

An independent
report by BVA BDRC

SME Finance Monitor

Q4 2024 Report Summary





Management summary





Management summary

Navigating the SME Finance Monitor

The 2024 SME Finance Monitor report provides an in-depth assessment of SMEs as they emerge from the pandemic years to take advantage of new opportunities but also to face challenges from both the economy and the impact of world events.

This **management summary** provides the key headlines on important contextual issues such as innovation and growth as well as on the focus of this report: the use of, and access to, external finance by SMEs.

More detailed headlines, also in a summary format, can be found in the **summaries** at the start of **each chapter** of this report, with each chapter then providing full data, over time and by key demographics, to give a full picture across the topics covered.

There is also an accompanying **chart pack** covering the key themes reported here.

Whilst the position of SMEs on a range of metrics remains stable 2023 to 2024, there are positive signs of increased innovation and 4 in 10 SMEs identifying as either an Ambitious Risk Taker or an Ambitious Innovator. Higher costs and the current economic climate remain barriers, and are having some impact on appetite for finance, with 1 in 5 SMEs happy to borrow to grow but feeling they might find it difficult to get finance.

Application success rates remain lower than previously seen, with the change over time more marked for applicants with 0 or 1-9 employees, or those applying for a loan.

This report helps to explain the reasons behind these overall sentiments, remembering that SMEs are a diverse group, especially by size but also by age, sector and ambition and it is rare that all will share a view or experience to the same extent as their peers. Understanding these differences is key to understanding this important part of the economy and how they should be supported.



THIS SUMMARY COVERS

key points from the main body of the report, providing the SME perspective on both access to finance and other challenges, as well as broader business demographics such as growth, profitability and ambition, for context.

SMEs in 2024 were little changed from 2023 across a range of key metrics, including profitability, past and future growth, use of external funding and Permanent non-borrowers. A stable 3 in 10 saw the future offering more opportunities than challenges.

Three-quarters of SMEs reported making a profit, broadly back to pre-pandemic levels, especially for larger SMEs



77% of SMEs (excluding DK answers) reported making a profit, unchanged from 2023 and increasing by size of SME from 76% of those with 0 employees and 78% of those with 1-9 employees to 88% of those with 10-49 employees and 92% of those with 50-249 employees.

Pre-pandemic, around 8 in 10 SMEs reported making a profit. This declined to 65% in 2021 as the economic impact of the pandemic made itself felt but has built back since, across all size bands.

Compared to 2019, when 82% of SMEs made a profit, levels of profitability in 2024 were down 5 points both overall and for those with 0 employees and down 4 points for those with 1-9 employees. Amongst larger SMEs, profitability was up 1 point for those with 10-49 employees and up 5 points for those with 50-249 employees.

3 in 10
SMEs had grown, still below pre-pandemic levels, notably so for the largest SMEs. A similar proportion of SMEs had declined



29% of SMEs (excluding Starts) reported having grown, unchanged from 2023 and increasing by size of SME from 25% of those with 0 employees to 36% of those with 1-9 employees, 46% of those with 10-49 employees and 45% of those with 50-249 employees.

Pre-pandemic, around 4 in 10 SMEs had grown. This declined to 18% in 2021, again due to the pandemic. The proportion that had grown then increased to 27% in 2022 but with little further change since. Compared to 2019, when 37% of SMEs had grown, levels of growth in 2024 were down 8 points both overall and for those with 0 employees and down 7 points for those with 1-9 employees. Amongst larger SMEs, growth was down 8 points for those with 10-49 employees with the largest gap to 2019 amongst those with 50-249 employees (down 21 points).

A stable 32% of SMEs reported a decline in the previous year, also unchanged from 2023 (33%). 0 employees were the most likely to report a decline (35% in 2024) and the only size band to be more likely to have declined than grown.

Overall, levels of decline remained lower than the pandemic peak of 56% in 2021, but still above pre-pandemic levels (19% reported a decline in 2019).

**Almost
Half**
of SMEs planned to
grow, broadly back to
pre-pandemic levels,
though not for the
largest SMEs



47% of SMEs in 2024 were planning to grow, unchanged from 2023 (46%) and increasing by size of SME from 44% of those with 0 employees and 54% of those with 1-9 employees to 62% of those with 10-49 employees and 61% of those with 50-249 employees.

