



## **A fifth of SMEs with employees anticipate applying for funding in Q1 2012**

*Largest independent survey of UK SMEs highlights improvements in achieving funding*

**London 5<sup>th</sup> March 2012:** BDRC Continental ([www.bdrc-continental.com](http://www.bdrc-continental.com)) today publishes the third quarterly SME Finance Monitor which investigates the availability of finance for the UK's small and medium-sized enterprises (SMEs). The largest and most frequent study of its kind in the UK, the research is commissioned by the Business Finance Taskforce and is produced independently under the governance of an external Chairman and a Steering Group.

The SME Finance Monitor is increasingly recognised by banks, businesses and government as a robust and reliable barometer of UK businesses and their financing situation. The findings are based on over 15,000 telephone interviews conducted amongst UK businesses with up to £25 million turnover between February and December 2011. Questions cover recent financing experience, future business appetite for external finance, and operational considerations influencing business behaviour. The full report can be found online at <http://www.sme-finance-monitor.co.uk/>

### **Key findings include:**

- **Fewer SMEs in Q4 2011 had applied for loan/overdraft facilities in a 12 month period than in Q1-2.** 7% of all SMEs interviewed in Q4 had applied for new or renewed overdraft facilities in the previous 12 months, down from 13% in Q1-2 (also in the previous 12 months). For loans, 3% had applied for new or renewed loan facilities, down from 5% earlier in the year. The overall figure for applications for new/renewed facilities is 9% for Q4 2011, compared to 15% in Q1-Q2. The decline is particularly prevalent in smaller businesses with less than 10

employees and a worse than average credit rating. Demand amongst larger businesses with 50-250 staff was unchanged.

- **Most SMEs that applied for finance were successful.** Overdraft success rates remain higher than for loans. 79% of applicants for new/renewed overdraft facilities were successful; 17% were unsuccessful (equates to 1% of all SMEs). 63% of loan applicants succeeded; 33% ended up with no loan facility (also equates to 1% of all SMEs). Size of business and external risk rating remain key determining facts for success when applying for finance
- **Automatic renewal of overdrafts boosted the overdraft success rates to 93% in Q4.** In fact half of all SMEs with an overdraft had their funding renewed in this way (equates to 12% of all SMEs)
- Over the past 12 months an **increasing proportion of SMEs are described as ‘happy non-seekers’ – who had neither applied for finance nor wanted or needed to.** 78% of SMEs fell into this category in the last wave of research, up from 68% in Q1-2 2011 when the research started. The proportion of those who wanted finance but felt unable to apply has remained stable at 12%. These ‘would be seekers’ now cite discouragement as less of a reason for not seeking an overdraft (At 24% in Q4 2011 compared to 34% in Q3 ) but discouragement remains a key reason for not having sought a loan. This discouragement can either be direct (asking the bank informally and being deterred from applying) or, more commonly, indirect (assuming they would be rejected so not asking)
- **The current economic climate is still the main reason for not applying for future finance.** 14% of all SMEs plan to apply for finance in the next 3 months, with one in five of all SMEs with employees (i.e. not ‘micro businesses’) saying they are likely to seek funding. 20% of SMEs are ‘future would-be seekers’ – who would like to apply to finance but are deterred - Very few of these have an immediate need for finance (equates to 2% of all SMEs). Comparing the last quarter of 2011 with Q3, more than half (52%) of those SMEs that would like to apply for an overdraft or loan in the future cite the economy as the reason they are unlikely to do so, an increase of nine percentage points over three months.

Shiona Davies, Director at BDRC Continental, said “Demand for finance remained muted in 2011. Most applicants were successful, but smaller SMEs in particular were less likely to get approval for new funding. Looking forward, there are some signs of optimism – larger SMEs are more likely to be considering applying for, or renewing, external finance in the next three months, and almost half of all SMEs (44%) plan to grow in the next year. As we follow SMEs through 2012 we will see whether that optimism is maintained, and the extent to which the economic climate continues to influence their borrowing decisions”

**ENDS**

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**Note to editors/Methodology**

1. Worse than average risk businesses are those classified as “above average” risk (by Dun & Bradstreet) or “above average/high/maximum/serious adverse information” (by Experian).
2. A full copy of the SME Finance Monitor is available at: <http://www.sme-finance-monitor.co.uk/>
3. The BBA Taskforce was set up in July 2010 to review the key issue of bank finance and how the banks could help the UK to return to sustainable growth. It has made a commitment to fund this independent survey to identify (and track) business demand and needs.
4. The SME Finance Monitor is a series of independent quarterly reports of which this is the third. 15,000 telephone interviews were conducted for the research between February-December 2011. Quotas were set by size, sector and region, to a carefully constructed sample design that ensured that sufficient interviews were conducted with businesses of all sizes to allow for robust analysis. The results have then been weighted to be representative of SMEs with up to 250 employees and a turnover of less than £25 million. The respondent was the person identified as the main financial decision maker.
5. A further 5,000 interviews are currently being conducted January-March 2012. Results will be reported in May 2012
6. The survey work is being overseen by the Business Finance Roundtable which comprises business groups and banks. Its Survey Steering Group has an independent chairman, Mike Young.
7. The Business Finance Round Table represents a unique body of stakeholders in this field and comprises:
  - Association of Chartered Certified Accountants
  - British Bankers' Association
  - British Chambers of Commerce
  - British Marine Federation
  - British Venture Capital Association
  - Confederation of British Industry
  - Engineering and Machinery Alliance
  - Engineers Employers Federation
  - Federation of Small Businesses
  - Forum of Private Business
  - Growth Companies Alliance
  - Institute of Chartered Accountants in England & Wales
  - Institute of Directors
  - Quoted Companies Alliance
  - Barclays Bank
  - Lloyds Banking Group
  - HSBC Bank
  - RBS Group
  - Santander UK

\* See <http://www.bba.org.uk/taskforce> for more information about the Taskforce.

### **About BDRC Continental**

BDRC Continental is the UK's largest independent market research agency. Established in 1991, the company has built an unrivalled reputation as a full service consultancy with specialist expertise across a number of sectors including business to business, financial services, hotels, meetings & hospitality, media & advertising, internet & telecoms, Government & not for profit, culture & leisure and tourism, travel & transport.[www.bdrc-continental.com](http://www.bdrc-continental.com)