Ipsos MORI

SME Finance Survey 2020

Research conducted by Ipsos MORI

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March 2021

British Business Bank

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Background

SME Finance Survey 2020

- In 2012, BIS commissioned a survey exploring the stages SMEs go through when considering raising external finance (1,500 SMEs interviewed by CATI).
- The British Business Bank has repeated the survey with an increased sample size over time: 2014 (1,000 SMEs), 2015 (1,608), 2016 (1,535), 2017 (2,070), 2018 (2,000) and 2019 (4,003).
- The 2020 survey engaged 4,125 SME businesses, between 27 August and 25 November. Two versions of the questionnaire were used, incorporating core questions to enable year on year comparison.
- New questions explored the impact of the Covid-19 pandemic and take up of financial support, whether external repayable finance, grant funding, or other initiatives, to help businesses survive and recover.
- Statistically significant changes and differences (at the 95% confidence level) are identified as follows:

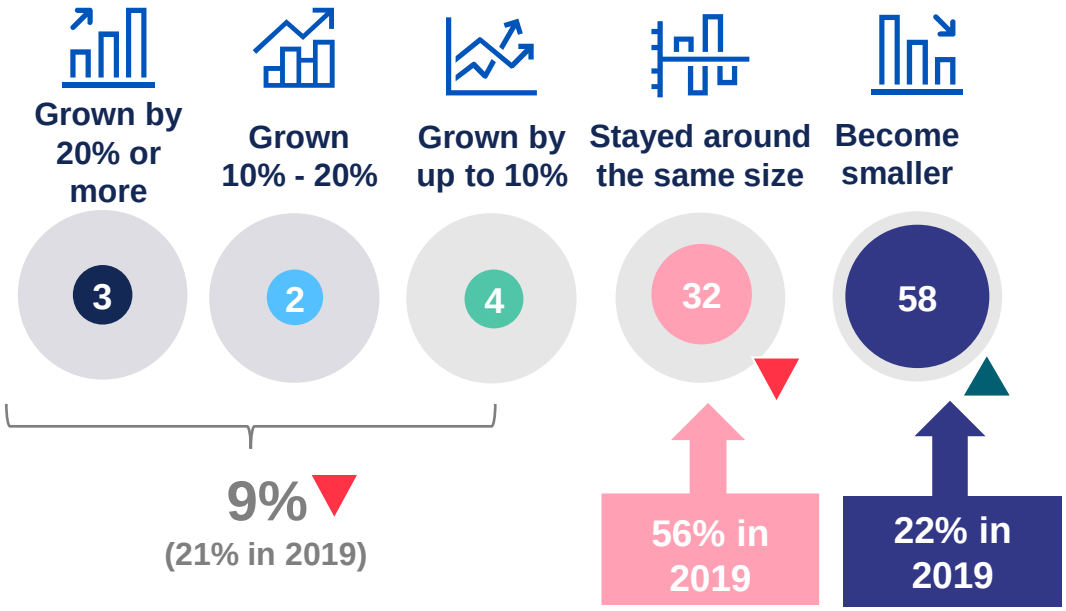
  - Changes between the 2019 and 2020 surveys are identified by green arrows (increases) and red arrows (decreases).
  - Differences between sub-groups of firms by size and sectors in the 2020 survey are identified by green squares (higher) and red squares (lower).
- Finally, responses of less than 0.5% but greater than 0% are marked with *

SME demand for external financial support: impact of Covid-19

As expected, business growth is subdued this year with only one in ten SMEs in growth

Almost six in ten firms (58%) reported they had contracted over the past 12 months compared to 22% in 2019. The future remains uncertain with fewer firms optimistic, and more firms pessimistic, about the coming 12 months than in last year's survey.

Growth of business turnover or in the number of employees in past 12 months (%)



21% expect to grow over the next 12 months.

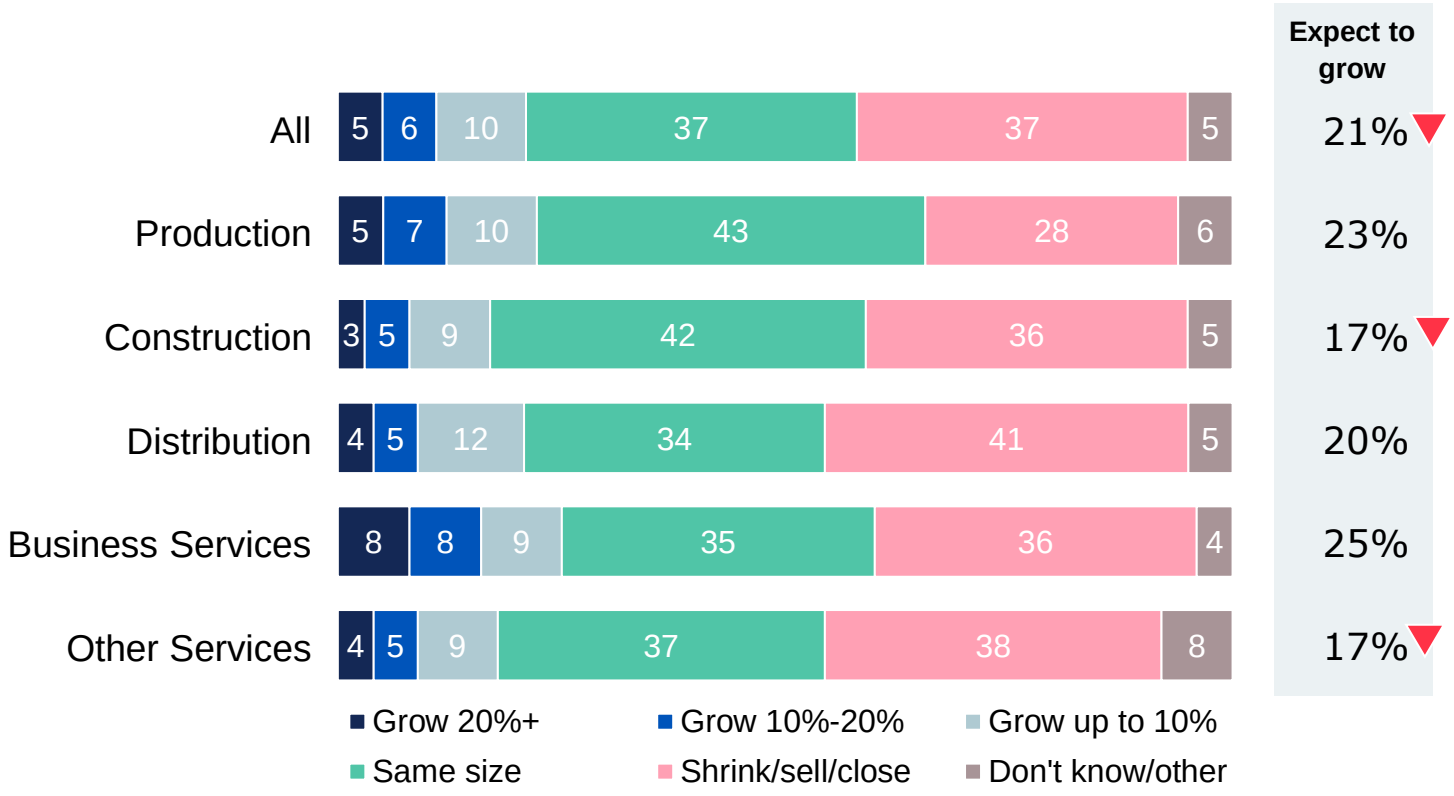
33% expect to become smaller and 4% expect to close/sell the business in the next 12 months . Of firms expecting to close/sell, two in five said it was attributable to Covid-19.

▲ Sig higher than 2019
▼ Sig lower than 2019

Base = All SMEs in business 2+ years (n=4,048); all SMEs (n=4,125), B4; all SMEs that have grown by 20%+ in the last year and at least 3 years old (n=96) B5; all SMEs (n=4,125) B6, B6c, all expecting to close or sell (n=121)

Two in ten SMEs (21%) expect to grow over the next 12 months compared to 28% last year

Growth of business turnover or in the number of employees in the next 12 months (%)



37% of SMEs expect to stay the same size over the next 12 months. The same proportion, 37% overall, expect to shrink (33%), sell or close their business (4%).

Small and medium businesses are most likely to expect to grow (35% and 38% respectively) compared to 21% overall.

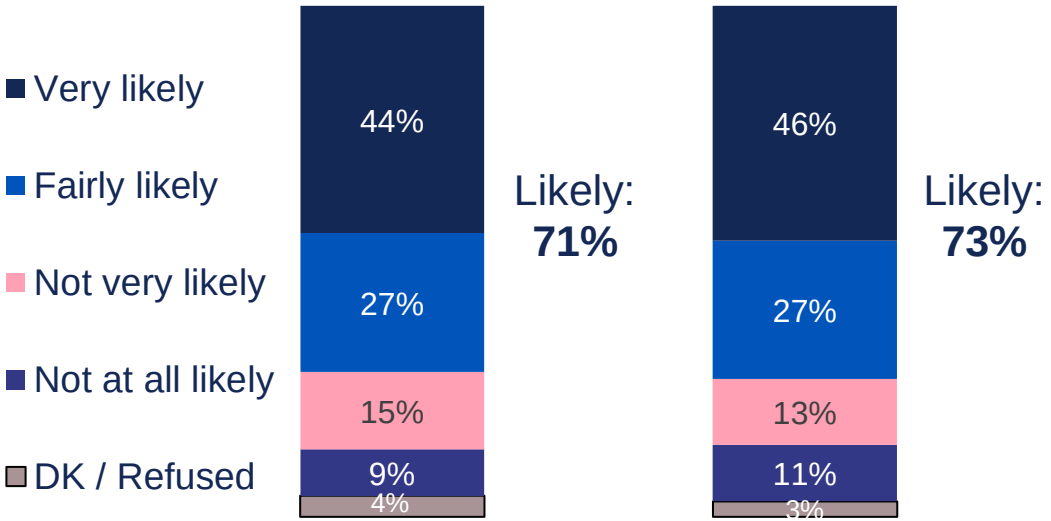
▲ Sig higher than 2019
▼ Sig lower than 2019

Base = All SMEs (n=4,125) Production (n=651), Construction (n=554), Distribution (n=867), Business Services (n=1,199), Other Services (n=854), B6

Seven in ten SMEs forecast year-end revenue would have been higher if it wasn't for Covid-19

Likelihood that **turnover would have grown** more over the next 12 months if Covid-19 had not happened *(among SMEs who expected their turnover to grow)*

Likelihood that **turnover would have been higher** over the next 12 months if Covid-19 had not happened *(among SMEs who expected their turnover to stay the same/get smaller/plan to close)*



71% of SMEs who expect their turnover to grow in the next 12 months say it would have grown more without Covid-19.

Seven in ten SMEs said their turnover would have been higher (73%) or would have grown more (71%) over the next 12 months if Covid-19 had not happened.

Firms with employees are more likely to report under-performance (81% vs 71%).

Firms in the Production sector are less likely to report under-performance (63%) compared to Construction (74%), Distribution (76%), Business Services (72%) and Other Services (75%).

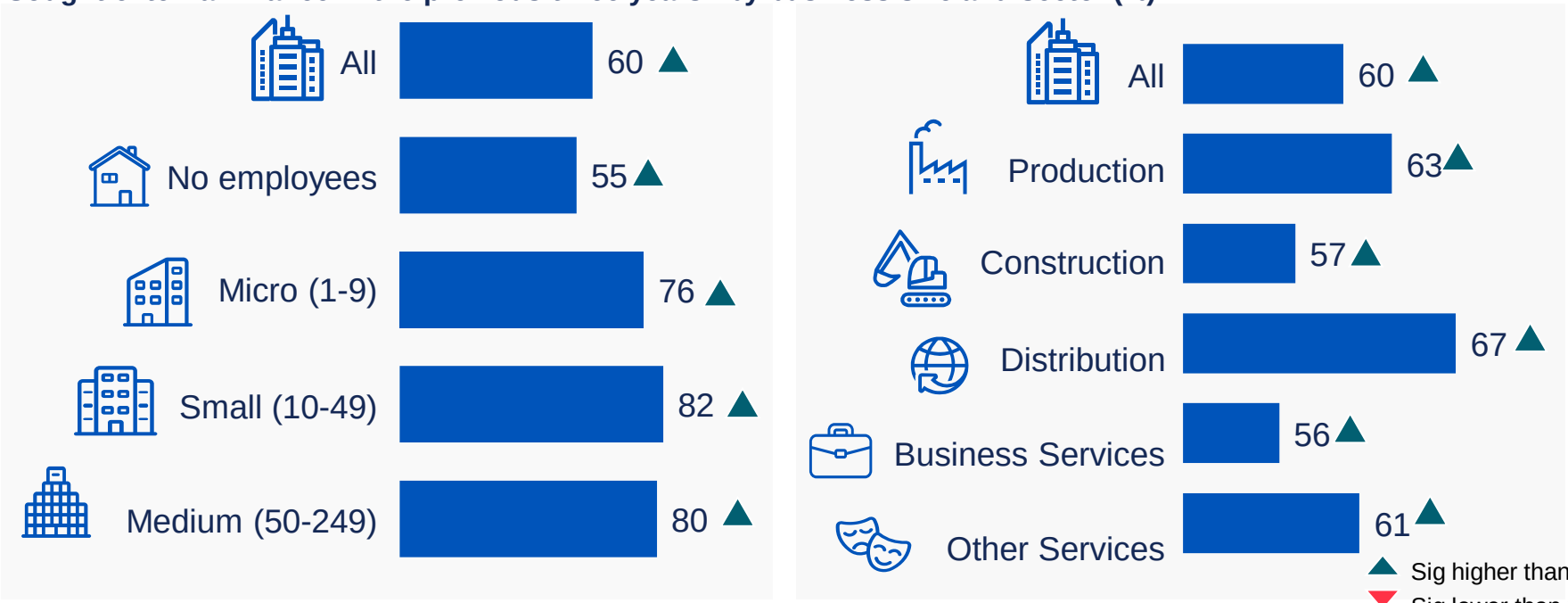
20% of SMEs who expect their turnover to be lower over the next 12 months, anticipate a fall of 50% or more.

Base = All SMEs who expected their turnover to stay the same, get smaller or plan to close/sell their business (n = 2,858); all SMEs who expect their turnover to grow over the next 12 months (n = 1,051); all SMEs who felt it likely that business turnover would have been higher or grown more (n = 1,051); all SMEs who have decided to close or sell their business (n = 121) All who expect turnover to be lower (n =2,906). B6aa, B6ab, B6b,

Substantial increase in the proportion of SMEs, irrespective of size and sector, seeking external financial support in the last 3 years

Three in five firms (60%) reported seeking some form of external financial support in the three years to 2020 compared to 44% in 2019.

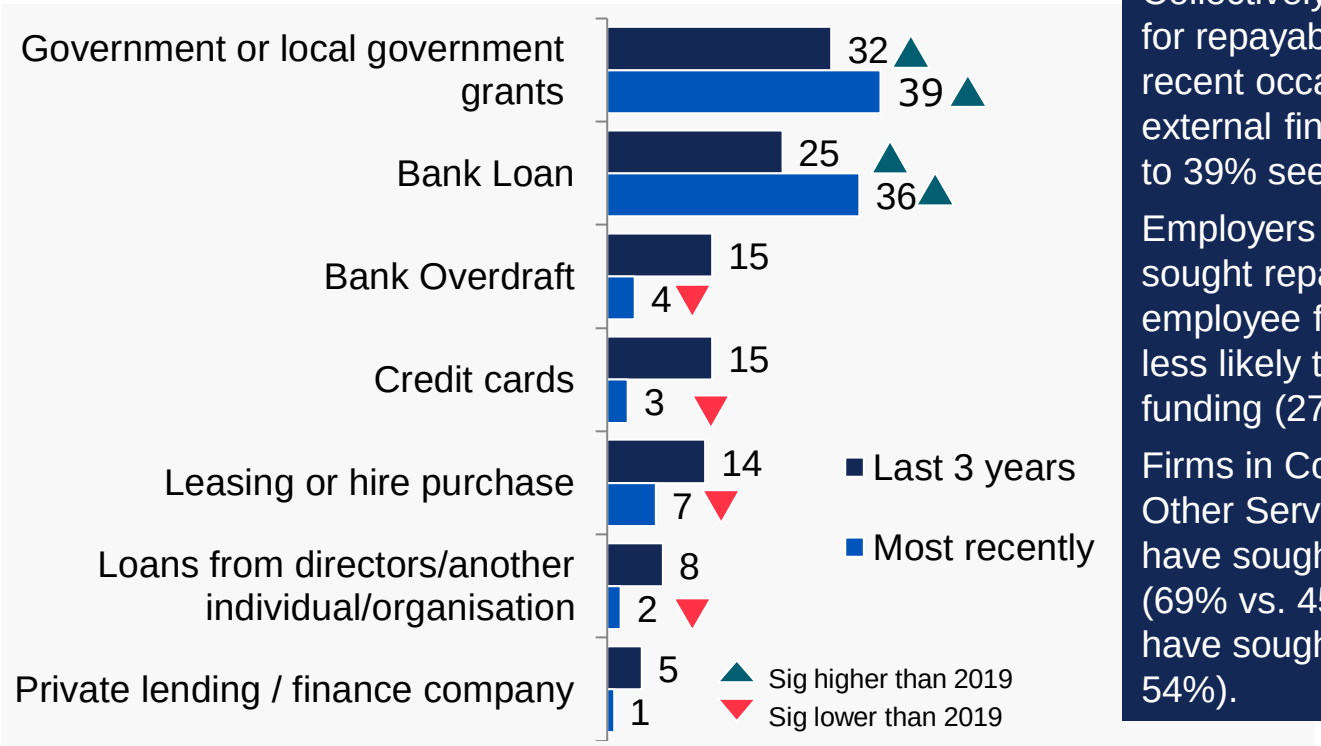
Sought external finance in the previous three years - by business size and sector (%)



Base = all SMEs (n=4,125 in 2020). No employees (n=1,727 in 2020); micro (n=1,523 in 2020); small (n=614 in 2020); medium (n=261 in 2020), Production (n=626), Construction (n=523), Distribution (n=832), Other Sservices (n=818). A6a B (single code, prompted).

Almost two in five SMEs sought government grants or a bank loan most recently – a significant uplift from 2019

% Finance sought in the last three years vs most recently



Collectively, 58% of SMEs applied for repayable finance on the most recent occasion they sought external financial support compared to 39% seeking grant funding.

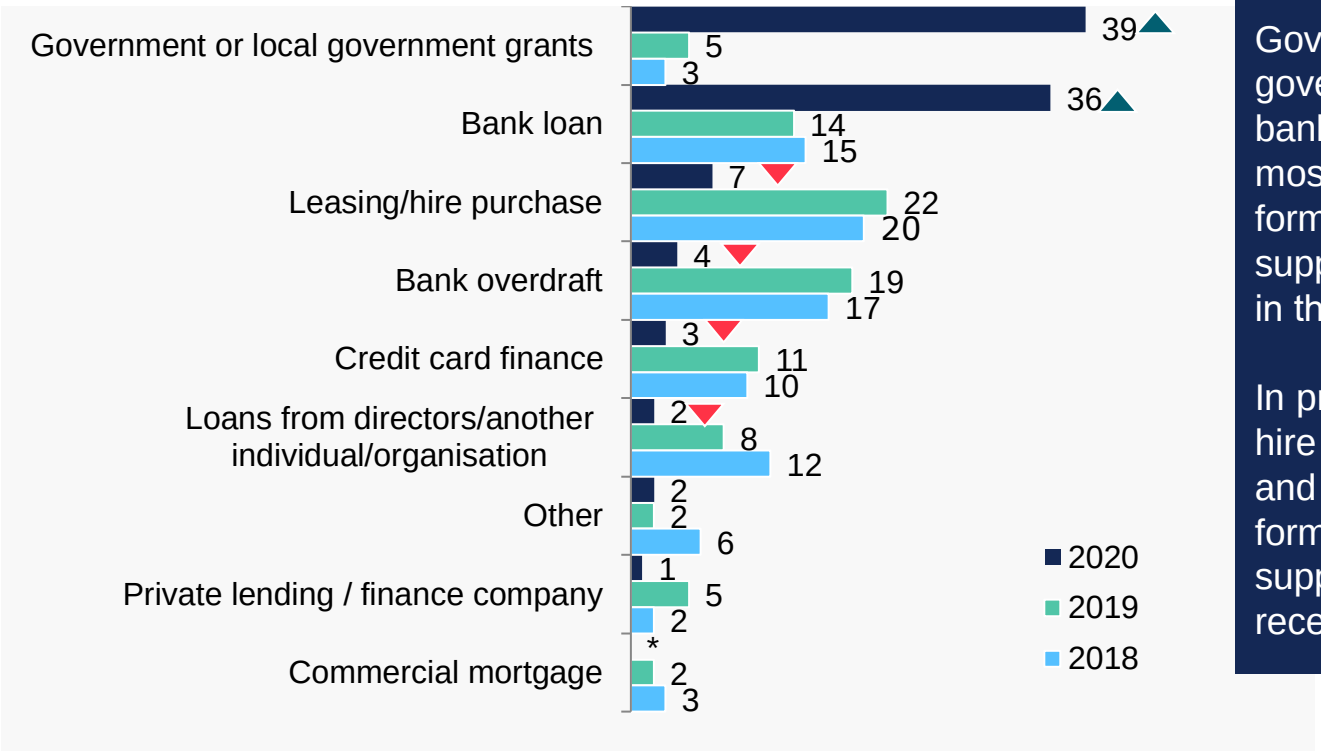
Employers were more likely to have sought repayable finance than zero employee firms (71% vs. 52%) and less likely to have sought grant funding (27% vs. 45%).

