

# 6

## FINANCIAL CONTEXT - HOW ARE SMES FUNDING THEMSELVES? (PART 2)

### **THIS CHAPTER PROVIDES**

an overview of other aspects of external finance – trade credit, Permanent non-Borrowers and attitudes to using finance.

## KEY FINDINGS

**Attitudes to finance:** Attitudes of self-reliance and caution remained amongst SMEs:

- 80% agreed their plans were based on what they could afford themselves and 73% would accept slower growth rather than borrowing to grow faster. Smaller SMEs were more likely to agree with these statements, but there was little variation by other demographics such as age or sector and there has been little change in sentiment over time
- 53% agreed that the future felt uncertain, so they were being cautious, with little variation by size. More SMEs agreed with this statement in H2 2018 (56%) than H1 (51%)
- 32% were happy to use finance to help the business grow, increasing by size of SME from 30% of those with 0 employees to 57% of those with 50-249 employees. The proportion agreeing with this statement has declined from 42% in H2 2014 when it was first asked to 32% currently and for all but the largest SMEs. Overall, 16% of SMEs were both using finance and willing to use it (again) to grow
- In H2 2018, 27% of SMEs agreed both that they wanted to be a significantly bigger business and that they were prepared to take risks to succeed, the same proportion as when this was last asked in H2 2017. Such SMEs were more likely to be innovative, international and growing/planning to grow and more likely to be using external finance

**Permanent non-borrowers:** 48% of SMEs met the definition of a Permanent non-borrower with no apparent appetite for finance.

- 0 employee SMEs were the most likely to meet the definition of a PNB (50%) and this proportion has been stable over recent years, having previously increased from 37% in 2012 to 51% in 2015. They remained more likely to be a PNB (50%) than to be using finance (34%)

- Amongst those with 1-9 employees the proportion of PNBs has increased over time (from 25% in 2012 to 44% in 2018) and they are now as likely to be a PNB (44%) as to be using external finance (42%)
- Amongst those with 10-49 employees the proportion of PNBs has also increased over time (from 18% in 2012 to 36% in 2018). They remained more likely to be using external finance (54%) than to be a PNB (36%) but the 'gap' has closed from 52 to 18 percentage points
- The largest SMEs were the least likely to meet the definition of a PNB (19%). The proportion of PNBs increased from 15% in 2012 to 28% in 2015, then declined again and SMEs with 50-249 employees remained much more likely to be using external finance (77%) than to be a PNB (19%)
- PNBs were as likely as other SMEs to be profitable and hold £10,000 or more in credit balances, but they were less likely to have been innovative or to have plans to grow

**Trade credit:** A third of SMEs (34%) were using trade credit, up slightly from 31% in 2014, and increasing by size of SME (29% of 0 employee SMEs to 67% of those with 50-249 employees)

- Where available, having access to trade credit was less likely to reduce the need for external finance (68%) than having £10,000 of credit balances (82% of a different group of SMEs)
- Overall, 29% of SMEs said their need for finance was reduced by either £10,000 of credit balances or having access to trade credit

## TRADE CREDIT

34% of SMEs regularly purchased products or services from other businesses on credit (YEQ4 2018). As previously seen, use of trade credit increased by size of SME:

- 29% of those with 0 employees regularly purchased on credit
- 48% of those with 1-9 employees
- 62% of those with 10-49 employees
- 67% of those with 50-249 employees.

Those using external finance (loans, overdrafts etc) remained more likely to also be using trade credit (43%) than those who were not using any external finance (29%) and this was true across all size bands.

As the table below shows, overall use of trade credit has increased slightly over time (31% to 35% in 2017 and 34% for 2018), with more of an increase for those with 50-249 employees:

<b>Currently use trade credit</b>					
<b>Over time – all SMEs</b>					
<b>By date of interview – row percentages</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
All	31%	33%	33%	35%	34%
0 emp	26%	28%	28%	29%	29%
1-9 emps	45%	47%	45%	49%	48%
10-49 emps	58%	61%	59%	64%	62%
50-249 emps	58%	60%	59%	69%	67%

Q14y All SMEs

51% of SMEs with employees used trade credit in 2018, in line with 2017 (52%).

SMEs that received trade credit were asked whether this meant that they had a reduced need for other forms of external finance. 7 in 10 of them did (this was more likely to be the case for larger SMEs) and this is the equivalent of 23% of all SMEs needing less external finance, as the table below shows:

<b>Impact of receiving trade credit</b>		0	1-9	10-49	50-249
YEQ4 18 – all SMEs	Total	emp	emps	emps	emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
<b>Receive trade credit</b>	<b>34%</b>	<b>29%</b>	<b>48%</b>	<b>62%</b>	<b>67%</b>
<i>Have less of a need for external finance</i>	23%	18%	33%	44%	52%
<i>Do not have less of a need for external finance</i>	9%	9%	12%	14%	11%
<i>Not sure</i>	2%	2%	3%	4%	4%
<b>Do not receive trade credit</b>	<b>66%</b>	<b>71%</b>	<b>52%</b>	<b>38%</b>	<b>33%</b>
<i>% of those with TC where it reduces need</i>	68%	62%	69%	71%	78%

Q14y/y4 All SMEs

The proportion of all SMEs reporting that trade credit reduced their need for external finance has been broadly stable since the question was first asked in H2 2014 (21-24%) but has been somewhat higher for larger SMEs in 2017 and 2018:

<b>Trade credit reduced need for finance</b>					
<b>Over time – all SMEs</b>	<b>H2</b>				
<b>By date of interview – row percentages</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
All	21%	22%	23%	24%	23%
0 emp	18%	18%	20%	20%	18%
1-9 emps	31%	31%	31%	33%	33%
10-49 emps	39%	41%	41%	48%	44%
50-249 emps	43%	37%	39%	52%	52%

Q14y/y4 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. Across all risk ratings, around two thirds of those receiving trade credit went on to say that it reduced their need for external finance and this has changed little over time:

<b>Impact of <u>receiving</u> trade credit</b>						
YEQ4 18 – all SMEs	Total	Min	Low	Avg	Worse /Avg	
<b>Unweighted base:</b>	<b>18,002</b>	<b>3160</b>	<b>5423</b>	<b>3997</b>	<b>4018</b>	
<b>Receive trade credit</b>	<b>34%</b>	<b>47%</b>	<b>47%</b>	<b>34%</b>	<b>29%</b>	
<i>Have less of a need for external finance</i>	23%	30%	30%	23%	19%	
<i>Do not have less of a need for external finance</i>	9%	13%	13%	9%	8%	
<i>Not sure</i>	2%	3%	3%	2%	2%	
<b>Do not receive trade credit</b>	<b>66%</b>	<b>53%</b>	<b>53%</b>	<b>66%</b>	<b>71%</b>	
<i>% of those with TC where it reduces need</i>	68%	64%	64%	65%	66%	

Q14y/y4 All SMEs

Older SMEs remained more likely to be receiving trade credit and, overall, to say it reduced their need for finance, although amongst trade credit users it was those trading for 6-9 years who were the most likely to say it reduced their need for trade credit:

<b>Impact of <u>receiving</u> trade credit</b>						
YEQ4 18 – all SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+	
<b>Unweighted base:</b>	<b>1815</b>	<b>1722</b>	<b>2219</b>	<b>3072</b>	<b>9174</b>	
<b>Receive trade credit</b>	<b>26%</b>	<b>28%</b>	<b>32%</b>	<b>36%</b>	<b>42%</b>	
<i>Have less of a need for external finance</i>	17%	19%	23%	23%	27%	
<i>Do not have less of a need for external finance</i>	8%	7%	8%	11%	11%	
<i>Not sure</i>	1%	2%	1%	3%	3%	
<b>Do not receive trade credit</b>	<b>74%</b>	<b>72%</b>	<b>68%</b>	<b>64%</b>	<b>58%</b>	
<i>% of those with TC where it reduces need</i>	65%	68%	72%	64%	64%	

Q14y/y4 All SMEs

SMEs in the Wholesale/Retail sector were the most likely to receive trade credit (53%). Amongst trade credit users it was those in Wholesale/Retail and Construction who were more likely to see their need for finance reduced (70%):

**Trade credit in last 12 months**

YEQ4 18 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth Swk	Other Comm
<i>Unweighted base:</i>	1200	1500	3200	1800	1200	2001	3599	1502	2000
<b>Receive TC</b>	<b>39%</b>	<b>48%</b>	<b>43%</b>	<b>53%</b>	<b>40%</b>	<b>26%</b>	<b>27%</b>	<b>20%</b>	<b>28%</b>
<i>Have less of a need for external finance</i>	27%	31%	30%	37%	25%	16%	17%	12%	19%
<i>Do not have less of a need for external finance</i>	10%	15%	11%	13%	12%	8%	8%	7%	8%
<i>Not sure</i>	3%	2%	2%	3%	3%	2%	2%	1%	1%
<b>Do not receive TC</b>	<b>61%</b>	<b>52%</b>	<b>57%</b>	<b>47%</b>	<b>60%</b>	<b>74%</b>	<b>73%</b>	<b>80%</b>	<b>72%</b>
<i>% where TC reduces need</i>	69%	65%	70%	70%	63%	62%	63%	60%	68%

#### Q14y/y4 All SMEs

YEQ4 2018, 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 (30%) than those not using external finance (19%) or SMEs overall (23%).

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

- Where available, having £10,000 or more in credit balances was slightly more likely to reduce the SME's need for finance (82%) than having access to trade credit (68% - of a different group of SMEs).
- Overall, 29% of SMEs in 2018 said that their need for finance was reduced either through credit balances or trade credit, increasing by size of SME from a quarter of those with 0 employees to two thirds of those with 50-249 employees.

## 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 ‘total business funding’ by SMEs in a wider sense, i.e. including not only external finance but trade credit and injections of personal funds. Note that the amount of trade credit received was not recorded, and that when last asked, the typical injection of personal funds was for a relatively small amount (often less than £5,000).

For YEQ4 2018:

- 36% of SMEs were using external finance as defined in the previous chapter (i.e. loans, overdrafts, invoice finance etc).
- An additional 18% of SMEs were not using external finance but were receiving trade credit.
- And finally, a further 11% of SMEs were using neither external finance, nor trade credit, but had seen an injection of personal funds into the business (also defined in the previous chapter).

Widening the definition of external funding to include not only finance but also trade credit and personal funds thus increased the proportion of SMEs using business funding from 36% to 65%.

Analysis by year shows that this has been stable over the period for which this data is available, albeit the 2017 and 2018 figures of 65% were the highest seen to date:

<b>Use of business funding</b>					
Over time – all SMEs	2014	2015	2016	2017	2018
<i>Unweighted base:</i>	<b>20,055</b>	<b>20,046</b>	<b>18,000</b>	<b>18,012</b>	<b>18,002</b>
Use external finance	37%	37%	37%	38%	36%
Do not use finance but do use trade credit	15%	16%	15%	16%	18%
Do not use the above but injected personal funds	12%	11%	11%	11%	11%
<b>Total business funding</b>	<b>63%</b>	<b>64%</b>	<b>63%</b>	<b>65%</b>	<b>65%</b>

All SMEs



Looking specifically at YEQ4 2018 in more detail, there continued to be a bigger ‘uplift’ amongst smaller SMEs when this wider business funding definition was applied, from 34% to 63% for those with 0 employees:

<b>Wider definition of business funding</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>YEQ4 18 – all SMEs</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b><i>Unweighted base:</i></b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Use external finance	36%	34%	42%	54%	77%
Do not use finance but do use trade credit	18%	17%	24%	25%	12%
Do not use the above but injected personal funds	11%	12%	7%	2%	1%
<b><i>Total business funding</i></b>	<b>65%</b>	<b>63%</b>	<b>73%</b>	<b>81%</b>	<b>90%</b>

Q14y/y4 All SMEs

Analysis by other demographics showed that:

- SMEs with a minimal risk rating were somewhat more likely to be using business funding (70%) than their peers with a low (67%), average (64%) or worse than average (66%) rating.
- Starts were somewhat more likely to be using business funding than older SMEs (81% for Starts then declining by age 65-61%).
- The proportion using business funding varied from 60% of those in Property/Business Services to 78% of those in Wholesale/Retail, with the rest in the range 63-70%.

