

46. United Kingdom

Key facts on SME financing

The developments in SME finance markets in the United Kingdom in 2022 reflected the difficulties faced by the global economy. While the impact of the COVID-19 pandemic waned, major challenges emerged that affected the use of finance by SMEs. In particular, the large-scale aggression of Russia against Ukraine contributed to a sharp rise in input costs. This subsequently led to a large rise in the inflation rate which, in turn, resulted in the Bank of England (BoE) raising the Bank Rate. The war also increased uncertainty about the outlook for the UK and other major economies.

Businesses reported that credit conditions eased in the first quarter of 2022, but subsequently indicated the availability of credit for SMEs tightened in the following quarter and continued to do so in the second half of the year. This likely reflects that the Russian invasion of Ukraine weighed on the UK economic outlook.

Gross flows of bank lending (excluding overdrafts), the main component of SME finance markets, rose by 13% in 2022 to GBP 65.1 billion in nominal terms. This was the second-highest on record. The rise was largely driven by increased lending by challenger and specialist banks. However, gross repayments rose by 12% to GBP 73.6 billion, a record high. This led gross repayments to exceed gross lending for the second consecutive year. Consequently, net lending remained negative and widened to GBP 8.4 billion, the largest fall on record. The outstanding stock of bank lending fell but remained high at GBP 197 billion.

While gross bank lending in 2022 was the second highest on record in nominal terms, this was not the case when accounting for inflation. In real terms, gross lending in 2022 was £62.3 billion. This was up from 2021 (£57.7 billion) but only £2 billion higher than in 2019.

Among the commonly used forms of alternative finance, the use of asset finance and working capital products rose in 2022 while that of equity finance fell. Asset finance new business rose by 11% to GBP 22.5 billion, a new record high. This was in part due to pandemic-related disruption to supply chains easing for some sectors and SMEs needing to replace aging equipment. Among working capital products, invoice finance and asset-based lending rose by 30% to GBP 10.7 billion while overdrafts were up by 4% to GBP 6.1 billion. The rise in the use of working capital finance reflects that the higher input costs left many SMEs struggling to maintain cash flow. In contrast, the value of SME equity finance fell by 11% to GBP 16.7 billion and the number of announced deals was down by 7% to 2,702. The falls were due to concerns about potential over-valuations and a more challenging exit environment as well as higher interest rates making equity finance less attractive.

Similarly, the value of alternative finance lending from providers including marketplace, non-bank balance sheet and platform lenders is likely to have fallen in 2022. Around GBP 3.4 billion of SME business and property lending via such providers has been reported thus far, down from GBP 4.4 billion by those the British Business Bank has data for in 2021. The full results for 2022 of some providers are yet to be published but they are unlikely to change the picture significantly.

The UK government, the Department for Business and Trade as well as the British Business Bank will continue to work with a wide range of partners to support businesses across the UK as they look to invest and grow.

Table 46.1. Scoreboard for the United Kingdom

Indicator	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt																
Outstanding business loans, SMEs	GBP billion	..	..	..	189	176	166	167	164	166	165	166	168	213	209	197
Outstanding business loans, total	GBP billion	..	..	..	504	472	448	435	430	449	466	477	490	530	526	540
Share of SME outstanding loans	% of total outstanding business loans	..	..	..	37.5	37.3	37.1	38.4	38.3	36.9	35.5	34.8	34.2	40.2	39.8	36.5
New business lending, total	GBP billion	..	..	..	..	146	163	190	205	234	259	273	259	329	241	277
New business lending, SMEs	GBP billion	..	..	..	..	38	43	53	58	59	57	58	57	105	58	65
Share of new SME lending	% of total new lending	..	..	..	..	26.1	26.4	28.2	28.2	25.3	22.2	21.2	22.0	31.9	23.9	23.5
Government loan guarantees, SMEs	GBP million	..	61	51	31	43	50	45	34	31	32	30	30	57 630	11 262	1 730
Government guaranteed loans, SMEs	GBP million	..	626	528	324	284	335	297	227	207	216	199	203	61 206	13 291	2 470
Direct government loans, SMEs	GBP million	..	..	..	..	0.8	60.6	70.6	61.9	82.6	106.9	85.4	89.8	126.4	134.7	121.5
Interest rate, SMEs	%	4.54	3.47	3.49	3.52	3.71	3.60	3.43	3.33	3.22	3.16	3.44	3.41	2.15	2.45	3.91
Interest rate, large firms / PNFCs *	%	3.49	2.35	2.10	2.25	2.41	2.20	2.45	2.11	2.60	2.43	2.70	2.64	1.87	2.12	3.23
Interest rate spread	% points	1.05	1.12	1.39	1.27	1.30	1.40	0.98	1.22	0.62	0.73	0.74	0.77	0.28	0.33	0.68
Collateral, SMEs	% of SMEs needing collateral to obtain bank lending	..	..	..	25	31	31	34	40	45	55	41	39	15	14	22
Percentage of SME loan applications	SME loan applications/ total number of SMEs	..	..	..	7	6	4	5	4	3	2	2	2	6	7	3
Rejection rate	1-(SME loans authorised/ requested)	..	..	..	..	31	32	23	18	19	20	24	25	16	15	45
Non-bank finance																
Venture and growth capital	GBP billion	..	..	..	1.7	1.8	1.9	3.1	4.2	4.1	6.9	7.2	8.6	9.5	18.8	16.7
Venture and growth capital (growth rate)	%, Year-on-year growth rate	3	9	62	35	-2	68	4	19	10	98	-11

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Leasing and hire purchases	GBP billion	12.0	12.8	13.5	14.8	16.3	17.0	19.3	19.8	20.6	16.3	20.3	22.5
Factoring and invoice discounting	GBP billion	..	8.5	8.6	9.2	9.6	9.8	10.6	10.6	10.8	11.8	12.0	11.8	7.8	8.2	10.7
Other indicators																
Bankruptcies, SMEs	Thousands	..	25.1	21.4	22.2	21.4	18.9	17.6	15.9	16.1	15.7	17.3	18.5	13.4	14.9	23.4
Bankruptcies, SMEs (growth rate)	%, Year-on-year growth rate	..	..	-14.7	3.7	-3.6	-11.7	-6.9	-9.7	1.3	-2.5	10.2	6.9	-27.6	11.2	57.0

Note: * Break in data series and definition from 2016

Sources: Bank of England, British Business Bank, BVA BDRC SME Finance Monitor, Beauhurst, Financing and Leasing Association, UK Finance and the Insolvency Service

Macroeconomic conditions

UK economic growth lost momentum and was broadly ground to a halt during 2022. The UK economy experienced a combination of major challenges in 2022. The large-scale aggression of Russia against Ukraine, the BoE Bank Rate rising to 3.5%, the reaction to the government's mini-Budget in September, the lingering impact of the pandemic and ongoing trade frictions with the European Union all weighed on the economy. Economic growth slowed sharply in the first half of 2022. Real GDP grew 0.5% in the first quarter, down from 1.5% in the previous quarter. In the second quarter, real GDP grew only 0.1%. The economy faltered in the latter half of 2022. Real GDP contracted 0.1% in the third quarter. This was the first contraction since early 2021 amid the third national Covid-19 lockdown. It was also the third contraction since the start of 2020 and the fourth since the final quarter of 2012. In the final quarter of 2022, real GDP grew 0.1%. By late 2022, the UK economy had recovered from the impact of the pandemic. The level of real GDP was 1.3% above that in the fourth quarter of 2019, the last quarter before the Covid-19 outbreak in the UK. The most recent data show the UK economy grew 0.3% in the first quarter of 2023 but was flat in the following quarter before it contracted 0.1% in the third quarter.¹

In the first half of 2022, business investment had still not fully recovered from the impact of the pandemic. Business investment rose 3.1% in the first quarter after growing 0.8% in the previous quarter. In the second quarter, the pace of growth was steady at 3.1%. While the level of business investment recovered from the impact of pandemic in the second half of the year, the pace of growth slowed to 2.2% in the third quarter and again to 0.4% in the final quarter of 2022. By late 2022 the level of business investment was 1.8% above that in the final quarter of 2019.

