and orange worse than average whether metric is +ve or -ve

“

1 in 5 SMEs are happy to borrow to grow but think it could be difficult for them to get finance, and this is more of an issue for smaller and younger SMEs and those planning to grow.

There remains a clear divide in success rates between those with 0-9 emps and those with 50-249 emps, and since Q3 2022 more applicants (notably the smaller ones) have turned down the facility offered to them, primarily due to cost.

Looking ahead, those *planning* to apply are more likely to be already using finance (75%) and to be an Ambitious Innovator but almost 4 in 10 are currently Struggling and the same proportion see cash flow/late payment as a main barrier.

”

4

Opening up opportunities

“

“The Government wants to make new opportunities easier to access, so you can grow your business and more easily understand what is out there to support you”

”

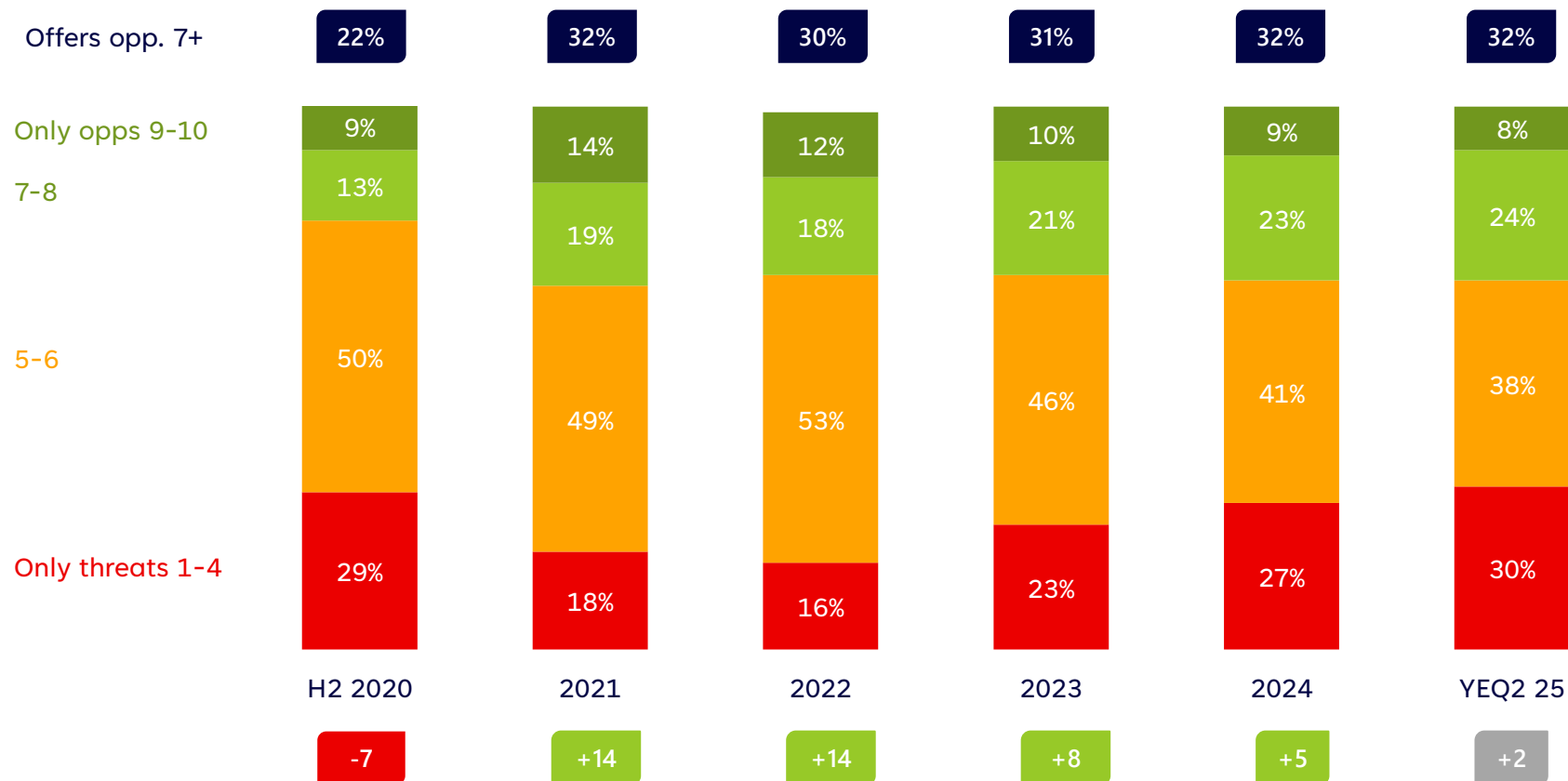




Do SMEs see opportunities or threats?

Since 2022 the proportion seeing opportunities has stayed stable but the proportion seeing only threats has almost doubled to 30%, almost the same proportion as those seeing mainly opportunities

Does the future offer opportunities or threats – from H2 2020



- YEQ2 2025, positive scores were seen for:
- Larger SMEs (to +14 for 50-349 emps)
 - Those trading for up to 5 years
 - Those planning to grow
 - Those not using finance and with no appetite to apply
 - Those feeling Comfortable (+46) or well off (+64)

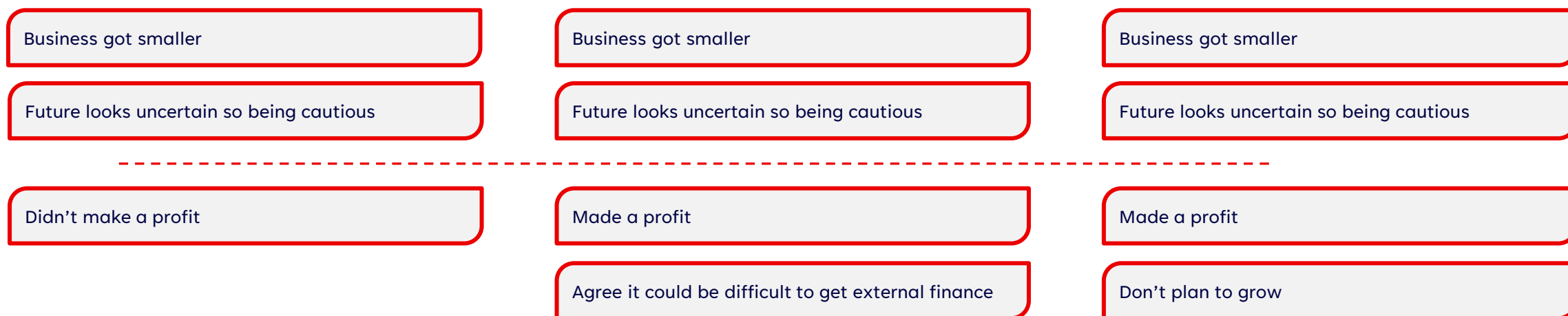
nwc7 all SMEs YEQ2 2025 17,017

The main predictors of “threats” are a combination of performance (that the business got smaller in the past year and/or was not profitable) and the future (they feel the future looks uncertain and/or think it could be difficult to get finance)