## THE NON-BORROWING SME

As the previous chapter reported, a third of SMEs (36% YEQ4 2018) 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.

From Q1 2018 the questions used to identify these SMEs have changed slightly but the sentiment behind them remains the same as in previous waves.

These **Permanent non-borrowers** made up 48% of SMEs (YEQ4 2018), and remained more likely to be found amongst the smaller SMEs, although not exclusively so (amongst SMEs with employees, 42% met the definition of a Permanent non-borrower):

- 50% of 0 employee SMEs met this non-borrowing definition
- 44% of 1-9 employee SMEs
- 36% of 10-49 employee SMEs
- 19% of 50-249 employee SMEs.

Half of SMEs in Property/Business Services (52%) or Construction (51%) met the definition of a Permanent non-borrower, compared to 38% of those in Health and 41% of those in Agriculture. Starts were less likely to meet the definition (31%) than older SMEs (49-54%) but there was little difference by external risk rating (45% for those with a minimal risk rating, 47-50% for other ratings).

Those using a personal account for their business banking were also somewhat more likely to meet the definition (51%). This means that the equivalent of 7% of all SMEs were Permanent non-borrowers who used a personal bank account.

With the exception of Q4 2016 (when more SMEs reported using external finance), the proportion of PNBs has changed relatively little over recent quarters, as the table below shows:

**Permanent non-borrowers**

Over time – all SMEs Row percentages	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<i>All SMEs</i>	41%	47%	46%	48%	45%	49%	49%	48%	45%
0 employee	43%	51%	50%	52%	49%	50%	51%	51%	46%
1-9 employees	36%	37%	35%	40%	37%	46%	46%	43%	43%
10-49 employees	28%	27%	28%	29%	24%	35%	36%	36%	37%
50-249 employees	25%	22%	17%	22%	25%	26%	12%	14%	24%

The table below looks at the longer term changes in the proportion of SMEs meeting the definition of a PNB by key business demographics:

- Between 2012 and 2015 the overall proportion of PNBs increased from a third (34%) to almost a half of all SMEs (47% in 2015) and has been stable since.
- There was an increase in PNBs in 2018 amongst those with 1-9 or 10-49 employees, to the highest levels seen to date, while those with 50-249 employees have become less likely to be a PNB (28% in 2015 to 19% in 2018).
- In 2018 there were more PNBs amongst those in Manufacturing, Hotels & Restaurants and Wholesale/Retail than previously seen, with Health the only sector recording fewer PNBs than before.

<b>Permanent non-borrowers</b>							
<b>Over time – all SMEs</b>							
<b>Row percentages</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
All	34%	40%	43%	47%	47%	47%	48%
0 emp	37%	44%	48%	51%	50%	51%	50%
1-9 emps	25%	28%	33%	36%	38%	37%	44%
10-49 emps	18%	22%	26%	29%	30%	27%	36%
50-249 emps	15%	17%	26%	28%	26%	22%	19%
Minimal external risk rating	31%	37%	41%	41%	42%	42%	45%
Low	29%	35%	44%	38%	43%	42%	50%
Average	36%	40%	45%	45%	46%	49%	49%
Worse than average	34%	40%	43%	51%	48%	47%	47%
Agriculture	26%	37%	40%	41%	40%	37%	41%
Manufacturing	32%	41%	42%	43%	45%	42%	48%
Construction	33%	41%	45%	52%	45%	48%	51%
Wholesale/Retail	26%	32%	34%	38%	40%	39%	43%
Hotels & Restaurants	28%	33%	39%	40%	43%	41%	46%
Transport	29%	33%	40%	44%	45%	42%	45%
Property/ Business Services	38%	43%	46%	48%	51%	52%	52%
Health	47%	52%	54%	51%	56%	48%	38%
Other	37%	38%	46%	47%	45%	50%	48%

All SMEs

The proportions of SMEs that used finance or that met the definition of a PNB have varied over time. As the table below shows, those with 0 employees have followed a quite different pattern to those with employees. This table has been expanded to separate out the different size bands, as the patterns have changed over time:

<b>Use of external finance and PNBs</b>							
<b>Over time</b>							
<b>Row percentages</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
0 employees:							
• Use external finance	38%	35%	32%	32%	33%	34%	34%
• Permanent non-borrower	37%	44%	48%	51%	50%	51%	50%
• 'Gap' finance to PNB	+1	-9	-16	-19	-17	-17	-16
1-9 employees:							
• Use external finance	58%	55%	49%	49%	46%	49%	42%
• Permanent non-borrower	25%	28%	33%	36%	38%	37%	44%
• 'Gap' finance to PNB	+33	+27	+16	+13	+8	+12	-2
10-49 employees:							
• Use external finance	70%	67%	61%	60%	59%	64%	54%
• Permanent non-borrower	18%	22%	26%	29%	30%	27%	36%
• 'Gap' finance to PNB	+52	+45	+35	+31	+29	+37	+18
50-249 employees:							
• Use external finance	73%	73%	63%	61%	64%	73%	77%
• Permanent non-borrower	15%	17%	26%	28%	26%	22%	19%
• 'Gap' finance to PNB	+58	+56	+37	+33	+38	+51	+58

All SMEs

Analysis by number of employees showed that:

#### PNBs v use of external finance YEQ4 2018

0 employees	<p>In 2012, as many 0 employee SMEs were using external finance (38%) as met the definition of a PNB (37%).</p> <p>Between 2012 and 2015, use of external finance decreased and the proportion qualifying as PNBs increased, until there was a 19 percentage point difference between them in 2015 (32% v 51%). This ‘gap’ has varied relatively little since (currently 16 percentage points), with these smallest SMEs always more likely to meet the definition of a PNB than to use finance.</p>
1-9 employees	<p>In 2012, SMEs with 1-9 employees were twice as likely to be using external finance (58%) as to be a PNB (25%). Since then use of finance has declined, and the proportion of PNBs has increased, such that in 2018, there were slightly more SMEs with 1-9 employees meeting the definition of a PNB (44%) than using finance (42%).</p>
10-49 employees	<p>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%). Since then, the proportion of PNBs has doubled to 36% and the proportion using finance has declined to 54%, reducing the ‘gap’ from 52 percentage points to 18.</p>
50-249 employees	<p>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 meeting the definition of a PNB (15%), a gap of 58 points.</p> <p>Between 2012 and 2015, the gap narrowed to 33 points, as fewer of the largest SMEs used finance (61%) and more met the definition of a PNB (28%). Since then though, the trend has reversed and in 2018, 77% were using finance and 19% were PNBs, a gap once more of 58 points.</p>

## PERMANENT NON-BORROWERS – 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:

<b>Characteristics of PNBs</b>							
Over time							
Row percentages	2012	2013	2014	2015	2016	2017	2018
Made a profit:							
• PNBs	74%	73%	80%	82%	80%	83%	79%
• Other SMEs	66%	69%	74%	78%	80%	82%	77%
Hold £10k+ of credit balances:							
• PNBs	17%	14%	19%	23%	19%	23%	23%
• Other SMEs	16%	18%	21%	25%	24%	27%	22%
Minimal/Low risk rating:							
• PNBs	14%	15%	22%	21%	20%	20%	23%
• Other SMEs	17%	17%	23%	28%	23%	23%	23%
International							
• PNBs	7%	10%	12%	13%	11%	14%	14%
• Other SMEs	12%	15%	19%	20%	16%	17%	16%
Innovative							
• PNBs	33%	32%	31%	31%	32%	31%	30%
• Other SMEs	43%	42%	42%	42%	41%	36%	35%
Plan to grow							
• PNBs	-	43%	40%	38%	36%	37%	41%
• Other SMEs	-	52%	52%	51%	50%	52%	56%

All SMEs

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

#### PNBs v non-PNB trends over time

Profitability	In 2012, PNBs were more likely than non-PNBs to have been profitable (74% v 66%). Over time, profitability has improved for both groups, but to a greater degree for the non-PNBs and so the 'gap' closed (both 80% in 2016). In 2018 there was still little to choose between them (79% v 77%).
Credit balances	In 2012, PNBs were as likely to be holding £10,000 or more in credit balances as non-PNBs (17% v 16%). The proportion of non-PNBs holding this sum then increased slightly more rapidly (to 27% for 2017) compared to PNBs (to 23% for 2017), widening the gap between them. In 2018 the gap was reduced (23% v 22%) as fewer non-PNBs held £10,000 or more.
Risk rating	Both PNBs and non-PNBs have seen a slight increase over time in the proportion with a minimal or low external risk rating.
International	PNBs have always been somewhat less likely to be international. Since 2012 the proportion of PNBs trading internationally has varied between 7% and 14% (currently 14%) and for non-PNBs between 12% and 20% (currently 16%).
Innovation	The proportion of PNBs that were innovative has declined slightly over time (33% in 2012 to 30% in 2018). They remained less likely to have been innovative than non-PNBs, where the proportion that innovated was stable 2012 to 2016 (41-43%) but somewhat lower in both 2017 (36%) and 2018 (35%), thus narrowing the gap to PNBs.
Plan to grow	Growth plans amongst the non-PNBs have been stable over time, with around half planning to grow. Amongst PNBs on the other hand, the proportion planning to grow declined from 43% in 2013 to 36% in 2016, widening the gap to the non-PNBs. This was maintained in 2018 with both groups more likely to report growth plans (56% non-PNBs v 41% PNBs).



Analysis conducted on several occasions in order to understand which factors in combination best predicted an SME meeting the definition of a PNB showed that the key determinant remained size of business. Common issues across size bands that increased the likelihood of being a PNB included not seeing access to finance as a barrier, not planning to grow, lower levels of planning and/or innovation and agreeing that their plans were based on what they could afford. The last full analysis can be found in the Q2 2017 report.

PNBs by their very definition were not using external finance. Adding use of trade credit and injections of personal funds results in 43% of PNBs using 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 48% to 27% of all SMEs in 2018, in line with 2016 (29%) and 2017 (28%).

These PNBs have indicated that they are unlikely to be interested in borrowing, based on their current views. At various stages in this report, therefore, we have provided an alternative to the ‘All SME’ figure, which excludes these Permanent non-borrowers and provided an alternative figure that 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 70% of the remaining SMEs in 2018, and this proportion has been broadly stable since 2015:

<b>Use of external finance over time</b>							
<b>Over time – all SMEs excl PNBs</b>							
	2012	2013	2014	2015	2016	2017	2018
Use any external finance	66%	68%	65%	70%	70%	72%	70%
• Use core finance	54%	53%	51%	55%	57%	57%	61%
• Use other forms of finance	27%	29%	30%	32%	31%	33%	22%
Do not use external finance	34%	32%	35%	30%	30%	28%	30%

## ATTITUDES TO FINANCE

Since Q3 2014 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 for YEQ4 2018.

Previous analysis revealed that a key predictor of attitudes to, 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 provided later in this section, together with changes in levels of agreement over time.