Firms in Construction compared to Other Services were more likely to have sought repayable finance (69% vs. 45%) and less likely to have sought grant funding (28% vs. 54%).

Base = All SMEs in 2020 (n=4125), 2019 (n=4003, All SMEs who sought finance in past three years (n=2,618), SMEs seeking finance most recently (2,229). A6a_BB (multi code, prompted). A11b. SMEs with employees (n=1,745), SMEs without employees (n=873), Distribution (n=605), Construction (n=345), Business Services (n=680) Other Services (n=546). Facilities reported by fewer than 5% of SMEs not shown.

Significant increase in SMEs applying for government grants and bank loans most recently

% Finance sought most recently (among SMEs who said they sought finance in the last three years)



Government or local government grants (39%) and bank loans (36%) were the most commonly reported forms of external financial support sought most recently in this year's survey.

In previous years, leasing / hire purchase, bank overdrafts and loans were the most likely forms of external financial support sought by SMEs most recently.

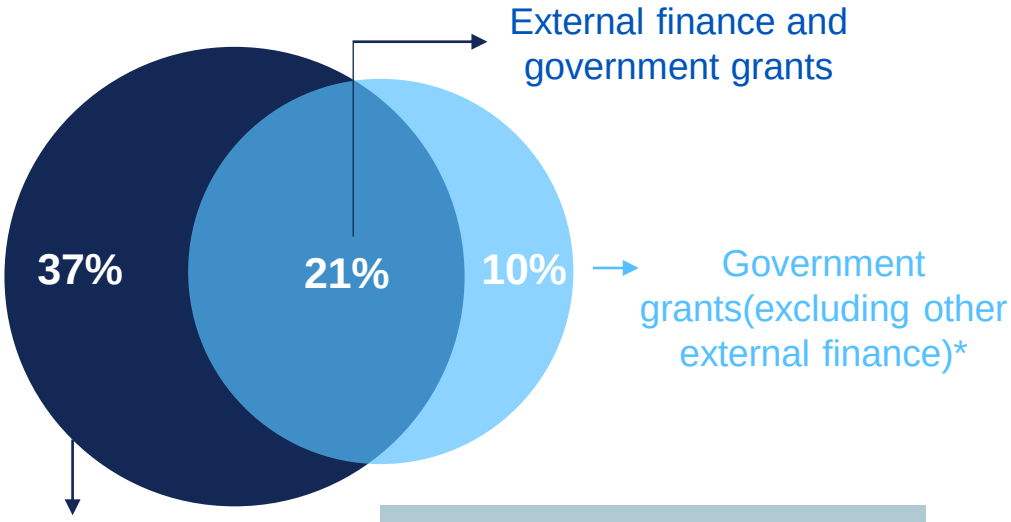
▲ Sig higher than 2019
▼ Sig lower than 2019

Base = All SMEs 2020 (n=4125), 2019 (n=4003), 2018 = (n= 2000). All who sought finance in the last three years and were able to specify the year (n= 2618), n=1,503 in 2019, Question A6a_BB (multi code, prompted). A11b (multi code, unprompted).Those less than 5% for sought not shown. *wording changed in 2019/20. * is greater than zero and less than 0.5%.

One in ten SMEs are using a government grant only and no other types of external financial support

A substantial increase from 2019.

% Financial support currently used



33% of SMEs are not using any form of finance

67% of SMEs are **currently using** some form of external financial support or government or local authority grant funding. 41% are using a bank overdraft, loan or other type of finance sought from a bank.

SMEs with employees are more likely to use external financial support, including government or local authority grant funding (82%) than firms without employees (63%).

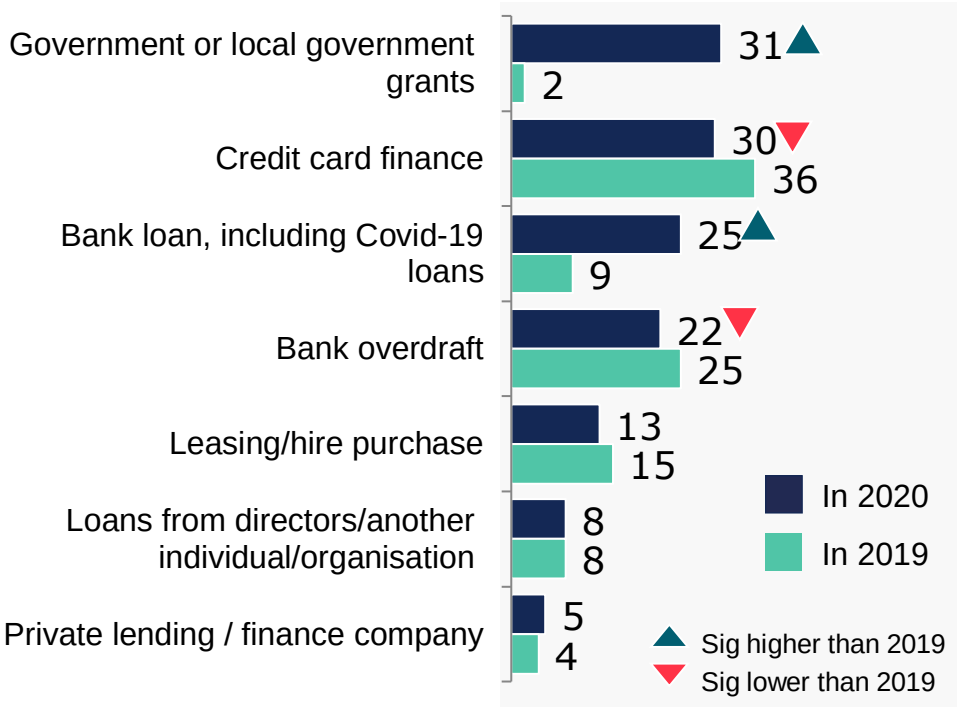
72% of SMEs in the **Distribution sector** use some form of external financial support compared to just 65% in Business Services and Other Services sectors.

Base = All SMEs (n=4,125 in 2020; n=4,003 in 2019), those with employees (2,394), those without employees (1,727, Distribution (867), Business Services (1,199), Other Services (854). Question A6a_AA (multi code, prompted). *Government grants include government funding and grants, external financial support includes all other types of finance used but exclude government grants/funding. Where figures do not add to 100%, this is due to rounding of percentages.

Take up of grants and loans in 2020 is driving increased levels of current usage

Three in ten firms are using government or local government grants, up from 2% in 2019.

% External financial support currently used



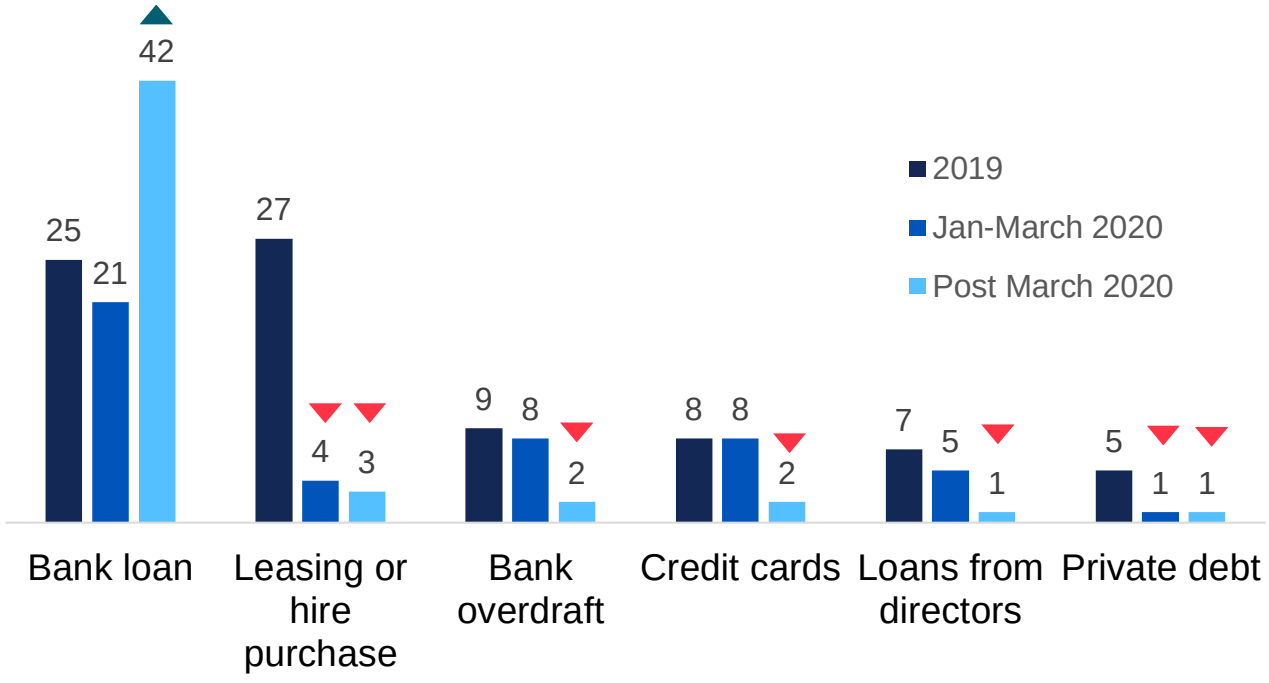
Substantial increase in current use of government or local government grants (31%) and bank loans* (25%) in this year's survey.

The percentage of SMEs currently using credit cards (30%), bank overdrafts (22%) is less prominent compared to 2019.

Base = All SMEs (n=4,125 in 2020; n=4,003 in 2019), those with employees (2,394), those without employees (1,727, Distribution (867), Business Services (1,199), Other Services (854). Question A6a_AA (multi code, prompted). Those less than 5% for currently use not shown. *Bank loans include Covid-19 related loans not previously asked about

Overall, 45% of SMEs applied for external financial support in 2020, up from 13% in 2019

% External financial support sought most recently (within the year of the survey): top six sources (among those who sought support in the last three years)



45% of all SMEs reported they applied for external financial support this year (2020), compared to 13% in both 2019 in 2018.

Two in five firms (42%) applied for a bank loan after March 2020 compared to 21% between Jan and March 2020 and 25% in 2019.

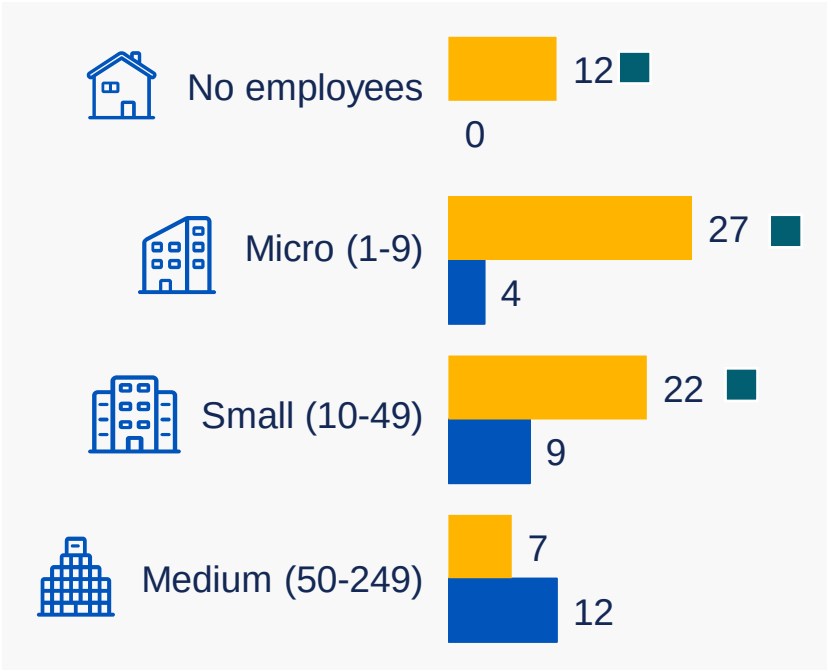
▲ Sig higher than 2019
▼ Sig lower than 2019

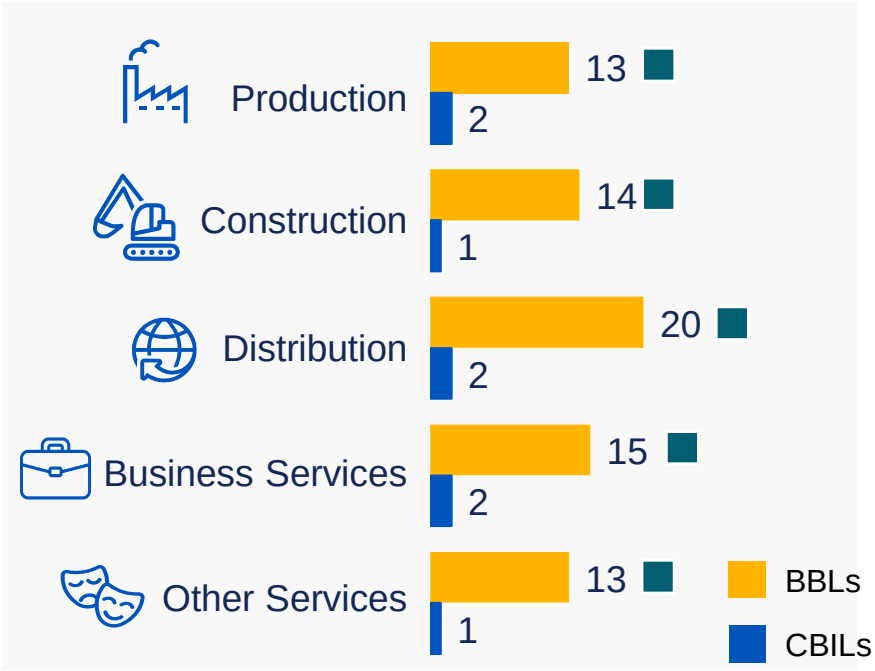
Base = All SMEs (who sought finance in the last three years (n=2618), those who sought finance Jan-March 2020 (n=252), those who sought finance post March 2020 (1961), in 2019 (n= 194), A11b.

Nearly one in five SMEs applied for a Covid-19 related loan

15% of businesses applied for the Bounce Back Loan and 1% for the Coronavirus Business Interruption Loan.

Proportion of SMEs applying for a Bounce Back Loan or Coronavirus Business Interruption Loan





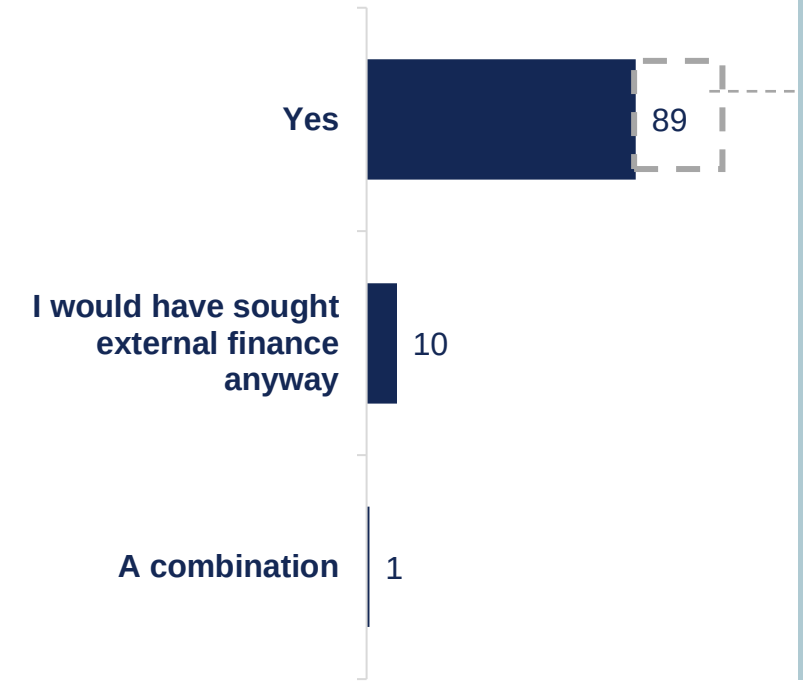
Base = All SMEs (4125), A11c, A11b; all SMEs that are using BBLs (n = 762); all SMEs that are using CBILs (n = 156), A11c_1; No employees (n=1727), Micro (n=1523), Small (n=614), Medium (n=261), Production (n=651), Construction (n=554), Distribution (n=867), Business Services (n=1199), Other Services (n=854)

Sig higher than the other type

Sig lower than the other type

For nine in ten SMEs seeking finance in 2020, the application was driven by Covid-19

Was your application for finance prompted by the Covid-19 crisis or would you have sought external finance even if the pandemic hadn't happened?

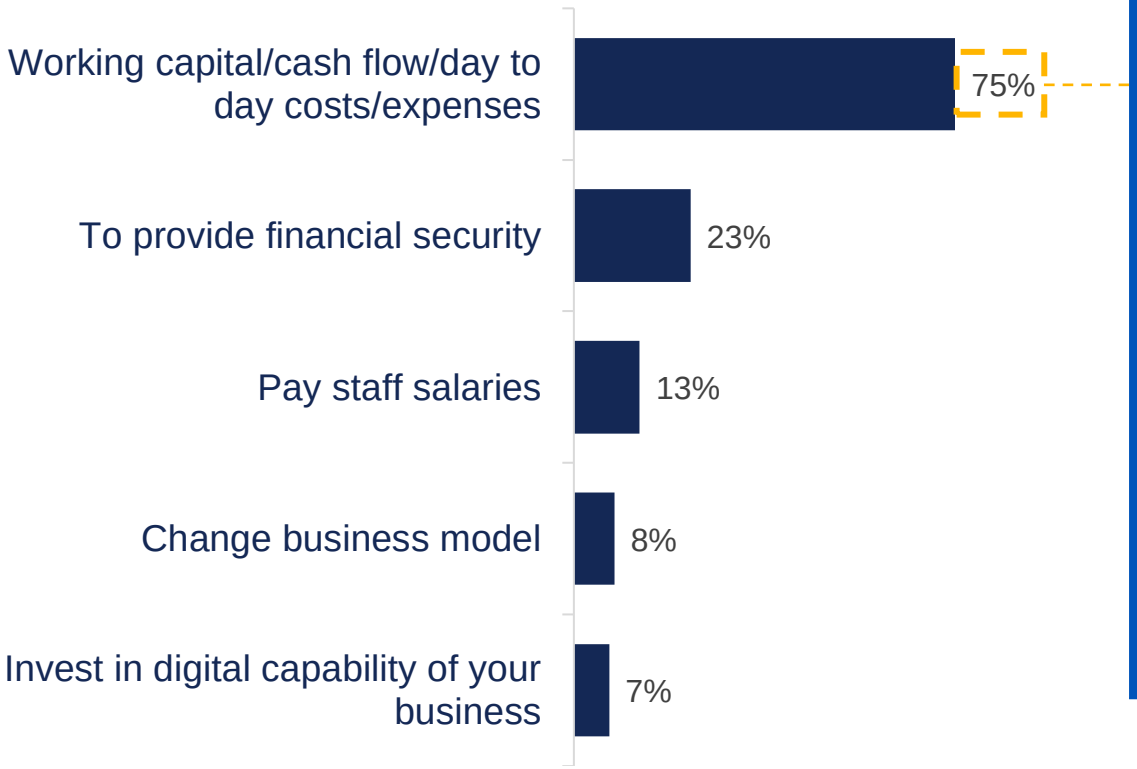


- Businesses without employees were more likely to have their application prompted by the pandemic than firms with employees (90% vs. 85%)
- Micro and small businesses are more likely to have sought finance due to Covid-19 (86% and 80%, respectively) compared to 69% of medium sized businesses
- Covid-19 is less likely to have prompted an application for finance within the Production sector (77%) than other sectors (86% for Construction, 89% for Business Services, 91% for Distribution and Other Services)
- SMEs in Northern Ireland are less likely than the UK average to say their application for external finance was due to Covid-19 (79%)

Base = All SMEs who last sought finance in 2020 (n = 2,213); A11d

Three in four seeking finance because of Covid-19 did so to help with cash flow, working capital or day to day expenses

You said you sought finance to deal with issues caused by the Covid-19 crisis. What have you used, or do you intend to use, this finance for?



