

# 7

## NEED FOR FUNDING

### **THIS CHAPTER PROVIDES**

details on those SMEs that reported a funding need in 2021, including why the funding was needed and what steps were considered and taken to meet that need.

## KEY FINDINGS

**12% of SMEs reported a need for funding, higher than previous years:**

- In 2021, 12% reported having had a need for funding, up from 9% in 2020 and 3-4% in 2018-19. Reported need was higher for those with 1-9 employees, in the Hotel & Restaurant sector and amongst those currently using external finance.
- Analysis of the individual quarters of 2021 showed higher need for funding in Q1 and Q2 (both 15%), compared to 8-9% in the second half of the year, with less of a need for funding amongst all sizes of SME to some degree.

**As in 2020, funding needs were much more likely to be for cashflow than business development:**

- Pre-pandemic, the split between needing funding for cash flow and/or business development was fairly even (49% and 58%).
- In 2021, 81% of those with a need for funding said it was cashflow related, such as for working capital to ease cash flow or to cover a short term funding gap, with little variation by size of SME. Far fewer, 24%, said that it was for business development purposes, typically for new plant & machinery or to fund UK expansion. Smaller SMEs were somewhat more likely than their larger peers to say that this was why they had a need for funding.

**A third of those with a need for funding were looking for £25,000 or more:**

- 36% of those with a need for funding were looking for more than £25,000, with clear variation by size of SME, as almost all those with 10-49 or 50-249 employees were looking for this amount, compared to a quarter of those with 0 employees.

Most of those with a need for funding had taken at least some initial action, with half speaking to their bank, another lender or an advisor:

- In 2021, just 4% of those with a reported need had taken no action. Half, 48%, had spoken to either their main bank (27%), another provider (14%) or their accountant or other advisor (10%), while 10% had considered funding the need themselves. Compared to 2019, there were slightly more contacts with the banks/advisors and slightly fewer plans to self-fund.

After those initial steps, 80% of those with a finance need went on to apply for funding, typically to their main bank (61%):

- The larger the SME the more likely they were to apply somewhere (78% of those with 0 employees to 99% of those with 50-249 employees) and the more likely it was to be to their main bank (58% of those with 0 employees to 85% of those with 50-249 employees).
- The smaller group looking for funding for business development were less likely to have applied somewhere (66%) than those looking for cash flow funding (83%).
- The conversion of need to borrowing application (80%) was unchanged from 2020, but higher than the 6 in 10 converting in 2018-19.

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The middle section of the questionnaire, around applications made for finance, saw the most changes in the re-design for Q1 2018. As a result, this section of the report has also evolved, although where comparable data over time is still available, this has been reported.

This is the first of the three revised chapters, now looking at borrowing events in the wider finance market beyond loans and overdrafts:

- This chapter looks at whether SMEs had identified a need for external funding and what steps they took as a result of that need, including whether they applied for finance (a Type 1a borrowing event). This analysis is by interview date.
- Chapter 8 provides an overview of all borrowing ‘events’ (including Type 1a events), and the types of SME more or less likely to have had each of these events. This analysis is also by interview date.
- Chapter 9 looks specifically at the Type 1 borrowing events, the final outcome of the applications made and the impact of the application on the SME. This analysis is based on all applications made between Q3 2020 and Q4 2021 and reported in interviews conducted in the same period (so application data for Q2 2021 onwards is interim at this stage).

The definitions of all the borrowing events included in this report is provided at the start of the next chapter.

## HAVING, AND MEETING, A NEED FOR FUNDING

Rather than being asked directly about any applications made for loans and overdrafts, from Q1 2018 respondents have initially been asked about any need for external funding in the past 12 months, in addition to any finance they already used, and irrespective of whether they acted on that need or not. Those who went on to apply for finance as a result of this funding need are defined as having had a Type 1a borrowing event later in this report.

This chapter is based on those interviewed between Q1 2021 and Q4 2021 (YEQ4 2021) who reported a need for funding in the 12 months prior to interview (ie from Q1 2020 onwards).

