An independent
report by BVA BDRC

SME Finance Monitor

Q2 2025 Management Summary

Management summary

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Navigating the SME Finance Monitor

This management summary covers key points from the main chart deck YEQ2 2025, providing the SME perspective on both access to finance and other challenges, as well as broader business demographics such as growth, profitability and ambition, for context. The accompanying chart pack provides more detail on these issues, and by a range of demographics including age of SME, growth plans and sector.

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.

THIS SUMMARY COVERS

key points from the Q2 chart pack, providing the SME perspective on both access to finance and other challenges, as well as broader business demographics such as growth, profitability and ambition, for context.

Whilst levels of profitability are stable, SMEs continue to face barriers around higher costs, the economic climate, and political uncertainty as well as late payment (which is seen across most demographics) and red tape (more of an issue for importers) Almost a quarter now say they are 'Struggling', with a more dramatic increase over time in the proportion who feel the future offers 'only threats', now 30%.

Overall 22% of SMEs described themselves as Struggling, with revenue falling short of outgoings

YEQ2 2025, 22% of SMEs described themselves as Struggling, decreasing by size of SME from 24% of SMEs with 0 employees to 17% with 1-9 employees compared to 10% with 10-49 employees and 7% with 50-249 employees. A quarter of Starts (26%) were also Struggling.

Over time, the proportion reporting that they are Struggling has increased from 18% in Q1 2023 to 24% in Q2 2025 itself, led by the 0 employee SMEs (19% to 27%).

At the other end of the scale, 32% of SMEs described themselves as 'Comfortable/Well off', increasing by size of SME from 31% with 0 employees to 36% with 1-9 employees compared to 49% with 10-49 employees and 50% with 50-249 employees.

Almost 8 in 10 SMEs reported making a profit, broadly back to pre-pandemic levels, especially for larger SMEs

78% of SMEs (excluding DK answers) reported making a profit, unchanged from 2023 and increasing by size of SME from 78% of those with 0 employees and those with 1-9 employees to 87% of those with 10-49 employees and 93% of those with 50-249 employees.

Pre-pandemic, around 8 in 10 SMEs reported making a profit. This declined to 65% in 2021 as the economic impact of the pandemic made itself felt but has built back since, across all size bands, back in line with 2019 for larger SMEs and 3-4 percentage points lower for smaller SMEs.

3 in 10 SMEs held more than £10,000 in credit balances but over half had less that £5,000

29% of SMEs held £10,000 or more of credit balances, YEQ2 2025. This was in line with 2024 but somewhat lower than the 35% holding such balances in 2022, with a decline seen across all size bands.

The proportion holding such balances continued to increase by size of SME from 22% of those with 0 employees and 49% of those with 1-9 employees to 75% of those with 10-49 employees and 84% of those with 50-249 employees.

Since 2022 the proportion of SMEs holding less than £5,000 in credit balances has increased, from 45% to 56%, and this was more likely to be the case for the 0 employee SMEs (63%) and those Struggling (77%).

35%

of SMEs reported an injection of personal funds, typically because they felt that had to

YEQ2 2025, 35% of SMEs reported an injection of personal funds in the previous 12 months, made up to 22% who felt they had to put in funds and 13% who chose to. Smaller and younger SMEs remained the most likely to report an injection of funds (37% with 0 employees and 58% of Starts).

Injections of personal funds have been higher since 2021 (34-37%) and across this time period injections have been more likely to be forced than chosen.

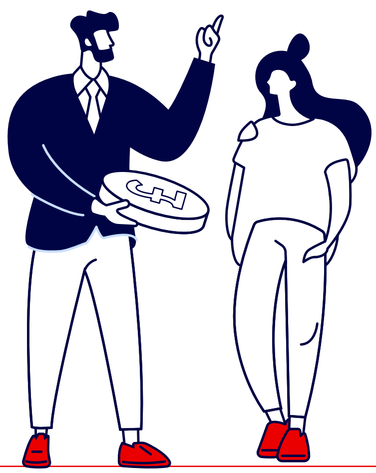
1 in 5

SMEs trade internationally, with 40% of exporters reliant on this trade to achieve targets

21% of SMEs trade internationally – 15% import and 12% export. This increases markedly by size (from 19% with 0 employees to 37% with 50-249 employees), but with limited change by age of SME (17% to 22%). Those in Manufacturing (33%) and Wholesale/Retail (31%) remain more likely to be trading overseas.

