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

THIS CHAPTER PROVIDES

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

KEY FINDINGS

Permanent non-borrowers: 41% of SMEs in 2020 met the definition of a Permanent non-borrower, with little apparent appetite for external finance. This was in line with 2019 (42%), but variation was seen during the year as use of external finance also fluctuated: in Q1 2020, 51% of SMEs met the definition of a PNB, decreasing to 41% and then 39% in Q2 and Q3 and then 32% in Q4.

Smaller SMEs remained more likely to be a PNB, with 44% of 0 employee SMEs meeting the definition in 2020, but not exclusively so as 28-32% of SMEs with employees could also be defined as PNBs.

Typically, more than 8 in 10 SMEs have either been using external finance or have met the definition of a PNB, increasing to 87% in 2019. In 2020 the proportion dropped to 78%, as more SMEs expressed a future appetite for finance (but were not currently using any).

In 2020, PNBs were more likely than their peers to have been profitable and as likely to hold £10,000 in credit balances. They were though less likely to have been innovative, traded internationally or to plan to grow (although the gap is narrower than previously seen).

Attitudes to finance: In 2019, just over half of SMEs had felt that they were being cautious because the future felt uncertain and this increased to 65% in H1 2020 and 71% in H2. Whilst the proportion happy to borrow to grow increased slightly in H2 2020 (35% v 29-30% since the start of 2019), SMEs remained likely to agree that their plans were based on what they could afford (86% in H2 2020) even if this meant growing more slowly (80%).

The proportion of SMEs meeting the definition of an ‘Ambitious risk taker’ increased slightly in 2020 (29% v 25% in 2019) as more smaller SMEs agreed that they were both looking to be significantly bigger and were prepared to take risks to succeed.

A series of attitude statements during 2020 looked at the issue of having funding in place during the pandemic. In Q2, 33% agreed they were willing to borrow to grow to get through the pandemic. In Q3 the same proportion (33%) were worried about having the right funding in place going forward and in Q4, 30% were worried about whether they had enough funding in place.

In both Q3 and Q4, smaller SMEs were more likely to be concerned about the funding they had in place, as were younger SMEs, those in the Hotel & Restaurant sector and those already using external finance.

THE NON-BORROWING SME

As the previous chapter reported, just over a third of SMEs (37% YE Q4 2020) 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 changed slightly but the sentiment behind them remained the same as in previous waves. The definition of a PNB has not been adjusted in 2020 to include the Covid specific finance questions detailed at the start of this report. Analysis of H2 2020 showed that 6% of PNBs had received Covid related funding, the equivalent of 2% of all SMEs.

In 2020, 41% of all SMEs met the traditional definition of a Permanent non-borrower (PNB). They remained more likely to be found amongst the smaller SMEs (44% of 0 employee SMEs) although not exclusively so:

- 44% of 0 employee SMEs met this non-borrowing definition
- 32% of 1-9 employee SMEs
- 28% of 10-49 employee SMEs
- 32% of 50-249 employee SMEs.

Amongst SMEs with employees, 32% met the definition of a Permanent non-borrower.

Over recent quarters, the proportion of PNBs peaked at 51% in Q1 2020 but then declined to 32% in Q4 2020 as use of external finance increased. The largest SMEs were somewhat more likely to meet the definition than previously seen:

| Permanent non-borrowers | | | | | | | | | |
|--------------------------------|------|------|------|------|------|------|------|------|------|
| Over time – all SMEs | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Row percentages | 2018 | 2019 | 2019 | 2019 | 2019 | 2020 | 2020 | 2020 | 2020 |
| All SMEs | 45% | 45% | 38% | 41% | 45% | 51% | 41% | 39% | 32% |
| 0 employee | 46% | 46% | 39% | 42% | 47% | 55% | 44% | 42% | 34% |
| 1-9 employees | 43% | 41% | 35% | 38% | 39% | 40% | 31% | 34% | 26% |
| 10-49 employees | 37% | 34% | 29% | 28% | 33% | 34% | 28% | 28% | 22% |
| 50-249 employees | 24% | 22% | 17% | 15% | 21% | 27% | 34% | 28% | 36% |

Across other demographics for 2020 as a whole:

- Half of SMEs in Health (49%) met the definition of a Permanent non-borrower, compared to 33% of those in Hotels & Restaurants.
- There was little difference by age of business (38-42%). SMEs with a low external risk rating were slightly less likely to meet the definition (37%) than their peers (40-42%).
- Those using a personal account for their business banking were slightly more likely to meet the definition than those using a business bank account (44% v 40%). This means that the equivalent of 6% of all SMEs were Permanent non-borrowers who used a personal bank account.

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 was then stable to 2018 (48%). The figures for 2019 and 2020 were somewhat lower (42% and 41%) back to levels seen in 2013.
- Between 2015 and 2018, half of SMEs with 0 employees met the definition of a PNB. In 2019 and 2020, the proportion was lower at 44%, back to levels seen in 2013.
- Amongst SMEs with 1-9 employees, the proportion of PNBs increased to 36% in 2015 and was then stable until a further increase in 2018 to 44% which was then not maintained in 2019 (38%) with a further decrease in 2020 to 32%. A similar pattern was seen for those with 10-49 employees (29% in 2015, stable until 2018 when 36% were PNBs then back to 31% in 2019 and 28% in 2020).
- The largest SMEs were always less likely to be a PNB but the proportion increased to 28% in 2015 then declined again (19% in both 2018 and 2019) before increasing again to 32% in 2020, the highest level seen to date.
- Since 2018, all risk ratings have become less likely to meet the definition of a PNB, notably those with a low risk rating (50% to 37% in 2020).
- Health is the only sector where more SMEs met the definition of a PNB in 2020 (49%) than in 2018 (38%)