## HAD A NEED FOR FUNDING

As the table below shows, whilst only a minority of SMEs each quarter reported a need for external funding in the previous 12 months, the proportion did increase during 2020 / Q1 2021 to 15%, the highest proportion seen to date. It remained stable in Q2 2021 before starting to decline, to 8% in Q4 2021, but still above pre-pandemic levels:

### Had a funding need

#### By date of interview

Over time – row percentages	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
All SMEs	3%	4%	6%	11%	14%	15%	15%	9%	8%
0 employee	2%	4%	5%	11%	13%	14%	14%	8%	8%
1-9 employees	5%	6%	6%	10%	16%	16%	18%	12%	10%
10-49 employees	5%	5%	9%	11%	16%	18%	15%	9%	4%
50-249 employees	2%	4%	7%	12%	8%	9%	7%	5%	4%

Q25 All SMEs (new Q1 2018)

The table below looks at the results available over time from 2018 to 2021, across key demographics. It shows that the overall increase in 2021 to 12% was seen across all but the largest size band, and across all risk ratings and sectors, notably Manufacturing and Hotels & Restaurants. 1 in 5 of those using external finance reported a need for (further) finance, stable from 2020 but three times the level in 2019:

<b>Had a funding need</b>				
<b>By date of interview</b>				
<b>Over time – row percentages</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>All SMEs</b>	<b>4%</b>	<b>3%</b>	<b>9%</b>	<b>12%</b>
0 employee	4%	2%	8%	11%
1-9 employees	5%	6%	10%	14%
10-49 employees	6%	5%	10%	12%
50-249 employees	3%	3%	8%	6%
Minimal external risk rating	3%	2%	5%	7%
Low external risk rating	4%	4%	8%	11%
Average external risk rating	3%	3%	8%	10%
Worse than average external risk rating	5%	3%	9%	14%
Agriculture	5%	6%	9%	12%
Manufacturing	3%	2%	7%	13%
Construction	3%	3%	6%	10%
Wholesale/Retail	6%	5%	8%	12%
Hotels & Restaurants	5%	6%	12%	17%
Transport	4%	2%	13%	14%
Property/Business Services etc.	4%	3%	9%	9%
Health	4%	1%	7%	11%
Other Community	4%	5%	10%	14%
All SMEs excluding Permanent non-borrowers	8%	6%	14%	19%
Current using external finance	8%	6%	19%	20%
Not currently using external finance	2%	1%	2%	5%

Q25 All SMEs (new Q1 2018)

Analysis by age of business also showed an increase in each age band compared to 2019. Those trading for up to 5 years were slightly more likely to report a need for finance (15%) compared to 12-13% of those trading 6 to 15 years and 9% of the oldest SMEs.

All those who identified a funding need were then asked further questions about how the need arose and any actions they had taken as a result. From Q2 2020, this first question below was adjusted to include the answer 'To cope with the impact of the coronavirus pandemic'.

## WHY FUNDING WAS REQUIRED

The first table looks at why the funding was required, with cash flow support and a short term funding gap the top mentions. Overall, 8 in 10 SMEs with a need for finance said that it was cashflow related in some way (boosted by the new pandemic code) increasing slightly by size of SME. A quarter needing funding for some form of business development and here smaller SMEs with up to 10 employees were more likely than their larger peers to be looking for funding for business development, typically for new plant and machinery and expansion in the UK:

<b>Reason funding required</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>YEQ4 21 all SMEs who had need for funding</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>1849</b>	<b>360</b>	<b>733</b>	<b>601</b>	<b>155</b>
<b>Cash flow related</b>	<b>81%</b>	<b>80%</b>	<b>83%</b>	<b>88%</b>	<b>92%</b>
Working capital to help with cash flow	50%	48%	56%	63%	80%
To cover a short term funding gap	32%	33%	30%	33%	15%
To cope with the impact of the pandemic	30%	29%	32%	39%	17%
To help through trading difficulties	22%	21%	23%	26%	10%
<b>Business development related</b>	<b>24%</b>	<b>25%</b>	<b>22%</b>	<b>15%</b>	<b>10%</b>
Invest in new plant, machinery etc	11%	11%	12%	8%	4%
To fund expansion in the UK	9%	9%	7%	5%	2%
A new business opportunity	5%	5%	4%	1%	2%
To fund R&D	4%	5%	1%	1%	-
To fund new premises	2%	1%	3%	2%	1%
To take on staff	1%	1%	2%	2%	-
To fund expansion overseas	1%	1%	1%	1%	-
To take over another business	*	*	1%	*	1%

Q26 All SMEs with a need for funding (new Q1 2018)

1% of SMEs said that they were approached by a bank/other funder offering them finance.

Some data is now available over time, as the table below shows. This shows how, as the pandemic took hold, the balance tipped towards funding for cash flow purposes (81% in 2020 from 49% in 2019) and away from being business development related (24% in 2020 from 58% in 2019):

<b>Reason funding required</b>				
<b>By date of interview</b>			<b>Q2-4</b>	
<b>Over time</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Unweighted base:</b>	<b>807</b>	<b>739</b>	<b>1426</b>	<b>1849</b>
<b>Cash flow related</b>	<b>42%</b>	<b>49%</b>	<b>81%</b>	<b>81%</b>
Working capital to help with cash flow	32%	37%	49%	50%
To cope with the impact of the pandemic	-	-	33%	30%
To cover a short term funding gap	16%	26%	19%	32%
To help through trading difficulties	11%	12%	12%	22%
<b>Business development related</b>	<b>58%</b>	<b>58%</b>	<b>24%</b>	<b>24%</b>
To fund expansion in the UK	26%	20%	11%	9%
Invest in new plant, machinery etc	22%	25%	9%	11%
A new business opportunity	18%	13%	4%	5%
To take on staff	6%	5%	2%	1%
To fund new premises	5%	7%	1%	2%
To fund expansion overseas	2%	3%	1%	1%
To take over another business	1%	2%	1%	*

Q26 All SMEs with a need for funding (new Q1 2018)

## AMOUNT OF FUNDING REQUIRED

The next table looks at how much finance was thought to be required to meet the funding need. In Q3 2019 the bands for collecting this information were narrowed to provide more granularity and extended upwards to a top band of £5 million or more. A revised table is shown below.

6% of those with a need for finance in 2021 could not say how much they had wanted and have been excluded from this table. As might be expected, larger SMEs with a need for funding were more likely to be looking for more than £25,000 (99% of those with 50-249 employees) than smaller SMEs were (25% of those with 0 employees):

### Likely finance required

YEQ4 21 all SMEs who had need for funding	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>1723</b>	<b>337</b>	<b>679</b>	<b>564</b>	<b>143</b>
Less than £5,000	15%	19%	5%	*	*
£5,000 to £9,999	18%	22%	10%	1%	-
£10,000 to £24,999	31%	34%	26%	7%	1%
£25,000 to £99,999	31%	22%	52%	58%	26%
£100,000-£999,999	5%	3%	8%	33%	60%
£1million+	*	-	*	1%	13%
<b>£25,000 or more</b>	<b>36%</b>	<b>25%</b>	<b>60%</b>	<b>92%</b>	<b>99%</b>

Q27 All SMEs with a need for funding excluding DK (new Q1 2018)

Other SMEs with a need for funding who were more likely to be seeking £25,000 or more included:

- Over half of those with a minimal or low risk rating (64% and 59% respectively), compared to around a third of those with an average rating (37%) and a quarter of those with a worse than average risk rating (28%).
- 4 in 10 of those trading for 6 years or more, compared to 25% of Starts and 34% of those trading for 2-5 years.
- Half of those seeking funding in the Wholesale/Retail sector (50%) compared to 27% in Manufacturing and 14% in the Health sector (31-44% elsewhere).
- There was little difference by purpose of borrowing: A third of those looking for funding for business development (33%) and a similar proportion looking for cash flow related funding (38%) were seeking £25,000 or more.

