SME FINANCE MONITOR

Q2 2026

Management Summary

UK Finance

Ipsos

Management Summary

Shiona Davies
Director
Shiona.Davies@ipsos.com

Challenges, Context & Business Sentiment

SMEs face a range of challenges to their business that are increasing steadily over time, led by the current economic climate, which is now back at Covid levels (42%). Those with 1-9 or 10-49 employees were typically more likely to see a range of barriers, with those with 50-249 employees somewhat less likely. 35% of SMEs in H1 2026 saw the new barrier of current levels of taxation on the business as key, with more of an impact on those with employees.

- 42% of SMEs saw the **current economic climate** as a key barrier YEQ2 2026. This is back to levels seen in the second half of 2020 during the pandemic and a further increase from the 30% seeing this as a barrier in 2024.
  - There was little to choose between SMEs up to 49 employees (41% 0 emps, 45% 1-9 emps and 42% 10-49 emps) seeing the economic climate as a barrier, with the largest SMEs somewhat less likely to be concerned (27%).
- **Political uncertainty / future government policy** was a key barrier for 39% of SMEs, also a further increase from the 26% seeing this as a barrier in 2024.
  - There was limited variation by size of SME (from 33% with 50-249 emps to 45% with 1-9 emps), but it was seen as a barrier by 48% of SMEs in Agriculture.
- The third key barrier was **higher costs**, more stable at 38% (from 35% in 2024) and ranging from 35% with 50-249 emps to 46% with 10-49 emps.
  - While 0 emp SMEs have seen little change in this as a barrier over time, those with employees have seen more of an increase, notably those with 10-49 emps (from 36% in 2024 to 46% YEQ2 2026).
- SMEs in Hotels & Restaurants, those planning to apply for finance and those expecting to be a Future would-be seeker of finance were more likely to see all of these three as barriers.

- **Legislation, regulation and red tape** is now a barrier for 30% of SMEs from 23% in 2024, and increasing across all four size bands, notably those with 1-9 emps (up 9 points to 36%) and those with 10-49 emps (up 12 points to 34%).
- In H1 2026, a new barrier was added – **current levels of taxation** on your business. This was seen as a barrier by 35% of SMEs interviewed in the first half of the year, making it the 4th ranked barrier overall behind the economic climate, political uncertainty and higher costs. Analysis by size showed that those with 0 emps were less likely to see it as a barrier (31%) but amongst those with employees it was the 2nd most mentioned barrier:
  - 46% for those with 1-9 emps, placing it equal second with political uncertainty just behind the economic climate (49%).
  - 48% for those with 10-49 emps, placing it just 1 point behind their top barrier, higher costs (49%).
  - 41% for those with 50-249 emps, placing it just behind their top barrier, higher costs (45%).

Employers have become increasingly likely to say that they have no plans to recruit (39% YEQ2 2026) than to say they are struggling to recruit (20%) though clear differences by size of SME remained. Since 2022 the proportion of 1-9 emp SMEs with no plans to recruit has doubled to 42%.

- 39% of SMEs with employees said they had **no plans to recruit** in the next 6 months and this was more likely to be the case for those with 1-9 emps (42%) than those with 10-49 or 50-249 emps (29% and 15%).
- 20% of SME employers were **struggling to find the people they needed**. Here the pattern by size is reversed, with the largest SMEs with 50-249 emps most likely to be struggling to recruit (31%) followed by those with 10-49 emps (29%) and then those with 1-9 emps (18%).
- H2 2022 to YEQ2 2026, the proportion of SME employers with no plans to recruit in the next 6 months increased from 24% to 39%:
  - This has been driven by those with 1-9 emps where the proportion with no plans to recruit increased from 18% in H2 2022 to 42% YEQ2 2026, with a marked increase over the same period for those with 10-49 emps (14% to 29%) and a smaller increase for those with 50-249 emps (8% to 15%).

- Over the same period the proportion struggling to recruit declined from 26% to 20%:
  - This has been driven by those with 50-249 emps where the proportion struggling to recruit decreased from 46% in H2 2022 to 31% YEQ2 2026, with a marked decrease over the same period for those with 10-49 emps (41% to 29%) and little change for those with 0 emps (22% to 18%).

Levels of profitability remained stable (80%), as did injections of personal funds (33%), while more SMEs were holding £10,000 or more of credit balances (35%). The proportion of SMEs trading internationally (21%) or with a mentor (15%) were stable, but slightly fewer had planned (48%).

