

An independent
report by BVA BDRC

SME Finance Monitor

Q4 2024 Report





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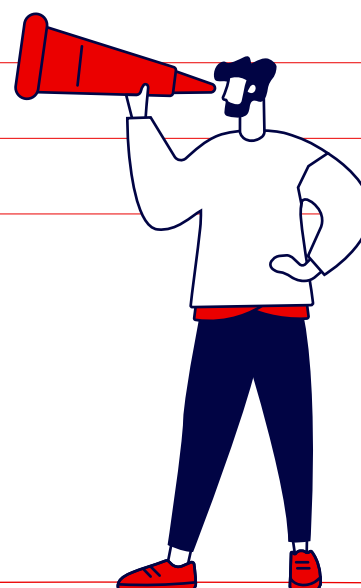
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Contents

Page No.

1	Introduction	07
2	Management summary	11
3	Using this report	24
	Feature: Growth Summary	31
4	The general context	46
5	Financial context – How are SMEs funding themselves? (Part 1)	120
6	Financial context – How are SMEs funding themselves? (Part 2)	169
7	Need for funding	207
8	An overview of borrowing events	228
9	Outcome of Type 1 applications	241
10	Not looking to borrow	268
11	The future	284
12	Awareness of taskforce and other initiatives	375
13	Graphs and charts	387
14	Technical appendix	397





Foreword





Foreword

Welcome to the full report of the SME Finance Monitor for 2024. As well as the core topic of access to finance for SMEs, we continue to provide insight into other current issues such as the renewed focus on growth.

In 2024, the SME Finance Monitor surveyed just over 17,000 businesses about past borrowing events and future borrowing intentions. It is the largest such survey in the UK and since the first report was published covering Q1-2 2011 has built into a robust and reliable independent data source for all parties interested in the issue of SME finance. In total, 55 waves of interviewing have been completed, with reporting every half year, following completion of the Q2 and Q4 fieldwork. Since 2020, this full report has been published annually, with a detailed chart pack produced after the completion of the Q2 and the Q4 fieldwork.

The survey was set up through the Business Finance Taskforce, which was itself established in July 2010 to review the key issue of bank finance and how the banks could help the UK to return to sustainable growth. It made a commitment to fund and publish an independent survey to identify (and track) demand for finance and how SMEs feel about borrowing – the SME Finance Monitor.

This extensive dataset is recognized by both public and private sector stakeholders as the de facto authority on access to finance conditions for SMEs, because it is seen as reliable, trustworthy, and, crucially, as independent. The Monitor is cited regularly in Parliament, in government led reviews, and in evidence to bodies such as the OECD, as well as forming the basis for policy discussions between the banks and DBT.

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 data provides both a clear view of how SMEs are feeling now, and, increasingly, how this has changed over time. It also provides analysis by size of SME and sector, as SMEs should not be seen as one homogenous group: in particular, the smallest SMEs with no employees can often report different views and experiences to their larger peers.

This is an independent report, and I am pleased to confirm that this latest version has once again been written and published by BVA BDRC, with no influence sought or applied by any member of the Steering Group.

Shiona Davies

Editor, The SME Finance Monitor

March 2025



1. Introduction



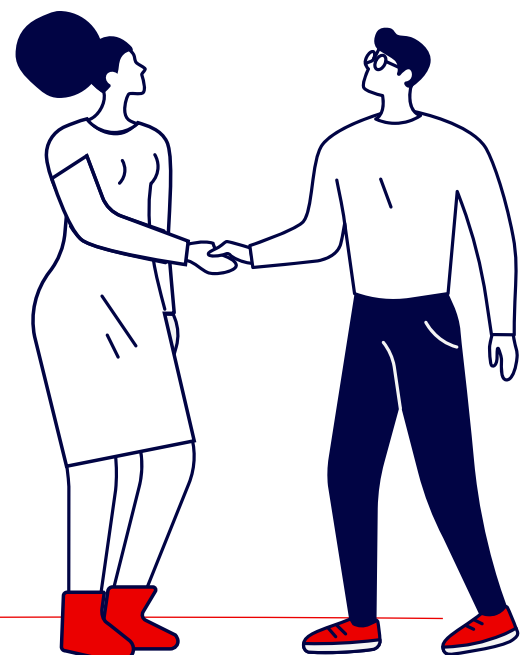


1. Introduction

The issue of SMEs and external finance has long provoked debate. Over time, the emphasis has moved from issues around access to finance to those around demand for finance amongst SMEs and the extent to which the right forms of funding have been available to those businesses looking to grow and invest. Over the lifetime of the Monitor, business confidence and appetite for borrowing have both been affected by prevailing economic conditions, the revised trading arrangements with the EU, the challenges of the pandemic and global conflicts, and changes in Government. As a result, SMEs continue to find themselves trading through uncertain times.

The Business Finance Taskforce was set up in July 2010 to review this key issue of bank finance and how the banks could help the UK to return to sustainable growth. It made a commitment to fund and publish an independent survey to identify (and track) demand for finance and how SMEs feel about borrowing. BVA BDRC was appointed to conduct this survey in order to provide a robust and respected independent source of information. BVA BDRC continues to maintain full editorial control over the findings presented in this report. In 2020 extra questions were included specifically around the pandemic and its impact on SMEs. In 2024 more of these questions have been removed, to allow for questions on the impact of current issues such as increasing costs and the focus on growth in the economy.

For some time it has been demand as well as supply issues that have contributed to the lower levels of lending to SMEs and so the SME Finance Monitor questionnaire has evolved over time to capture more data in this area. In 2017, it was decided to re-design the core of the questionnaire for 2018, expanding the range of financial products and providers that SMEs could comment on. Where questions were retained from previous waves, they have been re-numbered and both the old and new numbers are shown in this report. Naturally, changes were required both during and since the pandemic, to allow us to understand the impact on SMEs, with some existing questions rested and new questions included. This means that not every question offers data for the full 4 quarters of 2024, but quarterly base sizes are typically robust enough to allow analysis at this level where required.



The majority of this report is based on a total of 17,011 interviews with SMEs, conducted across the four quarters of 2024. These interviews are conducted by telephone by Perspective, the fieldwork sister company to BVA BDRC. Previous interviews conducted in 2011 (three waves) and the 4 waves in each of the years 2012 to 2023 are not in these year-ending results but a number of previous years are still shown in this report where data is reported quarterly or annually over time, or by application date.

The survey questionnaire is the most comprehensive ever on bank finance.



The YEQ4 2024 data therefore includes the following four waves:

- January-March 2024 – 4,182 interviews conducted, referred to as Q1 2024.
- April-June 2024 – 4,322 interviews conducted, referred to as Q2 2024.
- July-September 2024 – 4,254 interviews conducted, referred to as Q3 2024.
- October-December 2024 – 4,253 interviews conducted, referred to as Q4 2024.

The results from these most recent four waves have been combined as usual to cover a full 12 months of interviewing, then weighted to the overall profile of SMEs in the UK in such a way that it is possible to analyse results wave on wave where relevant – and the data reported for an individual quarter will be as originally reported. This combined dataset of 17,011 interviews is referred to as YEQ4 2024.

From 2016 to 2020 the overall sample size was 4,500 interviews per quarter (previously 5,000). From Q1 2021 the sample size was reduced slightly to 4,250 which still provides a robust base size for analysis, and a weighting review was also conducted (updating the previous one in 2016) but only very minor changes were made from Q3 2021. Similar weighting reviews have been conducted at the end of 2023 and 2024 with further minor changes made to the weighting applied from Q1 2023 and 2024, as well as slight adjustments to sub-sample base sizes to better reflect the SME population.

This report is based
on a dataset of
17,011
SMEs

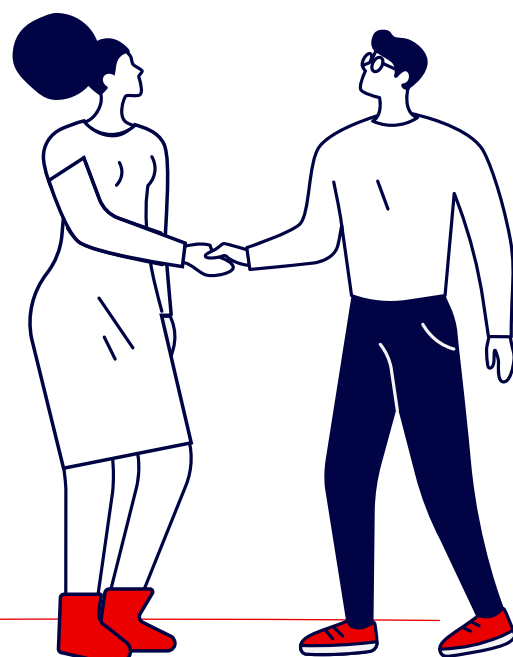
The majority of reporting is based on interviews conducted in the year to Q4 2024. The exceptions to this rule are:

- Data on applications is based on when the application was made, rather than the date of interview, with questions revised for Q1 2018. Analysis in this report is based on all applications made and reported between Q1 2018 and Q4 2024, divided into 18-month periods. The latest period is Q3 2023 to Q4 2024, for which the data is still interim as respondents can identify a borrowing event up to 12 months after it happened.
- Where SMEs are asked about their planned future behaviour, and typically their expectations for the next 3 months, comparisons are typically made between individual quarters.
- For key questions, summary tables are provided with annual figures over the longer term to set the current results in context. The charts in the final chapter of this report provide more detailed quarter on quarter data from the start of the Monitor.
- Where a revised question has still captured similar data to previous versions then data over time has been provided as a comparison.

The structure of the SME market is such that each 'All SME' figure quoted will be heavily influenced by the views of those with 0 employees, who make up three quarters of the SME population. As the views of these smallest SMEs can differ markedly from their larger peers, an 'All employers' figure is now also reported for some key questions, that is those SMEs with 1-249 employees.

A further quarter of 4,250 interviews is being conducted January to March 2025.

A tenth edition of the annual report, published in Summer 2024, provided separate analysis at a regional level for an in-depth assessment of local conditions during 2021. A further regional report is planned for Spring 2025 to report on local conditions during 2024.





2. Management summary





2. Management summary

Navigating the SME Finance Monitor

The 2024 SME Finance Monitor report provides an in-depth assessment of SMEs as they emerge from the pandemic years to take advantage of new opportunities but also to face challenges from both the economy and the impact of world events.

This **management summary** provides the key headlines on important contextual issues such as innovation and growth as well as on the focus of this report: the use of, and access to, external finance by SMEs.

More detailed headlines, also in a summary format, can be found in the **summaries** at the start of **each chapter** of this report, with each chapter then providing full data, over time and by key demographics, to give a full picture across the topics covered.

There is also an accompanying **chart pack** covering the key themes reported here.

Whilst the position of SMEs on a range of metrics remains stable 2023 to 2024, there are positive signs of increased innovation and 4 in 10 SMEs identifying as either an Ambitious Risk Taker or an Ambitious Innovator. Higher costs and the current economic climate remain barriers, and are having some impact on appetite for finance, with 1 in 5 SMEs happy to borrow to grow but feeling they might find it difficult to get finance.

Application success rates remain lower than previously seen, with the change over time more marked for applicants with 0 or 1-9 employees, or those applying for a loan.

This report helps to explain the reasons behind these overall sentiments, remembering that SMEs are a diverse group, especially by size but also by age, sector and ambition and it is rare that all will share a view or experience to the same extent as their peers. Understanding these differences is key to understanding this important part of the economy and how they should be supported.



THIS SUMMARY COVERS

key points from the main body of the report, 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.

SMEs in 2024 were little changed from 2023 across a range of key metrics, including profitability, past and future growth, use of external funding and Permanent non-borrowers. A stable 3 in 10 saw the future offering more opportunities than challenges.

Three-quarters of SMEs reported making a profit, broadly back to pre-pandemic levels, especially for larger SMEs



77% of SMEs (excluding DK answers) reported making a profit, unchanged from 2023 and increasing by size of SME from 76% of those with 0 employees and 78% of those with 1-9 employees to 88% of those with 10-49 employees and 92% 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.

Compared to 2019, when 82% of SMEs made a profit, levels of profitability in 2024 were down 5 points both overall and for those with 0 employees and down 4 points for those with 1-9 employees. Amongst larger SMEs, profitability was up 1 point for those with 10-49 employees and up 5 points for those with 50-249 employees.

3 in 10

SMEs had grown, still below pre-pandemic levels, notably so for the largest SMEs. A similar proportion of SMEs had declined



29% of SMEs (excluding Starts) reported having grown, unchanged from 2023 and increasing by size of SME from 25% of those with 0 employees to 36% of those with 1-9 employees, 46% of those with 10-49 employees and 45% of those with 50-249 employees.

Pre-pandemic, around 4 in 10 SMEs had grown. This declined to 18% in 2021, again due to the pandemic. The proportion that had grown then increased to 27% in 2022 but with little further change since. Compared to 2019, when 37% of SMEs had grown, levels of growth in 2024 were down 8 points both overall and for those with 0 employees and down 7 points for those with 1-9 employees. Amongst larger SMEs, growth was down 8 points for those with 10-49 employees with the largest gap to 2019 amongst those with 50-249 employees (down 21 points).

A stable 32% of SMEs reported a decline in the previous year, also unchanged from 2023 (33%). 0 employees were the most likely to report a decline (35% in 2024) and the only size band to be more likely to have declined than grown.

Overall, levels of decline remained lower than the pandemic peak of 56% in 2021, but still above pre-pandemic levels (19% reported a decline in 2019).

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



47% of SMEs in 2024 were planning to grow, unchanged from 2023 (46%) and increasing by size of SME from 44% of those with 0 employees and 54% of those with 1-9 employees to 62% of those with 10-49 employees and 61% of those with 50-249 employees.

Pre-pandemic, around 5 in 10 SMEs were planning to grow. This declined to 37% in 2020 in the immediate impact of the pandemic, before increasing to 46% in 2021 with limited changes since. Compared to 2019, when 52% of SMEs planned to grow, levels of planned growth in 2024 were down 5 points both overall and for those with 0 employees and down 2 points for those with 1-9 employees. Amongst larger SMEs, planned growth was down 4 points for those with 10-49 employees and 15 points for those with 50-249 employees.

45%
of SMEs were using any
external finance



45% of SMEs were using external finance, unchanged from 2023 (46%) and increasing by size of SME from 41% of those with 0 employees and 54% 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 19% of SMEs). Use of core finance (loans, overdrafts, and credit cards) declined slightly in 2024 (28% from 31%) and use of other forms of finance such as leasing was stable at 20% of SMEs.

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



35% of SMEs met the definition of a Permanent non-borrower, unchanged from 2023 (35%) and decreasing by size of SME from 38% of those with 0 employees and 29% of those with 1-9 employees to 23% of those with 10-49 employees. The proportion of PNBs then increased again to 43% 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.

1 in 3

SMEs reported an injection of personal funds and a similar proportion overall use trade credit, but with different profiles by size of SME

37% of SMEs reported an injection of personal funds into the business, unchanged from 2023 (36%). Such injections remained more likely to be because the SME felt that they had to put funds in (22%) than because they chose to do so to help the business grow (14%).

Injections of personal funds remained much more common amongst smaller SMEs, from 39% of those with 0 employees and 33% of those with 1-9 employees to 17% of those with 10-49 employees and 7% of those with 50-249 employees.

39% of SMEs in 2024 were using trade credit, unchanged from 2023 (39%) and increasing by size of SME from 32% of those with 0 employees to 53% of those with 1-9 employees, 76% of those with 10-49 employees and 79% of those with 50-249 employees.

1 in 3

SMEs think the future offers opportunities rather than threats

32% of SMEs thought the future offered more opportunities than threats, unchanged from 2023 (31%) and indeed 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 38% of those with 10-49 employees and 34% of those with 50-249 employees.

Almost as many SMEs, 27% in 2024, saw the future as offering mostly threats, up slightly from 23% in 2023. This was more likely to be the case for those with 0 employees (28%) or 1-9 employees (26%), than those with 10-49 employees (18%) or 50-249 employees (10%).



While growth and other metrics remained stable, key changes year on year included the highest level of innovation reported to date and more SMEs happy to borrow to grow and planning to undertake growth-related activities. 3 in 10 SMEs can be described as Ambitious Risk Takers and a similar proportion are Ambitious Innovators (4 in 10 SMEs are in at least one of these groups). More broadly, further analysis across several growth metrics showed a consistent pattern of such activities increasing by size of SME and decreasing by age. As a result 45% of SMEs with 0 employees that had been trading for more than 15 years had not done/planned any of the growth metrics analysed.

More SMEs,

46%

had innovated in the recent past.



39%

expected to innovate in the coming year, part of a wider group of SMEs planning growth-related activities

46% of SMEs had been innovative, with 40% significantly improving an aspect of the business and 23% launching a new product or service. This increased by size of SME from 43% of those with 0 employees and 53% of those with 1-9 employees to 65% of those with 10-49 employees and 66% of those with 50-249 employees.

This was the highest level seen in recent years, up 4 points on 2023 (42%) and 11 points on the pre-pandemic position (35% in 2019) with increases for both parts of the innovation metric and across size bands.

39% of SMEs planned to innovate in the coming year, again increasing by size of SME from 37% of those with 0 employees to 46% of those with 1-9 employees, 53% of those with 10-49 employees and 61% of those with 50-249 employees.

58% of all SMEs had either innovated or planned to, while 24% were consistent innovators (past and future).

Future innovation forms part of a wider question on a range of growth-related activities such as taking on staff and taking steps to reduce the SME's carbon footprint. In 2024, 57% of SMEs planned to undertake one or more of these activities, a further increase from the 48% planning such activities in 2022.

More SMEs agreed that they would be happy to borrow to grow



38% of SMEs were happy to borrow to grow, a further increase from 31% in 2022 and 33% in 2023.

Agreement increased by size of SME from 36% of 0 employee SMEs to 43% of those with 1-9 employees and 51% of those with 10-49 employees but was somewhat lower for the largest SMEs (40%) and the lowest proportion to date, reflecting their lower use of and appetite for finance).

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 31% of SMEs in 2024, up from 27% in 2023 and also above pre-pandemic levels (24% in 2019).

The proportion of ARTs increased slightly by size of SME, from 30% of those with 0 employees (and up 5 points on 2023), to 35% of those with 1-9 employees, 39% with 10-49 employees and 38% with 50-249 employees.

A quarter of SMEs met the new metric of an 'Ambitious Innovator': younger, dynamic and more engaged with finance



27% 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 24% of those with 0 employees to 32% of those with 1-9 employees, 38% of those with 10-49 employees and 43% of those with 50-249 employees.

44% of these Ambitious Innovators had grown in the previous year and 60% were also Ambitious Risk Takers. 58% had been trading for less than 10 years. They were more likely to be using external finance (50%) and to be planning to apply for some (18%), but whilst they were typically happy to borrow to grow (56%) they were also more likely to think it might be difficult for them to get finance (45%).

Across 7 growth and innovation metrics, those with employees and trading for up to 10 years were the most engaged, notably compared to 0 employee SMEs trading for over 15 years



Analysis was undertaken across 7 metrics (growth, scale-up growth, future growth, those who grew and plan to grow again, Ambitious Risk Takers, Ambitious Innovators and Consistent Innovators).

21% of all SMEs had or planned to undertake 4 or more of these activities, increasing to 38% of those with 10-49 employees and 39% with 50-249 employees, and 36% of SMEs trading for 2-5 years.

- Taking age and size of SME together showed that the most likely to have done, or planned to do 4 or more of these activities were SMEs with either 10-49 or 50-249 employees that had been trading for up to 15 years (42-52%).

29% of all SMEs had or planned to undertake none of these activities, and this was much more likely to be the case for smaller SMEs (31% with 0 employees compared to 14-16% of those with 10-49 or 50-249 employees) and those trading for more than 15 years (39%).

- Taking age and size of SME together showed that the most likely to have neither done, nor planned to do, any of these activities were SMEs with 0 employees that had been trading for more 15 years (45%).

SMEs still face challenges from higher costs and the economic climate, which is both a general barrier and a financial one. There are signs of increased pressure from cash flow/late payments and a change in the challenges facing employers around recruitment. 1 in 5 SMEs now describe themselves as 'Struggling'. More SMEs are happy to borrow to grow, but as many think it could be difficult for them to get finance.

Key future barriers continued to be higher costs and the current economic climate, which also impacts on willingness to borrow



35% of SMEs rated higher costs as a key barrier in 2024 and it has been the top barrier since it was introduced in 2022 (when 39% rated it a key barrier).

- In 2024 there was limited variation in the impact of higher costs by size of SME (34% to 37%) exception for the largest SMEs (27%).

30% 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).

- In 2024, the economic climate was more likely to be a barrier for those with 0 (30%) or 1-9 employees (32%) than those with 10-49 (24%) or 50-249 employees (18%).

The economic climate was also seen as a barrier to future applications for finance. Amongst those expecting to be a Future would-be seeker of finance (19% of SMEs) half said they did not want to borrow in the current climate. When asked what would need to change, 32% of this group of FWBS said lower interest rates and almost as many, 28%, said a more certain economic outlook, while 25% mentioned needing a steady increase in customer demand and the same proportion more clarity around future government policy.

More SMEs,

19%



saw cash flow/late payment as a barrier and a similar proportion were worried about customer demand

19% of SMEs saw cash flow/late payment as a barrier, up from 13% in 2023 and the highest level seen to date. Again, there was little variation by size of SME (18-20%) with the exception of those with 50-249 employees (12%).

In H2 2024 a new potential barrier was introduced 'lower demand for your products or services', and seen as a barrier by 20% of SMEs. This was slightly more likely to be the case for those with 0 or 1-9 employees (both 20%) than those with 10-49 employees (16%) or 50-249 employees (13%).

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



In H2 2024, 29% of SMEs had no plans to recruit in the next 12 months, up from 17% in H2 2022. Meanwhile, the proportion struggling to recruit the people they needed fell from 26% in H2 2022 to 19% in H2 2024.

Those with 1-9 employees were twice as likely to have no plans to recruit than they were to be struggling to find staff (30% v 17%). The two proportions were more similar for those with 10-49 employees (25% no plans v 31% struggling) with a much more marked difference for those with 50-249 employees who were more likely to be struggling to recruit (12% no plans v 27% struggling).

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).

Whilst more SMEs were happy to borrow to grow, there are perceived barriers to applying, though some prefer to be self-reliant



As already reported, 38% of SMEs were happy to borrow to grow. However, as many, 36% said their impression was that it could be difficult for an SME like them to get finance, unchanged from 2023 (35%).

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 0 emps and 20% for those with 1-9 emps compared to 15% of those with 10-49 emps and 10% of those with 50-249 emps) and also younger SMEs (32% of Starts and 26% of those trading for 2-5 years, compared to 20% of those trading for 5-9 years, 14% of those trading for 10-15 years and 12% of those trading for more than 15 years).

A consistent majority of SMEs (79% in H2 2024) agreed that they would rather grow more slowly than borrow to grow, and in H2 2024, those who agreed strongly with this sentiment (18% of SMEs) were asked why:

- Two-thirds (65%) said they preferred to be self-reliant, and 30% said it suited them as a business.
- 25% said that finance was too risky and 18% that it is too expensive, while 14% said they already have all the finance they can manage.

14%



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.

14% 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 15% of finance users with either 0 or 1-9 employees compared to 8% with 10-49 employees and 3% 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 25% of them have spoken to their lender and 11% plan to, the majority, 63%, have no plans to speak to their lender about their concerns.

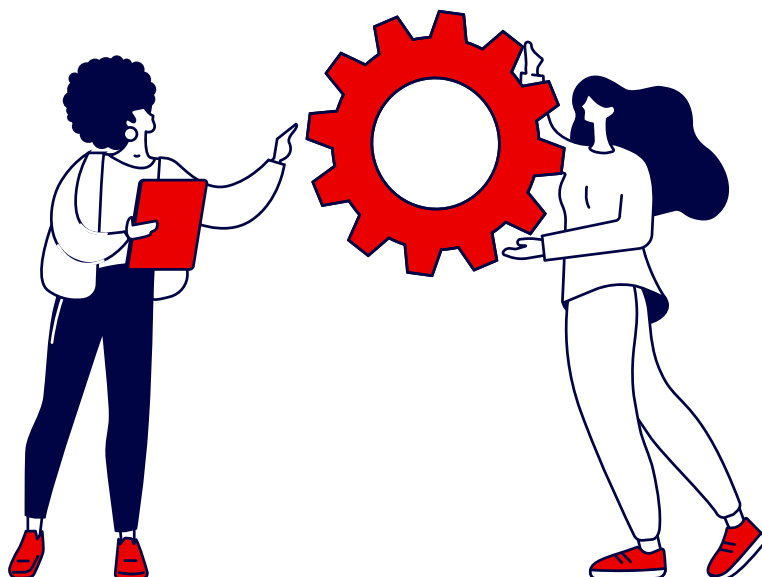
Half of those who have not (yet) spoken to their lender were unsure whether their bank would be supportive, treat them fairly and/or offer practical help. Those planning to speak were somewhat more likely than those with no plans to say the bank would definitely treat them fairly (35% v 28%), offer practical help (40% v 20%) and/or be supportive (26% v 18%).

**Overall
1 in 5
SMEs described
themselves as
Struggling**

21% of SMEs described themselves as Struggling, decreasing by size of SME from 23% of SMEs with 0 employees to 17% with 1-9 employees compared to 8% with 10-49 employees and 5% with 50-249 employees. A quarter of Starts (26%) were also Struggling.

The 21% Struggling in 2024 is somewhat higher than in 2023 (18%), with the increase seen primarily amongst smaller SMEs (19% to 23% among those with 0 employees and 15% to 17% among those with 1-9 employees).

At the other end of the scale, 34% of SMEs described themselves as 'Comfortable/Well off', increasing by size of SME from 33% with 0 employees to 36% with 1-9 employees compared to 50% with 10-49 employees and 53% with 50-249 employees.



Use of external finance was stable and appetite for finance remained limited. 7% reported a need for funding, with most taking action to meet that need, but success rates remained somewhat lower than pre-pandemic, more markedly for smaller applicants and those seeking a loan.

45%
of SMEs were using
finance,
12%
reported a borrowing
event and
10%
planned to apply



12% of SMEs reported any borrowing event in the previous 12 months, little changed from 2022-23 (both 11%), and 5% had been a would-be seeker of finance, typically put off by the process of borrowing, such as the expense or hassle.

As in previous years, the largest group were the Happy non-seekers of finance (82% of SMEs). 38% of these HNS were using external finance (they just hadn't wanted to apply for any), a somewhat higher proportion than pre-pandemic.

Looking forward, 10% of SMEs planned to apply for finance in the coming months, up only slightly from the 8% planning to apply in 2022 and 2023. A stable 19% expected to be a Future would-be seeker of finance (with the current climate the key barrier) and most, 71%, expected to be a Happy non-seeker of finance.

A small minority of SMEs reported a need for funding

7% of SMEs in 2024 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.

As pre-pandemic, more of those with a need for finance said it was for business development (57%) than for cash flow purposes (40%).



Most of those with a need for funding took some action, and in the end

44%

of all those with a need had applied for finance



34% of those with a need spoke to their bank, 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 (57%), including 34% who considered applying to their main bank, both slightly lower proportions than pre-pandemic.

In the end, 51% of those who took any action made an application somewhere, including 27% to the main bank, while 18% decided to self-fund all or part of it and 17% decided not to take any funding. At the time of interview, 18% were still deciding what to do, twice the level typically seen pre-2023.

As a proportion of all those that originally reported a need for finance, 44% applied for finance, in line with 2023 but lower than previously seen, due to more SMEs deciding not to apply or still making up their minds.

Applications made Q3 2023 to Q4 2024 were typically for a loan and made to a known provider such as the main bank



38% of applications made in this period were for a bank loan, while 17% were for a bank overdraft. Most applications were to a known provider, with 49% made to the main bank and 16% to another existing provider.

89% of applications were made in the name of the SME, and 63% involved a first-time applicant for that product.

47%



of all applications made in the current period (Q3 2023 to Q4 2024) were successful

47% of applications in the 18 months from Q3 2023 to Q4 2024 were successful, increasing by size of applicant from 39% of applications made by 0 employee SMEs to 54% made by those with 1-9 employees, 80% of those made by SMEs with 10-49 employees and 94% of applications made by those with 50-249 employees.

10% of applications were made an offer that was turned down by the applicant (typically small SMEs and usually based on cost) a higher proportion than has been seen previously.

43% of applications were declined, decreasing by size of applicant from 48% of applications made by 0 employee SMEs to 40% 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. The key reasons for a decline were current business performance, credit, or credit rating issues and, for some, a lack of security.

Success rates remained somewhat lower in the current period, but this change did not affect 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 47% success rate for the current period was down slightly from the 51% who were successful in the 18 months to Q4 2023.

In the 18 months to Q4 2019, 71% of applications were successful, some 24 percentage points above the current success rate of 47%.

This change in success rates was not seen equally across all sizes of SME or lending product:

- Analysis by size shows that smaller SMEs have seen this decline from 2019 more markedly than larger ones: 0 employee success rates are down 24 points from 63% to 39%, and for those with 1-9 employees, the change is 22 points from 76% to 54%. By contrast, for those with 10-49 employees the change is 6 points (86% to 80%), and for those with 50-249 employees, it is 4 points (89% to 94%).
- Success rates for loans initially increased from 60% in the 18 months to 2019 to 88% during the pandemic but have fallen fairly steadily since to 37% currently. Meanwhile, overdraft success rates, 76% in the 18 months to 2019, declined to 48% for the 18 months to Q4 2022 and have been stable since (47% in the current period).

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



In 2024, 32% of those with plans to apply/renew finance were confident of success, 31% were not confident and 37% were not sure what the outcome would be. Confidence remained lower amongst those with 0-9 employees (31%) than those with 10-249 employees (48%).

Over recent years, confidence about a planned application has declined from 56% in 2019 to 33% in 2022 with little change since (32% for 2024 as a whole). This drop of 24 points from 2019 to 2024 was seen amongst both smaller applicants (down 23 points) and larger ones (down 26 points).

Those who have no plans to apply (the Future happy non-seekers) have always been more confident of hypothetical success than those with plans to apply and this was also true in 2024 (51% v 32%). That said, confidence amongst FHNS has declined steadily over time (from 63% in 2019).

Confidence amongst Future would-be seekers have been variable over time. Since 2022 they have been slightly more confident of success than those planning to apply (35% in 2024).



3. Using this report





3. Using this report

As well as the overall SME market, key elements have been analysed by a number of other factors where sample sizes permit. Typically, nothing will be reported on a base size of less than 100 – where this has been done an asterisk * highlights the care to be taken with a small base size. If appropriate, a qualitative or indicative assessment has been provided where base sizes are too small to report.

Much of the analysis is by size of business, based on the number of employees (excluding the respondent). This is because research has repeatedly shown that SMEs are not a homogenous group in their need for external finance, or their ability to obtain it, and that size of business can be a significant factor. The employee size bands used are the standard bands of 0 (typically a sole trader), 1-9, 10-49 and 50-249 employees.

Where appropriate, analysis has also been provided by sector, age of business or other relevant characteristics including external risk rating. This was supplied, for almost all completed interviews, by the sample providers Dun & Bradstreet and Experian. Risk ratings are not available for 12% of respondents, typically the smaller ones. Dun & Bradstreet and Experian use slightly different risk rating scales, and so the Experian scale has been matched to the Dun & Bradstreet scale as follows:

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



● 3 Using this report

It is also possible to show many results by sector. The table below shows the share of each sector, from 3% (Agriculture) to 27% (Property/Business Services) of all SMEs, and the proportion in each sector in 2024 that are 0 employee SMEs.

Sector		% of all SMEs	% of sector that are 0 emp
AB	Agriculture, Hunting and Forestry; Fishing	3%	64%
D	Manufacturing	5%	67%
F	Construction	17%	78%
G	Wholesale and Retail Trade; Repairs	11%	55%
H	Hotels & Restaurants	4%	35%
I	Transport, Storage and Communication	13%	80%
K	Real Estate, Renting and Business Activities	27%	74%
N	Health and Social work	7%	82%
O	Other Community, Social and Personal Service Activities	13%	85%

Analysis over time

This report is based predominantly on four waves of data gathered Q1 to Q4 2024. In all four waves, SMEs were asked about their past behaviour during the previous 12 months, so there is an overlap in the time period each wave has reported on. These year-ending figures are defined by the date of **interview**, i.e. all interviews conducted in the year concerned.

Where results can be shown by individual quarter over time, they have been, and this was especially important for years like 2020 and 2021 where trading conditions could change on an almost weekly basis. However, small sample sizes for some lines of questioning mean that in those instances data is reported based on four quarters combined (YEQ4 2024 in this report). This provides a robust sample size and allows for analysis by key sub-groups such as size, sector, or external risk rating.

Each report also comments on changes in demand for credit and the outcome of applications **over time**. Here, it is more appropriate to analyse results based on when the **application** was made, rather than when the interview was conducted. The extensive changes made to the questionnaire for Q1 2018 meant that base sizes for applications made from that date were initially limited. In this report the most recent analysis is based on applications made between Q3 2023 and Q4 2024 and reported during that period.

The exception to the approach outlined above, apart from when a new question has been introduced, is in the latter stages of the report where SMEs were asked about their planned **future** behaviour. In these instances, where we are typically reporting expectations for the next three months, comparisons are made between individual quarters as each provides an assessment of SME sentiment for the coming months and the comparison is an appropriate one.

Not all of the previous quarters are shown in the standard quarterly tables in this report. Quarterly data prior to Q4 2022 is no longer routinely shown, nor is annual data prior to 2017, and subsequent reports will continue this policy of deleting the oldest wave before adding the latest.

However, a series of key charts have been developed and included in the final chapter of this report which show all results over a longer time for key metrics.

Definitions used in this report

Over time, a number of definitions have been developed for different SMEs and some standard terms are commonly used in this report. The most frequently used are summarised below:

SME size – this is based on the number of employees (excluding the respondent). Those with more than 249 employees were excluded from the research.

External risk profile – this is provided by the sample providers (Dun & Bradstreet and Experian). Risk ratings are not available for a minority of respondents, typically the smallest ones. D&B and Experian use slightly different risk rating scales, and so the Experian scale has been matched to the D&B scale as shown at the start of this chapter.

Fast growth – SMEs that report having grown by 20% or more each year, for each of the past 3 years (definition updated Q4 2012).

Use of external finance – SMEs were asked whether they were currently using any of the following forms of finance: Bank overdraft, Credit cards, Bank loan, Commercial mortgage, Leasing or hire purchase, Loans/equity from directors, Loans/equity from family and friends, Invoice finance, Grants, Loans from other 3rd parties, Export/import finance, crowd funding, asset based lending, or any other loan or overdraft facility. From Q1 2023 this has also included those still repaying Government backed pandemic funding.

Permanent non-borrower – SMEs that seem firmly disinclined 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 past 12 months, have not applied for any other forms of finance in the last 12 months, said that they had had no desire to borrow in the past 12 months and reported no inclination to borrow in the next 3 months. From Q1 2023 this has also excluded those who applied for/took pandemic funding.

Borrowing event – there are now 5 main types of borrowing event recorded on the SME Finance Monitor:

- Type 1a: Where a need for funding resulted in a borrowing event (involving any product and any provider).
- Type 1b: Where the SME had (also) applied for any other new or renewed facility, from a list of major products.
- Type 1c: Any other application made and not already mentioned.
- Where the SME's overdraft had been automatically renewed.
- Type 2/3 events: Where the SME or the finance provider had sought to cancel or re-negotiate a facility before it was due to be repaid.

Would-be seeker – those SMEs that had not had a borrowing event and said that something had stopped them applying for funding in the previous 12 months (definition revised in Q1 2018 – the question is now asked for all borrowing not just loans and overdrafts, but the question wording has not changed).

Happy non-seeker – those SMEs that had not had a borrowing event, and also said that nothing had stopped them applying for any (further) funding in the previous 12 months (definition revised in Q1 2018).

Issues – something that needed further discussion before a loan or overdraft facility was agreed, typically the terms and conditions (security, fee, or interest rate) or the amount initially offered by the bank.

Principle of borrowing – where an SME did not (or, looking ahead, will not) apply to borrow because they feared they might lose control of their business, or preferred to seek alternative sources of funding.

Process of borrowing – where an SME did not (or, looking ahead, will not) apply to borrow because they thought it would be too expensive, too much hassle etc.

Discouragement – where an SME did not (or, looking ahead, will not) apply to borrow because it had been put off, either directly (they made informal enquiries of the bank and felt put off) or indirectly (they thought they would be turned down by the bank so did not enquire). From 2022, this has also included those SMEs who ‘self-discouraged’ because they felt they already had as much borrowing as the business could take.

Major obstacle – SMEs were asked to rate the extent to which each of a number of factors were perceived as obstacles to their running the business as they would wish in the next 12 months, using a 1 to 10 scale. Ratings of 8-10 are classed as a major obstacle.

Future happy non-seekers – those that said they would not be applying to borrow (more) in the next three months because they said that they did not need to borrow (more) or already had the facilities they needed.

Future would-be seekers – those that felt that there were barriers that would stop them applying to borrow (more) in the next three months (such as discouragement, the economy or the principle or process of borrowing).

Ambitious Risk Taker: those that agree both that they want to be a significantly larger SME and also that they are prepared to take risks to be successful.

Ambitious Innovator: An SME that is planning both to grow in the coming year and to be Innovative.

Consistent Innovator: An SME that has innovated in the recent past and plans to do so again in the coming year.

Average – the arithmetic mean of values, calculated by adding the values together and dividing by the number of cases.

Median – a different type of average, found by arranging the values in order and then selecting the one in the middle. The median is a useful number in cases where there are very large extreme values which would otherwise skew the data, such as a few very large loans or overdraft facilities.

3 Using this report

Please note that the majority of data tables show column percentages, which means that the percentage quoted is the percentage of the group described at the top of the column in which the figure appears. On some occasions, particularly for data shown over time, summary tables have been prepared which include row percentages, which means that the percentage quoted is the percentage of the group described at the left hand side of the row in which the figure appears. Where row percentages are shown, this is highlighted in the table.

From the Q2 2016 report onwards, additional annual summary tables have been prepared for key questions to show the changes year on year. This provides a longer term context for the changes being seen in the most recent quarters, upon which most reporting is based.



Feature: **Growth summary**

THIS CHAPTER PRESENTS

an overview of some of the key growth and innovations metrics capture on the SME Finance Monitor and the types of SME that are more or less likely to grow



The new Labour Government has put economic growth at the centre of its agenda for office. Analysis of key metrics by those planning to grow is included within this report, but for this bespoke chapter analysis has been undertaken to explore:

- Who has grown and/or innovated and who is planning to do so
- Who are the “Ambitious Innovators” who plan to both grow and innovate
- What are the barriers foreseen to growth and what is the role of external finance.

What has growth looked like in 2024?

The headline figures for growth are that:

- **29%** of SMEs (excluding Starts) have grown in the past 12 months, with little change since 2022 and still below the 4 in 10 growing pre-pandemic (*The general context*).
- **25%** of SMEs have achieved scale up growth at some stage in the last 10 years (*The general context*).
- **47%** of all SMEs were planning to grow in the coming year, broadly stable since the start of 2023 and in line with pre-pandemic ambition (*The future*):
 - There has always been a ‘gap’ between the proportion that have grown and the proportion planning to grow. Excluding Starts from the planning to grow figure (as they are not included in the past growth figures) reduces that figure to 41%, resulting in a ‘gap’ for 2024 of 12 points, up slightly from 9 points in 2023.
- **19%** of SMEs excluding Starts grew last year and plan to grow again this year, while 45% did not grow last year and do not expect to grow this year (*The future*).
- **31%** are Ambitious Risk Takers (ART) who want to be a bigger business and are happy to take risks to get there (*Financial context*).
- **27%** are Consistent Innovators (CI), who were innovative in the past year and plan to be innovative in the coming year (*The future*).
- **27%** are Ambitious Innovators (AInn) who are planning both to grow and to be innovative in the coming year (*The future*).

The table below provides an initial summary overview by two key groups, size and age of SME. This shows that whilst growth and innovation activities typically increase by size of business, they decline by age, a theme that repeats in this chapter.

Key metric summary							
2024 All SMEs row percentages	Grown	Scale up (10 yrs)	Plan to grow	Grown and grow again	ART	CI	Alnn
All SMEs	29%	25%	47%	19%	31%	27%	27%
0 emp	25%	24%	44%	16%	30%	24%	24%
1-9 emps	36%	29%	54%	25%	35%	32%	32%
10-49 emps	46%	31%	62%	37%	39%	42%	38%
50-249 emps	45%	20%	61%	36%	38%	48%	43%
Starts*	-	-	70%	-	55%	33%	43%
2-5 years trading	41%	22%	62%	32%	48%	36%	39%
6-9 years	33%	30%	50%	24%	34%	31%	26%
10-15 years	27%	30%	43%	17%	26%	27%	23%
15+ years	25%	22%	33%	15%	17%	21%	17%

Some of these key groups are explored in more detail in the rest of the chapter, but first a summary table looking at how different types of SME are engaged with growth, based on the 7 metrics in bold above.

The first table shows the proportion of each group that:

- Have done, or plan to do, 4 or more of these 7 metrics (note that Starts could only achieve a maximum of 4 as they are not asked about past growth).
- Those that have done, or plan to do, none of these 7 metrics.
- A growth index score across the 7 metrics, where 100 is in line with SMEs overall, anything above 100 is more likely to be engaging in these growth activities and anything below 100 is less likely.

As the table below show, there were clear differences in growth engagement across these different demographics. Higher growth activity/engagement was likely to be found amongst:

- Larger SMEs with 10-249 employees (5% of SMEs)
- Those trading for up to 5 years (31% of SMEs)
- Those trading internationally (20% of SMEs)
- EMBs (7% of SMEs)
- Those planning to apply for finance (10% of SMEs)
- Those seeing themselves as 'Well off' (2% of SMEs).

Meanwhile, low levels of activity and engagement could be seen amongst the following SMEs that typically make up a higher proportion of the market than those above:

- Those in Agriculture and Health (10% of SMEs)
- Permanent non-borrowers (35% of SMEs)
- Those trading for more than 15 years (40% of SMEs), especially if they have 0 employees (28% of SMEs).

Growth engagement				
Row percentages	4+ activities	No activities	Growth index	Comments
All SMEs	21%	29%	100	
0 emp	18%	31%	91	Low on all metrics
1-9 emps	26%	22%	120	Above average on all metrics
10-49 emps	38%	14%	147	Strong on 'grow and grow again'
50-249 emps	39%	16%	145	Strong on all except scaleup
Minimal/low risk rating	21%	31%	95	Low on Alnn and ART
Average/Worse than average	21%	28%	101	In line with average
Agriculture	15%	43%	75	Low across all metrics
Manufacturing	21%	29%	103	Above average for grow and grow again
Construction	17%	31%	89	Low on repeat growth and innovation
Wholesale/Retail	25%	26%	114	Above average for Alnn and ART
Hotels & Restaurants	21%	23%	102	In line with average
Transport	16%	34%	86	Low on planning to grow and Alnn
Property/ Business Services	23%	24%	109	Strong for repeat growth and innovation
Health	18%	42%	81	Weak on growth and ART in particular
Other Community	23%	21%	112	Strong on ART
Starts*	21%	18%	152	Strong on all metrics eligible for
2-5 years trading	36%	15%	137	Strong especially growth, Alnn and ART
6-9 years	25%	23%	112	Strong on repeat growth
10-15 years	21%	29%	95	Low on repeat growth, Alnn and ART
15+ years	15%	39%	74	Low on all, especially Alnn and ART
Export only	27%	20%	116	Strong on Scaleup and CI
Import only	34%	18%	131	Strong on CInn and ART in particular
Fully international	40%	14%	153	Strong on all metrics
Domestic trade only	17%	31%	91	Low on all particularly CInn
Led by a woman	18%	31%	92	Low on ART and repeat growth
EMB	33%	12%	145	Strong on all, especially Alnn and ART

The next table provides the same data but for some other demographics, including those derived from the survey itself:

Growth engagement				
Row percentages	4+ activities	No activities	Growth index	Comments
All SMEs	21%	29%	100	
Using finance	23%	24%	110	Slightly above average on all metrics
PNBs	16%	36%	83	Low especially Alnn and ART
Struggling	20%	28%	93	Very low on growth but strong on ART
Managing	19%	31%	93	Low on growth
Comfortable	21%	27%	109	Strong on growth & repeat growth
Well off	41%	14%	156	Very strong on growth & repeat growth
Plan to apply for finance	31%	9%	146	Strong, especially on Alnn and ART
Future Would be seeker	26%	29%	107	Strong on CI and Alnn, rest in line
Future Happy non-seeker	18%	31%	91	Low on CI, Alnn and ART

Those currently using external finance are in line with their peers overall, and analysis has shown that, of all these metrics, it is those that expect to be 'Ambitious Innovators' who have a slightly different financial situation to their peers.

As the tables above show, 21% of all SMEs had undertaken/was planning to undertake 4 or more of the 7 activities listed:

- Size of SME: 18% of 0 employee SMEs had 4 or more metrics, increasing to 26% with 1-9 employees and 38-39% for those with 10-49 and 50-249 employees.
- Sector: The most likely to have 4 or more metrics was Wholesale/Retail (25%) followed by Property/Business Services and the Other Community sectors on 23%. Least likely were those in Agriculture (15%).
- Age of SME: Starts could only qualify for a maximum of 4 metrics (as they don't answer the past growth question) but 21% of them had done all 4. This increased to 36% of those trading for 2-6 years (and eligible for all metrics) before declining again by age to 15% of those trading for over 15 years.
- International trade: 17% of domestic only SMEs achieved 4 or more metrics, increasing by international trade from 27% of export only, 34% of import only and 40% of those who are fully international.
- Owner demographics: EMBs were most likely to achieve 4 or more metrics (33%), compared to 21% led by a man and 18% led by a woman.
- Use of finance: Those currently using finance were more likely to have 4 or more metrics (23%) than those that met the definition of a PNB (16%). Those planning to apply were the most likely (31%).
- Current status: There was little difference for those Struggling, Managing or Comfortable (19-21%) but the small group of Well-off SMEs were much more likely to have achieved 4 or more metrics (41%).

The second way to analyse this is to take the average scores across the 7 metrics and then index them against the 'all SME' score, averaged into a single score where 100 is in line with the average, above 100 is more likely to be growing/looking to grow and under 100 means they are less likely:

- Size of SME: The larger the SME, the higher their growth score (from 97 for 0 employee SMEs to 147 for those with 10-49 employees and 145 for those with 50-249 employees).
- Sector: Highest growth scores for Wholesale/Retail (114) and the Other community sector (112) compared to 75 for Agriculture and 81 for Health, but the differences by sector were narrower than for some other metrics.
- Age of SME: A sharp decline by age, with Starts having a score of 152, and those trading for 2-5 years a score of 137, compared to a score of 74 for those trading for more than 15 years.
- International trade: Those who both import and export had the highest growth score (153), followed by those who import (131) or export (116) compared to 91 for domestic only SMEs.
- Owner demographics: SMEs lead by women had a slightly lower growth score than those lead by men (92 v 103) but those lead by someone from an ethnic minority background had the highest growth score (145).
- Use of finance: Those using finance had a higher growth score than Permanent non-Borrowers (110 v 83), both eclipsed by those planning to apply for finance in the coming months (146).
- Current status: The small group who are 'Well off' have the highest growth score (156), due to past and future growth rather than innovation. Those who are 'Struggling' or 'Managing' have the lowest scores (93) as they are less likely to have grown, though the 'Struggling' are above average for being an Ambitious Risk Taker.

Earlier in this chapter, it was seen how growth-related activities increased by size of SME and reduced by age.

Combining the size and age of SME reveals the lack of growth activity specifically amongst those with 0 employee SMEs that had been trading for more than 15 years. The table below provides the key figures for all combinations of age and size.

This shows the influence on these figures of the 0 employee SMEs who have traded for more than 15 years:

- Across all four size bands the proportion that have not done/planned to do any of these activities increases by age of SME.
- This is particularly acute within the 0 employee size band, where 17% of those trading for up to 5 years have not done/planned to do any of these activities increasing to 45% of those trading for more than 15 years.
- The equivalent to this 45% figure for those trading over 15 years in the other size bands are 28% of those with 1-9 employees who have traded for this long, 17% of those with 10-49 employees and 18% of those with 50-249 employees.
- At the other end of the scale 11% of 0 employee SMEs trading for 15+ years had done/planned to do 4 or more of the growth activities, a much lower proportion than in the other size bands: 20% of those with 1-9 employees who have traded for this long, 34% of those with 10-49 employees and 37% of those with 50-249 employees.

SMEs with 0 employees who have been trading for more than 15 years make up 28% of all SMEs, and so their actions (or lack of them) have an impact on the figures for SMEs overall:

- They make up a much higher proportion of the group that have not done/planned to do any of these activities (44% of this group are 0 employee SMEs that have traded for 15+ years) and as a result are under-represented in the group that have done or planned for 4 or more of the activities (15%).
- Excluding all the 0 employee SMEs and also all those trading for more than 15 years, increases the proportion of remaining SMEs that have done/planned to do 4 or more of these activities from 21% to 31% and reduces the proportion that have done/planned to do none of them from 29% to 17%.

Growth engagement – by size and age combined			
Row percentages	4+ activities	No activities	Growth index
All SMEs	21%	29%	100
0 and up to 5yrs	26%	17%	158
0 and 6-9 yrs	21%	25%	103
0 and 10-15 yrs	18%	32%	84
0 and 15+ yrs	11%	45%	61
1-9 and up to 5yrs	28%	16%	185
1-9 and 6-9 yrs	37%	15%	139
1-9 and 10-15 yrs	28%	22%	117
1-9 and 15+ yrs	20%	28%	96
10-49 and up to 5yrs	46%	7%	201
10-49 and 6-9 yrs	52%	12%	179
10-49 and 10-15 yrs	44%	11%	161
10-49 and 15+ yrs	34%	17%	133
50-249 and up to 5yrs	42%	9%	179
50-249 and 6-9 yrs	45%	6%	165
50-249 and 10-15 yrs	42%	11%	159
50-249 and 15+ yrs	37%	18%	138

Looking now at some of the individual metrics and first a table showing how SMEs (excluding Starts) are spread across the various possible combinations for past and future growth, from ‘grown and plan to grow’ to ‘declined and expect to decline again’.

This shows that:

- 1 in 5 (19%) of all SMEs grew in the previous year and expect to do so again.
- Meanwhile a quarter of SMEs (25%) stayed the same size in the previous year and expect to do so again.
- There are fewer SMEs that declined in the previous year and think they will decline further this year (4%), there are more that declined but expect to stay the same size (14%) or to grow(12%):

Growth v Future growth			
2024 All SMEs excl Starts	Grew	Stayed same	Declined
Plan to grow	19%	14%	12%
Plan to stay same	10%	25%	14%
Plan to decline	1%	2%	4%

The analysis at the start of this chapter showed that 0 employee SMEs were less engaged with the growth agenda than their larger peers, so the table below is based just on those with employees. This increases the proportion that grew and plan to grow again to 28% of SMEs with employees (excluding Starts):

Growth v Future growth			
2024 All SMEs with employees excl Starts	Grew	Stayed same	Declined
Plan to grow	28%	16%	11%
Plan to stay same	10%	22%	10%
Plan to decline	1%	1%	2%

How do SMEs that grew behave?

SMEs that grew in the past 12 months (29% of SMEs excluding Starts) had a very similar financial profile to those who hadn't grown and were as likely to:

- Be using finance (50% who grew v 46% who didn't grow)
- Have had a need for finance (both 6%)
- Had a borrowing event (14% v 12%)
- Plan to apply for finance (9% v 8%)
- Be a Permanent non borrower (33% v 35%).

Those who had grown were more likely to:

- Have been innovative (58% v 40%) and/or be planning to innovate (45% v 33%)
- Describe themselves as 'Comfortable' (47% v 25%) and/or hold £10k+ of credit balances (43% v 27%)
- Be happy to borrow to grow (41% v 31%)
- Achieved scale up growth (35% v 21%) and be an Ambitious Risk Taker (34% v 22%)
- Expect to grow in the coming year (63% v 37%) and to be an Ambitious Innovator (35% v 18%)
- Have employees (36% v 24%) and/or an owner/MD under 50 (40% v 30%).

Less likely to:

- Have been trading for 15+ years (44% v 53%).

How do SMEs planning to grow differ from those who have grown?

There were differences in profile between those who grew (29% excluding Starts) and those planning to grow (47% of all SMEs). By comparison, the profile of those who did not grow is very similar to the profile of those with no plans to grow (80% of those who do not plan to grow next year did not grow last year either).

Those planning to grow have some concerns around finance, compared to those who have grown:

- They were as likely to be using finance (47% v 50%) or to be a PNB (31% v 33%).
- They were slightly more likely to have had a need for finance (10% v 6%), as likely to have had a borrowing event (13% v 14%) and more likely to have a future appetite for finance (14% plan to apply and 19% Future WBS v 9% and 16%). They were also happier to borrow to grow (50% v 41%).
- They were though more likely to say they have been put off by increased interest rates (56% v 49%) and/or think it would be difficult to get finance (40% v 33%).

Those planning to grow were more likely than those who have grown to:

- Be planning any growth activity (76% v 64%), including to innovate (57% v 45%) and/or to take on staff (39% v 27%)
- Be an Ambitious Risk Taker (50% v 34%) and or an Ambitious Innovator (57% v 35%)
- Have an owner/MD under 50 (51% v 40%)
- Have a worse than average risk rating (49% v 39%) and/or to be Struggling (21% v 8%)
- Have injected personal funds (45% v 27%).

Those planning to grow were less likely to:

- Have been trading for 15+ years (28% v 44%)
- Hold £10k+ of credit balances (29% v 43%).

Who are the Ambitious Innovators?

A quarter of SMEs (27%) are both planning to grow and to innovate in the coming year – the “Ambitious Innovators”. 33% are planning to do one of those things but not both and 40% have no plans to either grow or innovate.

The types of SME more likely to be an Ambitious Innovator included:

- Those who import and export (46%)
- Those planning to apply for finance (46%)
- EMBs (45%)
- Those with 50-249 employees (43%)
- Starts (43%)
- Those in Wholesale/Retail (34%).

Comparing the Ambitious Innovators to their peers with no plans to grow or innovate showed that in terms of finance, the Ambitious Innovators were more likely:

- To be using any external finance (50% v 39%), to have had a need for finance (12% v 4%) and to have a future appetite for finance (42% with 18% planning to apply v 22% with 5% planning to apply).
- To be happy to borrow to grow (56% v 24%) but also to feel put off by higher interest rates (61% v 47%) and to worry it might be difficult for them to get finance (45% v 31%).

The Ambitious Innovators were also more likely:

- To have employees (34% v 21% with no plans) and to be struggling to hire the people they need (26% of employers v 13%).
- To have been trading for less than 10 years (58% v 28%) and specifically to be a Start (32% v 11%).
- To have an owner/MD under 50 (55% v 29%).
- To have a worse than average risk rating (50% v 37%).
- To be trading internationally (21% v 14%), to plan (67% v 47%) and to have innovated in the past (73% v 26%).
- To be planning to take on staff (49% v 6%), reduce their carbon footprint (38% v 10%) and/or invest in plant, machinery etc (41% v 8%).
- To have grown in the past year (44% v 18%) and to be an Ambitious Risk Taker (60% v 11%).
- To have injected personal funds into the business (48% v 26%).

What are the key barriers for these ambitious SMEs?

In this section we look at the key barriers and attitudes for those who have grown, those planning to grow and Ambitious Innovators, to help identify where support might be needed:

- Higher costs and the current economic climate are key barriers for all, but are less likely to be mentioned than those who have grown, especially compared to Ambitious Innovators who are more likely to see each of these as barriers.

Growth barriers				
8-10 future barriers	All SMEs	Have grown	Plan to grow	Ambitious Innovators
Higher costs	35%	27%	34%	39%
Current economic climate	30%	20%	32%	36%
Political uncertainty	26%	23%	26%	30%
Legislation etc	23%	23%	22%	25%
Late payment/cash flow	19%	15%	20%	23%
Access to finance	8%	6%	9%	11%

- Ambitious Innovators are more likely to be happy to borrow to grow and less likely to say that they never think about finance. However, they are also more likely to have been put off applying by the increase in interest rates and to feel that it would be difficult for a business like theirs to get finance:

Growth barriers				
% agree	All SMEs	Have grown	Plan to grow	Ambitious Innovators
Slower rate of growth can finance ourselves	79%	81%	78%	78%
Never think about using (more) finance	55%	55%	50%	48%
Increased interest rates makes us less likely to apply	53%	49%	56%	61%
Happy to use finance to grow	38%	41%	50%	56%
Difficult for business like ours to get finance	36%	33%	40%	45%

- In terms of business structure, Ambitious Innovators are more likely to plan, trade internationally and have a mentor. All three groups are more likely to have innovated than SMEs overall:

Growth structure				
% who have:	All SMEs	Have grown	Plan to grow	Ambitious Innovators
Plan	54%	56%	59%	67%
Have innovated	46%	58%	59%	73%
Trained person in charge of finances	35%	37%	39%	36%
Trade internationally	20%	25%	25%	28%
Have mentor	15%	16%	20%	27%

- In terms of resources, those planning to grow and the Ambitious Innovators are no more likely to be using finance, or trade credit, or have £10k+ of credit balances but they are more likely to have injected personal funds. All three groups are more likely than SMEs overall to be planning to apply for finance:

Growth resource				
% who have:	All SMEs	Have grown	Plan to grow	Ambitious Innovators
Use any finance	47%	50%	47%	50%
Plan to apply for finance	10%	32%	64%	46%
Use trade credit	39%	43%	39%	39%
Have £10k+ of credit balances	29%	43%	29%	31%
Have injected personal funds	37%	27%	45%	48%



4. The general context

THIS CHAPTER PRESENTS

an overview of the characteristics of SMEs in the UK. Unless otherwise stated, figures are based on all interviews conducted in the year ending Q4 2024 (YEQ4 24).



4. The general context

KEY FINDINGS

Levels of profitability in 2024 were in line with those seen in 2023.

- In 2024, as in 2023, 77% of SMEs (excl DK answers) reported making a profit in the previous 12 months, unchanged from 2023 and increasing by size of SME from 76% of those with 0 employees to 92% of those with 50-249 employees.
- This means that profitability has improved post-pandemic (in 2021, 65% reported making a profit), and is almost back to levels seen pre-pandemic (78% reported a profit in 2018). However, the increase in reported profitability seen between 2021 and 2022 (+8 points) and 2022 and 2023 (+4 points) has not been maintained in 2024.
- The only SMEs who bucked the trend and reported improved profitability in 2024 were those in Construction (up from 80% to 83%) and Health (up from 78% to 82%), and those with 2-5 years of trading (+3 to 73%). Aside from those few examples, profitability is stagnant or has declined.
- Overall, 4 in 10 SMEs in H2 2024 said that improving profit margins was a key priority, the same as in H2 2023 and still far lower than the 58% of SMEs that saw it as a priority in 2021. This masks some differences by size – while 0 employee SMEs were unchanged, 1-9 and 10-49 employee SMEs were more likely to say that improving profit margin was a priority in H2 2024 than H2 2023.

A stable 3 in 10 SMEs (excluding Starts) in 2024 reported having grown, comparable to 2023 and not yet back to pre-pandemic levels. Meanwhile, 1 in 3 reported a decline, still firmly above pre-pandemic levels, driven by the experiences of smaller SMEs:

- 29% of SMEs in 2024 reported having grown, the same as in 2023. Larger SMEs remained more likely to have grown than their smaller peers, but there was little change year on year by size of SME.

29%
of SMEs had
grown, stable
but below
pre-pandemic
levels



4 The general context

- The only types of SMEs who were more likely to report growth this year than last were those in the Hotel and Restaurant (up from 26% to 32%) and Health (up from 23% to 28%) sectors. These sectors had both lagged behind the others over the previous few years, and the increase in the proportion of SMEs in each reporting growth throughout 2024 makes them more comparable with other sectors, after a difficult few years.
- Immediately pre-pandemic around 1 in 5 SMEs reported a decline (19% in 2019). During the pandemic, this increased markedly, to 56% in 2021. While fewer SMEs are now reporting a decline (32% in 2024) this is essentially unchanged from 2023 (33%) and still clearly above pre-pandemic levels. It is more of an issue for the smallest SMEs where 35% reported a decline in 2024, reducing by size to 13% of those with 50-249 employees, and it is these declines amongst 0 and 1-9 employee SMEs that are keeping the overall figure above pre-pandemic levels.

Since 2021, a third of SMEs have held £10,000 or more of credit balances, but this fell in 2024 (29% overall) across all sizes and sectors:

- 29% of SMEs in 2024 reported holding £10k or more in credit balances, increasing by size from 22% of those with 0 employees to 85% with 50-249 employees. Those with a minimal risk rating (52%) or in Transport (36%) were the most likely to hold such sums.
- While the proportion of SMEs holding £10k or more in credit balances had been stable 2021-2023 it has fallen in 2024 (34% to 29%). This fall in the proportion holding such balances can be seen across all size groups (e.g. 50-249 employee SMEs have fallen from 93% to 83% over the last twelve months) and nearly every sector (e.g. Property/Business services 41% to 32%).
- In 2024 the sums held were the equivalent of 27% of SME turnover on average, or 3 months 'cover'. This is slightly lower than the 36-37% seen across 2021 and 2022 which was due to an increase in average turnover while sums held remained more stable.

**Slightly fewer
SMEs hold £10k+
in credit balances:**

29%

While levels of planning have changed little since 2019, the number of SMEs who have innovated increased in 2024. The proportion of SMEs with a qualified person in charge of the finances continues to slowly increase:

- 46% of all SMEs had innovated, increasing by size of business from 43% of those with 0 employees to 66% of those with 50-249 employees. There has been an increase in reported innovation in 2024, after four waves of stability post-pandemic. This increase in innovation can be seen across all sizes of SME and across most sectors.
- 54% of SMEs planned, increasing by size of business from 48% of those with 0 employees to most, 88%, of those with 50-249 employees. This has changed little in the past few years but remains somewhat lower than pre-pandemic (57% planned in 2019), due in part to fewer SMEs having a business plan (23% now, 31% in 2017)
- 35% of SMEs had a financially qualified person looking after their finances, increasing by size of SME: 31% of 0 employee SMEs had a financial specialist compared to 78% of those with 50-249 employees. There has been a steady increase in this proportion over time, from 23% having a finance specialist in 2016.

There has been a small but slow increase in the proportion of SMEs trading internationally over the last 8 years, but no short-term change. A stable 1 in 10 were exporting, with a fifth of exporters making half or more of all sales overseas and 4 in 10 saying they were reliant on overseas sales to achieve their overall targets:

- 20% of all SMEs were international, either importing and/or exporting, with the smallest SMEs less likely to trade overseas (19% of those with 0 employees increasing with size to 36% of those with 50-249 employees). Whilst there has been almost no change year on year, the longer-term trend is for a small but steady increase, from 14% trading internationally in 2016 to 20% currently, seen across all size bands. Those in Wholesale/Retail and Manufacturing remained the most likely to be trading internationally.
- A stable 11% of SMEs exported, increasing by size from 10% of those with 0 employees to 22% of those with 50-249 employees.
- 20% of exporters said that half or more of their overall sales came from overseas with limited variation by size of exporter. This was slightly lower than in 2023 (27%) but back to the levels previously seen (20% in 2022 and around 1 in 5 in most years).
- As in 2023, 40% of exporters felt they were very or fairly reliant on their overseas sales to achieve their overall sales targets, increasing to 50% of exporters with 50-249.

**Innovation
levels have
increased to
46%
of SMEs**

1 in 5 employers were struggling to recruit, with nearly a third reporting a recruitment freeze – albeit with key differences by size of SME. Less than 1 in 10 now employ staff from overseas:

- In H2 2024, 29% of employers had no plans to recruit in the next 12 months while 19% said they were struggling to hire the new staff they need. Analysis by size showed that smaller employers with 1-9 employees were more likely to have no plans to recruit than to be struggling to find staff (30% v 17%), while those with more employees were much more likely to report recruitment struggles than a freeze (27% v 12% for employers with 50-249 employees)
- The proportion with a recruitment freeze has increased from H2 2022 when 17% reported a recruitment freeze, seen fairly evenly across most demographics. The proportion struggling to recruit has fallen overall, from 26% in H2 2022 to 19% in H2 2024. The fall can be seen across most demographics, with the fall most significant among the largest SMEs where the proportion struggling to recruit declined from 46% to 19%
- 8% of employees had staff from overseas, down from 11% in 2023 and markedly lower than the 23% of SMEs that had staff from overseas in H2 2017 when this question was first asked. There is significant variation by size, from 6% of those with 1-9 employees to 36% of those with 50-249. Fully international SMEs and the Health sector (both 17%) are the most likely to employ staff from overseas.

1 in 5 SMEs, especially those who were smaller or younger, described themselves as Struggling and these SMEs were more likely to have been impacted by increased costs and less likely to feel the future offers opportunities. They were also more likely to be using external finance and to be planning to apply:

- In a new question from 2023, SMEs rated themselves from Struggling to Well off based on the way in which their monthly revenue and credit balances did or did not cover their needs.
- 21% of SMEs described themselves as Struggling ranging from 23% of those with 0 employees to 5% of those with 50-249 employees. A quarter of Starts (26%) and those trading for 2-5 years (23%) were Struggling, along with a similar proportion in Hotels and Restaurants (25%).
- Overall, there has been an increase in SMEs reporting that they are Struggling – up to 21% in 2024 from 18% in 2023. This is most visible among smaller SMEs (19% to 23% among those with 0

1 in 5
SMEs described
themselves as
'Struggling'

4 The general context

employees and 15% to 17% among those with 1-9 employees) and the Agricultural (rising from 15% to 26%) and Manufacturing (17% to 23%) sectors.

- Over half of those with 50-249 employees said they were Comfortable or Well off, compared to 33% of those with 0 employees. Construction (40%) and Property/Business Services (38%) are the sectors most likely to be in this position.
- Compared to their peers, SMEs that were 'Struggling' were more likely to have been impacted by increasing costs (64% v 40% overall), less likely to feel the future offers opportunities (9% v 32%) and more likely to be using external finance (54% v 45% overall). This group includes 23% who are still repaying government-backed pandemic funding (v 19% overall). They were also twice as likely as SMEs overall to be planning to apply for (more) finance (19% v 10%).

Levels of trust in the main bank remain good. Very few SMEs had switched their main bank in 2024, but 1 in 5 said they wished they had a more active relationship with their main bank:

- 56% of SMEs reported a high level of trust in their bank, increasing slightly by size to 64% of those with 50-249 employees (albeit this is down from 72% in 2022).
- Trust in the main bank increased during the pandemic (from 55% in 2019 to 60% in 2021 and 2022), particularly amongst smaller SMEs. While it has fallen back slightly over the last two years, very few reported a low level of trust (12% in 2024).
- The proportion switching their main bank account remained limited (3%) with almost no variation by size, risk rating, age or sector.
- In H2 2024, 16% of SMEs said they had a strong working relationship with their bank. The biggest single group, 64% of SMEs, said the relationship was fine, but transactional, which left 20% wishing they had an active relationship with their bank. While this is still higher than the 15% seen in 2020 it is lower than the 27% seen in Q1 2023.

1 in 5
SMEs wished they
had a more active
relationship with
their bank

This chapter presents an overview of the characteristics of SMEs in the UK. Unless otherwise stated, figures are based on the 17,011 interviews conducted in the year ending Q4 2024 (that is the four quarters of 2024). SMEs have faced a range of trading challenges since the SME Finance Monitor started back in 2011, as economic conditions varied, General Elections 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 immediate impact of the pandemic abated, SMEs faced new challenges around inflation, possible recession and the impact of conflicts in Ukraine and the Middle East. Analysis of this data over time provides an indication of how SMEs have managed as trading conditions have changed.

Profitability

In Q4 2024, 7 in 10 SMEs (70%) reported making a profit in their most recent 12 month trading period. The proportion unable or unwilling to give an answer has varied over time (currently around 1 in 10) and once these answers had been excluded, almost 8 in 10 SMEs in Q4 2024 reported making a profit (78%):

Business performance last 12 months									
Over time	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2022	2023	2023	2023	2023	2024	2024	2024	2024
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Made a profit	60%	61%	70%	68%	67%	67%	64%	67%	70%
Broke even	8%	8%	6%	5%	8%	9%	8%	6%	6%
Made a loss	14%	13%	10%	16%	14%	12%	13%	12%	14%
DK/refused	18%	18%	13%	11%	12%	13%	16%	16%	11%
Median profit made	£12k	£13k	£13k	£13k	£12k	£11k	£13k	£13k	£13k
Made profit (excl DK)	73%	74%	81%	76%	76%	76%	76%	79%	78%

Q115 (241) All SMEs/ * All SMEs making a profit and revealing the amount

Note that because consistently unprofitable SMEs tend to go out of business, there will be an element of ‘survivorship bias’ in the profit figures, potentially underestimating the proportion of unprofitable businesses in the population.

4 The general context

For the period YEQ4 2024, a stable 67% of all SMEs had been profitable, increasing to 77% once the DK answers were excluded. This was unchanged from 2023, maintained the increase seen since 2021 (when 65% made a profit) and was much closer to the 79% recorded for 2020. The proportion making any profit increased by size of SME as did the amount of profit (or indeed loss) made, as the table below shows.

The median profit, where made, was £12k, and the median loss £3k. Both were little changed from 2023 but still slightly higher than in 2019, when the median profit made was £9k and the median loss made was £2k:

Business performance last 12 months					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Made a profit	67%	66%	68%	77%	80%
Broke even	7%	7%	7%	3%	2%
Made a loss	12%	13%	12%	7%	5%
DK/refused	14%	14%	13%	13%	13%
Made profit (excl DK)	77%	76%	78%	88%	92%
Median profit made*	£12k	£11k	£24k	£73k	£243k
Median loss made*	£3k	£2k	£8k	£21k	£70k

Q115 (241) All SMEs/ * All SMEs making a profit/loss and revealing the amount

Amongst SMEs with employees, 80% reported making a profit YEQ4 2024 (excluding the DK and refused answers). Again this was unchanged from 2023, maintaining the increase seen from 2021 (71% in 2021), and almost back to the 82% reporting making a profit in 2020.

4 The general context

There continued to be some variation in profitability between sectors. YEQ4 2024, 8 in 10 or more of those in Property/Business Services, Construction and Health made a profit, compared to 67% in the Hotel and Restaurant sector that struggled so much in the pandemic (albeit this is higher than the 45% that made a profit in 2021):

Business performance last 12 months									
YEQ4 24 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	778	2157	2562	2564	873	1544	3885	954	1694
Made a profit	68%	65%	74%	60%	58%	67%	69%	69%	59%
Broke even	9%	5%	6%	8%	13%	7%	6%	7%	9%
Made a loss	12%	15%	9%	17%	16%	15%	12%	8%	14%
DK/refused	11%	15%	11%	16%	13%	12%	12%	16%	19%
Made profit (excl DK)	77%	76%	83%	71%	67%	76%	80%	82%	72%
Median profit made*	£13k	£13k	£14k	£13k	£12k	£12k	£14k	£9k	£9k
Median loss made*	£4k	£5k	£7k	£6k	£8k	£2k	£2k	£2k	£2k

Q115 (241) All SMEs/ * All SMEs making a profit/loss and revealing the amount

Median profits reported for YEQ4 2024 (£12k overall) showed limited variation by sector (£12-14k) with the slight exception of Health and the Other Community sectors (both £9k). Reported median losses for YEQ4 2024 were £3k overall, varying from £2-6k, with the slight exception of the Construction (£7k) and Hotel and Restaurant (£8k) sectors.

The table below takes a longer-term view of profitability (shown from 2017 and also excluding DK/refused answers) by key demographics. This shows that in pre-pandemic years a broadly stable 8 in 10 reported making a profit but in 2021, as the pandemic had more of an effect on annual results, the proportion of profitable SMEs reduced to 65% overall. There has been something of a recovery since, to 77% in both 2023 and 2024, much more in line with typical pre-pandemic levels of profitability.

Larger SMEs and those with a minimal or low risk rating remained more likely to be profitable, as did those in Construction, Health and Property/Business Services. Whilst the overall position was stable year on year, there were some changes over this period by business demographic:

- Those in Construction have seen a steady increase in profitability recently, from 70% in 2021 to 83% in 2024 (+3 points on 2023).
- Similarly those in Health, up 4 points on 2023 at 82% in 2024.
- Two age groups of SME were slightly less likely to have made a profit in 2024 compared to 2023: 64% of Starts made a profit (down 3 points on 2023) and still the least likely to make a profit, while the proportion of those trading for 6-9 years reporting a profit fell by 5 points to 75%.