### ATTITUDES TO FINANCE IN DETAIL – YEQ4 2018

The first statement below has been asked consistently since Q3 2014. A third of SMEs (32%) agreed that they were happy to use external finance to help the business grow, increasing by size of SME:

#### “As a business we are happy to use external finance to help the business grow and develop”

YEQ4 18- all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Strongly agree	3%	3%	4%	5%	8%
Agree	29%	27%	34%	40%	49%
Neither/nor	20%	20%	21%	23%	24%
Disagree	37%	39%	33%	27%	16%
Strongly disagree	10%	11%	8%	5%	4%
<b>Total ‘Agree’</b>	<b>32%</b>	<b>30%</b>	<b>38%</b>	<b>45%</b>	<b>57%</b>

Q96 (238a5) All SMEs

Amongst those with employees, 39% agreed with this statement.

PNBs were less likely to agree with this statement (22%) than non PNBs (42%).

From Q3 2015 another statement: “Our current plans for the business are based entirely on what we can afford to fund ourselves”. As the table below shows, 8 in 10 SMEs agreed with this statement, decreasing by size:

**“Our current plans for the business are based entirely on what we can afford to fund ourselves”**

YEQ4 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Strongly agree	27%	28%	25%	18%	11%
Agree	53%	53%	54%	53%	50%
Neither/nor	12%	12%	12%	17%	24%
Disagree	7%	7%	9%	11%	14%
Strongly disagree	1%	1%	1%	1%	1%
<b>Total ‘Agree’</b>	<b>80%</b>	<b>81%</b>	<b>79%</b>	<b>71%</b>	<b>61%</b>

Q96 (238a5) All SMEs

Amongst those with employees, 77% agreed with this statement.

PNBs were slightly more likely to agree (83% v 77%).

Two further demand related statements were added from Q1 2016.

Half of SMEs said they never thought about using (more) external finance and this was more likely to be the case for smaller SMEs:

**“We never think about whether we could/should use more external finance”**

YEQ4 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Strongly agree	10%	11%	9%	5%	3%
Agree	39%	40%	37%	32%	24%
Neither/nor	22%	21%	22%	28%	26%
Disagree	25%	24%	28%	33%	38%
Strongly disagree	4%	4%	4%	3%	9%
<b>Total ‘Agree’</b>	<b>49%</b>	<b>51%</b>	<b>46%</b>	<b>37%</b>	<b>27%</b>

Q96 (238a5) All SMEs

Amongst those with employees, 44% agreed with this statement.

PNBs were slightly more likely to agree (54% v 45%).

Around three-quarters of SMEs agreed with the second statement added in Q1 2016 and were prepared to accept slower growth that was self-funded, again decreasing by size of SME:

**“We will accept a slower growth rate rather than borrowing to grow faster”**

YEQ4 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Strongly agree	20%	21%	18%	14%	7%
Agree	53%	53%	53%	52%	39%
Neither/nor	18%	17%	18%	22%	28%
Disagree	9%	8%	10%	11%	23%
Strongly disagree	1%	1%	1%	1%	3%
<b>Total ‘Agree’</b>	<b>73%</b>	<b>74%</b>	<b>71%</b>	<b>66%</b>	<b>46%</b>

Q96 (238a5) All SMEs

Amongst those with employees, 69% agreed that they would accept a slower self-funded growth rate.

PNBs were somewhat more likely to agree (75% v 70%).

The statement: “As a business we are prepared to take risks to become more successful” was added in Q3 2017. 4 in 10 SMEs agreed with the statement, increasing by size of business:

**“As a business we are prepared to take risks to become more successful”**

YEQ4 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Strongly agree	6%	5%	6%	6%	13%
Agree	38%	36%	41%	44%	50%
Neither/nor	20%	20%	19%	23%	20%
Disagree	31%	32%	28%	23%	13%
Strongly disagree	7%	7%	6%	4%	2%
<b>Total ‘Agree’</b>	<b>44%</b>	<b>41%</b>	<b>47%</b>	<b>50%</b>	<b>63%</b>

Q96 (238a5) All SMEs

Amongst those with employees, 48% agreed that they were prepared to take risks to be successful.

PNBs were somewhat less willing to take risks (37% v 48%).

In Q1 2018, given the predicted increase in interest rates at that time, a previous statement about a fall in the cost of credit was turned around to say, “A further increase in the cost of credit would make us less likely to apply for new external finance”. In 2017, just over half of SMEs (54%) had agreed with that previous statement “A fall in the cost of credit would not make us any more likely to consider applying for new external finance”.

The results for 2018 for the new statement are shown below. Half of SMEs agreed with this statement, with those with 50-249 employees somewhat less likely to agree:

**“A further increase in the cost of credit would make us less likely to apply for new external finance”**

YEQ4 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Strongly agree	13%	13%	11%	9%	6%
Agree	39%	38%	40%	41%	37%
Neither/nor	29%	29%	28%	30%	38%
Disagree	17%	17%	17%	18%	17%
Strongly disagree	3%	3%	3%	2%	2%
<b>Total ‘Agree’</b>	<b>52%</b>	<b>51%</b>	<b>51%</b>	<b>50%</b>	<b>43%</b>

**Q96 (238a5) All SMEs**

Amongst those with employees, 51% agreed that an increase in the cost of credit would make them less likely to apply for finance.

PNBs were less likely to agree (44% v 58%).

Two further statements were added in Q1 2018. The first was “Because the future feels uncertain we are being very cautious with our plans for the business”. Half of SMEs agreed with the statement, with little variation by size of SME:

**“Because the future feels uncertain we are being very cautious with our plans for the business”**

YEQ4 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Strongly agree	12%	13%	11%	10%	7%
Agree	41%	41%	43%	41%	39%
Neither/nor	22%	22%	22%	24%	35%
Disagree	22%	22%	22%	22%	18%
Strongly disagree	2%	2%	2%	2%	2%
<b>Total ‘Agree’</b>	<b>53%</b>	<b>54%</b>	<b>54%</b>	<b>51%</b>	<b>46%</b>

Q96 (238a5) All SMEs from Q1 2018

Amongst those with employees, 53% agreed that they were being cautious with their plans.