- 80% of SMEs reported making a **profit** YEQ2 2026, little changed from 2025 (79%) and in line with pre-pandemic levels. There was limited variation by size of SME (79% for 0 emps to 88% for those with 50-249 emps).
- 1 in 3 SMEs reported an **injection of personal funds** (33%) and this remained more likely to have been something they felt that they had to do (21%) than a choice (12%). Injections of funds remained more common for those with 0 emps (34%) and 1-9 emps (30%) than for those with 10-49 emps (20%) or 50-249 emps (10%).
  - There has been a decline in injections of personal funds since 2024 (down 4 points from 37%), driven by the two smaller SMEs bands (down 5 points and 3 points respectively) but over the same time frame injections of personal funds have become more common for larger SMEs, up 6 points for those with 10-49 emps and 3 points for those with 50-249 emps.
- 35% of SMEs reported holding £10,000 or more in **credit balances**. This proportion increased markedly by size of SME from 26% of those with 0 emps to 92% of those with 50-249 emps.
  - This is higher than for SMEs in 2024 and 2025 (29-30%), and back in line with 2022-23, with the increase seen across all size bands.
- 21% of SMEs traded **internationally**, increasing by size from 19% with 0 emps to 36% with 50-249 emps and still more common for those in Manufacturing (40%) and Wholesale / Retail (33%). A quarter of exporters said overseas trade made up half or more of all revenue and 4 in 10 were reliant on their overseas sales to achieve their overall targets.

There has been a further increase in the proportion of SMEs feeling the future offers mostly threats (now 35%) and a reduction in those saying it offers mostly opportunities (to 24%). This negative net score of -11 is the lowest seen. Meanwhile 1 in 3 SMEs was feeling 'Well off / Comfortable' and 1 in 5, typically smaller, SMEs were 'Struggling'.

- After several years (2021-24) where a stable 3 in 10 SMEs saw the future offering mainly **opportunities**, this proportion has declined to 24% of SMEs YEQ2 2026, with limited variation by size of SME (24-26%).
- Meanwhile, since 2021 the proportion seeing mainly **threats** has increased steadily and was 35% YEQ2 2026. Here there is some variation by size of SME: 35% for 0 emp SMEs and 37% for those with 1-9 emps then 33% for those with 10-49 emps and 24% for those with 50-249 emps.
- This produces an overall **net score** (opportunities – threats) of -11, compared to -5 in 2025 and +14 in both 2021 and 2022.
  - The overall net score was lower for those trading for 10+ yrs (-15), those in Hotels & Restaurants (-24) or Transport (-20) and those with no plans to grow (-20), as well as Future would-be seekers of finance (-36).
  - Better net scores were seen for those with 50-249 emps (+2), Starts (+7), and Permanent non-borrowers (+3).
- Meanwhile, 32% of SMEs rated themselves as either **Well off** (4%) or **Comfortable** (28%), increasing by size of SME from 30% of those with 0 emps to 51% of those with 50-249 emps. Also more likely to be Well off / Comfortable were PNBs (40%) and those that have grown (50%).
- 22% of SMEs said they were **Struggling**, with income not matching outgoings. 24% of 0 emp SMEs were struggling, decreasing by size to 9% of those with 50-249 emps. Those more likely to be Struggling included those in Hotels & Restaurants (28%), those planning to apply for finance (36%) and those expecting to be a Future would-be seeker of finance (37%).
  - The proportion of SMEs struggling increased from 19% in 2023 to 25% in 2025 but was somewhat lower in the current period (22%) and across all size bands.

Growth & Innovation

A stable 27% of SMEs (excluding Starts) had grown in the previous 12 months, increasing by size of SME and decreasing by age. This remained below the more usual 4 in 10 growing pre-pandemic, while the proportion of SMEs reporting a decline (a stable 33%) remained above pre-pandemic levels.

- YEQ2 2026, 27% of SMEs (excluding Starts) reported having **grown**. This increased by size of SME, from 23% with 0 emps to 49% with 50-249 emps, and decreased by age from 40% trading for 2-5 years to 23% trading for 10+ years.
- Those more likely to have grown included those in Agriculture (32%) and those both importing and exporting (34%).
  - Since 2023 growth has been stable (27-29%) overall. It has **declined** slightly for those with 0 emps (26% to 23%) and 10-49 emps (48% to 44%) and increased slightly for the largest SMEs (45% to 49%). All sizes of SME were less likely to have grown than pre-pandemic.
- YEQ2 2026, 33% of SMEs (excluding Starts) reported having declined. This decreased by size of SME, from 36% with 0 emps to 17% with 50-249 emps, and increased by age from 22% trading for 2-5 years to 36% trading for 10+ years.
- Those more likely to have declined included those in Transport (37%) those with no plans to grow (39%) and those expecting to be a Future would-be seeker of finance (49%).
  - Pre-pandemic, 10-20% of SMEs reported having declined, increasing to 56% in 2021, but since 2023, a stable 1 in 3 SMEs had declined. Whilst larger SMEs remained less likely to have declined than their smaller peers, the proportion has increased somewhat since 2021 (up 5 points to 20% for those with 10-49 emps and up 6 points to 17% for those with 50-249 emps).

