5 FINANCIAL CONTEXT – HOW ARE SMES FUNDING THEMSELVES? (PART 1)

THIS CHAPTER PROVIDES

an overview of the types of external finance being used by SMEs, including the use of core and other forms of finance, crowd funding and the use of personal funds and trade credit.

KEY FINDINGS

Just over 1 in 3 SMEs used external finance in 2022, but pandemic-related funding was not always taken into account by SMEs:

- 36% of SMEs used any form of external finance in 2022, back in line with 2020 (37%) but lower than the 43% using finance in 2021.
- Usage was lower across all sizes and sector of SME, but the figures were also impacted by the increase in Permanent non-borrowers (SMEs with no apparent appetite for finance). Once they were excluded, 7 in 10 remaining SMEs were using finance, unchanged from 2021
- Since 2020, information on funding related specifically to the pandemic has been gathered separately to the longer running main questions on forms of external finance used. It became apparent that a small proportion of SMEs in 2022 said they were repaying pandemic related funding but had not mentioned any form of external funding at those main questions.
- Adjusting for all those SMEs would increase use of external finance in 2022 from 36% to 40%, and reduce the Permanent non-borrowers from 48% to 46%. For continuity, no adjustment has been made to any other data in this report but the 2023 questionnaire has been changed to prevent this from happening in future.

26% of SMEs were using one of the core forms of finance, while 20% were using one of the other forms of finance detailed, with 1 in 10 using both. 15% of all SMEs were using more external finance now than they were pre-pandemic, including 6% who were not borrowing at all pre-pandemic. 1 in 3 of all external finance users was borrowing more than £25,000 in total. Being a new or higher borrower increased concerns around repayment:

- 26% of all SMEs in 2022 were using one of the core forms of finance, typically a bank loan, increasing to 48% of those with 10-49 employees. 20% were using one of the other forms of finance detailed in the survey, typically leasing or HP, increasing to 39% of those with 10-49 employees.

- Both are lower than in 2021, when 31% of SMEs were using core finance and 24% other forms of finance.
- 15% of all SMEs were using more external finance than pre-pandemic whether as new or additional facilities or making more use of existing facilities. This was more likely to be the case for those with 1-9 employees (22%) and 10-49 employees (25%), with limited variation by risk rating or sector. This is somewhat lower than in 2021, when 21% of all SMEs were using more external finance.
- Within this group, 6% of all SMEs in 2022 were using finance having not been borrowing at all pre-pandemic, again somewhat lower than in 2021 (11%)
- More broadly, in a new question for H2 2022, 35% of all those using external finance were borrowing more than £25,000 in total. This increased markedly by size of SME from 23% of those with 0 employees to 84% of those with 50-249 employees and 64% of those in Agriculture. This is the equivalent of 9% of all SMEs borrowing more than £25,000
- The equivalent of 7% of all SMEs were concerned about repaying the facilities that they had (around 1 in 6 of all those using relevant forms of finance, including pandemic related funding), little changed from 2021 when 9% were concerned. Concern was higher amongst those who were borrowing having not done so pre-pandemic (30% concerned about repayments) and those borrowing more than pre-pandemic (27% concerned) as well as those using both core and other forms of finance (24% concerned)
- 7 in 10 of those concerned about repayments said it had impacted their wider business, typically making them more cautious and affecting how much they could try to grow the business

A third of SMEs in 2022 had received an injection of personal funds. Whilst the vast majority of SMEs used a business rather than a personal bank account there was evidence in 2022 of more use being made of finance facilities in a personal as well as in a business name:

- 34% of SMEs reported an injection of personal funds in 2022. This was down slightly from 37% in 2021, but remained higher than seen immediately pre-pandemic in 2019, when 24% reported an injection of funds. The increase was driven by those who felt they had to inject funds, increasing from 11% of SMEs in 2019 to 22% in 2022.
- 91% of SMEs operated a business bank account. This proportion has increased in recent years, from 84% in 2017. SMEs using a personal account for their business banking were almost as likely as those using a business bank account to be using external finance (33% v 37%).
- In 2022, 25% of SME using finance said one or more facility was in a personal name, up from 16% in 2021 and mainly due to an increase in the proportion saying they had facilities in *both* a business and a personal name (13% of those with an overdraft, 9% with a loan and 13% with any other form of finance, up from 4-5% in 2021).

FINANCIAL CONTEXT

This is the first of two chapters on external funding in its many forms. They reflect the changes made to the questionnaire from Q1 2018 including an extended list of the types of finance that SMEs could say they were using.

This first chapter covers current use of external finance as well as the role of personal finance (whether as a borrowing facility or an injection of personal funds), the second chapter covers some of the wider context, including the Permanent non-Borrowers, use of trade credit and attitudes to finance.

USE OF EXTERNAL FINANCE – AN OVERVIEW

SMEs were asked some initial questions about their use of external finance:

- Which of a specified list of sources they were currently using.
- If they were not using any finance currently whether they had used any form of external finance in the past 5 years.

From Q1 2018, in addition to the forms of finance that have been reported since the start of the SME Finance Monitor, SMEs were also asked whether they were using any of the following forms of finance:

- Finance through crowd funding or peer to peer lending
- Asset based lending
- Selective or single invoice finance
- Any other loan
- Any other overdraft facility.

Use of these other forms of finance is reported below but was fairly limited. The new definition of use of external finance, including these additional codes, has been used in all analysis from Q1 2018 onwards, unless otherwise stated.

When the Government-backed finance schemes were introduced in 2020 in response to the pandemic, these tracking questions (and also the definition of Permanent non-borrowers) were not changed. Instead a separate section was created prompting specifically on applications for pandemic related funding and this is covered in the summary chapter at the start of this report. Analysis has shown that a small proportion of those who subsequently said they had received Government backed funding had not previously said they were using any external finance, including a 'bank loan' and the impact on the traditional definitions of 'using external finance' and 'PNB' used in this report is covered later in this chapter. However, no changes have been made to the traditional definitions unless specifically stated.

Use of external finance for YEQ4 2022 was 36%, down from 43% in 2021 and back in line with the 37% reported in 2020.

The table below shows that those with 1-9 or 10-49 employees continued to be more likely to be using some form of external finance:

Use of external finance in last 5 years YEQ4 22 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*17,002*	*3279*	*5802*	*5668*	*2253*
Use now	36%	32%	47%	57%	32%
Used in past but not now	4%	4%	4%	4%	1%
Not used at all	60%	64%	49%	38%	66%

Q14/15 All SMEs – new definition from Q1 2018

Analysis by recent quarter showed that use of external finance increased from 30% in Q2 2020 to 45% a year later in Q2 2021 but has declined steadily since, to 33-34% in the second half of 2022:

Use of external finance in last 5 years

Over time – all SMEs By date of interview	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Unweighted base:	*4252*	*4263*	*4250*	*3888*	*4085*	*4250*	*4250*	*4250*	*4252*
Use now	44%	42%	45%	43%	40%	40%	38%	33%	34%
Used in past but not now	4%	5%	2%	3%	3%	3%	4%	5%	5%
Not used at all	52%	54%	53%	54%	57%	57%	58%	62%	61%

Q14/15 All SMEs – new definition from Q1 2018

The decline in use of finance between Q1 and Q4 2022 was seen primarily amongst those with 0 or 1-9 employees, with a smaller decline for those with 10-49 employees. Amongst the largest SMEs use of finance increased during 2022, to 39% in Q4, but remains below pre-pandemic levels:

Currently use external finance

Over time – all SMEs By date of interview – row percentages	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
All SMEs	**44%**	**42%**	**45%**	**43%**	**40%**	**40%**	**38%**	**33%**	**34%**
0 emp	39%	37%	41%	40%	36%	36%	34%	29%	30%
1-9 emps	55%	55%	57%	54%	56%	51%	48%	45%	44%
10-49 emps	65%	66%	65%	59%	59%	62%	55%	54%	58%
50-249 emps	53%	48%	36%	36%	29%	29%	28%	33%	39%

Q14/15 All SMEs – new definition from Q1 2018

The table below shows use of finance by risk rating for recent quarters. All risk ratings saw a decline in use of finance between Q1 and Q4 2022 with the exception of those with a worse than average risk rating where use was stable (35% in Q4). Those with an average risk rating were the least likely to be using finance in Q4 2022 (29%) down from 41% in Q1:

Currently use external finance

Over time – all SMEs By date of interview – row percentages	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
All SMEs	**44%**	**42%**	**45%**	**43%**	**40%**	**40%**	**38%**	**33%**	**34%**
Minimal	41%	47%	49%	47%	42%	51%	42%	35%	39%
Low	56%	43%	53%	49%	43%	46%	42%	39%	36%
Average	44%	39%	40%	44%	37%	41%	42%	29%	29%
Worse than average	38%	41%	45%	38%	40%	34%	34%	33%	35%

Q14/15 All SMEs, base varies slightly each quarter- new definition from Q1 2018

In Q4 2022, Starts were the least likely to be using external finance, by some margin from their older peers (25% v 34-41% of older SMEs). Those trading for more than 15 years saw the largest drop in use of finance during 2022 (from 43% in Q1 to 34% in Q4):

Currently use external finance

Over time – all SMEs By date of interview – row percentages	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
All SMEs	**44%**	**42%**	**45%**	**43%**	**40%**	**40%**	**38%**	**33%**	**34%**
Starts	38%	33%	38%	37%	22%	26%	25%	29%	25%
2-5 years	43%	40%	46%	49%	44%	47%	39%	36%	41%
6-9 years	50%	46%	44%	52%	55%	42%	42%	36%	37%
10-15 years	42%	38%	51%	41%	47%	42%	48%	38%	37%
More than 15 years	45%	47%	45%	43%	42%	43%	39%	31%	34%

Q14/15 All SMEs, base varies slightly each quarter- new definition from Q1 2018

The table below shows use of external finance on an annual basis over the longer term. Having initially declined from 44% in 2012 to 37% in 2014, the proportion has been broadly stable since (36-38% and 36% for 2022) with the exception of 2019 (45%) and 2021 (43%):

- All sizes of SMEs were less likely to be using external finance in 2022 than in 2021, typically taking them back in line with 2020. The exception to this was those with 50-249 employees, where use of finance is now markedly lower than in 2020 (32% from 58%), albeit with some signs at the end of 2022 of this trend starting to change.
- All risk ratings were less likely to be using external finance in 2022 than in 2021, and for those with a low risk rating, this meant they were 5 points behind their 2020 position at 40%.
- All sectors were less likely to be using external finance in 2022 than in 2021. Hotels & Restaurants had been the most likely to be using external finance by some margin in 2021 (55%) but saw a marked drop in 2022 to 40%, albeit still slightly above SMEs overall. There was also a large drop in use of finance over the same period in the Transport sector (47% to 36%).
- 4 in 10 SMEs can be described as Permanent non-borrowers (defined in the next chapter), with no use of, or apparent appetite for, finance. They became an increasing proportion of SMEs over time and, once they were excluded, use of finance amongst remaining SMEs increased between 2012 and 2019, from 66% to 78%, the highest proportion seen to date on the SME Finance Monitor. In 2020, the proportion dropped to 61%, the lowest level seen to date, but since then has been back line with earlier years (69% in 2022).

