

7

NEED FOR FUNDING

THIS CHAPTER PROVIDES

details on those SMEs that reported a funding need in 2022, including why the funding was needed and what steps were considered and taken to meet that need.

KEY FINDINGS

6% of SMEs reported a need for funding in 2022, close to pre-pandemic levels:

- In 2018 when this was first asked, 4% of SMEs reported a need for funding in the previous 12 months, whether they went on to apply for funding or not. During the pandemic this increased to 9% in 2020 and 12% in 2021, but was back to 6% in 2022 with little variation by demographics.

Cash flow remained the main reason why funding was required but there was an increase in the proportion looking for funding for business development:

- 69% of those with a need for funding in 2022 said that it was for cash flow purposes, typically for working capital (49%). This was slightly more likely to be the case for smaller SMEs (70% of those with 0 employees to 62% of those with 50-249 employees).
- 37% were looking for funding for business development purposes, typically to fund expansion in the UK (19%) or to invest in plant and machinery (14%), with limited differences by size of SME (36-40%).
- Looking over time, in 2018 and 2019 around 4 in 10 of those with a need for funding said that it was for cash flow purposes, and around 6 in 10 said it was for business development. In 2020 and 2021, as the pandemic took effect, the balance changed in favour of cash flow (81% of those with a need for funding) and the proportion looking for funding for business development halved to 24%. The 2022 figures (69% cash flow and 37% business development) were a move back towards pre-pandemic SMEs but cash flow remained the key reason for needing funding.

Most of those with a need for funding went on to make an application for finance, albeit with an increase in those funding it themselves:

- 4 in 10 of those with a need for funding in 2022 spoke to someone, whether at a bank, another provider or a financial advisor, twice the proportion that looked online for providers, advice or price comparison sites.
- Amongst those who took any steps to meet their funding need, 58% in 2022 considered making an application for funding, primarily to their main bank (47%), while 37% considered funding it themselves.
- In the end, 61% applied for finance to meet their funding need, increasing by size of SME from 59% of those with 0 employees to 93% of those with 50-249 employees. 29% funded all or part of it themselves and this was more common amongst smaller SMEs (31% of those with 0 employees to 7% of those with 50-249 employees).
- Compared to funding needs during the pandemic in 2020 and 2021, fewer SMEs in 2022 had a borrowing event (61% v 80% in the pandemic) and more decided to fund all or part of it themselves (29% in 2022 v 12% in the pandemic), but these 2022 figures were in line with those in 2018 and 2019 pre-pandemic.
- Overall, in 2022, 56% of all those with an initial need for funding went on to apply for funding, in line with 2018-2019 (54-58%) but somewhat lower than during the pandemic in 2020 and 2021 (76-77%).

The middle section of the questionnaire, around applications made for finance, saw the most changes in the re-design for Q1 2018.

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

- This chapter looks at whether SMEs had identified a need for external funding and what steps they took as a result of that need, including whether they applied for finance (a Type 1a borrowing event). This analysis is by interview date.
- Chapter 8 provides an overview of all borrowing ‘events’ (including Type 1a events), and the types of SME more or less likely to have had each of these events. This analysis is also by interview date.
- Chapter 9 looks specifically at the Type 1 borrowing events, the final outcome of the applications made and the impact of the application on the SME. This analysis is primarily based on all applications made between Q3 2021 and Q4 2022 and reported in interviews conducted in the same period (application data for Q2 2022 onwards is interim at this stage).

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

HAVING, AND MEETING, A NEED FOR FUNDING

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

This chapter is based on those interviewed between Q1 2022 and Q4 2022 (YEQ4 2022) who reported a need for funding in the 12 months prior to interview (i.e. from Q1 2021 onwards).

