Northern Ireland SME Access to Finance Report

Sub-National and Devolved Nation analysis

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About British Business Bank

The British Business Bank is the UK government's economic development bank. Established in November 2014, its mission is to drive sustainable growth and prosperity across the UK and to enable the transition to a net zero economy, by improving access to finance for smaller businesses.

Its remit is to design, deliver and efficiently manage UK-wide smaller business access to finance programmes for the UK government. The British Business Bank's core programmes support over £12.4bn of finance to more than 90,000 smaller businesses (figures as at end March 2023).

As well as increasing the supply and diversity of finance for UK smaller businesses through its programmes, the Bank works to raise awareness and understanding of finance options available to smaller businesses.

Annual research publications include Small Business Finance Markets Report, Small Business Equity Tracker and Nations and Regions Tracker.

The British Business Bank Finance Hub provides independent and impartial information to businesses about finance options, featuring short films, expert guides, checklists and articles from finance providers to help make their application a success.

About Enterprise Northern Ireland

Enterprise Northern Ireland (ENI) is the representative organisation for the region's 27 Local Enterprise Agencies (LEA's). ENI supports the dynamic LEA network to provide aspirant entrepreneurs and existing micro and small businesses with access to finance, business development services, access to workspace, and the informed support they need to start, sustain, and grow their business. As a network, ENI engage with more than 3,500 businesses and individuals every week. This means that the right business support is available close to the entrepreneur, at the right time, wherever they work or live.

Enterprise Northern Ireland lobbies on behalf of self-employed, micro, and small businesses. ENI ensure the Northern Ireland Executive, UK Government, Northern Ireland Office, MPs, MLAs, Local Councils, Development Agencies, and other stakeholders are fully briefed in relation to enterprise and entrepreneurship in Northern Ireland. As part of continued lobbying, Enterprise Northern Ireland launched the inaugural Enterprise Barometer in 2019, surveying and reporting the needs and opinions of small, micro, and self-employed business owners. The Enterprise Barometer, now in its sixth year, is proving to be a critically important data set for Central and Local Government in shaping future policy and intervention.

Project Overview

Devolved Nation project overview

The make-up of sub-national economies can vary significantly within a particular nation. Factors such as location (urban/rural/coastal), the background of business owners (gender, age and ethnicity), the local business base, the size/maturity of businesses, and the sectoral make up all impact the nature of sub-national economies. This project seeks to understand the extent to which these differing characteristics affect or influence attitudes towards the use of external finance amongst the SME population.

Having supported the Northern Ireland Enterprise Barometer since 2021, the British Business Bank has worked with Enterprise Northern Ireland to better understand the differences between sub-national access to finance economies and developed bespoke interventions accordingly. This pilot project seeks to adopt a similar approach across Wales and Scotland, whilst simultaneously undertaking a Devolved Nations comparison.

Carrying out Access to Finance surveys with nearly 500 SME respondents and applying quotas to ensure the sample is representative of each devolved nation, the British Business Bank is working alongside Enterprise Northern Ireland, Economic Intelligence Wales and Scottish Enterprise to produce three nation specific, sub-national access to finance reports. Please click for the Scotland and Wales reports.

Northern Ireland methodology

The survey findings (2023) build on 837 online responses from SMEs located in Northern Ireland, of which 603 could be assigned to individual local authorities within the nation.

The survey fieldwork targeted small and medium sized businesses with employees of up to 250, and in particular any individuals within these businesses that identified as owners, directors or senior decision-makers. This was achieved by Enterprise Northern Ireland distributing the survey across their network, including local enterprise agencies, councils and other business organisations via a range of outreach tools including social media activity and the Enterprise Northern Ireland website.

The online survey questionnaire was administered by Enterprise Northern Ireland during September and October 2023, as part of their fifth annual NI Enterprise Barometer Survey. The Enterprise Barometer provides an overview of how SMEs in Northern Ireland are doing and what is required to ensure they get the right support at the right time, covering SMEs of all sizes, in all sectors and across all parts of the nation.

