

# SME FINANCE MONITOR

3 month rolling analysis to end  
July 2022

An independent report by  
BVA BDRC, August 2022



# 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 Q4 2021 report was published in March 2022 and the Q2 21 chart pack will be published in September 2022.

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 May to July 2022.

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 and reporting

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.

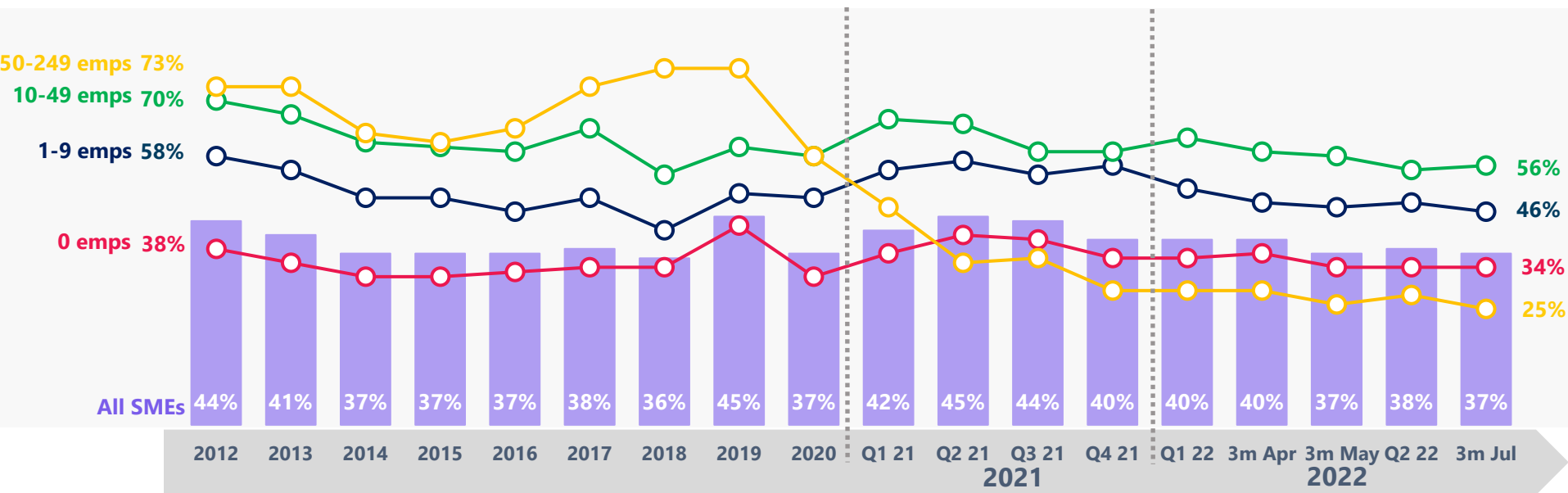
All of the changes have been reported on in full from the Q2 2019 SME Finance Monitor report, published in September 2019

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

From March 2022, some additional charts have been included to cover topical issues such as increasing costs and the new trading arrangements with the EU.

# 37% of SMEs were using external finance, slightly lower than Q1 2022 both overall and for all sizes of SME

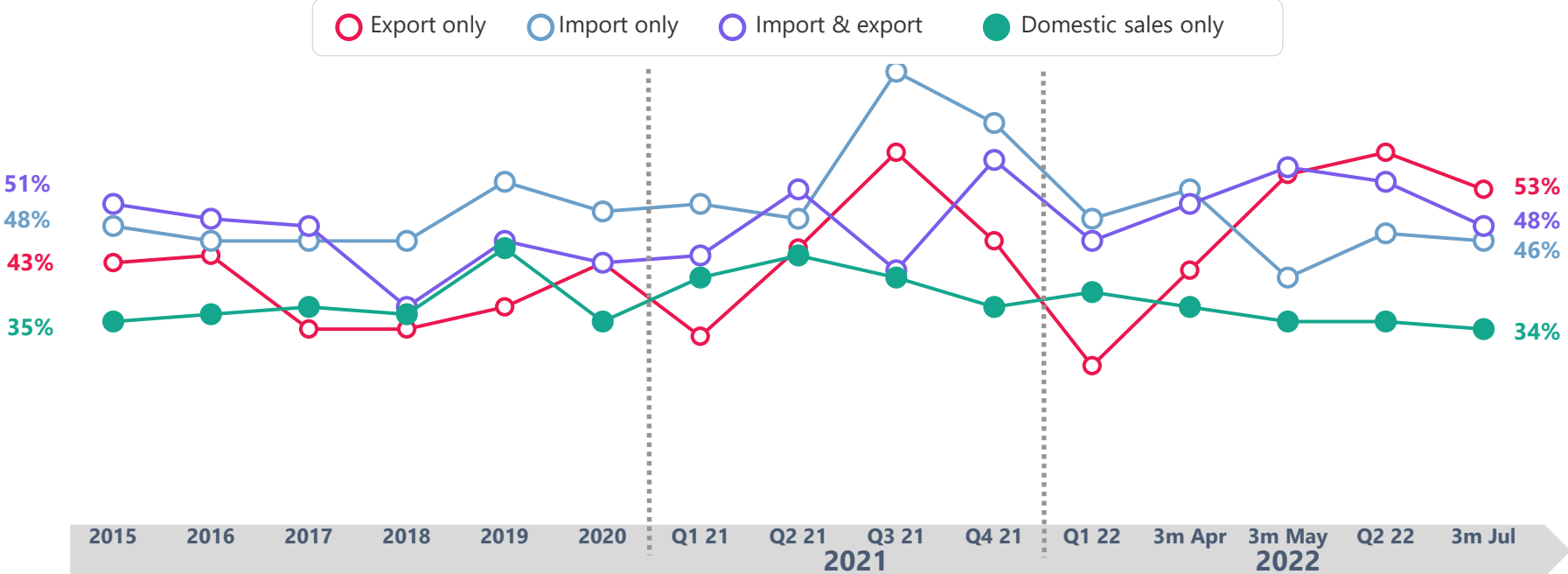
*Time series: use of external finance per quarter*



For 2019 as a whole, 45% of SMEs were using external finance, declining to 37% for 2020 as a whole. The increase in 2021 to 44-45% has not been maintained into 2022 (currently 37%) and that decline has been seen across all size bands, although the mid sized SMEs with 1-49 employees remained the most likely to be using external finance

As use of external finance amongst Domestic only SMEs declined (from 44% in Q2 21 to 34% currently), SMEs with an element of international remained more likely to be using external finance

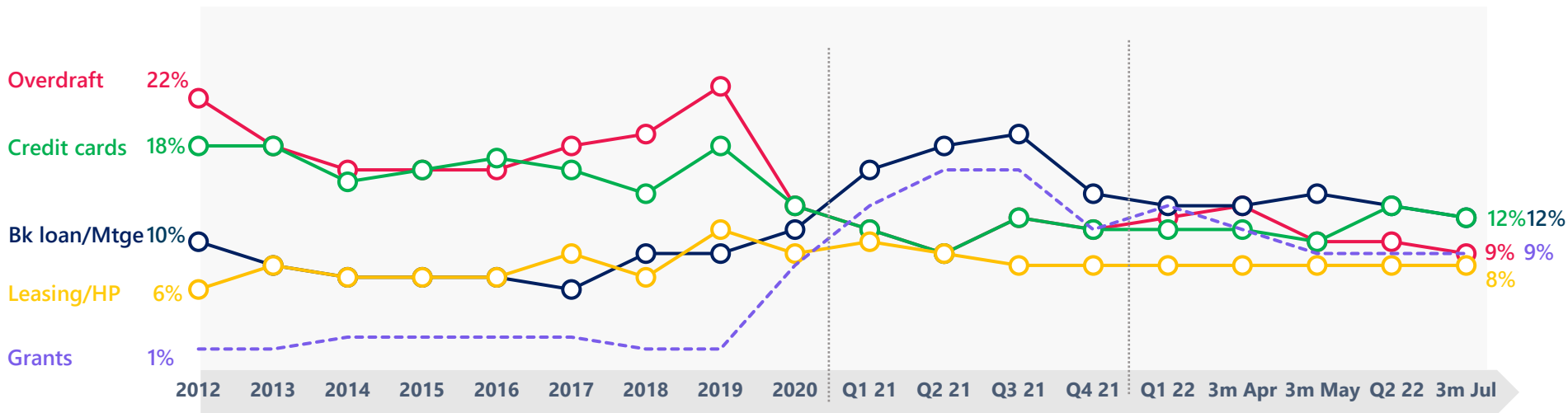
Time series: use of external finance by extent of international trade alongside domestic sales



Use any external finance

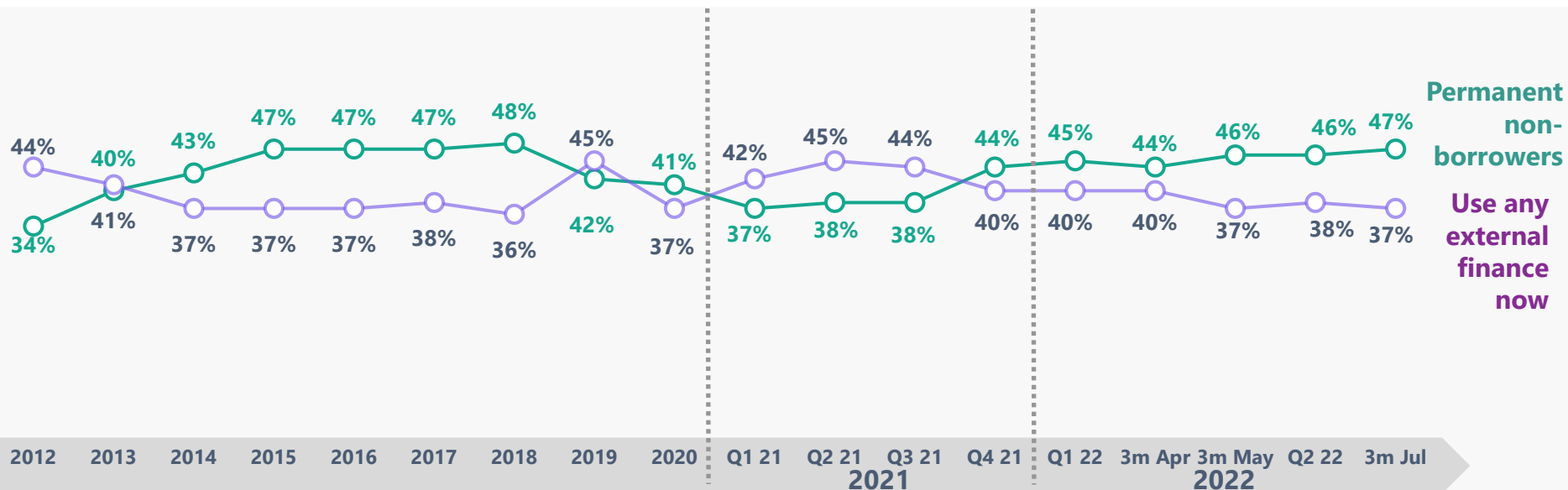
# Loans/commercial mortgages remained the most common form of finance used, along with credit cards, and still slightly ahead of overdrafts

Annual time series: Main forms of finance used



Since Q1 2022, the proportion of PNBs has increased slightly as use of finance has decreased, with the gap between the two now 10 percentage points, the widest since 2018

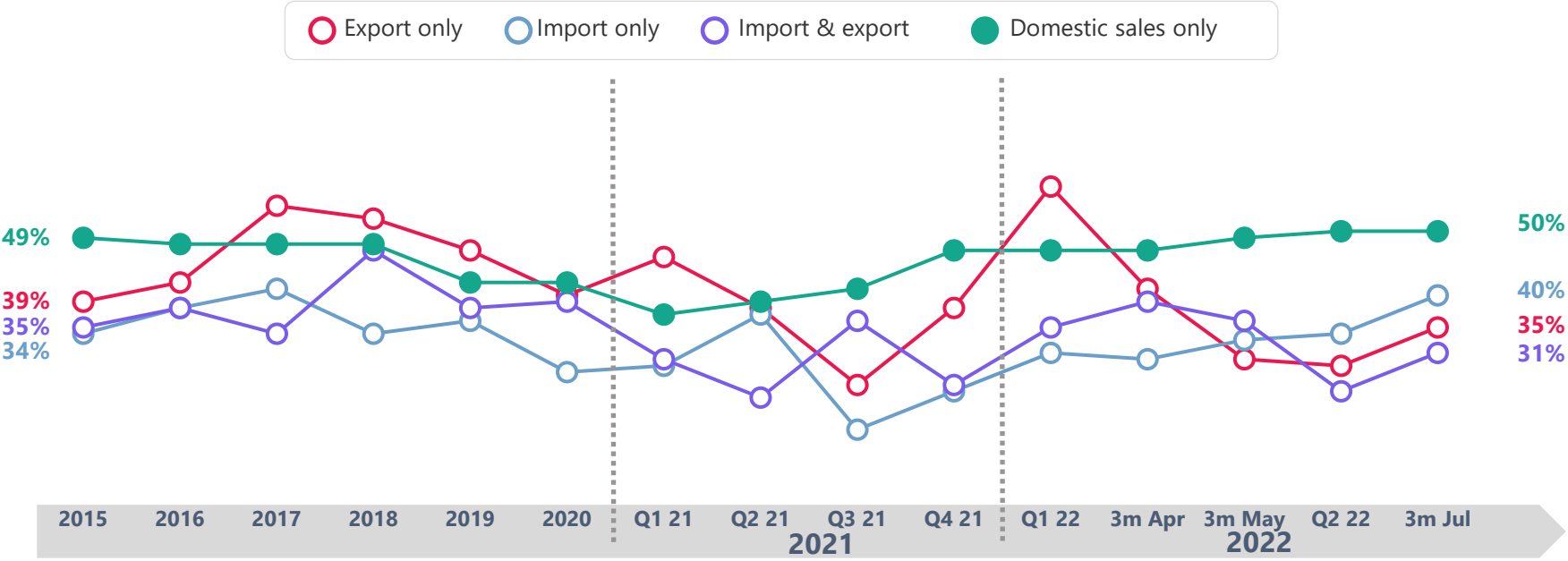
*Time series: Permanent non-borrowers and users of external finance*



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 47% is the highest seen post pandemic, back in line with 2015-2018.

