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AWARENESS OF TASKFORCE AND OTHER INITIATIVES

THIS FINAL SECTION OF THE REPORT LOOKS

at awareness amongst SMEs of some of the Business Finance Taskforce commitments, together with other relevant initiatives.

KEY FINDINGS

Awareness of initiatives: SMEs were most likely to be aware of Funding Circle or Start up Loans, with 7 in 10 SMEs aware of any of the 12 initiatives tested, increasing slightly by size of SME. A quarter were aware of 4 or more initiatives, with a more marked increase by size of SME.

- As in previous waves, in Q4 2019 SMEs were most likely to have heard of Funding Circle (49%) or the Start-up Loan scheme (42%). Overall, 69% had heard of at least one of the 12 initiatives tested, increasing slightly by size of SME (69% of those with 0 or 1-9 employees to 79% of those with 50-249 employees).
- Further analysis showed that a quarter of SMEs (26%) were aware of 4 or more of the initiatives, increasing more notably by size of SME (to 44% of those with 50-249 employees) and also higher for those in Property/Business Services (34%) and slightly higher once the PNBs were excluded (31%).
- Awareness of the appeals and referrals processes available to SMEs that had been declined for finance was stable over time (10% and 11% for 2019 as a whole) and higher amongst SMEs planning to apply for finance (15% and 17%).

Crowd funding: 57% of SMEs (excluding PNBs) were aware of crowd funding in Q4 2019. While usage remained limited, almost 4 in 10 of those aware would consider using this form of funding in future.

- 57% of SMEs (excluding PNBs) were aware of either equity crowd funding platforms or peer to peer lending platforms in Q4 2019. This was in line with the rest of 2019 and higher than previous years when around 4 in 10 were typically aware.
- While usage remained limited (3% for 2019 as a whole) there has been an increase over time in the proportion of SMEs who were aware of crowd funding and would consider using it, from 24% in H1 2017 to 38% in H2 2019.

Equity finance: In 2019, around 4 in 10 SME companies knew something about equity finance, but usage remained limited. The key barriers were a loss of control or feeling that this was not the right form of finance for the company.

- 38% of SME companies knew something of equity finance in 2019, increasing by size of company to 63% of those with 50-249 employees and to 45% of those in the Health sector. Awareness was only slightly higher once the PNBs were excluded (41%) or amongst those planning to grow (41%) and is little changed over time.
- The proportion using or planning to use this form of finance remained limited (4% with little variation by size of SME, increasing to 11% in the Health sector).
- The main barriers were feeling that it was not a suitable form of finance for them (19% with little variation by size of SME) or that they were reluctant to give up control of the business (13%, increasing to 38% of those with 50-249 employees).

Open Banking: 15% of SMEs had heard of Open Banking and 17% would be happy to use it. Overall, three quarters of SMEs (74%) were neither aware of Open Banking nor happy to use it and these figures are stable over time. The largest SMEs were somewhat more likely to be aware of Open Banking (28%) but not much more prepared to use it (20%).

In October 2010, the Business Finance Taskforce agreed to a range of initiatives with the aim of supporting SMEs in the UK. This final section of the report looks at awareness amongst SMEs of some of those commitments, together with other relevant initiatives. This part of the survey has been revised several times as new initiatives were developed, and this report includes the first data on The British Business Bank's Finance Hub, which was included for the first time in Q3 2019, replacing the British Banking Insight website. There has also been a slight change to the description of the Business Growth Fund which is now referred to as 'BGF, that is the Business Growth Fund'.

As many of these initiatives are aimed at those with an interest in seeking external finance, they are potentially less relevant to the Permanent non-borrowers who indicated that they were unlikely to seek such external finance. Awareness excluding these PNBs is provided later in this chapter.