29% of businesses have already used up **all of** their funding, and a further 25% spent over 50% of it (but not all), 14% haven't used any of their funding yet.

76% of zero employee firms and 74% of micro firms compared to 64% of small and 61% of medium businesses have used or intend to use this finance for working capital / cash flow / day-to-day costs / expenses.

Base = All SMEs that sought finance on the last occasion because of Covid-19 (n=1,931), A13c, micro businesses (817), small businesses (324), medium businesses (119), All who sought finance to cover working capital/cash flow/day to day costs/expenses (n=1,370), A13c A

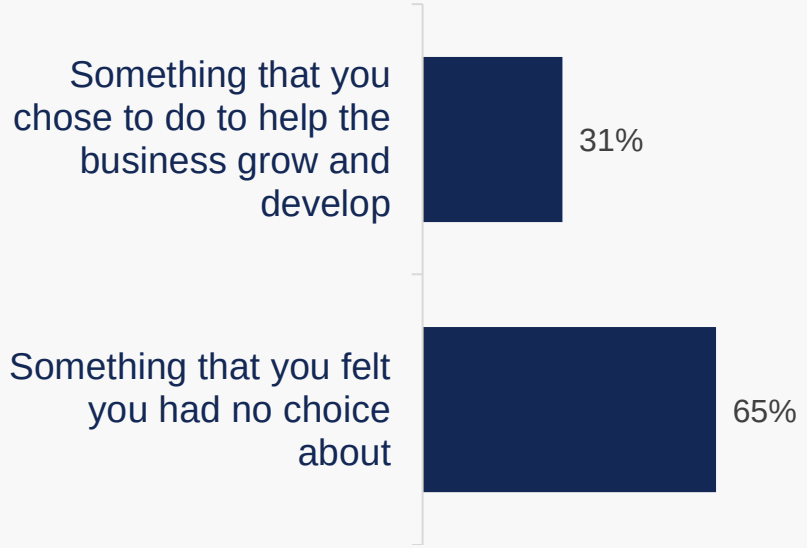
A third of SMEs injected personal funds into their businesses; two-thirds of these felt they had no other choice but to do so

33% SMEs injected personal funds into the businesses in the past 12 months

Micro SMEs and firms with no employees are more likely to have injected personal funds than small or medium firms (35%, 33% vs. 25% and 18% respectively).

61% of SMEs trading under 2 years injected personal funds.

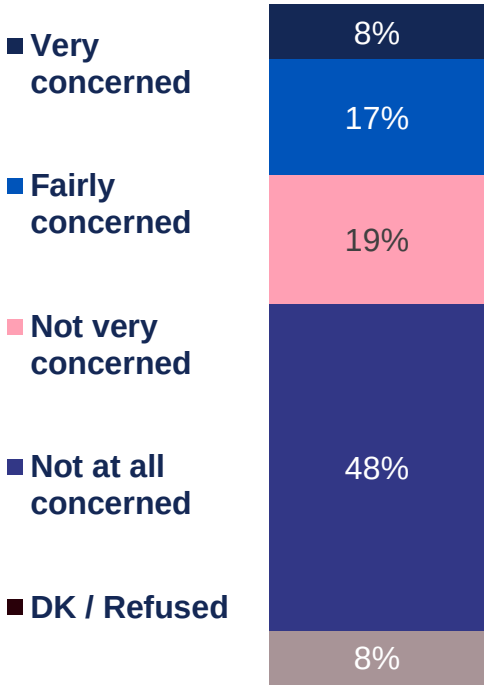
Among firms who injected personal funds to business in the past 12 months, SMEs felt it was:



Base = All SMEs (n = 3,733), 2019 (4003)., Micro (n=1375), Small (n=581), no employees (n=1567), SMEs under 2 years (n=143), All who injected personal funds (n=1200), Question A6e, A6f

One in four SMEs are concerned about their ability to make full repayments for external finance sought in 2020

How concerned, or otherwise, are you about your ability to make full repayments as and when they become due?

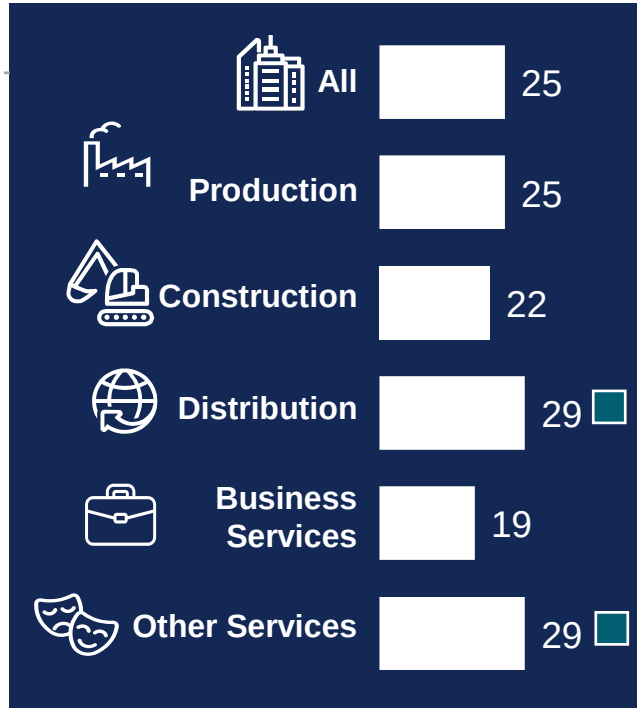


Concerned: **25%**

NOT concerned: **67%**

Nano (24%), **micro** (27%) and **small** (22%) **businesses are more likely to be concerned** compared to 12% of medium firms.

SMEs who applied for a BBL or CBIL are also more concerned (35%).

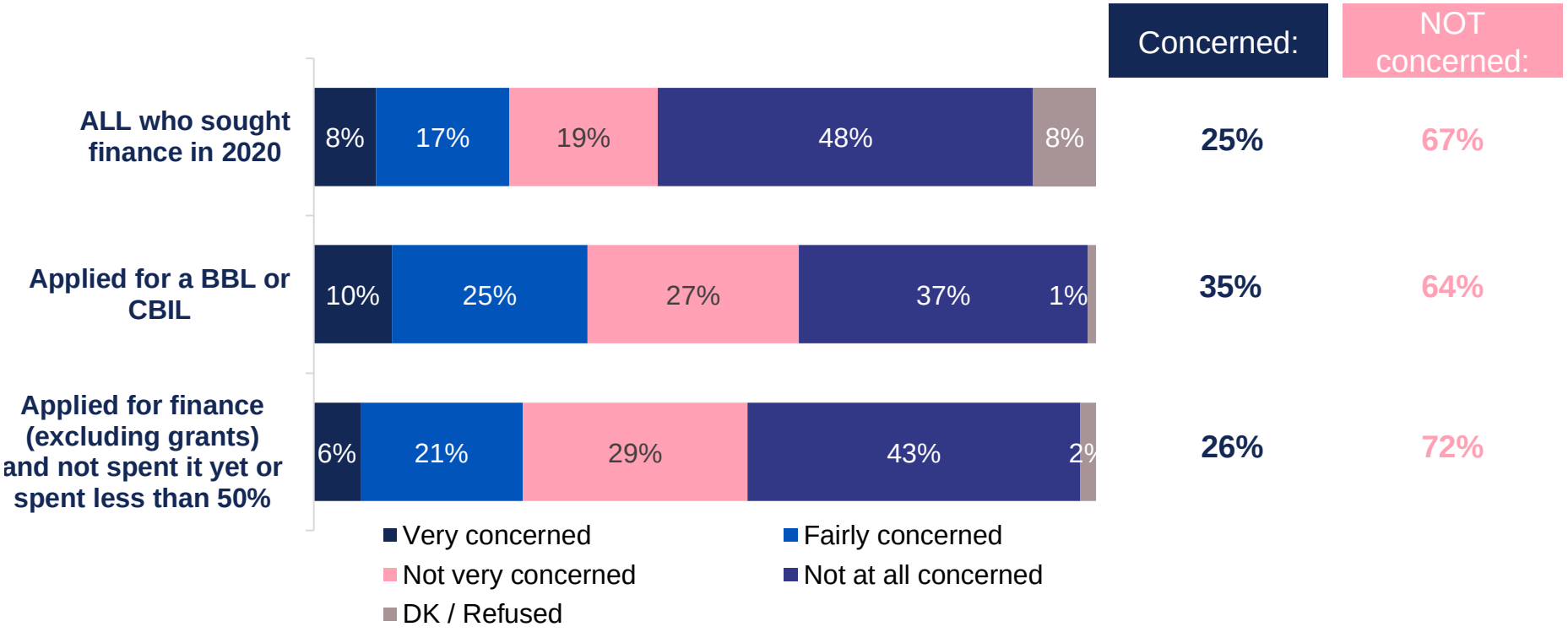


Base = All SMEs that last sought finance in 2020 (n=2,213), Production (n=364), Construction (n=276), Distribution (n=523), Business Services (n=568), Other Services (n=482), SMEs who applied for BBLs (n=762) or CBILs (n=156), A11e.

Sig higher than the other type
Sig lower than the other type

A third of SMEs who applied for a Covid-19 loan are concerned about their ability to repay

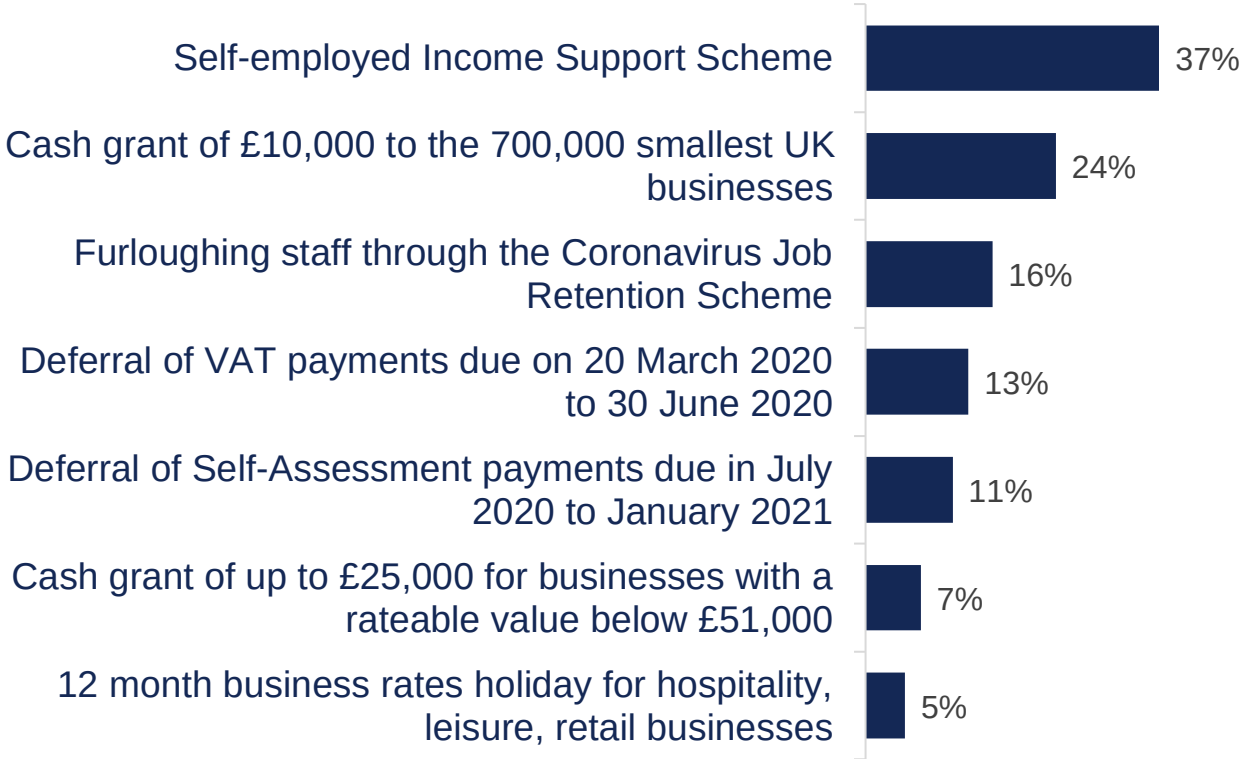
How concerned, or otherwise, are you about your ability to make full repayments as and when they become due?



Base = All SMEs that last sought finance in 2020 (n=2,213), SMEs who applied for BBLs or CBILs (n=918), there are no differences between the two loan types , SMEs who applied for finance other than government grants and spent less than 50% of it or none of it yet (n=400) A11e.

Seven in ten SMEs applied for some form of government support for businesses affected by Covid-19

Has your organisation applied for any of the following Government support for businesses and organisations affected by coronavirus?



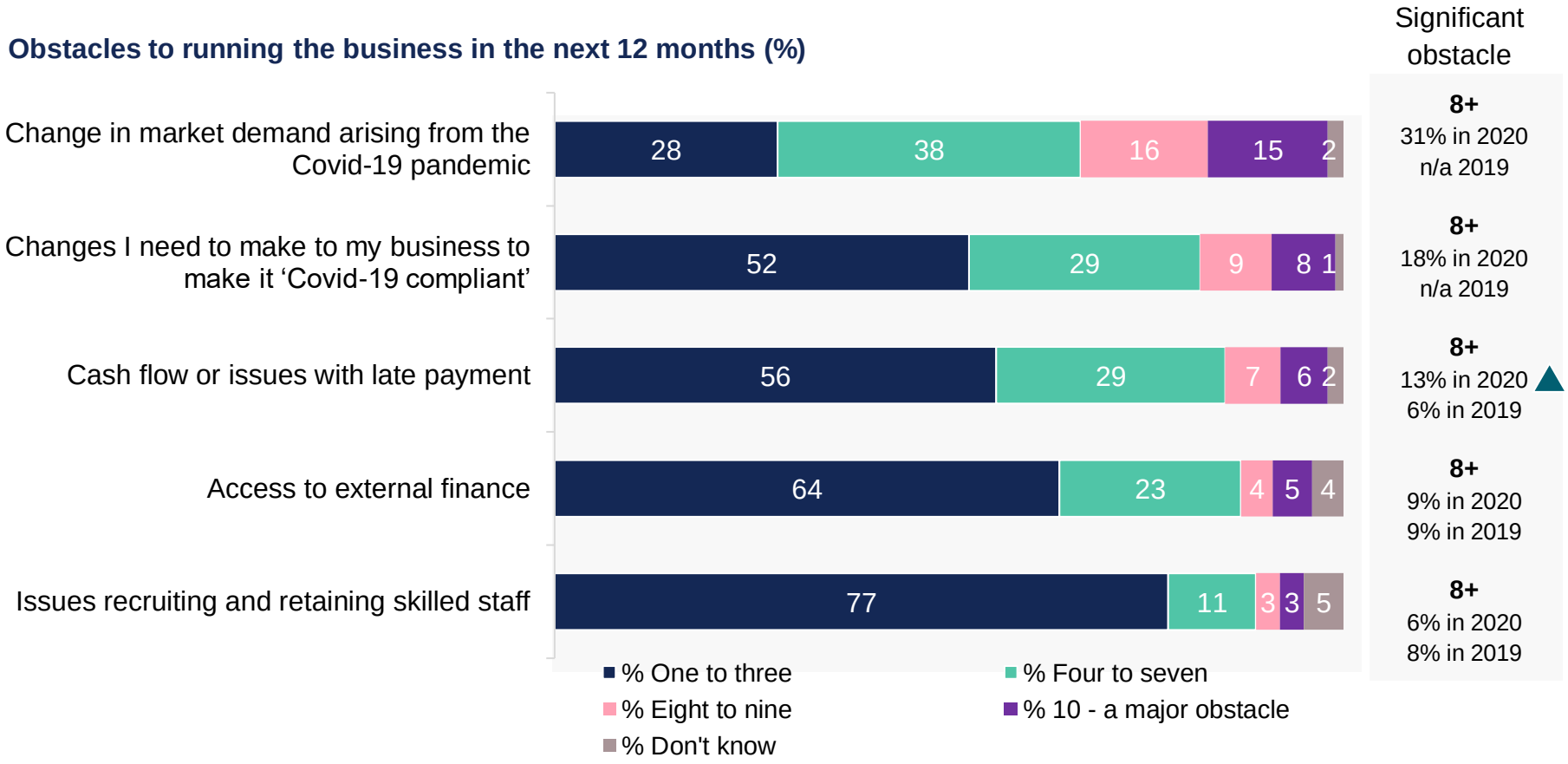
Seven in 10 SMEs (69%) applied for some form of government support. Small (87%) and medium firms (91%) are more likely to have applied than micro businesses (80%).

Businesses in Distribution were the most likely to apply (80%) compared to Construction (72%), Production (68%), Business and Other Services (64%).

Base = All SMEs (n=4,125), A13d, micro (n=1523), small (n=614), medium (n=261), Production (n=651), Construction (n=554), Distribution (n=867), Business Services (n=1,199), Other Services (n=854), . Only answers over 5% are shown.

Top 5 threats to future operations are: change in market demand due to Covid-19 and changes needed to be Covid-19 compliant

Obstacles to running the business in the next 12 months (%)



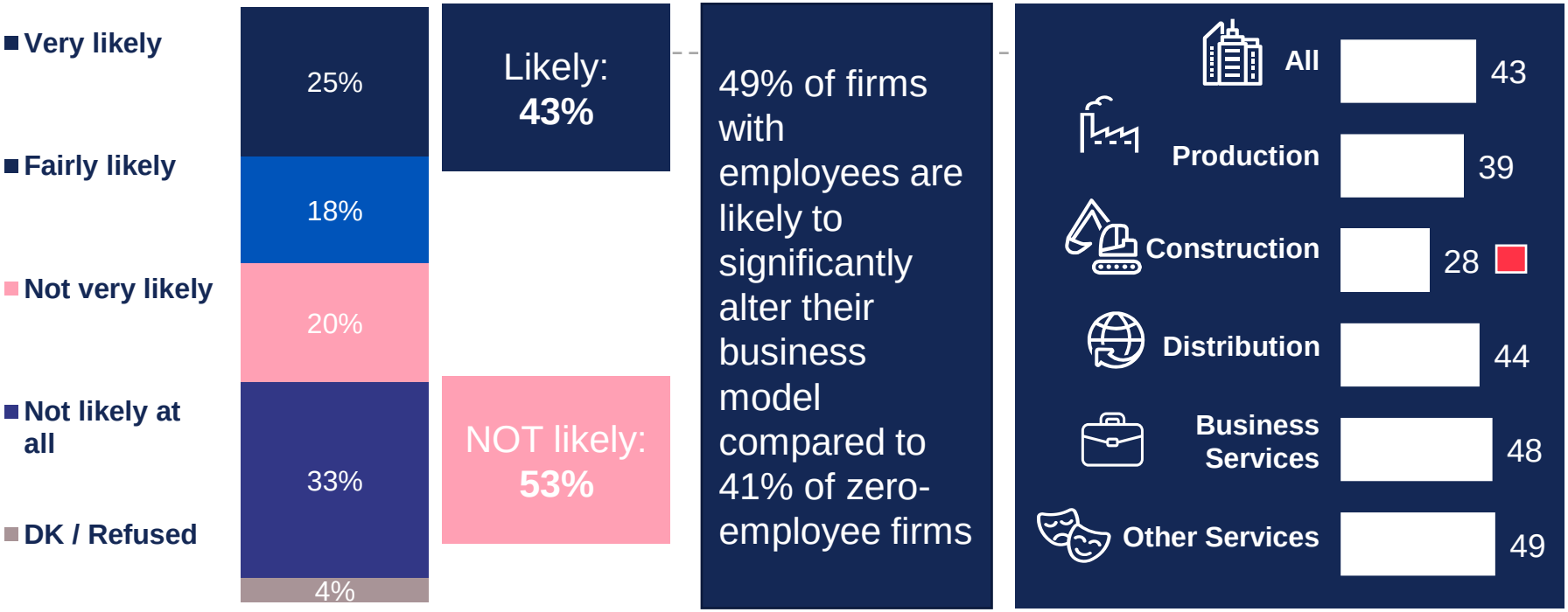
Base = All SMEs (n=2,142), b8

▲ Sig higher than 2019
▼ Sig lower than 2019

Over four in ten SMEs are likely to significantly alter their business model as a result of Covid-19

Firms in Construction are the least likely to make changes.