4 The general context

Made a profit in last 12 months								
Over time (excl DK)	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	82%	78%	82%	79%	65%	73%	77%	77%
0 emp	81%	77%	81%	78%	64%	71%	76%	76%
1-9 emps	84%	82%	82%	81%	69%	77%	78%	78%
10-49 emps	88%	87%	87%	85%	79%	85%	89%	88%
50-249 emps	87%	86%	87%	85%	77%	89%	91%	92%
Minimal external risk rating	88%	85%	85%	86%	76%	81%	86%	86%
Low	90%	84%	88%	87%	73%	81%	86%	87%
Average	84%	79%	83%	80%	68%	76%	80%	80%
Worse than average	78%	75%	78%	74%	59%	68%	72%	70%
Agriculture	81%	75%	81%	77%	73%	72%	76%	77%
Manufacturing	83%	81%	81%	81%	68%	76%	78%	76%
Construction	86%	79%	85%	80%	70%	77%	80%	83%
Wholesale/Retail	79%	75%	76%	78%	65%	71%	73%	71%
Hotels & Restaurants	78%	75%	74%	72%	45%	62%	66%	67%
Transport	77%	77%	80%	77%	56%	61%	77%	76%
Property/ Business Services	84%	80%	84%	83%	70%	79%	80%	80%
Health	83%	80%	86%	80%	58%	76%	78%	82%
Other	79%	78%	78%	73%	65%	70%	73%	72%
PNBs	83%	79%	83%	83%	71%	77%	82%	81%
All excl PNBs	82%	77%	81%	76%	62%	70%	75%	75%
Starts	74%	75%	82%	73%	53%	64%	67%	64%
2-5 years trading	80%	76%	76%	79%	66%	68%	70%	73%
6-9 years	83%	79%	82%	82%	66%	71%	80%	75%
10-15 years	88%	79%	85%	83%	69%	79%	81%	83%
15+ years	85%	80%	83%	80%	69%	76%	81%	82%

Q115 (241) All SMEs excl DK

From Q1 2018, SMEs have been asked whether increasing their profit margin was a key priority for the business. This question is rested periodically to make space for other questions but most recently was asked in H2 2023 (when 39% said it was a priority) and in H2 2024 when the proportion was slightly higher (42%):

Profit margins	Further analysis H2 2024
Size of SME	Larger SMEs remained the most likely to say improving profit margins was a priority, compared to 0 employee SMEs in particular, with no clear trend compared to H2 23: • 37% of SMEs with 0 employees said it was a priority (also 37% in H2 23) • 50% of SMEs with 1-9 employees (from 44%) • 64% of SMEs with 10-49 employees (from 55%) • 66% of SMEs with 50-249 employees said it was a priority (from 65%). 53% of SMEs with employees said that improving profit margins was a key priority, up from 46% in H2 23 and back in line with 2022 (52%), though still below the 66% who saw it as a priority in 2021.
Risk rating	There remained relatively little difference by risk rating in the proportion saying improving margins was a priority (42-48%) with the slight exception of those with an average risk rating (36%).
Age of business	The proportion seeing profit margins as a priority varied little for SMEs under 15 years (41-47%) but was somewhat lower for the oldest SMEs (15+ years) at 38%.
Sector	Those in the Hotel and Restaurant sector were the most likely to say this was a priority (50%), joining Manufacturing (a stable 49%), compared to 34% of the Other Community sector and 39-46% elsewhere.
PNBs, use of finance and growth	Excluding the Permanent non-borrowers made some difference to the proportion saying it was a priority (43% v 39% of PNBs) but not to the same extent as in H2 2023 when PNBs had been clearly less likely than their peers to see this as a priority (44% v 28% of PNBs). Improving profit margins was now no more of a priority for those using finance (a stable 41%) than those not using finance (42%, up from 34% in H2 23) but it did remain more of a priority for those planning to grow (a stable 48%) than those with no such plans (36% but also up from 29% in H2 23)
Profitability	Those who had made a profit in the last year were as likely to say that improving profit margins was a priority (42%) as those who had made a loss (43%) or those who had broken even (37%). These figures were little changed from H2 23.

4 The general context

The proportion of all SMEs saying that improving their profit margin was a priority initially increased over time, from 30% in 2018 to 58% in 2021, before declining back to 39% in H2 2023.

In H2 2024, the proportion was just slightly higher at 42% but this was because the proportion of 0 employee SMEs seeing this as a priority remaining unchanged (37%), as it did for the largest SMEs (66%). This was not the case amongst those with 1-9 employees, where the proportion seeing this as a priority increased by 6 points from 44% to 50% (in line with 2022) or for those with 10-49 employees where it increased by 9 points from 55% to 64%, almost back in line with the higher percentages seen in 2020-21:

Improving profit margins a priority							
Over time	2018	2019	2020	2021	2022	H2 2023	H2 2024
Row percentages							
By date of interview							
All SMEs	30%	39%	52%	58%	49%	39%	42%
0 employee	28%	36%	49%	55%	47%	37%	37%
1-9 employees	34%	47%	60%	65%	51%	44%	50%
10-49 employees	40%	53%	69%	69%	52%	55%	64%
50-249 employees	51%	42%	66%	80%	73%	65%	66%

Q84 (223) All SMEs

Sales growth

From Q4 2012, all SMEs except Starts were asked about their growth in the previous 12 months. In Q1 2018, the information collected on both past and future growth was extended to identify those growing or planning to grow by 40% or more (previously the highest growth rate recorded was 20% or more).

Those that had grown by 20% or more have continued to be asked whether they had also achieved this level of growth in each of the previous 2 years (part of the definition for 'scaleup growth' described later in this chapter):

- Pre-pandemic, typically around 4 in 10 SMEs (excluding Starts) reported that they had grown at all in the previous 12 months.
- During the pandemic this declined to 13% in Q1 2021, the lowest levels seen on the SME Finance Monitor.
- By Q4 2021, the proportion reporting growth had increased somewhat to 25%, and since the end of 2022 it has remained at around 3 in 10, stable but below typical pre-pandemic levels

Growth achieved in last 12 months									
All SMEs excluding Starts By date of interview	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	3968	3937	4002	3699	4367	3912	4064	4060	4070
Grown by more than 40%	2%	3%	3%	2%	2%	2%	2%	1%	2%
Grown by 20-40%	9%	8%	8%	7%	8%	7%	8%	8%	8%
Grown but by < 20%	17%	19%	19%	18%	20%	20%	20%	18%	20%
Grown (any)	28%	30%	30%	28%	30%	29%	29%	27%	29%
Stayed the same	39%	37%	39%	36%	38%	38%	38%	41%	40%
Declined	33%	33%	31%	37%	32%	32%	32%	32%	31%

Q81 (245a) All SMEs trading for 3 years or more excl DK

At the other end of the scale, pre-pandemic in 2019, the proportion of SMEs (excluding Starts) reporting that they had declined in the previous 12 months was around 1 in 5. During the pandemic that proportion increased markedly, to 61% in Q4 2020 and for the first half of 2021. Since the end of 2022, the proportion reporting a decline has been lower, and stable, at 1 in 3, but still above levels seen pre-pandemic.

4 The general context

Slightly fewer SMEs (29% of all SMEs excluding Starts) had grown YEQ4 2024, than had declined (32%), but this was only the case for 0 employee SMEs, with larger SMEs more likely to have grown and much less likely to have declined as the table below shows :

Growth achieved in last 12 months					
YEQ4 24 – all SMEs (excluding Starts)	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	16,106	3355	6763	4308	1680
Grown by more than 40%	2%	1%	2%	2%	2%
Grown by 20-40%	8%	7%	10%	13%	11%
Grown by less than 20%	19%	17%	23%	31%	33%
Grown (any)	29%	25%	36%	46%	45%
Stayed the same size	39%	40%	38%	37%	41%
Declined	32%	35%	26%	17%	13%
Net change (grown – declined)	-3	-10	+10	+29	+32

Q81 (245a) All SMEs trading for 3 years or more excl DK

By sector, the proportion that had grown ranged from 25% in Construction to 32% in Wholesale/Retail and Hotels and Restaurants. Most sectors were more likely to have declined than grown, notably Construction where 25% had grown and 33% had declined:

Growth achieved in last 12 months									
YEQ4 24 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	742	2032	2432	2404	818	1477	3714	894	1593
Grown by more than 40%	*	1%	1%	2%	1%	2%	2%	1%	2%
Grown by 20-40%	8%	10%	8%	8%	9%	6%	9%	5%	8%
Grown by less than 20%	19%	19%	16%	22%	21%	19%	19%	21%	19%
Grown (any)	27%	30%	25%	32%	32%	27%	30%	28%	29%
Stayed the same size	46%	37%	42%	36%	33%	41%	40%	38%	38%
Declined	27%	33%	33%	31%	36%	32%	30%	34%	33%
Net change	0	-3	-8	+1	-4	-5	0	-6	-4

Q81 (245a) All SMEs trading for 3 years or more excl DK

4 The general context

Analysis by age of business showed that those trading for 2-5 years were the most likely to have grown (41%) and the least likely to have declined (25%), giving a net 'score' of +16. The older the SME, the less likely they were to have grown, while a steady 1 in 3 of those trading for more than 5 years had declined. As a result those trading for 10 years or more were more likely to have declined than grown:

Growth achieved in last 12 months					
YEQ4 24 – all SMEs (excluding Starts)	Total	2-5yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	16,106	1550	1640	3425	9491
Grown by more than 40%	2%	5%	1%	1%	1%
Grown by 20-40%	8%	13%	11%	7%	6%
Grown by less than 20%	19%	23%	21%	19%	18%
Grown (any)	29%	41%	33%	27%	25%
Stayed the same size	39%	34%	35%	40%	42%
Declined	32%	25%	32%	33%	33%
Net change (grown – declined)	-3	+16	+1	-6	-8

Q81 (245a) All SMEs trading for 3 years or more excl DK

Comparisons to previous years are provided later in this section, while the table below looks at growth patterns in 2024 by other key demographics:

Business Growth	Further analysis (excluding Starts) YEQ4 2024
Risk rating	Analysis by risk rating showed that: • There was little to choose between risk ratings for the proportion growing by more than 40% (1-2%) or by 20-40% (6-9%). • Overall, the proportion growing at all ranged from 26% for those with an average risk rating to 34% of those with low risk rating. • There was also limited variation in terms of the proportion that had declined, ranging from 26% of those with a low risk rating and 28% of those with a minimal rating, to 33% of those with either an average or worse than average risk rating. • Overall those with a minimal (+1) or low (+8) risk rating had a positive net score, while those with an average (-7) or a worse than average rating (-3) had a negative net score.
Appetite for finance	There was limited difference in growth by previous appetite for finance: • 24% of Would-be seekers (who had wanted to apply but something had stopped them) had grown, slightly lower than the 31% of those who reported a borrowing event in the 12 months prior to interview and the 29% of those that had been a Happy non-seeker of finance. • The Would-be seekers remained more likely to report a decline (46%) than those that reported an event (34%) or the Happy non-seekers (31%). • As a result Would-be seekers had a net score of -22, compared to -3 for those reporting a borrowing event and -2 for those that had been a Happy non-seeker of finance. Permanent non-borrowers (with no immediate appetite for finance) were: • As likely to have grown by 20% or more as those who did not meet the definition (9% v 10%) and also to have grown at all (28% v 29% that did not meet the definition). • Slightly fewer PNBs had declined than their peers (28% v 34%), resulting in a net score of 0 for PNBs and -5 for those who did not meet the definition.

The table below takes a longer-term view of growth by key demographics and shows that pre-pandemic a broadly consistent 4 in 10 SMEs (excluding Starts) reported having grown in each period to 2019 (37%), reducing during the pandemic to 18% in 2021. Since then, around 3 in 10 SMEs have grown (29% in 2024, unchanged from 2023):

- Larger SMEs and also those trading for up to 5 years remained more likely to have grown with little change year on year
- By sector, those in Hotels and Restaurants were more likely to have grown in 2024 than in 2023 (up 6 points to 32%) and no longer out of line with their peers. Those in Health were also more likely to report growth in 2024 (28%) compared to 2023 (23%).
- Meanwhile those in Construction saw the proportion growing drop 4 points to 25% and for Transport the drop was 5 points to 27%.

4 The general context

Achieved growth in last 12 months								
All SMEs over time (excluding Starts)	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs (excl Starts)	42%	39%	37%	27%	18%	27%	29%	29%
0 emp	39%	35%	33%	25%	17%	25%	26%	25%
1-9 emps	47%	46%	43%	32%	21%	32%	36%	36%
10-49 emps	56%	55%	54%	38%	26%	42%	48%	46%
50-249 emps	59%	65%	66%	37%	21%	25%	45%	45%
Minimal external risk rating	46%	40%	39%	31%	18%	25%	29%	29%
Low	43%	41%	39%	31%	19%	27%	32%	34%
Average	40%	36%	34%	25%	16%	25%	27%	26%
Worse than average	42%	41%	40%	27%	18%	28%	31%	30%
Agriculture	40%	33%	37%	26%	23%	24%	27%	27%
Manufacturing	41%	41%	35%	33%	21%	29%	29%	30%
Construction	41%	34%	34%	23%	16%	23%	29%	25%
Wholesale/Retail	45%	45%	41%	33%	20%	29%	31%	32%
Hotels & Restaurants	45%	42%	40%	21%	8%	24%	26%	32%
Transport	36%	38%	35%	21%	14%	27%	32%	27%
Property/ Business Services	43%	40%	37%	30%	21%	29%	29%	30%
Health	43%	43%	47%	33%	19%	24%	23%	28%
Other	42%	41%	36%	28%	16%	28%	30%	29%
PNBs	40%	37%	34%	27%	18%	26%	28%	28%
All excl PNBs	44%	42%	40%	27%	18%	28%	30%	29%
2-5 years trading	53%	58%	53%	40%	25%	38%	42%	41%
6-9 years	51%	45%	42%	31%	18%	31%	35%	33%
10-15 years	41%	35%	39%	27%	18%	27%	28%	27%
15+ years	34%	31%	29%	22%	16%	23%	25%	25%

Q81 (245a) All SMEs trading for 3 years or more excl DK

When the growth question was first asked in 2012, 21% of SMEs (excluding Starts) reported a decline in turnover. By 2015, this figure had reduced to 12% and remained around 1 in 10 until 2018 when 17% reported a decline. As a period of increased economic challenge followed, the proportion reporting a decline increased again, to 56% in 2021.

Since then the proportion reporting a decline has dropped to 1 in 3 (32% in 2024, virtually unchanged from 2023):

- There remains a clear pattern by size of SME, from 35% of 0 employee SMEs reporting a decline to 13% of those with 50-249 employees and little changed year on year.
- There were few differences year on year by risk rating, PNBs or age of SME. As a result, those with an average or worse than average risk rating (both 33%), those that were not a PNB (34%) and all those trading for more than 5 years (32-33%) remained more likely to have declined than their peers.
- By sector, the most likely to report a decline was the Hotel and Restaurant sector (36% and unchanged from 2023). Meanwhile those in Manufacturing (down 5 points to 33%), Health (down 4 points to 34%) and the Other Community sector (down 7 points to 33%) were all somewhat less likely to report a decline in 2024. The only sector to see an increase in declines was Construction (up 6 points to 33%) moving from below to in line with the average.

4 The general context

Declined in last 12 months							
All SMEs over time (excluding Starts)	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages							
All SMEs (excl Starts)	17%	19%	37%	56%	37%	33%	32%
0 emp	19%	21%	39%	57%	40%	37%	35%
1-9 emps	12%	15%	34%	52%	31%	26%	26%
10-49 emps	8%	10%	28%	44%	20%	15%	17%
50-249 emps	13%	8%	28%	41%	16%	11%	13%
Minimal external risk rating	13%	15%	29%	50%	28%	26%	28%
Low	15%	15%	32%	52%	32%	31%	26%
Average	18%	23%	41%	57%	39%	34%	33%
Worse than average	17%	18%	38%	58%	38%	34%	33%
Agriculture	14%	14%	28%	38%	29%	26%	27%
Manufacturing	18%	20%	32%	53%	37%	38%	33%
Construction	15%	18%	33%	49%	37%	27%	33%
Wholesale/Retail	14%	18%	36%	54%	39%	34%	31%
Hotels & Restaurants	15%	20%	52%	77%	44%	37%	36%
Transport	19%	19%	47%	64%	42%	34%	32%
Property/ Business Services	18%	20%	37%	53%	34%	32%	30%
Health	14%	8%	35%	56%	34%	38%	34%
Other	18%	21%	40%	64%	41%	40%	33%
PNBs	15%	17%	32%	49%	34%	30%	28%
All excl PNBs	18%	21%	41%	60%	40%	35%	34%
2-5 years trading	10%	12%	34%	49%	33%	26%	25%
6-9 years	15%	13%	38%	62%	40%	33%	32%
10-15 years	16%	19%	37%	56%	36%	36%	33%
15+ years	20%	23%	39%	55%	38%	34%	33%

Q81 (245a) All SMEs trading for 3 years or more excl DK

Scaleup growth

In 2024, 10% of SMEs (excluding Starts) reported that they had grown by 20% or more in the previous 12 months, ranging from 8% of those with 0 employees to 15% of those with 10-49 employees. This proportion was up from 7% in 2021 and in line with the 9% of SMEs typically reporting such levels of growth previously.

Amongst those who reported for YE Q4 2024 that they had grown by 20% or more, half (50%) went on to report that they had also achieved this level of growth for each of the two previous years (up from 46% in 2023 and back in line with the 49% reported in 2020 and the 52% reported in 2019).

- This is the equivalent of 5% of all SMEs (excluding Starts) reporting having grown by 20% or more for the last 3 years (4% of 0 employee SMEs and 6-9% of those with employees).

From Q1 2018, an additional question has been asked of the remaining SMEs (excluding Starts) that had not achieved scale up growth in the last 3 years. This asked whether they had achieved scale up growth (3 consecutive years growth at 20% or more) at any time in the last 10 years.

- 21% of these SMEs said that they had, ranging by size from 15% of such SMEs with 50-249 employees to 24% of those with 1-9 employees and 25% with 10-249 employees (20% for 0 employee SMEs).

This means that overall, 25% of all SMEs (excluding Starts) had achieved a period of scale up growth, either recently or in the last 10 years. Note though that most of these scaleups qualified due to their performance in the last 10 years rather than the last two (i.e. including their performance pre-pandemic).

The table below shows the proportion of scaleups, using this revised definition, by key demographics from 2018. Since 2020 around a quarter of SMEs have met the definition of a Scaleup, including in 2024 (25%, little changed from the 24% in 2023):

- There was little change 2023 to 2024 by size of SME, and those with 1-9 or 10-49 employees remained somewhat more likely to have scaled, as did those trading for 6-9 or 10-15 years
- By sector, 28% of those in Construction (up 3 points on 2023) and those in the Other Community sector (up 5 points) were the most likely to have scaled, compared to 18% in the Health sector (down 2 points on 2023). There were also increases of 5 percentage points in the proportion that had scaled in Manufacturing (to 25%), Hotels and Restaurants (to 24%) and Agriculture (to 22%)

4 The general context

Achieved scale up growth in last 10 years							
All SMEs over time (excluding Starts)	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages							
All SMEs (excl Starts)	20%	20%	23%	25%	24%	24%	25%
0 emp	18%	19%	21%	24%	23%	22%	24%
1-9 emps	25%	23%	27%	28%	27%	29%	29%
10-49 emps	25%	19%	26%	29%	30%	29%	31%
50-249 emps	17%	12%	19%	18%	15%	21%	20%
Minimal external risk rating	18%	16%	23%	24%	23%	24%	24%
Low	20%	20%	23%	24%	24%	22%	25%
Average	19%	20%	20%	25%	26%	24%	24%
Worse than average	20%	21%	24%	26%	24%	25%	27%
Agriculture	15%	16%	16%	21%	17%	17%	22%
Manufacturing	23%	21%	21%	23%	25%	20%	25%
Construction	19%	18%	22%	24%	24%	25%	28%
Wholesale/Retail	21%	20%	24%	25%	24%	25%	25%
Hotels & Restaurants	22%	15%	24%	24%	20%	19%	24%
Transport	20%	21%	24%	28%	27%	26%	24%
Property/ Business Services	21%	23%	23%	25%	24%	26%	25%
Health	13%	12%	20%	24%	23%	20%	18%
Other	18%	19%	24%	25%	28%	23%	28%
PNBs	19%	19%	19%	22%	20%	21%	21%
All excl PNBs	21%	20%	25%	27%	28%	26%	27%
2-5 years trading	25%	22%	24%	22%	22%	23%	22%
6-9 years	19%	20%	29%	30%	28%	29%	30%
10-15 years	22%	24%	25%	29%	30%	30%	30%
15+ years	17%	17%	19%	23%	22%	21%	22%

Q81/83x All SMEs excl Starts

4 The general context

Analysis of these Scaleups showed that they remained more likely than their peers who hadn't scaled to have been innovative (57%), international (27%), or ambitious (50% planned to grow). They were also more likely than their peers to be using external finance (54%) and slightly more likely to have a future appetite for finance (11%), so were less likely to meet the definition of a Permanent non-borrower (29%):

Profile of Scaleups		
YEQ4 24 – all SMEs excluding Starts	Scaleup	Not scale up
Unweighted base:	4533	11,957
Have employees	32%	26%
Use external finance	54%	45%
Permanent non-borrower	29%	36%
Innovative	57%	41%
International	27%	19%
Plan to grow	50%	38%
Plan to apply for finance	11%	7%
Future would-be seeker	18%	18%
Future happy non-seeker	71%	74%

All SMEs trading for 3 years or more

Financial Risk Profile

The main assessment of financial risk is the external risk rating supplied for the sample by ratings agencies Dun & Bradstreet and Experian. They use a range of business information to predict the likelihood of business failure and their ratings have been combined to a common 4 point scale from a minimal risk of failure to a worse than average risk of failure. Although not all SMEs receive this external risk rating, most do (88%) and it is commonly used and understood by lenders. It has thus been used in this report for all risk related analysis.

The overall risk profile over recent quarters is shown below. Typically 7% of SMEs had a minimal risk rating and this has changed very little over recent quarters. Historically, just under half typically had a worse than average risk rating – but the proportion has been closer to 40% in most recent quarters:

External risk rating									
All SMEs (where provided) over time By date of interview	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	3938	3985	3980	3639	4249	3889	4052	3861	3913
Minimal risk	8%	8%	8%	7%	7%	7%	8%	7%	8%
Low risk	17%	14%	15%	17%	14%	16%	15%	17%	15%
Average risk	32%	31%	34%	34%	35%	35%	33%	37%	32%
Worse than average risk	43%	47%	43%	42%	44%	42%	44%	39%	45%

All SMEs where risk rating provided

4 The general context

Looking over the longer term, the proportion of SMEs with a worse than average risk rating dropped to just below 50% for 2014 and has remained there, with the proportion in 2024 (43%) at the lower end of the range seen. The proportion with a minimal or low external risk rating increased from 16% in 2012 to 25% in 2015 and has been broadly stable since, currently 23%:

External risk rating								
(Where provided) over time	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview								
Unweighted base:	16,608	16,598	16,297	16,352	14,917	15,791	15,853	15,715
Minimal risk	6%	7%	7%	6%	7%	7%	7%	7%
Low risk	15%	16%	16%	15%	14%	15%	15%	16%
Average risk	33%	30%	33%	32%	37%	34%	33%	34%
Worse than average risk	45%	47%	44%	47%	42%	44%	44%	43%

All SMEs where risk rating provided

The risk ratings for YEQ4 2024 overall are shown below by size of SME and continue to report a better risk profile for larger SMEs. 7 in 10 SMEs with either 10-49 or 50-249 employees had a minimal or low risk rating compared to 17% of those with 0 employees:

External risk rating					
YEQ4 24 – all SMEs where rating provided	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	15,715	3172	6493	4358	1692
Minimal risk	7%	4%	13%	30%	32%
Low risk	16%	13%	19%	39%	39%
Average risk	34%	36%	31%	24%	24%
Worse than average risk	43%	47%	37%	7%	5%

All SMEs where risk rating provided

Amongst SMEs with employees, 39% had a minimal or low external risk rating, 30% an average risk rating and 31% a worse than average risk rating.

4 The general context

There was notable variation in risk profile by sector. SMEs in Agriculture remained more likely than almost all other sectors to have a minimal or low risk rating (47% YEQ4 2024 including 30% with a minimal risk rating). Those in Health were also more likely to have a minimal/low rating (48%), compared to 14% in the Hotels and Restaurants and Other Community sectors and 19-24% elsewhere:

External risk rating									
YEQ4 24	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	709	2014	2406	2364	781	1430	3603	887	1521
Minimal risk	30%	8%	6%	9%	4%	5%	6%	12%	5%
Low risk	17%	14%	18%	15%	10%	14%	14%	36%	9%
Average risk	31%	37%	28%	35%	38%	35%	38%	24%	37%
Worse than average risk	22%	41%	48%	41%	47%	46%	42%	28%	49%
Total Min/Low	47%	22%	24%	24%	14%	19%	20%	48%	14%

All SMEs where risk rating provided

The table below shows the proportion with a worse than average risk rating over time, by key demographics. Between 2013 and 2019 the proportion of SMEs with a worse than average risk rating fell from 54% to 44% and has been fairly stable since. In 2024, 43% had such a risk rating, little changed from 2023 (44%):

- As with all metrics, the overall risk profile is driven by the ratings for 0 employee SMEs. Amongst this group the proportion with a worse than average risk rating has typically varied between 50% and 60% over time. Since 2021 it has been somewhat lower than previously seen and this was also the case in 2024 (47%, down 2 points from 2023).
- Younger SMEs, with less of a track record, remained more likely than their peers to have a worse than average risk rating, despite an improving picture for both Starts (down 7 points on 2023 to 67%) and those trading for 2-5 years (down 6 points to 63%).
- SMEs in Construction remained more likely to have a worse than average risk rating (48%) albeit this was down 7 points on 2023. An increase in the proportion of Hotels and Restaurants with such a rating (up 4 points to 47%) brings them in line with Construction and is likely to be a reflection of the challenges this sector has faced for a number of years. A similar pattern was seen in the Other Community sector (up 7 points to 49%).

4 The general context

Worse than average external risk rating								
All SMEs over time	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	45%	47%	44%	47%	42%	44%	44%	43%
0 emp	50%	53%	50%	53%	47%	49%	49%	47%
1-9 emps	37%	36%	33%	33%	32%	33%	35%	37%
10-49 emps	7%	6%	5%	5%	4%	5%	6%	7%
50-249 emps	4%	5%	5%	3%	5%	6%	5%	5%
Agriculture	30%	32%	26%	25%	24%	24%	18%	22%
Manufacturing	39%	42%	40%	40%	36%	33%	44%	41%
Construction	54%	51%	48%	55%	45%	52%	55%	48%
Wholesale/Retail	43%	40%	41%	47%	40%	36%	42%	41%
Hotels & Restaurants	46%	47%	43%	41%	35%	45%	43%	47%
Transport	56%	49%	54%	52%	43%	54%	49%	46%
Property/ Business Services	42%	52%	45%	47%	43%	41%	43%	42%
Health	32%	36%	30%	29%	34%	33%	33%	28%
Other	43%	49%	43%	51%	46%	48%	42%	49%
PNBs	46%	46%	42%	46%	39%	44%	45%	41%
All excl PNBs	45%	48%	45%	47%	43%	44%	44%	43%
Starts	68%	67%	62%	67%	65%	72%	74%	67%
2-5 years trading	64%	71%	70%	65%	63%	69%	69%	63%
6-9 years	48%	51%	48%	51%	47%	44%	47%	51%
10-15 years	36%	37%	35%	41%	34%	39%	38%	37%
15+ years	27%	29%	26%	30%	26%	27%	27%	27%
Using external finance	43%	46%	45%	43%	41%	41%	43%	43%
Not using finance	47%	48%	43%	49%	42%	45%	45%	42%

All SMEs where risk rating provided

Credit balances

Almost all SMEs held some credit balances (noting that from Q2 2020 the wording was changed slightly from balances ‘usually’ held to balances ‘currently’ held). YEQ4 2024, 10% did not hold any, somewhat higher than previously seen (3% in 2023). The table below shows the amount of credit balances held, with clear differences by size of SME: 8 in 10 of the smallest SMEs held less than £10,000 of credit balances, while 7 in 10 of those with 50-249 employees held more than £50,000:

Credit balances held					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	8733	2209	3971	1970	583
None	10%	11%	6%	4%	3%
Less than £5,000	45%	51%	31%	11%	8%
£5,000 to £10,000	15%	16%	15%	9%	4%
£10,000 to £50,000	21%	19%	28%	20%	13%
More than £50,000	9%	4%	20%	56%	72%

Q117 (244) All SMEs excluding DK/refused

Immediately pre-pandemic, around a quarter of all SMEs held £10,000 or more of credit balances, increasing to a third in 2021 and stable since (30% in 2024). Meanwhile, between 2012 and 2015 the average credit balance held increased from £25,000 to £39,000. Apart from a slight ‘dip’ in 2016 (£30k), it has remained broadly stable since at around £40,000, with the slight exception of 2022 (£48,000). The figure for 2024 (£41k) was unchanged from 2023:

Credit balances held								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	10,950	9494	9641	8265	7283	6421	7218	8733
None	4%	4%	4%	6%	6%	3%	3%	10%
Less than £5,000	51%	55%	55%	49%	44%	44%	47%	45%
£5,000 to £10,000	19%	18%	17%	17%	17%	19%	16%	15%
£10,000 to £50,000	17%	15%	16%	20%	23%	23%	23%	21%
More than £50,000	8%	7%	8%	9%	11%	11%	11%	9%
Average balance held	£37k	£38k	£38k	£42k	£45k	£48k	£41k	£41k

Q117 (244) All SMEs excluding DK/refused

Having increased to almost £3,500 for YE Q4 2022, the median value of credit balances held has been somewhat lower since and for YE Q4 2024 was £2,200, with variations seen as usual by size of SME:

- £1,900 for 0 employee SMEs
- £6,700 for 1-9 employee SMEs
- £52,400 for 10-49 employee SMEs
- £195,900 for 50-249 employee SMEs.

The median value of credit balances continued to vary little by sector (£2-3k).

From 2021 to 2023, a third of SMEs have held £10,000 or more of credit balances, with the proportion in 2024 slightly lower at 29% and back in line with 2020. The table below shows, on an annual basis, the proportion of SMEs holding such credit balances, by key demographics and how this has changed over time:

- The decrease 2023 to 2024 was driven by the 0 employee SMEs (down 6 points to 22%) and they remained much less likely than their peers to hold £10k or more in credit balances. At the other end of the scale, whilst slightly fewer SMEs with 50-249 employees held such balances (down 8 points to 85%) most of them did.
- Those with a minimal risk rating remained more likely to hold such sums (52%), though this was a further decrease from previous years (down 6 points on 2023 and 11 points on 2021). Those with a worse than average risk rating remained less likely to hold such sums (21%) and this too was lower than in 2023 (down 6 points).
- With the exception of those trading for 15+ years, all ages of SME were less likely to hold £10k or more in credit balances in 2024 than in 2023, notably Starts (down 11 points to 20%) and those trading for 2-5 years (down 7 points to 21%).
- There were limited changes year on year by sector, with the exception of those in Property/Business Services (down 9 points to 32%) and those in Construction (down 6 points to 31%) bringing them more in line with their peers.

4 The general context

Hold £10,000 or more								
All SMEs over time (excl DK)	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	25%	23%	23%	28%	33%	35%	34%	29%
0 emp	18%	15%	16%	21%	25%	28%	28%	22%
1-9 emps	44%	42%	44%	50%	55%	56%	52%	48%
10-49 emps	73%	75%	76%	79%	83%	83%	79%	75%
50-249 emps	90%	91%	94%	90%	94%	95%	93%	85%
Minimal external risk rating	48%	49%	51%	62%	63%	60%	58%	52%
Low	45%	41%	43%	52%	54%	53%	48%	49%
Average	25%	24%	22%	28%	32%	34%	31%	30%
Worse than average	17%	14%	15%	20%	24%	28%	27%	21%
Agriculture	26%	22%	25%	30%	36%	43%	34%	31%
Manufacturing	29%	28%	28%	29%	34%	39%	28%	29%
Construction	21%	18%	18%	23%	31%	30%	37%	31%
Wholesale/Retail	36%	33%	27%	35%	43%	40%	32%	30%
Hotels & Restaurants	30%	33%	30%	33%	39%	35%	33%	33%
Transport	19%	24%	23%	26%	32%	38%	38%	36%
Property/ Business Services	29%	26%	28%	34%	38%	37%	41%	32%
Health	15%	15%	20%	19%	21%	29%	19%	18%
Other Community	25%	15%	17%	25%	25%	27%	22%	18%
PNBs	23%	23%	28%	28%	35%	36%	34%	31%
All excl PNBs	27%	22%	21%	29%	32%	33%	34%	29%
Starts	18%	11%	10%	16%	19%	28%	31%	20%
2-5 years trading	21%	18%	19%	24%	30%	31%	28%	21%
6-9 years	20%	21%	24%	33%	31%	33%	32%	29%
10-15 years	30%	28%	29%	28%	37%	34%	34%	30%
15+ years	32%	31%	32%	36%	40%	39%	37%	36%

Q117 (244) All SMEs excluding DK/refused

4 The general context

The table below shows, on an annual basis, the proportion of SMEs using external finance that were also holding more than £10,000 in credit balances:

- In 2017, 31% of those using external finance held £10k or more of credit balances compared to 22% of those not using finance.
- In the following years these proportions varied but both groups saw an increase in the proportion holding such balances over time. In both 2022 and 2023, around 1 in 3 in each group held such sums (35% and 33%).
- In 2024 the proportion of all SMEs holding such sums dropped to 29% (from 34%). Both groups saw a decrease, with the result that those using finance were very slightly more likely to have £10k+ of credit balances (31%, down 4 points on 2023) than those not using finance (28% and down 5 points on 2023).

Hold £10,000 or more								
All SMEs over time (excl DK)	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	25%	23%	23%	28%	33%	35%	34%	29%
Using external finance	31%	23%	21%	33%	36%	35%	35%	31%
Not using finance	22%	22%	26%	25%	31%	34%	33%	28%

Impact of £10,000 of credit balances

From Q3 2015, all SMEs holding £10,000 or more of credit balances have been asked whether holding such balances meant that the business had less of a need for external finance. For YEQ4 2024, 8 in 10 SMEs with such credit balances (83% excl DK) agreed that it did, with limited variation by size of SME.

This was the equivalent of 14% of all SMEs saying their need for external finance was lower due to the £10,000 or more of credit balances they held, increasing to 1 in 4 SMEs with 10-249 employees (but note the high proportion of 'Don't know'/'Refused' answers across the questions used to construct this table):

Impact of £10k+ of credit balances					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
£10k+ reduces need for external finance	14%	11%	21%	28%	24%
£10k+ does not reduce need for finance	3%	2%	4%	5%	4%
Hold less than £10k of credit balances	36%	41%	26%	9%	4%
No credit balances/DK/Refused	47%	46%	49%	58%	68%

Q118x (244x) All SMEs

Those currently using external finance were no more likely to say that these credit balances reduced their need for further finance (15%) than those not currently using finance (13%).

Both those SMEs with £10,000 or more of credit balances and those using trade credit were asked (separately) whether this reduced their need for external finance:

- Where available, having £10,000 or more in credit balances was more likely to reduce the SME's need for finance (83% YEQ4 2024) than having access to trade credit (54% – of a different group of SMEs).
- Overall, 31% of all SMEs YEQ4 2024 said that their need for finance was reduced either through credit balances or trade credit, increasing by size of SME (25% for 0 employee SMEs, 46% for those with 1-9 employees, 63% for those with 10-49 employees), with the slight exception of those with 50-249 employees (59%).
- This was more likely to be the case for those using any external finance currently (38% v 26% if not using), and for those in Construction (43%) or with a minimal risk rating (49%).
- In contrast to previous years, there was more of a difference by age of SME, from 25% of Starts and 26% of those trading for 2-5 years to 37% of those trading for more than 15 years.
- The proportion of SMEs reporting a reduction in need for finance has been around 3 in 10 since 2016 and the 2024 figure of 31% was in line with recent years (31-34% since 2020).

4 The general context

The table below shows the actual use of external finance amongst those SMEs that held £10,000 or more in credit balances, over time from 2016.

Between 2012 and 2015, SMEs with £10,000 or more of credit balances became less likely to also be using any external finance (51% to 44%). Since then (with the slight exceptions of 2018 and 2022) around half of SMEs with £10k of balances have also been using external finance. In 2024 the proportion was in line at 49%:

Use of finance over time								
Over time	2017	2018	2019	2020	2021	2022	2023	2024
All SMEs with £10k+ in credit balances								
Unweighted base:	5804	5046	5243	4653	4500	3883	4094	4521
Use any external finance	49%	44%	49%	49%	52%	44%	51%	49%
Do not use finance	51%	56%	51%	51%	48%	56%	49%	51%

The 51% of SMEs with £10,000 or more of credit balances that did not use any external finance in 2024 was in line with 2019–2020.

Credit balances as a proportion of turnover

Further analysis provides data on the amount of credit balances held as a percentage of the annual turnover of the SME, using the mid-points of the bands in which this information has been collected. This metric provides a guide for how much 'cover' an SME might have, if there were to be an issue with sales or getting paid.

As the table below shows, SMEs in 2024 held (on average) credit balances that were the equivalent of 27% of their turnover (i.e. around 3 months 'cover'). This represents a further slight decline from the 36-37% cover calculated in 2021-2022.

Typically 40% or more of SMEs have held credit balances that were the equivalent of 10% or less of turnover. In 2021 and 2022 this proportion was somewhat lower (34-35%) while the 49% in 2024 is at the top end of the range seen and back in line with 2018-2019:

% credit balances to turnover							
Over time – all SMEs	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	8161	7706	6654	6124	5213	6153	7704
<5%	23%	22%	21%	18%	17%	21%	29%
5-10%	26%	31%	20%	16%	18%	20%	20%
11-20%	34%	31%	37%	37%	36%	34%	31%
21-50%	8%	7%	11%	13%	12%	14%	10%
More than 50%	9%	9%	10%	16%	17%	11%	11%
Average percentage held	24%	24%	26%	37%	36%	29%	27%
Hold <10%	49%	53%	41%	34%	35%	41%	49%

Q117 (244) / Q9 All SMEs excluding DK/refused

Smaller SMEs with fewer than 10 employees (and typically lower turnover) remained more likely to hold the equivalent of a higher percentage of turnover as credit balances:

- 0 employee SMEs held the equivalent of 27% of their turnover in credit balances
- 1-9 employee SMEs held the equivalent of 27%
- 10-49 employee SMEs held the equivalent of 21%
- 50-249 employee SMEs held the equivalent of 20% of their turnover in credit balances.

4 The general context

These average percentage figures were broadly stable 2016–2020, before the increase in 2021–2022. In 2024, there was a further decline in the average percentage held by the smallest SMEs with 0 employees, with smaller adjustments for those with 1–9 or 10–49 employees resulting in the lower percentage of 27% seen overall:

% credit balances to turnover							
Over time	2018	2019	2020	2021	2022	2023	2024
Average percentage held							
All SMEs (excluding DK/refused)	24%	24%	26%	37%	36%	29%	27%
0 employee	25%	24%	26%	38%	36%	30%	27%
1–9 employees	20%	24%	23%	34%	34%	28%	27%
10–49 employees	23%	23%	22%	25%	26%	23%	21%
50–249 employees	17%	22%	21%	18%	15%	20%	20%

Q117 (244) / Q9 All SMEs excluding DK/refused

This percentage is affected both by changes in the credit balances held by SMEs and also their level of turnover. Analysis over recent years showed that:

- In 2021 the increase in the percentage of turnover held as credit balances to 37% was due to both the increase in the proportion of SMEs with £10k+ of credit balances (23% in 2019 to 33% in 2021) as well as a reduction in average turnover over the same period (from £299k to £251k).
- In 2022, the proportion of SMEs holding £10,000 or more of credit balances increased slightly to 35%, but average and mean turnover were also slightly higher (£269k and £35k), resulting in little change in the average percentage held (36%).
- In 2023, the proportion of SMEs holding £10,000 or more of credit balances was stable at 34% while average and mean turnover increased again (£286k and £46k), resulting in a lower average percentage held of 29%.
- In 2024, the proportion of SMEs holding £10,000 or more of credit balances was lower at 34% while average turnover was slightly higher (£296k) and mean turnover unchanged (£47k), resulting in a lower average percentage held of 27%.

How SMEs are managed

Interviews are conducted with the main financial decision maker. In many cases, this person was also the owner, managing director, or senior partner.

A series of questions collect information about the structure and control of the business. Those reported below (including planning, trading internationally, and having someone in charge of the finances who was qualified) reflect their contribution to other areas of analysis such as applications for finance.

The table below shows that typically around half of SMEs had undertaken any business planning, while the proportion of SMEs that trade internationally has increased steadily to 23% in Q4 2024. Levels of innovation have varied over time but were typically higher in 2024 than in 2023. The proportion with a business mentor has been around 1 in 6 since Q4 2021 but was slightly lower at the end of 2024 (13%), while a broadly stable 1 in 3 had a qualified person in charge of the finances:

Over time – all SMEs									
By date of interview	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Planning (any)	53%	56%	54%	53%	55%	55%	56%	52%	52%
- Produce regular management accounts	45%	47%	45%	45%	45%	45%	48%	44%	44%
- Have a formal written business plan	23%	23%	24%	21%	24%	25%	23%	19%	24%
International (any)	18%	18%	22%	20%	19%	19%	19%	20%	23%
- Export goods or services	11%	9%	11%	11%	10%	10%	10%	10%	14%
- Import goods or services	13%	14%	17%	14%	14%	15%	14%	15%	16%
Innovation (any)	37%	41%	40%	45%	42%	48%	48%	41%	46%
-New product or service (last 3 yrs)	17%	18%	22%	22%	21%	25%	25%	21%	22%
-Improved aspect of business	33%	37%	35%	39%	36%	42%	43%	36%	40%
Mentors	15%	13%	15%	14%	15%	14%	17%	14%	13%
Have qualified person in charge of finances	29%	30%	33%	34%	35%	34%	33%	38%	33%
Use an accountancy software package	-	-	-	-	-	-	-	34%	33%

Q84/129 (223/251) All SMEs

The table below provides further analysis by key demographics for 2024 as a whole. Larger SMEs and those with a minimal risk rating remained more likely to undertake these activities:

Business Formality	Further analysis YEQ4 2024
Planning	54% of all SMEs planned, increasing by size of SME from 48% of those with 0 employees to the majority, 88%, of those with 50-249 employees. - Levels of planning declined slightly by age of SME: 58% of Starts planned, declining to 50% of those trading for more than 15 years. - Those with a minimal risk rating were the most likely to be plan (62%), with limited differences across other ratings (52-57%). - Planning was undertaken by 65% of those in the Hotel and Restaurant sector, 61% of SMEs in the Wholesale/Retail sector and 60% in Manufacturing, compared to 47% of those in Construction, 48% in Agriculture and 50-56% of other sectors.
International	20% of all SMEs were international: - The smallest SMEs were less likely to trade overseas (19% of those with 0 employees, 23% of those with 1-9 employees, 31% of those with 10-49 employees and 36% of those with 50-249 employees). - There were limited differences by age of SME, from 17% of Starts to 22% of those trading for more than 15 years. - Those with a minimal or low risk rating were slightly more likely to be international (both 23%) compared to 18% of those with an average risk rating and 20% of those with a worse than average risk rating. - SMEs in Manufacturing (34%) and Wholesale/Retail (31%) remained more likely to be international, while SMEs in Hotels and Restaurants (8%) remained less likely. Amongst other sectors 10-24% were international.
Innovation	46% of all SMEs had innovated: - This increased by size of business from 43% of those with 0 employees to 53% of those with 1-9 employees, 65% of those with 10-49 employees and 66% of those with 50-249 employees. - Those trading for 2 to 5 years were the most likely to have been innovative (56%), compared to 51% of Starts, 52% trading for 5 to 9 years, 46% of those trading for 10-15 years and 39% of those trading for more than 15 years. - There were limited differences by risk rating (44-49%) with the slight exception of those with an average risk rating (42%). - SMEs in Agriculture (35%) remained less likely to have innovated, compared to 52% of SMEs in the Other Community sector and 51% in Property/Business services. Amongst other sectors 38-50% had innovated.

Continued

Continued

Financial specialist	35% of SMEs had a financially qualified person looking after their finances: • This became more likely as size increased: 31% of 0 employee SMEs had a financial specialist compared to 40% of those with 1-9 employees, 58% of those with 10-49 employees and 78% of those with 50-249 employees. • There was some variation by age of SME (38% for Starts and 29% for those trading for 2-5 years then 34-35% for all other age groups). • Financial specialists remained more likely amongst those with a minimal risk rating (43%) compared to 38% of those with a low risk rating, 34% of those with an average rating and 33% of those with a worse than average risk rating. • By sector, those in Property/Business Services (41%) remained the most likely to have a financial specialist, compared to 28% in Transport and Health and 30-39% elsewhere.
Mentors	15% of SMEs used a mentor for business help and advice: • The use of mentors increased by size of SME from 13% of those with 0 employees to 19% of those with 1-9 employees, 26% of those with 10-49 employees and 23% of those with 50-249 employees. • The presence of mentors varied slightly by risk rating: from 18% of those with a minimal risk rating to 15% with a low rating, 14% of those with an average and 16% of those with a worse than average risk rating. • Younger SMEs were slightly more likely to have a mentor (20% of Starts) declining by age of SME to 12% of those trading for more than 15 years. • There was relatively little variation by sector (11-17%) with the exception of Health where 21% reported that they had a mentor.

From Q3 2024, SMEs have been asked whether they use an accounting software package to help manage cashflow, receipts and invoicing in their business.

- In H2 2024, 34% of SMEs said they did, increasing by size of SME from 28% of those with 0 employees to 72% of those with 50-249 employees (equating to 48% of SMEs with any employees).
- SMEs with a minimal risk rating (46%) were more likely to use such software, as were those in Property/Business Services (43%) or Manufacturing (42%) as well as Starts (38% compared to 32-34% of older SMEs).

The smallest SMEs remained less likely to undertake any of these activities. For YEQ4 2024, excluding the 0 employee SMEs saw the proportion of SMEs (with employees) who:

- Plan increase from 54% of all SMEs to 70% of those with employees
- Trade internationally increase from 20% to 24%
- Innovate increase from 46% to 55%
- Have a mentor increase from 15% to 20%
- Have a qualified person in charge of the finances increase from 35% to 44%.

Taking a longer term view back to 2017 in the table below:

- The proportion that planned has varied relatively little over time (52-57%) with the slight exception of 2019 (60%) when more SMEs had a business plan. The 2024 figure of 54% was in this range and unchanged from 2023.
- The proportion of SMEs that were international has increased slightly over time and the 20% for 2024 (unchanged from 2023) is at the top of the range seen.
- Levels of innovation have been somewhat higher in recent years than pre-pandemic with the 46% seen in 2024 somewhat higher again, with increases in both improving an aspect of the business and, to a lesser extent, launching a new product or service.
- 35% of SMEs had a financial specialist, up very slightly on 2023 (33%) and still somewhat higher than previously seen.
- Having initially increased to 17% in 2021, the proportion of SMEs with a business mentor has been somewhat lower since (15% in 2024):

4 The general context

Business formality elements								
Over time – all SMEs By date of interview	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	18,012	18,002	18,000	17,768	16,486	17,002	17,010	17,011
Planning (any)	57%	56%	60%	52%	55%	53%	54%	54%
- Produce regular management accounts	43%	41%	40%	43%	46%	44%	46%	45%
- Have a formal written business plan	31%	29%	32%	22%	25%	24%	23%	23%
International (any)	16%	15%	16%	16%	18%	19%	20%	20%
- Export goods or services	10%	9%	9%	10%	11%	11%	10%	11%
- Import goods or services	11%	10%	11%	11%	12%	14%	15%	15%
Innovation (any)	34%	33%	35%	42%	41%	40%	42%	46%
-New product or service (last 3 yrs)	14%	15%	15%	17%	20%	19%	21%	23%
-Improved aspect of business	30%	28%	30%	38%	35%	35%	37%	40%
Other elements:								
-Have qualified person in charge of finances	24%	25%	27%	29%	30%	30%	33%	35%
-Have a mentor	11%	10%	11%	15%	17%	14%	14%	15%

Q84/129 (223/251) All SMEs

International trade and innovation are relevant factors in SME performance and their contribution to the wider economy. Further analysis of these activities has therefore been undertaken, both over time and by key demographics.

The table on the next page shows the proportion of SMEs trading internationally since 2017. Back in 2012, 10% traded internationally, increasing to 17% in 2015. After a period of stability, the proportion has been slightly higher from 2021 (20% in 2023 and 2024):

International	Further analysis over time
Size of SME	All sizes of SME have seen an increase in trading internationally over the longer term, but with limited changes 2023 to 2024, with the slight exception of the largest SMEs with 50-249 employees. They remained more likely to be trading internationally but at 36% in 2024, this was 3 points lower than the 39% in 2023.
Risk rating	Those with a minimal or low risk rating remained slightly more likely to be trading internationally (both 23% and unchanged from 2023). The gap between these SMEs and those with an average or worse than average risk rating remains narrower than previously seen but little changed from 2023 (with 18% and 20% respectively trading internationally).
Sector	Those in Manufacturing have always been more likely to trade internationally than most of their peers and this was also true in 2024 (34%, up 6 points from 2023 and back to 2022 levels). Those in Wholesale/ Retail also remained more likely (31% from 29% in 2023). Other changes 2023 to 2024 saw those in the Other Community sector more likely to be trading internationally (up 6 points to 24%) while those in Transport were less likely to be trading internationally (down 4 points to 17%).
PNBs	PNBs remained less likely than their peers to be trading internationally (17% v 22%) unchanged from 2023.
Age of SME	After a dip in 2019, a stable 17% of Starts were trading internationally in 2024, broadly stable over recent years. Those trading for 2-5 years saw a decline in international trade in 2023 to 15%, but in 2024 the proportion trading internationally was back in line with 2021 and 2022 at 18%. Those trading for 6-9 years have seen some variation in levels of international trade over time (12-23%). The 2024 figure of 19% was in this range, though 4 points down on 2023. Those trading for 10-15 years have also seen some variation over time but with more stability since 2022, and the 2024 figure of 21% remained in line. Levels of international trade amongst the oldest SMEs have typically been much more consistent over time (15-18%). That said, the proportion trading internationally in both 2023 (20%) and 2024 (22%) was somewhat higher than previously seen.

4 The general context

International trade								
All SMEs over time	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	16%	15%	16%	16%	18%	19%	20%	20%
0 emp	14%	13%	13%	14%	16%	17%	18%	19%
1-9 emps	20%	20%	22%	21%	22%	23%	23%	23%
10-49 emps	28%	27%	30%	30%	31%	31%	32%	31%
50-249 emps	31%	29%	31%	37%	36%	31%	39%	36%
Minimal external risk rating	22%	20%	22%	24%	22%	22%	24%	23%
Low	19%	20%	18%	20%	18%	22%	23%	23%
Average	16%	14%	14%	14%	17%	17%	19%	18%
Worse than average	15%	13%	15%	16%	18%	18%	19%	20%
Agriculture	10%	8%	10%	9%	12%	10%	9%	10%
Manufacturing	27%	26%	24%	28%	29%	34%	28%	34%
Construction	5%	5%	5%	6%	9%	9%	11%	10%
Wholesale/Retail	27%	26%	28%	27%	30%	30%	29%	31%
Hotels & Restaurants	7%	8%	9%	8%	7%	5%	9%	8%
Transport	14%	14%	14%	16%	16%	19%	21%	17%
Property/ Business Services	21%	19%	19%	21%	20%	22%	24%	24%
Health	8%	7%	9%	9%	12%	14%	15%	12%
Other Community	18%	15%	17%	17%	21%	18%	18%	24%
PNB	14%	14%	15%	14%	14%	15%	17%	17%
All excl PNBs	17%	16%	16%	18%	20%	22%	21%	22%
Starts	14%	10%	9%	14%	16%	19%	18%	17%
2-5 years trading	18%	16%	17%	20%	18%	18%	15%	18%
6-9 years	13%	16%	18%	19%	21%	16%	23%	19%
10-15 years	17%	14%	20%	16%	19%	22%	22%	21%
15+ years	17%	16%	16%	16%	17%	18%	20%	22%

Q84 (223) All SMEs

The table below shows the proportion of SMEs that have innovated since 2016 (planned future innovation can be found in the Future chapter). Historically, the overall proportion of SMEs that had innovated was 40% in 2012 before declining to 1 in 3 2017-2019 and then increasing back to around 4 in 10 from 2020. The 46% of SMEs reporting innovation in 2024 is therefore somewhat higher than previously seen:

Innovation	Further analysis over time
Size of SME	Larger SMEs remained more likely to have innovated than smaller ones, but the increase in innovation in 2024 came from all sizes of SME. Innovation amongst 0 employee SMEs was up 4 points to 43%, and the same increase was seen for those with 1-9 employees (to 53%). Amongst those with 10-49 employees, innovation was up 4 points to 65% and for the largest SMEs it was up 3 points to 66%.
Risk rating	There remain limited differences in levels of innovation by risk rating (42-49%), with the key increase in 2024 amongst those with a worse than average risk rating (up 6 points to 49%) to become the most likely to have innovated. Unlike their peers, those with a minimal risk rating were slightly less likely to have innovated in 2024 (down 2 points to 44%).
Sector	While those in Construction remained less likely to have innovated than many of their peers, their innovation score in 2024 was up 7 points to 38%. There were also increases for those in Hotels and Restaurants (up 5 to 50%), and in the Health and Other Community sectors (both up 6 to 49% and 52% respectively). Those in the Property/Business Services sector have typically been the most likely to have innovated, but a modest increase in 2024 (up 2 points to 51%) meant that other sectors have closed the gap.
PNBs	The overall increase seen in innovation in 2024 was seen more amongst the PNBs (up 7 points to 40%) rather than their peers (up 2 points to 49%), albeit the latter group remained more likely to have innovated.
Age of SME	Innovation amongst Starts has been volatile over time but was up 9 points in 2024 to 51% and the highest level seen, with more modest changes year on year for other age bands. Those trading for 2-5 years remained the most likely to report innovation in 2024 (up 2 points to 56%) and higher than has been seen in recent years. 52% of those trading for 6-9 years had innovated, unchanged from 2023, but still higher than seen in earlier years. Older SMEs trading for 10-15 or more than 15 years remained somewhat less likely to report innovation than their younger peers (46% and 39% in 2024) both up 2 points on 2023 and again still somewhat higher than for these SMEs pre-pandemic.

4 The general context

Innovation								
All SMEs over time	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	34%	33%	35%	42%	41%	40%	42%	46%
0 emp	31%	29%	31%	39%	38%	36%	39%	43%
1-9 emps	42%	40%	43%	50%	47%	49%	49%	53%
10-49 emps	51%	51%	51%	60%	60%	59%	61%	65%
50-249 emps	60%	55%	50%	63%	64%	71%	63%	66%
Minimal external risk rating	40%	39%	39%	49%	44%	40%	46%	44%
Low	37%	36%	39%	45%	40%	45%	45%	47%
Average	31%	31%	33%	40%	37%	37%	40%	42%
Worse than average	35%	33%	35%	42%	45%	41%	43%	49%
Agriculture	34%	31%	30%	41%	39%	37%	36%	35%
Manufacturing	44%	41%	40%	44%	47%	45%	45%	48%
Construction	27%	23%	25%	31%	30%	29%	31%	38%
Wholesale/Retail	42%	40%	45%	48%	44%	40%	45%	47%
Hotels & Restaurants	39%	39%	43%	50%	46%	45%	45%	50%
Transport	31%	28%	30%	38%	34%	34%	37%	38%
Property/ Business Services	35%	35%	36%	46%	45%	46%	49%	51%
Health	30%	32%	34%	47%	41%	45%	43%	49%
Other Community	36%	37%	41%	47%	47%	42%	46%	52%
PNB	31%	30%	34%	35%	35%	36%	33%	40%
All excl PNBs	36%	35%	35%	47%	44%	44%	47%	49%
Starts	36%	24%	20%	39%	42%	37%	42%	51%
2-5 years trading	41%	39%	43%	48%	52%	45%	54%	56%
6-9 years	30%	40%	43%	50%	45%	48%	52%	52%
10-15 years	35%	33%	42%	46%	41%	46%	44%	46%
15+ years	31%	32%	34%	38%	36%	36%	37%	39%

Q84 (223) All SMEs

4 The general context

From Q1 2014 questions have been asked on an occasional basis about whether the business holds intellectual property or other knowledge assets on its balance sheet such as patents, copyrights, trademarks, or goodwill (back in H1 2014, 6% did).

The latest figures for YE Q4 2024 showed that 16% of all SMEs held intellectual property or other knowledge assets on their balance sheet, increasing by size from 15% of 0 employee SMEs and 18% of those with 1-9 employees, to 23% of those with 10-49 employees and 21% with 50-249 employees.

There were limited differences by age of SME (14-19%) and no difference by risk rating (16% to 17%). Those in Property/Business Services (21%) or Wholesale/Retail (20%) were more likely to hold such assets, compared to 10% of those in Construction and 11-19% of other sectors.

How SMEs are managed – UK and international staff

27% of SMEs have employees. During the pandemic, questions were asked of employers around the use of the furlough scheme and the prospect of redundancies. During 2020 and 2021, around 1 in 6 employers were either planning to, or had made, staff redundant. In 2024, these questions were revised and are reported below for Q3 and Q4.

In H2 2024, whilst very few employers were planning redundancies (3%), 1 in 3 had no plans to recruit in the next 6 months (29%). At the other end of the scale, 19% of SME employers were struggling to find the new staff they needed. In a new addition to this question, 6% of employers felt they had been negatively impacted by the changes in rules around employing non-UK staff.

Actions taken with staff				
H2 24 – all employers	Total	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	6753	3556	2372	825
We will probably make redundancies in next 6 months	3%	3%	6%	4%
We have no plans to recruit in next 6 months	29%	30%	25%	12%
Struggling to hire new staff needed	19%	17%	31%	27%
We have been negatively impacted by changes in rules re employing non-UK staff	6%	5%	7%	9%
None of these	51%	53%	44%	58%

NSTAFF All SMEs with employees

In 2023 employers had been as likely to say that they had no plans to recruit (24%) as they were to say they were struggling to recruit the staff they needed (23%). This was no longer the case in H2 2024, with employers now more likely to say they had no plans to recruit (up 5 points to 29%) and less likely to say they were struggling to hire (down 4 points to 19%), a 'gap' of 10 points with clear differences by size of employer:

- Amongst those with 1-9 employees: 30% had no plans to recruit compared to 17% struggling to recruit, a 'gap' of -13, and wider than 2023 when the 'gap' was -3.
- Amongst those with 10-49 employees: 25% had no plans to recruit compared to 31% struggling to recruit, a 'gap' of +6, narrower than the 'gap' of +15 in 2023.
- Amongst those with 50-249 employees: 12% had no plans to recruit compared to 27% struggling to recruit, a 'gap' of +15, again narrower than the 'gap' in 2023 of +20.

The table below presents data for these two metrics over time (accepting the wording change in 2023 from 'freeze' to 'no such plans to').

Amongst SME employers, the proportion with no plans to recruit has increased from 17% in H2 2022 to 29% in H2 2024:

- This latest increase was seen more amongst those with 1-9 employees (up 6 points to 30%), across all risk ratings and to varying degrees by sector, led by the Property/Business Services Sector (up 8 points to 31%).
- It was seen amongst PNBs and their peers, and across most age bands, notably those trading 6-9 years (up 8 points to 31%) and those trading 15+ years (up 6 points, also to 31%).

On the other side, the proportion of SME employers struggling to recruit declined from 26% in H2 2022 to 19% in H2 2024, a drop of 7 points over this period:

- The decrease H2 2022 to H2 2024 was seen more amongst the largest employers (down 19 points to 27%) and amongst those with an average or worse than average risk rating (both down 8 points to 18% and 14% respectively).
- Those in the Hotel and Restaurant and Transport sectors were now less likely to report recruitment struggles (down 14 points and 12 points to 17% and 18% respectively). There was a much smaller change in Health (down 3 points to 29%) and they remained the sector most likely to be struggling with recruitment.
- Starts were also now less likely to report recruitment struggles (down 11 points to 15%), with smaller decreases across the other age bands.

Employment options						
All SMEs with employees By date of interview – row percentages	No plans to recruit			Struggling to recruit		
	H2 22	2023	H2 24	H2 22	2023	H2 24
All with employees	17%	24%	29%	26%	23%	19%
1-9 emps	18%	24%	30%	22%	21%	17%
10-49 emps	14%	21%	25%	41%	36%	31%
50-249 emps	8%	13%	12%	46%	33%	27%
Minimal external risk rating	15%	23%	29%	27%	26%	24%
Low	15%	24%	27%	30%	27%	24%
Average	18%	23%	29%	26%	23%	18%
Worse than average	19%	24%	29%	22%	19%	14%
Agriculture	17%	26%	27%	24%	23%	20%
Manufacturing	16%	24%	27%	27%	23%	18%
Construction	15%	23%	28%	30%	27%	23%
Wholesale/Retail	21%	23%	26%	19%	19%	20%
Hotels & Restaurants	18%	24%	29%	31%	29%	17%
Transport	18%	25%	29%	30%	25%	18%
Property/ Business Services	16%	23%	31%	25%	21%	17%
Health	9%	17%	19%	32%	35%	29%
Other	17%	28%	32%	26%	20%	19%
PNBs	11%	21%	25%	21%	16%	12%
All excl PNBs	21%	25%	30%	29%	26%	23%
Starts	14%	19%	23%	26%	20%	15%
2-5 years trading	16%	24%	25%	27%	23%	19%
6-9 years	20%	23%	31%	27%	26%	22%
10-15 years	17%	24%	28%	25%	23%	20%
15+ years	18%	25%	31%	26%	24%	20%

NSTAFF All SMEs with employees

Staff from outside the UK

SMEs with employees have been asked whether they employed anyone from overseas, either from the EU or further afield. In 2023, 1 in 10 did (11%), predominantly from the EU (9%). From Q3 2024, this question has been simplified to 'The business employs workers from outside the UK' and in H2 24, 8% of employers said they did, increasing as before by size:

All SMEs with employees				
H2 24	Total	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	6753	3556	2372	825
Employ any overseas staff	8%	6%	16%	36%
No overseas staff	92%	94%	84%	64%

Q84 (223) All SMEs with employees

The 8% in H2 24 was slightly lower than the 11% reported 2022-2023 which was itself lower than the 15% of employers with overseas staff in 2021. Further analysis over time is provided later in this chapter.

There was no difference in international employees in H2 2024 by age of employer (7-9%). By sector, 17% of employers in the Health sector and 10% in Hotels and Restaurants or Agriculture had international employees, compared to 6-9% elsewhere:

Overseas staff									
All SMEs with employees	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	HLth SWrk	Other Comm
H2 24									
Unweighted base:	308	931	1157	1045	409	589	1385	380	549
Employ any overseas staff:	10%	9%	6%	6%	10%	7%	8%	17%	6%

Q84/87/87a (223/223c) All SMEs with employees

4 The general context

SMEs that trade internationally remained more likely to employ staff from overseas, notably those that both import and export (17% - these are typically larger SMEs).

Overseas staff					
All SMEs with employees H2 24	Total	Export only	Import only	Fully intl	Domestic
Unweighted base:	6753	398	749	845	4761
Employ any overseas staff:	8%	9%	10%	17%	6%

Q84/87/87a (223/223c) All SMEs with employees

The table below shows the position over time across a wider range of demographics (accepting the change in question for H2 2024).

- Given the relatively small proportion of employers overall who have international staff (8%), there is limited variation by different demographics, with the notable exception of those with either 10-49 employees (16%) or more markedly 50-249 employees (36%) and those in the Health sector (17%).
- Since 2021 the proportion of employers with international staff has halved, from 15% to 8%, with a similar pattern across most demographics, with the exception of those with 50-249 employees (down by 17 points to 36%), and Health (down 5 points to 17%) and also Agriculture (unchanged on 10%).

4 The general context

Employ overseas staff							
All SMEs with employees over time	2018	2019	2020	2021	2022	2023	H2 24*
By date of interview – row percentages							
All	16%	17%	16%	15%	11%	11%	8%
1-9 emps	12%	13%	12%	11%	9%	8%	6%
10-49 emps	31%	33%	31%	28%	19%	22%	16%
50-249 emps	56%	45%	50%	53%	39%	41%	36%
Agriculture	11%	9%	9%	10%	8%	6%	10%
Manufacturing	18%	16%	19%	16%	13%	12%	9%
Construction	12%	14%	12%	11%	9%	9%	6%
Wholesale/Retail	15%	15%	13%	12%	10%	8%	6%
Hotels & Restaurants	21%	18%	20%	19%	15%	15%	10%
Transport	15%	17%	13%	15%	13%	13%	7%
Property/ Business Services	16%	18%	18%	16%	10%	11%	8%
Health	21%	27%	21%	22%	18%	17%	17%
Other Community	15%	15%	16%	14%	10%	9%	6%
PNBs	11%	13%	12%	12%	10%	10%	8%
Excl PNBs	19%	19%	17%	16%	12%	11%	8%
Starts	14%	15%	10%	12%	11%	11%	7%
2-5 years trading	14%	16%	14%	15%	10%	10%	6%
6-9 years	15%	15%	17%	15%	11%	11%	7%
10-15 years	18%	18%	17%	15%	11%	11%	8%
15+ years	16%	17%	17%	15%	11%	11%	9%

Q84 (223) All SMEs with employees. Previous 2 part question combined from Q2 2024

4 The general context

As the table below shows, those trading internationally, especially those that are fully international, were more likely to employ staff from overseas than their domestic peers, albeit at slightly lower levels in the most recent period:

Employ overseas staff							
All SMEs with employees over time	2018	2019	2020	2021	2022	2023	H2 24*
By date of interview – row percentages							
All	16%	17%	16%	15%	11%	11%	8%
Export only	22%	21%	21%	20%	16%	15%	9%
Import only	24%	27%	22%	19%	11%	15%	10%
Fully international	32%	35%	32%	31%	21%	21%	17%
Domestic	13%	13%	13%	12%	10%	9%	6%

Q84 (223) All SMEs with employees. Previous 2 part question combined from Q2 2024

Any issues around employing overseas staff are now covered in the previous section.

Exporting

11% of all SMEs were making sales outside the UK. The proportion of exporters has been fairly stable over time, between 8% and 11% of SMEs:

- Smaller SMEs were less likely to export, but the proportions have remained stable over time. In 2024, 10% of 0 employee SMEs and 13% of those with 1-9 employees were exporters, increasing to 19% of those with 10-49 employees, also little changed over time. There has been more variation over time amongst SMEs with 50-249 employees, with typically 1 in 5 trading internationally, increasing periodically to 1 in 4 in 2020 and 2021, and again in 2023 (24%). In 2024, 22% were exporting.
- As in most previous years, those with a better risk rating were slightly more likely to be exporting: 13% for those with a minimal rating, 15% for those with a low rating, 9% of those with an average rating and 11% of those with a worse than average rating.
- The Manufacturing sector remained the most likely to be exporting (19%), up slightly from 2023 (16%) though still below the 22% exporting in 2022. Those in Construction, Hotels and Restaurants and Agriculture remained unlikely to be exporting (3-4%).
- 9% of Starts and those trading for 2-5 years exported, increasing very slightly to 10% of those trading for 5-9 years and 12% of older SMEs.

4 The general context

Exporting								
All SMEs over time	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	10%	9%	9%	10%	11%	11%	10%	11%
0 emp	9%	8%	7%	8%	10%	10%	9%	10%
1-9 emps	12%	12%	12%	13%	12%	13%	13%	13%
10-49 emps	19%	18%	19%	20%	19%	19%	19%	19%
50-249 emps	22%	21%	21%	27%	26%	21%	24%	22%
Minimal external risk rating	14%	15%	14%	16%	14%	14%	14%	13%
Low	13%	12%	10%	12%	11%	14%	11%	15%
Average	11%	8%	8%	8%	11%	9%	11%	9%
Worse than average	9%	8%	8%	10%	10%	9%	9%	11%
Agriculture	5%	4%	4%	4%	5%	2%	3%	3%
Manufacturing	19%	18%	16%	16%	18%	22%	16%	19%
Construction	1%	2%	2%	2%	3%	2%	3%	3%
Wholesale/Retail	16%	13%	13%	14%	14%	14%	13%	15%
Hotels & Restaurants	4%	3%	3%	4%	3%	2%	3%	4%
Transport	10%	9%	9%	12%	11%	13%	13%	10%
Property/ Business Services	15%	14%	13%	15%	14%	15%	14%	16%
Health	4%	4%	2%	5%	8%	6%	7%	7%
Other Community	12%	10%	9%	10%	14%	10%	10%	12%
PNB	9%	10%	9%	10%	9%	9%	10%	10%
All excl PNBs	11%	9%	9%	10%	12%	12%	11%	12%
Starts	8%	6%	3%	8%	11%	10%	9%	9%
2-5 years trading	10%	10%	9%	10%	9%	9%	8%	9%
6-9 years	8%	10%	10%	12%	12%	9%	11%	10%
10-15 years	11%	9%	11%	10%	12%	12%	11%	12%
15+ years	11%	11%	10%	10%	10%	11%	10%	12%

Q84 (223) All SMEs

4 The general context

As with other metrics, follow up questions to exporters have been revised and amended over the years.

From Q1 2023 a simplified question about the proportion of sales made overseas has asked whether exports make up more or less than 50% of total sales. The table below shows the proportion achieving 50% or more of their sales overseas over time: after an increase to 27% of exporters in 2023 seen across all size bands, the figure for 2024 (21%) was more in line with previous years, as fewer smaller exporters said exports made up 50% or more of sales:

50%+ sales made overseas								
Over time – all exporters Row percentages	2017	2018	2019	Q1 20*	2021	2022	2023	2024
All exporters	22%	18%	18%	19%	17%	20%	27%	21%
0 employee	25%	18%	18%	18%	17%	20%	26%	21%
1-9 employees	17%	15%	18%	23%	17%	21%	29%	22%
10-49 employees	16%	15%	16%	21%	14%	16%	21%	21%
50-249 employees	21%	20%	16%	18%	14%	20%	26%	25%

Q85 (223x) All SMEs who export, excluding DK/refused * limited base size, indicative data for Q1 2020 only

In 2024, 11% of all SMEs were exporters. This is made up of the equivalent of 2% of all SMEs where exports made up 50% or more of their sales, and 9% of all SMEs where exports made up less than 50% of their sales. 89% of all SMEs did not export.

In previous waves, all exporters were asked about the extent to which they were selling to the EU, with around 3 in 10 saying that all or the majority of their export sales were made to the EU, though the figure was somewhat lower in 2022 at 25%.

From Q1 2023, a new question has been asked of exporters, seeking to understand how reliant the SME was on exports generally (to anywhere) to achieve their overall sales target, and thus potentially how vulnerable they might be to changes in the level of demand from overseas, or to the rules governing international trade.

4 The general context

As the table below shows, in 2024 40% of exporters were either very or fairly reliant on exports for their overall sales targets. This was unchanged from 2023 and the equivalent of 4% of all SMEs.

The largest exporters, with 50-249 employees, were more likely to be reliant on exports to achieve their sales targets (50%) than smaller exporters (39-40%):

All exporters					
YEQ4 24	Total	0 emps	0-9 emps	10-49 emps	50-249 emps
Unweighted base:	2739	389	1053	940	357
Very reliant on exports	18%	16%	21%	18%	22%
Fairly reliant	22%	23%	19%	22%	28%
Net very/fairly reliant:	40%	39%	40%	40%	50%
Not very reliant	27%	28%	25%	33%	29%
Not at all reliant on exports	33%	33%	35%	27%	21%

NEWQ86 All SMEs who export (from Q1 2023)

The table below summarises the position by sector. Those in Manufacturing, Wholesale/Retail and Property/Business Services were the most likely to export and were equally reliant on exports for their overall sales targets (38-39%), however the proportion in each of these sectors where exports make up 50% or more of their sales varied from 14% in Wholesale/Retail to 22% in Property/Business Services:

Exporting									
All SMEs YEQ4 24	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	778	2157	2562	2564	873	1544	3885	954	1694
Export:	3%	19%	3%	15%	4%	10%	16%	7%	12%
Exporters 50%+	22%	18%	35%	14%	40%	28%	22%	8%	20%
Exporters reliant	49%	38%	43%	39%	55%	48%	39%	29%	34%

Q84/Q85/NEWQ86 All SMEs /All exporters (limited base sizes in some sectors)

Customers

From Q1 2018, SMEs have been asked whether they sold to consumers, to other businesses or to both businesses and consumers. Having been rested from Q2 2020 to Q3 2021, they were re-introduced from Q4 2021 to Q4 2023 and then again for H2 2024, the period reported below.