The latest increase in PNBs is led by Domestic SMEs. Since Q3 2021, Import only SMEs have also become steadily more likely to be a PNB, with the pattern for other international SMEs more volatile

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

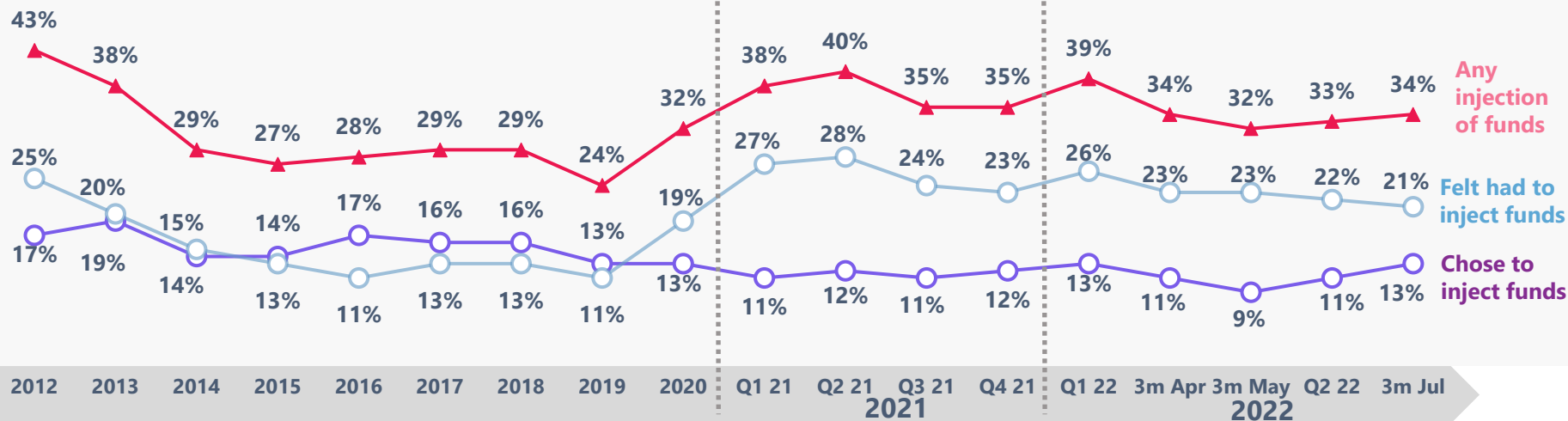


**Permanent non-borrowers  
(no apparent appetite for finance)**



## 34% of SMEs had injected personal funds in the past year, still somewhat higher than pre-pandemic but lower than in Q1 2022 (39%) as fewer SMEs felt they “had” to inject funds

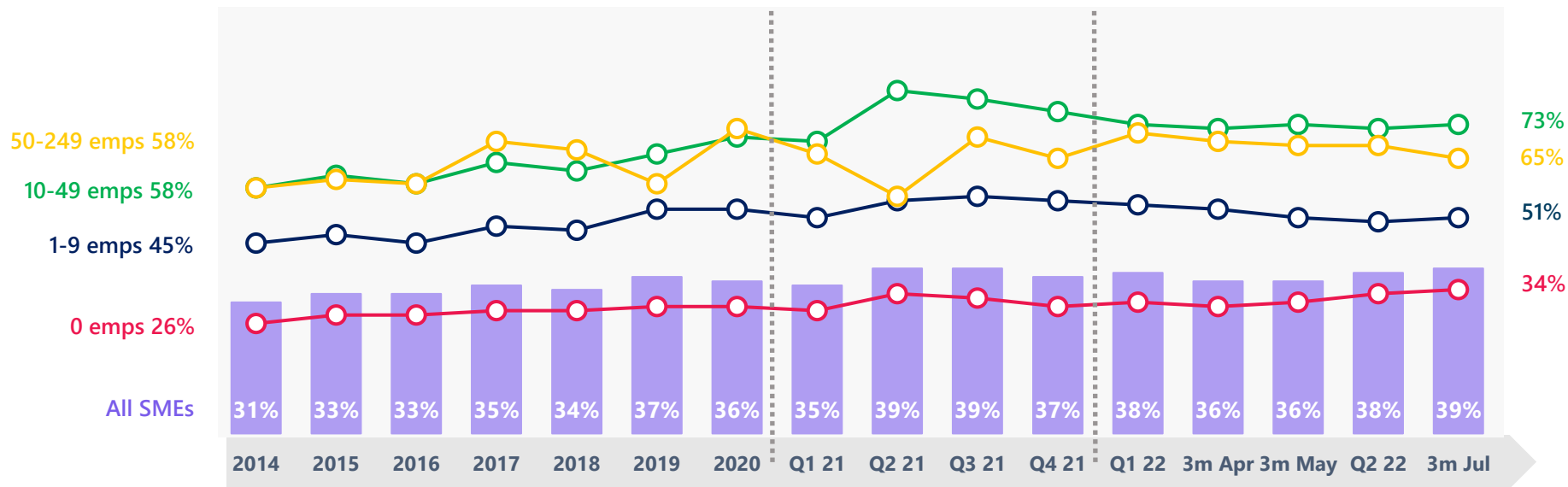
*Time series: Injections of personal funds in previous 12 months*



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 to 32% in 2020 and 40% in Q2 2021. After a slight decline to 35% in the second half of 2021, 39% reported an injection in Q1 2022, but this proportion has declined since, currently 34%. Unlike pre-pandemic, SMEs remained more likely to feel they had to inject funds (21%) than to have chosen to (13%), albeit the “gap” has narrowed recently.

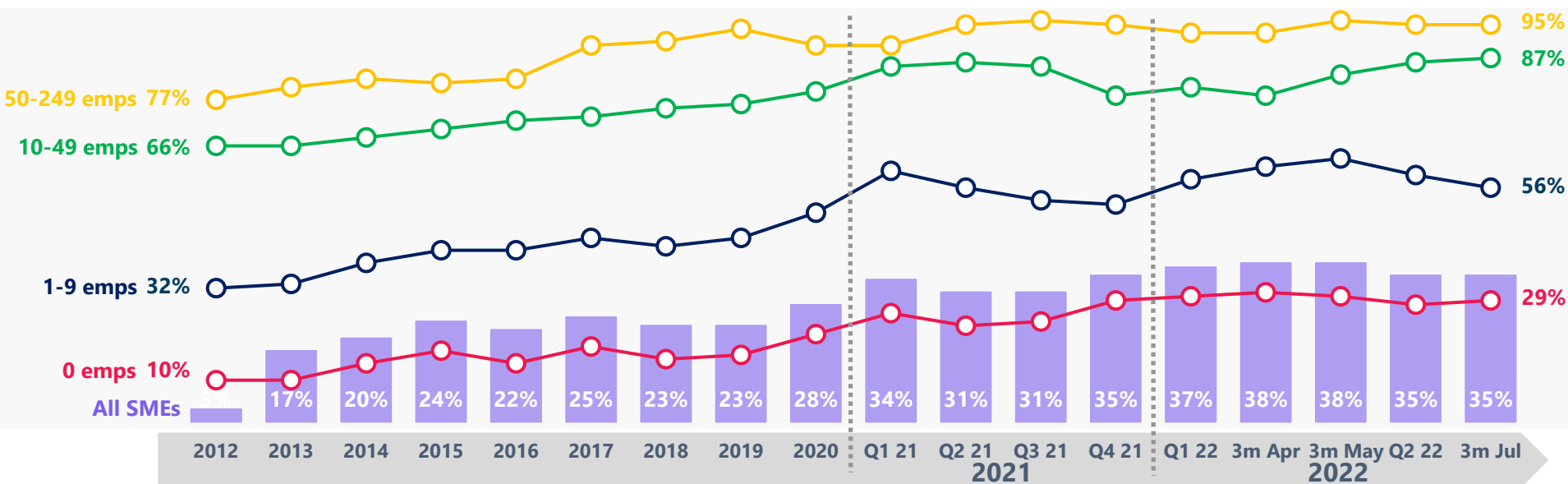
39% of SMEs were using trade credit, back in line with Q2 and Q3 2021 and slightly higher than the proportion seen immediately pre-pandemic. Those with more than 10 employees remained the most likely to use trade credit

Time series: : Using trade credit



Overall, 35% of SMEs held more than £10,000 of credit balances, in line with Q4 2021. SMEs with 10-49 employees have become more likely to report holding such sums since Q4 2021

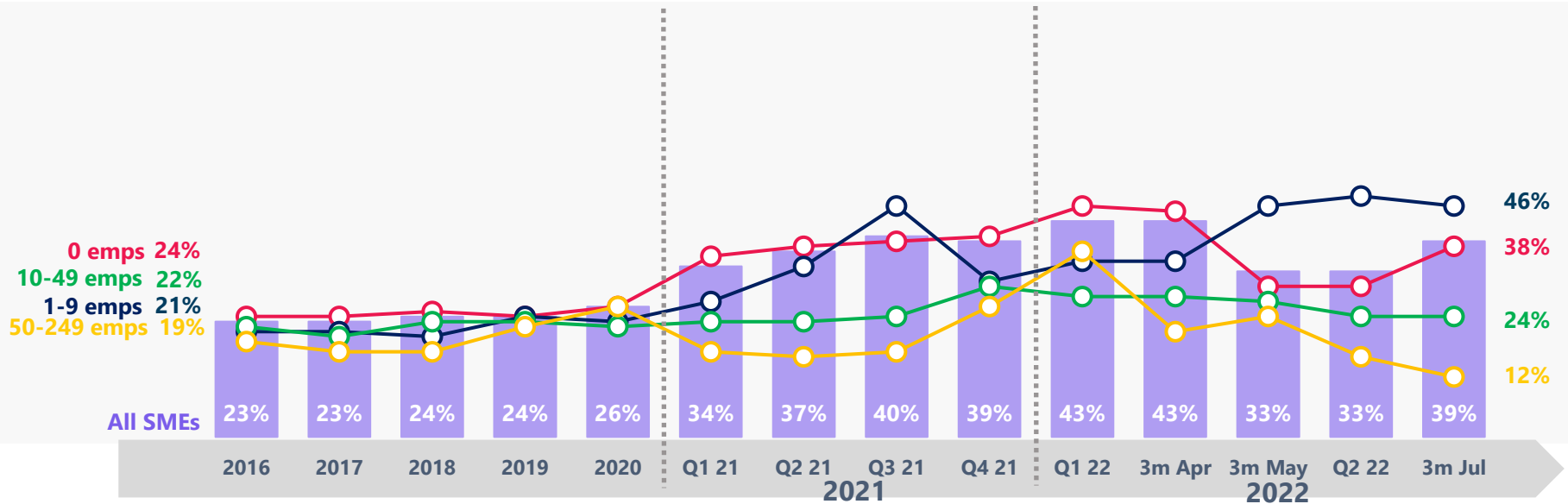
Time series: £10k credit balances held



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 to 2019. During 2020, the proportion of SMEs holding such sums increased steadily, to 28% for the year as a whole. Over 30% of SMEs held such sums in each quarter of 2021, reaching 35% in Q4 2021 and remaining fairly stable since, currently 35%

# SMEs held the equivalent of 39% of their turnover in credit balances. This remains higher than seen prior to 2021, albeit not as high as in Q1 2022

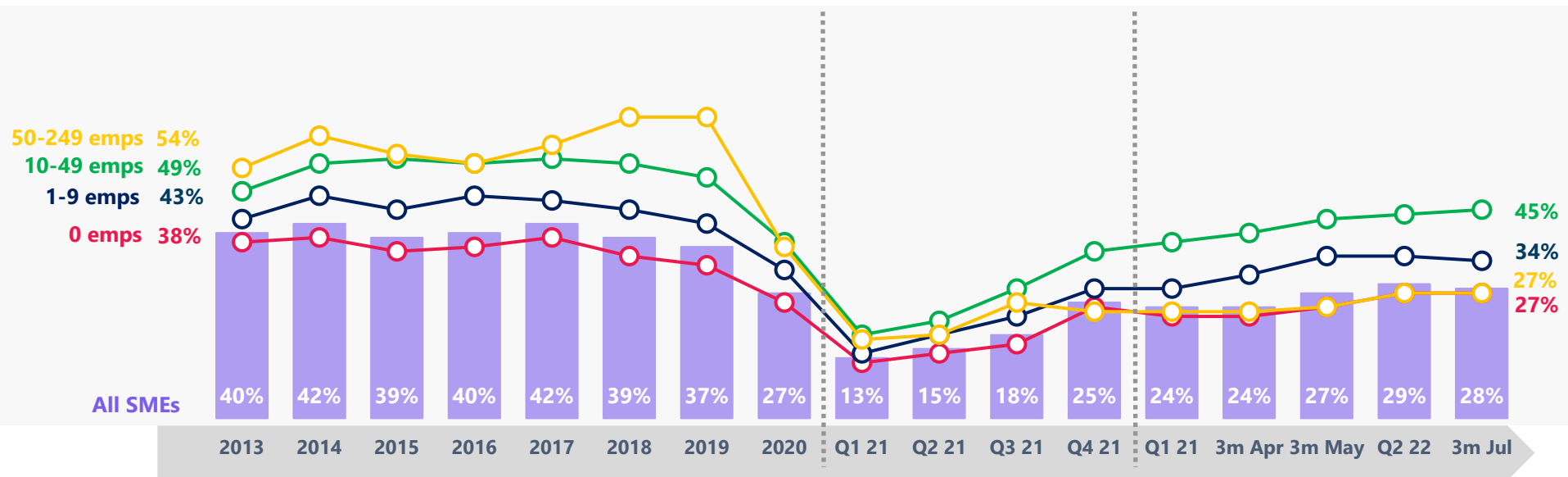
*Time series: % of turnover held as credit balances*



More recent analysis looks at credit balances held as a percentage of total turnover (both collected in bands, with mid-points used and noting that a number of SMEs will be reporting lower turnover now than pre-pandemic). For the 3 months to July 2022, SMEs held the equivalent of 39% of their turnover in credit balances on average, closer to the 43% in Q1 2022 due to a higher percentage amongst the 0 employee SMEs

## 28% of eligible SMEs reported growth in the last 12 months. There was a steady increase in reported growth from Q2 2021 to Q2 2022, then maintained in the current period, but still below pre-pandemic levels

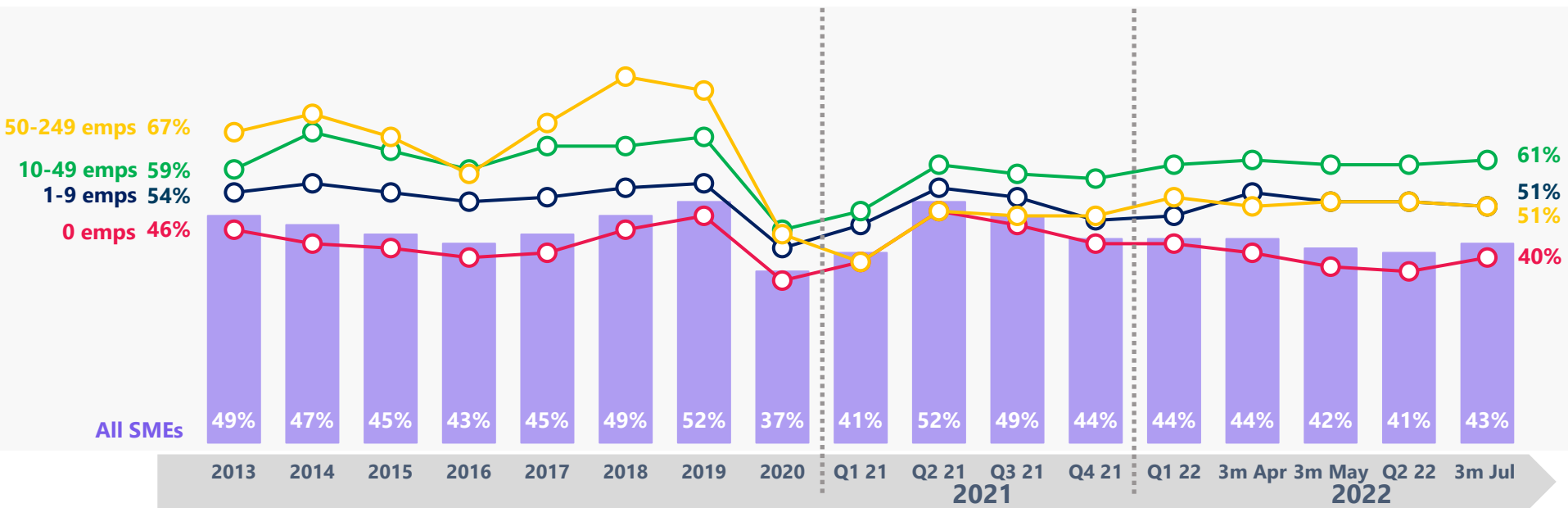
*Time series: Have grown (excluding Starts)*



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 27% for the year as a whole. It increased during 2021 to 25% in Q4 and to 28% currently. 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 performance, the proportion increased to 65% in Q1 2021. It was 35% in the latest period, as 36% of SMEs remained the same size

After a sharp decline in Q2 2020, growth aspirations initially increased steadily, reaching 52% in Q2 2021. Since then the proportion planning to grow has declined, to 41% in Q2 2022, and 43% currently

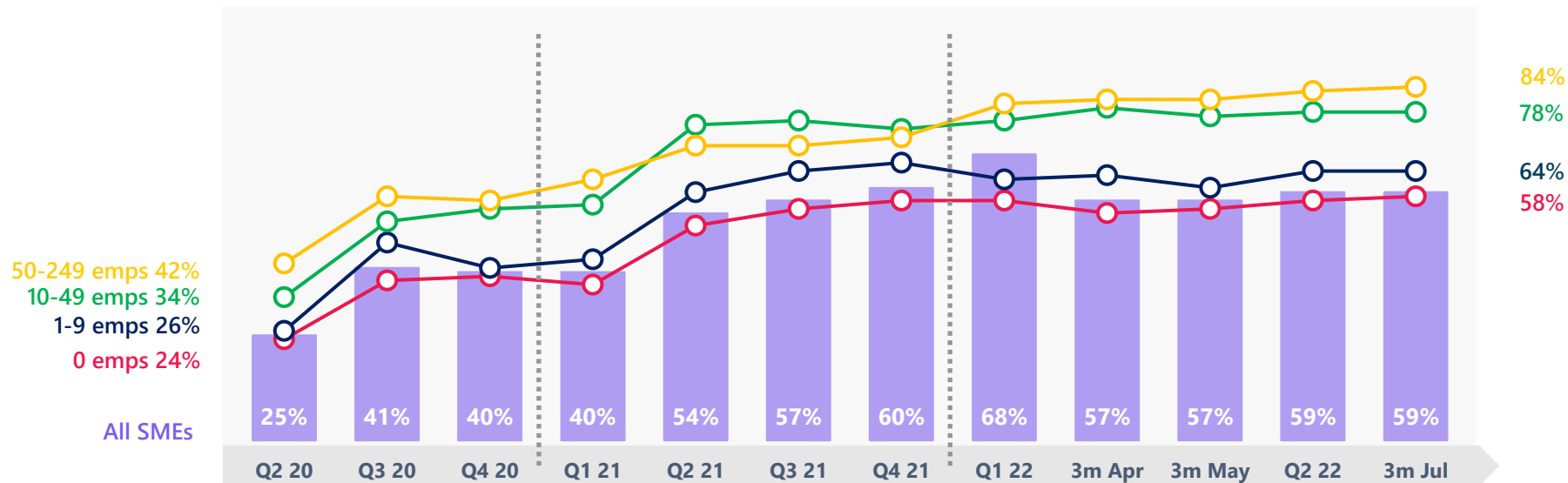
Time series: Have plans to grow



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 and 37% for the year as a whole. Growth aspirations then increased, to 52% for Q2 2021 but this was not maintained and in the latest period 43% were planning to grow, lower than seen immediately pre-pandemic