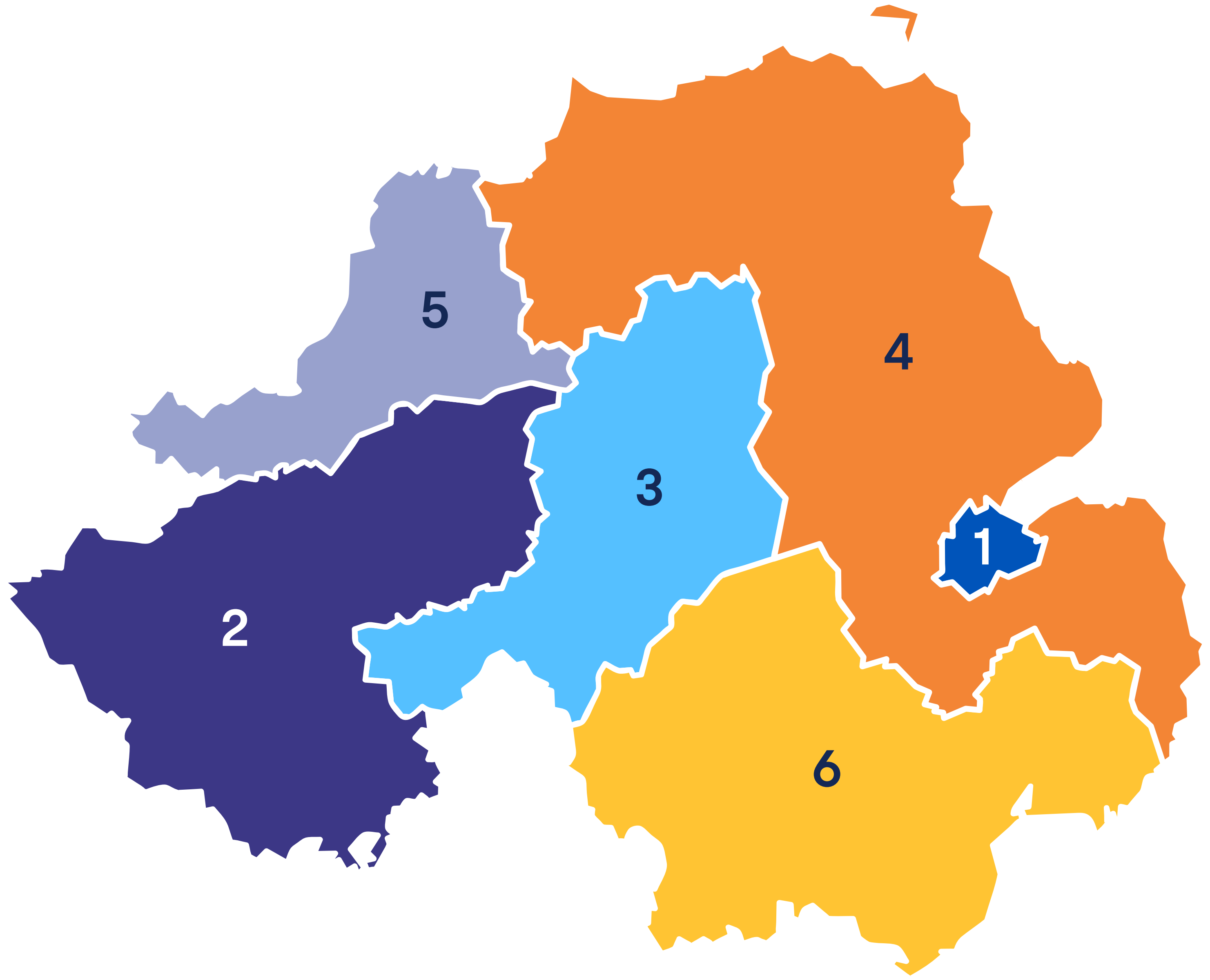
Table 1 shows the geographical profile of the sample. The six regions presented are described in the next section.

Table 1

SME sample composition

Region	Sample size	Percentage of SMEs in this region
Belfast	66	8%
Fermanagh	40	5%
Mid Ulster	42	5%
North East/East	326	39%
North West	40	5%
South	89	11%
Multiple locations[1]	55	7%
Not further specified[2]	179	21%
Total	**837**	**100%**

Regional Overview



Map number	Sub-region	Local Authority
1	Belfast	Belfast City Council
2	Fermanagh	Fermanagh & Omagh Council
3	Mid-Ulster	Mid Ulster Council
4	North-East/East	Causeway Coast & Glens Council Ards & North Down Council Antrim & Newtownabbey Brough Council Lisburn & Castlereagh Council Mid & East Antrim Council
5	North West	Derry & Strabane Council
6	South	Newry, Mourne & Down Council Armagh City, Banbridge & Craigavon Borough Council

Belfast

Belfast, the capital and economic hub of Northern Ireland, boasts a thriving ecosystem with SMEs making up 14%[3] of Northern Ireland's business population. As the largest city in Northern Ireland by population, Belfast has experienced significant economic rejuvenation in recent years. It has positioned itself as a leading destination for multiple sectors, capitalizing on its highly educated and skilled workforce. The technology sector continues to flourish, with a focus on cybersecurity, software development, and digital innovation. Additionally, Belfast has emerged as a healthcare and life sciences leader, pushing the boundaries of medical advancements. The city's infrastructure, including well-connected transportation networks and well established ecosystem further enhances its appeal. Home to Queens University and Ulster University, Belfast is highlighted as the Nations and Regions Tracker 2023[4] innovation-led cluster in Northern Ireland and claims the majority of the nation's active Innovation Driven Enterprises population.[5]

Fermanagh

Fermanagh possesses a distinctive business ecosystem shaped by its rural character and economic resilience. Located in the southwest of Northern Ireland, covering all of County Fermanagh and parts of County Tyrone the area reflects 11%[3] of NI's SME population with a mix of traditional industries and emerging sectors. With a notable emphasis on tourism, agriculture and manufacturing, the region's stunning landscapes sustains a local tourism industry that encompasses accommodation, hospitality, and recreational activities. Agriculture also remains a significant contributor to the local economy, with businesses leveraging the land for farming and food production. Business support offered throughout the area contributes to an ever emerging and collaborative business ecosystem.

Mid-Ulster

Mid-Ulster's SME scene is vibrant, with strong ties to the local community and representing 12%[3] of NI's business population. The business landscape is a mix of urban and rural enterprises with SMEs contributing significantly to the regional economy. As an area with strong sectoral strengths in advanced manufacturing, engineering and construction it is recognised as a local leader in these fields. Agriculture also continues to play a significant role in the area, with a strong focus on agri-food businesses that capitalize on the region's fertile land. The business landscape in Mid-Ulster ultimately reflects a balance between preserving the region's agricultural heritage and embracing innovation in manufacturing, creating a unique economic identity for Mid Ulster.

North East & East

Encompassing five council areas, SMEs collectively make up a third[3] of the overall business population in Northern Ireland. With lots of stunning coastline and iconic natural attractions, this area boasts a diverse business population that combines traditional strengths with innovative opportunities. Sectoral strengths in the area range from tourism and hospitality through to aerospace, manufacturing and renewable energy. The supportive business ecosystem across the geography, encourages innovation and entrepreneurship, embracing both established industries and emerging sectors. The infrastructure alongside the proximity to Belfast also enhances connectivity and accessibility, contributing to the area's allure for businesses.

