

# 10 NOT LOOKING TO BORROW

## **THIS CHAPTER PROVIDES**

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.

## KEY FINDINGS

**An unfulfilled wish to borrow:** 13% of SMEs in 2019 reported a borrowing ‘event’ while 1% met the definition of a ‘Would-be seeker’ of finance (an SME that wanted to apply for finance but felt that something stopped them).

- There was little variation in Would-be seekers by size of SME, external risk rating, age of business or sector (all 1-2% with the slight exception of 3% of those in the Hotel & Restaurant sector and of those trading for 2-5 years).
- The proportion of Would-be seekers has declined over time, from 10% of all SMEs in 2012 to 2% in 2016 and stable since.
- 4 in 10 Would-be seekers (41%) said that it was the process of borrowing that had stopped them applying, typically the expense or the hassle. 28% mentioned the principle of borrowing, such as being able to raise personal funds if needed, while 14% had felt discouraged from applying.
- Would-be seekers and those who have had a borrowing event have a similar attitude to finance, with the exception of Would-be seekers being more likely to feel that the future is uncertain and being slightly less happy to use finance to help the business grow.

**Happy non-seekers of finance:** As in previous waves, most respondents (85%) met the definition of a ‘Happy non-seeker’ of finance who had not sought, nor wanted to seek, finance in the previous 12 months.

- This was slightly more likely to be the case for smaller SMEs, but HNS were the largest group across all sizes of SME (87% of those with 0 employees to 79% of those with 50-249 employees).
- SMEs in Construction and Health were the most likely to meet the definition of HNS (both 88%) while those in Agriculture were the least likely (79%).
- Between 2012 and 2016, as fewer SMEs reported an appetite for finance, the proportion of Happy non-seekers increased (68% to 84%) and has been broadly stable since.

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- Attitudinally, HNS were less likely to have an ambition to be significantly bigger or to feel that the future was uncertain. They were less likely to be happy to borrow to grow but also less likely to think they would have difficulty accessing finance if it were needed.

**Previous declines:** Earlier research identified that a previous decline could continue to impact on demand for finance for a number of years. 3% of all SMEs in 2019 reported a previous decline for finance, with 7 in 10 going on to say that it had made them more reluctant to apply subsequently, the equivalent of 2% of all SMEs. It should be noted that 66% of those made more reluctant by a previous decline were using external finance when interviewed and 40% had experienced a borrowing 'event' in the previous 12 months.

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

In previous reports all SMEs were allocated to one of three groups, depending of their experience in the previous 12 months of both overdrafts and loans:

- **Had an event:** those SMEs reporting any Type 1, 2 or 3 loan or overdraft borrowing event in the previous 12 months, or an automatic renewal of an overdraft facility.
- **Would-be seekers:** those SMEs that had not had a loan or overdraft borrowing event/automatic renewal, and said something had stopped them applying for either loan or overdraft funding in the previous 12 months.
- **Happy non-seekers:** those SMEs that had not had a loan/overdraft borrowing event/automatic renewal, but said that nothing had stopped them applying for either loan or overdraft funding in the previous 12 months.

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.

Where applicable, data is shown over time, accepting the changes made to the definitions in Q1 2018.

## 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. Whilst the nature of the events has changed slightly from Q1 2018, data is still comparable.

Over recent quarters, most SMEs met the definition of a Happy non-seeker of finance (88% in Q4 2019, the highest level seen in recent quarters), while the proportion of Would-be seekers remained low (1% in Q4 2019). The proportion of SMEs reporting an event was 11% in Q4 2019, somewhat lower than in other recent quarters:

### Any events

Over time – all SMES By date of interview	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>Unweighted base:</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4502</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>	<b>4500</b>
Have had an event	18%	14%	15%	14%	13%	14%	15%	12%	11%
• <i>New or (auto) renewed facility</i>	16%	12%	12%	13%	12%	13%	14%	11%	9%
• <i>Type 2 or 3 events</i>	3%	3%	4%	2%	2%	2%	2%	2%	3%
Would-be seekers	2%	2%	1%	2%	1%	2%	2%	1%	1%
Happy non-seekers	80%	83%	83%	83%	85%	84%	83%	86%	88%

Pastevt All SMEs NEW DEFINITION Q1 2018

Happy non-seekers can, and do, use external finance (the definition is based on borrowing events in the previous 12 months, not use of finance per se). Since 2015 around a quarter of Happy non-seekers have been using external finance (28% for 2018), with the figure for 2019 somewhat higher (38%).