Pre-pandemic, around 5 in 10 SMEs were planning to grow. This declined to 37% in 2020 in the immediate impact of the pandemic, before increasing to 46% in 2021 with limited changes since. Compared to 2019, when 52% of SMEs planned to grow, levels of planned growth in 2024 were down 5 points both overall and for those with 0 employees and down 2 points for those with 1-9 employees. Amongst larger SMEs, planned growth was down 4 points for those with 10-49 employees and 15 points for those with 50-249 employees.

45%
of SMEs were using any
external finance



45% of SMEs were using external finance, unchanged from 2023 (46%) and increasing by size of SME from 41% of those with 0 employees and 54% of those with 1-9 employees to 65% of those with 10-49 employees. Use of finance then declined to 43% of those with 50-249 employees.

This remained a slightly higher proportion than pre-pandemic due in part to better recording of those still repaying government backed pandemic funding (a stable 19% of SMEs). Use of core finance (loans, overdrafts, and credit cards) declined slightly in 2024 (28% from 31%) and use of other forms of finance such as leasing was stable at 20% of SMEs.

1 in 3
SMEs met the definition
of a Permanent non-
borrower with no
apparent appetite for
finance



35% of SMEs met the definition of a Permanent non-borrower, unchanged from 2023 (35%) and decreasing by size of SME from 38% of those with 0 employees and 29% of those with 1-9 employees to 23% of those with 10-49 employees. The proportion of PNBs then increased again to 43% of those with 50-249 employees.

This remained a slightly lower proportion than pre-pandemic due to better recording of government-backed pandemic funding (those who applied for it cannot currently be a Permanent non-borrower). PNBs remained more likely than their peers to be profitable but less likely to be trading internationally, to have been innovative or to plan to grow.

1 in 3

SMEs reported an injection of personal funds and a similar proportion overall use trade credit, but with different profiles by size of SME

37% of SMEs reported an injection of personal funds into the business, unchanged from 2023 (36%). Such injections remained more likely to be because the SME felt that they had to put funds in (22%) than because they chose to do so to help the business grow (14%).

Injections of personal funds remained much more common amongst smaller SMEs, from 39% of those with 0 employees and 33% of those with 1-9 employees to 17% of those with 10-49 employees and 7% of those with 50-249 employees.

39% of SMEs in 2024 were using trade credit, unchanged from 2023 (39%) and increasing by size of SME from 32% of those with 0 employees to 53% of those with 1-9 employees, 76% of those with 10-49 employees and 79% of those with 50-249 employees.

1 in 3

SMEs think the future offers opportunities rather than threats

32% of SMEs thought the future offered more opportunities than threats, unchanged from 2023 (31%) and indeed with little change since 2021, but higher than the 22% giving this rating when the question was first asked in H2 2020.

Unlike other metrics, there was limited variation in the proportion seeing more opportunities than threats by size of SME: 31% of those with 0 employees and 33% of those with 1-9 employees to 38% of those with 10-49 employees and 34% of those with 50-249 employees.

Almost as many SMEs, 27% in 2024, saw the future as offering mostly threats, up slightly from 23% in 2023. This was more likely to be the case for those with 0 employees (28%) or 1-9 employees (26%), than those with 10-49 employees (18%) or 50-249 employees (10%).



While growth and other metrics remained stable, key changes year on year included the highest level of innovation reported to date and more SMEs happy to borrow to grow and planning to undertake growth-related activities. 3 in 10 SMEs can be described as Ambitious Risk Takers and a similar proportion are Ambitious Innovators (4 in 10 SMEs are in at least one of these groups). More broadly, further analysis across several growth metrics showed a consistent pattern of such activities increasing by size of SME and decreasing by age. As a result 45% of SMEs with 0 employees that had been trading for more than 15 years had not done/planned any of the growth metrics analysed.

More SMEs,
46%
had innovated in the
recent past.



