

# SME FINANCE MONITOR

3 month rolling analysis to end  
August 2021

An independent report by  
BVA BDRC, September 2021



# Introduction

The SME Finance Monitor was established in 2011 and provides detailed analysis of SMEs and their access to finance, typically on a half yearly basis. The Q2 2021 pack was published in mid-August 2021.

As fieldwork takes place on a continuous basis, it is also possible to provide headline data on key issues in between these full reports. This pack will therefore be provided on a monthly basis and provide the latest 3 months rolling data across a range of issues.

The most recent data point for this report is the 3 months from June to August 2021.

Headline analysis is provided for all SMEs, with key questions split by size of SME. Some analysis is also provided by the type of international trade (if any) undertaken alongside domestic activity:

- Exporting but no importing (labelled as “export only”)
- Importing but no exporting (labelled as “import only”)
- Both importing and exporting (labelled as “import & export”)
- No international trade, SME only trades domestically (labelled as “domestic sales only”)

Differences shown month on month are not necessarily statistically significant. Differences of 4%+ month on month are needed for the total sample and up to 10%+ for some of the smaller groups (such as those trading internationally).

## Introduction – Changes to main SME Finance Monitor questionnaire from Q1 2018

The SME Finance Monitor questionnaire has evolved gradually since it started in 2011.

In Q4 2017 it was decided that a more radical review was required to reflect changes in the finance market for SMEs, such as the rise of online platforms and other non-bank suppliers of finance. This was also an opportunity to focus on “need” for finance and how this translates into applications.

Most of the questions reported in this pack have remained unchanged.

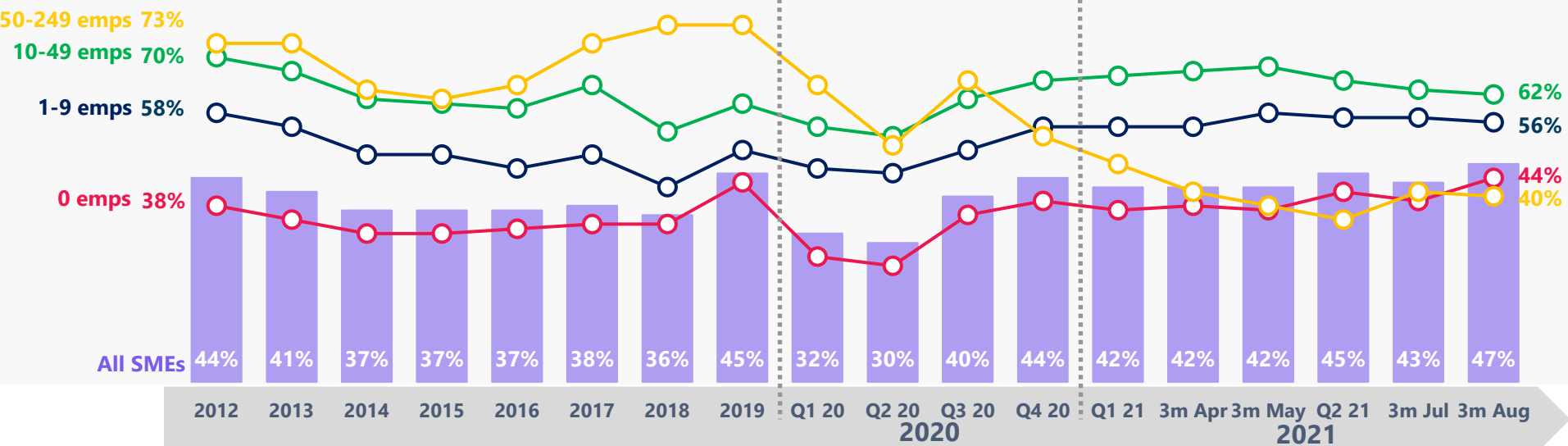
However, there have been slight changes to the “types of finance used” question and also to the definition of a “Permanent non-Borrower”. These initial results do not suggest the changes have had a major impact on results but will be monitored over time.

All of the changes have been reported on in full from the Q2 2019 SME Finance Monitor report, published in September 2019

This pack has been updated to reflect the new questionnaire and some new data included.

## 47% of SMEs were using external finance, a slight increase on Q2 2021 due to increased use of finance amongst 0 employee SMEs

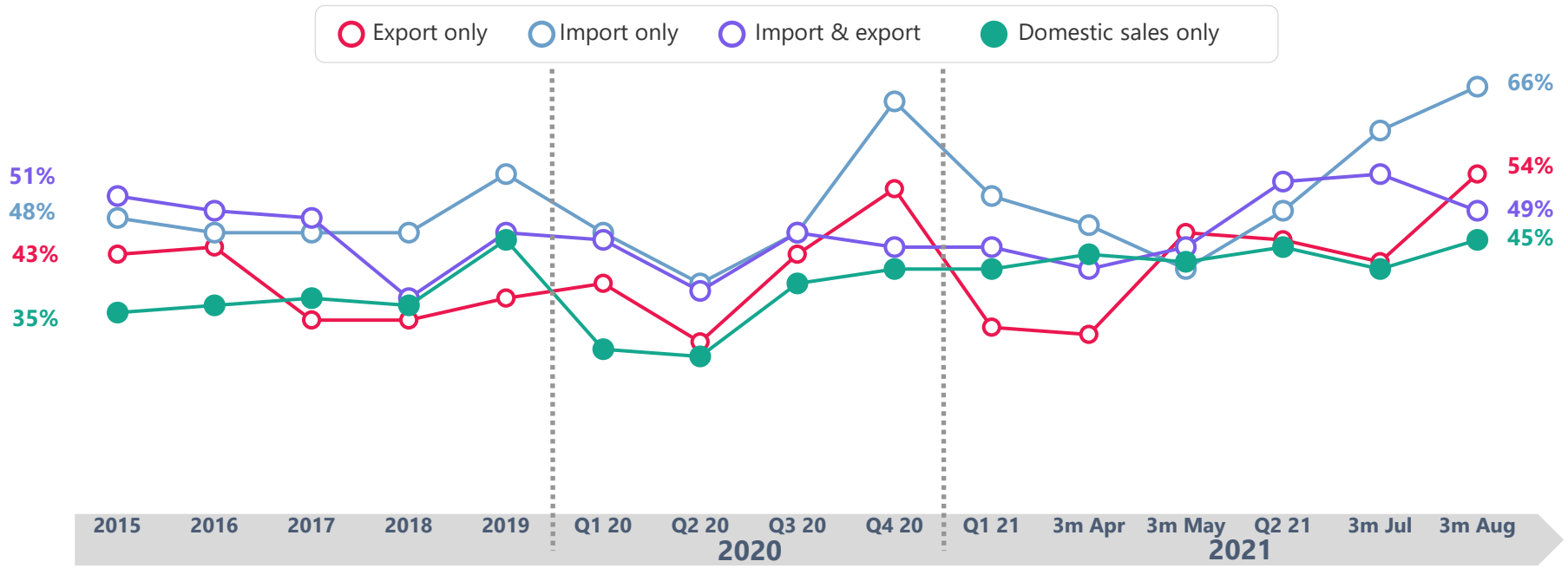
*Time series: use of external finance per quarter*



For 2019 as a whole, 45% of SMEs were using external finance, but from Q2 2019 usage declined, to 30% for Q2 2020, before returning to 44% in Q4 2020 then remaining broadly stable since (43% for the 3 months to July 2021). The slightly higher figure for the 3 months to August (47%), was driven by the 0 employee SMEs, now at 44% a level last seen in 2019

# Import-only SMEs remained more likely than their peers to be using external finance as use by export-only SMEs increased again. Use of finance amongst domestic SMEs remains in line with 2019

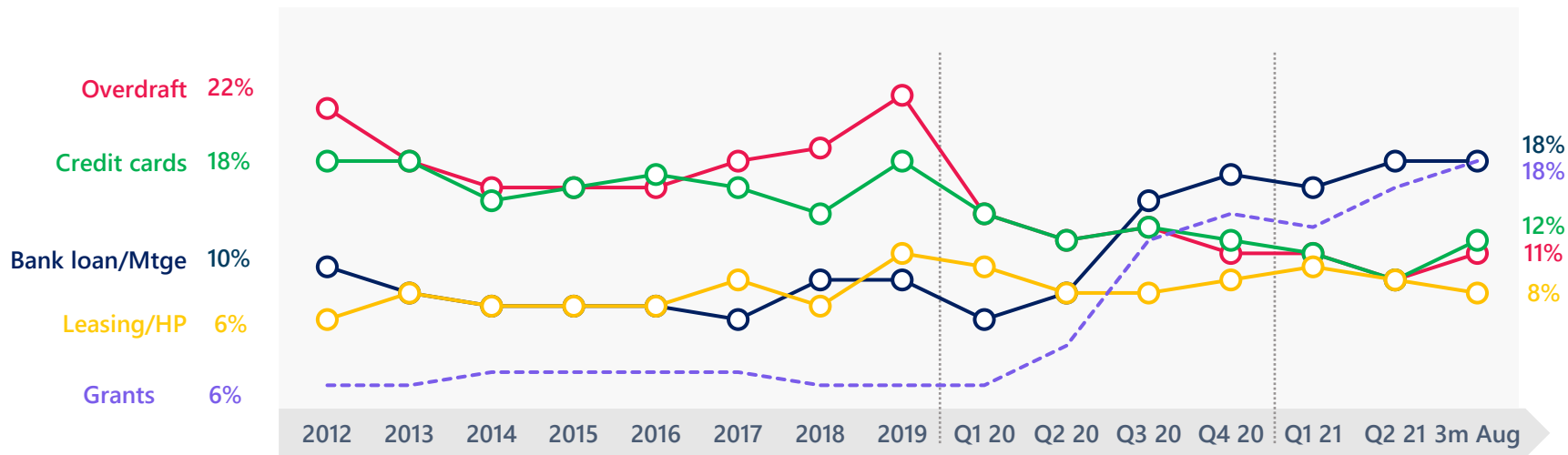
Time series: use of external finance by extent of international trade alongside domestic sales



Use any external finance

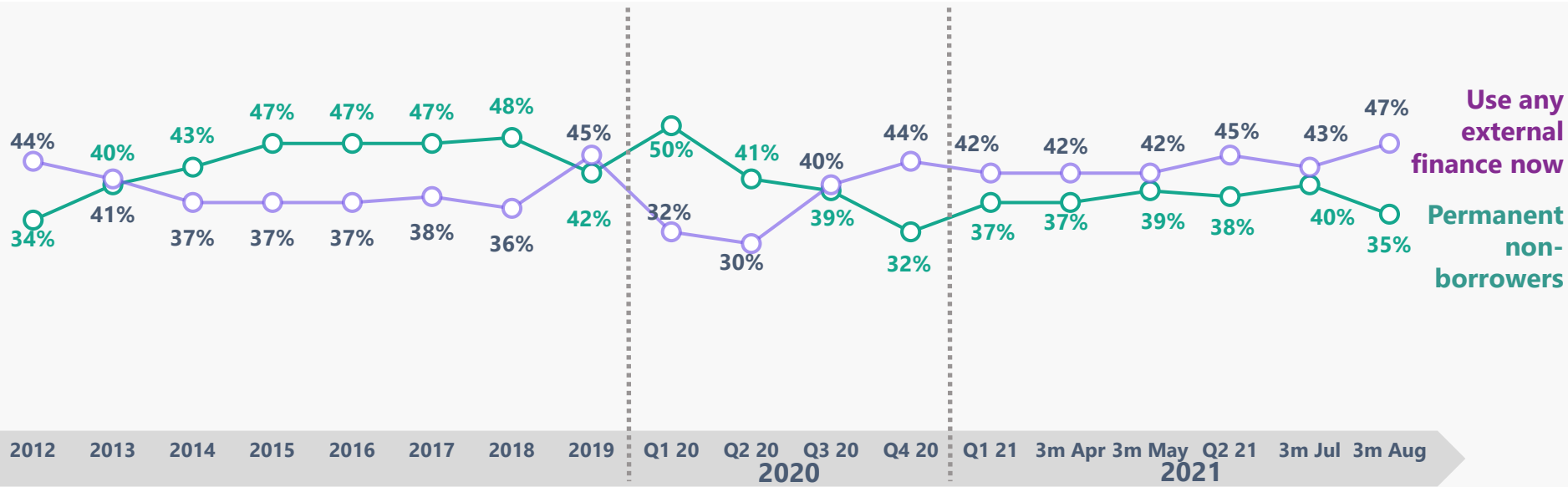
There has been a marked increase in use of loans/commercial mortgages since Q1 2020. Use of 'other' forms of finance was boosted by an increase in grants (from 4% to 18% in the latest period)

*Annual time series: Main forms of finance used*



As more SMEs reported using external finance, the proportion of Permanent non-borrowers dropped slightly, back in line with Q1 2021 and still below levels more usually seen pre-pandemic

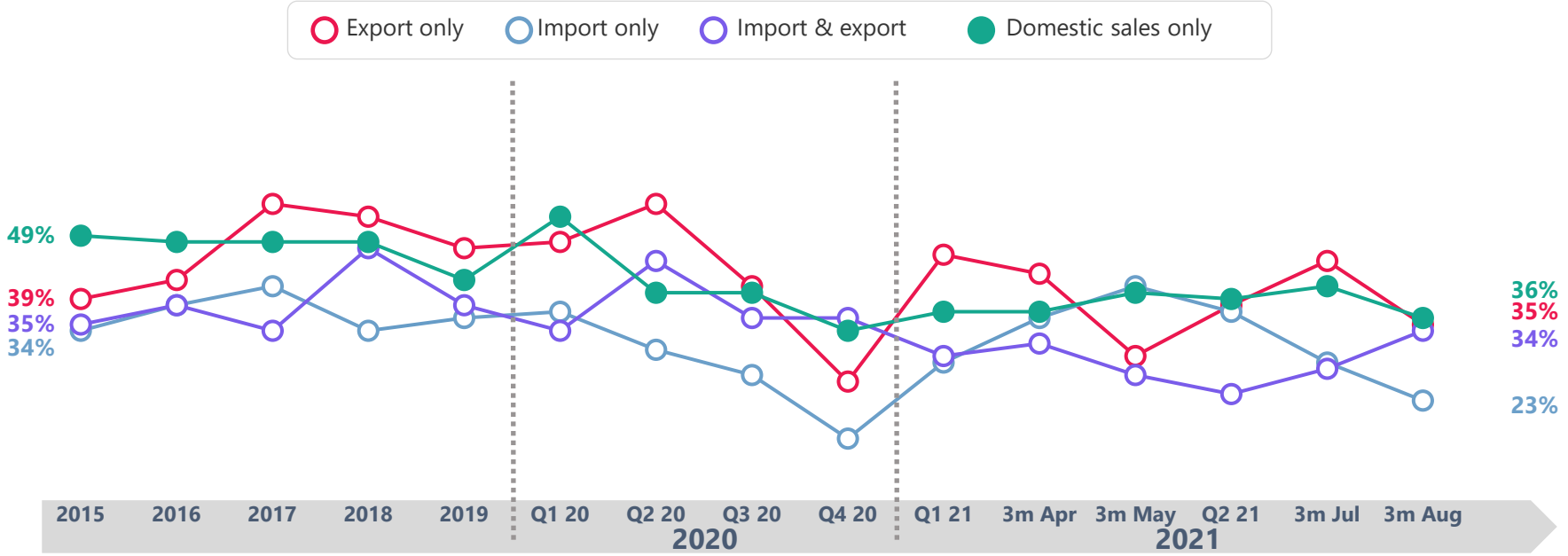
*Time series: Permanent non-borrowers and users of external finance*



The 'Permanent non-borrowers' are firms with no apparent appetite for finance and are defined by not using external finance and showing no inclination to do so. The latest figure of 35% is broadly in line with the 32% in Q4 2020, but remains below levels seen pre-pandemic when almost half of SMEs met the definition of a PNB.