How likely, if at all, are you to significantly alter your business model over the next year or two as a result of the Covid-19 pandemic?

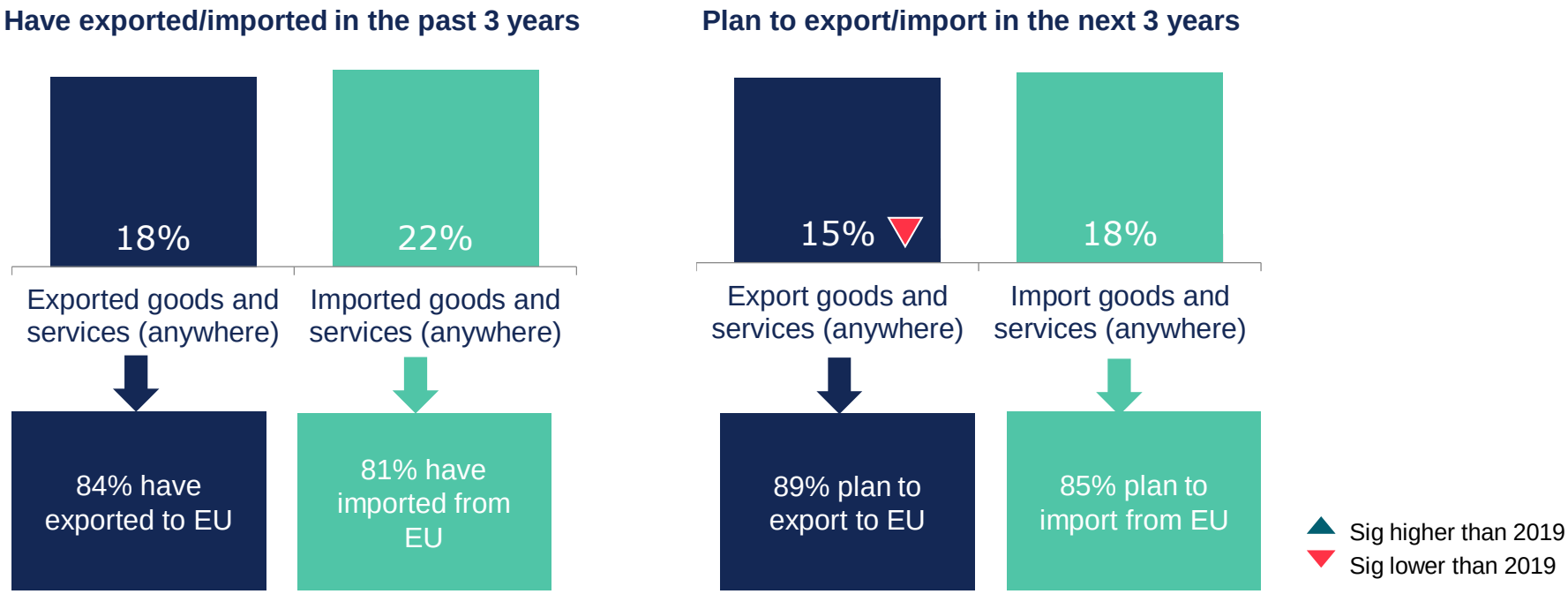


Base = All SMEs (n=3,768), Production (n=587), Construction (n=506), Distribution (n=817), Business Services (n=1,090), Other Services (n=768), B3iv_2

Trade and leaving the EU

Around one in five SMEs exported or imported in the past three years, although a slightly smaller proportion plan to do so in the future

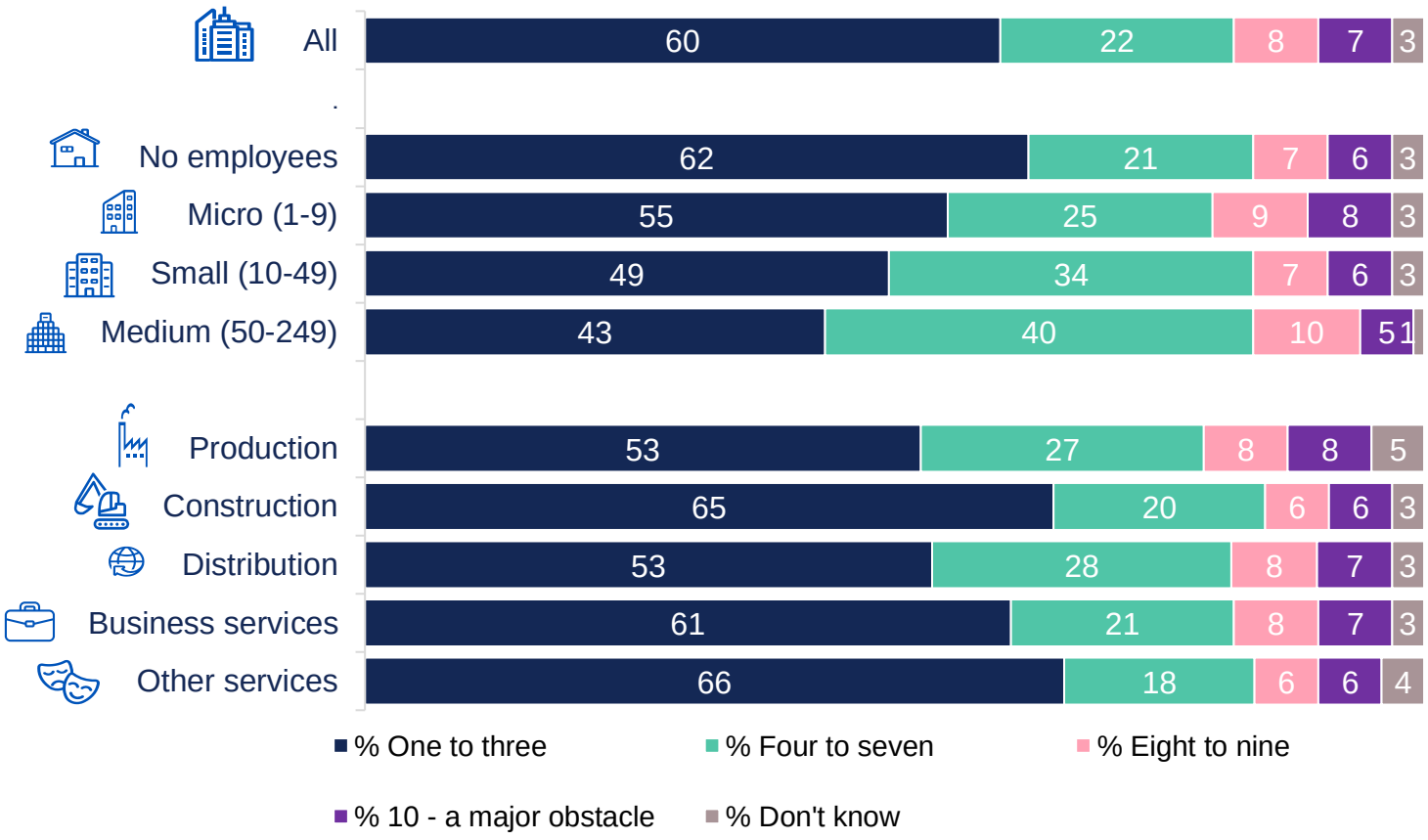
Most firms who trade with overseas countries exported to or imported from the EU and plan to do so in the next three years.



Base = All SMEs (n=4,125) all asked short version of the questionnaire (n=2,142), All who have exported goods or services to another country (457) All who have imported goods or services from another country (267), c1a/b and c2a/b

One in seven SMEs expect EU Exit to be a significant obstacle to running their business, a drop from last year

% of businesses reporting the UK leaving the EU as an obstacle to business



Significant obstacle

8+
14%* in 2020 ▼
23% in 2019

Businesses who traded (28%) or plan to trade with the EU (27%), firms in London (21%), Northern Ireland (21%), and Scotland (18%) are more likely to expect EU Exit to be significant obstacle (8+).

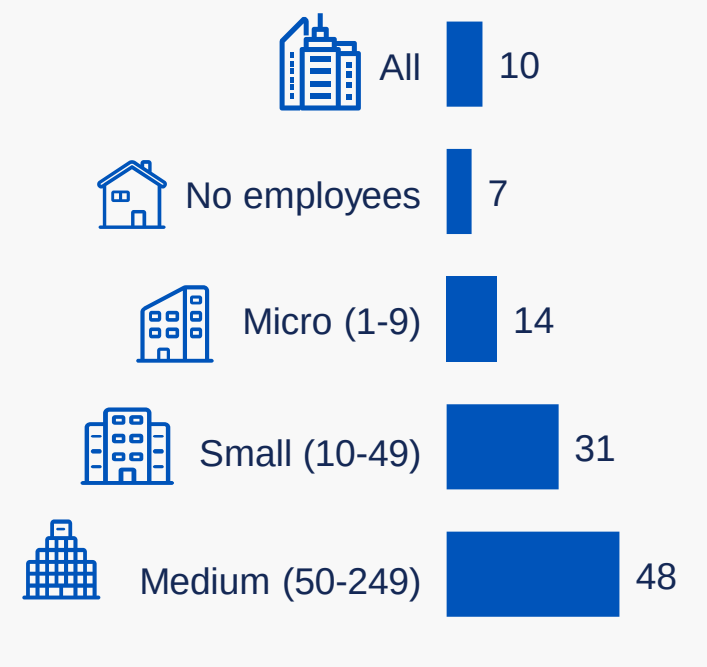
▲ Sig higher than 2019
▼ Sig lower than 2019

Base = All SMEs (n=4,125), b8, *figure has been rounded

One in ten businesses are making preparations ahead of EU Exit

Medium sized businesses and firms in Production or Construction are the most likely to be taking action.

Profile of business making preparations or taking any actions to prepare for the end of the EU Exit transition period



SMEs who export or import to/from the EU (24%) and firms who plan to in the next three years (26%) are substantially more likely to be making preparations for EU exit.

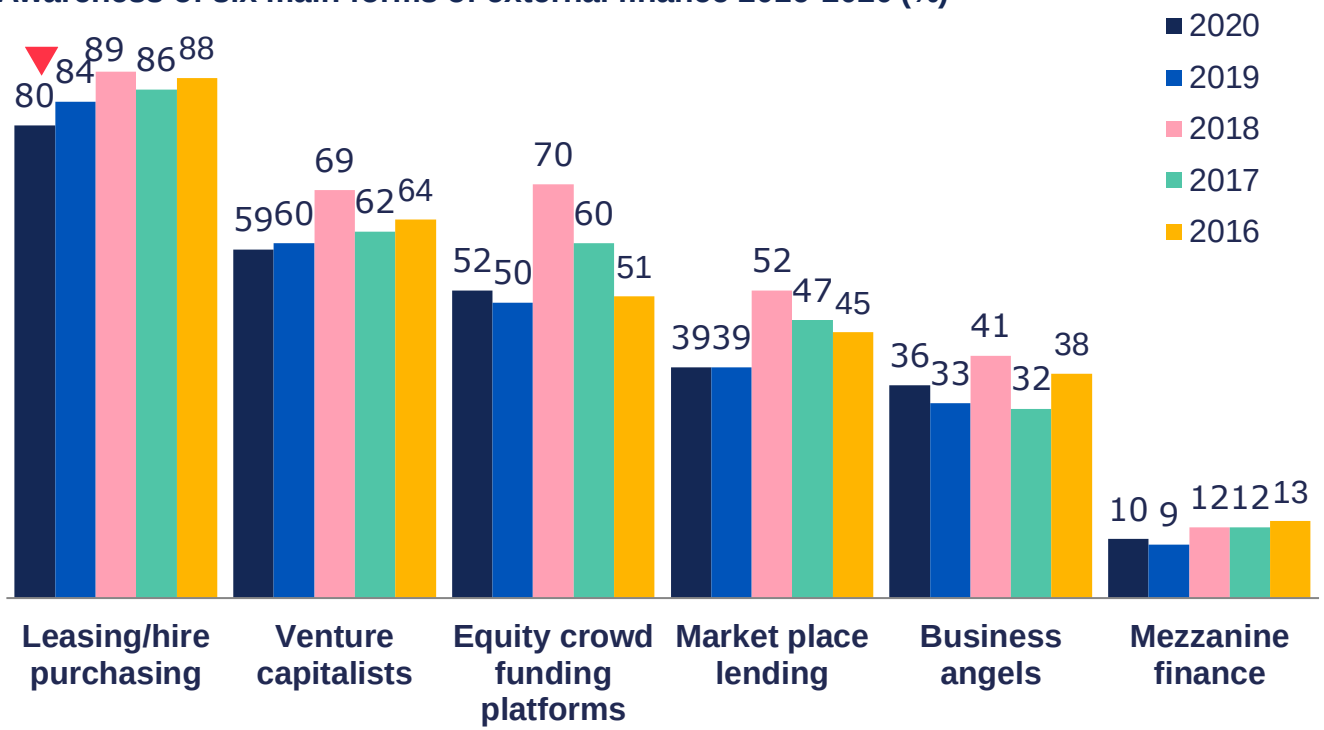
Base = All SMEs (n=2,142**),** c7aa, Production (n=333), Construction (n=289), Distribution (n=437), Business Services (n=630), Other Services (n=453), Micro (782), Small (311), Medium (140), SMEs who export/import to/from EU (611), SMEs who plan to export/import to/from EU in the next 3 years (581)

Awareness and use of different types of finance

Awareness of these six forms of alternative finance types is broadly in line with 2019

SMEs are less likely to be aware of leasing and market place lending.

Awareness of six main forms of external finance 2016-2020 (%)



Almost 9 in 10 SMEs (86%) are aware of at least one of these six alternative finance types, in line with previous year.

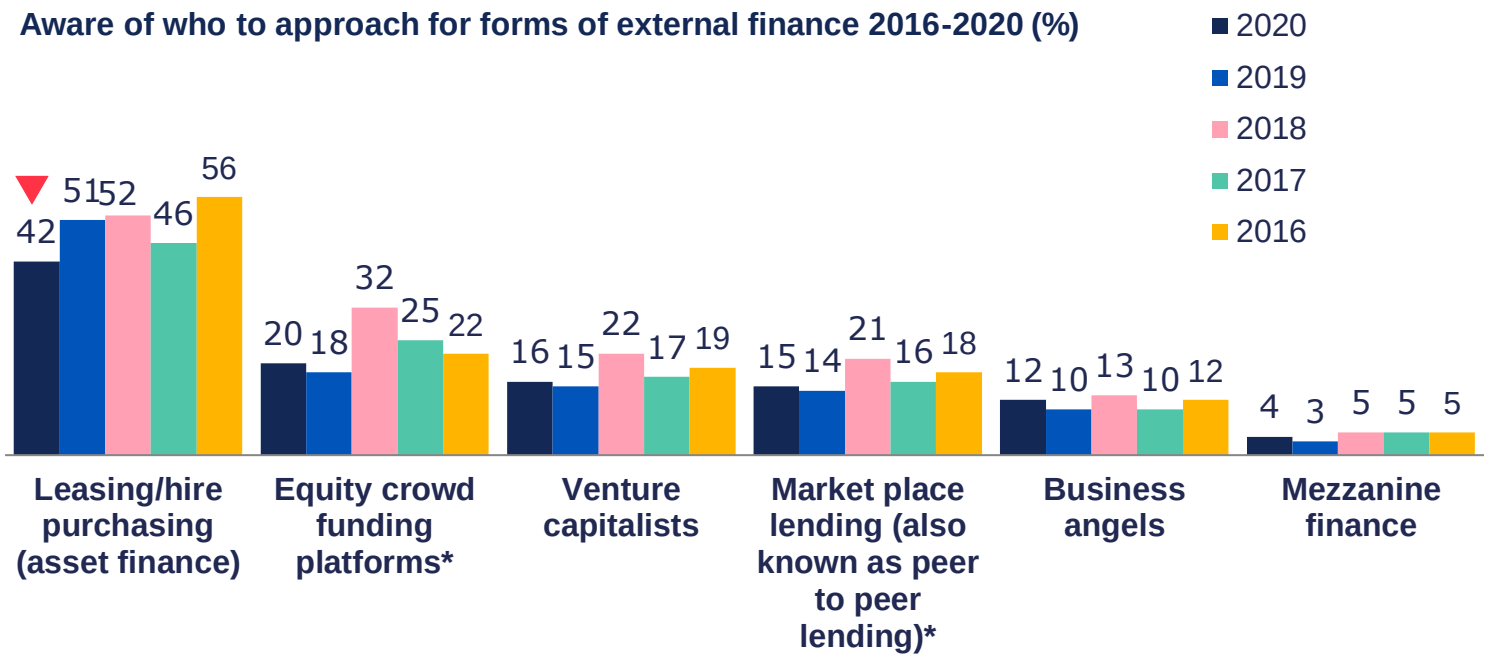
Awareness of at least one of these six finance types is higher among SMEs with employees (92%), and firms from the Business Services sectors (91%).

▲ Sig higher than 2019
▼ Sig lower than 2019

Base = all SMEs (n=4,125 in 2020, n=4,003 in 2019, n=2,000 in 2018 n=2,070 in 2017, n=1,535 in 2016). Question A1 (multi code, prompted). Note: Awareness of govt. finance is highest (83%). Wording for 'leasing or hire purchase' and 'market place lending' changed slightly in 2018.

Awareness of who to approach for specific products is in line with 2019

However, awareness of asset finance providers is 9 percentage points lower this year.