North West

The North-West region's SMEs are diverse, with particular strengths in manufacturing and professional & financial services. The area makes up 7%[3] of NI's business population, with Derry-Londonderry recognised as a key economic hub. The ecosystem plays a crucial role in bridging the economic gap between urban and rural communities, offering strong entrepreneurial support and contributing to a vibrant start up culture in the area. The area embraces innovation, fostering collaboration between industry and academia, seeking to propel business innovation through adoption of technologies, robotics and automation. Additionally, manufacturing remains a significant contributor, with companies capitalizing on the strategic location and well-connected infrastructure.

South

Featuring two council areas, SMEs in this southern area of Northern Ireland make up a quarter[3] of the overall business population and with the area's infrastructure benefitting from the linkage via the Belfast-Dublin economic corridor. The economy is diverse, with a large proportion of service businesses and is recognised as having sectoral strengths in agriculture and manufacturing. Alongside local businesses leveraging the area's natural resources and skilled workforce, it also benefits from picturesque coastal areas attracting businesses in hospitality, tourism and leisure. Together, these council areas reflect a business ecosystem that harmonizes traditional strengths with innovative opportunities, demonstrating resilience and a strategic approach to economic development, bolstered by strong business support on the ground.

Executive Summary

Overall findings

56% of SMEs in Northern Ireland were using external finance at the time of the survey. Covid-19 loans were the most used finance type (28%), followed by credit cards (19%) and business overdrafts (14%). Roughly nine in ten (89%) SMEs using debt finance regarded their current level of debt as manageable.

Around one in five (21%) experienced barriers to finance, with barriers relating to lack of awareness/availability of finance options or support being the most frequently reported.

Just under four in ten (38%) anticipated requiring additional financing over the next 12 months. Of these, around three quarters (76%) required £50k or less, whereas 17% estimated their need at between £50k and £250k, and only 7% had a higher additional financing requirement. About half (51%) of these SMEs were confident they could obtain this additional financing.

Nearly half (49%) of SMEs requiring additional financing anticipated accessing loan products, with grants also proving popular (38%).

50% of those SMEs intended to use the additional financing required for capital expenditure, and slightly fewer (47%) for working capital. Investment in research/process improvements/significant maintenance was selected by 24% of respondents, with 8% mentioning investment actions relating to environmental sustainability and 4% refinancing/managing existing debt.

Over half (54%) expected growth over the next year, whereas three in ten expected stability (30%). The rest expected a contraction (11%) or difficult trading conditions/risk of closure (5%).

Over half of Northern Irish SMEs **(56%)** reported using finance

1 in 5
experienced barriers to accessing finance

38%
requiring additional financing over the next year

51%
requiring finance felt confident about securing it

Sub-national findings

External finance usage rates were highest in Belfast and Mid Ulster, whereas all other regions tended to have lower SME uptake of external finance. SMEs located in Fermanagh were more inclined to use other loan products and business overdrafts, and those located in Belfast, to use equity/external investment finance than comparable businesses in the rest of the nation. The former were also less inclined to regard their current level of debt as manageable, and the reverse was true for businesses based in the North East/East.

SMEs located in Mid Ulster had a higher tendency to anticipate requiring additional financing over the next 12 months than their counterparts in the rest of the nation, with businesses most frequently indicating they required additional financing of up to £50k (unlike Belfast, where businesses were the most likely to require £250k+) and showing a preference for grants.

However, Mid Ulster based businesses were also more likely to report one or more barriers to finance (41%), and particularly those related to their ability to obtain/repay finance, the impact of Covid-19 loans/grants on their appetite for finance and poor perceptions of/relationships with finance providers. Conversely, SMEs in the North West had a higher propensity to mention lack of awareness or availability of finance options/support, than other businesses.

In addition, SMEs in both Mid Ulster and the North West region were more inclined to say they lacked confidence in their ability to access additional financing, while the reverse applies to North East/East based businesses.

Three of the six regions show statistically significant differences in their plans for using the additional financing required over the next 12 months. These included the South and Mid Ulster, where businesses were more likely to mention (respectively) working capital and capital investment, and the North East/East, where they had a lower propensity to access finance for the purpose of taking decarbonisation/net zero related actions.

The North East/East was also the region where businesses were particularly likely to anticipate growth, and had much lower propensity to report they expected trading with difficulty/being at risk of closure over the next year compared with SMEs in other regions.

North East and East were most likely to anticipate growth

Fermanagh businesses were more inclined to be using business overdrafts

Devolved Nations comparison

Northern Ireland's overall external finance usage rate (56%) was higher than Wales's (49%), but both nations lagged behind Scotland (62%) on this measure. Their usage rates were also lower than Scotland's across most finance types, with Covid-19 loans being a notable exception.

The overall proportion of SMEs that anticipated requiring additional financing over the next 12 months was significantly higher than in Wales, but similar to Scotland. Differences can also be seen in the size of the additional financing required, in that businesses in Northern Ireland were less likely to anticipate accessing more than £50k than in both Wales and Scotland.

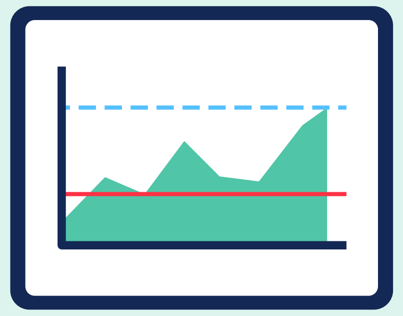
Northern Ireland differed from the other devolved nations in terms of the proportion of respondents that intended to use any additional financing for investment in research/process improvement/significant maintenance (24%). This was higher than in Wales (14%) but lower compared with Scotland (33%). There were also notable differences in the anticipated use of finance to decarbonise operations, with only 4% of SMEs in Northern Ireland selecting this option compared with 12% in Scotland and 14% in Wales.