| Permanent non-borrowers | | | | | | | | |
|--------------------------------|------|------|------|------|------|------|------|------|
| Over time – all SMEs | | | | | | | | |
| Row percentages | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| All SMEs | 40% | 43% | 47% | 47% | 47% | 48% | 42% | 41% |
| 0 emp | 44% | 48% | 51% | 50% | 51% | 50% | 44% | 44% |
| 1-9 emps | 28% | 33% | 36% | 38% | 37% | 44% | 38% | 32% |
| 10-49 emps | 22% | 26% | 29% | 30% | 27% | 36% | 31% | 28% |
| 50-249 emps | 17% | 26% | 28% | 26% | 22% | 19% | 19% | 32% |
| Minimal external risk rating | 37% | 41% | 41% | 42% | 42% | 45% | 44% | 40% |
| Low | 35% | 44% | 38% | 43% | 42% | 50% | 41% | 37% |
| Average | 40% | 45% | 45% | 46% | 49% | 49% | 46% | 42% |
| Worse than average | 40% | 43% | 51% | 48% | 47% | 47% | 41% | 40% |
| Agriculture | 37% | 40% | 41% | 40% | 37% | 41% | 33% | 36% |
| Manufacturing | 41% | 42% | 43% | 45% | 42% | 48% | 42% | 39% |
| Construction | 41% | 45% | 52% | 45% | 48% | 51% | 41% | 41% |
| Wholesale/Retail | 32% | 34% | 38% | 40% | 39% | 43% | 33% | 34% |
| Hotels & Restaurants | 33% | 39% | 40% | 43% | 41% | 46% | 42% | 33% |
| Transport | 33% | 40% | 44% | 45% | 42% | 45% | 39% | 35% |
| Property/ Business Services | 43% | 46% | 48% | 51% | 52% | 52% | 50% | 45% |
| Health | 52% | 54% | 51% | 56% | 48% | 38% | 34% | 49% |
| Other Community | 38% | 46% | 47% | 45% | 50% | 48% | 42% | 40% |

All SMEs Hartnett66

The proportions of SMEs that either used external finance or met the definition of a PNB have varied over time. Across SMEs as a whole, the ‘gap’ between those using finance and PNBs widened 2012 to 2015 and was then stable to 2018 before turning positive in 2019 as more SMEs used finance. In 2020 the ‘gap’ was back but narrower than seen since 2014 as the table below shows.

Different patterns were seen over time by size of SME. 0 employee SMEs are the only group to consistently be more likely to meet the definition of a PNB than to be using external finance, if by a narrow margin in 2019. Those with 10-249 employees have always been more likely to be using external finance, and whilst the gap between the two groups has changed over time, the external finance group has always been the largest:

| Use of external finance and PNBs | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Over time | | | | | | | | |
| Row percentages | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| All SMEs: | | | | | | | | |
| • Use external finance | 41% | 37% | 37% | 37% | 38% | 36% | 45% | 37% |
| • Permanent non-borrower | 40% | 43% | 47% | 47% | 47% | 48% | 42% | 41% |
| • 'Gap' finance to PNB | +1 | -6 | -10 | -10 | -9 | -12 | +3 | -4 |
| 0 employees: | | | | | | | | |
| • Use external finance | 35% | 32% | 32% | 33% | 34% | 34% | 43% | 32% |
| • Permanent non-borrower | 44% | 48% | 51% | 50% | 51% | 50% | 44% | 44% |
| • 'Gap' finance to PNB | -9 | -16 | -19 | -17 | -17 | -16 | -1 | -12 |
| 1-9 employees: | | | | | | | | |
| • Use external finance | 55% | 49% | 49% | 46% | 49% | 42% | 50% | 49% |
| • Permanent non-borrower | 28% | 33% | 36% | 38% | 37% | 44% | 38% | 32% |
| • 'Gap' finance to PNB | +27 | +16 | +13 | +8 | +12 | -2 | +12 | +17 |
| 10-49 employees: | | | | | | | | |
| • Use external finance | 67% | 61% | 60% | 59% | 64% | 54% | 60% | 58% |
| • Permanent non-borrower | 22% | 26% | 29% | 30% | 27% | 36% | 31% | 28% |
| • 'Gap' finance to PNB | +45 | +35 | +31 | +29 | +37 | +18 | +29 | +30 |
| 50-249 employees | | | | | | | | |
| • Use external finance | 73% | 63% | 61% | 64% | 73% | 77% | 77% | 58% |
| • Permanent non-borrower | 17% | 26% | 28% | 26% | 22% | 19% | 19% | 32% |
| • 'Gap' finance to PNB | +56 | +37 | +33 | +38 | +51 | +58 | +58 | +26 |

All SMEs

Analysis by number of employees of these trends over time showed that:

PNBs v use of external finance trends over time

| | |
|------------------|--|
| 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 a PNB increased, until there was a 19 percentage point difference between them in 2015 (32% v 51%). This ‘gap’ varied relatively little 2015 to 2018 but in 2019, with more 0 employee SMEs using finance (43%) and fewer meeting the definition of a PNB (44%), there was no ‘gap’ for the first time since 2012.</p> <p>In 2020, the gap re-opened as fewer 0 employee SMEs used external finance and the proportion of PNBs held steady.</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%). Their use of finance then declined, and the proportion of PNBs 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%). In 2019 however, an increased use of finance (50%) and declining proportion of PNBs (38%) saw a ‘gap’ of 12 points restored, which widened again in 2020 to 17 points.</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%). From 2012 to 2018, the proportion of PNBs doubled to 36% and the proportion using finance declined to 54%, reducing the ‘gap’ from 52 percentage points to 18. The gap increased again in 2019 to 29 percentage points as more SMEs used finance (60%) and fewer met the definition of a PNB (31%) and was unchanged in 2020.</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%). That trend then reversed for 2017 to 2019 and a gap of 58 points was re-established as use of external finance increased. In 2020, the gap narrowed again to 26 points, with fewer 50-249 employee SMEs using finance and more meeting the definition of a PNB.</p> |

SMEs can be placed in one of three groups: using finance, being a PNB or being “in the middle” ie not using finance now but showing some appetite, a group that might be considered a potential source of future users of external finance. Analysis has shown that, between 2012 and 2019 a declining proportion of SMEs were in this middle group (from 22% of all SMEs in 2012 to 13% in 2019), but that there was an increase in the size of this group to 22% for 2020.