Currently use external finance Over time – all SMEs By date of interview – row percentages	2015	2016	2017	2018	2019	2020	2021	2022
All SMEs	**37%**	**37%**	**38%**	**36%**	**45%**	**37%**	**43%**	**36%**
0 emp	32%	33%	34%	34%	43%	32%	38%	32%
1-9 emps	49%	46%	49%	42%	50%	49%	56%	47%
10-49 emps	60%	59%	64%	54%	60%	58%	62%	57%
50-249 emps	61%	64%	73%	77%	77%	58%	37%	32%
Minimal external risk rating	47%	45%	48%	46%	46%	41%	46%	42%
Low	47%	44%	45%	38%	48%	45%	47%	40%
Average	38%	39%	37%	35%	41%	36%	40%	36%
Worse than average	32%	34%	36%	35%	46%	34%	41%	34%
Agriculture	44%	46%	50%	46%	56%	44%	45%	39%
Manufacturing	39%	39%	43%	34%	44%	38%	47%	41%
Construction	33%	38%	37%	34%	48%	36%	40%	38%
Wholesale/Retail	45%	45%	48%	43%	52%	44%	49%	42%
Hotels & Restaurants	44%	42%	43%	39%	48%	48%	55%	40%
Transport	38%	36%	40%	37%	46%	43%	47%	36%
Property/ Business Services	35%	33%	33%	31%	37%	33%	38%	30%
Health	33%	32%	41%	49%	56%	28%	34%	30%
Other	39%	38%	34%	37%	42%	31%	44%	41%
All excl PNBs	70%	70%	72%	70%	78%	61%	70%	69%

Q14/15 All SMEs – new definition from Q1 2018

THE IMPACT OF PANDEMIC FUNDING ON USE OF EXTERNAL FINANCE

Questions about pandemic related funding have been asked separately to the main 'use of external finance' questions reported in this chapter (Q15 etc) in order to maintain consistency for these long running questions. This has however given rise to some anomalies, where some SMEs confirmed at the pandemic funding questions that they had a Government backed facility that had not yet been repaid, but had not mentioned having a 'bank loan' or other facility at Q15. This may be because they see the pandemic funding as something different to run of the mill borrowing, given it is Government backed and was not subject to the usual rules and process of application.

Across the quarters for which corrections are possible (Q3 2021 to Q4 2022), this initially made relatively little difference to the overall picture, but in H2 2022 it become slightly more of an issue. Note that, from Q1 2023, the questionnaire itself has been adjusted and the status of Government backed loans will be asked next to overall use of finance (Q15). Any SMEs still repaying a Government backed facility will automatically be considered to be 'Using external finance'.

The table below is for H2 2022 and adjusts for those SMEs who took government backed pandemic funding and had not yet repaid it in full. It moves them into the correct category (that of 'using external finance') if they were not already there. 5% of all SMEs have been re-allocated to the external finance category as a result:

All SMEs H2 2022	Original definition	Adjusted for pandemic funding
Unweighted base:	*1951*	*1951*
Using external finance	33%	38%
Not using finance but not a PNB	16%	14%
Permanent non-borrower	51%	48%

NBB2B2/Q15 All SMEs H2 2022

The analysis below provides a correction for the period Q3 2021 to Q4 2022 when questions were asked that allow for such a correction, showing the longer term impact on the 'Using finance' and 'Permanent non-borrower' metrics.

Analysis over time shows a slightly larger adjustment to the figures in the second half of 2022 than in previous quarters:

Use of external finance and PNBs Over time – all SMEs By date of interview	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Unweighted base:	*3888*	*4085*	*4250*	*4250*	*4250*	*4252*
Use external finance (original)	43%	40%	40%	38%	33%	34%
Use external finance (corrected)	*47%*	*43%*	*45%*	*41%*	*38%*	*39%*
Permanent non-borrower (original)	39%	44%	45%	46%	51%	51%
Permanent non-borrower (corrected)	*37%*	*42%*	*43%*	*44%*	*48%*	*48%*

Allfin/Allfin2 All SMEs

The table below adjusts the figures for using finance and Permanent non-borrowers for 2022 as a whole by key demographics:

- The correction for external finance is 4 percentage points to 40%, seen fairly evenly across these demographics with the exception of Starts (26% to 28%) who were less likely to have been trading when these facilities were made available.
- The correction for PNBs is 2 percentage points to 46% and again Starts were less likely to be affected.
- Initially therefore, there were 16% of all SMEs who were neither using finance nor meeting the definition of a PNB in 2022. Once these corrections were made, this group comprised 14% of all SMEs.

Note that if it was assumed that all those moving into the ‘using external finance’ category through this process took a bank loan (the most common Government backed facility) then in 2022 the proportion saying they had a bank loan would increase from 12% to 17%, bringing it back in line with 2021.

Finance and PNB corrections (all SMEs) 2022 By date of interview – row percentages	Finance Original	Finance Corrected	PNBs Original	PNBs Corrected
All SMEs	**36%**	**40%**	**48%**	**46%**
0 emp	32%	37%	51%	49%
1-9 emps	47%	52%	38%	35%
10-49 emps	57%	62%	31%	28%
50-249 emps	32%	36%	59%	56%
Minimal external risk rating	42%	45%	47%	45%
Low	40%	46%	47%	44%
Average	36%	39%	50%	48%
Worse than average	34%	39%	49%	46%
Agriculture	39%	42%	47%	46%
Manufacturing	41%	47%	41%	38%
Construction	38%	42%	48%	45%
Wholesale/Retail	42%	45%	43%	41%
Hotels & Restaurants	40%	46%	43%	39%
Transport	36%	41%	47%	44%
Property/ Business Services	30%	35%	54%	51%
Health	30%	33%	57%	55%
Other	41%	45%	40%	39%
Starts	26%	28%	53%	52%
2-5 years trading	40%	46%	39%	36%
6-9 years	39%	45%	48%	45%
10-15 years	41%	46%	44%	41%
15 years+	37%	42%	50%	47%

Allfin/allfin2 All SMEs

Given the relatively small change on an annual basis to the size of each of these groups, none of the tracking data used in this report has been amended unless specifically stated. Corrected data will feed in from 2023 and analysis showed that in H2 2022 those meeting the revised definitions gave very similar answers (within 1-2%) on key metrics such as growth, credit balances, attitudes to finance and future barriers.

CHANGE IN USE OF EXTERNAL FINANCE DUE TO COVID 19

Returning to the traditional finance definitions, in a new question from Q1 2021, those using any form of external finance (excluding those only using grants or equity/loans from directors, family, or friends) were asked how their use of finance had changed as a result of the pandemic.

Half of SMEs using such finance were now using more than they had pre-pandemic (the equivalent of 15% of all SMEs, increasing to a quarter of all those with 1-9 or 10-49 employees), with a quarter now borrowing when they weren't before (the equivalent of 6% of all SMEs):

Use of external finance compared to pre-Covid YEQ4 22 – all SMEs using relevant finance	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*6637*	*837*	*2277*	*2898*	*625*
Borrowing now when weren't before	23%	24%	23%	14%	6%
Have taken on extra borrowing	18%	16%	22%	25%	19%
Making more use of existing facilities	11%	11%	12%	9%	21%
Using similar amounts to before	40%	40%	37%	48%	50%
Have reduced amount of finance	8%	9%	6%	5%	4%
More use (any)	*53%*	*52%*	*56%*	*48%*	*47%*
More use (all SMEs)	*15%*	*13%*	*22%*	*25%*	*14%*
New borrowers (all SMEs)	*6%*	*6%*	*9%*	*7%*	*2%*

Q14b All SMEs using relevant forms of external finance excl DK

The table below shows the change in use by sector.

- Amongst those using any relevant finance, those in the Health sector were the most likely to be using more finance than pre-pandemic (68%), compared to 45% in Agriculture and 46% in Construction.
- As a proportion of all SMEs in that sector, the proportion using more ranged from 12% in Property/Business Services to 18% in Hotels & Restaurants and the Other Community sectors.
- The range of new borrowers per sector was narrower, ranging from 3% of all those in Agriculture to 8% in Wholesale/Retail, Transport and the Other Community sector.