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

As in previous periods, SMEs with no employees were less likely to have had an 'event' than those with employees and were therefore somewhat more likely to meet the definition of a Happy non-seeker of finance:

<b>Any events</b>		0	1-9	10-49	50-249
YEQ4 19 All SMES	Total	emp	emps	emps	emps
<b>Unweighted base:</b>	<b>18,000</b>	<b>3600</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Have had an event	13%	12%	17%	21%	21%
Would-be seekers	1%	1%	2%	1%	1%
Happy non-seekers	85%	87%	81%	78%	79%

### Pastfin All SMEs

SMEs with employees were more likely to have experienced a borrowing event (17%). 1% met the definition of a Would-be seeker of finance, with the largest group, as overall, the Happy non-seekers (81%).

There was little variation by risk rating, with over 8 in 10 SMEs in each category meeting the definition of a Happy non-seeker:

<b>Any events</b>		Min	Low	Avge	Worse/ Avge
YEQ4 19 All SMEs with a risk rating	Total				
<b>Unweighted base:</b>	<b>18,000</b>	<b>3187</b>	<b>5361</b>	<b>4171</b>	<b>3578</b>
Have had an event	13%	13%	15%	13%	13%
Would-be seekers	1%	1%	1%	2%	2%
Happy non-seekers	85%	86%	83%	85%	85%

### Pastfin All SMEs

Those currently using external finance were no more or less likely to be a Would-be seeker (2% v 1% not using external finance) but remained much more likely to have had an event (26% v 3% of SMEs not using external finance).

The proportion of Would-be seekers varied relatively little by sector (1-3%). Only slight variation was seen in terms of Happy non-seekers, which accounted for 88% of those in the Health sector, compared to 79% of those in Agriculture (who were more likely to have had an event):

**Any events**

All SMEs YEQ4 19	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop / Bus	Hlth SWrk	Other Comm
<b>Unweighted base:</b>	<b>1200</b>	<b>1500</b>	<b>3200</b>	<b>1800</b>	<b>1200</b>	<b>2000</b>	<b>3600</b>	<b>1500</b>	<b>2000</b>
Have had an event	20%	14%	11%	19%	14%	14%	11%	11%	14%
Would-be seekers	1%	2%	1%	1%	3%	2%	1%	1%	2%
Happy non-seekers	79%	84%	88%	80%	82%	84%	87%	88%	83%

## Pastfin All SMEs

SMEs trading for 2- 5 years were somewhat more likely to meet the definition of a Would-be seeker, while Starts and those trading for 10 years or more were slightly more likely to have had a borrowing event. Those trading for 6-9 years were the most likely to have been a Happy non-seeker of finance (88%) with little variation otherwise by age:

**Any events**

All SMEs YEQ4 19	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15+ yrs
<b>Unweighted base:</b>	<b>1828</b>	<b>1614</b>	<b>1863</b>	<b>2899</b>	<b>9796</b>
Have had an event	13%	11%	10%	14%	15%
Would-be seekers	1%	3%	1%	1%	1%
Happy non-seekers	86%	85%	88%	84%	84%

## Pastfin All SMEs

## ANALYSIS OVER TIME

The table below takes a longer term annual view back to 2012, accepting the changes to the questionnaire made over this period (summarised at the start of the chapter). The proportion of Happy non-seekers of finance rose steadily 2012 to 2016, as appetite for finance fell and has been stable since. Appetite for finance has also been more stable 2016-2019:

<b>Any events</b>								
Over time – all SMEs	2012	2013	2014	2015	2016	2017	2018	2019
<i>Unweighted base:</i>	20,055	20,036	20,055	20,046	18,000	18,102	18,002	18,000
Have had an event	23%	17%	16%	17%	13%	15%	14%	13%
Would-be seekers	10%	6%	5%	3%	2%	2%	2%	1%
Happy non-seekers	68%	77%	79%	80%	84%	83%	83%	85%

### Pastfin All SMEs

Analysis of SMEs with employees over time showed that they had also become less likely to have had an event (from 33% in 2012 to 17% in 2019), or to have been a Would-be seeker of finance (8% to 1%). As a result, the Happy non-seekers increased from 59% of SMEs with employees in 2012 to 81% in 2019.