57% of SMEs had either innovated recently (42%) or planned to (42%), both increasing by size of SME and declining by age. Innovation was more likely to involve improving an aspect of the business than a new product or service.

- 36% of SMEs had significantly improved an aspect of the business and 21% had launched a new product or service, with 42% having **been innovative**, little changed over recent years.
- Looking forward, 35% of SMEs planned to significantly improve an aspect of the business and 22% to launch a new product or service, with 42% **planning to be innovative**, little changed over recent years.
- Taken together, a stable 57% of SMEs reported **any innovation**, having either been innovative and/or planning to be.
  - Any innovation increased by size of SME from 53% of those with 0 emps to 84% of those with 50-249 emps and declined by age of SME from 75% of Starts to 52% of those trading for 10+ years.
  - It was somewhat higher for those in Manufacturing (64%), those planning to grow (76%) those both importing and exporting (83%) and those planning to apply for finance (70%).

42% of SMEs were planning to grow in the coming year, still somewhat below the 47% planning to grow in 2024 but still close to pre-pandemic growth aspirations. Larger and younger SMEs remained more likely to be planning to grow. In recent years, SMEs have found it harder to accurately predict future growth.

- 42% of SMEs were planning to grow YEQ2 2026. This ranged from 39% of those with 0 emps to 63% of those with 50-249 emps and was also higher for Starts (82%), decreasing by age to 35% of those trading for 15+ years.
- Others more likely to be planning to grow included those in Manufacturing (48%), those who grew in the previous year (65%), those both importing and exporting (62%) and those planning to apply for finance (59%).
  - Pre-pandemic 43-45% of SMEs planned to grow and so the current overall figure is in line with that.

- However, whilst growth aspirations for those with 0 or 1-9 emps recovered post pandemic fairly quickly, larger SMEs have taken longer, though the 62% and 65% planning to grow YEQ2 2026 were more in line with those earlier aspirations.

- SMEs were more likely to be planning to grow (42%) than to have grown (27%) and this is especially true for 0 emp SMEs (39% v 23%), those in Manufacturing (48% v 30%) those both importing and exporting (62% v 34%) and those planning to apply for finance (59% v 31%).
- A stable 19% of SMEs had grown in the past year and planned to grow in the coming year, increasing to 27% of those with employees.
- 2014-2018, the growth predictions made by SMEs in one year were matched by the growth achieved (by a different cohort of SMEs) in the following year. That changed in the pandemic for obvious reasons, but that gap remains: in 2025, 38% thought they would grow in 2026, but growth is currently 27%.

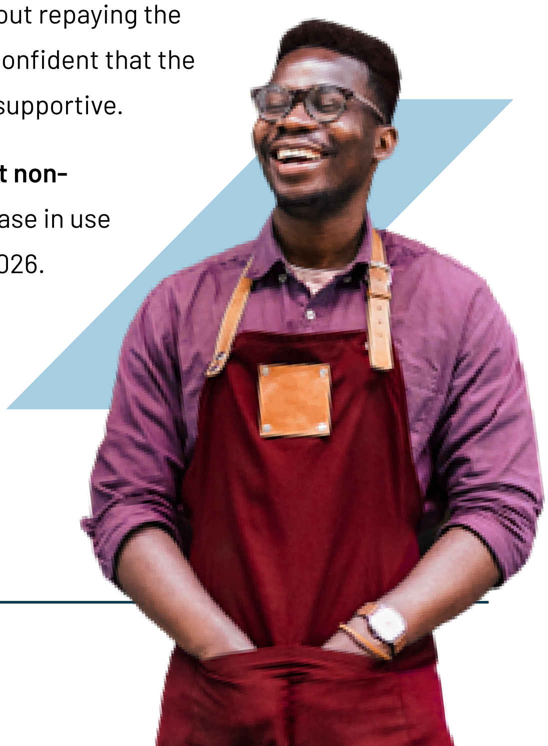
A quarter of SMEs (26%) planned to both grow and innovate in the coming year and were thus "Ambitious Innovators". These SMEs were more likely to have already grown and innovated, to see the future offering opportunities and to plan to use, and apply for, finance.