Change in use of finance

YEQ4 22 – all SMEs using finance	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	*384*	*927*	*1186*	*820*	*378*	*655*	*1233*	*284*	*770*
Started borrowing	10%	20%	23%	25%	24%	25%	21%	27%	27%
Extra borrowing	19%	19%	12%	20%	24%	17%	21%	22%	17%
More use of existing	16%	12%	11%	10%	14%	12%	8%	19%	15%
Similar to before	50%	43%	46%	38%	32%	36%	44%	27%	31%
Less than before	5%	7%	8%	6%	5%	11%	7%	5%	10%
More use (any)	*45%*	*50%*	*46%*	*56%*	*62%*	*54%*	*49%*	*68%*	*59%*
More use (all SMEs)	*14%*	*16%*	*14%*	*17%*	*18%*	*17%*	*12%*	*14%*	*18%*
New borrowers (all)	*3%*	*6%*	*7%*	*8%*	*7%*	*8%*	*5%*	*5%*	*8%*

Q14b All SMEs using relevant forms of external finance excl DK

The table below summarises two key groups amongst all SMEs: Those now using finance when they weren't before and the wider group of those now using more finance than before (which includes those new finance users):

- The proportion of all SMEs using finance for the first time dropped from 11% in 2021 to 6% in 2022 and across all demographics to some extent, including by 9 points for those in the Hotel & Restaurant sector. Those most likely to be using finance for the first time in 2022 included those with 1-9 employees and those trading for 2-5 or 10-15 years. Once the PNBs were excluded, 13% of remaining SMEs were using finance for the first time compared to pre-pandemic, down from 17% in 2021.
- The proportion of all SMEs using more finance than pre-pandemic (whether for the first time or not), dropped from 21% in 2021 to 15% in 2022 and across all demographics to some extent, including by 11 points for those in the Hotel & Restaurant sector and 10 points for those in Transport. Those most likely to be using more finance in 2022 included those with 10-49 employees and those trading for 10-15 years. Once the PNBs were excluded, 29% of remaining SMEs were using more finance compared to pre-pandemic, down from 34% in 2021.

The proportion of all SMEs using finance for the first time compared to pre-pandemic has halved between 2021 and 2022 compared to a drop of about a third in those using more finance, suggesting that a higher proportion of new borrowers from 2021 have cleared their borrowing in the intervening 12 months.

Change in use of finance Over time – all SME By date of interview – row percentages	Using finance for first time 2021	Using finance for first time 2022	Using more finance than before 2021	Using more finance than before 2022
All SMEs	**11%**	**6%**	**21%**	**15%**
0 emp	10%	6%	18%	13%
1-9 emps	14%	9%	30%	22%
10-49 emps	10%	7%	33%	25%
50-249 emps	3%	2%	20%	14%
Minimal external risk rating	8%	6%	21%	14%
Low	11%	7%	24%	17%
Average	10%	6%	20%	14%
Worse than average	11%	7%	19%	15%
Agriculture	9%	3%	22%	14%
Manufacturing	13%	6%	24%	16%
Construction	9%	7%	17%	14%
Wholesale/Retail	12%	8%	23%	17%
Hotels & Restaurants	15%	7%	29%	18%
Transport	14%	8%	27%	17%
Property/ Business Services	9%	5%	17%	12%
Health	11%	5%	20%	14%
Other	9%	8%	20%	18%
Starts	8%	2%	13%	6%
2-5 years	16%	10%	25%	18%
6-9 years	16%	9%	28%	19%
10-15 years	12%	10%	23%	21%
15+ years	9%	6%	20%	14%
All excl PNBs	17%	13%	34%	29%

Q14b All SMEs excl DK

AMOUNT OF FINANCE BEING USED

From Q3 2022, SMEs using any external finance (except those only using grants and/or loans or equity from directors) have been asked how much they owed in total. This question was asked first across a range of bands and then narrower bands for those who were unable/unwilling to give an answer (17% in H2 2022).

Two thirds of SMEs using such finance owed up to £25,000 and this was more likely to be the case for smaller SMEs:

Amount owed in total – all SMEs using relevant finance H2 2022	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*2670*	*363*	*984*	*1068*	*255*
Up to £5,000	30%	36%	20%	13%	8%
£5-10,000	17%	21%	10%	4%	2%
£10-25,000	18%	20%	16%	6%	6%
£25-50,000	17%	14%	25%	19%	16%
£50-100,000	9%	6%	15%	19%	23%
£100,000+	8%	3%	14%	39%	46%
Borrowing up to £25,000	*65%*	*77%*	*46%*	*23%*	*16%*
Borrowing more than £25,000	*35%*	*23%*	*54%*	*77%*	*84%*

Q15za All SMEs using relevant forms of external finance excl DK

Overall, 35% of SMEs using finance said they owed more than £25,000. This was more likely to be the case for larger SMEs (8 in 10 of those with 10-49 or 50-249 employees), as well as those with a minimal or low risk rating (both 54%), those both importing and exporting (49%) and those in Agriculture (64%). This is the equivalent of 9% of all SMEs owing £25,000 or more. Further detail is provided in the table below.

Other analysis showed that 4 in 10 of all those borrowing more than they were before the pandemic owed more than £25,000, increasing to 61% of those within this group that had taken on extra borrowing due to the pandemic.

Owe £25,000+ By date of interview – row percentages	All using finance H2 22	All SMEs H2 22
All SMEs	**35%**	**9%**
0 emp	23%	5%
1-9 emps	54%	19%
10-49 emps	77%	34%
50-249 emps	84%	22%
Minimal external risk rating	54%	16%
Low	54%	16%
Average	28%	6%
Worse than average	29%	7%
Agriculture	64%	21%
Manufacturing	33%	10%
Construction	26%	7%
Wholesale/Retail	47%	14%
Hotels & Restaurants	51%	14%
Transport	48%	14%
Property/ Business Services	27%	6%
Health	37%	6%
Other	17%	4%
Starts	33%	5%
2-5 years	32%	9%
6-9 years	31%	8%
10-15 years	36%	10%
15+ years	37%	8%
Plan to apply	31%	21%

Q15v a and b All SMEs using finance / All SMEs excl DK

SUMMARY USE OF CORE AND OTHER FORMS OF FINANCE

The overall use of finance figures already reported include use of the ‘core’ forms of finance often provided by banks (overdrafts, loans (including commercial mortgages) and/or credit cards) and a range of ‘other’ forms of finance available to SMEs. As with overall use of finance, use of core finance in 2019 was higher than previously seen at 39%, but then declined to 29% in 2020 and 31% in 2021. In 2022, 26% of SMEs were using core finance.

Detailed breakdowns by the types of products included in each definition are provided later in this chapter.

The analysis below shows the use of core and other forms of finance on an annual basis.

Back in 2012, 36% of SMEs were using any form of core finance, declining to 29% in 2014. The proportion has been broadly stable since, with the exception of 2019 when 39% of SMEs were using such finance, but the 26% using core finance in 2022 is at the bottom end of the range seen.

The decline in use in core finance between 2021 and 2022 was seen across all demographics, but more markedly for those in the Hotel & Restaurant sector (41% to 29%).

As with use of finance overall, these trends have been affected by changes in the proportion of Permanent non-borrowers. Once they were excluded, use of core finance increased from 51% in 2014 to 67% in 2019, went back to 51% for 2021 and was unchanged for 2022:

Currently use any core finance Over time – all SMEs By date of interview – row percentages	2015	2016	2017	2018	2019	2020	2021	2022
All SMEs	**30%**	**30%**	**31%**	**32%**	**39%**	**29%**	**31%**	**26%**
0 emp	25%	27%	27%	29%	37%	24%	26%	23%
1-9 emps	40%	37%	39%	36%	42%	39%	43%	36%
10-49 emps	50%	50%	53%	46%	52%	48%	51%	48%
50-249 emps	53%	57%	64%	70%	71%	50%	30%	25%
Minimal external risk rating	39%	39%	39%	41%	40%	32%	37%	31%
Low	39%	38%	38%	34%	41%	35%	37%	32%
Average	31%	33%	30%	31%	35%	28%	29%	26%
Worse than average	24%	26%	28%	30%	39%	27%	29%	25%
Agriculture	36%	36%	40%	40%	48%	35%	35%	29%
Manufacturing	31%	33%	35%	31%	37%	29%	35%	32%
Construction	26%	32%	30%	29%	42%	29%	29%	27%
Wholesale/Retail	36%	39%	39%	37%	45%	37%	35%	30%
Hotels & Restaurants	37%	33%	36%	36%	42%	38%	41%	29%
Transport	29%	28%	29%	30%	38%	32%	35%	27%
Property/ Business Services	29%	27%	26%	27%	32%	26%	28%	23%
Health	26%	27%	36%	45%	52%	22%	22%	21%
Other Community	29%	30%	26%	32%	34%	23%	28%	30%
All excl PNBs	55%	57%	57%	61%	67%	48%	51%	51%

Q15 All SMEs -new definition for Q1 2018

The table below shows summary use of any of the 'other' forms of finance, by key demographics, over time. Overall usage changed very little between 2012 and 2020 (16-18%) with the exception of 2018 (12%), but was 24% in 2021. The figure for 2022 was slightly lower at 20% but still at the top of the range seen across most previous years, with SMEs with 10-49 employees the most likely to be using such finance (39%):

Currently use other forms of finance Over time – all SMEs By date of interview – row percentages	2015	2016	2017	2018	2019	2020	2021	2022
All SMEs	**17%**	**16%**	**18%**	**12%**	**16%**	**18%**	**24%**	**20%**
0 emp	13%	14%	14%	9%	13%	15%	21%	17%
1-9 emps	26%	23%	25%	18%	22%	27%	33%	28%
10-49 emps	37%	33%	40%	28%	33%	37%	45%	39%
50-249 emps	36%	35%	44%	49%	33%	36%	28%	22%
Minimal external risk rating	22%	20%	25%	14%	20%	22%	26%	26%
Low	22%	20%	20%	14%	19%	25%	27%	22%
Average	15%	16%	15%	11%	13%	18%	23%	20%
Worse than average	15%	16%	17%	12%	16%	16%	24%	19%
Agriculture	22%	24%	26%	15%	24%	22%	28%	24%
Manufacturing	18%	18%	19%	11%	15%	20%	28%	22%
Construction	13%	15%	17%	11%	14%	17%	22%	21%
Wholesale/Retail	22%	19%	22%	16%	22%	20%	28%	25%
Hotels & Restaurants	19%	20%	18%	12%	17%	26%	38%	25%
Transport	20%	20%	22%	14%	20%	25%	27%	21%
Property/ Business Services	15%	14%	14%	10%	12%	16%	21%	15%
Health	15%	12%	15%	12%	12%	14%	19%	17%
Other Community	19%	17%	17%	10%	16%	17%	27%	24%
All excl PNBs	32%	31%	33%	22%	27%	31%	40%	39%

Q15 All SMEs – new definition Q1 2018

USE OF CORE AND OTHER FORMS OF FINANCE IN COMBINATION

The table below shows how core and other forms of finance have been used individually or in combination by SMEs since 2015, with the figures from 2018 reflecting the new list of products now being used.