# As their use of finance increased, Import-only SMEs were less likely to meet the definition of a Permanent non-borrower than their peers

Time series: Permanent non-borrowers by extent of international trade alongside domestic sales

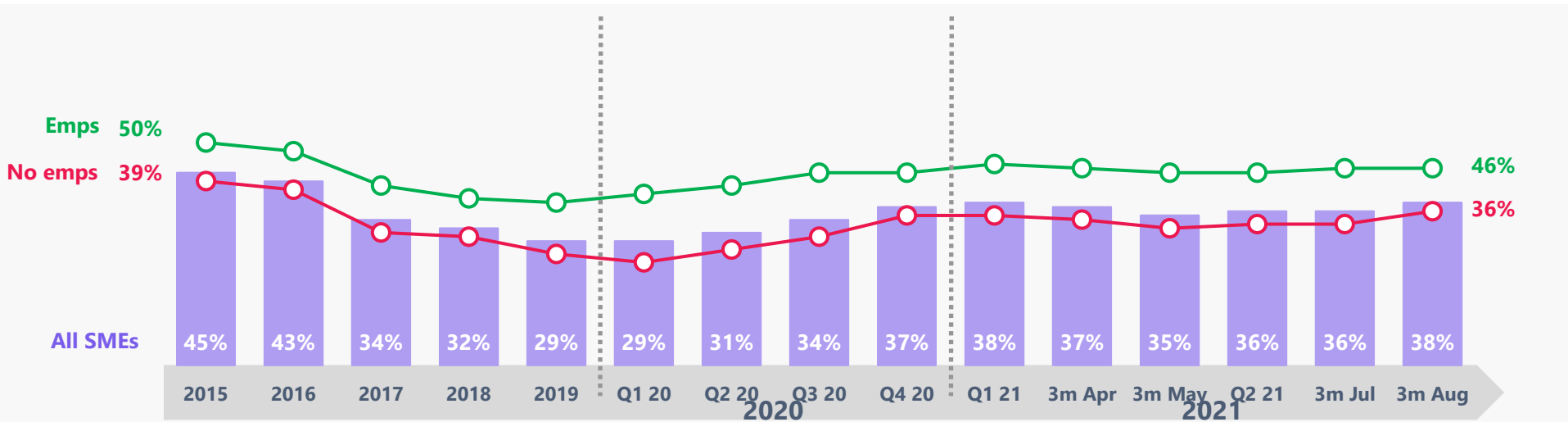


**Permanent non-borrowers  
(no apparent appetite for finance)**



# 38% of SMEs were happy to use finance to grow, in line with Q1 2021, and an increase over time from 29% in Q1 2020, albeit still below the levels seen in 2015-16

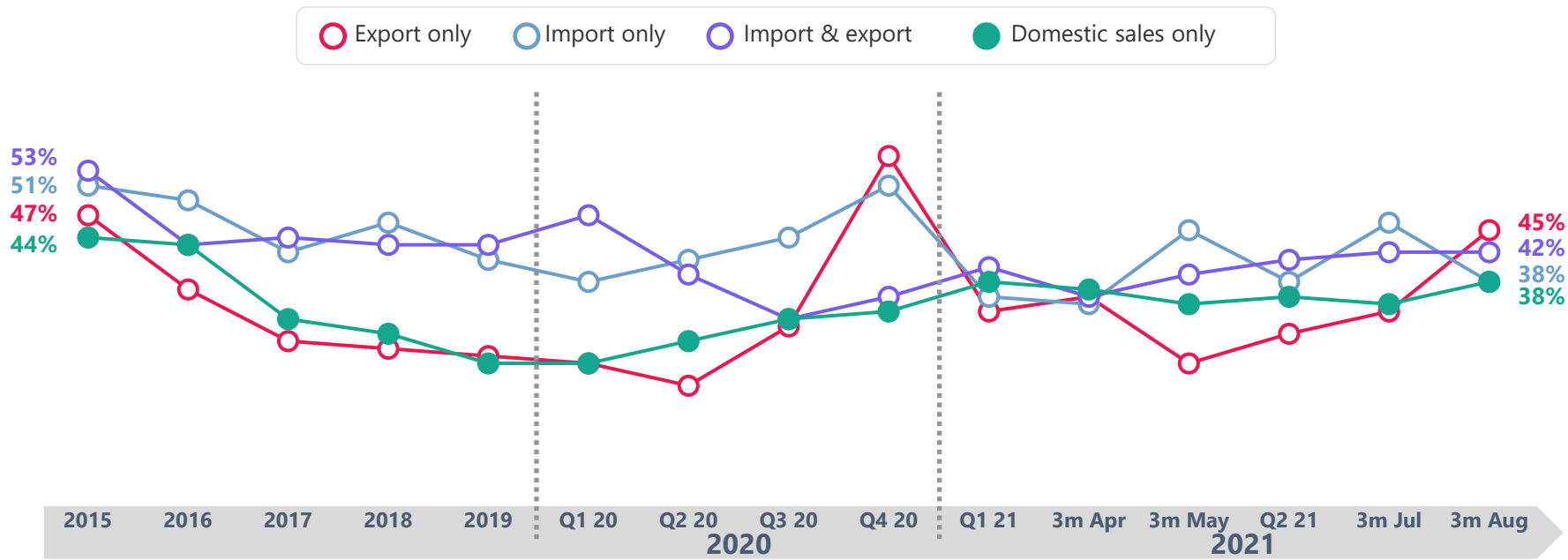
*Time series: Agree that happy to use external finance to help business grow*



After remaining stable during 2016, the proportion of SMEs happy to use finance to grow declined over time to 3 in 10 SMEs in 2019. It then increased steadily to 37% for the 3 months to December 2020 and has remained broadly stable since

# Export-only SMEs have recently become more likely to be happy to borrow to grow, albeit still below the 55% who agreed with this statement in Q4 2020

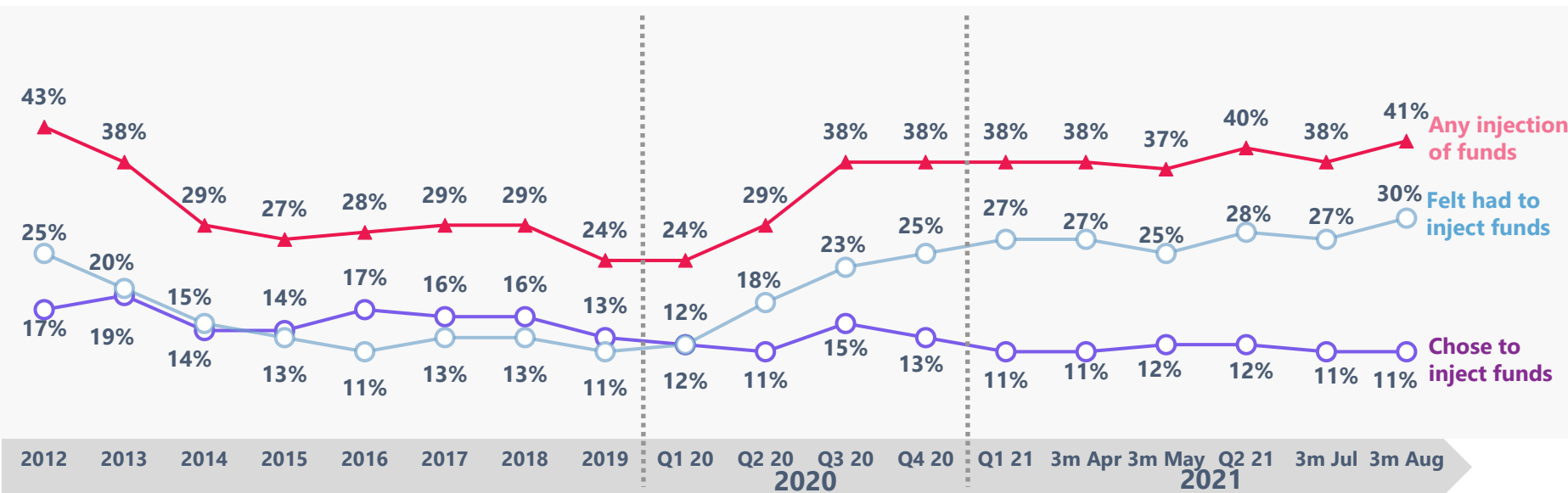
*Time series: Agree that happy to use external finance to help business grow*



**Agree that happy to use external finance to grow**

## 41% of SMEs had injected personal funds, as 3 in 10 SMEs said that they felt they had to inject funds, the highest proportion reported to date

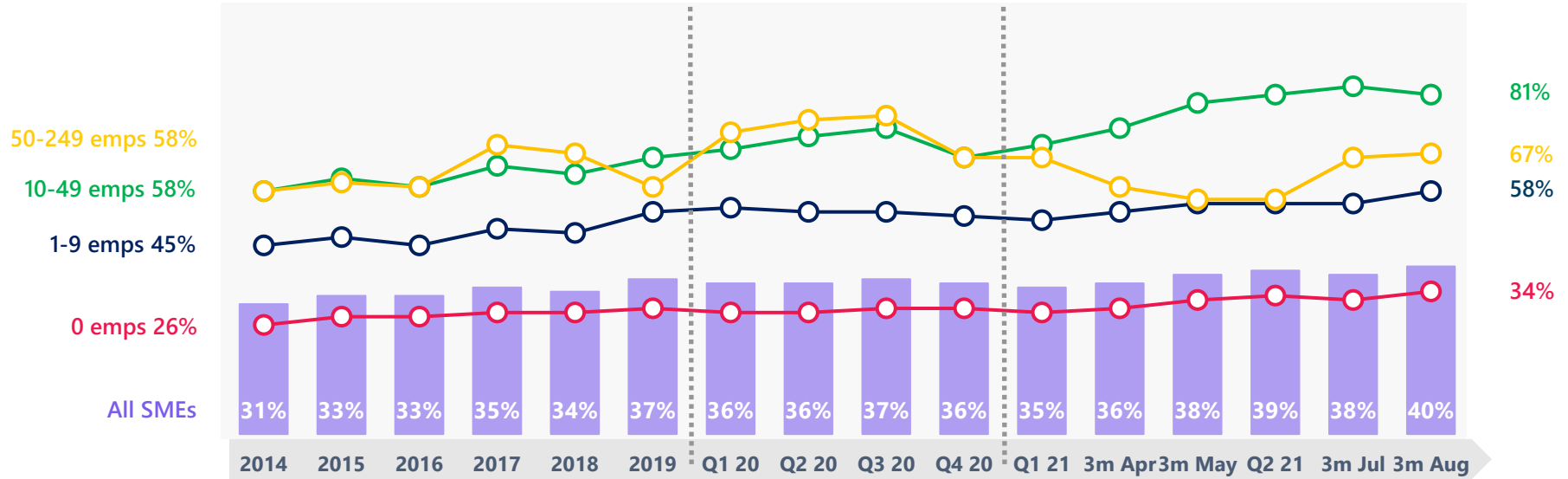
*Time series: Injections of personal funds in previous 12 months*



The proportion of SMEs injecting funds fell from a peak of 43% in 2012 to 28-29% of SMEs from 2016 onwards. In 2019 the proportion dropped to a quarter of SMEs, but then increased Q1 to Q3 2020 to 38% and broadly stable since. In the 3 mths to August, 41% reported an injection of funds, including 30% who felt that they had to do so, the highest level reported to date on SMEFM

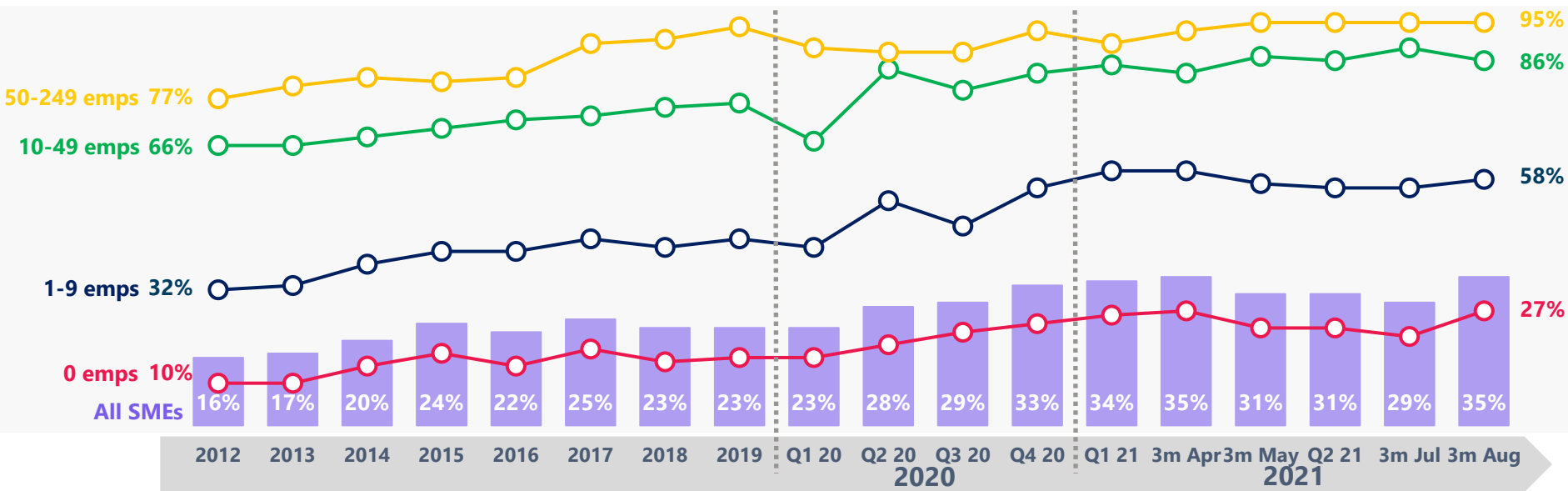
# 40% of SMEs were using trade credit, up from 35% in Q1 2021, with increased use amongst SMEs with 10-49 employees and a return to previous levels of use for those with 50-249 employees

Time series: : Using trade credit



# 35% of SMEs held more than £10,000 of credit balances, back in line with Q1 2021 due to more 0 employee SMEs holding such sums

