

# Ethnic Minority Businesses

Analysis from the SME Finance Monitor Q1 2015 to Q2 2016

An independent report by  
BDRC Continental, January 2017



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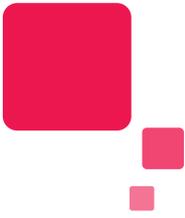
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# Foreword





The “Ethnic Minority Businesses and Access to Finance” report was published in July 2013 by the department for Communities and Local Government. It found that there was no evidence of racial discrimination by banks, however, ethnic minority businesses disproportionately faced challenges which make access to finance more difficult, including: collateral shortages, poor credit worthiness (as assessed through credit-scoring), lack of formal savings, poor financial track record and language barriers.

One of the actions resulting from this review was “to fund the independent research group BDRC Continental to extend the Small and Medium sized Enterprise Finance Monitor to conduct research on ethnic minority businesses’ experience of accessing finance and, through funding from Barclays, HSBC, Lloyds and RBS, create the new Enterprise Research Centre with a research strand focused on business diversity”

More details of the full report can be found at [www.sme-finance-monitor.co.uk](http://www.sme-finance-monitor.co.uk).

**Shiona Davies**

Editor, The SME Finance Monitor  
December 2016

This is the third such report, providing analysis of SME Finance Monitor data by the ethnicity of the owner, senior partner or majority shareholder and covering data for the period Q1 2015 to Q2 2016. Ethnicity has been asked on the Monitor since Q2 2012 and this report is an update on the first report which covered the period Q2 2012 to Q2 2013 and the second which covered Q1 2013 to Q2 2014. It is anticipated that further reports will be published as more data is gathered.

The report and the dataset have been produced independently of government, finance providers and business organisations. In producing this report, and also the half-yearly reports covering UK-wide results, BDRC Continental is advised by a steering group whose membership is listed below, but BDRC Continental retains full and complete editorial control of the dataset and reports.



**The Survey Steering Group comprises representatives of the following:**

Association of Chartered Certified Accountants

Barclays Bank

British Bankers' Association

Dept. for Business, Energy and Industrial  
Strategy

EEF the manufacturers' organisation

Federation of Small Businesses

Forum of Private Business

HM Treasury

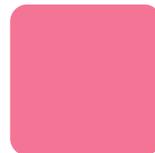
HSBC

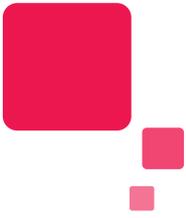
Lloyds Banking Group

Royal Bank of Scotland

Santander

# Using this report





This report provides key headline findings for SMEs based on the ethnic background of the owner, major shareholder or leading partner, split into four groups: Mixed, Asian, Black, and Chinese/Other. The categories that make up each of these groupings are detailed at the end of the report. 6% of all SMEs were in one of these groups. Results are drawn from the 29,046 interviews conducted for the SME Finance Monitor between Q1 2015 and Q2 2016. The majority of responses are shown on this combined basis, to provide as robust a base size as possible. In some instances, questions have changed, or been added in since Q1 2015, and in these instances the base sizes will be smaller.

There is a chapter for each of the themes within the main SME Finance Monitor report, as far as sample sizes permit. At the back of the report, an Appendix contains the data tables on which this report is based (numbered to reflect the section in which the data is reported). A number of summary terms and definitions are used. They are defined in full at the back of the report, with the relevant tables of results, but are summarised below for ease.

Each chapter provides information on the views and behaviours of SMEs, split into the individual ethnic groups listed, as previous work shows that there are differences between ethnicities that need to be considered, rather than treating them as one homogenous group. Analysis for this report has shown that, across a range of key data, results for one or more ethnicities are statistically significantly different from the overall. Where such differences cannot be explained by a difference in the profile of SMEs concerned, this is stated, but it should not be assumed that ethnicity is the cause of such differences – a more detailed description of the analysis process, and the ‘health warning’ that comes with it, is provided below.

This report focuses on the period Q1 2015 to Q2 2016. Where key questions have been asked consistently over time, the data from the previous reports is included to show how, if at all, behaviour and perceptions have changed since the last report. This is shown as a series of similar time periods (eg Q1 2013 to Q2 2014) and there is thus a slight overlap in these time periods (namely Q1 and Q2 of each year).



## Definitions used in this report

### Section 1

**SME size** – this is based on the number of employees (excluding the respondent). Those with more than 249 employees were excluded from the research

### Section 2

**External risk ratings** – these are provided by the sample providers (Dun & Bradstreet and Experian). Risk ratings are not available for 15% of respondents, typically the smallest ones. D&B and Experian use slightly different risk rating scales, and so the Experian scale has been matched to the D&B scale as shown in Table 1d in the Appendix

**Self-reported credit problems** – reported instances in the last 12 months of missed loan repayments, unauthorised overdrafts, bounced cheques, CCJs and problems getting trade credit

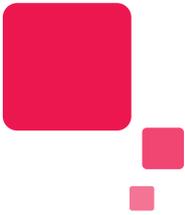
### Section 3

**Use of external finance** – SMEs are asked whether they are currently using any of the following forms of finance: Bank overdraft, Credit cards, Bank loan/Commercial mortgage, Leasing or hire purchase, Loans/equity from directors, Loans/equity from family and friends, Invoice finance, Grants, Loans from other 3<sup>rd</sup> parties, Export/import finance

**Permanent non-borrower** – SMEs who seem firmly dis-inclined to borrow, because they meet all of the following conditions: Are not currently using external finance, have not used external finance in the past 5 years, have had no borrowing events in the past 12 months, have not applied for any other forms of finance in the last 12 months, said that they had had no desire to borrow in the past 12 months and reported no inclination to borrow in the next 3 months

**Borrowing event** – those SMEs reporting any Type 1 (new application or renewal), Type 2 (bank sought cancelation/renewal) or Type 3 (SME sought cancelation/reduction) borrowing event in the 12 months prior to interview, or the automatic renewal of an overdraft

**Would-be seeker** – those SMEs that had not had a borrowing event, but said that something had stopped them applying for loan/overdraft funding in the previous 12 months (definition revised Q4 2012)



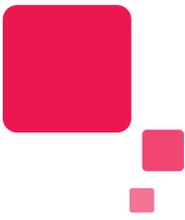
**Happy non-seeker** – those SMEs that had not had a borrowing event, and also said that nothing had stopped them applying for any (further) loan/overdraft funding in the previous 12 months (definition revised Q4 2012)

#### Section 4

**Major obstacle**– SMEs were asked to rate the extent to which each of a number of factors were perceived as obstacles to them running the business as they would wish in the next 12 months, using a 1 to 10 scale. Ratings of 8-10 are classed as a ‘major obstacle’

**Future happy non-seekers** – those that said they would not be applying to borrow (more) in the next three months, because they said that they did not need to borrow (more) or already had the facilities they needed

**Future would-be seekers** – those that felt that there were barriers that would stop them applying to borrow (more) in the next three months (such as discouragement, the economy or the principle or process of borrowing)



## Understanding the ethnic context – a health warning

This report provides information on each of the four ethnic groups specified and for SMEs overall. Analysis for this report has shown that, across a range of key data, results for one or more ethnicities are statistically significantly different from the UK overall.

It is important though to view these ethnic differences in context, firstly by accounting for any differences between the demographic profile of SMEs led by those from these ethnic backgrounds (such as the business age, size, or risk rating) and the national profile, which might explain why SMEs led by a given ethnicity have different results from the overall. The full list of demographics taken into account is provided at the end of this section, and some of the data analysed passed this ‘demographics’ test.

More detailed analysis was therefore done for the most important variables including past financial behaviour, current use of external finance, likely future financial behaviour and growth prospects, to identify *which* ethnicities were statistically significantly different from the overall picture. Where an ethnicity is statistically significantly different to the overall picture for one of these key variables, once demographics are taken into account, this is reported at the end of the relevant section of the chapter.

The existence of such statistically significant ethnic differences, even once the profile of

SMEs has been taken into account, should not however be taken to mean that ethnicity is the cause of the difference per se: business demographics in themselves only explain a proportion of the variance in results, and there are other factors which will impact on, for example, success rates when a facility is applied for. These include those that cannot be fully covered within the questionnaire, such as how well the application is presented to the bank and that bank’s perception of, and willingness to lend to, that business or sector.

Other, broader, issues may be affecting results: for example, whilst quotas are set and controlled at a broad sector level, the mix of different business types within a broad sector may vary eg the mix of small sub-contract builders and Civil Engineers within the Construction sector. Similar issues may exist across other matched variables.

The fortunes of most SMEs are also linked to the local economies in which they operate and regional economic performance/prospects vary. ONS data show, for example, that economic deprivation at a very local level is spread widely across all regions and none of this can be reflected in the survey. So, if a large local employer opens up/contracts this will impact upon the sales and business environment of all local firms in a number of ways. This report can therefore only highlight the existence of such differences, not fully explain them.

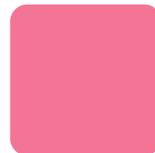


The questions used as part of the demographics ‘test’ are: number of employees, external risk rating, sector, age of business, growth plans, profit/loss, credit balances held, growth in past 3 years, and business owner demographics (gender, age, and years running a business), whether the financial decision maker has had training, business formality (business plans etc.), and self-reported credit problems. Note that when one of these factors

is the one being tested for significance it is removed from the ‘test’ before that analysis is run and then returned afterwards.

It should also be noted that in some instances the base size for an individual ethnic group allows only a **qualitative** assessment to be made. This is usually where the base size is below 100, and again this has been highlighted in the text.

# Report overview





It is important to consider these ethnic minority SMEs as separate groups, rather than thinking of them as one “ethnic minority” group. That said, there are a number of things that each of these groups has in common, such as the sectors and regions where they are more/less likely to be found, or that they are less likely to have made a profit.

Summarised below, for the factors tested, are the key significant differences for each of the ethnic minority groups included in this report (once the demographic profile of such businesses had been taken into account). It is important to re-state that the existence of such statistically significant ethnic differences, even once the profile of SMEs

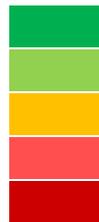
has been taken into account, should not be taken to mean that ethnicity is the cause of the difference per se. Instead it shows that the difference is not easily explained by demographics and further analysis would be required to understand the cause of the difference.