The breakdown showed that the growth of business investment during 2022 was partly driven by increased investment in transport equipment. This is in line with pandemic-related shortages in the supply of transport equipment easing. Also, business investment in information and communication technology (ICT) equipment and other machinery and equipment grew in the first quarter as well as the third quarter. A probable explanation is some firms took advantage of the government's super-deduction allowance ahead of its ending in March 2023. The Office for National Statistics (ONS) subsequently noted that the effect of the super-deduction incentive was most likely to be reflected in ICT equipment, other machinery and equipment and transport. The latest data shows business investment rose 3.8% in the first quarter of 2023 and 1.4% in the following quarter before it contracted 3.2% in the third quarter.²

A sharp rise in inflation squeezed household income in 2022. The consumer price index (CPI) rose 9.1% from 2021. This was the highest rate since records began in 1989 and up significantly from 2021 (2.7%)³. The sharp rise was initially triggered by pandemic-related disruption to global supply chains. The situation was exacerbated by the large-scale aggression of Russia against Ukraine and ongoing COVID-19 restrictions in some countries. The large-scale aggression of Russia against Ukraine led to a sharp rise in the prices of key global commodities including natural gas, crude oil, nickel and wheat. The impact of the higher natural gas price was greater in Western European countries including the UK than other parts of the world. This reflects the relatively high reliance of Western Europe on Russian natural gas. The higher prices led to a large increase in the cost of business inputs which, in turn, squeezed cash flow and profit margins. The pass-through of some of the higher input costs to consumers contributed to the rise in the CPI. The high inflation squeezed the disposable income of households in real terms. This resulted in consumers cutting back their spending, particularly on discretionary goods and services. The squeeze on real household disposable income largely reflected falls in real regular pay. Nominal regular pay growth picked up during 2022 because the labour market was tight. However, nominal pay growth lagged the rise in CPI, leading to a reduction in real terms. The fall in real regular pay in the three months to December 2022 compared to the same period in 2021 was the largest since April 2009.⁴ The lower real wages led many workers to seek a pay increase as compensation. Consequently, the number of industrial disputes increased, particularly in the latter half of 2022⁵.

SMEs in the national economy

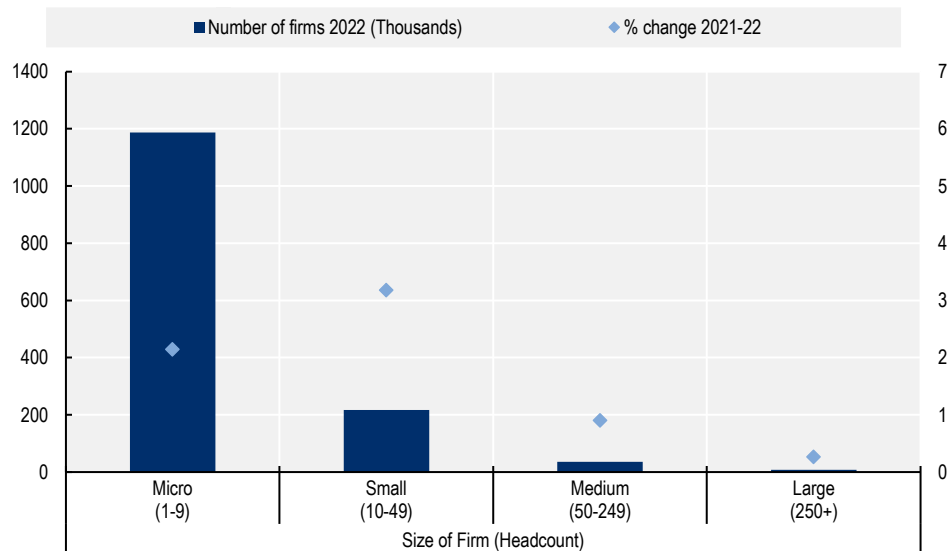
There were 5.5 million private sector businesses in the UK at the start of 2022, according to business population estimates from the Department for Business, Energy and Industrial Strategy (BEIS). This was down 1.5% from 2021. The main driver was a fall in the number of businesses with no employees, which declined 2.7%. The number of businesses with no employees totalled 4.1 million. This comprised around 74% of businesses, 16% of employment and 7% of turnover in the private sector.

The fall in the number of businesses without any employees reflects that the population of self-employed individuals decreased during the pandemic. Data from the Office for National Statistics (ONS) Labour Force Survey showed a 15% reduction in the number of self-employed workers in the first quarter of 2022 compared to the same quarter in 2020. According to the ONS, some of this decrease can be attributed to business owners altering their survey responses during the pandemic i.e. some who were paying themselves through the Pay As You Earn (PAYE) system began to identify themselves as employees in order to qualify for the UK government Coronavirus Job Retention Scheme i.e. furlough.⁶


In contrast, the number of private sector businesses with employees in 2022 was up 2.3% from 2021. The breakdown by business size showed the largest increase was in the number of small firms (3.2%), which have between 10 and 49 employees and account for 15% of all employers in the private sector. The second largest increase was among micro firms (2.1%). Micro firms have between one and nine employees and comprise 82% of all private sector employers. This was followed by medium-sized businesses (0.9%), which employ between 50 and 249 staff. The smallest increase was among large firms (0.3%), with more than 250 employees.⁷

Figure 46.1. Number and percentage annual increase in SME employers by size of firm (headcount) in the United Kingdom

Number of firms, thousands 2022 (LHS), percentage change 2021-22 (RHS)



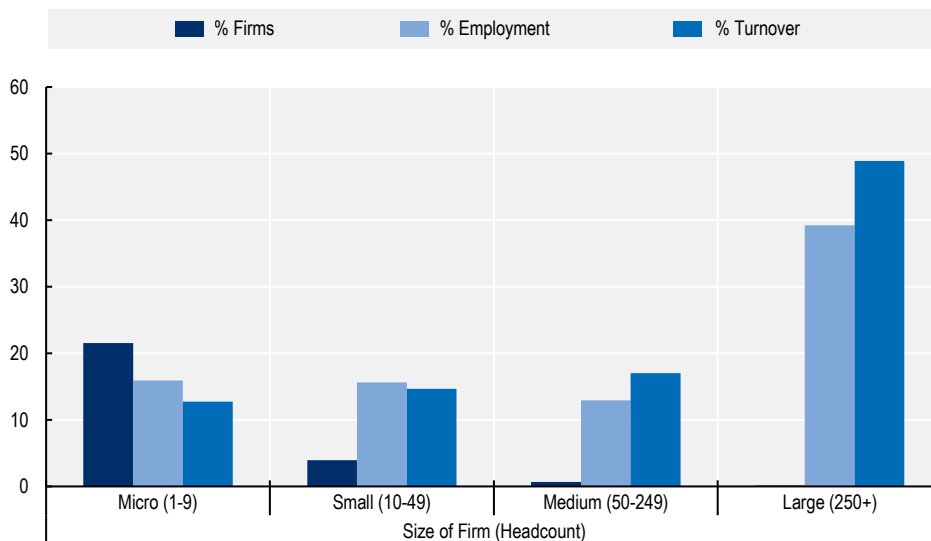
Source: BEIS, Business Population Estimates 2022

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The contribution made by those businesses with employees to the stock of private sector firms, employment and turnover varies substantially by the size of the employer i.e. headcount. In 2022, micro firms comprised around 22% of all private sector businesses. This compares to small businesses accounting for 4%, while medium-sized and large businesses comprised only 1% and 0.1%, respectively. However, in general, the ratio of employment and turnover per firm increases in line with the size of the firm's workforce. In 2022, micro firms comprised 16% of employment and 13% of turnover. This compares with large businesses accounting for 39% of employment and 49% of turnover.⁸

Figure 46.2. Percentage share of firms, employment, and turnover amongst SME employers in the United Kingdom

Percentage share of firms, employment and turnover 2022



Source: BEIS, Business Population Estimates 2022

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SME lending

Gross flows of bank lending (excluding overdrafts) to SMEs, the main component of SME finance markets, in 2022 was the second highest since records began in 2012. BoE data show gross lending in 2022 totalled GBP 65.1 billion in nominal terms. This was up 12.9% from 2021 and higher than in every year from 2012 to 2019. However, it remained below the record high of 2020 (GBP 105 billion), which was largely driven by government-guaranteed COVID-19 loans. Similarly, gross lending to large businesses rose in 2022 by 15.6% in nominal terms. This led gross lending to SMEs as a share of total lending to fall in 2022 to 23%, the lowest since 2019 (22%), from 24% in the previous year.

While gross bank lending to SMEs in 2022 was the second highest on record in nominal terms, this was not the case when accounting for inflation. In real terms, gross lending in 2022 was £62.3 billion. This was up from 2021 (£57.7 billion) but only £2 billion higher than in 2019.

The quarterly breakdown showed gross lending to SMEs trended higher during 2022. Gross lending rose in the third quarter to GBP 17.2 billion, not seasonally adjusted. This was the second highest on record for that quarter of the year after the third quarter in 2020 (GBP 23.4 billion). Gross lending fell slightly in the final quarter of 2022 (GBP 17.1 billion) but remained well above the quarterly average prior to the pandemic (GBP 13.1 billion). For large businesses, gross lending trended higher during 2022. The most recent data show gross lending to both SMEs and large businesses fell in the first and second quarters of 2023 but remained above their pre-pandemic averages.⁹ In the third quarter of 2023 gross lending to both SMEs and large businesses rose but remained on an overall downward trend.