HAD A NEED FOR FUNDING

As the table below shows, whilst only a minority of SMEs each quarter reported a need for external funding in the previous 12 months, the proportion did increase to 15% in Q1 2021, the highest proportion seen to date. It remained stable in Q2 2021 before starting to decline, to 4% in Q4 2022 and back to levels seen in 2018-19:

Had a funding need

By date of interview

Over time – row percentages	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
All SMEs	14%	15%	15%	9%	8%	9%	6%	6%	4%
0 employee	13%	14%	14%	8%	8%	9%	5%	7%	4%
1-9 employees	16%	16%	18%	12%	10%	7%	7%	6%	5%
10-49 employees	16%	18%	15%	9%	4%	6%	6%	6%	4%
50-249 employees	8%	9%	7%	5%	4%	2%	3%	5%	3%

Q25 All SMEs (new Q1 2018)

The table below looks at the results available over time from 2018 to 2022, across key demographics. It shows that the increase in 2021 to 12% of all SMEs reporting a funding need was seen across all but the largest size band, and across all risk ratings and sectors, notably Manufacturing and Hotels & Restaurants. In 2022, the proportion was lower, at 6%, and this decline was seen across all size bands (notably 1-9 employees) and risk ratings (notably those with a low rating), and sectors (notably those in Hotels & Restaurants):

Had a funding need					
By date of interview					
Over time – row percentages	2018	2019	2020	2021	2022
All SMEs	4%	3%	9%	12%	6%
0 employee	4%	2%	8%	11%	6%
1-9 employees	5%	6%	10%	14%	6%
10-49 employees	6%	5%	10%	12%	6%
50-249 employees	3%	3%	8%	6%	3%
Minimal external risk rating	3%	2%	5%	7%	3%
Low external risk rating	4%	4%	8%	11%	4%
Average external risk rating	3%	3%	8%	10%	6%
Worse than average external risk rating	5%	3%	9%	14%	8%
Agriculture	5%	6%	9%	12%	5%
Manufacturing	3%	2%	7%	13%	9%
Construction	3%	3%	6%	10%	7%
Wholesale/Retail	6%	5%	8%	12%	6%
Hotels & Restaurants	5%	6%	12%	17%	6%
Transport	4%	2%	13%	14%	6%
Property/Business Services etc.	4%	3%	9%	9%	5%
Health	4%	1%	7%	11%	5%
Other Community	4%	5%	10%	14%	10%
All SMEs excluding Permanent non-borrowers	8%	6%	14%	19%	12%
Current using external finance	8%	6%	19%	20%	12%
Not currently using external finance	2%	1%	2%	5%	3%

Q25 All SMEs (new Q1 2018)

Amongst those using finance, the proportion with a need for (further) finance increased to 1 in 5 in 2020 and 2021, and whilst lower in 2022 at 12%, was still slightly ahead of re-pandemic levels.

Analysis by age of business showed limited need for funding in 2022, ranging from 5% of those trading for more than 15 years to 9% of those trading for 2-5 years.

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

WHY FUNDING WAS REQUIRED

The first table looks at why the funding was required, with cash flow support and a short term funding gap the top mentions. Overall, 7 in 10 SMEs with a need for finance said that it was cashflow related in some way, decreasing slightly by size of SME. Almost 4 in 10 needing funding for some form of business development with little difference by employee size:

Reason funding required		0	1-9	10-49	50-249
YEQ4 22 all SMEs who had need for funding	Total	emp	emps	emps	emps
Unweighted base:	946	197	369	305	75*
Cash flow related	69%	70%	64%	64%	62%
Working capital to help with cash flow	49%	50%	44%	49%	55%
To cover a short term funding gap	36%	39%	29%	21%	9%
To cope with the impact of the pandemic	20%	22%	16%	13%	1%
To help through trading difficulties	24%	26%	18%	11%	2%
Business development related	37%	36%	40%	39%	38%
Invest in new plant, machinery etc	14%	14%	16%	16%	23%
To fund expansion in the UK	19%	20%	16%	13%	8%
A new business opportunity	11%	11%	11%	7%	12%
To fund R&D	5%	5%	4%	2%	-
To fund new premises	3%	2%	5%	5%	*
To take on staff	4%	4%	5%	7%	3%
To fund expansion overseas	3%	4%	1%	1%	-
To take over another business	*	*	*	1%	5%

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

In addition, 1% of SMEs said that they were approached by a bank/other funder offering them finance. Another new code was introduced in Q3 2022 “To fund something to reduce an environmental impact or to be more sustainable”. On a limited base, in H2 2022 4% of SMEs with a need for funding said that this was the reason, ranging from 5% of those with 0 employees to none of those with 50-249 employees and with more mentions from those in Agriculture and Transport, as well as SMEs trading for 6-9 years.