The proportion using only core forms of finance initially decreased from 26% in 2012 to 20% of SMEs in 2014. After a period of stability 2015-2017, sole use of core finance increased, reaching 29% in 2019 but has been lower since, and was 15% in 2022:

External finance currently used Over time – all SMEs	2015	2016	2017	2018	2019	2020	2021	2022
Unweighted base:	*20,046*	*18,000*	*18,012*	*18,002*	*18,000*	*17,768*	*16,486*	*17,002*
Only use core products	20%	21%	21%	25%	29%	18%	18%	15%
Only use other forms of finance	8%	7%	8%	5%	6%	8%	12%	10%
Use both forms of finance	9%	10%	10%	7%	9%	10%	13%	11%
Use none of these forms of finance	63%	62%	62%	64%	55%	63%	57%	64%

Q15 All SMEs

Changes in the use of core finance has typically been the main contributor to the increase or decline in the proportion of SMEs using no finance at all, notably in 2019. The proportions using only other forms of finance, or both other and core forms of finance, remained more stable, but both are somewhat higher in 2021-2022 than previously seen, due to the increase in the use of grants.

DETAILED USE OF ALL FORMS OF EXTERNAL FINANCE

The table below shows the full list of the different types of funding covered on the SME Finance Monitor since Q1 2018 and being used by SMEs YEQ4 2022. It includes both the core forms of finance and the other forms of finance about which data has been collected, some of which may also be obtained from the bank. As a reminder, these figures have not been adjusted in the light of the additional questions around pandemic related funding:

External finance currently used YEQ4 22 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*17,002*	*3279*	*5802*	*2668*	*2253*
Core products (any)	**26%**	**23%**	**36%**	**48%**	**25%**
-Bank loan	12%	10%	18%	24%	8%
-Bank overdraft	10%	9%	12%	16%	8%
-Credit cards	11%	9%	15%	28%	15%
-Commercial mortgage	1%	1%	3%	5%	3%
-Any other loan*	3%	3%	3%	4%	1%
-Any other overdraft*	*	*	*	*	*
Other forms of finance (any)	**20%**	**17%**	**28%**	**39%**	**22%**
-Leasing or hire purchase	8%	6%	12%	27%	15%
-Loans from directors, family & friends	5%	4%	7%	7%	2%
-Equity from directors, family & friends	2%	1%	3%	3%	1%
-Invoice finance	1%	*	2%	3%	4%
-Grants	9%	8%	12%	12%	5%
-Crowd funding / peer to peer*	*	*	1%	1%	*
-Asset based lending*	*	*	1%	1%	*
-Selective/single invoice finance*	1%	1%	*	1%	*
Any of these	*36%*	*32%*	*47%*	*57%*	*32%*
None of these	*64%*	*68%*	*53%*	*43%*	*68%*

Q15 All SMEs – new definition from Q1 2018*

Amongst SMEs with employees, 48% were using external finance – 37% were using any form of core finance and 29% any of the other forms of finance listed.

SMEs that import and/or export were asked about use of Export/Import finance. YEQ4 2022, 1% of such SMEs used these products, with limited variation by size of SME (<1-3%).

SMEs that are companies were also asked about use of equity from other third parties such as Business Angels. <1% were using such finance, with little variation by size, age, risk rating, or over time.

The table below details the use of all of these forms of funding over recent quarters. The increase from Q3 2020 in the use of loans and also in Grants reflected the forms of finance used to support businesses during the pandemic. Since then use of loans has declined somewhat (to 11% in Q4 2022) and use of grants is also lower at 6% in Q4 2022:

Use of external finance

Over time – all SMEs By date of interview	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Unweighted base:	*4252*	*4263*	*4250*	*3888*	*4085*	*4250*	*4250*	*4250*	*4252*
Core products (any)*	**31%**	**32%**	**31%**	**32%**	**29%**	**28%**	**28%**	**24%**	**25%**
-Bank loan	16%	15%	16%	18%	14%	13%	13%	11%	11%
-Bank overdraft	11%	11%	9%	12%	11%	12%	10%	8%	9%
-Credit cards	12%	11%	9%	12%	11%	11%	13%	9%	12%
-Comm. Mortgage	2%	2%	2%	2%	1%	2%	1%	1%	2%
-Any other loan*	2%	3%	5%	3%	3%	2%	4%	2%	2%
-Any other overdraft*	*	*	*	*	*	*	*	*	*
Other forms of finance (any)*	**26%**	**25%**	**27%**	**23%**	**23%**	**24%**	**21%**	**18%**	**18%**
-Leasing, hire purchase or vehicle finance	9%	10%	9%	7%	8%	8%	8%	6%	9%
-Grants	14%	13%	16%	15%	11%	13%	9%	8%	6%
-Loans from directors/family/friends	5%	5%	4%	3%	4%	6%	5%	6%	4%
-Equity from directors/family/friends	2%	2%	2%	2%	1%	2%	2%	1%	2%
-Invoice finance	2%	1%	1%	1%	2%	1%	1%	1%	1%
-Crowd funding/ peer to peer*	*	*	*	*	*	*	*	*	*
-Asset based lending*	1%	*	*	*	*	*	*	*	*
-Selective/single invoice finance*	1%	*	*	*	1%	*	1%	1%	*
Any form of finance* – all SMEs	***44%***	***42%***	***45%***	***43%***	***40%***	***40%***	***38%***	***33%***	***34%***

Q15 All SMEs – new definition Q1 2018

The table below takes a longer term, annual view of the use of these individual finance products, back to 2015. In 2021, boosted by pandemic related funding, use of bank loans/commercial mortgages reached 17% but in 2022 the figure was somewhat lower at 13%, albeit still ahead of pre-pandemic figures, while the proportion using Grants dropped from 14% to 9% of SMEs:

Use of forms of finance Over time – all SMEs By date of interview	2015	2016	2017	2018	2019	2020	2021	2022
Core products (any)*	30%	30%	31%	32%	39%	29%	31%	26%
-Bank overdraft	*16%*	*16%*	*18%*	*19%*	*23%*	*13%*	*11%*	*10%*
-Bank loan/Commercial mortgage	*7%*	*7%*	*6%*	*9%*	*9%*	*12%*	*17%*	*13%*
-Credit cards	*16%*	*17%*	*16%*	*14%*	*18%*	*13%*	*11%*	*11%*
*-Any other loan**	-	-	-	*1%*	*1%*	*1%*	*3%*	*3%*
*-Any other overdraft**	-	-	-	*	*	*	*	*
Other forms of finance (any)*	17%	16%	18%	12%	16%	18%	24%	20%
-Leasing, hire purchase or vehicle finance	*7%*	*7%*	*9%*	*7%*	*11%*	*9%*	*9%*	*8%*
-Loans/Equity from directors/family/friends	*8%*	*6%*	*5%*	*4%*	*4%*	*4%*	*5%*	*6%*
-Invoice finance	*2%*	*3%*	*3%*	*1%*	*1%*	*1%*	*1%*	*1%*
-Grants	*2%*	*2%*	*2%*	*1%*	*1%*	*8%*	*14%*	*9%*
*-Crowd funding/ peer to peer**	-	-	-	*	*	*	*	*
*-Asset based lending**	-	-	-	*	*	*	*	*
*-Selective/single invoice finance**	-	-	-	*	*	*	*	*1%*
Any Finance	*37%*	*37%*	*38%*	*36%*	*45%*	*37%*	*43%*	*36%*

Q15 All SMEs – new definition Q1 2018

SMEs could use one or more of the forms of finance listed above, but over half used just one if they used any: 56% of those SMEs using any external finance were only using one of the forms of finance listed, the equivalent of 20% of all SMEs.

The table below shows the number of forms of finance used by all SMEs for YEQ4 2022 (including the 64% using no external finance). With the exception of the largest SMEs, around 1 in 5 used one type of finance, while SMEs with 10-49 employees were more likely to be using 3 or more forms of finance:

Forms of external finance currently used YEQ4 2022 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*17,002*	*3279*	*5802*	*5668*	*2253*
None	64%	68%	53%	43%	68%
1 form of finance	20%	19%	23%	21%	15%
2 forms of finance	9%	8%	13%	15%	8%
3 forms of finance	4%	3%	6%	10%	4%
4 or more forms of finance	3%	2%	5%	11%	5%

58% of those using a single form of finance YEQ4 2022 were using one of the core products, including 22% using a bank loan, 17% using a credit card and 14% were using an overdraft. 42% were using an ‘other’ product, including 18% using grants and 12% using equity/loans for directors/friends.

Moving from one to two forms of finance saw an increase in use of any core products from 58% to 89% and of other forms of finance from 42% to 63%. Individual products which saw the largest increase in usage included overdrafts (14% to 34%), credit cards (17% to 40%) and leasing (9% to 26%).

The table below shows how the number of products being used has changed over recent quarters. The proportion of SMEs using 2 or more forms of finance varied very little from Q3 2020 to Q2 2022 (16-19%) but has been slightly lower since (15% in Q4 2022):

Number of forms of finance Over time – all SMEs By date of interview	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Unweighted base:	*4263*	*4250*	*3888*	*4082*	*4250*	*4250*	*4250*	*4252*
No finance used	58%	55%	57%	60%	60%	62%	67%	66%
1 form of finance	24%	26%	24%	24%	22%	21%	18%	19%
2 or more forms of finance	18%	18%	19%	16%	17%	17%	14%	15%

As already reported, use of bank loans and grants was notably higher from H2 2020 onwards than before. In 2022 overall, 4% of all SMEs were only using either a bank loan or grants as their source of external finance, while 3% were using credit cards or an overdraft facility.