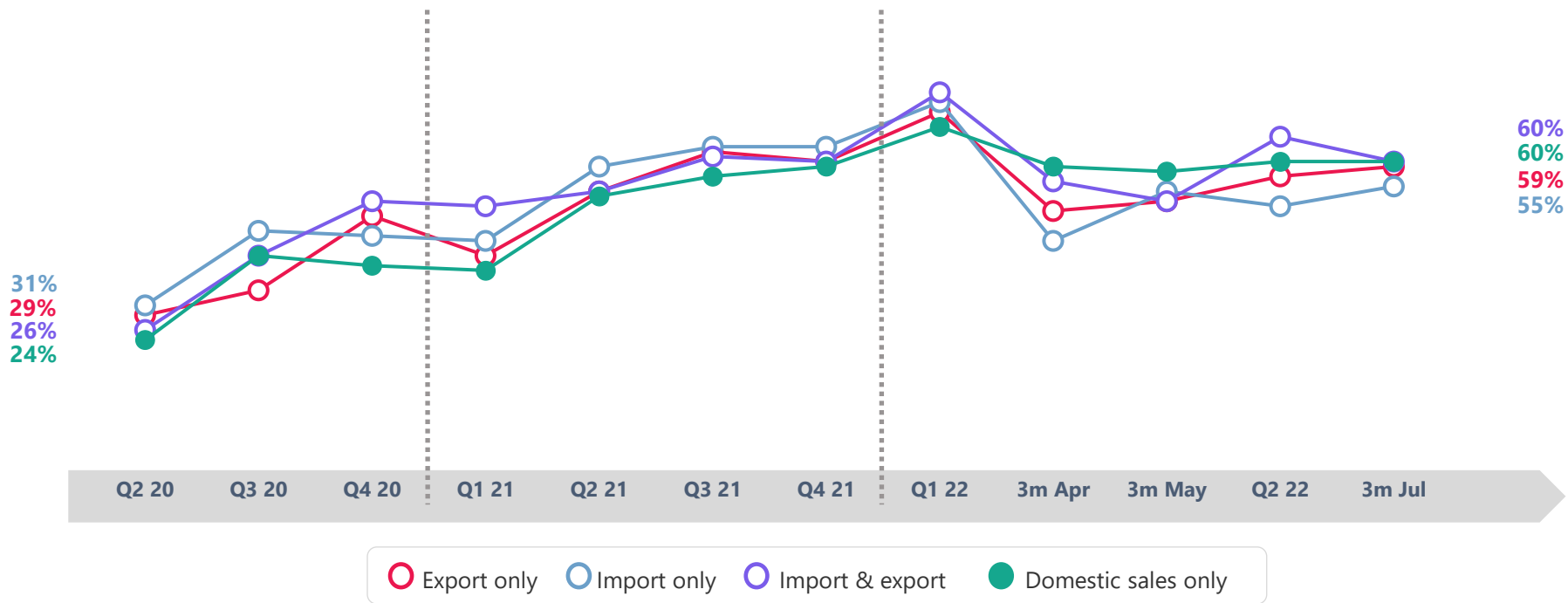
From 25% in a good mood in Q2 2020, there was a steady increase in the proportion of SMEs in a 'good mood' about their business, notably the larger ones, to 68% in Q1 2021. Mood since then has been somewhat lower, but stable (currently 59%), back in line with the latter half of 2021

*NEW Time series: In a 'good' mood about the business (7-10)*



# There remained little difference in mood between domestic only SMEs and those trading internationally

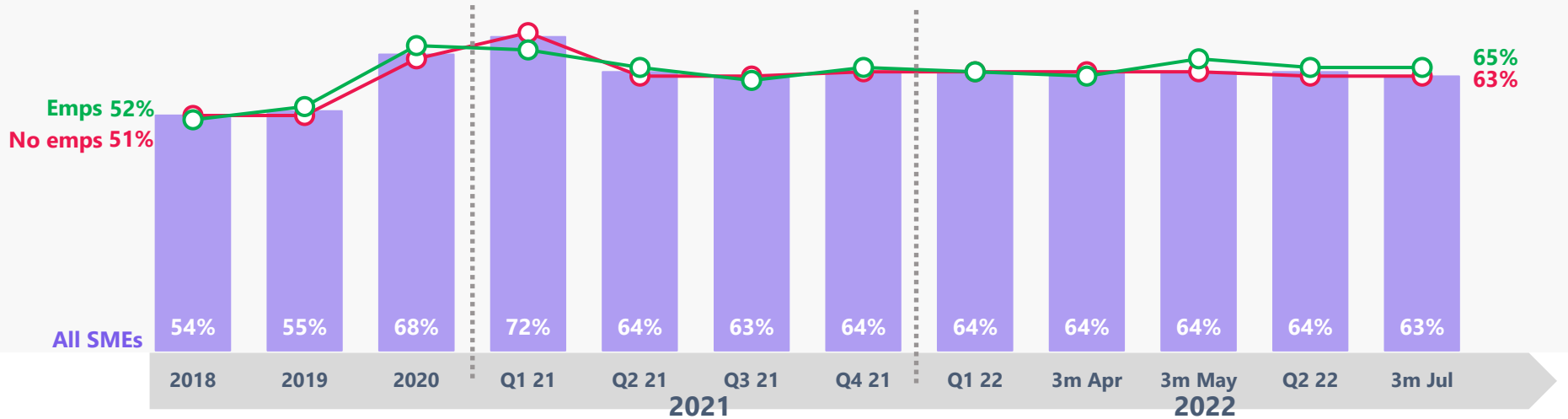
*NEW Time series: In a 'good' mood about the business (7-10) by extent of international trade*





# A stable 6 in 10 SMEs were being cautious due to the future feeling uncertain, still markedly higher than in 2019 but lower than the 72% feeling cautious in Q1 2021

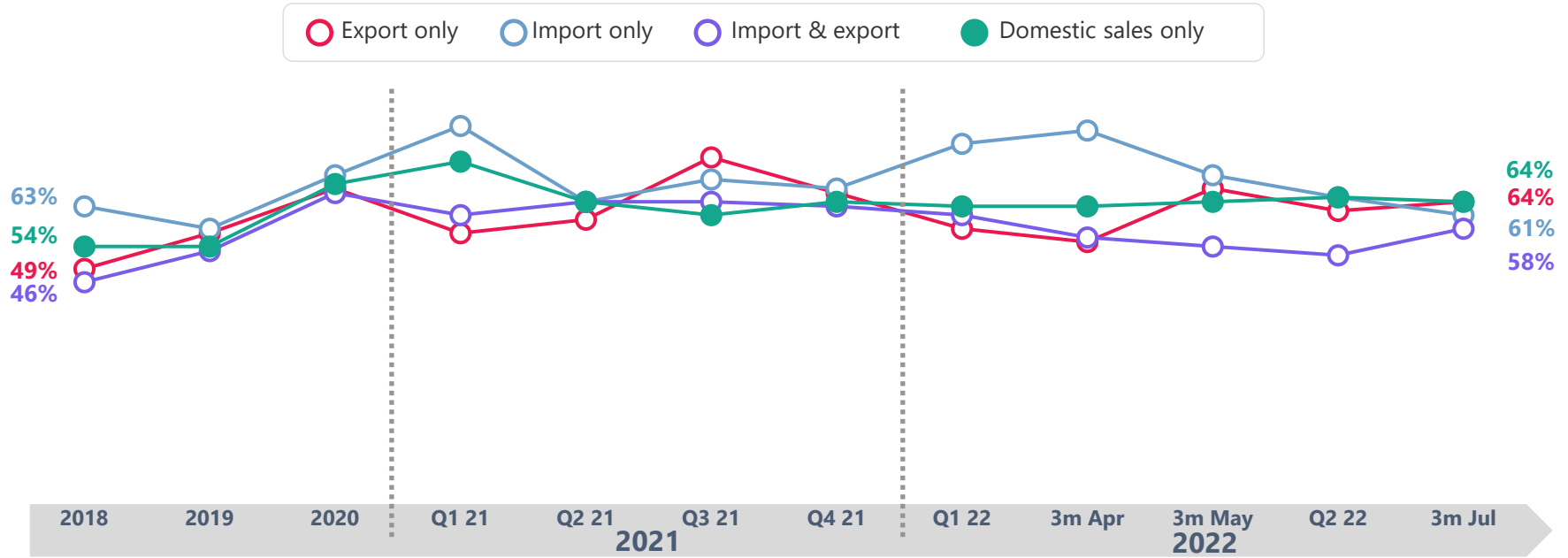
*Time series: Agree that future is uncertain so being cautious*



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 with concern increasing during 2020 and reaching 72% in Q1 2021. By Q2 2021, the proportion had declined to 64% and has been stable since, but remains higher than pre-pandemic levels

# Fully international SMEs had been somewhat less likely to be feeling cautious in the current climate when compared to their peers, but there is currently little to choose between the groups

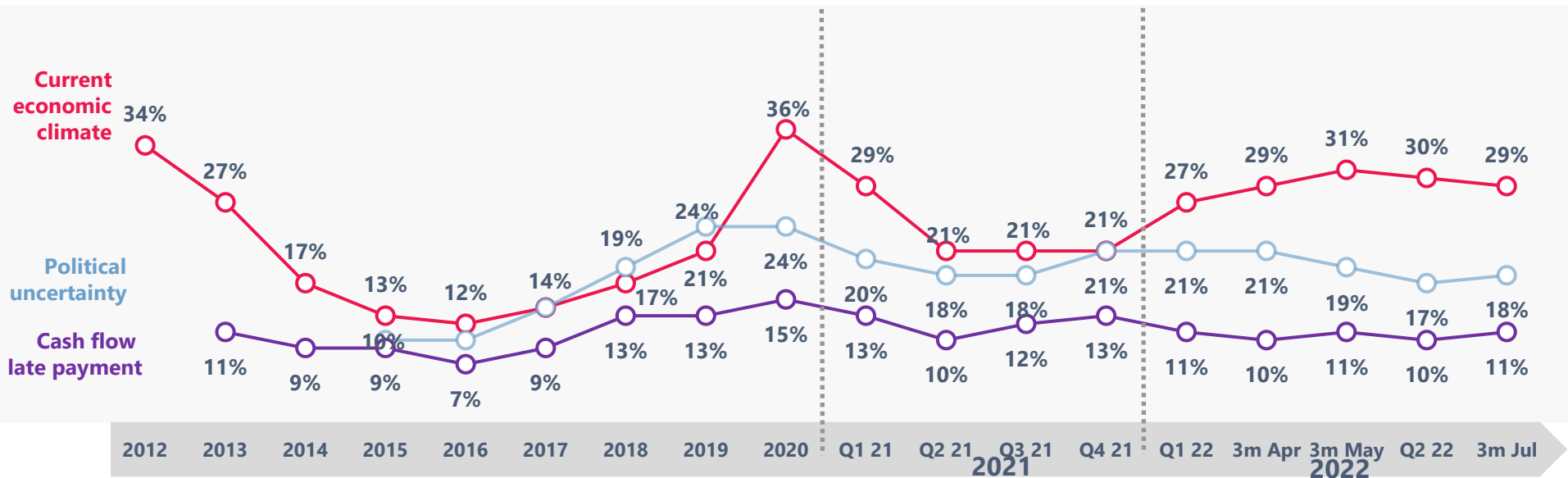
*Time series: Agree that future is uncertain so being cautious*



**Future uncertain so being cautious**

29% of SMEs saw the current economic climate as a major obstacle, well below the peak of 47% in Q2 2020, but higher than seen for most of 2021. Concerns around political uncertainty and cash flow / late payments are both stable.

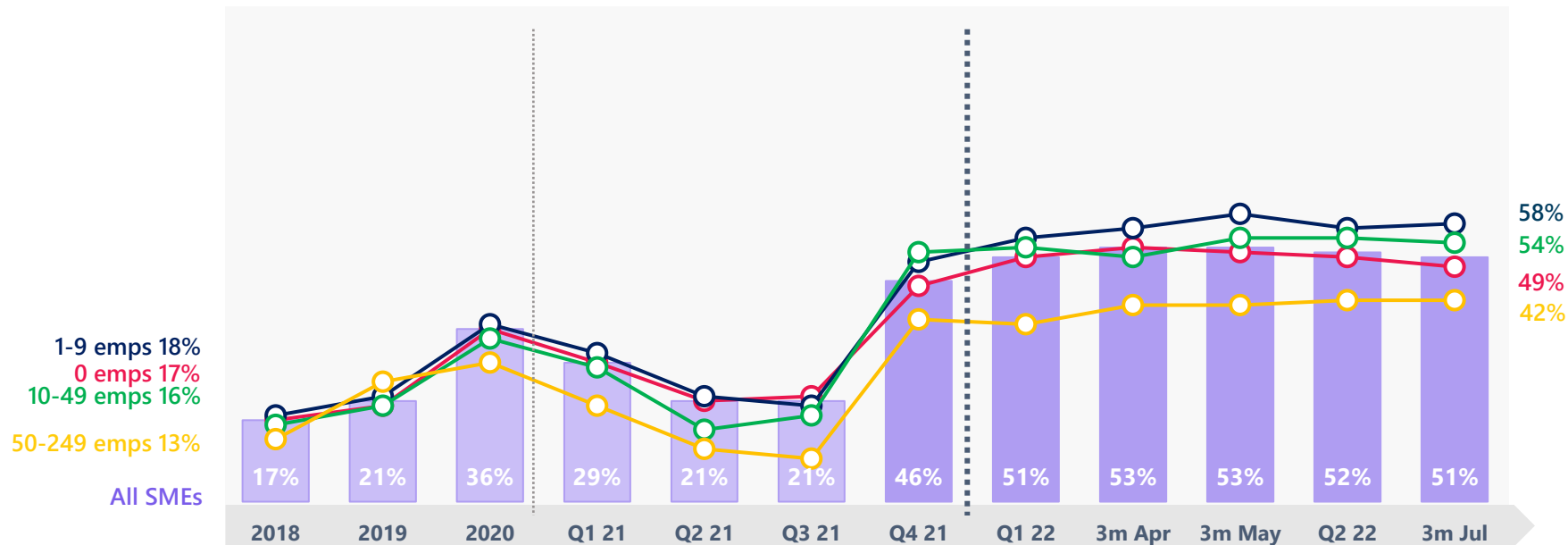
*Time series: 8-10 Major obstacle to running business in next 12 months*



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. It then declined, to 21% in Q2 2021, but has increased since the start of 2022 to 30% in Q2 2022 and 29% in the current 3 month period. Concern about political uncertainty and cash flow/late payment have remained more stable in 2022 to date