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:

| Characteristics of PNBs | | | | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Over time | | | | | | | | |
| Row percentages | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Made a profit: | | | | | | | | |
| • PNBs | 73% | 80% | 82% | 80% | 83% | 79% | 83% | 83% |
| • Other SMEs | 69% | 74% | 78% | 80% | 82% | 77% | 81% | 76% |
| Hold £10k+ of credit balances: | | | | | | | | |
| • PNBs | 14% | 19% | 23% | 19% | 23% | 23% | 28% | 28% |
| • Other SMEs | 18% | 21% | 25% | 24% | 27% | 22% | 21% | 29% |
| Minimal/Low risk rating: | | | | | | | | |
| • PNBs | 15% | 22% | 21% | 20% | 20% | 23% | 22% | 20% |
| • Other SMEs | 17% | 23% | 28% | 23% | 23% | 23% | 24% | 22% |
| International | | | | | | | | |
| • PNBs | 10% | 12% | 13% | 11% | 14% | 14% | 15% | 14% |
| • Other SMEs | 15% | 19% | 20% | 16% | 17% | 16% | 16% | 18% |
| Innovative | | | | | | | | |
| • PNBs | 32% | 31% | 31% | 32% | 31% | 30% | 34% | 35% |
| • Other SMEs | 42% | 42% | 42% | 41% | 36% | 35% | 35% | 47% |
| Plan to grow | | | | | | | | |
| • PNBs | 43% | 40% | 38% | 36% | 37% | 41% | 40% | 34% |
| • Other SMEs | 52% | 52% | 51% | 50% | 52% | 56% | 60% | 39% |

All SMEs

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

PNB v non-PNB trends over time

| | |
|-----------------|---|
| Profitability | Since 2014 the proportion of PNBs reporting making a profit has been broadly stable (79-83%). Amongst non-PNBs the proportion making a profit increased to 82% in 2017, closing the gap to the PNBs, but has been a bit more variable since. In 2020, PNBs were more likely to have reported a profit (83%) than their non-PNB peers (76%). |
| Credit balances | Up to 2017, both groups saw an increase in the proportion holding £10k or more of credit balances, with non-PNBs slightly ahead. In 2018 there was nothing to choose between the two groups, then an increase in credit balances in PNBs in 2019 (to 28%) created a gap which was closed in 2020 when more non-PNBs reported holding such sums (29%). |
| Risk rating | The proportion of both groups with a minimal or low external risk rating has been stable over recent years. |
| International | With the exception of 2019, PNBs have been somewhat less likely than their non-PNB peers to be trading internationally (14% v 18% in 2020). |
| Innovation | The proportion of PNBs that had been innovative was stable to 2017 and always somewhat lower than the non-PNBs. In 2018, more PNBs reported being innovative, as the proportion of innovative non-PNBs declined and as a result there was nothing to choose between the two groups. In 2020 however, a marked increase in innovation amongst non-PNBs (to 47%) saw the previous gap re-established. |
| Plan to grow | Growth aspirations amongst PNBs were broadly stable at around 4 in 10, somewhat lower than for non-PNBs where half planned to grow up to 2018 when the proportion increased, reaching 60% in 2019. The current climate has reduced growth ambitions for both groups, but less so for PNBs (40% to 34%) than the non-PNBs (60% to 39%), narrowing the gap between them. |

PNBs by their very definition were not using external finance, but if use of trade credit and injections of personal funds are considered then 45% of PNBs used any ‘business funding’. If those who had injected personal funds and/or used trade credit were to be excluded from the PNB definition, the proportion of PNBs would reduce from 41% to 22% of all SMEs YEQ4 2020.

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, excluding these Permanent non-borrowers, which might be described as ‘All SMEs with a potential interest in external finance’.

As an example, if these PNBs were excluded from the ‘use of external finance’ table reported in the previous chapter, the proportion using external finance would increase to 61% of the remaining SMEs in 2020, somewhat lower than previously seen, due to lower use of core forms of finance:

| Use of external finance over time | | | | | | | | |
|--|------|------|------|------|------|------|------|------|
| Over time – all SMEs excl PNBs | | | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Use any external finance | 68% | 65% | 70% | 70% | 72% | 70% | 78% | 61% |
| • Use core finance | 53% | 51% | 55% | 57% | 57% | 61% | 67% | 48% |
| • Use other forms of finance | 29% | 30% | 32% | 31% | 33% | 22% | 27% | 31% |
| Do not use external finance | 32% | 35% | 30% | 30% | 28% | 30% | 22% | 39% |

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 in full for YEQ4 2020, in the order in which they were added to the SME Finance Monitor, with the overall ‘agree’ score in bold italics by each statement.

These statements shed some light on current demand for finance. Most SMEs (85%) continued to report that their plans were based on what they could afford, with three quarters saying they would accept slower growth rather than borrowing to grow faster. Two thirds felt they were being cautious due to future uncertainty while a third were happy to use finance to help the business grow.

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

In Q3 and Q4 2020, additional statements were run to explore views around having the right finance in place for current trading conditions and these are summarised at the end of this section.