2% of SMEs (YEQ4 2022) said that they were using an additional form of external finance not on the list detailed in full above, with no difference by size:

- Those also using a specified form of finance were slightly more likely to be using an additional form of finance (2% for those also using any of the specified forms of external finance and 1% for those not).
- This means that less than 1% of **all** SMEs are classed as non-users of finance in this report (because they do not use any of the specified forms of external finance) but said at this question that they were using some other form of finance. The form of funding used is not known.

USE OF LEASING, HP AND VEHICLE FINANCE

Since 2014 SMEs using leasing, HP and/or vehicle finance have been asked in more detail about the source of this funding. These questions have gone through several iterations and, from Q1 2017, SMEs using these forms of finance have been asked a simplified question to understand the extent to which this funding came from their main bank/banking group.

This question was also affected by the changes made due to the pandemic. It was asked in Q1-3 2021 and then again in Q3 and Q4 2022 and these latest results are shown below. A stable 14% of SMEs using leasing, HP and/or vehicle finance used their main bank to some extent for this finance, with little variation by size, with the slight exception of those with 50-249 employees:

Source of leasing/vehicle finance H2 22 – all SMEs using such finance	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	***1405***	***84****	***379***	***787***	***155***
Any main bank/banking group	14%	13%	16%	12%	25%
-All through main bank / banking group	*13%*	*13%*	*14%*	*9%*	*20%*
-Some through main bank / banking group	*1%*	*-*	*2%*	*3%*	*5%*
All through other provider	86%	87%	84%	88%	75%

Q15c (14x2) All SMEs using leasing or vehicle finance

Analysis over time is provided in the table below. It shows that the proportion of SMEs using leasing/ vehicle finance who did so through their bank (in whole or in part) increased from 21% in 2017 to 33% in 2018 and was stable at 32% for 2019. Since 2020 however the proportion has been notably lower at 14-15%, and across all size bands:

Any bank involvement

Over time – all SMEs using leasing By date of interview – row percentages	2017	2018	2019	2020	Q1-3 2021	Q3-4 2022
All	**21%**	**33%**	**32%**	**15%**	**14%**	**14%**
0 emp	20%	33%	34%	14%	12%	13%
1-9 emps	20%	32%	27%	16%	16%	16%
10-49 emps	28%	34%	27%	16%	16%	12%
50-249 emps	40%	39%	40%	18%	13%	25%

Q15c (14x2) All SMEs using leasing or vehicle finance

USE OF INVOICE FINANCE

On an occasional basis all SME have been asked their views on invoice finance as a form of funding. Those using it (1% of SMEs in 2022) were asked how likely they would be to recommend it, and those not using it how likely they would be to consider it, if they were looking for funding.

In Q4 2022:

- 72% of current invoice finance users said they would be likely to recommend this form of funding to others (including 30% who were very likely).
- Amongst non-users, 1 in 5 said that they did not have the right sort of invoices to take advantage of this form of finance. Amongst those who did feel they would be eligible, 6% thought they would be likely to consider it if a future need for funding were to arise, and this was consistent both amongst those already using other forms of finance and those not using any finance.
- Overall, 5% of all SMEs would either recommend or consider invoice finance as a form of funding, unchanged from Q4 2021 when this question was previously asked.

EXTERNAL FINANCE – REPAYMENT AND SECURITY

In a new question from Q1 2020, those using any form of external finance were asked a series of questions about that finance, including their ability to repay the borrowing they had. From Q2 2021, those who had received pandemic-related funding were also asked separately about any concerns around their ability to repay that borrowing .

Concern amongst those currently using any external finance is asked as part of a broader question:

- The proportion concerned about their ability to repay changed relatively little during 2022, from 18% to 16% and remained lower than when this question was first asked in Q4 2020 when 1 in 4 were concerned .
- Around a fifth said that their borrowing was secured, with little variation over time.
- A stable minority of SMEs using external finance said the interest rate was linked to LIBOR (6-7%). This question was only asked to Q1 2022 after the changes to LIBOR lending came into effect.

Use of external finance

Over time – all SMEs using external finance By date of interview	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Unweighted base:	*2368*	*2315*	*2295*	*1972*	*2029*	*2079*	*1937*	*1827*	*1973*
You are concerned about ability to meet finance repayments over next 12 mths	24%	22%	16%	18%	15%	18%	15%	17%	16%
Some or all of the borrowing is secured	23%	21%	16%	20%	21%	19%	20%	27%	18%
You have borrowing linked to LIBOR	8%	7%	6%	6%	6%	5%	-	-	-

Q78c All SMEs using external finance

The repayment concerns expressed above form part of the overall “Repayment concern” metric reported below.

The second element of the repayment concern analysis comes from those who received pandemic related funding, primarily from their main bank. This questioning has gone through several iterations and is reported fully in the first chapter of this report. Data for those very or fairly concerned about their ability to repay this funding is shown below, with around 1 in 5 of those who have pandemic funding expressing concern, little changed over time:

Repaying pandemic funding

Over time – all SMEs receiving pandemic related funding By date of interview	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Unweighted base:	*1035*	*851*	*697*	*786*	*668*	*782*	*837*
Very/fairly concerned about ability to meet repayments as they fall due	19%	22%	20%	17%	18%	22%	20%

Qbb2bb All SMEs receiving pandemic related funding

REPAYMENT CONCERNS OVERALL AND ACTION TAKEN

This section looks at all those who were concerned at all about their ability to meet repayments (whether through use of pandemic related funding or the usual external finance held) and the steps taken to resolve that concern.

In 2022, the equivalent of 7% of all SMEs expressed concern about repaying current facilities at one or more of these questions, as reported below by key demographics. This was made up of 6% reporting concern about general repayments and 3% specifically concerned about pandemic related funding (some reported concerns at both questions).

Concerned about repayment **All SMEs YEQ4 2022**	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*17,002*	*3279*	*5802*	*5668*	*2253*
Concerned about general repayment	6%	6%	7%	6%	2%
Concerned about pandemic finance	3%	3%	3%	2%	1%
Any concern	*7%*	*7%*	*9%*	*7%*	*2%*
Using any finance but not concerned	34%	30%	44%	56%	34%
Not using finance	59%	63%	47%	38%	63%

Repcon All SMEs

The table below shows levels of concern for Q2-4 2021 and for 2022. Overall, concern was slightly lower in 2022 (7%) than in 2021 (9%), notably for those in Hotels & Restaurants (11% from 15% but still above average) and Manufacturing (7% from 11%), while those trading for 2-5 years were the most likely to be concerned in 2022 (12%):

Any repayment concern (all SMEs) Over time By date of interview – row percentages	2021*	2022
All SMEs	**9%**	**7%**
0 emp	8%	7%
1-9 emps	11%	9%
10-49 emps	7%	7%
50-249 emps	3%	2%
Minimal external risk rating	6%	4%
Low	7%	6%
Average	8%	7%
Worse than average	10%	9%
Agriculture	9%	8%
Manufacturing	11%	7%
Construction	8%	7%
Wholesale/Retail	8%	9%
Hotels & Restaurants	15%	11%
Transport	12%	9%
Property/ Business Services	6%	5%
Health	8%	8%
Other	10%	8%
All excl PNBs	14%	13%
Starts	8%	5%
2-5 years trading	11%	12%
6-9 years	11%	10%
10-15 years	10%	10%
15 years+	7%	6%

Repcon All SMEs from Q2 2021

Further analysis showed higher levels of concern amongst those whose borrowing behaviour had been impacted by the pandemic:

- 29% of those borrowing more than pre-pandemic were concerned about repayment in 2021 and 27% in 2022.
- Within this group, the smaller sub-group borrowing for the first time in the pandemic were somewhat more likely than their peers to be concerned about repayment (32% in 2021 and 30% in 2022).
- Those whose borrowing had not changed much or had even reduced compared to pre-pandemic were less likely to be concerned than their peers (9% in 2021 and 13% in 2022):

Any repayment concern (all SMEs) Over time By date of interview – row percentages	2021*	2022
All SMEs	**9%**	**7%**
Borrowed first time in pandemic	32%	30%
Borrowed more in pandemic	29%	27%
Borrowing same/less in pandemic	9%	13%
Use only core finance	20%	17%
Use both core and other forms of finance	21%	24%
Use only other forms of finance	7%	8%

Analysis by types of finance being used showed that:

- Those using both core and other forms of finance were slightly more likely to be concerned about repayment in 2022 than in 2021 (from 21% to 24%).
- Amongst those only using core finance, concern was slightly lower in 2022 (17%) than in 2021 (20%).
- Compared to their peers, concern was much lower for those only using other forms of finance (8% in 2022), and little changed from 2021.

In H2 2022, 18% of those owing up to £25,000 expressed concern about repaying what was owed, increasing to 30% of those owing between £25,000 and £100,000 and 27% of those owing more than £100,000.

Subsequent questions were then asked of those with concerns, about the actions they had taken, or planned to take. As the table below shows, 19% of concerned SMEs had already spoken to their lender and a further 15% planned to, with limited variation by size. Two thirds however have no plans to speak to their bank about their concerns, also with little variation by size:

Response to repayment concerns YEQ4 2022- All SMEs with concerns	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*1165*	*239*	*503*	*369*	*54**
Have spoken to lender	19%	20%	18%	20%	24%
Have not spoken to lender but plan to	15%	15%	16%	14%	10%
Have no plans to speak to lender	65%	65%	66%	66%	66%

Qbb4 All SMEs with repayment concerns

Indicatively, on limited base sizes for 2022:

- Amongst those who had contacted their lender, 18% were waiting for discussions to begin. Most of those who had discussed it with their bank had looked at repayment plans: Half of those who had spoken to their lender had agreed a repayment plan (55%), typically under Pay as you Grow, 7% were offered a repayment plan but chose not to take it and 6% were still discussing a plan. 11% were offered other help and advice, 8% said no help had been offered.
- 6 in 10 of those who had spoken to their lender were very satisfied (scores 7-10) with the response.
- 40% of those planning to speak to their lender said they would be asking about options available under the Pay as you Grow scheme with almost as many (34%) saying they would not and 23% saying that they were not sure.

