



Almost half of SMEs plan to grow in the next year but the economy remains the greatest obstacle

London 31st May 2012: BDRC Continental (www.bdrc-continental.com) today publishes the latest wave of the 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. This fourth wave of the research brings a full 12 month picture to the state of the UK's SMEs and their financing situation.

Slightly more SMEs in Q1 2012 reported having sought new or renewed loans or overdrafts in the previous 12 months (12% in Q1 2012 up from 9% in Q4 2011). Most SMEs that applied for finance were successful, with overdraft success rates remaining higher than for loans. 79% of applicants for new/renewed **overdraft** facilities were successful (this equates to 6% of all SMEs). 16% of overdraft applicants ended up with no overdraft (this equates to 1% of all SMEs). 59% of **loan** applicants succeeded (this equates to 2% of all SMEs) and 33% ended up with no loan facility (this also equates to 1% of all SMEs). Analysis by *date* of application shows that success rates for overdraft applications have improved slightly over time* but no such pattern is discernible for loans.

Analysis of 12 months of data, combining **loan and overdraft** applications, shows that to date 90% of renewal applications have been successful, compared to a 59% success rate for new or increased facilities. The report reveals some of the key factors that help and hinder success rates when applying for new or increased facilities (once size and external risk rating have been taken into account). For instance, recently established businesses or those where the owner has less than 12 months experience are more likely to be turned down, but there are other factors that

SMEs of any age can address now to help them be successful in the future:

- Demonstrating financial capability. How the SME's bank account has been run is important – bounced cheques, missed loan repayments and CCJs are all strong deterrents. These have impacted 13% of SMEs
- Having a trained accountant, financial controller or a staff member with a financial qualification or training also increases the likelihood of success. 25% of SMEs currently have such personnel
- Producing regular management reports is an advantage when applying for new facilities. According to the latest wave of research, less than half of SME's (44%) produce such reports

Looking forward, the results of the latest wave of research show **48% of SMEs plan to grow in the next year**, the highest proportion recorded to date (44% in Q4 2011), with more smaller SME's planning to expand. However, slightly more SMEs identified the economy as the main barrier to them running their business the way they wanted (37%, up from 35% in Q4), ahead of 'legislation & regulation' and 'cash flow & late payment', both of which were seen as a major obstacle by 14% of SMEs.

Slightly more SMEs have plans to apply for finance in the next three months (16% in Q1 2012 compared to 14% in Q4 2011), and they now show the highest level of confidence so far that a bank would agree to their request – up six percentage points to 52% since the last wave of research.

25% of all SMEs are future 'would-be seekers' who would like to apply for finance in the next three months but for various reasons will not do so, up from 20% in Q4 2011. As with SMEs more generally, the economy plays a key role - 54% of these future 'would-be seekers' identified their main reason for *not* seeking borrowing as reluctance to borrow in the current economic climate.

Shiona Davies, Director at BDRC Continental, said "With 12 months of data in the SME Finance Monitor, we can see that overall overdraft success rates have improved but that challenges remain for applications for new or increased borrowing. We can now give a clearer picture of what helps and what hinders these applications for finance. This is key information for SMEs in the current difficult economic circumstances."

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About the SME Finance Monitor

The SME Finance Monitor is increasingly recognised by business organisations, government and banks as a robust and reliable barometer of UK SMEs and their financing situation. The findings are based on over 20,000 telephone interviews conducted amongst UK businesses with up to 250 employees between February 2011 and January 2012. 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/>

Note to editors

* This is even once the different types of SME applying in each quarter have been taken into consideration

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. 5,000 telephone interviews were conducted for the research between January-March 2012. 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 (April-June 2012). Results will be reported in September 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 the BDRC Group

The BDRC Group comprises leading specialist market research agency BDRC Continental, operations group Perspective Research Services and, most recently, BDRC Asia in Singapore and BDRC Jones Donald in Sydney.

The Group ethos is that each company be staffed by highly experienced researchers with great reputations in their individual fields as well as in the market research industry. Clients of the BDRC Group value the consultative approach and ability to understand and add value to clients' businesses – what we call 'providing intelligence'. BDRC Continental has developed proprietary techniques including Tracktion, Grapevine, Service Intensity, the Business Opinion Omnibus, SME Finance Monitor, and ZMET Visionary Thinking. Perspective Research Services brings expertise in all aspects of data collection across the globe - business and consumer; qualitative and quantitative; telephone, face-to-face and online – and offers a range of tools for data handling, analysis and reporting. BDRC Asia, Singapore's newest full service agency specializing in B2B, financial, and travel and tourism research and business consulting opened in October 2011. BDRC Asia offers both a CATI facility and a viewing studio housed in its offices. In November 2011, BDRC Group added Australia to its offering. Based in Sydney, BDRC Jones Donald has an enviable reputation in financial, retail and telecoms research and consulting.