Does the future offer opportunities or threats – YEQ2 2025

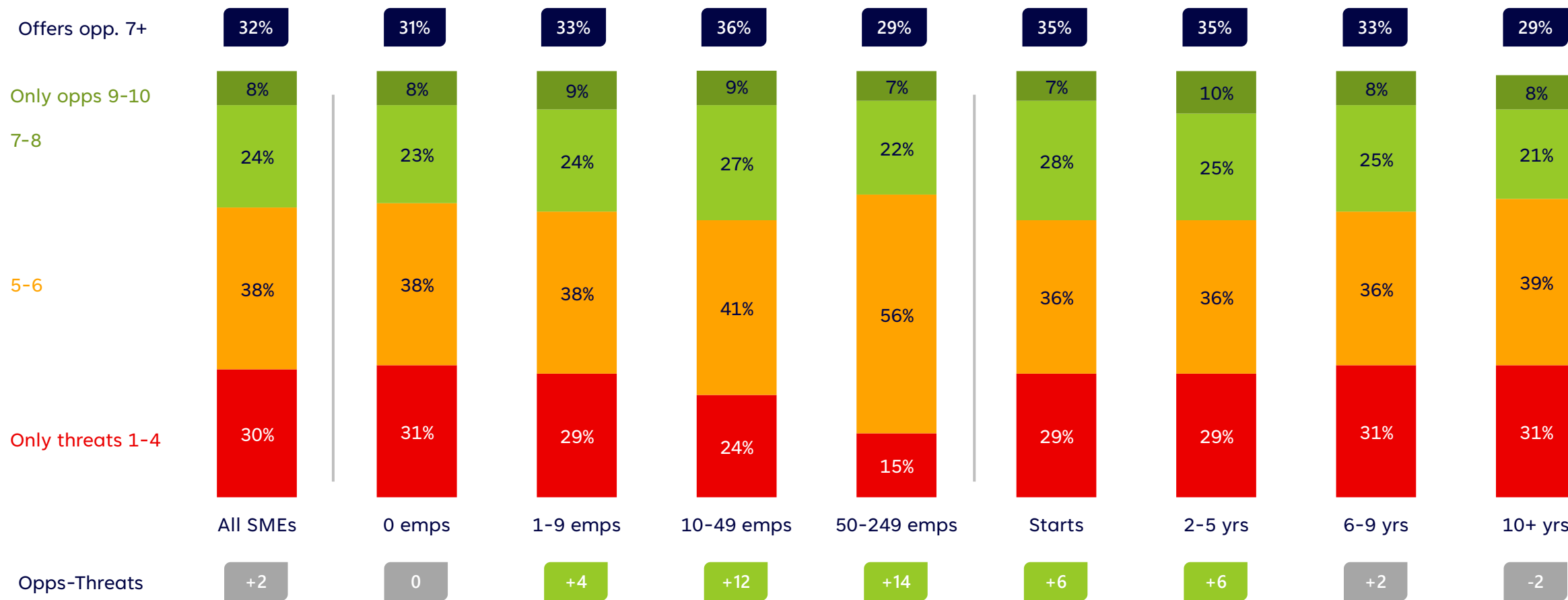
Analysis was undertaken to see what best predicted an SMEs seeing threats or opportunities in the future. This is closely linked to their assessment of where they are on the ‘Struggling to Well-off’ scale, and whether they see any 8-10 future barriers. Setting those two aside, the following factors were key:

Threats



Assessing the future: YEQ2 2025, twice as many smaller SMEs saw the future offering threats than the largest SMEs with 50-249 employees, with more limited variation by age of SME

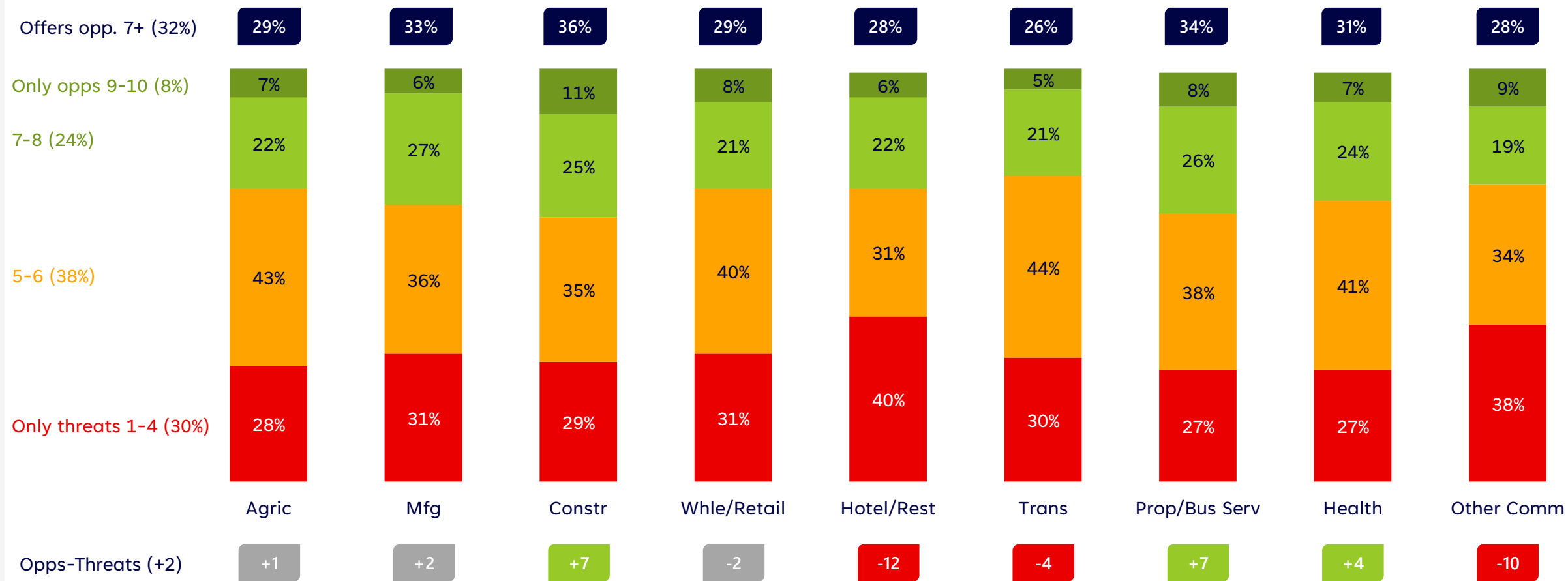
Does the future offer opportunities or threats – YEQ2 2025



nwc7 all SMEs YEQ2 2025 17,017

The most optimistic about the future were those in Construction, Property/ Business Services and Manufacturing, while Hospitality and the Other Community sector were the most likely to see threats