Some data is now available over time in the table below. This shows how, as the pandemic took hold, the balance tipped towards needing funding for cash flow purposes (almost doubling from 49% in 2019 to 81% in 2020) and away from being business development related (from 58% in 2019 to 24% in 2020). This remained the case in 2021, but in 2022 the balance moved back slightly the other way:

Reason funding required					
By date of interview					
Over time	2018	2019	Q2-4 2020	2021	2022
Unweighted base:	807	739	1426	1849	946
Cash flow related	42%	49%	81%	81%	69%
Working capital to help with cash flow	32%	37%	49%	50%	49%
To cope with the impact of the pandemic	-	-	33%	30%	20%
To cover a short term funding gap	16%	26%	19%	32%	36%
To help through trading difficulties	11%	12%	12%	22%	24%
Business development related	58%	58%	24%	24%	37%
To fund expansion in the UK	26%	20%	11%	9%	19%
Invest in new plant, machinery etc	22%	25%	9%	11%	14%
A new business opportunity	18%	13%	4%	5%	11%
To take on staff	6%	5%	2%	1%	4%
To fund new premises	5%	7%	1%	2%	3%
To fund expansion overseas	2%	3%	1%	1%	3%
To take over another business	1%	2%	1%	*	*

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

AMOUNT OF FUNDING REQUIRED

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

9% of those with a need for finance in 2022 could not say how much they had wanted and have been excluded from this table. As might be expected, larger SMEs with a need for funding were more likely to be looking for more than £25,000 (100% of those with 50-249 employees) than smaller SMEs were (23% of those with 0 employees):

Likely finance required

YEQ4 22 all SMEs who had need for funding	Total	0 emps	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	822	178	316	258	70*
Less than £5,000	18%	20%	9%	5%	-
£5,000 to £9,999	25%	28%	13%	5%	-
£10,000 to £24,999	29%	28%	34%	8%	-
£25,000 to £99,999	23%	20%	34%	43%	32%
£100,000-£999,999	6%	4%	10%	33%	60%
£1million+	*	-	1%	6%	8%
£25,000 or more	29%	23%	45%	83%	100%

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

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

- Almost half of those with a minimal or low risk rating (43% and 49% respectively), compared to around a quarter of those with an average (24%) or a worse than average risk rating (28%).
- 4 in 10 of those trading for 10-15 years (42%), compared to 18% of Starts and 27-30% of other age bands.
- Just over half of those seeking funding in the Transport sector (56%) and 44% of those in Manufacturing, compared to 11% in Health, 17% in the Other Community sector and 24-34% elsewhere.
- There was also a difference by purpose of borrowing: A third of those looking for funding for business development (35%) were seeking £25,000 or more compared to 24% looking for cash flow related funding.

THE DECISION MAKING PROCESS

As the table below shows, almost all those with a need for funding had taken some action as a result (91%). The two most common actions were to speak informally to the main bank (23%, rising to almost half of the largest SMEs with a need for finance), and/or consider self-funding (also 23% and more popular with the smallest SMEs with a need for finance):

Steps taken in funding decision process		0	1-9	10-49	50-249
YEQ4 22 all SMEs who had need for funding	Total	emp	emps	emps	emps
Unweighted base:	946	197	369	305	75*
Had informal conversation with main bank	23%	23%	23%	27%	47%
Considered funding within business/directors	23%	24%	17%	12%	5%
Had informal conversation with other provider	15%	15%	14%	18%	32%
Looked online for possible finance providers	15%	16%	14%	6%	1%
Discussed by management in the business	15%	13%	20%	26%	11%
Sought professional advice eg accountant	13%	11%	19%	13%	4%
Looked online for application advice	12%	12%	13%	10%	-
Spoke to other business people	7%	7%	7%	9%	2%
Prepared/reviewed plans and forecasts	7%	6%	11%	8%	*
Looked at comparison/satisfaction sites	6%	5%	7%	2%	*
Something else	8%	9%	7%	7%	1%
Took no action	9%	10%	5%	3%	-