In a new question from Q3 2022, those who were concerned about making their repayments were asked what impact, if any, this was having on their wider business. As the table below shows, 7 in 10 reported an impact, primarily around business growth and having to be cautious with other plans and this is the equivalent of 5% of all SMEs having their plans affected:

Impact of repayment concerns H2 22 – all SMEs with concerns	Total	0-9 emps	10-49 emps
Unweighted base:	*581*	*381*	*200*
Any impact	72%	72%	70%
-How much can try to grow business	49%	49%	48%
-More cautious about other aspects of business	44%	44%	51%
-Extent to which can invest in business	36%	36%	35%
-Extent to which can recruit/develop staff	29%	29%	37%
-Extent to which can launch products etc	23%	23%	31%
Not impacted on plans for business	*28%*	*28%*	*30%*

Qbb6 All SMEs with repayment concerns

PERSONAL ELEMENTS TO BUSINESS FINANCE

For smaller SMEs in particular there can be a 'blurring' between business and personal finance. This next section looks at the various ways in which personal funds have been used by SMEs, whether as finance for the business or through the use of a personal bank account. Most of this section of the questionnaire was unaffected by the changes made in Q1 2018.

PERSONAL ELEMENT – INJECTIONS OF PERSONAL FUNDS

SMEs were asked whether personal funds had been injected into the business in the previous 12 months by the owner or any director, and whether this was something they had *chosen* to do or felt that they *had* to do.

The proportion reporting any injection of personal funds doubled between Q4 2019 (20%) and Q2 2021 (40%). Since then there has been more variation in the proportion injecting funds, reaching 39% again in Q1 2022 but decreasing to 31% by Q4 2022. This variation has primarily been caused by changes in the proportion who said that they had no choice but to inject funds (26% in Q1 2022 to 19% in Q4 2022):

Personal funds in last 12 months

Over time – all SMEs By date of interview	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Unweighted base:	*4252*	*4263*	*4250*	*3888*	*4085*	*4250*	*4250*	*4250*	*4252*
Inject personal funds – you chose to do to help the business grow and develop	13%	11%	12%	11%	12%	13%	11%	14%	13%
Inject personal funds – you felt you had no choice about this, that you had to do it	25%	27%	28%	25%	23%	26%	22%	20%	19%
Any personal funds	***38%***	***38%***	***40%***	***36%***	***35%***	***39%***	***34%***	***34%***	***31%***
Not something you have done	62%	62%	60%	64%	65%	61%	66%	66%	69%

Q15d All SMEs

The most likely to have felt that they 'had' to inject personal funds at the recent 'peak' in Q1 2022 were those in the Health (31%) or Other Community (33%) sectors, Starts (34%) or those using external finance (32%), compared to 3% of those with 50-249 employees, 12% with a minimal risk rating, 18% in Wholesale/Retail and 18% of Permanent non-borrowers.

Taking a longer term view, in 2012-13, 4 in 10 SMEs had injected funds, increasing to 3 in 10 in 2014. As the table below shows, this proportion was then stable until a further decline to 24% in 2019, followed by notable increases, reaching 37% in 2021 and only slightly lower in 2022 as a whole (34%):

Personal funds in last 12 months Over time – all SMEs	2015	2016	2017	2018	2019	2020	2021	2022
Unweighted base:	*20,046*	*18,000*	*18,012*	*18,002*	*18,000*	*17,768*	*16,486*	*17,002*
Inject personal funds – you chose to do to help the business grow and develop	14%	17%	16%	16%	13%	13%	11%	13%
Inject personal funds – you felt you had no choice about this, that you had to do it	13%	11%	13%	13%	11%	19%	26%	22%
Any personal funds	*28%*	*28%*	*29%*	*29%*	*24%*	*32%*	*37%*	*34%*
Not something you have done	72%	72%	71%	71%	76%	68%	69%	66%

Q15d All SMEs from Q2 2012

The proportion of *all* injections of funds that were 'forced' declined from 58% in 2012 to 39% in 2016 but then increased slightly to 45% of all injections for 2017, remained stable until 2019 (46%) but was back to 69% by 2021 and 65% in 2022.

The more detailed analysis below is based on the combined results YEQ4 2022 to provide robust base sizes for key sub-groups. Smaller SMEs, especially those with no employees, remained much more likely to have received an injection of personal funds:

Personal funds in last 12 months YEQ4 22 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*17,002*	*3279*	*5802*	*5668*	*2253*
Inject personal funds – you chose to do to help the business grow and develop	13%	14%	11%	5%	2%
Inject personal funds – you felt you had no choice about this, that you had to do it	22%	23%	18%	8%	3%
Any personal funds	*34%*	*37%*	*28%*	*13%*	*5%*
Not something you have done	66%	63%	72%	87%	95%

Q15d All SMEs

Amongst SMEs with employees, 25% reported any injection of personal funds – 10% who chose to do so and 16% who felt that they had no choice.

Injections of personal funds increased markedly with risk rating, from 15% of those with a minimal risk rating to 42% of those with a worse than average risk rating:

Personal funds in last 12 months YEQ4 22– all SMEs	Total	Min	Low	Avge	Worse/ Avge
Unweighted base:	*17,002*	*3390*	*4804*	*4454*	*3143*
Inject personal funds – you chose to do to help the business grow and develop	13%	6%	7%	12%	17%
Inject personal funds – you felt you had no choice about, that you had to do	22%	9%	14%	21%	25%
Any personal funds	*34%*	*15%*	*21%*	*33%*	*42%*
Not something you have done	66%	85%	79%	67%	58%

Q15d All SMEs

There was relatively little difference in the proportion in each sector that had received any injection of funds, ranging from 31% in Property/Business Services to 38% in both the Health and Other Community sectors. There was also little difference by sector in terms of those who felt they had no choice but to inject funds (23-26%) with the exception of those in Property/Business Services (17%) and Wholesale/Retail or Health (both 19%):

Personal funds in last 12 months

YEQ4 22 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop/ Bus	Hlth SWrk	Other Comm
Unweighted base:	*869*	*2224*	*2724*	*2158*	*1049*	*1485*	*3506*	*1029*	*1928*
Chose to inject	13%	13%	9%	15%	12%	10%	14%	19%	13%
Had to inject	24%	25%	23%	19%	24%	26%	17%	19%	25%
Any funds	*37%*	*37%*	*32%*	*34%*	*36%*	*36%*	*31%*	*38%*	*38%*
Not put funds in	63%	63%	68%	66%	64%	64%	69%	62%	62%

Q15d All SMEs

The table below looks at the long term changes in injections of any personal funds, whether through choice or necessity, by key business demographics. After a dip in 2019 (24%), injections of personal funds increased again to 2021 (37%), and remained higher than previously seen in 2022 (34%). The most likely to report an injection of funds remained smaller SMEs and those with a worse than average risk rating. Excluding the PNBs increased the proportion to 42% of remaining SMEs:

Any personal funds in last 12 months Over time – all SMEs Row percentages	2015	2016	2017	2018	2019	2020	2021	2022
All SMEs	**28%**	**28%**	**29%**	**29%**	**24%**	**32%**	**37%**	**34%**
0 emp	29%	29%	31%	29%	25%	34%	40%	37%
1-9 emps	26%	24%	28%	27%	23%	29%	31%	28%
10-49 emps	16%	13%	14%	13%	13%	15%	14%	13%
50-249 emps	8%	9%	7%	6%	5%	9%	8%	5%
Minimal external risk rating	17%	13%	12%	14%	11%	18%	16%	15%
Low	19%	18%	21%	18%	17%	22%	24%	21%
Average	24%	25%	25%	26%	23%	30%	35%	33%
Worse than average	33%	33%	38%	34%	29%	37%	47%	42%
Agriculture	26%	27%	27%	28%	28%	31%	32%	37%
Manufacturing	27%	23%	28%	30%	24%	29%	31%	37%
Construction	25%	26%	25%	26%	24%	31%	33%	32%
Wholesale/Retail	27%	28%	30%	31%	22%	34%	34%	34%
Hotels & Restaurants	29%	30%	34%	31%	30%	39%	44%	36%
Transport	31%	31%	37%	24%	24%	38%	46%	36%
Property/ Business Services	27%	30%	27%	30%	24%	28%	36%	31%
Health	27%	24%	29%	21%	17%	30%	37%	38%
Other Community	34%	28%	33%	34%	26%	35%	38%	38%
PNBs	19%	20%	21%	20%	18%	22%	27%	26%
All excl PNBs	35%	35%	37%	36%	29%	39%	44%	42%

Q15d All SMEs

Returning to the current period, analysis showed that the youngest SMEs continued to be the most likely to have had an injection of personal funds and that this was as likely to have been a necessity as a choice. For older businesses, an injection of personal funds remained less likely to have happened at all but where it had, a higher proportion of those injections were felt to have been a necessity:

Personal funds in last 12 months YEQ4 22 – all SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	*743*	*1297*	*1584*	*3323*	*10,055*
Inject personal funds – you chose to do to help the business grow and develop	28%	14%	11%	8%	8%
Inject personal funds – you felt you had no choice about this, that you had to do it	28%	28%	22%	20%	17%
Any personal funds	*57%*	*42%*	*32%*	*28%*	*25%*
Not something you have done	43%	58%	68%	72%	75%

Q15d All SMEs

Starts have always been more likely than their peers to report an injection of funds:

- In 2012, 68% of Starts reported receiving an injection of funds, dropping to 43% in 2015 but then starting to increase again (49% in 2017 and 2018).
- In 2019, fewer reported an injection of personal funds (33%) as a higher proportion of Starts reported using external finance, but that situation was reversed in 2020 with less use of external finance and more injections of personal funds (47%).
- There was a further increase in injections of personal funds in 2021 (61%), little changed in 2022 (57%).