As in previous years, slightly more SMEs sold to consumers (76%) than to other businesses (67%). This was due to the smaller SMEs being more likely to be selling to consumers than businesses, while the opposite was true for larger SMEs. 4 in 10 SMEs (43%) sold to both businesses and consumers with limited differences by size of SME:

All SMEs					
H2 24	Total	0 emps	0-9 emps	10-49 emps	50-249 emps
Unweighted base:	8507	1754	3556	2372	825
Other businesses only	24%	23%	23%	35%	36%
Consumers only	33%	35%	30%	19%	18%
Both businesses and consumers	43%	42%	47%	46%	46%
All selling to businesses	67%	65%	70%	81%	82%
All selling to consumers	76%	77%	77%	65%	64%

Q13a All SMEs (re-introduced Q3 2024)

Those with an element of exporting to their business were more likely to be selling to other businesses than their peers, with 40% of them only selling to other businesses:

All SMEs					
H2 24	Total	Export only	Import only	Fully intl	Domestic
Unweighted base:	8507	502	900	956	6149
Other businesses only	24%	40%	20%	40%	22%
Consumers only	33%	13%	33%	15%	36%
Both businesses and consumers	43%	47%	47%	45%	42%
All selling to businesses	67%	87%	67%	85%	64%
All selling to consumers	76%	60%	80%	60%	78%

Q13a All SMEs (re-introduced Q3 2024)

4 The general context

There were some clear differences by sector, with the proportion selling to businesses varying from 32% in Health and 34% in Hotels and Restaurants to 84% in Property/Business Services. There was also variation in the proportion selling to consumers, which ranged from 56% in Property/Business Services to 98% in Hotels and Restaurants:

Customer types									
All SMEs H2 24	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	387	1126	1382	1278	481	700	1837	502	814
Only businesses	27%	22%	8%	10%	2%	25%	44%	9%	24%
Only consumers	28%	24%	36%	43%	66%	35%	16%	68%	33%
Both	46%	54%	56%	47%	32%	40%	40%	22%	42%
All to businesses	72%	76%	64%	57%	34%	65%	84%	32%	67%
All to consumers	73%	78%	92%	90%	98%	75%	56%	91%	76%

Q13a All SMEs (re-introduced Q3 2024)

Membership of business groups or industry bodies

SMEs were asked whether the owner, senior partner or majority shareholder belonged to any business groups or industry bodies.

In 2024, 3 in 10 SMEs (29%) said that this was the case (excluding DK answers) in line with previous years:

Business Groups	Further analysis YEQ4 2024
By size of SME	Membership remained more likely amongst those with 10-49 employees: • 28% of 0 employee SMEs belonged to a business group/body • 29% of 1-9 employee SMEs • 35% of 10-49 employee SMEs • 29% of 50-249 employee SMEs
By external risk rating	Those with an average or worse than average risk rating remained somewhat less likely to belong to a business group (27% and 26% respectively), than those with a minimal or low risk rating (both 32%).
By sector	Those in the Health sector remained more likely to belong to a business group (44%) followed by those in Property/Business Services (35%) with limited differences elsewhere (22-28%).
PNBs and those using external finance	Those currently using external finance were no more likely to belong to such groups than those that did not use external finance (both 29%). There was almost no difference by whether the SME met the definition of a Permanent non-borrower (28%) or not (29%).
Age of SME	There were limited variations by age of SME. 32% of Starts belonged to a group, compared to 30% of those trading for more than 15 years, with a slightly lower proportion amongst those in-between (25-27%).

Q143 (Q265c) All SMEs excl DK

Business Ownership

In 2024, 72% of SME companies had one owner, declining by size from 91% of 0 employee companies to 25% of those with 50-249 employees. This means that of all SMEs, 87% were either sole proprietorships or companies with one owner, in line with 2021-2023.

SMEs with employees were also asked whether theirs was a family business. For YEQ4 2024, 67% of those with employees said that it was. This means that for SMEs as a whole:

- 18% had employees and were family owned
- 9% had employees and a different ownership structure
- 73% of all SMEs had no employees (so were not asked the question).

The mood of SMEs v current trading conditions

This chapter includes two more qualitative assessments of how SMEs were feeling when interviewed. These two questions provide an assessment of how SMEs felt at the time of interview and will be a reflection of some of the factors already reported such as growth and profitability. This therefore seems an appropriate place to include them rather than in the later chapter which looks more to the future.

- The first asks SMEs to give an overall score out of 10 for their current 'mood' about their business, where 10 was 'very good'. It was asked from Q2 2020 to Q2 2024 and the results in H1 2024 are shown here to complete the data series.
- The second is a new question first asked in Q1 2023, which asks SMEs to classify themselves into one of four groups in terms of their overall financial situation.

SME 'mood' over recent quarters to Q2 2024 is shown below. The improvement in mood during 2021 (from 40% to 60% giving a score of 7+), was maintained, though not improved, from 2022 onwards (57% gave a score of 7+ in Q2 2024):

Mood of SMEs									
By date of interview	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Unweighted base:	4250	4250	4252	4252	4253	3910	4595	4182	4322
Score 9-10 Very good	20%	21%	23%	21%	22%	22%	22%	21%	21%
Score 7-8	39%	37%	37%	39%	38%	38%	36%	38%	36%
Score 5-6	22%	27%	22%	22%	22%	25%	24%	23%	25%
Score 0-4 Very poor	18%	15%	18%	18%	17%	16%	19%	18%	19%
Score 7+	59%	58%	60%	60%	61%	60%	57%	59%	57%
Net (7-10 – 0-4)	+41	+43	+42	+42	+44	+44	+38	+41	+38

CV1 All SMEs

The proportion in a very poor mood (scores 0-4) was 34% in Q1 2021 but in recent quarters has been around 1 in 5 (and 19% in Q2 2024), giving a calculated 'net' score of around 4 in 10.

Taking a slightly longer term view, the table below details the 7-10 scores by key demographics across Q2 and Q4 2020 when this question was first asked during the pandemic, then for 2021, 2022 and 2023 as a whole and finally H1 2024:

- In Q2 2020 (April to June covering the first nationwide lockdown) a quarter of SMEs rated their mood as 'good' (25%). The most likely to be in a good mood were those with 50-249 employees (42%), in Agriculture (37%), with a minimal risk rating (37%) and PNBs (32%). This compared to a much less positive mood in Hotels and Restaurants (12%) and Transport (16%) who had been so immediately impacted by the pandemic. Those with plans to grow were also somewhat more likely to be in a 'good' mood (33% v 22% with no plans to grow).
- By Q4 2020, the proportion in a 'good' mood had increased to 41% overall, with an increase seen across all key demographics, with the exception again of Hotels and Restaurants (16%) and Transport (23%). Most likely to be in a 'good' mood were the largest SMEs (57%), those with a minimal risk rating (60%) and those in Agriculture (57%).
- In 2021, the proportion in a 'good' mood had increased again to 53%, with notable increases for those with 1-9 employees (to 58%), the struggling sectors of Hotels and Restaurants and Transport (to 44% and 41% though still below average), Starts and those trading for 2-5 years (to 60% and 53%).
- There was little subsequent change in overall mood in 2022, with 58% in a 'good' mood. There were though further increases year on year for those with 50-249 employees (to 80%), Hotels and Restaurants (to 54%), Health (to 63%), but also a decline in mood for those in Agriculture (to 54%). The most likely to be in a good mood in 2022 itself were larger SMEs with 10-49 or 50-249 employees (76% and 80%), PNBs compared to those who did not meet the definition (64% v 53%) and those with plans to grow compared to those with no such plans (63% v 55%).
- The proportion in a good mood in 2023 was unchanged at 59%, with minimal changes year on year by size of SME or risk rating. There were also minimal changes by sector with the exception of those in Construction (up 7 points to 72% in a good mood, the highest sector score) and Transport (also up 7 points to 55%) while for Hotels and Restaurants mood was down 6 points at 48%, the lowest sector and back closer to their mood in 2021.
- There was little change in overall mood between 2023 and H1 2024 (59% to 58%), and this was true across most demographics, with the slight exception of an improvement in mood amongst those in Hotels and Restaurants (up 7 points to 55% and more in line with the average) and Wholesale/Retail (up 6 points to 57%). Meanwhile, a lower mood was reported by those in Construction (down 8 points to 64%), though still ahead of many of their peers and back in line with 2022, and those who plan to grow (down 5 points to 60%).

4 The general context

Business Mood 7-10						
Over time	Q2 20	Q4 20	2021	2022	2023	H1 24
By date of interview – row percentages						
All SMEs	25%	41%	53%	58%	59%	58%
0 emp	24%	39%	50%	56%	58%	57%
1-9 emps	26%	41%	58%	62%	62%	60%
10-49 emps	34%	55%	70%	76%	77%	75%
50-249 emps	42%	57%	68%	80%	79%	75%
Minimal external risk rating	36%	60%	62%	66%	66%	69%
Low	23%	49%	57%	65%	65%	64%
Average	27%	38%	52%	59%	60%	57%
Worse than average	23%	39%	50%	55%	58%	56%
Agriculture	37%	57%	63%	54%	57%	61%
Manufacturing	27%	46%	57%	62%	59%	59%
Construction	19%	43%	57%	65%	72%	64%
Wholesale/Retail	27%	45%	51%	51%	51%	57%
Hotels & Restaurants	12%	16%	44%	54%	48%	55%
Transport	16%	23%	41%	48%	55%	56%
Property/ Business Services	33%	50%	57%	61%	60%	56%
Health	28%	37%	50%	63%	63%	65%
Other	19%	33%	50%	57%	54%	53%
PNBs	32%	48%	60%	64%	68%	66%
All excl PNBs	20%	37%	48%	53%	55%	54%
Starts	28%	35%	53%	60%	63%	60%
2-5 years trading	23%	34%	53%	53%	55%	55%
6-9 years	21%	48%	49%	57%	57%	57%
10-15 years	27%	42%	53%	59%	57%	57%
15+ years	23%	42%	53%	58%	60%	59%
Plan to grow	33%	46%	57%	63%	65%	60%
No plans to grow	22%	36%	49%	55%	55%	56%

CV1 All SMEs

4 The general context

In a new question from Q1 2023, SMEs were asked which of the following best described their business currently:

- **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.

Overall, a consistent third of SMEs described themselves as Well off / Comfortable, increasing by size of SME from 33% of those with 0 employees to 36% of those with 1-9 employees and half of those with either 10-49 or 50-249 employees (50% and 53% respectively):

SME status					
All SMEs YE Q4 24	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	16,932	3564	7193	4474	1701
Struggling	21%	23%	17%	8%	5%
Managing	45%	45%	47%	42%	41%
Comfortable	32%	31%	33%	45%	47%
Well off	2%	2%	3%	5%	6%
Comfortable/Well off	34%	33%	36%	50%	53%

NEWCV8 (NEW) All SMEs excluding DK answers

Overall 1 in 5 SMEs described themselves as 'Struggling' and this was more likely to be the case for the smallest SMEs (23%), declining by size to 5% of those with 50-249 employees.

4 The general context

The table below shows this analysis by sector. SMEs in Construction were the most likely to be feeling Comfortable/Well off (40%), alongside those in Property/Business Services (38%) and Health (37%). Meanwhile a quarter of those in the Hotel and Restaurant, Other Community and Agriculture sectors said that they were Struggling (25-26%):

SME status									
All SMEs YE Q4 24	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	775	2143	2551	2552	871	1537	3875	941	1687
Struggling	26%	23%	15%	22%	25%	22%	19%	19%	25%
Managing	45%	46%	44%	45%	48%	48%	43%	45%	46%
Comfortable	27%	28%	38%	30%	24%	27%	35%	35%	27%
Well off	2%	2%	2%	2%	3%	3%	3%	2%	2%
Comfble/Well off	29%	30%	40%	32%	27%	30%	38%	37%	29%

NEWCV8 (NEW) All SMEs excluding DK answers

Other groups more likely to be Comfortable/Well off (34% overall) included:

- Those with a minimal risk rating (44%)
- Permanent non-borrowers (42% v 29% not meeting the definition)
- Scaleups (41%)
- Those trading for more than 15 years (37%)
- Those not currently using any external finance (40% v 28% using finance).

Other groups more likely to be Struggling (21% overall) included:

- 39% of those planning to apply for finance
- 26% of Starts
- 25% of those who were not Permanent non-borrowers (v 13% meeting the definition).

The table below shows how the proportion that are Struggling has changed 2023 to 2024, with a small increase overall (up 3 points to 21%):

- Those with 0 employees saw slightly more of an increase (up 4 points to 23%) and remained the most likely to be Struggling.
- 20% of those with an average risk rating were Struggling (up 6 points from 14%), narrowing the gap to those with a worse than average rating (23% in 2024).
- A stable 25% of those in the Hotel and Restaurant sector were Struggling, ahead of many of their peers. They were joined in 2024 by those in Agriculture (up 11 points to 26%), along with the Other Community sector (up 5 points to 25%). The proportion struggling in Manufacturing was also up 6 points to 23%.
- With the exception of those trading for 2-5 years, all ages of SME were slightly more likely to be Struggling in 2024, notably those trading for 10-15 years (up 5 points to 20%), though Starts remained the most likely to be Struggling (up 4 points to 26%).

% Struggling		
Over time	2023	2024
By date of interview – row percentages		
All SMEs	18%	21%
0 emp	19%	23%
1-9 emps	15%	17%
10-49 emps	7%	8%
50-249 emps	3%	5%
Minimal external risk rating	12%	11%
Low	13%	14%
Average	14%	21%
Worse than average	21%	23%
Agriculture	15%	26%
Manufacturing	17%	23%
Construction	14%	15%
Wholesale/Retail	23%	22%
Hotels & Restaurants	25%	25%
Transport	20%	22%
Property/ Business Services	16%	19%
Health	16%	19%
Other	20%	25%
PNBs	11%	13%
All excl PNBs	21%	25%
Starts	22%	26%
2-5 years trading	23%	23%
6-9 years	18%	22%
10-15 years	15%	20%
15+ years	16%	17%
Use external finance	20%	25%
Do not use finance	16%	17%

4 The general context

As the table below shows, there are some clear differences in demographic profile between these four groups. Those who were Struggling are smaller, less likely to have grown (though they have ambitions to) or to have credit balances, but more likely to be using external finance (including still repaying pandemic funding) and to have an appetite to apply for more. Two thirds had been significantly impacted by increased costs and very few were in a good mood about their business or felt that the future offered opportunities:

Profile by SME status					
YEQ4 24 – all SMEs	Total	Struggling	Managing	Comfortable	Well off
Unweighted base:	17,011	2291	7534	6462	625
Demographics:					
Have employees	27%	20%	28%	30%	37%
Minimal/low risk rating	23%	15%	22%	27%	39%
Trading for 10+ years	59%	52%	60%	61%	71%
International	20%	21%	21%	19%	18%
£10k+ credit balances	29%	12%	26%	43%	67%
Sig. impacted by incr costs (H124)	40%	64%	41%	24%	15%
Growth and innovation:					
Have grown	29%	12%	24%	43%	65%
Plan to grow	47%	49%	46%	47%	55%
Innovative (past or future)	58%	61%	60%	54%	60%
Finance:					
Use external finance	45%	54%	48%	36%	41%
Still repaying pandemic funding	19%	23%	22%	13%	15%
Permanent non-borrower	35%	22%	33%	46%	45%
Plan to apply for finance	10%	19%	10%	6%	2%
Future would-be seeker	19%	30%	19%	11%	5%
Future happy non-seeker	71%	51%	71%	82%	93%
Mood:					
Mood 7-10 Good (H1 24)	58%	14%	56%	87%	92%
Future offers opportunities 7-10	32%	9%	24%	55%	70%

NEWCV8 All SMEs

The bank relationship

In early Monitor reports analysis was provided on overall satisfaction with the main bank. On an annual basis from 2011, overall satisfaction improved very slightly (80-84%) and was consistently higher for larger SMEs.

From Q1 2016 this question was replaced by one that sought to understand the banking relationship in more detail, with SMEs asked which of three phrases best described their relationship with their main bank. Since then questions on switching and trust have also been added and are reported in this section.

Switching main bank

A stable minority of SMEs (3% in 2024) had changed main bank in the past 3 years:

Switching	Further analysis YE Q4 2024
Size of SME	There was no variation by size (3-4%).
External risk rating	There was also little variation by risk rating (2-4%)
Age and sector	There was no variation by age of SME (3-4%) or by sector (2-4%) with the slight exception of Agriculture (5%).
PNBs and finance	There was little variation in levels of switching once the Permanent non-borrowers were excluded (4% v 2% of PNBs), or by whether the SME was using finance (4%) or not (3%).
International trade	Import only SMEs are very slightly more likely to have switched (6%) than their peers (all 3%).

Nature of the bank relationship

When asked about the nature of their relationship with their main bank, the most frequent answer in H2 2024 (when this question was asked), as in previous years, was that the relationship was fine but transactional. This was the case for 64% of SMEs in H2 24, up from 55% when this question was last asked in Q1 23:

Nature of relationship with main bank					
H2 24 all SMEs	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base	8507	1754	3556	2372	825
We have a strong working relationship with our bank and feel we can approach them whenever we need to	16%	13%	20%	35%	49%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	64%	66%	59%	51%	42%
We don't have an active working relationship with our bank and wish that we had one	20%	20%	21%	14%	9%

Q24a All SMEs

There were clear differences by size of SME:

- The proportion seeking a more active relationship with their bank declines by size from 20% of 0 employee SMEs to 9% of those with 50-249 employees.
- The opposite is true for a strong working relationship, which increases from 13% of those with 0 employees to 49% of those with 50-249 employees.
- The proportion saying their relationship is fine but transactional also declines by size of SME (66% of those with 0 employees to 42% of those with 50-249 employees).

Differences were also seen by other demographics:

- There were variations in relationship by risk rating. The proportion with a strong relationship declined from 24% for those with a minimal risk rating, and 22% of those with a low risk rating, to 15% of those with an average risk rating and 13% with an above average risk rating. There was less variation for those wanting a more active relationship, which increased slightly by risk rating from 17% to 21%.
- There was little variation by sector for those with a strong relationship (14-19%). The wish for a more active relationship ranged from 16% in Construction and 17% in Health to 26% in the Hotel and Restaurant sector.
- Excluding the Permanent non-borrowers did not change the proportion with a 'strong relationship' that much (to 17% v 14% of PNBs), but there was more of a difference in terms of wanting a more active relationship (23% v 16% of PNBs).
- There was limited variation in the proportion of SMEs with a 'strong relationship' by age of SME (13-17%), or the proportion wanting a more active relationship (22% for Starts and 20% for all other age bands).
- 16% of Fully International SMEs wanted a more active relationship with their bank, increasing amongst their peers to 25% of the Import only group.

4 The general context

Analysis by past borrowing behaviour had previously shown that those who had reported a borrowing event and those who were ‘Happy non-seekers’ of finance were more likely to have a ‘strong working relationship’ than those who had been Would-be seekers of finance.

As the table below shows, this was still partly the case in H2 2024 when 23% of those who had reported a borrowing event said that they had a strong relationship, compared to 14-15% of Would-be seekers and Happy non-seekers.

That said, in H2 24, a higher proportion of SMEs with any past appetite for finance wanted a more active relationship with their bank (31% if they had applied and 32% if they had been a WBS) compared to 18% of HNS.

Nature of relationship with main bank				
H2 24 all SMEs	Total	Had an event	WBS	HNS
Unweighted base	8507	1305	268	6934
We have a strong working relationship with our bank and feel we can approach them whenever we need to	16%	23%	14%	15%
The relationship with our bank is fine but we really just use the bank for transactions so rarely need to approach them	64%	47%	54%	68%
We don't have an active working relationship with our bank and wish that we had one	20%	31%	32%	18%

Q24a All SMEs

4 The general context

As the table below shows, over time, an increasing minority of SMEs have wished that they had a more active relationship with their bank, from 12% in 2016 to 27% in Q1 2023. In H2 2024 the proportion was down 7 points at 20%, back in line with Q1 2022 and still at the higher end of the range seen over recent years.

Wish had more active relationship with bank							
Over time	2018	2019	2020	Q1 2021	Q1 2022	Q1 2023	H2 2024
By date of interview – row percentages							
All SMEs	15%	11%	15%	17%	20%	27%	20%
0 emp	15%	12%	15%	18%	21%	29%	20%
1-9 emps	13%	11%	13%	13%	19%	25%	21%
10-49 emps	8%	8%	8%	9%	12%	16%	14%
50-249 emps	8%	6%	4%	4%	4%	9%	9%
Minimal external risk rating	8%	11%	13%	11%	16%	32%	17%
Low	12%	11%	11%	10%	16%	23%	19%
Average	15%	11%	15%	15%	22%	26%	20%
Worse than average	16%	11%	15%	22%	18%	28%	21%
Use external finance	12%	10%	15%	15%	21%	27%	23%
Have had borrowing event	12%	12%	17%	17%	31%	28%	31%
Plan to apply for finance	19%	14%	20%	21%	40%	32%	30%
PNBs	14%	11%	13%	18%	18%	25%	16%
All excl PNBs	15%	12%	15%	16%	22%	29%	23%
Starts	16%	11%	13%	19%	32%	27%	22%
2-5 years trading	17%	12%	16%	15%	19%	25%	20%
6-9 years	15%	7%	13%	15%	12%	36%	20%
10-15 years	13%	12%	16%	17%	18%	30%	20%
15+ years	14%	12%	15%	16%	17%	25%	20%

Q24a All SMEs

Compared to the period in Q1 2022, the data for H2 2024 showed that SMEs in many of the demographic groups were also in line with Q1 2022, with the exception of:

- Starts, where 22% wanted a more active relationship in H2 2024, down from 32% in Q1 2022
- Those planning to apply for finance where 30% wanted a more active relationship in H2 2024, down from 40% in Q1 2022.

Trust in banks

The issue of trust in the main bank has been investigated since 2018 (an additional question about broader trust in the banking industry has been added since 2023). SMEs were asked to rate their level of trust on a scale from 1 (do not trust them at all) to 10 (trust them entirely).

In 2024, a stable 6 in 10 SMEs (56%) gave a score of 8 to 10 for their level of trust in their own bank increasing to 64% of those with 50-249 employees. 1 in 10 SMEs overall (12%) gave a low trust score of 1-4 and this remained more likely to be the case for smaller SMEs:

Trust in main bank					
YEQ4 24 all SMEs	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base	17,011	3572	7204	4485	1750
High level of trust 8-10	56%	57%	54%	60%	64%
Medium level of trust 5-7	32%	31%	35%	31%	32%
Low level of trust 1-4	12%	12%	12%	9%	4%

Q24b All SMEs

55% of SMEs with employees had a high level of trust in their main bank.

The table overleaf provides further analysis by key demographics over the years for which this data is available. The 56% of SMEs in 2024 with a high level of trust in their main bank was in line with 2023 (and pre-pandemic), but somewhat lower than the 60% seen in 2021 and 2022. There were also limited changes by demographics year on year, with the slight exception of:

- Those trading for 2-5 years where trust dropped 5 points to 57%
- Those using external finance, where trust also dropped 5 points to 51%
- PNBs, where levels of trust increased by 4 points to 63%.

4 The general context

High level of trust in main bank (8-10)							
Over time	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages							
All SMEs	55%	55%	54%	60%	60%	57%	56%
0 emp	54%	54%	54%	60%	60%	57%	57%
1-9 emps	56%	55%	54%	59%	59%	57%	54%
10-49 emps	63%	66%	62%	65%	63%	62%	60%
50-249 emps	72%	70%	69%	67%	72%	64%	64%
Minimal external risk rating	58%	59%	58%	59%	62%	52%	51%
Low	57%	55%	53%	60%	60%	56%	57%
Average	54%	54%	55%	60%	62%	58%	57%
Worse than average	53%	54%	54%	61%	60%	58%	58%
Starts	50%	46%	59%	67%	67%	62%	64%
2-5 years trading	58%	56%	57%	63%	63%	62%	57%
6-9 years	52%	60%	53%	60%	59%	54%	58%
10-15 years	56%	60%	51%	59%	56%	54%	55%
More than 15 years	56%	57%	53%	57%	58%	55%	53%
Use external finance	51%	51%	52%	61%	59%	56%	51%
Have had borrowing event	51%	57%	51%	58%	53%	47%	47%
Plan to apply for finance	48%	55%	45%	55%	53%	52%	52%
PNBs	59%	60%	56%	61%	62%	59%	63%
All excl PNBs	50%	52%	53%	60%	58%	56%	53%

Q24b All SMEs



5. Financial context

How are SMEs funding themselves? Part 1.

THIS CHAPTER PROVIDES

an overview of the types of external finance being used by SMEs, including the use of core and other forms of finance, crowd funding and the use of personal funds and trade credit.





5. Financial context

HOW ARE SMES FUNDING THEMSELVES? Part 1.

KEY FINDINGS

Almost half of SMEs (45%) were using any external finance in 2024:

- 45% of SMEs were using external finance in 2024, increasing by size of SME from 41% of those with 0 employees to 65% of those with 10-49 employees. As has been seen, from the pandemic onwards the largest SMEs were no longer the most likely to be using external finance (43% in 2024).
- Those more likely than their peers to have used any finance in 2024 included those with 1-9 employees (65%), those in Agriculture (51%) or Hotels and Restaurants (54%) and those trading for 6-9 years (53%).
- There has been very little change in use of finance between 2023 and 2024, with the Hotel and Restaurant sector being the exception (use of external finance rose from 47% to 54%).

This included 1 in 5 SMEs still repaying government-backed pandemic funding:

- In 2024, just as in 2023, 19% of SMEs were still repaying government-backed pandemic funding. That represents two-thirds of the 28% of SMEs that were originally granted such funding.
- 33% of all SMEs with 10-49 employees were still repaying government-backed funding, as were 26% of those with 1-9 employees, compared to 17% of the smallest SMEs with 0 employees and 12% of the largest SMEs with 50-249 employees.
- 29% of those trading for 6-9 years and 26% of those trading for 10-15 years still had this finance to repay (due to their age relative to the pandemic, younger SMEs were less likely to have

45%
of SMEs were
using any external
finance in 2024

19%
of SMEs are still
repaying pandemic
funding



had or be repaying such funding). Looking across the sectors the Hotel and Restaurant sector was the most likely to have pandemic finance to repay (27%).

Just over 1 in 4 used ‘core’ finance and 2 in 10 used ‘other’ forms of finance:

- 28% of SMEs were using one of the 3 forms of ‘core’ finance, down very slightly on the 31% using such funding in 2023. 15% were using credit cards, 11% a bank overdraft and 9% a bank loan. All but the largest SMEs were less likely to be using core finance in 2024 compared to 2023, down 3-4 points.
- Back in 2023, the higher use of external finance was a result of both the improved measurement of pandemic funding and increased use of core funding. In 2024 the story was one of stability/decline in usage of core finance, across most sizes, sectors and ages of SME. Wholesale/Retail was a good example – core finance use was 30% in 2022, rose to 34% in 2023 before falling back to 30% in 2024.
- Those with 10-49 employees were the most likely to be using core finance (48%), with higher use of all the forms of finance (credit cards 32%, a bank overdraft 18% and/or a bank loan 19%), albeit usage (in total and across each product) is down on 2023.
- 20% of SMEs used some ‘other’ form of finance in 2024, primarily leasing/hp (10%), while 8% had received a loan from directors, friends or family.
- Those with 10-49 employees were again the most likely to be using other forms of finance (40%), with higher use of leasing/hp (30%) but not of loans from directors, friends or family (9%).

Three quarters of those using external finance were borrowing less than £25,000, and half were borrowing on a fixed rate. A quarter said some or all of their facilities were secured:

- 74% of SMEs using finance were borrowing less than £25,000 in total –up from 67% in 2023. The 26% of all finance users borrowing more than this (down from 33% last year) increased by size of the borrower from 17% of those with 0 employees to 80% of those with 50-249 employees. It was also higher for those still repaying pandemic funding, where 34% were borrowing more than £25,000 (albeit down from 44% in 2023).
- Those in Agriculture or the Hotel and Restaurant sector were more likely than their peers to be borrowing £25,000+ (36% and 37%), both down on 2023, and Starts were much less likely to be borrowing such sums in 2024 than in 2023 (16% compared to 32%).

- 54% of borrowers said that some or all of their borrowing was on a fixed rate. There was little difference by size of SME (54-55% on a fixed rate) except for the largest SMEs (45%). Similarly, there was little difference by sector (52-59% on a fixed rate) with the slight exception of Construction (50%) and Agriculture (61%).
- 24% of borrowers said that some or all of their borrowing was secured. This increased by size of borrower, from 22% of those with 0 employees to 31% of those with 50-249 employees (down from 44% in 2023).

14% of borrowers (the equivalent of 6% of all SMEs) were concerned about repaying the finance they currently had, in line with 2023. 8 in 10 said these concerns had impacted their plans for their business but over half had no plans to speak to their lender, with some uncertainty about how the lender would respond:

- 14% of borrowers were concerned about how they would repay the finance they had. This was more likely to be the case for smaller SMEs (15% of those with 0 employees and 15% of those with 1-9 employees compared to 8% and 3% of those with 10-49 and 50-249 employees).
- This is the equivalent of 6% of all SMEs, in line with 2023 and down from 9% in Q2-4 2021. Those in Hotels and Restaurants (9%), Manufacturing (8%), and those trading for 6-9 years (8%) were the most likely to be concerned in 2024.
- 8 in 10 of those concerned said this had impacted their plans for the business, primarily how much they can grow the business (65% of those concerned) or invest in it (54%). This is up from 7 in 10 of those concerned in H2 2022 reporting any impact and is the equivalent of 5% of all SMEs in 2024.
- 25% of all those concerned about repaying their existing finance had already spoken to their lender, with a further 11% planning to do so, leaving the largest group (63%) with no plans at all to speak to their lender.
- Three-fifths of those who had already spoken to their lender had received help, or were still in discussions, and typically had agreed to a repayment or re-financing plan, with over half satisfied with the outcome.
- Amongst those who had not already spoken to their lender, around a quarter were sure that their lender would treat them fairly (29%), offer practical help (23%) and/or be supportive (19%), while around half were uncertain that these things would happen. Between a fifth and a third thought it unlikely that their

14%
of borrowers were
worried about
repaying the finance
they already have

lender would assist in any way, and this was more likely to be the view of those with no plans to speak to their lender.

Other sources of funding for SMEs in 2024 included injections of personal funds, while a quarter of SMEs had a facility for their business in a personal name:

- 37% of SMEs reported an injection of personal funds into the business in 2024, 14% through choice and 22% through need.
- The smallest SMEs (39%), those with a worse than average risk rating (49%), those in the Hotel and Restaurant sector (45%) along with Starts (59%) and those trading for 2-5 years (46%) were more likely to report such an injection of funds than their peers.
- Since 2021, over 1 in 3 SMEs have reported an injection of funds (34-37%) compared to around 1 in 4 pre-pandemic (24% in 2019), with smaller and younger SMEs always more likely to report such an injection as were those that had been a 'Would-be seeker of finance' (69%).
- Whilst 9% of SMEs used a personal bank account for their business banking (down from around 1 in 5 in the early days of the Monitor) 10% had a facility in a personal name for their business, the equivalent of 24% of all finance users, both driven by the smallest SMEs.

Over
1 in 3
of SMEs had seen
an injection of
personal funds

2 in 5 SMEs regularly bought on trade credit in 2024. Three-quarters of SMEs in total used any of the various forms of 'Business Funding':

- 39% of SMEs regularly bought on trade credit, with the larger SMEs more likely to be doing so (32% of those with 0 employees to 79% of those with 50-249 employees).
- The proportion using trade credit increased from 34% in 2018 to 37% in 2019 as more SMEs with 1-9 employees accessed this credit. Since then the proportion of 0 and 1-9 employee SMEs using trade credit has remained broadly stable while increasing for those with 10-49 or 50-249 employees.
- Taking use of external finance, trade credit and/or injections of personal funds together saw 75% of SMEs in 2024 using any form of 'Business Funding', just as in 2023. Those with 0 employees were the least likely to be using it (72%) compared to 90% of those with 10-49 employees, boosted by their higher use of external finance reported above.

Financial context

This is the first of two chapters on external funding in its many forms. They reflect the extended list of the types of finance that SMEs could say they were using introduced in Q1 2028 and some further changes from Q1 2023 to better reflect on-going repayment of pandemic-related funding.

This first chapter covers current use of external finance as well as the role of personal finance (whether as a borrowing facility or an injection of personal funds), the second chapter covers some of the wider context, including the Permanent non-Borrowers, use of trade credit and attitudes to finance.

Use of external finance – definition change from 2023

The 'External finance' metric now includes any use of three forms of finance:

- Any 'core' finance (loans, overdrafts and /or credit cards), a list unchanged from Q1 2018
- Any 'other' forms of finance such as leasing, invoice finance etc a list also unchanged from Q1 2018
- Those still repaying government backed pandemic funding, included from Q1 2023 following a change to the questionnaire.

These changes were explained in some detail in the 2023 report. In summary, all data from Q1 2023 onwards includes those still repaying pandemic funding in the 'any use of external finance' calculation. In the 2023 report, old and new figures for use of external finance in 2022 were provided based on the re-calculation described above, to help to bridge the 'gap' between old and new definitions of external finance. Where figures for Q4 2022 or 2022 as a whole are shown in this chapter they are based on the 'corrected' figures from the 2023 report (i.e. as close to the new definition as it was possible to be).

Use of any external finance by key demographics

Use of external finance for YEQ4 2024, using the new definition from 2023 explained above, was 45%. The table below shows that those with 1-9 or 10-49 employees continued to be more likely to be using some form of external finance than their smaller and larger peers:

Use of external finance in last 5 years					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Use any now	45%	41%	54%	65%	43%
Traditional core/other finance	39%	35%	47%	59%	41%
Any other finance	19%	17%	26%	31%	10%
Used in past but not now	3%	3%	3%	2%	5%
Not used at all	52%	56%	43%	32%	52%

Q14/15 All SMEs – new definition from Q1 2018 and revised for Q1 2023

As the table below shows, use of finance increased during 2023 (with the new definition from the start of the year) but this was not entirely maintained in 2024. In Q4 2024, 46% of SMEs were using any form of external finance:

Use of external finance in last 5 years									
Over time – all SMEs	Q4 2022*	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
By date of interview									
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Use now	39%	41%	44%	51%	49%	48%	43%	43%	46%
Used in past, not now	5%	3%	3%	2%	3%	2%	3%	3%	4%
Not used at all	56%	55%	53%	47%	48%	50%	54%	54%	50%

Q14/15 All SMEs – ADJUSTED FIGURE FOR Q4 2022 AND REVISED DEFINITION FROM Q1 2023

Across 2024, use of any finance was somewhat lower in Q2 and Q3 (both 43%) than in either Q1 (48%) or Q4 (46%). Only those with 10-49 employees had a relatively stable use of finance throughout the year, with the largest SMEs ending the year 6 points lower than they started it:

Use of external finance							
Over time by date of interview – row percentages	2021	2022*	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
All SMEs	43%	40%	46%	48%	43%	43%	46%
0 emp	38%	37%	42%	44%	39%	40%	42%
1-9 emps	56%	52%	58%	59%	55%	50%	55%
10-49 emps	62%	62%	69%	67%	65%	62%	68%
50-249 emps	37%	36%	47%	50%	45%	34%	44%

Q14/15 All SMEs – * ADJUSTED FIGURE FOR 2022 AND REVISED DEFINITION FROM Q1 2023

The table below shows use of finance by risk rating for recent quarters, with no consistent pattern over time:

- Over the course of 2024, those with a minimal risk rating initially saw a decline in use of finance but in Q4 they were back in line with Q1 and 2023.
- Those with a low risk rating ended 2024 less likely to be using external finance (and the least likely of the four risk bands) at 39%.
- In contrast, those with an average risk rating ended the year more likely to be using external finance than in 2023 or Q1 2024, and the most likely risk band to be doing so (57%)
- Finally those with a worse than average risk rating end the year less likely to be using finance than in Q1 2024, but in line with 2023 at 42%:

Over time – all SMEs							
By date of interview – row percentages	2021	2022*	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
All SMEs	43%	40%	46%	48%	43%	43%	46%
Minimal	46%	45%	52%	53%	47%	43%	53%
Low	47%	46%	50%	46%	48%	46%	39%
Average	40%	39%	44%	46%	38%	42%	57%
Worse than average	41%	39%	44%	49%	46%	40%	42%

Q14/15 All SMEs – * ADJUSTED FIGURE FOR 2022 AND REVISED DEFINITION FROM Q1 2023

Analysis by age of SME showed that those trading for 6-9 years saw the biggest change in use of finance (from 54% in 2023 to 45% in Q4 2024) making them the least likely to be using external finance, alongside those trading for 10-15 years:

Over time – all SMEs							
By date of interview – row percentages	2021	2022*	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
All SMEs	43%	40%	46%	48%	43%	43%	46%
Starts	33%	28%	34%	41%	33%	29%	38%
2-5 years trading	45%	46%	50%	48%	47%	40%	47%
6-9 years	49%	45%	54%	55%	62%	53%	45%
10-15 years	44%	46%	52%	47%	44%	50%	45%
More than 15 years	44%	42%	47%	50%	43%	44%	50%

Q14/15 All SMEs – * ADJUSTED FIGURE FOR 2022 AND REVISED DEFINITION FROM Q1 2023

The table below shows use of external finance on an annual basis over the longer term, with the adjusted figures for 2022, and the new definition for 2023 and 2024 that includes repaying pandemic funding. Typically around 4 in 10 SMEs have used external finance, with the 46% and 45% using finance under the new definition from 2023 at the top of the range seen:

The difference between 2023 and 2024 was just 1 percentage point (46% to 45%) but within each demographic group there were some slightly more significant changes:

- The overall figure is driven by the 0 employee SMEs, whose use of finance changed very little 2023 to 2024 (down 1 point to 41% and above pre-pandemic levels). Amongst those with employees, use of finance was down 4 points in each size band year on year. Those with 10-49 employees remained the most likely to be using finance (65% and slightly above pre-pandemic levels), followed by those with 1-9 employees (54% and above pre-pandemic levels) and those with 50-249 employees (43% and well below pre-pandemic levels).
- Use of finance amongst those with a minimal or low risk rating was somewhat lower in 2024 than in 2023, down 5 points for those with a minimal rating (47%) and 3 points for those with a low rating (47%) and in line with pre-pandemic levels. As a result they were no more likely to be using finance than those with a worse than average rating (up 2 points to 46%) and only slightly more likely than those with an average rating (down 1 point to 43%).
- Analysis by sector saw limited changes in use of finance, with the exception of the Hotel and Restaurant sector where use of finance increased by 7 points to 54%, making them the most likely to be using external finance, followed by those in Agriculture (a stable 51%) and Transport (down 3 points to 50%). Those in the Health sector remained the least likely to be using external finance (down 3 points to 30%).
- Around 1 in 3 SMEs can be described as Permanent non-borrowers (defined in the next chapter), with no use of, or apparent appetite for, finance. Once they were excluded, use of finance amongst remaining SMEs initially increased from 66% in 2012 to 78% in 2019, the highest proportion seen to date on the SME Finance Monitor. In 2020, the proportion dropped to 61%, the lowest level seen to date, but since then has been more in line with earlier years (69% in 2024).
- Starts remained less likely to be using external finance than their older peers (35% and unchanged from 2023). There was no consistent pattern by age of SME: Those trading 6-9 years remained the most likely to be using finance (a stable 53%) with little to choose between the other age bands (46-47%). For those trading 10-15 years, the 46% using finance was 6 points lower than in 2023 and for those trading 2-5 years the 46% using finance was 4 points lower than 2023.

Currently use external finance								
Over time – all SMEs	2017	2018	2019	2020	2021	2022*	2023*	2024
By date of interview – row percentages								
All SMEs	38%	36%	45%	37%	43%	40%	46%	45%
0 emp	34%	34%	43%	32%	38%	37%	42%	41%
1-9 emps	49%	42%	50%	49%	56%	52%	58%	54%
10-49 emps	64%	54%	60%	58%	62%	62%	69%	65%
50-249 emps	73%	77%	77%	58%	37%	36%	47%	43%
Minimal external risk rating	48%	46%	46%	41%	46%	45%	52%	47%
Low	45%	38%	48%	45%	47%	46%	50%	47%
Average	37%	35%	41%	36%	40%	39%	44%	43%
Worse than average	36%	35%	46%	34%	41%	39%	44%	46%
Agriculture	50%	46%	56%	44%	45%	42%	52%	51%
Manufacturing	43%	34%	44%	38%	47%	47%	46%	45%
Construction	37%	34%	48%	36%	40%	42%	47%	49%
Wholesale/Retail	48%	43%	52%	44%	49%	45%	49%	48%
Hotels & Restaurants	43%	39%	48%	48%	55%	46%	47%	54%
Transport	40%	37%	46%	43%	47%	41%	53%	50%
Property/ Business Services	33%	31%	37%	33%	38%	35%	45%	42%
Health	41%	49%	56%	28%	34%	33%	33%	30%
Other	34%	37%	42%	31%	44%	45%	44%	42%
All excl PNBs	72%	70%	78%	61%	70%	73%	71%	69%
Starts	42%	54%	75%	34%	33%	28%	34%	35%
2-5 years trading	33%	32%	36%	38%	45%	46%	50%	46%
6-9 years	34%	34%	41%	37%	49%	45%	54%	53%
10-15 years	41%	34%	38%	35%	44%	46%	52%	46%
15+ years	39%	30%	37%	38%	44%	42%	47%	47%

Q14/15 All SMEs – *ADJUSTED FIGURE FOR 2022 AND REVISED DEFINITION FROM 2023

Pandemic funding

As detailed at the start of this chapter, from Q1 2023 a revised question has clarified the current use of any government backed pandemic related funding. Those still repaying pandemic funding have been automatically added to the 'using external finance' metric and those who applied for this funding (whether successful, already repaid or still repaying) can no longer be classed as a Permanent non-borrower.

As the table below shows for 2024:

- 28% of SMEs applied for government backed funding, almost all of them successfully (1% of applicants were unsuccessful, the equivalent of <1% of all SMEs). 27% of SMEs had or have had a government backed facility, increasing to 47% of those with 10-49 employees.
- 19% of all SMEs were still repaying their pandemic funding, increasing to 33% of all SMEs with 10-49 employees and 26% of those with 1-9 employees, compared to 17% of those with 0 employees and 12% of those with 50-249 employees.
- Of those who applied for any pandemic funding, most (68%) were still repaying it, with little variation in the proportion by size with the exception of the largest SMEs where 35% of those who applied for such a facility were still repaying it:

Use of Government backed pandemic funding					
YEQ4 24 – all SMEs excl DK	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	15,889	3525	6926	4100	1338
Applied for government backed funding	28%	25%	36%	47%	34%
Took and repaid government backed funding	8%	8%	10%	14%	21%
Took and still repaying	19%	17%	26%	33%	12%
Applied but not successful	1%	1%	1%	*	1%
Did not apply for government backed pandemic funding	72%	75%	64%	53%	66%
% of those with facility still repaying	68%	68%	72%	70%	35%

Qbb2ax All SMEs excl Dk from Q1 2023

The table below provides analysis by risk rating and shows that those with a minimal or low risk rating were somewhat more likely to have applied for pandemic funding than those with an average or worse than average risk rating.

- Overall, 26% of those with a low risk rating were still repaying government backed funding, compared to 21% with a minimal risk rating and 17-18% of those with an average or worse than average risk rating.
- As a proportion of those who applied for pandemic funding, it is those with a low risk rating who were more likely to still be repaying the funding (68% of those who applied for any funding) with little difference by other risk ratings:

Use of Government backed pandemic funding					
YEQ4 24 – all SMEs excl DK	Total	Min	Low	Avge	WTA
Unweighted base:	15,889	2857	3986	4200	3608
Applied for government backed funding	28%	34%	38%	28%	29%
Took and repaid government backed funding	8%	12%	11%	10%	5%
Took and still repaying	19%	21%	26%	17%	18%
Applied but not successful	1%	1%	*	1%	1%
Did not apply for government backed pandemic funding	72%	66%	62%	72%	76%
% of those with facility still repaying	68%	62%	68%	61%	62%

Qbb2ax All SMEs excl Dk from Q1 2023

Analysis by sector showed some variation in the proportion who applied for government backed funding, ranging from 18% in Health to 34% in Hotels and Restaurants and 33% in both Transport and Construction. Overall, 1 in 5 of all SMEs in each sector were still repaying government backed funding, with the exception of Health (10%) and Hotels and Restaurants (27%).

Amongst those who applied for any pandemic funding, it is those in the Hotel and Restaurant sector who were most likely to still be repaying (79%) compared to 56% in Health and 61-76% elsewhere:

Use of government backed funding									
YEQ4 24 – all SMEs excl DK	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	744	1978	2412	2372	808	1456	3663	845	1611
Applied	29%	31%	33%	29%	34%	33%	26%	18%	25%
Took and repaid	9%	9%	11%	8%	7%	11%	7%	7%	6%
Took, repaying	19%	21%	20%	20%	27%	22%	18%	10%	19%
Unsuccessful	*	*	1%	1%	1%	1%	1%	1%	1%
Did not apply	71%	69%	67%	71%	66%	67%	74%	82%	75%
% still repaying	66%	68%	61%	69%	79%	67%	69%	56%	76%

Qbb2ax All SMEs excl Dk from Q1 2023

The analysis below by age of SME reflects the facts that most Starts were not in existence when the government backed pandemic funding was available, with 5% of Starts having applied for a government backed facility. The proportion then increases by age of SME to 37% of those trading for 6-9 years, 38% of those trading for 10-15 years and 36% of those trading for more than 15 years.

Overall, it is those trading for 6-9 or 10-15 years who were most likely to still be repaying such funding (29% and 27% of all SMEs in each age group). As a proportion of those who originally applied for such finance, those trading for 6-9 years were most likely to still be repaying (78%) compared to 7 in 10 of those trading for 2-5 or 10-15 years, and 6 in 10 of the oldest and the (small group of) youngest SMEs:

Use of Government backed funding					
YEQ4 24 – all SMEs excl DK	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	499	1509	1593	3302	8986
Applied for government backed funding	5%	21%	37%	38%	36%
Took and repaid government backed funding	2%	5%	8%	11%	12%
Took and still repaying	3%	15%	29%	27%	23%
Applied but not successful	*	1%	1%	1%	1%
Did not apply for government backed funding	96%	79%	63%	62%	64%
% of those with facility still repaying	60%	71%	78%	71%	64%

Qbb2ax All SMEs excl Dk from Q1 2023

This government backed funding is one of the three components of the revised ‘Using any external finance’ metric. Analysis showed that:

- Of those who were still repaying government backed funding (and so by definition are using external finance) 66% were also using another ‘traditional’ form of finance.
- 40% of those who took but have repaid government backed funding were currently using any external finance.
- 31% of those who did not apply for any government backed funding were currently using any external finance.

Other metrics showed that:

- 15% of those still repaying this funding were planning to apply for finance in future, twice the level of those who had either repaid the funding (8%) or had not applied for any (9%).
- 24% of those still repaying this funding described themselves as 'Struggling', compared to 16% of those who had repaid their funding and 20% of those who had not applied for any.
- 47% of those still repaying this funding planned to grow in the coming year, compared to 41% of those who had repaid their funding and 48% of those who had not applied for any.

Summary use of core and other forms of finance

The overall use of finance figure already reported (45%) continues to include use of the 'core' forms of finance often provided by banks (overdrafts, loans (including commercial mortgages) and/or credit cards) and a range of 'other' forms of finance available to SMEs. The 28% using core finance in 2024 is slightly below the 31% using such funding in 2023, while use of 'other' finance is stable at 20% (v 21% in 2023)

Detailed breakdowns by the types of products included in each definition are provided later in this chapter.

The analysis below shows the use of core forms of finance on an annual basis (note that this does not include data from the use of pandemic related funding question referenced earlier in this chapter).

As mentioned above, the 28% using core finance in 2024 was down very slightly on the 31% using such funding in 2023:

- All but the largest SMEs were less likely to be using core finance in 2024 compared to 2023, down 3-4 points. Those with 10-49 employees remained the most likely to be using such funding (48%).
- All but those with a worse than average risk rating were less likely to be using core finance in 2024 than in 2023, notably those with a low risk rating (down 6 points to 30%). Despite a drop of 4 points year on year, those with a minimal risk rating remained the most likely to be using core finance (33%).
- There were limited changes 2023 to 2024 for most sectors, with the exceptions of the Other Community sector (down 7 points to 24%) and Property/Business Services (down 5 points to 25%). Agriculture remained the most likely to be using core finance (up 2 points to 40%) and those in Health the least likely (down 3 points to 20%).
- Excluding the Permanent non-borrowers increased the proportion of remaining SMEs using core finance to 43% in 2024. This was slightly lower than recently seen (47-51% since 2020).
- With the exception of those trading for 15+ years (a stable 33%), all ages of SME were somewhat less likely to be using core finance in 2024 than in 2023, notably those trading for 10-15 years (down 7 points to 29%). Starts remained the least likely to be using such finance (down 4 points to 17%) and those trading for 15+ years the most likely (33%).

Currently use any core finance							
Over time – all SMEs	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages							
All SMEs	32%	39%	29%	31%	26%	31%	28%
0 emp	29%	37%	24%	26%	23%	28%	24%
1-9 emps	36%	42%	39%	43%	36%	39%	36%
10-49 emps	46%	52%	48%	51%	48%	52%	48%
50-249 emps	70%	71%	50%	30%	25%	33%	34%
Minimal external risk rating	41%	40%	32%	37%	31%	37%	33%
Low	34%	41%	35%	37%	32%	36%	30%
Average	31%	35%	28%	29%	26%	31%	26%
Worse than average	30%	39%	27%	29%	25%	27%	27%
Agriculture	40%	48%	35%	35%	29%	38%	40%
Manufacturing	31%	37%	29%	35%	32%	30%	29%
Construction	29%	42%	29%	29%	27%	30%	32%
Wholesale/Retail	37%	45%	37%	35%	30%	34%	30%
Hotels & Restaurants	36%	42%	38%	41%	29%	31%	32%
Transport	30%	38%	32%	35%	27%	34%	30%
Property/ Business Services	27%	32%	26%	28%	23%	30%	25%
Health	45%	52%	22%	22%	21%	23%	20%
Other Community	32%	34%	23%	28%	30%	31%	24%
All excl PNBs	61%	67%	48%	51%	51%	47%	43%
Starts	50%	68%	26%	21%	14%	21%	17%
2-5 years trading	25%	28%	29%	32%	29%	27%	25%
6-9 years	30%	34%	30%	35%	30%	35%	30%
10-15 years	28%	32%	27%	33%	32%	36%	29%
15+ years	27%	32%	30%	33%	29%	33%	33%

Q15 All SMEs -new definition for Q1 2018

The table below shows the summary use of any of the 'other' forms of finance, by key demographics, over time. There has been little change in usage in recent years (20-21% since 2022) either overall or by key demographics with those with 10-49 employees still the most likely to be using these forms of finance (40%):

Currently use any 'other' finance							
Over time – all SMEs	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages							
All SMEs	12%	16%	18%	24%	20%	21%	20%
0 emp	9%	13%	15%	21%	17%	18%	17%
1-9 emps	18%	22%	27%	33%	28%	28%	27%
10-49 emps	28%	33%	37%	45%	39%	43%	40%
50-249 emps	49%	33%	36%	28%	22%	31%	29%
Minimal external risk rating	14%	20%	22%	26%	26%	25%	22%
Low	14%	19%	25%	27%	22%	22%	22%
Average	11%	13%	18%	23%	20%	19%	19%
Worse than average	12%	16%	16%	24%	19%	21%	21%
Agriculture	15%	24%	22%	28%	24%	24%	26%
Manufacturing	11%	15%	20%	28%	22%	20%	20%
Construction	11%	14%	17%	22%	21%	22%	21%
Wholesale/Retail	16%	22%	20%	28%	25%	21%	21%
Hotels & Restaurants	12%	17%	26%	38%	25%	19%	21%
Transport	14%	20%	25%	27%	21%	28%	25%
Property/ Business Services	10%	12%	16%	21%	15%	20%	19%
Health	12%	12%	14%	19%	17%	11%	13%
Other Community	10%	16%	17%	27%	24%	20%	18%
All excl PNBs	22%	27%	31%	40%	39%	32%	31%
Starts	11%	17%	16%	19%	18%	19%	21%
2-5 years trading	15%	17%	21%	26%	22%	27%	24%
6-9 years	12%	17%	20%	28%	21%	25%	22%
10-15 years	12%	15%	18%	26%	23%	21%	18%
15+ years	10%	15%	18%	25%	19%	20%	19%

Q15 All SMEs – new definition Q1 2018

Detailed use of all forms of external finance

The table below shows the full list of the different types of ‘traditional’ funding covered on the SME Finance Monitor since Q1 2018 and being used by SMEs YEQ4 2024. It includes both the core forms of finance and the other forms of finance about which data has been collected, some of which may also be obtained from the bank. Credit cards are the most used form of ‘core’ funding, with Leasing/HP remaining the most used form of ‘other’ funding:

External finance currently used					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Core products (any)	28%	24%	36%	48%	34%
-Credit cards	15%	13%	18%	32%	23%
-Bank overdraft	11%	10%	14%	18%	16%
-Bank loan	9%	8%	14%	19%	14%
-Commercial mortgage	2%	1%	3%	6%	5%
-Any other loan	1%	1%	2%	2%	1%
-Any other overdraft	*	*	*	*	-
Other forms of finance (any)	20%	17%	27%	40%	29%
-Leasing or hire purchase	10%	7%	14%	30%	21%
-Loans from directors, family & friends	8%	8%	10%	9%	3%
-Equity from directors, family & friends	2%	2%	4%	3%	1%
-Invoice finance	1%	1%	2%	5%	8%
-Grants	2%	2%	3%	5%	4%
-Crowd funding / peer to peer*	*	*	1%	1%	*
-Asset based lending*	1%	*	1%	2%	1%
-Selective/single invoice finance*	*	*	*	*	*
Any ‘traditional’ finance	39%	35%	47%	59%	41%
None of these	61%	65%	53%	41%	59%

Q15 All SMEs – new definition from Q1 2018

The figures above have not been adjusted in the light of the additional questions around pandemic related funding. And it is possible that there is some double counting in the bank loan figure above by those still repaying pandemic funding:

- 9% of all SMEs reported having a bank loan in 2024 as a whole. Meanwhile, in a separate question, 19% of SMEs reported that they were still repaying government backed pandemic funding.
- Analysis across these two groups shows that 6% of all SMEs said both that they had a bank loan and that they were still repaying pandemic funding.
- It is not possible to tell from the data whether these SMEs were talking about the same loan at both questions, but if they were this would reduce the proportion with a (non-pandemic) bank loan to 3% of SMEs for 2024. It is of course possible that they have more than one bank loan, so the true figure is likely to be somewhere between 3% and 9%.

Amongst SMEs with employees, 49% were using any of this external finance – 37% were using any form of core finance and 29% any of the other forms of finance listed.

The table below takes an annual view of the use of these individual finance products, back to 2017.

- Use of credit cards was 15% in 2024, not quite maintaining the increase to 17% seen in 2023.
- In 2021, potentially boosted by pandemic related funding, use of bank loans/commercial mortgages reached 17% but has been somewhat lower since (10% in 2024), while the proportion using Grants dropped from 14% to 2% of SMEs:

Use of 'traditional' finance								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview								
Core products (any) *	31%	32%	39%	29%	31%	26%	31%	28%
-Bank overdraft	18%	19%	23%	13%	11%	10%	13%	11%
-Bank loan/Commercial mortgage	6%	9%	9%	12%	17%	13%	12%	10%
-Credit cards	16%	14%	18%	13%	11%	11%	17%	15%
-Any other loan*	-	1%	1%	1%	3%	3%	2%	1%
-Any other overdraft*	-	*	*	*	*	*	*	*
Other forms of finance (any) *	18%	12%	16%	18%	24%	20%	21%	20%
-Leasing, hire purchase or vehicle finance	9%	7%	11%	9%	9%	8%	10%	10%
-Loans/Equity from directors/family/friends	5%	4%	4%	4%	5%	6%	8%	9%
-Invoice finance	3%	1%	1%	1%	1%	1%	1%	1%
-Grants	2%	1%	1%	8%	14%	9%	4%	2%
-Crowd funding/ peer to peer*	-	*	*	*	*	*	*	*
-Asset based lending*	-	*	*	*	*	*	*	1%
-Selective/single invoice finance*	-	*	*	*	*	1%	*	*
Any 'traditional' finance	38%	36%	45%	37%	43%	36%	41%	39%

Q15 All SMEs – new definition Q1 2018

SMEs could use one or more of the forms of finance listed above, but each year over half have used just one if they used any: in 2024, 60% of those SMEs using any external finance were only using one of the forms of finance listed, the equivalent of 23% of all SMEs.

The table below shows the number of forms of finance used by all SMEs for YEQ4 2024 (including the 61% using no external finance). Around 1 in 4 used one type of finance, with the slight exception of those with 50-249 employees where 13% used one form of finance. Larger SMEs were more likely to be using 3 or more forms of finance (20% of those with 10-49 employees and 17% of those with 50-249 employees):

Forms of external finance currently used					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
None	61%	65%	53%	41%	59%
1 form of finance	23%	23%	25%	22%	13%
2 forms of finance	9%	7%	13%	17%	11%
3 forms of finance	4%	3%	6%	11%	9%
4 or more forms of finance	3%	2%	3%	9%	8%

The table below shows how the number of products being used has changed over recent quarters. The proportion of SMEs using 2 or more forms of finance has varied very little (typically 16-19% from Q3 2020) and was in line with this in 2024 (16%):

Number of forms of finance								
Over time – all SMEs	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
By date of interview								
Unweighted base:	4252	4253	3910	4595	4182	4322	4254	4253
No finance used	64%	61%	56%	57%	59%	63%	64%	60%
1 form of finance	21%	21%	23%	26%	24%	22%	22%	24%
2 or more forms of finance	15%	18%	22%	18%	17%	15%	14%	16%

External finance – amounts and rates

This section provides some additional detail on the external finance currently being used by SMEs.

From Q1 2023, all SMEs using any external finance (including repaying pandemic funding) were asked if some or all of their borrowing was on a fixed rate. YEQ4 2024, 54% of finance users said that it was (slightly higher than the 51% in 2023):

- There was little difference by size of SME (54–55% of finance users on a fixed rate) with the exception of the largest SMEs (45%).
- There was also little difference by sector (52–59% on a fixed rate) with the slight exception of Construction (50%) and Agriculture (61%).
- Starts using external finance remained less likely to have funding on a fixed rate (43%) with little difference amongst those trading for 2–15 years (58–60%). Those trading for more than 15 years were somewhat less likely to have funding on a fixed rate (53%).

From Q3 2022, SMEs using any external finance (except those only using grants and/or loans or equity from directors) have been asked how much they owed in total.

74% of SMEs using such finance owed up to £25,000 (up from 67% in 2023) and this was more likely to be the case for smaller SMEs:

Amount owed in total – all SMEs using relevant finance					
YEQ4 24	Total	0 emp	1–9 emps	10–49 emps	50–249 emps
Unweighted base:	7222	1143	3217	2246	616
Up to £5,000	35%	41%	25%	17%	11%
£5–10,000	20%	25%	12%	6%	3%
£10–25,000	19%	18%	23%	14%	6%
£25–50,000	13%	11%	18%	16%	8%
£50–100,000	6%	3%	10%	16%	14%
£100,000+	7%	2%	12%	30%	58%
Net: Borrowing up to £25,000	74%	83%	61%	38%	20%
Net: Borrowing more than £25,000	26%	17%	39%	62%	80%

Q15za All SMEs using relevant forms of external finance excl DK. Net scores include prompted answers in narrower bands

Overall, 26% of SMEs using finance said they owed more than £25,000 (down from 33% in 2023). This was more likely to be the case for larger SMEs (6 in 10 of those with 10-49 employees and 8 in 10 of those with 50-249 employees), as well as those with a minimal or low risk rating (41% and 40% respectively), and those in Agriculture (36%) or the Hotel and Restaurant sector (37%). This is the equivalent of 9% of all SMEs owing £25,000 or more. Further detail is provided in the table below.

Amongst those still repaying government backed funding, 34% were borrowing more than £25,000 (down from 44% in 2023) compared to 29% who had repaid their government backed funding (up from 15%) and 17% who didn't apply for any of this funding (up from 5%).

Some analysis over time (on limited base sizes in some instances) is now possible and is shown below. Overall:

- 26% of SMEs using finance said they owed more than £25,000, down from 33% in 2023 and across all size bands. It was also more likely to be lower amongst those with an average or worse than average risk rating (who remained less likely to be borrowing such sums, 23% and 21%).
- Those in Agriculture or the Hotel and Restaurant sector were more likely than their peers to be borrowing such sums (36% and 37%), both down on 2023, and Starts were much less likely to be borrowing such sums in 2024 (16% compared to 32% in 2023).

Owe £25,000+						
By date of interview – row percentages	All using finance H2 22	All using finance 2023	All using finance 2024	All SMEs H2 22	All SMEs 2023	All SMEs 2024
All SMEs	35%	33%	26%	9%	13%	9%
0 emp	23%	24%	17%	5%	8%	5%
1-9 emps	54%	49%	39%	19%	24%	16%
10-49 emps	77%	72%	62%	34%	44%	31%
50-249 emps	84%	82%	80%	22%	33%	28%
Minimal external risk rating	54%	45%	41%	16%	20%	15%
Low	54%	41%	40%	16%	18%	15%
Average	28%	33%	23%	6%	12%	7%
Worse than average	29%	26%	21%	7%	9%	7%
Agriculture	64%	44%	36%	21%	20%	14%
Manufacturing	33%	34%	29%	10%	13%	10%
Construction	26%	27%	26%	7%	11%	10%
Wholesale/Retail	47%	38%	31%	14%	16%	11%
Hotels & Restaurants	51%	47%	37%	14%	18%	14%
Transport	48%	34%	29%	14%	15%	12%
Property/ Business Services	27%	34%	22%	6%	12%	7%
Health	37%	35%	16%	6%	9%	3%
Other	17%	26%	18%	4%	9%	6%
Starts	33%	32%	16%	5%	8%	3%
2-5 years trading	32%	27%	29%	9%	10%	9%
6-9 years	31%	34%	25%	8%	16%	11%
10-15 years	36%	36%	24%	10%	16%	9%
15+ years	37%	33%	29%	8%	13%	11%
Plan to apply	31%	40%	37%	21%	26%	20%

Q15z a and b All SMEs using finance / All SMEs excl DK

External finance – security

A quarter of SMEs with any borrowing (24%) said that some or all of their facilities were secured, unchanged from 2023 (25%):

- This increased by size of borrower from 22% of those with 0 employees to 31% of those with 10-49 or 50-249 employees.
- It was slightly more likely to be the case for borrowers in Agriculture (34%) or Hotels and Restaurants (32%) than in other sectors (18-29%).
- Amongst those using finance, Starts (26%), those trading for 2-5 years (28%) and those trading for 15+ years (26%) were slightly more likely to have secured facilities than their peers trading for 6-9 or 10-15 years (20% and 21%).

External finance – Repayment concerns

This section looks at those finance users who were concerned about their ability to meet repayments (whether through use of pandemic related funding or traditional external finance) and the steps taken, if any, to resolve that concern. Since Q1 2023 concern has been based on a single question.

In 2024, the equivalent of 6% of all SMEs expressed concern about repaying current facilities, as reported below by key demographics, in line with both 2022 (7%) and 2023 (6%).

Concerned about repayment					
All SMEs using finance YE Q4 24	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	8785	1337	3827	2876	745
Very concerned	4%	4%	4%	2%	1%
Fairly concerned	10%	10%	10%	6%	2%
Any concern (finance users)	14%	15%	15%	8%	3%
Not very concerned	26%	26%	26%	25%	29%
Not at all concerned	60%	60%	60%	67%	68%
Any concern (All SMEs)	6%	5%	7%	5%	3%

Bb2bb All SMEs using external finance

The table below shows levels of concern (amongst all SMEs) for Q2-4 2021 and for 2022, 2023 and 2024. Overall, concern in 2024 was unchanged from 2023 (6%) and still slightly lower than in 2021 (9%), notably for those in Hotels and Restaurants (9% from 15% but still above average), and in 2024 they were the most likely to be concerned along with those in Manufacturing (8%) and those trading for 6-9 years (8%):

Any repayment concern (all SMEs)				
Over time	2021*	2022	2023	2024
By date of interview – row percentages				
All SMEs	9%	7%	6%	6%
0 emp	8%	7%	6%	5%
1-9 emps	11%	9%	8%	7%
10-49 emps	7%	7%	5%	5%
50-249 emps	3%	2%	3%	3%
Minimal external risk rating	6%	4%	3%	4%
Low	7%	6%	5%	4%
Average	8%	7%	6%	4%
Worse than average	10%	9%	7%	7%
Agriculture	9%	8%	9%	7%
Manufacturing	11%	7%	7%	8%
Construction	8%	7%	6%	5%
Wholesale/Retail	8%	9%	7%	6%
Hotels & Restaurants	15%	11%	8%	9%
Transport	12%	9%	8%	7%
Property/ Business Services	6%	5%	5%	4%
Health	8%	8%	4%	3%
Other	10%	8%	8%	6%
All excl PNBs	14%	13%	10%	9%
Starts	8%	5%	5%	3%
2-5 years trading	11%	12%	9%	7%
6-9 years	11%	10%	9%	8%
10-15 years	10%	10%	7%	6%
15+ years	7%	6%	5%	5%

Repcon/bb2bb All SMEs from Q2 2021

In a new question from Q3 2022, those who were concerned about making their repayments were asked what impact, if any, this was having on their wider business. As the table below shows, in 2024 82% of those with repayment concerns reported an impact, primarily around business growth, investment and having to be cautious with other plans. This is the equivalent of 5% of all SMEs having their plans affected (unchanged from 2023):

Impact of repayment concerns			
YEQ4 24 – all SMEs with concerns	Total	0-9 emps	10-49 emps
Unweighted base:	982	747	235
Any impact	82%	82%	82%
-How much can try to grow business	65%	65%	61%
-Extent to which can invest in business	54%	54%	54%
-More cautious about other aspects of business	52%	52%	55%
-Extent to which can recruit/develop staff	42%	42%	44%
-Extent to which can launch products etc	41%	41%	39%
<i>Not impacted on plans for business</i>	<i>18%</i>	<i>18%</i>	<i>18%</i>

Qbb6 All SMEs with repayment concerns

Some analysis is also now available over time and shows more SMEs saying their repayment concerns have had an impact (from 72% in H2 2022 to 82% in 2024). The impact on the ability of the SME to grow remained the most mentioned (65% in 2024), followed by the ability to invest (54%):

Impact of repayment concerns			
All SMEs with concerns over time	H2 2022	2023	2024
Unweighted base:	581	1074	982
Any impact	72%	81%	82%
-How much can try to grow business	49%	58%	65%
-Extent to which can invest in business	36%	49%	54%
-More cautious about other aspects of business	44%	52%	52%
-Extent to which can recruit/develop staff	29%	35%	42%
-Extent to which can launch products etc	23%	36%	41%
<i>Not impacted on plans for business</i>	<i>28%</i>	<i>19%</i>	<i>18%</i>

Qbb6 All SMEs with repayment concerns

Subsequent questions were then asked of those with repayments concerns, about the actions they had taken, or planned to take.

As the table below shows, 25% of concerned SMEs had already spoken to their lender and a further 11% planned to, with limited variation by size. Around 6 in 10 however had no plans to speak to their bank about their concerns, also with limited variation by size (note due to limited base sizes, the 10-49 and 50-249 employee categories have been combined for this analysis):

Response to repayment concerns				
YEQ4 24- All SMEs with concerns	Total	0 emp	1-9 emps	10-249 emps
Unweighted base:	982	208	539	235
Have spoken to lender	25%	26%	25%	22%
Have not spoken to lender but plan to	11%	9%	16%	18%
Have no plans to speak to lender	63%	65%	59%	60%

Qbb4 All SMEs with repayment concerns

Amongst those that had contacted their lender:

- 51% had agreed a repayment/ re-financing plan, 7% were offered a repayment plan but chose not to take it and 12% were still discussing a plan. 8% were offered other help and advice, 21% said no help had been offered.
- Just over half of those who had spoken to their lender were very satisfied (scores 7-10) with the response.

Those with concerns who had not yet spoken to their lender (75% of all those with concerns, including those who don't currently plan to speak to their lender) were asked how they thought their lender would respond to such contact. As the table below shows, amongst these SMEs in 2024 around half were unsure what response they might get:

- More of these SMEs thought their lender would 'definitely' treat them fairly than thought they would be 'unlikely' to (29% v 19%) with half unsure, a net score of +10.
- 29% thought it was 'unlikely' their lender would offer practical help, compared to 23% who thought they 'definitely' would, with again almost half unsure, a net score of -6.
- Similarly, 28% thought it was 'unlikely' their lender would be supportive, compared to 19% who thought they 'definitely' would, with half unsure, a net score of -9.

Response from lender			
YEQ4 24- All SMEs with concerns who have not spoken to lender	Would be treated fairly	Bank would offer practical help	Bank would be supportive
Unweighted base:	749	749	749
Definitely	29%	23%	19%
Maybe	52%	48%	53%
Unlikely	19%	29%	28%
Definitely - unlikely	+10	-6	-9

Qbb4a All SMEs with repayment concerns who have not yet spoken to their lender

Limited data is now available over time for 2023 and 2024 and is shown in the table below:

- Treated fairly: The proportion thinking they would 'definitely' be treated fairly is stable year on year (28% to 29%), but there has been a move from 'unlikely' (down 8 points to 19%) to 'maybe' (up 7 points to 52%) which has improved the net score to +10.
- Offered practical help: The proportion thinking they would definitely be offered practical help is also stable year on year (24% to 23%), with a smaller move from 'unlikely' (down 4 points to 29%) to 'maybe' (up 5 points to 48%) which has improved the net score slightly to -6.
- The Bank would be supportive: There has been more of a change in the proportion thinking that their bank would definitely be supportive, down 7 points to 19%. There were also fewer respondents thinking it 'unlikely' the bank would be supportive (down 6 points to 28%), with an increase of 12 points in the 'maybe' score to 53%. As a result the net score is little changed at -9.

Response from lender		
All SMEs with concerns who have not spoken to lender – over time	2023	2024
Unweighted base:	815	749
Would be treated fairly:		
Definitely	28%	29%
Maybe	45%	52%
Unlikely	27%	19%
<i>Definitely - unlikely</i>	<i>+1</i>	<i>+10</i>
Bank would offer practical help:		
Definitely	24%	23%
Maybe	43%	48%
Unlikely	33%	29%
<i>Definitely - unlikely</i>	<i>-9</i>	<i>-6</i>
Bank would be supportive:		
Definitely	26%	19%
Maybe	41%	53%
Unlikely	34%	28%
<i>Definitely - unlikely</i>	<i>-8</i>	<i>-9</i>

Qbb4a All SMEs with repayment concerns who have not yet spoken to their lender

Returning to 2024, the table below summarises the views of all those with repayment concerns that have not yet spoken to their lender and then splits them by those who have plans to speak to their lender and those with no such plans.

Across all three statements, those with plans to speak were more likely to say their lender would ‘definitely’ behave in that way, notably for offering practical help (40% of those with plans to speak v 20% of those with no plans) There was typically less to choose in the proportion of each group that felt it ‘unlikely’ these things would happen (the balance is made up of those unsure how their lender would respond):

Response from lender – by future plans			
YEQ4 24- All SMEs with concerns who have not spoken to lender – row percentages	Would be treated fairly	Bank would offer practical help	Bank would be supportive
Unweighted base:	749	749	749
Definitely:			
All with concerns	29%	23%	19%
<i>Those who plan to speak</i>	35%	40%	26%
<i>Those with no plans to speak</i>	28%	20%	18%
Unlikely:			
All with concerns	19%	29%	28%
<i>Those who plan to speak</i>	16%	19%	30%
<i>Those with no plans to speak</i>	20%	31%	28%

Personal elements to business finance

For smaller SMEs in particular there can be a ‘blurring’ between business and personal finance. This next section looks at the various ways in which personal funds have been used by SMEs, whether as finance for the SME or through the use of a personal bank account.

Personal element – injections of personal funds

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.

Over recent quarters around 1 in 3 SMEs has reported an injection of personal funds, and this was more likely to be because they had no choice:

Personal funds in last 12 months									
Over time – all SMEs	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
By date of interview									
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Inject personal funds – you <u>chose</u> to do to help the business grow and develop	13%	14%	12%	13%	14%	16%	14%	14%	13%
Inject personal funds – you felt you had no choice about this, that you had to do it	19%	22%	24%	23%	22%	23%	22%	22%	22%
Any personal funds	31%	36%	36%	36%	36%	39%	36%	36%	35%
Not something you have done	69%	64%	64%	64%	64%	61%	64%	64%	65%

Q15d All SMEs

Taking a longer term view on an annual basis, the proportion reporting an injection of funds declined slightly to 24% in 2019. By 2021 it was back to 37% and has remained at a similar level since (37% in 2024):

Personal funds in last 12 months								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	18,012	18,002	18,000	17,768	16,486	17,002	17,010	17,011
Inject personal funds – you <u>chose</u> to do to help the business grow and develop	16%	16%	13%	13%	11%	13%	13%	14%
Inject personal funds – you felt you had no choice about this, that you <u>had</u> to do it	13%	13%	11%	19%	26%	22%	23%	22%
Any personal funds	29%	29%	24%	32%	37%	34%	36%	37%
Not something you have done	71%	71%	76%	68%	69%	66%	64%	63%
% ‘forced’ injections	45%	45%	46%	59%	70%	65%	64%	59%

Q15d All SMEs from Q2 2012

The proportion of all injections of funds that were ‘forced’ declined from 58% in 2012 to 39% in 2016 but then increased to 45% of all injections for 2017-2019. There was another increase to 2021 (70%), since when it has remained at a higher level than previously seen (59% in 2024).