- Amongst exporters, 2 in 10 say that overseas sales make up more than half their revenue and twice that, 4 in 10, say they are very or fairly reliant on overseas sales to achieve their sales targets.
- SMES trading international have been more likely to report a negative impact of the EU trading arrangements than their peers, but since 2022 that proportion has reduced for those with an element if importing to their business.

Key future barriers continued to be higher costs and the current economic climate, now joined by political uncertainty



35% of SMEs rated higher costs as a key barrier YEQ2 2025 and it has been the top barrier since it was introduced in 2022 (when 39% rated it a key barrier).

- YEQ2 2025, there was limited variation in the impact of higher costs by size of SME (34% to 38%) except for the largest SMEs (29%).

31% saw the current economic climate as a key barrier, little changed since 2022 and still below the pandemic peak of 36%, albeit it remains more of an issue than pre-pandemic (21% in 2019).

- YEQ2 2025, the economic climate was more likely to be a barrier for those with 0 (31%) or 1-9 employees (34%) than those with 10-49 (28%) or 50-249 employees (20%).

31% saw political uncertainty and future government policy as a key barrier. This has increased steadily as a barrier since 2021 (19%).

- YEQ2 2025, this was more of a barrier for those with 1-9 employees (35%) or 10-49 employees (33%) and it is more of a barrier than the economic climate for larger SMEs.

The issue of late payment affects SMEs across size and other demographics

Late payment is now measured as a single barrier (rather than attached to cash flow issues). 13% of MSEs rated this a major barrier with limited variation by demographics (12-14% by size of SME and 13% for all age groups except 6-9 years at 18%).

Smaller SME employers were more likely to have no plans to recruit than to be struggling to recruit, but the opposite was true for larger employers

YEQ2 2025, employers overall were more likely to have no plans to recruit (32%) than to be struggling to hire (21%) but this is due to the views of those with 1-9 employees (33% no plans v 19% struggling to hire). Amongst larger SMEs the balance is either more even (27% no plans v 30% struggling to hire for those with 10-49 employees), or in favour of struggling to hire (12% no plans v 27% struggling to hire for those with 50-249 employees).

Overall, almost 1 in 5 SME employers (18%) saw staff recruitment and retention as a key barrier in 2024, down slightly from the 21% seeing it as a barrier in 2021, but still higher than the 1 in 10 seeing it as a barrier pre-pandemic (12% in 2019).

While a stable 1 in 3 SMEs think the future offers opportunities rather than threats, the proportion seeing only threats is increasing

32% of SMEs thought the future offered more opportunities than threats, with little change since 2021, but higher than the 22% giving this rating when the question was first asked in H2 2020.

- Unlike other metrics, there was limited variation in the proportion seeing more opportunities than threats by size of SME: 31% of those with 0 employees and 33% of those with 1-9 employees to 36% of those with 10-49 employees and 29% of those with 50-249 employees.

Of more interest in the current data is the increase in those seeing the future as offering threats rather than opportunities (scores 1-4):

- YE Q2 2025, 30% of SMEs were in this category, up from 27% in 2024 and a further increase in this group from the 16% in this category in 2022.
- Smaller SMEs were more likely to see future threats (31% of those with 0 employees and 29% of those with 1-9 employees to 24% of those with 10-49 employees and 15% of those with 50-249 employees) but with little variation by age (29-31%).

Analysis showed that the perception of threats was driven by both internal performance (e.g. the business had got smaller or had not made a profit) coupled with a feeling of needing to be cautious because the future felt uncertain.

Levels of both past and future growth are stable, both still below pre-pandemic levels (especially past growth) and continue to increase by size of SME and decline by age. Just over half of SMEs had either been innovative (42%) and/or planned to be (40%) and a stable 1 in 4 expects to be an Ambitious Innovator.

A stable

3 in 10

SMEs had grown, still below pre-pandemic levels. A similar proportion of SMEs had declined

28% of SMEs (excluding Starts) reported having grown YEQ2 2025, unchanged since 2022 and increasing by size of SME from 25% of those with 0 employees to 35% of those with 1-9 employees, 45% of those with 10-49 employees and 47% of those with 50-249 employees. As previously seen, the proportion declines by age of SMEs, from 43% of those trading for 2-5 years to 25% of those trading for 10+ years.