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

Overall, 4 in 10 of these SMEs (43%) spoke to someone about their need for funding, whether this was an advisor or an informal conversation with their bank or another provider:

- Such conversations increased by size of SME, from 41% of 0 employee SMEs with a need for funding, to 47% with 1-9 employees, 51% with 10-49 employees and 81% of those with 50-249 employees.
- There was also variation by risk rating, with 68% of those with a low risk rating having a conversation, and 50% of those with a minimal risk rating, compared to 39% of those with an average or worse than average risk rating.
- By sector, just 11% of those in the Health sector reported having a conversation, compared to 62% in Transport, 56% in Hotels & Restaurants and 55% in Agriculture, 32-51% elsewhere.
- There was also variation by age of SME: from 30% of Starts speaking to someone to 57% of those trading for 10-15 years.
- Where the SME wanted funding for cash flow, 42% reported having a conversation, the same proportion as when the funding was for business development purposes (42%).

While 43% had spoken to someone half as many, 21%, had looked online for providers, advice or price comparison sites:

- Here it was the smallest SMEs with a need for finance who were the most likely to have looked online, with 21% of 0 employee SMEs and 25% of 1-9 employee SMEs looking online, decreasing by size of SME to 1% of those with 50-249 employees.
- Other demographics more likely to have looked online included those with a low risk rating (32%), Starts (25%) but also those trading for 10-15 years (26%) and those in the Other Community sector (41%).
- There was no difference depending on whether the funding was for business development or for cash flow funding (both 22%).

Some analysis over time is now possible and shows that in each period the majority of SMEs with a need for funding took action. The proportion who spoke to an advisor or had an informal conversation with their bank or another provider about their need for funding increased from 41% in 2018 to 55% in 2020 due to more contact with the main bank, but was somewhat lower again in 2021 (48%) and 2022 (43%) as fewer conversations were had with the main bank. In 2022, as in 2019, 1 in 5 with a need for funding considered funding it from within the business, twice the level seen in other years:

Initial steps taken in funding decision process

All SMEs who had need for funding – over time

	2018	2019	Q2-Q4 2020	2021	2022
Unweighted base:	807	739	1426	1849	946
Had informal conversation with main bank	21%	18%	38%	27%	23%
Considered funding within business/directors	10%	19%	12%	10%	23%
Had informal conversation with other provider	11%	18%	12%	14%	15%
Looked online for possible finance providers	12%	15%	12%	14%	15%
Discussed by management in the business	14%	15%	14%	10%	15%
Sought professional advice eg accountant	19%	19%	12%	10%	13%
Looked online for application advice	12%	15%	16%	13%	12%
Spoke to other business people	11%	10%	8%	8%	7%
Prepared/reviewed plans and forecasts	11%	9%	10%	6%	7%
Looked at comparison/satisfaction sites	7%	11%	6%	3%	6%
Something else	25%	10%	9%	11%	8%
Took no action	7%	7%	6%	4%	9%
Spoke to advisor/ main bank/ other provider	41%	43%	55%	48%	43%

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

Those who had taken any steps to meet their funding need were then asked which of a number of options they had considered. 6 in 10 had considered making an application for finance, typically to their main bank, increasing to almost all of the largest SMEs:

Steps considered in funding decision process

YEQ4 22 all SMEs who took initial steps on need for funding	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	904	181	352	296	75*
Making an application	58%	55%	64%	78%	94%
-Applying to main bank	47%	47%	47%	50%	84%
-Applying to provider <u>not</u> currently using	9%	9%	9%	8%	1%
-Applying to finance provider currently using	9%	7%	12%	22%	8%
-Applying to an online finance platform	7%	7%	7%	5%	2%
Finding some/all of the funding yourselves	37%	41%	27%	13%	5%
Using a broker	6%	6%	6%	4%	*
None of these	12%	12%	13%	11%	1%

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

Analysis amongst SMEs with a need for funding showed that:

- Over half of SMEs considered making an application for finance (58%), with larger SMEs more likely to have done so. A significant minority considered self-funding (37%), and smaller SMEs were more likely to have done this.
- Consideration of an application varied by risk rating from 50% with an above average risk rating and 52% with a minimal risk rating (both more likely to consider self-funding than their peers), to 60% with an average risk rating and 85% of those with a low risk rating.
- 50% of Starts considered making an application, as did 41% of those trading 2-5 years and 52% of those trading 6-9 years. Older SMEs were more likely to consider applying (71% and 62% respectively).
- Those for whom the funding was for business development were slightly more likely to have considered an application (61%) than those looking for help with cash flow (54%).

Some analysis over time is now possible, bearing in mind the pandemic and the availability of Government-backed lending in 2020 and 2021, typically through the main bank. The impact of these measures is reflected in the higher proportion of SMEs with a need for funding who considered making an application in 2020 and 2021. In 2022, consideration of an application was somewhat lower at 58%, as fewer SMEs considered applying to their main bank and more considered funding all or part of it themselves:

Steps <u>considered</u> in decision process: All SMEs who took initial steps on need for funding – over time	2018	2019	Q2-Q4 2020	2021	2022
Unweighted base:	781	719	1380	1804	904
Making an application	67%	63%	81%	80%	58%
-Applying to main bank	48%	37%	67%	64%	47%
-Applying to finance provider not currently using	14%	19%	11%	12%	9%
-Applying to finance provider currently using	12%	17%	8%	6%	9%
-Applying to an online finance platform	10%	9%	6%	5%	7%
Finding some/all of the funding yourselves	22%	40%	15%	17%	37%
Using a broker	7%	7%	1%	2%	6%
None of these	19%	12%	9%	6%	12%

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

STEPS TAKEN TO MEET FUNDING NEED

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

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

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

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

Steps taken in funding decision process

YEQ4 22 all SMEs who had need for funding and took initial steps	Total	0 emp	1-9 emps	10-49 emps	50-249 emps
Unweighted base:	904	181	352	296	75
Had borrowing 'event' re need for finance	61%	59%	64%	79%	93%
Applied to main bank	47%	48%	44%	53%	81%
Applied to finance provider currently using	7%	4%	13%	21%	8%
Applied to finance provider not currently using	10%	10%	10%	8%	5%
Applied to an online finance platform	5%	5%	5%	3%	-
Decided to fund all or part of it yourselves	29%	31%	21%	14%	7%
Decided not to take funding	10%	10%	10%	3%	-
Still deciding	7%	7%	9%	8%	-

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

Analysis showed that:

- Borrowing 'events' increased by size of SME, as did applications to the main bank.
- Borrowing 'events' varied by risk rating from 46% with a minimal risk rating and 55% with an above average risk rating (both more likely to consider self-funding than their peers), to 66% with an average risk rating and 84% of those with a low risk rating.
- 54% of Starts reported a borrowing 'event', compared to 45-48% trading for 2-9 years and 66-75% of those trading for longer.

- Those looking for funding for business development were as likely to have had a borrowing event as those looking for cash flow funding (both 58%).
- The 61% with a borrowing ‘event’ shown above is the equivalent of 4% of all SMEs.

Some analysis over time is now possible. This shows that initially 6 in 10 reported a borrowing ‘event’ increasing to 8 in 10 for 2020 and 2021, due to an increase in applications to the main bank. In 2022 the proportion was back to 6 in 10, with fewer applications made to the main bank. The proportion of SMEs deciding to fund all or part of the need themselves was 12-13% in all years except 2019 and 2022 (29% in both years):

Steps taken in funding decision process					
All SMEs who had need for funding and took initial steps – over time	2018	2019	Q2-Q4 2020	2021	2022
<i>Unweighted base:</i>	781	719	1380	1804	904
Had borrowing ‘event’ re need for finance	63%	57%	80%	80%	61%
<i>Applied to main bank</i>	40%	29%	65%	61%	47%
<i>Applied to finance provider currently using</i>	12%	16%	6%	5%	7%
<i>Applied to finance provider not currently using</i>	14%	16%	11%	13%	10%
<i>Applied to an online finance platform</i>	5%	7%	5%	6%	5%
Decided to fund all or part of it yourselves	13%	29%	12%	12%	29%
Decided not to take funding	12%	11%	5%	5%	10%
Still deciding	16%	11%	5%	5%	7%
<i>Borrowing event as % of all with original need for funding</i>	58%	54%	76%	77%	56%