SMEs' confidence in their ability to obtain the additional financing required was considerably lower in Northern Ireland than in the other devolved nations. Nearly half of SMEs had low confidence they would succeed, while less than one third (30%) in both Scotland and Wales expressed this view.

Northern Ireland compared favourably with the other devolved nations on the proportion of businesses expecting to grow over the next year (54%). Nevertheless, Northern Ireland was broadly aligned with the other devolved nations in terms of the proportion of SMEs expecting a contraction or difficult trading conditions/risk of closure.

External finance usage was higher in Northern Ireland **(56%)** and Scotland **(62%)** than in Wales **(49%)**

54% of Northern Irish businesses expect to grow over the next year



Data Analysis

1. External finance usage
2. Barriers to external finance
3. Debt manageability
4. Future finance needs
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6. Future finance needs (purpose)
7. Future finance needs (confidence)
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1. External finance usage

The overall proportion of SMEs using external finance was 56% in Northern Ireland as a whole (Figure B1.1). Usage rates were highest in Belfast and Mid Ulster, whereas all other regions tended to have lower SME uptake of external finance.

This may be attributable to both the concentration and the composition of local businesses in these regions, with Belfast as the capital & economic hub, alongside the prevalence of well-established businesses within Mid-Ulster, both reflecting greater requirements for higher levels of finance.

Looking at different external finance types from a Northern Ireland wide perspective (Figure B1.2), Covid-19 loans were the most used (28%), followed by credit cards (19%) and business overdrafts (14%). Other products had lower usage rates of 10% or less. Two of the six regions considered in this survey showed statistically significant differences with the rest of the nation, namely:

- **Fermanagh,** where businesses had a higher inclination to report using other loan products and business overdrafts.
- **Belfast,** where businesses were more likely to report using equity/external investment finance.

Figure B1.1

Use of external finance among businesses based in Northern Ireland, by region

Unweighted sample sizes: 695 (Northern Ireland Total), 66 (Belfast), 40 (Fermanagh), 40 (Mid Ulster), 310 (North East/East), 40 (North West), 87 (South).

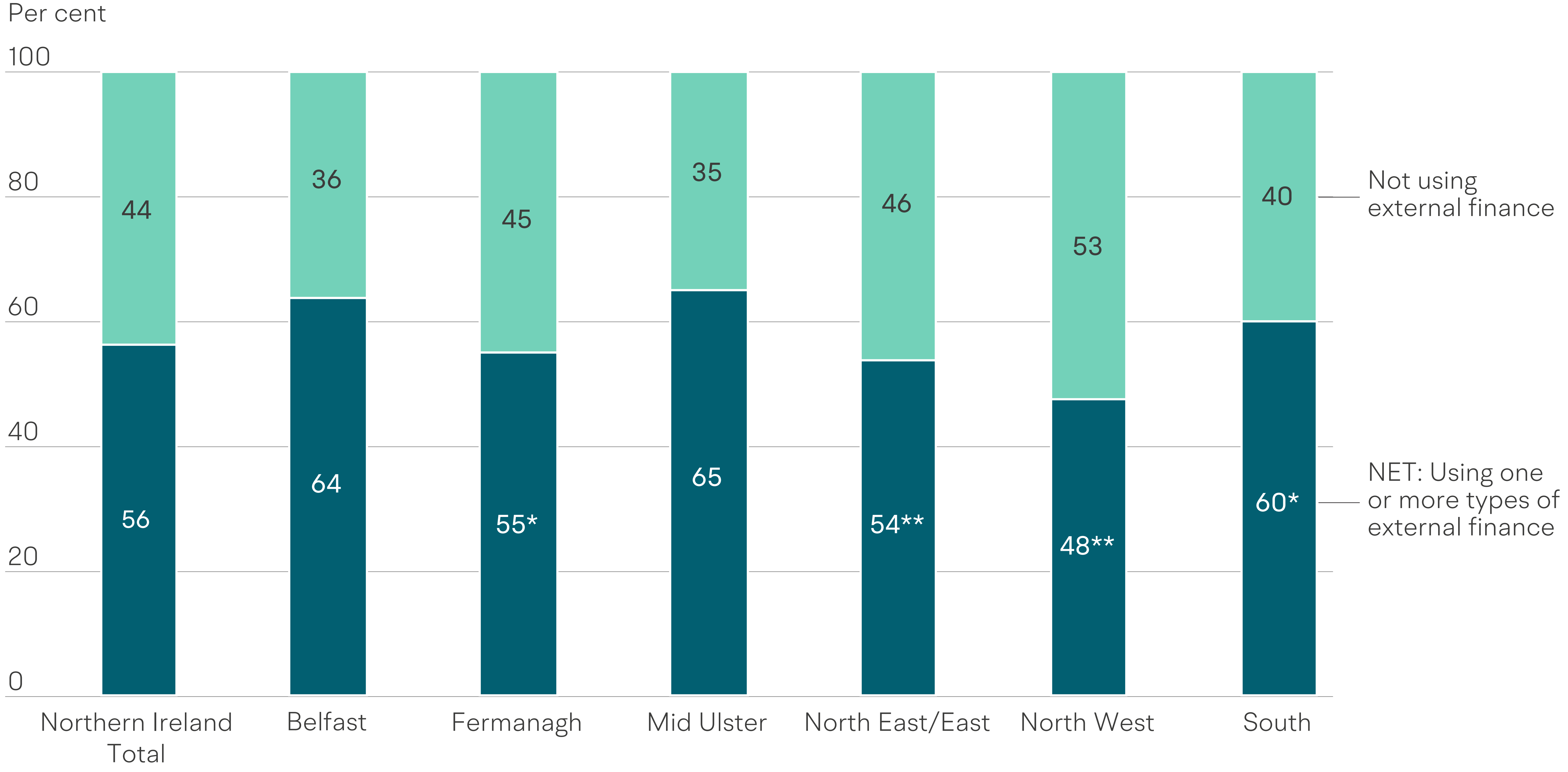
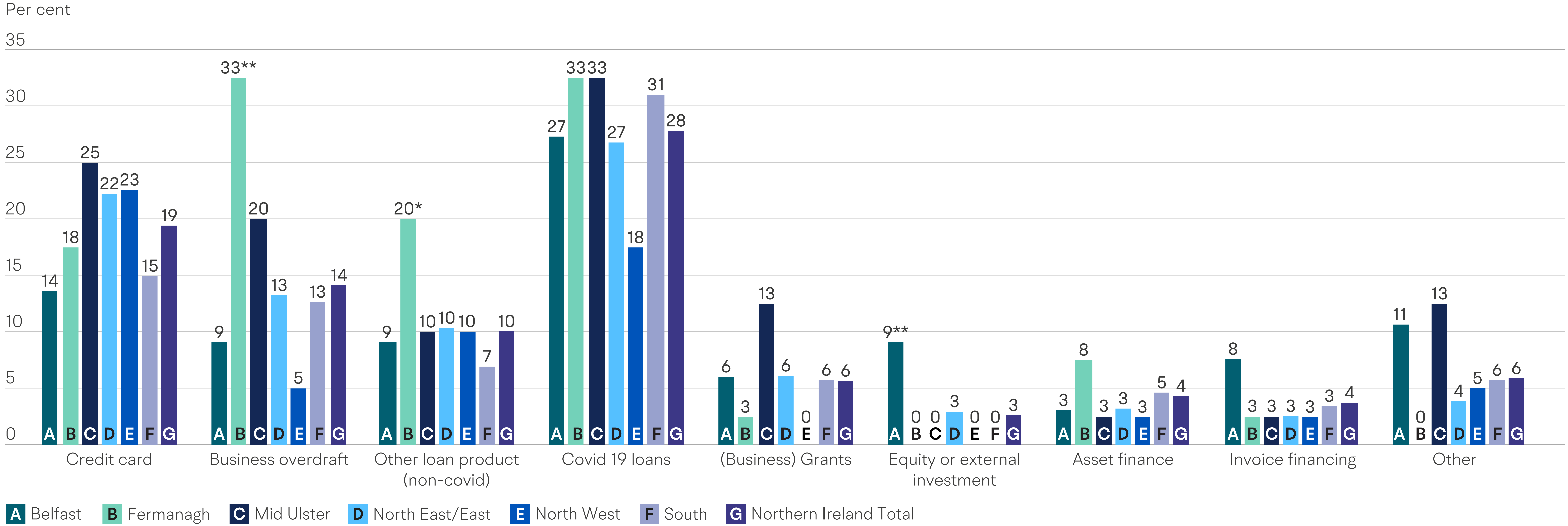


