

BCC: Credit 'apathy' restricting potential growth opportunities for SMEs

Over half of UK businesses have not attempted to apply for finance over the past year amid limited investment intentions and weakening cash flow, according to new research released today (Wednesday) by the British Chambers of Commerce (BCC), in partnership with specialist finance provider, Wesleyan Bank.

According to the results of the survey of over 1,100 firms from across the UK, over half (56%) of businesses did not attempt to access finance over the last year. Smaller firms were less likely to access finance than larger businesses. Almost two-thirds (63%) of small firms (1-9 employees) did not seek finance, compared just over a third (39%) of larger firms (50 or more employees).

For those that have, there is a clear preference for the conventional sources of finance such as overdrafts (18%), business loans (16%) and asset finance (9%). Less than 4% sought crowdfunding, peer-to-peer or angel finance.

The findings reflect the need to increase competition in banking, including promoting initiatives like the [Business Banking Insight](#)*, increasing awareness of alternative finance options and ensuring that the British Business Bank has sufficient funding to help support some of our most promising firms on their growth journey. We also welcome the proposals for expanding SME access to the Financial Ombudsman service, such a service would bolster firms to go for finance in the first place, knowing there is somewhere to turn if things go wrong.

Nearly half (49%) of those that sought finance did so because of cash flow, indicating the difficulties of firms trying to balance their incomings with outgoings. Two-fifths of respondents describe their cash flow over the last 12 months as 'weak'. Issues are most prevalent in consumer-facing industries, and unsurprisingly smaller firms are more likely than their large counterparts to report weak cash flow.

The research also found that businesses planning on investing over the next year are focusing on incremental investments rather than big expansions. Those planning on investing are primarily looking at putting money into operational initiatives such as marketing and advertising (49%), staff training (48%) and IT and data security (45%).

The results underline the importance of kickstarting greater levels of business investment by addressing the escalating burden of upfront costs and taxes impeding firms' ability to invest and grow, and reducing the degree of uncertainty around Brexit.

Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

“Accessing finance remains crucial to the lifeblood of a business, yet a decade on from the financial crisis these results suggest that we have moved from a credit crunch to credit apathy where a lack of demand, rather than supply of finance is now the overriding issue. The weak demand for finance revealed in this survey is a key concern because it weighs on investment intentions and means that firms are treading water rather than going for growth, which is undermining the UK’s growth prospects.

“While businesses continue to report a reluctance to borrow in the current economic climate, discouraged demand remains a real phenomenon with businesses reluctant to approach banks to try and get finance because of the assumption that they will either be rejected or that they will have other facilities re-evaluated.

“The government also needs to do more to kick-start business investment. Firms need relief from the heavy burden of upfront costs which sap funds that could otherwise be spent on big capital expansions. Give companies the financial room to grow and clarity on Brexit and we’d see more long-term investment coming through.”

Paul Slapa, Head of Direct Sales at Wesleyan Bank, said:

“Understandably, some businesses are cautious about seeking finance given the fluctuating appetite of high-street lenders to support them. However, in reality there are now more alternative funding sources available from specialist providers than ever before to assist firms to grow so it’s worth exploring all potential options to make an informed decision.

“The majority of businesses have cash flow funding requirements for a variety of reasons. Flexible alternative finance solutions enable them to spread the cost of short-term working capital liabilities, such as tax and VAT bills, to gain greater predictability over expenditure rather than accumulating more debt by relying solely on a bank overdraft facility. Tailored finance plans also cover all types of investment to allow businesses to gain access to the specialist equipment and technology they need to flourish, without being constrained by large, upfront costs.”

Ends

Notes to editors:

*[Business Banking Insight](#) is an independent survey of the UK’s business banks, supported by HM Treasury, BCC and FSB. Businesses trust the judgement of their peers and BBI allows them to tap into customer experience of the business banking products on offer.

The British Chambers of Commerce (BCC) surveyed 1,073 businesses from all regions of the UK online from 11 to 25 April 2018.

The British Chambers of Commerce (BCC) sits at the heart of a powerful

network of 53 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

The BCC has launched a campaign aimed at eradicating not-spots for mobile voice coverage. Add your not-spot [here](#).

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