ATTITUDES TO FINANCE IN DETAIL – YEQ4 2020

| Attitudes to finance YEQ4 2020 | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|--|---------------|-------------|-------------|-------------|-------------|
| <i>Unweighted base:</i> | 17,768 | 3567 | 5838 | 5611 | 2752 |
| <i>Happy to use external finance to help the business grow and develop</i> | 33% | 29% | 42% | 49% | 48% |
| Strongly agree | 3% | 3% | 4% | 5% | 4% |
| Agree | 29% | 26% | 37% | 44% | 43% |
| Neither/nor | 18% | 18% | 19% | 23% | 30% |
| Disagree | 39% | 42% | 32% | 24% | 20% |
| Strongly disagree | 10% | 11% | 7% | 4% | 2% |

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| | | | | | |
|---|------------|------------|------------|------------|------------|
| <i>Current plans for the business are based on what we can afford ourselves</i> | 85% | 87% | 81% | 75% | 67% |
| Strongly agree | 28% | 29% | 26% | 18% | 12% |
| Agree | 57% | 57% | 55% | 56% | 54% |
| Neither/nor | 9% | 8% | 10% | 14% | 21% |
| Disagree | 6% | 5% | 8% | 10% | 12% |
| Strongly disagree | * | * | 1% | 1% | 1% |
| <i>Never think about whether we could/should use more external finance</i> | 51% | 54% | 46% | 38% | 33% |
| Strongly agree | 10% | 11% | 8% | 5% | 3% |
| Agree | 41% | 43% | 38% | 33% | 30% |
| Neither/nor | 24% | 23% | 25% | 28% | 36% |
| Disagree | 22% | 20% | 27% | 32% | 29% |
| Strongly disagree | 3% | 3% | 3% | 3% | 2% |
| <i>We will accept a slower rate of growth rather than borrowing to grow faster</i> | 80% | 80% | 80% | 74% | 66% |
| Strongly agree | 23% | 24% | 23% | 16% | 11% |
| Agree | 57% | 57% | 57% | 58% | 54% |
| Neither/nor | 13% | 13% | 13% | 17% | 25% |
| Disagree | 6% | 6% | 6% | 8% | 8% |
| Strongly disagree | 1% | 1% | 1% | 1% | 1% |
| <i>As a business we are prepared to take risks to be more successful</i> | 43% | 41% | 49% | 50% | 50% |
| Strongly agree | 5% | 5% | 6% | 5% | 4% |
| Agree | 38% | 36% | 43% | 46% | 46% |
| Neither/nor | 18% | 18% | 18% | 22% | 28% |
| Disagree | 33% | 35% | 28% | 25% | 19% |
| Strongly disagree | 6% | 7% | 5% | 3% | 3% |

Continued

Continued

| | | | | | |
|--|------------|------------|------------|------------|------------|
| <i>A further increase in the cost of credit would make us less likely to apply for new external finance</i> | 57% | 57% | 60% | 56% | 49% |
| Strongly agree | 14% | 14% | 16% | 10% | 7% |
| Agree | 43% | 43% | 43% | 45% | 42% |
| Neither/nor | 27% | 27% | 25% | 28% | 36% |
| Disagree | 13% | 13% | 12% | 14% | 14% |
| Strongly disagree | 3% | 3% | 3% | 2% | 2% |
| <i>Because the future feels uncertain we are being very cautious with our plans for the business</i> | 68% | 67% | 71% | 68% | 61% |
| Strongly agree | 18% | 18% | 19% | 15% | 12% |
| Agree | 50% | 50% | 52% | 53% | 49% |
| Neither/nor | 14% | 14% | 14% | 17% | 22% |
| Disagree | 16% | 17% | 14% | 14% | 16% |
| Strongly disagree | 1% | 2% | 1% | 1% | 1% |
| <i>My impression is that it is quite difficult for businesses like ours to get external finance</i> | 37% | 38% | 36% | 28% | 24% |
| Strongly agree | 8% | 8% | 7% | 4% | 3% |
| Agree | 29% | 30% | 28% | 24% | 21% |
| Neither/nor | 37% | 39% | 34% | 33% | 40% |
| Disagree | 23% | 21% | 28% | 37% | 33% |
| Strongly disagree | 2% | 2% | 3% | 2% | 3% |
| <i>We have a long term ambition to be a significantly bigger business</i> | 41% | 38% | 48% | 56% | 60% |
| Strongly agree | 9% | 8% | 11% | 10% | 11% |
| Agree | 32% | 30% | 37% | 47% | 49% |
| Neither/nor | 14% | 14% | 15% | 19% | 22% |
| Disagree | 35% | 38% | 31% | 22% | 16% |
| Strongly disagree | 9% | 11% | 6% | 3% | 2% |

Q96 (238a5) All SMEs

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 for YEQ4 2020:

| YEQ4 20 – all SMEs % agreeing | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|---|---------------|-------------|-------------|---------------|----------------|
| Unweighted base: | 17,768 | 3567 | 5838 | 5611 | 2752 |
| Plans based on what can afford ourselves | 85% | 87% | 81% | 75% | 67% |
| Accept slower growth rather than borrow | 80% | 80% | 80% | 74% | 66% |
| Because the future feels uncertain we are being very cautious with our plans for the business | 68% | 67% | 71% | 68% | 61% |
| Increase in cost of credit would discourage application | 57% | 57% | 60% | 56% | 49% |
| Never think about using (more) external finance | 51% | 54% | 46% | 38% | 33% |
| As a business we are prepared to take risks to become more successful | 43% | 41% | 49% | 50% | 50% |
| We have a long term ambition to be a significantly bigger business | 41% | 38% | 48% | 56% | 60% |
| My impression is that it is quite difficult for businesses like ours to get external finance | 37% | 38% | 36% | 28% | 24% |
| Happy to use finance to help business grow | 33% | 29% | 42% | 49% | 48% |

Q96 (238a5) All SMEs

- Smaller SMEs remained more likely than larger SMEs to express a willingness to base plans on what could be afforded and to grow more slowly rather than borrow to grow.
- Smaller SMEs were also more likely to say they never thought about using (more) finance and to think it might be difficult to get finance if they did apply.
- Larger SMEs were more likely to be willing to use external finance to help the business grow, to take risks to become more successful and to have a long term ambition to be larger still.
- The feeling that the future is uncertain applies across all size bands, but the largest SMEs were somewhat less likely to agree.