Does the future offer opportunities or threats – YEQ2 2025



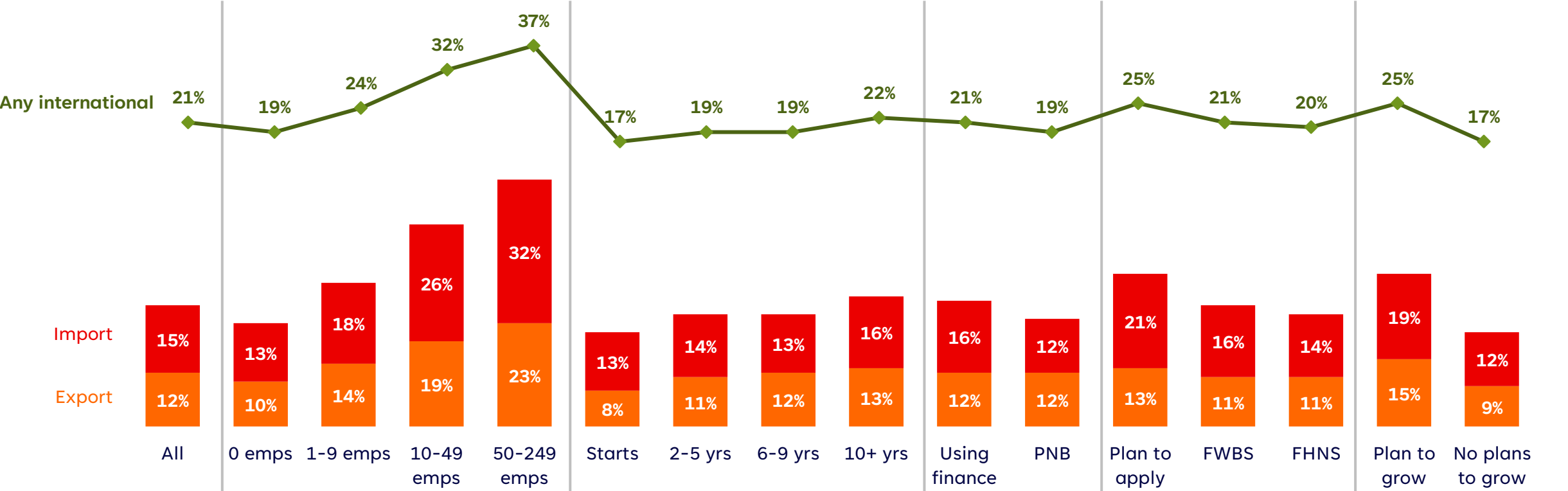
nwcv7 all SMEs YEQ2 2025 17,017



International trade

YEQ2 2025 21% of SMEs were trading internationally, increasing by size of SME

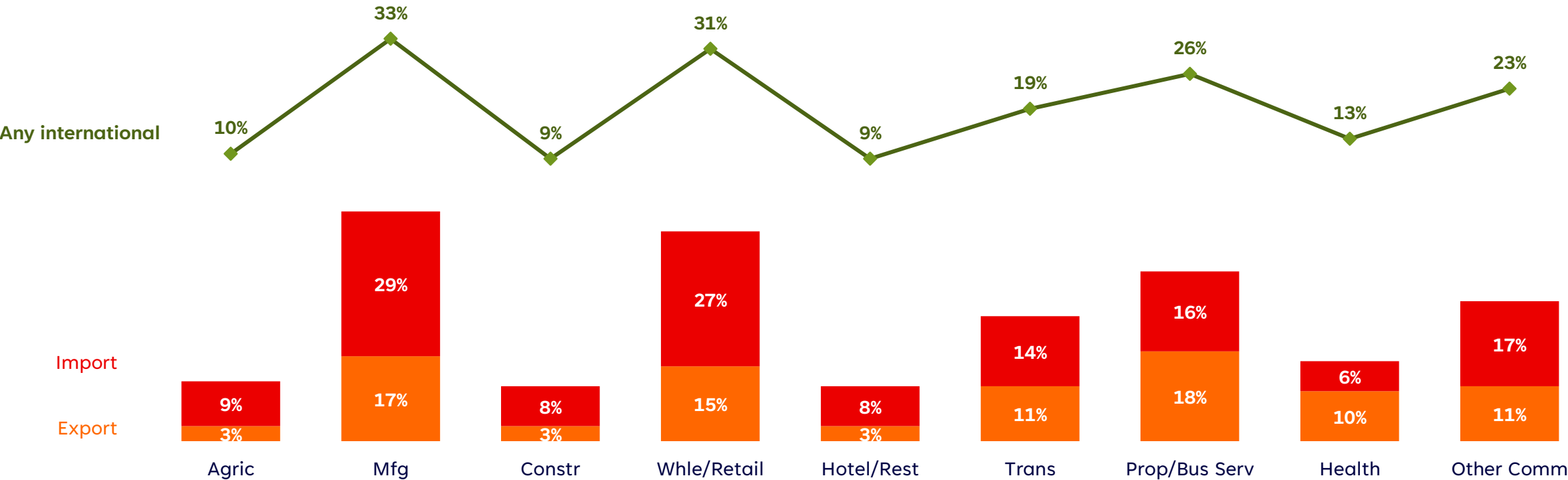
International trade by key demographics YEQ2 2025



Q84 all SMEs 17,017

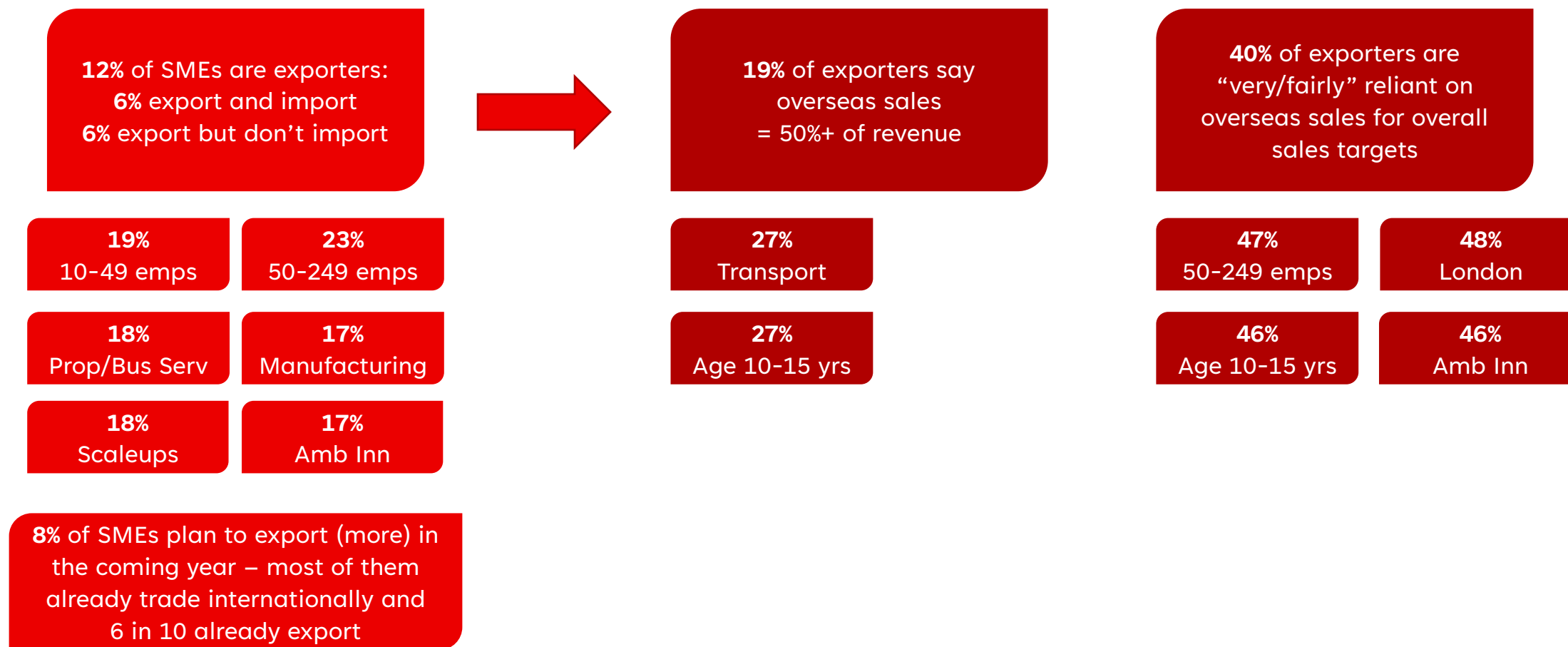
International trade remains more common amongst those in Manufacturing and Wholesale/Retail, with those in Property/Business Services as likely as these sectors to be exporting