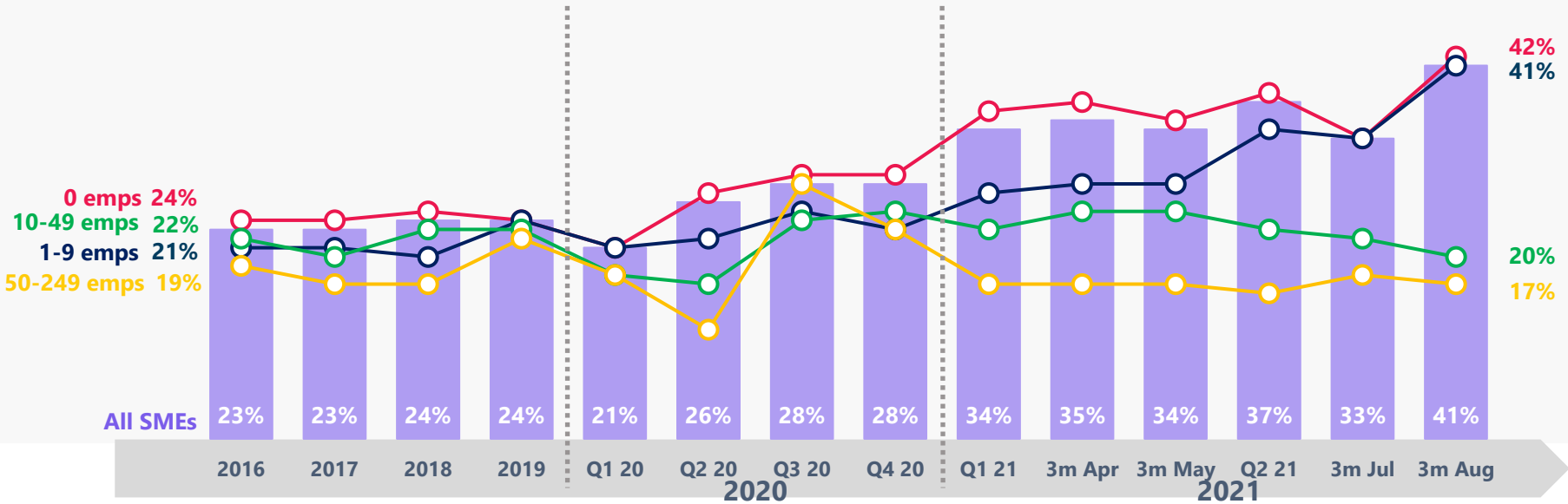
Time series: £10k credit balances held



The proportion of SMEs holding £10,000 or more in credit balances increased from 16% in 2012 to 24% in 2015 and remained broadly stable in 2019. During 2020, the proportion of SMEs holding such sums increased steadily, from 23% in Q1 to 33% in Q4, with increases seen across all size bands. This was maintained initially in 2021, and after a dip in the 3 months to July, is back in line again as more 0 employee SMEs in particular reported holding such balances

# SMEs held the equivalent of 41% of their turnover in credit balances, slightly higher than in Q2 as 0 and 1-9 employee SMEs held a higher percentage of credit balances than previously seen

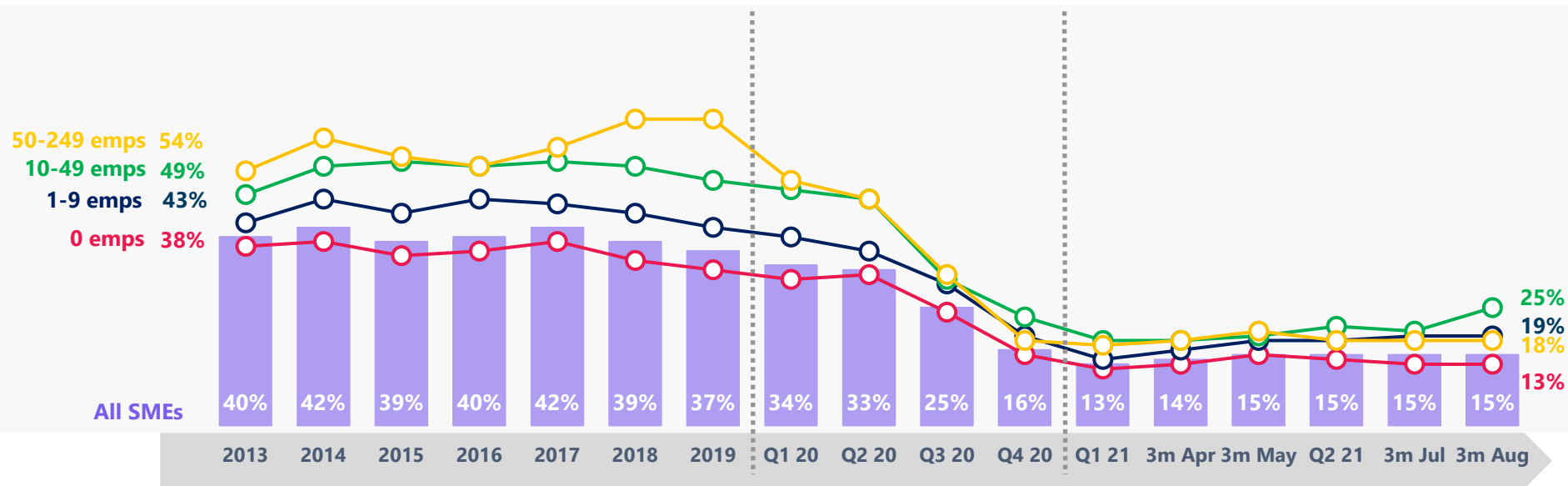
Time series: % of turnover held as credit balances



More recent analysis looks at credit balances held as a percentage of total turnover (both collected in bands, with mid-points used). For the 3 months to Aug 2021, SMEs held the equivalent of 41% of their turnover in credit balances on average, slightly ahead of Q2 2021 and higher than previously seen on the SME Finance Monitor. The largest SMEs with 50-249 employees saw the biggest decline Q4 2019 to Q2 2020 (26% to 12%) then a brief increase back to 28% for Q3 but is currently stable at 17%

The proportion of SMEs reporting growth in the last year was 15%, stable at this lower level since Q4 2020, with limited variation by size compared to pre-pandemic. 56% of SMEs had declined, compared to 65% in Q1 2021

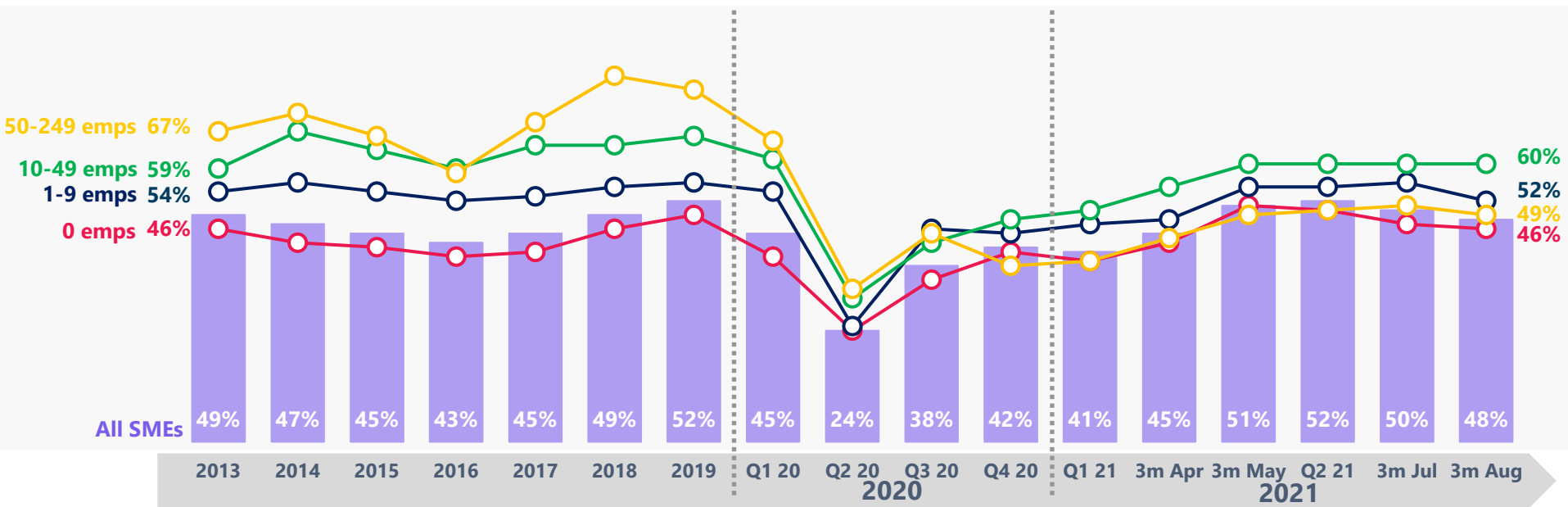
*Time series: Have grown (excluding Starts)*



2012 to 2019, the proportion of SMEs (excluding Starts) reporting growth varied little and was 37% for 2019. Reported growth in 2020 was initially broadly stable but then declined steadily across all size bands and was 13% for Q1 2021. It has been stable since, at 15% for Q2 2021 and the 3 months to July and August. Back in 2019, 19% of SMEs had declined, remaining at a similar level for H1 2020, but as the pandemic made more of an impact on past performance, the proportion increased again reaching 65% in Q1 2021. It was 56% in the latest period to August 2021, as slightly more SMEs reported remaining the same size (29%)

After a sharp decline to 24% in Q2 2020, growth aspirations then increased steadily, reaching 52% in Q2 2021. They have declined slightly since, to 48%, but remain in line with pre-pandemic levels

Time series: Have plans to grow

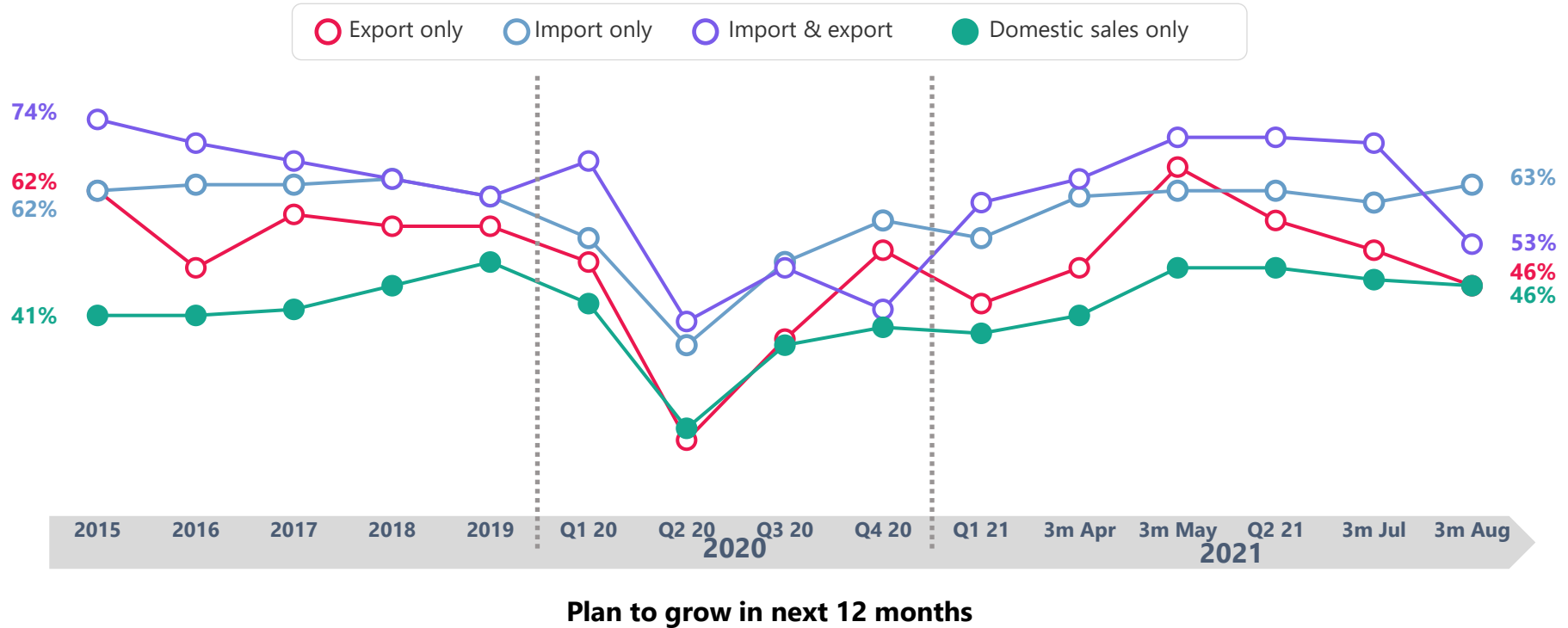


For 2019 as a whole, 52% of SMEs expected to grow, up from 49% in 2018 and the highest level seen to date on SMEFM. In the first half of 2020 those aspirations lowered significantly, to 24% for Q2. Since then, growth aspirations have increased, to 42% for Q4 2020 and then, after a period of stability, to 52% for Q2 2021. As slightly fewer 0 employee SMEs reported planning to grow, the proportion has dropped slightly for the 3 months to August (48%), but remains in line with pre-pandemic levels



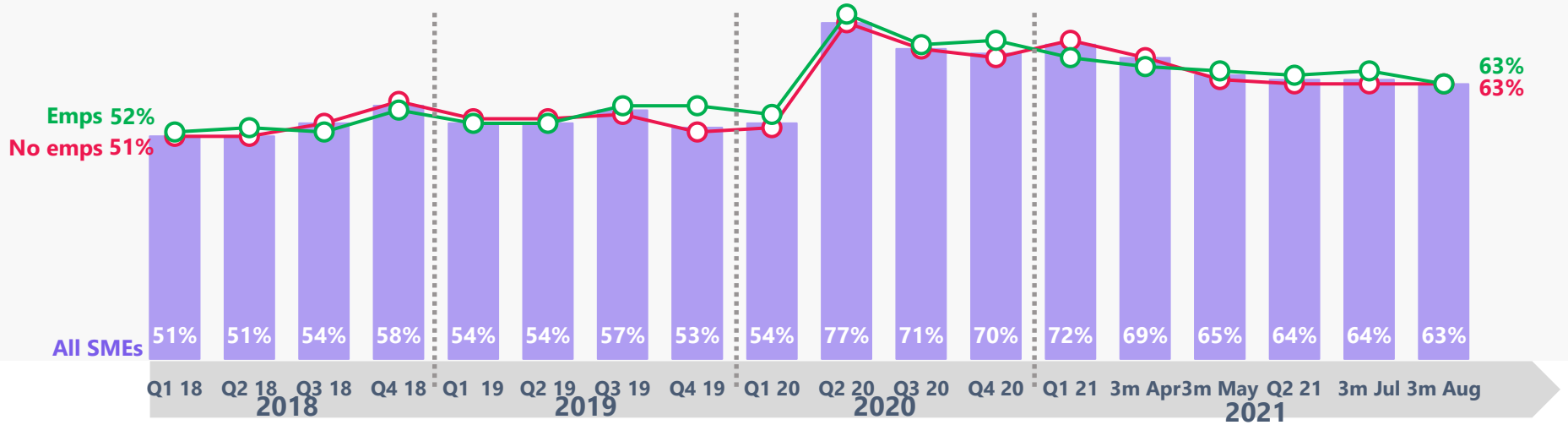
# Export-only SMEs and latterly fully international SMEs, are somewhat less likely to anticipate growth than they were earlier in 2021, but remain above the dip in Q2 2020