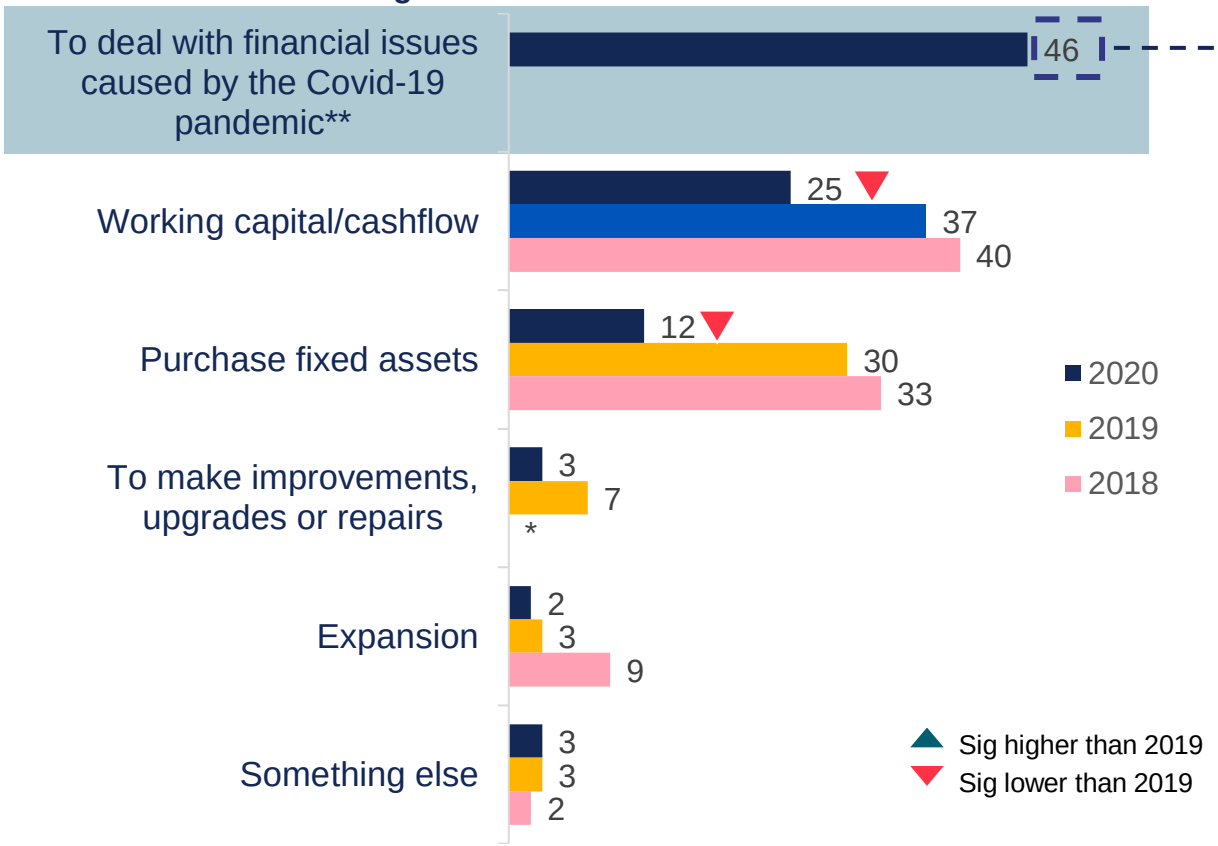
Nearly half (48%) are aware of suppliers for at least one of these six types of alternative finance: employers (63%) are more likely to be aware than firms without employees (44%).

▲ Sig higher than 2019
▼ Sig lower than 2019

Base = all SMEs aware of some form of external finance (n=3,961 in 2020, n=4,003 in 2019, n=2,000 in 2018 n=2,070 in 2017). Question A2 (multi code, prompted). Those with employees (594), SMEs without employees (1299).

The main reason for seeking finance among SMEs is dealing with issues caused by Covid-19

% Main reason for seeking finance - last occasion



Highest among firms in the Other Services sector (52%).

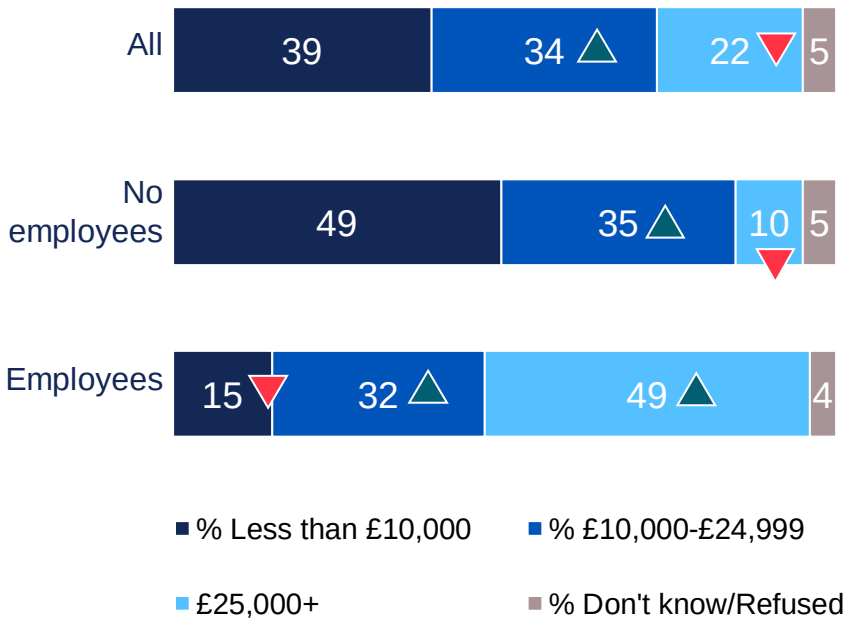
Most common reasons for seeking working capital is to **continue trading** (70% vs. 56% in 2019) or **cover fall in sales/turnover as a result of the Covid-19 crisis** (65%).

Base = all SMEs that sought finance in the last 3 years (n=2,618 in 2020, n=755 in 2019, n=913 in 2018). Question A13a/b (single code, prompted). Those 1% or less not shown. All SMEs seeking finance for working capital (n=1,363 in 2020, n=332 in 2019). Question A14 (multi code, prompted). All SMEs seeking finance for refinancing (n=113, n=39 in 2019, *NOTE: LOW BASE), Question A15 (multi code, prompted).**coded added in 2020. * is greater than zero and less than 0.5%.

Increase in median value of finance sought in 2020

Businesses with employees are more likely to seek higher values than zero employee firms.

% Amount of finance sought on last occasion by business size



	2020 median amount	2019 median amount
All	£10,000	£10,000
No employees	£8,000	£7,000
Employees	£25,000	£20,000

Firms expecting high growth (20%+) in the next 12 months tend to seek higher amounts (£17,700 median value compared to £10,000 overall).

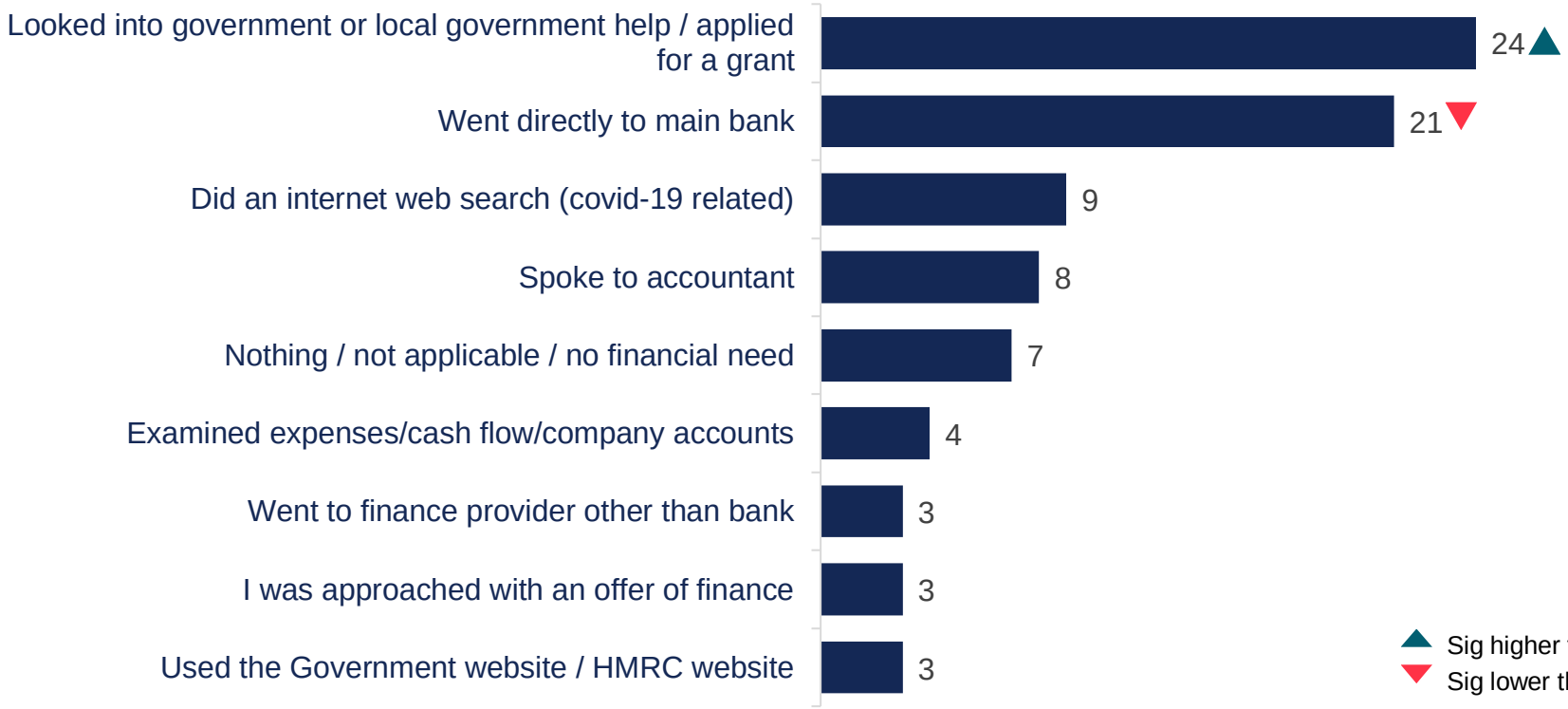
Medium sized businesses tend to seek the highest value - £99,200 (median value) compared to small and micro firms (£50,000 and £20,000 median values respectively).

▲ Sig higher than 2019
▼ Sig lower than 2019

Base = all SMEs that sought finance in the last 3 years (n=2618 in 2020, n=755 in 2019), n=873 no employees, n=1743 employees, SMEs expecting high growth (204), micro (n=1067), small (n=481), medium businesses (n=197). Question A28/A29 (single code, prompted).

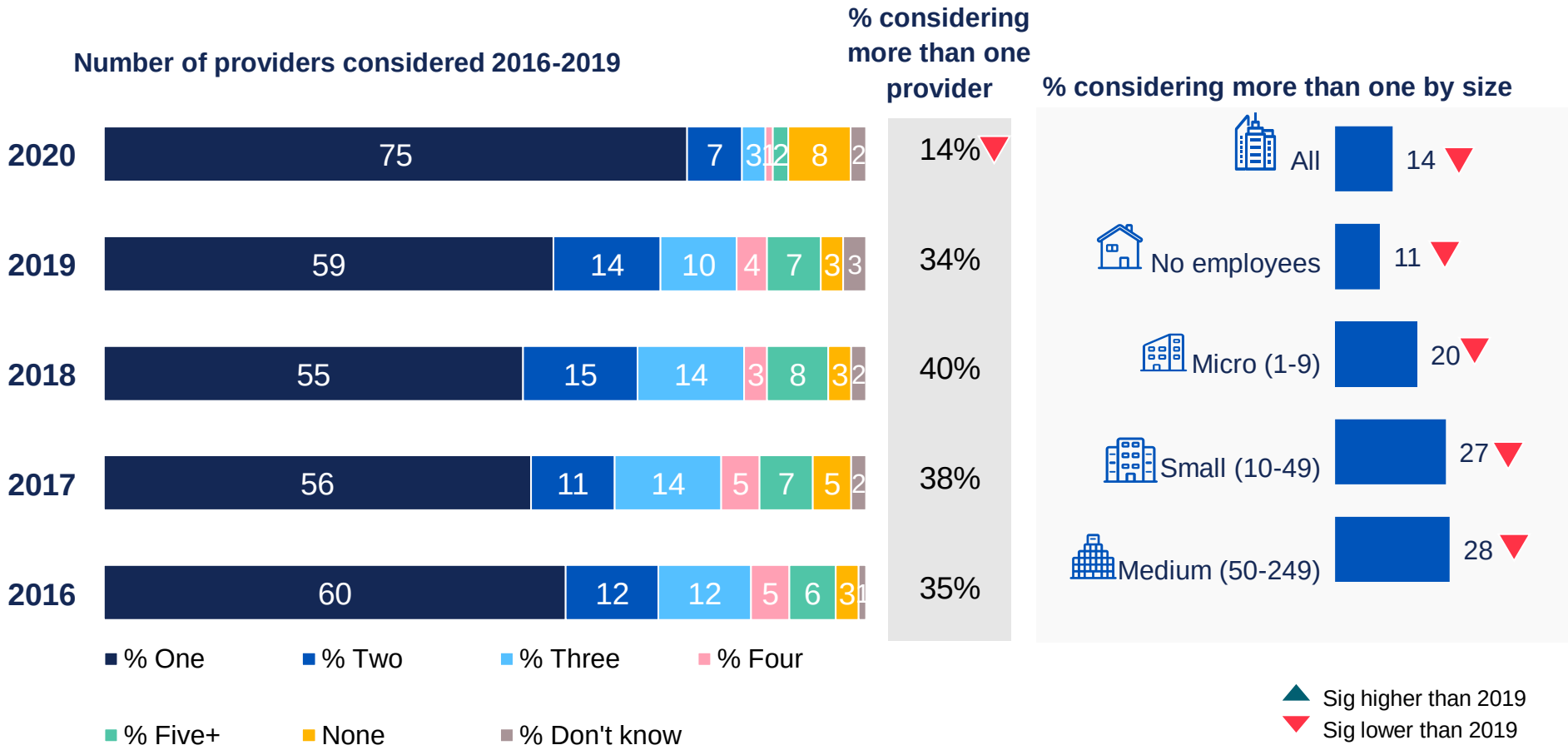
Substantially more companies looked into government grants this year when they realised they needed finance

% Who spoke to first when finance need identified – top mentions



Base = all SMEs that sought finance in the last 3 years (n=1,366 in 2020). Question A19 (single code, unprompted). Those not shown 2% or less.

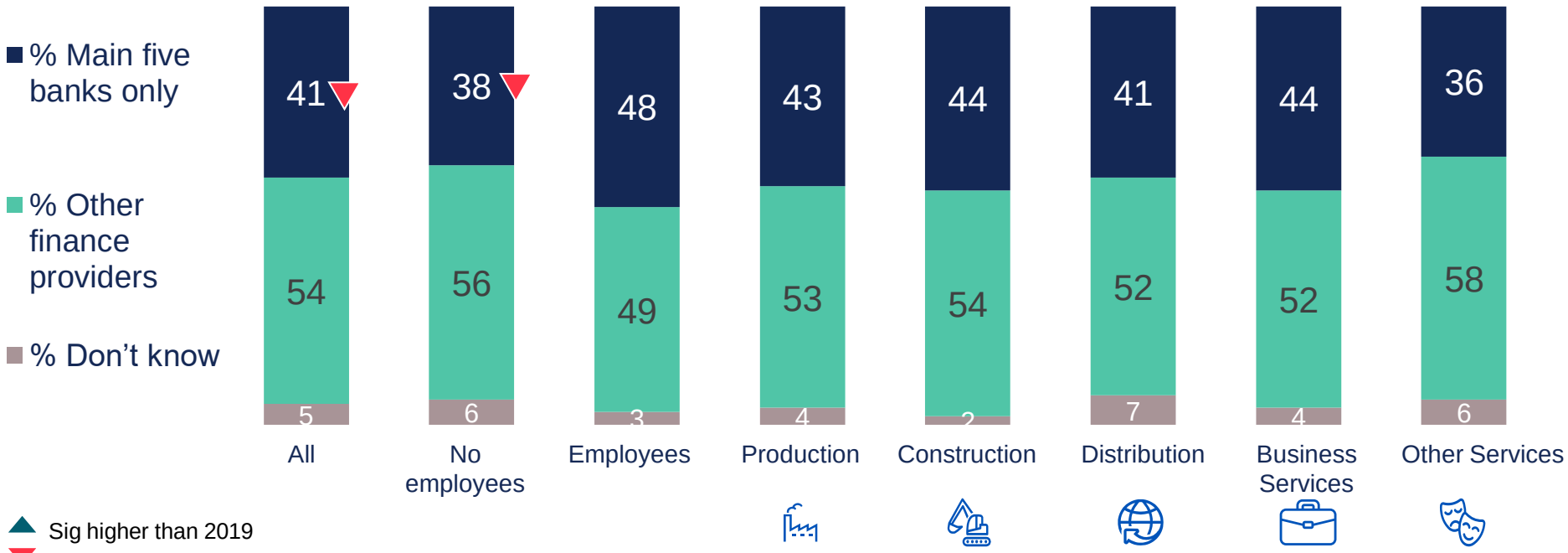
More SMEs were considering one provider only this year



Base = all SMEs who sought finance in the last 3 years (n=1,366 in 2020, n=1,503 in 2019 n=913 in 2018 n=932 in 2017, n=886 in 2016). No employees n=482; micro n=549; small n=234; medium n=101. Question A22 (single code, unprompted).

The proportion of SMEs contacting one of the main banks is slightly lower than in 2019

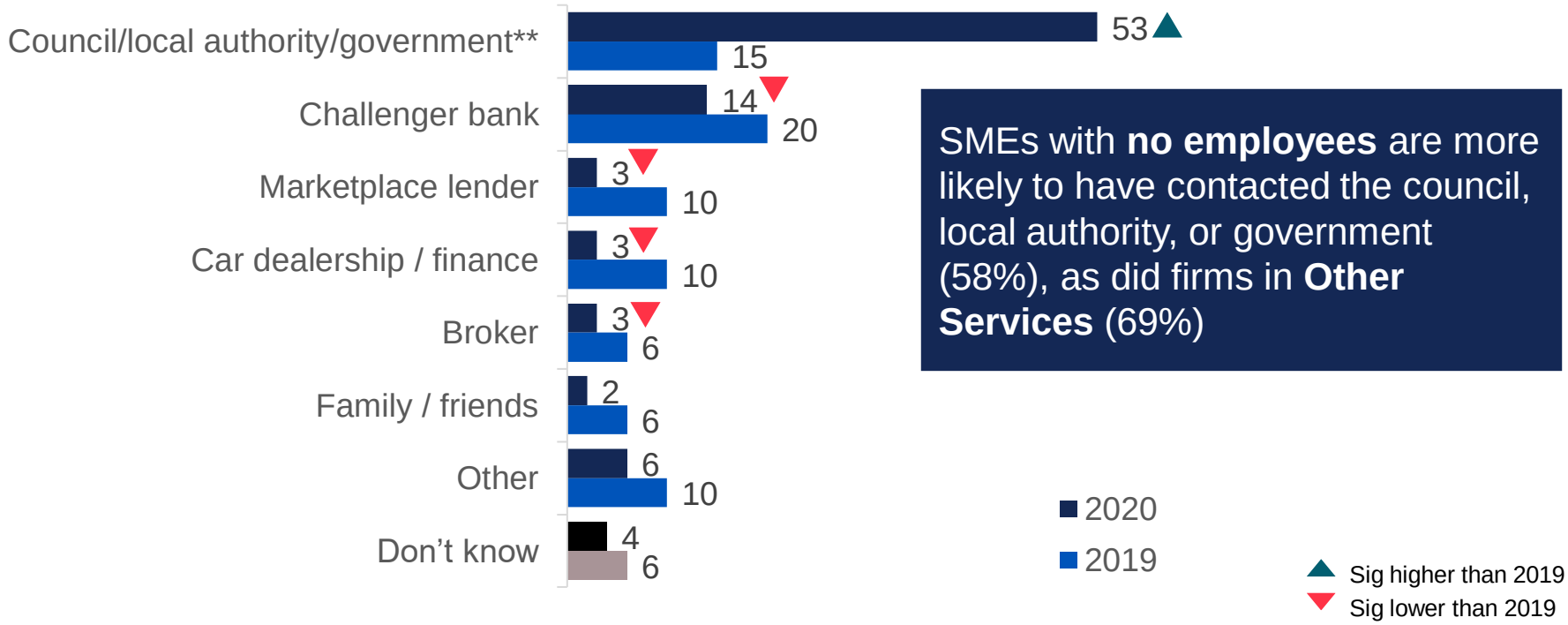
Was finance sought from any of the five largest UK banks



Base = all SMEs who sought finance in the last three years (n=1,366 in 2020, n=755 in 2019). No employees n=482; employees n=883; production n=224; Construction n=186; Distribution n=304; Business Services n=350; Other Services n=302. Question A25 (single code, prompted).