The more detailed analysis below is based on the combined results YEQ4 2024 to provide robust base sizes for key sub-groups. Smaller SMEs, with up to 9 employees, remained much more likely to have received an injection of personal funds than their larger peers, and for that to have been something they felt they had to do:

Personal funds in last 12 months					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Inject personal funds – you <u>chose</u> to do to help the business grow and develop	14%	15%	13%	7%	4%
Inject personal funds – you felt you had no choice about this, that you <u>had</u> to do it	22%	23%	21%	10%	4%
Any personal funds	37%	39%	33%	17%	7%
Not something you have done	63%	61%	67%	83%	93%

Q15d All SMEs

Amongst SMEs with employees, 30% reported any injection of personal funds – 12% who chose to do so and 19% who felt that they had no choice.

Injections of personal funds continued to increase markedly with risk rating, from 18% of those with a minimal risk rating to 49% of those with a worse than average risk rating:

Personal funds in last 12 months					
YEQ4 24– all SMEs	Total	Min	Low	Avge	Worse/ Avge
Unweighted base:	17,011	3130	4342	4489	3754
Inject personal funds – you <u>chose</u> to do to help the business grow and develop	14%	7%	7%	12%	19%
Inject personal funds – you felt you had no choice about, that you <u>had</u> to do	22%	11%	12%	19%	30%
Any personal funds	37%	18%	19%	31%	49%
Not something you have done	63%	82%	81%	69%	51%

Q15d All SMEs

There was limited variation in the proportion in each sector that had received an injection of funds (28–39%) with the exception of 47% in the Other Community sector and 45% in the Hotel and Restaurant sector.

There was also little difference by sector in terms of those who felt they had no choice but to inject funds (19–23%) again with the exception of those in the Other Community and Hotel and Restaurant sectors (30% and 31% respectively):

Personal funds in last 12 months									
YEQ4 24 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	778	2157	2562	2564	873	1544	3885	954	1694
<u>Chose</u> to inject	9%	16%	13%	17%	14%	10%	16%	13%	18%
<u>Had</u> to inject	19%	22%	21%	20%	31%	23%	20%	19%	30%
Any funds	28%	39%	34%	37%	45%	33%	35%	31%	47%
Not put funds in	72%	61%	66%	63%	55%	67%	65%	69%	53%

Q15d All SMEs

The table below looks at the long term changes in injections of any personal funds, whether through choice or necessity, by key business demographics. The 37% reported for 2024 was little changed from 2023 and continued the pattern seen since 2021:

- SMEs with 0 or 1–9 employees remained more likely to have seen an injection of personal funds (39% and 33%) than their larger peers (17% and 7%) with little change year on year.
- This was also the case by risk rating. Those with an average or worse than average risk rating were more likely to report an injection of personal funds (31% and 49%) compared to those with a minimal or low rating (18% and 19%), with little change in the scores year on year.
- There was slightly more variation by sector. Those in the Hotel and Restaurant sector were more likely to report an injection of personal funds in 2024 (up 7 points to 45%) and are now the most likely sector to report such an injection, along with the Other Community sector (also up 7 points to 47%). Those in Transport have become less likely to report an injection (down 8 points to 33% in 2024), while the sector least likely to report an injection is Agriculture (down 4 points to 28%).
- Non-PNBs remained more likely to report an injection of funds, as did younger SMEs, with scores little changed from 2023.

Any personal funds in last 12 months								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Row percentages								
All SMEs	29%	29%	24%	32%	37%	34%	36%	37%
0 emp	31%	29%	25%	34%	40%	37%	39%	39%
1-9 emps	28%	27%	23%	29%	31%	28%	31%	33%
10-49 emps	14%	13%	13%	15%	14%	13%	14%	17%
50-249 emps	7%	6%	5%	9%	8%	5%	7%	7%
Minimal external risk rating	12%	14%	11%	18%	16%	15%	15%	18%
Low	21%	18%	17%	22%	24%	21%	22%	19%
Average	25%	26%	23%	30%	35%	33%	33%	31%
Worse than average	38%	34%	29%	37%	47%	42%	46%	49%
Agriculture	27%	28%	28%	31%	32%	37%	32%	28%
Manufacturing	28%	30%	24%	29%	31%	37%	36%	39%
Construction	25%	26%	24%	31%	33%	32%	33%	34%
Wholesale/Retail	30%	31%	22%	34%	34%	34%	37%	37%
Hotels & Restaurants	34%	31%	30%	39%	44%	36%	38%	45%
Transport	37%	24%	24%	38%	46%	36%	41%	33%
Property/ Business Services	27%	30%	24%	28%	36%	31%	34%	35%
Health	29%	21%	17%	30%	37%	38%	35%	31%
Other Community	33%	34%	26%	35%	38%	38%	40%	47%
PNBs	21%	20%	18%	22%	27%	26%	25%	26%
All excl PNBs	37%	36%	29%	39%	44%	42%	42%	42%
Starts	49%	49%	33%	47%	62%	57%	61%	59%
2-5 years trading	37%	36%	33%	38%	44%	42%	45%	46%
6-9 years	23%	25%	20%	31%	34%	32%	35%	35%
10-15 years	22%	20%	20%	26%	30%	28%	28%	28%
15+ years	21%	17%	18%	25%	27%	25%	26%	27%

Q15d All SMEs

Returning to the current period, analysis showed that the youngest SMEs continued to be the most likely to have had an injection of personal funds, with an even split between necessity and choice. In all other age groups such injections were more likely to have been a necessity than a choice:

Personal funds in last 12 months					
YEQ4 24 – all SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	521	1577	1675	3521	9717
Inject personal funds – you <u>chose</u> to do to help the business grow and develop	29%	17%	9%	10%	10%
Inject personal funds – you felt you had no choice about this, that you <u>had</u> to do it	30%	29%	26%	18%	17%
Any personal funds	59%	46%	35%	28%	27%
Not something you have done	41%	54%	65%	72%	73%

Q15d All SMEs

Starts have always been more likely than their peers to report an injection of funds and whilst the figures have been somewhat volatile over time, the 59% of Starts that had injected any personal funds in 2024 was in line with recent years.

SMEs currently using external finance were more likely to have also received an injection of personal funds (42% YEQ4 2024) than those not currently using external finance (32%) and were also more likely to say they had felt that there had been no choice (28% v 18%).

Analysed by their overall financial behaviour in the previous 12 months, the small group of Would-be seekers (who had wanted to apply for finance but felt that something had stopped them) remained much more likely to have received an injection of personal funds (69%) and to say that they had had no choice (54%, but down from 66% of this group in 2021):

Personal funds in last 12 months				
YEQ4 24 – all SMEs	Total	Had an event	Would-be seeker	Happy non-seeker
Unweighted base:	17,011	2425	538	14,048
Inject personal funds – you <u>chose</u> to do to help the business grow and develop	14%	14%	14%	14%
Inject personal funds – you felt you had no choice about, that you <u>had</u> to do	22%	36%	54%	18%
Any personal funds	37%	50%	69%	32%
Not something you have done	63%	50%	31%	68%

Q15d All SMEs

Analysis of these groups over recent years showed a broadly stable position since 2021 after a marked increase in injections of funds between 2019 and 2021. Those that had been a Would-be seeker of finance have always been more likely than their peers to report an injection of personal funds, with a notable increase between 2019 and 2021 (60% to 75%) which has not been entirely maintained since (69% in 2024):

Any personal funds in last 12 months							
Over time – all SMEs	2018	2019	2020	2021	2022	2023	2024
Row percentages							
All SMEs	29%	24%	32%	37%	34%	36%	37%
Had a borrowing event	42%	35%	44%	51%	51%	48%	50%
Would-be seeker	60%	60%	72%	75%	72%	71%	69%
Happy non-seekers	25%	21%	29%	32%	31%	33%	32%

Personal element – use of personal bank accounts

Most SMEs used a business bank account (91% excluding DK answers).

Of the 9% that used a personal account, almost all (92%) were 0 employee SMEs. So, whilst 11% of 0 employee SMEs used a personal account for their business banking, amongst those with employees the figure was 3%.

In the early years of the SME Finance Monitor around 1 in 5 SMEs used a personal bank account. Since 2017, when 16% used a personal account, this proportion has declined, to 7% in 2023, the lowest to date, and 9% in 2024.

YEQ4 2024, SMEs using a personal account were:

- Somewhat less likely to be using any external finance (36% used external finance, compared to 46% of those using a business account) and slightly more likely to meet the definition of a PNB (38% v 35%).
- They were as likely to have had a borrowing event (13% v 12%), or to be planning to apply for finance (both 10%).
- They were more likely to be Struggling (27% v 20%).
- They were less likely to have grown in the past year (22% v 29%) or to be planning to grow (37% v 48%).

As the analysis below shows, there has been some variation over time in the proportion of SMEs using a personal account and also using external finance for their business. In 2024, 36% of those using a personal account for their business banking were using external finance, down 8 points from the 44% using finance in 2023 and with a similar reduction in the use of core finance (down 9 points to 21%). Meanwhile, 46% of those using a business account were using external finance, unchanged from 2023 and restoring the ‘gap’ between the two groups that has typically been seen in previous years:

External finance currently used								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Use business account:								
Use core finance	32%	33%	40%	30%	32%	27%	31%	29%
Use any finance*	40%	38%	46%	38%	43%	37%	46%	46%
Use personal account for business:								
Use core finance	24%	26%	33%	22%	20%	20%	30%	21%
Use any finance*	30%	29%	38%	29%	35%	33%	44%	36%

Q15/Q24 All SMEs Any use of finance from 2023 includes still repaying pandemic funding

Personal element – finance facilities in a personal name

26% of SMEs using finance had any facility in a personal name (slightly higher than the 24% in 2023 and up from 16% in 2021), the equivalent of 10% of all SMEs (in line with 2023, and up from 7% in 2021).

- Finance in a personal name was more likely to be held by smaller SMEs using finance: 32% of finance users with 0 employees had some facility in their personal name (the equivalent of 10% of all 0 employee SMEs) compared to 1% of those with 50-249 employees.
- Finance users who also had an average or worse than average risk rating were more likely to have a facility in a personal name (28-30%), than those with a minimal or low risk rating (both 12%).

Have element of finance in personal name		
YEQ4 24 – row percentages	Of those using finance	Equivalent % of all such SMEs
Total	26%	9%
0 employees	32%	10%
1-9 employees	17%	8%
10-49 employees	5%	3%
50-249 employees	1%	1%
Minimal risk rating	12%	5%
Low risk rating	12%	4%
Average risk rating	28%	10%
Worse than average risk rating	30%	11%
Use a personal bank account	81%	27%
Use a business bank account	21%	8%

Q15bsu All SMEs using finance excluding DK

Those operating their business banking through a personal account were less likely to be using finance than their peers. However, if they did use external finance, then 8 in 10 (81%) said that some or all of the facilities that they had were in their personal name. Those with a business account who used finance were much less likely to say that any of their facilities were in their personal name (21%).

As a result, amongst all SMEs, those using a personal account for their business were much more likely to have a facility in their personal name (27%) than those using a business account (8%), or SMEs overall (9%).

SMEs using loans, overdrafts or any other finance were asked about facilities in a personal name for each individual type of facility they held. In all instances, those with 0 employees remained more likely to have a facility in a personal name:

Facilities in a personal name YEQ4 2024 (excl DK)	
Overdrafts	13% of all SMEs with an overdraft said it was in a personal name (in line with the 12-13% in 2022 and 2023), of which 84% were 0 employee SMEs. 9% said they had overdrafts in both personal and business names (up from 5% in 2021 but broadly in line with the 13% in 2022 and 11% in 2023). 17% of 0 employee SMEs with an overdraft said that it was in a personal name (v 18% in 2022 and 15% in 2023). This declined by size to 7% of those with 1-9 employees, 1% of those with 10-49 employees and <1% of those with 50-249 employees.
Loans	6% of all SMEs with a loan said it was in a personal name (broadly in line with the 8% reported 2021-2023), of which 74% were 0 employee SMEs. 5% said they had loans in both personal and business names (more in line with the 4% in 2021 than the 9% reported in 2023). 8% of 0 employee SMEs with a loan said that it was in a personal name (down somewhat from the 12% in 2023). This declined by size to 5% of those with 1-9 employees, 1% of those with 10-49 employees and <1% with 50-249 employees.
All other finance	17% of SMEs using any other form of finance said it was in a personal name (slightly higher than the 14% in 2022 and 2023), of which 84% were 0 employee SMEs. 11% said they had facilities in both personal and business names (unchanged from 2023 and up from 5% in 2021). 22% of 0 employee SMEs using other forms of finance said that it was in a personal name (broadly in line with the 19% in 2021 and 2022). This declined by size to 9% of those with 1-9 employees, 1% of those with 10-49 employees and none of those with 50-249 employees.

Trade credit

39% of SMEs regularly purchased products or services from other businesses on credit (YEQ4 2024), increasing by size of SME:

- 32% of those with 0 employees regularly purchased on credit
- 53% of those with 1-9 employees
- 76% of those with 10-49 employees
- 79% of those with 50-249 employees.

Overall use of trade credit increased slightly to 2021 (31% in 2014 to 38% in 2021) and has been stable since. 0 employee SMEs remained less likely to be using trade credit than their peers (32% in 2024 and stable over time), while, since 2019, larger SMEs have become more likely to be using trade credit, now used by three quarters of those with either 10-49 or 50-249 employees:

Currently use trade credit								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	35%	34%	37%	36%	38%	37%	39%	39%
0 emp	29%	29%	30%	30%	31%	31%	33%	32%
1-9 emps	49%	48%	53%	53%	54%	53%	55%	53%
10-49 emps	64%	62%	66%	70%	75%	73%	76%	76%
50-249 emps	69%	67%	59%	72%	64%	67%	75%	79%

Q14y All SMEs

57% of SMEs with employees used trade credit in 2023.

Those using external finance (loans, overdrafts etc) remained more likely to also be using trade credit (47% YEQ4 2024) than those who were not using any external finance (32%).

SMEs that received trade credit were asked whether this meant that they had a reduced need for other forms of external finance. Just over half of those using trade credit said that it did (54%), ranging from 50% of those with 0 employees to 65% of those with 10-49 employees. Overall, this is the equivalent of 21% of all SMEs needing less external finance, as the table below shows:

Impact of receiving trade credit					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Receive trade credit	39%	32%	53%	77%	79%
Have less of a need for external finance	21%	16%	31%	50%	48%
Do not have less of a need for external finance	15%	13%	18%	23%	25%
Not sure	3%	3%	3%	4%	6%
Do not receive trade credit	61%	68%	47%	23%	21%
% of those with TC where it reduces need	54%	50%	58%	65%	61%

Q14y/y3 All SMEs

For the last 3 years around a fifth of all SMEs have reported that their need for finance was reduced by trade credit (21-22%) compared to around a quarter of SMEs in the years before that. Larger SMEs were more likely than their smaller peers to be using trade credit and also to say that it reduced their need for other finance, with limited variation over time:

Trade credit reduced need for finance								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	24%	23%	26%	24%	24%	21%	22%	21%
0 emp	20%	18%	22%	19%	20%	17%	18%	16%
1-9 emps	33%	33%	38%	35%	34%	30%	33%	31%
10-49 emps	48%	44%	49%	47%	44%	41%	47%	50%
50-249 emps	52%	52%	45%	48%	38%	28%	46%	48%

Q14y/y3 All SMEs

Use and impact of trade credit by other key demographics

SMEs with a minimal or low external risk rating remained more likely to receive trade credit (60% and 47% respectively) than those with an average or worse than average risk rating (37% and 34%) and to say that it reduced their need for finance (34% with a minimal risk rating to 19% with a worse than average risk rating. However, the proportion of users of trade credit who said it reduced their need for finance was very similar for all 4 groups (54-57%):

Impact of receiving trade credit					
YEQ4 24 – all SMEs	Total	Min	Low	Avge	Worse/Avge
Unweighted base:	17,011	3130	4342	4489	3754
Receive trade credit	39%	60%	47%	37%	34%
Have less of a need for external finance	21%	34%	26%	20%	19%
Do not have less of a need for external finance	15%	23%	17%	15%	12%
Not sure	3%	3%	4%	2%	3%
Do not receive trade credit	61%	40%	53%	63%	66%
% of those with TC where it reduces need	54%	57%	55%	54%	56%

Q14y/y3 All SMEs

With the exception of those trading for more than 15 years (47%) there was limited difference in use of trade credit by age of SME (32-35%). Amongst users of trade credit, those trading for 15+ years were somewhat less likely to say it reduced their need for finance (51%) than their peers (56-61%):

Impact of receiving trade credit					
YEQ4 24 – all SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	521	1577	1675	3521	9717
Receive trade credit	32%	34%	35%	33%	47%
Have less of a need for external finance	19%	19%	20%	20%	24%
Do not have less of a need for external finance	10%	12%	13%	11%	20%
Not sure	4%	2%	2%	2%	3%
Do not receive trade credit	68%	66%	65%	67%	53%
% of those with TC where it reduces need	59%	56%	57%	61%	51%

Q14y/y3 All SMEs

SMEs in Construction (57%) were the most likely to receive trade credit, along with those in Wholesale/Retail (54%) and Manufacturing (50%). A third of all SMEs in these sectors said trade credit reduced their need for finance (32-36%), compared to 12-23% of SMEs in other sectors.

Amongst those using any trade credit, those in Manufacturing and Construction were most likely to say it reduced their need for finance (64% and 63%):

Trade credit in last 12 months									
YEQ4 24 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWk	Other Comm
Unweighted base:	778	2157	2562	2564	873	1544	3885	954	1694
Receive trade credit	43%	50%	57%	54%	40%	33%	31%	23%	25%
Have less of a need for external finance	23%	32%	36%	33%	22%	16%	14%	14%	12%
Do not have less of a need for external finance	19%	15%	17%	18%	15%	16%	14%	8%	11%
Not sure	2%	3%	4%	4%	3%	2%	2%	2%	3%
Do not receive TC	57%	50%	43%	46%	60%	67%	69%	77%	75%
% where TC reduces need	53%	64%	63%	61%	55%	48%	45%	61%	48%

Q14y/y4 All SMEs

YEQ4 2024, SMEs using external finance (who were more likely to be using trade credit at all) remained more likely to say that they had less of a need for external finance as a result of trade credit (28%) than those not using external finance (15%) or SMEs overall (21%).

Both those SMEs with £10,000 or more of credit balances and those using trade credit were asked (separately) whether this reduced their need for external finance:

- Where available, having £10,000 or more in credit balances was more likely to reduce the SME's need for finance (83% YE Q4 2024) than having access to trade credit (54% – of a different group of SMEs).
- Overall, 31% of SMEs YE Q4 2024 said that their need for finance was reduced either through credit balances or trade credit, increasing by size of SME (25% for 0 employee SMEs, 46% for those with 1-9 employees, 63% for those with 10-49 employees), with the slight exception of those with 50-249 employees (59%).
- A need for finance was more likely to be reduced for those using any external finance currently (38% v 26% if not using), for those in Construction (43%) and for those with a minimal risk rating (49%).
- In contrast to previous years, there was more of a difference by age of SME, from 25% of Starts and 26% of those trading for 2-5 years saying their need for finance was reduced to 37% of those trading for more than 15 years
- The proportion of SMEs reporting a reduction in need for finance has been around 3 in 10 since 2016, and the 2024 figure of 31% was in line with recent years (31-34% since 2020)

A wider definition of 'total business funding'

The questions on trade credit and injections of personal funds allow for an analysis of the use of 'any business funding' by SMEs in a wider sense, i.e. including not only external finance (used by 45% of all SMEs) but also trade credit (used by 39% of SMEs) and injections of personal funds (37% of SMEs).

For YE Q4 2024:

- 45% of SMEs were using external finance as defined earlier in the chapter (i.e. loans, overdrafts, invoice finance etc), now including those repaying government backed pandemic funding.
- An additional 17% of SMEs were not using external finance but were receiving trade credit.
- And finally, a further 12% of SMEs were using neither external finance, nor trade credit, but had seen an injection of personal funds into the business (also defined earlier).

Widening the definition of external funding to include not only finance but also trade credit and personal funds increased the proportion of SMEs using business funding to 75%, compared to 45% using just external finance.

Back in 2017-2018, around two thirds of SMEs were using any form of business funding, increasing to three quarters in 2021 (74%) and broadly stable since. The 75% using business funding in 2024 was unchanged from 2023:

Use of business funding								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023*	2024
Unweighted base:	18,012	18,002	18,000	17,768	16,486	17,002	17,010	17,011
Use external finance	38%	36%	45%	37%	43%	36%	46%	45%
Do not use finance but do use trade credit	16%	18%	16%	19%	17%	20%	17%	17%
Do not use the above but injected personal funds	11%	11%	8%	12%	14%	14%	12%	12%
Total business funding	65%	65%	70%	68%	74%	70%	75%	75%

All SMEs

Looking specifically at YEQ4 2024 in more detail:

- SMEs with 10-49 employees remained more likely to be using business funding, due to their higher use of external finance and additional trade credit.
- SMEs with 50-249 employees have become more likely to mention additional trade credit in this context (41% in 2024 compared to 14% in 2019) which helped to compensate to some extent for the lower use of external finance (43%) in their overall use of business funding (85%).

Wider definition of business funding					
YEQ4 24– all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	16,985	3572	7200	4465	1748
Use external finance	45%	41%	54%	65%	43%
Do not use finance but do use trade credit	17%	16%	20%	24%	41%
Do not use the above but injected personal funds	12%	14%	7%	1%	1%
Total business funding	75%	72%	82%	90%	85%

Q14y/y4 All SMEs ex Dk

Analysis by other demographics showed that:

- Those with a minimal external risk rating remained more likely to be using business funding (79%), due primarily to additional use of trade credit (28%). Those with a worse than average risk rating were also slightly more likely to be using business funding (78%) but this time due to additional injections of personal funds (17%). Amongst other risk ratings 70-72% were using business funding.
- Use of business funding remained higher for Starts (80%) with additional injections of personal funds (25%) and then limited variation amongst older SMEs (75-76%) with the slight exception of those trading for 10-15 years (68%).
- The proportion using business funding varied from 84% in both Manufacturing (boosted by additional trade credit) and Hotels and Restaurants (boosted by external finance), to 57% in Health (less likely to be using external finance).



6. Financial context

How are SMEs funding themselves? Part 2.

THIS CHAPTER PROVIDES

This chapter provides an overview of other aspects of external finance – Permanent non-Borrowers and attitudes to using finance.





Financial context

HOW ARE SMES FUNDING THEMSELVES? Part 2.

KEY FINDINGS

1 in 3 SMEs met the revised definition of a Permanent non-borrower (an SME with no use of, and little apparent appetite for, finance):

- The definition of a PNB was revised in 2023 to exclude anyone who had applied for government-backed pandemic funding. This change, coupled with the increase in the use of core finance, has reduced the proportion of PNBs.
- In 2022, under the previous definition, 48% of SMEs were PNBs (decreasing only slightly to 46% when adjusted as far as was possible at that stage for pandemic funding). In 2023 and 2024, under the new definition, 35% were PNBs. This is compared to 39-41% during the pandemic and 48% pre-pandemic in 2018.
- The proportion of PNBs in 2024 declined by size from 38% of 0 employee SMEs to 23% of those with 10-49 employees, but then increased to 43% of those with 50-249 employees who remained less likely to be using external finance than pre-pandemic.
- Other SMEs more likely to meet the definition of a PNB included Starts (39%) and those in the Health (51%) and Property/Business Services sectors (39%).
- In 2024, all sizes of SME were more likely to be using finance than to be a PNB (+10 for SMEs overall and increasing to +42 for those with 10-49 employees). This is in contrast to the pre-2020 era when more SMEs (mostly those with 0 employees) were more likely to be PNBs than using finance.
- PNBs were more likely than their peers to have made a profit, as likely to hold £10k or more of credit balances or have a minimal or low risk rating but less likely to be international, innovative or planning to grow. This has been true for several years now.

1 in 3
SMEs met the
definition of a
Permanent non-
borrower



- In 2024, 20% of SMEs were in a 'middle' group neither using finance nor meeting the definition of a PNB. Analysis showed that such SMEs were typically small and innovative but 1 in 4 felt they were currently 'Struggling'.

Almost 2 in 5 SMEs were happy to borrow to grow and 1 in 3 met the definition of an Ambitious Risk Taker:

- 38% of SMEs were happy to use finance to grow, an increase of 5 points in 2024 after several years of stability (31-33% in 2022 and 2023). Agreement increased from 39% of those with 0 employees to 58% with 10-49 employees and 39% of the largest SMEs, along with 43% in Wholesale/Retail, 42% in Agriculture, and 55% of Starts. Notable increases year on year were also seen in the Property/Business Services sector (up 10 points to 38%) and Health (up 13 points to 35%).
- 43% of SMEs agreed they wanted to be a bigger business and 49% were prepared to take risks, with 31% of SMEs agreeing with both statements and becoming 'Ambitious Risk Takers', up 4 points from the 27% meeting this definition in 2023. SMEs more likely to meet this definition include those with 10-49 or 50-249 employees (39% and 38%), as well as Starts and those trading for 2-5 years (55% and 48%), with Permanent non-borrowers amongst those less likely to meet the definition (24%).

Most SMEs were willing to accept slower growth rather than borrow more. Half had been put off applying by the increases in interest rates and 2 in 5 thought it could be quite difficult for them to get finance:

- Nearly 4 in 5 SMEs (79%) said they were willing to accept a lower growth rate rather than borrowing to grow faster. This was a majority opinion among all SMEs, from the smallest, 79% of those with 0 employees, to 56% of those with 50-249.
- This may have been influenced by perceptions of interest rates – recent increases have made half of SMEs (53%) less likely to apply for new external finance. When asked directly, 65% of those who strongly agreed that they were willing to accept a lower growth rate rather than borrowing to grow faster, said they preferred to be self-reliant, ahead of 25% who thought finance was too risky and 18% that it was too expensive.
- 36% of SMEs believed it would be quite difficult for a business like theirs to get finance, up from 31% in 2022. This was most likely to be the case for 0 employee SMEs (37%) then declining by size to 16% of those with 50-249 employees, as well as those with a worse than average risk

**In 2024, more
SMEs were Ambitious
Risk Takers:**

31%

8 in 10

**would rather grow
more slowly than
borrow, with**

1 in 3

**thinking it could be
difficult for them to
get finance**

rating (41%), those in Hotels and Restaurants (40%), Transport (39%), Agriculture (38%) and both Starts and those trading for 2-5 years (both 44%). It was also higher for those already using external finance (40%).

- 19% of SMEs in 2024 were happy to borrow to grow but also felt that it could be difficult for them to get finance and this was more likely to be the case for smaller and younger SMEs, as well as Ambitious Risk Takers and almost half of those planning to apply for finance.
- Over half of SMEs (55%) said that they never think about whether they could or should use more external finance. This group represents over half of 0 employee SMEs (57%) to 26% of those with 50-249 employees.
- 1 in 6 SMEs (21%) were using external finance and agreed that they would be happy to use it in future, ranging from 18% of those with 0 employees to 39% of those with 10-49 employees. The remaining users of finance, 24% of all SMEs, would not be happy to use finance in future (the equivalent of 56% of all users of finance). Those with 50-249 employees were less likely to be in this group (19%).
- Around 45% of SMEs have typically been in the 'not using and not happy to use finance in the future' category, but the proportion in 2024 was slightly smaller at 38%, due to an increase in those happy to use in future, whether they are currently using finance (up 3 points to 21%) or not (up 2 points to 17%).

The non-borrowing SME – adjustments to definition

As the previous chapter reported, almost half of SMEs (45% YE Q4 2024) used external finance. Other data from this report allows for identification of those SMEs who seem firmly disinclined to borrow, defined as those that met **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 past 12 months.
- Have not applied for any other forms of finance in the last 12 months.
- Reported no inclination to borrow in the past 12 months or next 3 months.
- Added from Q1 2023: Had not applied for government backed pandemic funding.

As explained in the 2023 report, from Q1 2023, the questionnaire itself was adjusted so that the status of Government backed loans was asked next to overall use of finance. Any SMEs still repaying a Government backed facility are automatically considered to be 'Using external finance' and answer further questions accordingly. Any SMEs that applied for pandemic funding are automatically excluded from the PNB definition, whether they are still repaying it or not. All data from Q1 2023 onwards includes pandemic funding in the 'any use of external finance' and PNB calculations.

To smooth the transition from the old to the new definition of 'Permanent non-borrower' the 2023 report included (for 2022) both the original definition of a PNB and a 'best efforts' estimate of what the figure would have been if those with pandemic funding had been excluded from the definition. In this report, figures shown for Q4 2022 or for 2022 as a whole are those 'best estimate' figures from the 2023 report, while those from Q1 2023 onwards are based on the new questions and definitions.

As the table shows (using the 'best efforts' definition for Q4 2022 and the new definition from Q1 2023) after a marked decrease in PNBs during 2023 (40% to 33%), there was limited further change in 2024:

Permanent non borrowers									
Over time – all SMEs By date of interview	Q4 2022*	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Yes	48%	40%	35%	31%	33%	34%	35%	35%	36%
No	52%	60%	65%	69%	67%	66%	65%	65%	64%

Q14/15 All SMEs – ADJUSTED FIGURES FOR 2022 AND REVISED DEFINITION FROM Q1 2023

YEQ4 2024, 35% of SMEs met the new definition of a PNB, unchanged from 2023:

- 38% of 0 employee SMEs met this non-borrowing definition
- 29% of 1-9 employee SMEs
- 23% of 10-49 employee SMEs
- 43% of 50-249 employee SMEs.

Amongst SMEs with employees, 29% met the definition of a Permanent non-borrower.

In 2023, increased use of external finance was accompanied by a decline in PNBs across all size bands. The picture across the 4 quarters of 2024 was more variable, with the smallest and largest SMEs still the most likely to meet the definition of a PNB at the end of the year:

Over time – all SMEs							
Row percentages	2021	2022*	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
All SMEs	39%	46%	35%	34%	35%	35%	36%
0 employee	42%	49%	37%	37%	38%	36%	39%
1-9 employees	31%	35%	27%	25%	29%	34%	31%
10-49 employees	27%	28%	20%	23%	21%	27%	21%
50-249 employees	52%	56%	41%	38%	41%	52%	41%

Disgeg *ADJUSTED FIGURES FOR 2022 AND REVISED DEFINITION FROM Q1 2023

Across other demographics for 2024 as a whole:

- Half of SMEs in Health (51%) met the definition of a Permanent non-borrower, compared to 26% of those in Agriculture and 30-39% in other sectors.
- There was limited difference in the proportion of PNBs between those with a minimal (35%) or low (36%) risk rating and those with an average or worse than average risk rating (37% and 34%).
- Starts were the most likely to meet the definition (39%), with limited variation elsewhere –30% for those trading 6-9 years and 35% of the other age bands.
- Those using a personal account for their business banking were only slightly more likely to meet the definition than those using a business bank account (38% v 35%). This means that the equivalent of 3% of all SMEs were Permanent non-borrowers who used a personal bank account for their business.

The table below shows the proportion of PNBs on an annual basis allowing analysis over time. This table includes the adjusted figures for 2022, and the new definition for 2023 and 2024. There has been some variation over time in the proportion of PNBs, typically making up between 40% and 50% of SMEs. In the last 2 years (with the revised definition to account for pandemic funding) a slightly lower proportion have met the definition (35% in both years):

- 0 employee SMEs remained the most likely to meet the definition of a PNB (38%) unchanged from 2023. This proportion then declined by size to 23% of those with 10-49 employees before increasing to 43% of those with 50-249 employees, all close to the 2023 figures.
- There was limited difference by risk rating (34-37%), but those with a low risk rating were somewhat more likely to meet the definition of a PNB in 2024 (up 4 points to 36%).
- Those in the Health sector remained the most likely to be a PNB (51% and up 4 points from 2023), compared to 26% in Agriculture (and down 6 points from 2023) with limited differences elsewhere.
- Starts were somewhat less likely to meet the definition of a PNB in 2024 compared to 2023 (39%, down 4 points from 2023 and 13 points from the 52% that were PNBs in 2022), but were still slightly more likely to be a PNB than their older peers. Those trading for 2-5 years were more likely to meet the definition in 2024 (up 5 points to 35%) and there was also an increase amongst those trading for 10-15 years (up 6 points to 35%) meaning there was little to choose between the proportion of PNBs for older SMEs.

Permanent non-borrowers								
Over time – all SMEs	2017	2018	2019	2020	2021	2022*	2023	2024
Row percentages								
All SMEs	47%	48%	42%	41%	39%	46%	35%	35%
0 emp	51%	50%	44%	44%	42%	49%	37%	38%
1-9 emps	37%	44%	38%	32%	31%	35%	27%	29%
10-49 emps	27%	36%	31%	28%	27%	28%	20%	23%
50-249 emps	22%	19%	19%	32%	52%	56%	41%	43%
Minimal external risk rating	42%	45%	44%	40%	37%	45%	33%	35%
Low	42%	50%	41%	37%	39%	44%	32%	36%
Average	49%	49%	46%	42%	43%	48%	36%	37%
Worse than average	47%	47%	41%	40%	38%	46%	36%	34%
Agriculture	37%	41%	33%	36%	36%	46%	32%	26%
Manufacturing	42%	48%	42%	39%	38%	38%	32%	32%
Construction	48%	51%	41%	41%	41%	45%	36%	33%
Wholesale/Retail	39%	43%	33%	34%	34%	41%	31%	33%
Hotels & Restaurants	41%	46%	42%	33%	30%	39%	31%	30%
Transport	42%	45%	39%	35%	34%	44%	30%	31%
Property/ Business Services	52%	52%	50%	45%	45%	51%	35%	39%
Health	48%	38%	34%	49%	47%	55%	47%	51%
Other Community	50%	48%	42%	40%	34%	39%	35%	34%
Starts	42%	31%	17%	39%	41%	52%	43%	39%
2-5 years trading	49%	50%	49%	38%	36%	36%	30%	35%
6-9 years	49%	49%	44%	41%	36%	45%	29%	30%
10-15 years	46%	53%	48%	42%	37%	41%	29%	35%
15+ years	47%	54%	49%	41%	42%	47%	35%	35%

All SMEs – *ADJUSTED FIGURE FOR 2022 AND REVISED DEFINITION FROM 2023

These PNBs have indicated that they are unlikely to be interested in future borrowing, based on their current views. At various stages in this report, therefore, we have provided an alternative to the 'All SME' figure, excluding these Permanent non-borrowers, which might be described as 'All SMEs with a potential interest in external finance'.

As an example, if these PNBs were excluded from the 'use of external finance' table reported in the previous chapter, the proportion using external finance would increase to 60% of the remaining SMEs in 2024, in line with the position back in 2020, but somewhat lower than the 7 in 10 more typically seen:

Use of external finance over time									
Over time – all SMEs excl PNBs	2016	2017	2018	2019	2020	2021	2022*	2023	2024
Use any external finance	70%	72%	70%	78%	61%	70%	66%	71%	60%
Use core finance	57%	57%	61%	67%	48%	51%	49%	47%	43%
Use other forms of finance	31%	33%	22%	27%	31%	40%	37%	32%	31%
Do not use external finance	30%	28%	30%	22%	39%	30%	34%	29%	40%

*new definition of PNB and use of finance from 2023

The table below shows the proportion of SMEs using external finance and those meeting the definition of a PNB over time, and the ‘gap’ between the two groups. In 2024, with 45% of SMEs using finance and 35% meeting the definition of a PNB, this gap was 10 points, little changed from 2023 (11 points). Those with 10-49 employees continued to report the largest ‘gap’ between the two groups (42 points):

Use of external finance and PNBs									
Over time	2016	2017	2018	2019	2020	2021	2022*	2023	2024
Row percentages									
All SMEs:									
Use external finance	37%	38%	36%	45%	37%	43%	40%	46%	45%
Permanent non-borrower	47%	47%	48%	42%	41%	39%	46%	35%	35%
‘Gap’ finance to PNB	-10	-9	-12	+3	-4	+4	-6	+11	+10
0 employees:									
Use external finance	33%	34%	34%	43%	32%	38%	37%	42%	41%
Permanent non-borrower	50%	51%	50%	44%	44%	42%	49%	37%	38%
‘Gap’ finance to PNB	-17	-17	-16	-1	-12	-4	-12	+5	+3
1-9 employees:									
Use external finance	46%	49%	42%	50%	49%	56%	52%	58%	54%
Permanent non-borrower	38%	37%	44%	38%	32%	31%	35%	27%	29%
‘Gap’ finance to PNB	+8	+12	-2	+12	+17	+25	+17	+31	+25
10-49 employees:									
Use external finance	59%	64%	54%	60%	58%	62%	62%	69%	65%
Permanent non-borrower	30%	27%	36%	31%	28%	27%	28%	20%	23%
‘Gap’ finance to PNB	+29	+37	+18	+29	+30	+35	+34	+49	+42
50-249 employees									
Use external finance	64%	73%	77%	77%	58%	37%	36%	47%	43%
Permanent non-borrower	26%	22%	19%	19%	32%	52%	56%	41%	43%
‘Gap’ finance to PNB	+38	+51	+58	+58	+26	-15	-20	+6	0

All SMEs – *ADJUSTED FIGURE FOR 2022 AND REVISED DEFINITION FROM Q1 2023

Analysis by employees over time showed that:

PNBs v use of external finance trends over time	
0 employees	In 2012, as many 0 employee SMEs were using external finance (38%) as met the definition of a PNB (37%). Between 2016 and 2022, with the exception of 2019 and 2021, 0 employee SMEs have typically been more likely to be a PNB than to use external finance, but in 2023 the gap was positive (+5) for the first time in recent years and this was also the case in 2024 (+3).
1-9 employees	In 2012, SMEs with 1-9 employees were twice as likely to be using external finance (58%) as to be a PNB (25%). Since 2016, the 'gap' between users of finance and PNBs has varied markedly from -2 in 2018 to +31 in 2023. The 2024 figure of +25 reflects slightly lower use of external finance in this group (down 4 points to 54%) and a slightly higher proportion of PNBs (up 2 points to 29%) compared to 2023.
10-49 employees	In 2012, SMEs with 10-49 employees were much more likely to be using external finance (70%) than they were to meet the definition of a PNB (18%, giving a gap score of +52) and this has continued to be the case over recent years with scores ranging from +18 to +49 in 2023. In 2024, the net score was down slightly at +42, reflecting slightly lower use of external finance in this group (down 4 points to 65%) and a slightly higher proportion of PNBs (up 3 points to 23%) compared to 2023.
50-249 employees	In 2012, like those with 10-49 employees, the largest SMEs with 50-249 employees were much more likely to be using finance (73%) than to be meeting the definition of a PNB (15%), a gap of 58 points, but that has not been maintained over time, with lower use of finance and more PNBs. In 2022 there was a negative gap of 20 points with more SMEs meeting the definition of a PNB (56%) than using finance (36%). Since then the gap has narrowed again and in 2024 there was no gap, with 43% of SMEs with 50-249 employees using finance and the same proportion meeting the definition of a PNB.

PNBs by their very definition were not using external finance, but if use of trade credit and injections of personal funds were taken into consideration then a consistent 50% of PNBs used any 'business funding'. If those who had injected personal funds and/or used trade credit were to be excluded from the PNB definition, the proportion of PNBs would reduce from 35% of all SMEs to 18% YE Q4 2024.

Permanent non-borrowers – other characteristics

The table below summarises the differences between those meeting the definition of a PNB and other SMEs on a range of key measures over time, using the new definition from 2023:

Characteristics of PNBs								
Over time	2017	2018	2019	2020	2021	2022	2023	2024
Row percentages								
Made a profit:								
PNBs	83%	79%	83%	83%	71%	77%	82%	81%
Other SMEs	82%	77%	81%	76%	62%	70%	75%	75%
Hold £10k+ of credit balances:								
PNBs	23%	23%	28%	28%	35%	36%	34%	31%
Other SMEs	27%	22%	21%	29%	32%	33%	34%	29%
Minimal/Low risk rating:								
PNBs	20%	23%	22%	20%	20%	21%	21%	23%
Other SMEs	23%	23%	24%	22%	22%	23%	23%	22%
International								
PNBs	14%	14%	15%	14%	14%	15%	17%	17%
Other SMEs	17%	16%	16%	18%	20%	22%	21%	22%
Innovative								
PNBs	31%	30%	34%	35%	35%	36%	33%	40%
Other SMEs	36%	35%	35%	47%	44%	44%	47%	49%
Plan to grow								
PNBs	37%	41%	40%	34%	42%	36%	41%	42%
Other SMEs	52%	56%	60%	39%	49%	48%	49%	50%

All SMEs * new definition from 2023

As the table above shows, there is no single consistent pattern over time between PNBs and non-PNBs:

PNB v non-PNB trends over time	
Profitability	After being close for a number of years, since 2020 PNBs have been more likely to report a profit than their peers, and this was also true in 2024 (81% of PNBs v 75%).
Credit balances	The proportion holding £10k+ of credit balances has been similar over recent years with both groups becoming slightly less likely to hold such balances in recent years (31% of PNBs v 29% in 2024, down 3 points and 5 points respectively on 2023).
Risk rating	The proportion of each group with a minimal or low external risk rating has been stable over recent years, with little to choose between them (23% of PNBs v 22% in 2024).
International	PNBs have been somewhat less likely than their non-PNB peers to be trading internationally (17% of PNBs v 22% in 2024), but both groups have seen a slight increase of 2-3 points in the proportion trading internationally over recent years.
Innovation	In almost all years, PNBs have been less likely to have been innovative than their peers and this was also true in 2024 (40% v 49%), albeit this PNB figure of 40% is 7 points higher than in 2023 and the highest proportion seen in recent years.
Plan to grow	PNBs have been less likely to be planning to grow than their peers and this was also true in 2024 (42% v 50%) little changed from 2023 for either group, and still below pre-pandemic levels.

The 'middle' group

Whatever the proportions of SMEs meeting the definition of a PNB or using external finance, the two groups do not add up to 100% of SMEs. There is a third group of SMEs that are 'in the middle' i.e. not using finance now but showing some appetite, a group that might be considered a potential source of future users of external finance.

Around 1 in 6 SMEs were in this group 2015 to 2019 (13-16%). Since then the proportion has been slightly higher and in 2024, 20% of SMEs were in this middle group, who were neither using external finance, nor meeting the definition of a PNB with no obvious interest in finance (having been 19% in 2023).

The key way in which they qualified for this group was that almost half of them (46%) expected to be a Future would-be seeker of finance in the coming year (v 19% of SMEs overall), with 15% planning to apply (v 10% overall) leaving 39% expecting to be a Future happy non-seeker (v 71% of SMEs overall).

As in 2023, analysis showed that this group of SMEs were typically small (79% had 0 employees v 73% overall). 6 in 10 had either been or planned to be innovative (v 58%) but a quarter described themselves as 'Struggling' (25% v 21% overall) compared to 31% who were well off or comfortable (31% v 34% overall).

'Ambitious Risk takers' are those who agree both that they want to be a bigger business and that they are prepared to take risks to be successful. This group is described in more detail later in this chapter, but it is worth noting here that in 2024, 37% of those neither using finance nor a PNB were ARTs, more in line with users of finance (35% ARTs) than PNBs (24% ARTs).

Attitudes to finance

Over the years, an increasing number of attitudinal statements have been included in the SME Finance Monitor to explore different aspects of demand for finance amongst SMEs. These are reported below in full for YE Q4 2024, in the order in which they were added to the SME Finance Monitor, with the overall 'agree' score in bold italics by each statement. A number of changes to the statements were made in Q3 2024, so the detailed analysis of each statement is presented in a number of sections. Further analysis by key demographics and over time is provided after this initial section.

These statements shed light on current demand for finance. Most SMEs continued to report that they would accept slower growth rather than borrowing to grow faster (79%), with half saying they have been put off applying by the increases in interest rates (53%) and a similar proportion just never thinking about using (more) finance (55%). By comparison almost 4 in 10 were happy to use finance to help the business grow (38%).

Previous analysis revealed that a key predictor of attitudes towards, and future use of, finance was to be a current user of external finance. Summary analysis of these statements by use of finance as well as other key demographics is therefore provided later in this section, together with changes in levels of agreement over time.

Attitudes to finance in detail – YE Q4 24

YE Q4 24 – All SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<i>Unweighted base:</i>	17,011	3572	7204	4485	1750
<i>Happy to use external finance to help the business grow and develop</i>	38%	36%	43%	51%	40%
Strongly agree	5%	5%	6%	4%	5%
Agree	33%	31%	37%	47%	35%
Neither/nor	14%	13%	16%	18%	39%
Disagree	40%	43%	35%	28%	17%
Strongly disagree	8%	9%	6%	3%	3%

Q96 Continued

Continued

Never think about whether we could/should use more external finance	55%	57%	49%	41%	26%
Strongly agree	11%	11%	9%	5%	5%
Agree	44%	46%	40%	36%	21%
Neither/nor	16%	14%	20%	25%	44%
Disagree	26%	26%	28%	32%	27%
Strongly disagree	3%	3%	3%	2%	3%
We will accept a slower rate of growth rather than borrowing to grow faster	79%	79%	79%	75%	56%
Strongly agree	18%	18%	18%	14%	12%
Agree	61%	62%	60%	61%	44%
Neither/nor	12%	11%	13%	16%	36%
Disagree	8%	9%	8%	9%	7%
Strongly disagree	1%	1%	1%	*	1%
As a business we are prepared to take risks to be more successful	49%	48%	53%	55%	47%
Strongly agree	8%	8%	9%	5%	5%
Agree	41%	40%	44%	50%	42%
Neither/nor	13%	12%	15%	18%	37%
Disagree	33%	35%	29%	26%	14%
Strongly disagree	5%	5%	4%	2%	2%

Q96 Continued

Continued

<i>The increases in interest rates have made us less likely to apply for new external finance</i>	53%	52%	54%	49%	33%
Strongly agree	12%	12%	13%	8%	7%
Agree	41%	41%	41%	41%	26%
Neither/nor	22%	22%	21%	23%	46%
Disagree	21%	21%	22%	26%	19%
Strongly disagree	4%	4%	3%	2%	2%
<i>My impression is that it is quite difficult for businesses like ours to get external finance</i>	36%	37%	35%	24%	16%
Strongly agree	8%	8%	8%	3%	3%
Agree	28%	29%	27%	21%	13%
Neither/nor	37%	37%	36%	38%	50%
Disagree	24%	23%	26%	36%	30%
Strongly disagree	2%	2%	2%	2%	5%
<i>We have a long term ambition to be a significantly bigger business</i>	43%	40%	49%	58%	59%
Strongly agree	10%	9%	13%	9%	14%
Agree	33%	31%	36%	49%	45%
Neither/nor	12%	12%	13%	15%	29%
Disagree	38%	40%	34%	26%	11%
Strongly disagree	7%	8%	5%	1%	1%

Q96 (238a5) All SMEs *previously “An increase in the cost of credit would make us less likely to apply for finance”

Two statements were added for the first time in Q3 2024, and initial results are shown here for H2 2024:

All SMEs H2 24					
<i>I am confident I know where to get information about different types of finance and providers</i>	71%	70%	73%	80%	68%
Strongly agree	13%	13%	15%	12%	16%
Agree	58%	58%	58%	68%	52%
Neither/nor	12%	13%	12%	11%	29%
Disagree	14%	15%	12%	9%	2%
Strongly disagree	2%	2%	3%	1%	1%
<i>Banks and other providers perceive us as riskier investments than we really are</i>	40%	42%	36%	27%	15%
Strongly agree	10%	10%	9%	5%	2%
Agree	30%	32%	27%	22%	13%
Neither/nor	30%	30%	29%	26%	48%
Disagree	27%	24%	30%	44%	30%
Strongly disagree	3%	3%	4%	3%	7%

Q96 All SMEs

These next three statements only ran until the end of Q2 2024, so results for YEQ2 2024 are shown here:

All SMEs YEQ2 24					
<i>We are very worried about the amount the business owes overall, whether to banks or others</i>	10%	9%	13%	9%	5%
Strongly agree	2%	2%	2%	1%	1%
Agree	8%	7%	10%	8%	3%
Neither/nor	11%	11%	10%	12%	26%
Disagree	60%	60%	60%	68%	54%
Strongly disagree	20%	21%	17%	11%	16%
<i>Current plans for the business are based on what we can afford without taking additional finance</i>	86%	87%	84%	77%	66%
Strongly agree	18%	19%	16%	11%	12%
Agree	68%	68%	68%	66%	53%
Neither/nor	6%	6%	7%	12%	25%
Disagree	7%	6%	8%	11%	9%
Strongly disagree	1%	1%	1%	*	1%
<i>Because the future feels uncertain, we are being very cautious with our plans for the business</i>	62%	61%	65%	58%	44%
Strongly agree	11%	11%	11%	7%	8%
Agree	51%	50%	54%	51%	37%
Neither/nor	14%	14%	13%	17%	33%
Disagree	22%	23%	21%	24%	22%
Strongly disagree	2%	2%	1%	1%	2%

Q96 (238a5) All SMEs

Attitudes to finance – summary by key demographics

Summary analysis of attitudes is provided for key demographics including size. This analysis is based just on H2 2024, so as to provide a consistent base when the two new statements about financial information and perceived risk are included , with the statements ranked by overall levels of agreement :

H2 24 – all SMEs					
% agreeing	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	8507	1754	3556	2372	825
Accept slower growth rather than borrow	79%	80%	78%	76%	54%
I am confident I know where to get information about different types of finance and providers	71%	70%	73%	80%	68%
Never think about using (more) external finance	54%	56%	50%	44%	24%
Increases in interest rates make us less likely to apply for finance	52%	52%	55%	48%	30%
As a business we are prepared to take risks to become more successful	50%	49%	54%	56%	46%
We have a long term ambition to be a significantly bigger business	42%	39%	48%	58%	57%
Happy to use finance to help business grow	41%	39%	43%	52%	39%
Banks and other providers perceive us as riskier investments than we really are	40%	42%	36%	27%	15%
My impression is that it is quite difficult for businesses like ours to get external finance	36%	37%	36%	25%	14%

Q96 (238a5) All SMEs

- Smaller SMEs remained somewhat more likely than larger SMEs to agree with a number of these statements, such as never thinking about using (more) finance, being put off by the increase in interest rates or thinking it might be difficult to get finance if they did apply.
- Larger SMEs were more likely to be happy to use external finance to help the business grow and to have a long term ambition to be larger still. The largest SMEs were somewhat less likely to feel put off by increased interest rates or to accept slower growth rather than borrow to grow.
- In terms of the new statements, agreement that finance providers consider them a riskier investment than they really are declined by size of SME from 42% with 0 employees to 15% of those with 50-249 employees. There was less variation in terms of knowing where to get information, with those with 10-49 employees the most likely to agree (80%).

The table below looks at attitudes to finance by external risk rating:

H2 24 – all SMEs					
% agreeing	Total	Min	Low	Avge	Worse/Avge
Unweighted base:	8507	1582	2192	2212	1788
Accept slower growth rather than borrow	79%	80%	81%	79%	78%
I am confident I know where to get information about different types of finance and providers	71%	77%	78%	71%	68%
Never think about using (more) external finance	54%	51%	60%	55%	53%
Increases in interest rates make us less likely to apply for finance	52%	49%	47%	53%	52%
As a business we are prepared to take risks to become more successful	50%	43%	45%	45%	58%
We have a long term ambition to be a significantly bigger business	42%	34%	33%	36%	52%
Happy to use finance to help business grow	41%	41%	38%	37%	45%
Banks and other providers perceive us as riskier investments than we really are	40%	30%	29%	40%	44%
My impression is that it is quite difficult for businesses like ours to get external finance	36%	26%	29%	35%	40%

Q96 (238a5) All SMEs

- There was relatively little variation by risk rating on a number of these statements, but those with a worse than average risk rating were more likely to agree that they were prepared to take risks to be successful and had ambitions to be bigger, but also that it could be difficult for them to get finance.
- In terms of the new statements, agreement that finance providers consider them a riskier investment than they really are increased by risk rating (30% to 44%). There was less variation in terms of knowing where to get information, with those with a minimal or low risk rating slightly more likely to agree (77-78%) than those with an average or worse than average risk rating (68-71%).

Analysis by sector is shown below:

H2 24 – all SMEs									
% agreeing	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWk	Other Comm
Unweighted base:	387	1126	1382	1278	481	700	1837	502	814
Accept slower growth rather than borrow	82%	79%	76%	76%	84%	78%	84%	80%	74%
Confident re info about finance and providers	74%	66%	71%	70%	69%	72%	74%	65%	69%
Never think about using (more) external finance	54%	46%	54%	45%	59%	50%	56%	63%	56%
Increases in interest rates made us less likely to apply	62%	48%	56%	54%	60%	54%	49%	45%	49%
We are prepared to take risks to become more successful	53%	48%	46%	57%	53%	41%	53%	43%	57%
We have long term ambition to be significantly bigger	25%	42%	42%	53%	48%	31%	41%	34%	53%
Happy to use finance to help business grow	45%	41%	41%	48%	35%	34%	41%	34%	44%
Banks and others perceive us as riskier than we really are	46%	36%	45%	42%	40%	40%	37%	25%	45%
Quite difficult for businesses like ours to get finance	48%	37%	39%	38%	49%	36%	29%	28%	43%

Q96 (238a5) All SMEs

- Those in Wholesale/Retail were more likely to say they were happy to use finance to grow, to want to be a bigger business and to be prepared to take risks to be successful. They were less likely to say they never thought about using (more) finance.
- Those in the Health sector were more likely to say they never think about finance and less likely to be to be happy to use finance to grow, or to say an increase in interest rates had put them off applying.
- In terms of the new statements, agreement that finance providers consider them a riskier investment than they really are ranged from 25% in the Health sector to 46% in Agriculture (36-45% elsewhere). There was less variation in terms of knowing where to get information, ranging from 65% in Health and 66% in Manufacturing to 74% in Agriculture and Property/Business Services.

Analysis by age of SME is shown below:

H2 24 – all SMEs					
% agreeing	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	185	715	845	1785	4977
Accept slower growth rather than borrow	75%	77%	80%	80%	81%
I am confident I know where to get information about different types of finance and providers	76%	62%	69%	71%	71%
Never think about using (more) external finance	41%	53%	50%	56%	60%
Increases in interest rates make us less likely to apply for finance	56%	57%	52%	51%	49%
As a business we are prepared to take risks to become more successful	64%	65%	56%	49%	39%
We have a long term ambition to be a significantly bigger business	69%	64%	46%	37%	25%
Happy to use finance to help business grow	61%	50%	43%	35%	31%
Banks and other providers perceive us as riskier investments than we really are	55%	44%	39%	37%	34%
My impression is that it is quite difficult for businesses like ours to get external finance	46%	43%	35%	32%	32%

Q96 (238a5) All SMEs

- Agreement with a number of these statements declined as SMEs got older, with younger SMEs more likely to agree that they were prepared to take risks, wanted to be significantly bigger and being happy to borrow to grow, but also more likely to feel it might be difficult for them to get finance and to feel put off applying by increased interest rates.
- Older SMEs were more likely to agree that they never think about using more finance, and slightly more likely to accept slower growth rather than borrowing to grow.
- In terms of the new statements, agreement that finance providers consider them a riskier investment than they really are declined by age of SME from 55% of Starts to 34% of those trading for 15+ years. There was less variation in terms of knowing where to get information, which was strongest amongst Starts (76%) before dropping to 62% of those trading for 2-5 years and 69-71% of older SMEs.

Analysis by use of external finance and PNBs is shown below:

H2 24 – all SMEs			
% agreeing	Use external finance	'Middle group'	PNB
Unweighted base:	4519	1274	2714
Accept slower growth rather than borrow	77%	80%	82%
I am confident I know where to get information about different types of finance and providers	69%	71%	74%
Never think about using (more) external finance	46%	53%	64%
Increases in interest rates make us less likely to apply for finance	59%	50%	45%
As a business we are prepared to take risks to become more successful	53%	57%	43%
We have a long term ambition to be a significantly bigger business	44%	48%	37%
Happy to use finance to help business grow	50%	43%	28%
Banks and other providers perceive us as riskier investments than we really are	44%	45%	32%
My impression is that it is quite difficult for businesses like ours to get external finance	40%	39%	29%

Q96 (238a5) All SMEs

- PNBs were more likely than their peers to accept slower growth rather than borrowing to grow and to never think about using finance but were less likely to think it would be difficult for them to get finance. They were also less likely to be prepared to take risks to be successful or to want to be significantly bigger.
- Those using finance were more likely to have been put off by the increase in interest rates, but were happier to use finance to grow.
- In terms of the new statements, agreement that finance providers consider them a riskier investment than they really are was higher for those with any interest in finance (44-45% v 32% of PNBs). There was less variation in terms of knowing where to get information, from 69% of those using finance to 74% of PNBs.

Analysis by growth plans is shown below, together with levels of agreement for all SMEs with employees:

H2 24 – all SMEs			
% agreeing	Plan to grow	No plans to grow	All with employees
Unweighted base:	4421	4086	6753
Accept slower growth rather than borrow	79%	80%	77%
I am confident I know where to get information about different types of finance and providers	73%	69%	74%
Never think about using (more) external finance	49%	58%	49%
Increases in interest rates make us less likely to apply for finance	55%	50%	53%
As a business we are prepared to take risks to become more successful	66%	37%	54%
We have a long term ambition to be a significantly bigger business	66%	22%	50%
Happy to use finance to help business grow	52%	31%	44%
Banks and other providers perceive us as riskier investments than we really are	45%	36%	34%
My impression is that it is quite difficult for businesses like ours to get external finance	39%	34%	33%

Q96 (238a5) All SMEs

- Those planning to grow were more likely than those with no such plans to agree with a number of these statements, notably being happy to use finance to grow, being prepared to take risks to be successful and wanting to be significantly bigger. They were also slightly more likely to have been put off by the increases in interest rates and to feel it would be difficult for them to get finance.
- In terms of the new statements, agreement that finance providers consider them a riskier investment than they really are was higher for those planning to grow (45% v 36% with no plans). There was less variation in terms of knowing where to get information: 73% of those planning to grow compared to 69% of those with no plans.

A consistent 8 in 10 SMEs (79% in H2 2024) agreed that they would accept a slower rate of growth rather than borrow to grow more quickly. From Q3 2024 those who strongly agreed (18% of SMEs) were asked why that was, with a list of pre-coded possible answers.

- Two-thirds of these SMEs said that they preferred to be self-reliant rather than borrowing to grow more quickly, and this was the key reason for all groups, though with slightly fewer mentions amongst larger SMEs. 3 in 10 said that it suited them as a business, and this was more likely to be the case for those already using some finance.
- A quarter of these SMEs (25%) felt that finance was too risky, especially those already using finance, and it was a similar pattern for the 1 in 5 who thought finance was too expensive (18% overall).
 - Smaller SMEs and those already using finance were also more likely to mention having all the finance they could manage, limited opportunities to grow and/or an uncertain trading environment:

Main reasons for strongly agreeing with statement					
H2 24 – all SMEs	Total	0-9 emp	10-249 emps	Use finance	PNBs
Unweighted base:	1519	1076	443	825	483
Prefer to be self-reliant	65%	66%	56%	67%	67%
Suits us as a business	30%	30%	28%	37%	22%
Finance is too risky	25%	25%	21%	27%	22%
Finance is too expensive	18%	18%	16%	22%	9%
Already have all the finance we can manage	14%	14%	11%	17%	12%
Have limited opportunities to grow	11%	11%	5%	12%	5%
Uncertain trading environment	10%	10%	6%	13%	6%
Don't know enough about finance	3%	3%	1%	5%	1%

Q96d All SMEs

Some additional data on the new attitude statements from H2 2024 is provided below:

In H2 2024, 40% of SMEs agreed that ‘In our experience, banks and other finance providers perceive us as riskier investments than we really are’. Groups more likely to agree with this statement included:

- Smaller SMEs: 42% for 0 emps and 36% for those with 1-9 emps compared to 27% of those with 10-49 emps and 15% of those with 50-249 emps.
- Those with an above average risk rating: 44% for those with a worse than average rating compared to 40% with an average rating and 29-30% for those with a minimal or low rating.
- Younger SMEs: 55% of Starts, declining by age of SME to 34% of those trading for more than 15 years.
- Those in Agriculture (46%), Construction or the Other Community sector (both 45%) compared to 25% in Health and 36-42% elsewhere.
- Those who were ‘Struggling’ (50%), compared to 45% of those ‘Managing’, 28% of those who were ‘Comfortable’ and 38% who were ‘Well off’.
- Those using finance (48%), compared to 45% in the ‘middle’ group and 32% of PNBs
- Those with an appetite for finance: 48% of those who had applied and 59% of Would-be seekers, and 60% of those planning to apply and 52% of Future would-be seekers.

The second new statement in H2 2024 was ‘I am confident I know where to get information about the different types of finance available to my business and the providers who offer them’. While 71% of SMEs agreed with this statement (including 13% who agreed strongly), 16% disagreed (indicating more support might be needed). Groups more likely to disagree with this statement included:

- Smaller SMEs: 17% for 0 emps and 15% for those with 1-9 emps compared to 9% of those with 10-49 emps and 3% of those with 50-249 emps.
- Those with an above average risk rating: 20% for those with a worse than average rating compared to 15% with an average rating, 12% with a low rating and 9% with a minimal risk rating.
- SMEs trading for 2-5 years: 24% of those trading for 2-5 years disagreed, as did 20% of those trading for 5-9 years, compared to 18% of Starts, 15% of those trading for 10-15 years and 14% of those trading for more than 15 years.
- There was limited variation by sector: Those in the Hotel and Restaurant, Health or Other Community sectors were slightly more likely to disagree (20-21%) compared to 13-18% elsewhere.
- Those who were ‘Struggling’ (24%), compared to 16% of those ‘Managing’, 12% of those who were ‘Comfortable’ and 15% who were ‘Well off’.
- There was limited difference by use of finance: 18% both for those using finance , and those in the ‘middle’ group and 14% of PNBs.
- Those with an appetite for finance: 24% of those who had applied and 32% of Would-be seekers, as well as 31% of those planning to apply and 19% of Future would-be seekers.

Attitudes to finance – agreement over time

With the changes and additions made to these statements over time, analysis has traditionally been reported in half-years, allowing inclusion of the most recent statements for H2 2024. Those statements no longer asked have been moved to the end of the table:

Attitudes to finance									
Over time – all SMEs	H2 20	H1 21	H2 21	H1 22	H2 22	H1 23	H2 23	H1 24	H2 24
All agreeing – row percentages									
Happy to use finance to help business grow	35%	37%	36%	30%	32%	32%	33%	36%	41%
Accept slower growth rather than borrow	80%	82%	77%	80%	78%	81%	82%	78%	79%
Never think about using (more) external finance	52%	57%	57%	55%	51%	54%	55%	56%	54%
We are prepared to take risks to become more successful	44%	46%	49%	47%	45%	45%	44%	48%	50%
Increase in interest rates less likely to apply*	61%	63%	54%	51%	50%	54%	55%	53%	52%
Impression it is quite difficult to get finance	37%	36%	32%	32%	30%	34%	36%	36%	36%
Have long term ambition to be significantly bigger	44%	43%	41%	39%	40%	40%	40%	44%	42%
Confident re info about finance and providers	-	-	-	-	-	-	-	-	71%
Banks and others perceive us as riskier than we really are	-	-	-	-	-	-	-	-	40%
Plans based on what can afford ourselves	86%	86%	84%	86%	85%	86%	87%	85%	-
Future feels uncertain so we are being very cautious	71%	68%	63%	64%	62%	63%	62%	61%	-
We are very worried about the amount the business owes	-	-	9%	10%	9%	11%	10%	10%	-

Q96 (238a5) All SMEs - * formerly cost of credit

Analysis over time showed that agreement with many statements is stable over recent quarters, the exception being the proportion happy to use finance to help the business grow which had been around 3 in 10 in recent half year periods but was somewhat higher in H2 24 at 41%.

Being happy to borrow to grow can be seen as a key indicator of SME sentiment, so further detail has been provided for this statement over time by key demographics, followed by analysis of those who felt that it might be difficult for businesses like theirs to get finance. Unlike the tables above, this table is based on all interviews conducted in 2024, in order to maximise the base sizes and to match the previous annual figures, and shows 38% of SMEs happy to borrow to grow in 2024, up 5 points from 2023.

This increase (of 5 points overall from 2023 to 2024) was seen across a range of demographics:

- Amongst 0 employee SMEs (up 6 points to 36%) although they remained less likely to be happy to borrow to grow than their peers, who saw more modest 3 point increases.
- Across all risk ratings, so those with a worse than average risk rating remained the most likely to be happy to borrow to grow.
- Amongst those in Wholesale/Retail (up 8 points to 43%) and now the most likely to be happy to borrow to grow alongside those in Agriculture (up 5 points to 42%). Notable increases year on year were also seen in the Property/Business Services sector (up 10 points to 38%) and Health (up 13 points to 35%).
- Both PNBs and non-PNBs saw a 6 point increase in the proportion happy to borrow to grow, but non-PNBs remained the most likely to agree (45% v 26% of PNBs).
- Starts remained the most likely to be happy to borrow to grow, up 7 points to 55% with increases year on year for all but those SMEs trading for 6-9 years (up 1 point to 40%).

Happy to use finance to help business grow								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Row percentages % agree								
All SMEs	34%	32%	29%	33%	36%	31%	33%	38%
0 emp	31%	30%	26%	29%	34%	28%	30%	36%
1-9 emps	40%	38%	37%	42%	43%	38%	40%	43%
10-49 emps	48%	45%	44%	49%	50%	47%	48%	51%
50-249 emps	53%	57%	47%	48%	45%	48%	43%	40%
Minimal external risk rating	35%	36%	33%	32%	36%	32%	31%	37%
Low	35%	34%	34%	34%	36%	28%	27%	35%
Average	31%	31%	25%	30%	33%	27%	29%	34%
Worse than average	36%	34%	30%	34%	39%	35%	38%	43%
Agriculture	37%	41%	34%	39%	43%	36%	37%	42%
Manufacturing	35%	34%	35%	32%	38%	30%	33%	37%
Construction	31%	29%	27%	28%	34%	29%	37%	38%
Wholesale/Retail	39%	38%	36%	42%	39%	31%	35%	43%
Hotels & Restaurants	38%	32%	32%	38%	35%	32%	35%	39%
Transport	38%	35%	30%	34%	45%	29%	40%	38%
Property/ Business Services	33%	30%	26%	31%	34%	31%	28%	38%
Health	27%	32%	27%	27%	30%	28%	22%	35%
Other Community	32%	31%	28%	33%	36%	34%	30%	37%
PNB	22%	22%	17%	19%	23%	19%	20%	26%
Not a PNB	44%	42%	38%	42%	45%	41%	39%	45%
Starts	38%	35%	32%	39%	47%	42%	48%	55%
2-5 years trading	37%	37%	34%	36%	45%	39%	39%	46%
6-9 years	33%	35%	27%	37%	37%	34%	39%	40%
10-15 years	32%	31%	28%	28%	36%	30%	28%	32%
15+ years	31%	28%	26%	29%	29%	24%	24%	30%

Q96 (238a54) All SMEs

Those already using external finance have consistently been more likely to agree that they would be happy to borrow to grow, as the table below shows:

Happy to use finance to help business grow								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Row percentages % agree								
All SMEs	34%	32%	29%	33%	36%	31%	33%	38%
Those using external finance	46%	44%	39%	46%	47%	42%	43%	47%

Analysis over time of those who thought they might find it difficult to get finance is shown below. Between 3 and 4 in 10 SMEs have thought they might have problems, with the 36% in 2024 in the middle of the range seen, up 1 point from 2023, with limited variation by demographics:

- There was no change year on year in levels of agreement amongst 0 employee SMEs (37%). Whilst they remained more likely to agree with this statement than their peers, those larger SMEs all saw a small increase in agreement year on year, narrowing the gap between them and their 0 employee peers.
- There were limited increases year on year by risk rating or PNBs.
- By sector there was a notable increase in agreement amongst those in Agriculture (up 8 points to 38%) making them one of the sectors most likely to agree with this statement, alongside the Other Community sector (up 5 points to 43%) and Hotels and Restaurants (up 2 points to 40%).
- There were smaller changes year on year by age of SME and levels of agreement declined as age of SME increased.

Impression it is difficult to get finance							
Over time – all SMEs	2018	2019	2020	2021	2022	2023	2024
Row percentages % agree							
All SMEs	38%	41%	37%	34%	31%	35%	36%
0 emp	40%	43%	38%	35%	32%	37%	37%
1-9 emps	34%	36%	36%	31%	29%	32%	35%
10-49 emps	28%	27%	28%	21%	20%	20%	24%
50-249 emps	20%	34%	24%	14%	11%	14%	16%
Minimal external risk rating	27%	31%	26%	21%	19%	25%	24%
Low	32%	35%	33%	26%	26%	28%	28%
Average	36%	39%	37%	34%	29%	32%	34%
Worse than average	43%	45%	39%	39%	36%	40%	41%
Agriculture	35%	41%	34%	29%	30%	30%	38%
Manufacturing	39%	40%	36%	30%	28%	33%	34%
Construction	41%	43%	38%	30%	29%	39%	36%
Wholesale/Retail	37%	43%	38%	34%	26%	33%	36%
Hotels & Restaurants	39%	45%	42%	37%	35%	38%	40%
Transport	38%	40%	40%	37%	33%	35%	39%
Property/ Business Services	37%	36%	35%	33%	29%	31%	31%
Health	33%	42%	31%	37%	37%	36%	37%
Other Community	41%	46%	41%	39%	37%	38%	43%
PNB	29%	27%	27%	23%	23%	28%	29%
Not a PNB	47%	51%	44%	41%	39%	39%	40%
Starts	53%	62%	44%	44%	36%	41%	44%
2-5 years trading	42%	46%	39%	39%	37%	42%	44%
6-9 years	36%	40%	37%	35%	35%	35%	39%
10-15 years	33%	31%	34%	32%	29%	36%	33%
15+ years	31%	32%	35%	28%	27%	30%	31%

Q96 (238a54) All SMEs

Those already using external finance have typically been slightly more likely to agree that it could be difficult for them to get (more) finance, and this was also true in 2024 (40% v 36% of all SMEs):

Impression it is difficult to get finance							
Over time – all SMEs	2018	2019	2020	2021	2022	2023	2024
Row percentages % agree							
All SMEs	38%	41%	37%	34%	31%	35%	36%
Those using external finance	49%	53%	43%	39%	37%	41%	40%

Taking these two statements in combination showed that for YEQ4 2024, 19% of all SMEs agreed that they were happy to use finance to help the business grow but they also felt it could be difficult for them to get that finance – an interesting group of SMEs to understand in terms of demand for finance. Those more likely to agree with both statements included:

- Smaller SMEs: 19% for 0 emps and 20% for those with 1-9 emps compared to 15% of those with 10-49 emps and 10% of those with 50-249 emps.
- Those with an above average risk rating: 23% for those with a worse than average rating compared to 17% with an average rating and 13% with either a low or minimal rating.
- Younger SMEs: 32% of Starts and 26% of those trading for 2-5 years, compared to 20% of those trading for 5-9 years, 14% of those trading for 10-15 years and 12% of those trading for more than 15 years.
- There was limited variation by sector (18-21%) with the slight exception of those in Property/Business Services and Health (both 16%).
- SMEs with ambition: 36% of Ambitious Risk Takers and 20% of Ambitious Innovators agreed with both statements, as did 25% of all SMEs planning to grow.
- Those who were 'Struggling' were more likely to agree (31%), compared to 19% of those 'Managing', 12% of those who were 'Comfortable' and 8% who were 'Well off'.
- Those using finance: 22% for both those using finance, and those in the 'middle' group, compared to 12% of PNBs.
- Those with an appetite for finance: 31% of those who had applied and 38% of Would-be seekers, as well as 46% of those planning to apply and 22% of Future would-be seekers.

Attitudes to finance – more detailed analysis

Analysis of attitudes to finance in combination or by other behaviours provides further insight into SME sentiment.

Using finance and happy to use again

To understand willingness to use external finance in more detail, additional analysis has been undertaken on this question.