Time series: Growth plans by extent of international trade alongside domestic sales



# Almost two thirds of SMEs were being cautious due to the future feeling uncertain, still markedly higher than in 2019 but lower than the 77% reported in Q2 2020

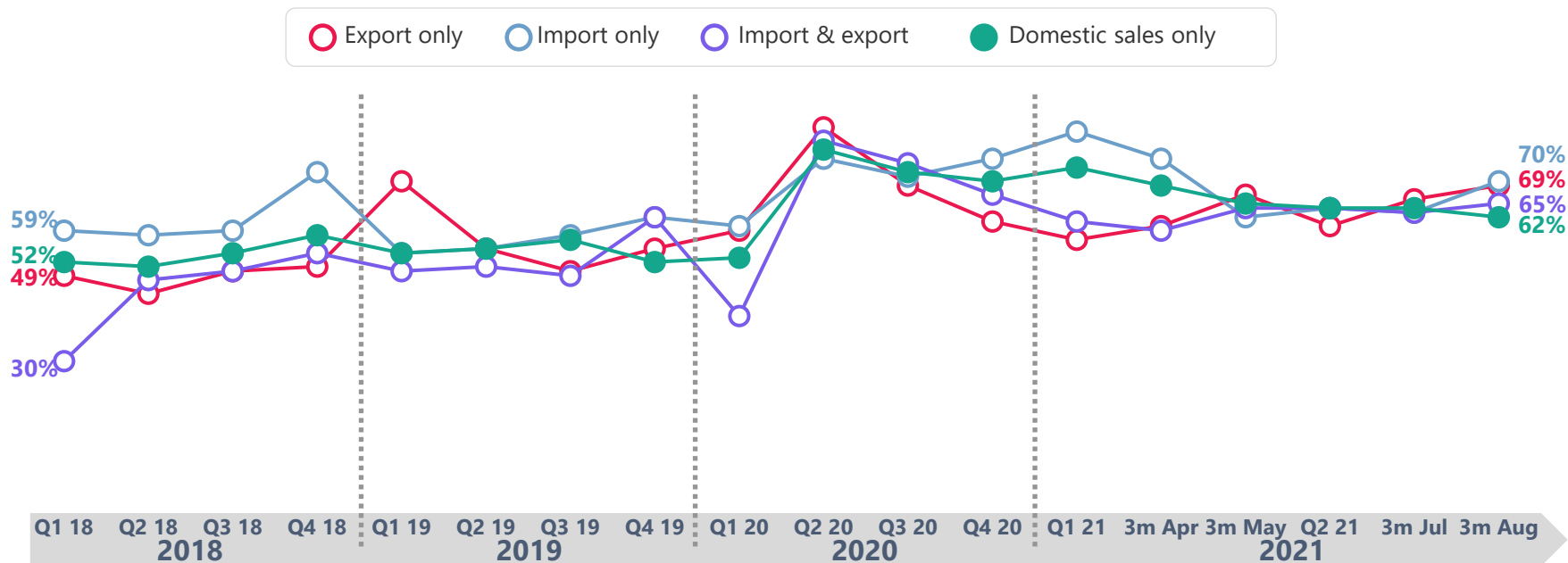
Time series: Agree that future is uncertain so being cautious



When this question was first asked in Q1 2018, half of SMEs agreed that they were being cautious, with little variation by size of SME. Over the course of 2018, that proportion increased to 58% in Q4, still with little variation by size. In 2019, just over half of SMEs were feeling cautious and this was maintained to Q1 2020, however, by Q2 2020 concern had risen to 77% across both larger and smaller SMEs, but has declined somewhat since then, to 64% in Q2 2021 and 63% currently

# There remained little to choose between the levels of concern by international trade

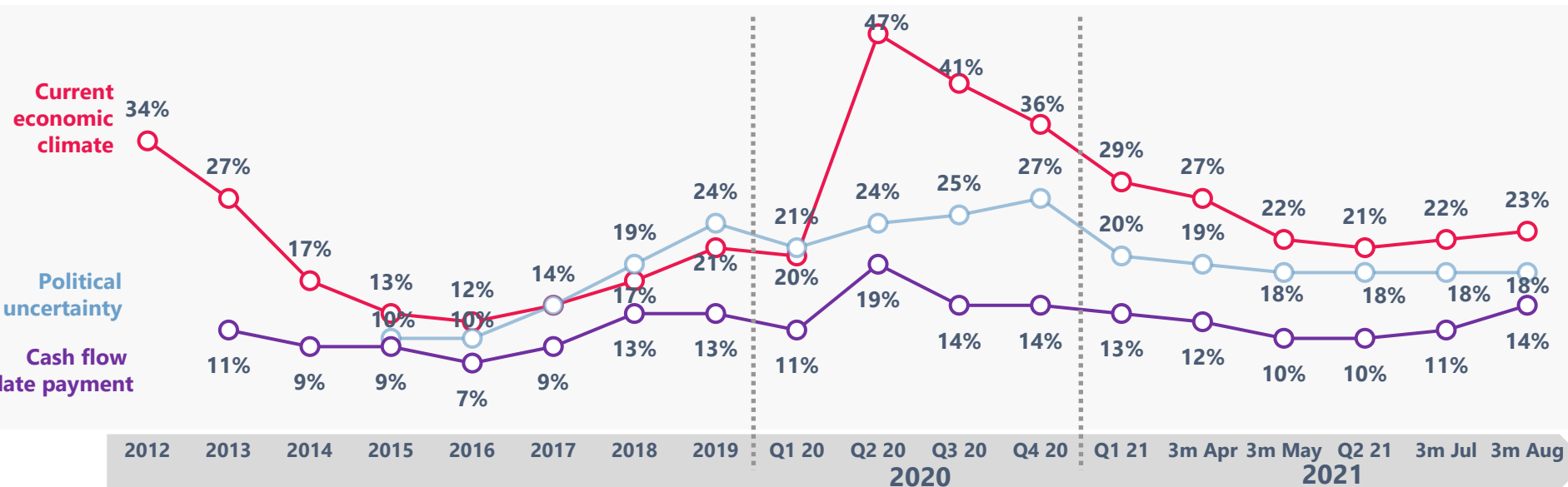
*Time series: Agree that future is uncertain so being cautious*



**Future uncertain so being cautious**

Almost a quarter of SMEs saw the current economic climate as a major barrier, now broadly stable following the marked decline to Q2 2021 from the 47% concerned in Q2 2020. Concerns about political uncertainty remain lower in 2021 than in 2020, now back in line with 2018

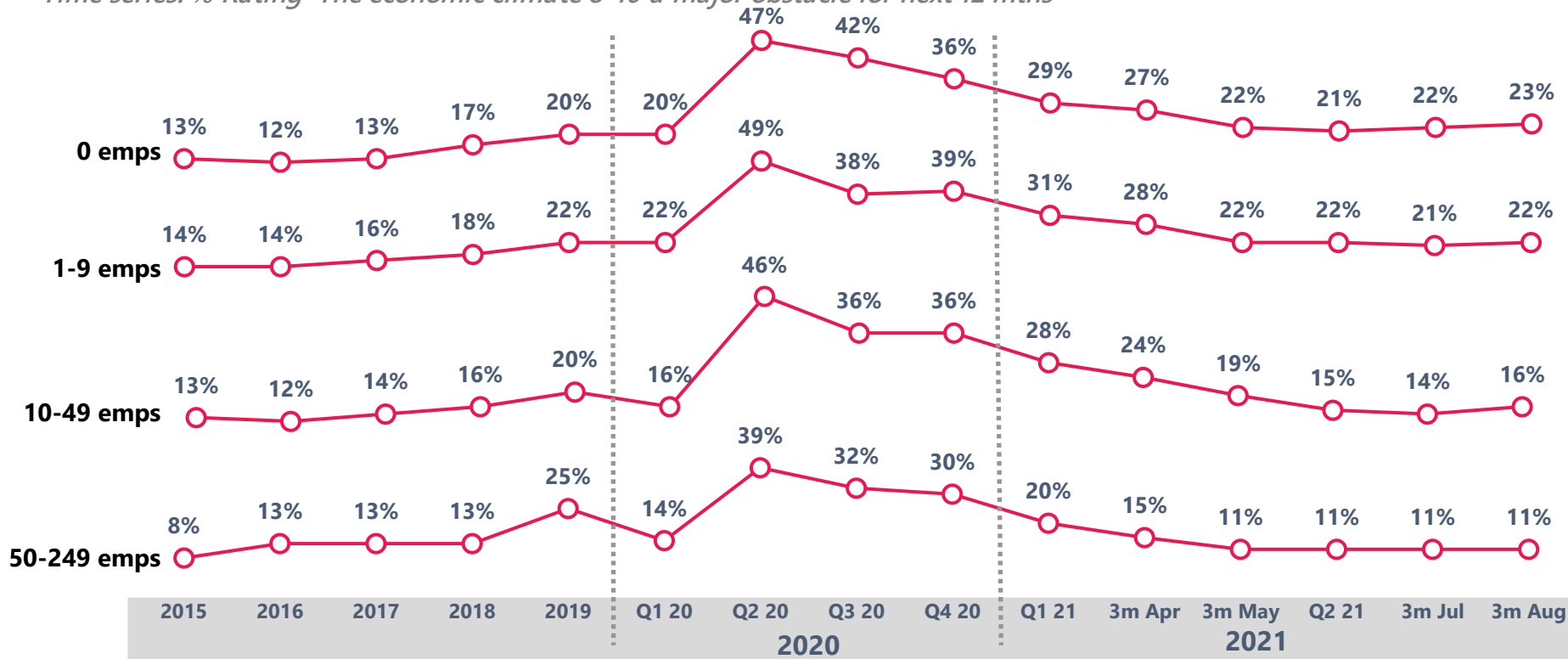
*Time series: 8-10 Major obstacle to running business in next 12 months*



Concern for the economic climate increased most markedly from Q1 to Q2 2020 (20% in Q1 to 47% in Q2), the highest level seen to date, but there has been a steady decline since, to 23% currently. Concern about political uncertainty increased to 27% in Q4 2020 but this was not maintained subsequently, while the proportion seeing cash flow and late payment as a barrier declined Q2 2020-Q2 2021 but is currently slightly higher at 14%

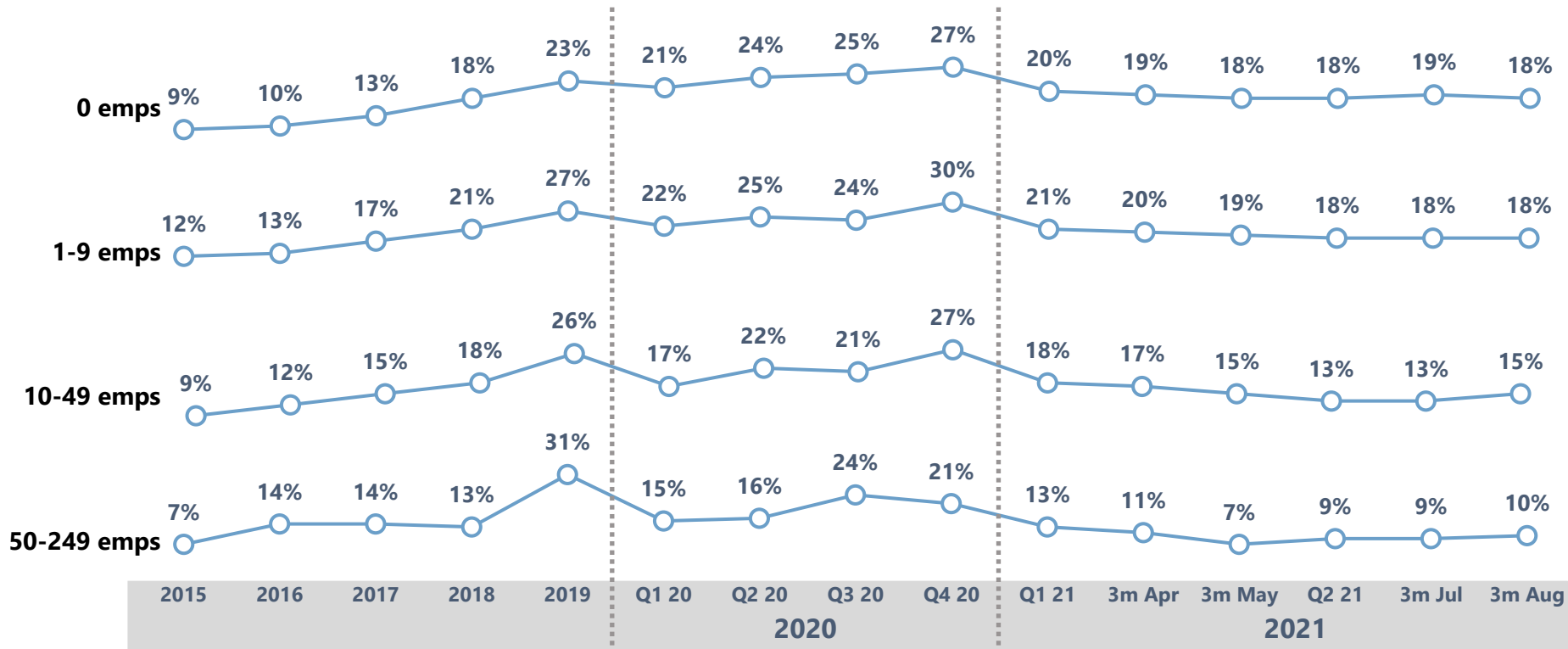
# After a marked increase in Q2 2020 across all size bands, concern about the economic climate declined to Q2 2021, and has been stable since

*Time series: % Rating 'The economic climate' 8-10 a major obstacle for next 12 mths*