Over half of SMEs who contacted other financial providers contacted their local authority or government when seeking finance

% Providers businesses contacted for finance – top mentions

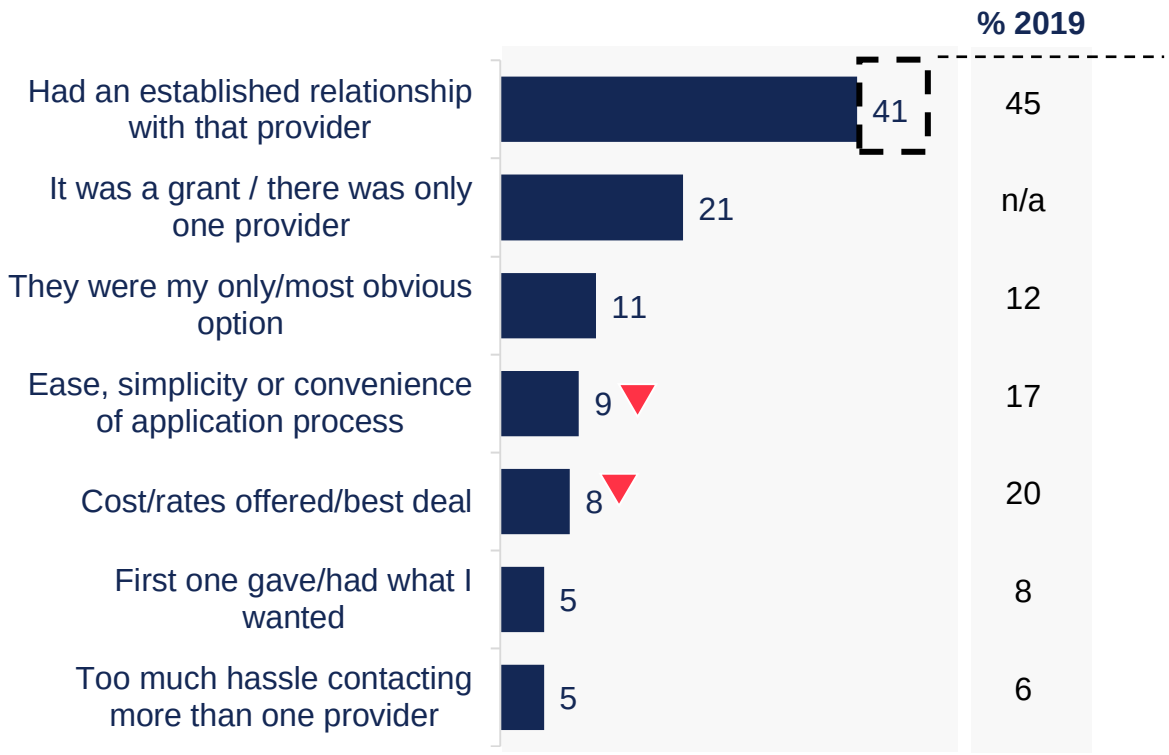


SMEs with **no employees** are more likely to have contacted the council, local authority, or government (58%), as did firms in **Other Services** (69%)

Base = all SMEs who contacted other financial providers (n=715 in 2020, n=434 in 2019). Question A25a (multicode, unprompted). Those not shown 1% or less. New question in 2019. **wording changed in 2020. 2019 codes under 6% are not shown

Having an established relationship continues to be the most common reason for contacting only one provider

% Reasons for only approaching one provider on last occasion – top mentions



Lower among SMEs with **no employees** (37%), and higher among **Production** (55%) and **Construction** (56%).

SMEs with **no employees** are more likely to say it was a grant/there was only one provider (23% vs. 15% of firms with employees), along with **Other Services** (31%).

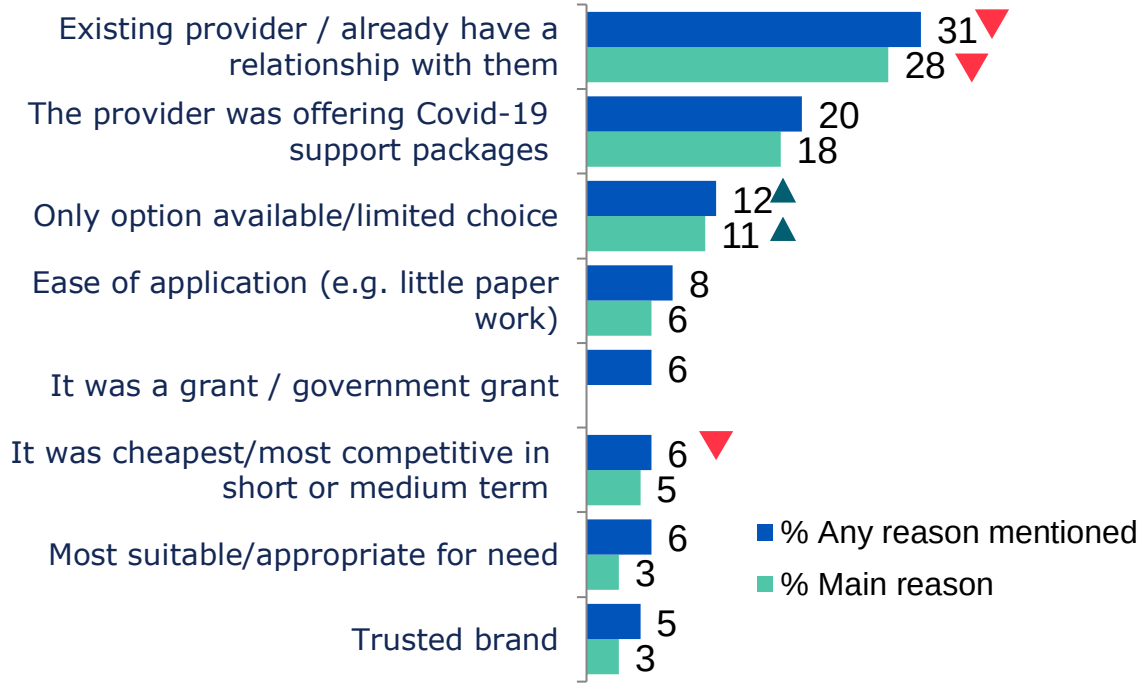
▲ Sig higher than 2019
▼ Sig lower than 2019

Base = all SMEs that contacted only one provider (n=890 in 2020, n=357 in 2019). Question A26 (multi code, unprompted). Those not shown 1% or less.

Having an established relationship continues to be the main reason for choosing a specific provider, despite a slight drop this year

Being the 'only' option is more frequently mentioned this year.

% Reasons for choosing specific provider – top mentions

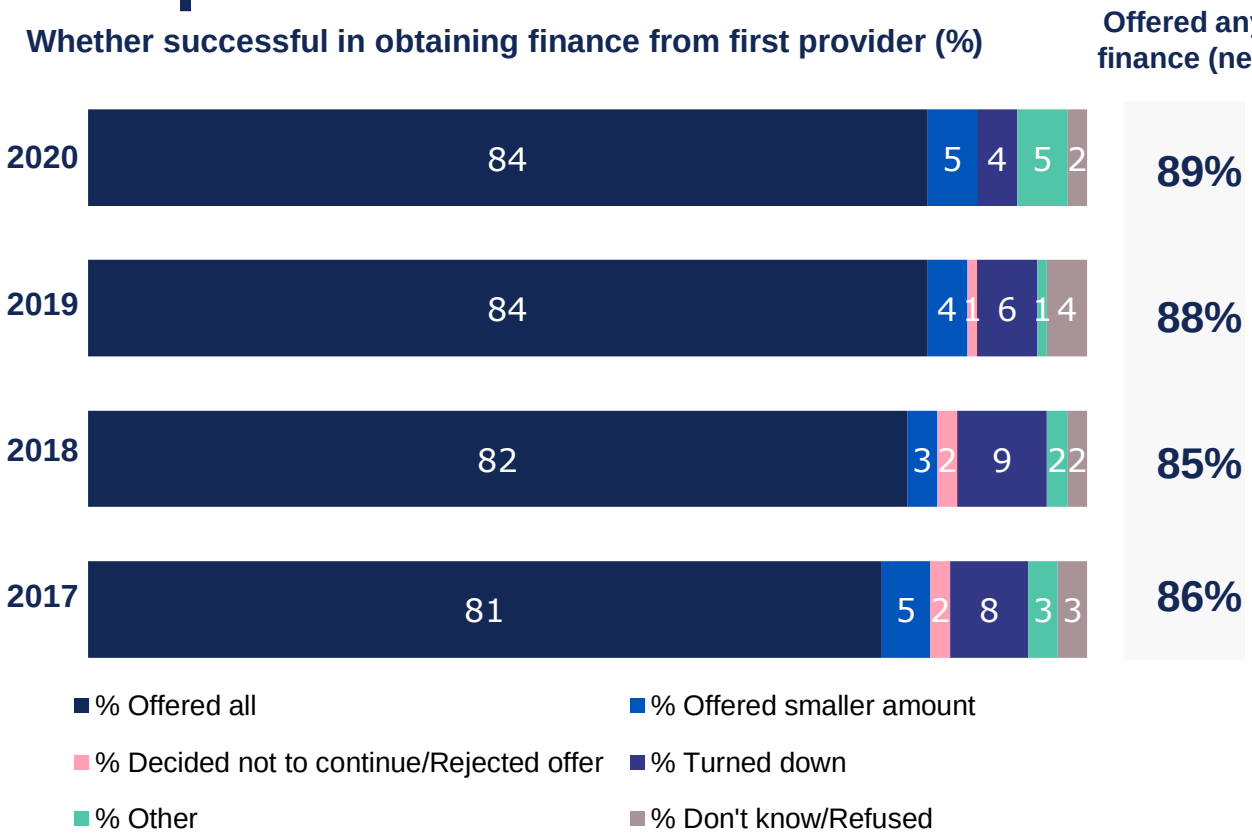


Small and medium business are more likely to say existing relationship is the main reason (41% and 40% respectively), as are firms in Construction sector (39%)

▲ Sig higher than 2019
▼ Sig lower than 2019

Base = All SMEs that sought finance in the last three years (n=1,366 in 2020, n=755 in 2019). Question A20 (multi code, unprompted); A21 (single code, prompted). Those with 4% or less for both not shown.

Over eight in ten SMEs were successful in obtaining all of the finance required from the first provider

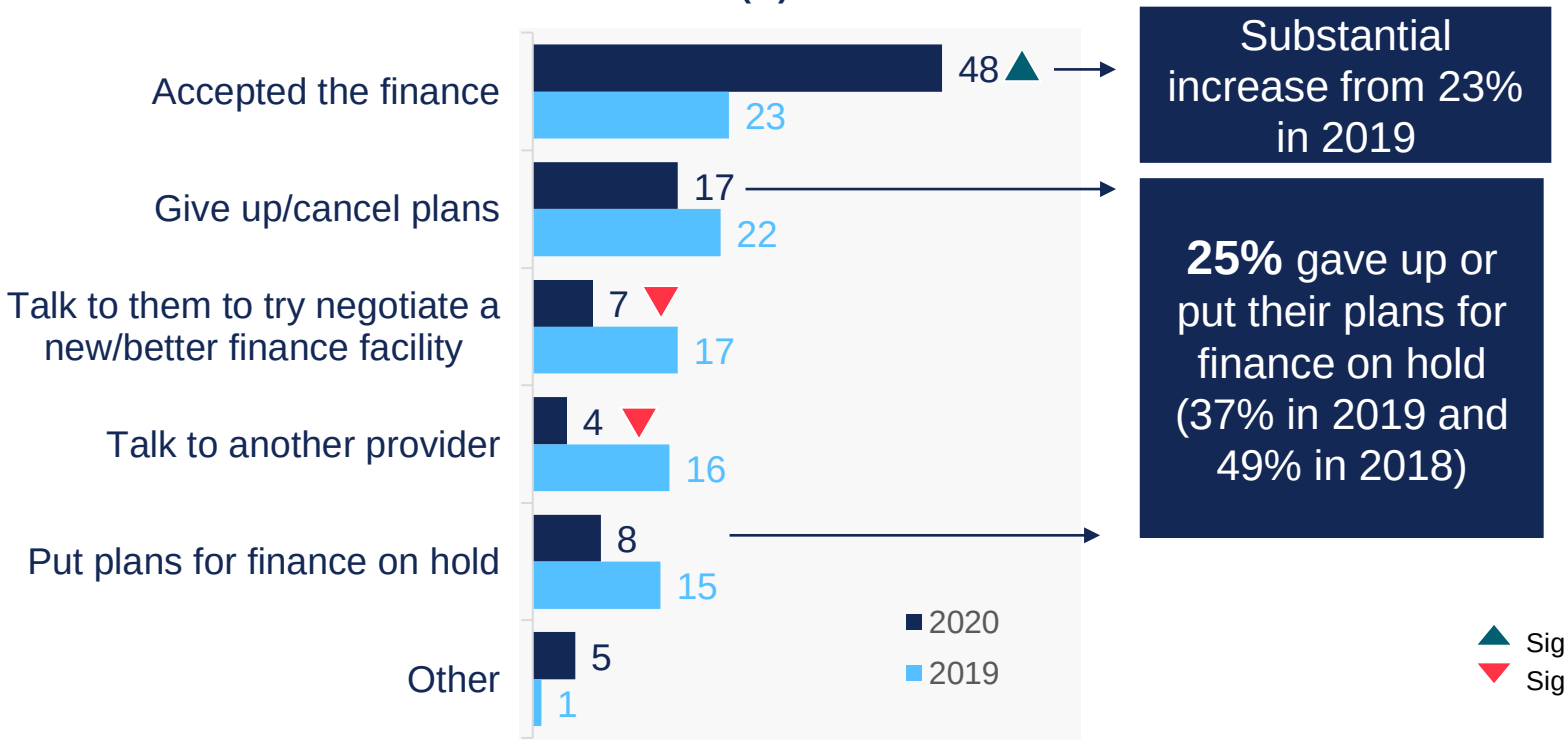


SMEs which have been **trading for less than 2 years** are less likely to have been successful in obtaining all of, or more than, the finance required (64%)

Base = all SMEs that sought finance in the last 3 years (n=1,366 in 2020/n=755 in 2019/n= 913 in 2018/n=932 in 2017). Question A30 (single code, prompted). 'Offered any finance (net)' is subject to rounding so may not equal the sum of figures presented on the chart.

Almost half of SMEs (48%) accepted the finance offered, even if less than the full amount requested

What was done next if not offered full amount (%)



Base = offered smaller amount/worse terms/turned down (n=119 in 2020, n=73 in 2019). Question A32 (single code, prompted). Only answers over 5% are shown

Overall, around one in five SMEs sought external advice when applying for finance

Sought external advice when applying for finance on last occasion (%)

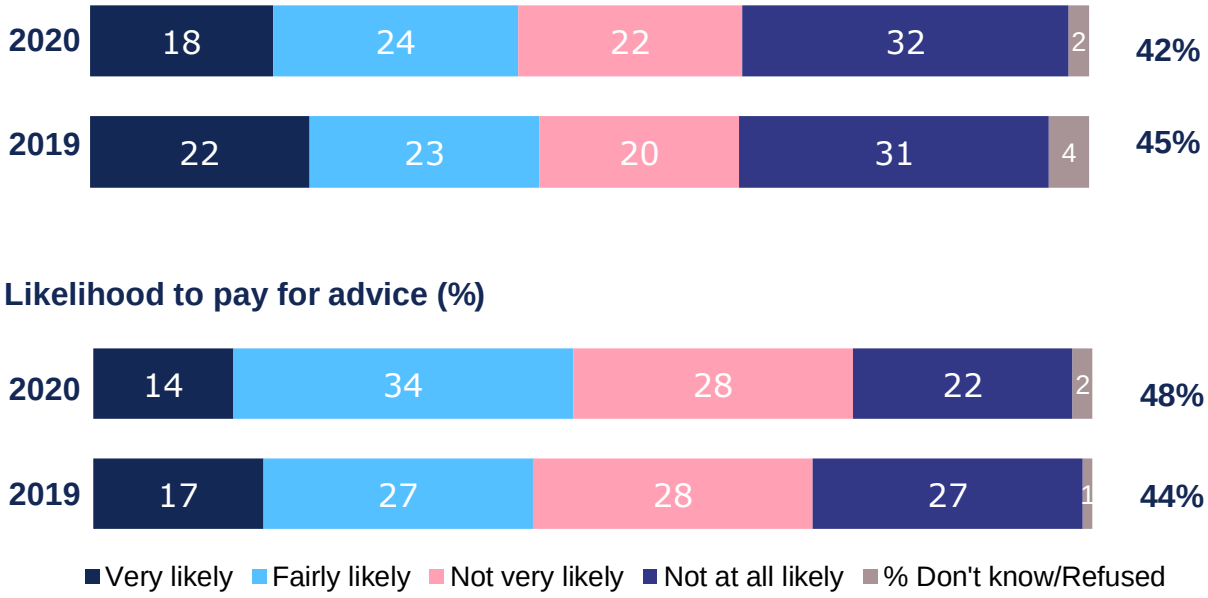
21% SMEs sought external advice in 2020 compared to 13% in 2019. Businesses with employees, particularly micro firms, are more likely to have sought advice than firms with no employees (26%, 27% vs 20%).

Firms with no employees are more likely to rely on friends and family (19%) compared to 3% of businesses with employees.

Base = all who sought external advice (n=299 in 2020, n=121 in 2019), SMEs with no employees (87), SMEs with employees (213), A36 (multi code, unprompted). All who sought finance in the past three years (n=1366 in 2020, n=755 in 2019), and; those with employees (n=884), micro firms (n=549), those without employees (n=482).

Two in five SMEs say they are likely to seek external advice if they needed finance in the next three months

Likelihood to seek external advice in the future (%)

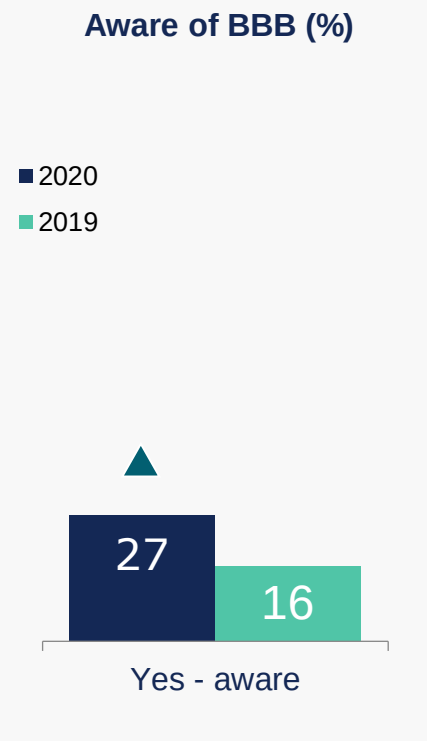


Micro and small businesses (50% and 52%) are more likely to say they will seek advice in the future **compared to** 42% **of firms** overall).

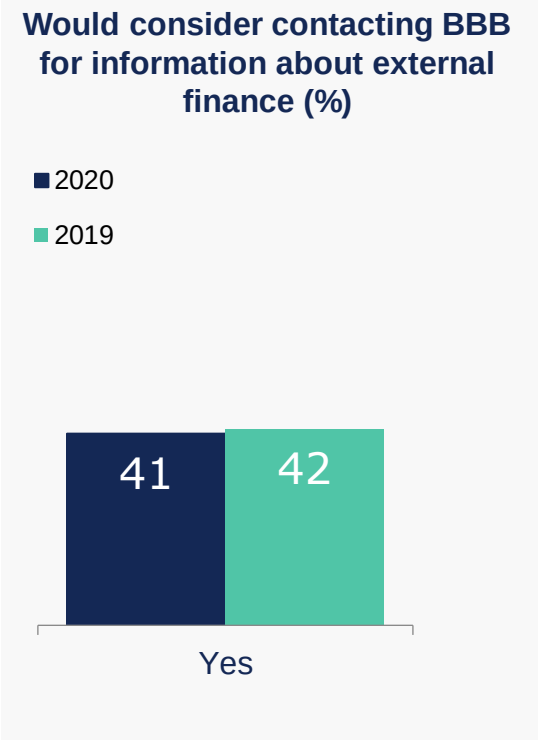
48% of SMEs likely to seek advice say they are likely to pay for independent advice to help them obtain this finance. **Medium businesses** are more likely to say so (70%).