The table below allocates all SMEs to one of four categories, depending on whether they were using external finance and/or whether they agreed that they would be happy to use external finance in the future to help the business develop and grow. Just over a third of SMEs (38%) were neither using finance nor happy to borrow to grow, notably the smallest and largest SMEs:

Combined analysis: Use of external finance and happiness to use in future					
YEQ4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Use external finance and happy to use in future	21%	18%	28%	39%	24%
Use external finance but not happy to use in future	24%	23%	26%	26%	19%
Do not use it but happy to use in future	17%	18%	15%	12%	17%
Do not use it and not happy to use in future	38%	41%	31%	23%	40%

Q15/Q96 (Q238a5) All SMEs

As the table above shows:

- 1 in 6 SMEs (21%) were using external finance and agreed that they would be happy to use it in future, ranging from 18% of those with 0 employees to 39% of those with 10-49 employees.
- The remaining users of finance, 24% of all SMEs, would not be happy to use finance in future (the equivalent of 56% of all users of finance). Those with 50-249 employees were less likely to be in this group (19%).
- 1 in 7 of all SMEs (17%) were not using external finance currently but agreed that they would be happy to use it in future, with limited differences by size of SME (12-18%).
- The remainder, just over a third of SMEs (38%) were not using finance and nor would they be happy to use it in future. This was more common amongst 0 employee SMEs (41%) and those with 50-249 employees (40%).

Across the years shown below:

- Around 45% of SMEs have been in the ‘not using and not happy to use in future’ category, but the proportion in 2024 was slightly smaller at 38%, due to an increase in those happy to use in future, whether they are currently using finance (up 3 points to 21%) or not (up 2 points to 17%).
- Around 4 in 10 of those already using finance were happy to use in future, with the current proportion, 47%, at the top of the range seen in recent years.

Combined analysis: Use of external finance and happiness to use in future over time							
All SMEs	2018	2019	2020	2021	2022	2023*	2024
Use external finance and happy to use in future	16%	18%	17%	20%	15%	18%	21%
Use external finance but not happy to use in future	20%	28%	20%	23%	21%	23%	24%
Do not use it but happy to use in future	16%	11%	16%	16%	16%	15%	17%
Do not use it and not happy to use in future	47%	43%	48%	41%	48%	45%	38%
% using who are happy to use again	44%	39%	46%	47%	42%	44%	47%

Q15/Q96 (Q238a5) All SMEs * new definition for external finance from Q1 2023

Combining growth ambitions and attitude to risk – The Ambitious Risk Takers

When the attitude statement ‘We have a long term ambition to be a significantly bigger business’ was initially run in H2 2017, further analysis was done in combination with the statement ‘As a business we are prepared to take risks to become more successful’ to produce a profile of ‘Ambitious Risk Takers’ –the SMEs that agreed with both statements.

That H2 2017 analysis showed that 38% had agreed they wanted to be a bigger business and 42% that they were prepared to take risks, with 27% agreeing with both statements and thus being defined as ‘Ambitious Risk Takers’. These ARTs were more likely to be using finance, to be innovative, international and to plan, to have grown and to be planning to grow. They could thus be seen as a key group of SMEs.

Despite recent challenging trading conditions, there has been an increase in ARTs over time. Repeating the same analysis for YE Q4 2024 showed that 43% agreed they wanted to be a bigger business and 49% were prepared to take risks, with 31% of SMEs agreeing with both statements and being an ART.

The table below shows the proportion of SMEs over time in each demographic that have agreed with both statements and can therefore be described as Ambitious Risk Takers. This description has typically applied to a quarter of SMEs (24-29%) but as referenced above, was slightly higher in 2024 at 31%, up 4 points on 2023:

- All sizes of SME were somewhat more likely to be an Ambitious Risk-Taker (ART) in 2024 compared to 2023, notably those with 0 employees (up 5 points to 30%), but the proportion of ARTs continues to increase by size, to 38-39% of those with 10-249 employees.
- All risk ratings saw an increase in the proportion of ARTs year and year, particularly those with a worse than average rating, up 7 points to 40% and still the most likely to meet the definition (23-26% amongst other risk ratings).
- The proportion of ARTs in the Hotel and Restaurant sector increased by 9 points to 32% and there were similar above average increases for Wholesale/Retail (+7 points to 37%) and the Other Community sector (+11 points to 39%), making these the most likely sectors to be ARTs. There was also a 7 point increase for Construction (to 31%) bringing them in line with the average. There was little change year on year for ARTs in Agriculture or Manufacturing, and a decline in Transport (down 5 points to 26%) and, with Agriculture and Health, the least likely to be an ART.
- All ages of SME were somewhat more likely to be an ART in 2024 than in 2023, notably Starts (+6 points to 55%) who remained the most likely to meet the definition. The proportion then declined by age of SME to 17% of those trading for more than 15 years.

Ambitious Risk Takers							
Over time – all SMEs	H2	2019	2020	2021	2022	2023	2024
Row percentages % agree with both	2018						
All SMEs	25%	24%	27%	29%	28%	27%	31%
0 emp	23%	21%	25%	27%	26%	25%	30%
1-9 emps	30%	29%	33%	35%	33%	33%	35%
10-49 emps	37%	35%	36%	36%	36%	36%	39%
50-249 emps	50%	42%	38%	39%	46%	37%	38%
Minimal external risk rating	22%	22%	23%	21%	18%	19%	23%
Low	20%	23%	23%	23%	22%	22%	24%
Average	22%	20%	23%	22%	21%	22%	26%
Worse than average	28%	27%	31%	37%	36%	33%	40%
Agriculture	16%	22%	25%	23%	19%	19%	18%
Manufacturing	31%	28%	27%	31%	22%	28%	30%
Construction	17%	22%	21%	24%	23%	24%	31%
Wholesale/Retail	31%	28%	34%	34%	31%	30%	37%
Hotels & Restaurants	24%	25%	27%	29%	29%	23%	32%
Transport	24%	22%	27%	30%	27%	31%	26%
Property/ Business Services	26%	23%	28%	30%	30%	28%	32%
Health	23%	21%	24%	24%	31%	20%	24%
Other Community	30%	24%	30%	30%	29%	28%	39%
Starts	35%	35%	41%	54%	55%	49%	55%
2-5 years trading	38%	34%	37%	42%	42%	44%	48%
6-9 years	23%	24%	31%	29%	29%	32%	34%
10-15 years	24%	21%	23%	24%	25%	22%	26%
More than 15 years	15%	14%	16%	15%	13%	14%	17%
PNB	19%	17%	19%	23%	22%	20%	24%
Not a PNB	30%	28%	32%	32%	33%	31%	35%
Use external finance	31%	29%	31%	31%	31%	31%	35%

Q96 (238a54) All SMEs



7. Need for funding £+

THIS CHAPTER PROVIDES

details on those SMEs that reported a funding need in 2024, including why the funding was needed and what steps were considered and taken to meet that need.





Need for funding.

KEY FINDINGS

A small minority reported having had a need for funding in the previous 12 months, well below levels seen during the pandemic but higher than in 2023. In contrast to the pandemic years, this need was more likely to have been for business development rather than for cash flow purposes:

- 7% of SMEs in 2024 reported having had a funding need, with limited variation by size of SME (7-8%) with the exception of those with 50-249 employees (3%). The need for finance was marginally higher for younger SMEs (12% for Starts and 10% for those trading for 2-5 years) and also for those already using external finance (12% v 3% of those not using funding).
- 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.
- In 2024, just over half of those with a need for funding (57%) said that it was for business development purposes, primarily to invest in new plant and machinery (23% of those with a funding need).
- 4 in 10 said the need was cash flow related (40%), with most saying it was to boost working capital (35% of those with a funding need).
- This split between funding needed for business development and cash flow is very similar to those seen pre-pandemic – amongst those reporting a previous need for funding in 2018, 58% had wanted funds for business development and 42% for cash flow. This balance switched markedly in 2020 and 2021 (when 81% said their funding need related to cash flow compared to 24% for business development) but returned to a pre-pandemic position in 2023 that has been maintained this year.
- 1 in 3 of those with a funding need (37%) said they needed more than £25,000 of funding increasing to 76% of those with 10-249 employees.

7%

of SMEs had a need for funding, increasingly for business development



Most of those with a funding need took some initial action to meet this need. Fewer had a chat with a financial provider and while looking online is still common, the way SMEs are using online tools has changed :

- 9 in 10 of those with a funding need took some initial action as a result.
- 34% had an informal chat with one or more of: their main bank (19%), another provider (7%) or to an advisor (6%). Whilst this remained a key step, it was mentioned by fewer of those with a need for funding in both 2023 and 2024 than in previous years, when typically over 4 in 10 had an informal chat with someone.
- After a dip in 2023 when fewer of these chats were with the main bank, the proportion rose again in 2024 to be closer to 2022 levels. This was due to the change seen among the smaller SMEs with 0-9 employees (in 2023, 9% approached their main bank v 19% in 2024), rather than the larger ones (in 2023, 29% of those with 10-249 employees approached their main bank compared to 19% this year).
- 25% of those with a funding need looked online, whether for application advice (8%, down from 16% in 2023), to look for possible providers (15%, up from 9%) or comparison sites (5% - unchanged). The proportion looking online has been more stable over time and favoured by smaller SMEs (26% v 14% with 10-249 employees in 2024).
- 13% discussed the need for funding within their business, back to typical levels in the past. Larger SMEs were more likely to take this step than smaller ones (24% v 13% of those with 0-9 employees).
- Almost as many, 18%, considered funding the need from within the business/directors. This proportion has seen some variation over time, ranging from 10% to 23% since 2018.

Most took action to meet this need, though fewer are chatting to a possible provider

34%

Over half went on to consider applying for funding, and in the end, half had a borrowing 'event' of some sort, with the main bank less involved in the process than previously seen, especially for smaller SMEs:

- 57% of those responding to a need for funding considered applying for finance (including 34% who considered applying to their main bank). Larger SMEs were more likely to consider applying somewhere (77% v 56% of smaller SMEs) but the proportions considering their main bank were similar (36% v 34% of smaller applicants).
- Overall, the proportion that considered applying for finance was in line with 2022 (58%) but somewhat lower than pre-pandemic (67% in 2018) and markedly lower than during the exceptional circumstances of the pandemic (80% in 2021).
- In the end, 51% of those responding to a need for funding had a borrowing event somewhere, 18% decided to fund all or part of it themselves and 17% decided not to take any funding. At the time of interview, 18% were still deciding what to do, twice the level typically seen pre-2023.
- Larger SMEs were more likely to have had a borrowing event somewhere (67% v 50% of smaller SMEs) and to have applied to their main bank (35% v 27% of smaller SMEs).
- Compared to previous years, fewer SMEs had a borrowing event (pre-pandemic around 6 in 10 did) and fewer had a borrowing event at the main bank (27% did, compared to 47% in 2022), slightly above 2023 (25%). Applications to other providers have been more stable over time.

With almost 1 in 5 still deciding what to do, less than half of the initial group of SMEs with a need for funding had applied for finance:

- 44% of the SMEs that originally identified a need for funding ended up having a borrowing event, in-line with 2023, but lower than in either 2022 (61%) or during the pandemic, when three quarters of those with a need went on to apply.
- As in 2023, this was mainly due to more SMEs still making up their minds (18% up from under 10% pre-2023), or deciding not to apply (17%, up from 10% in 2022).

44%
of those with a need
went on to apply, with
18%
still deciding what
to do

The middle section of the questionnaire, around applications made for finance, saw the most changes in the re-design for Q1 2018.

This is the first of the three revised chapters, looking at borrowing events in the wider finance market beyond loans and overdrafts:

- This chapter looks at whether SMEs had identified a need for external funding and what steps they took as a result of that need, including whether they applied for finance (a Type 1a borrowing event). This analysis is by interview date.
- Chapter 8 provides an overview of all borrowing ‘events’ (including Type 1a events), and the types of SME more or less likely to have had each of these events. This analysis is also by interview date.
- Chapter 9 looks specifically at the Type 1 borrowing events, the final outcome of the applications made and the impact of the application on the SME. This analysis is primarily based on all applications made between Q3 2023 and Q4 2024 and reported in interviews conducted in the same period (application data for Q2 2024 onwards is interim at this stage).

The definitions of all the borrowing events included in this report are provided at the start of the next chapter.

Having, and meeting, a need for funding

Rather than being asked directly about any applications made for loans and overdrafts, from Q1 2018 respondents have initially been asked about any need for external funding in the past 12 months, in addition to any finance they may already use, and irrespective of whether they acted on that need or not. Those who went on to apply for finance as a result of this funding need are defined as having had a Type 1a borrowing event later in this report.

This chapter is based on those interviewed between Q1 2024 and Q4 2024 (YEQ4 2024) who reported a need for funding in the 12 months prior to interview (i.e. from Q1 2023 onwards).

Had a need for funding

With the exception of the pandemic, when need for funding increased to 15% in Q2 2021, typically only a small minority of SMEs each quarter reported a need for external funding in the previous 12 months (3-5%). During the second half of 2024, need for funding increased to 10% of all SMEs, with the increase led by the 0 employee SMEs but seen to some extent across all size bands:

Had a funding need									
By date of interview	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Over time – row percentages	2022	2023	2023	2023	2023	2024	2024	2024	2024
All SMEs	4%	3%	5%	4%	5%	6%	5%	7%	10%
0 employee	4%	3%	5%	4%	4%	5%	5%	7%	10%
1-9 employees	5%	3%	5%	5%	6%	8%	6%	9%	9%
10-49 employees	4%	4%	4%	5%	6%	6%	8%	5%	7%
50-249 employees	3%	1%	2%	1%	4%	2%	4%	3%	5%

Q25 All SMEs (new Q1 2018)

Had a funding need							
By date of interview	2018	2019	2020	2021	2022	2023	2024
Over time – row percentages							
All SMEs	4%	3%	9%	12%	6%	4%	7%
0 employee	4%	2%	8%	11%	6%	4%	7%
1-9 employees	5%	6%	10%	14%	6%	5%	8%
10-49 employees	6%	5%	10%	12%	6%	5%	7%
50-249 employees	3%	3%	8%	6%	3%	2%	3%
Minimal external risk rating	3%	2%	5%	7%	3%	3%	5%
Low external risk rating	4%	4%	8%	11%	4%	4%	5%
Average external risk rating	3%	3%	8%	10%	6%	4%	4%
Worse than average external risk rating	5%	3%	9%	14%	8%	5%	10%
Agriculture	5%	6%	9%	12%	5%	4%	6%
Manufacturing	3%	2%	7%	13%	9%	4%	5%
Construction	3%	3%	6%	10%	7%	5%	5%
Wholesale/Retail	6%	5%	8%	12%	6%	6%	10%
Hotels & Restaurants	5%	6%	12%	17%	6%	5%	8%
Transport	4%	2%	13%	14%	6%	5%	7%
Property/Business Services etc.	4%	3%	9%	9%	5%	4%	5%
Health	4%	1%	7%	11%	5%	3%	8%
Other Community	4%	5%	10%	14%	10%	4%	12%
All SMEs excluding PNBs	8%	6%	14%	19%	12%	7%	11%
Starts	5%	2%	10%	15%	7%	6%	12%
2-5 years trading	6%	5%	11%	15%	9%	8%	10%
6-9 years	5%	4%	11%	13%	7%	6%	8%
10-15 years	3%	4%	8%	12%	8%	4%	6%
15+ years	3%	3%	7%	9%	5%	3%	4%

Q25 All SMEs (new Q1 2018)

The table above looks at the results available over time from 2018 to 2024, across key demographics. It shows that:

- The increase in 2024 to 7% of all SMEs reporting a funding need was seen to some extent across all size bands, led by those with 1-9 employees (up 3 points to 8%).
- Those with a worse than average risk rating saw more of an increase than their peers (up 5 points to 10%), as did those in the Other Community sector (up 8 points to 12%) and Wholesale/Retail (up 4 points to 10%).
- There was an increase in funding need across all age bands to some extent, with Starts seeing more of an increase (up 6 points to 12%), and they remained more likely to report a funding need than their older peers.
- Excluding the PNBs saw the proportion with a funding need increase by 4 points to 11%.

Amongst those using finance, the proportion with a need for (further) finance increased to 1 in 5 in 2020 and 2021 but has been at a lower level since. The 2024 figure of 12% was up from 7% in 2023 and back in line with 2022:

Had a funding need							
By date of interview	2018	2019	2020	2021	2022	2023	2024
Over time – row percentages							
All SMEs	4%	3%	9%	12%	6%	4%	7%
Current using external finance	8%	6%	19%	20%	12%	7%	12%
Not currently using external finance	2%	1%	2%	5%	3%	2%	3%

All those who identified a funding need were then asked further questions about how the need arose and any actions they had taken as a result. The list of options regarding the purpose of the facility was extensively revised for Q1 2018:

- Back in Q2 2020 an additional code was included ‘To cope with the impact of the coronavirus pandemic’ later amended to ‘To cope with the impact of current trading conditions’.
- In Q3 2022, a new code was introduced to this question: ‘To fund something to reduce an environmental impact or to be more sustainable’.

Due to the limited proportion of SMEs with a need for funding, analysis in this chapter is at the broader 0-9 and 10-249 employee level to ensure reasonably robust base sizes.

Why funding was required

The first table looks at why the funding was required, with cash flow support (35%) and investment in plant and machinery (23%) the top single mentions. Overall, 4 in 10 SMEs with a need for finance said that it was cashflow related in some way, while almost 6 in 10 were looking for funding for business development:

Reason funding required			
YEQ4 24 all SMEs who had need for funding	Total	0-9 emp	10-249 emps
Unweighted base:	1074	729	345
Cash flow related	40%	40%	34%
Working capital to help with cash flow	35%	35%	28%
To cover a short term funding gap	15%	16%	9%
To help through trading difficulties	9%	9%	6%
To cope with trading conditions	5%	5%	6%
Business development related	57%	57%	66%
Invest in new plant, machinery etc	23%	23%	27%
To fund expansion in the UK	21%	20%	23%
A new business opportunity	12%	12%	15%
To fund new premises	6%	6%	7%
To take on staff	5%	5%	6%
To fund R&D	4%	4%	4%
To fund expansion overseas	3%	3%	2%
To fund something environmental	2%	2%	1%
To take over another business	*	*	2%

Q26 All SMEs with a need for funding (new Q1 2018)

< 1% of SMEs said that they were approached by a bank/other funder offering them finance.

7 Need for funding

Some data is now available over time, shown in the table below. As the pandemic took hold, the balance tipped towards needing funding for cash flow purposes (almost doubling from 49% in 2019 to 81% in 2020) and away from being business development related (from 58% in 2019 to 24% in 2020). From 2022 the balance has started to move back the other way and has been almost 40:60 in favour of business development since:

Reason funding required							
By date of interview	2018	2019	Q2-4 2020	2021	2022	2023	2024
Over time							
Unweighted base:	807	739	1426	1849	946	722	1074
Cash flow related	42%	49%	81%	81%	69%	43%	40%
Working capital to help with cash flow	32%	37%	49%	50%	49%	31%	35%
To cope with trading conditions*	-	-	33%	30%	20%	12%	5%
To cover a short term funding gap	16%	26%	19%	32%	36%	16%	15%
To help through trading difficulties	11%	12%	12%	22%	24%	15%	9%
Business development related	58%	58%	24%	24%	37%	56%	57%
To fund expansion in the UK	26%	20%	11%	9%	19%	17%	21%
Invest in new plant, machinery etc	22%	25%	9%	11%	14%	28%	23%
A new business opportunity	18%	13%	4%	5%	11%	13%	12%
To take on staff	6%	5%	2%	1%	4%	6%	5%
To fund new premises	5%	7%	1%	2%	3%	3%	6%
To fund R&D	-	-	2%	45	5%	5%	4%
To fund something environmental	-	-	-	-	-	1%	2%
To fund expansion overseas	2%	3%	1%	1%	3%	*	3%
To take over another business	1%	2%	1%	*	*	*	*

Q26 All SMEs with a need for funding (new Q1 2018) *prior to 2023 the impact of the pandemic

Amount of funding required

The next table looks at how much finance was thought to be required to meet the funding need (excluding the 6% of those with a need for finance in 2024 that could not say how much they had wanted).

As might be expected, larger SMEs with a need for funding were more likely to be looking for £25,000 or more (76% of those with 10-249 employees) than smaller SMEs were (36% of those with 0-9 employees):

Likely finance required			
YEQ4 24 all SMEs who had need for funding	Total	0-9 emps	10-249 emps
Unweighted base:	1005	686	319
Less than £5,000	15%	16%	1%
£5,000 to £9,999	15%	16%	6%
£10,000 to £24,999	32%	33%	18%
£25,000 to £99,999	29%	28%	36%
£100,000-£999,999	8%	7%	36%
£1million+	1%	1%	4%
£25,000 or more	37%	36%	76%

Q27 All SMEs with a need for funding excluding DK (new Q1 2018)

Other SMEs with a need for funding who were more likely to be seeking £25,000 or more included:

- Those with a low risk rating (52%) compared to 34-44% of other risk ratings.
- Almost half of those trading for 2-5 years (46%), compared to 31% of Starts and 30-42% of other age bands.
- Half of those seeking funding in the Hotel and Restaurant sector (53%) compared to 20% in the Other Community sector, and 35-49% elsewhere.
- There was a slight difference by purpose of borrowing: 4 in 10 of those looking for funding for business development (42%) were seeking £25,000 or more compared to 30% looking for cash flow related funding.

The decision making process

Almost all those with a need for funding had taken some action as a result (88%). The actions have been grouped into themes, with 1 in 3 speaking to their main bank or another funder or advisor, increasing to half of those with 10-249 employees. A quarter had looked online for information of advice, and this was more common amongst smaller SMEs with a need for funding (26% v 14% of larger SMEs). A quarter of larger SMEs had discussed the application within the business, almost twice the proportion of those with 0-9 employees.

In all, 9 in 10 with a need for funding (88%) took some action, with larger SMEs more likely to do so (97% took action) than smaller ones (87%):

Steps initially taken in funding decision process			
YEQ4 24 all SMEs who had need for funding	Total	0-9 emps	10-249 emps
Unweighted base:	1074	729	345
Any action:	88%	87%	97%
Spoke to main bank/provider/advisor	34%	33%	52%
-Informal conversation with main bank	19%	19%	19%
-Informal conversation with other provider	7%	7%	15%
-Sought professional advice eg accountant	6%	6%	12%
-Spoke to a finance broker	7%	6%	13%
Looked online	25%	26%	14%
-Looked online for possible finance providers	15%	15%	10%
-Looked online for application advice	8%	9%	4%
-Looked at comparison/satisfaction sites	5%	5%	1%
Other actions:			
Discussed by management in the business	13%	13%	24%
Considered funding within business/directors	18%	18%	11%
Spoke to other business people	9%	9%	5%
Prepared/reviewed plans and forecasts	3%	3%	3%
Something else	9%	9%	4%
Took no action	12%	13%	3%

Q28 NEW All SMEs with a need for funding (new Q1 2018)-

Some analysis over time is now possible and shows that in each period the majority of SMEs with a need for funding took action, although the proportion has declined slightly in recent years to 88% in 2024.

- The proportion who spoke to an advisor or had an informal conversation with their bank or another provider about their need for funding was up 5 points in 2024 to 34%, with more mentions of conversations with the main bank and the new code of speaking to a finance broker. This remains below 2020-2021 when half of these SMEs spoke to someone.
- Since 2020 around 1 in 4 applicants have looked online, whether for a finance provider, some advice or a comparison site.
- 12% had taken no further action, in line with 2023 but somewhat higher than previous years.

Initial steps taken in funding decision process						
All SMEs who had need for funding – over time	2019	2020*	2021	2022	2023	2024
Unweighted base:	739	1426	1849	946	722	1074
Any action:	93%	94%	96%	91%	89%	88%
Spoke to main bank/provider/advisor	43%	55%	48%	43%	29%	34%
-Informal conversation with main bank	18%	38%	27%	23%	10%	19%
-Informal conversation with other provider	18%	12%	14%	15%	15%	7%
-Sought professional advice eg accountant	19%	12%	10%	13%	7%	6%
-Spoke to a finance broker	-	-	-	-	-	7%
Looked online	30%	24%	25%	21%	24%	25%
-Looked online for possible finance providers	15%	12%	14%	15%	9%	15%
-Looked online for application advice	15%	16%	13%	12%	16%	8%
-Looked at comparison/satisfaction sites	11%	6%	3%	6%	4%	5%
Other actions:						
Discussed by management in the business	15%	14%	10%	15%	19%	13%
Considered funding within business/directors	19%	12%	10%	23%	17%	18%
Spoke to other business people	10%	8%	8%	7%	5%	9%
Prepared/reviewed plans and forecasts	9%	10%	6%	7%	4%	3%
Something else	10%	9%	11%	8%	12%	9%
Took no action	7%	6%	4%	9%	11%	12%

Q28 NEW All SMEs with a need for funding (new Q1 2018) *asked in Q2-Q4 in 2020

Those who had taken any initial steps to meet their funding need were then asked which of a number of options they had considered. Almost 6 in 10 had considered making an application for finance (57%, little changed from 56% in 2023), with half of them (34%) considering an application to their bank:

Steps considered in funding decision process			
YEQ4 24 all SMEs who took initial steps on need for funding	Total	0-9 emps	10-249 emps
Unweighted base:	988	651	337
Making an application	57%	56%	77%
-Applying to main bank	34%	34%	36%
-Applying to provider not currently using	13%	13%	9%
-Applying to finance provider currently using	10%	9%	35%
-Applying to an online finance platform	7%	7%	7%
Finding some/all of the funding yourselves	33%	33%	19%
Using a broker	7%	7%	8%
None of these	18%	19%	12%

Q30 All SMEs with a need for funding who took action at Q28 (new Q1 2018)

Analysis amongst SMEs with a need for funding showed that:

- Over half of SMEs considered making an application for finance (57%), with larger SMEs more likely to have done so (77%). A significant minority considered self-funding (33%), and smaller SMEs were more likely to have done this.
- Consideration of an application varied by risk rating from 50% with an above average risk rating and 64% with an average risk rating, to 70% with a low risk rating and 87% of those with a minimal risk rating.
- Half of Starts (52%) and also those trading for 6-9 years (55%) considered applying, with little variation by other age bands (60-62%).
- Those for whom the funding was for business development were slightly more likely to have considered an application (64%) than those looking for help with cash flow (45%).

Analysis over time shows the marked impact of the pandemic and pandemic funding during 2020 and 2021 on applications generally and to the main bank in particular. Since 2022, consideration of an application (anywhere) has been somewhat lower, as fewer SMEs considered applying to their main bank, with limited changes 2023 to 2024:

Steps considered in decision process:						
All SMEs who took initial steps	2019	2020*	2021	2022	2023	2024
Unweighted base:	719	1380	1804	904	665	988
Making an application	63%	81%	80%	58%	56%	57%
-Applying to main bank	37%	67%	64%	47%	30%	34%
-Applying to finance provider not currently using	19%	11%	12%	9%	12%	13%
-Applying to finance provider currently using	17%	8%	6%	9%	10%	10%
-Applying to an online finance platform	9%	6%	5%	7%	7%	7%
Finding some/all of the funding yourselves	40%	15%	17%	37%	30%	33%
Using a broker	7%	1%	2%	6%	2%	7%
None of these	12%	9%	6%	12%	19%	18%

Q30 All SMEs with a need for funding who took action at Q28 (new Q1 2018) *Q2-Q4 only

Providers considered and contacted

Two new questions, included from H2 2024, asked SMEs who had a need for funding and had taken some action how many financial providers they had considered and how many they had approached, in a range from 0 to 4+. A proportion of SMEs said that they hadn't considered / approached any providers and this proportion is in line with those who hadn't considered any form of application.

- 41% of SMEs with a need for funding said they did not consider any provider (excl DK answers) and this was more likely to be the case for those with 0-9 employees (42%) rather than larger SMEs (18%). 37% considered 1 provider, with little difference by size of SME (37% v 40%) and 22% considered 2 or more. This was more likely to be the case for larger SMEs (43%, including 12% who considered 4 or more) than smaller ones (22% including 6% who considered 4 or more).
- The same proportion, 41% of these SMEs, said they had not approached any provider (excl DK answers) and this was again more likely to be the case for those with 0-9 employees (42%) rather than larger SMEs (17%). 39% approached 1 provider, with larger SMEs slightly more likely to have taken this approach (38% v 48%) and 20% approached 2 or more. This was more likely to be the case for larger SMEs (36%, including 7% who approached 4 or more) than smaller ones (20% including 5% who approached 4 or more).

Steps taken to meet funding need

The next table looks at the steps actually taken, rather than considered, by SMEs with a funding need. Half of those who did anything as a result of their need for funding made an application for finance (51%).

The most common borrowing 'event' was an application to the main bank. This was mentioned by half of those having any sort of borrowing 'event' and a quarter of the wider group taking any sort of action (in line with 2023):

Steps taken in funding decision process			
YEQ4 24 all SMEs who had need for funding and took initial steps	Total	0-9 emps	10-249 emps
Unweighted base:	988	651	337
Had borrowing 'event' re need for finance	51%	50%	67%
-Applied to main bank	27%	27%	35%
-Applied to finance provider not currently using	12%	12%	12%
-Applied to finance provider currently using	13%	12%	25%
-Applied to an online finance platform	6%	6%	2%
Decided to fund all or part of it yourselves	18%	18%	14%
Decided not to take funding	17%	18%	12%
Still deciding	18%	18%	13%

Q31 All SMEs with a need for funding who took action at Q28 (new Q1 2018)

Analysis of those taking action showed that:

- Borrowing 'events' increased by size of SME, as did applications to the main bank. 1 in 6 had self-funded in whole or part with little difference by size.
- There were some differences in borrowing 'events' by risk rating:
 - 80% with a minimal risk rating had a borrowing event, as did 53% of those with a low-risk rating, 57% of those with an average risk rating and 45% of those with a worse than average risk rating.
 - Those with an above average risk rating were more likely to have included at least an element of self-funding (21%) followed by those with an average (15%) or low (18%) rating, and 7% of those with a minimal risk rating.
 - 45% of Starts reported a borrowing 'event', as did 42% of those trading for 6-9 years, with limited differences in other age bands (50-59%).
 - Those looking for funding for business development were more likely to have had a borrowing event (54%) than those looking for cash flow funding (41%).
 - The 51% with a borrowing 'event' shown above is the equivalent of 3% of all SMEs.

Analysis over time showed that:

- In 2019, 6 in 10 reported a borrowing 'event' increasing to 8 in 10 for 2020 and 2021, due to an increase in applications to the main bank during the pandemic.
- Since then there have been fewer applications overall (51% in 2024) or to the main bank (27% in 2024).
- The proportion of SMEs deciding to fund all or part of the need themselves was 12-13% in all years except 2019 and 2022 (29% in both years) while in 2024, 18% of SMEs self-funded, in line with 2023.
- In 2024, 18% were still deciding what to do, down slightly from the 22% in 2023 (the highest percentage seen to date).

Steps taken in funding decision process						
All SMEs who had need for funding and took initial steps – over time	2019	2020*	2021	2022	2023	2024
Unweighted base:	719	1380	1804	904	665	988
Had borrowing 'event' re need for finance	57%	80%	80%	61%	50%	51%
-Applied to main bank	29%	65%	61%	47%	25%	27%
-Applied to finance provider not currently using	16%	11%	13%	10%	13%	12%
-Applied to finance provider currently using	16%	6%	5%	7%	11%	13%
-Applied to an online finance platform	7%	5%	6%	5%	3%	6%
Decided to fund all or part of it yourselves	29%	12%	12%	29%	19%	18%
Decided not to take funding	11%	5%	5%	10%	12%	17%
Still deciding	11%	5%	5%	7%	22%	18%
Borrowing event as % of all with original need for funding	54%	76%	77%	56%	45%	44%

Q31 All SMEs with a need for funding who took action at Q28 (new Q1 2018) / All with need for funding *Q2-Q4 2020

To put this in context with other steps reported so far:

- Of those who had a need for external funding, 44% went on to have a borrowing event, in line with 2023 but a lower percentage than was seen in 2020-21 (76-77%).
- Of those who had taken some action on their funding need, 51% went on to have a borrowing event, unchanged from 2023.
- Of those who considered applying for finance, 80% went on to do so (from 87% in 2023).

The table below summarises how consideration of different options then leads to action, firstly for 2024

- **Considered applying (anywhere):** Almost all of those who had considered applying for finance from somewhere (the first column) went on to have a borrowing 'event' (80%). Those events were split evenly between the main bank and another provider, with 6% deciding to fund some or part of the need themselves:
- **Considered applying to main bank / other provider specifically:** Most of those who considered applying specifically to their main bank (in the second column below) went on to have a borrowing event (80%), and mostly at their main bank (72%). Similarly, most of those who had initially considered applying to a different provider (the third column) went on to do so (80% any event and 72% somewhere other than their main bank).
- **Considered self-funding:** Half of those who initially considered self-funding (fourth column) went on to do so (48%), while 18% of this group ended up applying for finance (potentially alongside self-funding), typically at the main bank, but 3 in 10 decided not to take any extra funding and 1 in 10 were still deciding what to do.

From consideration to action				
YEQ4 24 all SMEs who had need for funding and took steps	Considered appln (any)	Considered main bank	Considered elsewhere	Considered self-fund
<i>Had borrowing 'event' re need for finance</i>	80%	80%	80%	18%
-Went on to apply to main bank	45%	72%	16%	14%
-Went on to apply elsewhere	43%	20%	72%	4%
Decided to fund all or part of it yourselves	6%	6%	9%	48%
Decided not to take funding	7%	9%	6%	31%
Still deciding	11%	11%	11%	11%

Q30 and 31 All SMEs with a need for funding who took action at Q28 (new Q1 2018) / All with need for funding

The table overleaf reports on the transition from consideration to borrowing event over time amongst those who took steps in regard to a need for finance:

Considered applying (anywhere):

- The majority of SMEs who considered applying for finance (the first column below) had gone on to do so, albeit the 80% who did so in 2024 was at the lower end of the range seen and down from 87% in 2023.
- Amongst this broader pool, the proportion who went on to apply to their main bank specifically initially declined 2018 to 2019 (55% to 41%). After an increase to 7 in 10 for 2020–2022, the proportion was once again lower in 2023 (44%) and 2024 (45%), as more SMEs applied elsewhere (43% in 2024).

Considered applying to main bank / other provider specifically:

- In the second column, the majority of those who had considered applying to their main bank each year went on to have a borrowing event and to apply to their main bank, but as in 2023, the proportions in 2024 (80% and 72%) were somewhat lower than seen in previous years, with more applying elsewhere (20%).
- Of those who, in 2024, were initially considering applying to a different provider (column three), most made an application somewhere (80%) but this was a lower proportion than typically seen, and down from 91% in 2023. Most went on to apply to another provider (72%), with far fewer either applying to their main bank (16%) or self-funding (9%) than has been seen in other years.

Considered self-funding:

- Amongst those who initially considered self-funding (column four), the proportion that went on to do so increased from 46% in 2018 to 72% in 2022. In 2023 the proportion was back at 46% and there was little change for 2024 (48%), as 1 in 3 decided not to proceed with any funding and 1 in 10 were still deciding what to do.

Those who decided not to take finance and to put in the funds themselves or decided not to meet the funding need at all were asked further questions to determine if they had been a ‘would-be seeker of finance’ and this is reported in more detail in a later chapter. The outcome of these borrowing events to meet a funding need is explored in subsequent chapters. First the next chapter provides an overview of all the borrowing ‘events’ now captured on the SME Finance Monitor.

From consideration to action over time				
All SMEs who had need and took steps	Considered any appln	Considered main bank	Considered elsewhere	Considered self-fund
<i>Had borrowing 'event' re need for finance</i>				
-2018	84%	83%	84%	35%
-2019	79%	77%	78%	31%
-Q2-Q4 2020	95%	95%	98%	36%
-2021	94%	95%	92%	26%
-2022	90%	90%	92%	27%
-2023	87%	82%	91%	18%
-2024	80%	80%	80%	18%
<i>Went on to apply to main bank</i>				
-2018	55%	76%	18%	22%
-2019	41%	69%	18%	13%
-Q2-Q4 2020	78%	92%	41%	32%
-2021	74%	92%	22%	19%
-2022	72%	85%	42%	20%
-2023	44%	73%	11%	13%
-2024	45%	72%	16%	14%
<i>Went on to apply elsewhere</i>				
-2018	35%	15%	79%	23%
-2019	43%	15%	72%	21%
-Q2-Q4 2020	24%	11%	81%	19%
-2021	23%	7%	82%	10%
-2022	25%	14%	72%	14%
-2023	44%	11%	82%	5%
-2024	43%	20%	72%	4%

7 Need for funding

All SMEs who had need and took steps	Considered any appln	Considered main bank	Considered elsewhere	Considered self-fund
<i>Decided to fund all or part of it yourselves</i>				
-2018	9%	11%	12%	46%
-2019	21%	18%	24%	65%
-Q2-Q4 2020	4%	4%	9%	66%
-2021	4%	3%	9%	61%
-2022	14%	11%	22%	72%
-2023	10%	15%	5%	46%
-2024	6%	6%	9%	48%

Q30 and 31 All SMEs with a need for funding who took action at Q28 (new Q1 2018) / All with need for funding



8. An overview of borrowing events

THIS CHAPTER PROVIDES

information on the number and range of borrowing events now captured on the SME Finance Monitor.





8. An overview of borrowing events.

KEY FINDINGS

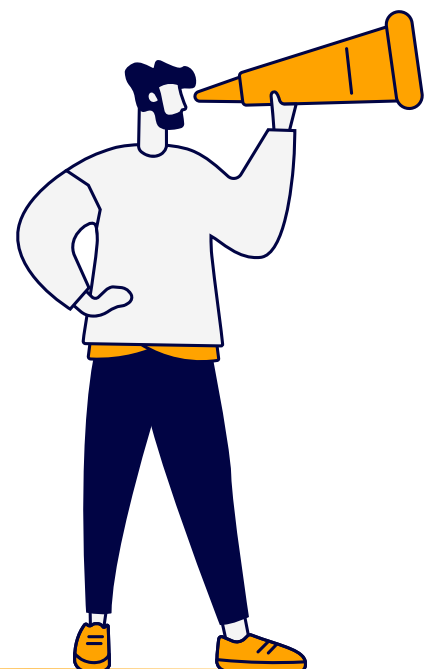
12% of SMEs reported any borrowing event in 2024, led by the automatic renewal of overdrafts and little changed from 2022-23:

- 12% of SMEs reported any borrowing event, with 4% reporting an application for new or renewed funding, 6% an overdraft that was automatically renewed and 3% a facility that was cancelled or paid off early.
- With the exception of the largest SMEs (where 8% had a borrowing event), there was little difference by size of SME (12-15%). By sector there was little difference (12-15%) with the exception of Agriculture (18% had an event, with 12% having an automatically renewed overdraft) and little difference by age of SME (10-12%) with the slight exception of those trading for over 15 years (14%).
- Those already using external finance were more likely to report a borrowing event (23%) than those not using finance (3%), including 13% reporting the automatic renewal of an overdraft.
- During the pandemic years, borrowing events increased to 16-17% of SMEs, but since 2022 have been more in line with pre-pandemic years (13% had a borrowing event in 2019). Whilst there was little change overall 2023 to 2024 (11% to 12% with a borrowing event), Starts were more likely to report a borrowing event in 2024 (up 4 points to 12%) as were those in Manufacturing (up 6 points to 14%).

Bank loans remained the most common product applied for or renewed:

- 51% of SMEs reporting an application for a new or renewed facility said that it was for a bank loan, and this was more likely to be the case for smaller applicants (51% of those with 0-9 employees) than larger ones (38% of those with 10-249 employees).

12%
of SMEs reported any
borrowing event



- A quarter had applied/renewed a bank overdraft (this does not include automatic renewals) with no difference by size of SME.
- 1 in 10 (11%) had applied or renewed leasing/HP and this was more likely to be the case for larger applicants (26%) than smaller ones (10%).

Just over half of SMEs with an overdraft currently said that it had been automatically renewed in the previous 12 months:

- 55% of SMEs with an overdraft reported an automatic renewal in the previous 12 months, the equivalent of 6% of all SMEs and stable over recent years.
- Amongst SMEs with an overdraft, an automatic renewal was more likely for those with 1-9 employees (58%) and those in Manufacturing (66%).

As in previous reports, very few SMEs said that a facility had been repaid or cancelled early:

- 3% of SMEs reported either that their bank had sought to cancel or renegotiate a facility (1%) or that they had (2%), unchanged from 2023, and ranging from 4% of those with 0 employees to 1% of those with 50-249 employees with limited variation by sector.

55%

of SMEs with an overdraft said that it had been automatically renewed

This is the second of three revised chapters looking at borrowing events in the wider finance market beyond loans and overdrafts:

The last chapter looked at whether SMEs had identified a need for external funding and what steps they took as a result of that need, including whether they applied for finance (a Type 1a borrowing event). This analysis is by interview date.

This chapter provides an overview of all borrowing ‘events’ (including Type 1a and other events), and the types of SME more or less likely to have had each of these events. This analysis is also by interview date.

The next chapter looks specifically at the Type 1 borrowing events, the final outcome of the applications made for finance and the impact of the application on the SME. This analysis is primarily based on all applications made between Q3 2023 and Q4 2024 and reported in interviews conducted in the same period (application data for Q2 2024 onwards is interim at this stage).

The information gathered on these events is not always directly comparable with that gathered for loans and overdrafts in earlier reports, but where possible historical data is shown for context. Before looking at the latest findings, the summary below looks at how borrowing events have been defined since changes were made to the questionnaire for 2018.

From Q1 2018, SMEs have been asked more broadly about borrowing events across a range of products and providers, not just loans and overdrafts. SMEs could have had one or more of these events, or none:

- Type 1a: Where a need for funding resulted in a borrowing event (involving any product and any provider) – reported in the previous chapter.
- Type 1b: Where the SME had (also) applied for any other new or renewed facility, from a list of major products.
- Type 1c: Any other application made and not already mentioned as a Type 1 a or b event.
- Where the SME’s overdraft had been automatically renewed.
- Type 2/3 events: Where the SME or the finance provider had sought to cancel or re-negotiate a facility before it was due to be repaid.

Note that applications for a Government backed loan were not prompted for specifically at this stage but may have been included as ‘bank loans’ by some SMEs (though not all who took Government backed funding). Analysis of Government backed funding specifically is provided in the first of the finance chapters in terms of its impact on overall use of external finance. As these applications have become increasingly less likely to have taken place within the 12 months prior to interview, no other adjustments have been made to this section of the report.

Borrowing events in 12 months prior to interview

A stable 12% of SMEs YEQ4 2024 reported any borrowing event (in line with 2022-23), with limited variation by size of SME, with the exception of those with 50-249 employees (8%):

Borrowing events in the previous 12 months					
YEQ4 24 all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Type 1 event:	4%	4%	5%	5%	3%
1a: New application re need for funding	3%	3%	5%	4%	3%
1b: New/renewed application for specific finance	1%	1%	2%	2%	1%
1c: Any other new/renewed application	*	*	*	*	*
Type 2/3: Cancel/pay off by bank or SME	3%	4%	3%	3%	1%
Automatic renewal of an overdraft	6%	5%	8%	8%	4%
Any borrowing event	12%	12%	15%	15%	8%

Type 1 event /Pastevt Q31/50/50a/70/71/75 (25/26) All SMEs – new definition from Q1 2018

Borrowing events by key demographics

Analysis by risk rating also showed limited variation. Those with an average risk rating were very slightly less likely to report a borrowing event of some kind:

Borrowing events in the previous 12 months					
YEQ4 24 all SMEs	Total	Min	Low	Avge	Worse/Avge
Unweighted base:	17,011	3130	4342	4489	3754
Type 1 event	4%	4%	4%	3%	5%
1a: New application re need for funding	3%	4%	2%	2%	4%
1b: New/renewed application for specific finance	1%	1%	2%	1%	2%
1c: Any other new/renewed application	*	–	*	*	*
Type 2/3: Cancel/pay off by bank or SME	3%	3%	3%	2%	4%
Automatic renewal of an overdraft	6%	7%	6%	6%	5%
Any borrowing event	12%	14%	12%	10%	14%

Pastevt Q31/50/50a/70/71/75 (25/26) All SMEs – new definition from Q1 2018

Those in the Agriculture sector were more likely to have had any borrowing event (18%), and specifically an automatically renewed overdraft, with little variation otherwise by sector (10-15%):

Borrowing events in last 12 months									
YEQ4 24 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	HLth SWrk	Other Comm
Unweighted base:	778	2157	2562	2564	873	1544	3885	954	1694
Type 1 event	4%	4%	4%	5%	5%	4%	3%	4%	7%
1a: re need for funding	3%	3%	2%	5%	4%	3%	2%	3%	6%
1b: re specific finance	2%	2%	2%	2%	2%	2%	1%	*	2%
1c: Any other	–	–	*	*	–	–	–	–	*
Type 2/3	4%	4%	3%	3%	3%	4%	3%	3%	4%
Auto renewal	12%	8%	7%	6%	5%	7%	5%	4%	4%
Any borrowing event	18%	14%	12%	13%	12%	14%	10%	10%	15%

Pastevt Q31/50/50a/70/71/75 (25/26) All SMEs – new definition from Q1 2018

8 Borrowing events

Analysis by age of business showed limited differences in terms of borrowing events (10-14%), with the main difference the proportion of auto-renewed overdrafts:

Borrowing events in the previous 12 months					
YEQ4 24 all SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	521	1577	1675	3521	9717
Type 1 event	7%	5%	4%	3%	3%
1a: New application re need for funding	5%	5%	2%	3%	2%
1b: New/renewed application for specific finance	2%	2%	2%	1%	1%
1c: Any other new/renewed application	-	-	*	*	*
Type 2/3: Cancel/pay off by bank or SME	3%	3%	3%	3%	3%
Automatic renewal of an overdraft	2%	3%	4%	6%	9%
Any borrowing event	12%	12%	10%	11%	14%

Pastevt Q31/50/50a/70/71/75 (25/26) All SMEs – new definition from Q1 2018

Those using finance were much more likely to report a borrowing event (23%) than those not using finance (3%). Excluding the PNBs from the analysis increased the proportion of remaining SMEs with a borrowing event to 19%, with 6% having a Type 1 event:

Borrowing events in the previous 12 months				
YEQ4 24 all SMEs	Total	Use finance	No finance	All excl PNB
Unweighted base:	17,011	9255	7756	11825
Type 1 event	4%	8%	1%	6%
1a: New application re need for funding	3%	6%	1%	5%
1b: New/renewed application for specific finance	1%	3%	*	2%
1c: Any other new/renewed application	*	*	*	*
Type 2/3: Cancel/pay off by bank or SME	3%	5%	2%	5%
Automatic renewal of an overdraft	6%	13%	-	9%
Any borrowing event	12%	23%	3%	19%

Pastevt Q31/50/50a/70/71/75 (25/26) All SMEs – new definition from Q1 2018

Borrowing events over time

There was a slight increase in borrowing events overall from 14% in 2018 to 17% in 2021. Since 2022, the proportion has been lower, but stable (11-12%).

As the table below shows, those already using external finance have been likely to report a borrowing event, though that proportion has also been lower in recent years (23% in 2024):

Had any borrowing event							
By date of interview	2018	2019	2020	2021	2022	2023	2024
Over time – row percentages							
All SMEs	14%	13%	16%	17%	11%	11%	12%
Currently using external finance	34%	26%	37%	34%	25%	20%	23%
Not currently using external finance	3%	3%	5%	4%	3%	3%	3%

The table below looks at borrowing events over time across all SMEs by different demographics. There was little change overall 2023 to 2024 (up 1 point to 12%):

- SMEs with 1-9 employees were slightly more likely to report a borrowing event in 2024 (up 3 points to 15%) bringing them in line with those with 10-49 employees.
- Those with either a minimal or a worse than average risk rating were slightly more likely to report a borrowing event in 2024, both up 3 points to 14%.
- There were limited changes by sector, with the slight exception of Manufacturing, where the proportion reporting a borrowing event was up 6 points to 14%.
- There was limited variation by age of SME in 2024 (10-14%), but an increase of 4 points for Starts (to 12%) has put them more in line with their peers.

Had any borrowing event							
By date of interview	2018	2019	2020	2021	2022	2023	2024
Over time – row percentages							
All SMEs	14%	13%	16%	17%	11%	11%	12%
0 employee	13%	12%	15%	15%	11%	11%	12%
1-9 employees	17%	17%	21%	22%	12%	12%	15%
10-49 employees	21%	21%	24%	22%	13%	15%	15%
50-249 employees	32%	21%	17%	11%	7%	7%	8%
Minimal external risk rating	17%	13%	16%	15%	8%	11%	14%
Low external risk rating	16%	15%	18%	19%	13%	13%	12%
Average external risk rating	15%	13%	16%	16%	10%	11%	10%
Worse than average risk rating	12%	13%	16%	16%	12%	11%	14%
Agriculture	19%	20%	22%	21%	12%	17%	18%
Manufacturing	14%	14%	16%	19%	12%	8%	14%
Construction	13%	11%	15%	16%	11%	10%	12%
Wholesale/Retail	18%	19%	18%	19%	11%	11%	13%
Hotels & Restaurants	14%	14%	20%	20%	11%	10%	12%
Transport	15%	14%	20%	22%	11%	12%	14%
Property/Business Services etc.	12%	11%	15%	15%	8%	11%	10%
Health	15%	11%	12%	12%	10%	9%	10%
Other Community	15%	14%	17%	16%	16%	11%	15%
All SMEs excluding PNBs	27%	22%	28%	28%	21%	17%	19%
Starts	20%	13%	14%	14%	6%	8%	12%
2-5 years trading	11%	11%	17%	18%	10%	11%	12%
6-9 years	11%	10%	18%	18%	12%	9%	10%
10-15 years	14%	14%	15%	19%	13%	10%	11%
15+ years	14%	15%	17%	17%	12%	13%	14%

Borrowing events in past 12 months – By event type

12% of SMEs reported any form of borrowing event in the previous 12 months. This section looks at each type in turn. Due to limited base sizes, analysis by size is for 0-9 employees and 10-249 employees.

Type 1a/b applications for new/renewed funding

4% of all SMEs reported making an application for new/renewed funding whether as a result of a need for funding or some other new/renewed application. 8 in 10 applicants only applied for one product and, as the table below shows, half of all applications were for a loan, though larger SMEs made applications across a slightly wider range of products:

Main types of finance applied for			
YEQ4 24 – all SMEs with Type 1a/b event	Total	0-9 emps	10-249 emps
Unweighted base:	776	469	307
Bank Loan	51%	51%	38%
Bank Overdraft	24%	24%	25%
Leasing/hire purchase	11%	10%	26%
Credit cards	11%	11%	6%
Grants	11%	11%	7%
Other loan	5%	5%	4%
Commercial mortgage	3%	3%	9%
Other overdraft	2%	2%	1%

Q33/52s NEW All SMEs with a Type1a/b application (pastevt)

The next chapter provides more detail on these applications, at an application rather than applicant level.

Type 2 and Type 3 events

All SMEs were asked whether either of the following had happened to them:

- A bank sought to cancel or renegotiate a facility before it was due to be repaid.
- The SME decided to cancel or renegotiate a facility before it was due to be repaid.

In previous SME Finance Monitor reports, 1-2% of SMEs reported such an event.

As the table below shows, 3% of SMEs reported either of these events YEQ4 2024 (stable from 2023), declining slightly by size of SME:

Type 2/3 events in the previous 12 months					
YEQ4 24 all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Type 2/3: Cancel/pay off by bank or SME	3%	4%	3%	3%	1%
-Bank sought to cancel/renegotiate	1%	1%	1%	1%	*
-SME sought to cancel/renegotiate	2%	3%	2%	2%	1%
No Type 2/3 event	97%	96%	97%	97%	99%

Q75 (25/26) All SMEs – new definition from Q1 2018

There was no variation by risk rating (2-4%) or sector (3-4%). Excluding the PNBs increased the proportion of Type 2/3 events to 5% of remaining SMEs, 2% where the bank looked to make a change and 3% where the SME did so.

Automatic renewal of overdrafts

Overdrafts are usually granted for a period of 12 months or less, but it was apparent in early Monitor reports that not all those with an overdraft facility went on to report having had an overdraft ‘event’ in the 12 months prior to interview.

To explore this further, such SMEs were asked whether, in the previous 12 months, their bank had automatically renewed their overdraft facility at the same level, for a further period, without their having to do anything. This question was not changed in the Q1 2018 re-design.

In recent quarters around half of SMEs with an overdraft have said that it had been automatically renewed, with slightly more variation during 2024 and the Q4 2024 figure of 62% was at the top of the range usually seen. As in previous years, this is the equivalent of around 5% of all SMEs:

Experienced an automatic renewal in previous 12 mths									
By date of interview – over time	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Row percentages									
SMEs with overdraft	54%	46%	48%	46%	53%	57%	50%	51%	62%
‘All SMEs’ equivalent	5%	5%	6%	7%	6%	7%	5%	4%	6%

Q71/15 (15/ 26/26a) All SMEs who now have an overdraft excl DK/all SMEs

8 Borrowing events

The summary table below for 2024 as a whole shows that amongst SMEs with an overdraft, 55% reported an automatic renewal and this was slightly more likely amongst those with 1-9 employees, or those in the Manufacturing sector. This is the equivalent of 6% of all SMEs reporting an automatic renewal (9% once the PNBs were excluded):

Automatic renewals		
YEQ4 24 – row percentages	All with Overdraft	All SMEs equivalent
All SMEs	55%	6%
0 employee	55%	5%
1-9 employees	58%	8%
10-49 employees	52%	8%
50-249 employees	30%	5%
Minimal external risk rating	55%	7%
Low external risk rating	56%	6%
Average external risk rating	53%	5%
Worse than average external risk rating	55%	5%
Agriculture	55%	12%
Manufacturing	66%	8%
Construction	57%	7%
Wholesale/Retail	52%	6%
Hotels & Restaurants	42%	5%
Transport	59%	7%
Property/Business Services etc.	57%	5%
Health	52%	4%
Other Community	50%	4%
All SMEs excluding Permanent non-borrowers	55%	9%
Current using external finance	55%	13%

Pastevt Q31/50/50a/70/71/75 (25/26) All SMEs – new definition from Q1 2018



9. Outcome of Type 1 applications

THIS CHAPTER PROVIDES

more detail on the outcome of all Type 1a and Type 1b borrowing events for new/renewed finance, including the amount granted and whether security was required.

9. The outcome of Type 1 applications

KEY FINDINGS

Applications for finance made in the 18 months Q3 2023 to Q4 2024 (on which this chapter is based) were most commonly for a loan, made to a known provider such as the main bank, and in the name of the SME:

- 38% of applications made in this time period were for a bank loan, while 17% were for a bank overdraft.
- Most applications were to a known provider, with 49% made to the main bank and 16% to another existing provider.
- 89% were made in the name of the SME rather than in a personal capacity.
- 6 in 10 applications (63%) involved a product that had not been applied for before. This proportion of first time applicants was in line with the 18 months to Q4 2023, and remained higher for smaller SMEs: 65% of applications from 0 employee SMEs and 63% of those from SMEs with 1-9 employees were first time applicants, compared to 33% for those with 10-49 employees and 16% with 50-249 employees.

47% of applications with a response resulted in a facility, increasing by size of SME. This remains lower than previously seen with smaller SMEs that have applied seeing more of a change in success rates over time than larger ones:

- 47% of applications resulted in a facility, including 45% of applications where the SME was offered the facility they wanted and took it. 10% were offered something but declined it (typically for cost reasons) and 43% were turned down. This success rate is slightly lower than the last 18 month period to Q4 2023 (51%).
- Those more likely to be successful included SMEs with more than 10 employees (80% if 10-49 employees and 94% if 50-249 employees), those applying to an existing provider that was not their main bank (62%), and those applying for leasing/HP (78%).



THIS CHAPTER

is based on the 986 applications for new or renewed finance made and reported between Q3 2023 and Q4 2024 to date, that had received a response, rather than on respondents

47%

of applications resulted in a facility

Smaller SMEs have seen more of a decline in success rates over time than larger ones



9 Outcome of Type 1 applications

- Pre-pandemic applications were more likely to have been successful than the current ones. In the 18 months to Q4 2019, 71% of applications were successful, some 24 percentage points above the current success rate of 47%. Analysis by size shows that smaller SMEs have seen this decline from 2019 more markedly than larger ones: 0 employee success rates are down 24 points from 63% to 39% and for those with 1-9 employees the change is 22 points from 76% to 54%. By contrast for those with 10-49 employees the change is 6 points (86% to 80%) and for those with 50-249 employees it is 4 points (98% to 94%).
- To a limited extent this change is also due to more SMEs turning down the facility they were offered (10%, in line with 11% in the 18 months to Q4 2023 but prior to that less than 5% of applications were declined by the SME). This is something which 0 employee SMEs were the most likely to have done (13% of applications made by this group).
- 37% of all successful applications were secured, up from 28% for the 18 months to Q4 2023 and more in line with pre-pandemic levels, and there was a similar pattern for those on a fixed rate: 86% were on a fixed rate, up from 72% for the 18 months to Q4 2023 and also more in line with pre-pandemic levels.

43% of applications were turned down by the lender, broadly stable post pandemic but higher than typically seen pre-pandemic:

- Applications from smaller SMEs were more likely to be declined (48% if have 0 employees, 40% if have 1-9 employees). 45% of applications to the main bank were turned down, as were 44% to a new provider and 53% of applications from first time applicants.
- In the previous two 18 month periods, to Q4 2022 and Q4 2023, 40% and 49% of applications were declined, so the current figure is in line with them, though all are higher than the 26% declined in the 18 months to Q4 2019.
- The main reasons why the application was declined were current business performance and a poor credit rating or credit issues, both mentioned by 1 in 4 of those declined. 1 in 5 of those declined mentioned a lack of security and the same proportion said that they had not been given a reason.

- A minority, 1 in 5, of those turned down said that they were either very satisfied with the outcome of their application or that it had had no adverse impact on the business, compared to 75% of those offered what they wanted. For those declined the main adverse effects were that running the business was more of a struggle and/or that they had not expanded as they would wish, with some saying they had made spending cuts and/or had to make staff redundant.

Those declined said running the business was more of a struggle with some making cuts to spending and headcount

There were more loan applications than overdraft applications but they were less likely to result in a facility, impacting the overall success rate:

- Not all applications made had received a response, but where they had 40% were for bank loans, compared to 20% for bank overdrafts.
- 37% of those bank loan applications resulted in a facility, 12% were turned down by the applicant and 51% were declined by the lender. By comparison, 47% of applications for a bank overdraft resulted in a facility, 4% were turned down by the applicant and 49% were declined by the lender.
- Pre-pandemic around 6 in 10 loan applications were successful. During the pandemic when government backed loans were available, success rates increased to over 8 in 10, but they have declined steadily since, from 56% in the 18 months to Q4 2022 to 37% in the 18 months to Q4 2024. Indicatively, loan applications made specifically to the main bank have also seen a decline in success rates and were less likely to have been successful than those made elsewhere.
- For bank overdrafts, pre-pandemic around 7 in 10 applications were successful. There was no pandemic 'boost' and the success rate has changed very little since the 48% that were successful in the 18 months to Q4 2022. Indicatively, success rates for overdraft applications made to the main bank are also stable, and in line with current overall overdraft success rates, but lower than pre-pandemic.

Loan applications have become less likely to be successful, overdraft success rates are more stable

This is the final of the three revised chapters looking at all borrowing events in the wider finance market beyond loans and overdrafts. It looks at the application process, the final outcome of these Type 1 borrowing events and the impact on the SME of the outcome of the application(s) made. The new questionnaire was designed to provide an overall view of all applications for finance (across providers and products) and how successful these applications were, with some analysis now possible by specific type of provider and product.

The outcome of all Type 1a/1b new and renewed applications

Those who had applied for a facility to meet a finance need and those who reported making any other application for new or renewed finance were asked a series of questions about this/these application(s), including their outcome.

Compared to reports before 2018, this section:

- Has been expanded to include applications across a wider range of products and providers aside from the main bank to provide a more holistic view of finance applied for.
- Has been simplified in terms of the number of questions asked about each application.
- Applications reported from 2020-2022 are likely to include some (but not all) of the applications made to Government backed lending schemes. Their impact on this broader analysis of all applications can be seen in the higher overall success rates enjoyed in 2020-21.

Unlike the previous chapters, the analysis below is based on the total number of Type 1a and 1b applications made, as one SME could make several applications for different products and to different providers.

The first half of this chapter presents the overall application success rates and impact of the application, across all applications made, with some analysis by size of SME and finance provider. The second half of the chapter provides this data by individual product, where base sizes permit.

Application data is reported in 18 month periods by application (not interview) date. The latest of these is Q3 2023 to Q4 2024. And as applicants can report on applications made up to 12 months previously, data for applications made from Q1 2024 onwards is interim at this stage.

All applications made – context

1110 Type 1a or Type 1b applications for new or renewed finance in the previous 12 months have so far been recorded as being started between Q3 2023 and Q4 2024 (not all proceed to an application, or had received a response, so base sizes do vary later in this chapter). These are reported below with 6 in 10 Type 1 applications started made to the main bank, with a similar proportion a first-time application for a particular product. Most were in the name of the business:

All Type 1a/1b applications made Q3 2023 to Q4 2024	
Size of applicant	Of the 1110 applications recorded: • 59% of applications were made by 0 employee SMEs • 35% by those with 1-9 employees • 5% by those with 10-49 employees • 1% by those with 50-249 employees. 0 employee SMEs make up 75% of all SMEs and 59% of all applications.
Where applied	Two thirds of applications were to a known provider: 49% were made to the main bank, and a further 16% to another existing provider. 19% were made to a new provider, 11% to an online platform and 5% were made elsewhere.
Date of application	Respondents were asked when their application had been made. This can then be compared to an even distribution of applications over time (based on how often each quarter had been available as an eligible answer). The impact of the government backed schemes was seen in this analysis last year when a ‘spike’ in applications was reported for H2 2020. If the current group of applications had been evenly distributed, half (50%) would have been made in H2 2023, a third (35%) in H1 2024 and the remainder (15%) in H2 2024. In fact the proportion of applications in H2 2023 was slightly lower than expected (40% v 50%), with the ‘right’ proportion in H1 2024 (37% v 35%) and a higher proportion in H2 2024 (24% v 15%).
Business name	The majority of applications (89%) were made in the name of the business, with little difference by size or where the application was being made. All of the applications made in a personal name were made by SMEs with either 0 or 1-9 employees.
First time applicants	63% of applications involved a product that had not been applied for before by that SME, in line with the 18 months to Q4 2023. This was more likely to be the case for applications made by 0 employee SMEs (65%), or those with 1-9 employees (63%) compared to 33% of those with 10-49 employees and 16% with 50-249 employees. Those applying to their main bank (67%) or a new provider (69%) were more likely to be applying for the first time than those applying to another existing provider (41%). As success rates for first time applications typically differ from success rates overall, this difference is likely to impact on the success rates for applications to these providers.

9 Outcome of Type 1 applications

As the table below shows, 4 in 10 of all Type 1 applications made in this period were for a bank loan, unchanged from the previous report, but still below the 61% in the Q3 2020 to Q4 2021 report, reflecting the impact of the Government backed loan schemes during that earlier period. The proportion of overdrafts remained stable:

Key products	
All applications made Q3 23 to Q4 24	Total
Unweighted base:	1110
Bank Loan	38%
Bank Overdraft	17%
Leasing/hire purchase	9%
Credit cards	8%
Other loan	6%
Commercial mortgage	2%
Other overdraft	1%
Invoice finance	1%

All applications for finance– new definition from Q1 2018. Applications made Q3 2023 to Q4 2024 and reported by Q4 2024

All applications made – the final outcome

SMEs were asked about the final outcome of these applications.

2% of applications had not received a response from the lender at the time of interview and have been excluded from this chapter.

47% of the applications made Q3 2023 to Q4 2024 and reported by Q4 2024 resulted in a facility, increasing markedly by size of SME. 1 in 10 SMEs were offered a facility but chose not to take it, as the table shows, these were more likely to be 0 employee applicants:

Application outcome					
All applications with a response Q3 23-Q4 24	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	986	114	497	297	78*
Offered facility wanted and took it	45%	38%	50%	76%	88%
Offered facility after issues	2%	*%	3%	3%	5%
Took a different product from provider	1%	1%	1%	*	1%
Have facility	47%	39%	54%	80%	94%
Offered facility but declined to take it	10%	13%	6%	5%	1%
Turned down for facility	43%	48%	40%	15%	5%

Q39/57 Applications made Q3 2023 to Q4 2024 and reported by Q4 2024 excluding those waiting to hear *CARE re small base sizes

Further information on the applications that did not result in the facility requested is somewhat limited in parts:

- 10 applications (1%) resulted in the applicant taking a different product to the one applied for, typically an overdraft or a bank loan (and such applications are included in the success rate above).
- There were also some occasions where something was offered but it was then declined by the SME (10%, or 50 applications). 1 in 4 said this was because the facility was seen as being too expensive, and a similar proportion said they got a better deal elsewhere, with a few mentions of having too many terms and conditions, or not being offered all the funding they wanted.
- The applications that were turned down for a facility (43%) are reported on later in this chapter.

9 Outcome of Type 1 applications

On sometimes limited base sizes, applications (for any product) made to either the main bank or a new provider remained slightly less likely to be successful (46% and 49%) than those made to an existing provider who was not the main bank (62%). That said, applications to an existing provider were as likely to end with the SME rejecting the finance offered (20%), as the SME being turned down for funding (19%):

Application outcome				
All applications with a response Q3 23 – Q4 24	Total	Main bank	Existing provider	New provider
Unweighted base:	986	455	264	176
Offered facility wanted and took it	45%	44%	58%	46%
Offered facility after issues	2%	1%	2%	2%
Took a different product from provider	1%	1%	2%	1%
Have facility	47%	46%	62%	49%
Offered facility but declined to take it	10%	9%	20%	7%
Turned down for facility	43%	45%	19%	44%

Q39/57 Applications made Q3 2023 to Q4 2024 and reported by Q4 2024 excluding those waiting to hear

Those applying for a product for the first time were less likely to end the process with a facility:

Application outcome			
All applications with a response Q3 23 – Q4 24	Total	First time	Not first time
Unweighted base:	986	408	557
Offered facility wanted and took it	45%	37%	59%
Offered facility after issues	2%	1%	3%
Took a different product from provider	1%	*	1%
Have facility	47%	38%	63%
Offered facility but declined to take it	10%	9%	11%
Turned down for facility	43%	53%	26%

Q39/57 Applications made Q3 2023 to Q4 2024 and reported by Q4 2024 excluding those waiting to hear

The success rate reported for first time applicants (38%) is unchanged from the 18 months to Q4 2023. It was at the lower end of the 40–60% reported for first time loan and overdraft applicants in earlier Monitor reports and markedly lower than the 84% success rate reported for all applications in the 18 months to Q4 2021, likely to have been affected by the schemes run with Government support.

All applications – The final outcome over time

The table below shows overall success rates across six 18 month periods, running from Q3 of one year to Q4 of the next, starting with Q3 2017 to Q4 2018 and continuing to the latest period Q3 2023 to Q4 2024.

These success rates are all based on an 18 month period, in order to link to previously available data and maximise the base sizes available. They are based entirely on data collected in interviews conducted from Q1 2018 using the new questionnaire. Data on applications collected in 2017 using the previous questionnaire is not included here.

Data for applications made in 2024 is still interim at this stage as further data about such applications will be gathered in 2025. A summary table of success rates for different products and providers is provided at the end of this chapter.

The table shows half of applications in the latest period resulted in a facility, in line with the previous 18 months to Q4 2023 (51%) but lower than previously seen, most markedly prior to and during the pandemic (in the 18 months to both Q4 2020 and to Q4 2021, 8 in 10 applications were successful):

Outcome by application period							
All applications with a response	Q3 17- Q4 18	Q3 18- Q4 19	Q3 19- Q4 20	Q3 20- Q4 21	Q3 21- Q4 22	Q3 22- Q4 23	Q3 23- Q4 24*
Unweighted base:	1620	1552	3698	2245	1078	1056	986
Offered facility wanted and took it	70%	65%	83%	79%	54%	45%	45%
Offered facility after issues	6%	4%	2%	3%	4%	3%	2%
Took a different product from provider	1%	2%	*	*	*	3%	1%
Have facility	77%	71%	85%	82%	59%	51%	47%
Offered facility but declined to take it	5%	4%	2%	2%	1%	11%	10%
Turned down for facility	18%	26%	12%	16%	40%	39%	43%

Q39/57 All applications reported excluding those waiting to hear

*interim data

More analysis of applicants, applications and success rates over time can be found later on in this chapter.

All applications – Nature of facility granted

Of the 986 applications with a response, 707 were successful and resulted in a facility. Further details about these successful applications, in terms of the size of the facility, whether security was required and whether they were on a fixed or variable interest rate, are provided here.

1 in 3 successful facilities were for more than £25,000 (35%). As would be expected, this increases by size of applicant, with 1 in 10 successful facilities for those with 0 employee SMEs being for more than £25,000 compared to almost all of those with 50-249 employees:

Size of facility granted					
All successful applications Q3 23-Q4 24	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	707	58*	324	254	71*
Less than £5,000	24%	43%	9%	4%	1%
£5,000 to £24,999	37%	44%	36%	19%	5%
£25,000 to £99,999	25%	11%	37%	35%	16%
£100,000 or more	10%	1%	12%	34%	70%
Don't remember	4%	1%	6%	8%	7%
£25,000+ excl DK	36%	12%	53%	74%	93%

Q41/59 All successful applications made Q323 to Q424 and reported to Q4 24

The proportion granted a facility of £25,000 or more also varied by provider from almost a quarter of successful applications at the main bank (22%) to 6 in 10 of those at another existing provider (62%):

Size of facility granted				
All successful applications Q3 23-Q4 24	Total	Main bank	Existing provider	New provider
Unweighted base:	707	297	234	124
Less than £5,000	24%	36%	4%	8%
£5,000 to £24,999	37%	38%	30%	56%
£25,000 to £99,999	25%	15%	43%	24%
£100,000 or more	10%	6%	19%	10%
Don't remember	4%	5%	3%	1%
£25,000+ excl DK	36%	23%	64%	34%

Q41/59 All successful applications made Q323 to Q424 and reported to Q4 24

9 Outcome of Type 1 applications

The table below provides further information on the applications that were successful, with 37% requiring security and 86% being on a fixed interest rate:

Successful applications for finance made Q3 2023-Q4 2024	
Security	37% of all successful applications (excluding DK answers) required security, up from 28% for the 18 months to Q4 2023, and more in line with the typical 4 in 10 pre-pandemic. There was limited variation by provider type, ranging from 32% of applications to an existing provider, to 37% to a new provider and 40% to the main bank. Security also increased for those with employees: 29% of applications made by SMEs with 0 employees required security, 45% of those with 1-9 employees, 36% with 10-49 employees and 41% of those with 50-249 employees.
Interest rate	86% of successful applications were on a fixed interest rate (excluding DK answers), up from 72% for the 18 months to Q4 2023 and more in line with previous periods. Again there was some difference by provider type from 91% of applications to an existing provider, and 89% to a new provider, compared to 81% to the main bank. There was also a clear pattern by size of applicant: 92% of applications made by SMEs with 0 employees were on a fixed rate, 82% of those with 1-9 employees, and 76% for both those with 10-49 employees and those with 50-249 employees.

Q42/60 and Q43/61 All successful applications made Q323 to Q424 and reported to Q424 excluding DK

All applications – those that were unsuccessful

43% of all applications made Q3 2023 to Q4 2024 were declined (excluding those waiting to hear). On limited base sizes:

- First time applicants made up 63% of applications with a response but 78% of declines.
- 0 employee SMEs made up 57% of applications with a response but 63% of declines.
- Those applying to their main bank made up 54% of applications with a response and 57% of declines.

From Q3 2018 those declined have been asked what reasons were given by the provider for the decline. Of 226 declined applications Q3 2023 to Q4 2024, the key reasons were:

- Current business performance (26%)
- A poor credit rating or credit issues (25%)
- A lack of available security (19%)
- The provider didn't think they could afford it (16%)
- A lack of track record (15%)
- 21% said they were not given a reason.

Any applicants who were declined by their main bank were asked further questions about the way the decline was handled. This question was asked once to each SME, rather than for each main bank decline (if they had more than one). This means that base sizes will not tally exactly with previous analysis, and with 98 SMEs having been turned down by their main bank, the analysis available is limited:

Unsuccessful applications for finance made Q3 2023-Q4 2024	
Bank response	26% of these unsuccessful applicants said that the bank explained to them why it could not offer them the facility they had applied for. 4% were asked to supply more information, and 3% were referred to an external source of advice. 45% said that the bank had taken one or more of these actions (including on appeals or referrals described below).
Referrals	2% of these SMEs (11 applicants) said that they were offered the opportunity to have their application referred to an online platform. Most did not take up the option, of those who did the most common response was they were referred but were not successful.
Appeals	18% of these applicants said they were made aware of their bank's appeals process (a lower proportion than typically seen). No further information is available on the outcome of any appeal made.