The tables below group some of the key questions from the survey into themes and then colour code each ethnic group to show how different (if at all) they are from the results for SMEs overall. This provides a quick visual summary for each group and whether it is more or less likely to report the behaviours and attitudes in each section.

The first “snapshot” shows key positive current and future indicators of performance.

The key to this colour coding is as follows:

- Significantly higher than the market
- Higher but not significantly so
- In line with the market
- Lower but not significantly so
- Significantly lower than the market



EMBs are more likely to trade internationally and plan, but are significantly less likely to have been profitable. With the exception of the Chinese SMEs they are also less likely to have grown. However, they are more optimistic about future growth and more likely to be planning to apply for finance (again with the exception of the Chinese).



**Positive current indicators**

- Minimal risk rating
- Grown (excludes Starts)
- Made a profit
- Undertake business planning
- Trade internationally

	Mixed	Asian	Black	Chinese
Minimal risk rating	Green	Yellow	Red	Light Green
Grown (excludes Starts)	Red	Red	Yellow	Light Green
Made a profit	Red	Red	Red	Red
Undertake business planning	Green	Green	Light Green	Light Green
Trade internationally	Light Green	Light Green	Green	Green

**Positive future indicators**

- Plan to grow
- See no obstacles to running the business
- Plan to apply for finance in next 3 months

	Mixed	Asian	Black	Chinese
Plan to grow	Light Green	Light Green	Green	Light Green
See no obstacles to running the business	Red	Yellow	Red	Green
Plan to apply for finance in next 3 months	Green	Green	Green	Red

The second, more detailed, summary below looks across all key questions and identifies those that are statistically significant, once business demographics have been taken into account.

There are a number of areas of consistency, such as the regions and sectors in which EMBs are more likely to be found. Other areas in which at least 3 of the four groups show similarities include being a Start, having a younger owner, being international, holding smaller amounts of credit balances, being less likely to meet the definition of a Permanent non-borrower and planning to apply for finance. Otherwise, each group has its own characteristics, summarised at the end of each chapter



For this more detailed summary, the boxes in **green** indicate that the SMEs are significantly more likely to do/be the factor described, while the boxes in **red** indicate that they are less likely:

General context	Mixed	Asian	Black	Chinese
Sector	Agriculture, Construction, Wholesale/Retail	Agriculture, Manufacturing, Construction, Business Services Other Community	Agriculture, Manufacturing, Health	Construction, Transport, Other Community
	Business Services, Health	Wholesale/Retail, Hotels & Restaurants, Transport,	Transport, Business Services	Wholesale/Retail Hotels & Restaurants, Health
Region	South West, East Anglia, Yorkshire & Humberside	South East, South West, East Anglia, North East, Yorkshire & Humberside	South West, East Anglia, North East, North West	South East
	London	London, West Midlands	London	London, West Midlands
Age of business	10-15 years	Starts, 2-5 years	Starts, 2-5 years	Starts
Owner demographics	Owner under 50 Led by a woman	Owner under 50 Led by a man	Owner 31-50	Led by a woman
Undertake business planning	Yes (business plan)	Yes (management accounts)	Business plan	
International (import/export)		Import	Yes	Yes
Member of a business group		No	No	



Financial context	Mixed	Asian	Black	Chinese
External risk rating	Minimal	Worse than average	Average	
Made a profit in previous 12 months trading	Made a profit	Made a profit	Made a profit	Made a profit
Made a loss in previous 12 months trading	Made a loss	Made a loss	Made a loss	Made a loss
Hold credit balances	Hold less than £5k	Hold less than £5k		Hold £5-10k
Use personal account for business banking	Use a personal bank account		Use a personal bank account	
Injection of personal funds	Have <u>not</u> injected any funds	Chose to inject funds	Had 'no choice' but to inject funds	Had 'no choice' but to inject funds
Growth in past 12 months	Grown	Grown		

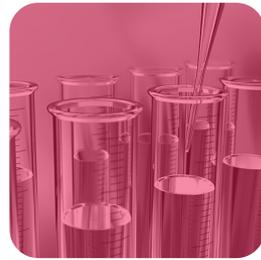
Financial matters	Mixed	Asian	Black	Chinese
Use of external finance – any	Used in past but not now	None	Use	Use
Specific forms of external finance used	Credit cards “Other” forms of finance and “Business Funding”	Bank loan	“Other” forms of finance and “Business Funding”	“Core” products, bank loans
Permanent non borrower	Less likely	More likely	Less likely	Less likely
Applied for new loan/overdraft	Less likely to have applied	Auto renewal of overdraft	Less likely to have renewed	Less likely to have renewed
Previous financial behaviour		Had an event	Had an event	
	Happy non-seeker	Would-be seeker	Would-be seeker	

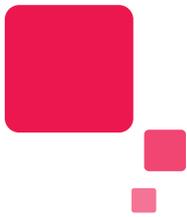


The future	Mixed	Asian	Black	Chinese
Growth prospects	Grow 20%+	Stay the same size	Planning to grow (any or by 20%+)	
Seen as major obstacles	Access to finance	Political uncertainty	Political uncertainty, cash flow, access to finance, management skills	None of these a barrier
	Legislation and regulation	Access to finance		
Future plans for finance	Planning to apply	Planning to apply	Planning to apply	Planning to apply
	Happy non-seeker	Happy non-seeker	Happy non-seeker	

Initiatives	Mixed	Asian	Black	Chinese
Overall awareness		Aware of any	Aware of any	
Individual issues	Start-up Loans, Better Business Finance, BBI	British Business Bank, Start-up Loans, lending code	Funding for Lending, EFGS, BGF, British Business Bank, mentors, lending code, appeals	British Business Bank
	British Business Bank			Appeals
Crowd funding	Aware, would consider applying	Not aware	Would consider applying	
Bank appetite for lending		Contacted by (main) bank		

# 1. General context



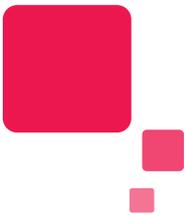


## 1. General context (Tables 1a-1h)

6% of SMEs interviewed between Q1 2015 and Q2 2016 reported that the owner, partner or majority shareholder belonged to one of the ethnic groups specified: 3% were Asian, 1% were Mixed, 1% were Black and less than 1% were Chinese / other.

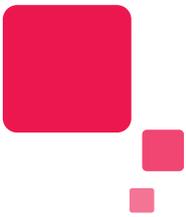
Q1 2015 - Q2 2016	General context
Size of business	26% of all SMEs had employees – the most likely to do so were Chinese SMEs (44%) and Asian SMEs (35%). Mixed SMEs were in line with SMEs overall (26%) while Black SMEs were less likely to have employees (20%).
Sector	<p>21% of all SMEs were in Construction. This was less likely to be the case for any of these EMBs (Chinese SMEs 0%, Asian SMEs 10%, Mixed SMEs 12%, Black SMEs 16%). These SMEs were also less likely to be in Agriculture (2% or less each, compared to 4% overall).</p> <p>25% of Asian SMEs and 24% of Chinese SMEs were in Wholesale/Retail, compared to 12% of SMEs overall.</p> <p>18% of Chinese SMEs were in Hotels and Restaurants (compared to 3% overall) and 17% were in Health and Social work (compared to 7% overall)</p> <p>19% of Asian SMEs were in Transport, compared to 1% of Chinese SMEs and 9% of SMEs overall.</p>
Region	<p>86% of all SMEs were in England. This was more likely to be the case for these EMBs (97% for Black, 96% for Mixed, 94% for Asian and 92% for Chinese SMEs).</p> <p>There was a concentration of these SMEs in London – 17% of all SMEs were based there compared to half of Black, Mixed and Asian SMEs, and a third of Chinese SMEs.</p>
Age of business	<p>20% of all SMEs were Starts (established in the preceding 2 years). This was more likely to be the case for these SMEs (50% Chinese, 47% Black, 37% Asian and 37% of Mixed SMEs were Starts).</p> <p>51% of all SMEs had been in business for 10 years or more. This was less likely to be the case for all these SMEs, notably Black SMEs (20%).</p>
Owner demographics	<p>22% of all SMEs were led by a woman. This was more likely to be the case for Chinese (44%) and Mixed (31%) SMEs. Black SMEs were as likely to be led by a woman (27%), while Asian SMEs remained less likely (13%).</p> <p>49% of SME owners/managing directors were aged over 50. This was less likely to be the case for these SMEs where around a third were aged over 50. Overall 5% of owners were aged 18-30, but amongst these EMBs the proportion was 10-11%.</p>

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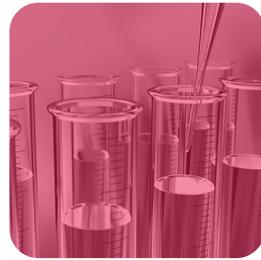
<p>Planning</p>	<p>53% of all SMEs planned – 41% produced regular management accounts while 31% had a formal written business plan. Mixed and Asian SMEs (64%) were somewhat more likely to plan, while Chinese (56%) and Black (57%) SMEs were more in line with SMEs overall. All these SMEs were more likely to have a business plan than SMEs overall (37-48%) while Asian SMEs were more likely to produce management accounts (49%).</p> <p>The overall proportion of SMEs that plan has changed very little since the first report (53-55%). This is also the case for Asian SMEs (62% planned Q2 2012-Q2 2013, now 64%) who remain more likely to plan. Both Black and Chinese SMEs are now somewhat less likely to plan than they were Q2 2012-Q2 2013 (when 72% of Black SMEs and 68% of Chinese SMEs planned) while Mixed SMEs are now more likely to plan (64% from 56%).</p>
<p>International</p>	<p>16% of all SMEs were trading internationally – 10% exported while 11% imported. Chinese SMEs were the most likely to trade internationally (44%) with 20% exporting and 34% importing. Black SMEs were also more likely to be international (24%, with 14% exporting and 15% importing). Asian (17%) and Mixed (15%) SMEs were in line with SMEs overall.</p> <p>The overall proportion of international SMEs has increased from 11% for Q2 2012 to Q2 2013 to 16% in the current period. There has also been an increase for Black SMEs (10% to 24%) and Chinese SMEs (21% to 44%) over the same period. The picture for Mixed and Asian SMEs has been more variable over time, but they are currently as likely to be international as they were in the period Q2 2012-Q2 2013.</p>
<p>Business Groups</p>	<p>22% of SME owners / managing directors belonged to a business or industry group. Membership of groups was somewhat lower for these SMEs, ranging from 14% for Asian SMEs to 20% for Mixed SMEs.</p>