The impact on these longer term trends once the Permanent non-borrowers are excluded is reported later in this chapter.

Taking a longer term view of Would-be seekers back to 2012 shows the proportion declined from 10% in 2012 to 2% in 2016 and has been stable since. The decline was most marked for smaller SMEs and those with a worse than average risk rating as larger SMEs and those with a minimal risk rating were always less likely to have been a Would-be seeker of finance.

### Would-be seekers

Over time – row percentages

By date of interview

	2012	2013	2014	2015	2016	2017	2018	2019
<b>All SMEs</b>	<b>10%</b>	<b>6%</b>	<b>5%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>1%</b>
0 employee	10%	6%	5%	4%	2%	2%	2%	1%
1-9 employees	9%	6%	4%	3%	3%	2%	2%	2%
10-49 employees	6%	3%	2%	2%	1%	1%	1%	1%
50-249 employees	4%	1%	1%	1%	1%	*	1%	1%
Minimal external risk rating	4%	3%	1%	1%	2%	1%	1%	1%
Low external risk rating	7%	3%	2%	2%	1%	1%	1%	1%
Average external risk rating	8%	6%	3%	3%	2%	2%	1%	2%
Worse than average external risk rating	11%	6%	6%	4%	3%	3%	2%	2%
Agriculture	7%	4%	3%	3%	2%	2%	1%	1%
Manufacturing	8%	4%	4%	4%	3%	2%	2%	2%
Construction	10%	7%	4%	3%	2%	2%	2%	1%
Wholesale/Retail	10%	6%	5%	4%	3%	3%	1%	1%
Hotels & Restaurants	9%	7%	6%	4%	4%	3%	3%	3%
Transport	11%	8%	7%	4%	3%	3%	1%	2%
Property/Business Services etc.	9%	6%	3%	3%	2%	3%	2%	1%
Health	8%	5%	4%	2%	1%	1%	2%	1%
Other Community	11%	5%	6%	5%	2%	2%	2%	2%
All excluding PNBs	15%	10%	8%	6%	4%	4%	3%	2%

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 the themes shown below, and respondents could initially nominate as many reasons as they wished for not having applied when they wanted to.

The reasons given YEQ4 2019, using the new questionnaire structure were:

**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). This was given as a reason by 26% of all Would-be seekers YEQ4 2019 and was less of an issue than in previous years (50% in 2017).

**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 52% of all Would-be seekers YEQ4 2019, up from 37% for 2018, and back in line with 2017 (48%).

**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 37% of all Would-be seekers YEQ4 2019, up from 19% in 2017 and ahead of levels previously seen (29% in 2015).

**Current economic climate** – those that felt that it had not been the right time to borrow. This was given as a reason by 17% of all Would-be seekers YEQ4 2019, in line with 2018 (19%) which was the highest level seen to date (9% in 2017).

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 2015, any mentions of each of the four key themes by Would-be seekers:

<b>All reasons for not applying for finance</b>					
Over time – all Would-be seekers	2015	2016	2017	2018	2019
<b>Unweighted base:</b>	<b>485</b>	<b>318</b>	<b>277</b>	<b>225</b>	<b>190</b>
Discouraged (any)	42%	45%	50%	29%	26%
Issues with <u>process</u> of borrowing	48%	32%	48%	37%	52%
Issues with <u>principle</u> of borrowing	29%	26%	19%	29%	37%
Economic climate	11%	13%	9%	19%	17%

Q32/77 and Q32b/77b (210/210a) All Would-be seekers SMEs that wished they had applied for finance excl DK

In the past, the two key reasons for not applying were discouragement (almost all of it indirect) and the process of borrowing. In 2018, the reasons became more evenly spread across the 4 potential categories than previously, while in 2019 there were more mentions again of the process of borrowing and also the principle, both ahead of discouragement which remains at lower levels than previously seen.