Q46/64 and Q47/65 All unsuccessful applicants for finance at main bank made Q321 to Q422 and reported by Q422

All applications – impact of the overall process

All those who had applied for finance and received a response were then asked some further questions about the impact of this/these application(s) on the SME. This was asked once for all the Type 1a applications they had made and once for all the Type 1b applications, and the answers combined here.

Satisfaction in previous periods had been around 8 in 10 but fell to 5 in 10 in the 18 months to both Q4 2023 and Q4 2024, a direct impact of the lower success rates.

Application outcome satisfaction					
All applications with a response Q3 23-Q4 24	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	986	114	497	297	78*
Very satisfied	30%	25%	34%	50%	65%
Fairly satisfied	22%	13%	35%	30%	29%
Satisfied	52%	39%	69%	80%	94%
Not very satisfied	15%	21%	8%	10%	3%
Not at all satisfied	31%	40%	21%	7%	3%
Don't know	1%	*	3%	3%	1%

Q48/66 All applications made Q323 to Q424 and reported to Q424 excluding those waiting to hear

As the table above shows, applications from smaller SMEs were less likely to be rated as satisfactory. These applications were more likely to have been declined as the table below demonstrates, there is a clear difference in satisfaction between those applications approved and those declined:

- 92% of those offered what they wanted were satisfied, little changed from the previous 18 months to Q4 2023.
- 19% of those who were turned down were satisfied, somewhat higher than the 10% in the 18 months to Q4 2023, but still below their more successful peers.

9 Outcome of Type 1 applications

Application outcome satisfaction				
All applications with a response Q3 23-Q4 24	Total	Offered what wanted	After issues	Turned down
Unweighted base:	986	658	39*	226
Very satisfied	30%	63%		1%
Fairly satisfied	22%	29%		18%
Satisfied	52%	92%	66%	19%
Not very satisfied	15%	6%		15%
Not at all satisfied	31%	1%		65%
Don't know	1%	1%		1%

Q48/66 All applications made Q322 to Q423 and reported to Q423 excluding those waiting to hear

9 Outcome of Type 1 applications

Those applications where the applicant had been less than 'very satisfied' with the outcome were asked whether there had been any negative impact on the running of their business as a result of these applications not being entirely satisfactory.

In order to present the views of all applicants, the table below also includes those who were very satisfied with the outcome of their application (and so were not asked the follow up question) and shows almost half (46%) were either very satisfied with the outcome of their application or went on to say that there had been no negative impact, with the larger SMEs more likely to be in this category:

Impact of application outcome					
All applications with a response Q3 23-Q4 24	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	986	114	497	297	78*
Very satisfied	30%	25%	34%	50%	65%
No adverse impact	16%	18%	13%	23%	15%
Very satisfied / no adverse impact	46%	43%	47%	73%	80%
Running the business more of a struggle	32%	32%	33%	16%	8%
Not expanded as would have liked	23%	24%	25%	14%	4%
Made spending cuts	23%	20%	28%	11%	1%
Not improved business as would have liked	16%	13%	20%	11%	11%
Made staff redundant	11%	6%	19%	8%	4%
Deferred expenditure/investment	7%	5%	8%	9%	2%
Other negative impact	3%	1%	4%	3%	4%
Don't know	1%	*	3%	3%	1%

Q48/66 and Q49/67 All applications made Q322 to Q423 and reported to Q423 excluding those waiting to hear

The most frequently mentioned negative impact (as in previous Monitor reports) was that running the business was more of a struggle, and this was mentioned mainly by those with 0 or 1-9 employees. Smaller SMEs were less likely to have been satisfied with the outcome of their application and also gave a wider range of answers about the impact on their business, including not expanding and/or improving the business as they would have hoped. Compared to the previous 18 months, there were more mentions of spending cuts and also of redundancies.

9 Outcome of Type 1 applications

The table below shows how impact varied by application outcome:

- 75% of applications where the SME had been offered what they wanted were either very satisfactory or had caused no adverse effects. Almost 1 in 5 of this group still found running their business to be more of a struggle.
- Those who had been declined were much less likely to say either that the outcome was very satisfactory or that it had caused no adverse effects (22%). 50% reported that running the business was now more of a struggle, 48% had not expanded and 31% had imposed spending cuts or not improved the business as they wanted.

Impact of application outcome				
All applications with a response Q3 23-Q4 24	Total	Offered what wanted	After issues	Turned down
Unweighted base:	986	658	39*	226
Very satisfied	30%	63%		1%
No adverse impact	16%	12%		21%
Very satisfied / no adverse impact	46%	75%	54%	22%
Running the business more of a struggle	32%	18%		50%
Not expanded as would have liked	23%	3%		48%
Made spending cuts	23%	6%		31%
Not improved business as would have liked	16%	2%		31%
Made staff redundant	11%	3%		20%
Deferred expenditure/investment	7%	2%		12%
Other negative impact	3%	2%		2%
Don't know	1%	1%		1%

Q48/66 and Q49/67 All applications made Q323 to Q424 and reported to Q424 excluding those waiting to hear

The application process – by product

This section analyses the data available on applications made by the product that was applied for. 72% of applications involved one of 4 products: predominantly a bank loan (38%), then an overdraft (17%), leasing/hp (9%), or credit card (8%) and the analysis in this section covers the first 3 of these products where sample sizes are sufficiently robust.

Bank loans and overdrafts were more likely to be from a first-time applicant than applications for leasing/hp, which were slightly more likely to have been made in a personal name:

Application details			
All applications Q3 23-Q4 24	Bank OD	Bank Loan	Leasing hp
Unweighted base:	197	402	180
Applied in personal name	9%	9%	20%
Applied for the first time	56%	66%	49%

In terms of the final outcome, almost all leasing/hp applications were successful, compared to nearly half of bank overdraft and 4 in 10 of bank loan applications:

Application outcome			
All applications with a response Q3 23-Q4 24	Bank OD	Bank Loan	Leasing hp
Unweighted base:	183	355	175
Offered facility wanted and took it	44%	34%	75%
Offered facility after issues	1%	2%	2%
Took a different product from provider	2%	1%	1%
Have facility	47%	37%	78%
Offered facility but declined to take it	4%	12%	5%
Turned down for facility	49%	51%	17%

Q39/57 All applications made Q323 to Q424 and reported to Q424 excluding those waiting to hear

Pre-pandemic, overdrafts were typically more likely to be declined than loans, but this is no longer the case. In the previous 18 months to Q4 2023, 55% were declined for a bank loan compared to 44% for an overdraft, while in the current period there was little to choose between the two groups (51% and 49%).

The final outcome over time – by product

The table below shows overall success rates across seven 18 month periods, starting with Q3 2017 to Q4 2018 and continuing to the latest period Q3 2023 to Q4 2024 where the data is still interim.

Data is shown below for overdrafts, then loans and leasing/hp. Sample sizes for commercial mortgages and credit cards are not robust enough to be reported.

The table for bank overdrafts shows stable success rates in the last 3 periods (47-48%) all lower than earlier periods when 7 in 10 were typically successful:

Application outcome -Bank overdraft							
by date of application	Q3 17- Q4 18	Q3 18- Q4 19	Q3 19- Q4 20	Q3 20- Q4 21	Q3 21- Q4 22	Q3 22- Q4 23	Q3 23- Q4 24*
Unweighted base:	466	329	273	178	159	187	183
Offered facility wanted and took it	71%	65%	69%	59%	46%	42%	44%
Offered facility after issues	6%	7%	2%	2%	2%	3%	1%
Took a different product	2%	4%	2%	-	-	3%	2%
Have facility	79%	76%	73%	61%	48%	48%	47%
Offered facility but declined to take	5%	3%	2%	3%	3%	9%	4%
Turned down for facility	16%	21%	24%	36%	49%	43%	49%
Success if facility from main bank	79%	77%	74%	64%	46%	45%	49%

Q39/57 All Applications reported Q118 to Q423 excluding those waiting to hear. *interim data

Most overdraft applications were made to the main bank and the success rates for such applications have broadly matched those of applications overall (currently 49% v 47% of all overdraft applications on interim data).

9 Outcome of Type 1 applications

The table for bank loans shows the impact of the government backed pandemic funding in 2020-2021, increasing bank loan success rates to almost 9 in 10. Since then success rates have declined to around 4 in 10 for the latest two 18 month periods:

Application outcome – Bank loan							
by date of application	Q3 17- Q4 18	Q3 18- Q4 19	Q3 19- Q4 20	Q3 20- Q4 21	Q3 21- Q4 22	Q3 22- Q4 23	Q3 23- Q4 24*
Unweighted base:	461	465	2399	1395	511	410	355
Offered facility wanted and took it	61%	57%	86%	81%	52%	34%	34%
Offered facility after issues	2%	2%	2%	3%	3%	3%	2%
Took a different product	2%	1%	*	1%	1%	3%	1%
Have facility	65%	60%	88%	85%	56%	40%	37%
Offered facility but declined to take	6%	7%	1%	2%	1%	10%	12%
Turned down for facility	28%	33%	10%	14%	45%	50%	51%
Success if facility from main bank	66%	61%	90%	87%	52%	34%	27%

Q39/57 All Applications reported Q223 to Q424 excluding those waiting to hear. *interim data

The success rates for loan applications made to the main bank initially followed the same pattern, but, on limited base sizes, success rates in the latest two periods are somewhat lower at the main bank than for loan applications overall.

9 Outcome of Type 1 applications

The table for leasing and hp shows most applications resulted in a facility, however the 78% success rate in the current 18 month period is the lowest seen. There were too few applications made to the main bank to analyse at that level:

Application outcome- Leasing HP							
by date of application	Q3 17- Q4 18	Q3 18- Q4 19	Q3 19- Q4 20	Q3 20- Q4 21	Q3 21- Q4 22	Q3 22- Q4 23	Q3 23- Q4 24*
Unweighted base:	220	262	200	129	125	180	175
Offered facility wanted and took it	91%	84%	88%	89%	88%	84%	75%
Offered facility after issues	3%	3%	1%	7%	9%	5%	2%
Took a different product	*	1%	*	*	-	-	1%
Have facility	94%	88%	89%	96%	97%	89%	78%
Offered facility but declined to take	2%	2%	2%	2%	1%	7%	5%
Turned down for facility	3%	10%	8%	2%	3%	4%	17%

Q39/57 All Applications reported Q118 to Q423 excluding those waiting to hear. *interim data

Nature of facility granted – by product

Leasing/HP facilities were the most likely to have been granted for £25,000 or more, followed by bank loans. Most bank overdrafts granted were for a smaller sum:

Size of facility granted			
All successful applications Q3 23–Q4 24	Bank OD	Bank Loan	Leasing hp
Unweighted base:	121	219	161
Less than £5,000	40%	13%	1%
£5,000 to £24,999	34%	37%	43%
£25,000 to £99,999	14%	37%	43%
£100,000 or more	5%	9%	11%
Don't remember	7%	4%	2%
£25,000+ excl DK	21%	48%	55%

Q41/59 All successful applications made Q323 to Q424 and reported to Q424

The table below provides further information on the applications that were successful, with 1 in 4 requiring security and 7 in 10 being on a fixed interest rate:

Successful applications made Q3 2023–Q4 2024	
Security	37% of all successful applications (excluding DK answers) required security. 33% of bank overdrafts, 30% of leasing/hp facilities, and 47% of bank loans were secured. For loans, this was a further increase from 24% in the last report and 10% in the one before that, likely to be a reflection of the unsecured nature of the previously available government backed pandemic funding.
Interest rate	9 in 10 successful applications were on a fixed interest rate (86% excluding DK answers). 96% of leasing/hp facilities were on a fixed rate, compared to 91% of bank loans and 72% of bank overdrafts.

Q42/60 and Q43/61 All successful applications made Q323 to Q424 and reported to Q424

Impact of process – by product

The outcome of 5 in 10 of all applications was rated satisfactory by the applicant (52% overall, in line with the last report). Satisfaction was lowest for loans (37% and slightly lower than the 41% last time) then overdrafts (up slightly from 41% last time to 54%) and remained higher and stable for leasing/hp (89% compared to 90% last time):

Application outcome satisfaction			
All applications with a response Q3 23–Q4 24	Bank OD	Bank Loan	Leasing hp
Unweighted base:	183	355	175
Very satisfied	28%	20%	58%
Fairly satisfied	25%	16%	31%
Satisfied	54%	37%	89%
Not very satisfied	7%	20%	4%
Not at all satisfied	37%	41%	6%
Don't know	2%	1%	*

Q48/66 All Applications made Q323 to Q424 and reported to Q424 excluding those waiting to hear

9 Outcome of Type 1 applications

The table below is based on all applications and shows those very satisfied with the application from the table above, plus those who were not very satisfied but reported no adverse effects to the business and then the adverse effects that were reported. It shows that:

- Half of overdraft applications were rated very satisfactory/no adverse effect, up from a quarter in the last report and back to levels previously seen. A third of loan applications gave that combined rating, in line with the previous wave and lower than previously seen. Those applying for leasing/hp were more likely to give these ratings than their peers (71%) and this was a further improvement (two reports ago, half gave this rating).
- The most common barriers were that running the business was more of a struggle (especially for overdraft applicants) that they had not expanded as they wanted and/or had made spending cuts, both more likely to be mentioned by loan applicants.

Impact of application outcome			
All applications with a response Q3 23-Q4 24	Bank OD	Bank Loan	Leasing hp
Unweighted base:	183	355	175
Very satisfied	28%	20%	58%
No adverse impact	18%	18%	13%
Very satisfied / no adverse impact	46%	38%	71%
Running the business more of a struggle	42%	36%	20%
Not expanded as would have liked	17%	30%	12%
Made spending cuts	16%	27%	21%
Not improved business as would have liked	12%	18%	13%
Made staff redundant	10%	11%	13%
Deferred expenditure/investment	8%	9%	5%
Other negative impact	2%	3%	2%
Don't know	2%	1%	*

Q48/66 and Q49/67 All Applications made Q322 to Q423 and reported to Q423 excluding those waiting to hear

Success rates over time – a summary

It is now possible to provide a summary table of success rates over time for different types of application:

- The overall success rate initially declined to 71% in the 18 months to Q4 2019, but during the pandemic increased to 85% for the 18 months to Q4 2020 and remained at a similar level for the 18 months to Q4 2021 (82%).
- As the Government backed schemes ended, both the number of applications and their success rates declined, reaching 51% in the 18 months to Q4 2023 and 47% in the current 18 months to Q4 2024 (interim data)
- These more recent declines in success rates were seen to some degree across all provider types and products:

All applications success rates							
by date of application – All with a facility	Q3 17- Q4 18	Q3 18- Q4 19	Q3 19- Q4 20	Q3 20- Q4 21	Q3 21- Q4 22	Q3 22- Q4 23	Q3 23- Q4 24*
Unweighted base (all):	1620	1552	3698	2245	1078	1056	986
All applications	77%	71%	85%	82%	59%	51%	47%
-All applications at main bank	74%	69%	88%	84%	52%	45%	46%
-All applications elsewhere	82%	72%	81%	80%	68%	55%	49%
-All overdraft applications	79%	76%	73%	61%	48%	48%	47%
-All loan applications	65%	60%	88%	85%	56%	40%	37%
-All leasing/hp applications	94%	88%	89%	96%	97%	89%	78%

Q39/57 All Applications reported Q118 to Q424 excluding those waiting to hear. *interim data

9 Outcome of Type 1 applications

A comparison between pre-pandemic applications (the 18 months to Q4 2019) with the 18 months to Q4 2022 and the latest period to Q4 2024 may provide better insight into what is affecting the current success rate. As the table below shows:

- Across the three time periods, these three types of application (overdrafts, loans and leasing/hp) have made up a stable three-quarters of applications between them.
- Loans remain the most common type of application, and thus their success rates have the most influence on overall success rates. In the latest period they did make up a slightly lower proportion of applications than in the 18 months to Q4 2022 (40% v 51%), but as the largest group the decline in success rates from 56% to 37% has clearly influenced the overall decline in success rates from 59% to 47%.
- Overdrafts are the next largest group (20% of applications) and neither the proportion of applications nor the success rate has changed much since the 18 months to Q4 2022, with 47% of applications successful.
- Finally leasing and hp, which has traditionally had the highest success rate of the three products. This was also true in the current period (78%) albeit this was quite a bit lower than in the 18 months to Q4 2022 (98%). Whilst they make up more of the applications this time, at 10% this is a minority, so the higher success rate does not impact the overall success rate much.

Application details			
by date of application	Q3 18-Q4 19	Q3 21-Q4 22	Q3 23-Q4 24*
Unweighted base:	1552	1078	986
All applications successful	71%	59%	47%
% overdrafts successful	76%	48%	47%
% loans successful	60%	56%	37%
% leasing/hp successful	88%	97%	78%
% of applications that were overdrafts	28%	19%	20%
% of applications that were loans	37%	51%	40%
% of applications that were leasing /hp	12%	5%	10%

9 Outcome of Type 1 applications

Similar analysis can be done looking at the sizes of SMEs that were applying for finance and the relative change in decline rates, as shown in the table below.

This shows that:

- 0 employee SMEs have always made up the largest proportion of applications, but the proportion in the current period is lower (57%) than last time (74%) and back to the proportion seen in the year to Q4 2019 (57%).
- That said they remain the largest group and so the decline in success rates for 0 employee applications from 52% to 39% has had a significant effect on the overall success rates (down from 59% to 47%).
- In addition, while there are slightly more 1-9 employee applications this time (37% from 23%) their success rate has also declined (from 74% to 54%).
- Those with 10-249 employees were more likely to have been successful and to have seen a much smaller decline in success rates, but as they make up a small proportion of all applications, the positive impact on overall success rates is limited.

	% of applications			Success rate		
	Q3 18- Q4 19	Q3 21- Q4 22	Q3 23- Q4 24*	Q3 18- Q4 19	Q3 21- Q4 22	Q3 23- Q4 24*
Unweighted base (overall):	1552	1078	986	1552	1078	986
All applications	100%	100%	100%	71%	59%	47%
0 employee	55%	74%	57%	63%	52%	39%
1-9 employees	35%	23%	37%	76%	74%	54%
10-49 employees	10%	3%	5%	86%	87%	80%
50-249 employees	*	*	1%	98%	94%	94%



10. Not looking to borrow

THIS CHAPTER LOOKS

at those that had not had a borrowing event, to explore whether they wanted to apply for finance in the previous 12 months and any barriers to applying.





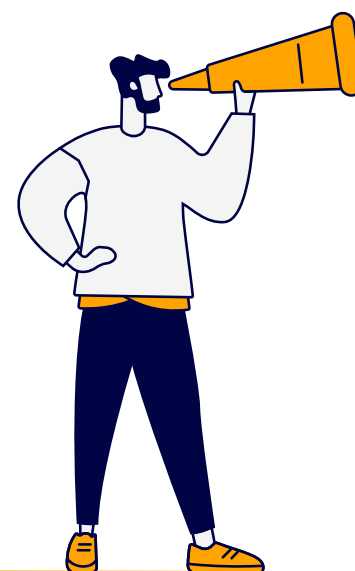
10. Not looking to borrow

KEY FINDINGS

12% of SMEs reported a borrowing event in 2024. Amongst the remaining SMEs, as in previous years, there were very few 'Would-be seekers' of finance (5%) and most met the definition of a 'Happy non-seeker' (82%):

- 12% of SMEs in 2024 reported a borrowing 'event'. As detailed in an earlier chapter, this was somewhat lower than typically seen pre-pandemic (13-17% to 2019) and notably lower than 2020 and 2021 when 16-17% of SMEs had a borrowing event.
- Would-be seekers are SMEs that wanted to apply for finance but something stopped them. They make up a small minority of SMEs and this was also true in 2024 (5%) declining by size of SME from 6% of those with 0 employees to 1% of those with 50-249 employees. SMEs in Agriculture and the Other Community sectors (both 9%) and those trading for 2-5 and 6-9 years (both 8%) were somewhat more likely to meet the definition.
- The remaining SMEs are those that had not sought finance nor wanted to, the Happy non-seekers. They continued to make up the majority of SMEs in 2024 (82%). Whilst they had not sought (more) finance, 38% of them were using external finance, in line with recent years.
- Since 2017, the proportion reporting a borrowing event has been in the mid-teens, the proportion of Would-be seekers has been 1-5% and around 8 in 10 or more have been Happy non-seekers of finance.

Most SMEs continued to be 'Happy non-seekers' of finance



Asked what stopped them applying, in 2024, Would-be seekers were most likely to mention the process of borrowing, such as the hassle and expense, with around 1 in 4 WBS having felt discouraged from applying:

- 56% of all Would-be seekers said the main reason they did not want to apply was the 'process' of borrowing, because they thought it would be too expensive, too much hassle etc. (51% gave this as their main reason).
- 27% cited 'discouragement', mainly that they thought the bank would turn them and so didn't apply (26% gave this as their main reason).
- 20% said the main reason was around the 'principle' of borrowing such as not wanting to lose control of the business (12% gave this as their main reason) and 12% mentioned the current business climate and that this was not the right time to apply (12% gave this as their main reason).
- Analysis over time shows the proportion mentioning the process of borrowing has typically been around 45%, with the 56% for the current period the highest seen. Meanwhile, discouragement has been as high as 50%, but has more recently been around 30%, as it is in the current period.

The small group of 'Would-be seekers',

4%

were typically put off by the process of borrowing

As already detailed in this report, a minority of SMEs reported any borrowing event in the 12 months prior to interview. This chapter looks in more detail at those that had not had a borrowing event, to explore whether they had wanted to apply for finance in the previous 12 months, and any barriers to such an application being made. Because this chapter covers those that have not had a borrowing event, analysis continues to be based on the date of interview.

Definitions over time

From Q1 2018, the scope of the SME Finance Monitor was widened to include more products than just loans and overdrafts. The definitions in this chapter have also been widened to cover all external funding, but the structure of the three groups remains essentially the same:

- **Had an event:** those SMEs reporting a Type 1 new or renewed borrowing event in the previous 12 months, or an automatic renewal of an overdraft facility, or any Type 2 or 3 borrowing event where either the bank or the SME was looking to reduce or repay an existing facility. These events were described in more detail in Chapter 8.
- **Would-be seekers:** those SMEs that not had a borrowing event of any kind and said something had stopped them applying for finance in the previous 12 months.
- **Happy non-seekers:** those SMEs that had not had a borrowing event of any kind, but said that nothing had stopped them applying for finance in the previous 12 months. Note that a proportion of Happy non-seekers use finance, as the metric is defined on borrowing 'event' not use of finance.

Where applicable, data is shown over time, accepting the changes made to the definitions in Q1 2018. Note too that an application for pandemic related funding at that specific question is not included within the 'Had an event' definition, so as to keep comparability with pre Covid metrics. As time moves on, it becomes less likely that a pandemic borrowing event happened within the 12 months prior to interview and so the analysis in this chapter has not been adjusted to take such borrowing into account in any way.

This analysis remains separate to whether the SME is currently using finance or not, this is based on applications made (or not) in the 12 months prior to interview.

To what extent do SMEs have an unfulfilled wish to borrow?

The table below details how many SMEs have met each of the three definitions over time.

The proportion of SMEs reporting an event was 16% in Q4 2024, somewhat higher than in other recent quarters (though 12% for 2024 as a whole, unchanged from 2023). Most SMEs continued to meet the definition of a Happy non-seeker of finance (78% in Q4 2024, somewhat lower than seen in other recent quarters), while the proportion of Would-be seekers remained low (6% in Q4 2024):

Any events									
Over time – all SMEs	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2022	2023	2023	2023	2023	2024	2024	2024	2024
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Have had an event	9%	8%	11%	11%	13%	12%	10%	12%	16%
Would-be seekers	3%	3%	4%	3%	6%	5%	4%	7%	6%
Happy non-seekers	88%	89%	85%	86%	81%	83%	86%	82%	78%

Pastevt /Past fin All SMEs NEW DEFINITION Q1 2018

85% of those that reported a borrowing event were using any external finance at the time of interview, compared to 55% of those that met the definition of a Would-be seeker. Amongst Happy non-seekers it was 38% as the definition is based on borrowing events in the previous 12 months, not on use of finance per se:

- From 2015 to 2018 around a quarter of Happy non-seekers had been using external finance, then from 2019 to 2022 it was somewhat higher at 30-38% (with the exception of 2020 at 27%).
- In 2024, with the revised definition of using external finance, 38% of Happy non-seekers were using external finance, with 21% using core finance and 17% other forms of finance. 16% were still repaying pandemic funding.

Permanent non-borrowers are by definition part of the Happy non-seekers group. The impact on the analysis above once these PNBs are removed is discussed later in the chapter.

Analysis by key demographics

In 2024, the largest SMEs with 50-249 employees remained the least likely to have had an event and the most likely to have been a Happy non-seeker of finance:

Any events					
YEQ4 24 All SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Have had an event	12%	12%	15%	15%	8%
Would-be seekers	5%	6%	4%	2%	1%
Happy non-seekers	82%	82%	81%	83%	92%

Pastfin All SMEs

Overall, 15% of SMEs with employees had experienced a borrowing event. 3% met the definition of a Would-be seeker of finance, with the largest group, as overall, the Happy non-seekers (82%).

There was relatively little variation by risk rating, with the majority of SMEs in each category meeting the definition of a Happy non-seeker. Those with a worse than average risk rating were the most likely to meet the definition of a Would-be seeker of finance, but it was still a small minority (6%) of such SMEs:

Any events					
YEQ4 24 All SMEs	Total	Min	Low	Avge	Worse/ Avge
Unweighted base:	17,011	3130	4342	4489	3754
Have had an event	12%	14%	12%	10%	14%
Would-be seekers	5%	1%	3%	5%	6%
Happy non-seekers	82%	85%	85%	85%	80%

Pastfin All SMEs

10 Not looking to borrow

The proportion of SMEs reporting a borrowing event ranged by sector from 10% in Health and Property/Business Services to 18% in Agriculture. The proportion of Would-be seekers varied relatively little by sector (4-6%) with the exception of Agriculture and the Other Community sector (both 9%). In all sectors the majority were Happy non-seekers of finance:

Any events									
All SMEs YE Q4 24	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	778	2157	2562	2564	873	1544	3885	954	1694
Have had an event	18%	14%	12%	13%	14%	12%	10%	10%	15%
Would-be seekers	9%	6%	5%	6%	4%	5%	4%	4%	9%
Happy non-seekers	73%	80%	83%	80%	84%	81%	86%	86%	77%

Pastfin All SMEs

Analysis by age of SMEs showed that, as overall, most SMEs had been a Happy non-seeker of finance. Younger SMEs were slightly more likely to have been a Would-be seeker of finance, while older SMEs were slightly more likely to have had a borrowing event:

Any events					
All SMEs YE Q4 24	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15+ yrs
Unweighted base:	521	1577	1675	3521	9717
Have had an event	12%	12%	10%	11%	14%
Would-be seekers	7%	8%	8%	4%	3%
Happy non-seekers	81%	80%	81%	84%	83%

Pastfin All SMEs

Those currently using external finance were slightly more likely to have been a Would-be seeker (7% v 4% not using external finance) and much more likely to have had an event (23% v 3% of SMEs not using external finance), and so were therefore also much less likely to have been a Happy non-seeker (70% v 92%).

Analysis over time

The table below takes a longer-term annual view back to 2017. The Happy non-seekers of finance, always the largest group of SMEs, increased steadily to 85% in 2019 and have been fairly stable since (82% in 2024). The 12% reporting a borrowing event in 2024 is in line with 2022 and 2023, at the lower end of the range seen in recent years:

Any events								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	18,102	18,002	18,000	17,768	16,486	17,002	17,010	17,011
Have had an event	15%	14%	13%	16%	17%	11%	11%	12%
Would-be seekers	2%	2%	1%	2%	4%	3%	4%	5%
Happy non-seekers	83%	83%	85%	82%	79%	87%	85%	82%

Pastfin All SMEs

Analysis of SMEs with employees showed that

- From 2012 to 2019 they became less likely to have had an event (from 33% in 2012 to 17% in 2019). Events were then stable for 2020 and 2021 before a further decline in 2022 and 2023 to 12%. The 2024 figure of 15% was slightly higher than in recent years.
- The proportion of Would-be seekers of finance also declined to 2019 (8% to 1%) and has been fairly stable since (3% in 2024, unchanged from 2023).
- In 2022, the marked drop in events and little change in Would-be seekers resulted in an increase in Happy non-seekers (to 86%) which was maintained in 2023 (85%). The slight increase in borrowing events in 2024 saw this proportion drop slightly to 82%.

The impact on these longer-term trends once the Permanent non-borrowers are excluded is reported later in this chapter.

The table below takes a longer-term view of Would-be seekers. From 2017 to 2020 just 1-2% of SMEs met the definition of a Would-be seeker of finance. Since then the percentages have been slightly higher (5% in 2024, increasing to 8% once the PNBs are excluded) but still only apply to a minority of SMEs. Those more likely to have been a WBS include those in Agriculture and the Other Community sector (both 9%)

Would-be seekers								
Over time – row percentages	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview								
All SMEs	2%	2%	1%	2%	4%	3%	4%	5%
0 employee	2%	2%	1%	2%	5%	3%	4%	6%
1-9 employees	2%	2%	2%	2%	3%	2%	3%	4%
10-49 employees	1%	1%	1%	1%	1%	1%	1%	2%
50-249 employees	*	1%	1%	*	*	*	1%	1%
Minimal external risk rating	1%	1%	1%	1%	1%	1%	3%	1%
Low external risk rating	1%	1%	1%	1%	1%	2%	2%	3%
Average external risk rating	2%	1%	2%	2%	3%	2%	3%	5%
Worse than average external risk rating	3%	2%	2%	2%	7%	4%	5%	6%
Agriculture	2%	1%	1%	2%	2%	2%	4%	9%
Manufacturing	2%	2%	2%	3%	5%	3%	4%	6%
Construction	2%	2%	1%	1%	3%	2%	3%	5%
Wholesale/Retail	3%	1%	1%	2%	4%	2%	5%	6%
Hotels & Restaurants	3%	3%	3%	2%	2%	2%	6%	4%
Transport	3%	1%	2%	2%	4%	2%	2%	5%
Property/Business Services etc.	3%	2%	1%	2%	3%	2%	3%	4%
Health	1%	2%	1%	3%	7%	5%	3%	4%
Other Community	2%	2%	2%	3%	7%	4%	8%	9%
All excluding PNBs	4%	3%	2%	3%	7%	5%	6%	8%
Starts	5%	2%	1%	4%	11%	4%	6%	7%
2-5 years trading	2%	3%	3%	3%	5%	5%	8%	8%
6-9 years	2%	1%	1%	2%	2%	4%	4%	8%
10-15 years	1%	2%	1%	1%	3%	2%	2%	4%
15+ years	2%	1%	1%	1%	2%	1%	3%	3%

Pastfin All SMEs base size varies by category

Barriers to application for Would-be seekers

SMEs that were identified as Would-be seekers (i.e. they had wanted to apply for finance in the 12 months prior to their interview but felt that something had stopped them) were asked about the barriers to making such an application.

These are reported below, firstly in terms of how frequently they were mentioned at all and secondly how frequently they were nominated as the main barrier.

The reasons have been grouped into themes, and respondents could initially nominate as many reasons as they wished for not having applied when they wanted to.

The reasons given YEQ4 2024 (excluding DK answers) were:

- **Process of borrowing** – those who did not want to apply because they thought it would be too expensive, too much hassle etc. This was given as a reason by 56% of all Would-be seekers YEQ4 2024, up from 45% in 2023 and back to levels seen in 2019 (52%).
- **Discouragement** – those that had been put off, either directly (they made informal enquiries of the bank and were put off) or indirectly (they thought they would be turned down by the bank so did not ask), or because they felt they were borrowing as much as they could. This was given as a reason by 27% of all Would-be seekers YEQ4 2024, up slightly on 2023 (23%) though still less of an issue than in earlier years (50% in 2017)
- **Principle of borrowing** – those that did not apply because they feared they might lose control of their business or preferred to seek alternative sources of funding. This was given as a reason by 20% of all Would-be seekers YEQ4 2024, a further decline from the 26% in 2023 and the 32% in 2022.
- **Current economic climate** – those that felt that it had not been the right time to borrow. This was given as a reason by 12% of all Would-be seekers YEQ4 2024, unchanged from 2023 and in line with previous years (11-14%) with the exception of 2022 (17%).

Accepting the changes made to the way in which Would-be seekers have been defined over time, the table below shows, on an annual basis from 2017, any mentions of each of the four key themes by Would-be seekers:

All reasons for not applying for finance								
Over time – all Would-be seekers	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	277	225	190	221	279	219	365	486
Discouraged (any)	50%	29%	26%	29%	34%	32%	23%	27%
Issues with process of borrowing	48%	37%	52%	46%	42%	47%	45%	56%
Issues with principle of borrowing	19%	29%	37%	28%	32%	32%	26%	20%
Economic climate	9%	19%	17%	11%	14%	17%	11%	12%

Q32/77 and Q32b/77b (210/210a) All Would-be seekers SMEs that wished they had applied for finance excl DK

- From 2015 to 2017, the two most mentioned reasons for not applying were discouragement (almost all of it indirect) and the process of borrowing.
- In 2018, discouragement, the process of borrowing and the principle of borrowing were mentioned more equally, then from 2019 the process of borrowing was most mentioned by Would-be seekers, with discouragement and the principle of borrowing in equal second place.
- In 2024, the process of borrowing remained top (with an increase to 56%) with slightly more mentions of discouragement (to 27%, now in second place) and fewer mentions of the principle of borrowing (20%, now in third place).

10 Not looking to borrow

The table below details all the reasons for not applying for finance YEQ4 2024 that are included in the summary categories above. An additional question was asked of those giving more than one reason, asking them to nominate the main reason for not applying and these are also shown in the table below (together with the single reason from those who only gave one reason):

All Would-be seekers YEQ4 24 excluding DK	All reasons	Main reason
Unweighted base:	486	434
Issues with process of borrowing	56%	51%
-Thought would be too expensive	27%	25%
-Would be too much hassle	12%	11%
-Would be asked for too much security	5%	4%
-Too many terms and conditions	10%	1%
-Did not want to go through process	7%	3%
-Forms too hard to understand	1%	*
-Worried about the impact of increasing interest rates	12%	6%
Discouraged (any)	27%	26%
-Indirect (thought would be turned down)	19%	17%
-Direct (put off by bank)	5%	5%
-Already borrowing as much as feel we can	5%	4%
- Banks don't lend to businesses like ours for environ/ethical reasons	1%	*
Issues with principle of borrowing	20%	12%
-Prefer other forms of finance	2%	1%
-Not lose control of business	11%	6%
-Can raise personal funds if needed	9%	4%
-Go to family and friends	2%	1%
Economic climate	12%	12%
-Not the right time to apply	12%	12%

Q32/77 and Q32b/77b (210/210a) All Would-be seekers SMEs that wished they had applied for finance excl DK

Analysis of the main reasons for not applying for finance showed that those who mentioned discouragement as one of their reasons for not applying were most likely to nominate it as their main reason (27% any, 26% main) whereas the process and the principle of borrowing were slightly less likely to go on to be the main reason:

- 51% gave the process of borrowing as their main reason for not seeking finance, typically the expense
- 26% gave discouragement as their main reason, most of it indirect where the SME assumes they will not be successful and so does not apply.
- 12% of Would-be seekers cited the principle of borrowing as their main reason, typically not wanting to lose control, of the business.
- 12% cited the economic climate, down from 17% in 2018 (still the highest level recorded to date). As reported later, this remained lower than when SMEs looked forward, where two thirds of Future would-be seekers gave the economic climate (or their performance in that climate) as the reason why they wouldn't be applying for finance in future.

Would-be seekers – attitudes to finance

Earlier in this report a series of attitude statements about external finance showed key variations by different demographics. These statements are repeated here for H2 2024 (so that all statements are reported on an equal basis, including those added from Q3 2024) analysed by recent borrowing behaviour, to provide additional insight into those who had, or had not, applied for finance.

The table below shows that all groups were most likely to agree that they would rather grow more slowly than borrow to grow more quickly (71% of those reporting a borrowing event and 80% of WBS and HNS):

- Happy non-seekers were the most likely to say they never think about using (more) finance (57%) and were less likely to be happy to use finance to help the business grow (37%). They were though also less likely to think it would be difficult for them to get finance (32%) or to think banks perceive them as riskier than they really are (37%) and the most likely to feel they know where to get information about finance and financial providers (74%)
- Would-be seekers were more likely to say they had been put off by the increases in interest rates (73%), to feel they are seen as riskier than they are or that it would be difficult for them to get finance (both 59%), but they are also more likely to want to be a bigger business and prepared to take risks to be successful (68% and 77%). As a result 50% met the definition of an Ambitious Risk Taker, compared to 39% that had had an event and 29% of Happy non-seekers.

Attitudes to finance			
H2 24 – all SMEs	Had an event	Would-be seeker	Happy non-seeker
Unweighted base:	1305	268	6934
Accept slower growth rather than borrow	71%	80%	80%
I am confident I know where to get information about different types of finance and providers	62%	56%	74%
Never think about using (more) external finance	36%	46%	57%
Increases in interest rates make us less likely to apply for finance	48%	73%	51%
As a business we are prepared to take risks to become more successful	59%	77%	47%
We have a long term ambition to be a significantly bigger business	49%	68%	39%
Happy to use finance to help business grow	54%	60%	37%
Banks and other providers perceive us as riskier investments than we really are	48%	59%	37%
My impression is that it is quite difficult for businesses like ours to get external finance	52%	59%	32%

Q96 (238a5) All SMEs

The effect of the Permanent non-borrower

In 2024, 35% of all SMEs met the definition of a Permanent non-borrower (based on the adjusted definition from Q1 2023 described earlier in this report, excluding those who applied for pandemic funding). If such SMEs were excluded from the analysis in this chapter (because there is no indication from their answers that they will borrow), the population of SMEs would reduce to around 4 million from just under 6 million.

19% of this group of SMEs excluding PNBs reported a borrowing event, compared to 12% of SMEs overall:

Any events		
YEQ4 24 – all SMEs	All SMEs	All SMEs excl. PNB
Unweighted base:	17,011	11,825
Have had an event	12%	19%
Would-be seekers	5%	8%
Happy non-seekers	82%	73%

Pastfin All SMEs

The proportion of Happy non-seekers reduced from 82% to 73% of non-PNBs but remained the largest group and 8% met the definition of a Would-be seeker, compared to 5% of all SMEs.

10 Not looking to borrow

On an annual basis, the proportion of SMEs (excluding the PNBs) reporting a borrowing event had been fairly stable until the lower proportions seen since 2022 (19% in 2024).

The proportion of Would-be seekers declined significantly 2012-16 (15% to 4%) and has remained fairly stable since (8% in 2024). As a result, the proportion of Happy non-seekers, which had been around 7 in 10 since 2016, has increased somewhat from 2022 and was 73% in 2024:

Any events								
Over time – excl PNBs	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	11,940	11,294	12,147	12,010	10,774	10,034	12,252	11,825
Have had an event	28%	27%	22%	28%	28%	21%	17%	19%
Would-be seekers	4%	3%	2%	3%	7%	5%	6%	8%
Happy non-seekers	67%	68%	74%	69%	66%	74%	77%	73%

Pastfin All SMEs excl PNBs



11. The future

THIS CHAPTER PROVIDES

an overview on growth plans and perceived barriers to that growth. It then explores SMEs' intentions for the next 3 months, in terms of finance and the reasons why SMEs think that they will/will not be applying for new/renewed finance in that time period.





11. The future

KEY FINDINGS

Overall, 1 in 3 SMEs in 2024 felt the future offered more opportunities than threats, with a similar proportion at the other end of the scale seeing more threats than opportunities. The size of both groups increased slightly over the course of the year, as the proportion in the middle reduced slightly:

- 33% of SMEs in 2024 felt that the future offered more opportunities than threats, while 30% saw more threats than opportunities and 36% were in the middle.
- There were limited differences in the proportion seeing more opportunities by size, with those with 50-249 employees slightly less likely to see more opportunities (29%) than their peers (33-35%). Starts were the most likely to see more opportunities (41%) compared to 31-32% of those trading for more than 10 years, and by sector 38% in Construction saw mainly opportunities compared to 27% in Hotels and Restaurants.
- Over the course of 2024, the proportion seeing more opportunities increased from 29% in Q1 2024 to 33% in Q4 2024, but the proportion seeing mainly threats also increased (25% to 30%) as fewer SME settled in the 'middle ground'.
- Since 2021, the proportion seeing mainly opportunities has been stable at around 3 in 10 SMEs. Whilst there has been little change overall between 2023 and 2024, those in Wholesale/Retail, Manufacturing, Health and Agriculture were all more likely to see opportunities in 2024 than in 2023 (up between 6 and 8 points) and only Transport was less likely to see opportunities in 2024 than in 2023 (down 4 points).

In Q4 2024, 6 in 10 SMEs were planning one or more growth-related activities, typically around innovation or taking on staff:

- 61% of all SMEs were planning some growth activities, including, in Q4 2024, significantly improving an aspect of the business

As many SMEs felt the future offers more opportunities than threats,

33%

as felt the opposite

(34%) taking on more staff (26%) and developing a new product or service (23%).

- The larger the SME the more likely they were to have any activities planned (58% for those with 0 employees to 86% of those with 50-249 employees) and this was also the case for younger SMEs (87% of Starts had something planned compared to 50% of those trading for more than 15 years).
- For 2024 as a whole, 57% were planning any of these activities, up slightly from 54% in 2023 and in line with H2 2021 (also 57%). The proportion planning activities post-pandemic has typically been above the levels seen pre-pandemic (in 2018, 38% were planning any activities, albeit with one less metric on the list).

46% of SMEs had been innovative recently and 39% expected to be in the coming year, defined as either significantly improving an aspect of the business and/or launching a new product or service. As a result, 58% of SMEs have some involvement in innovation, whether past or future, and 27% can be described as consistently innovative (as they have innovated in the past and also plan to do so in future):

- Those most engaged with innovation include the largest SMEs with 50-249 employees (78% any innovation and 48% consistent innovators), those trading for 2-5 years (70% any innovation and 36% consistent innovators) and those who plan to grow (75% any innovation and 41% consistent innovators). There is also more engagement from those planning to apply for finance (70% any innovation and 42% consistent innovators).
- By sector, those in Agriculture were the least engaged (47% any innovation and 20% consistent innovators) compared to those in the Property/Business Services sector (63% any innovation and 32% consistent innovators).
- Compared to Q2-4 2023 when all elements of these questions were first asked, the proportion reporting/planning any innovation is up 3 points in 2024, with an increase across all sizes of SME, amongst those with a poorer risk rating and those in Construction (who do though remain less likely to be innovative). Levels of consistent innovation were also up 3 points, and this was more likely for SMEs with 10-49 or 50-249 employees as well as those with a poorer risk rating and those in Construction.

1 in 4
SMEs had both
innovated and planned
to do so again in the
coming year

47% of SMEs in 2024 were planning to grow, increasing by size of SME but declining by age of SME. 1 in 5 SMEs (excluding Starts) had both grown and planned to grow again in the coming year and a similar proportion had got smaller and were not planning to grow:

- Growth ambitions increased by size of SME (from 44% of those with 0 employees to 62% of those with 10-49 employees and 61% with 50-249 employees) and decreased by age of SME (from 70% of Starts to 33% of those trading for more than 15 years).
- The 47% planning to grow in 2024 is little changed from the 46% planning to do so in 2023, and there has been little change in this proportion since 2017 (45-49%) with the exceptions of 2019 (when 52% planned to grow) and 2020 (when 37% did). That said, growth aspirations for those in Wholesale/Retail (up 6 points to 52%) and Hotels and Restaurants (up 12 points to 47%) did increase in 2024 compared to 2023, while those for Transport (down 6 points to 37%) and also Health (down 13 points to 36%) declined.
- 19% of SMEs (excluding Starts) had both grown in the past year and expected to grow again in the coming year. This was more common amongst larger SMEs (37% for those with 10-49 employees and 36% for those with 50-249 employees) and was unchanged from both 2022 and 2023, all higher than the 11% in 2021 that had grown and planned to grow again.
- 18% of SMEs (excluding Starts) had both declined in the past year and did not expect to grow in the coming year. This was more common amongst smaller SMEs (20% for those with 0 employees) and whilst only slightly lower than in 2023 (18% from 20%) there has been a steady longer term reduction in this proportion from the 31% of SMEs in this category in 2021.

Taking future growth and innovation together, 27% of SMEs in 2024 met the definition of an ‘Ambitious Innovator’, an SME that is planning both to grow and to innovate in the coming year. 40% of SMEs had no plans to either grow or innovate:

- The proportion of Ambitious Innovators (27% overall) increased by size of SME from 24% of those with 0 employees to 43% of those with 50-249 employees. Other SMEs more likely to meet the definition included Starts (43%) and those in Wholesale/Retail (34%).
- 40% of SMEs had no plans to grow or innovate and this was more likely to be the case for those with 0 employees (43%), those trading for more than 15 years (52%) and those in Health (55%) and Agriculture (52%).

19%

of SMEs grew last year and expected to grow again this year, but as many,

18%

declined last year and do not expect to grow this year

27%

of SMEs were Ambitious Innovators

The key future barriers for SMEs remained higher costs and the current economic climate, though the largest SMEs were less likely to see them as major barriers. A new barrier around lower demand for products and services was an issue for 1 in 5 SMEs:

- In Q4 2024, 35% of SMEs saw increased costs as a major barrier, with limited differences by size (34–37%) with the exception of those with 50–249 employees (27%). It was more of a barrier for Starts (38%) and those trading for more than 15 years (37%) as well as those in Wholesale/Retail and Hotels and Restaurants (both 42%) and also Agriculture (41%).
- 30% saw the current economic climate as a barrier, with variation by size of SME from 33% of those with 1–9 employees to 18% of those with 50–249 employees. There was limited variation by age of SME (30–33%) with the exception of Starts (24%) and it remained much more of an issue for the Hotel and Restaurant sector (45%) than for their peers (25–35%).
- A new potential barrier introduced in Q3 2024 was ‘Lower demand for your products/services’ seen as a major barrier by 20% of SMEs in Q4 2024 and declining by size of SME from 21% of those with 0 or 1–9 employees to 11% of those with 50–2149 employees. It was slightly more of a barrier for those trading for less than 10 years (22–24%) than older SMEs (18–19%), and for the Other Community sector (28%).

Over recent years, as higher costs and the economic climate remained key barriers, the proportion citing political uncertainty and cash flow/late payment as barriers have increased:

- When first asked in 2022, 39% of SMEs cited increasing costs as a major barrier, decreasing slightly to 35% in 2024 (when it was described as ‘higher costs’) but still the top barrier.
- Concern about the economic climate increased to 36% in 2020, eased to 23% in 2021, but has been 3 in 10 since (30% for 2024). It is mentioned more by smaller SMEs and also those in the Hotel and Restaurant sector (44% in 2024).
- Political uncertainty and future government policy increased as a barrier to 24% in 2019 and 2020, was slightly lower in 2021 (19%) but has increased steadily since to 26% in 2024, led by SMEs with employees, notably those with 1–9 or 10–49 employees.
- Typically around 1 in 10 SMEs used to see cash flow and late payment as a major barrier, but that proportion has increased over recent years to 19% in 2024.
- Access to finance, the focus of this report, has always been less likely to be mentioned than other barriers (7–8% since 2019).

Increasing costs and the economic climate remained key barriers for SMEs

Cash flow and late payments has increased as an issue, to

1 in 5 SMEs

Looking to the future, 9% of SMEs in Q4 2024 expected to have a need for funding and 11% expected to apply for or renew some funding. As many, 12%, expected to reduce the amount of finance they were using and the most mentioned action was to inject personal funds into the business (19%):

- 9% of SMEs in Q4 expected to have a need for finance in the coming months, with limited variation by size (7% of those with 50-249 employees to 12% of those with 1-9 employees).
- 11% expect to apply for, or renew, some external finance, and again this was more likely to be the case for those with 1-9 employees (15%), compared to 7% with 50-249 employees. As with past finance, there has been an increase over recent years in the proportion wanting future funding for business development, to 67% in 2024 as a whole, compared to 39% wanting funding for cash flow purposes.
- Those with 1-9 employees were the most likely to be planning a change to their finances as they were also the most likely to be planning to reduce the amount of finance they were using (16% v 12% overall).
- 0 employee SMEs were the most likely to be planning an injection of personal funds (20% v 19% overall, declining by size of SME to 3% of those with 50-249 employees).

Confidence than an application would be successful remained lower than previously seen, and lower for those with plans to apply than those thinking about a more hypothetical application:

- In 2024, 32% of those with plans to apply/renew finance were confident of success, 31% were not confident and 37% were not sure what the outcome would be. Confidence was lower amongst those with 0-9 employees (31%) than those with 10-249 employees (48%).
- Over recent years, confidence about a planned application has declined from 56% in 2019 to 33% in 2022 with little change since (32% for 2024 as a whole). This drop of 24 points from 2019 to 2024 was seen amongst both smaller applicants (down 23 points) and larger ones (down 26 points).
- Those with no current plans to apply/renew have always been more confident of success than those with actual plans and this was true in 2024 when 46% of such SMEs were confident of success (compared to 32% with plans). Again confidence increased by size of SME from 43% of those with 0 employees to 68% of those with 50-249 employees.

1 in 10
SMEs expected to
apply for finance but
confidence in success
remained lower than
previously seen

- Whilst confidence in this group is higher than for those with plans, their confidence has declined somewhat over time, from 59% in 2019 to 46% in 2024, notably for smaller SMEs.

In addition to the 10% planning to apply/renew funding in 2024, 19% of SMEs expected to be a Future would-be seeker of finance and most, 71% expected to be a Future happy non-seeker:

- The proportion of Future would-be seekers increased to 21% in 2020 and is little changed since, with the exception of 2022 (14%). Those more likely to be a FWBS in 2024 include 0 employee SMEs (20% v 6% of those with 50-249 employees) and those in Agriculture (26%).
- Future happy non-seekers have always been the largest group, but at a slightly lower level for 2023 and 2024 due to more Future would-be seekers.
- Analysis by future application plans showed that compared to the 32% of those planning to apply that were confident of success, 35% of Future would-be seekers were confident, and 51% of Future Happy non-seekers (although this is the lowest level of confidence seen amongst this group to date).

The main reason for being a Future would-be seeker remained a reluctance to borrow in the current climate and these SMEs would want to see lower interest rates and a more certain economic outlook before considering changing their minds:

- In 2024, 65% of FWBS were reluctant to borrow in the current climate, including their own performance in that climate.
- In Q3 and Q4 2024, those giving this as a reason for not applying in future were asked what would need to change for them to consider borrowing. From the options available, 32% mentioned if interest rates were lower and this was the top reason for both larger and smaller FWBS.
- 28% mentioned needing a more certain economic outlook and a similar proportion (25%) wanted to see an increase in customer demand and/or more clarity around future government policy. Smaller FWBS were twice as likely as larger ones to say they would want their business to be in a stronger financial position (23% v 12%).
- A reluctance to borrow now remained the most mentioned reason but, at 65% in 2024, this was somewhat lower than typically seen (down 9 points from 74% in 2023). There were increases in mentions of both the process of borrowing (up 7 points to 15%) and a smaller increase in discouragement (up 3 points to 10%) with little change in the mentions of the principle of borrowing (up 1 point to 6%).

Future would-be seekers would need lower interest rates and a more certain economic outlook for them to consider borrowing

Having reviewed performance over the 12 months prior to interview, SMEs were then asked about the future. As this is looking forward, the results from each quarter can more easily be compared to each other, providing a guide to changes in SME sentiment over time.

This chapter reports on growth objectives and perceived barriers to future business performance. It then explores SMEs' intentions for the next 3 months in terms of finance and the reasons why SMEs think that they will/will not be applying for new/renewed finance in that time period.

Most of this chapter therefore is based on Q4 2024 data gathered between October and December 2024, during which the first budget from the new Labour Government was delivered and the Bank of England cut interest rates to 4.75%. After no growth between July and September, there was limited economic growth in Q4 2024 (0.1%)

SMEs that trade internationally will have potentially seen the most impact on their trade post-Brexit and with the new EU trading arrangements in place, so this chapter also includes a summary of how such SMEs have been feeling since the referendum result and the new trading arrangements established.

This chapter starts with one of the questions added during the pandemic around the future offering threats or opportunities.

Assessing the future

In Q3 2020, a new question was added to explore the extent to which SMEs saw the future as being full of threats (score 1) or full of opportunities (score 10) for their business. The table below shows the scores in Q4 of each year 2021 to 2023 and then the four quarters of 2024, with more polarised opinions seen during 2024:

- Back in Q4 2021, 36% of SMEs saw the future offering more opportunities than threats (scores 7-10). In both Q4 2022 and Q4 2023 this proportion was lower (27-28%) and this was also the case at the start of 2024, before a slight increase in the second half of the year, to 33% in Q4 2024, due to an increase in 7-8 scores
- By Q4 2023, a quarter of SMEs (25%) saw the future offering mostly threats (scores 1-4) and this proportion also increased slightly over 2024, to 30% in Q4
- As a result the proportion scoring a neutral 5-6 has reduced from 45% in Q4 2023 to 36% in Q4 2024.

Future offers threats/opportunities							
By date of interview	Q4 21	Q4 22	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
Unweighted base:	4085	4252	4595	4182	4322	4254	4253
9-10 All opportunities	16%	10%	8%	9%	8%	9%	9%
7-8	20%	17%	20%	20%	21%	26%	24%
5-6	46%	57%	45%	45%	46%	38%	36%
1-4 All threats	18%	16%	25%	25%	25%	27%	30%
Score 7-10 on opportunities	36%	27%	28%	29%	29%	35%	33%

CV7 All SMEs

There was little difference by size of SME in the proportion seeing the future as offering mostly opportunities (scores 7-10), but smaller SMEs remained more likely to think the future offered only threats (scores 1-4):

Future offers threats/opportunities						
Q4 24 All SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps	
Unweighted base:	4253	894	1785	1162	412	
9-10 All opportunities	9%	10%	8%	8%	6%	
7-8	24%	23%	27%	26%	23%	
5-6	36%	35%	38%	42%	56%	
1-4 All threats	30%	32%	27%	24%	15%	
Score 7-10 on opportunities	33%	33%	35%	34%	29%	

CV7 All SMEs

Starts were slightly more likely to see opportunities than their older peers:

Future offers threats/opportunities					
Q4 24 All SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	91*	378	457	903	2424
9-10 All opportunities	11%	11%	11%	8%	8%
7-8	30%	23%	21%	24%	23%
5-6	36%	33%	35%	38%	37%
1-4 All threats	22%	33%	34%	31%	32%
Score 7-10 on opportunities	41%	34%	32%	32%	31%

CV7 All SMEs

By sector, the opportunities score ranged from 27% in Hotels and Restaurants to 38% in Construction, and the threats from 25% in Wholesale/Retail to 37% in Agriculture and 39% in the Other Community sector:

Extent of obstacles in next 12 months									
Q4 24 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	HLth SWrk	Other Comm
Unweighted base:	226	575	625	596	210	384	1009	242	386
9-10 All opportunities	15%	7%	15%	11%	7%	3%	8%	4%	11%
7-8	21%	27%	23%	25%	20%	26%	25%	31%	19%
5-6	28%	40%	30%	39%	38%	38%	41%	38%	30%
1-4 All threats	37%	25%	31%	25%	35%	33%	26%	27%	39%
Score 7-10 on opportunities	36%	34%	38%	36%	27%	29%	33%	35%	30%

CV7 All SMEs

The table below shows the annual position over time by key demographics for those saying the future presents more opportunities than threats (scores 7-10). This is shown for H2 2020 (when this question was first asked), then by year from 2021 to 2024.

The opportunities score increased from 22% of SMEs in H2 2020 to 32% in 2021, with little further change in the overall score since (32% for 2024).

Whilst there was no change in the opportunities score overall between 2023 and 2024 (31% to 32%) or by size of SME, there were some changes within other business demographics:

- An increase for those with a low risk rating (up 5 points to 35%).
- An increase for Wholesale/Retail (up 8 points to 33%), and for Manufacturing, Health and Agriculture (all up 6 points to 38%, 37% and 31% respectively) with Transport the only sector to be less likely to see opportunities (down 4 points to 24%).
- An increase amongst Permanent non-borrowers (up 4 points to 41%).

Opportunities (7-10) over time					
By date of interview – row percentages	H2 2020	2021	2022	2023	2024
All SMEs	22%	32%	30%	31%	32%
0 emp	22%	33%	30%	30%	31%
1-9 emps	22%	32%	32%	31%	33%
10-49 emps	21%	32%	31%	36%	38%
50-249 emps	20%	31%	47%	33%	34%
Minimal external risk rating	24%	30%	29%	31%	33%
Low	21%	27%	30%	30%	35%
Average	20%	29%	29%	32%	34%
Worse than average	23%	37%	32%	31%	30%
Agriculture	19%	28%	28%	25%	31%
Manufacturing	22%	32%	29%	32%	38%
Construction	21%	32%	27%	36%	37%
Wholesale/Retail	20%	28%	29%	25%	33%
Hotels & Restaurants	14%	25%	26%	24%	27%
Transport	15%	29%	25%	28%	24%
Property/ Business Services	25%	37%	36%	33%	34%
Health	19%	39%	34%	31%	37%
Other	28%	31%	30%	28%	29%
Starts	26%	44%	37%	37%	39%
2-5 years trading	25%	35%	33%	30%	32%
6-9 years	20%	32%	30%	28%	30%
10-15 years	23%	30%	31%	26%	29%
15+ years	18%	27%	26%	30%	30%
PNBs	22%	35%	32%	37%	41%
All excl PNBs	21%	31%	29%	27%	27%

CV7 All SMEs

Growth related activities planned for the next 12 months

A number of activities, listed below, could be associated with growing a business and also with SMEs willingness to invest. From Q2 2023 this has also included the second part of the traditional definition of innovation ‘significantly improving some aspect of the business’ to allow for a net ‘Future innovation’ code to be calculated that matches the questions asked about past behaviour.

In Q4 2024, 6 in 10 of all SMEs (not just those planning to grow) planned to undertake at least one of these activities in the following year, increasing by size of SME:

Planned activities in next 12 mths					
Q4 24 All SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4253	894	1785	1162	412
Significantly improve an aspect of the business	34%	31%	41%	53%	59%
Take on more staff	26%	22%	32%	52%	63%
Develop a new product or service	23%	22%	23%	25%	26%
Invest in new plant, machinery, premises	22%	20%	25%	36%	35%
Sig. steps to reduce business carbon footprint	20%	17%	27%	41%	53%
Start to sell, or sell more, overseas	9%	8%	11%	11%	12%
Some other major expenditure	8%	7%	9%	15%	13%
Any of these	61%	58%	67%	82%	86%
None of these	39%	42%	33%	18%	14%

Q90 (240w) All SMEs

Other analysis showed that in Q4 2024

- There was limited variation by sector (62-65%) with the exception of Transport (54%) Hotels and Restaurants and Health (55%) who were less likely to be planning these activities.
- Permanent non-borrowers were less likely to be planning such activities (52%) and excluding them increased the proportion planning to take any action to 66% of remaining SMEs.

11 The future

Those trading for up to 5 years were the most likely to be planning any activity in Q4 2024. Activity then declined by age of business to half of those trading for more than 10 years:

Planned activities in next 12 mths					
Q4 24 All SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	91*	378	457	903	2424
Significantly improve an aspect of the business	40%	46%	32%	32%	30%
Take on more staff	57%	37%	22%	14%	13%
Develop a new product or service	30%	35%	21%	20%	17%
Invest in new plant, machinery, premises	28%	27%	18%	19%	19%
Sig. steps to reduce business carbon footprint	24%	20%	21%	18%	19%
Start to sell, or sell more, overseas	15%	8%	9%	7%	7%
Some other major expenditure	11%	10%	8%	8%	6%
Any of these	87%	72%	58%	54%	50%
None of these	13%	28%	42%	46%	50%

Q90 (240w) All SMEs

11 The future

Key differences in levels of planned activity were seen by future plans for both growth and finance. Those planning to grow in the next 12 months and those planning to apply for finance were much more likely to be planning any of these activities than their peers (79% and 88% respectively), led by higher levels of innovation and plans to take on staff. Future would-be seekers were more likely than Happy non-seekers to be planning any activity (72% v 56%):

Planned activities in next 12 mths					
Q4 24 All SMEs	Plan to grow	No plans to grow	Plan to apply	FWBS	FHNS
Unweighted base:	2141	2112	461	520	3272
Significantly improve an aspect of the business	48%	22%	61%	47%	28%
Take on more staff	39%	15%	51%	26%	22%
Develop a new product or service	34%	13%	51%	36%	16%
Invest in new plant, machinery, premises	30%	14%	44%	30%	17%
Sig. steps to reduce business carbon footprint	25%	16%	37%	29%	16%
Start to sell, or sell more, overseas	14%	4%	18%	20%	5%
Some other major expenditure	12%	5%	17%	10%	6%
Any of these	79%	46%	88%	72%	56%
None of these	21%	54%	12%	28%	44%

Q90 (240w) All SMEs

Analysis of planned activities over time (in Q4 of each year since Q4 2018) shows how the proportion planning any activity has increased over time. This is partly as a result of the inclusion of 2 additional statements added from Q4 2021 and from Q4 2023. The key difference from Q4 2023 to Q4 2024 was the increase in the proportion (of all SMEs) planning to take on staff, up 5 points to 26%, while the most mentioned activity was significantly improving an aspect of the business (34%) which contributes to the innovation analysis later in this chapter:

Planned activities							
By date of interview	Q4 18	Q4 19	Q4 20	Q4 21	Q4 22	Q4 23	Q4 24
All SMEs – over time							
Unweighted base:	4500	4500	4252	4085	4252	4595	4253
Take on more staff	17%	18%	21%	26%	20%	21%	26%
Sig. steps to reduce carbon f'print	-	-	-	25%	17%	23%	20%
Invest in new plant etc	13%	13%	21%	20%	17%	24%	22%
Develop a new product or service	15%	14%	21%	18%	16%	21%	23%
Start to sell, or sell more, overseas	7%	5%	7%	6%	4%	7%	9%
Some other major expenditure	4%	6%	11%	11%	6%	8%	8%
Sig improve aspect of the business	-	-	-	-	-	36%	34%
Any of these	34%	35%	47%	59%	45%	58%	61%
None of these	66%	65%	53%	41%	55%	42%	39%

Q90 (240w) All SMEs

The table overleaf provides analysis of any activity planned on an annual basis, over time, with H2 2020 and H2 2021 used to represent SME views in those years, as this question was not asked consistently every quarter during the pandemic. The latest period is based on 2024 as a whole, with 57% of SMEs planning any activity, up 3 points from 2023 and back to levels seen in H2 2021:

- This increase 2023 to 2024 was seen amongst smaller SMEs and those with an average or worse than average risk rating, with little change year on year for larger SMEs or those with a minimal or low risk rating.
- By sector, there were notably increases for those in Manufacturing (up 8 points to 65%) and Wholesale/Retail (up 9 points to 62%), and a similar increase for Starts (up 8 points to 74%) to leave them clearly ahead of older peers.
- Permanent non-Borrowers were also more likely to be planning such activities (up 9 points to 49%), narrowing the gap to their non-PNB peers (up 2 points to 62%).

Plan any activity							
Over time – row percentages	2018	2019	H2 20	H2 21 *	2022	Q2-4 23*	2024
All SMEs	38%	37%	44%	57%	48%	54%	57%
0 emp	34%	33%	41%	54%	44%	50%	53%
1-9 emps	46%	45%	52%	65%	58%	62%	66%
10-49 emps	58%	55%	57%	75%	72%	77%	78%
50-249 emps	58%	63%	58%	71%	78%	84%	84%
Minimal external risk rating	40%	40%	44%	56%	53%	62%	59%
Low	39%	40%	46%	53%	48%	53%	53%
Average	34%		38%	52%	43%	47%	53%
Worse than average	40%	40%	49%	63%	51%	57%	62%
Agriculture	37%	34%	47%	56%	49%	54%	51%
Manufacturing	46%	42%	45%	65%	54%	57%	65%
Construction	30%	29%	40%	52%	44%	50%	55%
Wholesale/Retail	44%	46%	52%	60%	50%	53%	62%
Hotels & Restaurants	38%	36%	41%	64%	52%	59%	59%
Transport	33%	31%	42%	52%	44%	52%	52%
Property/ Business Services	40%	39%	44%	57%	50%	55%	60%
Health	36%	36%	49%	56%	51%	53%	51%
Other	41%	40%	44%	60%	47%	55%	57%
Starts	42%	40%	58%	77%	63%	66%	74%
2-5 years trading	49%	48%	52%	65%	59%	69%	68%
6-9 years	41%	38%	48%	59%	47%	59%	58%
10-15 years	36%	38%	38%	53%	46%	50%	53%
15+ years	30%	29%	35%	46%	40%	45%	48%
PNBs	32%	30%	34%	46%	39%	40%	49%
All excl PNBs	43%	42%	50%	64%	57%	60%	62%
Plan to grow	55%	52%	67%	76%	70%	74%	76%
Plan to apply for finance	62%	59%	66%	76%	73%	80%	81%

Q90 (240w) All SMEs *additional metric introduced

Innovation – past and future

The addition of the new metric ‘planning to significantly improve an aspect of the business’ allows for consistent analysis of SME innovation (developing a new product or service and/or making a significant improvement) across both the past and the future.

The table below summarises key groups, detailing for 2024 the proportion that have been innovative in the recent past (46%) and the proportion that plan to be in future (39%). Taken together, 58% of SMEs have some involvement in innovation, whether past or future, and 27% are consistently innovative (innovation in the past and also planned for the future). Consistent innovation was more likely to come from:

- Larger SMEs (42% of those with 10-49 employees and 48% of those with 50-249 employees).
- Younger SMEs – 1 in 3 of those trading for up to 10 years compared to 21% of those trading for 15+ years.
- Those who plan to grow (41%) and those planning to apply for finance (42%) compared to those who met the definition of a PNB (20%).
- By sector, those in Construction remained less likely to be consistent innovators (20%) as were those in Agriculture (20%), and those in Health and Transport (both 22%), 27-32% elsewhere.

Any innovation				
2024 – row percentages	Have	Plan to	Any innovation	Consistent innovation
All SMEs	46%	39%	58%	27%
0 emp	43%	37%	55%	24%
1-9 emps	53%	46%	66%	32%
10-49 emps	65%	53%	75%	42%
50-249 emps	66%	61%	78%	48%
Minimal external risk rating	44%	37%	55%	26%
Low	47%	34%	55%	26%
Average	42%	38%	55%	25%
Worse than average	49%	43%	62%	29%
Agriculture	35%	32%	47%	20%
Manufacturing	48%	42%	63%	28%
Construction	38%	33%	51%	20%
Wholesale/Retail	47%	46%	63%	30%
Hotels & Restaurants	50%	39%	62%	27%
Transport	38%	36%	53%	22%
Property/ Business Services	51%	44%	63%	32%
Health	49%	31%	58%	22%
Other	52%	41%	62%	31%
PNBs	40%	30%	50%	20%
All excl PNBs	49%	45%	63%	31%
Starts	51%	50%	69%	33%
2-5 years trading	56%	50%	70%	36%
6-9 years	52%	42%	63%	31%
10-15 years	46%	37%	57%	27%
15+ years	39%	32%	50%	21%
Plan to grow	59%	57%	75%	41%
Plan to apply for finance	54%	63%	75%	42%

Q84/Q90 (240w) All SMEs being or planning to be innovative (Any =past or future plans, Consistent = past and future plans)

The second table provides some limited analysis over time. The proportion reporting any past/future innovation increased slightly from 2023 to 2024 (up 3 points to 58%) and there was a similar 3 point increase in the proportion of consistent innovators who had both innovated in the past year and planned to do so again in the coming year.

Those more likely to report any innovation in 2024 compared to 2023 included:

- All but the largest SMEs, though they remained the most likely to report any innovation (78%).
- Those with an average or worse than average risk rating (up 5 points and 4 points).
- Those in Construction (up 8 points to 51% though still below average).
- PNBs (up 7 points to 50%) though still behind their non-PNB peers (up 3 points to 63%).

Those more likely to report consistent innovation in 2024 compared to 2023 included:

- The larger SMEs: those with 10-49 employees were up 5 points to 42% and those with 50-249 employees were up 5 points to 48%.
- Those with a worse than average risk rating (up 5 points to 29%).
- Those in Construction (up 6 points to 20% though still below average).
- PNBs (up 7 points to 20%) though still behind their non-PNB peers (up 2 points to 31%).

Any/Consistent innovation over time				
Row percentages	Any Q2-4 2023	Any 2024	Consistent Q2-4 2023	Consistent 2024
All SMEs	55%	58%	24%	27%
0 emp	52%	55%	22%	24%
1-9 emps	63%	66%	29%	32%
10-49 emps	72%	75%	37%	42%
50-249 emps	78%	78%	43%	48%
Minimal external risk rating	58%	55%	23%	26%
Low	55%	55%	24%	26%
Average	50%	55%	22%	25%
Worse than average	58%	62%	24%	29%
Agriculture	48%	47%	17%	20%
Manufacturing	58%	63%	23%	28%
Construction	43%	51%	14%	20%
Wholesale/Retail	57%	63%	26%	30%
Hotels & Restaurants	60%	62%	24%	27%
Transport	49%	53%	20%	22%
Property/ Business Services	60%	63%	29%	32%
Health	54%	58%	23%	22%
Other	62%	62%	30%	31%
PNBs	43%	50%	13%	20%
All excl PNBs	60%	63%	29%	31%
Starts	63%	69%	29%	33%
2-5 years trading	70%	70%	38%	36%
6-9 years	62%	63%	30%	31%
10-15 years	53%	57%	23%	27%
15+ years	47%	50%	17%	21%
Plan to grow	71%	75%	37%	41%
Plan to apply for finance	78%	75%	46%	42%

Q84/Q90 (240w) All SMEs being or planning to be innovative (Any =past or future plans, Consistent = past and future plans)

Growth ambitions for next 12 months

All SMEs were asked about their growth ambitions for the next 12 months. From Q1 2018, the information collected on both past and future growth was extended to identify those that had grown/planned to grow by 40% or more (previously the highest growth rate recorded was 20% or more). In Q2 2020, the answer categories were extended again, to provide further granularity on those expecting to get smaller or to sell/close the business and these are reported below for Q4 2024.

In Q4 2024, the smallest SMEs were less likely to be planning to grow than their peers, while 10% of SMEs thought they would get smaller or close/sell the business, most of them with 0 employees:

Plans to grow in next 12 mths					
Q4 24	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4253	894	1785	1162	412
Grow by more than 40%	6%	6%	7%	4%	1%
Grow by 20-40%	13%	12%	15%	14%	18%
Grow by less than 20%	27%	26%	29%	43%	42%
All with objective to grow	46%	43%	50%	61%	61%
Stay the same size	44%	46%	42%	33%	35%
Become smaller by less than 50%	4%	4%	4%	3%	2%
Become smaller by more than 50%	1%	1%	1%	*	*
Plan to sell/pass on the business	1%	1%	2%	1%	1%
Plan to close the business	4%	5%	2%	1%	1%

Q91 (225) All SMEs

Growth ambitions in Q4 2024 amongst other sub-groups included:

- 76% of Ambitious Risk Takers
- 66% of Starts and 68% of those who both import and export
- 58% of those planning to apply for finance.

Combining past and future growth for SMEs in 2024 (where answers are available to both questions, so excluding Starts who were not asked about growth in the previous year) gives some key categories of SME.

19% of SMEs (excluding Starts) had grown in the previous year and planned to grow again:

- This increased by size of SME from 16% of 0 employee SMEs to 25% of those with 1-9 employees, 37% of those with 10-49 employees and 36% of those with 50-249 employees.
- And decreased by age of business from 32% of those trading 2-5 years to 15% of those trading for more than 15 years.
- There was limited difference by risk rating (19-22%) with the slight exception of those with an average risk rating (15%).
- Those in Construction (14%) or Agriculture (15%) were less likely to be in this category, compared to 23% in Wholesale/Retail, 22% in Manufacturing and Property/Business Services and 16-21% elsewhere
- Those using external finance were slightly more likely to be in this category (21%) than those not using finance (17%) or PNBs (17%).
- 45% of those who described themselves as 'Well off' were in this category, declining to 9% of those who were 'Struggling'.

At the other end of the scale, 18% of SMEs (excluding Starts) had declined in the previous year and were either expecting to decline again or stay the same size they now were:

- This decreased by size of SME from 20% of 0 employee SMEs to 13% of those with 1-9 employees, 8% of those with 10-49 employees and 6% of those with 50-249 employees.
- And increased by age of business from 9% of those trading 2-5 years to 22% of those trading for more than 15 years.
- There was limited difference by risk rating (15-17%) with the slight exception of those with an average risk rating (21%).
- And also limited difference by sector (16-21%).
- There was little difference between those using external finance (17%), those not using finance (19%) or PNBs (18%).
- 4% of those who described themselves as 'Well off' were in this category, increasing to 33% of those who were 'Struggling'.

Analysis over recent years, reported below, shows how the proportion that have grown and plan to grow again increased from 11% in 2021 to 19% in both 2023 and 2024, with increases across all size bands but more notably for those with 10-49 or 50-249 employees.