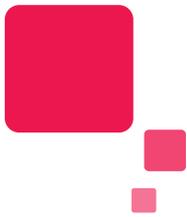


Once business demographics have been taken into account:

- Mixed SMEs are more likely to have been trading for 10-15 years and to be run by a woman. The owner is also more likely to be aged under 50. They are more likely to plan, and specifically to have a business plan. They are less likely to be in Agriculture, Construction or Wholesale/Retail and more likely to be in Business Services or Health.
- Asian SMEs are more likely to have employees and specifically to have 1-9 employees. They are more likely to be a younger SME, either a Start-up or to have been trading for 2-5 years and to be run by a man. The owner is also more likely to be aged under 50. They are more likely to plan and specifically to produce regular accounts and they are also more likely to import. They are less likely to be in Agriculture, Manufacturing, Construction, Business Services or the Other Community sector and more likely to be in Wholesale/Retail, Hotels and Restaurants or Transport.
- Black SMEs are more likely to be a younger SME, either a Start-up or to have been trading for 2-5 years but less likely to be run by a man. The owner is more likely to be aged 31-50. They are more likely to be international and to have a business plan. They are less likely to be in Agriculture, Manufacturing or Health and more likely to be in Transport or Business Services.
- Chinese SMEs are more likely to have employees or to be in Wholesale/Retail, Hotels and Restaurants or Health . They are less likely to be in Construction, Transport or the Other Community sector. They are more likely to be a Start-up (last 2 years) and to be run by a woman. They are also more likely to be international (both importing and exporting).

## 2. Financial context

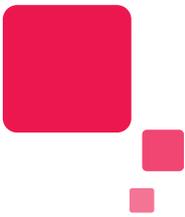




## 2. Financial context (Tables 2a-2f)

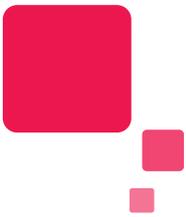
Q1 2015 to Q2 2016	Financial context
Risk rating	<p>24% of all SMEs had a minimal or low external risk rating. With the exception of Chinese SMEs (25%), this was not the case for these SMEs (Asian 18%, Mixed 16% and Black 8%).</p> <p>47% of all SMEs had a worse than average external risk rating. 73% of Black SMEs had such a rating, and 62% of Asian SMEs, while Mixed (56%) and Chinese (54%) SMEs were more in line with the market.</p> <p>Over time the proportion of all SMEs with a minimal or low external risk rating has increased from 16% (Q2 2012 to Q2 2013) to 24% in the current period. For Black SMEs the proportion has remained low over time (6-9%). Mixed and Asian SMEs have seen something of an improvement (10% to 16% for Mixed SMEs and 14% to 18% for Asian SMEs) while the proportion of Chinese SMEs with such a rating has varied over time (between 14% and 27%).</p>
Profitability	<p>80% of all SMEs had made a profit (once any “Don’t know/refused” answers were excluded). Black SMEs in particular were less likely to report making a profit (47%), with the other groups somewhat less likely to have made a profit than SMEs overall (60-71%).</p> <p>Over time, the proportion of all SMEs making a profit has increased from 69% in Q2 2012 to Q2 2013 to 80% in the current period. Over the same time frame, there has been little change in the proportion of Black SMEs reporting a profit (48% to 47%). Increases have been seen for the other groups (53% to 60% for Mixed SMEs, 58% to 66% for Asian SMEs and 60% to 71% for Chinese SMEs) but they remain below average compared to SMEs overall.</p>
Credit balances	<p>Most SMEs held credit balances. 3% of all SMEs don’t hold any, with these SMEs in line.</p> <p>41% of all SMEs held more than £5,000 in credit balances. Chinese SMEs were more likely to hold such a sum (52%) but other groups were less likely (29-34%).</p> <p>Over time, the proportion of SMEs holding more than £5,000 in credit balances has increased from 29% in Q2 2012-Q2 2013 to 41% in the current period. Chinese (34% to 52%) and Mixed (23% to 32%) SMEs have also seen an increase in such credit balances, but Asian (34% to 34%) and Black (31% to 29%) SMEs have not seen any change.</p>

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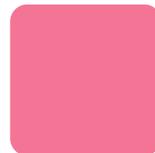
<p>Use of personal bank account</p>	<p>19% of all SMEs used a personal account for their business banking. Black SMEs (33%) and Mixed SMEs (29%) were more likely to use such accounts. Asian SMEs were in line with SMEs overall (18%) while Chinese SMEs were less likely to use a personal bank account (11%).</p>
<p>Injections of personal funds</p>	<p>28% of all SMEs had seen an injection of personal funds in the previous 12 months – 15% had chosen to do so, while 13% felt that they had not had a choice.</p> <p>All these SMEs were more likely to have seen an injection of personal funds. Black SMEs were the most likely to have seen an injection of funds (61%) with 34% saying they felt they had not had a choice. 45% of Chinese SMEs had seen an injection of funds, with 31% saying they had no choice. Mixed SMEs were as likely as Chinese SMEs to have had an injection of funds (43%) but less likely to say they had no choice (19%). 36% of Asian SMEs reported an injection of funds, with the lowest proportion saying they had no choice (13%).</p> <p>Over time, the proportion reporting <i>any</i> injection of personal funds has declined from 42% (Q2 2012 to Q2 2013) to 28% (in the current period). There has also been a decrease for Mixed (51% to 42%) and Asian SMEs (47% to 36%). Injections of personal funds amongst Black SMEs did drop from 63% to 55% but are now back at 61% and a similar pattern was seen for Chinese SMEs (46% to 26% but now 45%).</p>
<p>Growth in previous 12 months</p>	<p>40% of SMEs in business for 2 years or more reported that they had grown in the previous 12 months. Chinese SMEs were somewhat more likely to have grown (60% but on a limited base), while other ethnic groups were more in line with SMEs overall (38-42%).</p> <p>Over time the proportion of SMEs reporting growth has varied very little (40-41%). For both Mixed and Asian SMEs levels of growth are now slightly lower than in Q2 2012-Q2 2013 (31% to 28% for Mixed SMEs and 44% to 40% for Asian SMEs). Black SMEs have seen a steady increase in the proportion that have grown (25% to 42%) while Chinese SMEs saw little change until the most recent period (32% had grown Q1 2014 to Q2 2015 up to 60% in the most recent period).</p>

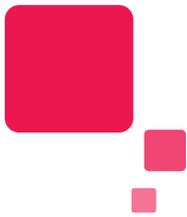


Once business demographics have been taken into account:

- Mixed SMEs are more likely to have a minimal risk rating, but less likely to have made a profit. They are less likely to hold more than £5,000 in credit balances and more likely to use a personal account for business banking. They are also more likely to have seen personal funds injected into the business and to have stayed the same size in the last 12 months.
- Asian SMEs are more likely to have a worse than average risk rating and to have chosen to inject personal funds into the business. They are less likely to have made a profit or to hold more than £10,000 in credit balances. They are more likely to have stayed the same size in the last 12 months.
- Black SMEs are less likely to have an average risk rating or to have made a profit. They are more likely to use a personal account for business banking and to have injected personal funds into the business. They are less likely to have grown by more than 20% in the last 12 months
- Chinese SMEs are less likely to have made a profit. They are more likely to hold £5,000 to £10,000 in credit balances and also more likely to say that they had no choice but to inject personal funds into the business

# 3. Financial matters and appetite

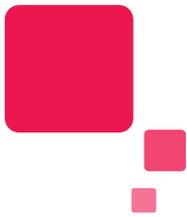




### 3. Financial matters and appetite (Tables 3a-3j)

Q1 2015 – Q2 2016		Financial matters and appetite
Financial professional	25% of SMEs had someone in charge of the finances who had a financial qualification or training. This was more likely to be the case for Black (43%), Mixed (39%) and Asian (32%) SMEs with Chinese SMEs more in line with SMEs overall (29%).	
Use of any external finance	<p>36% of all SMEs used external finance. Chinese SMEs were the most likely to be using external finance (60% but on a small base), with Black (40%) and Mixed (39%) SMEs also somewhat more likely to be using external finance. 32% of Asian SMEs were using external finance.</p> <p>Use of external finance has declined somewhat over time, from 41% for Q2 2012 to Q2 2013 to 36% in the current period. This is also true for Mixed (49% to 39%) and Asian (47% to 32%) SMEs. Use of finance amongst Black SMEs has changed very little over time (it was 40% for Q2 2012 to Q2 2013), while for Chinese SMEs it was stable at 38-39% until the increase seen in this most recent period to 60%.</p>	
Use of core and other forms of external finance	<p>29% of all SMEs used any of the ‘core’ forms of finance (loans, overdrafts and/or credit cards). Chinese SMEs were more likely to use such forms of finance (40%) due to higher usage of loans and credit cards. For the other groups, usage was broadly in line with SMEs overall (25-29%)</p> <p>Over time use of ‘core’ finance has declined for SMEs overall from 34% Q2 2012 to Q2 2013 to 29% in the current period. This trend was also seen for Mixed (38% to 29%), Asian (37% to 25%) and Black (33% to 25%) SMEs. Chinese SMEs have seen more variation in their use of core finance which is currently somewhat higher than the 34% reported for Q2 2012 to Q2 2013 at 40%.</p> <p>16% of all SMEs used any of the ‘other’ forms of finance specified, such as invoice finance or leasing. In this instance too Chinese SMEs were more likely to be using such forms of finance (32%), due to higher usage of loans/equity from friends, family or directors. Mixed (23%) and Black (25%) SMEs were also more likely to be using ‘other’ forms of finance and again more likely to be using loans/equity from friends, family or directors. 15% of Asian SMEs were using ‘other’ forms of finance.</p> <p>Use of ‘other’ forms of finance has changed very little over time for SMEs overall. It has declined slightly for Asian SMEs (20% to 15%), increased slightly for Mixed SMEs (19% to 23%) and increased more markedly for Black (15% to 25%) and Chinese (18% to 32%) SMEs.</p>	
Trade Credit	32% of all SMEs received Trade Credit from their suppliers. This was also the case for Chinese (36%) and Asian SMEs (28%) while Mixed (19%) and Black SMEs (15%) were less likely to be using Trade Credit.	