Market-based lending to SMEs, which is gross lending excluding government-guaranteed loans, in 2022 was GBP 63.8 billion according to British Business Bank calculations. This was the highest on record and

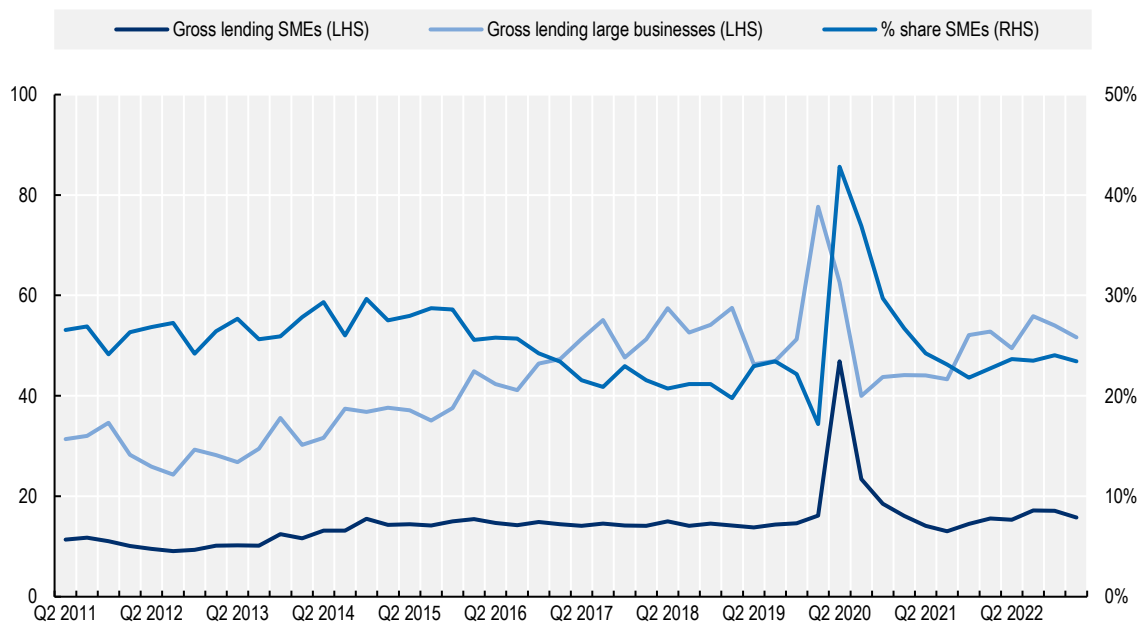
excluded drawdowns from banks under the Recovery Loan Scheme (RLS), which opened for applications in April 2021.¹⁰ For context, gross lending to SMEs in 2021 included drawdowns under the Coronavirus Business Interruption Loan Scheme (CBILS), Bounce Back Loan Scheme (BBLs) and RLS. CBILS and BBLs were significant due to a large increase in applications in the months leading up to both closing in March 2021. Gross lending in 2021 excluding CBILS, BBLs and RLS was GBP 49.7 billion. This was up from 2020, when gross lending excluding CBILS and BBLs was GBP 48.1 billion.

The five largest banks in the UK have traditionally been the main driver of gross lending to SMEs.¹¹ However, this was not the case in 2022 for the second consecutive year, with challenger and specialist banks accounting for a higher share of total gross lending than the big five banks.¹² BoE data show that the share of total gross lending by challenger and specialist banks in 2022 was 55%. This was up from 2021 (51%) and the highest on record. The higher share was solely driven by gross lending by challenger and specialist banks, rising in 2022 by 21% to GBP 35.5 billion, a record high, while that by the big five banks was up only 4% to GBP 29.6 billion.

Market-based lending to SMEs by challenger and specialist banks in 2022 was GBP 34.7 billion. This was up from 2021 (GBP 25.5 billion) and higher than in 2020 (GBP 7.1 billion). Furthermore, in 2022 challenger and specialist banks provided a larger proportion of government-guaranteed loans than the big five banks. The total value of RLS drawn down from banks in 2022 was GBP 1.3 billion. Of this, challenger and specialist banks accounted for GBP 0.8 billion (around 60%) while the big five banks provided GBP 0.5 billion. This contrasts with challenger and specialist banks providing a smaller proportion of facilities under the government loan schemes than the big five banks in 2020 and 2021.¹³

Figure 46.3. Gross lending flows to SMEs and large businesses, and percentage SME share, in the United Kingdom

Quarterly flow of gross lending GBP billion (LHS), percentage SME share of total lending (RHS)



Source: Bank of England Bankstats, 2023

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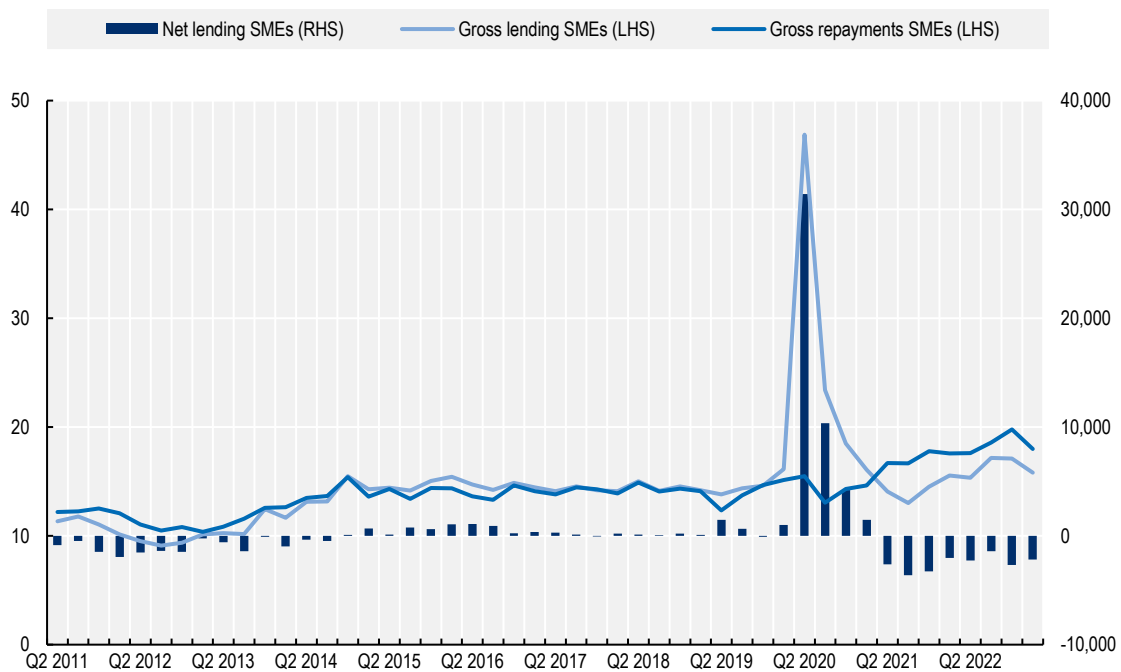
Gross repayments of bank lending by SMEs reached a record high in 2022. BoE data show nominal gross repayments in 2022 totalled GBP 73.5 billion. This was up 12% from 2021.¹⁴ The record level was largely driven by the one-year holiday on repaying the principal and paying interest on BBLs ending in December 2022 for those SMEs that took the last opportunity to draw the facilities down. Also, SMEs that drew down BBLs and put the funds on deposit but did not end up using the capital were required to repay them in full prior to the end of the one-year holiday. In addition, other SMEs focused on repaying debt. This reflects that the large take-up of government loans during the pandemic led the total level of SME debt to be relatively high. The British Business Bank’s Business Finance Survey in 2022 reported that more than one-third (38%) of smaller businesses cited “avoid additional debt” as the reason why they did not apply for finance.¹⁵

The quarterly breakdown showed gross repayments by SMEs trended higher during 2022. Gross repayments rose in the third quarter of the year to GBP 18.6 billion, the highest on record. In the final quarter of 2022 gross repayments reached GBP 19.8 billion, a new record. The high repayments in the second half of the year are broadly in line with the December 2022 deadline for those SMEs that took the last opportunity to drawdown BBLs to start repaying the principal and paying interest. The latest data shows gross repayments fell in the first and second quarters of 2023 but remained high.