Meanwhile the proportion that had declined and did not expect to grow next year decreased in a similar way from 31% in 2021 to 18% in 2024, with decreases across all size bands.

Growth in combination				
All SMEs excluding Starts	2021	2022	2023	2024
Unweighted base:	14,662	15,087	15,241	15,348
Grow and grow again				
All SMEs excl Starts	11%	17%	19%	19%
0 emps	10%	15%	16%	16%
1-9 emps	14%	22%	25%	25%
10-49 emps	19%	30%	35%	37%
50-249 emps	15%	18%	34%	36%
Declined and not grow				
All SMEs excl Starts	31%	22%	20%	18%
0 emps	33%	25%	22%	20%
1-9 emps	26%	17%	15%	13%
10-49 emps	20%	10%	8%	8%
50-249 emps	22%	8%	7%	6%

Growth ambitions over time

The next section looks at growth aspirations over time, initially by quarter and then over the longer term on an annual basis.

The pandemic naturally affected growth aspirations. While around half of SMEs expected to grow pre-pandemic, in Q2 2020 just 24% expected to grow as the impact of the pandemic was initially felt. There has been a recovery since then, and during 2024 just under half of SMEs were planning to grow (46-49%):

Growth in next 12 mths									
All SMEs– over time By date of interview	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Grow by 20% or more*	19%	23%	20%	20%	21%	23%	21%	20%	18%
Grow by 40% +	5%	8%	7%	7%	6%	8%	8%	6%	6%
Grow by 20-40%	14%	15%	13%	13%	15%	14%	12%	14%	13%
Grow by less than 20%*	21%	24%	24%	26%	28%	25%	29%	27%	27%
All with objective to grow	40%	46%	43%	45%	49%	47%	49%	46%	46%
Stay the same size	47%	44%	45%	42%	38%	42%	39%	42%	44%
Become smaller	6%	5%	5%	7%	5%	5%	6%	7%	5%
Plan to sell/pass on/close	6%	4%	6%	7%	8%	6%	6%	5%	5%

Q91 (225) All SMEs

The table on the next page summarises these growth plans by key demographics over recent quarters, including by size of SME. Comparing Q4 2024 (46% planning to grow) to the position 12 months earlier in Q4 2023 (49%) showed:

- A slight decline in ambition across smaller SMEs, from 47% to 43% for 0 employee SMEs and 54% to 50% for those with 1-9 employees. Ambition was also slightly lower in 2024 for those with an average (41% to 36%) or worse than average (60% to 54%) risk rating.
- A drop in ambition for those in Manufacturing (49% to 43%) and also for Health (58% to 33%, albeit the Q4 2023 figure was higher than has been seen in any recent quarter), and also for PNBs (47% to 39%).
- Those trading for under 10 years were less likely to be planning to grow in Q4 2024 than they had been in Q4 2023: down 10 points for Starts to 66%, 8 points for those trading 2-5 years to 62%, and down 6 points to 46% for those trading 6-9 years. That said the younger SMEs remained more likely to be planning to grow than their older peers.

Objective to grow (any) in next 12 months									
Over time – row percentages	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2022	2023	2023	2023	2023	2024	2024	2024	2024
All SMEs	40%	46%	43%	45%	49%	47%	49%	46%	46%
0 employee	38%	46%	41%	43%	47%	44%	47%	42%	43%
1-9 employees	46%	48%	51%	50%	54%	55%	52%	57%	50%
10-49 employees	54%	58%	59%	58%	60%	58%	59%	68%	61%
50-249 employees	48%	53%	58%	60%	62%	59%	66%	58%	61%
Minimal external risk rating	33%	38%	38%	39%	39%	41%	43%	44%	41%
Low external risk rating	31%	39%	36%	37%	41%	48%	38%	47%	42%
Average external risk rating	29%	41%	38%	39%	41%	44%	42%	43%	36%
Worse than average risk rating	52%	53%	53%	54%	60%	52%	58%	49%	54%
Agriculture	29%	33%	35%	28%	32%	45%	31%	23%	32%
Manufacturing	51%	49%	46%	47%	49%	46%	52%	55%	43%
Construction	29%	40%	38%	52%	45%	40%	51%	40%	47%
Wholesale/Retail	41%	45%	44%	48%	50%	49%	55%	59%	47%
Hotels & Restaurants	38%	33%	39%	31%	37%	51%	44%	52%	42%
Transport	42%	51%	41%	38%	41%	30%	42%	36%	42%
Property/Business Services etc.	41%	50%	50%	43%	52%	59%	51%	51%	49%
Health	42%	51%	41%	46%	58%	39%	38%	35%	33%
Other Community	48%	47%	44%	50%	58%	52%	57%	53%	53%
All Permanent non-borrowers	35%	44%	36%	37%	47%	46%	42%	39%	39%
All excluding PNBs	45%	48%	48%	48%	50%	48%	53%	50%	49%
Starts	71%	78%	66%	71%	76%	74%	79%	63%	66%
2-5 years trading	52%	61%	60%	53%	70%	59%	66%	60%	62%
6-9 years	39%	45%	52%	55%	52%	51%	47%	57%	46%
10-15 years	38%	36%	38%	41%	43%	40%	42%	47%	43%
More than 15 years	24%	31%	30%	31%	32%	33%	33%	33%	33%

Q91 (225) All SMEs base size varies by category

Whilst the quarterly analysis shows how growth ambitions have been affected in the last couple of years, the variability in predicted growth quarter on quarter can make trends harder to discern. The table below looks at annual growth plans since 2017.

Back in 2015, 45% of SMEs were planning to grow. This proportion then started to increase gradually, reaching 52% in 2019. The pandemic then knocked ambition back to 37% for 2020 and it has been more variable since. In 2024, 47% of SMEs were planning to grow, little changed from 2023 (46%).

As with the overall picture, there was typically little change in growth aspirations year on year within key business demographics, with some exceptions:

- The proportion of those with a low risk rating planning to grow increased by 6 points in 2024 to 44%, though still below average.
- There were higher growth aspirations for those in Wholesale/Retail (up 6 points to 52%) and also Hotels and Restaurants (up 12 points to 47%) moving them from below average to in line.
- Meanwhile growth aspirations were lower in 2024 for those in Transport (down 6 points to 37%) and also Health (down 13 points to 36%) and these are now the sectors least likely to be planning to grow along with Agriculture (stable on 33%).

Objective to grow (any) in next 12 months								
Over time	2017	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages								
All SMEs	45%	49%	52%	37%	46%	42%	46%	47%
0 emp	41%	46%	49%	35%	45%	39%	44%	44%
1-9 emps	53%	55%	56%	42%	51%	49%	51%	54%
10-49 emps	64%	64%	66%	46%	56%	57%	59%	62%
50-249 emps	69%	79%	76%	45%	47%	51%	58%	61%
Minimal external risk rating	42%	47%	53%	33%	40%	35%	38%	42%
Low	43%	43%	48%	35%	38%	38%	38%	44%
Average	41%	43%	44%	34%	44%	36%	39%	41%
Worse than average	49%	54%	59%	42%	53%	49%	55%	53%
Agriculture	35%	40%	46%	33%	39%	30%	32%	33%
Manufacturing	44%	56%	52%	37%	50%	41%	48%	49%
Construction	35%	39%	44%	31%	38%	34%	44%	44%
Wholesale/Retail	51%	55%	61%	45%	48%	44%	46%	52%
Hotels & Restaurants	47%	48%	53%	35%	43%	40%	35%	47%
Transport	44%	45%	48%	30%	43%	39%	43%	37%
Property/ Business Services	48%	53%	52%	41%	51%	48%	49%	53%
Health	46%	53%	62%	41%	47%	45%	49%	36%
Other	48%	49%	51%	40%	50%	45%	50%	54%
PNBs	37%	41%	40%	34%	42%	36%	41%	41%
All excl PNBs	52%	56%	60%	39%	49%	48%	49%	50%
Starts	63%	71%	80%	52%	70%	65%	73%	70%
2-5 years trading	56%	63%	63%	48%	60%	56%	62%	62%
6-9 years	43%	48%	52%	42%	49%	47%	51%	50%
10-15 years	41%	43%	45%	33%	41%	40%	40%	43%
More than 15 years	33%	33%	34%	26%	33%	28%	31%	33%

Q91 (225) All SMEs

Future innovation and growth – The Ambitious Innovators

The extension of the future innovation question from Q2 2023 allows for additional analysis of those SMEs that are both planning to grow and planning to be innovative – the Ambitious Innovators. This was presented for the first time in the 2023 report for Q2 to Q4 2023 when 24% of SMEs met this definition.

Given the focus on growth in the economy, the definition of this group has been refined for 2024 and now allows us to see what types of SME are planning both to grow and to innovate in the coming year, but also those who are planning one of these actions, either to grow or to be innovative (the ‘partly’ category shown below). In order to maximise base sizes, this data is presented for 2024 as a whole.

The proportion of Ambitious Innovators increased by size of SME from 24% of those with 0 employees to 43% of those with 50-249 employees. At the other end of the scale, 40% of SMEs were planning neither growth nor innovation, decreasing by size of SME from 43% with 0 employees to 21% with 50-249 employees:

Ambitious innovators					
YEQ4 24- all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,011	3572	7204	4485	1750
Yes (plan to grow and innovate)	27%	24%	32%	38%	43%
Partly (plan to either grow or innovate)	33%	32%	35%	39%	36%
Neither of these	40%	43%	33%	23%	21%

Q90/91 (225) All SMEs

By sector, 1 in 3 of those in the Wholesale/Retail, Property/Business Services and Other Community sectors met the Ambitious Innovator definition compared to 17% of those in Agriculture (where 52% had no plan for either growth or innovation, as did 55% in the Health sector):

Ambitious innovators									
YEQ4 24 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	778	2157	2562	2564	873	1544	3885	954	1694
Yes (plan to grow and innovate)	17%	27%	22%	34%	26%	21%	30%	22%	30%
Partly (plan to either grow or innovate)	30%	38%	34%	30%	34%	31%	36%	22%	36%
Neither of these	52%	35%	44%	36%	40%	48%	34%	55%	34%

Q90/91 (225) All SMEs

11 The future

The proportion of Ambitious Innovators decreased by age of SME from 43% of Starts to 17% of those trading for 15+ years where half (52%) had no plans for either growth or innovation in the coming year:

Ambitious innovators					
YEQ4 24 All SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	521	1577	1675	3521	9717
Yes (plan to grow and innovate)	43%	39%	26%	23%	17%
Partly (plan to either grow or innovate)	35%	33%	39%	33%	31%
Neither of these	22%	28%	34%	43%	52%

Q90/91 (225) All SMEs

PNBs and the broader group not using external finance were less likely to be Ambitious Innovators (20% and 24%) compared to those that were not a PNB or who were using finance (both 30%):

Ambitious innovators				
YEQ4 24 All SMEs	PNB	Not PNB	Use finance	No finance
Unweighted base:	5186	11,825	9255	7756
Yes (plan to grow and innovate)	20%	30%	30%	24%
Partly (plan to either grow or innovate)	32%	34%	35%	31%
Neither of these	49%	35%	35%	44%

Q90/91 (225) All SMEs

Obstacles to running the business in the next 12 months

SMEs were asked to rate the extent to which each of a number of factors were perceived as obstacles to them running the business as they would wish in the next 12 months, using a 1 to 10 scale (where 1 meant the factor was not an obstacle at all, and 10 that it was seen as a major obstacle). Scores have been analysed in 3 bands:

- 1-4 = a minor obstacle
- 5-7 = a moderate obstacle
- 8-10 = a major obstacle.

Over time, some amendments have been made to the list of possible obstacles:

- Two changes were made for Q1 2017: 'Changes in the value of sterling' replaced 'The quality of management and leadership in the business' and the existing code 'Legislation and regulation' was extended to include 'red tape'.
- In Q2 2020 a new barrier was added 'The impact of the coronavirus pandemic' which was included until the end of 2022 before being deleted from Q1 2023.
- In Q4 2021, two new statements were added to reflect changes in trading conditions, namely 'Supply chain issues' and 'Increasing costs'. From Q3 2024 the latter has been amended to 'Higher costs'.
- In 2022, the metric 'Availability of relevant advice' was deleted.
- From Q3 2024, the previously combined code 'Cash flow/issues with late payment' has been split into its constituent parts and is reported here on both a combined and individual basis.
- Also from Q3 2024 a new barrier 'Lower demand for your products /services' has been included.

The new metric 'Higher costs' (initially 'Increasing costs') has been the key barrier to SMEs since its introduction in Q4 2021, while the 'Impact of Covid' barrier was initially significant but then declined in importance during 2021 and 2022, prior to being deleted.

From Q1 2021, SMEs have also been asked about the impact on their business of the new trading arrangements with the EU and this is reported at the end of this Barriers section.

Obstacles in Q4 2024

The analysis below looks in detail at the barriers perceived in Q4 2024, by size of SME and ranked in order of mean score, with the statement included from Q3 2024 'Lower demand for your products/services' and the newly separated 'Cash flow difficulties' and 'Issues with late payment':

Extent of obstacles in next 12 months					
Q4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4253	894	1785	1162	412
Higher costs	5.8	5.8	5.9	6.2	5.3
- 8-10 major obstacle	35%	34%	37%	37%	27%
- 5-7 moderate obstacle	33%	33%	33%	39%	37%
- 1-4 minor obstacle	30%	31%	28%	22%	35%
The current economic climate	5.7	5.6	5.9	5.8	4.7
- 8-10 major obstacle	30%	29%	33%	30%	18%
- 5-7 moderate obstacle	37%	36%	37%	41%	40%
- 1-4 minor obstacle	30%	31%	28%	27%	41%
Political uncertainty/future govt policy	5.3	5.1	5.7	5.9	4.9
- 8-10 major obstacle	29%	27%	35%	33%	22%
- 5-7 moderate obstacle	31%	31%	29%	36%	36%
- 1-4 minor obstacle	36%	38%	32%	28%	40%
Legislation, regulation, red tape	4.9	4.7	5.2	5.4	4.3
- 8-10 major obstacle	24%	22%	31%	29%	21%
- 5-7 moderate obstacle	29%	29%	28%	34%	24%
- 1-4 minor obstacle	44%	45%	39%	35%	52%
Lower demand for products/services*	4.5	4.6	4.5	4.5	3.4
- 8-10 major obstacle	20%	21%	21%	17%	11%
- 5-7 moderate obstacle	28%	27%	29%	32%	21%
- 1-4 minor obstacle	47%	47%	48%	49%	65%

Continued

Continued

Cash flow difficulties*	3.8	3.7	4.1	4.2	3.2
- 8-10 major obstacle	15%	14%	18%	17%	9%
- 5-7 moderate obstacle	24%	24%	25%	27%	21%
- 1-4 minor obstacle	58%	59%	56%	55%	68%
Issues with late payment*	3.4	3.3	3.6	4.2	3.6
- 8-10 major obstacle	12%	11%	15%	15%	13%
- 5-7 moderate obstacle	19%	17%	22%	29%	22%
- 1-4 minor obstacle	66%	68%	62%	55%	64%
Changes in the value of sterling	3.3	3.3	3.3	3.4	2.8
- 8-10 major obstacle	8%	8%	9%	8%	6%
- 5-7 moderate obstacle	23%	22%	24%	25%	18%
- 1-4 minor obstacle	57%	56%	60%	62%	72%
Supply chain issues	3.1	3.0	3.3	3.7	3.0
- 8-10 major obstacle	9%	9%	10%	11%	7%
- 5-7 moderate obstacle	20%	19%	23%	28%	21%
- 1-4 minor obstacle	66%	66%	66%	60%	71%
Recruiting/retaining staff	3.1	2.8	3.7	5.0	4.1
- 8-10 major obstacle	14%	13%	16%	24%	17%
- 5-7 moderate obstacle	13%	9%	22%	35%	29%
- 1-4 minor obstacle	67%	70%	61%	40%	52%
Access to external finance	2.9	2.8	3.0	2.9	2.3
- 8-10 major obstacle	9%	9%	11%	6%	3%
- 5-7 moderate obstacle	16%	15%	16%	21%	14%
- 1-4 minor obstacle	67%	66%	69%	70%	79%

The changes in the impact of these barriers over time is reported later in this chapter.

Obstacles to running the business – by key demographics

The tables below focus on those scoring 8-10 (a major barrier) for each potential obstacle. For ease, the analysis by size of SME (provided in more detail in the previous table) is also summarised below, ranked for Q4 2024.

Higher costs were the top barrier for all sizes of SME, with the economic climate and political uncertainty second or third for all but the largest SMEs where legislation, regulation and red tape was also a key barrier.

The new statement 'Lower demand for your products/services' was a barrier for 20% of SMEs, with limited variation by size with the exception of those with 50-249 employees (11%). These largest SMEs were also less likely to see cash flow/late payment as a barrier (18%) due to fewer concerns around cash flow (9% v 15% overall):

Extent of obstacles in next 12 months					
Q4 24– all SMEs 8-10 impact score	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4253	894	1785	1162	412
Higher costs	35%	34%	37%	37%	27%
The current economic climate	30%	29%	33%	30%	18%
Political uncertainty/future govt policy	29%	27%	35%	33%	22%
Legislation, regulation and red tape	24%	22%	31%	29%	21%
Lower demand for your products/services	20%	21%	21%	17%	11%
Cash flow/issues with late payment	22%	21%	25%	26%	18%
Cash flow	15%	14%	18%	17%	9%
Late payment	12%	11%	15%	15%	13%
Recruiting/retaining staff	14%	13%	16%	24%	17%
Supply chain issues	9%	9%	10%	11%	7%
Access to external finance	9%	9%	11%	6%	3%
Changes to value of sterling	8%	8%	9%	8%	6%

Q93 (227a) All SMEs

Analysis by risk rating showed that:

- Those with a worse than average risk rating were somewhat more likely than their peers to be concerned about higher costs (40%) and/or the economic climate (32%).
- They were also more concerned than their peers about cash flow/late payment and lower demand for products and services (both 24%).

Extent of obstacles in next 12 months					
Q4 24 – all SMEs 8-10 impact score	Total	Min	Low	Avge	Worse/ Avge
Unweighted base:	4253	789	1101	1125	898
Higher costs	35%	31%	29%	32%	40%
The current economic climate	30%	29%	26%	27%	32%
Political uncertainty/future govt policy	29%	32%	28%	29%	30%
Legislation, regulation and red tape	24%	26%	25%	21%	25%
Lower demand for your products/services	20%	13%	15%	19%	24%
Cash flow/issues with late payment	22%	19%	20%	19%	24%
Cash flow	15%	12%	13%	13%	16%
Late payment	12%	12%	13%	10%	13%
Recruiting/retaining staff	14%	21%	12%	10%	13%
Supply chain issues	9%	9%	8%	8%	12%
Access to external finance	9%	7%	5%	7%	10%
Changes to value of sterling	8%	7%	9%	7%	9%

Q93 (227a) All SMEs where risk rating known

Analysis by age of business showed that:

- Starts and those trading for more than 15 years were more concerned about higher costs than the overall economic climate, whereas those trading for 2 to 15 years were more/as likely to see the economic climate as a major barrier
- Starts were more likely than their peers to be concerned about recruiting/retaining staff or access to external finance, and, along with those trading for 2-9 years, somewhat more concerned than their older peers about lower demand for products/services
- Meanwhile those trading for more than 10 years were more likely to see political uncertainty and legislation etc as barriers.

Extent of obstacles in next 12 months					
Q4 24 – all SMEs 8-10 impact score	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	91*	378	457	903	2424
Higher costs	38%	26%	30%	34%	37%
The current economic climate	24%	32%	33%	33%	30%
Political uncertainty/future govt policy	20%	25%	30%	27%	35%
Legislation, regulation and red tape	19%	19%	25%	21%	29%
Lower demand for your products/services	24%	22%	24%	19%	18%
Cash flow/issues with late payment	21%	30%	24%	23%	19%
Cash flow	13%	26%	17%	17%	12%
Late payment	10%	12%	15%	12%	12%
Recruiting/retaining staff	24%	11%	13%	10%	12%
Supply chain issues	14%	10%	9%	5%	10%
Access to external finance	14%	11%	8%	9%	6%
Changes to value of sterling	10%	9%	6%	7%	9%

Q93 (227a) All SMEs

11 The future

In Q4 2024 those with plans to grow were typically as likely as those with no such plans to see these as barriers, though slightly more likely to see lower demand as a barrier (24% v 18%)

Those who met the definition of a Permanent non-borrower were somewhat less likely to see any of these as barriers than those using external finance, with higher costs seen as a particular challenge for this latter group (41% v 23% of PNBs):

Extent of obstacles in next 12 months					
Q4 24 – all SMEs 8-10 impact score	Total	Plan to grow	No plans to grow	PNB	Using finance
Unweighted base:	4253	2141	2112	1297	2342
Higher costs	35%	33%	36%	23%	41%
The current economic climate	30%	32%	28%	24%	35%
Political uncertainty/future govt policy	29%	28%	30%	22%	34%
Legislation, regulation and red tape	24%	22%	26%	20%	30%
Lower demand for your products/services	20%	24%	18%	13%	27%
Cash flow/issues with late payment	22%	22%	22%	14%	28%
Cash flow	15%	15%	16%	7%	20%
Late payment	12%	13%	11%	10%	15%
Recruiting/retaining staff	14%	15%	13%	9%	16%
Supply chain issues	9%	11%	8%	6%	14%
Access to external finance	9%	12%	7%	3%	12%
Changes to value of sterling	8%	9%	7%	5%	9%

Q93 (227a) All SMEs

Those planning to apply for finance were more likely than their peers to see a number of these as major barriers, including higher costs (52%), lower demand for products and services (31%) and recruiting/retaining staff (28%). A quarter of them (25%) saw access to finance as a barrier.

Future Happy non-seekers were typically less likely than their peers to see these as barriers, notably the current economic climate (25%), political uncertainty (26%) and cash flow or issues with late payment (18%)

Future would-be seekers were typically closer to those planning to apply than to the FHNS and the most likely to see the current economic climate as a barrier (48%):

Extent of obstacles in next 12 months				
Q4 24 – all SMEs 8-10 impact score	Total	Plan to apply	Future WBS	Future HNS
Unweighted base:	4253	461	520	3272
Higher costs	35%	52%	41%	31%
The current economic climate	30%	41%	48%	25%
Political uncertainty/future govt policy	29%	36%	38%	26%
Legislation, regulation and red tape	24%	23%	29%	23%
Lower demand for your products/services	20%	31%	26%	18%
Cash flow/issues with late payment	22%	36%	35%	18%
Cash flow	15%	31%	29%	10%
Late payment	12%	12%	16%	11%
Recruiting/retaining staff	14%	28%	16%	12%
Supply chain issues	9%	14%	11%	8%
Access to external finance	9%	25%	14%	6%
Changes to value of sterling	8%	22%	12%	6%

Q93 (227a) All SMEs

Analysis by sector showed some clear differences:

- Higher costs were seen as a key barrier, notably for Wholesale/Retail, Hotels and Restaurants (both 42%) and Agriculture (41%).
- It was not though the top barrier for Hotels and Restaurants (as 45% rated the economic climate a major barrier) or Agriculture (as 47% rated political uncertainty a major barrier and 40% legislation, regulation and red tape).
- Those in Agriculture were though somewhat less likely to mention lower demand (15%) as were those in Transport (14%).
- For those in Health, higher costs were less of a barrier than in other sectors (20%) as were cash flow/late payment (10%) and staff issues (5%). Their key barrier was the current economic climate (31%):

Extent of obstacles in next 12 months									
Q4 24 all SMEs 8-10 impact scores	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	226	575	625	596	210	384	1009	242	386
Higher costs	41%	38%	30%	42%	42%	35%	35%	20%	38%
Economic climate	35%	28%	25%	34%	45%	27%	30%	31%	30%
Political uncertainty	47%	31%	28%	32%	41%	25%	31%	13%	27%
Legislation etc	40%	27%	30%	23%	33%	20%	25%	11%	18%
Lower demand	15%	24%	13%	25%	24%	14%	22%	20%	28%
Cash flow/ late pyt	22%	23%	22%	18%	23%	18%	28%	10%	20%
Cash flow	15%	16%	19%	14%	19%	11%	17%	9%	13%
Late payment	17%	11%	9%	9%	8%	11%	18%	5%	10%
Staff issues	18%	19%	19%	12%	13%	18%	9%	5%	17%
Supply chain	10%	17%	9%	10%	14%	11%	8%	2%	11%
Access to finance	11%	12%	9%	17%	15%	5%	6%	7%	7%
Changes to sterling	10%	17%	6%	14%	5%	4%	9%	4%	7%

Q93 (227a) All SMEs

Obstacles to running the business – over time

The summary tables below show the proportion of SMEs that rated each factor a major obstacle, firstly across the most recent nine quarters of the Monitor, and then on a longer term basis across the last 8 years.

The first table shows:

- The consistent impact of higher (initially increasing) costs as a barrier from its first appearance in Q4 2021, albeit concern is currently at 35% of SMEs compared to 4 in 10 during most of 2023.
- 3 in 10 SMEs were concerned about the current economic climate during 2024, in line with 2023.
- Political uncertainty increased as a barrier in Q4 2022 (27%). It was then lower until Q4 2023 before increasing again in the second half of 2024 to 3 in 10 SMEs.
- Cash flow and late payment had started to increase as a barrier prior to the question change in Q3 2024 when the two statements were asked individually. Since then, 1 in 5 SMEs have seen one or both of these as a major barrier.
- Lower demand is a new barrier from Q3 2024 and was mentioned by 1 in 5 SMEs in each quarter:

Extent of obstacles in next 12 months									
All SMEs over time 8-10 impact score	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
By date of interview									
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Higher costs	41%	40%	39%	39%	36%	38%	34%	32%	35%
Economic climate	35%	30%	31%	35%	32%	32%	31%	29%	30%
Political uncertainty	27%	20%	21%	21%	24%	24%	24%	31%	29%
Legislation etc	18%	17%	21%	21%	23%	20%	23%	23%	24%
Supply chain issues	17%	16%	15%	12%	12%	13%	13%	10%	9%
Changes in sterling	16%	12%	13%	12%	11%	12%	10%	7%	8%
Cash flow/ late pyt	11%	11%	12%	14%	15%	15%	16%	21%	22%
Cash flow	-	-	-	-	-	-	-	14%	15%
Late payment	-	-	-	-	-	-	-	13%	12%
Staff issues	10%	10%	14%	12%	11%	11%	11%	10%	14%
Access to finance	6%	7%	7%	8%	8%	8%	7%	8%	9%
Lower demand	-	-	-	-	-	-	-	19%	20%

Q93 (227a) All SMEs

Taking a longer term view back to 2017 helps to identify changes over time:

- Higher costs have remained the main barrier (35% in 2024), followed by the economic climate and both little changed over recent years.
- There has though been an increase in the proportion citing political uncertainty as a barrier (26% of SMEs in 2024), and a slight increase in the proportion citing legislation etc, now 23% and the highest level seen in recent years.
- The proportion of all SMEs seeing recruitment and retention of staff as a barrier increased from 7% in 2020 to 12% in 2023 and was unchanged in 2024. Analysis amongst existing employers is provided later in this chapter.

Extent of obstacles in next 12 months								
Over time – all SMEs 8-10 impact score	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	18,012	18,002	18,000	17,768	16,486	17,002	17,010	17,011
Higher costs	-	-	-	-	-	39%	38%	35%
Economic climate	14%	17%	21%	36%	23%	31%	32%	30%
Political uncertainty	14%	19%	24%	24%	19%	21%	22%	26%
Legislation etc	15%	19%	19%	21%	21%	20%	20%	23%
Supply chain issues	-	-	-	-	-	18%	14%	11%
Changes in sterling	11%	12%	14%	9%	9%	12%	12%	9%
Cash flow/late pyt	9%	13%	13%	15%	12%	11%	13%	19%
Cash flow*	-	-	-	-	-	-	-	15%*
Late payment*	-	-	-	-	-	-	-	13%*
Staff issues	6%	7%	8%	7%	10%	11%	12%	12%
Access to finance	5%	5%	7%	8%	8%	7%	7%	8%
Lower demand*	-	-	-	-	-	-	-	20%*

Q93 (227a) All SMEs * new statement reported for H2 2024 only

All these barriers have been mentioned more by SMEs since the pandemic, notably the current top 4 (costs, economic climate, political uncertainty and legislation/red tape) with a 'gap' opening up between mentions of these (each by at least 1 in 4 of SMEs in 2024) and the other barriers. The new barrier of lower demand currently sits just below this top 4.

Another longer-term view back to 2017 is provided below, this time excluding the Permanent non-borrowers. This increased the proportion seeing higher costs and the current economic climate as barriers by 5 points each (to 40% and 35%) with smaller increases elsewhere:

Extent of obstacles in next 12 months								
Over time – all SMEs excl PNBs 8-10 impact score	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	11,940	11,294	12,147	12,010	10,774	10,034	12,252	11,825
Increasing costs	-	-	-	-	-	46%	43%	40%
Current economic climate	17%	21%	25%	41%	27%	37%	36%	35%
Political uncertainty	17%	22%	28%	28%	21%	26%	24%	29%
Legislation etc	18%	22%	22%	25%	24%	24%	22%	25%
Supply chain issues	-	-	-	-	-	21%	14%	13%
Changes in sterling	16%	16%	18%	10%	11%	15%	13%	11%
Cash flow/late pyt	14%	20%	19%	19%	15%	15%	16%	22%
Cash flow*	-	-	-	-	-	-	-	18%*
Late payment*	-	-	-	-	-	-	-	15%
Staff issues	9%	9%	10%	8%	12%	16%	14%	13%
Access to finance	7%	8%	10%	12%	11%	10%	10%	11%
Lower demand*	-	-	-	-	-	-	-	23%*

Q93 (227a) All SMEs excluding PNBs * new statement reported for H2 2024 only

Given the current economic situation, the tables below provide a snapshot over time by size of SME for the current top 3 barriers - higher costs, the current economic climate and political uncertainty/ government policy, including by quarter for 2024.

Higher costs have been a barrier for around a third of SMEs in recent years. Compared to 2023 as a whole, in Q4 2024 they were less of a barrier for all but those SMEs with 10-49 employees:

Higher costs							
8-10 impact score	Q4 2021	2022	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Row percentages							
All SMEs	34%	36%	38%	38%	34%	32%	35%
0 employees	33%	37%	38%	38%	33%	32%	34%
1-9 employees	36%	45%	42%	39%	39%	34%	37%
10-49 employees	39%	44%	37%	36%	34%	27%	37%
50-249 employees	26%	38%	30%	30%	29%	23%	27%

Q93 (227a) All SMEs

Overall, the proportion of SMEs seeing the current economic climate as a barrier has been around 1 in 3 since 2022, higher than levels typically seen pre-pandemic. In Q4 2024, those with 10-49 employees were more likely to see this as a barrier than previously, with limited changes for other size bands:

The current economic climate										
8-10 impact score	2018	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Row percentages										
All SMEs	17%	21%	36%	23%	31%	32%	32%	31%	29%	30%
0 employees	17%	20%	36%	23%	31%	32%	32%	31%	29%	29%
1-9 employees	18%	22%	37%	24%	32%	33%	33%	31%	30%	33%
10-49 employees	16%	20%	34%	21%	27%	26%	23%	22%	21%	30%
50-249 employees	13%	25%	29%	13%	18%	19%	19%	18%	18%	18%

Q93 (227a) All SMEs

11 The future

Political uncertainty was more of a barrier in the second half of 2024 than in the first half, with 3 in 10 citing it as a major barrier. This increase was seen more markedly for those with employees:

- In Q4 2024 concern was 5 points higher than in 2023 for those with 0 employees, compared to 12 points for those with 1-9 employees, 16 points for those with 10-49 employees and 11 points for those with 50-249 employees:

Political uncertainty										
8-10 impact score	2018	2019	2020	2021	2022	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Row percentages										
All SMEs	19%	24%	24%	21%	21%	22%	24%	24%	31%	29%
0 employees	18%	23%	24%	21%	21%	22%	24%	24%	31%	27%
1-9 employees	21%	27%	25%	18%	22%	23%	23%	25%	33%	35%
10-49 employees	18%	26%	22%	20%	17%	17%	17%	19%	22%	33%
50-249 employees	13%	31%	19%	12%	10%	11%	15%	16%	20%	22%

Q93 (227a) All SMEs

Detailed analysis of 4 key barriers

This section provides more detailed analysis over time of four key metrics:

- The current economic climate – an important bell weather for SMEs.
- Access to finance – the key focus of this study.
- Recruiting and retaining staff – an increasing barrier for employers.
- Higher costs – which has been a key barrier since it was first introduced.

The current economic climate

The table below shows the recent ‘peak’ on the current economic climate as a barrier, reaching 36% in 2020. It declined as a barrier in 2021, to 23%, but was back at 3 in 10 for 2022 and 2023. It was 30% in 2024. And whilst there was little change overall 2023 to 2024 (down 2 points to 30%) there were some changes by business demographics:

- There was little change by size of SMEs and those with 0 or 1-9 employees remained more likely to see the economic climate as a barrier.
- Analysis by risk rating showed fewer SMEs with a low risk rating seeing the economic climate as a barrier (down 7 points to 23%).
- Hotels and Restaurants remained the most likely to see the economic climate as a barrier (up 2 points to 44%) while the least likely were those in Health (down 6 points to 26%) and Transport (down 5 points to 27%).
- Starts were also less likely to see the economic climate as a barrier (down 7 points to 27%) and there was a 4 point drop for those trading 2-5 years (to 32%).

Current economic climate 8-10							
Over time - row percentages	2018	2019	2020	2021	2022	2023	2024
All SMEs	17%	21%	36%	23%	31%	32%	30%
0 employee	17%	20%	36%	23%	31%	32%	30%
1-9 employees	18%	22%	37%	24%	32%	33%	32%
10-49 employees	16%	20%	34%	21%	27%	26%	24%
50-249 employees	13%	25%	29%	13%	18%	19%	18%
Minimal external risk rating	17%	12%	31%	21%	26%	29%	29%
Low external risk rating	17%	22%	34%	22%	30%	30%	23%
Average external risk rating	16%	19%	36%	23%	29%	29%	28%
Worse than average risk rating	18%	21%	38%	24%	33%	34%	34%
Agriculture	17%	19%	27%	21%	33%	28%	30%
Manufacturing	20%	23%	36%	20%	34%	29%	31%
Construction	15%	19%	32%	17%	30%	29%	28%
Wholesale/Retail	21%	24%	36%	25%	36%	37%	34%
Hotels & Restaurants	18%	23%	44%	28%	37%	42%	44%
Transport	13%	22%	38%	32%	33%	32%	27%
Property/Business Services etc.	19%	18%	37%	21%	26%	31%	29%
Health	14%	23%	40%	26%	31%	32%	26%
Other Community	20%	22%	37%	24%	33%	33%	34%
PNBs	13%	15%	28%	17%	24%	24%	23%
All excl PNBs	21%	25%	41%	27%	37%	36%	35%
Starts	19%	27%	42%	25%	30%	34%	27%
2-5 years trading	18%	18%	33%	23%	37%	36%	32%
6-9 years	19%	18%	36%	23%	32%	40%	38%
10-15 years	17%	20%	36%	25%	31%	32%	33%
15+ years	16%	19%	34%	21%	29%	29%	29%

Q93 (227a) All SMEs

Access to finance

Access to finance is the key theme of this report but an issue that has been less likely than others to be rated a barrier by SMEs (5-8% annually since 2015 and 8% in 2024):

Access to finance 8-10							
Over time – row percentages	2018	2019	2020	2021	2022	2023	2024
All SMEs	5%	7%	8%	8%	7%	7%	8%
0 employee	5%	7%	9%	9%	7%	7%	8%
1-9 employees	6%	6%	8%	7%	7%	8%	9%
10-49 employees	5%	5%	6%	5%	5%	5%	5%
50-249 employees	4%	9%	5%	4%	3%	4%	4%
Minimal external risk rating	3%	4%	5%	4%	3%	5%	6%
Low external risk rating	5%	6%	6%	5%	4%	5%	5%
Average external risk rating	5%	6%	7%	7%	6%	6%	7%
Worse than average risk rating	6%	8%	10%	11%	8%	9%	9%
Agriculture	4%	8%	6%	7%	6%	6%	13%
Manufacturing	6%	5%	9%	7%	8%	6%	11%
Construction	5%	8%	9%	6%	7%	8%	8%
Wholesale/Retail	5%	6%	10%	10%	8%	11%	11%
Hotels & Restaurants	7%	6%	10%	7%	7%	10%	9%
Transport	6%	8%	12%	12%	8%	9%	8%
Property/Business Services etc.	4%	5%	6%	7%	5%	6%	6%
Health	4%	10%	7%	8%	8%	6%	6%
Other Community	7%	7%	9%	10%	7%	8%	8%
PNBs	2%	2%	3%	3%	2%	4%	3%
All excl PNBs	8%	10%	12%	11%	10%	10%	11%
Starts	9%	14%	11%	15%	10%	11%	10%
2-5 years trading	6%	8%	10%	11%	10%	13%	10%
6-9 years	5%	4%	8%	8%	8%	8%	11%
10-15 years	3%	5%	6%	8%	6%	6%	7%
15+ years	4%	4%	7%	5%	5%	5%	6%

Q93 (227a) All SMEs

The table shows limited changes 2023 to 2024 with the exception of the increase in concern amongst those in Agriculture (up 7 points to 13%) making them the most concerned about access to finance.

Recruitment and retention of staff (SME employers)

Moving on to the third barrier, the table below shows that the proportion of SME employers seeing 'recruiting and retaining staff' as a barrier changed very little up until an increase in 2021 (to 18%), and broadly stable since (18% in 2024):

- Those with 10-249 employees remained the most likely to be concerned, albeit down 3 points on 2023 at 23%.
- Those in Agriculture were slightly more concerned in 2024 (up 3 points to 23%) making them the sector most likely to be concerned alongside Construction (unchanged on 23%) and Health (down 5 points to 23%).
- Starts were less likely to be concerned (down 5 points to 15%) now slightly lower than the 18-20% of their older peers.

Staff issues 8-10 (employers)							
Over time - Row percentages	2018	2019	2020	2021	2022	2023	2024
All employers	12%	12%	11%	18%	21%	20%	18%
1-9 employees	11%	12%	11%	17%	19%	19%	17%
10-49 employees	15%	15%	14%	23%	30%	26%	23%
50-249 employees	10%	12%	12%	15%	22%	17%	17%
Minimal external risk rating	12%	13%	10%	19%	24%	21%	22%
Low external risk rating	13%	13%	13%	19%	23%	21%	20%
Average external risk rating	11%	11%	12%	17%	19%	19%	16%
Worse than average risk rating	11%	11%	10%	18%	18%	19%	16%
Agriculture	10%	15%	13%	19%	19%	20%	23%
Manufacturing	14%	13%	9%	17%	22%	17%	21%
Construction	14%	13%	13%	23%	26%	23%	23%
Wholesale/Retail	9%	11%	11%	15%	15%	18%	18%
Hotels & Restaurants	14%	15%	14%	26%	25%	23%	16%
Transport	12%	11%	12%	19%	21%	20%	15%
Property/Business Services etc.	12%	11%	10%	15%	19%	19%	16%
Health	11%	15%	14%	22%	29%	28%	23%
Other Community	11%	15%	12%	16%	20%	19%	17%
PNBs	9%	10%	8%	14%	14%	14%	12%
All excl PNBs	14%	14%	13%	20%	25%	22%	21%
Starts	10%	10%	9%	21%	17%	20%	15%
2-5 years trading	12%	13%	13%	20%	23%	22%	19%
6-9 years	13%	13%	12%	18%	23%	21%	18%
10-15 years	11%	13%	11%	19%	21%	20%	20%
15+ years	12%	12%	12%	17%	21%	19%	18%

Q93 (227a) All SMEs with employees

The impact of higher costs

As reported above, 'higher costs' has been a major barrier for SMEs since it was first included in Q4 2021:

Higher costs 8-10				
Row percentages	Q4 2021	2022	2023	2024
All SMEs	34%	39%	38%	35%
0 employee	33%	37%	38%	34%
1-9 employees	36%	45%	42%	37%
10-49 employees	39%	44%	37%	34%
50-249 employees	26%	38%	30%	27%
Minimal external risk rating	37%	37%	36%	31%
Low external risk rating	32%	39%	36%	29%
Average external risk rating	31%	38%	33%	34%
Worse than average risk rating	35%	41%	42%	39%
Agriculture	46%	51%	44%	37%
Manufacturing	35%	48%	37%	37%
Construction	37%	44%	41%	38%
Wholesale/Retail	40%	47%	39%	42%
Hotels & Restaurants	46%	59%	57%	50%
Transport	49%	49%	45%	33%
Property/Business Services etc.	22%	27%	30%	29%
Health	29%	30%	32%	24%
Other Community	30%	32%	43%	39%
PNBs	27%	31%	29%	26%
All excl PNBs	40%	46%	43%	40%
Starts	38%	38%	41%	35%
2-5 years trading	38%	40%	44%	35%
6-9 years	37%	40%	42%	37%
10-15 years	30%	40%	39%	36%
15+ years	32%	39%	35%	34%

Q93 (227a) All SMEs

While the overall proportion seeing higher costs as a barrier was down 3 points in 2024, there have been some more marked changes by sub-group:

- Those with a low or minimal risk rating were less likely to see higher costs as a barrier (down 5 points to 31% and 7 points to 29% respectively).
- Wholesale/Retail were somewhat more likely to see higher costs as a barrier (up 3 points to 42%). Whilst those in Hotels and Restaurants were less likely to see costs as a barrier than in 2023 (down 7 points to 50%) they were still the top sector, while Health was now the sector least likely to see costs as a barrier (down 8 points to 24%).

A second question, which asked SMEs how recent cost increases had already impacted them, if at all, was only asked in the first half of 2024 and the results for YEQ2 2024 are shown below. As in previous waves, most SMEs had been impacted:

- three-quarters had been significantly (40%) or somewhat (36%) impacted while a quarter (24%) were not at all impacted.
- Analysis by size showed that those with 1-9 or 10-49 employees were more likely to have been significantly impacted (both 46%):

Impact of recent cost increases					
YEQ2 24– all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	17,009	3513	6984	4623	1889
Significantly impacted	40%	38%	46%	46%	42%
Somewhat impacted	36%	35%	35%	41%	44%
Not really impacted at all	24%	26%	19%	13%	14%
Impacted to some extent	76%	74%	81%	87%	86%

CV3b All SMEs

The table below shows the proportion of SMEs in key groups who have been ‘significantly impacted’ by increasing costs over time. There was an increase from Q4 2021 when this question was first asked (34%), to 41% of SMEs in 2022 being ‘seriously impacted’ with little subsequent change in either 2023 (42%) or YEQ2 2024 (40%):

- Those who were more likely to have been impacted included those with 1-9 or 10-49 employees (both 46%), Hotels and Restaurants (61%) and Agriculture (49%) and those trading for 6-9 years (45%).

Significantly impacted				
Row percentages	Q4 2021	2022	2023	YE Q2 24
All SMEs	34%	41%	42%	40%
0 employee	33%	38%	40%	38%
1-9 employees	37%	48%	48%	46%
10-49 employees	42%	50%	48%	46%
50-249 employees	25%	46%	43%	42%
Minimal external risk rating	36%	44%	43%	42%
Low external risk rating	37%	43%	44%	40%
Average external risk rating	27%	38%	37%	35%
Worse than average risk rating	36%	43%	43%	42%
Agriculture	49%	62%	52%	49%
Manufacturing	39%	50%	43%	41%
Construction	45%	49%	42%	43%
Wholesale/Retail	42%	49%	48%	43%
Hotels & Restaurants	36%	60%	62%	61%
Transport	47%	51%	51%	48%
Property/Business Services etc.	21%	27%	32%	31%
Health	22%	26%	33%	31%
Other Community	25%	32%	43%	40%
PNBs	25%	32%	34%	31%
All excl PNBs	41%	48%	46%	45%
Starts	29%	38%	41%	37%
2-5 years trading	38%	44%	44%	40%
6-9 years	30%	43%	44%	45%
10-15 years	33%	43%	42%	40%
15+ years	36%	40%	41%	40%

CV3b All SMEs

The impact of the new EU trading arrangements

From Q1 2021 all SMEs have been asked about the impact on running their business of the new trading arrangements in place with the EU following the end of the transition period on the 31st of December 2020.

The table below shows the change in impact scores since Q4 2022 and how during 2024, the overall negative impact score remained broadly stable, ending the year at 33% of SMEs, with 65% reporting no impact and 2% a positive impact:

Impact on running business									
All- over time	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	2022	2023	2023	2023	2023	2024	2024	2024	2024
Unweighted base:	4050	4081	4161	3823	4484	4086	4209	4130	4151
Very positive impact	*	*	*	*	*	1%	1%	*	1%
Positive impact	1%	2%	2%	2%	3%	2%	2%	2%	2%
No impact	64%	62%	66%	63%	64%	65%	64%	65%	65%
Negative impact	25%	29%	26%	26%	24%	23%	24%	23%	24%
Very negative impact	9%	7%	7%	9%	9%	9%	9%	9%	9%
Total positive	1%	2%	2%	2%	3%	3%	2%	3%	2%
Total negative	35%	36%	32%	35%	33%	32%	33%	32%	33%
Net positive-negative	-34	-34	-30	-33	-30	-29	-31	-29	-31

Q84c All SMEs excluding DK

As the data has been stable during 2024, the tables below shows the full answers for various demographics for 2024 as a whole, to maximise base sizes. It shows that overall the most common answer continued to be 'no impact' (65%) while those SMEs who reported any impact were much more likely to report a negative impact (33%) than a positive one (2%).

Analysis by size for 2024 showed that SMEs with employees were slightly more likely have experienced a negative impact than those with 0 employees:

Impact on running business					
YEQ4 24– all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	16,576	3524	7067	4365	1620
Very positive impact	1%	1%	1%	*	*
Positive impact	2%	2%	2%	2%	2%
No impact	65%	67%	59%	59%	60%
Negative impact	23%	22%	27%	32%	32%
Very negative impact	9%	9%	11%	7%	6%
Total positive	2%	2%	3%	2%	2%
Total negative	33%	31%	38%	39%	38%
Net positive-negative	-31	-29	-35	-37	-36

Q84c All SMEs excluding DK

11 The future

Analysis by sector showed very few SMEs in any sector reporting a positive impact, with the main difference being between the proportion saying there have been no impact and those reporting a negative impact. The net score ranged from -17 in Health (79% no impact) to -45 in Wholesale/Retail (50% no impact):

Impact on running business									
YEQ4 24– all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	763	2091	2493	2506	843	1505	3801	921	1653
Very positive impact	1%	1%	1%	1%	1%	*	*	1%	1%
Positive impact	5%	1%	2%	2%	2%	4%	1%	2%	*
No impact	55%	61%	66%	50%	66%	62%	68%	79%	68%
Negative impact	24%	25%	25%	34%	21%	23%	22%	15%	21%
Very negative impact	15%	12%	6%	13%	10%	10%	8%	4%	10%
Total positive	6%	2%	3%	3%	3%	5%	2%	2%	1%
Total negative	39%	37%	31%	48%	31%	33%	30%	19%	32%
Net positive-negative	-33	-35	-28	-45	-28	-28	-28	-17	-31

Q84c All SMEs excluding DK

Looking over the longer term, the proportion of SMEs reporting a negative impact from the new EU trading arrangements increased from 29% in 2021 to 33% in 2022 and has changed little since (33% in 2024). There were though some more marked changes by business demographics 2023 to 2024:

- Those with a low-risk rating (down 5 points to 32%) and those in Transport (down 6 points to 33%) were less likely to report a negative impact in 2024 than in 2023.
- Meanwhile those in Agriculture (up 7 points to 39%) and Wholesale/Retail (up 5 points to 48%) were more likely to report a negative impact, with the latter the sector most likely to report such an impact, compared to 19% in Health.

Negative impact score				
All SMEs over time	2021	2022	2023	2024
By date of interview				
All SMEs	29%	33%	34%	33%
0 employee	27%	31%	32%	31%
1-9 employees	34%	39%	40%	38%
10-49 employees	39%	43%	40%	39%
50-249 employees	37%	39%	41%	38%
Minimal external risk rating	28%	31%	35%	37%
Low external risk rating	30%	36%	37%	32%
Average external risk rating	27%	32%	34%	32%
Worse than average risk rating	29%	32%	33%	33%
Agriculture	29%	35%	32%	39%
Manufacturing	39%	42%	38%	37%
Construction	29%	34%	30%	31%
Wholesale/Retail	48%	48%	43%	48%
Hotels & Restaurants	26%	36%	34%	31%
Transport	27%	31%	39%	33%
Property/Business Services etc.	24%	29%	33%	30%
Health	23%	28%	23%	19%
Other Community	27%	28%	34%	32%
All SMEs excluding PNBs	33%	37%	37%	36%

Q84c All SMEs excluding DK

SMEs trading internationally are potentially more likely to have been impacted by the change in trading arrangements (given the importance of trading with the EU) and this is supported by the analysis below. In 2024, Export only SMEs were more likely to report a negative impact than in 2023 (up 8 points to 49%), bringing them in line with Import only SMEs. Those who both import and export remained the most likely to report a negative impact (61%) in line with 2023:

Negative impact score				
All SMEs– over time	2021	2022	2023	2024
By date of interview, row percentages				
All SMEs	29%	33%	34%	33%
Export only	38%	40%	41%	49%
Import only	48%	55%	51%	49%
Import and export	58%	67%	62%	61%
Domestic SMEs	25%	28%	30%	28%

Q84c All SMEs excluding DK

SMEs who said they had been ‘negatively affected’ by the changes have previously been asked what in particular had affected them. Initially, in Q3 2021 this was asked as an open ended question for those ‘very negatively’ affected and from Q4 2021 those answers were used to create a series of pre codes, grouped under 4 key themes. From Q1 2023, SMEs reporting any negative impact (not just very negative) have been asked which of the 4 headlines themes has been an issue for them. This question has not been asked from Q3 2024.

For context, in 2023 amongst those negatively affected, 69% cited supply chain issues (the top issue for both larger and smaller SMEs), 30% issues with paperwork, 31% issues with customers and 1% issues with staff.

Financial requirements in the next 3 months

SMEs were asked to consider their financial plans over the next 3 months. No changes were made to this question for the revised questionnaire from Q1 2018.

The proportion planning to apply/renew has typically been around 1 in 10 since the start of 2018, and this was also true in 2024. The proportion planning to inject personal funds was also stable at 1 in 5 SMEs:

% likely in next 3 months									
All SMEs – over time By date of interview	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Will have a need for (more) external finance	7%	6%	9%	8%	12%	9%	7%	10%	9%
Will apply for more external finance	5%	6%	8%	5%	8%	8%	6%	8%	8%
Renew existing borrowing at same level	4%	2%	4%	3%	3%	5%	4%	4%	4%
Any apply/renew	8%	6%	10%	7%	10%	11%	9%	11%	11%
Reduce the amount of external finance used	10%	9%	12%	10%	12%	15%	12%	11%	12%
Inject personal funds into business	16%	13%	16%	17%	20%	22%	19%	20%	19%

Q99 (229) All SMEs

Amongst those SMEs that are companies, there continued to be limited interest in seeking new equity finance:

% likely in next 3 months									
All companies– over time By date of interview	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	3181	3193	3090	3012	3182	3025	3034	3030	3148
Any new equity	4%	3%	4%	2%	4%	3%	3%	3%	6%

Q99_6 (229) All companies

11 The future

In Q4 2024, as in previous quarters, there continued to be a difference in future appetite for finance by size of business:

- The smallest and the largest SMEs were less likely to be planning to apply (9% and 7%) than those with 1-9 or 10-49 employees (15% and 13%).
- Those with 1-9 employees were the most likely to be planning to reduce the amount of external finance they were using (16%).
- The smallest SMEs were the most likely to be planning an injection of personal funds (20%), declining by size of SME to 3% of those with 50-249 employees.

% likely in next 3 months					
Q4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4253	894	1785	1162	412
Will have a need for (more) external finance	9%	8%	12%	10%	7%
Will apply for more external finance	8%	7%	10%	10%	6%
Renew existing borrowing at same level	4%	2%	7%	5%	3%
Any apply/renew	11%	9%	15%	13%	7%
Reduce the amount of external finance used	12%	11%	16%	13%	6%
Inject personal funds into business	19%	20%	17%	10%	3%

Q99 (229) All SMEs

Amongst SMEs with employees, 12% believed they would have a need for (more) external finance, 14% had plans to apply/renew in the next 3 months, and a slightly higher proportion (16%) planned to inject personal funds into the business.

Analysis for 2024 by current use of finance showed a clearer difference between those borrowing something compared to those not borrowing:

- 6% of those not using finance expected to have a need for finance compared to 12% already borrowing
- 5% of those not using finance were likely to apply for/renew finance compared to 16% already borrowing.
- 18% of those not using finance were likely to inject personal funds compared to 23% already borrowing.

11 The future

Before looking at future applications for finance in more detail, the analysis below explores the role of injections of personal funds for SMEs:

- Between 2014 and 2018, just under 1 in 3 SMEs reported having made an injection of personal funds.
- After a slight drop to 24% in 2019 there was a sharp increase to 37% in 2021 with little change since (37% in 2024)
- Over the same period, the proportion planning to inject funds in future initially declined to 12% in 2018 and 2019, before increasing to 20% in 2021, again with limited change since (20% in 2024):

Injections of personal funds past and future								
Over time – All SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	18,012	18,002	18,000	17,768	16,486	17,002	17,010	17,011
Have injected personal funds	29%	29%	24%	32%	37%	34%	36%	37%
Plan to inject personal funds	13%	12%	12%	19%	20%	17%	17%	20%

Q15d/Q99-5 (229-5) All companies

The table below shows how these injections of personal funds past and future have combined over recent quarters:

- Typically, around 1 in 10 SMEs had both injected personal funds and planned to do so again, increasing in the second half of 2023 to 16% in Q4 2023 and 17% in Q1 2024. Since then the proportion has been slightly lower (13% in Q4 2024).
- A stable 6% of SMEs planning to inject funds having not previously done so, continuing the trend of most of those planning a future injection having done so previously.
- The largest group was those that had neither injected funds nor planned to do so, which remained at 6 in 10 of all SMEs (59% in Q4 2024).

Injections of personal funds									
Over time – All SMEs	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Injected personal funds and likely to do so again	10%	10%	12%	13%	16%	17%	14%	14%	13%
Have not put in personal funds but likely to do so	5%	3%	4%	4%	4%	4%	5%	6%	6%
Injected personal funds but unlikely to do so again	21%	26%	25%	23%	19%	22%	22%	22%	22%
Have not put in personal funds and not likely to do so	63%	60%	60%	60%	61%	57%	59%	58%	59%

Q99 (229)/Q15d-d2 All SMEs

Analysis of injections of personal funds for 2024 as a whole showed that:

- The proportion that had both injected funds and were planning to inject them again (15% overall) declined by size of SME from 16% to 2% while the proportion that had neither injected funds nor had any plans to do so (58% overall) increased by size from 56% to 91%.
- Those more likely to have both injected funds and to be planning to inject them again (15% overall) included those with a worse than average risk rating (22%), Starts (28%) and those who were Struggling (30%). Those planning to grow were twice as likely to be in this category as those with no plans (20% v 10%).
- Those more likely to have neither injected funds nor be planning to do so (58% overall) also included those with a minimal or low risk rating (77-78%) and PNBs (71%).

Returning to future appetite for finance, the variability in predicted appetite for finance quarter on quarter makes trends harder to discern, so the table below looks at annual appetite for finance since 2018 by key business demographics.

- It shows around 1 in 10 SMEs overall typically planning to apply (10-13%) over time and back to this level in 2024 (10%) having been slightly lower in both 2022 and 2023 (8%).
- The slight increase 2023 to 2024 (up 2 points to 10%) was seen across most business demographics, notably those with 1-9 employees (up 4 points to 14%) and Starts (up 5 points to 18%) and they remain the age band most likely to have an appetite for finance.

Likely to apply							
By date of interview – row percentages	2018	2019	2020	2021	2022	2023	2024
All SMEs	10%	11%	13%	10%	8%	8%	10%
0 emp	9%	10%	12%	9%	8%	8%	9%
1-9 emps	13%	15%	17%	14%	10%	10%	14%
10-49 emps	15%	15%	16%	11%	11%	10%	13%
50-249 emps	17%	17%	12%	5%	5%	5%	5%
Minimal external risk rating	10%	10%	11%	10%	6%	5%	7%
Low	11%	12%	14%	8%	6%	6%	8%
Average	9%	10%	12%	10%	8%	7%	8%
Worse than average	10%	11%	14%	11%	9%	11%	13%
Agriculture	11%	15%	14%	12%	11%	10%	8%
Manufacturing	13%	12%	14%	10%	10%	8%	10%
Construction	8%	10%	12%	8%	8%	8%	8%
Wholesale/Retail	11%	15%	17%	11%	10%	10%	12%
Hotels & Restaurants	10%	13%	20%	12%	10%	10%	14%
Transport	11%	13%	18%	14%	8%	11%	12%
Property/ Business Services	9%	9%	11%	9%	7%	7%	10%
Health	12%	9%	10%	8%	7%	6%	8%
Other	10%	12%	14%	13%	11%	10%	12%
All excl PNBs	19%	19%	22%	17%	16%	13%	16%
Starts	13%	13%	15%	13%	11%	13%	18%
2-5 years trading	11%	13%	15%	12%	11%	11%	14%
6-9 years	8%	10%	13%	12%	10%	9%	10%
10-15 years	10%	11%	12%	10%	9%	7%	7%
More than 15 years	9%	10%	12%	8%	6%	6%	7%

Q99 (229) All SMEs

Previous analysis has shown that those already using external finance were more likely to consider applying for (more) finance than those not currently using it. Taking current and planned use of finance together showed that:

- 7% of all SMEs in 2024 were both using finance and planned to apply for more, twice as many as the 3% not currently using finance but planning to apply for some. This proportions have changed little over time.
- 38% were using finance but had no plans to apply for more, back in line with 2019. The largest group of SMEs (52%) remained those that neither used finance nor had plans to apply for any.
- This means that of the 10% of SMEs planning to apply for finance in 2023, most (70%) were already using it.

Plans to apply/renew v use of external finance							
Over time – all SMEs	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	18,002	18,000	17,768	16,486	17,002	17,010	17,011
Use external finance and plan to apply	7%	8%	9%	8%	6%	6%	7%
Use external finance, no plans to apply	29%	37%	28%	35%	30%	35%	38%
Do not use finance but plan to apply	3%	3%	4%	3%	3%	3%	3%
Do not use finance, no plans to apply	61%	52%	59%	55%	61%	57%	52%
% of future applicants using finance	70%	73%	69%	73%	67%	67%	70%

Q15 and futfin All SMEs

From 2014 to 2017, the proportion of SMEs planning to reduce the amount of finance they used was stable (7-8%) but has typically been somewhat higher since (13% in 2024). As the table below shows those with 1-9 or 10-49 employees have been slightly more likely to be planning to reduce their need for finance (15% and 14% in 2024) compared to their smaller and larger peers:

Planning to reduce finance used							
Row percentages	2018	2019	2020	2021	2022	2023	2024
All SMEs	12%	15%	8%	10%	10%	11%	13%
0 employees	11%	15%	7%	9%	9%	10%	12%
1-9 employees	12%	14%	9%	13%	13%	13%	15%
10-49 employees	14%	16%	9%	11%	15%	15%	14%
50-249 employees	38%	21%	5%	4%	8%	8%	7%

Q99 All SMEs

Future funding requirements

The list of options for why a new/renewed facility was required was extensively revised for Q1 2018. The new list is shown below, split into the two groups (Cash flow and Business development) also used earlier in this report to analyse a past need for funding.

- Back in Q2 2020 an additional code was included 'To cope with the impact of the coronavirus pandemic' later amended to 'To cope with the impact of current trading conditions'.
- In Q3 2022, to match changes made to reasons for seeking finance in the past, a new code was introduced to this question: 'To fund something to reduce an environmental impact or to be more sustainable'.

The longer term view back to 2017, below, shows:

- The increase in finance being sought for cash flow purposes to 76% in 2020, followed by a steady decline to 34% in 2023, back in line with 2018. The proportion was slightly higher in 2024 at 39% with more SMEs looking for working capital to help with cashflow.
- Meanwhile, applications for funding for business development increased from 27% in 2020 to 68% in 2022 and 2023, also back in line with 2018. This proportion was unchanged in 2024 at 67%.

Use of new/renewed facility								
All planning to seek/renew – over time	2017	2018	2019	2020*	2021	2022	2023	2024
Unweighted base:	2616	2420	2567	2100	1712	1496	1464	1789
Cash flow related	-	38%	43%	76%	52%	41%	34%	39%
Working capital to help cash flow	-	26%	34%	52%	35%	34%	31%	34%
Cover short term funding gap	-	11%	11%	18%	22%	15%	7%	7%
Help through trading difficulties	-	9%	9%	11%	12%	8%	5%	4%
To cope with trading conditions	-	-	-	18%	12%	5%	4%	3%
Business development related	-	68%	64%	27%	53%	68%	68%	67%
To fund UK expansion	23%	26%	26%	9%	22%	29%	25%	26%
Plant & machinery	20%	26%	27%	12%	23%	27%	31%	29%
A new business opportunity	-	18%	14%	6%	9%	20%	11%	16%
Take on staff	9%	12%	16%	4%	10%	15%	9%	10%
Fund new premises	7%	6%	7%	3%	6%	9%	8%	6%
Fund expansion overseas	4%	5%	4%	1%	3%	7%	2%	5%
Take over another business	-	2%	2%	1%	1%	1%	*	2%
To fund something environmental	-	-	-	-	-	-	1%	3%
To fund R&D	-	-	-	1%	6%	6%	4%	6%

Q100 (230) All planning to apply for/renew facilities in next 3 months excl DK. New codes from Q1 2018 *Q2-4 only

Amongst SMEs planning to apply/renew, there were limited differences by size in the proportions wanting funding for business development and/or cash flow purposes:

- Business development was mentioned by 66% of those with 0 employees, 70% of those with 1-9 and 10-49 employees and 69% of those with 50-249 employees seeking to apply/renew.
- Cash flow was mentioned by 39% of those with 0 employees, 40% of those with 1-9 employees, 39% of those with 10-49 employees and 34% of those with 50-249 employees seeking to apply/renew.

Application confidence

Those planning to apply for new and/or renewed finance were asked how confident they were that their main bank would agree to their request.

As the table below shows, confidence has been somewhat lower since the latter half of 2023. In Q4 2024, 34% of future applicants were confident of success:

Confidence bank would lend									
All planning to seek finance Over time by date of interview	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	222	302	366	341	466	487	454	387	461
Very confident	26%	8%	21%	14%	9%	11%	17%	10%	9%
Fairly confident	19%	20%	26%	12%	16%	22%	20%	16%	25%
Overall confidence	46%	28%	47%	26%	25%	33%	37%	25%	34%
Neither/nor	29%	40%	32%	37%	43%	37%	34%	40%	38%
Not confident	25%	32%	21%	37%	32%	30%	29%	35%	28%
Net confidence (confident – not confident)	+21	-4	+26	-11	-7	+3	+8	-10	+6

Q103 (238) All SMEs seeking new/renewing finance in next 3 months – New definition from Q1 2023 includes all those planning to apply/renew

Confidence amongst prospective applicants with employees was 31% in Q4 2024, slightly lower than Q4 2023 (33%).

11 The future

Up until 2019, half or more future applicants were confident of success. Confidence then dropped to 4 in 10 for 2020 and 2021, and since 2022 has been around 3 in 10 (32% in 2024), with more respondents in the 'neither/nor' category. In most years, around a quarter of those planning to apply have not been confident of success but in 2023 and 2024 this was slightly higher at 31%:

Confidence bank would agree to lend								
All planning to apply – over time	2017	2018	2019	2020	2021	2022	2023*	2024
Unweighted base:	1648	1551	1707	1830	1160	969	1475	1789
Very confident	14%	18%	16%	11%	10%	12%	13%	12%
Fairly confident	36%	36%	40%	31%	28%	20%	19%	20%
Overall confidence	50%	54%	56%	42%	38%	33%	32%	32%
Neither/nor	24%	22%	24%	33%	34%	41%	38%	37%
Not confident	26%	25%	20%	26%	29%	26%	29%	31%
Net confidence (confident – not confident)	+24	+29	+36	+16	+9	+7	+3	+1

Q103 (238) All SMEs seeking new/renewing finance in next 3 months *definition slightly revised in Q1 2023

Confidence for 2024 as a whole was 32% and lower for smaller would-be applicants and those with an average or worse than average risk rating. Compared to 2023, larger SMEs were somewhat less confident of success (down 6 points to 48% and one of the lowest levels seen to date) while those with a minimal or low risk rating were slightly more confident (up 4 points to 49%):

Confidence bank would agree to lend								
All planning to apply – over time	2017	2018	2019	2020	2021	2022	2023	2024
Row percentages								
All	50%	54%	56%	42%	38%	33%	32%	32%
0-9 employees	49%	52%	54%	41%	37%	32%	31%	31%
10-49 employees	72%	69%	74%	59%	59%	54%	54%	48%
Minimum/Low risk rating	68%	67%	61%	53%	55%	42%	45%	49%
Average/WTa risk rating	48%	49%	53%	39%	35%	33%	29%	31%

Q103 (238) All SMEs seeking new/renewing finance in next 3 months *definition slightly revised in Q1 2023

Application confidence – for a hypothetical application

In a question asked from Q1 2016, all other SMEs were asked how confident they would be of their bank saying yes if they were to apply. From Q1 2023, to match the changes above, this is asked to those with no plans to apply for anything.

The table below shows the results for Q4 2024 when 44% were confident of success with a hypothetical application. This ‘hypothetical’ confidence increased by size of SME from 40% of those with no employees to two thirds of those with 10-49 or 50-249 employees:

Confidence bank would say yes if asked					
Q4 24– Those with no plans to apply	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	3792	836	1546	1025	385
Very confident	18%	15%	26%	37%	30%
Fairly confident	26%	25%	29%	32%	36%
Overall confidence	44%	40%	56%	69%	66%
Neither/nor	34%	36%	29%	24%	29%
Not confident	22%	24%	15%	8%	4%
Net confidence (confident – not confident)	+22	+16	+41	+61	+62

Q106 (239b) All SMEs not seeking new/renewing finance from bank in next 3 months. Definition adjusted in Q1 2023

11 The future

The table below summarises the confidence of all SMEs in Q4 2024, based on their future application plans. This shows that:

- The largest group, the Future happy non-seekers (those who had no need or plans to apply) were the most confident that if they were to approach their bank they would be successful (47%).
- Those planning to apply/renew were less confident that they would be successful (34%), with 38% unsure of the bank's response
- Future would-be seekers of finance were the least confident of success (30%) with 42% not confident they would be successful.

Confidence bank would say yes if asked			
Q4 24– all SMEs	All planning to apply	Future WBS	Future HNS
Unweighted base:	461	520	3272
Very confident	9%	11%	20%
Fairly confident	25%	19%	27%
Overall confidence	34%	30%	47%
Neither/nor	38%	27%	35%
Not confident	28%	42%	17%
Net confidence (confident – not confident)	+6	-12	+30

Q103/106 (238/ 239b) All SMEs

The summary table below tracks overall confidence amongst all SMEs, irrespective of their future application plans. Overall confidence amongst all SMEs decreased from 65% in 2016 to 51% in 2020 with further slight declines since, to 46% in 2024:

- Confidence continues to be higher amongst larger SMEs, but with a drop in confidence amongst the largest SMEs of 7 points to 68% in 2024.
- Those with a worse than average risk rating have always been less confident of success than their peers (40% in 2024), and the biggest change year on year (down 4 points on 2023).
- There was little to choose in terms of confidence by sector in 2024, with the exception of Agriculture (54% although down 4 points on 2023) and, at the other end of the scale, the Other Community sector (down 5 points to 40%).
- Confidence increased by age of SME from 34% of Starts to 52% of those trading for more than 15 years. For Starts this was 7 points lower than in 2023, with smaller declines for those trading for 2-9 years and no change in confidence 2023 to 2024 for older SMEs.

Confidence bank will say yes (whether planning to apply or not)							
Over time	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages							
All SMEs	58%	59%	51%	51%	51%	48%	46%
0 emp	55%	57%	48%	48%	48%	46%	43%
1-9 emps	65%	64%	60%	59%	59%	54%	51%
10-49 emps	73%	74%	71%	70%	69%	68%	66%
50-249 emps	80%	77%	72%	75%	75%	75%	68%
Minimal external risk rating	70%	71%	69%	68%	68%	61%	62%
Low	67%	68%	60%	62%	59%	56%	57%
Average	61%	58%	53%	48%	55%	49%	48%
Worse than average	51%	54%	45%	47%	45%	44%	40%
Agriculture	63%	67%	57%	58%	56%	58%	54%
Manufacturing	61%	60%	55%	50%	54%	48%	47%
Construction	60%	65%	51%	55%	55%	50%	48%
Wholesale/Retail	62%	59%	56%	60%	55%	48%	49%
Hotels & Restaurants	58%	57%	51%	48%	53%	45%	44%
Transport	58%	57%	51%	45%	51%	49%	45%
Property/ Business Services	54%	57%	54%	51%	52%	50%	47%
Health	57%	61%	46%	46%	44%	41%	41%
Other Community	54%	54%	44%	45%	44%	45%	40%
PNBs	57%	60%	56%	55%	54%	53%	49%
All excl PNBs	58%	58%	48%	48%	49%	46%	44%
Starts	60%	61%	48%	38%	40%	41%	34%
2-5 years trading	51%	53%	46%	45%	46%	43%	40%
6-9 years	56%	56%	50%	52%	48%	48%	44%
10-15 years	57%	59%	49%	52%	53%	49%	49%
More than 15 years	60%	62%	57%	58%	58%	53%	52%

Q103/106 (238/239b) All SMEs

Analysis by future plans showed that:

- For 2024, the new combined confidence figure for all those planning to apply/renew was 32%, unchanged from 2023.
- Future would-be seekers, whose level of confidence is little changed since 2019, were slightly more confident of hypothetical success than those planning to apply (35% v 32% in 2024).
- However the most confident remained those expecting to be a Happy non-seeker of finance (51%), albeit there has been a steady decline from the 63% confident in 2019.

Confidence bank will say yes (whether planning to apply or not)							
Over time	2018	2019	2020	2021	2022	2023	2024
By date of interview – row percentages							
All SMEs	58%	59%	51%	51%	51%	48%	46%
Planning to apply (to bank)	54%	56%	42%	38%	33%	32%	32%
Planning to apply (elsewhere)	54%	54%	43%	48%	41%		
Future would-be seeker	46%	40%	40%	35%	40%	38%	35%
Future happy non-seeker	60%	63%	57%	57%	55%	53%	51%

Q103/106 (238/239b) All SMEs

Those not planning to seek or renew facilities in the next 3 months

In 2024, 10% of all SMEs reported plans to apply for, or renew, facilities in the following 3 months, leaving the majority (90%) with no immediate plans. Analysis showed that overall, 52% of all SMEs in 2024 neither used external finance nor had any immediate plans to apply for any.

On an annual basis, the proportion neither using finance nor planning to apply for it increased from 50% of SMEs in 2011 to 60% for 2014 and was then stable (58-61%) to 2018. Since then it has been more variable, ranging between 52% (2019, 2023 and 2024) and 61% (2022).

When thinking about SMEs with no plans to apply/renew, 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 Future happy non-seekers.
- Those that felt that there were barriers that might stop them making an application (such as discouragement, the economy or the principle or process of borrowing) – the Future would-be seekers.

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

- Those that had already identified that they were likely to need external finance in the coming 3 months (and could foresee barriers to an application that met that need).
- Those that had not yet identified a need for external finance in the next 3 months but who thought there would be barriers to their applying, were such a need to emerge.

As reported later in this chapter, very few Future would-be seekers had an actual need for finance already identified, and thus they were a wider group than the Would-be seekers of the past 12 months, all of whom reported having an identified need for finance that they had not applied for.

There have been no changes over time to these definitions, and these questions continue to be asked in the same way as they were in 2017 and previous waves.

11 The future

The picture for recent quarters is reported below. 75% of SMEs in Q4 2024 met the definition of a Future happy non-seeker and they remained the largest group. The proportion planning to apply was fairly stable, but there was a decline in Future would-be seekers over the course of the year from 22% in Q1 to 14% in Q4 2024:

Future finance plans									
All SMEs – over time By date of interview	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	4252	4252	4253	3910	4595	4182	4322	4254	4253
Plan to apply/renew	8%	6%	10%	7%	10%	11%	9%	11%	11%
Future would-be seekers – with identified need	1%	*	1%	2%	2%	1%	1%	2%	1%
Future would-be seekers – no immediate identified need	13%	14%	20%	20%	19%	21%	20%	16%	13%
Future happy non-seekers	78%	79%	69%	72%	69%	67%	70%	72%	75%

Q99/104 (230/239) All SMEs

In most years since 2016, around 1 in 3 Future happy non-seekers have reported using external finance. The figure for 2023 was at the top of the range seen (42%) and the proportion in 2024 was higher again at 51%.