PROMPTED AWARENESS – FUNDING INITIATIVES

Respondents were prompted with the names of a range of different initiatives/suppliers. As the table below shows, 67% of SMEs in Q4 2019 were aware of one or more of these specific schemes, with overall awareness increasing somewhat by size. Awareness of these initiatives was typically higher than for others tested:

Awareness of specific funding initiatives		0	1-9	10-49	50-249
Q4 19 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	4500	900	1450	1450	700
Funding Circle	49%	47%	54%	58%	49%
Start Up Loans	42%	42%	41%	45%	43%
The British Business Bank	16%	17%	12%	16%	29%
BGF, the Business Growth Fund	18%	19%	16%	19%	27%
Enterprise Finance Guarantee Scheme	19%	19%	17%	17%	26%
Any of these	67%	67%	67%	70%	75%
None of these	33%	33%	33%	30%	25%

Q108 (240) All SMEs * indicates new or amended question

Amongst those with employees, 68% were aware of any of these initiatives.

PROMPTED AWARENESS – OTHER SUPPORT INITIATIVES

The table below shows awareness of some of the other support initiatives tested in Q4 2019. A third of SMEs were aware of one or more of these initiatives, with the largest SMEs more likely to be aware:

Awareness of initiatives		0	1-9	10-49	50-249
Q4 19 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	4500	900	1450	1450	700
A network of business mentors	18%	19%	17%	21%	29%
Standards of lending practice	17%	17%	18%	20%	24%
Independently monitored appeals process	11%	11%	9%	12%	17%
The referral platform for unsuccessful applications	11%	12%	9%	15%	18%
Any of these	35%	35%	32%	38%	51%
None of these	65%	65%	68%	62%	49%

Q109 (240) All SMEs * indicates new or amended question

Amongst those with employees, 34% were aware of any of these initiatives.

A further initiative around loans was only asked of those SMEs directly affected by it, as detailed below:

Initiative	Awareness
Loan refinancing talks, 12 months ahead – asked of SMEs with a loan	Awareness of this initiative amongst SMEs with loans was 9% in Q4 2019. Awareness increased by size of SME from 7% of those with 0 employees to 22% of those with 50-249 employees

As it applies only to specific SMEs, this initiative is not included in any of the overall summary tables below.

PROMPTED AWARENESS – OTHER INFORMATION INITIATIVES

The table below shows awareness of other communications and sources of information tested in Q4 2019. A fifth of SMEs were aware of one or more of these initiatives, with awareness varying little by size of SME with the exception of those with 50-249 employees where 39% were aware of one or more initiatives:

Awareness of initiatives		0	1-9	10-49	50-249
Q4 19 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	4500	900	1450	1450	700
The Better Business Finance (BBF) programme and website	13%	14%	8%	14%	21%
The Business Finance Guide published by the ICAEW and the British Business Bank	13%	14%	10%	14%	22%
The British Business Bank's Finance Hub*	13%	14%	9%	12%	24%
Any of these	22%	22%	18%	25%	39%
None of these	78%	78%	82%	75%	61%

Q110 (240) All SMEs * indicates new or amended question

Amongst those with employees, 19% were aware of any of these initiatives.

AWARENESS OF ALL INITIATIVES BY KEY GROUPS

The tables below bring together all these initiatives and looks at overall awareness of any of them and also the proportion of SMEs aware of 4 or more of the initiatives included.

Total awareness of any of these initiatives in Q4 2019 itself was 69% and increased slightly by size of SME, with a quarter (26%) of SMEs aware of 4 or more initiatives, increasing to 44% of the largest SMEs:

Awareness of initiatives		0	1-9	10-49	50-249
Q4 19 – all SMEs	Total	emp	emps	emps	emps
Unweighted base:	4500	900	1450	1450	700
Funding initiatives					
Funding Circle	49%	47%	54%	58%	49%
Start Up Loans	42%	42%	41%	45%	43%
BGF	16%	17%	12%	16%	29%
The British Business Bank	18%	19%	16%	19%	27%
Enterprise Finance Guarantee Scheme	19%	19%	17%	17%	26%
Support initiatives					
A network of business mentors	18%	19%	17%	21%	29%
Standards of Lending practice	17%	17%	18%	20%	24%
Independently monitored appeals process	11%	11%	9%	12%	17%
Referral platform	11%	12%	9%	15%	18%
Information initiatives					
BetterBusinessFinance.co.uk	13%	14%	8%	14%	21%
The Business Finance Guide	13%	14%	10%	14%	22%
The BBB Finance Hub*	13%	14%	9%	12%	24%
Any of these	69%	69%	69%	73%	79%
None of these	31%	31%	31%	27%	21%
Aware of 4 or more	26%	26%	25%	30%	44%