39%
expected to innovate in
the coming year, part of
a wider group of SMEs
planning growth-related
activities

46% of SMEs had been innovative, with 40% significantly improving an aspect of the business and 23% launching a new product or service. This increased by size of SME from 43% of those with 0 employees and 53% of those with 1-9 employees to 65% of those with 10-49 employees and 66% of those with 50-249 employees.

This was the highest level seen in recent years, up 4 points on 2023 (42%) and 11 points on the pre-pandemic position (35% in 2019) with increases for both parts of the innovation metric and across size bands.

39% of SMEs planned to innovate in the coming year, again increasing by size of SME from 37% of those with 0 employees to 46% of those with 1-9 employees, 53% of those with 10-49 employees and 61% of those with 50-249 employees.

58% of all SMEs had either innovated or planned to, while 24% were consistent innovators (past and future).

Future innovation forms part of a wider question on a range of growth-related activities such as taking on staff and taking steps to reduce the SME's carbon footprint. In 2024, 57% of SMEs planned to undertake one or more of these activities, a further increase from the 48% planning such activities in 2022.

More SMEs agreed that
they would be happy to
borrow to grow



38% of SMEs were happy to borrow to grow, a further increase from 31% in 2022 and 33% in 2023.

Agreement increased by size of SME from 36% of 0 employee SMEs to 43% of those with 1-9 employees and 51% of those with 10-49 employees but was somewhat lower for the largest SMEs (40% and the lowest proportion to date, reflecting their lower use of and appetite for finance).

More SMEs met the definition of an 'Ambitious Risk Taker'



SMEs that agreed that they both wanted to be a significantly bigger business and also that they were prepared to take risks to succeed are known as 'Ambitious Risk Takers'. They made-up 31% of SMEs in 2024, up from 27% in 2023 and also above pre-pandemic levels (24% in 2019).

The proportion of ARTs increased slightly by size of SME, from 30% of those with 0 employees (and up 5 points on 2023), to 35% of those with 1-9 employees, 39% with 10-49 employees and 38% with 50-249 employees.

A quarter of SMEs met the new metric of an 'Ambitious Innovator': younger, dynamic and more engaged with finance



27% of SME were planning both to grow and to be innovative in the coming year, the 'Ambitious Innovators'. This increased by size of SME from 24% of those with 0 employees to 32% of those with 1-9 employees, 38% of those with 10-49 employees and 43% of those with 50-249 employees.

44% of these Ambitious Innovators had grown in the previous year and 60% were also Ambitious Risk Takers. 58% had been trading for less than 10 years. They were more likely to be using external finance (50%) and to be planning to apply for some (18%), but whilst they were typically happy to borrow to grow (56%) they were also more likely to think it might be difficult for them to get finance (45%).

Across 7 growth and innovation metrics, those with employees and trading for up to 10 years were the most engaged, notably compared to 0 employee SMEs trading for over 15 years



Analysis was undertaken across 7 metrics (growth, scale-up growth, future growth, those who grew and plan to grow again, Ambitious Risk Takers, Ambitious Innovators and Consistent Innovators).

21% of all SMEs had or planned to undertake 4 or more of these activities, increasing to 38% of those with 10-49 employees and 39% with 50-249 employees, and 36% of SMEs trading for 2-5 years.

- Taking age and size of SME together showed that the most likely to have done, or planned to do 4 or more of these activities were SMEs with either 10-49 or 50-249 employees that had been trading for up to 15 years (42-52%).

29% of all SMEs had or planned to undertake none of these activities, and this was much more likely to be the case for smaller SMEs (31% with 0 employees compared to 14-16% of those with 10-49 or 50-249 employees) and those trading for more than 15 years (39%).

- Taking age and size of SME together showed that the most likely to have neither done, nor planned to do, any of these activities were SMEs with 0 employees that had been trading for more 15 years (45%).

SMEs still face challenges from higher costs and the economic climate, which is both a general barrier and a financial one. There are signs of increased pressure from cash flow/late payments and a change in the challenges facing employers around recruitment. 1 in 5 SMEs now describe themselves as 'Struggling'. More SMEs are happy to borrow to grow, but as many think it could be difficult for them to get finance.