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

In 2018 and 2019 around half of all SMEs with a need for funding (not just those who took any action) who went on to have a borrowing ‘event’. This was notably higher in Q2-Q4 2020 and 2020 (77% in 2021) but returned to previous levels in 2022 (56%).

The table below summarises how consideration of different options then leads to action, firstly for 2022 and then how this has changed over time.

In 2022, almost all of those who had considered applying for finance from somewhere (the first column) went on to have a borrowing 'event' (90%). Most of them (72%) applied to their main bank, while 25% applied to another provider, with 14% deciding to fund some or part of the need themselves:

From consideration to action

All SMEs who had need for funding and took steps YE Q4 22	Considered appln (any)	Considered main bank	Considered elsewhere	Considered self-fund
Had borrowing 'event' re need for finance	90%	90%	92%	27%
<i>Went on to apply to main bank</i>	72%	85%	42%	20%
<i>Went on to apply elsewhere</i>	25%	14%	72%	14%
Decided to fund all or part of it yourselves	14%	11%	22%	72%
Decided not to take funding	1%	1%	1%	11%
Still deciding	5%	6%	1%	4%

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

Most of those who considered applying specifically to their main bank (in the second column above) had a borrowing event (90%), typically at their main bank (85%). Similarly, most of those who had initially considered another financial provider (the third column) went on to apply to them (72%).

7 in 10 of those who initially considered self-funding went on to do so (72%), while 27% of this group ending up applying for finance (potentially alongside the self-funding), typically at the main bank.

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

- The proportion of these SMEs who considered applying for finance and then went on to do so, increased from around 8 in 10 for 2018 and 2019 to almost all in Q2-4 2020 and 2021, and remained higher in 2022 (90%). Amongst this broader pool, the proportion who went on to apply to their main bank specifically initially declined 2018 to 2019 (55% to 41%) but then increased again and was 7 in 10 for both 2021 and 2022 (72%), as the proportion who went on to apply to another provider declined to 24% in 2020 with little change since.
- Amongst this group who considered making an application somewhere, 14% went on to fund some or all of it themselves, up from 4% in 2020 and 2021, but slightly lower than the 21% self-funding in 2019
- In the second column, the majority of those who had considered applying to their main bank each year went on to do so, and since 2020 this proportion has been 90% or more
- Of those who, in 2022, were initially considering applying to a different provider (column three), almost all made an application somewhere (92%). 4 in 10 ended up applying to their main bank, in line with 2020 but twice the level of other years
- Amongst those who initially considered self-funding (column four), the proportion that have gone on to do so has increased from 46% in 2018 to 72% in 2022.

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

From consideration to action over time

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

Considered any appln	Considered main bank	Considered elsewhere	Considered self-fund
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Had borrowing 'event' re need for finance

-2018	84%	83%	84%	35%
-2019	79%	77%	78%	31%
-Q2-Q4 2020	95%	95%	98%	36%
-2021	94%	95%	92%	26%
-2022	90%	90%	92%	27%

Went on to apply to main bank

-2018	55%	76%	18%	22%
-2019	41%	69%	18%	13%
-Q2-Q4 2020	78%	92%	41%	32%
-2021	74%	92%	22%	19%
-2022	72%	85%	42%	20%

Went on to apply elsewhere

-2018	35%	15%	79%	23%
-2019	43%	15%	72%	21%
-Q2-Q4 2020	24%	11%	81%	19%
-2021	23%	7%	82%	10%
-2022	25%	14%	72%	14%

Decided to fund all or part of it yourselves

-2018	9%	11%	12%	46%
-2019	21%	18%	24%	65%
-Q2-Q4 2020	4%	4%	9%	66%
-2021	4%	3%	9%	61%
-2022	14%	11%	22%	72%

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