Q108/109/110 (240) All SMEs * indicates new or amended question

Overall awareness by sector varied from 62% in Hotels & Restaurants and the Other Community sectors to 76% in Property/ Business Services, who were also more likely to be aware of 4 or more initiatives (34%):

% aware of initiatives									
Q4 19 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	300	375	800	450	300	500	900	375	500
Funding initiatives									
Funding Circle	40%	56%	38%	55%	44%	50%	57%	45%	44%
Start Up Loans	34%	38%	41%	42%	45%	38%	51%	38%	37%
BGF	17%	17%	16%	13%	13%	20%	25%	10%	17%
The British Business Bank	19%	16%	15%	13%	11%	15%	21%	22%	11%
Enterprise Finance Guarantee Scheme	21%	18%	15%	14%	12%	18%	26%	20%	14%
Support initiatives									
A network of business mentors	14%	22%	18%	21%	12%	14%	18%	21%	23%
Standards of Lending practice	17%	22%	18%	17%	14%	15%	22%	8%	13%
Independently monitored appeals process	10%	12%	12%	10%	6%	11%	12%	7%	10%
Referral platform	10%	14%	10%	8%	8%	13%	14%	11%	10%
Information initiatives									
BetterBusinessFinance.co.uk	11%	15%	13%	10%	9%	13%	15%	13%	9%
The Business Finance Guide	13%	12%	15%	10%	10%	11%	19%	8%	7%
BBB Finance Hub*	12%	16%	13%	7%	6%	12%	18%	13%	10%
Any of these	65%	73%	64%	70%	62%	69%	76%	69%	62%
None of these	35%	27%	36%	30%	38%	31%	24%	31%	38%
Aware of 4 or more	25%	28%	25%	24%	21%	25%	34%	24%	17%

Q108/109/110 (240) All SMEs * indicates new or amended question

The table below records awareness for Q4 2019, once the PNBs were excluded. This resulted in a slight increase in overall awareness of any initiatives (from 69% of all SMEs to 73% once the PNBs were excluded) and also an increase in the proportion aware of 4 or more initiatives (from 26% to 31%):

Awareness of initiatives		0	1-9	10-49	50-249
Q4 19 – all SMEs excluding PNBs	Total	emp	emps	emps	emps
Unweighted base:	2958	494	903	991	570
Funding initiatives					
Funding Circle	47%	43%	55%	62%	52%
Start Up Loans	42%	42%	41%	48%	46%
BGF	23%	24%	17%	20%	32%
The British Business Bank	21%	23%	14%	17%	34%
Enterprise Finance Guarantee Scheme	22%	23%	18%	18%	30%
Support initiatives					
A network of business mentors	22%	23%	18%	22%	32%
Standards of Lending practice	19%	19%	18%	21%	26%
Independently monitored appeals process	14%	15%	11%	13%	19%
Referral platform	14%	15%	10%	17%	20%
Information initiatives					
BetterBusinessFinance.co.uk	17%	20%	8%	16%	24%
The Business Finance Guide	16%	18%	11%	16%	24%
The BBB Finance Hub*	17%	20%	10%	15%	27%
Any of these	73%	73%	72%	79%	84%
None of these	27%	27%	28%	21%	16%
Aware of 4 or more	31%	32%	26%	33%	49%

Q108/109/110 (240) All SMEs * indicates new or amended question

Overall awareness by age of business varied little (68-72%) with the exception, seen in previous waves, of those trading 6-9 years where 63% were aware of any initiatives. Starts were more likely to be aware of 4 or more initiatives (40%) with little variation across other age bands (20-24%).