- 26% of SMEs were planning to both grow and innovate – the **Ambitious Innovators** – a group that has changed very little since 2024. 31% of SMEs planned to either grow or innovate but not both, and 42% had no plans to do either.
  - Younger and larger SMEs were more likely to meet the AI definition (Starts 63% and 50-249 emps 47%), as were those in Manufacturing (33%) those both importing and exporting (47%) and those planning to apply for finance (43%).
  - Meanwhile, those more likely to have no plans to grow or innovate included those with 0 emps (46%), those trading for 15+ years (52%), PNBs (51%) and those in Construction (53%).
- As well as their future intentions, Ambitious Innovators were more likely to have grown in the past year (45%) and innovated (69%) and unlike SMEs overall they were as likely to see the future offering opportunities as threats (both 29%). They were more likely to be using external finance (57%) and to be planning to apply (24%).

External Finance

One of the key developments in the first half of 2026 is the further increase in the use of external finance (to 51% YEQ2 2026), across all size bands but notably the largest SMEs. Use of credit cards (20%) and overdrafts (16%) also increased as has leasing / HP (13%). The increased use of finance has resulted in fewer SMEs meeting the definition of a Permanent non-borrower with little apparent interest in funding.

- YEQ2 2026, 51% of SMEs were using **external finance**, including 17% still repaying pandemic funding. Use of any finance increased by size of SME from 46% of those with 0 emps to 66% of those with 50-249 emps. Those more likely to be using external finance also included those trading for 6-9 years (57%), those in Agriculture (60%) and import-only SMEs (59%).
  - This increase from 46% in 2025 was seen across size bands but notably for those with 50-249 emps (from 46% to 66%).
- Use of **credit cards** and **overdrafts** was higher YEQ2 2026 (both up 5 points from 2024). For the largest SMEs with a re-discovered appetite for finance, use of credit cards was up 15 points on 2024 to 38%, and there was also a 10 point increase in the use of leasing to 31%.
- Whilst the majority of SMEs with a credit card always or usually **pay off the balance** each month (68%) the proportion that don't has increased from 28% to 32%.
- 18% of those using external finance (8% of all SMEs) were concerned about repaying the finance they already had. Those yet to speak to their lender were more confident that the bank would treat them fairly than that it could offer practical help or be supportive.
- Typically, just under half of SMEs have met the definition of a **Permanent non-borrower**, an SME with no use of, or appetite for, finance. With the increase in use of external finance, 34% of SMEs met the definition of a PNB for YEQ2 2026.
- 0 emp SMEs were almost as likely to be a PNB (37%) as to use external finance (46%) as were Starts (35% v 38%) but for larger and older SMEs the gap was wider, in favour of external finance.
- SMEs in Health were the only sector more likely to be PNB than use finance (48% v 34%).



Attitudinally, many SMEs continued to agree that they would rather grow more slowly than borrow to grow (77%), and 6 in 10 were being cautious with their plans due to the future feeling uncertain. 1 in 6 SMEs were happy to borrow to grow but also thought it could be difficult for them to get finance.

- 62% agreed that because the **future felt uncertain they were being cautious with their plans** for the business, and this was more likely to be the case for SMEs with 1-9 or 10-49 emps (68% and 66%), as well as those who were Struggling (79%) and those with a future appetite for finance (73% if planned to apply and 75% if a Future would-be seeker).
- A stable 33% of SMEs were **happy to borrow to grow**, increasing by size of SME from 29% with 0 emps to 51% with 50-249 emps. Meanwhile, 37% thought it could be **difficult for an SME like theirs to get finance** this time decreasing by size of SME from 38% with 0 emps to 20% with 50-249 emps.
  - Put together, 16% of SMEs agreed both that they would be happy to borrow to grow but that it could be difficult for them to get finance, with limited variation by size (14% 50-249 emps to 18% 1-9 emps) but higher for Starts (32%) and those planning to apply (40%).

5% of SMEs reported having had a need for funding. Most took some action, and of those, half applied for finance. Overall, 16% of SMEs reported any borrowing event, and 6% had been a Would-be seeker with something stopping them applying for finance (typically the process of borrowing and the economic climate). 78% had been a Happy non-seeker of finance.