International trade by key demographics YE Q2 2025



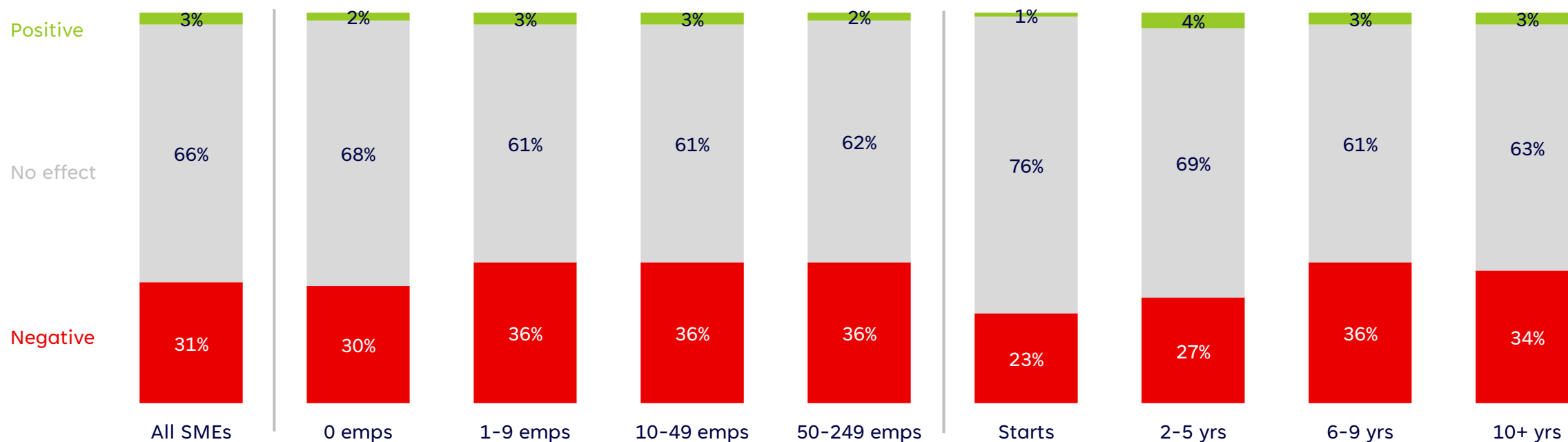
Q84 all SMEs 17,017

International trade: 1 in 9 SMEs export, increasing by size. 2 in 10 exporters do more than 50% of their sales overseas and 4 in 10 are reliant on overseas sales to achieve their overall revenue targets



Larger and older SMEs were more likely to report a negative impact to the EU trading arrangements

Impact of the trading arrangements with the EU – YEQ2 2025



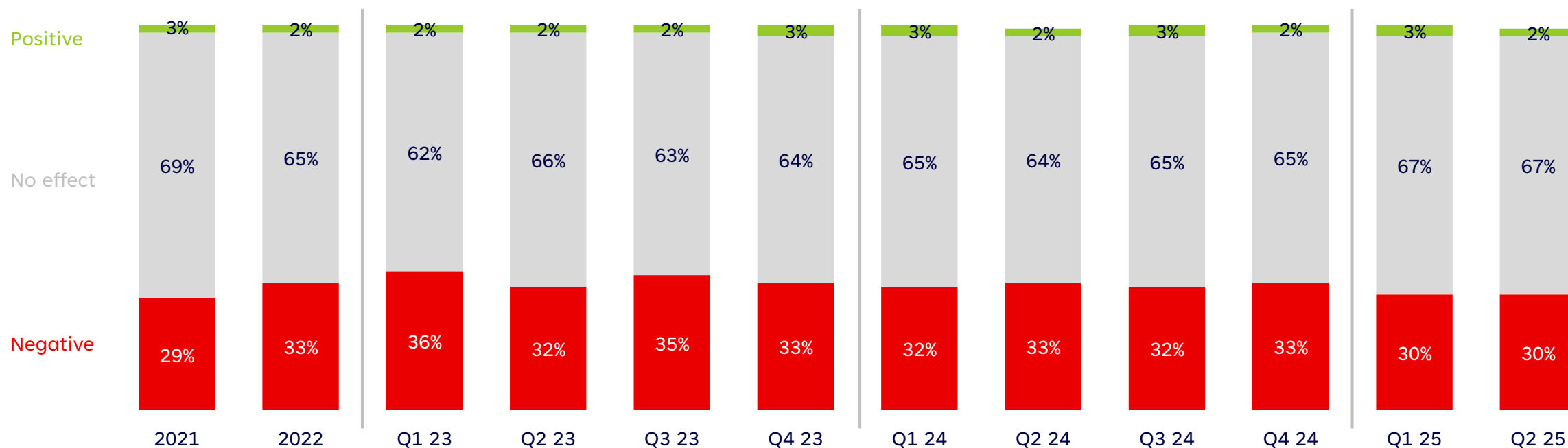
31% of SMEs felt that they had been negatively impacted by EU trading arrangements YEQ2 2025

- By size: More of an issue for those with employees (30% of those with 0 emps v 36% of those with emps)
- By sector: more of an issue for those in Agriculture or Wholesale/Retail (both 41%), less of an issue in Health (20%)
- Almost 6 in 10 fully international SMEs (57%) are negative about the new trading arrangements, 46% of those who export, and 42% of those who or import (but not both), all higher than domestic SMEs (27%). Starts were also less likely to report a negative impact (23%) as were PNBs (26%)

Q84c all SMEs excluding DK 16,531 3641/7005/4289/1596 358/1381/1754/13524

Trading with EU: In 2025 to date, 3 in 10 SMEs have felt there has been a negative impact on them from the new EU trading arrangements. The majority, as previously, reported no impact

Time series: Impact of the trading arrangements with the EU



At an overall level opinions have been pretty stable since 2022, as the responses from 0 emp SMEs have changed very little, but within this:

- Those with 10-49 emps have become slightly less negative (43% in 2022 to 36% YE Q2 2025), as have fully international SMEs (67% to 57%) and those in Hospitality (36% to 31%)

Export-only and fully international SMEs are better resourced than import-only and domestic SMEs. Notably, export-only SMEs are more optimistic about the future than those that are fully international

YEQ2 2025		All	Export only	Import only	Fully intl	Domestic
Resources	Made a profit (excl DK)	78%	81%	74%	81%	78%
	Have grown (excl Starts /DK)	28%	35%	32%	34%	26%
	£10k+ credit balances	29%	38%	32%	42%	27%
	Been/plan to be innovative	57%	73%	66%	77%	53%
	Future offers opportunities	32%	37%	26%	27%	32%
	Have any Business Funding	44%	41%	45%	49%	44%
Challenges	'Struggling'	22%	14%	27%	20%	22%
	Repaying pandemic funding	18%	21%	18%	24%	18%
	Higher costs major barrier	35%	32%	40%	32%	35%
	Economic climate major barrier	31%	32%	39%	34%	30%
	Recruitment & retention major barrier (employers)	18%	13%	19%	13%	19%
	Not confident application would be successful (all)	21%	28%	30%	26%	19%

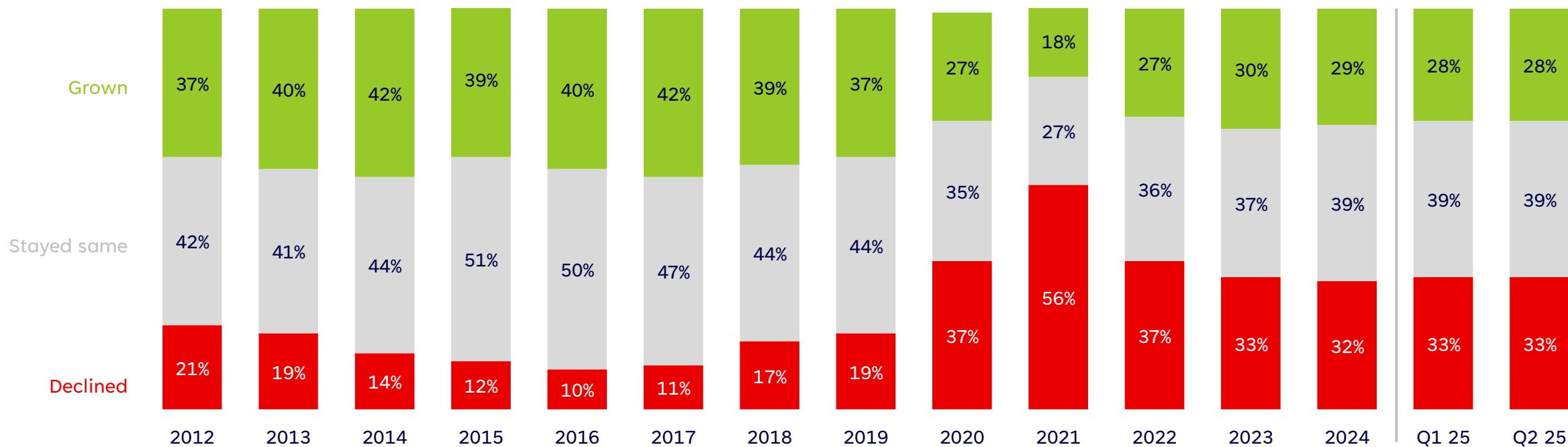
Colour coding adapted so green always better and orange worse than average whether metric is +ve or -ve



Past growth and innovation

Past growth: The proportions reporting both growth and decline have been stable since 2023. As many SMEs had declined as had grown, due to the performance of 0 employee SMEs

Annual time series: Performance in previous 12 months

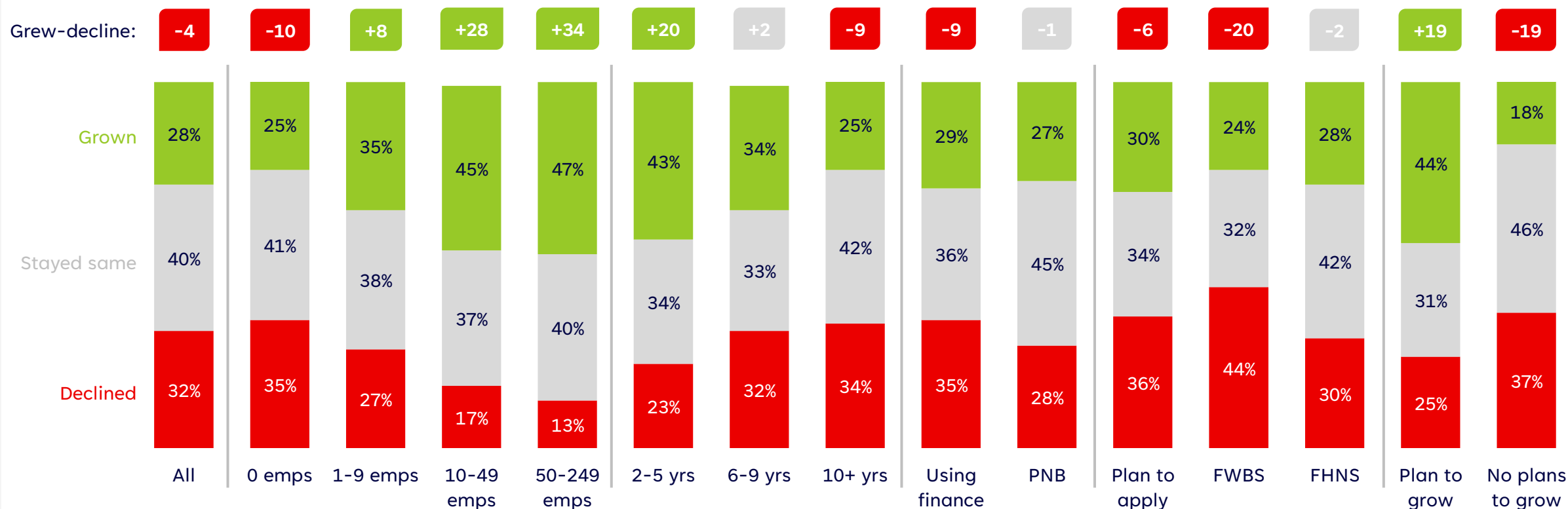


- YEQ2 2025, 28% of SMEs had grown and 32% had declined, strongly influenced by the 0 employee SMEs (25% grown and 35% declined) and also those trading for more than 10 years (25% grown v 34% declined)
- All other size and age bands were more likely to have grown than declined.