Those currently using external finance were once again more likely to be aware of any initiatives (76%) than those not using finance (64%), and also to be aware of 4 or more initiatives (34% v 20% of those not using finance). Those planning to apply in the next 3 months were also more aware (80% with 35% aware of 4 or more) compared to those with no such plans (68% of both Future would-be seekers and Future happy non-seekers, with 26% and 25% respectively aware of 4 or more).

For 2019 as a whole, 69% of all SMEs were aware of one or more of these initiatives after prompting, somewhat higher than previously seen. Over time (and accepting a series of changes have been made to the list) awareness had typically been around 6 in 10 (62% in 2015, 60% in 2016 and 63% in 2018), with the exception of 2017 when 54% were aware (of a slightly different list and before Funding Circle was included).

Awareness remained highest for the latest addition to the list, Funding Circle. In 2019, 79% of those aware of Funding Circle were aware of at least one other initiative compared to 41% of those who were not aware of Funding Circle. If Funding Circle were excluded from the list, awareness for 2019 would fall from 69% to 59% aware of the remaining initiatives, similar to the equivalent impact in 2018 (63% to 53%).

Awareness over time for all SMEs is shown in the table below. The initiatives tested in Q4 2019 included some that had been tracked consistently over the period shown and other more recent additions. Awareness of Funding Circle has increased since it was first included (35% to 51%, currently 49%), with a stable picture for most other initiatives.

Awareness of any initiative in Q4 2019 was 69%, maintaining the increase seen in Q2 2019. The proportion of SMEs aware of 4 or more initiatives is also somewhat higher than previously seen. Since Q4 2018 a quarter of SMEs have been aware of 4 or more initiatives, compared to a fifth in 2017/2018:

Awareness of Taskforce initiatives

Over time – all SMEs	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	17	18	18	18	18	19	19	19	19
Unweighted base:	4500	4500	4500	4502	4500	4500	4500	4500	4500
Funding initiatives									
Funding Circle	-	35%	39%	40%	43%	44%	51%	50%	49%
Start Up Loans	37%	37%	32%	37%	39%	40%	45%	42%	42%
BGF	19%	16%	17%	19%	22%	21%	20%	21%	18%
The British Business Bank	13%	12%	14%	15%	22%	21%	21%	19%	16%
Enterprise Finance Guarantee Scheme	22%	18%	16%	16%	19%	18%	20%	18%	19%
Support initiatives									
A network of business mentors	16%	14%	11%	14%	18%	18%	16%	18%	18%
Standards of Lending practice	18%	16%	16%	12%	14%	14%	15%	18%	17%
Independently monitored appeals process	11%	8%	7%	7%	10%	8%	10%	9%	11%
Referral platform	10%	8%	6%	8%	10%	9%	10%	11%	11%
Information initiatives									
BetterBusinessFinance.co.uk	9%	7%	7%	10%	11%	10%	10%	13%	13%
The Business Finance Guide	10%	9%	8%	10%	11%	9%	11%	13%	13%
The BBB Finance Hub*	-	-	-	-	-	-	-	12%	13%
Any of these	53%	59%	62%	63%	68%	66%	71%	71%	69%
None of these	47%	41%	38%	37%	32%	34%	29%	29%	31%
Aware of 4 or more	19%	21%	19%	21%	26%	25%	25%	27%	26%

Q108/109/110 (240) All SMEs *list last revised in Q3 2019. Total awareness to Q2 2019 includes the BBI website which was replaced in this question in Q3 2019 with the BBB Finance Hub

The table below also details awareness over recent quarters but this time once the Permanent non-borrowers have been excluded. It shows a similar picture in terms of awareness, with almost three quarters aware of any initiative and a similar increase in the proportion of SMEs aware of 4 or more initiatives (around a quarter before Q4 2018 to 3 in 10 subsequently):