The table below shows the results for YEQ4 2019, and all the reasons for not applying for finance 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 key reason for not applying and these are also shown in the table below:

All Would-be seekers YEQ4 19 excluding DK	All reasons	Main reason
<b>Unweighted base:</b>	<b>190</b>	<b>172</b>
Issues with <u>process</u> of borrowing	52%	41%
-Would be too much hassle	21%	13%
-Thought would be too expensive	22%	16%
-Would be asked for too much security	8%	3%
-Too many terms and conditions	12%	7%
-Did not want to go through process	12%	1%
-Forms too hard to understand	3%	*
Discouraged (any)	26%	14%
-Direct (put off by bank)	13%	4%
-Indirect (thought would be turned down)	17%	11%
Issues with <u>principle</u> of borrowing	37%	28%
-Not lose control of business	12%	3%
-Can raise personal funds if needed	19%	16%
-Prefer other forms of finance	11%	3%
-Go to family and friends	10%	6%
Economic climate	17%	14%
-Not the right time to apply	17%	14%

Q32/77 and Q32b/77b (210/210a) All Would-be seekers SMEs that wished they had applied for finance excl DK

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4 in 10 (41%) gave the process of borrowing as their main reason for not seeking finance, specifically the expense and the hassle. A quarter of Would-be seekers (28%) cited the principle of borrowing as their main reason, notably an ability to raise personal funds. Half as many, 14%, cited discouragement, almost all of it indirect where the SME assumes they will not be successful and so does not apply.

14% cited the economic climate, down slightly from 17% for 2018 which was the highest level recorded to date. As reported later though, this remained lower than when SMEs look forward, where 6 in 10 of Future would-be seekers cite the economic climate (or their performance in that climate) as the reason why they won't be applying for finance in future.

Would-be seekers constituted a minority of all SMEs (1%). This means that amongst all SMEs less than 1% had not applied for finance due to one of these barriers.

## 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 YEQ4 2019 analysed by recent borrowing behaviour, to provide additional insight into those who had, or had not, applied for finance.

The table below typically shows similar attitudes between those that had an event and the Would-be seekers who wanted to apply, with the exception of Would-be seekers being more likely to feel that the future is uncertain and less happy to use finance to grow:

Attitudes to finance YEQ4 19 – all SMEs	Had an event	Would-be seeker	Happy non-seeker
<b>Unweighted base:</b>	<b>3250</b>	<b>190</b>	<b>14,507</b>
Plans based on what can afford ourselves	79%	80%	81%
Accept slower growth rather than borrow	72%	78%	74%
Increase in cost of credit would discourage application	62%	58%	50%
Never think about using (more) external finance	46%	43%	52%
Because the future feels uncertain we are being very cautious with our plans for the business	63%	73%	53%
As a business we are prepared to take risks to become more successful	47%	48%	41%
My impression is that it is quite difficult for businesses like ours to get external finance	53%	55%	39%
Happy to use finance to help business grow	48%	35%	26%
We have a long term ambition to be a significantly bigger business	49%	49%	35%

Q96 (238a5) All SMEs

Happy non-seekers of finance were not as happy to use finance to grow, nor as likely to have a longer term ambition to be bigger. They were though less likely to feel the future was uncertain or that it might be difficult for them to get finance if they wanted.

## THE EFFECT OF THE PERMANENT NON-BORROWER

In 2019, 42% of all SMEs met the definition of a Permanent non-borrower. 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 3 million from 5 million.

22% of this group of SMEs excluding PNBs reported a borrowing event, compared to 13% of SMEs overall:

<b>Any events</b>		All SMEs	All SMEs excl. PNB
YEQ4 19 – all SMES			
<b>Unweighted base:</b>		<b>18,000</b>	<b>12,147</b>
Have had an event		13%	22%
Would-be seekers		1%	2%
Happy non-seekers		85%	74%

### Pastfin All SMEs

The proportion of Happy non-seekers declined from 85% to 74% but remained the largest group and 2% met the definition of a Would-be seeker, compared to 1% of all SMEs.