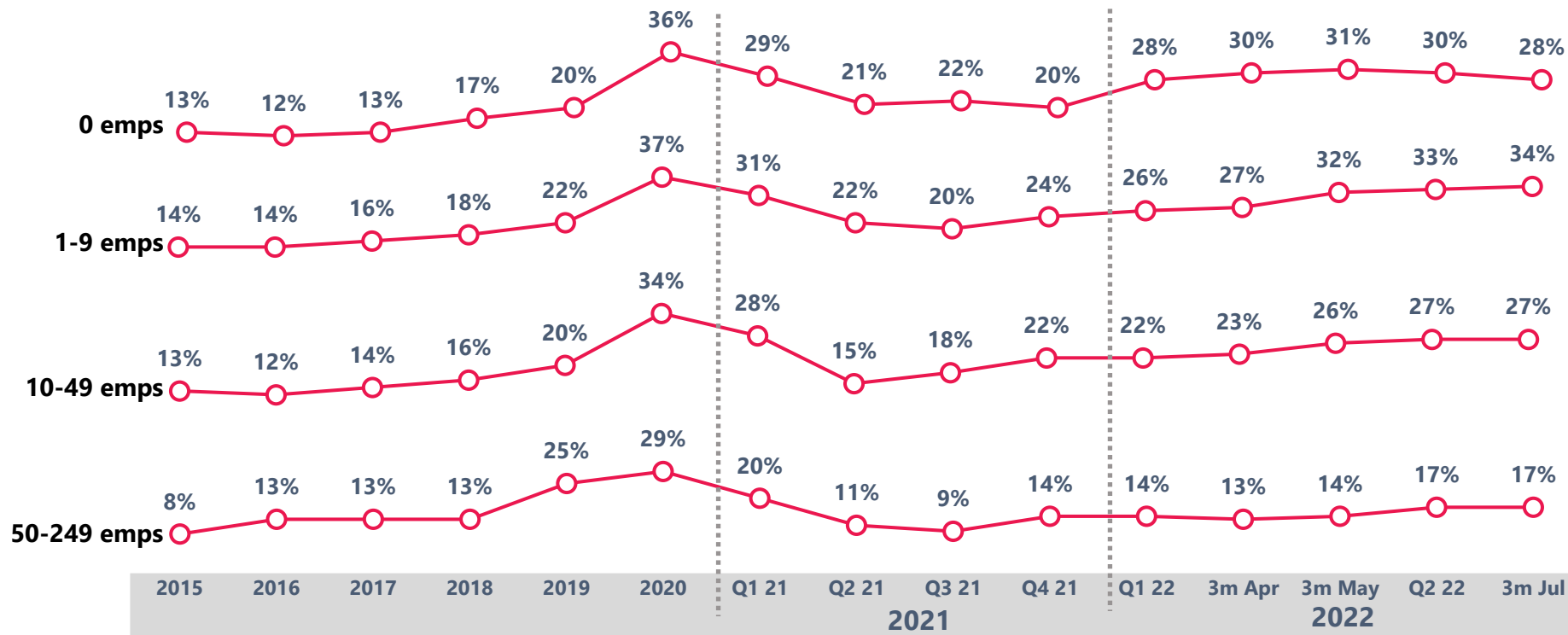
Since the new metric was created for Q4 2021, around half of SMEs have reported broader economic concerns. The largest SMEs remain somewhat less likely to have been affected than their peers

*NEW Broader economic concerns (from Q4 2021 – previously only “Current economic climate”)*



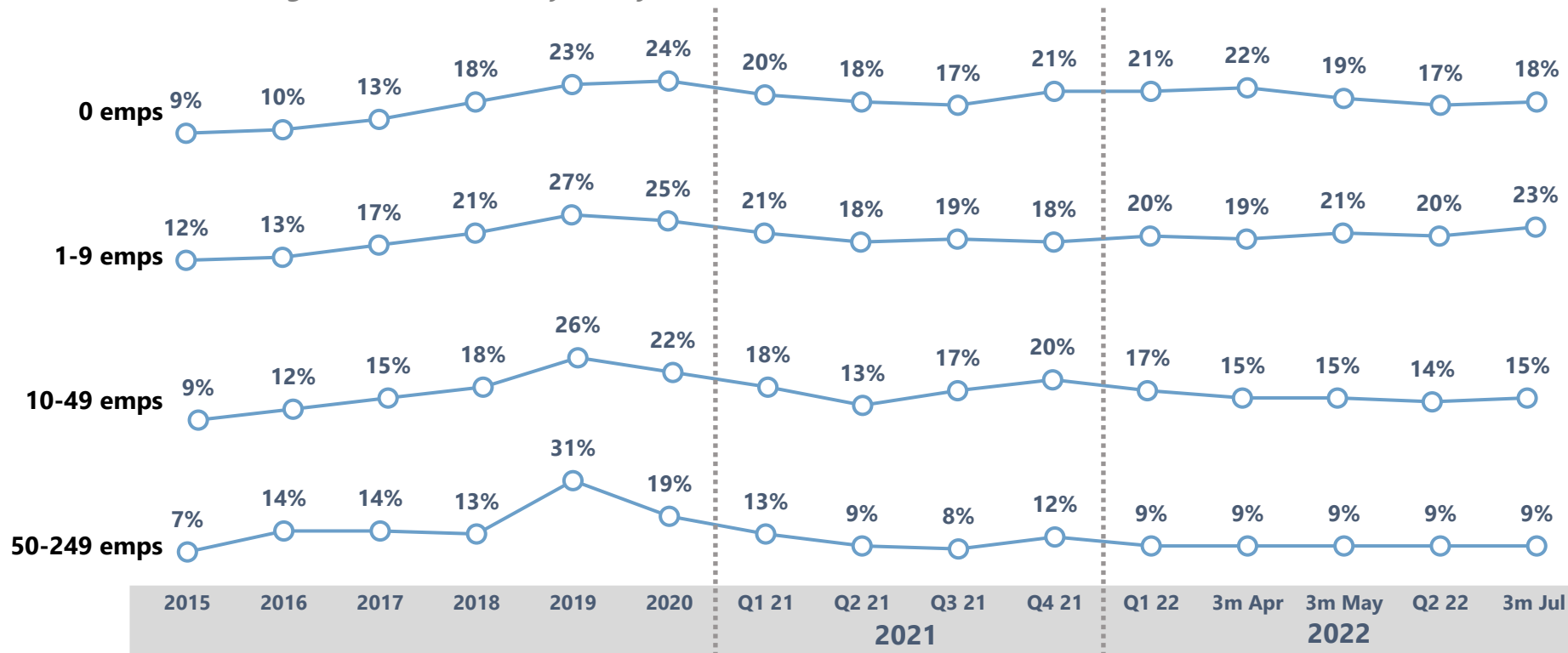
# SMEs with 1-9 employees reported the highest (and increasing) concern about the economic climate but all sizes were more concerned than they were in Q4 2021

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



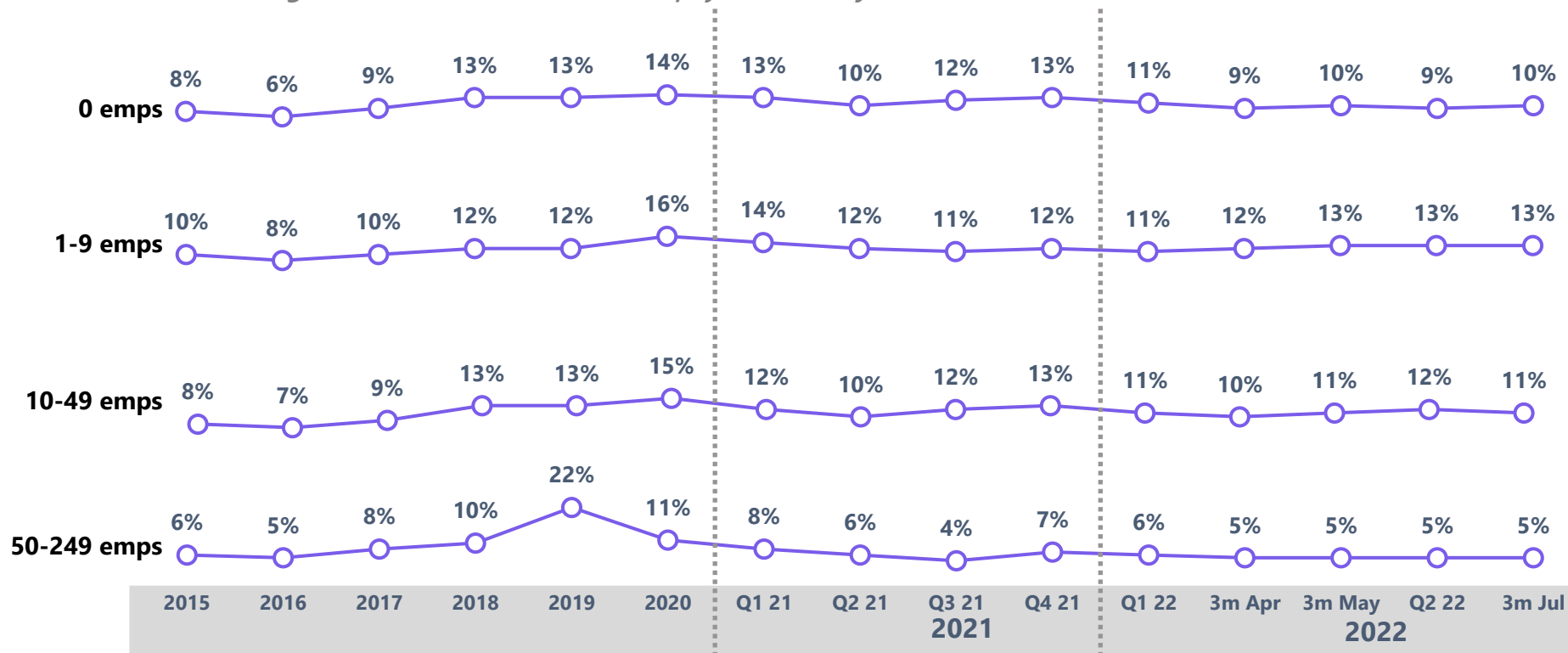
# Concerns about political uncertainty are currently somewhat lower than in Q4 2021, with the exception of those with 1-9 employees

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



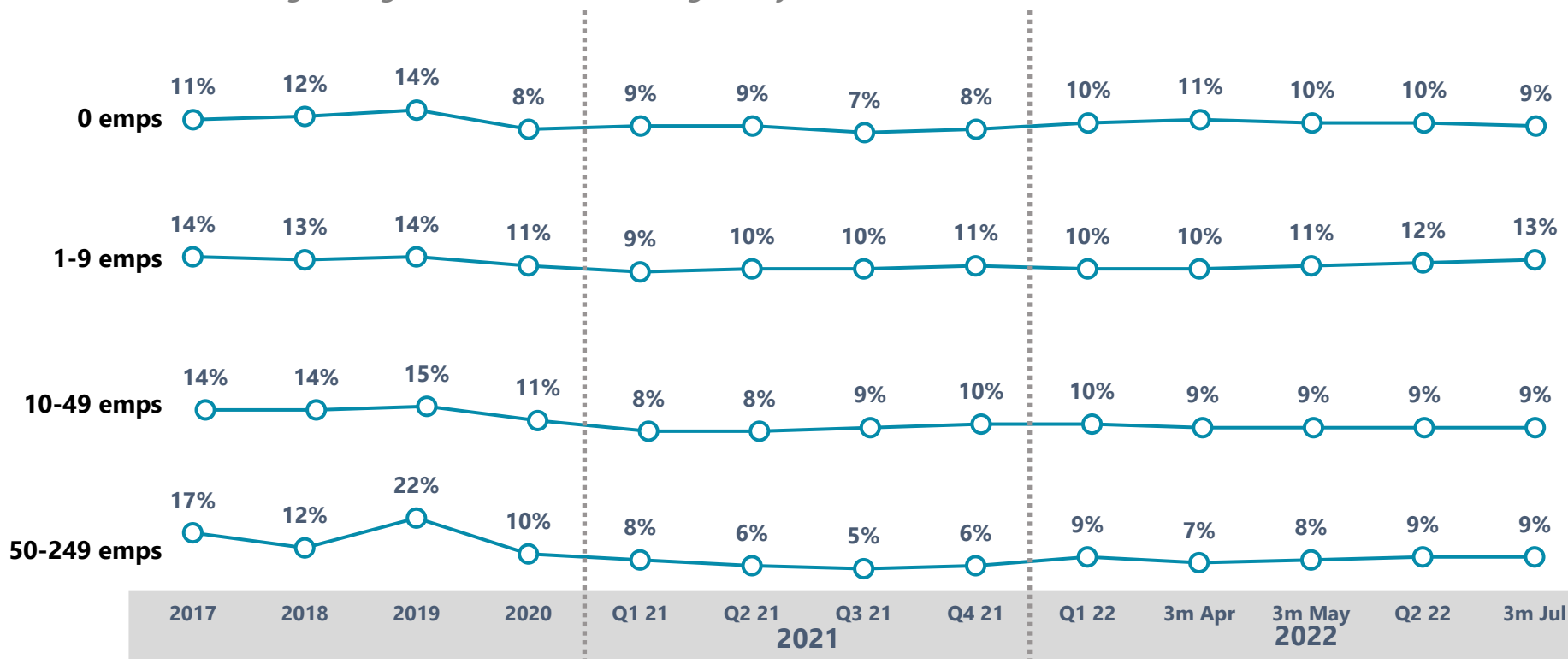
# Levels of concern about cash flow and late payment have remained broadly stable and below 2020 levels

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 remained broadly stable since 2020 (10% overall).

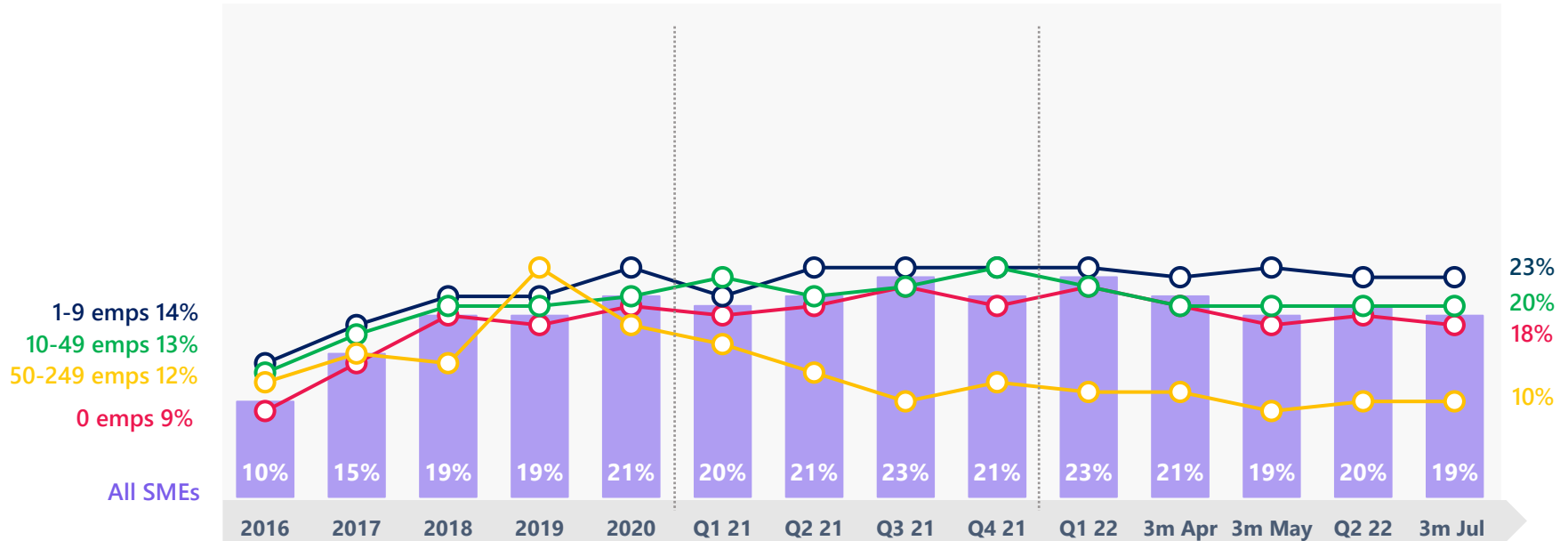
*Time series: % Rating 'Changes in the value of sterling' a major obstacle for next 12 mths*





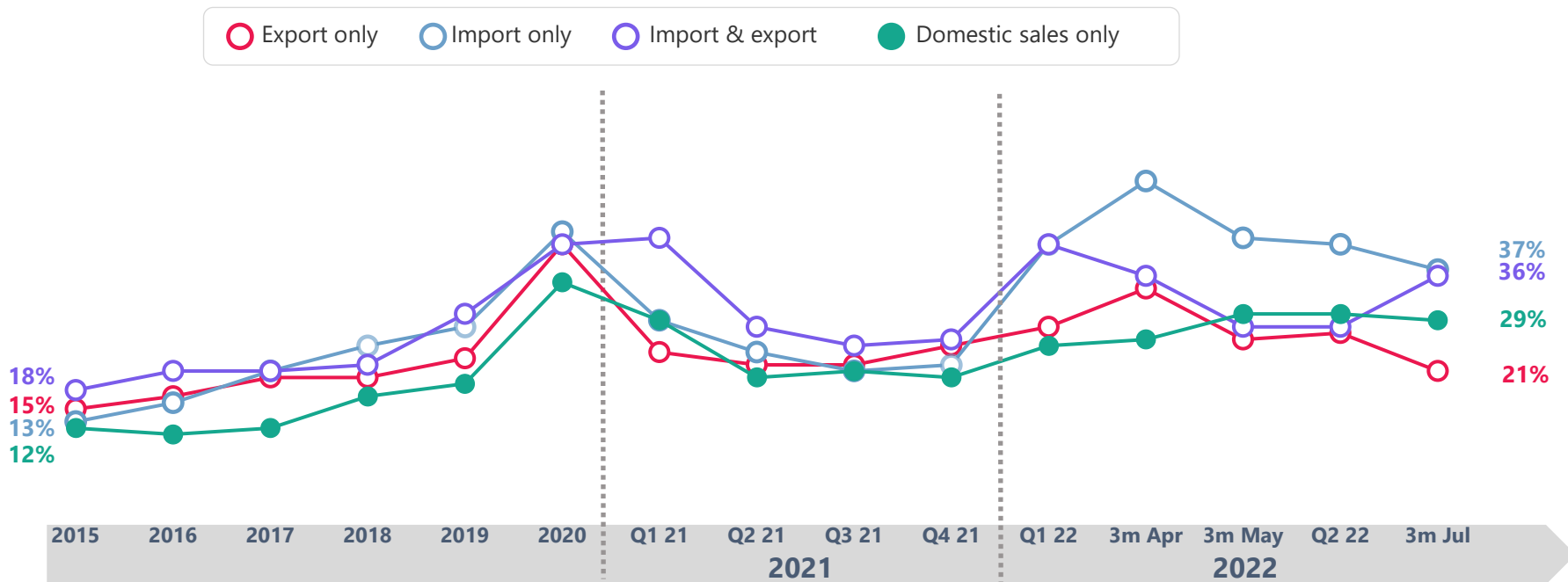
# 1 in 5 SMEs considered the legislative / regulatory landscape a barrier, in line with 2021. The largest SMEs remained less likely to see it as a barrier