Pre-pandemic, around 4 in 10 SMEs had grown (37% in 2019). This declined to 18% in 2021, and after an initial increase to 27% in 2022 there has been little further change since.

A stable 32% of SMEs reported a decline in the previous year, also unchanged from 2023 (33%), resulting in a net growth figure for SMEs overall of -4, but this is due to the 0 employee SMEs (25% grown v 35% declined) and the only size band to be more likely to have declined than grown. Levels of decline, while stable, remain markedly higher than pre-pandemic when around 1 in 5 declined (19% in 2019).

Almost half of SMEs planned to grow, broadly back to pre-pandemic levels, though not for the largest SMEs

45% of SMEs in 2024 were planning to grow, unchanged from 2023 (46%) and increasing by size of SME from 42% of those with 0 employees and 52% of those with 1-9 employees to 61% of those with 10-49 employees and 58% of those with 50-249 employees.

Pre-pandemic, around 5 in 10 SMEs were planning to grow (52% in 2019). This declined to 37% in 2020 in the immediate impact of the pandemic, before increasing to 46% in 2021 with limited changes since. This overall 'gap' to 2019 of 7 percentage points is widest for the largest SMEs (18 points for those with 50-249 employees) with limited differences by other size bands (4 to 7 points).

1 in 5

SMEs grew in the past year and plans to grow again in the coming year

19% of SMEs (and 27% of those with employees) both grew in the past year and plan to grow again in the coming year. These proportions are little changed from 2023, and whilst higher than in 2021 (when 11% of SMEs and 15% of SME employees had grown and planned to grow again), they remain lower than pre-pandemic (in 2019, 26% of SMEs and 35% of SME employees had grown and planned to grow again).

57%
of SMEs had either been innovative (42%) or planned to be (40%), increasing by size of SME but declining by age

42% of SMEs had been innovative, with 36% significantly improving an aspect of the business and 22% launching a new product or service. This increased by size of SME from 38% of those with 0 employees and 50% of those with 1-9 employees to 63% of those with 10-49 employees and 68% of those with 50-249 employees.

This was slightly lower than the 46% reporting innovation in 2024, but in line with other years post-pandemic and 7 points on the pre-pandemic position (35% in 2019) with increases for both parts of the innovation metric and across size bands.

40% of SMEs planned to innovate in the coming year, again increasing by size of SME from 37% of those with 0 employees to 47% of those with 1-9 employees, 54% of those with 10-49 employees and 63% of those with 50-249 employees.

57% of all SMEs had either innovated or planned to, while 26% were consistent innovators (past and future).

A quarter of SMEs met the new metric of an 'Ambitious Innovator' while 40% had no plans to either grow or innovate

25% of SME were planning both to grow and to be innovative in the coming year, the 'Ambitious Innovators'. This increased by size of SME (from 23% of those with 0 employees to 32% of those with 1-9 employees, 38% of those with 10-49 employees and 41% of those with 50-249 employees) and declined by age (from 38% of Starts to 18% of those trading for 10+ years).

At the other end of the scale, 40% of SMEs had no plans to either grow or innovate in the coming year, declining by size of SME (44% of those with 0 employees to 30% of those with 50-249 employees) and increasing by age (22% of Starts to 50% of those trading for 10+ years).

More SMEs met the definition of an 'Ambitious Risk Taker'

SMEs that agreed that they both wanted to be a significantly bigger business and also that they were prepared to take risks to succeed are known as 'Ambitious Risk Takers'. They made up a stable 31% of SMEs YEQ2 2025, and have bene one of the few metrics showing little impact from the pandemic, as the proportion has increased steadily over time from 24% in 2019.

The proportion of ARTs increased slightly by size of SME, from 29% of those with 0 employees, to 35% of those with 1-9 employees, 38% with 10-49 employees and 37% with 50-249 employees.

A stable 44% of SMEs are using external finance, including 18% still repaying pandemic funding. Credit cards remained the most common form of finance, but 6 in 10 users pay off the balance each month. Repayment concerns remain stable. Attitudinally, SMEs remain happy to accept slower growth rather than borrow to grow (primarily due to wanting to be self reliant), and 6 in 10 are being cautious with their plans due to the future feeling uncertain - a sentiment shared across most size and age bands. 1 in 5 would be happy to borrow to grow but think it would be difficult for them to get finance, notably younger SMEs and those planning to grow.