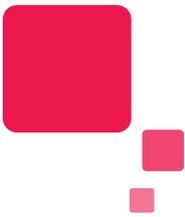
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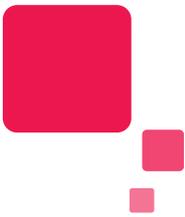
Trade Credit	<p>The equivalent of 22% of all SMEs said that having Trade Credit reduced their need for external finance. Again, this was as likely to be the case for Chinese (27%) or Asian SMEs (20%) but less likely for Mixed (12%) or Black SMEs (8%).</p>
Business funding	<p>The wider definition of ‘business funding’ includes external finance but also Trade Credit and injections of personal funds. By this definition, 63% of all SMEs were using ‘business funding’ and this was also the case for Mixed and Asian SMEs (both 63%).</p> <p>Chinese SMEs were more likely to be using ‘business funding’ (79%) due to their higher use of external finance, as reported above. Black SMEs were also more likely to be using ‘business funding’ (74%) due to the higher proportion of those with no external finance or Trade Credit but who had injected personal funds (30% v 11% overall).</p>
Permanent non-borrowers	<p>47% of all SMEs met the definition of a ‘Permanent non-borrower’ - SMEs who, based on their answers, showed little current or future appetite for external finance. With the exception of Asian SMEs (48%) these SMEs were somewhat less likely to meet the definition of a PNB, notably Black and Chinese SMEs where 29% met the definition. 41% of Mixed SMEs were PNBs</p> <p>Over time, the proportion of PNBs has increased from 36% of SMEs in Q2 2012 to Q2 2013 to 47% currently. The same trend is seen for Mixed SMEs (26% to 41%), Asian SMEs (39% to 48%) and Black SMEs (18% to 29%) but Chinese SMEs are currently less likely to be a PNB (53% to 29%).</p>
Happy non-seekers of finance	<p>Based on their behaviour in the 12 months prior to interview, 81% of all SMEs were Happy non-seekers of finance. Asian (84%) and Chinese SMEs (80%) were in line with SMEs overall, while Mixed SMEs were slightly less likely (77%). Black SMEs were somewhat less likely to be Happy non-seekers of finance (69%).</p> <p>Over time, an increasing proportion of SMEs have met the definition of a Happy non-seeker of finance. 71% met the definition for Q2 2012 to Q2 2013, increasing to 81% for the current period. This was also the case for Mixed (63% to 77%) and Asian (65% to 84%) SMEs and to a certain extent for Black SMEs (60% to 69%). The proportion of Chinese SMEs meeting the definition increased initially but is now back to previous levels (78% to 80%).</p>
Would-be seekers of finance	<p>Based on their behaviour in the 12 months prior to interview, 3% of all SMEs were Would-be seekers of finance. This was more likely to be the case for Black (14%) and Mixed SMEs (8%), compared to 4% of Asian and 5% of Chinese SMEs.</p> <p>A smaller proportion of SMEs meet the definition of a Would-be seeker of finance. 8% met the definition for Q2 2012 to Q2 2013, falling to 3% for the current period. This was also the case for Asian SMEs (11% to 4%) and to a much lesser extent for Mixed (10% to 8%) and Chinese (7% to 5%) SMEs. There has also been a decline in the proportion of Black SMEs meeting the definition (20% to 14%) but they remain more likely to be a Would-be seeker of finance.</p>

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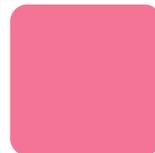
<p>Events in past 12 months</p>	<p>16% of all SMEs reported a borrowing 'event' in the 12 months prior to interview. There was little variation between these groups – 12% of Asian SMEs reported an event compared to 17% of Black SMEs.</p> <p>The most common borrowing events for all SMEs were either a new application/renewal of a loan or overdraft (7%), or the automatic renewal of an overdraft (7%). Black SMEs were slightly more likely to have applied for a new/renewed facility (9%), while Chinese SMEs were more likely to have reported the automatic renewal of an overdraft (12%).</p> <p>Over time, fewer SMEs have reported a borrowing event. 21% reported an event for Q2 2012 to Q2 2013, falling to 16% for the current period. This was also true for Asian (24% to 12%) and Mixed (27% to 15%) SMEs. The proportion of Black SMEs reporting an event fell only slightly (20% to 17%) while for Chinese SMEs it declined initially and then returned to previous levels (15% to 14%).</p>
<p>Attitudes to finance</p>	<p>New statements have been added to the SME Finance Monitor to understand attitudes to using external finance. 7 in 10 SMEs (72%) agreed that their aim was to repay any existing debt and then be debt free. This was also the case for Black (72%) and Asian (69%) SMEs with higher levels of agreement for Mixed (82%) and Chinese (81%) SMEs.</p> <p>Under half of SMEs (44%) agreed that they were happy to use external finance to help the business grow and develop. Chinese SMEs were as likely to agree (46%) with higher levels of agreement for the other groups (Mixed 52%, Asian 54% and Black SMEs 63%).</p> <p>8 in 10 SMEs (80%) agreed that their plans for the business were based on what they could afford to fund themselves and this was also true for these groups with little variation (76-80%).</p>
<p>Previous declines</p>	<p>6% of all SMEs said that they had experienced a previous decline from a bank: 4% had been made more reluctant to apply in future by the decline and 2% were not made more reluctant.</p> <p>Asian and Black SMEs were as likely to have experienced a decline (both 8%), with all the Black SMEs saying this made them more reluctant to apply subsequently. Mixed (13%) and Chinese (16%) SMEs were more likely to have experienced a decline and proportionally as likely as SMEs overall to have felt discouraged by it.</p>

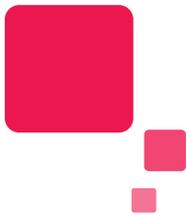


Once business demographics have been taken into account:

- Mixed SMEs are more likely to have someone qualified in charge of the finances. They are less likely to receive trade credit and more likely to be using credit cards or “other” forms of business finance. They are less likely to have applied for a new or renewed loan or overdraft and more likely to say that a previously declined application has made them more reluctant to apply. They are more likely to be using “Business funding” under its wider definition and less likely to meet the definition of a Permanent non-borrower. They are more likely to agree that they are looking to repay any existing debt and then remain debt free
- Asian SMEs are more likely to have someone qualified in charge of the finances. They are more likely to say that having trade credit reduces their need for finance, that they are not using external finance and that they have not had a borrowing event. They are more likely to meet the definition of a Permanent-non-borrower. They are less likely to agree that they are looking to repay any existing debt and then remain debt free or that their plans are based on what they can afford to fund themselves
- Black SMEs are more likely to have someone qualified in charge of the finances. They are less likely to receive trade credit, more likely to be using external finance (notably “other” forms of finance) and also more likely to be using “Business funding”. They are more likely to say that a previously declined application has made them more reluctant to apply but they are still more likely to have had a borrowing event, or to have been a Would-be seeker of funds, and less likely to meet the definition of a Permanent non-borrower. They are more likely to agree that they are happy to use finance to help the business grow and less likely to say that their plans are based on what they can afford themselves.
- Chinese SMEs are more likely to have someone qualified in charge of the finances. They are more likely to be using external finance, notably core finance (loans), and less likely to meet the definition of a Permanent non-borrower although they are also more likely to say that a previously declined application has made them more reluctant to apply.

# 4. The future



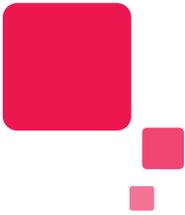


## 4. The future (Tables 4a-4c)

Note that in the main SME Finance Monitor report, reporting of future plans is based on the most recent quarter only. For this report however, in order to maximise base sizes, all interviews conducted with these business groups Q1 2015 to Q2 2016 have been included, as elsewhere in this report.

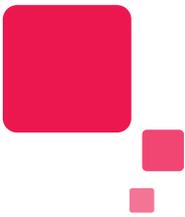
Q1 2015- Q2 2016	The future
Growth prospects	<p>44% of all SMEs planned to grow in the 12 months after interview – 16% planned to grow ‘by more than 20%’ and 28% ‘by less than 20%’. All these groups were more likely to be planning to grow, notably Black (71%) and Chinese (64%) SMEs, with 57% of Mixed and Asian SMEs planning to grow. All these groups were also more likely than SMEs generally to be planning to grow by 20% or more – 34% of Black and Mixed SMEs planned to grow by this amount, 31% of Chinese SMEs, and 23% of Asian SMEs.</p> <p>Over time, the proportion of SMEs planning to grow has declined slightly from 48% of SMEs Q2 2012 to Q2 2013 to 44% for the current period. This is not the case for these SMEs, notably Black (53% to 71%) and Chinese (45% to 64%) SMEs. The growth ambitions of Mixed (55% to 57%) and Asian (56% to 57%) SMEs are more stable over time.</p>
Major obstacle to running the business	<p>The main obstacle to running the business remained the ‘current economic climate’. 13% of all SMEs rated this as a major obstacle. Amongst these groups the proportion was somewhat higher for Black (23%), Mixed (19%) and Asian (16%) SMEs but lower for Chinese SMEs (9%).</p> <p>Over time, the proportion seeing the economic climate as a barrier has reduced from 32% for Q2 2012 to Q2 2013 to 13% currently. There has also been a decline for these groups but they remain somewhat more likely to cite it as a barrier.</p>
Other obstacles to running the business	<p>3 factors were rated as major obstacles by 10% or more of SMEs – the economic climate, legislation and regulation and political uncertainty. 11% of all SMEs rated legislation and regulation a major obstacle, and this was more likely amongst Black SMEs (16%), with other groups in line. Black SMEs were also more likely to rate Political uncertainty as a barrier (19% compared to 10% of SMEs overall).</p> <p>5% of all SMEs rated access to finance as a major obstacle. Mixed (18%) and Black (23%) SMEs were much more likely to see it as an obstacle while Asian (8%) and Chinese (9%) SMEs were slightly more likely.</p> <p>Over time, the proportion of all SMEs identifying access to finance as a major obstacle has declined from 11% for Q2 2012 to Q2 2013 to 5% currently. There has also been a decline for Mixed (32% to 18%) and Asian SMEs (17% to 8%) but no decline for Black (21% to 23%) or Chinese (4% to 9%) SMEs.</p> <p>Overall, 53% of Black SMEs identified at least one major obstacle to their business, compared to 32% of SMEs overall. Mixed SMEs were also more likely to identify an obstacle (46%), while Asian SMEs were in line (36%) and Chinese SMEs were less likely (24%).</p>