Key future barriers continued to be higher costs and the current economic climate, which also impacts on willingness to borrow



35% of SMEs rated higher costs as a key barrier in 2024 and it has been the top barrier since it was introduced in 2022 (when 39% rated it a key barrier).

- In 2024 there was limited variation in the impact of higher costs by size of SME (34% to 37%) exception for the largest SMEs (27%).

30% saw the current economic climate as a key barrier, little changed since 2022 and still below the pandemic peak of 36%, albeit it remains more of an issue than pre-pandemic (21% in 2019).

- In 2024, the economic climate was more likely to be a barrier for those with 0 (30%) or 1-9 employees (32%) than those with 10-49 (24%) or 50-249 employees (18%).

The economic climate was also seen as a barrier to future applications for finance. Amongst those expecting to be a Future would-be seeker of finance (19% of SMEs) half said they did not want to borrow in the current climate. When asked what would need to change, 32% of this group of FWBS said lower interest rates and almost as many, 28%, said a more certain economic outlook, while 25% mentioned needing a steady increase in customer demand and the same proportion more clarity around future government policy.

More SMEs,

19%



saw cash flow/late payment as a barrier and a similar proportion were worried about customer demand

19% of SMEs saw cash flow/late payment as a barrier, up from 13% in 2023 and the highest level seen to date. Again, there was little variation by size of SME (18-20%) with the exception of those with 50-249 employees (12%).

In H2 2024 a new potential barrier was introduced 'lower demand for your products or services', and seen as a barrier by 20% of SMEs. This was slightly more likely to be the case for those with 0 or 1-9 employees (both 20%) than those with 10-49 employees (16%) or 50-249 employees (13%).

Smaller SME employers were more likely to have no plans to recruit than to be struggling to recruit, but the opposite was true for larger employers



In H2 2024, 29% of SMEs had no plans to recruit in the next 12 months, up from 17% in H2 2022. Meanwhile, the proportion struggling to recruit the people they needed fell from 26% in H2 2022 to 19% in H2 2024.

Those with 1-9 employees were twice as likely to have no plans to recruit than they were to be struggling to find staff (30% v 17%). The two proportions were more similar for those with 10-49 employees (25% no plans v 31% struggling) with a much more marked difference for those with 50-249 employees who were more likely to be struggling to recruit (12% no plans v 27% struggling).

Overall, almost 1 in 5 SME employers (18%) saw staff recruitment and retention as a key barrier in 2024, down slightly from the 21% seeing it as a barrier in 2021, but still higher than the 1 in 10 seeing it as a barrier pre-pandemic (12% in 2019).

Whilst more SMEs were happy to borrow to grow, there are perceived barriers to applying, though some prefer to be self-reliant



As already reported, 38% of SMEs were happy to borrow to grow. However, as many, 36% said their impression was that it could be difficult for an SME like them to get finance, unchanged from 2023 (35%).

19% of SMEs agreed with both statements (they were happy to borrow to grow but thought it could be difficult to do so) and this was more likely to be the case for smaller SMEs (19% for 0 emps and 20% for those with 1-9 emps compared to 15% of those with 10-49 emps and 10% of those with 50-249 emps) and also younger SMEs (32% of Starts and 26% of those trading for 2-5 years, compared to 20% of those trading for 5-9 years, 14% of those trading for 10-15 years and 12% of those trading for more than 15 years).

A consistent majority of SMEs (79% in H2 2024) agreed that they would rather grow more slowly than borrow to grow, and in H2 2024, those who agreed strongly with this sentiment (18% of SMEs) were asked why:

- Two-thirds (65%) said they preferred to be self-reliant, and 30% said it suited them as a business.
- 25% said that finance was too risky and 18% that it is too expensive, while 14% said they already have all the finance they can manage.

14% 
of finance users are worried about repayment. Not all have spoken to their bank, with half unsure of the response they would get if they did.

14% of finance users were concerned about repaying the finance they already have, the equivalent of 6% of all SMEs (down from 9% of all SMEs in 2021). This is the case for 15% of finance users with either 0 or 1-9 employees compared to 8% with 10-49 employees and 3% with 50-249 employees.