Those using a *personal* account for their business banking remained slightly more likely to have put personal funds in at all (39% v 34% of those with a business account YEQ4 2022).

SMEs currently using external finance were more likely to have received an injection of personal funds (41% YEQ4 2022) than those not currently using external finance (31%) and were also more likely to say they had felt that there had been no choice (29% v 17%).

Analysed by their overall financial behaviour in the previous 12 months, the small group of Would-be seekers (who had wanted to apply for finance but felt that something had stopped them) remained much more likely to have received an injection of personal funds (72%) and to say that they had had no choice (51%, but lower than in 2021 when this was the case for 66% of this group):

Personal funds in last 12 months YEQ4 22 – all SMEs	Total	Had an event	Would-be seeker	Happy non-seeker
Unweighted base:	*17,002*	*2052*	*226*	*14,724*
Inject personal funds – you chose to do to help the business grow and develop	13%	11%	21%	13%
Inject personal funds – you felt you had no choice about, that you had to do	22%	40%	51%	18%
Any personal funds	*34%*	*51%*	*72%*	*31%*
Not something you have done	66%	49%	28%	69%

Q15d All SMEs

As already reported, the proportion of SMEs that had seen an injection of personal funds has varied over time. From 2020, the proportion has been at the higher end of the range at 32%, 37% and 34%:

- Amongst those that had had a borrowing event, injections fell from 52% in 2012 to 35% in 2019 before increasing to 44% in 2020 and 51% in 2021 and 2022.
- Amongst Happy non-seekers , injections of personal funds declined from 37% in 2012 to 22% in 2019, followed by small increases from 2020 (to 28%, 32% and 31% in 2022). They remained less likely than their peers to have had an injection of personal funds.
- Injections of personal funds were more common amongst the small group of Would-be seekers of finance, increasing from 62% in 2012 to 72% in 2017. This was not maintained in 2018 (59%) or 2019 (60%), but a further increase from 2020 (to 72%, 75% and 72% in 2022) ensured that this group remained more likely than its peers to have seen an injection of personal funds.

PERSONAL ELEMENT – USE OF PERSONAL BANK ACCOUNTS

Most SMEs used a business bank account (91% excluding DK answers).

Of the 9% that used a personal account, almost all (95%) were 0 employee businesses. So, whilst 11% of 0 employee SMEs used a personal account for their business banking, amongst those with employees the figure was 2%.

In the early years of the SME Finance Monitor around 1 in 5 SMEs used a personal account. Since 2017, when 16% used a personal account this proportion has declined, to 11% in 2019 and 9% for 2022.

YEQ4 2022, SMEs using a personal account were:

- Slightly less likely to be using external finance (33% used external finance, compared to 37% of those using a business account), as likely to have had a borrowing event (13% v 11%), and slightly more likely to meet the definition of a PNB (52% v 48%).
- They were also slightly more likely to have put personal funds into the business (39% v 34% of those with a business account).

As the analysis below shows, SMEs using a personal account for their business banking have typically been less likely to be using external finance than those using a business account (though the gap was narrower in 2022 at 33% v 37%). For those using a personal account, use of finance was lower than in 2019 when 38% were using external finance, but as in 2021, slightly higher than was more typically seen pre-pandemic:

External finance currently used Over time – all SMEs	2015	2016	2017	2018	2019	2020	2021	2022
Use business account:								
Use core finance	*31%*	*33%*	*32%*	*33%*	*40%*	*30%*	*32%*	*27%*
Use any finance	*39%*	*40%*	*40%*	*38%*	*46%*	*38%*	*43%*	*37%*
Use personal account for business:								
Use core finance	*22%*	*21%*	*24%*	*26%*	*33%*	*22%*	*20%*	*20%*
Use any finance	*28%*	*26%*	*30%*	*29%*	*38%*	*29%*	*35%*	*33%*

Q15/Q24 All SMEs

PERSONAL ELEMENT – FINANCE FACILITIES IN A PERSONAL NAME

Those using core finance were previously asked whether any of those loan, overdraft or credit card facilities were in their personal name, rather than that of the business. Typically, a quarter of those using such facilities said that one or more facilities were in their personal name. This varied relatively little across the quarters in which the question was asked.

From Q1 2018, the question was broadened. SMEs were still asked about the loans and/or overdrafts they used but were then asked about any other forms of finance, not just credit cards specifically. As a result, the figures below are the proportion of those using any finance who have a facility in their personal name, not just those using 'core' finance as previously.

25% of SMEs using finance had any facility in a personal name (up from 16% in 2021), the equivalent of 9% of all SMEs (up from 7% in 2021). This varied by size of SME and was predominantly concentrated amongst the smaller SMEs using finance: 31% of finance users with 0 employees had some facility in their personal name (the equivalent of 10% of all 0 employee SMEs) compared to less than 1% of those with 50-249 employees. SMEs using finance who also had an average or worse than average risk rating were more likely to have a facility in a personal name (26% and 28%), than those with a minimal or low risk rating (12-14%):

Have element of finance in personal name YEQ4 22 – row percentages	Of those using finance	Equivalent % of all such SMEs
Total	**25%**	**9%**
0 employees	31%	10%
1-9 employees	14%	7%
10-49 employees	7%	4%
50-249 employees	2%	*
Minimal risk rating	12%	5%
Low risk rating	14%	5%
Average risk rating	26%	9%
Worse than average risk rating	28%	9%
Use a personal bank account	78%	26%
Use a business bank account	20%	7%

Q15bsu All SMEs using finance excluding DK

Those operating their business banking through a personal account were slightly less likely to be using any finance at all. However, if they *did* use external finance, then 8 in 10 (78%) said that some or all of the facilities that they had were in their personal name. Those with a business account who used finance were much less likely to say that any of the facilities were in their personal name (20%).

As a result, amongst all SMEs, those using a personal account for their business were much more likely to have a facility in their personal name (26%) than those using a business account (7%), or SMEs overall (9%).

These figures are higher than in 2021, primarily due to more (smaller) SMEs saying that they had facilities in both a business and a personal name, as detailed below.

SMEs using loans, overdrafts or any other finance were asked about facilities in a personal name for each individual type of facility they held. In all instances, those with 0 employees were much more likely to have a facility in a personal name:

Facilities in a personal name YEQ4 2022 (excl DK)

Overdrafts	13% of all SMEs with an overdraft said it was in a personal name (compared to 11% in 2021), of which 90% were 0 employee SMEs. 13% said they had overdrafts in both personal and business names (up from 5% in 2021). 18% of 0 employee SMEs with an overdraft said that it was in a personal name (v 15% in 2021). This declined by size to 4% of those with 1-9 employees,2% of those with 10-49 employees and less than 1% of those with 50-249 employees.
Loans	7% of all SMEs with a loan said it was in a personal name (unchanged from 2021), of which 84% were 0 employee SMEs. 9% said they had loans in both personal and business names (up from 4% in 2021). 9% of 0 employee SMEs with a loan said that it was in a personal name (unchanged from 2021). This declined by size to 4% of those with 1-9 employees, and less than 1% of those with 10-49 employees and 50-249 employees.
All other finance	14% of SMEs using any other form of finance said it was in a personal name (unchanged from 2021), of which 89% were 0 employee SMEs. 13% said they had facilities in both personal and business names (up from 5% in 2021). 18% of 0 employee SMEs using other forms of finance said that it was in a personal name (unchanged from 2021). This declined by size to 6% of those with 1-9 employees, 2% of those with 10-49 employees and less than 1% of those with 50-249 employees.

Analysis over time is limited due to the changes made to the questions for 2018, but shows that those with finance in both a personal and business name made up around half of those with any personal finance in 2022:

- Use of personal accounts for business banking has declined recently, from 15% of SMEs in 2020 to 9% in 2022 (the majority with a personal account have always been 0 employee SMEs).
- Most SMEs using finance had that borrowing in the name of the business. Of those using finance, from 2018 to 2020 around 1 in 5 said that they had *any* finance in a personal name (19-22%). This dropped to 16% in 2021 but increased to 25% in 2022, the highest level seen to date.
- Amongst those using an overdraft, around 1 in 10 said it was in a personal name and prior to 2022, very few, 3-5% said they had overdrafts in both the name of the business and in a personal name. In 2022 however, the proportion with overdrafts in both the name of the business and in a personal name increased to 13%, matching those with an overdraft just in a personal name (13%).
- Amongst those using a loan, a declining proportion said it was in a personal name (11% in 2018 to 7% in 2021 and 2022). Prior to 2022, just 3-5% with loans said they had them in both the name of the business and in a personal name. In 2022 however, the proportion with loans in both the name of the business and in a personal name increased to 9%, slightly higher than the figure for those with a loan just in a personal name.
- Amongst those using any other form of finance, a declining proportion said it was in a personal name (18% in 2018 to 13% in 2021). Prior to 2022, just 5-6% with other forms of finance said they had such finance in both the name of the business and in a personal name. In 2022 however, the proportion with other finance in both the name of the business and in a personal name increased to 13%, matching those with other forms of finance just in a personal name (14%).

TRADE CREDIT

37% of SMEs regularly purchased products or services from other businesses on credit (YEQ4 2022), increasing by size of SME:

- 31% of those with 0 employees regularly purchased on credit
- 53% of those with 1-9 employees
- 73% of those with 10-49 employees
- 67% of those with 50-249 employees.