Q81 all SMEs excl Starts and DK Q2 2025 4083

YEQ2 2025 28% of SMEs had grown, with clear differences by demographics. Larger and younger SMEs were more likely to have grown than declined, as were those planning to grow

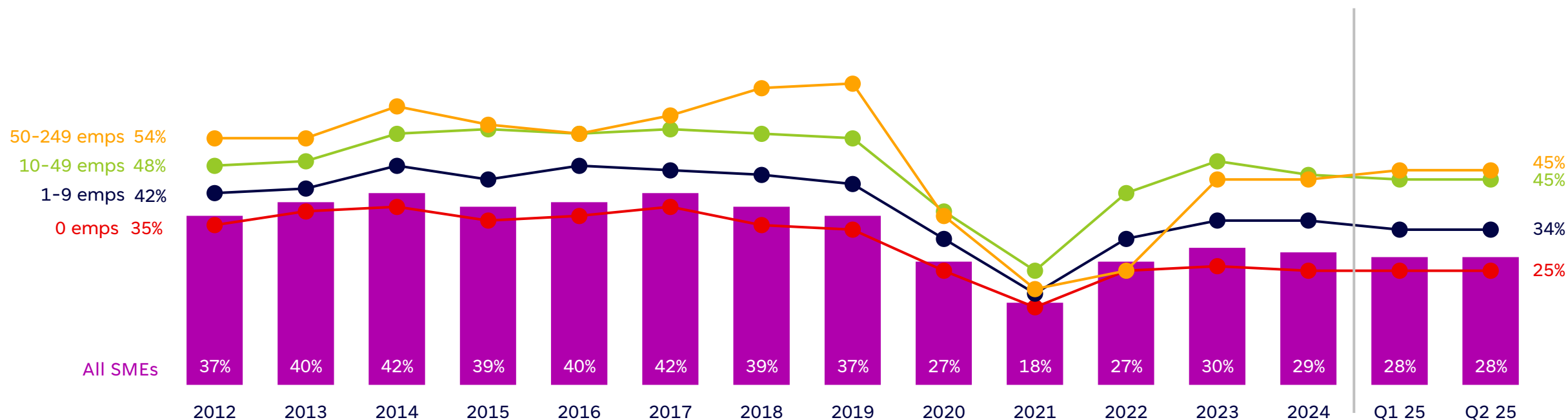
Past growth by key demographics YEQ2 2025



- The overall negative net growth figure of -4 is driven by the 0 employee SMEs (-10) with positive net scores increasing by size of SME while declining by age
- Most sectors were in line with the average, with only Construction (23% grew v 35% declined) and the Other Community sector (26% grew v 35% declined) posting clearly negative net scores
- Those using or interested in finance have negative net scores, while those planning to grow have a positive net score of +19 for their performance in the previous 12 months

Post-pandemic there was an increase in reported growth to 30% in 2023 with limited change since. Larger SMEs were more likely to have grown though no size bands (notably the largest) are yet back to pre-pandemic levels

Annual time series: % reporting growth in previous 12 months

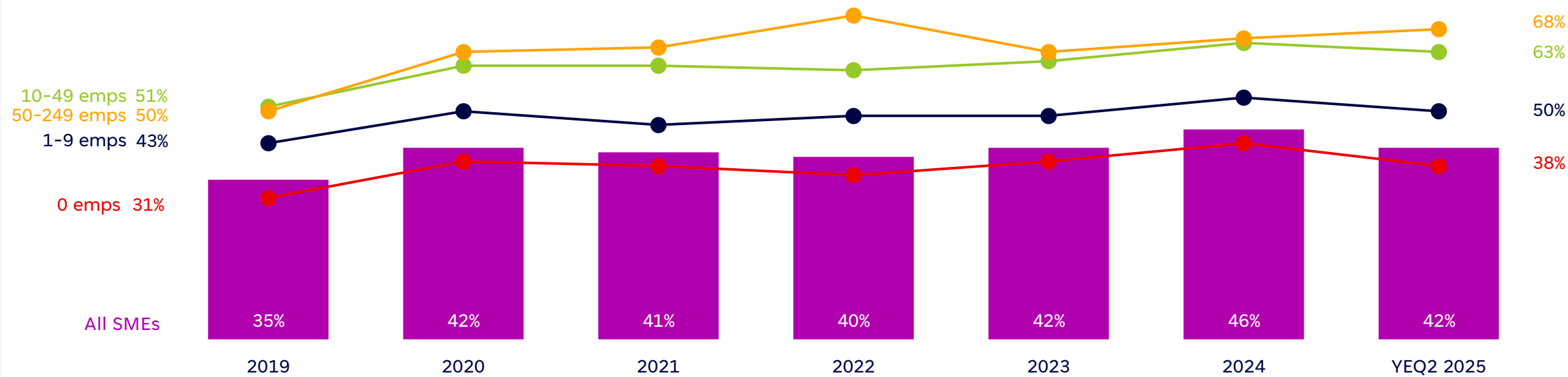


- 28% of SMEs YEQ2 2025 as a whole had grown, broadly in line with 2023 and 2024 (29%). Larger SMEs, as well as younger ones were more likely to report having grown, with limited difference by sector (23% in Construction to 31% in Hospitality and Property/Business Services)
- Growth is currently down 9 points on 2019, with the same level of decline across all size bands, except those with 50-249 emps (down 25 points to 47%)
- The most marked decline by sector was in Health (down 18 points to 29%) the least Manufacturing (down 5 points to 30%) and Property/Business Services (down 6 points to 31%) others down 7 to 11 points

Q81 all SMEs Q2 2025 excl Starts and DK 4083

Reported innovation grew to 46% in 2024 but is somewhat lower in the current period, with fewer improvements to processes and fewer smaller SMEs innovating

Annual time series: % reporting innovation in previous 12 months



Innovation	2012	2019	2021	2022	2023	2024	YE Q2 25
Product	17%	15%	20%	19%	21%	23%	22%
Process	35%	30%	35%	35%	37%	40%	36%

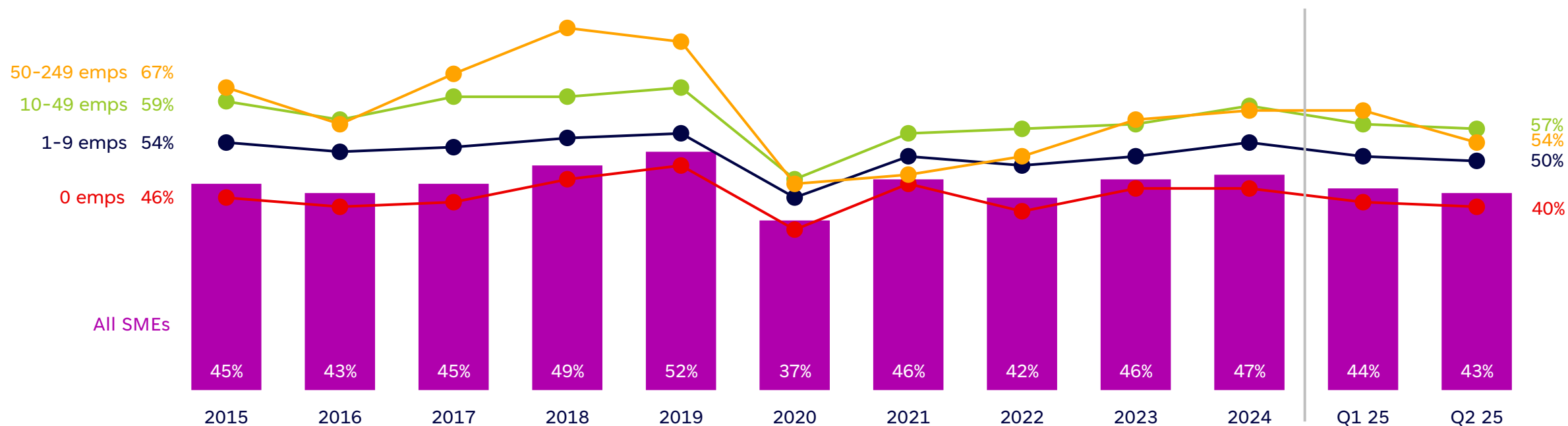
Q84 all SMEs 17,017



Future growth and innovation

Future growth: 43% of SMEs overall in Q2 2025 were predicting growth, somewhat lower than in 2024, but broadly in line with pre-pandemic levels