- 7% of SMEs reported having had a **need for funding**, in line with 2024-2025 due to the 0 emp SMEs (7%) but with an increased appetite for funding for those with employees (9-10%).
- Slightly more (63%) of those who acted **considered applying** (56-58% in recent years) and 51% **did apply**, stable from 2023, with half of those applications to the main bank.
- More SMEs **self-funded** all or some of their need for finance (36%, up from 18% in 2024).
- Overall, 16% reported **any borrowing event** (including the automatic renewal of an overdraft), a further increase from 11% in 2022-23. Borrowing events were more common for those with 10-49 emps (23%), those in Agriculture (26%) and those both importing and exporting (20%).

- 6% of SMEs had been a **Would-be seeker of finance** (wanting to apply but something stopped them) Whilst this group remained a limited size, it has increased somewhat over time (3% of SMEs were WBS in 2022).
  - The **key barriers** to seeking finance for this group were the process of borrowing (29%) and the current economic climate (22%).
- 22% of SMEs YEQ2 2026 had **any past engagement with finance** (an event or a WBS), a further increase from the 13% with any engagement in 2022 and ranging from 21% of 0 emp SMEs to 26% of those with 10-49 emps.

In the 18 months to Q2 2026, 52% of all applications made for new or renewed finance resulted in a facility. 9% were offered a facility but chose not to take it and 39% were declined. This success rate was in line with recent previous periods, but still below pre-pandemic levels when 7 in 10 applications were typically successful, due to lower success rates for smaller applicants currently.

- Across applications made in the 18 months to Q2 2026, 52% **resulted in a facility**. 9% were offered something but turned it down and 39% were **declined**.
- These figures are in line with applications made in other recent periods back to 2021 but below the 7 in 10 success rates typically seen pre-pandemic.
- There remained clear **differences in success rate by size of applicant**: 78% of those with 10-49 emps and 81% of those with 50-249 emps were successful in the latest period, compared to 42% of those with 0 emps and 64% of those with 1-9 emps.

Looking forward, more SMEs, 15%, planned to apply for finance, 16% were Future would-be seekers (typically citing the economic climate as a barrier) and 69% expected to be a Future happy non-seeker of finance. 45% of all SMEs were confident of success if they were to apply.

- The proportion of SMEs **planning to apply** has increased steadily from 2022-23 from 8% of SMEs to 15% currently.
  - 0 emp SMEs remained less likely to be planning to apply (13%) compared to 20% of those with 1-9 emps, 23% with 10-49 emps and 19% with 50-249 emps. Starts (22%) and those planning to grow (21%) were also more likely to be planning to apply as were those already using external finance (25%).

- 16% of SMEs expected to be a **Future would-be seekers,** saying something would stop them applying for finance, with no clear pattern over time (14-19% since 2022).
  - 0 emps SMEs were more likely to expect to be a FWBS (16%), declining by size to 10% of those with 50-249 emps. Starts were again more likely to meet the definition (21%) as were SMEs in Hotels & Restaurants (20%).
  - 40% of FWBS said the current economic climate was the **main barrier** to an application. Asked what would need to change, the key theme was **certainty** – in the economic outlook, in the clarity of government policies or from a steady increase in customer demand.
- 31% of SMEs YEQ2 2026 expected **any future engagement with finance** (to apply or a FWBS), up from 25% in 2025 and ranging from 29% of 0 emp and 50-249 emp SMEs to 35% of those with 1-9 or 10-49 emps.
- 45% of all SMEs were confident that they **would be successful** if they were to apply to their bank, increasing by size of SME from 42% of those with 0 emps to 73% of those with 50-249 emps. Since 2016 confidence has declined steadily from 65% to the 45% seen in the current period.
  - Confidence remained higher amongst those with no plans to apply (49% for Future HNS) but this continued the decline seen over time (in 2016, 69% of FHNS were confident of success).
  - 39% of those planning to apply were confident of success, a further improvement from 2023 when 32% were confident, but still below 2016 levels (55%).
  - 36% of Future WBS were confident of success with no clear pattern over recent years but again lower than in 2026 (50%).

About Ipsos

In our world of rapid change, the need for reliable information to make confident decisions has never been greater. At Ipsos we believe our clients need more than a data supplier, they need a partner who can produce accurate and relevant information and turn it into actionable truth.

This is why our passionately curious experts not only provide the most precise measurement, but shape it to provide a true understanding of society, markets and people. To do this, we use the best of science, technology and know-how and apply the principles of security, simplicity, speed and substance to everything we do.

So that our clients can act faster, smarter and bolder.

Ultimately, success comes down to a simple truth:
You act better when you are sure.

For more insights

www.ipsos.com/en-uk

Ipsos UK

Ipsos UK