Gross repayments by SMEs exceeded gross lending in 2022. This resulted in negative net lending of GBP 8.4 billion, the largest on record. It compares to negative net lending of GBP 8 billion in 2021.¹⁶

Figure 46.4. Gross lending, gross repayments, and net lending to SMEs in the United Kingdom

Quarterly gross lending and repayments GBP billion (LHS), quarterly net lending GBP million (RHS)



Source: Bank of England Bankstats, 2023

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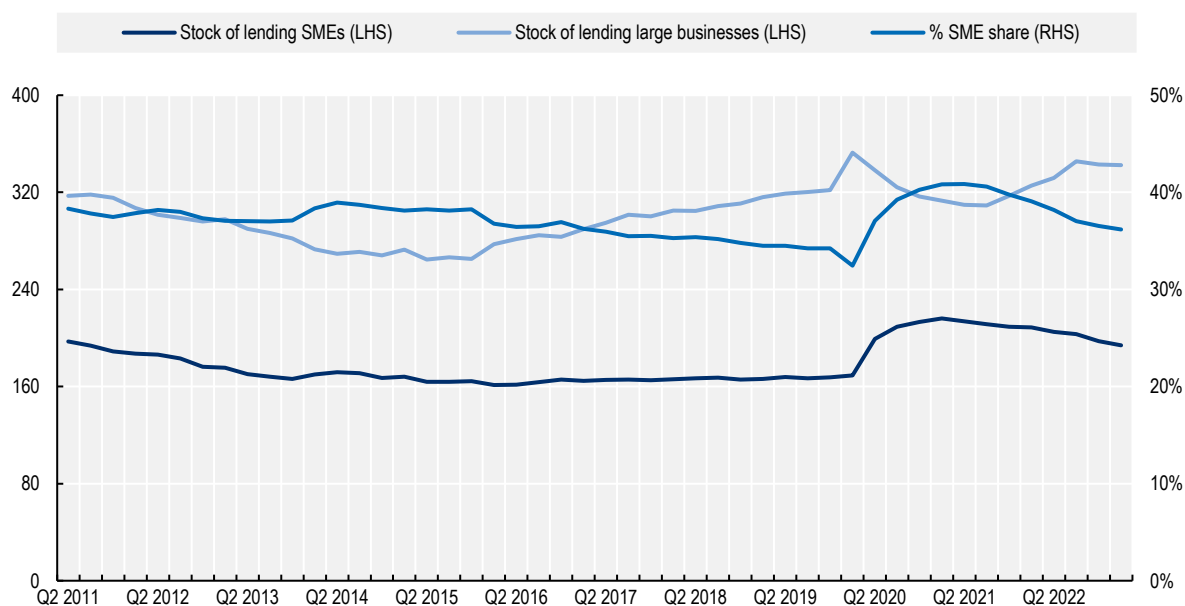
The outstanding stock of bank lending to SMEs fell during 2022 but was still relatively high. BoE data show the total stock of bank lending in the fourth quarter of 2022 was GBP 197 billion. This was down 6% from the same quarter a year earlier. It was also lower than in the final quarter in 2020 but remained above that

in the corresponding period in every year from 2011 to 2019. The fall is consistent with the December 2022 deadline for those SMEs that drew down BBLs to start repaying them as well as some SMEs focusing on repaying debt.

In contrast, the stock of bank lending to large businesses rose in the final quarter of 2022 to GBP 343 billion. This was up 8% in the corresponding period in 2021. Consequently, the percentage share of lending to SMEs fell to 37%, the lowest in two years. The most recent data shows the stock of bank lending to both SMEs and large businesses fell in the first and second quarters of 2023.¹⁷

Figure 46.5. Stock of lending to SMEs and large businesses, and percentage SME share, in the United Kingdom

Quarterly stock of lending, GBP billion (LHS), percentage SME share of total lending (RHS)



Source: Bank of England Bankstats, 2023

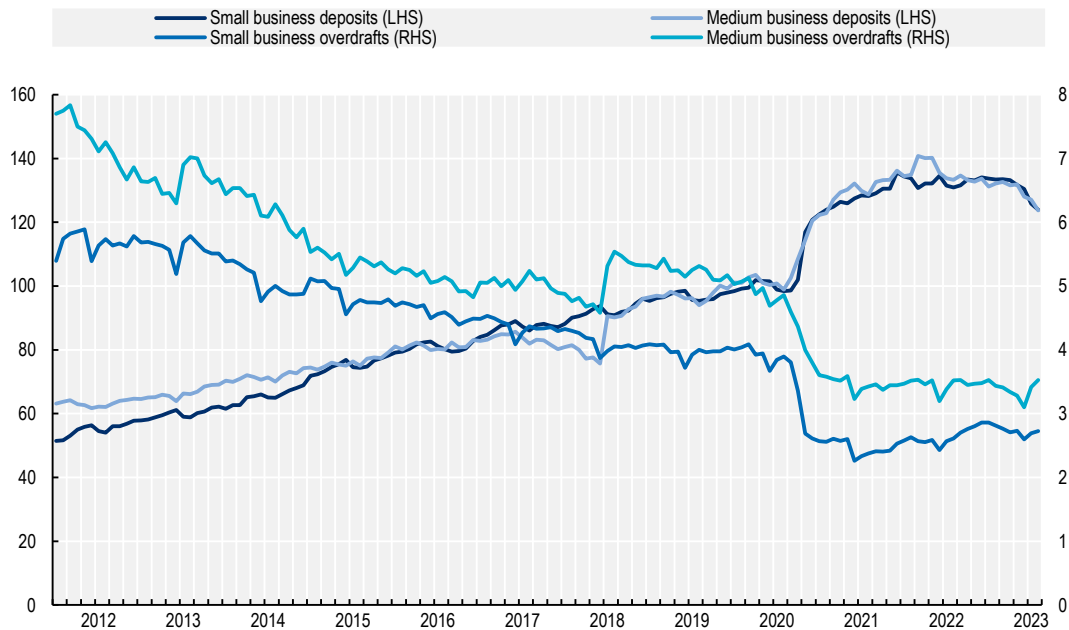
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The value of deposits held by SMEs with major banks fell in 2022 but remained high. UK Finance data for the seven largest banks in the UK show the total average value of deposits in 2022 was GBP 265 billion.¹⁸ This was down 1% from the record high in 2021 but still well above that in every year from 2012 to 2020. The fall is broadly in line with those SMEs that drew down BBLs and put the funds on deposit but did not use them repaying the capital in full prior to the end of the one-year holiday. The latest data shows the total value of deposits continued to fall in the first quarter of 2023.

In contrast, the value of overdrafts used by SMEs rose in 2022 but was still relatively low. UK Finance data for the seven largest UK banks show the total average value of overdrafts used by SMEs in 2022 was GBP 6.1 billion. This was up 4% from 2021 but lower than in every year from 2012 to 2020. The rise reflects that 2022 was a year of increased demand for working capital finance as smaller businesses struggled with higher input costs. The British Business Bank's market contacts reported the demand for overdrafts was weaker than for other working capital products such as invoice finance, which they attributed to overdrafts being relatively expensive. The most recent data shows the total value of overdrafts used by SMEs was broadly unchanged in the first quarter of 2023.¹⁹

Figure 46.6. Business deposits held, and business overdrafts used, by SMEs in the United Kingdom

Business deposits, GBP billion (LHS), business overdrafts, GBP billion (RHS)



Source: UK Finance, 2023

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Demand-side surveys show that, in overall terms, the use of external finance by SMEs fell in 2022. The BVA BDRC SME Finance Monitor showed in 2022 an annual average of 36% of SMEs that reported they were currently using external finance. This was seven percentage points below that in 2021 (43%) and the lowest since 2018 (also 36%). The fall was driven by declines in the use of most repayable external finance. There was a significant fall in the use of bank loan/ commercial mortgage and marginal declines in the use of bank overdrafts and leasing/ hire purchase/ vehicle finance. In contrast, the use of loans or equity from directors/ family/ friends, credit cards and invoice finance were relatively unchanged. The quarterly breakdown showed the use of external finance fell from the first quarter of 2022 (40%) to the third quarter (33%) before rising slightly in the final quarter (34%).²⁰ The latest data shows the use of external finance rose in the first quarter of 2023 (41%) and again in the second quarter (43%) and the third quarter (50%).²¹

Table 46.2. Percentage of SMEs using core bank facilities and other finance in the United Kingdom

All data as at year end, Q1-Q4, demand side survey, percentage of all SMEs

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Core products (any)	36	32	29	30	30	31	32	39	29	31	26
- Bank overdraft	22	18	16	16	16	18	19	23	13	11	10
- Credit cards	18	18	15	16	17	16	14	18	13	11	11
- Bank loan/commercial mortgage	10	8	7	7	7	6	9	9	12	17	13
Other forms of finance (any)	18	18	17	17	16	18	12	16	18	24	20
- Leasing/hire purchase/vehicle finance	6	8	7	7	7	9	7	11	9	9	8

- Loans/equity/directors/family/friends (1)	6	9	8	8	6	5	4	4	4	5	6
- Invoice finance	3	2	3	2	3	3	1	1	1	1	1
- Grants	1	1	2	2	2	2	1	1	8	14	9
Any (external) finance	44	41	37	37	37	38	36	45	37	43	36

Note: (1) The wording for these forms of finance changed substantially over time, estimates are for combined options.

Source: BVA BDRC, SME Finance Monitor, Q4 Report 2022, p. 139.