The table below shows the changes in the relative sizes of these groups over recent years:

- Future demand for finance had been broadly stable (10-14% 2015-2021 and 2024) but the 8% in both 2022 and 2023 was somewhat lower than usually seen.
- More markedly, the proportion of Future would-be seekers, having halved between 2012 and 2019 (23% to 11%), was back to 1 in 5 in 2020 and in most years since then (19% in 2024, unchanged from 2023).
- This change in FWBS affected the proportion of Future happy non-seekers but they remained the largest group (71% of all SMEs in 2024, unchanged from 2023).

Future finance plans								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	18,012	18,002	18,000	17,768	16,486	17,002	17,010	17,011
Plan to apply/renew	12%	10%	11%	13%	10%	8%	8%	10%
Future would-be seekers	10%	13%	11%	21%	19%	14%	19%	19%
Future happy non-seekers	78%	77%	78%	65%	71%	78%	72%	71%

Q99/104 (230/239) All SMEs

Amongst SMEs with employees:

- The proportion planning to apply/renew, having been higher and broadly stable 2018-2021 (13-16%) was somewhat lower in 2022 and 2023 (10%), but then back to 14% in 2024.
- Over the same time period, the proportion of Future would-be seekers had been more variable, from 18% for 2020 to 13% in 2022. The figure for 2024 was 15% (from 17% in 2023)
- This initially left the Future happy non-seekers of finance as an increasingly large group (increasing to 76% in 2018 and 75% for 2019). The size of this group has been more variable since, from 66% in 2020 to 76% in 2022 and 71% in 2024.

11 The future

Currently a third of SMEs can be described as Permanent non-borrowers based on their past and indicated future behaviour. The table below shows future plans over recent years once this group was excluded:

- The proportion planning to apply was around 1 in 5 until 2021 but has been lower since then. The 16% seen in 2024 was in line with 2022.
- The proportion of Future would-be seekers declined from 35% in 2012 to 19% in 2017. It was 36% in 2020 and has been around 3 in 10 since (29% in 2024).
- The largest group remained the Future happy non-seekers of finance. This group increased from 44% of these SMEs in 2012 to 61% in 2019. It was 42% in 2020 but since 2021 around half of non-PNBs have been Future Happy non-seekers of finance:

Future finance plans								
Over time – all SMEs excluding PNBs	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	11,940	11,294	12,147	12,010	10,774	10,034	12,252	11,825
Plan to apply/renew	22%	19%	19%	22%	17%	16%	13%	16%
Future would-be seekers	19%	24%	20%	36%	31%	27%	30%	29%
Future happy non-seekers	59%	57%	61%	42%	52%	57%	57%	55%

Q99/104 (230/239) All SMEs excluding PNBs

Future would-be seekers

The Future would-be seekers are a group of interest as they represent a measure of future ‘unmet’ demand for funding. Since 2022 the proportion has increased by 5 percentage points to 19% in both 2023 and 2024, primarily amongst smaller SMEs, those in Wholesale/Retail and Hotels and Restaurants and across all risk ratings:

Future would-be seekers						
Over time	2019	2020	2021	2022	2023	2024
By date of interview – row percentages						
All SMEs	11%	21%	19%	14%	19%	19%
0 emp	12%	22%	20%	14%	20%	20%
1-9 emps	10%	19%	16%	14%	18%	16%
10-49 emps	10%	15%	14%	12%	14%	13%
50-249 emps	8%	14%	11%	9%	8%	6%
Minimal external risk rating	9%	18%	15%	9%	16%	15%
Low	11%	18%	16%	13%	17%	14%
Average	11%	21%	18%	13%	19%	20%
Worse than average	11%	24%	22%	15%	21%	20%
Agriculture	12%	20%	17%	13%	19%	26%
Manufacturing	12%	19%	17%	15%	23%	20%
Construction	12%	23%	18%	13%	16%	19%
Wholesale/Retail	15%	19%	18%	14%	23%	20%
Hotels & Restaurants	12%	22%	21%	17%	26%	21%
Transport	11%	21%	20%	15%	19%	17%
Property/ Business Services	10%	20%	16%	13%	18%	16%
Health	9%	20%	22%	11%	20%	17%
Other Community	13%	26%	24%	17%	22%	22%
All excl PNBs	20%	36%	31%	27%	30%	29%

Future finance All SMEs

To understand this further, the table below shows all the reasons given by Future would-be seekers in Q4 2024 for thinking that they would not apply for finance in the next three months.

The reasons have also been grouped into the themes used earlier in this report, and respondents could initially nominate as many reasons as they wished for not having applied when they wanted to. Three new statements have been added to match those available to past Would-be seekers:

- Q2 22: We are already borrowing as much as we feel we can (Discouraged)
- Q1 23: We are worried about the impact of increasing interest rates (Process of borrowing)
- Q3 23: Banks don't lend to businesses like ours for environmental or ethical reasons (Discouraged).

The most mentioned reason remained a reluctance to borrow (52%), either due to the current economic climate (43%) or the predicted performance of the business (9%):

- Larger Future would-be seekers with 10-249 employees were more likely to mention the performance of the business (15%) than smaller FWBS (9%).
- Across the other main themes, 19% mentioned the process of borrowing (mainly the perceived cost and/or hassle), 12% felt discouraged (most of it indirect) and 14% mentioned the principle of borrowing (typically not losing control of the business) All were mentioned slightly more by smaller FWBS with 0-9 employees.

Reasons for not applying (all mentions)			
Q4 24 - Future would-be seekers	Total	0-9 emps	10-249 emps
Unweighted base:	520	376	144
Reluctant to borrow now (any)	52%	51%	63%
-Prefer not to borrow in economic climate	43%	42%	48%
-Predicted performance of business	9%	9%	15%
Issues with <u>principle</u> of borrowing	14%	14%	13%
-Not lose control of business	3%	2%	12%
-Can raise personal funds if needed	10%	10%	-
-Prefer other forms of finance	2%	2%	-
-Go to family and friends	1%	1%	1%
Issues with <u>process</u> of borrowing	19%	19%	13%
-Thought would be too expensive	7%	7%	3%
-Would be too much hassle	10%	10%	7%
-We are worried about the impact of increasing interest rates	3%	4%	-
-Bank would want too much security	1%	1%	2%
-Too many terms and conditions	1%	1%	1%
-Did not want to go through process	1%	1%	-
-Forms too hard to understand	*	*	-
Discouraged (any)	12%	12%	9%
-Indirect (Think I would be turned down)	10%	11%	6%
-Direct (Put off by bank)	*	*	-
-We are already borrowing as much as we feel we can	1%	1%	3%
-Banks don't lend to business like ours for environmental/ethical reasons	1%	1%	-

Q104 (239) Future would-be seekers SMEs

Further analysis of the main reasons given by Future would-be seekers, including by size and risk rating, is also based on the latest quarter (Q4 2024) and shows a similar picture, with half being reluctant to borrow now:

Reasons for not applying (main mentions)			
Q4 24 - Future would-be seekers	Total	0-9 emps	10-249 emps
Unweighted base:	520	376	144
Reluctant to borrow now (any)	51%	51%	62%
-Prefer not to borrow in economic climate	42%	42%	47%
-Predicted performance of business	9%	9%	15%
Issues with <u>process</u> of borrowing	17%	18%	12%
-Thought would be too expensive	5%	5%	3%
-Would be too much hassle	9%	9%	6%
-We are worried about the impact of increasing interest rates	3%	3%	-
-Bank would want too much security	*	*	2%
-Too many terms and conditions	1%	1%	1%
-Did not want to go through process	*	*	-
-Forms too hard to understand	-	-	-
Discouraged (any)	12%	12%	9%
-Indirect (Think I would be turned down)	10%	10%	6%
-Direct (Put off by bank)	*	*	-
-We are already borrowing as much as we feel we can	1%	1%	3%
-Banks don't lend to business like ours for environmental/ethical reasons	1%	1%	-
Issues with <u>principle</u> of borrowing	12%	12%	13%
-Not lose control of business	2%	2%	12%
-Can raise personal funds if needed	9%	9%	-
-Prefer other forms of finance	1%	1%	-
-Go to family and friends	1%	1%	1%

Q105 (239) Future would-be seekers SMEs

Amongst Future would-be seekers with employees, 57% mentioned a reluctance to borrow compared to 14% citing the process of borrowing, 12% mentioning discouragement and 6% the principle of borrowing.

The table below shows the main reasons given for not applying in Q4 2024 by risk rating, with a 'reluctance to borrow now' still the main barrier across the risk ratings.

Discouragement was more likely to be a factor for those with a minimal or low risk rating (23% v 11%), as was the process of borrowing (17% v 11%) while the principle of borrowing was mentioned slightly more by those with an average or worse than average risk rating (17% v 4%):

Main reason for not applying			
Q4 24 - Future would-be seekers	Total	Min/Low	Avg/ Worse Avg
Unweighted base:	520	189	283
Reluctant to borrow now (any)	51%	50%	56%
-Prefer not to borrow in economic climate	42%	41%	45%
-Predicted performance of business	9%	10%	11%
Issues with process of borrowing	17%	17%	11%
Discouraged (any)	12%	23%	11%
-Indirect (Think I would be turned down)	10%	20%	9%
-Direct (Put off by bank)	*	-	-
-Already borrowing as much as can	1%	3%	*
-Banks don't lend to business like ours for environmental/ethical reasons	1%	-	1%
Issues with principle of borrowing	12%	4%	17%

Q105 (239/239a) Future would-be seekers SMEs

From Q3 2024, those who said that they did 'not want to borrow more in the current climate' were asked what would need to change for them to consider borrowing.

The table below shows the results for Future would-be seekers in H2 2024, and the range of reasons (from a pre-coded list) selected by these SMEs.

- 32% mentioned interest rates and this was the top reason for both larger and smaller FWBS.
- 28% mentioned needing a more certain economic outlook and a similar proportion (25%) wanted to see an increase in customer demand and/or more clarity around future government policy.
- Almost as many (23%) felt their business would need to be in a stronger position more generally, a view held more strongly by smaller rather than larger SMEs.
- 20% would consider borrowing if a strong opportunity presented itself, twice the proportion that said they would need the staff or other resources to take advantage of any opportunities:

Not wanting to borrow more in current climate			
H2 24 - Future would-be seekers	Total	0-9 emps	10-249 emps
Unweighted base:	607	427	180
If interest rates were lower	32%	32%	28%
If the economic outlook were more certain	28%	28%	25%
If saw a steady increase in customer demand	25%	25%	24%
More clarity about future government policy	25%	25%	21%
Stronger financial position in the business	23%	23%	12%
If strong new opportunity presented itself	20%	20%	23%
If had staff/resources to take advantage of opportunities	10%	10%	10%
None of these	35%	36%	25%

Q104b Future would-be seekers SMEs

Returning to all the reasons cited by FWBS, the main reasons for being unlikely to apply for new/renewed facilities are shown on an annual basis over time below.

A reluctance to borrow now remained the most mentioned reason but, at 65% in 2024, this was somewhat lower has been seen since 2019 (down 9 points from 74% in 2023). There were increases in both the process of borrowing (up 7 points to 15%) and a smaller increase in discouragement (up 3 points to 10%) with little change in the mentions of the principle of borrowing (up 1 point to 6%):

Main reason for not applying								
Future would-be seekers – over time	2017	2018	2019	2020	2021	2022	2023	2024
Unweighted base:	1416	1700	1779	3157	2484	2081	2740	2507
Reluctant to borrow now (any)	50%	57%	63%	77%	75%	76%	74%	65%
Issues with <u>process</u> of borrowing	14%	20%	12%	8%	9%	9%	8%	15%
Discouraged (any)	22%	13%	12%	7%	8%	7%*	7%*	10%
Issues with <u>principle</u> of borrowing	3%	3%	4%	4%	5%	4%	5%	6%

Q105 (239/239a) Future would-be seekers SMEs * does not include bank not lending for environmental/ethical reasons

These reasons remain in contrast to those given by past Would-be seekers where there was a more even spread of reasons for not applying, but the process of borrowing was the top mention.

How have international SMEs responded to current conditions?

When the Q4 2024 interviews were conducted, UK SMEs were negotiating the UK being outside the EU as well as the impact of higher costs and war in Ukraine and the Middle East. As highlighted at the start of this chapter, those SMEs that trade internationally are potentially more likely to have felt an impact on their business, whether from a change in the value of sterling or the impact of the change in terms upon which the UK now trades with other countries.

This section summarises how international SMEs have felt from 2019 onwards, split into three groups based on the ways in which they trade internationally alongside their domestic trade. The sizes of these groups have changed very little since 2016, and in 2024:

- Export-only: 5% of SMEs exported but did not import (with no difference by size 5%).
- Import-only: 9% of SMEs imported but did not export (increasing by size of SME from 9% to 15%).
- Fully international: 6% of SMEs both imported and exported (increasing by size of SME from 4% to 17%).
- Domestic only: 80% of SMEs only traded domestically (decreasing by size of SME from 81% to 63%).

Key results for Q4 2024 are shown below. Analysis showed that:

- Fully international SMEs were more likely to be planning to grow (68%) than their other international peers and also more likely to be planning to apply for finance (along with other importers). They were less likely than their international peers to see higher costs or supply chain issues as barriers, but more likely to see the rate of Sterling as a barrier.
- Export only SMEs were less likely to be 'Struggling' while Import-only SMEs were more likely to see political uncertainty as a barrier.
- There was no difference by international trade in terms of seeing the current economic climate as a barrier.

Future outlook summary table				
Q4 24– all SMEs row percentages	All SMEs	Export	Import	Both
Unweighted base:	4253	273	466	494
Plan to grow	46%	56%	59%	68%
Struggling	18%	14%	20%	23%
Higher costs 8-10 barrier	35%	43%	36%	28%
Supply chain issues 8-10 barrier	9%	14%	10%	8%
Economic climate 8-10 barrier	30%	31%	31%	31%
Political uncertainty 8-10 barrier	29%	29%	35%	22%
Sterling 8-10 barrier	8%	12%	15%	20%
Negative impact of leaving EU (excl DK)	33%	51%	42%	54%
Plan to apply for finance	11%	6%	16%	17%
Future would-be seeker of finance	14%	22%	21%	15%

The table below shows how these views have changed over recent quarters. With relatively limited base sizes there is some natural volatility quarter to quarter, so the table focuses on Q4 of each year from 2019:

- 46% of all SMEs were planning to grow in Q4 2024, down 3 points on Q4 2023. Planned growth amongst fully international SMEs was unchanged at 68% and they were still the most likely to be planning to grow, with growth ambitions for Import only SMEs up 8 points to 59%, and for Export-only SMEs a more modest 2 points to 56%, all ahead of SMEs overall.
- 11% of all SMEs were planning to apply for finance in Q4 2024, up just 1 point on Q4 2023. SMEs with an element of importing to their business were more likely to be planning to apply (Import only SMEs up 4 points to 16%, and fully international SMEs up 3 points to 17%) while 6% of Export only SMEs were planning to apply, unchanged from Q4 2023.
- 30% of all SMEs saw the current economic climate as a key barrier in Q4 2024, down 2 points on Q4 2023. Each of the international groups gave the same score in Q4 2024 (31%) but while this was an increase of 7 points for export only SMEs on Q4 2023, it was a decrease of 6 points for Import only SMEs and of 4 points for fully international SMEs.
- 29% of all SMEs saw political uncertainty as a key barrier in Q4 2024, up 5 points on Q4 2023. The proportion of Export only and Import only SMEs seeing this as a barrier also increased (up 3 points and 4 points to 29% and 35% respectively) but it was less of a barrier for those that were fully international (down 8 points to 22%).
- 8% of all SMEs changes in the value of sterling as a key barrier in Q4 2024, down 3 points on Q4 2023. International SMEs were more likely than SMEs overall to see this as a barrier: from 12% of Export only SMEs (unchanged from Q4 2023), to 15% of Import only SMEs (up 3 points on Q4 2023) and 20% of fully international SMEs (albeit down 12 points on Q4 2023).

Future outlook summary table						
Over time – all SMEs	Q4 2019	Q4 2020	Q4 2021	Q4 2022	Q4 2023	Q4 2024
Plan to grow						
All SMEs	53%	42%	44%	40%	49%	46%
Export only	57%	53%	42%	38%	54%	56%
Import only	56%	57%	53%	52%	51%	59%
Import and export	73%	52%	66%	64%	69%	68%
Plan to apply for finance						
All SMEs	9%	14%	10%	8%	10%	11%
Export only	11%	11%	9%	7%	6%	6%
Import only	16%	28%	14%	10%	12%	16%
Import and export	24%	15%	13%	10%	14%	17%
Economic climate 8-10						
All SMEs	20%	36%	21%	35%	32%	30%
Export only	23%	27%	25%	48%	24%	31%
Import only	31%	49%	22%	58%	37%	31%
Import and export	38%	45%	26%	34%	35%	31%
Political uncertainty 8-10						
All SMEs	24%	27%	21%	27%	24%	29%
Export only	24%	25%	20%	28%	26%	29%
Import only	32%	30%	21%	42%	31%	35%
Import and export	43%	34%	24%	36%	34%	22%
Changes in sterling 8-10						
All SMEs	15%	8%	8%	16%	11%	8%
Export only	17%	5%	21%	26%	12%	12%
Import only	29%	18%	20%	45%	12%	15%
Import and export	35%	20%	14%	36%	32%	20%

The second table, below, takes a longer-term view back to 2017 where data exists:

International	Summary analysis over time
Export only	In 2024, Export-only SMEs were: - As likely to be planning to grow (51%) as in 2022 and 2023, but still below pre-pandemic levels and also below the growth aspirations of their international peers. - Increasingly less likely to be planning to apply for finance (6%). - As likely to see the economic climate as a barrier (33%) as in 2022 and 2023, still below their Import only peers. - As likely to see political uncertainty as a barrier (25%) as in 2023, still slightly below their international peers. - Less likely than their peers to see the value of sterling as a barrier (9%), down 3 points on 2023.
Import only	In 2024, Import-only SMEs were: - More likely to be planning to grow (56%) than in 2023, back to 2021 levels and ahead of their Export only peers. - More likely to be planning to apply for finance (13% up from 9% in 2023), also back to 2021 levels. - Slightly more likely to see the economic climate as a barrier (up 2 points to 37%) than in 2023, and now ahead of their fully international peers. - Also more likely to see political uncertainty as a barrier (up 8 points to 33%) than in 2023, and again ahead of their international peers. - As likely to see the value of sterling as a barrier (19%) as they were in 2023.
Import and export	In 2024, fully international SMEs were: - The most likely to be planning to grow (65%) slightly higher than in 2023. - The most likely to be planning to apply for finance (16%), unchanged from 2022 and 2023. - Slightly less likely than their peers to see the economic climate as a barrier (30%) down 7 points from 2023 and back in line with 2021. - As likely to see political uncertainty as a barrier (28%) as in 2023. - Also less likely to see the value of sterling as a barrier (21%), down 11 points on 2023.

Future outlook summary table								
Over time – all SMEs	2017	2018	2019	2020	2021	2022	2023	2024
Plan to grow								
All SMEs	45%	49%	51%	37%	46%	42%	46%	47%
Export only	58%	56%	56%	41%	49%	51%	52%	51%
Import only	63%	64%	61%	50%	57%	54%	50%	56%
Import and export	67%	64%	60%	51%	64%	60%	63%	65%
Plan to apply for finance								
All SMEs	12%	10%	11%	13%	10%	8%	8%	10%
Export only	13%	10%	13%	13%	9%	8%	7%	6%
Import only	17%	17%	18%	20%	14%	11%	9%	13%
Import and export	18%	17%	21%	17%	11%	16%	16%	16%
Economic climate 8-10 barrier								
All SMEs	14%	17%	21%	36%	23%	31%	32%	30%
Export only	20%	20%	23%	41%	23%	32%	31%	33%
Import only	21%	25%	28%	43%	24%	42%	35%	37%
Import and export	21%	22%	30%	41%	31%	38%	37%	30%
Political uncertainty 8-10 barrier								
All SMEs	14%	19%	24%	24%	19%	21%	22%	26%
Export only	23%	25%	29%	28%	20%	23%	27%	25%
Import only	19%	25%	32%	31%	25%	33%	25%	33%
Import and export	26%	29%	42%	28%	25%	29%	28%	28%
Value of sterling 8-10 barrier								
All SMEs	11%	12%	14%	9%	9%	12%	12%	9%
Export only	14%	15%	18%	10%	14%	11%	14%	9%
Import only	25%	22%	21%	18%	16%	28%	18%	19%
Import and export	29%	28%	34%	21%	20%	32%	32%	21%

Additional analysis of more recent and topical issues is provided below, with importing SMEs remaining more likely to report a negative impact from the new EU trading arrangements:

Current issues	Summary analysis
Export only	In 2024, Export-only SMEs were: • Less likely than their fully international peers to see a negative impact from the new EU trading arrangements, but still up 8 points to 49% in 2024. • Less likely than in 2023 to see higher costs as a major barrier (down 8 points to 31%), slightly lower than their international peers. • As likely as in 2023 to see supply chain issues as a major barrier (12%) and again broadly in line with their international peers. • 30% met the definition of an Ambitious Innovator, somewhat lower than their international peers.
Import only	In 2024, Import-only SMEs were: • As likely as they were in 2023 to report a negative impact from the new EU trading arrangements (down 2 points to 49%), leaving them in line with export only SMEs. • Slightly more likely than in 2023 to see higher costs as a major barrier (43%), putting them ahead of their international peers. • Less likely to see supply chain issues as a major barrier (down 5 points to 16%) than in 2023, bringing them in line with their international peers. • 35% met the definition of an Ambitious Innovator, placing them between their Export only and fully international peers.
Import and export	In 2024, fully international SMEs were: • As likely as they were in 2023 to report a negative impact from the new EU trading arrangements (61%), and still more likely than their international peers. • Less likely than in 2023 to see increasing costs as a major barrier (down 8 points to 33%), in line with their Export only peers. • Less likely to see supply chain issues as a major barrier (13%) than in 2023 now in line with their international peers. • More likely to meet the definition of an Ambitious Innovator (46%) than their international peers.

Current issues summary table				
Over time – all SMEs	2021	2022	2023	2024
Negative impact of new EU trading				
All SMEs	29%	33%	34%	33%
Export only	38%	40%	41%	49%
Import only	48%	55%	51%	49%
Import and export	58%	67%	62%	61%
Higher costs 8-10*				
All SMEs	34%	39%	38%	35%
Export only	18%	28%	39%	31%
Import only	34%	46%	39%	43%
Import and export	49%	39%	41%	33%
Supply chain issues 8-10*				
All SMEs	23%	18%	14%	11%
Export only	21%	15%	12%	12%
Import only	33%	31%	21%	16%
Import and export	36%	24%	21%	13%
Ambitious Innovator (plan to grow and innovate)				
All SMEs	-	-	-	27%
Export only	-	-	-	30%
Import only	-	-	-	35%
Import and export	-	-	-	46%

*data for 2021 is for Q4 only



12.Awareness of taskforce



and other initiatives.

THIS FINAL SECTION OF THE REPORT

looks at awareness amongst SMEs of some of
the Business Finance Taskforce commitments,
together with other relevant initiatives.



12. Awareness of initiatives

KEY FINDINGS

1 in 5 SMEs had heard of the British Business Bank, with 2 in 5 being aware of the Financial Services Compensation Scheme:

- 21% of SMEs in 2024 had any awareness of the British Business Bank. Mid-sized SMEs, those with 1-9 or 10-49 employees, were the most likely to be aware (24-25%) with the smallest (20%) and largest (19%) less so. Starts were the most likely to be aware of the BBB (37%).
- A number of schemes have been developed to support SMEs in their relationships with their bank, including the Financial Services Compensation Scheme which 34% of SMEs have heard of. Awareness is lower for the Standards of Lending Practice (19%) and the SME Finance Charter (16%).
- Amongst those using external finance, 37% had heard of the Financial Services Compensation Scheme, 23% had heard of the Standards of Lending Practice and 19% had heard of the SME Finance Charter. Future would-be seekers were the most aware of the Financial Services Compensation Scheme (42%).
- Awareness of the Standards of Lending increased to 28% of those with 10-49 employees and 36% of those in Transport, while awareness of the SME Finance Charter increased to 22% of those with 10-249 employees and 24% in the Transport sector.
- Exporters were asked if they were aware of the General Export Facility from UK Export Finance and 17% had heard of this facility, slightly higher than the 14% aware in 2023, but still lower than the 24% aware in H2 2022. Awareness was lower for 0 employee exporters (13%) then varied little by size of exporter (22-27% of those with employees) and of the two main international sectors, 10% of exporters in Wholesale/Retail were aware of the General Export Facility and 28% of those in Manufacturing.

21%
of SMEs were
aware of the British
Business Bank

Awareness of wider forms of funding such as Venture Capital, crowd funding and peer to peer lending has increased over time, but usage of the latter forms of finance remained very limited:

- Two thirds (65%) of SMEs excluding PNBs were aware of any of a range of forms of finance; Venture Capital (56%), Equity crowd funding platforms (53%), Peer to peer lending platforms (44%) and/or Business Angels (38%).
- Overall awareness varied little by size of SME, with the slight exception of those with 10-49 employees (75% aware of any v 70% overall). Since Q4 2018, awareness of any of these forms of funding has increased from around a half (53% in Q4 2018) to two thirds (65% in Q4 2022 and 2023) to 70% in Q4 2024.
- 60% of SMEs excluding PNBs were aware of 'crowd funding', but only 1% had ever used it. 1 in 10 would consider applying future, but 46% would not consider applying at all. 20% of those aware would consider using it, higher amongst smaller SMEs than larger ones.

60%
of SMEs (ex PNBs)
had heard of crowd
funding but use
remains very limited

In October 2010, the Business Finance Taskforce agreed to a range of initiatives with the aim of supporting SMEs in the UK. This final section of the report looks at awareness amongst SMEs of some of those commitments, together with other, more recent, initiatives.

This part of the survey has been revised several times as new initiatives were developed. Then, in order to create space for the Covid related questions, many of these core tracking questions were rested from Q2 2020. This chapter provides details of those core measures that remain, as well as other newer initiatives that have been added to the questionnaire more recently.

Awareness of the British Business Bank

The table below details awareness of the British Business Bank across recent quarters. Awareness was somewhat higher at the end of 2024 (27%) than at the end of 2023 (17%):

Awareness of BBB								
Over time – all SMEs	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Unweighted base:	4252	4253	3910	4595	4182	4322	4254	4253
The British Business Bank*	19%	18%	17%	17%	17%	16%	21%	27%
The BBB's Finance Hub	12%	9%	8%	10%	12%	10%	13%	13%
Aware of BBB / Finance hub	20%	19%	17%	17%	18%	17%	21%	27%

QAw1 from Q2 2020

On an annual basis, as the table below shows:

- Awareness in 2024 was slightly higher than in 2023 (up 3 points to 21%) and back in line with 2022. There was an improvement in awareness amongst smaller SMEs and also Starts.
- Overall, awareness was higher amongst SMEs with 10-49 employees, those in Property/Business Services and Starts.

12 Awareness of initiatives

Any awareness of BBB:						
Over time	Q3 2020	Q4 2020	2021	2022	2023	2024
By date of interview – row percentages						
All SMEs	24%	26%	22%	21%	18%	21%
0 emp	22%	24%	20%	20%	17%	20%
1-9 emps	29%	31%	26%	22%	20%	24%
10-49 emps	34%	34%	29%	25%	25%	25%
50-249 emps	39%	35%	30%	19%	22%	19%
Minimal external risk rating	28%	31%	22%	23%	17%	18%
Low	25%	30%	20%	22%	19%	22%
Average	27%	23%	22%	20%	19%	20%
Worse than average	21%	28%	23%	20%	18%	21%
Agriculture	18%	22%	21%	18%	14%	15%
Manufacturing	19%	25%	24%	17%	14%	18%
Construction	20%	23%	16%	18%	12%	16%
Wholesale/Retail	34%	31%	24%	19%	22%	22%
Hotels & Restaurants	26%	26%	24%	16%	17%	21%
Transport	32%	18%	20%	21%	19%	23%
Property/ Business Services	25%	32%	26%	26%	23%	27%
Health	22%	15%	19%	13%	9%	15%
Other	15%	31%	22%	19%	19%	18%
PNBs	22%	23%	19%	19%	16%	18%
All excl PNBs	25%	28%	24%	22%	19%	22%
Starts	27%	35%	24%	22%	18%	26%
2-5 years trading	24%	27%	21%	21%	18%	22%
6-9 years	29%	24%	23%	21%	19%	22%
10-15 years	21%	21%	22%	21%	22%	20%
15+ years	23%	24%	21%	19%	17%	18%

AW1 All SMEs

12 Awareness of initiatives

A number of schemes have been developed to support SMEs in their relationships with their bank, including, from Q3 2023, the Financial Services Compensation Scheme which recorded the highest awareness at 34%:

Awareness of support initiatives					
Q4 24 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	4253	894	1785	1162	412
The SME Finance Charter	16%	15%	17%	22%	22%
The Standards of Lending Practice	19%	19%	20%	28%	20%
The Financial Services Compensation Scheme	34%	33%	34%	40%	32%

AW1 All SMEs

Amongst those using external finance, 37% had heard of the Financial Services Compensation Scheme, 23% had heard of the Standards of Lending Practice and 19% had heard of the SME Finance Charter.

Awareness of ALL initiatives by key groups

The table below brings together all the initiatives available to all SMEs in Q4 2024 by key demographics and shows limited variations with few consistent patterns across the various initiatives tested:

- SMEs were typically most likely to be aware of the Financial Compensation Scheme (34%) with awareness higher for those in Transport (46%).
- Awareness of BBB was 27% for Q4 2024, increasing to 37% of Starts.
- Overall awareness of the Standards of Lending was 19%, increasing to 28% of those with 10-49 employees and 36% of those in Transport.
- Finally, 16% were aware of the SME Finance Charter increasing to 22% of those with 10-249 employees and 24% in Transport.

Awareness of ALL initiatives by key groups

The table below brings together all the initiatives available to all SMEs by key demographics for Q4 2024:

Any awareness:				
Q4 24 row percentages	BBB (any)	Finl Compn	Lending Sta'ds	SME Charter
All SMEs	27%	34%	19%	16%
0 emp	26%	33%	19%	15%
1-9 emps	30%	34%	20%	17%
10-49 emps	32%	40%	28%	22%
50-249 emps	25%	32%	20%	22%
Minimal external risk rating	22%	34%	20%	13%
Low	27%	38%	22%	16%
Average	23%	33%	16%	14%
Worse than average	30%	34%	20%	16%
Agriculture	21%	33%	17%	13%
Manufacturing	23%	27%	12%	19%
Construction	21%	32%	15%	10%
Wholesale/Retail	27%	29%	18%	19%
Hotels & Restaurants	28%	25%	19%	18%
Transport	33%	46%	36%	24%
Property/ Business Services	33%	38%	17%	14%
Health	10%	28%	20%	13%
Other Community	29%	30%	18%	15%
Starts	37%	23%	14%	15%
2-5 years trading	27%	28%	20%	18%
6-9 years	31%	41%	23%	18%
10-15 years	27%	36%	22%	17%
15+ years	21%	38%	19%	14%

AW1 All SMEs

12 Awareness of initiatives

The table below looks at awareness by future plans around growth and finance, as well as current use of finance:

- Those with plans to grow in the coming year were more likely than those with no such plans to be aware of the BBB but not of the other initiatives.
- Those with plans to apply for finance were slightly more likely to be aware of the BBB as were those who did not meet the definition of a PNB, and specifically those using external finance.
- Future would-be seekers of finance were more likely to be aware of the Standards of Lending and the Financial Compensation scheme.

Awareness:				
Q4 24 row percentages	BBB (any)	Finl Compn	Lending Sta'ds	SME Charter
All SMEs	27%	34%	19%	16%
Plan to grow	34%	32%	21%	17%
No plans to grow	21%	35%	18%	15%
Plan to apply for finance	38%	24%	20%	19%
Future would-be seekers	23%	42%	29%	16%
Future Happy non-seekers	26%	34%	17%	15%
PNBs	22%	31%	15%	14%
All excl PNBs	30%	35%	22%	17%
All using external finance	32%	37%	23%	19%

AW1 All SMEs

In addition, Exporters were asked if they were aware of the General Export Facility from UK Export Finance. In 2024 as a whole:

- 17% of exporters had heard of this facility, slightly higher than the 14% aware in 2023, but still lower than the 24% aware in H2 2022.
- Awareness was lower for 0 employee exporters (13%) then varied little by size of exporter (22-27% of those with employees).
- Of the two main international sectors, 10% of exporters in Wholesale/Retail were aware of the General Export Facility and 28% of those in Manufacturing.
- Those who were importing as well as exporting (typically larger SMEs) were more likely to be aware (22%) than those who only exported (12%).
- Awareness levels were slightly lower amongst exporters using external finance (15%) than for those who weren't (19%).

Crowd Funding and other forms of finance

Questions on crowd funding have been through several iterations in the SME Finance Monitor since they were originally included in Q2 and Q3 2012, when awareness of the concept was 18%.

The question was revised most recently in Q1 2017 when SMEs were asked specifically if they were aware of either 'equity crowd funding platforms' or 'peer to peer lending platforms'. Since 2021 this question has been asked in Q4 only due to space being needed for other questions.

The table below looks at awareness of these two forms of funding plus some others which were also added to the questionnaire when that change was made. Results are shown here for Q4 2024 with the PNBs excluded as has been standard practice in the past.

Awareness was highest for Venture Capital and equity crowd funding (around half of these SMEs), with around 4 in 10 aware of either peer-to-peer lending or Business Angels. Overall, 7 in 10 had heard of one or more of these forms of funding:

Awareness of finance sources					
All SMEs excl PNBs Q4 24	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	2888	534	1237	882	235
Venture Capital	56%	55%	57%	65%	51%
Equity crowd funding platform	53%	52%	56%	57%	49%
Peer to peer lending platform	44%	44%	44%	46%	39%
Business Angels	38%	38%	40%	40%	39%
Any of these	70%	70%	70%	75%	64%
Not aware	30%	30%	30%	25%	36%

Q111 (238a3x) All SMEs excl PNBs and DK

Amongst those with employees, 70% were aware of one or more of the forms of funding tested.

12 Awareness of initiatives

The table below shows awareness of crowd funding/ peer to peer lending over time, initially under a more generic question and then (from Q1 2017) calculated as awareness of either 'equity crowd funding platforms' and/or 'peer to peer lending platforms'. Given the reduced frequency with which this question is asked, the analysis focusses on Q4 of each year for which comparable data is available.

Overall awareness of these forms of funding has been around 6 in 10 since Q4 2019, rising to two thirds in Q4 2022 and Q4 2023, and back to 6 in 10 for Q4 2024 with lower awareness across all sizes of SME and little to choose between them:

Crowd funding/peer to peer lending							
All SMEs excl PNBs	Q4	Q4	Q4	Q4	Q4	Q4	Q4
Row percentages	2018	2019	2020	2021	2022	2023	2024
All	53%	57%	59%	58%	65%	65%	60%
0 emps	54%	59%	57%	57%	66%	64%	59%
1-9 emps	50%	50%	63%	60%	62%	66%	60%
10-49 emps	57%	56%	65%	62%	68%	72%	61%
50-249 emps	68%	64%	59%	51%	44%	65%	53%
All planning to apply	61%	66%	60%	61%	72%	58%	67%

Q111 (238a3) All SMEs excl PNBs *Question changed in Q1 2017

12 Awareness of initiatives

The table below provides more specific detail on use, awareness and consideration of 'crowd funding' i.e. equity crowd funding platforms and/or peer to peer lending, for Q4 2024. Very few SMEs were using this form of finance (1%) while 1 in 10 would consider using it in future (20% of those aware, the equivalent of 12% of all SMEs excluding the PNBs):

Awareness and use of crowd funding					
All SMEs excl PNBs Q4 24	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	2888	534	1237	882	235
Aware of 'crowd funding'	60%	59%	60%	61%	53%
Using crowd funding	1%	1%	1%	1%	-
Unsuccessfully applied for crowd funding	1%	1%	1%	*	-
Would consider applying in future	12%	12%	13%	10%	7%
Would not consider applying	46%	46%	46%	49%	46%
Not aware	40%	41%	40%	39%	47%
% aware who would consider	20%	20%	22%	16%	13%

Q111/112 (238a3x4) All SMEs excl PNBs

12 Awareness of initiatives

As the table below shows:

- Awareness has increased from around half of SMEs , excluding the PNBs, to 60% in Q4 2024.
- The proportion of SMEs who would consider applying for such finance increased to 20% in H2 2019 but has been lower since and was 12% in Q4 2024.
- As a result, 20% of SMEs aware of crowd funding in Q4 2024 said they would consider it as a form of funding, up slightly from Q4 2023 but still somewhat lower than the 1 in 3 more commonly seen up to H2 2019.

Awareness and use of crowd funding								
All SMEs excl PNBs Over time	H2 2017	H2 2018	H2 2019	Q1&4 2020	Q4 2021	Q4 2022	Q4 2023	Q4 2024
Unweighted base:	5891	5691	6085	5855	2416	2484	3327	2888
Aware of crowd funding	44%	47%	52%	52%	58%	56%	55%	60%
Would consider applying in future	13%	15%	20%	10%	13%	11%	9%	12%
% aware who would consider	30%	32%	38%	19%	22%	20%	17%	20%

Q111/112 (238a3) All SMEs excl PNBs



13. Graphs and charts

THIS CHAPTER PRESENTS

some of the key data in graphical form to provide
data on longer-term trends.

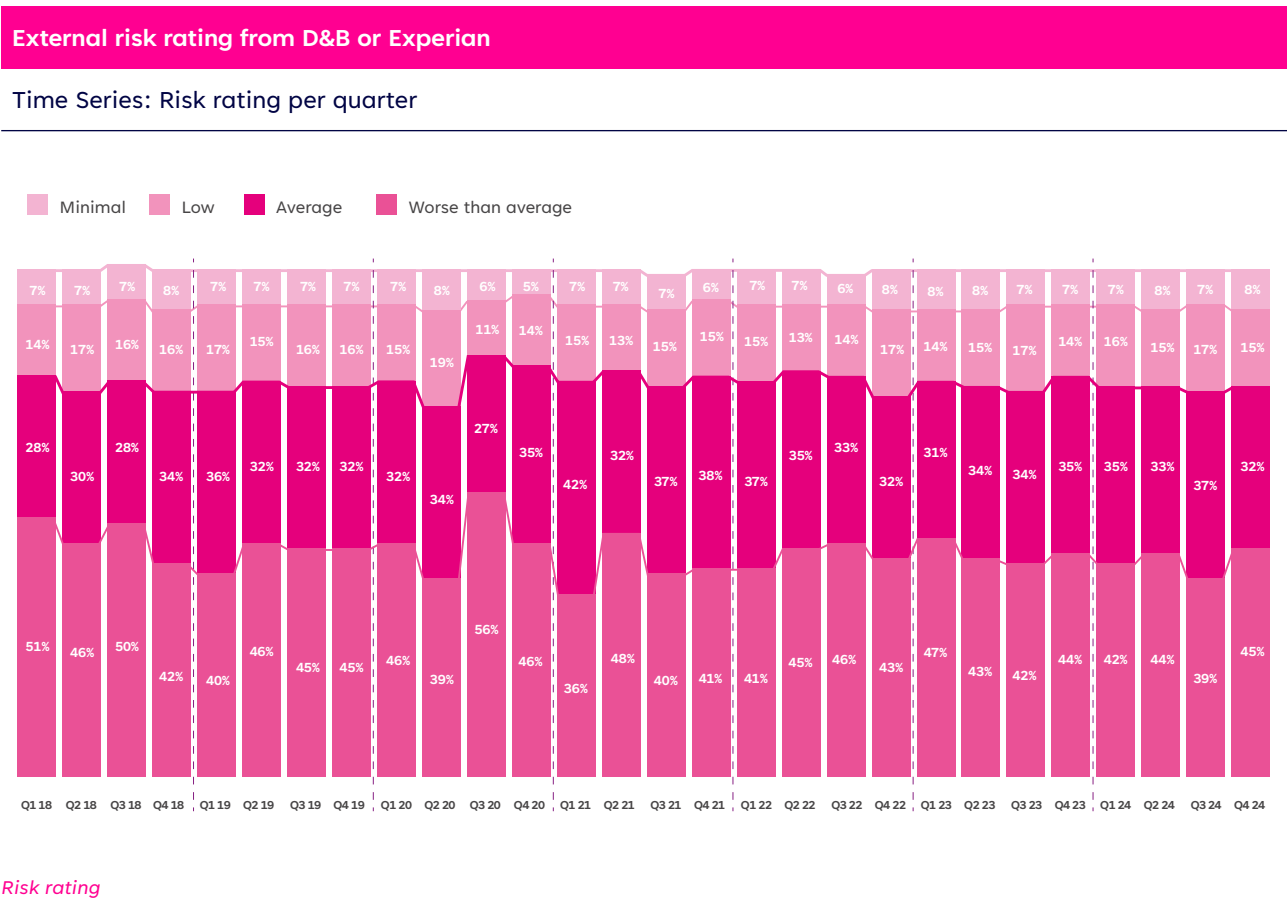




13.Charts and graphs

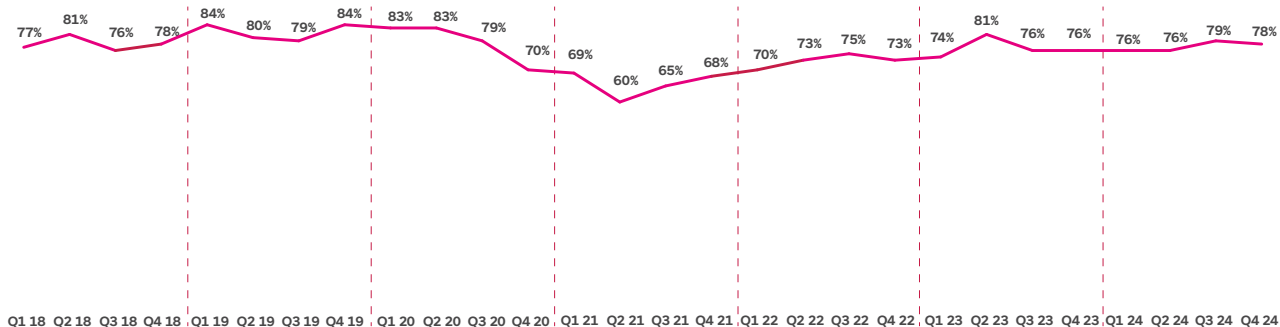
Much of the data in this report is provided and analysed over time, typically by quarter. After more than 10 years of the SME Finance Monitor, the tables containing data for each quarter have become too large to fit comfortably on a page. The main tables therefore show the most recent quarters only and a series of summary tables have been developed for key questions to show longer terms trends on an annual basis. This chapter also provides longer trend data, but this time quarter by quarter for key questions from 2012.

Charts reflecting data reported in Chapter 4



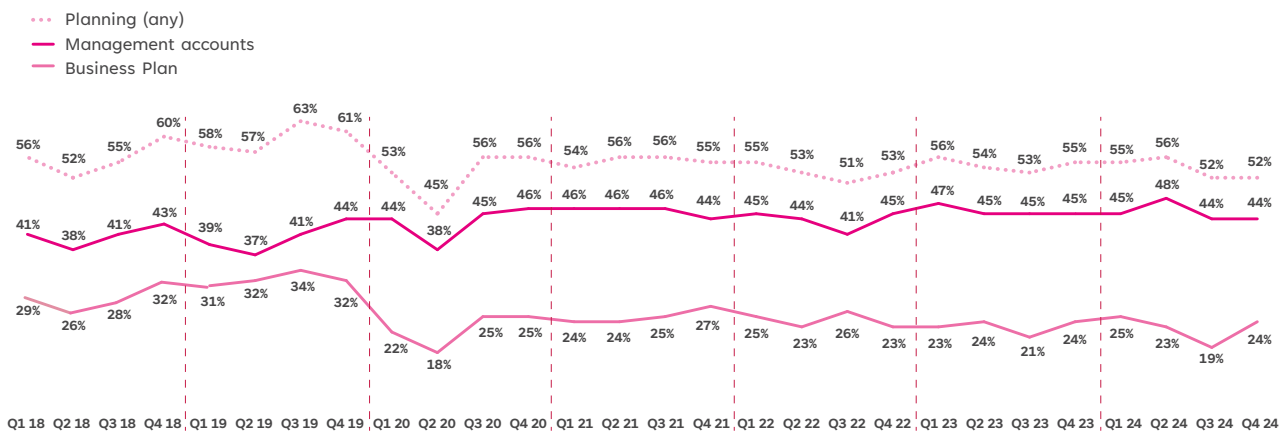
% that made a net profit during last 12-month financial period

Time series: Reported profitability in past 12 months, per quarter, excluding DK



Proportion preparing management accounts/business plans

Time series: Business planning

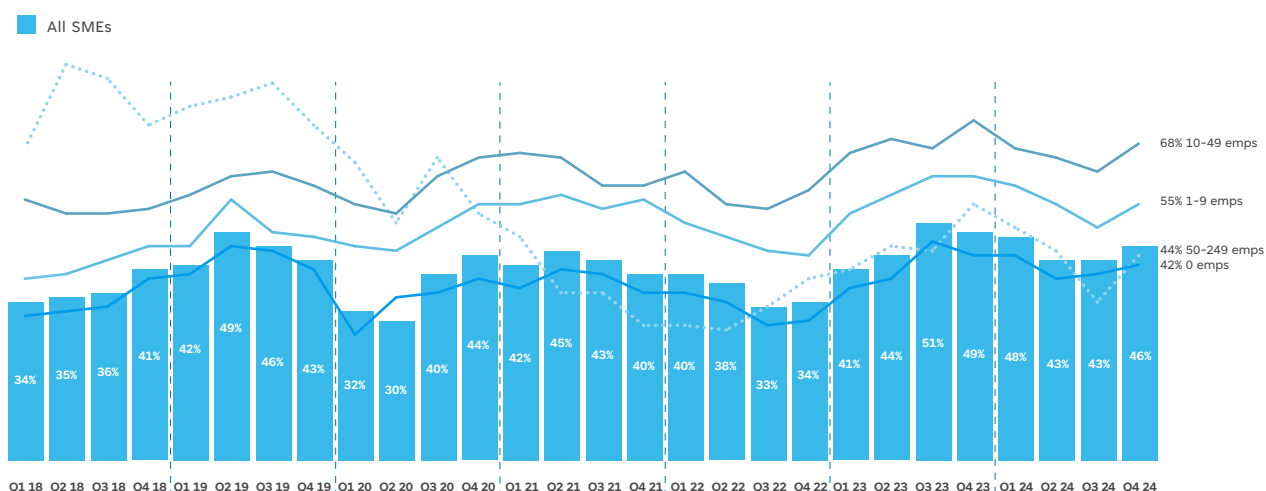


Q223

Charts reflecting data reported in Chapter 5/6

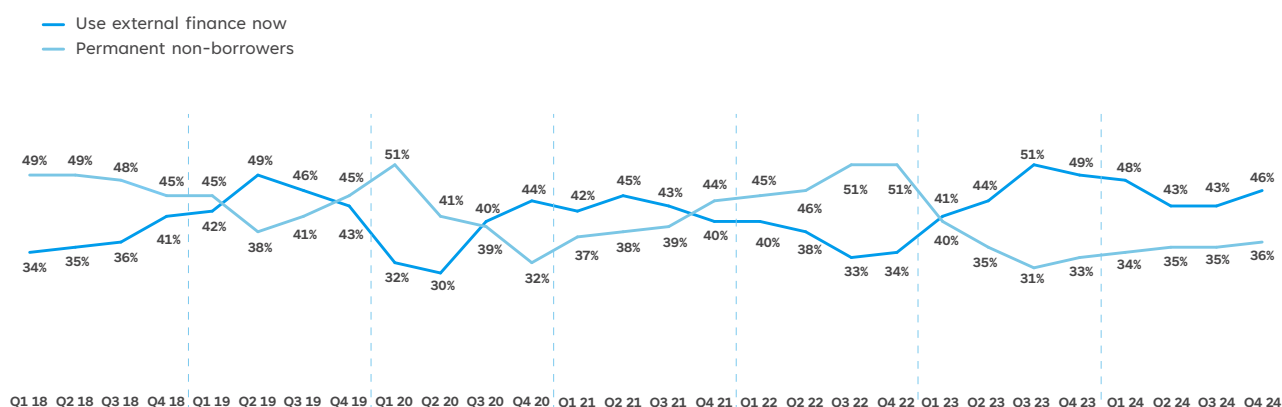
Use of any listed forms of external finance currently – by size

Time Series: Use of external finance per quarter



Proportion using external finance v those who meet definition of Permanent non-borrower

Time series: Permanent non-borrowers and users of external finance

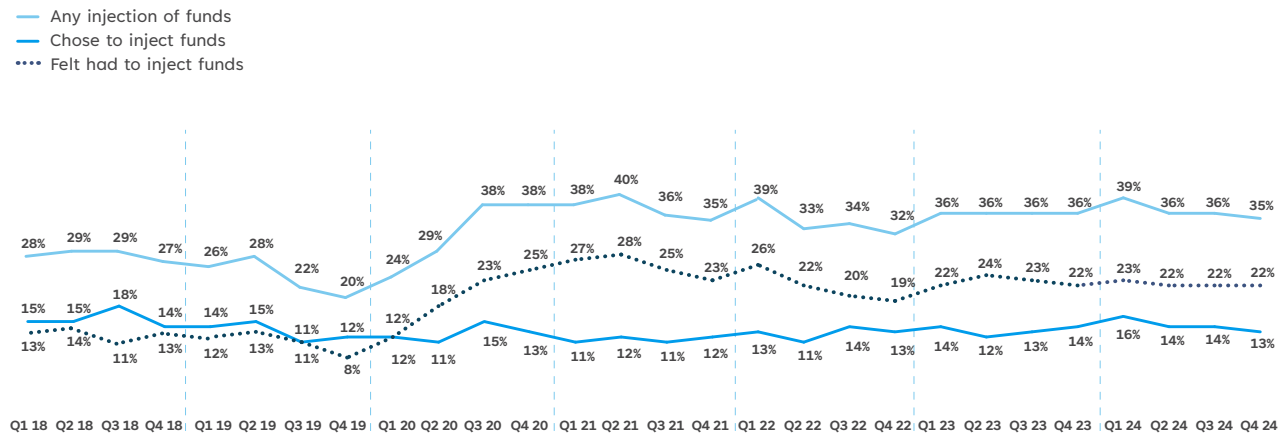


Q15/14 and others

From Q1 2023 use of external finance has included a more accurate assessment of SMEs repaying government backed pandemic funding, and the definition of PNBs has been adjusted to exclude those who applied for such funding.

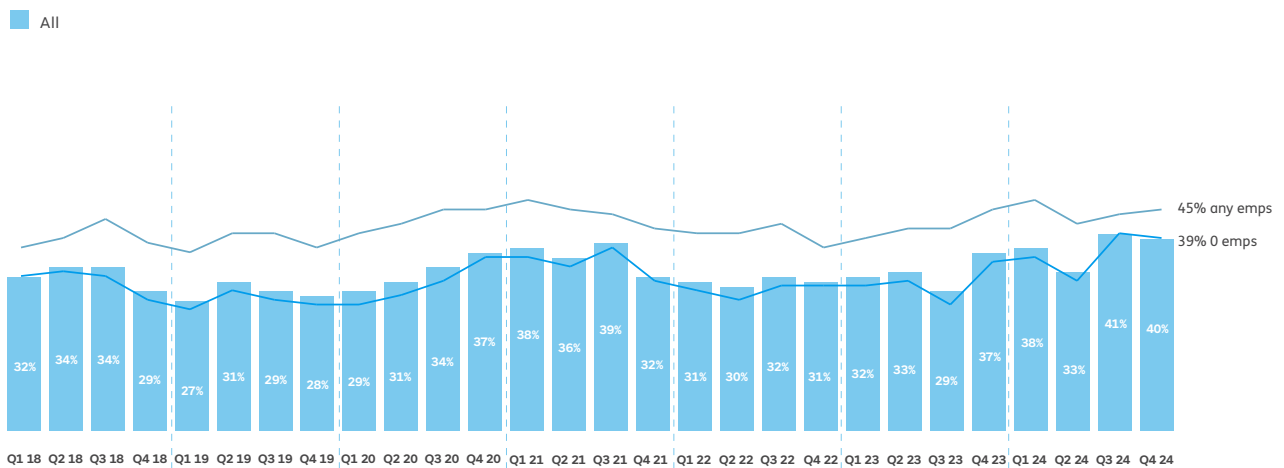
Proportion injecting personal funds into the business in last 12 months

Time series: Injections of personal funds



Happy to borrow to grow

Time Series: % agree that happy to use finance to help business grow

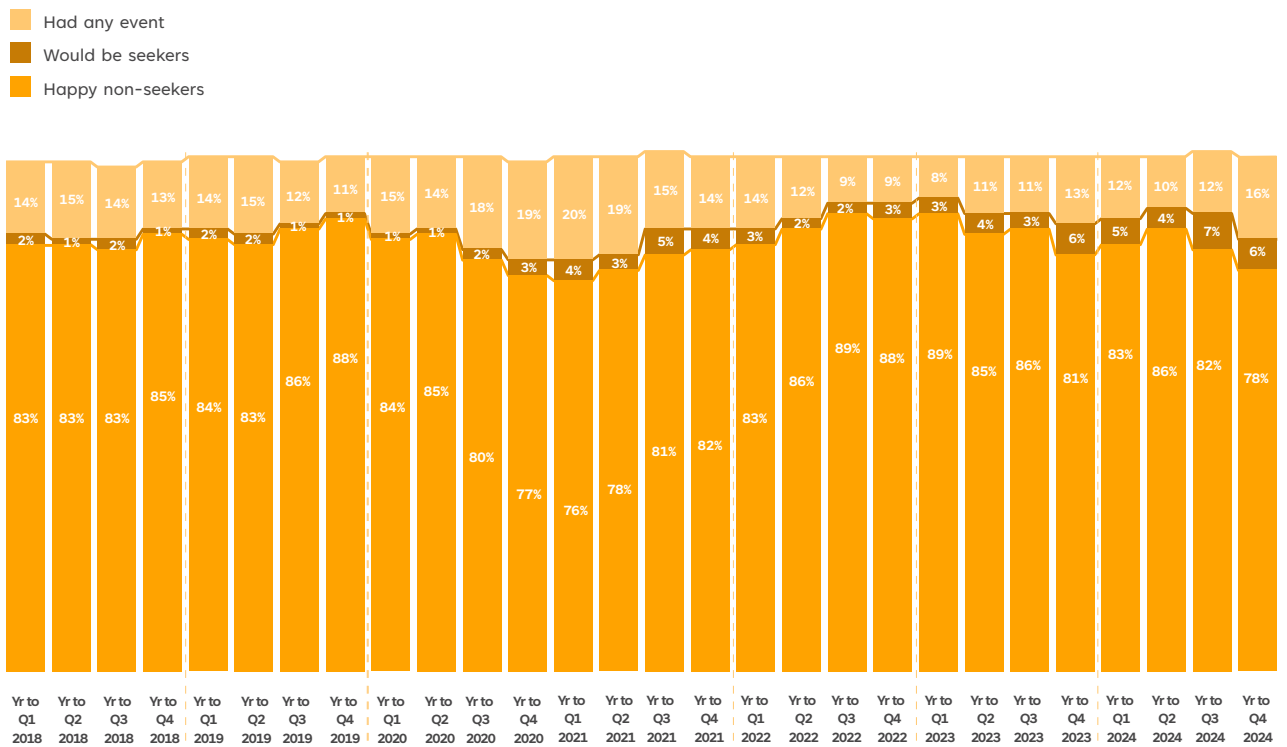


Q238

Charts reflecting data reported in Chapter 10

Classification of respondents based on borrowing behaviour in 12 months prior to interview

Time series: Borrowing profile in 12 months prior to interview

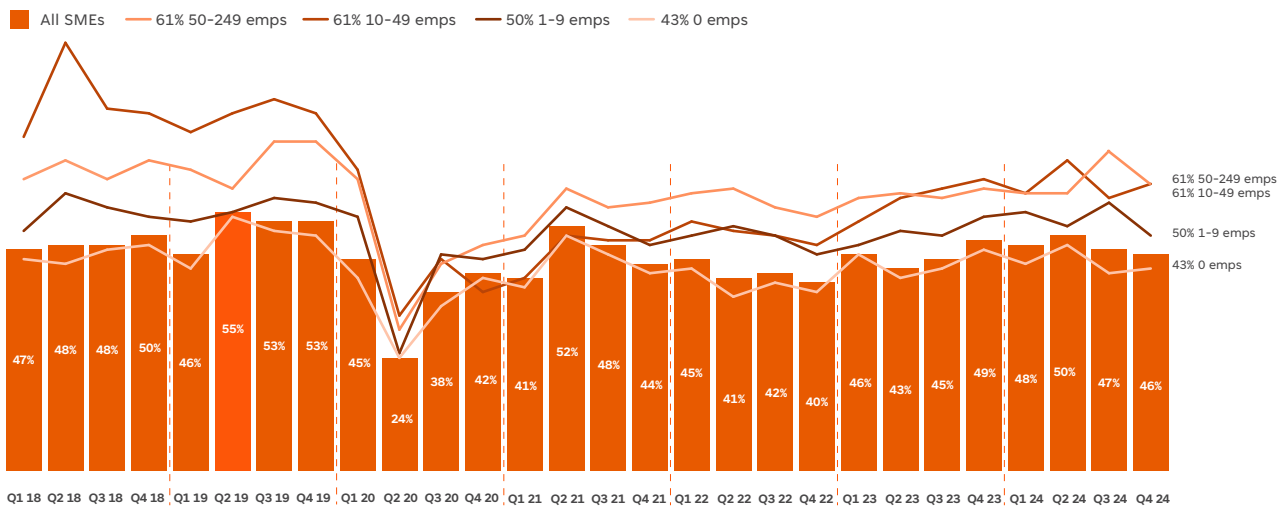


Q115/Q209

Charts reflecting data reported in Chapter 11

Plan to grow moderately/substantially in next 12 months

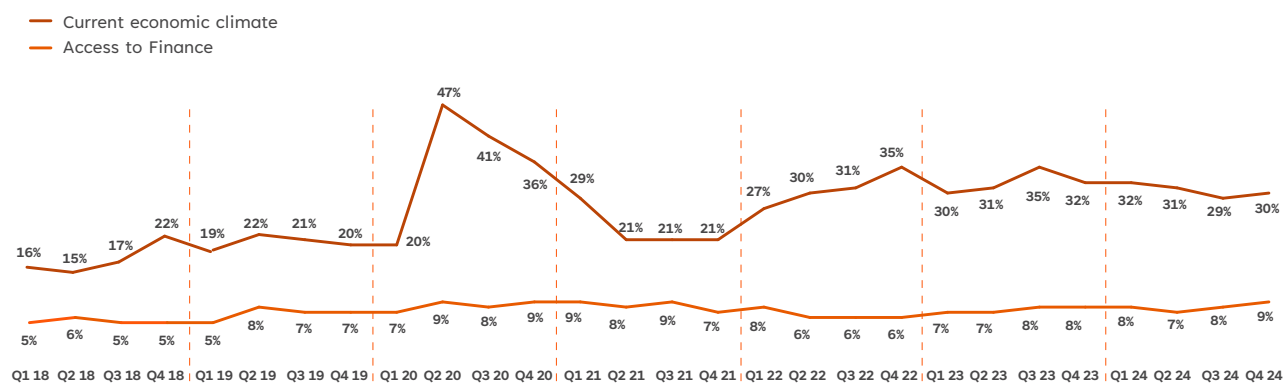
Time series: Plan to grow



Q26/Q225

Obstacles perceived to running business – Current economic climate and access to finance

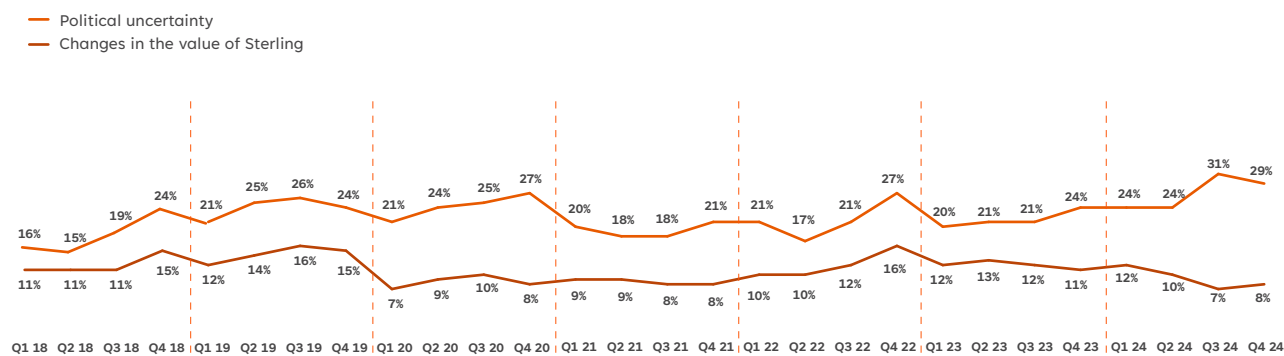
Time series: 8-10 major obstacle



Q227

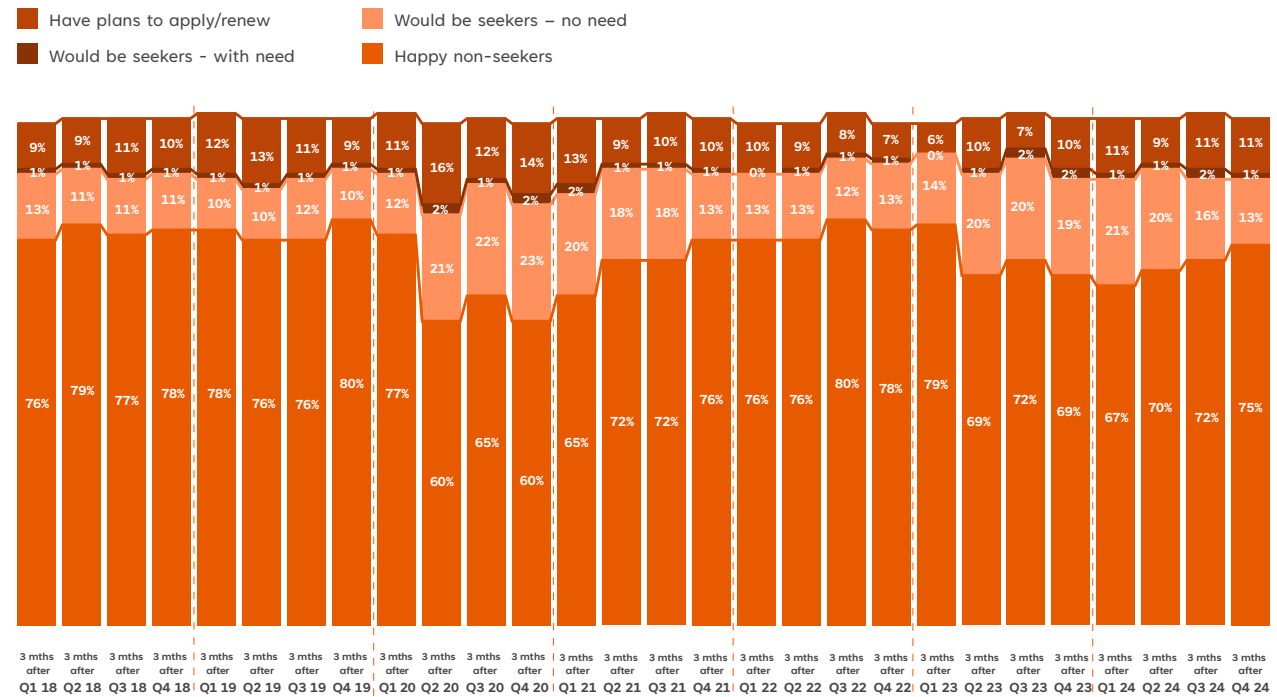
Obstacles perceived to running business – Political uncertainty and changes in the value of sterling

Time series: 8-10 major obstacle



Classification of respondents based on expected borrowing behaviour in 3 months after interview

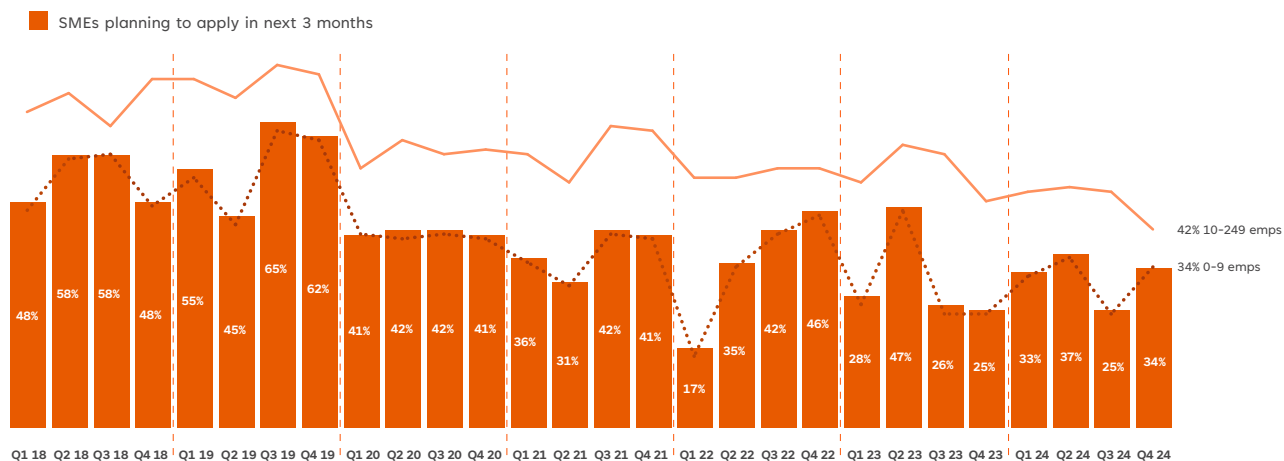
Time series: Anticipated borrowing profile for next 3 months



Q229

Confidence amongst those planning to apply for finance in 3 months after interview that bank will agree to request

Time series: 8-10 major obstacle



Q238



14. Technical appendix

THIS CHAPTER COVERS

the technical elements of the report – sample size
and structure.



Eligible SMEs

In order to qualify for interview, SMEs had to meet the following criteria in addition to the quotas by size, sector and region:

- not 50%+ owned by another company
- not run as a social enterprise or as a not for profit organisation
- turnover of less than £25m
- The respondent was the person in charge of managing the business's finances. No changes have been made to the screening criteria in any of the waves conducted to date.

Sample structure

Quotas were set overall by size of business, by number of employees, as shown below. The classic B2B sample structure over-samples the larger SMEs compared to their natural representation in the SME population, in order to generate robust sub-samples of these bigger SMEs. Fewer interviews were conducted with 0 employee businesses to allow for these extra interviews. This has an impact on the overall weighting efficiency (once the size bands are combined into the total), which is detailed later in this chapter.

The sample design shown below was adopted from Q1 2024 (based on 2023 DBT data), and the sample sizes shown were achieved once the Q4 2024 interviewing was complete. The total annual sample size has reduced over time from 20,000 interviews a year (up to 2015) to 17,000 a year currently and the data is grossed to a total of 5,156,629 SMEs.

Business size			
	% of universe	Total sample size	% of sample
Total	100%	17,000	100%
0 employee (resp)	73%	3400	21%
1-9 employees	22%	7000	41%
10-49 employees	4%	4600	27%
50-249 employees	1%	2000	12%

Overall quotas were set by sector and region as detailed below. In order to ensure a balanced sample, these overall region and sector quotas were then allocated within employee size band to ensure that SMEs of all sizes were interviewed in each sector and region.

Business sector*				
(SIC 2007 in brackets)	% of universe	Total sample size	% of sample	
AB Agriculture etc. (A)	3%	800	5%	
D Manufacturing (C)	5%	1800	10%	
F Construction (F)	17%	2600	15%	
G Wholesale etc. (G)	11%	2200	13%	
H Hotels etc. (I)	4%	1200	7%	
I Transport etc. (H&J)	13%	1800	11%	
K Property/Business Services (L,M,N)	27%	3800	22%	
N Health etc. (Q)	7%	1000	6%	
O Other (R&S)	12%	1800	11%	

Quotas were set overall to reflect the natural profile by sector, but with some amendments to ensure that a robust sub-sample was available for each sector. Thus, fewer interviews were conducted in Construction and Property/Business Services to allow for interviews in other sectors to be increased, in particular for Agriculture and the Hotel and Restaurant sector.

A similar procedure was followed for the regions and devolved nations:

Region	% of universe	Total sample size	% of sample
London	19%	2200	13%
South East	15%	2600	15%
South West	9%	1800	11%
East	10%	1800	11%
East Midlands	7%	1300	8%
North East	3%	600	4%
North West	10%	1400	8%
West Midlands	8%	1400	8%
Yorks & Humber	7%	1300	8%
Scotland	5%	1200	7%
Wales	4%	800	5%
Northern Ireland	2%	600	4%

Weighting

The weighting regime was initially applied separately to each quarter. The four most recent quarters were then combined and grossed to the total of 5,156,629 SMEs, based on DBT 2023 SME data.

This ensured that each individual wave is representative of all SMEs while the total interviews conducted in a 4-quarter period gross to the total of all SMEs.

The table below shows the new weighting being applied to interviews from Q1 2024 onwards:

		0	1-49	50-249	Total
AB	Agriculture, Hunting and Forestry; Fishing	2.14%	1.15%	0.03%	3.30%
D	Manufacturing	3.49%	1.59%	0.11%	5.20%
F	Construction	13.32%	3.75%	0.03%	17.10%
G	Wholesale and Retail Trade; Repairs	5.80%	4.70%	0.10%	10.60%
H	Hotels & Restaurants	1.54%	2.76%	0.06%	4.36%
I	Transport, Storage and Communication	10.44%	2.39%	0.08%	12.92%
K	Real Estate, Renting and Business Activities	20.24%	6.97%	0.17%	27.38%
N	Health and Social work	5.46%	1.10%	0.08%	6.64%
O	Other Community, Social and Personal Service Activities	10.62%	1.86%	0.02%	12.50%
		73.04%	26.28%	0.68%	

An additional weight then split the 1-49 employee band into 1-9 and 10-49 overall:

- 0 employee 73.04%
- 1-9 employees 22.1%
- 10-49 employees 4.18%
- 50-249 employees 0.68%

Overall rim weights were then applied for regions:

Region	% of universe
London	18.91%
South East	15.34%
South West	9.44%
East	10.25%
East Midlands	6.88%
North East	2.81%
North West	9.80%
West Midlands	8.07%
Yorks & Humber	7.00%
Scotland	5.36%
Wales	3.94%
Northern Ireland	2.20%

Finally, a weight was applied for Starts (Q13 codes 1 or 2) set, after consultation with stakeholders at 20%.

The up-weighting of the smaller SMEs and the down-weighting of the larger ones has an impact on weighting efficiency. Whereas the efficiency is 77% or more for the individual employee bands, the overall efficiency is reduced to 28% by the employee weighting, and this needs to be considered when looking at whether results are statistically significant. The table below is based on the new sample design of 17,000 interviews per year:

Business size				
	Sample size	Weighting efficiency	Effective sample size	Significant differences
Total	17,000	28%	4760	+/-2%
0 employee (resp)	3400	79%	2686	+/-3%
1-9 employees	7000	77%	5390	+/-2%
10-49 employees	4600	78%	3588	+/-2%
50-249 employees	2000	82%	1640	+/-3%

Analysis techniques

CHAID (or Chi-squared Automatic Interaction Detection) is an analytical technique, which uses Chi-squared significance testing to determine the most statistically significant differentiator on some target variable from a list of potential discriminators. It uses an iterative process to grow a 'decision tree', splitting each node by the most significant differentiator to produce another series of nodes as the possible responses to the differentiator. It continues this process until either there are no more statistically significant differentiators, or it reaches a specified limit. When using this analysis, we usually select the first two to three levels to be of primary interest.

This report is the largest and most detailed study of SMEs' views of bank finance ever undertaken in the UK. More importantly, this report is one of a series of regular reports. So not only is it based on a large enough sample for its findings to be robust, but over time the dataset has been building into a hugely valuable source of evidence about what is really happening in the SME finance market.

A report such as this can only cover the main headlines emerging from the results. Information within this report and extracts and summaries thereof are not offered as advice and must not be treated as a substitute for financial or economic advice. This report represents BVA BDRC's interpretation of the research information and is not intended to be used as a basis for financial or investment decisions. Advice from a suitably qualified professional should always be sought in relation to any particular matter or circumstance.