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



# Those with an element of importing to their business were more concerned about the economic climate, albeit concern has abated recently for Import only SMEs

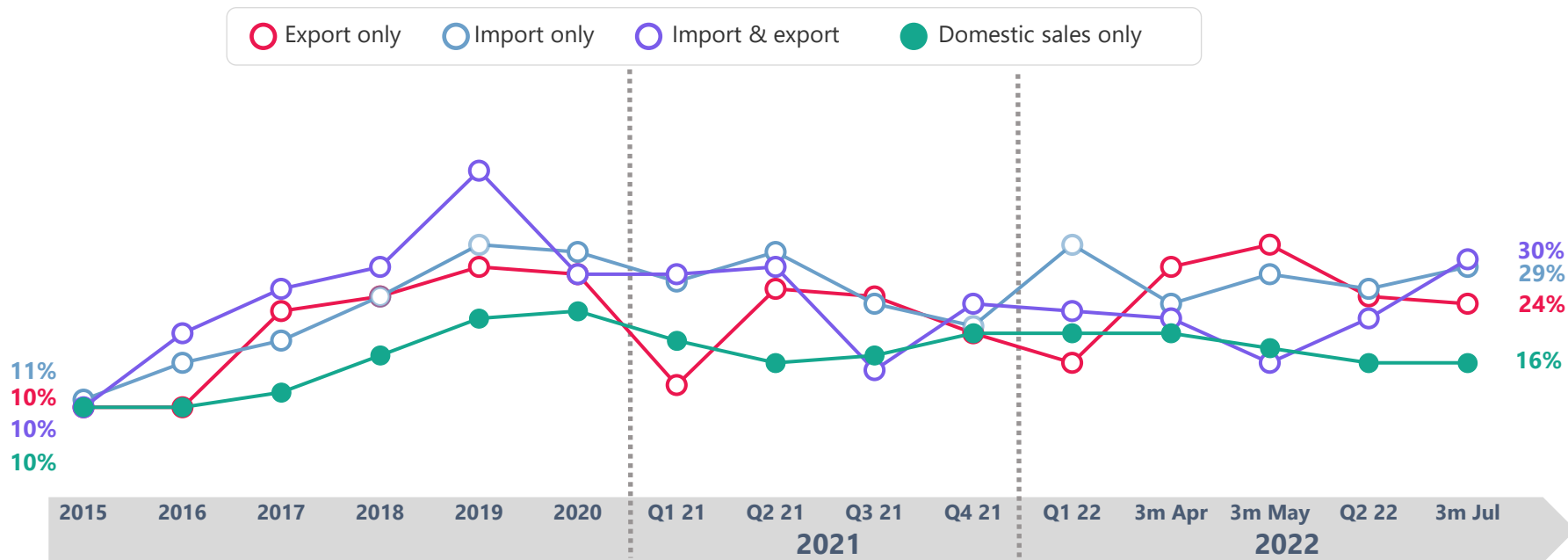
Time series: 8-10 economic climate by extent of international trade alongside domestic sales



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

# Concern re political uncertainty remained slightly more of an issue for International SMEs, with increasing concern for Fully international SMEs, as that amongst Domestic only SMEs declined

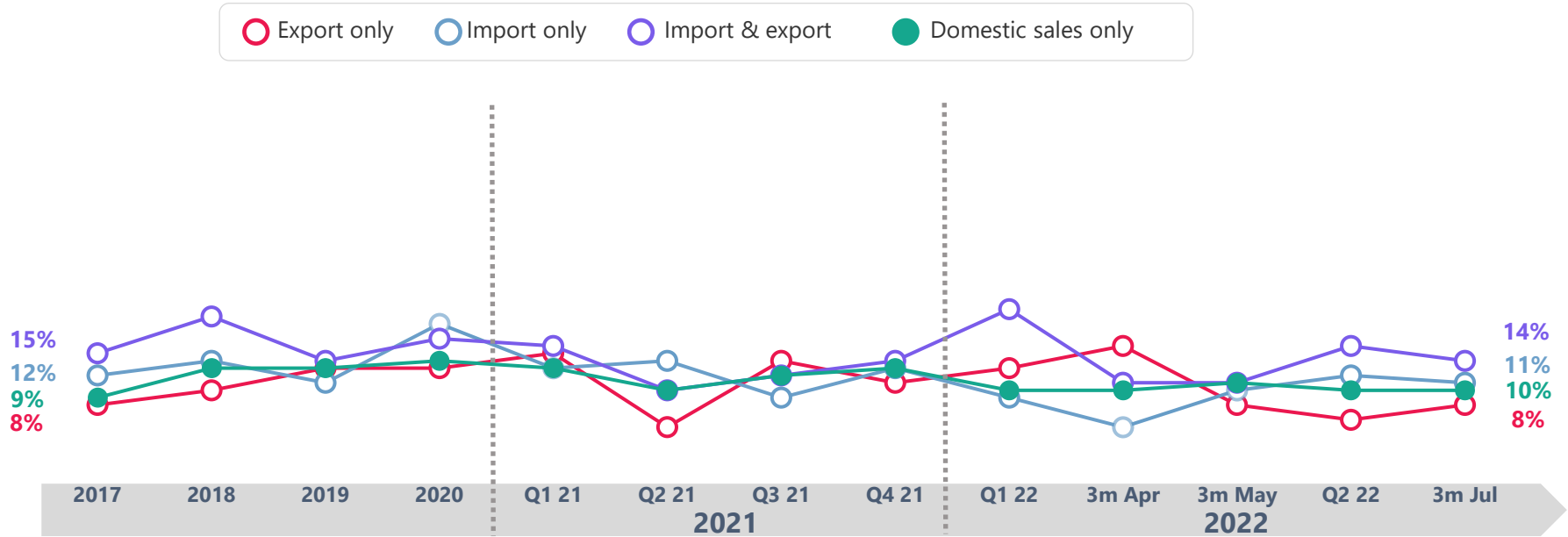
*Time series: 8-10 political uncertainty by extent of international trade alongside domestic sales*



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

# Cash flow concerns have been broadly stable since Q4 2021, with little to choose currently between International and Domestic only SMEs

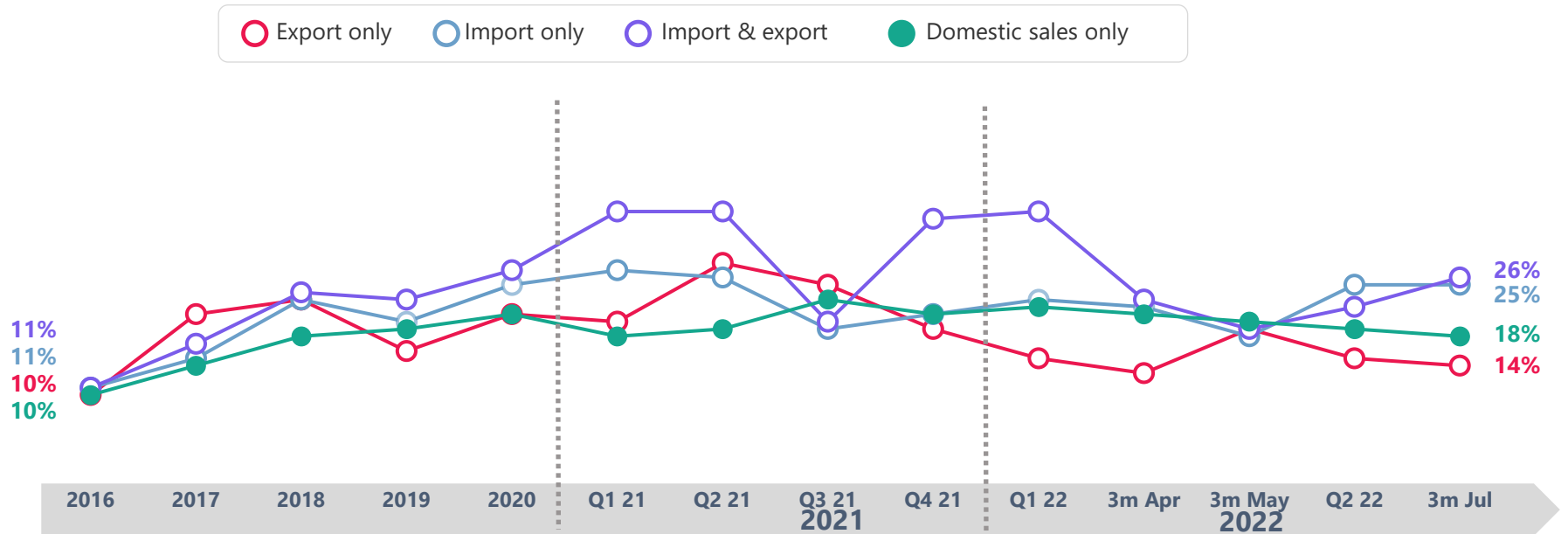
Time series: 8-10 cash flow / late payment by extent of international trade alongside domestic sales



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

# Concerns about legislation, regulation and red tape have increased slightly amongst those involved in exporting, as it declines for Domestic only SMEs

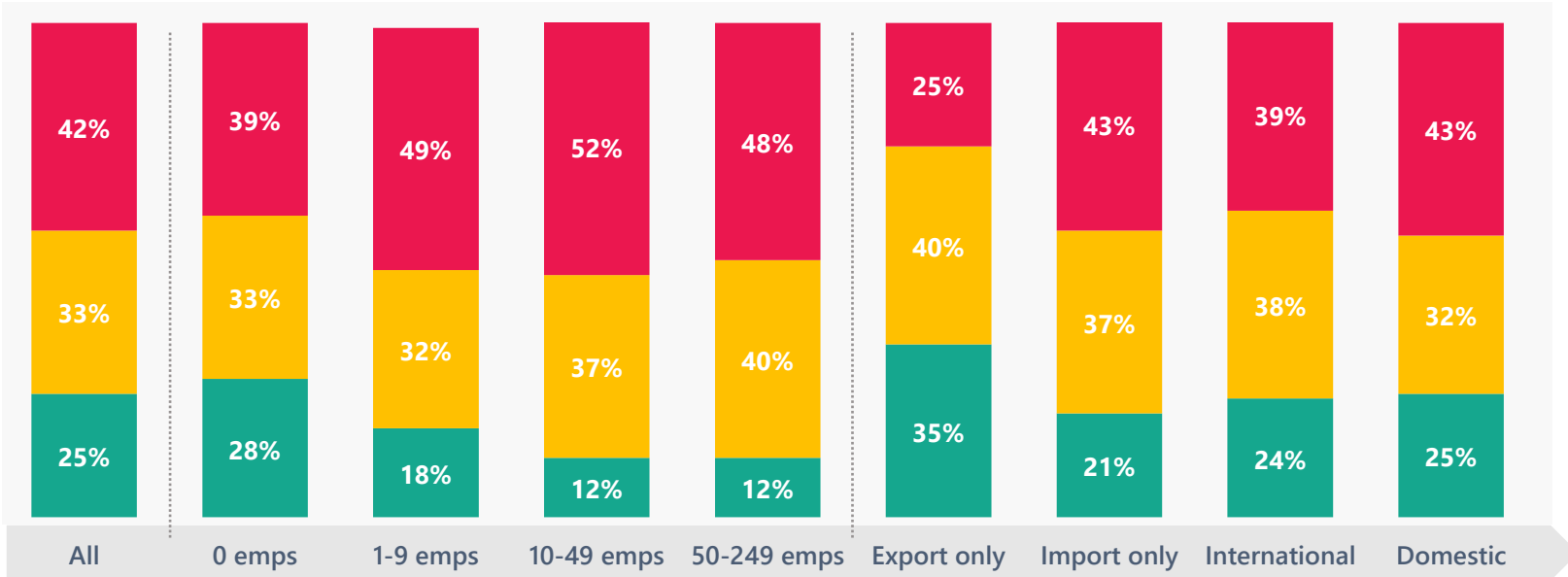
Time series: 8-10 changes in "legislation/regulation/red tape" by extent of international trade alongside domestic sales



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

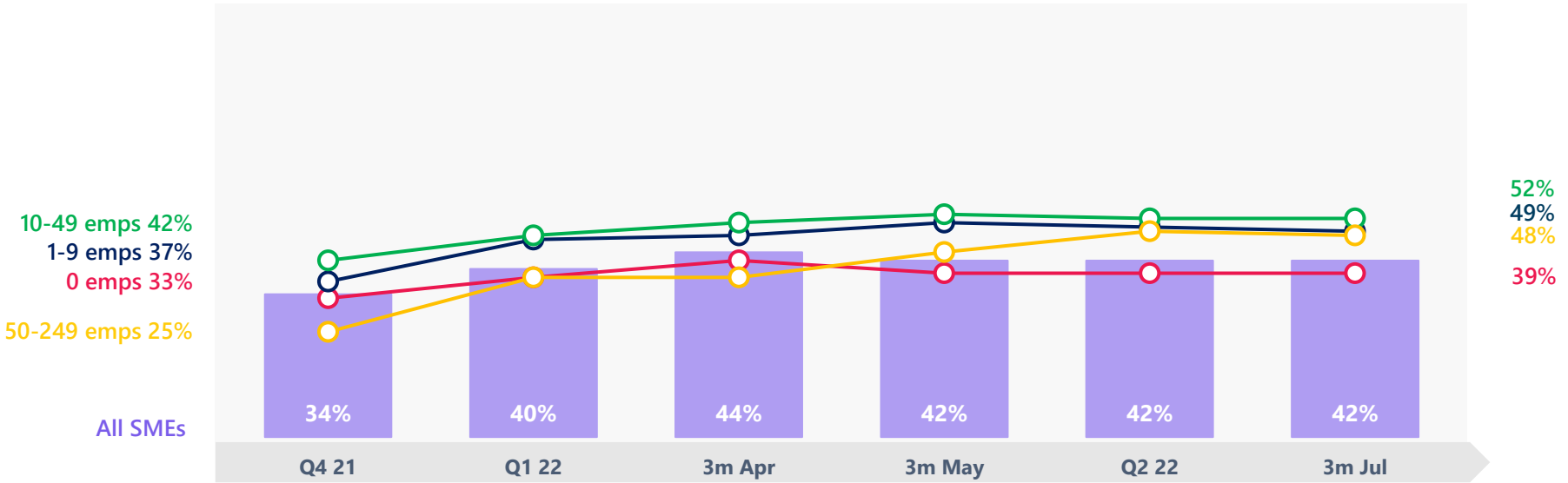
# 4 in 10 SMEs had been 'significantly impacted' by increasing costs. Those with 10-249 employees were the most likely to have seen *any* impact