## THE DECISION MAKING PROCESS

As the table below shows, almost all those with a need for funding had taken some action as a result (96%). The most common action, especially for larger SMEs, was to talk informally to the main bank (27% of all with a need for funding):

<b>Steps taken in funding decision process</b>		<b>0</b>	<b>1-9</b>	<b>10-49</b>	<b>50-249</b>
<b>YEQ4 21 all SMEs who had need for funding</b>	<b>Total</b>	<b>emp</b>	<b>emps</b>	<b>emps</b>	<b>emps</b>
<b>Unweighted base:</b>	<b>1849</b>	<b>360</b>	<b>733</b>	<b>601</b>	<b>155</b>
Had informal conversation with main bank	27%	23%	38%	42%	53%
Had informal conversation with other provider	14%	14%	12%	21%	35%
Looked online for possible finance providers	14%	16%	10%	4%	1%
Looked online for application advice	13%	15%	8%	6%	1%
Discussed by management in the business	10%	7%	18%	24%	9%
Sought professional advice eg accountant	10%	10%	12%	10%	8%
Considered funding within business/directors	10%	9%	11%	5%	2%
Spoke to other business people	8%	9%	6%	4%	1%
Prepared/reviewed plans and forecasts	6%	5%	8%	6%	2%
Looked at comparison/satisfaction sites	3%	3%	2%	1%	2%
Something else	11%	13%	7%	4%	2%
Took no action	4%	4%	3%	1%	1%

Q28 NEW All SMEs with a need for funding (new Q1 2018)

Overall, half of these SMEs (48%) spoke to someone about their need for funding, whether this was an advisor or an informal conversation with their bank or another provider:

- Those with 0 (44%) or 1-9 employees (56%) were less likely to have spoken to an advisor/provider compared to 66% of those with 10-49 employees and 91% of those with 50-249 employees.
- There was some variation by age of SME: 36% of Starts sought advice/spoke to a provider, compared to 47% of those trading 2-5 years, and 51-56% of older SMEs.
- With the exception of the Other Community sector (27%) and the Transport sector (69%) there was relatively little difference by sector (44-52%).
- There was limited variation by risk rating, with 42% of those with a worse than average risk rating seeking advice/speaking to a provider, compared to 54-55% of those with a minimal, low, or average risk rating.
- Where the SME wanted funding for cash flow, 51% had sought advice/spoken to a provider compared to 39% where the funding was for business development purposes.

48% had spoken to someone while half as many, 24%, had looked online for providers or advice.

- Here it was the smallest SMEs with a need for finance who were the most likely to have looked online, with 28% of 0 employee SMEs taking one or both of these steps, decreasing by size of SME to 2% of those with 50-249 employees.
- 40% of those in the Other Community sector had looked online, along with 28-29% of those trading for less than 10 years compared to 17% in Manufacturing and 19% with a minimal risk rating.
- Those looking for business development funding (typically the smaller SMEs) were more likely to have looked online (30%) than those looking for cash flow funding (23%).

Some analysis over time is now possible. This shows that in each period the majority of SMEs with a need for funding took action. The proportion who spoke to an advisor or had an informal conversation with their bank or another provider about their need for funding increased from 41% to 55% in 2020 due to more contact with the main bank but was somewhat lower again in 2021 (48%). This was due to fewer SMEs having spoken to their main bank in 2021, coupled with a steady decline over time in the proportion speaking to an advisor. With the exception of 2019, a stable 1 in 10 with a need for funding considered funding it from within the business:

<b>Initial steps taken in funding decision process</b>	<b>Q2-Q4</b>			
<b>All SMEs who had need for funding – over time</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b><i>Unweighted base:</i></b>	<b>807</b>	<b>739</b>	<b>1426</b>	<b>1849</b>
Had informal conversation with main bank	21%	18%	38%	27%
Had informal conversation with other provider	11%	18%	12%	14%
Looked online for possible finance providers	12%	15%	12%	14%
Looked online for application advice	12%	15%	16%	13%
Discussed by management in the business	14%	15%	14%	10%
Sought professional advice eg accountant	19%	19%	12%	10%
Considered funding within business/directors	10%	19%	12%	10%
Spoke to other business people	11%	10%	8%	8%
Prepared/reviewed plans and forecasts	11%	9%	10%	6%
Looked at comparison/satisfaction sites	7%	11%	6%	3%
Something else	25%	10%	9%	11%
Took no action	7%	7%	6%	4%
<b><i>Spoke to advisor/ main bank/ other provider</i></b>	<b>41%</b>	<b>43%</b>	<b>55%</b>	<b>48%</b>

Q28 NEW All SMEs with a need for funding (new Q1 2018)

Those who had taken any steps to meet their funding need were then asked which of a number of options they had considered. 8 in 10 had considered making an application for finance, typically to their main bank:

**Steps considered in funding decision process**

YEQ4 21 all SMEs who took initial steps on need for funding	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>1804</b>	<b>345</b>	<b>711</b>	<b>594</b>	<b>154</b>
Making an application	80%	78%	84%	93%	98%
-Applying to main bank	64%	60%	71%	81%	88%
-Applying to finance provider not currently using	12%	13%	10%	8%	3%
-Applying to finance provider currently using	6%	5%	7%	9%	10%
-Applying to an online finance platform	5%	6%	4%	2%	-
Finding some/all of the funding yourselves	17%	18%	14%	7%	1%
Using a broker	2%	2%	3%	1%	1%
None of these	6%	6%	6%	2%	1%

Q30 All SMEs with a need for funding who took action at Q28 (new Q1 2018)

Analysis amongst SMEs with a need for funding showed that:

- Most SMEs considered making an application for finance (80%), with larger SMEs were more likely to have done so. A minority considered self-funding (17%), and smaller SMEs were more likely to have done this.
- Consideration of an application was slightly lower for those with a minimal (79%) or worse than average risk rating (76%) compared to 85-86% of those with a low or average risk rating. The proportion considering self-funding increased from 2% of those with a minimal rating to 22% of those with a worse than average risk rating.
- 66% of Starts considered making an application, somewhat lower than their peers (78% of those trading 2-5 years and 9 in 10 of older SMEs (86-90%).
- 88% of those already using finance considered making an application, compared to 58% not currently using finance.
- Those for whom the funding was needed for business development were less likely to have considered an application (66%) than those looking for help with cash flow (84%).

Some analysis over time is now possible, within the context of the availability of Government-backed lending in 2020 and 2021, typically through the main bank. This shows that more SMEs who took action on a need for funding considered making an application in 2020-2021 than previously (80% in 2021). Whilst fewer SMEs reported an informal conversation with their main bank in 2021 (see above), the proportion considering applying to them remained at the higher level seen in 2020 (64%). This is likely to be due to the availability of Government backed loans through the main bank and may also account for the lower level of SMEs in 2021 that were considering self-funding:

Steps <u>considered</u> in funding decision process: All SMEs who took initial steps on need for funding – over time	Q2-Q4			
	2018	2019	2020	2021
<b>Unweighted base:</b>	<b>781</b>	<b>719</b>	<b>1380</b>	<b>1804</b>
Making an application	67%	63%	81%	80%
-Applying to main bank	48%	37%	67%	64%
-Applying to finance provider not currently using	14%	19%	11%	12%
-Applying to finance provider currently using	12%	17%	8%	6%
-Applying to an online finance platform	10%	9%	6%	5%
Finding some/all of the funding yourselves	22%	40%	15%	17%
Using a broker	7%	7%	1%	2%
None of these	19%	12%	9%	6%

Q30 All SMEs with a need for funding who took action at Q28 (new Q1 2018)

## STEPS TAKEN TO MEET FUNDING NEED

The next table looks at the steps actually taken, rather than considered, by SMEs with a funding need.