The share of SMEs applying for bank facilities fell sharply in 2022, following rises in the previous two years. The proportion that applied for new, or to renew existing, bank loans or overdrafts fell to 3% from 7% in 2021. This was the lowest since 2019 (2%) and only a quarter of that when records began in 2011 (12%). The fall was solely driven by the proportion that applied for a new facility declining to 3%, which was also the lowest since 2019 (1%). This followed the proportion rising sharply in 2020 to 6% and climbing in 2021 to 7%, the joint highest on record (with 2011), because some of the SMEs that used the COVID-19 government loan schemes were borrowing for the first time. In contrast, the proportion applying for a renewed facility in 2022 was broadly flat for the fourth year in a row.²²

Table 46.3. Percentage of SMEs applying for loans or overdrafts (1) in the United Kingdom

Percentages, all data as at year end, Q1-Q4, demand side survey

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
% applied for new facility	7	6	4	5	4	3	2	2	1	6	7	3
% renewed facility	7	5	4	4	4	3	2	1	0	0	0	0
% applied new facility/renewal	12	11	8	8	8	5	4	3	2	6	7	3

Note: (1) Applications for any new/renewed facility (loan/overdraft) in previous 12 months, estimated annual average in each year, Q1-Q4. Applications for new and renewed facilities are not necessarily mutually exclusive (i.e., SMEs can apply for a new and renewed facility in same year), but slight variations are probably due to rounding issues. Questionnaire changes over the 2018 period may cause slight variation in the applications data.

Source: BVA BDRC, SME Finance Monitor, Q4 Reports 2012-2017 and British Business Bank calculations for 2018-2022.

The percentage of SMEs that reported they were happy to use finance to support business growth rose slightly in the second half of 2022 to 32% from 30% in the first half of the year. This was the highest since the second half of 2021 (36%). However, it remained much lower than when records began in the first half of 2015 (45%). In contrast, the percentage of SMEs reporting growth plans based on what they can afford to self-fund fell slightly in the second half of 2022 to 85%, the lowest since the same period in 2021 (84%) but still higher than when records began in the first half of 2016 (80%). Similarly, the percentage of SMEs stating they would rather accept a slower rate of growth than borrow fell in the final six months of 2022 to 78%, also the lowest in a year (77%) but higher than when records began (72%).²³

Table 46.4. SME attitudes to finance in the United Kingdom

Data as at end of each half year, Q1-Q2 and Q3-Q4, demand side survey, percentage of all SMEs.

Year	2015		2016		2017		2018		2019		2020		2021		2022	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
% of SMEs that report Happy to use finance to help business grow	45	45	43	43	33	34	33	32	29	29	30	35	37	36	30	32

Plans based on what can afford (to self-fund)	-	-	80	80	82	82	79	81	80	81	84	86	86	84	86	85
Accept slower growth rather than borrow	-	-	71	70	70	70	73	72	73	74	79	80	82	77	80	78

Source: BVA BDRC, SME Finance Monitor, Q4 Reports 2012-2018 for historic data and Q4 2022 Report, pp. 187.

The percentage of secured bank loans to SMEs in 2022 was 22%, up eight percentage points from 2021. This reflects the impact of BBLS and CBILS closing to new applications in March 2021. Under BBLS no security was required while under CBILS lenders took no security for facilities below GBP 250 thousand but had the discretion to take personal guarantees for those above.²⁴

Table 46.5. Percent secured business loans to SMEs in the United Kingdom

All data as at year-end, demand side survey, percentage of all SMEs

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
% secured business loans	25	31	31	34	40	45	55	41	39	15	14	22

Note: business loans, 2011 and 2012 Q1-Q4; 2013 onwards all data in Q4 in each year for borrowing events in previous 18 months.

Source: BVA BDRC, SME Finance Monitor, Q4 Reports 2012-2021 for historic data and Q4 2022 Report p. 247.

Credit conditions

Supply and demand-side reports indicate that credit conditions eased in early 2022 but subsequently tightened. The BoE Agents' summary of business conditions, based on discussions with at least 700 firms across the UK, said businesses reported that credit conditions eased in the first quarter of the year. A probable explanation for the easing was the improving economic outlook as the UK recovered from the impact of the pandemic. However, the agents said credit conditions for SMEs started to tighten in the following quarter and continued to do so in the second half of 2022. This likely reflects that the large-scale aggression of Russia against Ukraine in February 2022 led to a sharp rise in input costs, particularly for energy, which weighed on the UK economic outlook.²⁵

Similarly, the BoE Credit Conditions survey, reporting the views of banks and building societies, showed the proportion of loan applications from small businesses being approved, fell sharply in the second quarter of the year. The proportion was broadly unchanged in the third quarter but fell sharply again in the final quarter of the year.²⁶

The British Business Bank's market intelligence is that banks required more information from smaller business applicants. One of the drivers was the need to determine whether the firm could afford the loan, given the higher energy prices. Banks were looking at what energy tariff a business was on when it was due to expire and profit after energy bills. Another driver was ongoing transformational requirements on lenders due to regulations such as Know Your Customer/Anti-Money Laundering. An additional factor in the mix was the UK government's target for the economy to be Net Zero by 2050. Banks considered the target when looking at applications for business loans e.g., whether the value of diesel-driven machinery may need to be depreciated in a shorter time frame than previously.

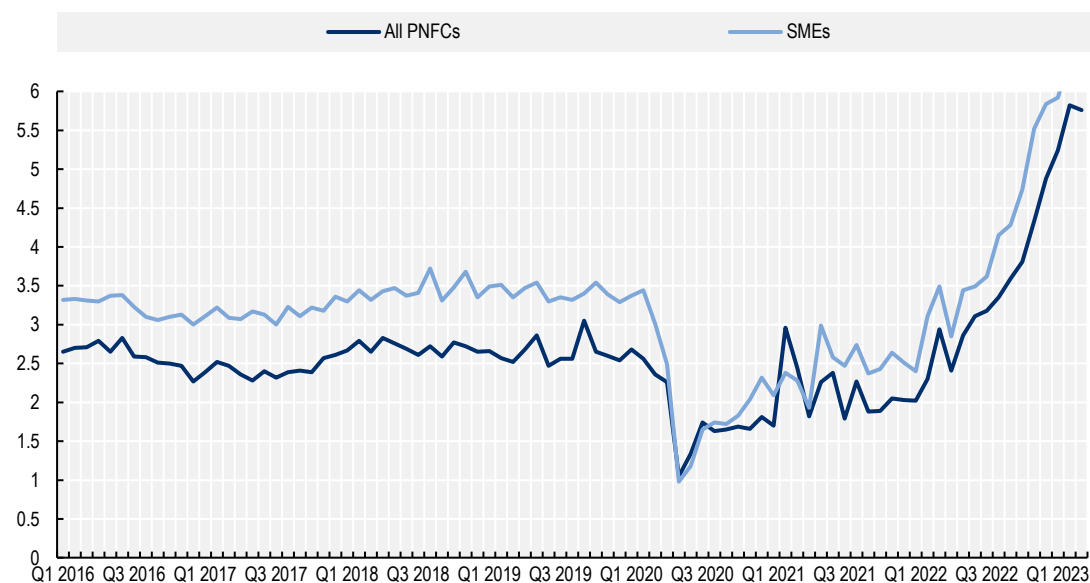
During 2022, all the big five banks introduced or increased provisions for loan losses. These were expected to result from the impact of the war in Ukraine and high inflation on the UK economy. The banks' financial reports indicated loan defaults rose modestly but remained relatively low.

Separate BoE data show that credit became less affordable for SMEs in 2022 by historical standards. The annual average interest rate for SMEs rose to 3.91%, up from 2.45% in 2021 and the highest since records

began in 2016. This followed the BoE Bank Rate rising by 325 basis points from 0.25% in January 2022. The average interest rate for all non-financial private corporations (NFPCs) was 3.23%, 68 basis points below that for SMEs. This was the widest spread since 2019 (77 basis points). The most recent data shows the average interest rate for SMEs continued in the first half of 2023, reaching 6.84% in the second quarter of the year. The average interest rate for NFPCs saw a smaller increase to 6.14% in the second quarter of 2023, leading it to remain below that for SMEs.²⁷

Figure 46.7. Interest rates on lending to SMEs and non-financial private corporations in the United Kingdom

Monthly average interest rates to SMEs and PNFCs



Source: Bank of England Bankstats, 2022

StatLink  <https://stat.link/49iord>

Alternative sources of SME financing

Asset finance new business provided to SMEs reached a record high in 2022. According to British Business Bank estimates based on Financing & Leasing Association data, SME asset finance new business in 2022 was GBP 22.5 billion in nominal terms. This was up 11% from 2021 and the highest since records began in 2011. It followed an increase of 24% in 2021. Annual asset finance new business provided to SMEs in 2022 was 9% higher than the pre-pandemic total in 2019. This compares to total asset finance new business growing 6% in 2022 but remaining 5% lower than the 2019 level.²⁸

Growth was uneven during 2022. The first quarter saw SME asset finance new business grow by 10% compared with the same period in 2021. In the second quarter, SME new business was up by only 2% relative to the corresponding period a year earlier as the economic environment deteriorated, uncertainty increased and confidence measures decreased. Despite this, in the first half of 2022 SME new lending increased by 6% compared to the same period in 2021. There was something of a resurgence in the third quarter, with SME new business growing 18% relative to the corresponding period a year earlier. The final quarter of 2022 saw a further strong performance, with SME new business growing by 15% compared with the same period in 2021.