Annual time series: % predicting growth in next 12 months

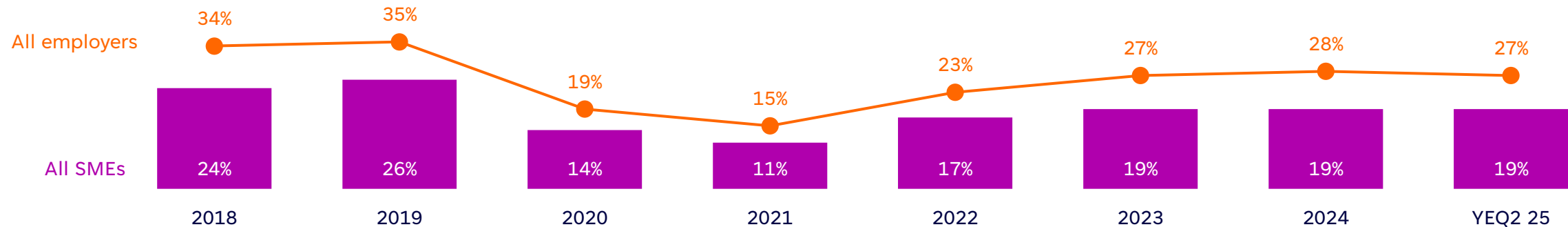


- YE Q2 2025, 45% of SMEs were planning to grow, just 2 points down on 2024 (47%), and across all size bands, with a more marked decline for Starts (down 5 points to 65%, so still more likely to plan to grow than their peers)
- Growth ambitions were also lower in Construction (down 5 points to 39%), Property/Business Services (down 5 points to 48%) and the other Community sector (down 7 points to 47%), but had improved in Health (up 11 points to 47% and back to 2023 levels)

Q91 all SMEs Q2 2025 4260

Pre-pandemic 1 in 4 of all SMEs (excluding Starts) had both grown and planned to do so again in the coming year. By 2021 this had fallen to 1 in 10. While it has recovered since (to 19%), it is not yet back to pre-pandemic levels

Annual time series: % that have both grown and predict will grow again in next 12 months (excluding Starts)

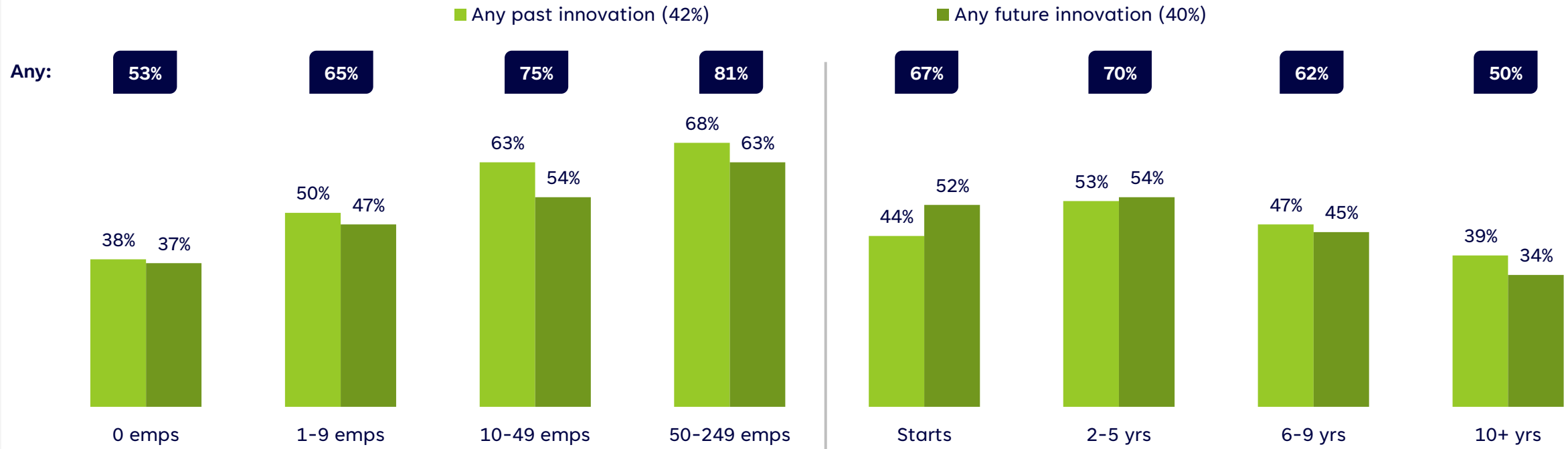


- Pre-pandemic a quarter of all SMEs, and 1 in 3 with employees had both grown in the past 12 months and were expecting to grow in the coming year. The impact of the pandemic on growth saw that proportion fall in 2021, but there has been an improvement since (a stable 19% in the last 3 time periods) though not yet back to 2019 levels
- YEQ2 2025, 16% of 0 emp SMEs had grown and expected to grow again, increasing to 24% of those with 1-9 emps, 36% of those with 10-49 emps and 35% of those with 50-249 emps

Q81/91 all SMEs YEQ2 2025 (excl Starts and DK at Q81) 15434 / with employees 12243

57% of SMEs had either been innovative (42%) or planned to innovate (40%), increasing to around 8 in 10 of larger SMEs. Those trading for 10+ years were less likely to be engaged with innovation