8 in 10 (80%) of all SMEs who had taken action to address a funding need went on to have a borrowing 'event' to meet that need

- 94% of those who considered applying for funding went on to have a borrowing event, compared to 1 in 5 who hadn't initially considered applying
- 77% of all SMEs that originally identified a funding need went on to have a borrowing event.

The most common borrowing 'event' was an application to the main bank, mentioned by 61% of those taking action on a need for funding and three quarters of those who had any sort of borrowing event at all:

### Steps taken in funding decision process

YEQ4 21 all SMEs who had need for funding and took initial steps	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
<b>Unweighted base:</b>	<b>1804</b>	<b>345</b>	<b>711</b>	<b>594</b>	<b>154</b>
Had borrowing 'event' re need for finance	80%	78%	84%	94%	99%
Applied to main bank	61%	58%	69%	80%	85%
Applied to finance provider currently using	5%	4%	5%	8%	10%
Applied to finance provider not currently using	13%	14%	10%	8%	5%
Applied to an online finance platform	6%	7%	4%	2%	-
Decided to fund all or part of it yourselves	12%	12%	13%	5%	1%
Decided not to take funding	5%	6%	3%	1%	*
Still deciding	5%	5%	4%	1%	-

Q31 All SMEs with a need for funding who took action at Q28 (new Q1 2018)

Analysis showed that:

- Borrowing 'events' increased by size of SME, as did applications to the main bank.
- Those with a minimal (79%) or worse than average risk rating (75%) were slightly less likely to have had a borrowing event, compared to 85% of those with a low or average risk rating. The proportion that decided to self-fund increased from 7% of those with a minimal rating to 15% of those with a worse than average risk rating
- 65% of Starts reported a borrowing 'event', compared to 80%+ of older SMEs (83-88%).

- Those looking for funding for business development were less likely to have had a borrowing event (66%) than those looking for cash flow funding (83%). Those looking to develop the business were more likely to consider putting the funds in themselves (23% v 10%) and if they did make an application were less likely to have approached their main bank (43% v 66% looking for cashflow funding).
- Those now using external finance were more likely to have had a borrowing ‘event’ than those not using finance (87% v 59%).

The 80% with a borrowing ‘event’ shown above is the equivalent of 9% of all SMEs.

Some analysis over time is now possible. This shows that initially 6 in 10 reported a borrowing ‘event’ increasing to 8 in 10 for 2020 and 2021, driven by an increase in applications to the main bank (61% in 2021). The proportion of SMEs deciding to fund all or part of the need themselves has been 12-13% in all years except 2019:

<b>Steps taken in funding decision process</b>				
All SMEs who had need for funding and took initial steps – over time	2018	2019	Q2-Q4 2020	2021
<b>Unweighted base:</b>	<b>781</b>	<b>719</b>	<b>1380</b>	<b>1804</b>
<b>Had borrowing ‘event’ re need for finance</b>	<b>63%</b>	<b>57%</b>	<b>80%</b>	<b>80%</b>
<i>Applied to main bank</i>	40%	29%	65%	61%
<i>Applied to finance provider currently using</i>	12%	16%	6%	5%
<i>Applied to finance provider not currently using</i>	14%	16%	11%	13%
<i>Applied to an online finance platform</i>	5%	7%	5%	6%
Decided to fund all or part of it yourselves	13%	29%	12%	12%
Decided not to take funding	12%	11%	5%	5%
Still deciding	16%	11%	5%	5%
<b>Borrowing event as % of all with original need for funding</b>	<b>58%</b>	<b>54%</b>	<b>76%</b>	<b>77%</b>

Q31 All SMEs with a need for funding who took action at Q28 (new Q1 2018) / All with need for funding

In 2018 and 2019 around half of all SMEs with a need for funding (not just those who took any action) who went on to have a borrowing ‘event’, but this was notably higher in Q2-Q4 2020 and 2021 (77% in 2021).