*NEW: Any impact of increasing costs: 3 mths to July 2022*



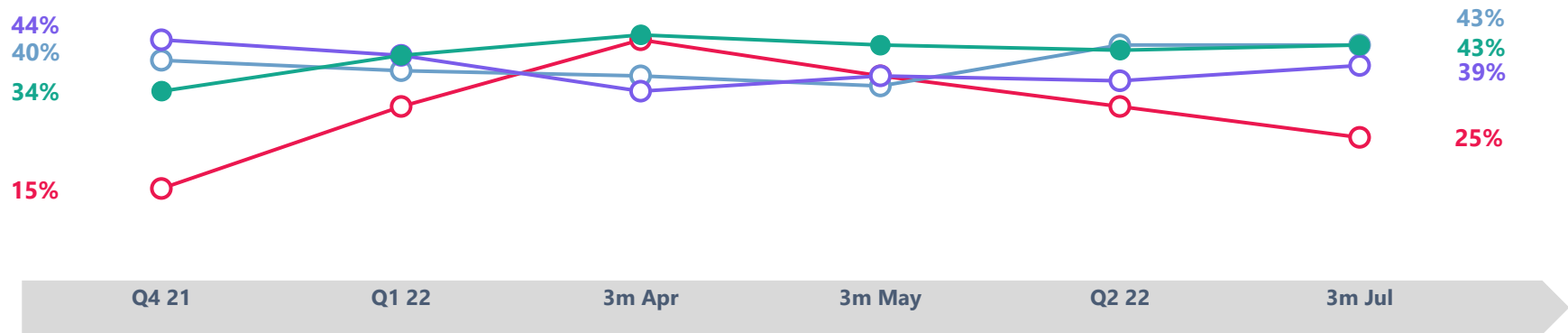
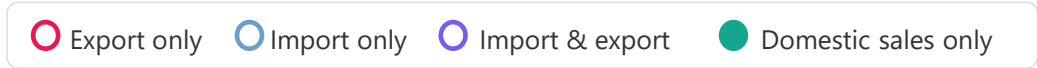
# A consistent half of all SMEs with employees have been significantly affected by increased costs, compared to 4 in 10 with no employees (4 in 10 of all SMEs)

*NEW Time series: Significantly affected by increasing costs*



# Export only SMEs have become slightly less likely than their peers to be significantly impacted by cost increases, with little difference currently between the other groups

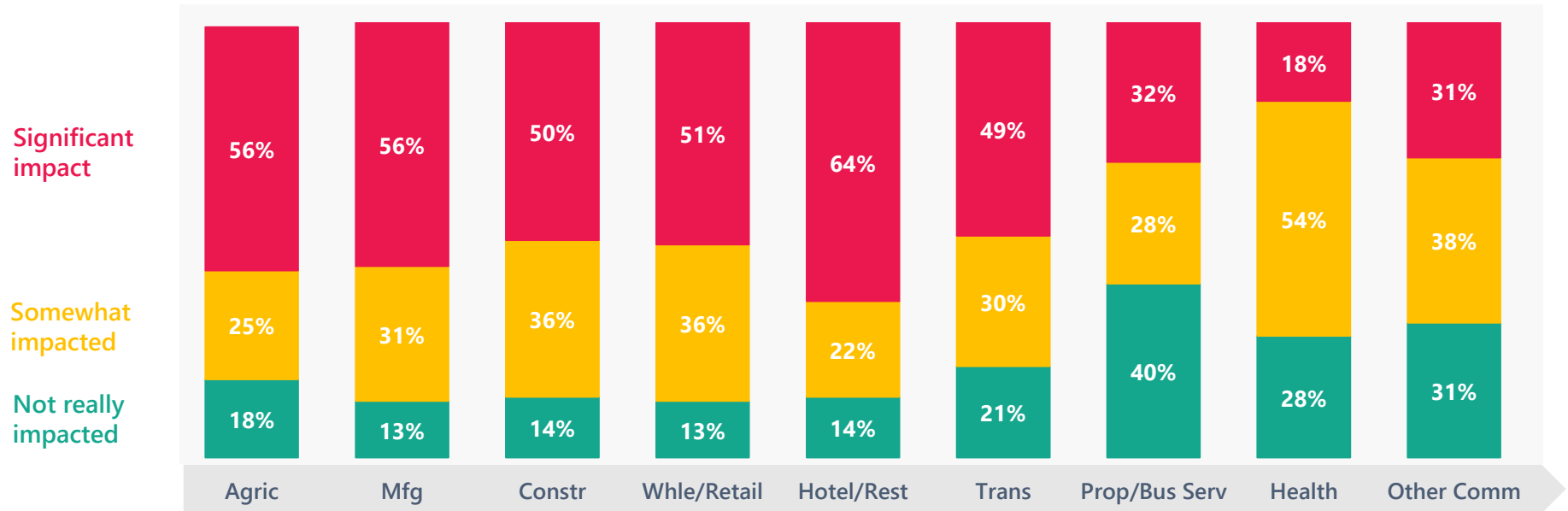
*NEW Time series: Significantly affected by increasing costs by extent of international trade*





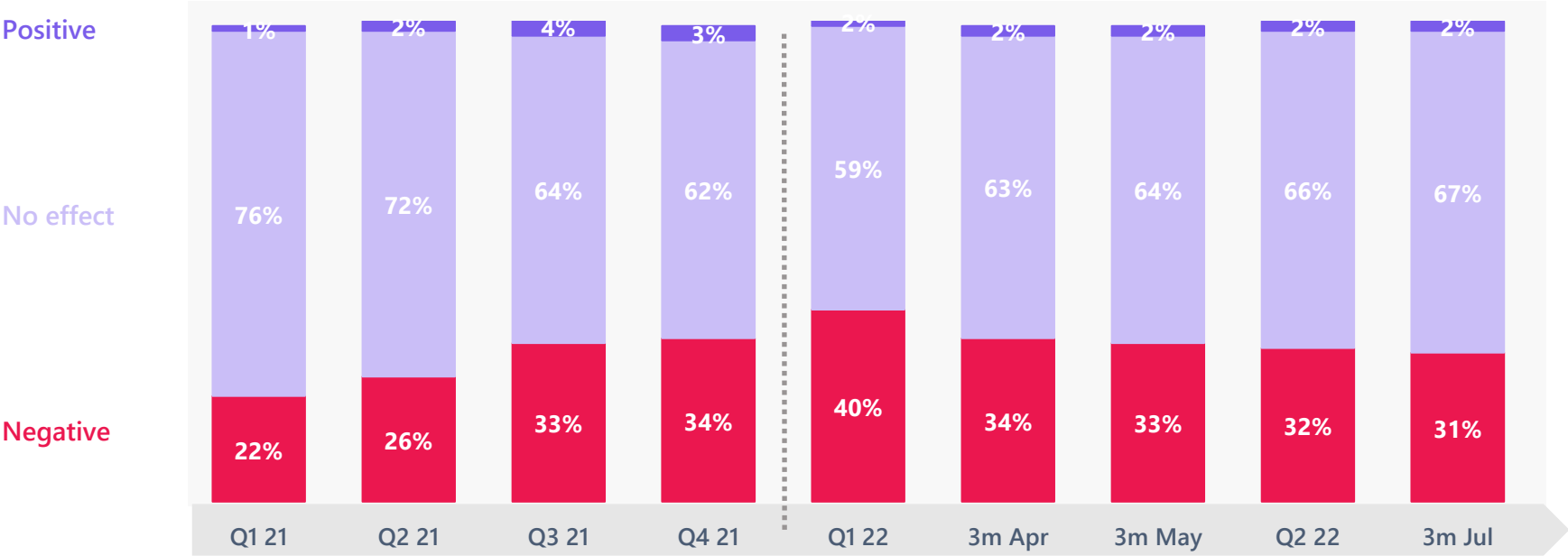
# Those in Hospitality remained most likely to have been 'significantly impacted' by increasing costs, at more than twice the level of some other sectors such as Health

*NEW Impact of increasing costs: by sector 3 mths to July 2022*



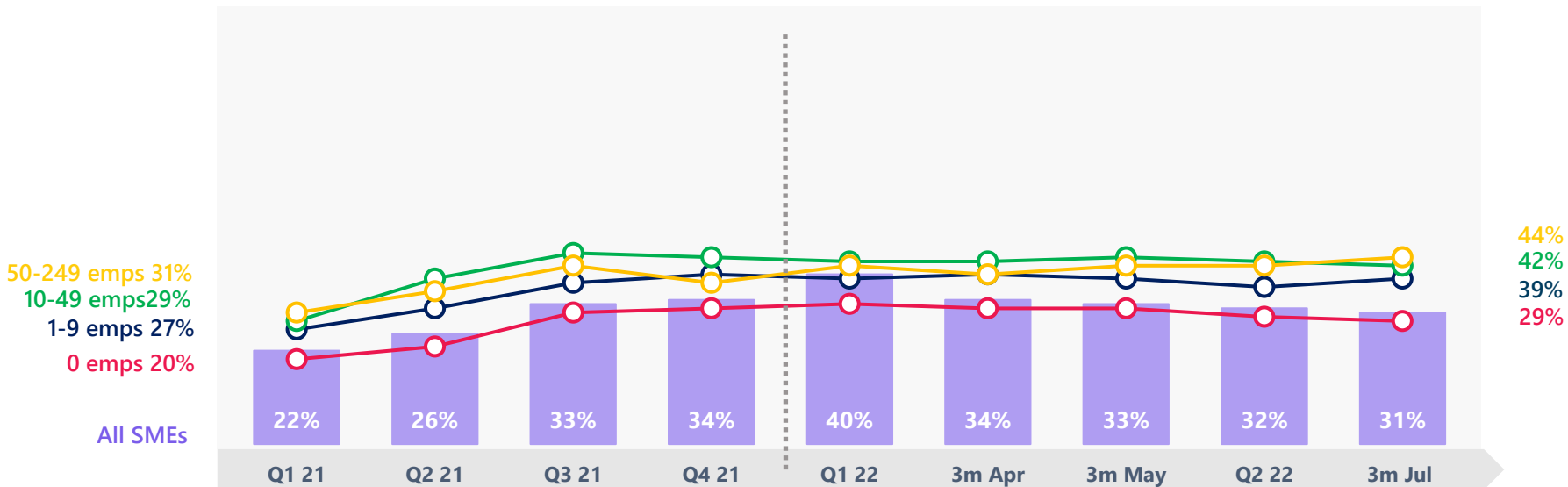
# Slightly fewer SMEs, 31%, reported a negative impact on their business caused by the new trading arrangements with the EU, down from 40% in Q1 2022

*NEW Time series: Impact of the new trading arrangements with the EU*



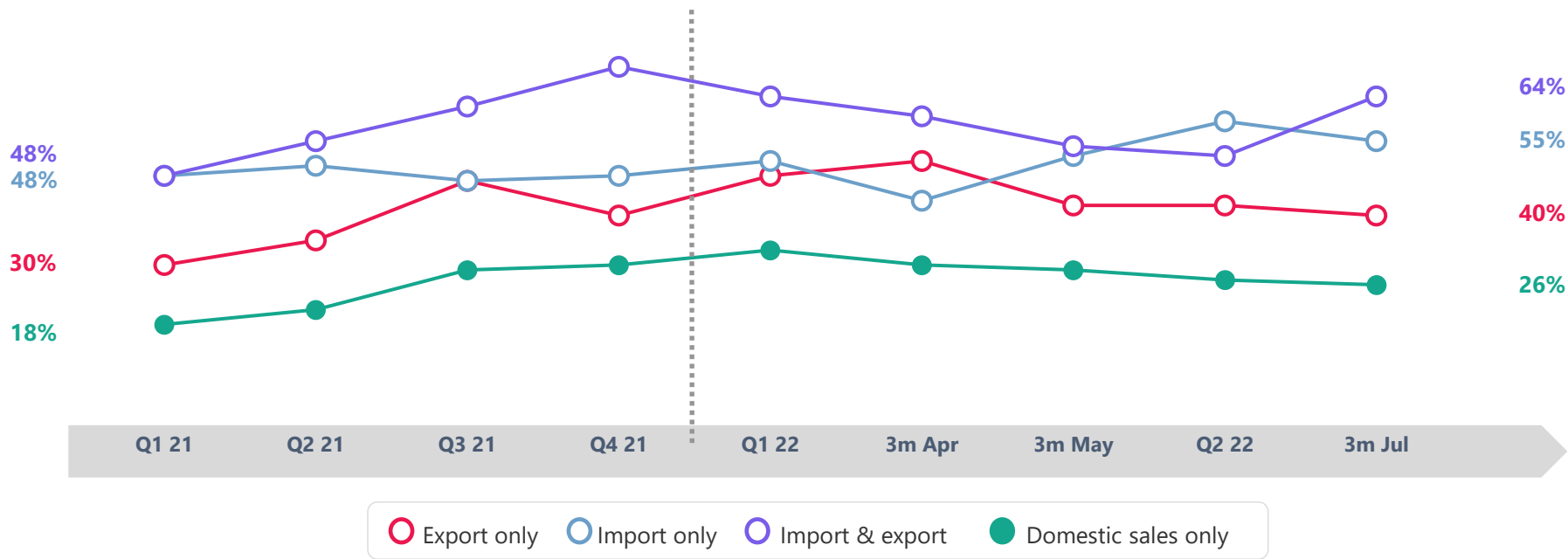
The increase in negative impact to Q1 2022 was seen across all size bands. The decline since has been due primarily to 0 employee SMEs

*NEW Time series: Negatively impacted by new EU trading arrangements*



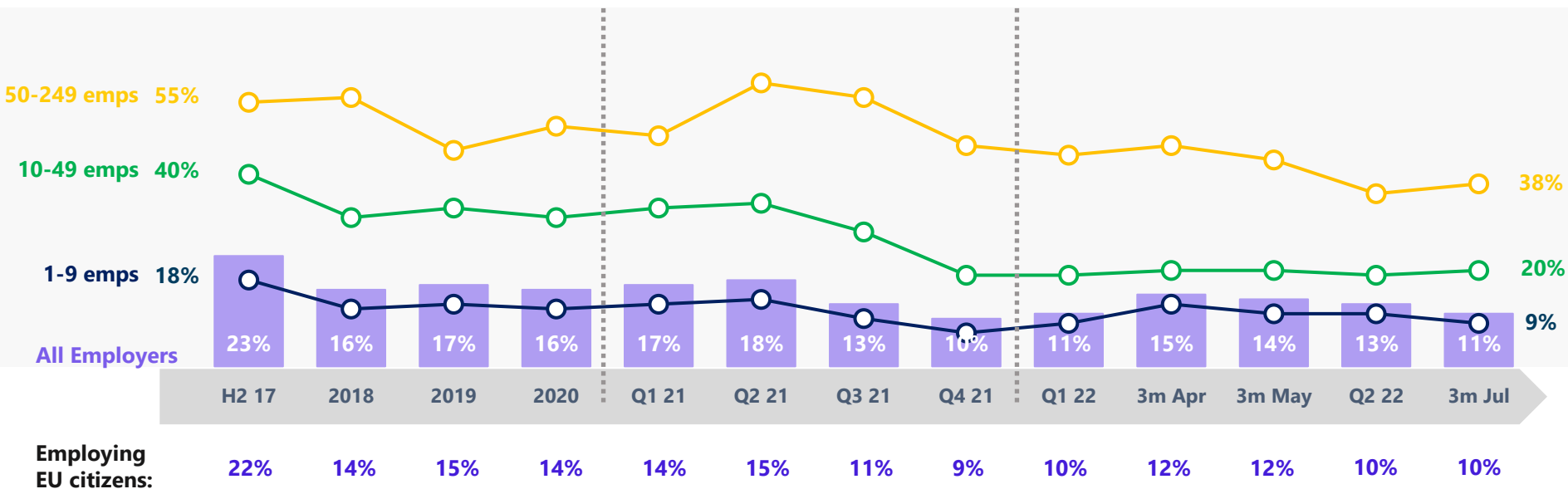
This with an element of importing to their business are currently the most likely to have been negatively impacted, as Domestic only SMEs remained less likely to report such an impact

NEW Time series: Negatively impacted by new EU trading arrangements by extent of international trade



# 11% of SMEs employed non-UK staff in the three months to July, in line with Q1 2022, but with fewer 50-249 employee SMEs now employing overseas staff

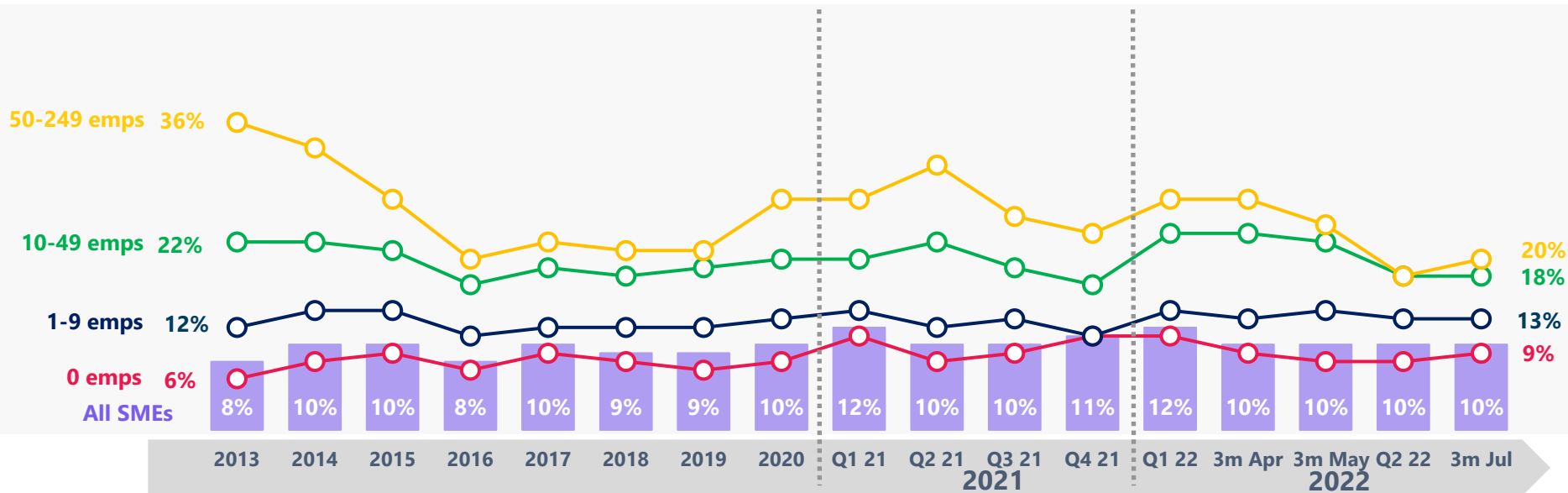
Time series: Employ non-UK staff (from the EU or elsewhere overseas)



When this question was first asked in H2 2017, a quarter (23%) of employers had staff from overseas. From 2018 to Q2 2021 the proportion was lower but stable, then fell to 13% in Q3 2021 and broadly stable since: 10% of employers had staff from the EU and 5% had staff from elsewhere.