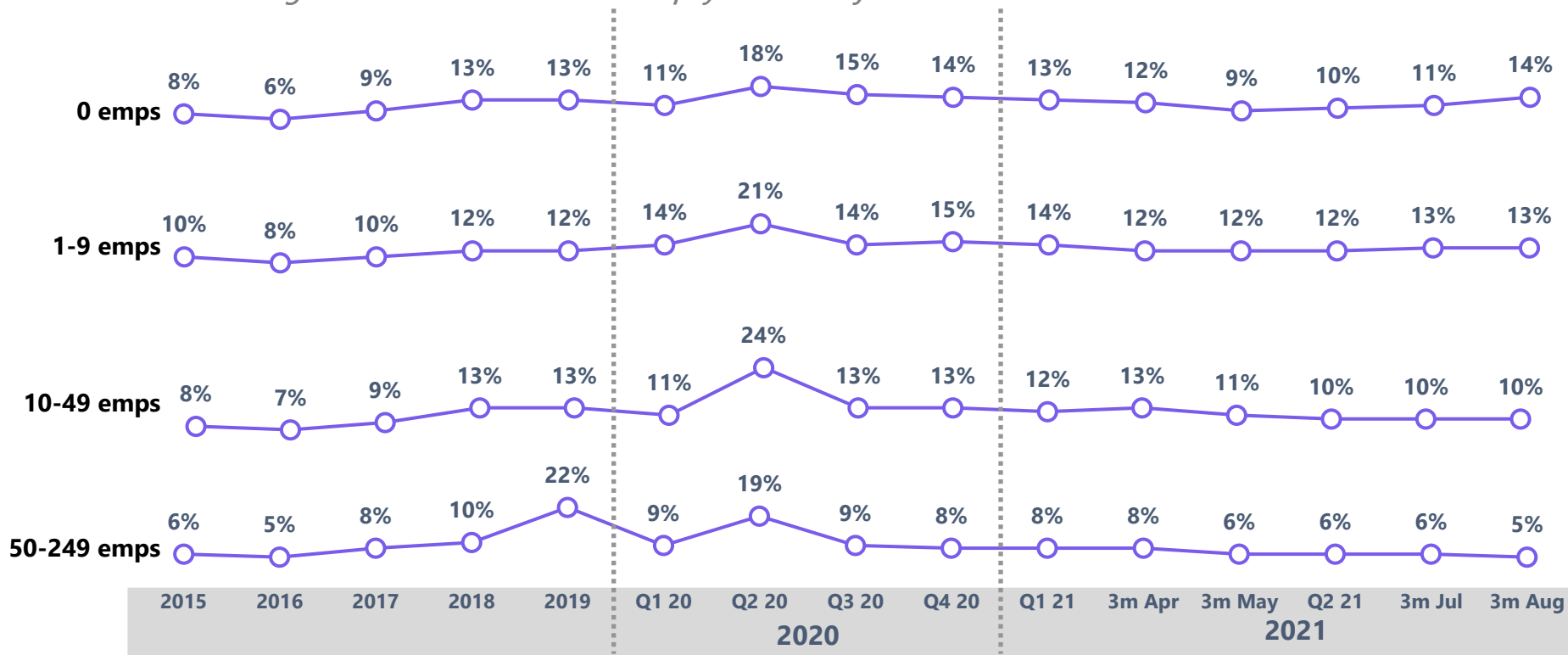
# Concern about political uncertainty increased Q3 to Q4 2020 for all but the largest SMEs but was lower again in 2021, notably for the larger SMEs, and currently stable

*Time series: % Rating 'Political uncertainty' a major obstacle for next 12 mths*



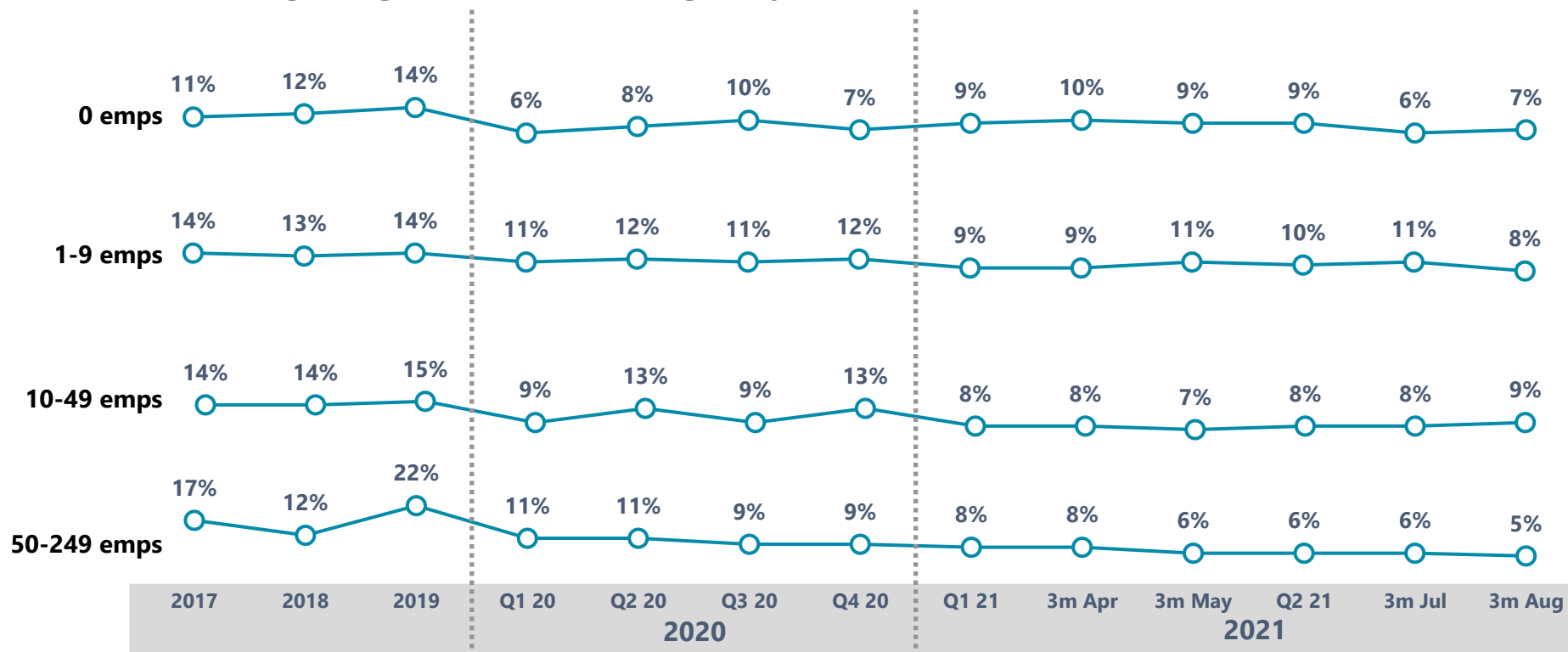
# The slight increase in levels of concern about cash flow and late payment in the latest 3 month period was seen only amongst the 0 employee SMEs

Time series: % Rating "Cash flow or issues with late payment" a major obstacle for next 12 mths



## Levels of concern about the value of sterling have been broadly stable over recent quarters

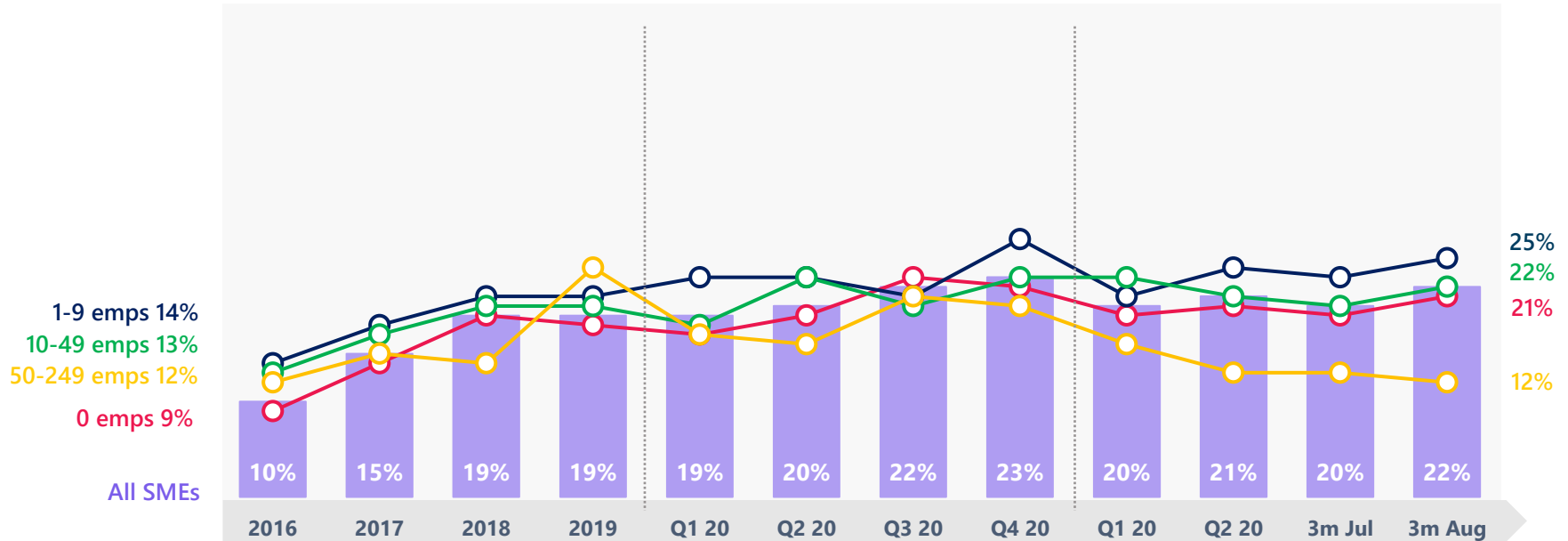
*Time series: % Rating 'Changes in the value of sterling' a major obstacle for next 12 mths*





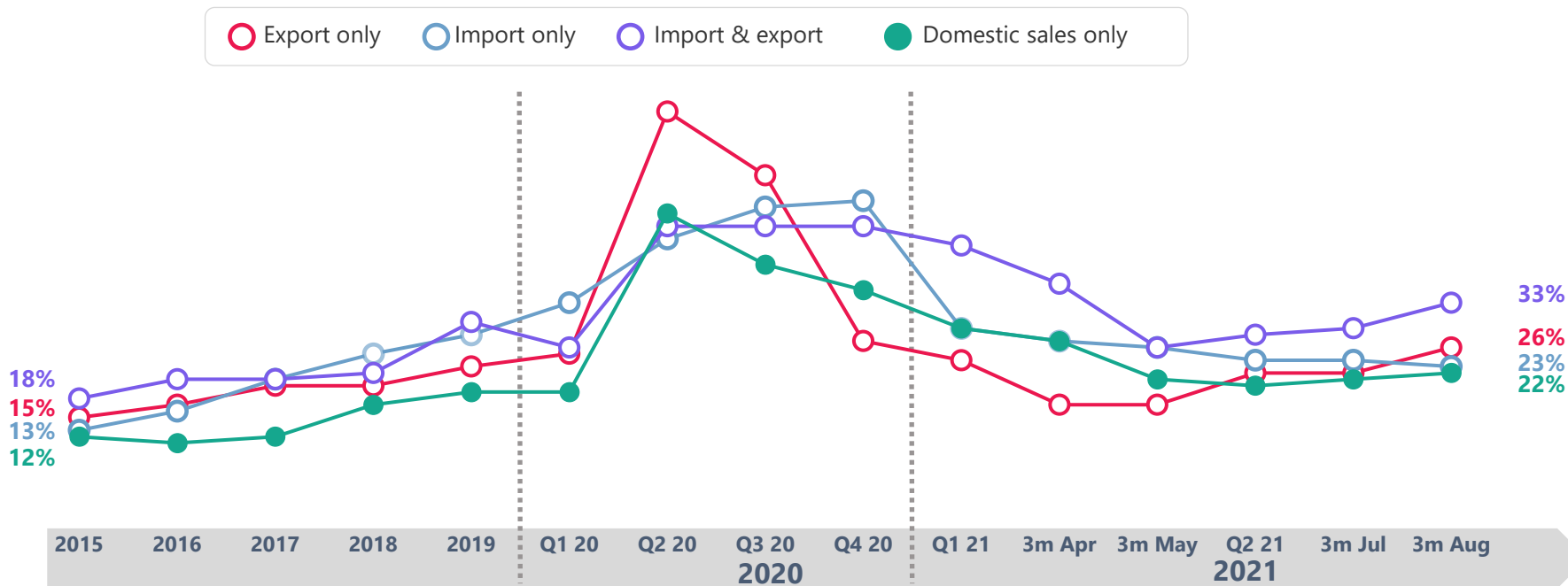
In Q4 2020, 23% of SMEs rated legislation/regulation/red tape as a major barrier, up from 10% in 2016. The scores in 2021 to date have been broadly in line but fewer of the largest SMEs saw this as a barrier

Annual time series: % legislation/regulation / red tape 8-10 barrier



# Concern amongst SMEs with an element of exporting to their business has increased somewhat over recent months, albeit still well below the peak in 2020

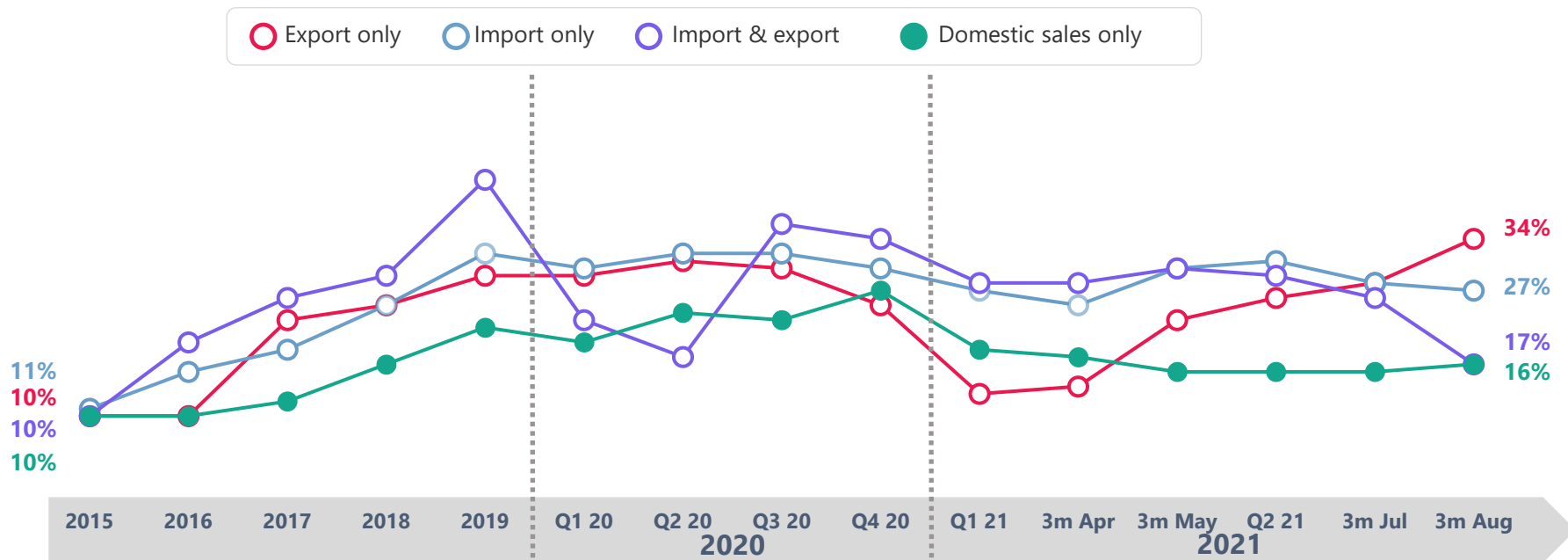
Time series: 8-10 economic climate by extent of international trade alongside domestic sales



## Rating the current economic climate a major obstacle (8-10)

Since Q1 2021, Export-only SMEs have become increasingly likely to see political uncertainty as a barrier, currently at the highest level seen to date