Pandemic-related supply chain issues eased during 2022 but continued to impact some asset classes. This reduced businesses' ability to invest and, in turn, finance providers' ability to lend. A significant proportion of the volatility in lending in the second quarter was attributed to disruption to the supply of assets to finance. The Financing & Leasing Association (FLA) noted transport equipment investment had been particularly impacted. This was especially the case in the new car finance market. The information technology equipment finance sector also faced challenges. The latest estimates indicate SME asset finance new business in the first five months of 2023 totalled around GBP 10 billion, 17% higher than in the same period in 2022.²⁹

Table 46.6. Asset finance (leasing and hire purchase) take up by SMEs in the United Kingdom

In GBP billion

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total lending to SMEs	12.0	12.8	13.5	14.8	16.3	17.0	19.3	19.8	20.6	16.3	20.3	22.5

Source: Finance & Leasing Association (FLA).

The value of advances to SMEs continued to recover in 2022 and neared pre-pandemic levels. Outstanding advances in invoice finance and asset-based lending (factoring and invoice discounting) to SMEs averaged GBP 10.7 billion in 2022. This was up 30% from 2021 but remained below 2019 (GBP 11.8 billion). The rise likely reflected a combination of the need for working capital during challenging economic times e.g., unprecedented increases in input costs, and to some degree, the increased uncertainty with regards to creditor solvency and customer demand. Similarly, advances to businesses overall rose 32% in 2022, broadly the same in percentage terms as that to SMEs. Consequently, the percentage share of advances to SMEs was 52% of the total advanced to all firms in the UK for the second consecutive year. This compares to 51% in 2020, the lowest since records began in 2011, but remains below that of each year from 2011 to 2019. The most recent data shows outstanding advances to SMEs in the first quarter of 2023 was GBP 8.1 billion. This was little changed from the previous quarter and up 9% from the same period in 2022.³⁰ In the second quarter of 2023 the value of advances to SMEs was broadly unchanged at GBP 8.1 billion.

Table 46.7. Quarterly average stock of advances of invoice finance and asset-based lending in the United Kingdom

In GBP billion, percentage share of SME lending

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Lending to SMEs*	9.2	9.6	9.8	10.6	10.6	10.8	11.8	12.0	11.8	7.8	8.2	10.7
% SME share of total	65	65	61	60	58	55	54	54	54	51	52	52
Total advances to businesses	14.1	14.7	16.0	17.8	18.5	19.6	21.7	22.1	21.8	15.2	15.6	20.6

Note: * Clients with turnover below GBP 50 million, yearly figures as at Q4.

Source: UK Finance data and British Business Bank calculations

British Business Bank analysis of Beauhurst data shows that UK SME equity finance fell by 11% to GBP 16.7 billion in 2022. Despite the fall, this was the second highest annual total on record after 2021 (GBP 18.8 billion). Similarly, the number of announced equity deals fell by 7% to 2,702 in 2022 from the record high in 2021 (2,912). While the fall in the number of announced deals was relatively modest, it was the first annual decline since Beauhurst began tracking this data in 2011. 2022 was a year of two halves for the

UK SME equity finance market. Businesses received a record level of investment over the first two quarters, with company valuations rising sharply particularly in the tech sector. However, concerns about potential over-valuations and a more challenging exit environment, as well as rising inflation and interest rates, led to a 47% decline in equity finance during the second half of the year. This downturn reflects venture capital (VC) fund managers slowing their investment activity and taking more time to focus more on business fundamentals, to compensate for their rapid capital deployment in previous months. The latest data show that the market downturn continued in the first half of 2023.³¹

Table 46.8. Private external equity investment in the United Kingdom

Number of deals, value in GBP million

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of deals	525	797	1 082	1 489	1 664	1 684	1 908	1 983	2 142	2 403	2 912	2 702
Mean average deal size *	3.6	2.5	2.0	2.3	2.8	2.7	4.0	4.0	4.3	4.3	6.9	6.7
Total investment	1 710	1 762	1 926	3 122	4 226	4 125	6 925	7 232	8 583	9 472	18 761	16 656

Note: * average of disclosed investment amounts only.

Source: British Business Bank analysis of Beauhurst data.

British Business Bank analysis of Beauhurst data also shows that the sole driver of the fall in UK SME equity finance in 2022 was growth capital. Growth stage investment fell by 25% to GBP 8.2 billion in 2022. In contrast, seed stage investment rose by 14% and venture stage investment was up 7%.³²

Table 46.9. Venture and growth capital investment in the United Kingdom

By stage of development, in GBP million

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Seed	106	120	248	316	467	581	779	883	856	1 476	1 941	2 207
Venture	484	599	463	1 034	1 594	1 497	2 410	2 562	2 526	3 200	5 893	6 288
Growth capital	1 120	1 042	1 211	1 770	2 158	2 046	3 727	3 781	5 199	4 760	10 927	8 162
Average value * **	3.6	2.5	2.0	2.3	2.8	2.7	4.0	4.0	4.3	4.3	6.9	6.7
Number of companies	508	754	1 026	1 391	1 539	1 537	1 730	1 843	1 968	2 156	2 638	2 487
Total investment ***	1 710	1 762	1 926	3 122	4 226	4 125	6 925	7 232	8 583	9 472	18 761	16 656

Note: * Average value will not equal total investment/number of companies, not all funding amounts are known, and some companies receive multiple funding rounds in a year. ** Average per investment. *** Values for total investment may not sum due to rounding.

Source: British Business Bank analysis of Beauhurst data.

The value of alternative finance lending from providers including marketplace, non-bank balance sheet and platform lenders is also likely to have fallen in 2022.³³ At the time of writing, around GBP 3.4 billion of SME business and property lending via alternative finance providers has been reported. This compares to GBP 4.4 billion lent by the alternative lenders that the British Business Bank has data for in 2021. Similarly, around GBP 0.4 billion of receivables lending has been reported for 2022, down from GBP 0.5 billion in 2021. While full year results of some alternative finance providers including certain property lenders are yet to be published, it is unlikely they will change the picture significantly.³⁴

Table 46.10. Alternative finance business and invoice lending in the United Kingdom*

In GBP billion

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022**
Alternative finance business lending	0.22	0.51	0.93	1.42	2.08	2.57	2.77	2.96	3.20	2.08
Alternative finance property lending	0.06	0.29	0.42	0.72	0.81	1.06	1.35	1.31	1.18	1.30
Alternative finance invoice lending	0.06	0.17	0.25	0.28	0.28	0.36	0.36	0.32	0.49	0.36

Note: * In 2020 this table was titled "Peer-to-peer business lending and invoice finance in the United Kingdom"; ** 2022 data is only partial, at the time of writing not all lenders have produced full year data for 2022.

Source: British Business Bank analysis of finance provider submissions and public filings

More than one-third (37%) of SMEs reported receiving trade credit in 2022. This highlights the importance of trade credit as a source of short-term finance for SMEs, helping to sustain business-to-business trade, cashflow and liquidity. By size of firm (headcount), the percentage of SMEs purchasing products and services using trade credit was highest among small businesses (73%), followed by medium-sized firms (67%) and micro firms (53%). The lowest use of trade credit was among firms with no employees (31%).³⁵ The most recent data show the share of SMEs using trade credit in the three months to April 2023 was broadly steady (38%).³⁶

Table 46.11. Percent of SMEs using trade credit in the United Kingdom

Percentage of SMEs, by headcount, demand side survey

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
All Firms (including zero employees)	31	33	33	35	34	37	36	38	37
Zero employee firms	26	28	28	29	29	30	30	31	31
Micro firms (1-9 employees)	45	47	45	49	48	53	53	54	53
Small firms (10-49 employees)	58	61	59	64	62	66	70	75	73
Medium firms (50-249 employees)	58	60	59	69	67	59	72	64	67

Source: BVA BDRC SME Finance Monitor, Q4 2022, p. 159.