44%

of SMEs were using any external finance

44% of SMEs were using external finance YEQ2 2025, little changed since 2023 (46%) and increasing by size of SME from 40% of those with 0 employees and 53% of those with 1-9 employees to 65% of those with 10-49 employees. Use of finance then declined to 43% of those with 50-249 employees.

This remained a slightly higher proportion than pre-pandemic due in part to better recording of those still repaying government backed pandemic funding (a stable 18% of SMEs).

Credit cards remained the most common form of finance, with over half clearing their balance each month

16% of SMEs use a credit card as part of their range of financial products. In a new question for 2025, such SMEs were asked whether they typically repaid the outstanding balance in full each month (such that this was not a source of funding per se). 61% of credit card users said that they always paid of the balance in full, increasing by size of SME from 55% with 0 employees to almost all, 97%, of those with 50-249 employees, while 1 in 10 SMEs (11%) were only making the minimum payment each month.

Excluding those who always repay their balance in full would reduce the proportion of SMEs using a credit card from 16% to 6%, with limited variation by size (5-6%) with the exception of those with 50-249 employees (1%).

16%
of finance users are worried about repayment. Not all have spoken to their bank, with half unsure of the response they would get if they did

16% of finance users were concerned about repaying the finance they already have, the equivalent of 6% of all SMEs (down from 9% of all SMEs in 2021). This is the case for 17% of finance users with 0 employees and 16% with 1-9 employees compared to 9% with 10-49 employees and 7% with 50-249 employees.

8 in 10 of those concerned said it has impacted the business (typically how much they can grow or invest), but while 23% of them have spoken to their lender and 14% plan to, the majority, 66%, have no plans to speak to their lender about their concerns.

Half of those who have not (yet) spoken to their lender were unsure whether their bank would be supportive, treat them fairly and/or offer practical help. Those planning to speak were no more likely than those with no plans to say the bank would definitely treat them fairly (22% v 28%), offer practical help (23% v 19%) and/or be supportive (22% v 18%).

1 in 3
SMEs met the definition of a Permanent non-borrower with no apparent appetite for finance

38% of SMEs met the definition of a Permanent non-borrower, up slightly from 2024 (35%) and decreasing by size of SME from 41% of those with 0 employees and 33% of those with 1-9 employees to 25% of those with 10-49 employees. The proportion of PNBs then increased again to 45% of those with 50-249 employees.

This remained a slightly lower proportion than pre-pandemic due to better recording of government-backed pandemic funding (those who applied for it cannot currently be a Permanent non-borrower). PNBs remained more likely than their peers to be profitable but less likely to be trading internationally, to have been innovative or to plan to grow.

A third of SMEs agreed that they would be happy to borrow to grow...

YEQ2 2025, 38% of SMEs were happy to borrow to grow, unchanged from 2024 and remaining higher than the 31% in 2022 and 33% in 2023 who were willing to borrow to grow.

The proportion increased by size of SME from 36% of those with 0 employees and 40% of those with 1-9 employees to 51% of those with 10-49 employees. The proportion then declined again to 42% of those with 50-249 employees.

...with the same proportion thinking it could be difficult for them to get finance...

YEQ2 2025, 38% of SMEs think that it could be difficult for a business like theirs to get finance, with a different profile by size, declining from 40% of those with 0 employees and 36% of those with 1-9 employees to 24% of those with 10-49 employees and 13% of those with 50-249 employees.

A similar pattern and set of scores is seen for those who feel lenders think they are riskier than they really are (39% overall, declining from 40% to 16% by size of SME).

...and

1 in 5

SMEs agreeing with both statements

19% of SMEs agreed with both statements (they were happy to borrow to grow but thought it could be difficult to do so) and this was more likely to be the case for smaller SMEs (19% for those with 0 emps or with 1-9 emps compared to 16% of those with 10-49 emps and 9% of those with 50-249 emps) and also younger SMEs (30% of Starts and 26% of those trading for 2-5 years, compared to 19% of those trading for 5-9 years and 14% of those trading for 10+ years).