Figure B1.2

Use of external finance among businesses based in Northern Ireland, by region and by finance type

Unweighted sample sizes: 695 (Northern Ireland Total), 66 (Belfast), 40 (Fermanagh),40 (Mid Ulster), 310 (North East/East), 40 (North West), 87 (South).



*Correlation is significant at the 0.05 level.
**Correlation is significant at the 0.01 level.

Business characteristics associated with higher use of external finance across Northern Ireland include:

– **Larger employee/turnover size:** Businesses with employees and with turnover of £85k or higher were more likely to report using at least one source of external finance, as well as every finance type listed in the question except credit cards and relevant business grants, than smaller businesses.

– **Expected growth:** businesses anticipating growth were less inclined to use Covid-19 loans and invoice financing, and more inclined to use grants than other businesses.

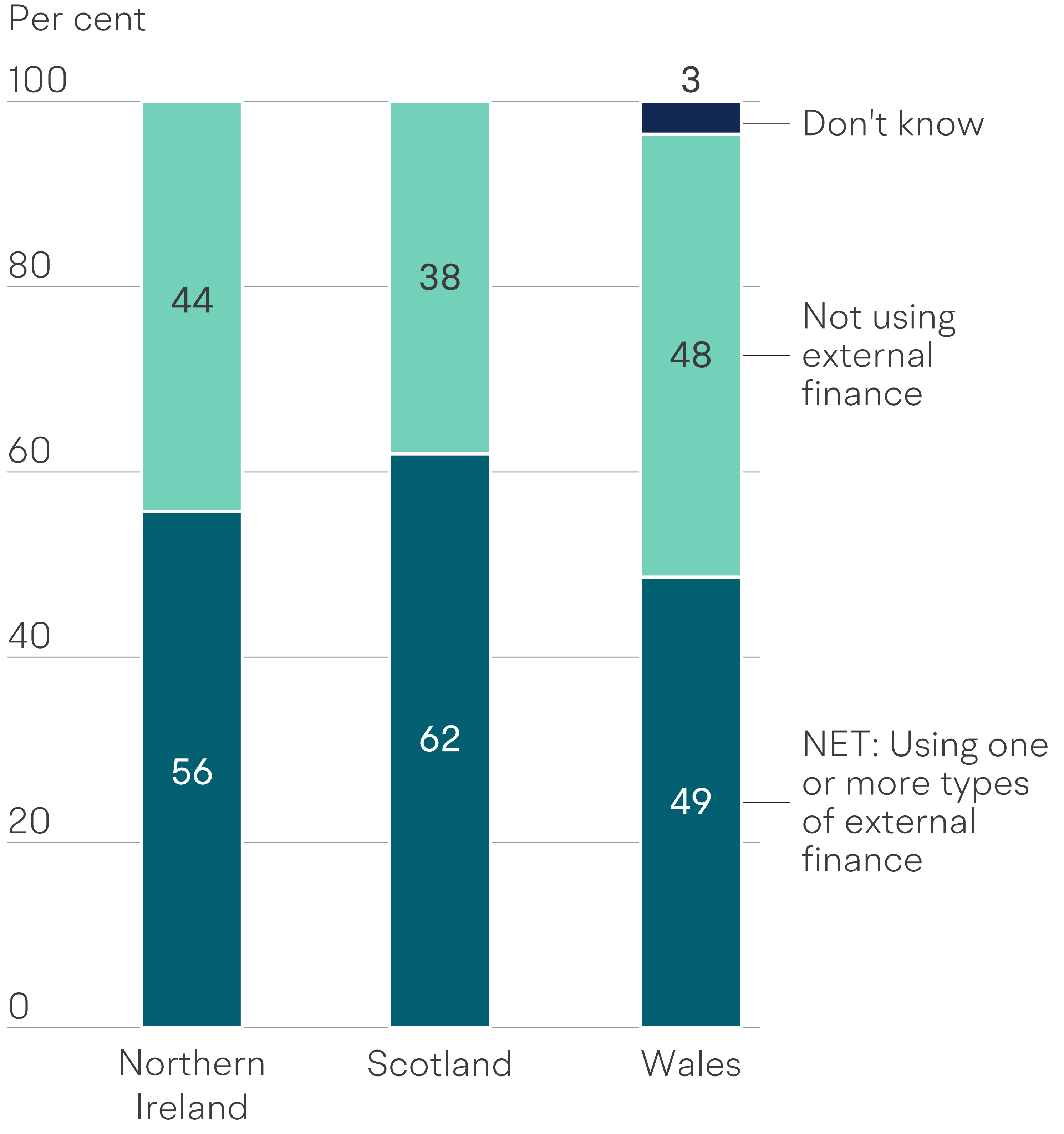
– **Sectoral patterns:** some sectors had higher external finance usage rates than others. In particular, accommodation and food, construction and other manufacturing showed greater use of Covid-19 loans than other businesses, while tourism, hospitality, entertainment and recreation businesses had higher usage rates on other loan products. Similarly, the wholesale and retail trade sector had higher propensity to use invoice financing and (alongside information and communication) credit cards than other sectors. Asset finance and equity finance were more popular among (respectively) transport and storage businesses and professional, scientific and technical activities/ engineering businesses. Meanwhile, the sectors with the lowest tendency to use finance overall were tourism, hospitality, entertainment and recreation; administrative and support service activities; arts and creative industry.

– **Less recently established:** businesses set up ten or more years ago were more likely to be using finance at the time of the survey than younger businesses, overall and for most of the specific types of finance covered by the question. These included Covid-19 loans, business overdrafts, credit cards and asset finance.

Figure B1.3

Use of external finance among businesses based in Northern Ireland, Scotland and Wales

Unweighted sample sizes: 695 (Northern Ireland), 500 (Scotland), 498 (Wales).