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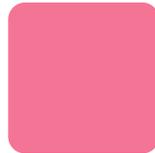
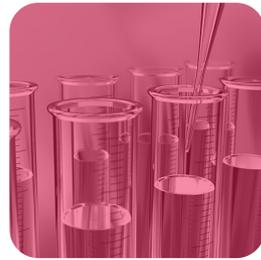
<p>Future happy non-seekers of finance</p>	<p>75% of all SMEs met the definition of a Future happy non-seeker of finance for the 3 months after interview. This was also the case for Chinese SMEs (75%), while Asian (70%), Mixed (66%) and notably Black (46%) SMEs were less likely to meet the definition.</p> <p>Over time the proportion of SMEs meeting the definition has increased from 65% for Q2 2012 to Q2 2013 to 75% for the current period. For Chinese SMEs the proportion has not changed over time (76% to 75%) and for Black SMEs the proportion has been 46% for several years. Mixed (52% to 66%) and Asian (52% to 70%) SMEs have seen an increase in Happy non-seekers.</p>
<p>Planning to apply/renew</p>	<p>13% of all SMEs were planning to apply/renew loan or overdraft facilities in the 3 months after interview. Appetite for finance was higher for Black (21%) and Mixed (25%) SMEs and somewhat higher for Asian SMEs (18%). By contrast, 6% of Chinese SMEs were planning to apply for finance.</p> <p>The proportion of all SMEs planning to apply has varied very little over time (14-13%). This is also true, at a higher level, for Black SMEs (28% to 31%). Mixed SMEs have seen a slight increase in appetite for finance (20% to 25%) while Asian SMEs have seen a slight decline (24% to 18%). Chinese SMEs saw an initial increase in appetite for finance (7% to 15%) which was not maintained (6% currently).</p>
<p>Future Would-be seekers of finance</p>	<p>12% of all SMEs met the definition of a Future would-be seeker of finance. Black SMEs were more likely to meet the definition (24%) as were Chinese SMEs (19%). Asian SMEs were in line (12%) while Mixed SMEs were somewhat less likely to meet the definition (9%).</p> <p>Over time, the proportion of all SMEs that are Future would-be seekers of finance has declined from 21% for Q2 2012 to Q2 2013 to 12% currently. This is also true for Mixed (28% to 9%) and Asian (24% to 12%) SMEs. There has been no change for Chinese SMEs (17% to 19%) while Black SMEs have seen a decline (37% to 24%) but remain more likely to meet the definition.</p>

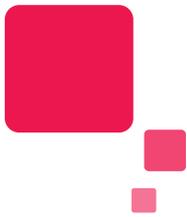


Once business demographics have been taken into account:

- Mixed SMEs are more likely to be planning to grow by 20% or more and more likely to see access to finance as a major barrier to their business. They are less likely to see legislation and regulation as a barrier, but overall they are more likely to see one or more of the factors tested as a major obstacle. They are more likely to be planning to apply for finance and less likely to expect to be a Future happy non-seeker of finance
- Asian SMEs are more likely to see political uncertainty as a major obstacle and less likely to see access to finance as an obstacle. They are less likely to be planning to stay the same size and more likely to be planning to apply for finance
- Black SMEs are more likely to be planning to grow (and by more than 20%). Overall they are more likely to see one or more of the factors tested as a major obstacle, specifically access to finance, political uncertainty, cash flow/late payment and quality of management and leaderships skills. They are less likely to expect to be a Future happy non-seeker of finance and more likely to either be planning to apply or to be a Future would-be seeker of finance
- Chinese SMEs are more likely to say that none of the factors tested represented a major obstacle to the business. They are less likely to have plans to apply and more likely to be a Future would be seeker of finance

# 5. Initiatives

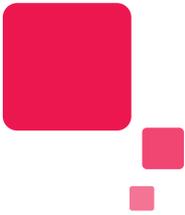




## 5. Awareness of initiatives to support SMEs (Table 5a-c)

Q1 2015- Q2 2016	Support initiatives
Overall awareness	<p>61% of all SMEs were aware of any of the support initiatives tested. Mixed SMEs were somewhat more likely to be aware (70%), compared to 64% of Chinese, 60% of Black and 58% of Asian SMEs.</p> <p>Comparisons over time are limited as the list of initiatives tested has changed, but are shown where available.</p>
Start-up Loans	<p>41% of all SMEs were aware of Start-up Loans. Awareness was highest for Mixed SMEs (52%). 47% of Chinese and 45% of Black SMEs were aware, compared to 34% of Asian SMEs.</p>
Business mentors	<p>21% of all SMEs were aware of the business mentors scheme. Chinese SMEs were slightly less likely to be aware (17%) but otherwise awareness was more in line (20% for Black and Asian SMEs, 26% for Mixed SMEs).</p> <p>The proportion of SMEs aware of mentors has been stable over time (21-22%). Mixed SMEs are now somewhat more likely to be aware (20% Q1 2013 to Q2 2014 compared to 26% for the current period) as are Chinese SMEs (10% to 17%). Awareness amongst Black (19% to 20%) and Asian (23% to 20%) SMEs is more stable.</p>
Funding for Lending	<p>25% of all SMEs were aware of the Funding for Lending Scheme. Black SMEs were somewhat less likely to be aware (20%), otherwise awareness was in line (27% Asian, 24% Mixed and 22% Chinese).</p>
Appeals process	<p>12% of SMEs were aware of the independently monitored appeals process. Mixed (12%) and Asian (11%) SMEs were in line while Black (6%) and Chinese (5%) SMEs were somewhat less likely to be aware.</p> <p>Awareness of appeals has changed little over time (12-13%) amongst SMEs overall. This is also true for these SMEs, with Mixed (13% to 12%) and Asian (14% to 11%) SMEs remaining more likely to have been aware of the appeals process and Black (7% to 6%) and Chinese (4% to 5%) SMEs remaining less likely to have been aware.</p>
Crowd funding	<p>40% of SMEs had heard of crowd funding (excluding the PNBs) with 30% of those aware saying they would consider using this form of funding.</p> <p>Awareness of crowd funding was lower for Asian (29%) and Black (34%) SMEs, while Chinese (48%) and Mixed (52%) SMEs were more likely to have heard of it.</p> <p>Amongst those aware, Black SMEs were the most likely to say they would consider using it as a form of funding (71%). Appetite was also higher than for SMEs overall amongst Mixed (44%) and Chinese (40%) SMEs, while Asian SMEs were more in line with SMEs overall (34%).</p>

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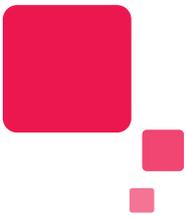
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Bank appetite for lending

16% of all SMEs said that they had been contacted by their bank to express a willingness to lend. There was relatively little variation amongst these SMEs with 18% of Asian, 17% of Black and Chinese and 14% of Mixed SMEs having been contacted.

11% of all SMEs had been contacted by their main bank. This was most likely to be the case for Asian SMEs (15%), with Mixed (11%) and Black (9%) SMEs more in line. Chinese SMEs were somewhat less likely to have been contacted by their main bank (6%).

6% of all SMEs had been contacted by another bank. This was more likely to be the case for Chinese SMEs (11%). Black (8%) and Asian (6%) SMEs were as likely to have been contacted by another bank while Mixed SMEs were somewhat less likely (3%).

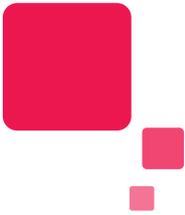


Once business demographics have been taken into account:

- Mixed SMEs are more likely to be aware of business mentors, the Better Business Finance website and the BBI website, but less likely to be aware of the British Business Bank. They are more likely to be aware of crowd funding and to be prepared to consider applying for it.
- Asian SMEs are less likely to be aware of any of the initiatives tested, in particular Start-up loans, the Lending code and the British Business Bank and also less likely to be aware of crowd funding. They are more likely to have been approached by their main bank, expressing a willingness to lend.
- Black SMEs are less likely to be aware of any of the initiatives tested, in particular mentors, Funding for Lending, EFGS, BGF, British Business Bank, the Lending code and the Appeals process. They are less likely to be aware of crowd funding but those who are, are more likely to consider using it in future.
- Chinese SMEs are more likely to be aware of the British Business Bank and less likely to have heard of the Appeals process.

# 6. Tables 1a-5c





## The ethnicity question

Since Q2 2012, the SME Finance Monitor has included a question asking for the ethnic background of the owner / senior partner / majority shareholder:

Finally, please tell me which category best describes...

IF SOLE PROPRIETOR (CODE 1) AT Q12, READ TEXT: your / the owner's ethnic background?

IF PARTNERSHIP (CODE 2 OR 3) AT Q12, READ TEXT: the ethnic background of the partners or majority of the partners?

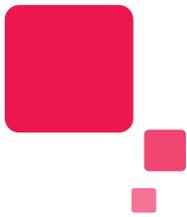
IF LIMITED COMPANY (CODE 4) AT Q12, READ TEXT: the ethnic background of the majority shareholder?

Reassure if necessary: This is being collected purely for analysis purposes, and will be kept confidential along with the other data you have provided.

READ OUT IF NECESSARY, SINGLE CODE.

	(67)
White – British	1
White – Irish	2
Any other white background	3
Mixed – White and Black Caribbean	4
Mixed – White and Black African	5
Mixed – White and Asian	6
Mixed – Any other mixed background	7
Asian or Asian British – Indian	8
Asian or Asian British – Pakistani	9
	(68)
Asian or Asian British – Bangladeshi	0
Asian or Asian British – Any other Asian background	1
Black or Black British – Caribbean	2
Black or Black British – African	3
Black or Black British – Any other Black background	4
Chinese or ethnic group – Chinese	5
Chinese or ethnic group – Other ethnic group	6

For the purposes of reporting, the answers above have been grouped as shown into 4 categories: Mixed, Asian, Black and Chinese/other.