Base = all SMEs (n=2,142 in 2020, n=2,000 in 2019); Question B3ii (single code, prompted). Base: All SMEs likely to seek external advice for external finance in the future (n=969 in 2020, n=938 in 2019), excluding DK/ refused and no advice, B3iii

Around a quarter of SMEs are aware of the British Business Bank – a substantial increase from last year



Medium-sized SMEs are more likely to be aware of the Bank (49%), as are firms in the Business Service sector (34%). Similarly, firms with turnover over £1 mil are more likely to be aware (41%).



SMEs with employees are more likely to consider contacting the Bank (53% compared to 37% for firms without employees)

SMEs trading less than 10 years or under are also more likely to consider contacting the Bank (57% compared to 36% of more established businesses)

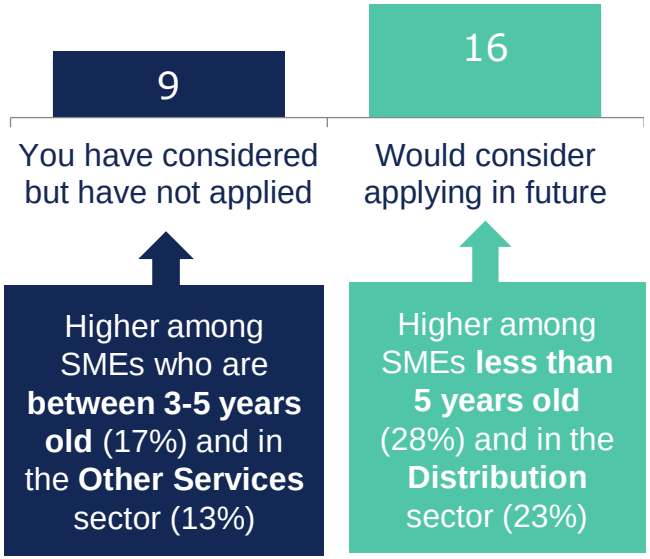
▲ Sig higher than 2019
▼ Sig lower than 2019

Base = All SMEs (n = 4,125), 2019 (4003). Question D12 and D13 (single code, prompted).

Equity finance

Most SMEs not using equity finance have not considered it, although a greater share would consider it in the future

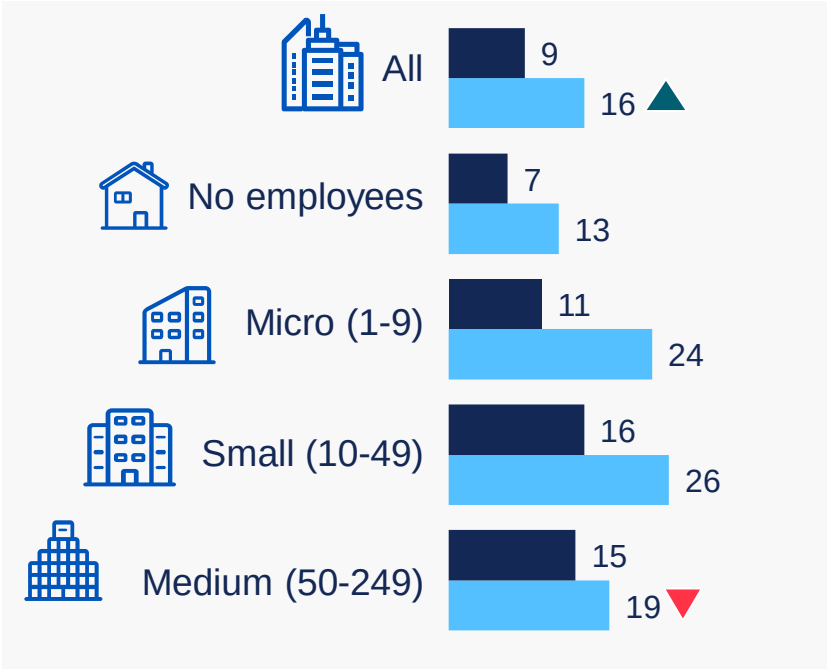
Considering or have applied for equity finance (%)



Higher among SMEs who are **between 3-5 years old** (17%) and in the **Other Services** sector (13%)

Higher among SMEs **less than 5 years old** (28%) and in the **Distribution** sector (23%)

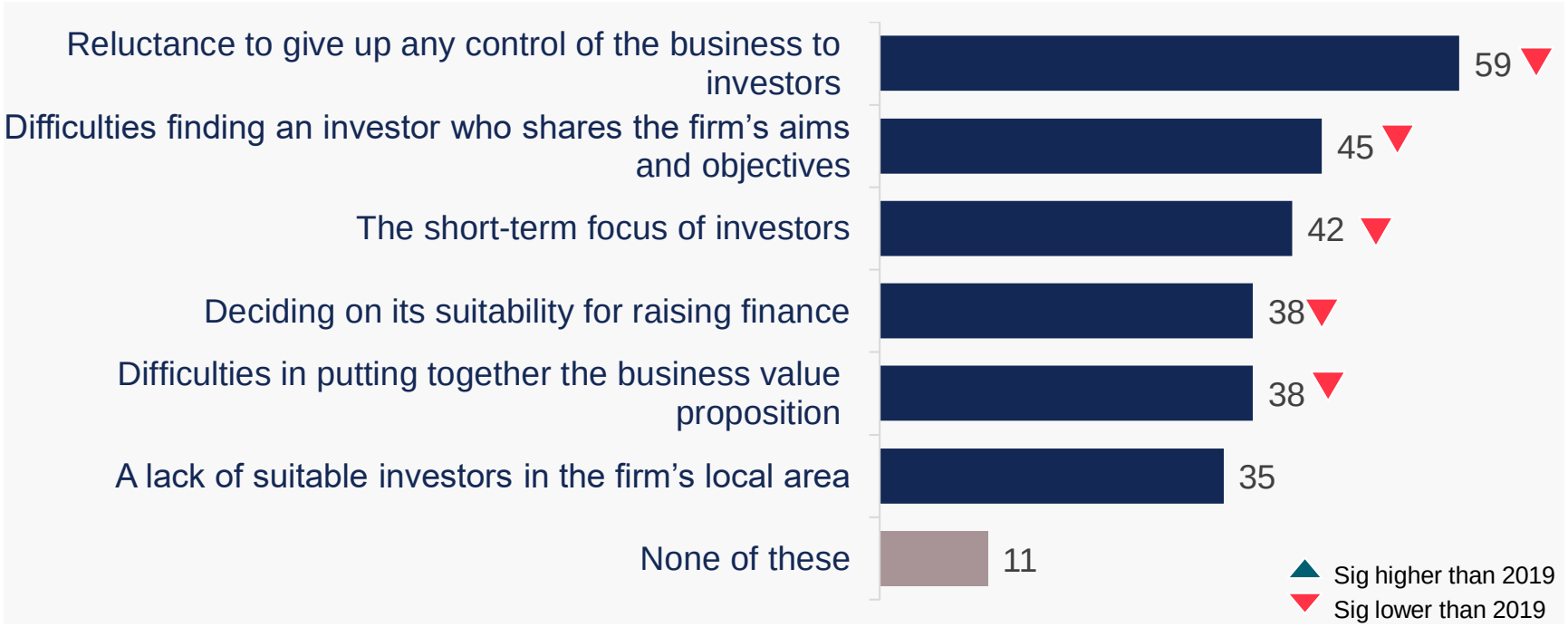
75% of firms aware of, but not currently using equity finance, have neither considered nor would consider using it (77% in 2019)



Base = all SMEs aware of equity finance but not using/sought (n=1,178 in 2020), no employees (n=435), Micro (n=433), Small (n=206), Medium (n=104). Question A6d_A (multi code, prompted).

Of firms that have considered equity, reluctance to give up control is most likely to be reported as a barrier

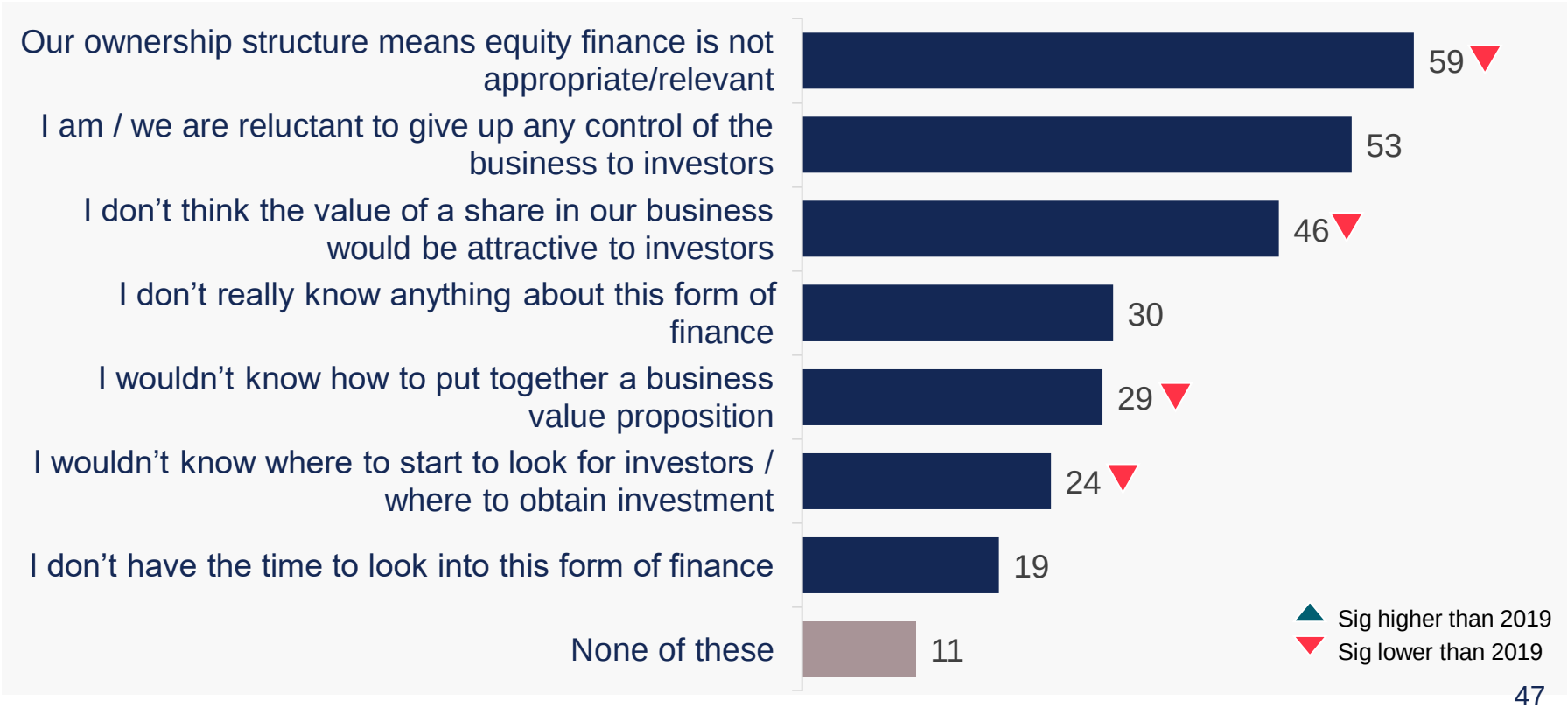
Barriers to equity finance (%)



Base = All who applied for or have considered raising equity finance (n=380 in 2020, n=772 in 2019). Question A9a (multi code, prompted). Answers over 5% are shown

Of firms that have not considered equity, six in ten do not think it is appropriate for them and just over one half are reluctant to give up control

Views of firms who've not considered equity finance (%)

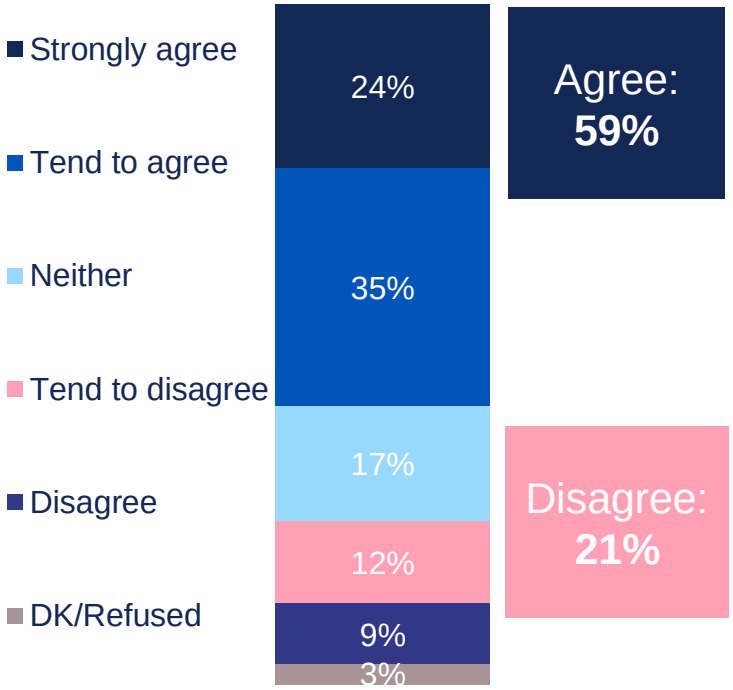


Base = All who have not considered raising equity finance (n=823 in 2020, n=1,651 in 2019). Question A9b (multi code, prompted).

Perceptions of raising finance and future use

Three in five SMEs are confident they know where to obtain information on external finance

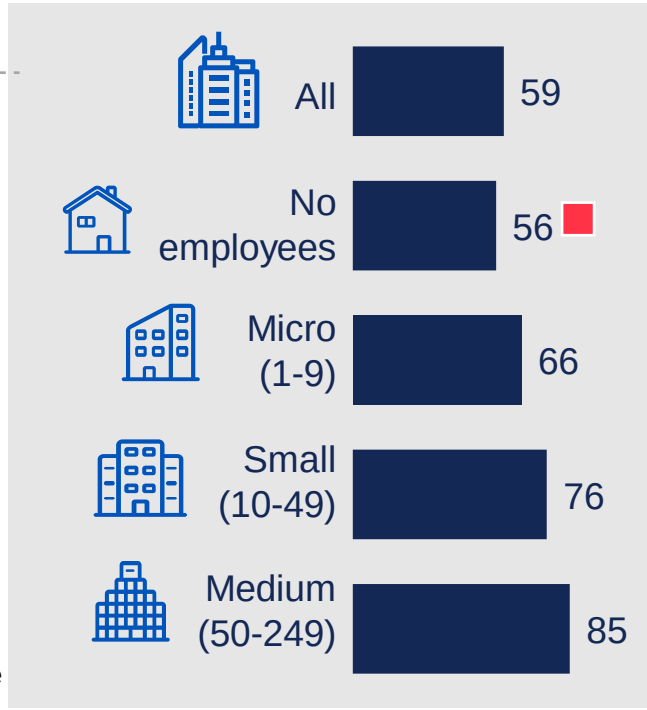
I know where to obtain information on the types of finance and specific providers available (%)



Agree: **59%**

Disagree: **21%**

SMEs in the Construction sector are less likely to agree (53%) compared to firms in Business Services (64%), Production (62%) and Distribution sector (61%).



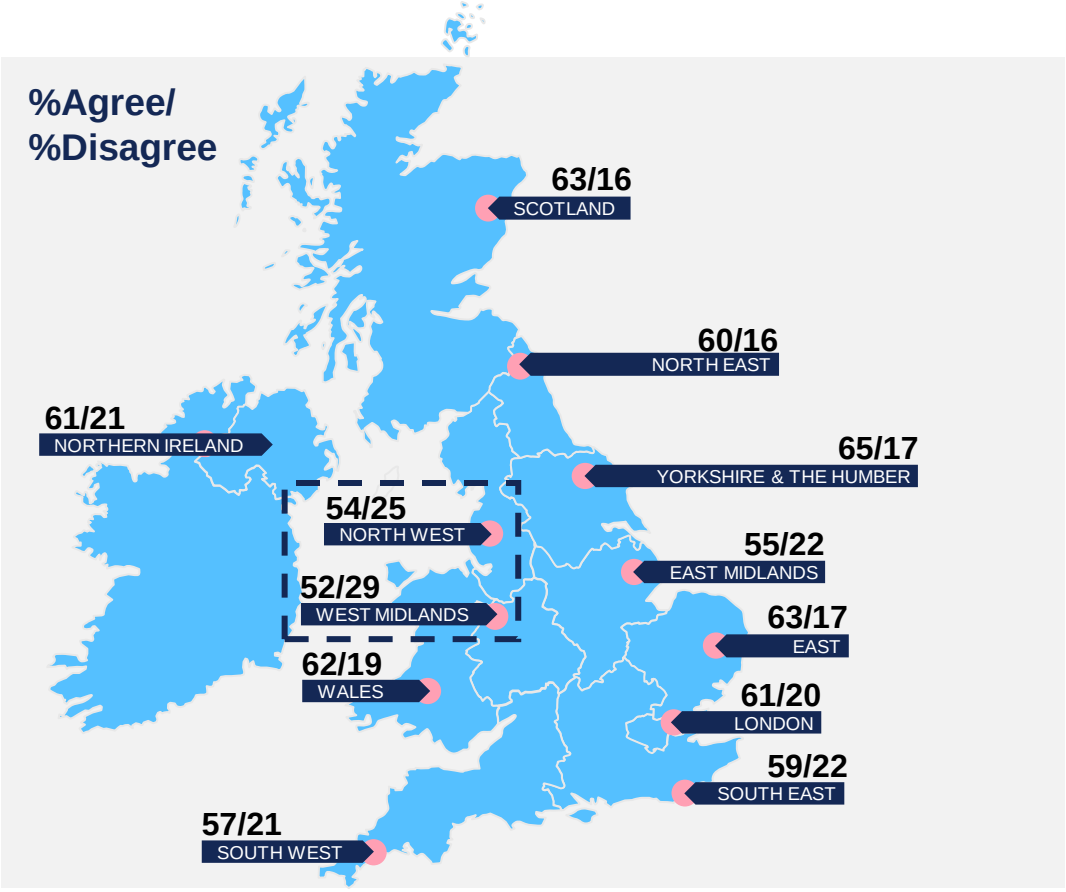
Sig higher than the other type

Sig lower than the other type

Base = All SMEs (n=4,125 in 2020). A5 (single code, prompted). Production (n=651), Construction (n=554), Distribution (n=867), Business Services (n=1,199), Other Services (n=854), No employees (n=1,727), Micro (n=1,523), Small (n=614), Medium (n=261).

Substantial variation in knowing where to obtain information on finance across the UK

I know where to obtain information on the types of finance and specific providers available (%)



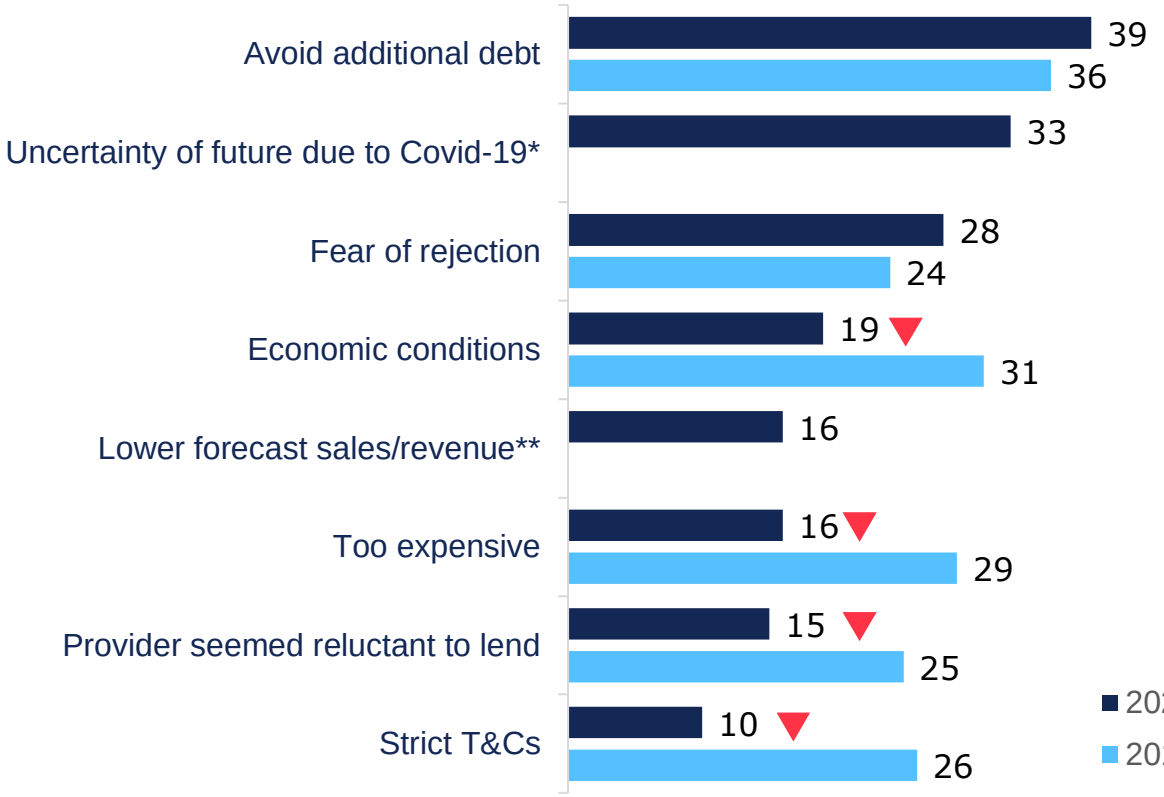
Firms in Yorkshire and the Humber (65%), Scotland and East (63%) were most likely to **agree** they know where to obtain information from.