Other indicators

The percentage of SMEs reporting access to finance as a major obstacle to business operations fell slightly in 2022 to 7%. This was the first fall since 2016. A probable explanation is that 2022 was the first full year since applications for CBILS and BBLs closed in March 2021. The percentage was the lowest since 2019 (also 7%) but remained higher than in the three years to 2018 (5%), the joint record low. Similarly, the proportion of SMEs reporting cash flow and issues with late payments fell somewhat in 2022 to 11%. This was the second consecutive fall and the lowest since 2017 (9%).³⁷

Table 46.12. Percent of SMEs reporting finance related issues as a major obstacle in the United Kingdom

Percentage of SMEs, by headcount, demand side survey

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash flow / issues with late payment	13	11	9	9	7	9	13	13	15	12	11
Access to external finance	11	10	7	6	5	5	5	7	8	8	7

Note: SMEs providing an impact score between 8-10 out of 10.

Source: BVA BDRC SME Finance Monitor, Q4 2022, p. 308.

The number of company insolvencies in the UK rose sharply in 2022 to 23,392. This was up 57% from the previous year and the highest since records began in 2010. It followed a fall of 28% in 2020 and a rise of 11% in 2021. The Insolvency Service has indicated that from the start of the COVID-19 pandemic until mid-2021, overall numbers of company insolvencies were low when compared with pre-pandemic levels. This is likely to have been partly driven by government measures put in place to support businesses and individuals during this time. The latest data shows the number of company insolvencies continued to trend higher in the first half of 2023.³⁸

Table 46.13. Insolvencies in the United Kingdom

Number, not seasonally adjusted

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Business insolvencies	21 394	22 183	21 372	18 913	17 604	15 882	16 100	15 734	17 344	18 543	13 422	14 913	23 392

Note: The method for estimating insolvencies was revised in January 2018.

Source: Insolvency Service, Companies House.

Government policy response

The British Business Bank is an economic development bank established by the UK government in November 2014. The overarching objective of the Bank is to change the structure of the finance markets for smaller businesses in the UK so that they work more effectively and more dynamically, helping smaller businesses achieve their potential. The Bank has a variety of funds and programmes to increase the provision of both debt and equity finance to smaller businesses. As of March 2022, the Bank's provision of financial support to smaller businesses through its core programmes was GBP 12.2 billion, supporting more than 96 thousand businesses.³⁹

The government launched the RLS in April 2021 following the closure of CBILS and BBLs to new applications. The RLS is a government-backed loan scheme designed to support access to finance for UK smaller businesses as they look to invest and grow. It aims to appeal to businesses that can afford to take out additional debt finance. The scheme can be used for any legitimate business purpose including managing cashflow, investment and growth. The borrower is 100% liable for the debt.⁴⁰ The first phase of RLS ran until the end of 2021 and supported facilities of up to GBP 10 million for individual businesses and up to GBP 30 million across a group of businesses. The government provided an 80% guarantee to lenders. The second phase, which operated between January and June 2022, reduced the maximum amount of facilities available to GBP 2 million per business and GBP 6 million per business group. In addition, the government guarantee was reduced to 70%. The third phase, which began in August 2022,

supports facility sizes of up to GBP 2 million per business group for borrowers outside the scope of the Northern Ireland Protocol or up to GBP 1 million for business groups within it.⁴¹ Between April 2021 and the end of 2022, 20,451 loans with a total value of GBP 4.4 billion were drawn down. The average percentage utilisation rate, based on the number of loans offered and drawn, was 105% in 2022. The rate exceeding 100% reflects that applications surged in the lead up to the first phase closing at the end of 2021 and some of those approved were not drawn down until 2022.⁴²

Table 46.14. Loans offered and drawn under the Recovery Loan Scheme in the United Kingdom

Number, value in GBP million

Year	2021	2022
Number of loans offered	11 254	9 973
Value of loans offered	2 915	1 755
Number of loans drawn	9 933	10 518
Value of loans drawn	1 949	2 463
% Loans drawn/offered	88	105
Value of RLS Guarantee	1 560	1 724

Source: British Business Bank.

In response to the COVID-19 outbreak in 2020, the UK government made a full range of business support measures available to UK businesses (see the UK profile chapter in the 2022 OECD Financing SMEs and Entrepreneurs Scoreboard for more information). The schemes most relevant to smaller businesses were CBILS and BBLs.⁴³ CBILS launched in March 2020 and closed to new applications at the end of March 2021. However, some of the borrowers that took the last opportunity to apply were able to draw down the facilities until early 2022. Between March 2020 and December 2022, 97,821 loans with a total value of GBP 25.9 billion were drawn down. The average percentage utilisation rate, based on the number of loans offered and drawn, was 103% in 2021. The rate of over 100% highlights that applications surged in early 2021 ahead of the scheme closing.⁴⁴

Table 46.15. Loans offered and drawn under the Coronavirus Business Interruption Loan Scheme in the United Kingdom

Number, value in GBP million

Year	2020	2021	2022
Number of loans offered	71 868	27 459	0
Value of loans offered	18 463	7 616	0
Number of loans drawn	69 591	28 174	56
Value of loans drawn	17 660	8 195	7
% Loans drawn/offered	96	103	0
Value of CBILS Guarantee	14 128	6 556	6

Source: British Business Bank.

BBLs opened to applications in May 2020. Like CBILS, BBLs closed at the end of March 2021 and borrowers that took the last opportunity to apply were able to draw down the facilities until early 2022. Between April 2020 and December 2022, around 1.5 million loans with a total value of GBP 46.6 billion were drawn down. The average percentage utilisation rate was 101% in 2021.⁴⁵

Table 46.16. Loans offered and drawn under the Bounce Back Loan Scheme in the United Kingdom

Number, value in GBP million

Year	2020	2021	2022
Number of loans offered	1 432 105	115 185	12
Value of loans offered	43 833	3 109	0
Number of loans drawn	1 420 512	116 788	21
Value of loans drawn	43 494	3 146	1
% Loans drawn/offered	99	101	-
Value of BBLG Guarantee	43 494	3 146	1

Source: British Business Bank.

When taken together, RLS, CBILS and BBLG accounted for a total of 10,595 loans with a value of around GBP 2.5 billion drawn down in 2022. This was significantly lower than in 2021 when 154,895 loans worth GBP 13.3 billion were drawn down. It was also well down from the 1.4 million loans with a value of GBP 61.2 billion drawn down in 2020. The figures for 2020 include drawdowns under the Enterprise Finance Guarantee (EFG), a government-guaranteed loan scheme that commenced in 2009 and closed when CBILS was launched in March 2020. The total EFG drawdowns in the first three months of 2020 were relatively small, comprising 499 loans worth GBP 50 million.⁴⁶

Table 46.17. Loans offered and drawn in the United Kingdom under the Recovery Loan Scheme, Coronavirus Business Interruption Loan Scheme, Bounce Back Loan Scheme and Enterprise Finance Guarantee

Number, value in GBP million

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of loans offered	3 593	3 159	3 718	3 018	2 159	2 021	2 089	1 851	2 122	1 504 458	153 898	9 985
Value of loans offered	361	334	405	348	263	244	255	231	228	62 348	13 640	1 756
Number of loans drawn	3 302	2 701	3 140	2 659	1 837	1 730	1 803	1 631	1 895	1 490 602	154 895	10 595
Value of loans drawn	324	284	335	297	226	207	216	199	203	61 206	13 291	2 470
% Loans drawn/offered	92	86	84	88	85	86	86	88	90	99	101	106
Value of Guarantee(s)	32	43	50	45	34	31	32	30	30	57 630	11 262	1 730

Source: British Business Bank.

The Bank's subsidiary, British Patient Capital (BPC), launched Future Fund: Breakthrough in July 2021. The GBP 375 million UK-wide programme encourages private investors to co-invest with government in high-growth, innovative firms. It focuses on R&D-intensive companies and aims to accelerate the deployment of breakthrough technologies which can transform major industries, develop new medicines, and support the UK transition to a Net-Zero economy. The programme is a response to the market failure for deep tech investing, where investors are required to inject higher levels of capital and hold their investments for longer compared with conventional technology investing.⁴⁷

The Bank also continued to support SMEs through a variety of existing programmes. These include the ENABLE Programmes (ENABLE Guarantee, ENABLE Build and ENABLE Funding) and the Nations and

Regions Investment Funds (the Northern Powerhouse Investment Fund, the Midlands Engine Investment Fund and the Cornwall Isles of Scilly Investment Fund). In addition, as of March 2022 BPC had invested more than GBP 1.6 billion of the GBP 2.5 billion of capital available in over 1,000 companies.⁴⁸ British Business Investments, a commercial subsidiary of the Bank, also continued to increase the overall supply and diversity of finance – both product and provider – on offer to UK businesses. As of March 2022, BPC had made total commitments of almost GBP 34 billion since its inception in 2014.⁴⁹