Awareness of Taskforce initiatives									
Over time – all SMEs excl PNBs	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
By date of interview	17	18	18	18	18	19	19	19	19
Unweighted base:	3001	2735	2868	2848	2843	2906	3156	3127	2958
Funding initiatives									
Funding Circle	-	40%	41%	41%	43%	46%	48%	45%	47%
Start Up Loans	41%	42%	33%	39%	43%	47%	44%	40%	42%
BGF	20%	19%	22%	21%	27%	25%	23%	25%	23%
The British Business Bank	13%	13%	19%	18%	28%	27%	23%	23%	21%
Enterprise Finance Guarantee Scheme	24%	21%	16%	16%	19%	20%	21%	19%	22%
Support initiatives									
A network of business mentors	17%	16%	13%	14%	22%	23%	18%	19%	22%
Standards of Lending practice	20%	19%	20%	12%	15%	17%	16%	19%	19%
Independently monitored appeals process	14%	9%	10%	7%	13%	11%	11%	12%	14%
Referral platform	11%	11%	8%	9%	13%	11%	12%	14%	14%
Information initiatives									
BetterBusinessFinance.co.uk	11%	9%	10%	11%	15%	13%	14%	16%	17%
The Business Finance Guide	12%	11%	10%	11%	14%	13%	13%	15%	16%
The BBB Finance Hub*	-	-	-	-	-	-	-	16%	17%
Any of these	59%	65%	68%	68%	74%	73%	70%	71%	73%
None of these	41%	35%	32%	32%	26%	27%	30%	29%	27%
Aware of 4 or more	21%	25%	26%	23%	32%	31%	28%	29%	31%

Q108/109/110 (240) All SMEs excluding PNBs *list last revised in Q3 2019. Total awareness to Q2 2019 includes the BBI website which was replaced in this question in Q3 2019 with the BBB Finance Hub

APPEALS AND REFERRALS – ADDITIONAL ANALYSIS

Not all SMEs borrow, or have any appetite for external finance, so initiatives such as the independently monitored appeals process and the more recently established referral platforms may not be immediately relevant to many SMEs.

Awareness of these initiatives amongst potential key groups is shown in the table below.

This shows broadly stable awareness of the appeals process between 2013 and 2015 (13-14%), before awareness declined slightly. In 2019, 10% were aware of the appeals process:

- It was somewhat higher for those with some engagement in finance – 15% for those planning to apply for finance, 14% for those using external finance and 13% of those who had a borrowing event
- Future would-be seekers of finance remained somewhat less likely to be aware (7%).

Data on awareness of the referrals process is available from 2017, with 11% of all SMEs aware of it in 2019, slightly higher than in previous years:

- It was highest amongst those planning to apply for finance (17%) and those reporting a borrowing event (16%)
- Future would-be seekers remained slightly less likely to be aware (9%).

Awareness of initiatives							
All SMEs over time	2013	2014	2015	2016	2017	2018	2019
<i>Unweighted base (overall):</i>	20,036	20,055	20,046	18,000	18,012	18,002	18,000
All SMEs:							
• Independent appeals process	13%	13%	14%	11%	9%	8%	10%
• Referral platform	-	-	-	-	8%	8%	11%
All who use external finance:							
• Independent appeals process	14%	15%	15%	12%	11%	11%	14%
• Referral platform	-	-	-	-	10%	12%	14%
All who had borrowing 'event'							
• Independent appeals process	14%	13%	16%	13%	16%	14%	13%
• Referral platform	-	-	-	-	14%	14%	16%
All planning to apply for finance:							
• Independent appeals process	15%	13%	17%	11%	12%	12%	15%
• Referral platform	-	-	-	-	11%	13%	17%
All Future would-be seekers:							
• Independent appeals process	11%	13%	11%	9%	7%	8%	7%
• Referral platform	-	-	-	-	6%	8%	9%

Q109 (240) All SMEs

CROWD FUNDING AND OTHER FORMS OF FINANCE

Questions on crowd funding have been through several iterations in the SME Finance Monitor since they were originally included in Q2 and Q3 2012, when awareness of the concept was 18%.