# 10% of all SMEs exported with little change since 2017. Since Q2 2021, the largest SMEs have become less likely to report exporting activity

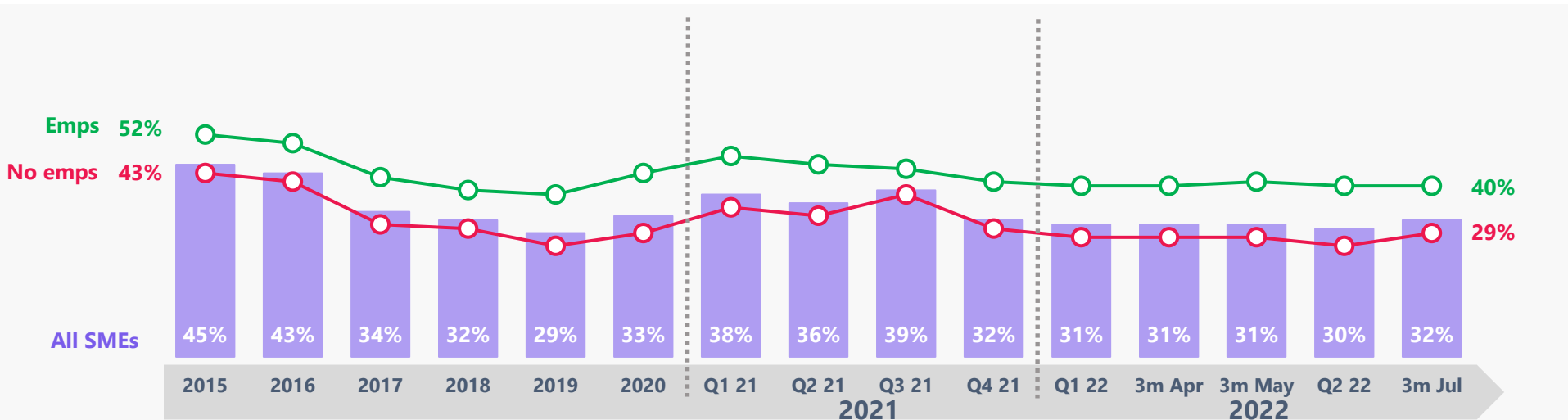
Time series: Exporters



The proportion of exporters increased from 6% in 2012 to 10% in 2014 and 2015. In Q1 21, 12% of SMEs were exporters and there has been little change since, with larger SMEs still more likely to be selling overseas than their peers, albeit the gap has narrowed recently, back to 2016 levels

## The proportion of SMEs that were happy to use finance to grow remained broadly stable at 32%.

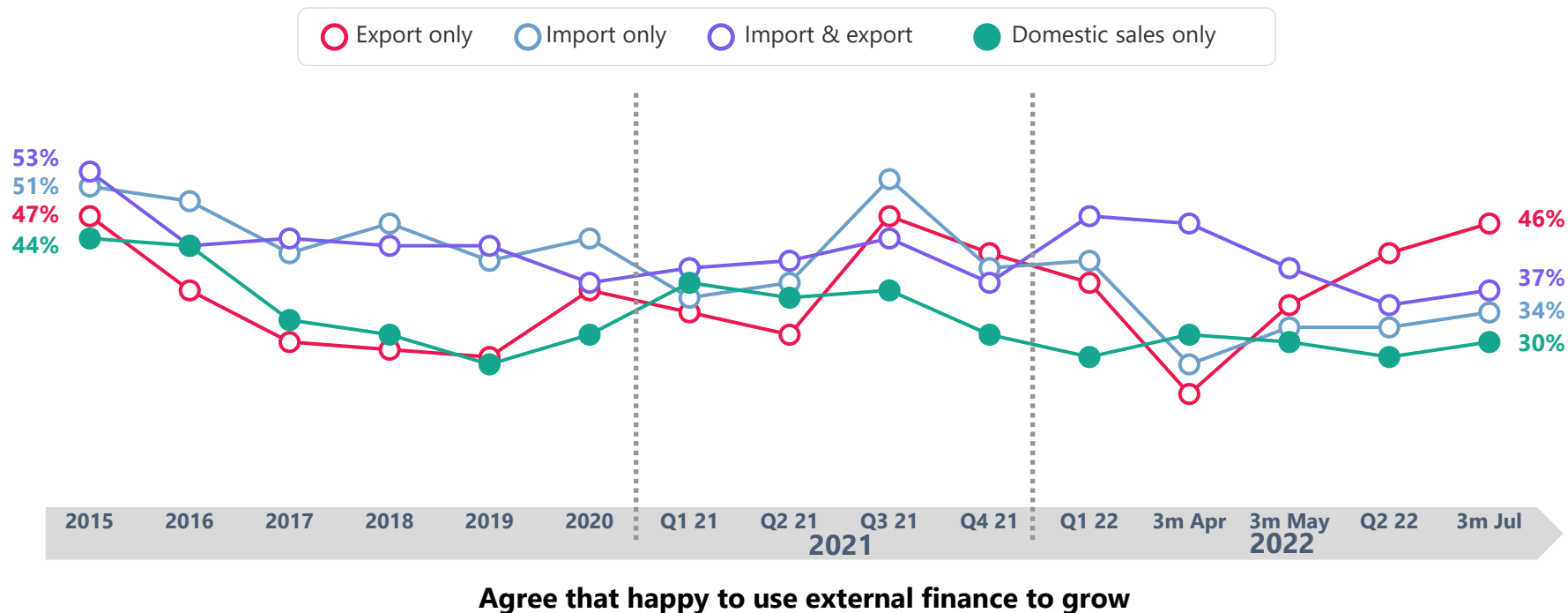
*Time series: Agree that happy to use external finance to help business grow*



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 38% for Q1 2021 and remained broadly stable to Q3 2021, before settling at 32% in Q4 2021 and 32% currently. After a “peak” at 38% in Q3 2021, appetite for finance amongst the smallest SMEs declined, reaching 26% in Q2 2022, the lowest level seen since 2019, but was somewhat higher in the latest period at 29%

# Appetite for finance increased slightly for both Domestic and International SMEs, with the highest appetite amongst Export only SMEs

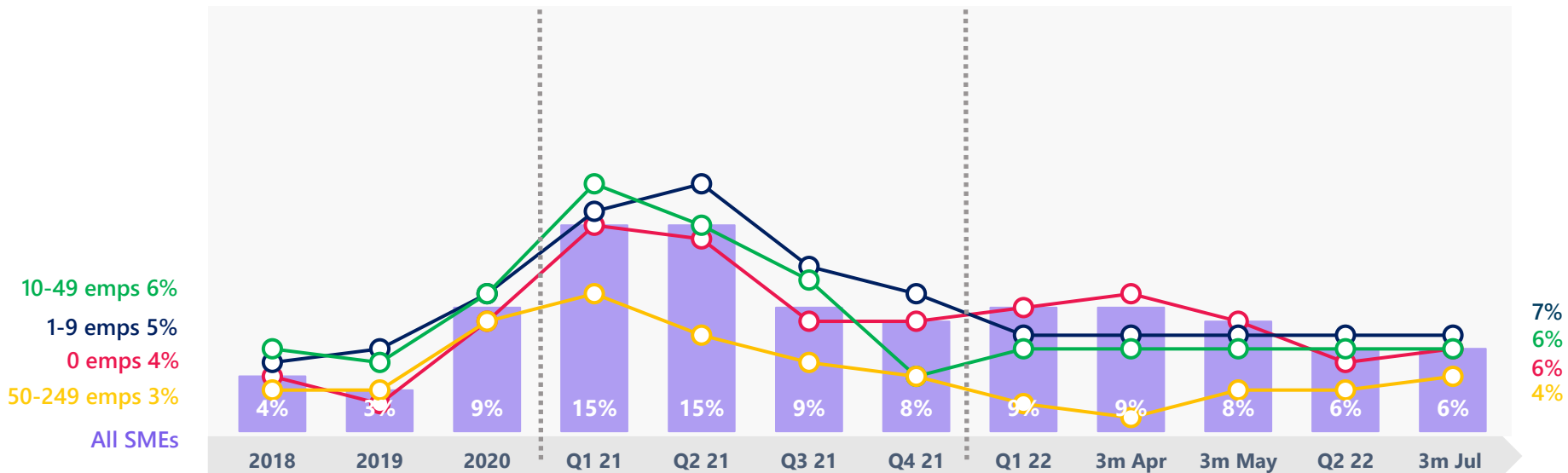
*Time series: Agree that happy to use external finance to help business grow*





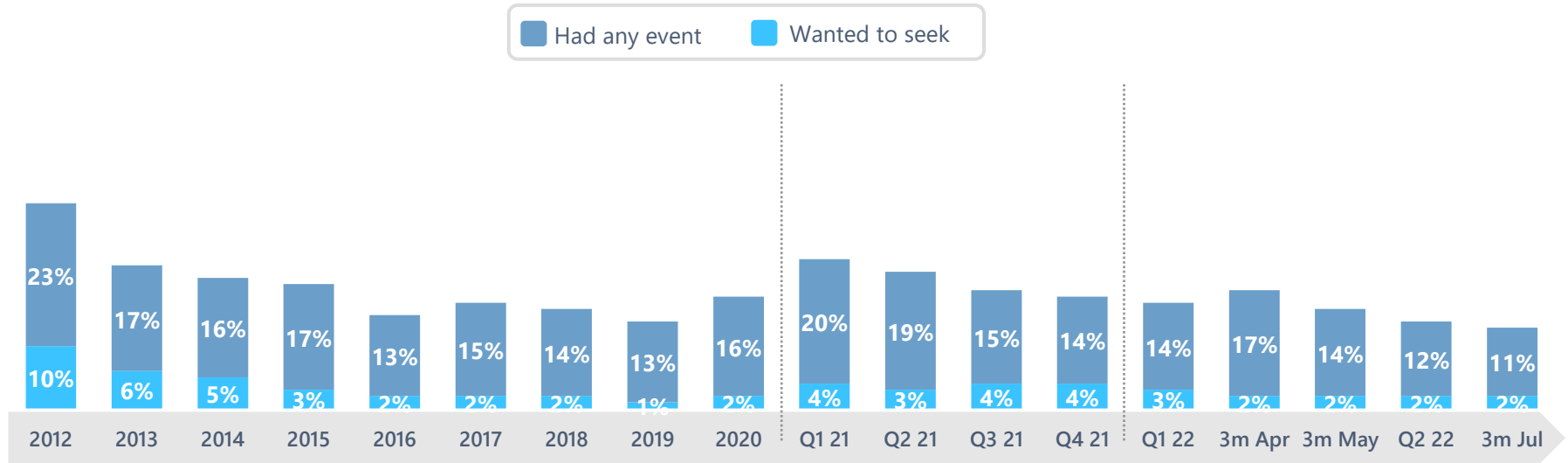
6% of SMEs reported having a need for external funding in the last 12 months, unchanged from Q2 but lower than the 15% of SMEs with such a need in H1 21 and closer to pre-pandemic levels

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



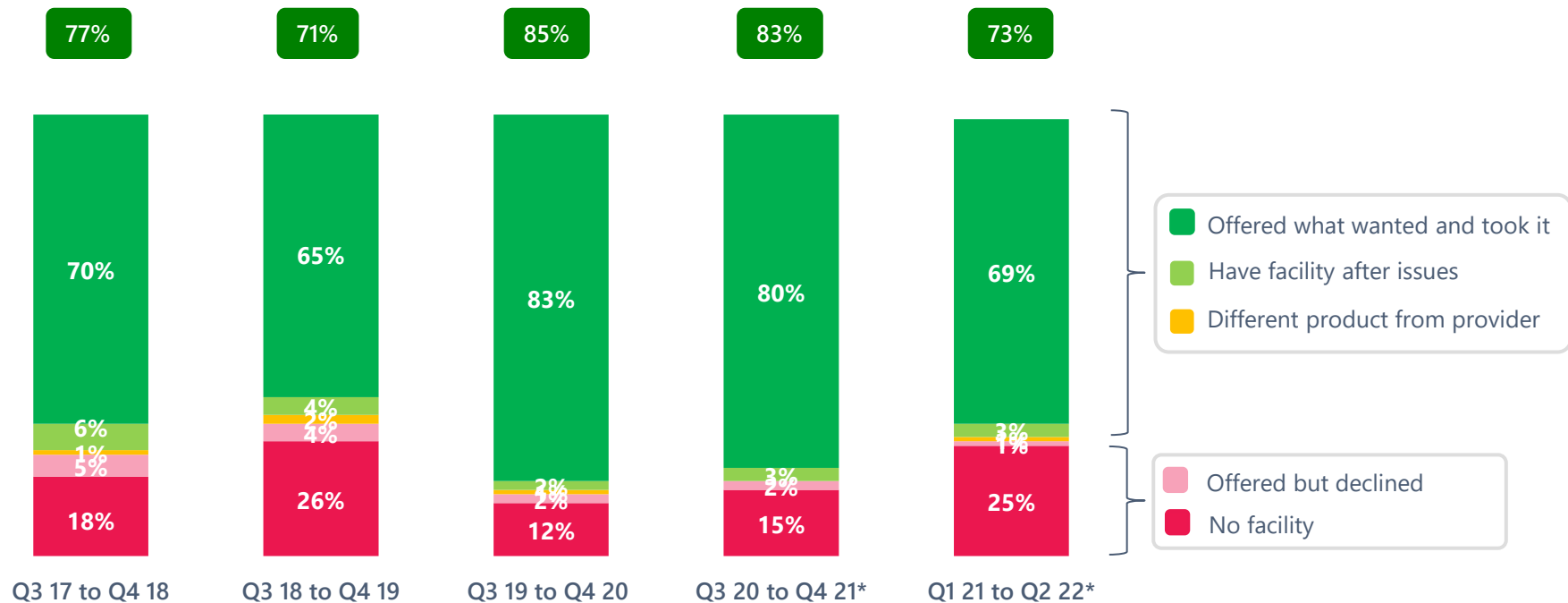
# As need for finance has declined, so to has the proportion reporting a borrowing event or an unfulfilled wish to apply, back in line with 2019 levels

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



# Analysis by application period showed improvements in success rates for applications when Government backed schemes were available, that has not been maintained more recently