The table below shows the pattern over recent quarters, once the PNBs had been excluded. Up to Q3 2018 around 3 in 10 SMEs (excluding the PNBs) reported a borrowing event, but this proportion subsequently declined and in Q4 2019 19% of SMEs (excluding the PNBs) reported a borrowing event:

<b>Any events</b>										
<b>All SMES, excluding PNBs – over time</b>										
<b>By date of interview</b>	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	
<b>Unweighted base:</b>	<b>3001</b>	<b>2735</b>	<b>2868</b>	<b>2848</b>	<b>2843</b>	<b>2906</b>	<b>3156</b>	<b>3127</b>	<b>2958</b>	
Have had an event	32%	28%	29%	28%	24%	26%	24%	20%	19%	
Would-be seekers	4%	4%	3%	4%	3%	3%	3%	2%	2%	
Happy non-seekers	64%	66%	67%	67%	72%	71%	72%	77%	78%	

### Pastfin All SMEs excluding PNBs

On an annual basis and accepting the changes in definition over time, the proportion of SMEs (excluding the PNBs) reporting a borrowing event has been fairly stable since 2013 (25-28%) with the exception of 2015 (32%). The figure for 2019 (22%) was the lowest seen to date on the Monitor.

The proportion of Would-be seekers declined significantly 2012-16 (15% to 4%) but has been stable since. As a result, the proportion of Happy non-seekers has been around 7 in 10 since 2016, up from 51% in 2012. In 2019 it was 74%, the highest proportion seen to date on the Monitor:

<b>Any events</b>								
<b>Over time – excl PNBs</b>								
	2012	2013	2014	2015	2016	2017	2018	2019
<b>Unweighted base:</b>	<b>15,312</b>	<b>14,578</b>	<b>13,613</b>	<b>13,011</b>	<b>11,634</b>	<b>11,940</b>	<b>11,294</b>	<b>12,147</b>
Have had an event	35%	28%	28%	32%	25%	28%	27%	22%
Would-be seekers	15%	10%	8%	6%	4%	4%	3%	2%
Happy non-seekers	51%	62%	64%	62%	70%	67%	68%	74%

Pastfin All SMEs excl PNBs

Would-be seekers constituted a minority of all SMEs excluding PNBs (2%). This means that amongst all SMEs fewer than 2% had not applied for finance due to one of these barriers.

## THE LONGER TERM IMPACT OF PREVIOUS DECLINES

Previous qualitative research conducted amongst Would-be seekers revealed that a number of them felt discouraged due to a previous decline from a bank, which might have occurred a number of years before. In order to understand the impact of such declines on the wider SME population as a whole, a question was added to the SME Finance Monitor from Q1 2014, which has remained unchanged.

3% of SMEs reported a declined banking facility at some time in the past and this has changed very little over time:

Previous decline by bank	All SMEs YEQ4 2019
By size of SME	<p>There was relatively little difference by size of SME:</p> <ul style="list-style-type: none"> <li>• 3% of 0 employee SMEs</li> <li>• 3% of those with 1-9 employees</li> <li>• 2% of those with 10-49 employees</li> <li>• 2% of those with 50-249 employees</li> </ul> <p>Amongst SMEs with employees, 3% had previously been declined.</p>
Excluding the PNBs	Once the PNBs were excluded, 4% of remaining SMEs had experienced a previous decline (compared to 1% of PNBs).
Risk rating	1% of those with a minimal risk rating had experienced a decline, compared to 2-3% of SMEs with other risk ratings.
Use of external finance	4% of those currently using external finance had experienced a previous decline, compared to 2% of those who were not using external finance.

Amongst SMEs who had experienced a previous decline, 72% said that this had made them more reluctant to apply for bank finance subsequently (the equivalent of 2% of all SMEs).

- The smaller the SME experiencing the decline, the more likely they were to say they had been made more reluctant (76% of 0 employee SMEs that had been declined compared to 28% of such SMEs with 50-249 employees).
- Once the PNBs had been excluded, 77% of remaining SMEs experiencing a decline had been made more reluctant.
- Those declined who had a minimal risk rating were less likely to have been made more reluctant (67%) than those with any other rating (71-78%).
- Amongst those currently using finance, 77% of SMEs experiencing a decline had been made more reluctant.