PNBs were less likely to agree (48% v 59%).



The second new statement added was “My impression from what I see and hear is that it is quite difficult for businesses like ours to get external finance”. 4 in 10 SMEs agreed with the statement, declining by size of SME:

**“My impression is that it is quite difficult for businesses like ours to get external finance”**

YEQ4 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Strongly agree	9%	10%	8%	6%	3%
Agree	29%	30%	26%	23%	16%
Neither/nor	35%	35%	34%	34%	36%
Disagree	24%	22%	29%	35%	37%
Strongly disagree	3%	3%	3%	3%	7%
<b>Total ‘Agree’</b>	<b>38%</b>	<b>40%</b>	<b>34%</b>	<b>29%</b>	<b>19%</b>

Q96 (238a5) All SMEs from Q1 2018

Amongst those with employees, 33% agreed that they thought it might be difficult for them to get finance.

PNBs were less likely to agree (29% v 47%).

A second ambition statement “We have a long term ambition to be a significantly bigger business” was originally included for Q3 and Q4 2017 and then again for Q3 and Q4 2018.

When it was run in H2 2017 38% agreed, ranging from 35% of those with 0 employees to 68% of those with 50-249 employees. The reinstated question showed similar results for H2 2018:

**“We have a long term ambition to be a significantly bigger business”**

H2 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>9002</b>	<b>1802</b>	<b>2900</b>	<b>2900</b>	<b>1400</b>
Strongly agree	7%	7%	8%	10%	14%
Agree	32%	29%	37%	48%	50%
Neither/nor	18%	18%	17%	18%	21%
Disagree	35%	37%	33%	21%	13%
Strongly disagree	8%	9%	6%	3%	2%
<b>Total ‘Agree’</b>	<b>39%</b>	<b>36%</b>	<b>45%</b>	<b>58%</b>	<b>64%</b>

Q96 (238a5) All SMEs from Q3 2018

Amongst those with employees, 47% agreed that they had ambitions to be significantly bigger.

PNBs were less likely to agree (31% v 47%).

## ATTITUDES TO FINANCE – SUMMARY BY KEY DEMOGRAPHICS

Summary analysis of attitudes is provided for key demographics including size. The statements have been ranked by overall levels of agreement in 2018 and the reinstated ambition statement is shown at the end of the table (for H2 2018) for completeness:

YEQ4 18 – all SMEs % agreeing	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Plans based on what can afford ourselves	80%	81%	79%	71%	61%
Accept slower growth rather than borrow	73%	74%	71%	66%	46%
Because the future feels uncertain we are being very cautious with our plans for the business	53%	54%	54%	51%	46%
Increase in cost of credit would discourage application	52%	51%	51%	50%	43%
Never think about using (more) external finance	49%	51%	46%	37%	27%
As a business we are prepared to take risks to become more successful	44%	41%	47%	50%	63%
My impression is that it is quite difficult for businesses like ours to get external finance	38%	40%	34%	29%	19%
Happy to use finance to help business grow	32%	30%	38%	45%	57%
We have a long term ambition to be a significantly bigger business (H2 only)	39%	36%	45%	58%	64%

Q96 (238a5) All SMEs

- Smaller SMEs were more likely to express a willingness to base plans on what could be afforded and to grow more slowly rather than borrow to grow, than larger SMEs were.
- Smaller SMEs were also more likely to say they never thought about using (more) finance and to think it would be difficult to get finance if they did apply.
- Larger SMEs were more likely to be willing to use external finance, to take risks to become more successful and to have a long term ambition to be larger still.

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

YEQ4 18 – all SMEs % agreeing	Total	Min	Low	Avg	Worse/ Avg
<b>Unweighted base:</b>	<b>18,002</b>	<b>3160</b>	<b>5423</b>	<b>3997</b>	<b>4018</b>
Plans based on what can afford ourselves	80%	75%	78%	81%	81%
Accept slower growth rather than borrow	73%	66%	71%	72%	73%
Because the future feels uncertain we are being very cautious with our plans for the business	53%	50%	50%	53%	55%
Increase in cost of credit would discourage application	52%	44%	47%	50%	55%
Never think about using (more) external finance	49%	44%	46%	53%	49%
As a business we are prepared to take risks to become more successful	44%	40%	40%	42%	46%
My impression is that it is quite difficult for businesses like ours to get external finance	38%	27%	32%	36%	43%
Happy to use finance to help business grow	32%	36%	34%	31%	34%
We have a long term ambition to be a significantly bigger business (H2 only)	39%	39%	37%	34%	43%

#### Q96 (238a5) All SMEs

There was relatively little variation by risk rating on a number of these statements, but those with a better external risk rating were less likely to think it would be difficult to get finance, or to be discouraged from applying by an increase in the cost of credit. They were happier to use external finance and less likely to accept slower growth rather than borrow.

Analysis by sector showed:

- Those in the Health sector had a more positive attitude towards external finance (less likely to accept slower growth than borrow, or to be put off by an increase in the cost of credit, or to say they never think about using external finance).
- SMEs in Agriculture were the happiest to use finance to help the business grow but more likely to feel cautious in an uncertain climate and less likely to have the ambition to grow much more.
- Those in Construction were also more risk averse and more likely to think it would be difficult to get finance.