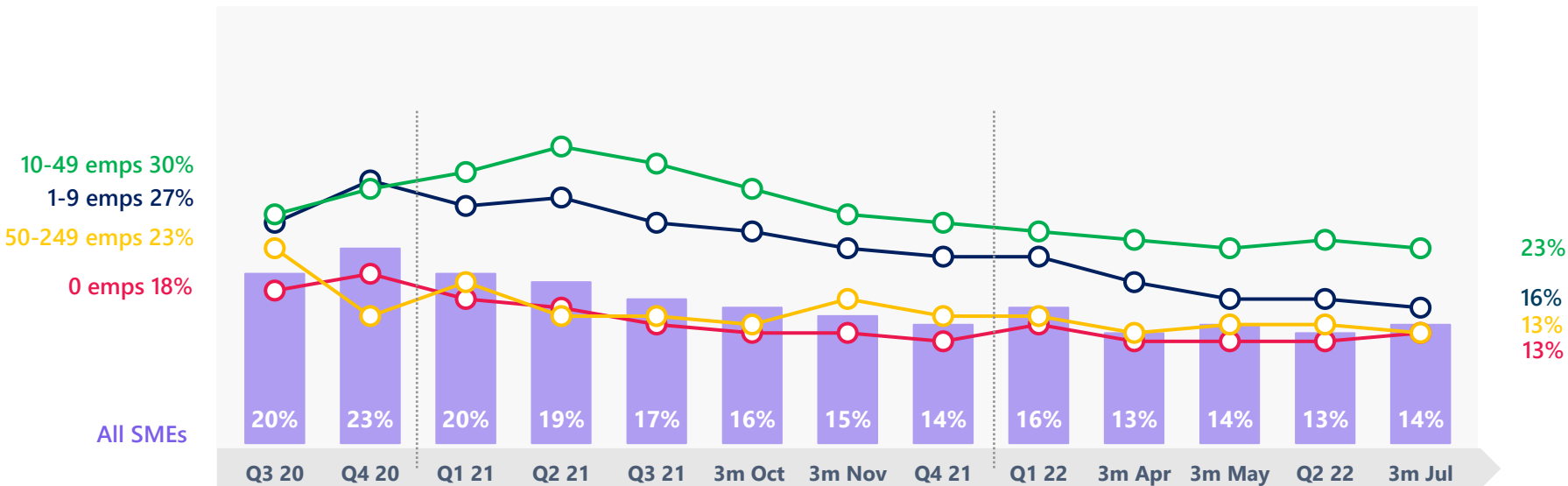
*Global success rate: all applications reported from Q1 2018 to Q2 2022, occurring in the periods shown*



This chart will be updated every quarter end  
Last updated Q2 2022

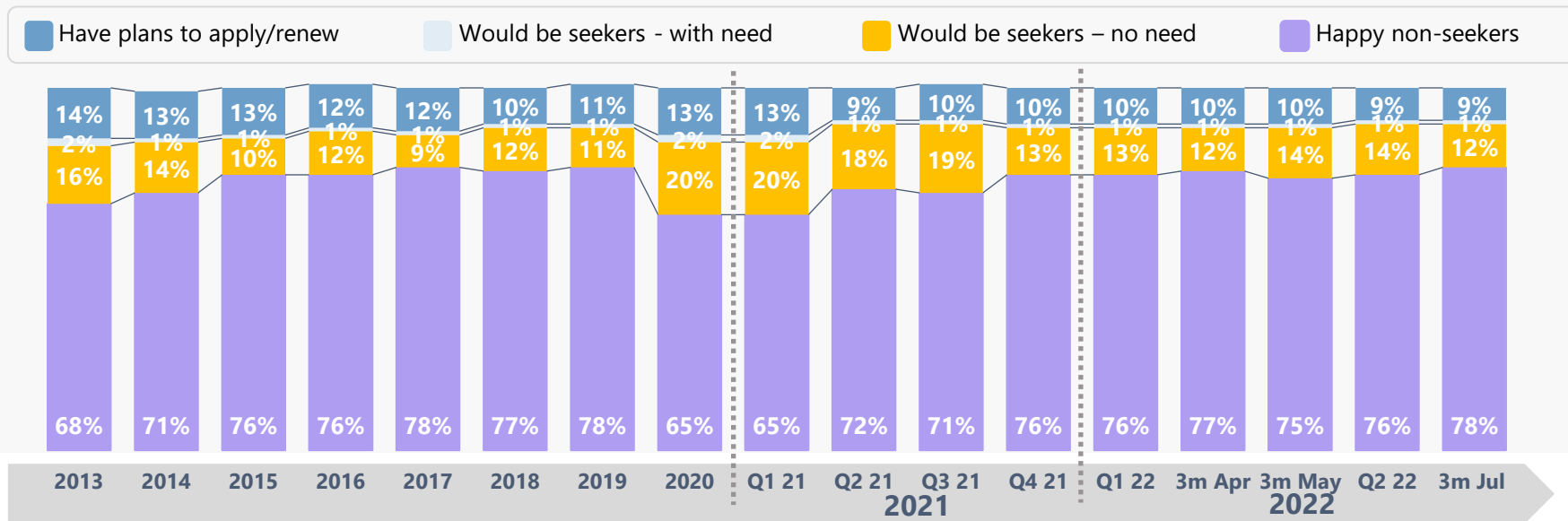
# 1 in 7 SMEs had approached a bank for Covid related finance, stable in 2022 but lower than the peak in 2020. Those with 10-49 employees remained more likely to report such an approach

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



The marked increase seen in *any* future appetite for finance in 2020 was maintained to Q1 2021. Since Q4 2021, total future demand has been broadly stable at a slightly lower level, closer to pre-pandemic levels

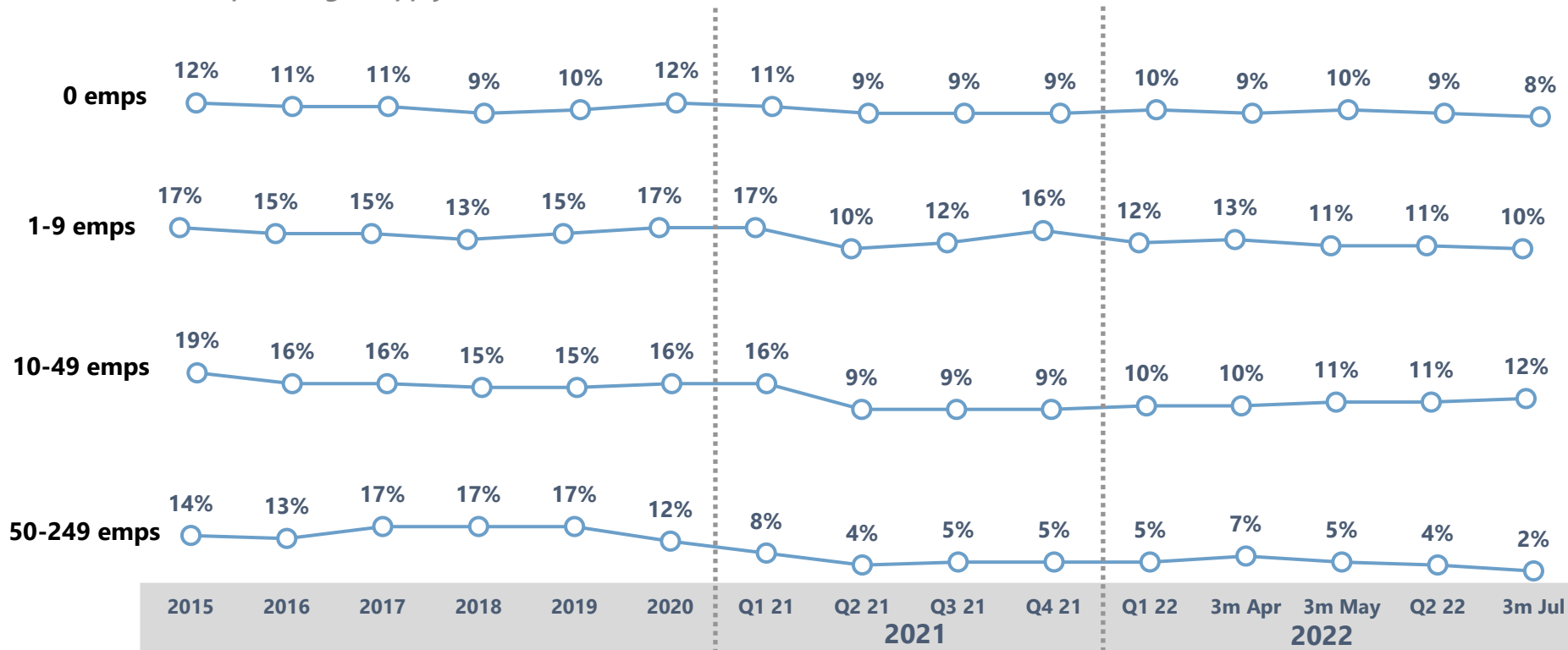
*Time series: Anticipated borrowing profile for next 3 months after ...*



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. It then reduced, to 65% for 2020 but as future demand for finance dropped slightly, the proportion of Future happy non-seekers has increased and is currently 78%. The proportion with *any* future demand for finance reached 35% in 2020, but had reduced to 24% by Q4 2021 and is 22% for the current period

# The proportion planning to apply for finance remained broadly stable and somewhat lower than pre-pandemic in 2019

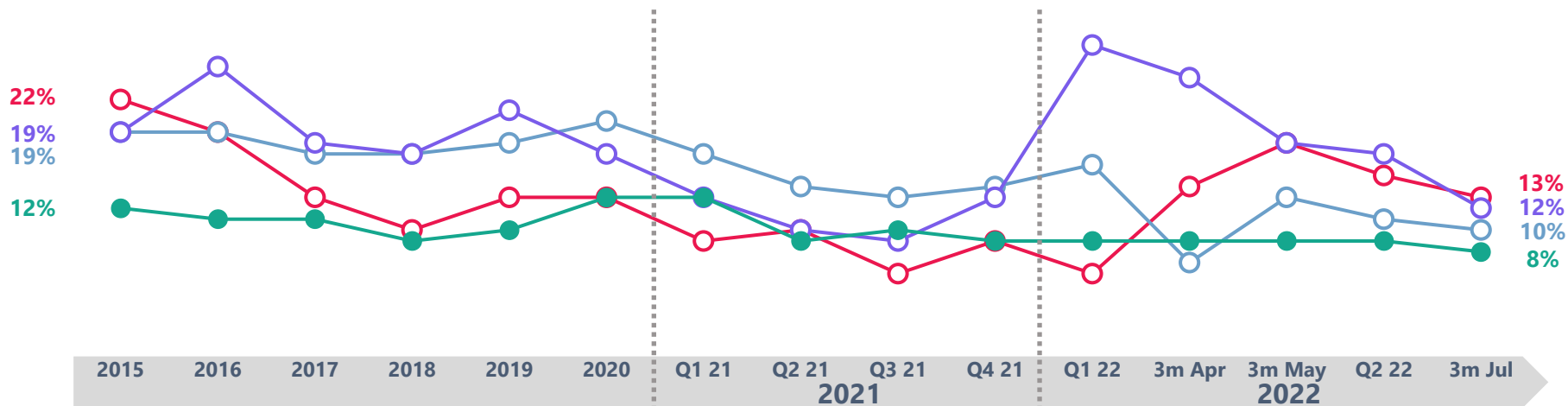
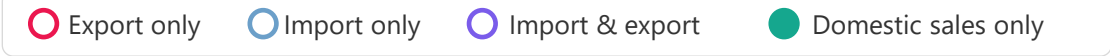
Time series: % planning to apply



# Future appetite for finance remained more volatile for international SMEs, with little to choose between the groups currently, unlike earlier in 2022

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

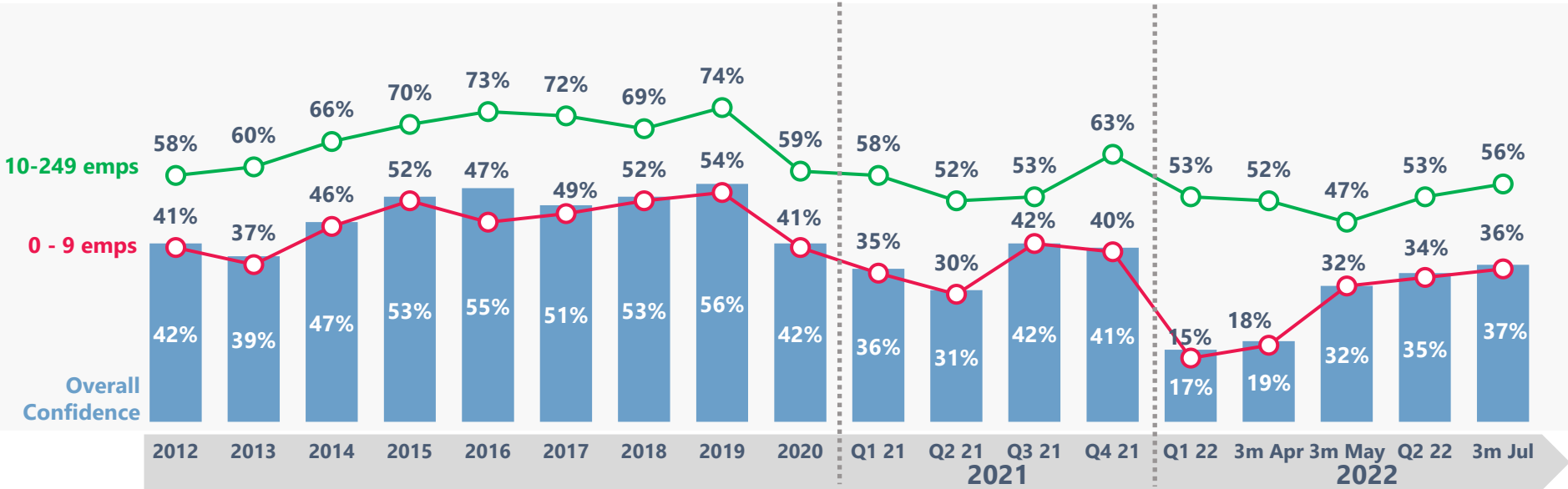
## Plan to apply for external finance



Appetite for finance amongst those with an element of international to their business has varied over time, but up to the end of 2021, they had typically become less likely to be planning to apply for external finance. In 2022, International SMEs initially reported a somewhat increased appetite for finance and moved ahead of their peers, but this has not been maintained.

# Overall levels of confidence in a successful application have improved somewhat, as fewer 0-9 employees said they were “not sure” of the response they would get, but remained below pre-pandemic levels

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

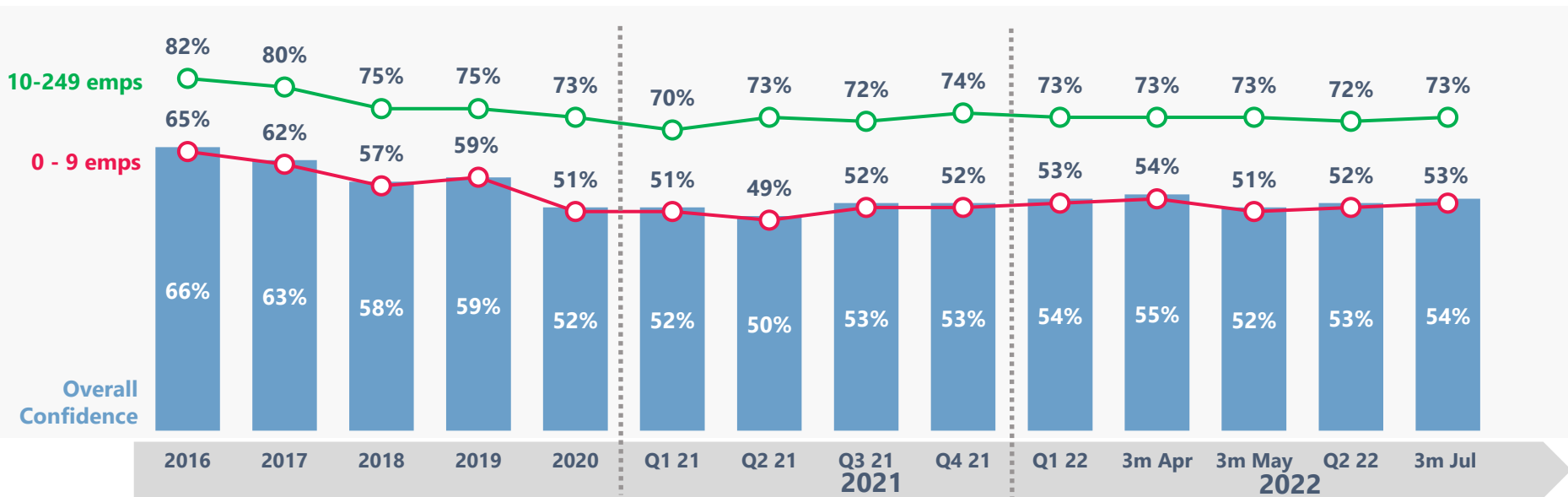


Confidence amongst those planning to apply that they would be successful increased to 55% in 2016 but has been more variable since (and always below actual success rates). After improvements in the second half of 2021, confidence declined to Q1 2022, due to more smaller potential applicants saying they were “not sure” whether their bank would lend to them, but this has eased somewhat in the most recent periods



Confidence amongst hypothetical applicants has been stable since mid-2021 at a higher level than those planning to apply.

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



Half (53%) 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 once again more confident than those of a similar size who are planning to apply (73% v 56%). Smaller hypothetical applicants are less confident of success, compared to larger hypothetical applicants but they are also more confident than those of a similar size planning to apply (53% v 36%, see previous slide for those *with plans*)

# 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