In a further development, in May 2023 the Bank launched the government's Long-term Investment for Technology and Science (LIFTS) initiative. This aims to achieve three objectives that will support the long-term and sustainable growth of the UK: unlock UK institutional investment, catalyse investment into UK science and technology and stimulate the UK VC ecosystem. At the time of writing the Bank is seeking proposals from industry for the establishment of new funds or investment structures to crowd in UK institutional investment, particularly Defined Contribution pension funds, to support the growth and ambitions of the UK's most innovative science and technology companies.⁵⁰

Separately, a series of UK tax reliefs continued to encourage investments in small unquoted companies carrying on a qualifying trade in the UK. HM Revenue & Customs (HMRC) data shows 4,480 companies raised a total of GBP 2.3 billion of funds under the Enterprise Investment Scheme (EIS) in 2021-22. This was the highest number of companies and total amount raised since the scheme was introduced in 1993-94. The number of raises and value of investment increased by 19% and 39% respectively on 2020-21, although these are likely to increase as more returns are received. Since the EIS was launched in 1993-94, 36 145 companies have received investment and GBP 28 billion of funds have been raised (noting that companies can raise funds in more than one year).⁵¹

Since the Seed Enterprise Investment Scheme (SEIS) was launched in 2012-13, 17,335 individual companies have received investment through the scheme and GBP 1.734 billion in investment has been raised. In 2021-22 SEIS recorded 2 270 companies raising total investment of GBP 205 million. Compared to 2020-21, the number of raises rose by 8% and the value of funds was up by 16%. As with EIS, these numbers are provisional and likely to be revised upwards as more returns are received. Based upon historic revisions of the data, the consistently increasing numbers of raises and value of funding confirm the continued importance of business angel funding to smaller UK companies.

Table 46.18. EIS and SEIS investments in the United Kingdom

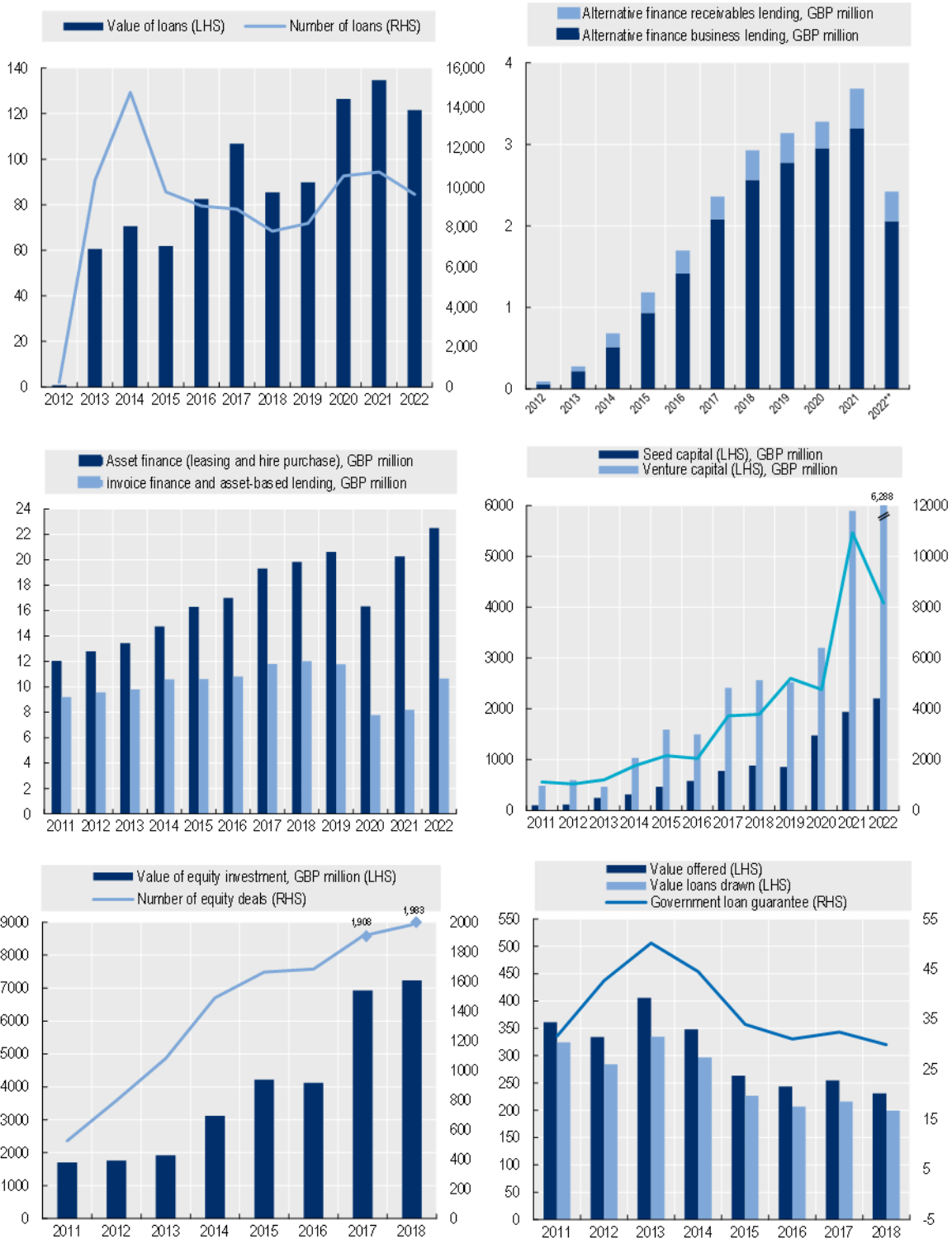
Number of raises and value, GBP million

Year		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Enterprise Investment Scheme (EIS)	Number of raises	2 850	3 380	3 575	3 665	4 080	4 070	4 185	3 765	4 480
	Average value *	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.4	0.5
	Total investment	1 592	1 930	1 976	1 908	2 006	1 866	1 894	1 662	2 305
Seed Enterprise Investment Scheme (SEIS)	Number of raises	2 140	2 405	2 455	2 465	2 470	2 120	2 080	2 105	2 270
	Average value *	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	Total investment	174	182	184	189	197	170	170	176	205

Note: * Per raise.

Source: HM Revenue & Customs (HMRC).

Figure 46.8. Trends in SME and entrepreneurship finance in the United Kingdom



Source: See Table 46.1

Table 46.19. Sources and definitions of the United Kingdom Scoreboard

Indicator	Definition	Source
Debt		
Outstanding business loans, SMEs	Quarterly amounts outstanding of monetary financial institutions' sterling and all foreign currency loans to small and medium sized enterprises (in sterling) not seasonally adjusted RPQZ8YH	Bank of England, RPQZ8YH
Outstanding business loans, total	Quarterly amounts outstanding of monetary financial institutions' sterling and all foreign currency loans to all non-financial businesses (in sterling) not seasonally adjusted RPQZ8YJ	Bank of England, RPQZ8YJ
Share of SME outstanding loans	SME total divided by all firms' total	Bank of England, RPQZ8YH / RPQZ8YJ
New business lending, total	Quarterly sterling and all foreign currency gross lending (excluding overdrafts) to all non-financial businesses (in sterling) by monetary financial institutions, not seasonally adjusted RPQZ8Y4	Bank of England, RPQZ8Y4
New business lending, SMEs	Quarterly sterling and all foreign currency gross lending (excluding overdrafts) to small and medium-sized enterprises (in sterling) by monetary financial institutions, not seasonally adjusted RPQZ8Y2	Bank of England, RPQZ8Y2
Share of new SME lending	SME total divided by all firms' total	Bank of England, RPQZ8Y2 / RPQZ8Y4
Interest rate, SMEs	Monthly average of UK resident banks' sterling weighted average interest rate - other loans, new advances to small and medium sized enterprises (in percent) not seasonally adjusted	Bank of England, CFMZ6LD
Interest rate, large firms	Monthly average of UK resident monetary financial institutions' (excl. Central Bank) sterling weighted average interest rate - other loans, new advances to private non-financial corporations (in percent) not seasonally adjusted	Bank of England, CFMBJ82
Interest rate spread	SME rate minus large corporates rate	CFMZ6LD - CFMBJ82
Collateral, SMEs		
Percentage of SME loan applications	Demand side survey, percentage of SMEs seeking bank finance	BVA BDRC SME Finance Monitor, Q4 2020
Rejection rate	1 minus success rate	BVA BDRC SME Finance Monitor, Q4 2020
Utilisation rate		
Non-bank finance		
Leasing and hire purchases	SME asset finance: 2007-2011 SME figures estimated as 60% of total asset finance new business excluding high value transactions of £20 million or more and public sector finance.	Finance & Leasing Association (FLA)
Factoring and invoice discounting	SME Total (<GBP 50 million definition)	UK Finance
Other indicators		
Bankruptcies, SMEs	Company insolvencies: total new company insolvencies, not seasonally adjusted	..
Bankruptcies, SMEs (growth rate)	Total new company insolvencies /estimated number of registered businesses Companies House	Insolvency Service, Companies House

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