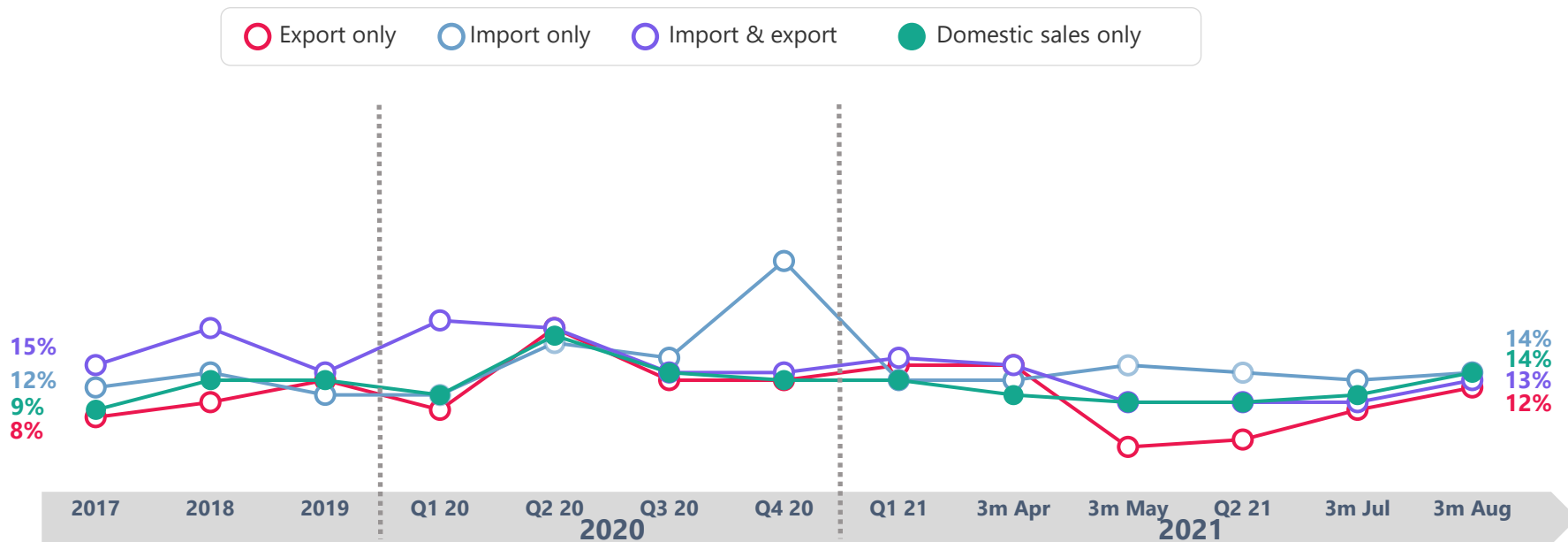
*Time series: 8-10 political uncertainty by extent of international trade alongside domestic sales*



### Rating political uncertainty a major obstacle (8-10)

# The proportion seeing cash flow / late payment as a barrier has increased slightly but there remains little to choose between the groups

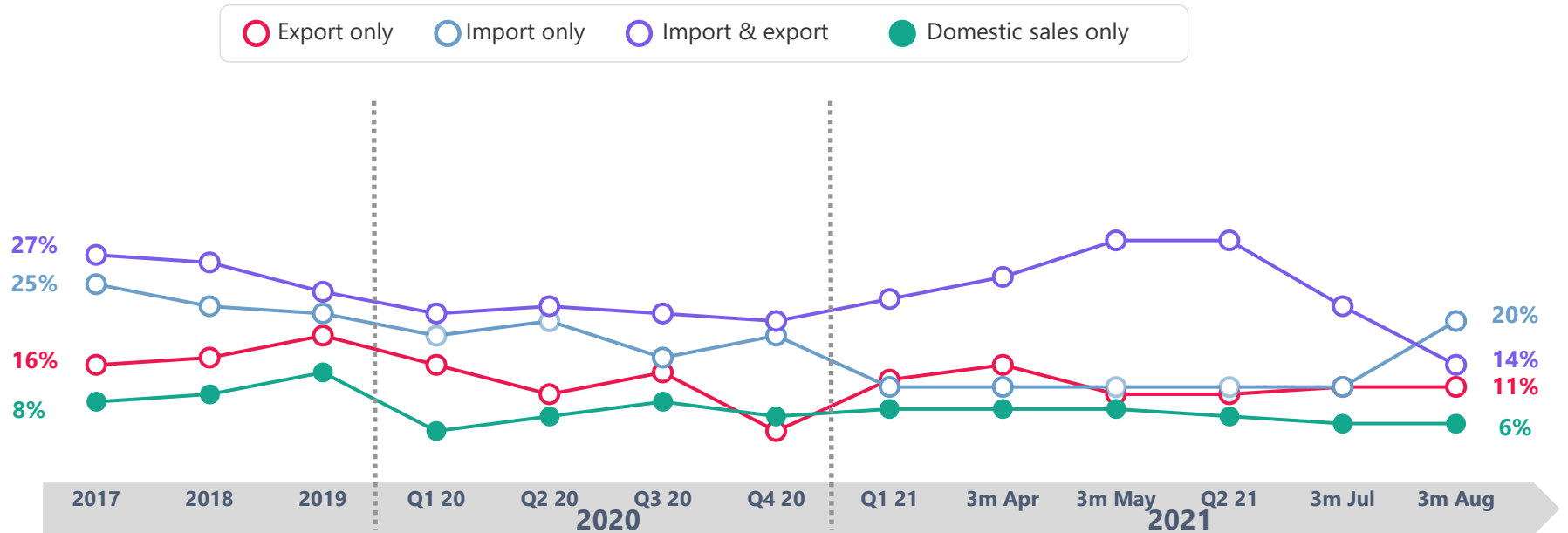
Time series: 8-10 cash flow / late payment by extent of international trade alongside domestic sales



## Rating cash flow / late payment a major obstacle (8-10)

# Fully international SMEs have recently become less concerned about changes in the value of sterling, as concern amongst Import-only SMEs returns to Q4 2020 levels

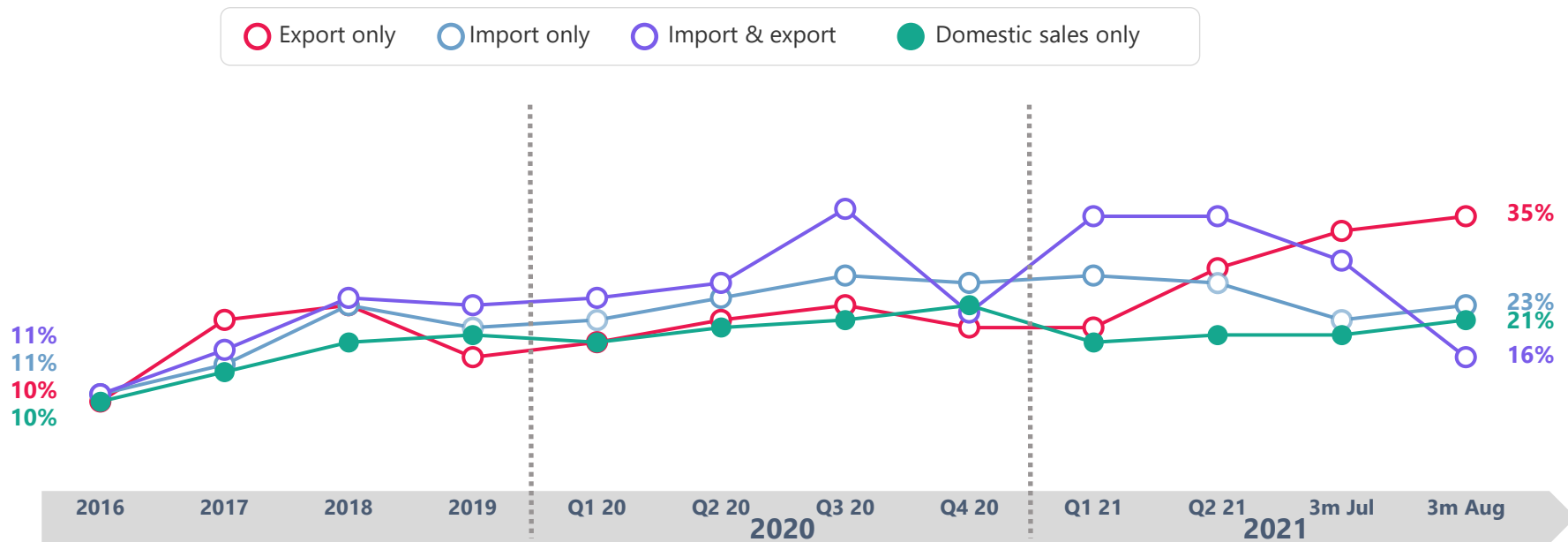
Time series: 8-10 changes in the value of sterling by extent of international trade alongside domestic sales



## Rating changes in the value of sterling a major obstacle (8-10)

# Concern has increased markedly in 2021 for Export-only SMEs, as those who are fully international have become less likely to see this as a barrier

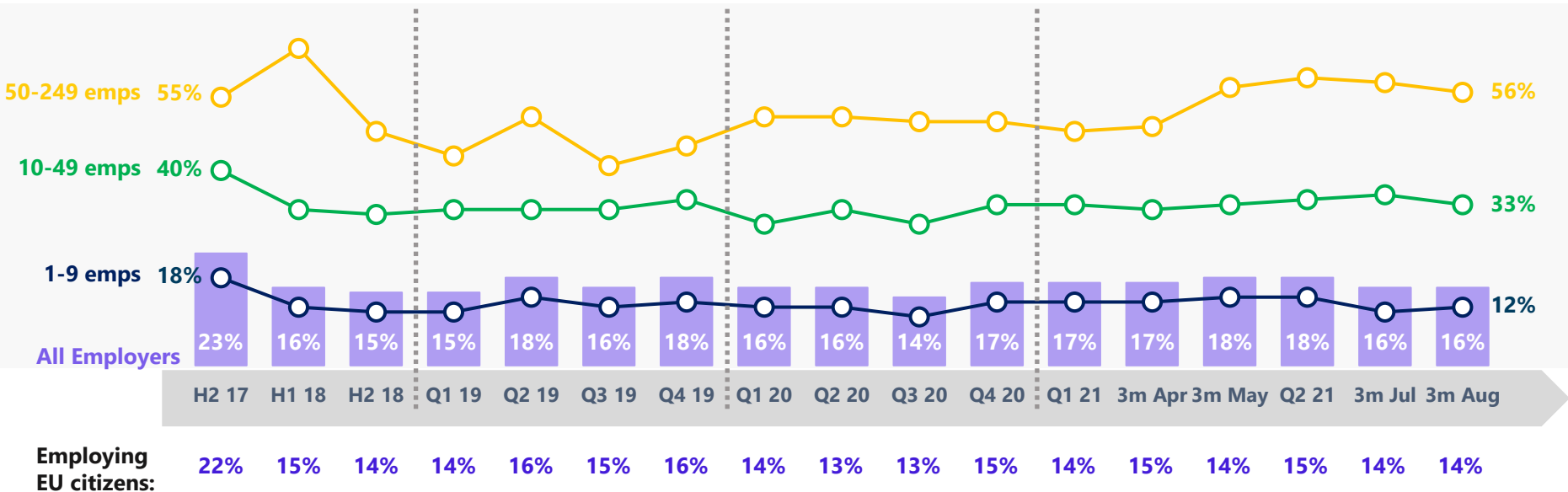
Time series: 8-10 changes in "legislation/regulation/red tape" by extent of international trade alongside domestic sales



## Rating changes in legislation/regulation/red tape a major obstacle (8-10)

# 1 in 6 employers had employees from overseas, typically from the EU. This proportion has been broadly stable since 2018, with the largest SMEs the most likely to employ overseas staff

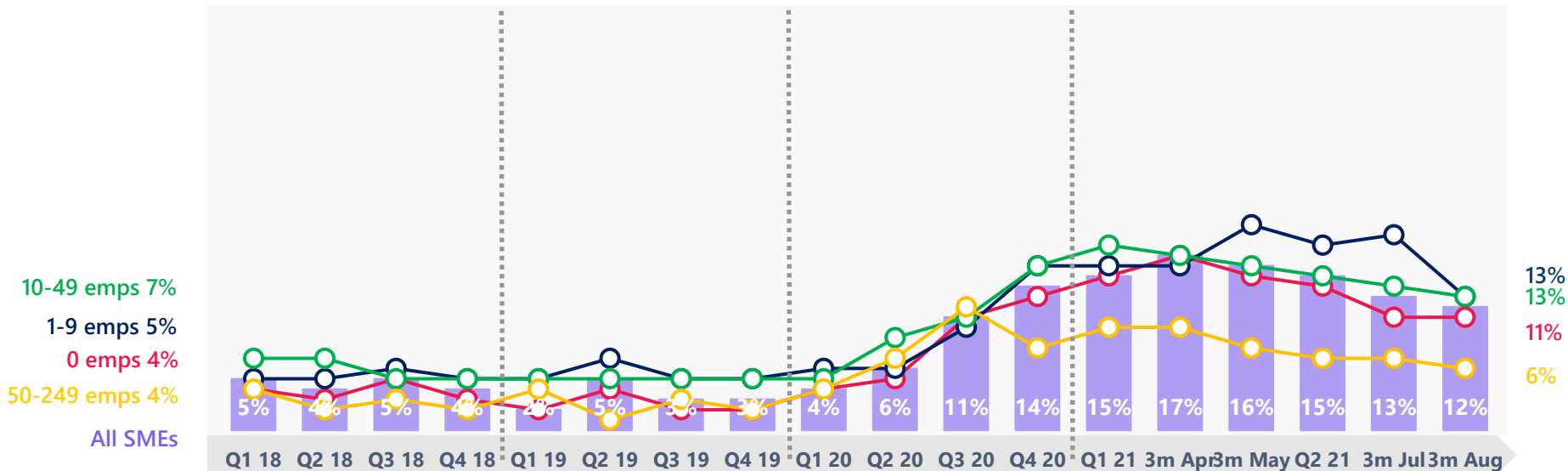
Time series: Employ non-UK staff (from the EU or elsewhere overseas)



When this question was first asked in H2 2017, a quarter (23%) of employers had staff from overseas. Since the start of 2018 this proportion has been lower, but stable, currently 16%. In the 3 months to Aug, 14% of employers had staff from the EU and 5% had staff from elsewhere.