## 1. General Context (Tables 1a-1h)

Table 1a Number of employees

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
0 employees	74%	74%	65%	80%	56%
1-9 employees	22%	22%	32%	18%	38%
10-49 employees	3%	3%	2%	1%	5%
50-249 employees	1%	1%	*	*	1%

Q7 All SMEs

Table 1b Sector

Q1 15 to Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
Agriculture, Hunting and Forestry; Fishing	4%	1%	1%	*	2%
Manufacturing	6%	5%	4%	2%	5%
Construction	21%	12%	10%	16%	-
Wholesale and Retail Trade; Repairs	12%	7%	25%	13%	24%
Hotels and Restaurants	3%	4%	6%	2%	18%
Transport, Storage and Communication	9%	10%	19%	14%	1%
Real Estate, Renting and Business Activities	26%	35%	23%	36%	30%
Health and Social work	7%	11%	6%	3%	17%
Other Community, Social and Personal Service Activities	12%	14%	6%	13%	3%

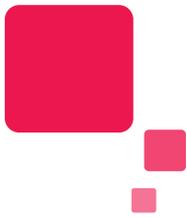


Table 1c Region

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
England	86%	96%	94%	97%	92%
Scotland	7%	2%	4%	1%	6%
Wales	4%	2%	1%	1%	2%
Ireland	3%	*	1%	*	-

All SMEs

Table 1c English Regions - detail

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
England	86%	96%	94%	97%	92%
- London	17%	52%	47%	56%	38%
- South East	16%	14%	12%	16%	7%
- South West	10%	4%	1%	4%	8%
- East	10%	3%	4%	1%	11%
- East Midlands	6%	4%	6%	5%	2%
- North East	3%	1%	1%	*	1%
- North West	10%	8%	10%	6%	6%
- West Midlands	7%	5%	9%	5%	13%
- Yorks & Humber	7%	4%	4%	5%	5%

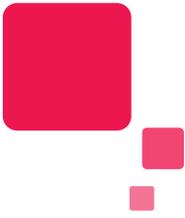
All SMEs in England



Table 1d Age of business

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Starts (<2 yrs)	20%	37%	37%	47%	50%
2-5 yrs	16%	16%	23%	23%	13%
6-9 yrs	13%	9%	11%	11%	7%
10-15 yrs	16%	18%	11%	10%	9%
15 yrs+	35%	20%	18%	10%	21%

Q13 All SMEs



## Table 1e Women led businesses

SMEs were asked the gender of the owner, MD, leading partner or majority shareholder (as appropriate):

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Male	78%	69%	86%	71%	56%
Female	21%	31%	13%	27%	44%
Joint	1%	*	1%	2%	-

Q247 All SMEs

## Table 1f Women owned businesses

SMEs were also asked whether 50% or more of the business was owned by a woman:

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Yes	24%	31%	17%	28%	43%
No	76%	69%	83%	72%	57%

Q255 All SMEs



Table 1g Age of owner / managing partner

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>27,936</b>	<b>257</b>	<b>808</b>	<b>199</b>	<b>90*</b>
18-30 years old	5%	11%	10%	11%	10%
31-50 years old	45%	55%	59%	59%	57%
51-65 years old	40%	30%	27%	27%	27%
66+ years old	9%	4%	4%	3%	6%

Q248 All SMEs excluding DK

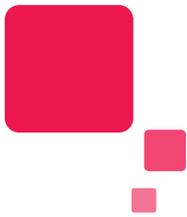


Table 1h Business formality

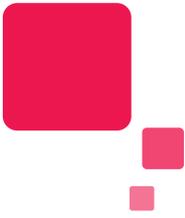
Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Planning (any)	53%	64%	64%	57%	56%
- Produce regular management accounts	41%	41%	49%	39%	42%
- Have a formal written business plan	31%	48%	38%	45%	37%
International (any)	16%	15%	17%	24%	44%
- Export goods or services	10%	11%	9%	14%	20%
- Import goods or services	11%	12%	15%	15%	34%
Member of a business/industry body*	22%	20%	14%	17%	16%

Q223 All SMEs \* excluding DK

Table 1h Business formality – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Planning (any)					
Q2 2012 to Q2 2013	55%	56%	62%	72%	68%
Q1 2013 to Q2 2014	54%	58%	63%	68%	57%
Q1 2014 to Q2 2015	53%	60%	65%	59%	56%
Q1 2015 to Q2 2016	53%	64%	64%	57%	56%
International (any)					
Q2 2012 to Q2 2013	11%	15%	14%	10%	21%
Q1 2013 to Q2 2014	14%	25%	21%	16%	28%
Q1 2014 to Q2 2015	15%	18%	18%	19%	42%
Q1 2015 to Q2 2016	16%	15%	17%	24%	44%

Q223 All SMEs



## 2. Financial Context (Tables 2a-2f)

### Table 2a External risk rating

External risk ratings have been supplied for almost all completed interviews by D&B or Experian, the sample providers. Risk ratings are not available for around 15% of respondents, typically the smallest ones. D&B and Experian use slightly different risk rating scales, and so the Experian scale has been matched to the D&B scale as follows:

D&B	Experian
1 Minimal	Very low / Minimum
2 Low	Low
3 Average	Below average
4 Worse than average	Above average/High/Maximum/Serious Adverse Information

Q1 15-Q2 16 all SMEs where risk rating provided	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>26,533</b>	<b>234</b>	<b>722</b>	<b>169</b>	<b>86*</b>
Minimal	8%	8%	6%	1%	11%
Low	16%	8%	12%	7%	14%
Average	29%	28%	20%	18%	20%
Worse than average	47%	56%	62%	73%	54%

All SMEs where risk rating provided



Table 2a External risk rating – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Minimal/Low risk rating					
Q2 2012 to Q2 2013	16%	10%	14%	6%	14%
Q1 2013 to Q2 2014	18%	7%	13%	9%	27%
Q1 2014 to Q2 2015	23%	14%	17%	9%	16%
Q1 2015 to Q2 2016	24%	16%	18%	8%	26%



## Table 2b Profitability

SMEs report on whether they made a profit or loss in their last 12 month trading period

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Made a profit	75%	56%	61%	44%	65%
Broke even	10%	16%	19%	20%	6%
Made a loss	8%	22%	13%	30%	21%
DK/refused	7%	7%	7%	5%	8%
Made a profit (excluding DK/ref)	<b>80%</b>	<b>60%</b>	<b>66%</b>	<b>47%</b>	<b>71%</b>

Q241 All SMEs

## Table 2b Profitability – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Made a profit (excluding DK/ref)					
Q2 2012 to Q2 2013	69%	53%	58%	48%	60%
Q1 2013 to Q2 2014	72%	62%	57%	32%	65%
Q1 2014 to Q2 2015	78%	64%	69%	44%	55%
Q1 2015 to Q2 2016	80%	60%	66%	47%	71%



Table 2c Credit balances typically held – summary

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>18,866</b>	<b>193</b>	<b>574</b>	<b>156</b>	<b>69*</b>
None	3%	2%	3%	5%	*
Less than £5,000	56%	66%	63%	66%	48%
£5,000 - £9,999	18%	13%	17%	14%	30%
More than £10,000	23%	18%	18%	15%	22%

Q244 All SMEs excluding DK/refused

Table 2c Credit balances typically held – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
More than £5,000 in credit balances					
Q2 2012 to Q2 2013	29%	23%	34%	31%	34%
Q1 2013 to Q2 2014	33%	33%	33%	21%	45%
Q1 2014 to Q2 2015	38%	39%	35%	29%	58%
Q1 2015 to Q2 2016	41%	32%	34%	29%	52%

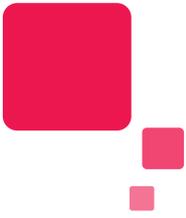


Table 2d Main business account – business or personal

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>28,907</b>	<b>259</b>	<b>813</b>	<b>202</b>	<b>96*</b>
Personal account	19%	29%	18%	33%	11%
Business account	81%	71%	82%	67%	89%

Q24 All SMEs excluding DK



## Table 2e Injection of personal funds in previous 12 months

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

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Injected funds – chose to do	15%	24%	22%	27%	14%
Injected funds – had no choice	13%	19%	13%	34%	31%
Not something you have done	72%	57%	64%	39%	55%

Q15d All SMEs

## Table 2e Injection of personal funds – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Any injection of funds					
Q2 2012 to Q2 2013	42%	51%	47%	63%	46%
Q1 2013 to Q2 2014	35%	38%	44%	53%	30%
Q1 2014 to Q2 2015	28%	36%	32%	55%	26%
Q1 2015 to Q2 2016	28%	43%	36%	61%	45%



## Table 2f Growth in previous 12 months

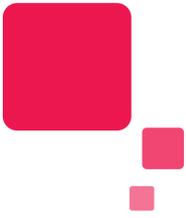
SMEs that had been in business for more than 2 years were asked about their growth in the previous 12 months.

Q1 15-Q2 16 all SMEs 2yrs + excluding DK	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>24,105</b>	<b>203</b>	<b>596</b>	<b>133</b>	<b>72*</b>
Grew by 20% or more	10%	16%	13%	8%	17%
Grew by up to 20%	30%	22%	27%	34%	43%
Stayed the same size	48%	54%	47%	37%	38%
Declined	12%	8%	12%	21%	2%

Q245a All SMEs excluding Starts and DK/refused

## Table 2f Growth in previous 12 months – over time

All SMEs over time 2yrs + excluding DK	% of all SMEs	Mixed	Asian	Black	Chinese
Grown					
Q2 2012 to Q2 2013	40%	31%	44%	25%	24%
Q1 2013 to Q2 2014	41%	36%	42%	36%	27%
Q1 2014 to Q2 2015	41%	28%	38%	38%	32%
Q1 2015 to Q2 2016	40%	28%	40%	42%	60%



### 3. Financial matters and appetite for finance (Tables 3a-3j)

Table 3a Financial decision maker has financial qualification and/or training

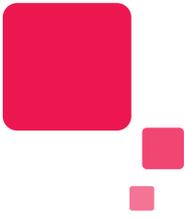
Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>28,254</b>	<b>256</b>	<b>799</b>	<b>201</b>	<b>93*</b>
Yes	25%	39%	32%	43%	29%
No	75%	61%	68%	57%	71%

Q251 All SMEs excluding DK

Table 3b Impact of Trade Credit on the business

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>28,254</b>	<b>256</b>	<b>799</b>	<b>201</b>	<b>93*</b>
<b>Use Trade Credit</b>	<b>32%</b>	<b>19%</b>	<b>28%</b>	<b>15%</b>	<b>36%</b>
<i>TC reduces need for external finance</i>	22%	12%	20%	8%	27%
<i>TC does not reduce need</i>	9%	6%	6%	5%	6%
<i>Dk if TC reduces need</i>	1%	1%	1%	1%	2%
<b>No Trade Credit</b>	<b>68%</b>	<b>81%</b>	<b>72%</b>	<b>85%</b>	<b>64%</b>

Q14y/y2 All SMEs excluding DK



### Table 3c Use of external finance in last 5 years

SMEs are asked whether they are currently using any of the following forms of finance: Bank overdraft, Credit cards, Bank loan/Commercial mortgage, Leasing or hire purchase, Loans/equity from directors, Loans/equity from family and friends, Invoice finance, Grants, Loans from other 3<sup>rd</sup> parties, Export/import finance. If they have not used any of these forms of finance, they are asked whether they have used any external finance in the previous 5 years.