8 in 10 of those concerned said it has impacted the business (typically how much they can grow or invest) but while 25% of them have spoken to their lender and 11% plan to, the majority, 63%, have no plans to speak to their lender about their concerns.

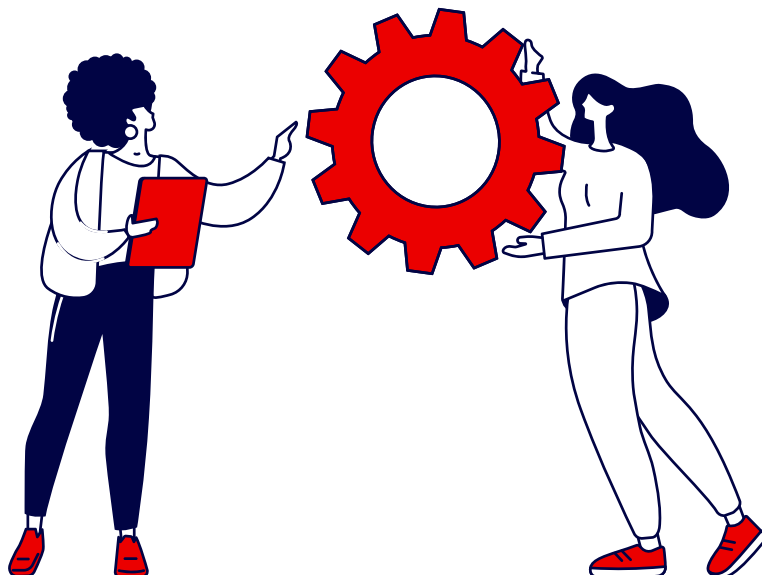
Half of those who have not (yet) spoken to their lender were unsure whether their bank would be supportive, treat them fairly and/or offer practical help. Those planning to speak were somewhat more likely than those with no plans to say the bank would definitely treat them fairly (35% v 28%), offer practical help (40% v 20%) and/or be supportive (26% v 18%).

Overall
1 in 5
SMEs described themselves as Struggling

21% of SMEs described themselves as Struggling, decreasing by size of SME from 23% of SMEs with 0 employees to 17% with 1-9 employees compared to 8% with 10-49 employees and 5% with 50-249 employees. A quarter of Starts (26%) were also Struggling.

The 21% Struggling in 2024 is somewhat higher than in 2023 (18%), with the increase seen primarily amongst smaller SMEs (19% to 23% among those with 0 employees and 15% to 17% among those with 1-9 employees).

At the other end of the scale, 34% of SMEs described themselves as 'Comfortable/Well off', increasing by size of SME from 33% with 0 employees to 36% with 1-9 employees compared to 50% with 10-49 employees and 53% with 50-249 employees.



Use of external finance was stable and appetite for finance remained limited. 7% reported a need for funding, with most taking action to meet that need, but success rates remained somewhat lower than pre-pandemic, more markedly for smaller applicants and those seeking a loan.

45%

of SMEs were using finance,

12%

reported a borrowing event and

10%

planned to apply



12% of SMEs reported any borrowing event in the previous 12 months, little changed from 2022-23 (both 11%), and 5% had been a would-be seeker of finance, typically put off by the process of borrowing, such as the expense or hassle.

As in previous years, the largest group were the Happy non-seekers of finance (82% of SMEs). 38% of these HNS were using external finance (they just hadn't wanted to apply for any), a somewhat higher proportion than pre-pandemic.

Looking forward, 10% of SMEs planned to apply for finance in the coming months, up only slightly from the 8% planning to apply in 2022 and 2023. A stable 19% expected to be a Future would-be seeker of finance (with the current climate the key barrier) and most, 71%, expected to be a Happy non-seeker of finance.

A small minority of SMEs reported a need for funding

7% of SMEs in 2024 reported having had a funding need, with limited variation by size of SME (7-8%) except for those with 50-249 employees (3%).

The need for funding was 4% when first asked in 2018, increasing in 2020 to 9% and again in 2021 to 12%. It fell to a pre-pandemic level of 4% in 2023 but has increased again in 2024.