12% of SMEs reported having a need for external funding, slightly lower than earlier in 2021, but still higher than pre-pandemic levels. Need amongst the largest SMEs remains lower than their peers

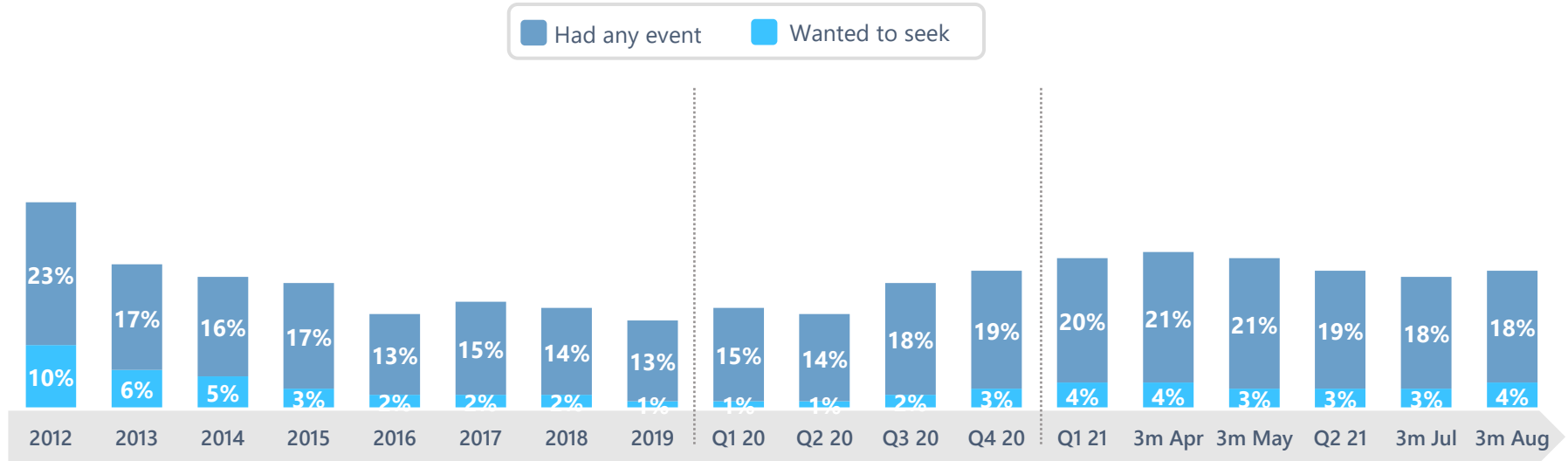
*Time series: Had a need for external funding in past 12 months (whether applied or not)*





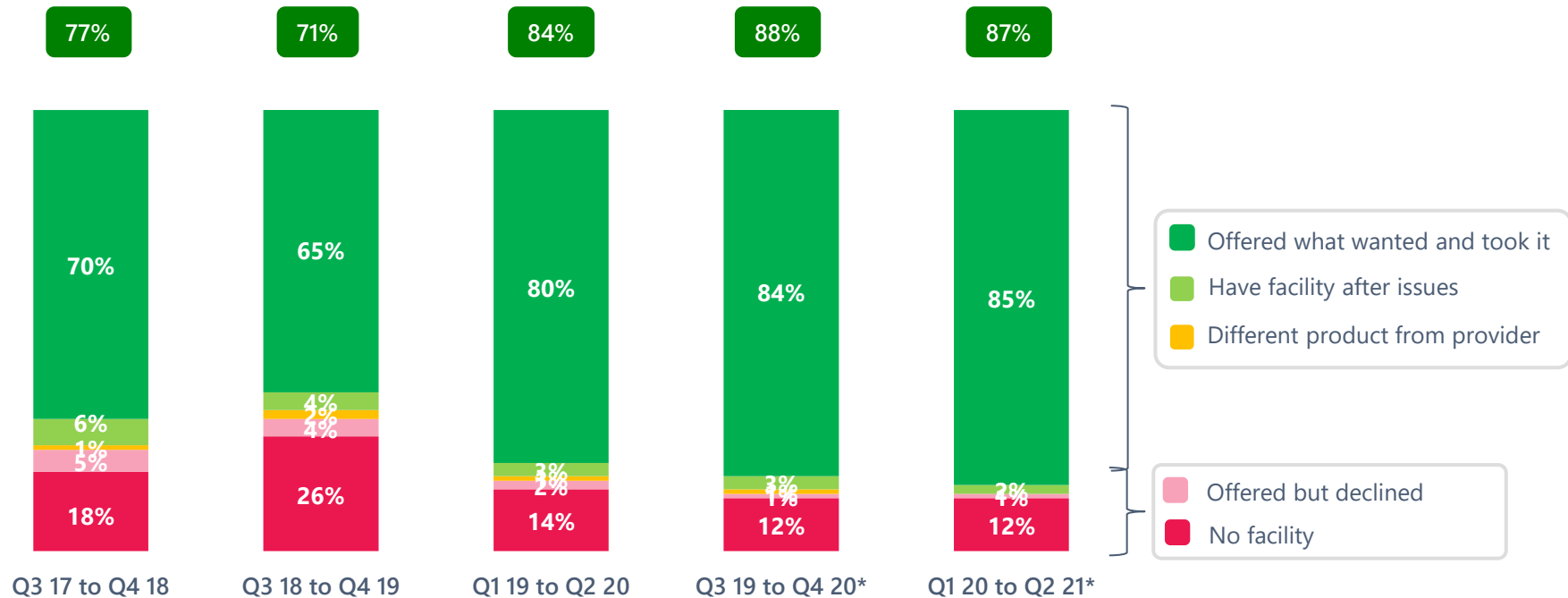
# 22% of SMEs reported any appetite for finance in the previous 12 months (an event or those who had wanted to seek finance), in line with Q4 2020 but slightly lower than earlier in 2021

*Time series: Any appetite for finance in 12 months prior to interview*



# Analysis by application period shows improvements in success rates for applications in 2020 and 2021 when new Government backed schemes were available

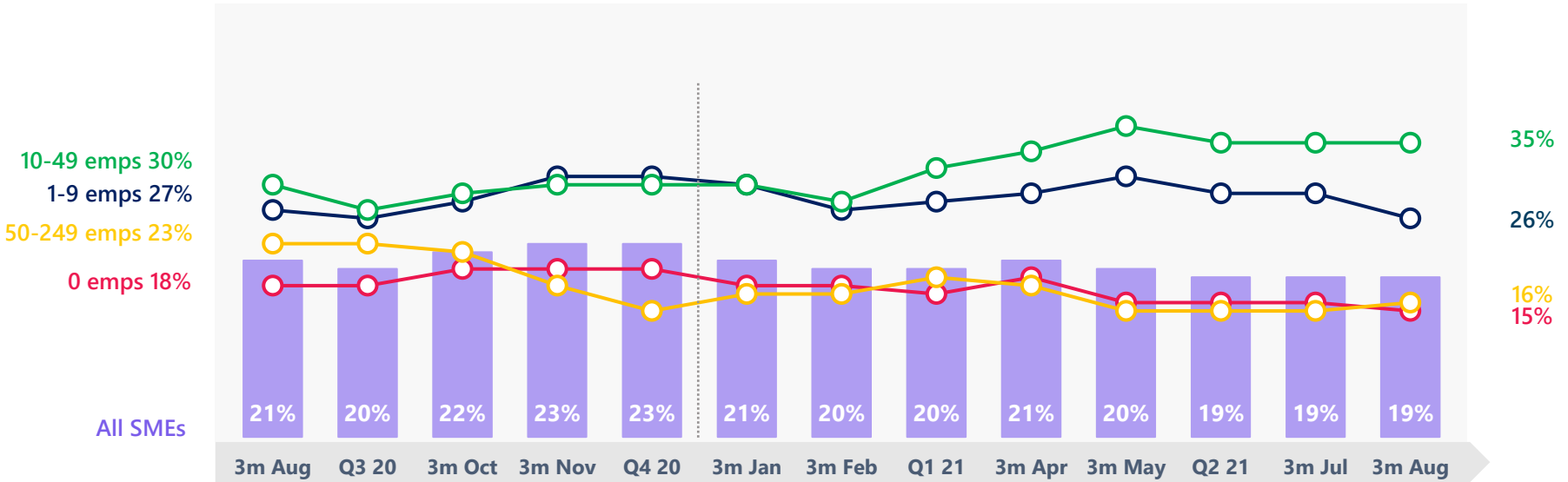
*Global success rate: all applications reported from Q1 2018 to Q2 2021, occurring in the periods shown*



This chart will be updated every quarter end  
Last updated Q2 2021

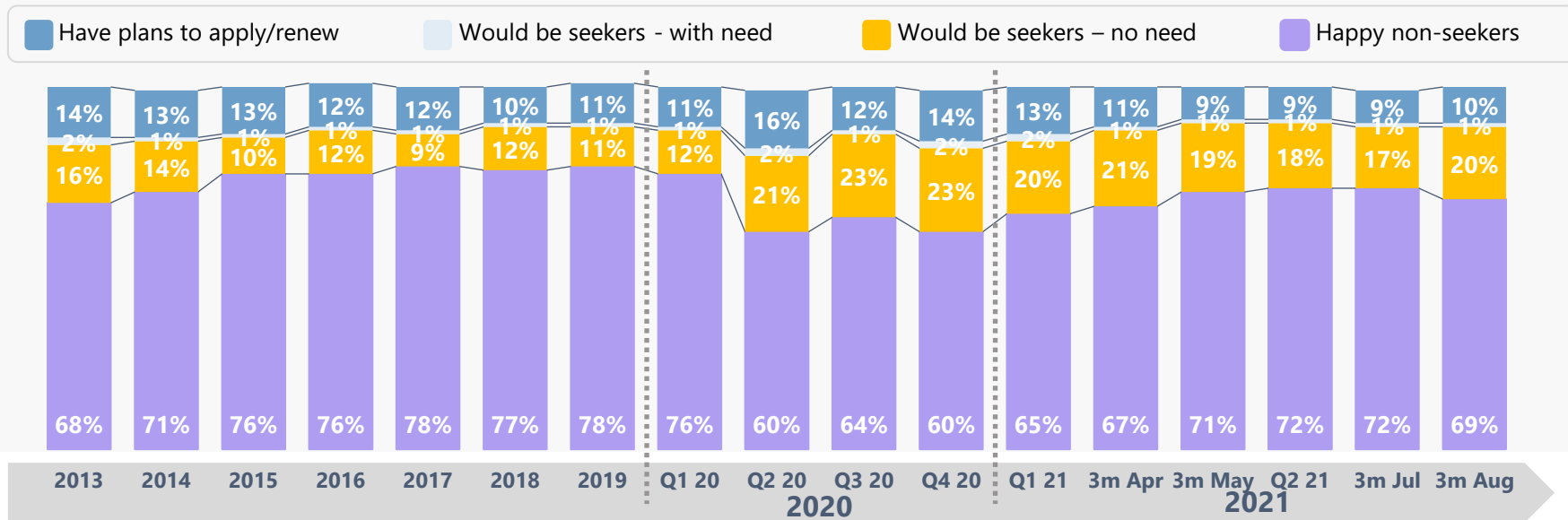
# 1 in 5 SMEs had approached a bank for Covid related finance. Those with 1-9 or 10-49 employees remained more likely to report such an approach

*NEW Time series: Approached main/other bank for Covid related finance*



Q2 2020 saw a marked increase in those planning to apply and those who expected to be 'Future would-be seekers of finance', which was maintained to Q1 2021. Since then, future demand has been slightly lower but remains higher than pre-pandemic

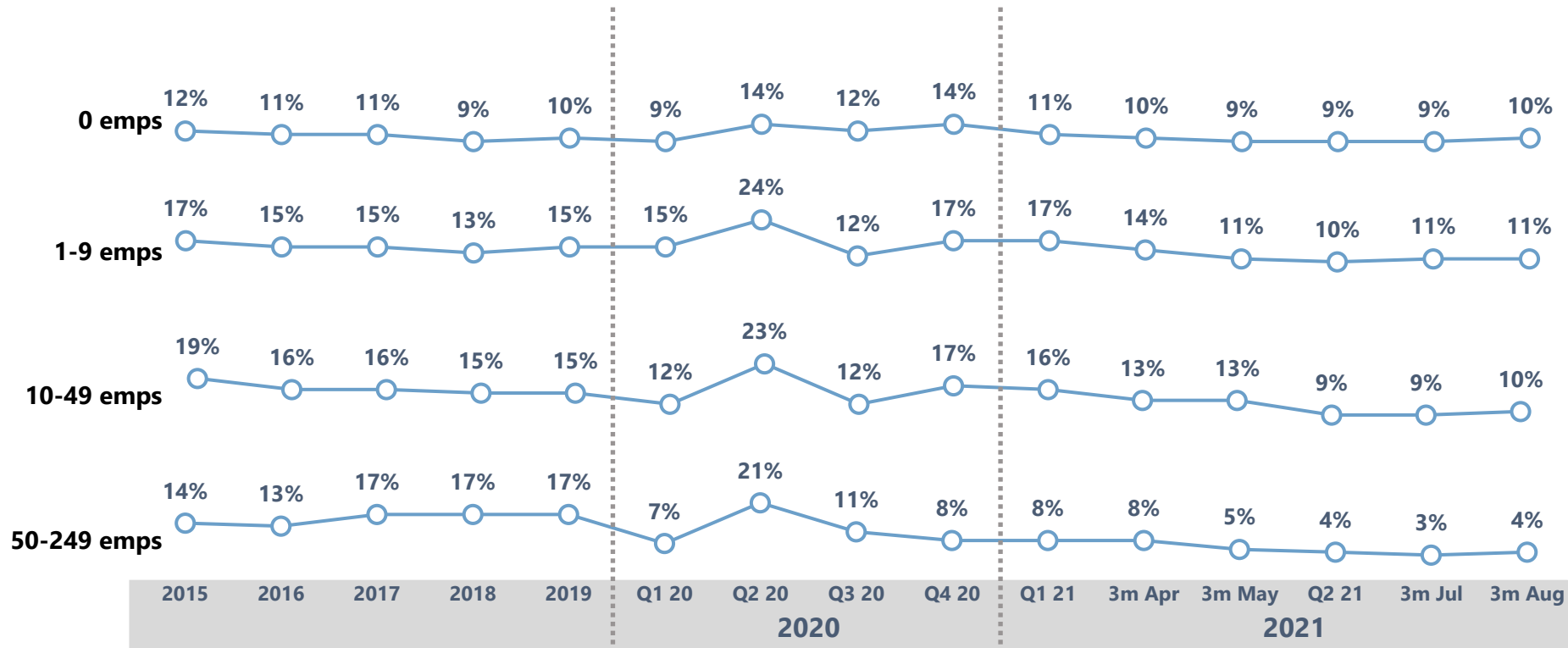
*Time series: Anticipated borrowing profile for next 3 months after ...*



Each quarter, the majority of SMEs have expected to be “Future happy non-seekers” of finance. The proportion of FHNS initially increased over time, to 80% in Q4 2019 but then reduced, to 60% for Q2 2020 and is currently 69%. By Q2 2020, the proportion of SMEs planning to apply had increased to 16%, and the proportion of would-be seekers (who would like to apply but feel something would stop them) to 23%. This combined appetite for finance is currently somewhat lower (10% and 21%) than this but still ahead of pre-pandemic levels

Future appetite for finance increased across all size bands from Q1 to Q2 2020. It has declined somewhat since and is now typically below pre-pandemic levels