Firms in West Midlands and North West were most likely to **disagree** (29% and 25%, respectively) compared to the UK average (21%).

Base = All SMEs (n=4,125 in 2020). A5 (single code, prompted), North Midlands (581), East Midlands (295), London (389), North East (214), North West (369), Norther Ireland (190), Scotland (338), South East (545), South West (446), Wales (344), West Midlands (286), Yorkshire/Humber (291).

Avoiding additional debt remains the most common reason for not applying for finance

Discouragement and reasons for not applying for finance (%)



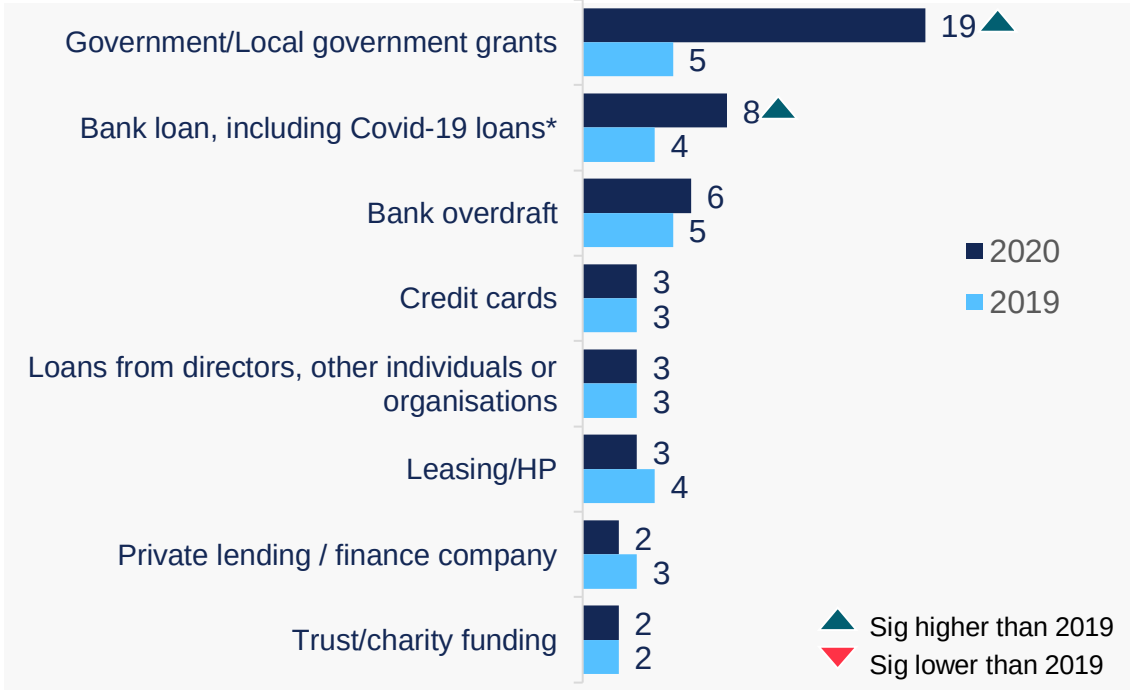
One quarter (23%), when asked about their main reason for not applying for finance, said it was due to uncertainty of the firm's future due to Covid-19 (17%) or economic conditions (6%). The next two most frequently mentioned reasons were avoiding debt (15%) and fear of rejection (11%)

8% reported they wanted to apply for external finance in the last 12 months, but something stopped them (6% in 2019 and 2018)

Base = all SMEs (n=4,125 in 2020, n=2,000 in 2019) Question B1 (single code prompted). Base = All who wanted finance in last 12 months but did not apply (n=147 in 2020) Question B2 (multi code, prompted). Note B2 codes at 10% or below not shown. ** New code in 2020. Question B3 (single code, prompted).

Substantially more SMEs are considering applying for some form of external finance in the next three months than in 2019

Forms of finance considering applying for in next 3 months (%)



29% of SMEs are considering applying for some form of external finance in the next three months (17% in 2019).
A substantial increase in percentage of SMEs considering applying for a **government grant** (19%) or a **bank loan** (8%) compared to 2019.

SMEs more likely to consider applying for government/local government grants:

- Firms with employees (22%)
- Young firms trading up to two years (30%)
- Female-led (25%) and BAME-led (27%) firms

Base = All SMEs (n=4125), 2019 (n=4003) B3i (multi code, prompted). Note: Other types of finance under 2% are not shown. *Wording changed in 2020.

Around two in five SMEs anticipate a need to capitalise their business in the next three months

Types of finance planned to use in the next three months (%)

SMEs more likely to anticipate using personal cash reserve are firms that:

- Export and/or import (30%)
- Expect to become smaller in the next 12 months (30%)
- Are likely to have to alter business model due to Covid-19 (29%)
- Report turnover below £50k (27%)

3% of SMEs not planning to use external finance in the next three month, **anticipate applying in the next 12 months instead**

Base = All SMEs (n=4,125 in 2020) B3iaa, All who do not anticipate using finance in the next 3 months (n=2720). Chart excludes SMEs who said 'none' = 57%

Summary

Growth and impact of Covid-19

- As expected, business growth is subdued this year with only one in ten businesses (9%) in growth and three in ten (58%) reduced in size.
- One in five firms (21%) expect to grow in the next 12 months but 33% expect to contract and 4% to close or sell the business.
- Two thirds (67%) of businesses are currently using some form of external financial support: firms with employees (82%) more likely than zero employee firms (63%).
- The most often reported forms of external financial support sought are government grants (31%), up from 2% last year, and loans (25%) up from 9%.
- For the overwhelming majority of SMEs, applications for external finance were driven by the current pandemic. Most businesses sought finance to help with day-to-day expenses and working capital (75%).
- Around one in five SMEs (17%) applied for a Covid-19 related loan: Bounce Back Loan (16%); the Coronavirus Business Interruption Loan (1%).
- A quarter of SMEs are concerned about their ability to make full repayments for external financial support sought in 2020 as and when they become due.
- Three in ten SMEs (31%) expect change in market demand as a result of the pandemic to be a significant obstacle to running their business.
- Furthermore, just under half of firms (43%) are likely to significantly alter their business model as a result of the pandemic.

Summary

Exporting and leaving the EU

- Around one in five SMEs exported (18%) or imported (22%) in the past 3 years, a slightly smaller proportion (15% and 18% respectively) plan to do so in the next 3 years.
- Only around 14% SMEs expect EU Exit to be a significant obstacle to their business, whilst one in ten were making preparations ahead of January 2021.

Awareness and use of different types of finance

- Awareness of individual forms of external financial support and specific providers of finance is broadly in line with 2019.
- Among SMEs who sought financial support in the last three years, the main reason is dealing with issues caused by the coronavirus pandemic (46%). Avoiding additional debt remains the most common reason for not applying for finance (39%).
- Increase in the average value of financial support sought (£10,000, median), driven by an increase in the value applied for by employers (£25,000).
- Over eight in ten businesses who sought financial support in the last three years (84%) got all of the finance they required from their first provider.
- The most common reason for choosing a provider continues to be the existing relationship (28%), followed by coronavirus specific packages (18%).

Awareness and use of different types of finance (continued)

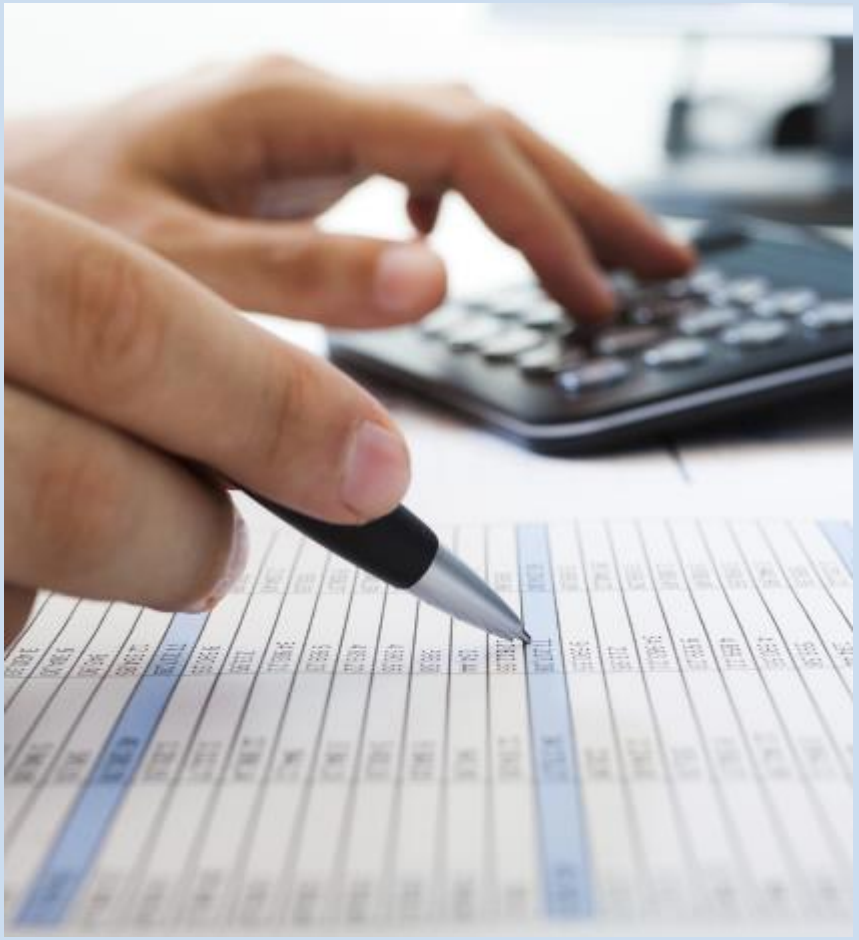
- Nearly half of SMEs seeking financial support (48%) accepted the offer even if not the full amount, whilst a quarter put their plans on hold.
- Two in five SMEs (42%) say they are likely to seek advice if they needed financial support in the next three months, and half of these businesses (48%) would pay for advice.
- Of businesses not currently using equity finance, 75% have not considered it, although 16% would consider applying in the future.

Perceptions of raising finance and future use

- Two-thirds considering applying for finance in the next 3 months (66%) are thinking about applying for a government grant.
- A quarter of all SMEs (23%) anticipate injecting personal cash reserves into the business in the next three months and 18% using business cash reserves.
- Three in five SMEs (59%) are confident they know where to obtain information on external financial support.
- One in four firms (27%) are aware of the British Business Bank (up from 16% last year), whilst 41% now say they would consider contacting the bank about external financial support.

Annex

Devolved nation summaries



Northern Ireland (comparison to UK average)

Financial support use

- SMEs in Northern Ireland were more likely to seek bank overdrafts (20% vs. 15%) or leasing or hire purchase (20% vs. 14%).
- Businesses were less likely to apply for a government grant most recently (27% vs. 39% overall). One in five applied for leasing or hire purchase when last seeking external finance (20% vs. 7%).
- A quarter of SMEs (24%) anticipate applying for a bank loan or overdraft in the next 3 months (compared to 14% overall).

Trade and leaving the EU

- One in five (21%) said that the UK leaving the EU is a significant* barrier to running their business compared to 14% of SMEs overall.
- Businesses in Northern Ireland were more likely to trade with overseas countries and the EU:
  - 30% exported to and 35% imported from overseas in the past three years (compared to 18% and 22% overall).
  - 30% plan to import in the future (vs. 18% overall). Most firms that import and export do so with the EU countries.

Awareness of the British Business Bank

- Firms in Northern Ireland were less likely to be aware of BBB (21% vs. 27%), but nearly half would consider contacting the bank in the future (49% in Northern Ireland vs. 41% overall).

Base = All SMEs in Northern Ireland (n= 190), all who applied for finance most recently (n=120), all who answered a short version of the questionnaire (n=104) *Scores 8-10 on a 10-point scale where 10 is most significant.

Scotland (comparison to UK average)

Impact of Covid-19

- 85% of SMEs in Scotland who expect their turnover to grow over the next year said that their turnover would have grown more in the next 12 months if it was not for the pandemic (vs. 71% overall).
- Firms who sought external finance in 2020 are less likely to be concerned about their ability to make repayments compared to the UK average (74% were not concerned compared to 67% overall).

Exporting and leaving the EU

- 18% of SMEs said EU Exit is a significant* barrier to running their businesses (vs. 14% overall).
- SMEs in Scotland are less likely to export (12% exported overseas in the past three years, compared to 18% overall).

Awareness of the British Business Bank

- Around a third (34%) of SMEs in Scotland are aware of the British Business Bank compared to 27% overall.

Base = All SMEs in **Scotland** (n= 338), All who expect the business' turnover over the next 12 months to grow (n=84), all who sought finance in 2020 (n=192)
*Scores 8-10 on a 10-point scale where 10 is most significant.

Wales (comparison to UK average)

Financial support use

- SMEs in Wales are more likely to seek a bank loan in the past three years (31% vs. 25% overall).
- One in five (20%) plan to apply for a bank loan or overdraft in the next three months (vs. 14%).

Impact of Covid-19

- 78% of SMEs who expect their turnover to fall or stay the same next year said that their turnover would have been higher in the next 12 months it it was not for the pandemic (vs. 73% overall).
- SMEs who sought a bank loan most recently in 2020 were less likely to apply for a Bounce Bank Loan (78% vs. 87% overall), 5% applied for the Welsh Government's Economic Resilience fund.

International trade

- SMEs in Wales are less likely to export (11% exported overseas in the past three years, compared to 18% overall).

Base = All SMEs in **Wales** (n= 344), All SMEs who sought a bank loan most recently in 2020 (n=91)
*Scores 8-10 on a 10-point scale where 10 is most significant

Additional survey findings

Over half of SMEs think online banking is more convenient

Benefits of using online banking, top mentions (%)

SMEs more likely to think online banking is convenient to access:

- Firms with employees (63%)
- Younger businesses up to 5 years old (65%)
- Firms who export and import (68%)

Base = All SMEs (n=2,142), A5d (multiple answers allowed

One-third of SMEs are female-led, less than one in ten are led by people from an ethnic minority background

Female-led businesses

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SMEs more likely to be female-led:

- Firms **with employees** (41% compared to 29% of SMEs with no employees)

- firms **trading less than 10 years** (38% vs. 30% among more established businesses)

- firms in the **Distribution and Other Services sectors** (39% and 44% respectively)

SMEs in **Northern Ireland are less likely** to be female led (24% compared to the UK average).

BAME-led businesses

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BAME led

SMEs more likely to be BAME-led:

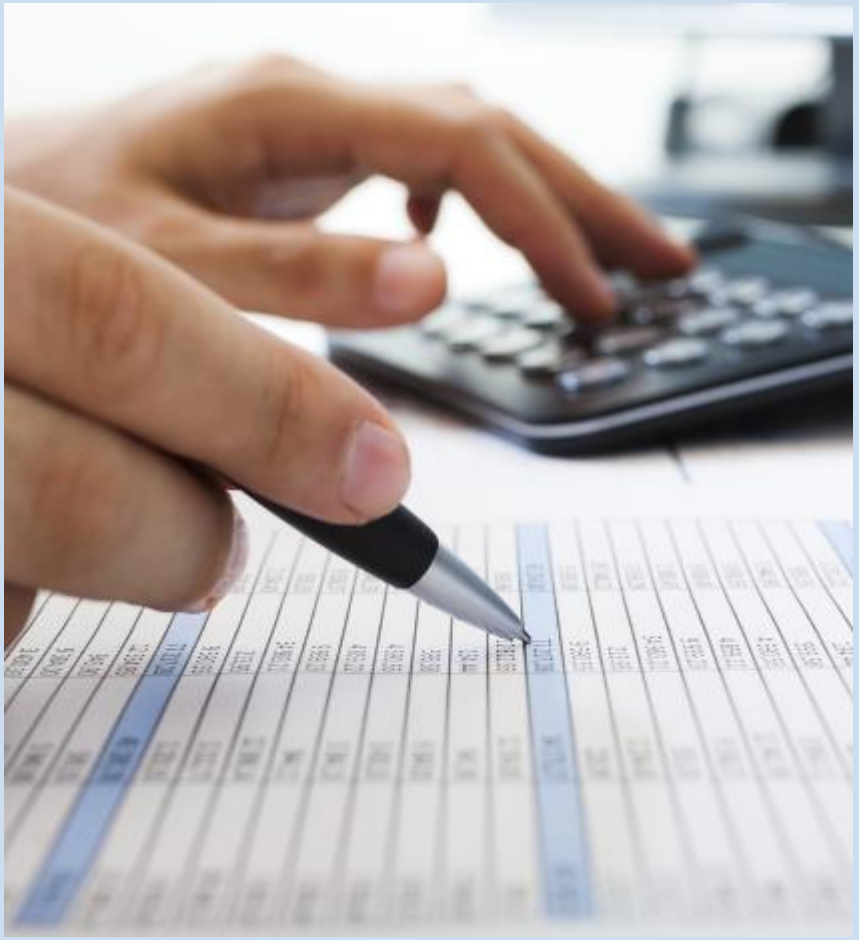
- firms **trading less than 10 years** (14% vs. 5% among more established businesses)

- firms in the **Distribution sector** (11%)

- SMEs in **London** (20%)

Base = All SMEs (n = 4,125). E3/E5. Don’t know/prefer not to say = 1%

Technical Annex



Sector definitions

Sector	Definition
Production	A Agriculture, Forestry and Fishing
	B Mining and Quarrying
	C Manufacturing
	D Electricity, gas, steam and air conditioning supply
	E Water supply, sewerage, waste management and remediation activities
Construction	F Construction
Distribution	G Wholesale and retail trade; repair of motor vehicles and motorcycles
	H Transportation and storage
	I Accommodation and food service activities
Business Services	J Information and communication
	K Financial and insurance activities
	L Real estate activities
	M Professional, scientific and technical activities
	N Administrative and support service activities
Other Services	O Public administration and defence; compulsory social security
	P Education
	Q Human health and social work activities
	R Arts, entertainment and recreation
	S Other service activities
	T Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
	U Activities of extraterritorial organisations and bodies

Business profiles – size and sector

Size	Unweighted profile	Weighted profile
No employees	42%	76%
Micro (1-9 employees)	37%	19%
Small (10-49 employees)	15%	4%
Medium (50-249 employees)	6%	1%

Sector	Unweighted profile	Weighted profile
Primary/manufacturing	16%	8%
Construction	13%	17%
Distribution	21%	19%
Business Services	29%	33%
Other Services	21%	23%

Business profiles - region

Region	Unweighted profile	Weighted profile
East of England	10%	10%
East Midlands	7%	7%
London	9%	19%
North East	5%	3%
North West	9%	9%
Northern Ireland	5%	2%
Scotland	8%	6%
South East (excl. London)	13%	16%
South West	11%	9%
Wales	8%	3%
West Midlands	7%	8%
Yorkshire/Humberside	7%	7%