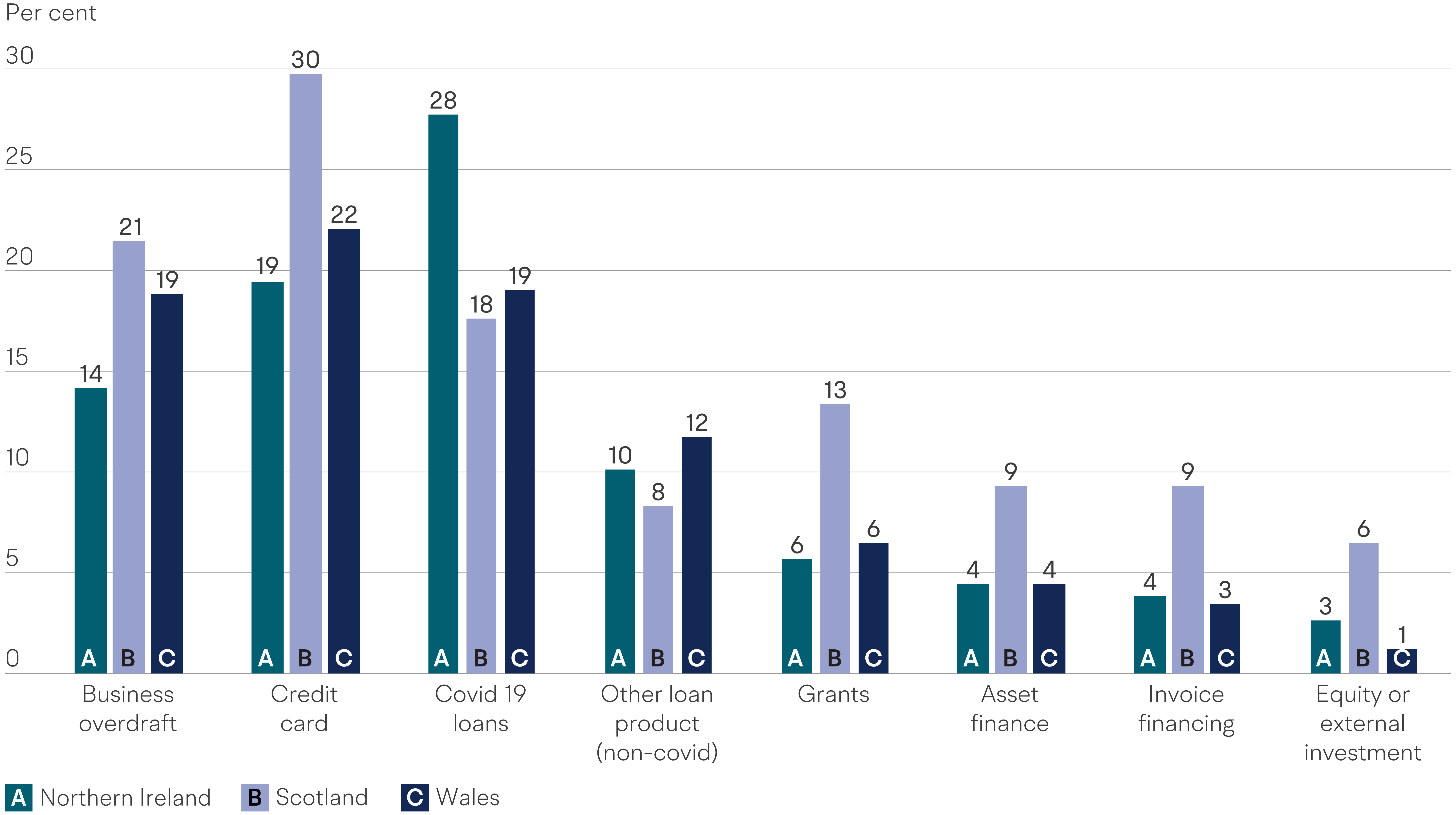


When compared to the other devolved nations, Northern Ireland's overall external finance usage rate (56%) was 7 percentage points higher than Wales's (49%), but both nations lagged Scotland (62%) on this measure (Figure B1.3). Northern Ireland-based businesses had lower usage rates than Scotland and Wales across most finance types, with Covid-19 loans being a notable exception (Figure B1.4).

Figure B1.4

Use of external finance among businesses based in Northern Ireland, Scotland and Wales, by finance type

Unweighted sample sizes: 695 (Northern Ireland), 500 (Scotland), 498 (Wales).