YEQ4 18 – all SMEs % agreeing	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWk	Other Comm
<b>Unweighted base:</b>	<b>1200</b>	<b>1500</b>	<b>3200</b>	<b>1800</b>	<b>1200</b>	<b>2001</b>	<b>3599</b>	<b>1502</b>	<b>2000</b>
Plans based on what can afford ourselves	81%	81%	83%	79%	80%	78%	80%	69%	83%
Accept slower growth rather than borrow	74%	76%	75%	71%	70%	70%	73%	63%	75%
Future feels uncertain, we are being very cautious	60%	55%	55%	57%	57%	56%	51%	46%	56%
Increase in cost of credit would discourage application	54%	53%	50%	53%	51%	49%	51%	46%	56%
Never think about using (more) external finance	47%	53%	53%	45%	48%	49%	51%	44%	48%
We are prepared to take risks to become more successful	40%	44%	37%	48%	43%	43%	45%	41%	45%
Impression is that it is quite difficult for businesses like ours to get external finance	35%	39%	41%	37%	39%	38%	37%	33%	41%
Happy to use finance to help business grow	41%	34%	29%	38%	32%	35%	30%	32%	31%
Have long term ambition to be a significantly bigger business (H2 only)	28%	45%	30%	49%	40%	35%	41%	45%	42%

Q96 (238a5) All SMEs

Analysis by age of SME shows that the younger the business, the more likely they were to be ambitious and prepared to take risks, but also the more likely to feel the future was uncertain, that it could be difficult for them to get finance, or to be potentially discouraged if the cost of credit increased:

YEQ4 18 – all SMEs % agreeing	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
<b>Unweighted base:</b>	<b>1815</b>	<b>1722</b>	<b>2219</b>	<b>3072</b>	<b>9174</b>
Plans based on what can afford ourselves	79%	80%	80%	80%	81%
Accept slower growth rather than borrow	73%	74%	68%	70%	74%
Because the future feels uncertain we are being very cautious with our plans for the business	61%	55%	53%	51%	51%
Increase in cost of credit would discourage application	63%	56%	48%	47%	46%
Never think about using (more) external finance	51%	46%	47%	46%	52%
As a business we are prepared to take risks to become more successful	50%	52%	43%	40%	36%
My impression is that it is quite difficult for businesses like ours to get external finance	53%	42%	36%	33%	31%
Happy to use finance to help business grow	35%	37%	35%	31%	28%
Have long term ambition to be a significantly bigger business (H2 only)	56%	52%	39%	40%	25%

Q96 (238a5) All SMEs

Analysis by use of external finance and plans to grow is shown below. Those already using finance were more ambitious and less risk averse than those not using finance but were also feeling more uncertain about the future and that it would be difficult for them to get (more) finance. Similar patterns were seen for those planning to grow compared to those with no plans:

YEQ4 18 – all SMEs % agreeing	Use external finance	Do not use finance	Plan to grow	No plans to grow
<b>Unweighted base:</b>	<b>9256</b>	<b>8746</b>	<b>10,664</b>	<b>7338</b>
Plans based on what can afford ourselves	78%	81%	81%	79%
Accept slower growth rather than borrow	71%	73%	74%	71%
Because the future feels uncertain we are being very cautious with our plans for the business	62%	49%	57%	51%
Increase in cost of credit would discourage application	61%	46%	59%	44%
Never think about using (more) external finance	46%	52%	47%	51%
As a business we are prepared to take risks to become more successful	51%	39%	54%	33%
My impression is that it is quite difficult for businesses like ours to get external finance	49%	32%	43%	34%
Happy to use finance to help business grow	44%	26%	40%	25%
Have long term ambition to be a significantly bigger business (H2 only)	49%	33%	58%	21%

Q96 (238a5) All SMEs

## ATTITUDES TO FINANCE – AGREEMENT OVER TIME

With the changes and additions made to these statements, the potential for analysis over time varies somewhat, but is shown here, in time order, for half year periods from H2 2014 where available for each statement:

<b>Attitudes to finance</b>									
<b>Over time – all SMEs</b>	H2	H1	H2	H1	H2	H1	H2	H1	H2
<b>All agreeing – row percentages</b>	14	15	15	16	16	17	17	18	18
Happy to use finance to help business grow	42%	45%	45%	43%	43%	33%	34%	33%	32%
Plans based on what can afford ourselves	-	-	80%	80%	80%	82%	82%	79%	81%
Accept slower growth rather than borrow	-	-	-	71%	70%	70%	70%	73%	72%
Never think about using (more) external finance	-	-	-	47%	40%	52%	52%	50%	49%
As a business we are prepared to take risks to become more successful	-	-	-	-	-	-	42%	43%	43%
Increase in cost of credit would discourage application	-	-	-	-	-	-	-	51%	52%
Future feels uncertain so we are being very cautious with our plans	-	-	-	-	-	-	-	51%	56%
Impression it is quite difficult for businesses like ours to get finance	-	-	-	-	-	-	-	38%	39%
Have long term ambition to be a significantly bigger business	-	-	-	-	-	-	38%	-	39%

Q96 (238a5) All SMEs -

The proportion happy to use finance to help the business grow has declined steadily since 2015. Other attitudes are more stable over time, but more SMEs felt that the future was uncertain in H2 2018 (56%) than in H1 (51%).



Being happy to borrow to grow can be seen as a key indicator of SME sentiment, so further detail has been provided over time by key demographics:

<b>Happy to use finance to help business grow</b>					
Over time – all SMEs	H2				
Row percentages % agree	2014	2015	2016	2017	2018
All	42%	45%	43%	34%	32%
0 emp	39%	43%	41%	31%	30%
1-9 emps	49%	51%	49%	40%	38%
10-49 emps	56%	57%	52%	48%	45%
50-249 emps	57%	58%	51%	53%	57%
Minimal external risk rating	38%	48%	45%	35%	36%
Low	41%	45%	42%	35%	34%
Average	39%	45%	41%	31%	31%
Worse than average	43%	47%	45%	36%	34%
Agriculture	49%	51%	44%	37%	41%
Manufacturing	47%	48%	42%	35%	34%
Construction	41%	44%	46%	31%	29%
Wholesale/Retail	51%	51%	44%	39%	38%
Hotels & Restaurants	48%	47%	46%	38%	32%
Transport	39%	47%	43%	38%	35%
Property/ Business Services	42%	45%	42%	33%	30%
Health	32%	39%	43%	27%	32%
Other	35%	39%	39%	32%	31%
PNB	31%	36%	34%	22%	22%
Not a PNB	50%	53%	51%	44%	42%
Use external finance	54%	56%	54%	46%	44%