The table below looks at attitudes to finance by external risk rating. There was relatively little variation by risk rating on a number of these statements, but those with a worse than average risk rating were more likely to agree that they were prepared to take risks to be successful and had ambitions to be bigger, but also to feel that it would be difficult for them to get finance and that an increase in the cost of credit would put them off applying:

| YEQ4 20 – all SMEs | | | | | |
|---|---------------|-------------|-------------|-------------|-------------|
| % agreeing | Total | Min | Low | Avg | Worse /Avg |
| Unweighted base: | 17,768 | 3012 | 4935 | 4823 | 3582 |
| Plans based on what can afford ourselves | 85% | 84% | 85% | 86% | 85% |
| Accept slower growth rather than borrow | 80% | 82% | 80% | 81% | 79% |
| Because the future feels uncertain we are being very cautious with our plans for the business | 68% | 66% | 68% | 67% | 68% |
| Increase in cost of credit would discourage application | 57% | 52% | 53% | 57% | 59% |
| Never think about using (more) external finance | 51% | 50% | 50% | 52% | 52% |
| As a business we are prepared to take risks to become more successful | 43% | 39% | 40% | 41% | 46% |
| We have a long term ambition to be a significantly bigger business | 41% | 42% | 40% | 34% | 46% |
| My impression is that it is quite difficult for businesses like ours to get external finance | 37% | 26% | 33% | 37% | 39% |
| Happy to use finance to help business grow | 33% | 32% | 34% | 30% | 34% |

Q96 (238a5) All SMEs

There was some variation by sector:

- Those in the Health sector were somewhat less likely to feel the future was uncertain (especially in comparison to those in Wholesale/Retail, Hotels & Restaurants and Transport). They were somewhat less likely to think it would be difficult to get finance, or to be put off by an increase in the cost of credit.
- Whilst those in Wholesale/Retail were more likely to feel the future was uncertain, they were also more likely to harbour an ambition to be significantly bigger, to be prepared to take risks to succeed and to be happy to use finance to help the business grow.

| YEQ4 20 – all SMEs % agreeing | Agric | Mfg | Constr | Whle Retail | Hotel Rest | Trans | Prop/ Bus | Hlth SWk | Other Comm |
|---|-------------|-------------|-------------|----------------|---------------|-------------|--------------|-------------|---------------|
| Unweighted base: | 1155 | 1583 | 3043 | 1838 | 1227 | 1921 | 3642 | 1384 | 1975 |
| Plans based on what can afford ourselves | 81% | 86% | 87% | 84% | 82% | 83% | 85% | 85% | 87% |
| Accept slower growth rather than borrow | 77% | 80% | 80% | 79% | 78% | 78% | 80% | 84% | 80% |
| Future feels uncertain, we are being very cautious | 70% | 69% | 67% | 74% | 74% | 74% | 64% | 63% | 69% |
| Increase in cost of credit would discourage application | 61% | 56% | 57% | 61% | 60% | 60% | 57% | 51% | 56% |
| Never think about using (more) external finance | 46% | 50% | 55% | 48% | 48% | 50% | 50% | 53% | 54% |
| We are prepared to take risks to become more successful | 43% | 44% | 37% | 49% | 42% | 41% | 46% | 39% | 46% |
| Have long term ambition to be a significantly bigger business | 38% | 41% | 33% | 50% | 40% | 41% | 43% | 41% | 43% |
| Impression is that it is quite difficult for businesses like ours to get external finance | 34% | 36% | 38% | 38% | 42% | 40% | 35% | 31% | 41% |
| Happy to use finance to help business grow | 39% | 32% | 28% | 42% | 38% | 34% | 31% | 27% | 33% |

Q96 (238a5) All SMEs

Analysis by age of SME showed that younger SMEs were more ambitious and prepared to take risks, and happy to use finance to grow, but also that it might be difficult for them to get finance or feeling discouraged by any potential increase in the cost of credit:

| YEQ4 20 – all SMEs % agreeing | Starts | 2-5 yrs | 6-9 yrs | 10-15 yrs | 15 yrs+ |
|---|-------------|-------------|-------------|--------------|---------------|
| Unweighted base: | 1604 | 1450 | 1655 | 2892 | 10,167 |
| Plans based on what can afford ourselves | 84% | 86% | 87% | 85% | 84% |
| Accept slower growth rather than borrow | 79% | 81% | 79% | 83% | 78% |
| Future feels uncertain, we are being very cautious | 72% | 68% | 70% | 66% | 66% |
| Increase in cost of credit would discourage application | 63% | 59% | 60% | 59% | 52% |
| Never think about using (more) external finance | 48% | 49% | 51% | 55% | 52% |
| We are prepared to take risks to become more successful | 56% | 51% | 46% | 40% | 34% |
| Have long term ambition to be a significantly bigger business | 59% | 56% | 46% | 35% | 27% |
| Impression is that it is quite difficult for businesses like ours to get external finance | 44% | 39% | 37% | 34% | 35% |
| Happy to use finance to help business grow | 39% | 36% | 37% | 28% | 29% |

Q96 (238a5) All SMEs

Analysis by use of external finance and plans to grow is shown below:

- Those already using finance, whilst somewhat more cautious about the future, had an ambition to be bigger and were more prepared to take risks. They were happy to use finance to help the business grow, but more likely than non-users of finance to think they might find it difficult to get (more) funding.
- Those planning to grow were less cautious about the future and much more ambitious than those with no such plans, and more prepared to take risks to succeed. They were also happier to use finance to grow but would be more likely to be discouraged by an increase in the cost of credit.