Size and demographic summary YEQ2 2025: Innovation, past and future and any

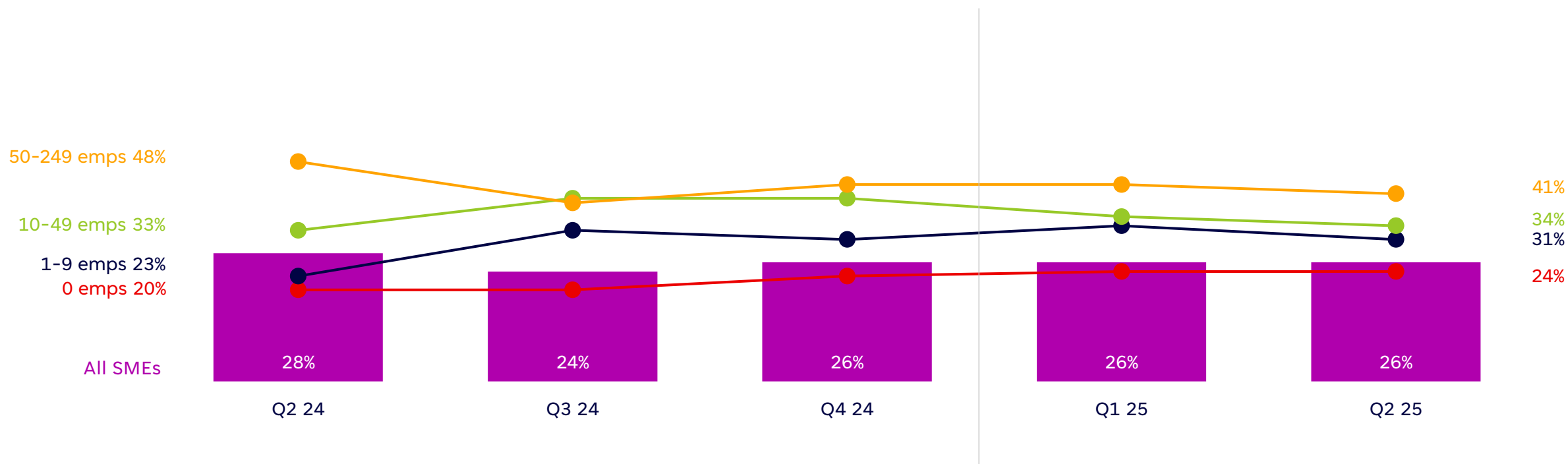


- Three-quarters or more of the largest SMEs, fully international SMEs and those planning to grow or to apply for finance reported some past or planned innovation. PNBs and those with no plans to grow were less likely to be innovative, as were those in Agriculture, Construction and Transport
- 26% of SMEs were *consistent* innovators (past and future), increasing to half of the largest SMEs (51%), those trading for 2-5 years (36%) and those with plans to grow (38%)

Q84/90 Base : All SMEs YEQ2 2025 17,017 Been innovative at Q84 and/or Q90 (new product/service or improving business)

Ambitious innovators: A stable 1 in 4 SMEs met the definition of an 'Ambitious innovator' looking to both grow and innovate, but with slightly more SMEs with 1-9 emps and slightly fewer SMEs with 50-249 now meeting the definition compared to a year ago

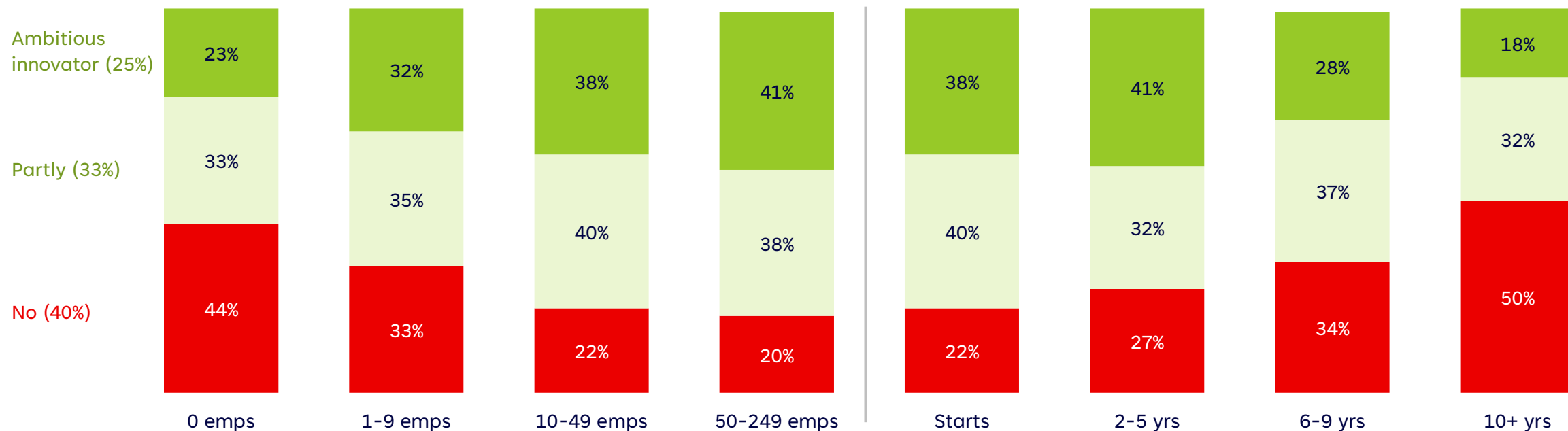
Time series: Meet the definition of an Ambitious innovator



Q90/91 Base : All SMEs

In line with other growth indicators, Ambitious Innovators increased by size of SME and decreased by age

Ambitious Innovators (plan to grow and innovate)– YEQ2 2025



A quarter (25% of SMEs) were planning to both grow and innovate in the coming year:

- The proportion of Ambitious innovators increased by size of SME (23% with 0 employees to 41% with 50-249) and declined by age (38% to 18%)
- SMEs more likely to be an AI included those planning to apply for finance (42%), in Health (35%) and those that have grown (35%)
- SMEs less likely to be an AI included those in Construction (18%) and PNBs (20%)

Q90/91 all SMEs 17,017 3707/7178/4421/1711 358/1381/1754/13524

Opening up opportunities - overview


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The proportion of SMEs who think the future offers mainly opportunities is stable over time (32%), but since 2022 the proportion seeing mainly threats has doubled to 30% of SMEs, led by the smaller SMEs but with limited difference by age and linked to both recent business performance and future uncertainty.

A steadily increasing 21% of SMEs is trading internationally. 8% plan to export (more), with the majority of them already doing so.

Levels of past growth are stable (28%), while future growth ambition has softened slightly (45%). A stable 1 in 4 meets the definition of an Ambitious Innovator, increasing by size of SME but decreasing by age.

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- Across most of the financial metrics, the story so far in 2025 is one of stability, with the last 18-24 months representing a new status quo for the performance and finances of SMEs.
 - On the other hand, SME confidence, in the face of the issues that assail them and their ability to grow and access finance, is showing signs of strain. SMEs are accepting slower growth, being more cautious and shelving plans to hire.
 - There are positives, given the relentless optimism that characterises many SMEs: the proportion who are Ambitious Innovators, or who plan to apply or who are future would-be seekers is stable and more SMEs are trading internationally.
 - For SMEs to play their part in boosting the economy, access to finance for the smallest (and therefore those with the potential to grow) and a period of economic and political stability is needed.

Quality Standards and Other Details

BVA BDRC is certified to ISO 20252:2019 and 27001:2013, the recognised international quality standards for market research and information security, thus the project has been carried out in accordance with these standards.

- Adherence to the standard is independently audited once per year
- This project has also been carried out in conformity to the MRS Code of Conduct, GDPR, the UK's Data Protection Act, and all other relevant industry codes, legal and ethical requirements.
- Where subcontractors are used by BVA BDRC, they are assessed to ensure any outsourced parts of the research are conducted in adherence with these same standards.

Full methodological details relevant to the project are available upon request.





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