2. Barriers to external finance

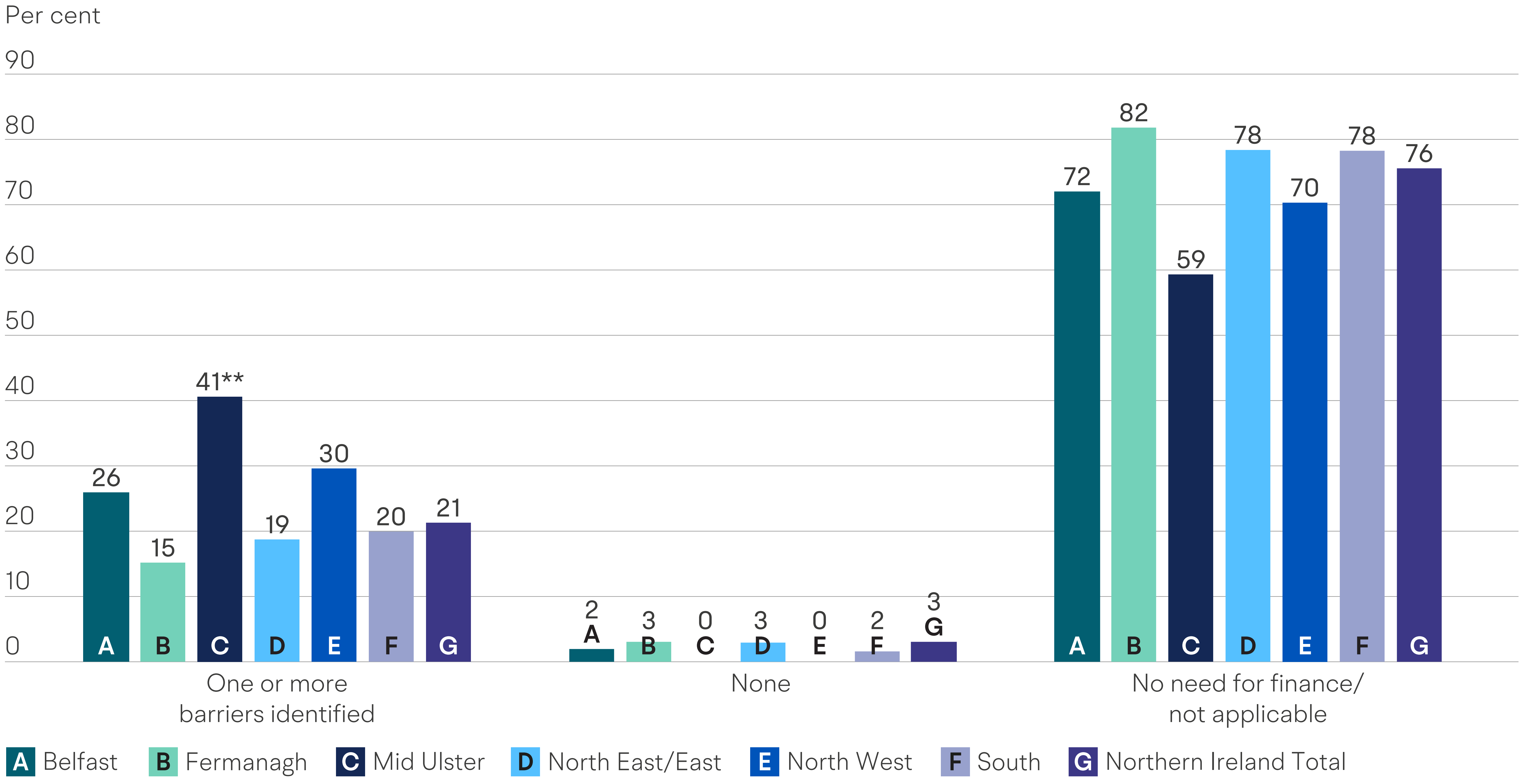
Around one in five businesses (21%) in Northern Ireland (Figure B2.1) reported they experienced barriers to accessing finance, with the rest of the respondents mentioning “None” (52%), “No need for finance/not applicable” (24%) or “Don’t know” (4%).

Mid Ulster was the only region where SMEs’ views on this issue differed in a statistically significant way from the rest of the nation, in that businesses based there were more inclined to identify one or more barriers in accessing finance (41%) than their counterparts elsewhere.