| YEQ4 20 – all SMEs % agreeing | Use external finance | Do not use finance | Plan to grow | No plans to grow |
|---|----------------------|--------------------|--------------|------------------|
| Unweighted base: | 9020 | 8748 | 7347 | 10,421 |
| Plans based on what can afford ourselves | 81% | 87% | 85% | 85% |
| Accept slower growth rather than borrow | 76% | 82% | 80% | 79% |
| Future feels uncertain, we are being very cautious | 73% | 65% | 64% | 70% |
| Increase in cost of credit would discourage application | 65% | 53% | 64% | 53% |
| Never think about using (more) external finance | 44% | 56% | 49% | 53% |
| We are prepared to take risks to become more successful | 49% | 40% | 57% | 35% |
| Have long term ambition to be a significantly bigger business | 46% | 38% | 63% | 28% |
| Impression is that it is quite difficult for businesses like ours to get external finance | 43% | 34% | 41% | 35% |
| Happy to use finance to help business grow | 46% | 25% | 42% | 27% |

Q96 (238a5) All SMEs

The table below provides analysis by whether the SME met the definition of a PNB or not, and also just for those SMEs that have employees.

- Permanent non-borrowers were less likely to have an ambition to be much bigger, or to be prepared to take risks to be successful, although they were also less likely to feel the future was uncertain. They were less happy to use finance to grow, and more likely to say they never thought about finance, although they didn't necessarily think they would have difficulties getting it.
- Excluding the 0 employee SMEs increases the proportion of ambitious and risk-taking SMEs who are prepared to use finance and reduces the proportion that never think about using (more) finance.

| YEQ4 20 – all SMEs % agreeing | Total | PNBs | Not PNBs | All with employees |
|---|---------------|-------------|---------------|--------------------|
| <i>Unweighted base:</i> | 17,768 | 5758 | 12,010 | 14,201 |
| Plans based on what can afford ourselves | 85% | 88% | 83% | 80% |
| Accept slower growth rather than borrow | 80% | 84% | 77% | 79% |
| Because the future feels uncertain we are being very cautious with our plans for the business | 68% | 61% | 73% | 70% |
| Increase in cost of credit would discourage application | 57% | 49% | 63% | 59% |
| Never think about using (more) external finance | 51% | 57% | 47% | 44% |
| As a business we are prepared to take risks to become more successful | 43% | 35% | 48% | 50% |
| We have a long term ambition to be a significantly bigger business | 41% | 33% | 46% | 49% |
| My impression is that it is quite difficult for businesses like ours to get external finance | 37% | 27% | 44% | 34% |
| Happy to use finance to help business grow | 33% | 19% | 42% | 43% |

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 2016 where available for each statement:

| Attitudes to finance | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Over time – all SMEs | | | | | | | | | |
| All agreeing – row percentages | H2 16 | H1 17 | H2 17 | H1 18 | H2 18 | H1 19 | H2 19 | H1 20 | H2 20 |
| Happy to use finance to help business grow | 43% | 33% | 34% | 33% | 32% | 29% | 29% | 30% | 35% |
| Plans based on what can afford ourselves | 80% | 82% | 82% | 79% | 81% | 80% | 81% | 84% | 86% |
| Accept slower growth rather than borrow | 70% | 70% | 70% | 73% | 72% | 73% | 74% | 79% | 80% |
| Never think about using (more) external finance | 40% | 52% | 52% | 50% | 49% | 52% | 49% | 51% | 52% |
| As a business we are prepared to take risks to become more successful | - | - | 42% | 43% | 43% | 41% | 43% | 42% | 44% |
| Increase in cost of credit would discourage application | - | - | - | 51% | 52% | 51% | 53% | 53% | 61% |
| Future feels uncertain so we are being very cautious with our plans | - | - | - | 51% | 56% | 54% | 55% | 65% | 71% |
| Impression it is quite difficult for businesses like ours to get finance | - | - | - | 38% | 39% | 42% | 39% | 37% | 37% |
| Have long term ambition to be a significantly bigger business | - | - | 38% | - | 39% | 38% | 36% | 37% | 44% |

Q96 (238a5) All SMEs -

The proportion happy to use finance to help the business grow declined steadily 2015-2019 but was somewhat higher again in H2 2020 (35%) back to levels seen in 2017. The proportion with ambitions to be significantly bigger also increased in H2 and there were higher levels of agreement with being self-reliant, not borrowing to grow faster and more feeling put off by an increase in the cost of credit.

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

| Happy to use finance to help business grow | | | | | | |
|---|------|------|------|------|------|------|
| Over time – all SMEs | | | | | | |
| Row percentages % agree | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| All SMEs | 45% | 43% | 34% | 32% | 29% | 33% |
| 0 emp | 43% | 41% | 31% | 30% | 26% | 29% |
| 1-9 emps | 51% | 49% | 40% | 38% | 37% | 42% |
| 10-49 emps | 57% | 52% | 48% | 45% | 44% | 49% |
| 50-249 emps | 58% | 51% | 53% | 57% | 47% | 48% |
| Minimal external risk rating | 48% | 45% | 35% | 36% | 33% | 32% |
| Low | 45% | 42% | 35% | 34% | 34% | 34% |
| Average | 45% | 41% | 31% | 31% | 25% | 30% |
| Worse than average | 47% | 45% | 36% | 34% | 30% | 34% |
| Agriculture | 51% | 44% | 37% | 41% | 34% | 39% |
| Manufacturing | 48% | 42% | 35% | 34% | 35% | 32% |
| Construction | 44% | 46% | 31% | 29% | 27% | 28% |
| Wholesale/Retail | 51% | 44% | 39% | 38% | 36% | 42% |
| Hotels & Restaurants | 47% | 46% | 38% | 32% | 32% | 38% |
| Transport | 47% | 43% | 38% | 35% | 30% | 34% |
| Property/ Business Services | 45% | 42% | 33% | 30% | 26% | 31% |
| Health | 39% | 43% | 27% | 32% | 27% | 27% |
| Other Community | 39% | 39% | 32% | 31% | 28% | 33% |
| PNB | 36% | 34% | 22% | 22% | 17% | 19% |
| Not a PNB | 53% | 51% | 44% | 42% | 38% | 42% |
| Use external finance | 56% | 54% | 46% | 44% | 39% | 46% |

Q96 (238a54) All SMEs

The table shows that 4 in 10 SMEs were happy to use finance to grow 2015-16 (43-45%) with the proportion then declining to 29% for 2019. It was slightly higher again in 2020 (33%). This was due to:

- Increased willingness to borrow amongst smaller SMEs. Those with 0 employees remained the least likely to be happy to borrow to grow (29%).
- Increased willingness to borrow amongst those with an average or worse than average risk rating.
- Increased willingness to borrow to grow across most sectors (except Manufacturing) and in particular amongst those already using external finance (46%).