The tables below explore this reluctance in more detail, across all SMEs. 2% of all SMEs had been made more reluctant by a previous decline with larger SMEs somewhat less likely to have been impacted:

<b>Impact of previous decline by bank</b>		0	1-9	10-49	50-249
All SMEs YEQ4 19	Total	emps	emps	emps	emps
<b>Unweighted base:</b>	<b>18,000</b>	<b>3600</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
More reluctant to apply after a decline	2%	2%	2%	1%	*
Declined but not more reluctant	1%	1%	1%	1%	1%
Have not been declined in past	97%	97%	97%	98%	98%

Q78su (240x and Q240y) All SMEs

A similar pattern was seen once the PNBs were excluded:

<b>Impact of previous decline by bank</b>		0	1-9	10-49	50-249
All SMEs YEQ4 19 excl PNBs	Total	emps	emps	emps	emps
<b>Unweighted base:</b>	<b>12,147</b>	<b>2101</b>	<b>3658</b>	<b>4070</b>	<b>2318</b>
More reluctant to apply after a decline	3%	3%	3%	2%	1%
Declined but not more reluctant	1%	1%	2%	1%	2%
Have not been declined in past	96%	97%	95%	97%	98%

Q78su (240x and Q240y) All SMEs excluding PNBs

There remained relatively little difference overall by risk rating:

<b>Impact of previous decline by bank</b>					
All SMEs YEQ4 19	Total	Min	Low	Avg	Worse/ Avg
<b>Unweighted base:</b>	<b>18,000</b>	<b>3187</b>	<b>5369</b>	<b>4171</b>	<b>3578</b>
More reluctant to apply after a decline	2%	1%	2%	2%	2%
Declined but not more reluctant	1%	*	1%	1%	1%
Have not been declined in past	97%	99%	98%	97%	97%

Q78su (240x and Q240y) All SMEs

Amongst those currently using external finance, 3% had become more reluctant to apply as the result of a previous decline, compared to 4% of the small group that had used finance in the past five years but were not using it currently and 1% of those who have not used external finance for at least the past 5 years.

Analysis was then undertaken to see what impact this previous decline might have had on actual use of external finance and borrowing behaviour in the 12 months prior to interview. One of the best predictors of applying for finance is to be already using some, and this is reflected in the analysis below:

- Those who reported that the decline had made them more reluctant to apply for bank finance were none the less more likely than their peers to be using finance (66%), and more likely to have had an event (40%) than other SMEs. They were also though the most likely to meet the definition of a Would-be seeker of finance (13%) than either those not put off by their decline (2%) or those who had never been declined (1%).
- Those who had been declined but said it had not made them more reluctant were also likely to be using external finance (51%) and almost as likely as those made more reluctant by a decline to have had an event (32%).
- Those who had never been declined were somewhat less likely to be using external finance (45%) and less likely to have had a borrowing event (12%). Most of them (86%) qualified as a Happy non-seeker of finance.

<b>Impact of previous decline by bank</b>		<b>Made more reluctant by decline</b>	<b>Declined but not made more reluctant</b>	<b>Not previously declined</b>
All SMEs YEQ4 19	All SMEs			
<b>Unweighted base:</b>	<b>18,000</b>	<b>274</b>	<b>195</b>	<b>17,531</b>
Using external finance	45%	66%	51%	45%
Have had an event	13%	40%	32%	12%
Would-be seekers	1%	13%	2%	1%
Happy non-seekers	85%	47%	65%	86%

Q78/78b and pastfin (240x and Q240y and Q115/209) All SMEs

To put these figures in context, less than 1% of all SMEs had been made more reluctant by a previous decline and were currently Would-be seekers of finance (the 13% group shown above).

The table below presents the same analysis once the PNBs had been excluded. Use of external finance increased as a result in all groups, but more markedly for those who had never been declined (from 45% to 78%), such that there was no difference between the three groups:

<b>Impact of previous decline by bank</b>		<b>Made more reluctant by decline</b>	<b>Declined but not made more reluctant</b>	<b>Not previously declined</b>
All SMEs YEQ4 19 excl PNBs	All SMEs			
<b>Unweighted base:</b>	<b>12,147</b>	<b>249</b>	<b>165</b>	<b>11,733</b>
Using external finance	78%	78%	78%	78%
Have had an event	22%	47%	49%	21%
Would-be seekers	2%	15%	4%	2%
Happy non-seekers	74%	37%	47%	76%

Q78/78b and pastfin (240x and Q240y and Q115/209) All SMEs excluding PNBs

Whilst those with no previous decline were likely to be using finance, they were less likely than the other groups to have had a borrowing event (21%) and most still met the definition of a Happy non-seeker of finance (76%).