Q96 (238a54) All SMEs

The table shows that the proportion of SMEs happy to use finance to grow was stable between H2 2014 (42%) and 2016 (43%) but was lower in 2017 (34%) and 2018 (32%). The decline between 2016 and 2018 was due to :

- Lower levels of agreement amongst smaller SMEs in particular (41% to 30% for those with 0 employees and 49% to 38% for those with 1-9 employees).
- Lower levels of agreement across most risk ratings and sectors.
- Those who did not meet the definition of a Permanent non borrower remained more likely to agree (42% in 2018) but this was lower than previously seen and the same was true for those using external finance.

## ATTITUDES TO FINANCE – MORE DETAILED ANALYSIS

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

### USING AND WILLING TO USE FINANCE

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 whether they agreed that they would be happy to use external finance in the future to help the business develop and grow. This shows that 47% of SMEs were neither using external finance nor were happy to do so in future, but with considerable variation by size of SME:

#### Combined analysis: Use of external finance and happiness to use in future

YEQ4 18 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>18,002</b>	<b>3602</b>	<b>5800</b>	<b>5800</b>	<b>2800</b>
Use external finance and happy to use in future	16%	13%	22%	29%	50%
Use external finance but not happy to use in future	20%	20%	20%	24%	25%
Do not use it but happy to use in future	16%	16%	16%	15%	8%
Do not use it and not happy to use in future	47%	50%	42%	32%	17%

Q15/Q96 (Q238a5) All SMEs

Taking these two issues in combination:

- 1 in 6 SMEs (16%) were using external finance and agreed that they would be happy to use it in future, increasing by size of SME to half of those with 50-249 employees (50%).
- The remaining users of finance, 20% of all SMEs, would not be happy to use finance in future (the equivalent of 56% of all users of finance). There was less variation by size of SME for this group, especially for those SMEs with employees.
- 1 in 6 of all SMEs (16%) were not using external finance currently but agreed that they would be happy to use it to help the business develop and grow. This proportion varied little by size of SME with the exception of those with 50-249 employees (8%).
- The remainder, almost half of SMEs (47%), were non-users of finance who would not be happy to use it in future and this was more common amongst 0 employee SMEs (50% compared to 17% of those with 50-249 employees). 8 in 10 of this group (79%) met the definition of a PNB.

## COMBINING GROWTH AMBITIONS AND ATTITUDE TO RISK

When the attitude statement ‘We have a long term ambition to be a significantly bigger business’ was last 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 profile the SMEs that agreed with both statements. This analysis has now been updated for H2 2018.

In H2 2017, 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. In all instances agreement increased by size of business but decreased by age of business:

- 25% of 0 employee SMEs agreed with both statements, increasing by size to 50% of those with 50-249 employees.
- 44% of Starts agreed with both statements, decreasing by age of SME to 17% of those trading for more than 15 years.

Those SMEs that agreed with both statements 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.

Repeating this analysis in H2 2018 showed a very similar proportion of SMEs agreeing with each statement. 39% agreed they wanted to be a bigger business and 43% that they were prepared to take risks, with 25% agreeing with both statements.

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Levels of agreement continued to increase by size of business and decrease by age of business:

- 23% of 0 employee SMEs agreed with both statements, increasing by size to 50% of those with 50-249 employees.
- 35% of Starts agreed with both statements, decreasing by age of SME to 15% of those trading for more than 15 years.

The table below shows the proportion of SMEs in each demographic that agreed with both statements. Whilst overall levels of agreement with both statements was stable over time, there were some differences by sub-group:

- Those less likely to agree with both statements in H2 2018 included those with a low external risk rating, those in Agriculture, Construction and Hotels & Restaurants, and Starts.
- Those more likely to agree with both statements in H2 2018 included those in Manufacturing and those trading for 2-5 years.

<b>Want to grow significantly and prepared to take risks</b>		
Over time – all SMEs		
Row percentages % agree with both	H2 2017	H2 2018
All	27%	25%
0 emp	25%	23%
1-9 emps	30%	30%
10-49 emps	39%	37%
50-249 emps	50%	50%
Minimal external risk rating	24%	22%
Low	26%	20%
Average	20%	22%
Worse than average	31%	28%
Agriculture	26%	16%
Manufacturing	25%	31%
Construction	25%	17%
Wholesale/Retail	30%	31%
Hotels & Restaurants	32%	24%
Transport	28%	24%
Property/ Business Services	25%	26%
Health	28%	23%
Other	30%	30%
Starts	44%	35%
2-5 years	32%	38%
6-9 years	26%	23%
10-15 years	23%	24%
More than 15 years	17%	15%

Q96 (238a54) All SMEs

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Analysis of the group of SMEs that agreed with both statements in H2 2018, found they had similar characteristics to the equivalent group in H2 2017:

- These SMEs were more likely to be using external finance (48% v 39% of all SMEs in H2 2018) and to have had a finance event (29% v 14%) or to be planning to apply for finance (19% v 11%).
- They were also more likely to have innovated (47% v 34%), to trade internationally (23% v 16%) and to have grown (52% v 36%) and to be planning to grow (78% v 50%).
- These SMEs were more likely to have been trading for up to 5 years (51% v 34%) and to have an owner aged 31-50 (59% v 45%). There was little difference by gender.
- They were somewhat more concerned about the economic climate (24% v 20%) and the value of sterling (18% v 13%) and overall 57% mentioned at least one barrier (v 48% overall)
- Analysis in H2 2017 showed that being willing to borrow to grow was a key factor for these SMEs and this was still the case in H2 2018 (53% agreed with this statement v 32% of SMEs overall).