ATTITUDES TO FINANCE – MORE DETAILED ANALYSIS

Analysis of attitudes to finance in combination 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 half of SMEs (48%) 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 20 – all SMEs | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|---|---------------|-------------|-------------|-------------|-------------|
| Unweighted base: | 17,768 | 3567 | 5838 | 5611 | 2752 |
| Use external finance and happy to use in future | 17% | 13% | 27% | 35% | 34% |
| Use external finance but not happy to use in future | 20% | 19% | 22% | 24% | 24% |
| Do not use it but happy to use in future | 16% | 16% | 15% | 14% | 13% |
| Do not use it and not happy to use in future | 48% | 52% | 36% | 27% | 28% |

Q15/Q96 (Q238a5) All SMEs

Taking these two issues in combination:

- 1 in 6 SMEs (17%) were using external finance and agreed that they would be happy to use it in future, increasing by size of SME to a third of those with 10-49 or 50-249 employees.
- The remaining users of finance, 20% of all SMEs, would not be happy to use finance in future (the equivalent of 54% of all users of finance). There was less variation by size of SME for this group (19-24%).
- Another 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 also varied little by size of SME (13-16%).
- The remainder, just under half of SMEs (48%), were non-users of finance who would not be happy to use it in future and this was more common amongst smaller SMEs (52% of those with 0 employees compared to 27-28% of those with 50-249 employees). 7 in 10 of this group (69%) met the definition of a PNB.

Between 2018 and 2019 the proportion of SMEs using external finance increased from 36% to 45%. As the table below shows, this resulted in an increase in the group that was ‘using external finance, but would not be happy to do so in future’ (from 20% to 28%), rather than the group ‘using finance and happy to do so in future’ (16% to 18%). When use of finance declined overall in 2020, so too did the size of this ‘using external finance but would not be happy to do so in future’ group. Across all years the largest group of SMEs has been those that were not using finance and would not be happy to do so:

| Combined analysis: Use of external finance and happiness to use in future over time – all SMEs | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|------|------|
| Use external finance and happy to use in future | 20% | 18% | 16% | 18% | 17% |
| Use external finance but not happy to use in future | 17% | 21% | 20% | 28% | 20% |
| Do not use it but happy to use in future | 23% | 16% | 16% | 11% | 16% |
| Do not use it and not happy to use in future | 40% | 46% | 47% | 43% | 48% |

Q15/Q96 (Q238a5) All SMEs

COMBINING GROWTH AMBITIONS AND ATTITUDE TO RISK

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

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. Agreement increased by size of SME but decreased by age:

- 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 for YEQ4 2020 showed very similar results: 41% agreed they wanted to be a bigger business and 43% that they were prepared to take risks, with 27% agreeing with both statements.

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

- 25% of 0 employee SMEs agreed with both statements, increasing by size to 38% of those with 50-249 employees.
- 41% of Starts and 37% of those trading for 2-5 years agreed with both statements, decreasing by age of SME to 16% of those trading for more than 15 years.

The table below shows the proportion of SMEs in each demographic that agreed with both statements and could be described as Ambitious risk-takers. This description has typically applied to a quarter of SMEs, with a slight increase in H2 2020 to 29% of SMEs. This was due to more of the smaller SMEs meeting the definition, along with those with a minimal or worse than average risk rating, those in most sectors (except Manufacturing and Property/Business Services) and Starts:

| Want to grow significantly and prepared to take risks | | | | | | |
|--|------|------|------|------|------|------|
| Over time – all SMEs | H2 | H2 | H1 | H2 | H1 | H2 |
| Row percentages % agree with both | 2017 | 2018 | 2019 | 2019 | 2020 | 2020 |
| All SMEs | 27% | 25% | 23% | 24% | 25% | 29% |
| 0 emp | 25% | 23% | 21% | 22% | 23% | 27% |
| 1-9 emps | 30% | 30% | 29% | 29% | 30% | 35% |
| 10-49 emps | 39% | 37% | 34% | 36% | 35% | 36% |
| 50-249 emps | 50% | 50% | 43% | 41% | 39% | 38% |
| Minimal external risk rating | 24% | 22% | 23% | 22% | 21% | 27% |
| Low | 26% | 20% | 23% | 23% | 24% | 23% |
| Average | 20% | 22% | 19% | 20% | 21% | 24% |
| Worse than average | 31% | 28% | 26% | 27% | 28% | 33% |
| Agriculture | 26% | 16% | 17% | 26% | 23% | 27% |
| Manufacturing | 25% | 31% | 27% | 29% | 29% | 26% |
| Construction | 25% | 17% | 22% | 21% | 20% | 22% |
| Wholesale/Retail | 30% | 31% | 30% | 26% | 30% | 37% |
| Hotels & Restaurants | 32% | 24% | 27% | 22% | 25% | 30% |
| Transport | 28% | 24% | 22% | 22% | 24% | 29% |
| Property/ Business Services | 25% | 26% | 21% | 26% | 28% | 29% |
| Health | 28% | 23% | 21% | 22% | 21% | 27% |
| Other Community | 30% | 30% | 24% | 25% | 25% | 36% |
| Starts | 44% | 35% | 34% | 35% | 35% | 47% |
| 2-5 years | 32% | 38% | 33% | 35% | 37% | 38% |
| 6-9 years | 26% | 23% | 25% | 22% | 29% | 34% |
| 10-15 years | 23% | 24% | 22% | 20% | 21% | 25% |
| More than 15 years | 17% | 15% | 13% | 15% | 17% | 16% |