The question was revised most recently in Q1 2017 when SMEs were asked specifically if they were aware of either 'equity crowd funding platforms' or 'peer to peer lending platforms'.

The table below looks at awareness of these two forms of funding plus some others which were also included in the questionnaire when that change was made. Results are shown here for YEQ4 2019 to maximise base sizes and exclude PNBs as has been standard practice in the past.

Around 4 in 10 SMEs were aware of each of the funding sources tested, with the exception of Business Angels where a third were aware. Two thirds of SMEs (excluding PNBs) were aware of any of these forms of funding (68%) with the largest SMEs more likely to be aware (81% of those with 50-249 employees):

Awareness of finance sources

All SMEs excl PNBs YEQ4 19	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	11,397	1913	3350	3889	2245
Venture Capital	45%	43%	47%	53%	54%
Equity crowd funding platform	44%	44%	42%	47%	53%
Peer to peer lending platform	41%	42%	38%	43%	55%
Business Angels	33%	33%	32%	35%	49%
Any of these	68%	69%	65%	70%	81%
Not aware	32%	31%	35%	30%	19%

Q111 (238a3x) All SMEs excl PNBs and DK

Amongst those with employees, 66% were aware of one or more of the forms of funding tested.

The table below shows awareness of crowd funding/ peer to peer lending over time, initially under a more generic question and then (from Q1 2017) calculated as awareness of either 'equity crowd funding platforms' and/or 'peer to peer lending platforms'.

In most quarters of 2017 and 2018 around 4 in 10 SMEs (excluding the PNBs) said that they had heard of these forms of funding. In Q4 2018 this increased to half of such SMEs (53%) and the proportion has remained above 50% since (57% in Q4 2019):

Aware of equity crowd funding/peer to peer lending

All SMEs excl PNBs Row percentages	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
All	46%	40%	43%	45%	53%	56%	55%	56%	57%
0 emps	45%	39%	42%	45%	54%	57%	54%	58%	59%
1-9 emps	46%	39%	44%	44%	50%	51%	54%	50%	50%
10-49 emps	51%	52%	50%	49%	57%	59%	56%	57%	56%
50-249 emps	55%	62%	57%	60%	68%	70%	64%	74%	64%
All planning to apply	57%	44%	48%	51%	61%	61%	60%	62%	66%

Q111 (238A3) All SMEs excl PNBs *QUESTION CHANGED IN Q1 2017

Awareness in 2019 was 50% or more for all sizes of SME and remained higher amongst those planning to apply for new/renewed finance (66% in Q4 2019).

The table below provides more detail on use, awareness and consideration of ‘crowd funding’ ie equity crowd funding platforms and/or peer to peer lending, for YEQ4 2019 to maximise base sizes. Very few SMEs were using this form of finance (3%) while a third of those aware would consider using it in future (35% of those aware, the equivalent of 18% of all SMEs excluding the PNBs):

Awareness and use of crowd funding

All SMEs excl PNBs YEQ4 19	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	12,147	2101	3658	4070	2318
Aware of ‘crowd funding’	51%	52%	47%	54%	66%
- Using crowd funding	3%	3%	2%	2%	4%
- Unsuccessfully applied for crowd funding	1%	1%	1%	1%	1%
- Would consider applying in future	18%	20%	13%	15%	29%
- Would <u>not</u> consider applying	30%	28%	32%	37%	32%
Not aware	49%	48%	53%	46%	34%
% aware who would consider	35%	38%	28%	28%	44%

Q111/112 (238a3x4) All SMEs excl PNBs

The largest SMEs with 50-249 employees were more likely to be aware of crowd funding (66%) and just over 4 in 10 of those aware (44%) would consider using it. This is slightly ahead of the 38% of equivalent 0 employee SMEs and of those with 1-9 and 10-49 employees where around a quarter of those aware would consider using (28%).

As the table below shows, until H1 2018 around 4 in 10 SMEs (excluding the PNBs) had been aware of crowd funding each half year. Awareness from H1 2018 onwards has been somewhat higher at around half of SMEs (excluding the PNBs).