The table below summarises how consideration of different options then leads to action, for 2021 and then how this has changed over time.

In 2021, almost all of those who had considered applying for finance from somewhere (the first column) went on to have a borrowing 'event' (94%). Most of them (74%) applied to their main bank, while 23% applied to another provider, with just 4% deciding to fund some or part of the need themselves:

#### From consideration to action

All SMEs who had need for funding and took steps YEQ4 21	Considered any appln	Considered main bank	Considered elsewhere	Considered self-fund
<b>Had borrowing 'event' re need for finance</b>	<b>94%</b>	<b>95%</b>	<b>92%</b>	<b>26%</b>
<i>Went on to apply to main bank</i>	74%	92%	22%	19%
<i>Went on to apply elsewhere</i>	23%	7%	82%	10%
Decided to fund all or part of it yourselves	4%	3%	9%	61%
Decided not to take funding	1%	2%	1%	13%
Still deciding	3%	3%	4%	9%

Q30 and 31 All SMEs with a need for funding who took action at Q28 (new Q1 2018) / All with need for funding

Most of those who considered applying specifically to their main bank (in the second column above) went on to do so (92%). Similarly, most of those who had initially considered another financial provider went on to apply to them (82%). 6 in 10 of those who initially considered self-funding went on to do so (61%), while 26% of this group ending up applying for finance, typically at the main bank.

The table overleaf reports on the transition from consideration to borrowing event over time amongst those who took steps in regard to a need for finance:

- The proportion of these SMEs who considered applying for finance and then went on to do so, increased from around 8 in 10 for 2018 and 2019 to almost all in Q2-4 2020 and 2021 (94%). Amongst this broader pool, the proportion who went on to apply to their main bank specifically initially declined 2018 to 2019 (55% to 41%) but then increased again and was 74% in 2021, as the proportion who went on to apply to another provider declined to 23% (from 43% in 2019).
- In all four years the majority of those who had considered applying to their main bank went on to do so, and this was much more likely to be the case in Q2-4 2020 and 2021 (both 92%)
- Of those who, in 2021, were initially considering applying to a different provider, 2 in 10 ended up applying to their main bank, in line with 2018-19 but lower than in 2020 (41%)
- There was an increase in the proportion self-funding in 2019 (to 21% of those considering applying for funds) but this was not maintained subsequently (4% in both 2020 and 2021).
- Since 2019, amongst those who initially considered self-funding, a consistent 6 in 10 have gone on to do so.

**From consideration to action over time**

All SMEs who had need for funding and took steps – over time

	Considered any appln	Considered main bank	Considered elsewhere	Considered self-fund
<b>Had borrowing 'event' re need for finance</b>				
-2018	84%	83%	84%	35%
-2019	79%	77%	78%	31%
-Q2-Q4 2020	95%	95%	98%	36%
-2021	94%	95%	92%	26%
<b>Went on to apply to main bank</b>				
-2018	55%	76%	18%	22%
-2019	41%	69%	18%	13%
-Q2-Q4 2020	78%	92%	41%	32%
-2021	74%	92%	22%	19%
<b>Went on to apply elsewhere</b>				
-2018	35%	15%	79%	23%
-2019	43%	15%	72%	21%
-Q2-Q4 2020	24%	11%	81%	19%
-2021	23%	7%	82%	10%
<b>Decided to fund all or part of it yourselves</b>				
-2018	9%	11%	12%	46%
-2019	21%	18%	24%	65%
-Q2-Q4 2020	4%	4%	9%	66%
-2021	4%	3%	9%	61%

Q30 and 31 All SMEs with a need for funding who took action at Q28 (new Q1 2018) / All with need for funding

Those who decided not to take finance and to put in the funds themselves or decided not to meet the funding need at all were asked further questions to determine if they had been a 'would-be seeker of finance' and this is reported in more detail in Chapter 11. The outcome of these borrowing events to meet a funding need is explored in subsequent chapters. First the next chapter provides an overview of all the borrowing 'events' now captured on the SME Finance Monitor.