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6 in 10

SMEs are feeling cautious due to an uncertain future

A revised statement asked in H1 2025, 61% of SMEs agreed that the future felt uncertain and so they were being cautious with their plans for the business. Agreement did not vary much by size of SME (60-64%) with the exception of those with 50-249 employees (44% agreed) or by age (59-64%), or by international trade (58-63%).

Agreement was however higher for those using external finance (68%), planning to apply (72%) or expecting to be a Future would-be seeker (73%) compared to 53% of Permanent non-borrowers.

As reported earlier, agreement with this statement is closely linked to seeing a future of threats rather than opportunities.

Overall need for finance remains limited. Most of those who went on to apply considered/contacted one lender, increasing by size of SME, but the proportion moving from need to application remains lower than previously seen. Success rates are stable but lower than typically seen, with half successful. Clear differences in success rates by size of SME remain, as almost 1 in 10, typically smaller, SMEs refused the finance offered to them. Future would-be seekers remain put off by uncertainty in the economic climate, while most of those planning to apply are already using finance (including repaying pandemic funding) which may impact their ability to secure more funding.

13%

of SMEs reported any borrowing event, but 8 in 10 had been a 'Happy non-seeker' of finance

13% of SMEs reported any borrowing event in the previous 12 months, including an application for finance or an overdraft automatically renewed, in line with both 2023 and 2024.

6% had been a 'Would-be seeker' of finance, primarily put off by the process of borrowing (44%) or discouragement (30%).

This left the largest group as usual to be 'Happy non-seeker' of finance (81%).

A small minority of SMEs reported a need for funding

8% of SMEs YEQ2 2025 reported having had a funding need, with limited variation by size of SME (7-8%) except for those with 50-249 employees (3%).

The need for funding was 4% when first asked in 2018, increasing in 2020 to 9% and again in 2021 to 12%. It fell to a pre-pandemic level of 4% in 2023 but has increased again in 2024-25.

As pre-pandemic, more of those with a need for finance said it was for business development (58%) than for cash flow purposes (43%).

Most of those with a need for funding took some action, and in the end half applied, still at lower levels than previously seen.

32% of those with a need spoke to their bank (17%), another provider or a broker, little changed from 2023 (29%) but somewhat lower than the 4 in 10 or more who spoke to someone in previous years.

Just over half who took some action considered applying (55%), including 32% who considered applying to their main bank, both slightly lower proportions than pre-pandemic.

In the end, 50% of those who took any action made an application somewhere, including 26% to the main bank, while 23% decided to self-fund all or part of it, and 15% decided not to take any funding. At the time of interview, 14% were still deciding what to do, down from 22% in 2023 but still twice the level typically seen pre-2023.

Excluding those still deciding, 6 in 10 applied somewhere, in line with previous years, but with fewer applying to the main bank (31% compared to 47% in 2022) and more applying either to another existing provider (16% v 7% in 2022) or a new provider (17% v 10% in 2022).

49%

of all applications made in the current period (Q1 2024 to Q2 2025) were successful

49% of applications in the 18 months from Q1 2024 to Q2 2025 were successful, increasing by size of applicant from 45% of applications made by 0 employee SMEs to 49% made by those with 1-9 employees, 83% of those made by SMEs with 10-49 employees and 96% of applications made by those with 50-249 employees.

8% of applications were made an offer that was turned down by the applicant (typically small SMEs and usually based on cost), still at the higher proportion than had been seen previously when 2-4% of applicants were in this category).

43% of applications were declined, decreasing by size of applicant from 46% of applications made by 0 employee SMEs to 44% made by those with 1-9 employees, 15% of those made by SMEs with 10-49 employees and 5% of applications made by those with 50-249 employees.

Applications for overdrafts remained more likely to be successful than those for loans (53% v 37%).

Success rates remained somewhat lower in the current period, but this change over time has not affected all SMEs equally

Pre-pandemic, around 7 in 10 of all applications were successful increasing to over 8 in 10 during the pandemic (82% for the 18 months to Q4 2021) but lower since. The 49% success rate for the current period was in line with the two most recent 18 month periods to Q4 2023 and Q4 2024. This change in success rates from the start of 2022 was not seen equally across all sizes of SME or lending product:

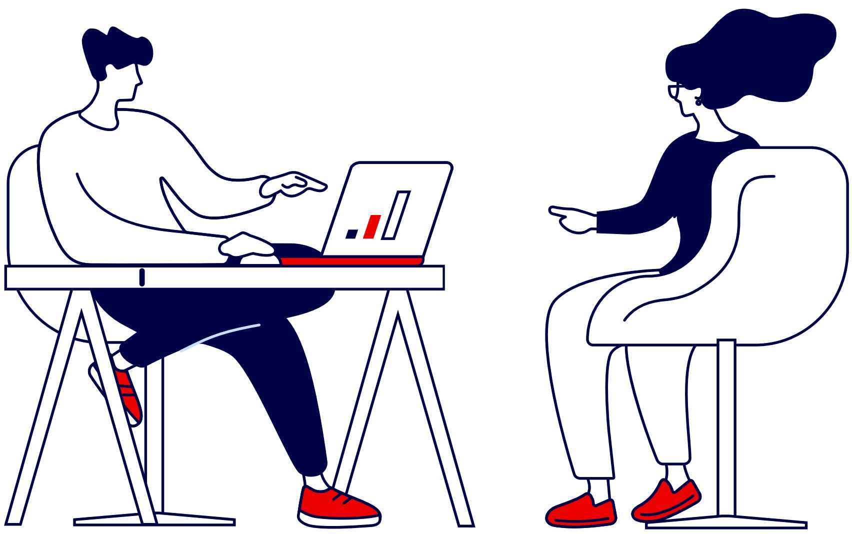
- Success rates for 0 employee SMEs declined for the 18 months to Q4 2022 and again for the 18 months to Q4 2023 but have recovered very slightly since. Meanwhile, for applicants with 1-9 employees, the decline was more gradual from the 18 months to Q4 2022 to the current period.
- Success rates for applicants with 10-49 or 50-249 employees have been more stable, albeit with a slight dip in the 18 months to Q4 2023 that has since been recovered.
- As a result, compared to the 18 months to 2019, 0 employee success rates are down 18 points from 63% to 45%, and for those with 1-9 employees, the change is more marked at 27 points from 76% to 49%. By contrast, for those with 10-49 employees, the change is 3 points (86% to 83%), and for those with 50-249 employees, it is 2 points (98% to 96%).

Looking forward, 10% of SMEs expected to be applying for finance, but again most (74%) expect to be a Future happy non-seeker of finance

A stable 10% of SMEs expected to apply for finance in the coming months.

16% expected to be a 'Future would-be seeker' of finance.

This left the largest group as usual to be 'Happy non-seeker' of finance (74% of SMEs).



The current economic conditions continued to affect Future would-be seekers

Half of 'Future would-be seekers' cite the economic climate as their reason for being unlikely to apply for finance (53%).

When asked in H1 2025 what would have to change about the economic climate for them to feel more inclined to borrow:

- 51% of these FWBS said a steady increase in customer demand
- 42% said lower interest rates
- 41% said more clarity over government policies and 40% said a more certain economic outlook
- The proportion saying "nothing" would change their mind decreased from 35% in H2 2024 to 15% in H1 2025

Confidence that a future application would be successful remained lower than previously seen

YEQ2 2025, 45% of all SMEs were confident about a potential or hypothetical application for finance being successful, a further slight decline over time (in 2016, 65% of all SMEs were confident of success).

- Those with no plans to apply, the 'Future would-be seekers' remained the most confident of hypothetical (50%) but as overall, this is lower than previously seen (in 2016 69% were confident).
- Prior to 2020, those with plans to apply were slightly more confident of success than those expecting to be a Future would-be seeker but since then there has been little to choose between the two groups, with confidence currently 31% for those planning to apply (down from 55% in 2016) and 34% for FWBS (down from 50%).

Analysis showed that many of those planning to apply for finance are already borrowing, potentially impacting their ability to secure more funding

YEQ2 2025, three quarters of those planning to apply for finance (75%) were already using external finance, including 33% still repaying pandemic funding. 42% had a recent borrowing event and 56% had injected personal funds into the business.

Whilst those planning to apply are more likely than their peers to be planning to grow (58%), or to be an Ambitious Innovator (42%), they are no more likely than their peers to have grown in the past year (30%), and more likely to describe themselves as currently 'Struggling' (37%), while 39% see cash flow and late payment as a barrier.

The pipeline for finance is likely to be a mix of those seeking finance to grow and those seeking to manage cash flow/trading difficulties and understanding the mix of SMEs helps assess how success rates might change over time.

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