- The proportion of SMEs who would consider applying for such finance was also somewhat higher from H1 2018 (20% in H2 2019).
- 38% of SMEs aware of crowd funding said they would consider it as a form of funding, slightly higher in H2 2019 than the 3 in 10 seen in most periods

Awareness and use of crowd funding								
All SMEs excl PNBs Over time	H1 2016	H2 2016	H1 2017	H2 2017	H1 2018	H2 2018	H1 2019	H2 2019
Unweighted base:	5862	5772	6049	5891	5603	5691	6062	6085
Aware of crowd funding	42%	45%	38%	44%	40%	47%	51%	52%
- <i>Would consider applying in future</i>	12%	14%	9%	13%	10%	15%	17%	20%
% aware who would consider	29%	31%	24%	30%	25%	32%	33%	38%

Q111/112 (238a3) All SMEs excl PNBs

EQUITY FINANCE

A new question introduced in Q3 2017 sought to provide a better understanding of attitudes amongst companies to equity finance. They were told that 'Equity finance is where an external third party, like an angel investor but not friends, family or the directors, receives shares in the business in exchange for an injection of cash' and then asked for their views on such funding.

As the table below shows, 6 in 10 companies (62%) said that they knew nothing about this form of finance and most of the rest (19% overall) said they did not think it was a suitable form of finance for them. Only a small minority of companies were using, or planning to use, such finance (4%):

Attitudes to equity finance

All companies YEQ4 19	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	11,903	753	3491	4977	2682
Know something of equity finance	38%	37%	36%	42%	63%
- Use or plan to use in near future	4%	4%	3%	3%	5%
- Reluctant to give up control of the business	13%	12%	11%	16%	38%
- Do not think it is suitable for us	19%	18%	19%	21%	19%
- Wouldn't know where to start	3%	3%	3%	2%	2%
Don't know anything about this form of finance	62%	63%	64%	58%	37%

Q113 (238a4) All SMEs that are companies

Larger companies with 50-249 employees remained more likely to know something about this form of finance (63%), and for them the main barrier was more likely to be a fear of losing control of the business (38%), rather than the suitability of equity as a form of funding (19%).

Analysis by sector shows those in Construction were less likely to know something about equity finance (29%) compared to the Other Community sector (46% aware) and the Health sector where 45% were aware and 11% were already using/planning to use this form of finance:

Attitudes to equity finance

YEQ4 19 – all companies	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	548	1070	2194	1268	669	1344	2549	935	1326
Know something	38%	38%	29%	32%	39%	34%	41%	45%	46%
- Use or plan to use	4%	7%	2%	3%	4%	1%	4%	11%	5%
- Reluctant to give up control	15%	11%	11%	11%	13%	13%	12%	13%	18%
- Do not think it is suitable for us	15%	20%	14%	17%	18%	17%	21%	16%	22%
- Wouldn't know where to start	4%	1%	2%	2%	4%	3%	4%	5%	1%
Don't know anything about this finance	62%	62%	71%	68%	61%	66%	59%	55%	54%

Q113 (238a4) All SMEs that are companies

The proportion of companies knowing nothing about equity finance varied relatively little by age of company (60–63%). SMEs trading for 5 years or less were more likely to be using or planning to use this form of finance (6%):

Attitudes to equity finance

All companies YEQ4 19	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	637	874	1120	2110	7162
Know something of equity finance	37%	40%	37%	38%	37%
- Use or plan to use in near future	6%	6%	4%	3%	2%
- Reluctant to give up control of the business	9%	13%	12%	12%	14%
- Do not think it is suitable for us	17%	17%	18%	20%	19%
- Wouldn't know where to start	4%	4%	2%	3%	2%
Don't know anything about this form of finance	63%	60%	63%	62%	63%

Q113 (238a4) All SMEs that are companies

Analysis by other key sub-groups showed awareness of equity finance was higher once the PNBs were excluded (68% of PNBs said that they knew nothing about equity finance) and amongst those already using external finance or planning to grow. However, whilst more aware, these companies were only slightly more likely to be using or planning to use such finance, and more likely to mention a loss of control as a barrier:

Attitudes to equity finance

All companies YEQ4 19	Total	PNBs	Excl PNBs	Using finance	Plan to grow
Unweighted base:	11,903	3555	8348	7321	7824
Know something of equity finance	38%	32%	41%	43%	41%
- Use or plan to use in near future	4%	2%	5%	5%	4%
- Reluctant to give up control of the business	13%	10%	14%	15%	14%
- Do not think it is suitable for us	19%	18%	19%	19%	19%
- Wouldn't know where to start	3%	2%	3%	4%	4%
Don't know anything about this form of finance	62%	68%	59%	57%	59%

Q113 (238a4) All SMEs that are companies

When this question was first asked in H2 2017, 4 in 10 (38%) of SME companies said that they knew something about equity finance and this proportion has changed little since (39% in H2 2019). Around 1 in 5 felt that this was not a suitable form of funding for them and 1 in 10 were reluctant to give up control of their business:

Attitudes to equity finance					
All companies Over time	H2 2017	H1 2018	H2 2018	H1 2019	H2 2019
<i>Unweighted base:</i>	5657	5611	5817	5860	6043
Know something of equity finance	38%	32%	36%	37%	39%
- <i>Use or plan to use in near future</i>	3%	3%	2%	4%	4%
- <i>Reluctant to give up control of the business</i>	8%	10%	12%	11%	14%
- <i>Do not think it is suitable for us</i>	22%	17%	20%	19%	18%
- <i>Wouldn't know where to start</i>	4%	2%	3%	3%	3%
Don't know anything about this form of finance	62%	68%	64%	63%	61%

Q113 (238a4) All SMEs that are companies

AWARENESS AND USE OF THE OPEN BANKING INITIATIVE

From Q1 2018, all SMEs were read a description of the new Open Banking initiative:

‘Open Banking is an initiative led by the UK's Competition and Markets Authority. It enables small businesses to share their banking transaction data securely with other banks and third parties, so that they can get tailored quotes and compare banking products on the basis of their own requirements.

At the moment, to get personalised advice, you often have to hand over your confidential banking information whereas under Open Banking this could be done automatically and securely through your bank with your permission.’

All SMEs were then asked two questions:

- Whether they had heard of this initiative: In 2019 15% had, with little variation by size of SME except for those with 50-249 employees where 28% were aware.
- Whether, based on this description, they would be happy to use the Open Banking service to share data with another provider: in 2019, 17% said they would be with little variation by size.

This allows all SMEs to be allocated to one of the four categories below, depending on whether they were previously aware of Open Banking and/or happy to use it. In 2019, three quarters of SMEs (74%) were neither aware of the initiative, nor happy to use it:

Awareness and use of Open Banking

All SMEs YEQ4 19	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	18,000	3600	5800	5800	2800
Aware and happy to use	6%	6%	4%	5%	12%
Aware but not happy to use	9%	9%	9%	11%	16%
Not aware but happy to use	11%	11%	12%	11%	8%
Not aware and not happy to use	74%	74%	75%	73%	64%
All aware	15%	15%	13%	16%	28%
All happy to use	17%	17%	16%	16%	20%

Q114a/b All SMEs NEW

As this question was added more recently only limited analysis over time is possible. As the table below shows, awareness of Open Banking was little changed between H1 2018 and H2 2019 and the slight increase in the proportion 'happy to use' from 15% to 19% in H1 2019 was not maintained in H2 2019:

Awareness and use of Open Banking				
All SMEs Over time	H1 2018	H2 2018	H1 2019	H2 2019
Unweighted base:	9000	9002	9000	9000
Aware and happy to use	5%	5%	7%	5%
Aware but not happy to use	10%	9%	9%	9%
Not aware but happy to use	10%	10%	12%	10%
Not aware and not happy to use	75%	75%	72%	76%
All aware	15%	14%	16%	14%
All happy to use	15%	15%	19%	15%

Q114a/b All SMEs NEW