Pre-pandemic, overall use of trade credit increased slightly (31% in 2014 to 37% in 2019) and has been stable since. By size of SME, 0 employee SMEs remained less likely to be using trade credit than their peers (31% in 2022), but larger SMEs have become more likely to be using trade credit since 2019, notably those with 10-49 employees (now 73%):

Currently use trade credit Over time – all SMEs By date of interview – row percentages	2015	2016	2017	2018	2019	2020	2021	2022
All SMEs	**33%**	**33%**	**35%**	**34%**	**37%**	**36%**	**38%**	**37%**
0 emp	28%	28%	29%	29%	30%	30%	31%	31%
1-9 emps	47%	45%	49%	48%	53%	53%	54%	53%
10-49 emps	61%	59%	64%	62%	66%	70%	75%	73%
50-249 emps	60%	59%	69%	67%	59%	72%	64%	67%

Q14y All SMEs

56% of SMEs with employees used trade credit in 2022.

Those using external finance (loans, overdrafts etc) remained more likely to also be using trade credit (47% YEQ4 2022) than those who were not using any external finance (31%) and this was true across all size bands.

SMEs that received trade credit were asked whether this meant that they had a reduced need for other forms of external finance. 6 in 10 of them did (57%), with little difference by size, and this is the equivalent of 21% of all SMEs needing less external finance, as the table below shows:

Impact of receiving trade credit YEQ4 22 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*17,002*	*3279*	*5802*	*5668*	*2253*
Receive trade credit	37%	31%	53%	73%	67%
Have less of a need for external finance	*21%*	*17%*	*30%*	*41%*	*28%*
Do not have less of a need for external finance	*15%*	*13%*	*21%*	*29%*	*37%*
Not sure	*1%*	*1%*	*1%*	*3%*	*3%*
Do not receive trade credit	63%	69%	47%	27%	33%
% of those with TC where it reduces need	*57%*	*55%*	*57%*	*56%*	*42%*

Q14y/y4 All SMEs

The proportion of all SMEs reporting that trade credit had reduced their need for external finance increased very slightly over time, from 21% in H2 2014 to 26% in 2019. It was 24% in 2020 and 2021, but slightly lower again in 2022 at 21% and across all size bands:

Trade credit reduced need for finance Over time – all SMEs By date of interview – row percentages	2015	2016	2017	2018	2019	2020	2021	2022
All SMEs	22%	23%	24%	23%	26%	24%	24%	21%
0 emp	18%	20%	20%	18%	22%	19%	20%	17%
1-9 emps	31%	31%	33%	33%	38%	35%	34%	30%
10-49 emps	41%	41%	48%	44%	49%	47%	44%	41%
50-249 emps	37%	39%	52%	52%	45%	48%	38%	28%

Q14y/y4 All SMEs

USE AND IMPACT OF TRADE CREDIT BY OTHER KEY DEMOGRAPHICS

SMEs with a minimal or low external risk rating remained more likely to receive trade credit (53% and 49% respectively). Across all risk ratings, just over half of those receiving trade credit went on to say that it reduced their need for external finance:

Impact of receiving trade credit YEQ4 22 – all SMEs	Total	Min	Low	Avge	Worse /Avge
Unweighted base:	*17,002*	*3390*	*4804*	*4454*	*3143*
Receive trade credit	**37%**	**53%**	**49%**	**38%**	**31%**
Have less of a need for external finance	*21%*	*30%*	*28%*	*21%*	*17%*
Do not have less of a need for external finance	*15%*	*21%*	*19%*	*15%*	*13%*
Not sure	*1%*	*2%*	*2%*	*1%*	*1%*
Do not receive trade credit	63%	47%	51%	62%	69%
% of those with TC where it reduces need	*57%*	*57%*	*57%*	*55%*	*55%*

Q14y/y4 All SMEs

Older SMEs remained slightly more likely to be receiving trade credit, although amongst trade credit users it was those trading for 6-9 years who were the most likely to say it reduced their need for finance:

Impact of receiving trade credit YEQ4 22 – all SMEs	Starts	2-5 yrs	6-9 yrs	10-15 yrs	15 yrs+
Unweighted base:	*743*	*1297*	*1584*	*3323*	*10,055*
Receive trade credit	**29%**	**31%**	**32%**	**39%**	**43%**
Have less of a need for external finance	*16%*	*17%*	*20%*	*22%*	*24%*
Do not have less of a need for external finance	*12%*	*13%*	*11%*	*16%*	*18%*
Not sure	*1%*	*1%*	*1%*	*1%*	*1%*
Do not receive trade credit	71%	69%	68%	61%	57%
% of those with TC where it reduces need	*55%*	*55%*	*63%*	*56%*	*56%*

Q14y/y4 All SMEs

SMEs in the Wholesale/Retail sector (54%) were the most likely to receive trade credit while those in Construction and Wholesale/Retail sector were the most likely to see their need for finance reduced (both 63% of those using trade credit):

Trade credit in last 12 months

YEQ4 22 – all SMEs	Agric	Mfg	Constr	Whle Retail	Hotel Rest	Trans	Prop / Bus	Hlth Swk	Other Comm
Unweighted base:	*869*	*2224*	*2724*	*2158*	*1049*	*1485*	*3506*	*1029*	*1958*
Receive TC	43%	50%	51%	54%	36%	29%	31%	22%	26%
Have less of a need for external finance	*26%*	*30%*	*32%*	*34%*	*16%*	*15%*	*15%*	*11%*	*15%*
Do not have less of a need for external finance	*17%*	*18%*	*18%*	*19%*	*17%*	*13%*	*15%*	*10%*	*11%*
Not sure	*1%*	*1%*	*1%*	*1%*	*2%*	*2%*	*1%*	*1%*	*1%*
Do not receive TC	57%	50%	49%	46%	64%	71%	69%	78%	74%
% where TC reduces need	*60%*	*60%*	*63%*	*63%*	*44%*	*52%*	*48%*	*50%*	*58%*

Q14y/y4 All SMEs

YEQ4 2022, SMEs using external finance (who were more likely to be using trade credit at all) remained more likely to say that they had less of a need for external finance as a result of trade credit (29%) than those not using external finance (16%) or SMEs overall (21%).

Both those SMEs with £10,000 or more of credit balances and those using trade credit were asked (separately) whether this reduced their need for external finance:

- Where available, having £10,000 or more in credit balances was more likely to reduce the SME's need for finance (84% YEQ4 2022) than having access to trade credit (56% – of a different group of SMEs).
- Overall, 31% of SMEs YEQ4 2022 said that their need for finance was reduced either through credit balances or trade credit, increasing by size of SME (27% for 0 employee SMEs, 44% for those with 1-9 employees, 54% for those with 10-49 employees, with the slight exception of those with 50-249 employees (35%).
- The proportion of SMEs reporting a reduction in need for finance has been around 3 in 10 since 2016 and the 2022 figure was in line with 2020 (32%) and 2021 (34%).

A WIDER DEFINITION OF 'TOTAL BUSINESS FUNDING'

The questions on trade credit and injections of personal funds allow for an analysis of the use of 'total business funding' by SMEs in a wider sense, i.e. including not only external finance but also trade credit and injections of personal funds. Note that the amount of trade credit received was not recorded, and that when last reported, the typical injection of personal funds was for a relatively small amount (often less than £5,000).

For YEQ4 2022:

- 36% of SMEs were using external finance as defined earlier in the chapter (i.e. loans, overdrafts, invoice finance etc).
- An additional 20% of SMEs were not using external finance but were receiving trade credit.
- And finally, a further 14% of SMEs were using neither external finance, nor trade credit, but had seen an injection of personal funds into the business (also defined earlier).

Widening the definition of external funding to include not only finance but also trade credit and personal funds thus increased the proportion of SMEs using business funding from 36% to 70%.

Analysis by year shows that the business funding figures were stable 2014-2018. The increased use of external finance seen in 2019 boosted the use of business funding to 70% in 2019 and was little changed in 2020 (68%) despite fewer SMEs using finance, due to more mentions in this context of both trade credit and injections of personal funds. In 2021, 74% of SMEs were using business funding, the highest proportion to date, due to more use of external finance and injections of personal funds, while in 2022 the figure was 70% as fewer SMEs used external finance:

Use of business funding Over time – all SMEs	2015	2016	2017	2018	2019	2020	2021	2022
Unweighted base:	*20,046*	*18,000*	*18,012*	*18,002*	*18,000*	*17,768*	*16,486*	*17,002*
Use external finance	37%	37%	38%	36%	45%	37%	43%	36%
Do not use finance but do use trade credit	16%	15%	16%	18%	16%	19%	17%	20%
Do not use the above but injected personal funds	11%	11%	11%	11%	8%	12%	14%	14%
Total business funding	*64%*	*63%*	*65%*	*65%*	*70%*	*68%*	*74%*	*70%*

All SMEs

Looking specifically at YEQ4 2022 in more detail, SMEs with 1-9 or 10-49 employees were more likely to be using business funding (with injections of personal funds adding little to the total, compared to 0 employee SMEs). Since 2019, SMEs with 50-249 employees have become more likely to mention trade credit in this context (40% in 2022 compared to 14% in 2019) which helped to compensate to some extent for lower use of external finance (32% from 77%) in their overall use of business funding (73% from 91%):

Wider definition of business funding YEQ4 22 – all SMEs	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	*17,002*	*3279*	*5802*	*5668*	*2253*
Use external finance	36%	32%	47%	57%	32%
Do not use finance but do use trade credit	20%	18%	25%	28%	40%
Do not use the above but injected personal funds	14%	16%	7%	1%	1%
Total business funding	*70%*	*67%*	*79%*	*86%*	*73%*

Q14y/y4 All SMEs

Analysis by other demographics showed that:

- There was little difference in the use of business funding by risk rating (70-73%) with the slight exception of those with an average risk rating (68%), who were less likely to be using external finance or to have injected personal funds
- Use of business funding declined very slightly by age of business, from 74% of Starts (where 28% reported an injection of personal funds in this context) to 68-69% of those trading for 10-15 or more than 15 years.
- The proportion using business funding varied from 61% in Health to 81% in Wholesale/Retail due to the latter’s higher use of external finance and trade credit.

If the revised external finance figures that include pandemic funding were applied to this analysis then in 2022 the proportion of SMEs using any business funding would increase slightly from 70% to 71% of all SMEs.