As pre-pandemic, more of those with a need for finance said it was for business development (57%) than for cash flow purposes (40%).



Most of those with a need for funding took some action, and in the end

44%

of all those with a need had applied for finance



34% of those with a need spoke to their bank, another provider or a broker, little changed from 2023 (29%) but somewhat lower than the 4 in 10 or more who spoke to someone in previous years.

Just over half who took some action considered applying (57%), including 34% who considered applying to their main bank, both slightly lower proportions than pre-pandemic.

In the end, 51% of those who took any action made an application somewhere, including 27% to the main bank, while 18% decided to self-fund all or part of it and 17% decided not to take any funding. At the time of interview, 18% were still deciding what to do, twice the level typically seen pre-2023.

As a proportion of all those that originally reported a need for finance, 44% applied for finance, in line with 2023 but lower than previously seen, due to more SMEs deciding not to apply or still making up their minds.

Applications made Q3 2023 to Q4 2024 were typically for a loan and made to a known provider such as the main bank



38% of applications made in this period were for a bank loan, while 17% were for a bank overdraft. Most applications were to a known provider, with 49% made to the main bank and 16% to another existing provider.

89% of applications were made in the name of the SME, and 63% involved a first-time applicant for that product.

47%



of all applications made in the current period (Q3 2023 to Q4 2024) were successful

47% of applications in the 18 months from Q3 2023 to Q4 2024 were successful, increasing by size of applicant from 39% of applications made by 0 employee SMEs to 54% made by those with 1-9 employees, 80% of those made by SMEs with 10-49 employees and 94% of applications made by those with 50-249 employees.

10% of applications were made an offer that was turned down by the applicant (typically small SMEs and usually based on cost) a higher proportion than has been seen previously.

43% of applications were declined, decreasing by size of applicant from 48% of applications made by 0 employee SMEs to 40% made by those with 1-9 employees, 15% of those made by SMEs with 10-49 employees and 5% of applications made by those with 50-249 employees. The key reasons for a decline were current business performance, credit, or credit rating issues and, for some, a lack of security.

Success rates remained somewhat lower in the current period, but this change did not affect all SMEs equally



Pre-pandemic, around 7 in 10 of all applications were successful increasing to over 8 in 10 during the pandemic (82% for the 18 months to Q4 2021) but lower since. The 47% success rate for the current period was down slightly from the 51% who were successful in the 18 months to Q4 2023.

In the 18 months to Q4 2019, 71% of applications were successful, some 24 percentage points above the current success rate of 47%. This change in success rates was not seen equally across all sizes of SME or lending product:

- Analysis by size shows that smaller SMEs have seen this decline from 2019 more markedly than larger ones: 0 employee success rates are down 24 points from 63% to 39%, and for those with 1-9 employees, the change is 22 points from 76% to 54%. By contrast, for those with 10-49 employees the change is 6 points (86% to 80%), and for those with 50-249 employees, it is 4 points (89% to 94%).
- Success rates for loans initially increased from 60% in the 18 months to 2019 to 88% during the pandemic but have fallen fairly steadily since to 37% currently. Meanwhile, overdraft success rates, 76% in the 18 months to 2019, declined to 48% for the 18 months to Q4 2022 and have been stable since (47% in the current period).

Confidence that a future application would be successful remained lower than previously seen



In 2024, 32% of those with plans to apply/renew finance were confident of success, 31% were not confident and 37% were not sure what the outcome would be. Confidence remained lower amongst those with 0-9 employees (31%) than those with 10-249 employees (48%).

Over recent years, confidence about a planned application has declined from 56% in 2019 to 33% in 2022 with little change since (32% for 2024 as a whole). This drop of 24 points from 2019 to 2024 was seen amongst both smaller applicants (down 23 points) and larger ones (down 26 points).

Those who have no plans to apply (the Future happy non-seekers) have always been more confident of hypothetical success than those with plans to apply and this was also true in 2024 (51% v 32%). That said, confidence amongst FHNS has declined steadily over time (from 63% in 2019).

Confidence amongst Future would-be seekers have been variable over time. Since 2022 they have been slightly more confident of success than those planning to apply (35% in 2024).