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Use now	36%	39%	32%	40%	60%
Used in past but not now	3%	4%	1%	1%	1%
Not used at all	61%	57%	67%	59%	39%

Q14/15 All SMEs

### Table 3c Use of external finance in last 5 years – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Use external finance now					
Q2 2012 to Q2 2013	41%	49%	47%	40%	38%
Q1 2013 to Q2 2014	39%	39%	40%	40%	39%
Q1 2014 to Q2 2015	37%	38%	40%	49%	38%
Q1 2015 to Q2 2016	36%	39%	32%	40%	60%

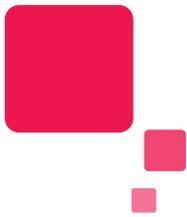


Table 3d Current use of external finance

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
<b>'Core' products (any)</b>	<b>29%</b>	<b>29%</b>	<b>25%</b>	<b>25%</b>	<b>40%</b>
-Bank overdraft	16%	13%	12%	11%	19%
-Bank loan/Commercial mortgage	7%	6%	8%	6%	13%
-Credit cards	16%	21%	14%	11%	20%
<b>Other forms of finance (any)</b>	<b>16%</b>	<b>23%</b>	<b>15%</b>	<b>25%</b>	<b>32%</b>
-Leasing, hire purchase or vehicle finance	8%	10%	5%	5%	2%
-Loans/equity from directors, family & friends	7%	15%	9%	18%	30%
-Invoice finance	2%	3%	2%	4%	9%
-Grants	2%	2%	2%	1%	1%
-Loans from other 3 <sup>rd</sup> parties	2%	9%	2%	2%	2%
<b>Any form of finance – all SMEs</b>	<b>36%</b>	<b>39%</b>	<b>32%</b>	<b>40%</b>	<b>60%</b>

Q15 All SMEs

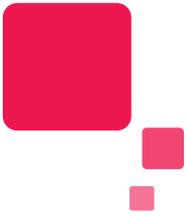


Table 3d Current use of external finance – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Use core forms of finance					
Q2 2012 to Q2 2013	34%	38%	37%	33%	34%
Q1 2013 to Q2 2014	31%	30%	29%	31%	17%
Q1 2014 to Q2 2015	29%	26%	34%	32%	22%
Q1 2015 to Q2 2016	29%	29%	25%	25%	40%
Use other forms of finance					
Q2 2012 to Q2 2013	17%	19%	20%	15%	18%
Q1 2013 to Q2 2014	17%	17%	20%	13%	30%
Q1 2014 to Q2 2015	17%	22%	15%	25%	26%
Q1 2015 to Q2 2016	16%	23%	15%	25%	32%



### Table 3e Use of “Business Funding”

SMEs can receive funding into the business in a variety of forms. The table below shows the proportion of SMEs that use external finance, then the proportion of SMEs that do not use external finance but do use Trade Credit, then the proportion with neither external finance nor Trade Credit but who have seen an injection of personal funds into the business. As a result the proportion of SMEs using “Business Funding” is 63% almost twice the 36% using external finance.

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Use external finance	36%	39%	32%	40%	60%
No finance but use Trade Credit	16%	6%	13%	3%	10%
No finance or TC but have injected funds	11%	19%	17%	30%	9%
<b>Business Funding</b>	<b>63%</b>	<b>63%</b>	<b>63%</b>	<b>74%</b>	<b>79%</b>

Q14/15 All SMEs



### Table 3f The ‘permanent non-borrower’

A declining proportion of SMEs currently use external finance. Other data from the report allows for identification of those SMEs who seem firmly dis-inclined to borrow, because they meet **all** of the following conditions:

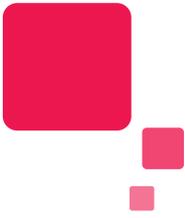
- Are not currently using external finance
- Have not used external finance in the past 5 years
- Have had no borrowing events in the previous 12 months
- Have not applied for any other forms of finance in the last 12 months
- Said that they had had no desire to borrow in the previous 12 months
- Reported no inclination to borrow in the next 3 months

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Yes	47%	41%	48%	29%	29%
No	53%	59%	52%	71%	71%

All SMEs

### Table 3f The ‘permanent non-borrower’ – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
A Permanent non-borrower					
Q2 2012 to Q2 2013	36%	26%	39%	18%	53%
Q1 2013 to Q2 2014	41%	36%	33%	23%	48%
Q1 2014 to Q2 2015	45%	44%	41%	25%	43%
Q1 2015 to Q2 2016	47%	41%	48%	29%	29%



## Table 3g Financial behaviour in previous 12 months

The tables below allocate all SMEs to one of three groups, across both overdrafts and loans. From Q4 2012 this question to determine Would-be and Happy-non seekers was amended to whether anything had *stopped* them applying for a loan/overdraft:

- **Had an event:** those SMEs reporting any Type 1 (new application or renewal), Type 2 (bank sought cancellation/renewal), Type 3 (SME sought cancellation/reduction) borrowing event in the previous 12 months, or the automatic renewal of an overdraft (included for 2012)
- **Would-be seekers:** those SMEs that had not had a borrowing event, but said that they would have ideally liked to apply for loan/overdraft funding in the previous 12 months
- **Happy non-seekers:** those SMEs that had not had a borrowing event, and also said that they had not wanted to apply for any (further) loan/overdraft funding in the previous 12 months

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Have had an event	16%	15%	12%	17%	14%
Would-be seekers	3%	8%	4%	14%	5%
Happy non-seekers	81%	77%	84%	69%	80%

Q115/209 All SMEs

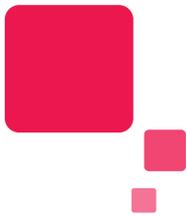
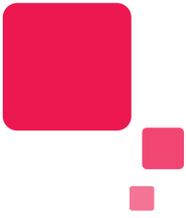


Table 3g Financial behaviour in previous 12 months – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Had an event					
Q2 2012 to Q2 2013	21%	27%	24%	20%	15%
Q1 2013 to Q2 2014	17%	13%	16%	20%	8%
Q1 2014 to Q2 2015	16%	12%	18%	19%	9%
Q1 2015 to Q2 2016	16%	15%	12%	17%	14%
Would-be seeker					
Q2 2012 to Q2 2013	8%	10%	11%	20%	7%
Q1 2013 to Q2 2014	6%	13%	9%	13%	2%
Q1 2014 to Q2 2015	4%	9%	4%	15%	7%
Q1 2015 to Q2 2016	3%	8%	4%	14%	5%
Happy non-seeker					
Q2 2012 to Q2 2013	71%	63%	65%	60%	78%
Q1 2013 to Q2 2014	78%	74%	76%	67%	90%
Q1 2014 to Q2 2015	80%	79%	78%	66%	84%
Q1 2015 to Q2 2016	81%	77%	84%	69%	80%



### Table 3h Impact of previous declines on appetite for finance

Previous qualitative research revealed that one reason for a lack of appetite for external finance was the experience of a previous decline when applying for finance. All respondents are now asked whether they have been declined and if so, whether that decline made them more reluctant to apply for finance subsequently.

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Made more reluctant by decline	4%	10%	6%	8%	12%
Not made reluctant by decline	2%	3%	2%	*	4%
Not been declined for finance	94%	87%	92%	92%	84%

All SMEs

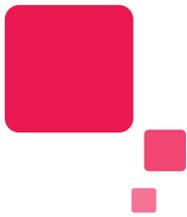
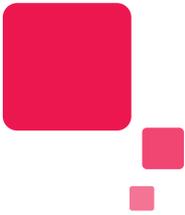


Table 3i Borrowing 'events' in the past 12 months

Q1 15 -Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
<b>Type 1: New application/renewal</b>	<b>7%</b>	<b>8%</b>	<b>6%</b>	<b>9%</b>	<b>4%</b>
Applied for new facility (any)	4%	4%	5%	7%	2%
- applied for new loan	2%	4%	2%	2%	2%
- applied for new overdraft	2%	1%	3%	6%	1%
Renewed facility (any)	4%	4%	2%	1%	2%
- renewed existing loan	1%	2%	1%	*	-
- renewed existing overdraft	3%	2%	2%	1%	2%
<b>Type 2: Cancel/renege by bank</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>*</b>
Bank sought to renegotiate facility (any)	2%	2%	2%	4%	*
- Sought to renegotiate loan	1%	2%	1%	*	*
- Sought to renegotiate overdraft	1%	1%	1%	4%	*
Bank sought to cancel facility (any)	1%	3%	1%	*	-
- Sought to cancel loan	1%	2%	1%	*	-
- Sought to cancel overdraft	*	*	1%	*	-
<b>Type 3: Chose to reduce/pay off facility</b>	<b>2%</b>	<b>4%</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>
- Reduce/pay off loan	1%	3%	1%	1%	1%
- Reduce/pay off overdraft	1%	1%	*	*	1%
<b>Auto renewal of overdraft</b>	<b>7%</b>	<b>6%</b>	<b>3%</b>	<b>5%</b>	<b>12%</b>

Q25/26 All SMEs



## Table 3j Attitudes to finance

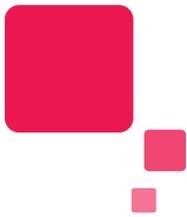
In order to better understand demand for finance, a series of attitude statements have been added to the SME Finance Monitor over time. Full data is available for the first two statements and slightly more limited data for the second two as these statements were added in Q3 2015.