Q96 (238a54) All SMEs

ATTITUDES TO FINANCE – HAVING THE RIGHT FINANCE AVAILABLE

Over the course of 2020, additional attitude statements have been included for individual quarters, initially around borrowing for the pandemic and latterly on having the right funding in place:

| Attitudes to finance Q2-Q4 2020 | Total | 0 emp | 1-9 emps | 10-49 emps | 50-249 emps |
|--|------------|------------|------------|------------|-------------|
| Q2: Willing to borrow to get through pandemic | 33% | 29% | 43% | 52% | 49% |
| Strongly agree | 4% | 3% | 6% | 7% | 5% |
| Agree | 29% | 26% | 37% | 45% | 43% |
| Neither/nor | 15% | 14% | 17% | 21% | 27% |
| Disagree | 43% | 47% | 32% | 24% | 21% |
| Strongly disagree | 9% | 10% | 8% | 4% | 2% |
| Q3: Worried about whether we will have the right finance in place to fund going forward | 29% | 30% | 27% | 23% | 16% |
| Strongly agree | 4% | 4% | 4% | 3% | 1% |
| Agree | 25% | 26% | 23% | 20% | 15% |
| Neither/nor | 18% | 18% | 20% | 20% | 21% |
| Disagree | 46% | 46% | 48% | 53% | 56% |
| Strongly disagree | 6% | 7% | 5% | 4% | 7% |
| Q4: Worried whether have enough funding for next 6 months | 30% | 30% | 30% | 22% | 14% |
| Strongly agree | 7% | 7% | 8% | 4% | 3% |
| Agree | 22% | 23% | 23% | 18% | 11% |
| Neither/nor | 11% | 11% | 10% | 11% | 18% |
| Disagree | 49% | 49% | 48% | 56% | 55% |
| Strongly disagree | 11% | 10% | 11% | 11% | 13% |

Q96 All SMEs

Around 1 in 3 SMEs agreed with each statement. In Q2, larger SMEs were more likely than their smaller peers to agree that they would borrow to get through the pandemic, whereas the opposite was true for the Q3 and Q4 statements around having suitable finance in place, which smaller SMEs were more likely to agree with.

| Attitudes to finance Over time – all SMEs Row percentages % agree | Q2: Borrow to get through pandemic | Q3: Worried right finance in place | Q4: Worried enough finance in place |
|--|--|--|---|
| All SMEs | 33% | 29% | 30% |
| 0 emp | 29% | 30% | 30% |
| 1-9 emps | 43% | 27% | 30% |
| 10-49 emps | 52% | 23% | 22% |
| 50-249 emps | 49% | 16% | 14% |
| Minimal external risk rating | 30% | 17% | 18% |
| Low | 39% | 23% | 21% |
| Average | 30% | 27% | 27% |
| Worse than average | 32% | 30% | 35% |
| Agriculture | 32% | 28% | 27% |
| Manufacturing | 34% | 28% | 20% |
| Construction | 30% | 28% | 25% |
| Wholesale/Retail | 44% | 31% | 26% |
| Hotels & Restaurants | 38% | 37% | 40% |
| Transport | 41% | 34% | 40% |
| Property/ Business Services | 31% | 27% | 28% |
| Health | 21% | 24% | 25% |
| Other Community | 29% | 30% | 40% |
| Starts | 38% | 41% | 39% |
| 2-5 years | 35% | 30% | 30% |
| 6-9 years | 36% | 32% | 31% |
| 10-15 years | 30% | 24% | 32% |
| More than 15 years | 30% | 23% | 24% |
| Use external finance | 48% | 33% | 38% |
| Do not use external finance | 26% | 26% | 23% |
| Permanent non-borrower | 19% | 19% | 15% |

Q96 (238a54) All SMEs

The table shows levels of agreement with each statement over time, by key demographics:

- Analysis by risk rating showed little difference in willingness to borrow to get through the pandemic (30-32%) with the exception of those with a low risk rating (39%). Agreement with the Q3 and Q4 statements increased by risk rating, with those with a worse than average risk rating the most concerned that they did not have the right finance in place in Q3 (30%) or enough finance in place in Q4 (35%).
- Around a third of SMEs in each sector were willing to borrow to get through the pandemic in Q2, with the exception of those in Wholesale/Retail (44%) or Transport (41%) who were more willing to borrow and those in Health (21%) who were less willing. Similarly 3 in 10 were worried about having the right finance in place in Q3 with the exception of Hotels & Restaurants (37%) and Health (24%). In Q4, around a quarter were worried about having enough finance in place, with the exception again of Hotels & Restaurants plus Transport and the Other Community sectors (all 40%) compared to 20% in Manufacturing.
- Analysis by age of SME showed those trading for more than 10 years were slightly less willing in Q2 to borrow to get through the pandemic and somewhat less likely to be worried about having the right finance in place in Q3. In Q4, the proportion worried about having enough finance in place declined from 39% of Starts to 30-32% of those trading for 2 to 15 years, to 24% of those trading for more than 15 years.
- Finally, those currently using external finance were more prepared to borrow to get through the pandemic (48%) than those not currently using finance (26%) or the narrower group of PNBs (19%). In Q3 they were slightly more likely to be worried about having the right finance in place (33% v 26% not using finance and 19% of PNBs) and in Q4 they were more likely to be worried that they had enough finance in place (38% v 23% not using finance and 15% of PNBs).