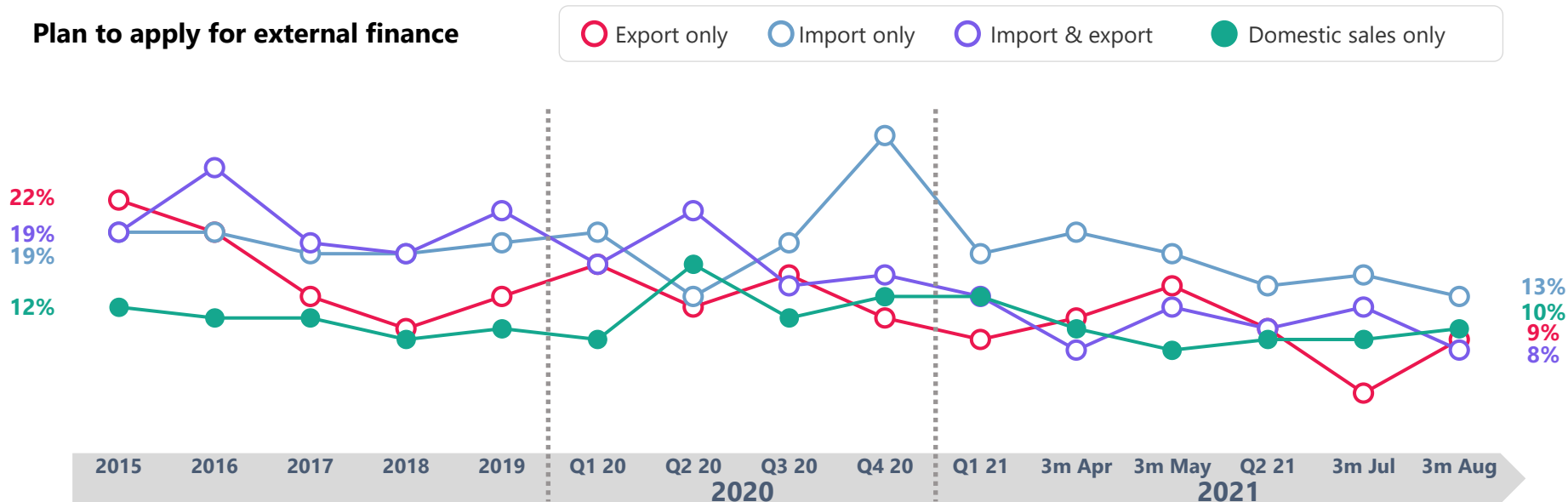
*Time series: % planning to apply*



As well as being more likely to be using external finance, Import-only SMEs are slightly more likely to be planning to apply than their peers, albeit at lower levels than typically seen amongst this group

*Time series: plan to apply for finance by extent of international trade alongside domestic sales*

### Plan to apply for external finance

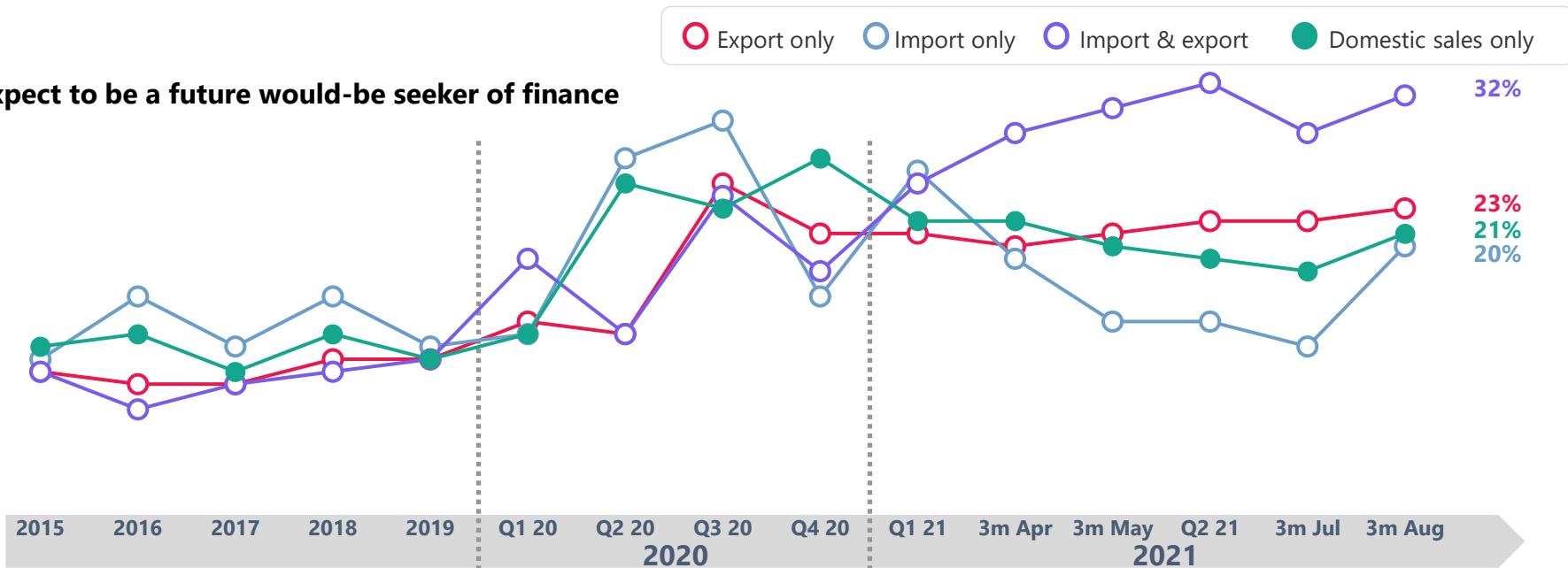


Appetite for finance amongst those that both import and export has varied over time. It fell sharply from the peak of 25% in 2016 to 10% in Q1 2018 and is currently 8%. Appetite amongst domestic SMEs has declined slightly since Q2 2020 and is now in line with 2019 (10%)

There is no consistent pattern for international SMEs in terms of FWBS, but they are typically higher than seen pre-pandemic. Fully international SMEs remain more likely to meet the definition with currently little difference between the other groups

*Time series: future would be seekers by extent of international trade alongside domestic sales*

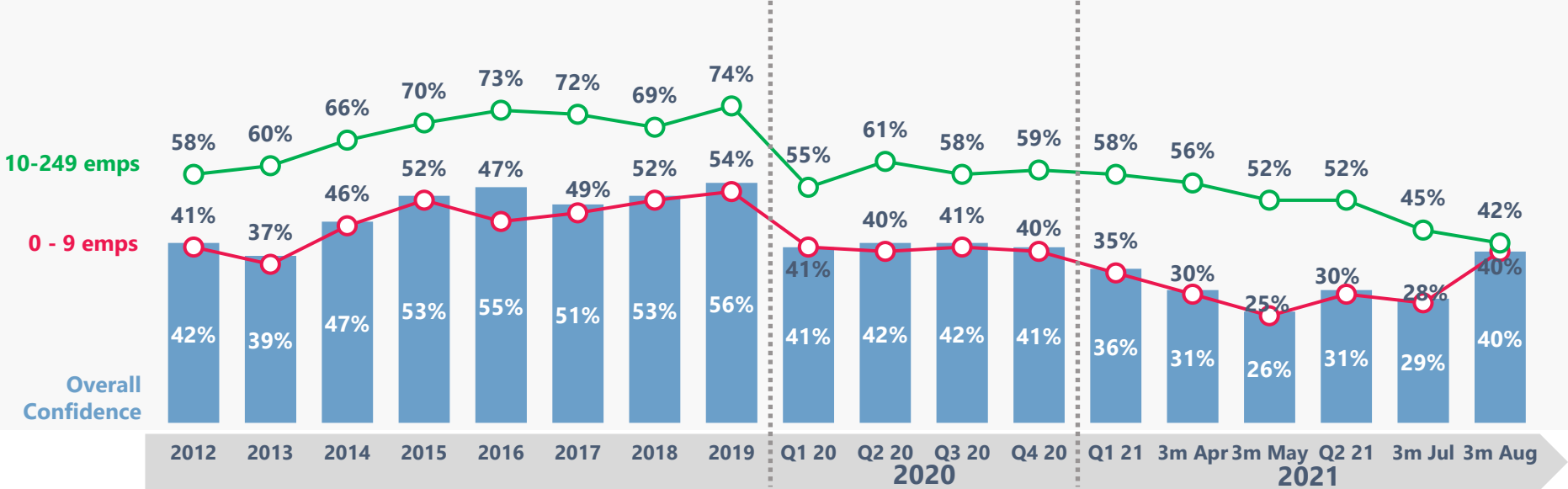
### Expect to be a future would-be seeker of finance



Would-be seekers of finance are those who can see a barrier to them making an application for funding in future, such as the current economic climate or a belief that they would not be successful if they applied. Fully international SMEs have seen an increase in this group since Q4 2020 as the proportion planning to apply has remained more stable

Overall levels of confidence have returned to 2020 levels, as smaller SMEs planning to apply increase in confidence. Larger SMEs have become less confident and there is now little to choose between them and the smaller future applicants

Time series: Confidence (very/fairly) bank will agree to facility next 3 months – by size

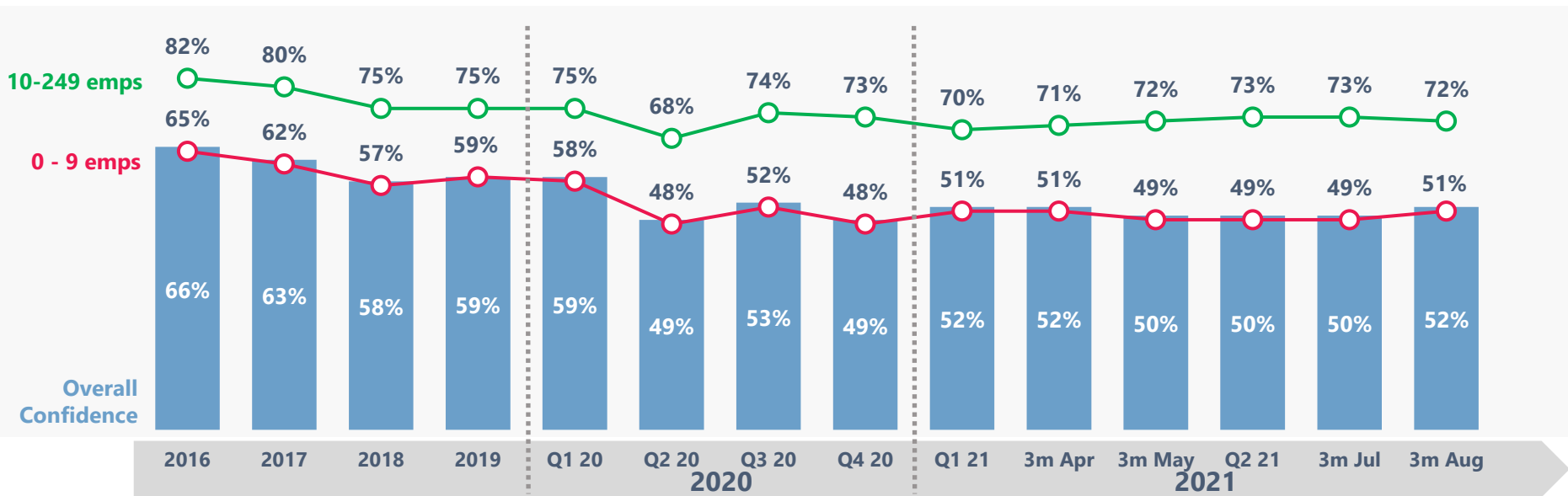


Confidence amongst those planning to apply that they would be successful increased to 55% in 2016 but has been more variable since (and always below actual success rates). Confidence improved in 2019, declined in Q1 2020 (41%) and was then broadly stable, but declined again to 31% in Q2 2021, one of the lowest levels seen to date. Since then confidence has increased to 40%, as smaller SMEs become more confident of success, but with a continued decline in confidence amongst larger SMEs there is now little to choose between them



# Confidence amongst hypothetical applicants declined from Q1 to Q2 2020 and has been little changed since, with a continued gap in confidence between larger and smaller SMEs

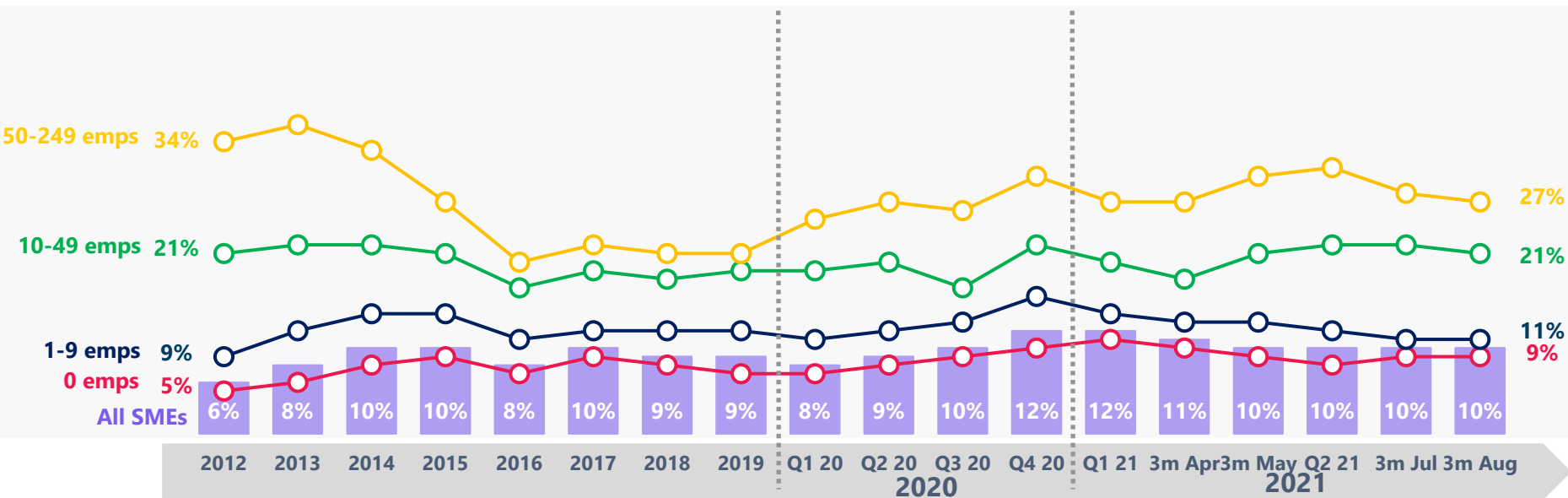
Time series: Confidence (very/fairly) bank would agree to facility next 3 months – by size



Half (52%) of those with **no plans** to apply to a bank for finance are confident of a hypothetical success. Larger hypothetical applicants remain more confident than smaller ones, and more confident than those of a similar size who are planning to apply (72% v 42%). Smaller hypothetical applicants are less confident of success, compared to larger hypothetical applicants but they too are more confident than those of a similar size planning to apply (51% v 40%, see previous slide for those *with* plans)

The proportion of all SMEs that export increased very slightly over the course of 2020, to 12% in Q4 and has been broadly stable since.

Time series: Exporters



The proportion of exporters increased from 6% in 2012 to 10% in 2014 and 2015. The proportion increased slightly during 2020 (8% to 12%) due to the smaller SMEs being slightly more likely to export and was 10% in the current period

# Quality Standards and Other Details

BDRC is certified to ISO 20252 and 27001, the recognised international quality standards for market research and information security.

- Adherence to the standard is independently audited once per year.
- Where subcontractors are used by BDRC, they are assessed to ensure any outsourced parts of the research are conducted in adherence to ISO 20252 and 27001.

All work will be carried out in conformity to these standards, the MRS Code of Conduct, and all relevant legal requirements