Q1 15-Q2 16 all SMEs % agree	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Our aim as a business is to repay any existing finance (eg on loan or overdraft) and then remain debt free if possible	72%	82%	69%	72%	81%
As a business we are happy to use external finance to help the business grow and develop	44%	52%	54%	63%	46%

All SMEs

Q3 15-Q2 16 all SMEs % agree	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>19,007</b>	<b>165</b>	<b>535</b>	<b>127</b>	<b>66*</b>
Our current plans for the business are based entirely on what we can afford to fund ourselves	80%	78%	79%	76%	80%
If unable to help, happy for bank to pass on our request to an alternative lender	39%	39%	43%	50%	57%

All SMEs from Q3 2015



## 4. The future (Tables 4a-4c)

To maximise sample sizes these questions are reported based on Q1 2015 to Q2 2016 (as elsewhere in this report) rather than just on the latest quarter (as is standard practice for the full SME Finance Monitor report).

### Table 4a Growth plans for next 12 months

SMEs were asked to rate their plans for growth in the next 3 months. Note that SMEs are now asked if they plan to grow by more or less than 20%, to match the past growth question, rather than “substantially/moderately” as before:

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Grow by more than 20% (substantially)	16%	34%	23%	34%	31%
Grow by less than 20% (moderately)	28%	23%	34%	37%	33%
<b>All planning to grow</b>	<b>44%</b>	<b>57%</b>	<b>57%</b>	<b>71%</b>	<b>64%</b>
Stay the same size	46%	38%	35%	20%	35%
Become smaller	5%	2%	4%	5%	-
Plan to sell/pass on /close	5%	3%	5%	3%	1%

Q225 All SMEs

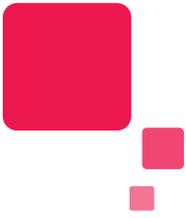
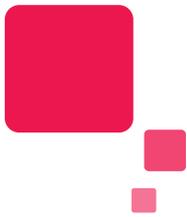


Table 4a Growth plans for next 12 months – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Plan to grow					
Q2 2012 to Q2 2013	48%	55%	56%	53%	45%
Q1 2013 to Q2 2014	49%	51%	58%	61%	57%
Q1 2014 to Q2 2015	45%	56%	62%	65%	58%
Q1 2015 to Q2 2016	44%	57%	57%	71%	64%



## Table 4b Obstacles to running the business in the next 12 months

SMEs were asked to rate the extent to which each of 6 factors were perceived as obstacles to them running the business as they would wish in the next 12 months, using a 1 to 10 scale (where 1 meant the factor was not an obstacle at all, and 10 that it was seen as a major obstacle). The table below provides the percentage giving the highest scores 8-10 ie a ‘major obstacle’:

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
The current economic climate	13%	19%	16%	23%	9%
Legislation and regulation	11%	7%	11%	16%	9%
Political uncertainty / government policy	10%	10%	13%	19%	9%
Cash flow/issues with late payment	8%	9%	10%	20%	9%
Access to external finance	5%	18%	8%	23%	9%
Availability of relevant advice	5%	6%	6%	11%	5%
Staff related issues	6%	9%	9%	7%	7%
None of these	68%	54%	64%	47%	76%

Q227 All SMEs



Table 4b Obstacles to running the business – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
<b>The current economic climate</b>					
Q2 2012 to Q2 2013	32%	36%	41%	40%	35%
Q1 2013 to Q2 2014	24%	31%	31%	35%	35%
Q1 2014 to Q2 2015	16%	24%	15%	21%	31%
Q1 2015 to Q2 2016	13%	19%	16%	23%	9%
<b>Access to external finance</b>					
Q2 2012 to Q2 2013	11%	32%	17%	21%	4%
Q1 2013 to Q2 2014	9%	20%	15%	17%	6%
Q1 2014 to Q2 2015	7%	15%	12%	30%	15%
Q1 2015 to Q2 2016	5%	18%	8%	23%	9%



## Table 4c Financial plans for next 3 months

When thinking about SMEs with no plans to apply/renew in the next 3 months, it is important to distinguish between two groups:

- Those that were happy with the decision, because they did not need to borrow (more) or already had the facilities they needed – the Happy non-seekers
- And those that felt that there were barriers that would stop them applying (such as discouragement, the economy or the principle or process of borrowing) – the Future would-be seekers

Sample sizes now allow these Future would-be seekers to be split into 2 further groups:

- Those that had identified that they were likely to need external finance in the coming three months
- Those that thought it unlikely that they would have a need for external finance in the next 3 months but who thought there would be barriers to them applying, were a need to emerge

## Table 4c Financial plans for next 3 months

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Plan to apply/renew	13%	25%	18%	31%	6%
Future would-be seekers – with identified need	1%	2%	*	3%	5%
Future would-be seekers – no immediate identified need	11%	7%	12%	21%	14%
Happy non-seekers	75%	66%	70%	46%	75%

Q230/239 All SMEs

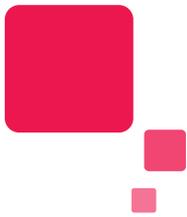
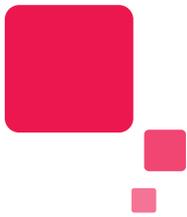


Table 4c Financial plans for next 3 months – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
Plan to apply/renew					
Q2 2012 to Q2 2013	14%	20%	24%	28%	7%
Q1 2013 to Q2 2014	13%	25%	22%	29%	15%
Q1 2014 to Q2 2015	13%	17%	23%	32%	12%
Q1 2015 to Q2 2016	13%	25%	18%	31%	6%
Future would-be seeker					
Q2 2012 to Q2 2013	21%	28%	24%	37%	17%
Q1 2013 to Q2 2014	18%	22%	21%	26%	8%
Q1 2014 to Q2 2015	14%	9%	12%	22%	16%
Q1 2015 to Q2 2016	12%	9%	12%	24%	19%
Happy non-seeker					
Q2 2012 to Q2 2013	65%	52%	52%	36%	76%
Q1 2013 to Q2 2014	69%	53%	57%	45%	78%
Q1 2014 to Q2 2015	73%	74%	65%	46%	72%
Q1 2015 to Q2 2016	75%	66%	70%	46%	75%



## 5. Awareness of initiatives (Table 5a-5c)

Table 5a Awareness of support initiatives

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Start Up Loans	41%	52%	34%	45%	47%
Funding for Lending	25%	24%	27%	20%	22%
A network of business mentors	21%	26%	20%	20%	17%
The Lending Code/principles	19%	18%	15%	16%	23%
Enterprise Finance Guarantee Scheme	18%	19%	20%	12%	16%
The Business Growth Fund	16%	16%	16%	13%	14%
Independently monitored appeals process	12%	12%	11%	6%	5%
The British Business Bank	10%	7%	9%	4%	22%
The Better Business Finance (BBF) programme and website	9%	21%	9%	8%	6%
The British Banking Insight website	7%	17%	6%	9%	11%
The Business Finance Guide published by the ICAEW and the British Business Bank	3%	4%	2%	3%	-
<b>Any of these</b>	<b>61%</b>	<b>70%</b>	<b>58%</b>	<b>60%</b>	<b>64%</b>

Q240/ Q265c All SMEs

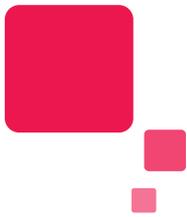


Table 5a Awareness of support initiatives – over time

All SMEs over time	% of all SMEs	Mixed	Asian	Black	Chinese
A network of business mentors					
Q1 2013 to Q2 2014	22%	20%	23%	19%	10%
Q1 2014 to Q2 2015	21%	25%	22%	13%	21%
Q1 2015 to Q2 2016	21%	26%	20%	20%	17%
The Lending Code					
Q1 2013 to Q2 2014	18%	15%	18%	20%	7%
Q1 2014 to Q2 2015	19%	18%	18%	16%	16%
Q1 2015 to Q2 2016	19%	18%	15%	16%	23%
The appeals process					
Q1 2013 to Q2 2014	13%	13%	14%	7%	4%
Q1 2014 to Q2 2015	13%	15%	13%	6%	11%
Q1 2015 to Q2 2016	12%	12%	11%	6%	5%

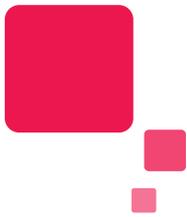


Table 5b Awareness and use of crowd funding

Q1 15-Q2 16 all SMEs excluding PNBs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>18,873</b>	<b>183</b>	<b>511</b>	<b>153</b>	<b>73*</b>
<b>Aware of crowd funding</b>	<b>40%</b>	<b>52%</b>	<b>29%</b>	<b>34%</b>	<b>48%</b>
- <i>Applied/using crowd funding</i>	1%	5%	2%	2%	*
- <i>Would consider applying in future</i>	12%	23%	10%	24%	19%
- <i>Would <u>not</u> consider applying</i>	27%	25%	17%	8%	29%
Not aware	60%	48%	71%	66%	52%
<b>% aware who would consider</b>	<b>30%</b>	<b>44%</b>	<b>34%</b>	<b>71%</b>	<b>40%</b>

Q238d All SMEs excluding PNBs

Table 5c Bank appetite for lending

SMEs were asked whether, in the 3 months prior to interview, they had been approached by either their main bank, or another bank, expressing a willingness to lend.

Q1 15-Q2 16 all SMEs	% of all SMEs	Mixed	Asian	Black	Chinese
<b>Unweighted base:</b>	<b>29,046</b>	<b>261</b>	<b>817</b>	<b>202</b>	<b>96*</b>
Yes- from main bank	11%	11%	15%	9%	6%
Yes – from another bank	6%	3%	6%	8%	11%
<b>Yes (any approach)</b>	<b>16%</b>	<b>14%</b>	<b>18%</b>	<b>17%</b>	<b>17%</b>
No	84%	86%	82%	83%	83%

Q221 All SMEs