Figure B2.1

Barriers to external finance access among businesses based in Northern Ireland, by region

Unweighted sample sizes: 513 (Northern Ireland Total), 50 (Belfast), 33 (Fermanagh), 32 (Mid Ulster), 241 (North East/East), 27 (North West), 60 (South).



**Correlation is significant at the 0.01 level.

As can be seen in Figure B2.2, the responses of those that agreed they experienced barriers had a broad spread across the six themes identified.

Of these, the most frequently reported in Northern Ireland as a whole were:

- **Lack of awareness or availability of finance options/support** (37%): this category encompasses all barriers that stem from a lack of awareness of finance options among businesses, or difficulties in finding information and advice that can help them access available and relevant finance solutions.
- **Ability to obtain/repay finance** (24%): the key barriers under this theme related to a lack of confidence in obtaining or repaying finance, typically driven by business characteristics/performance or past rejection. These encompass: (High) Interest rates; Ineligibility/rejected; issues with overdraft; issues related to being self-employed; irregular cash flow/turnover; difficult for small company/low turnover.
- **Poor perceptions of/relationships with finance providers** (15%): the key barriers mentioned in this context related to negative perceptions or past experiences of interacting with finance providers, such as: lack of (local) bank/banks closing/can't see a manager/speak face to face; reluctance to lend/lack of finance; lack of communication; and general negative comments about high street banks (unhelpful, lack of knowledge etc.)
- **Time/complexity of finance applications** (14%): This theme brought together barriers that related to the effort involved in seeking finance for a small business, including: Bureaucracy/red tape/paperwork/too complex/request too much information; time/takes too long; and difficulties with online banking/applications.

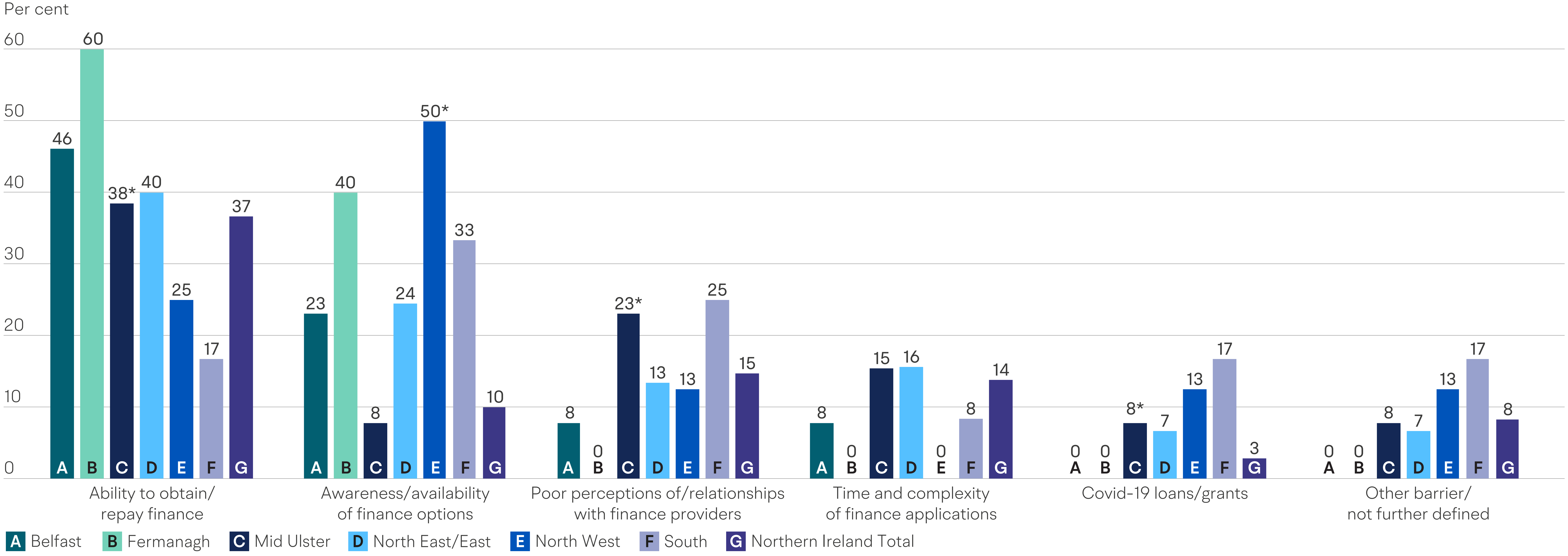
A smaller proportion of respondents also cited other/not further specified barriers (8%) or barriers related to the positive/negative impact of Covid-19 loans on their appetite for seeking further finance (3%). Mid Ulster again showed statistically significant differences from the rest of the nation on this question, with local businesses more likely to describe ability to obtain/repay finance, Covid-19 loans/grants and poor perceptions of/relationships with finance providers as key barriers. In contrast, businesses in the North West region of Northern Ireland had a higher propensity to report barriers related to lack of awareness or availability of finance options/support.

Lack of awareness was also deemed to be the biggest barrier for demand for finance in Northern Ireland in our 2023 intermediary survey. With both sets of findings, alongside qualitative insights gathered on the ground, highlighting the challenge within Northern Ireland, and in particular in the North West and Fermanagh areas as shown above, initiatives similar to the Funding For Growth event series in the North and Access to Finance Conference in the North West undertaken last year, will continue to be an area of focus by the bank in raising understanding across Northern Ireland.

Figure B2.2

Barriers to external finance access among businesses based in Northern Ireland, by region and theme

Unweighted sample sizes: 109 (Northern Ireland Total), 13 (Belfast), 5 (Fermanagh), 13 (Mid Ulster), 45 (North East/East), 8 (North West), 12 (South).



*Correlation is significant at the 0.05 level.

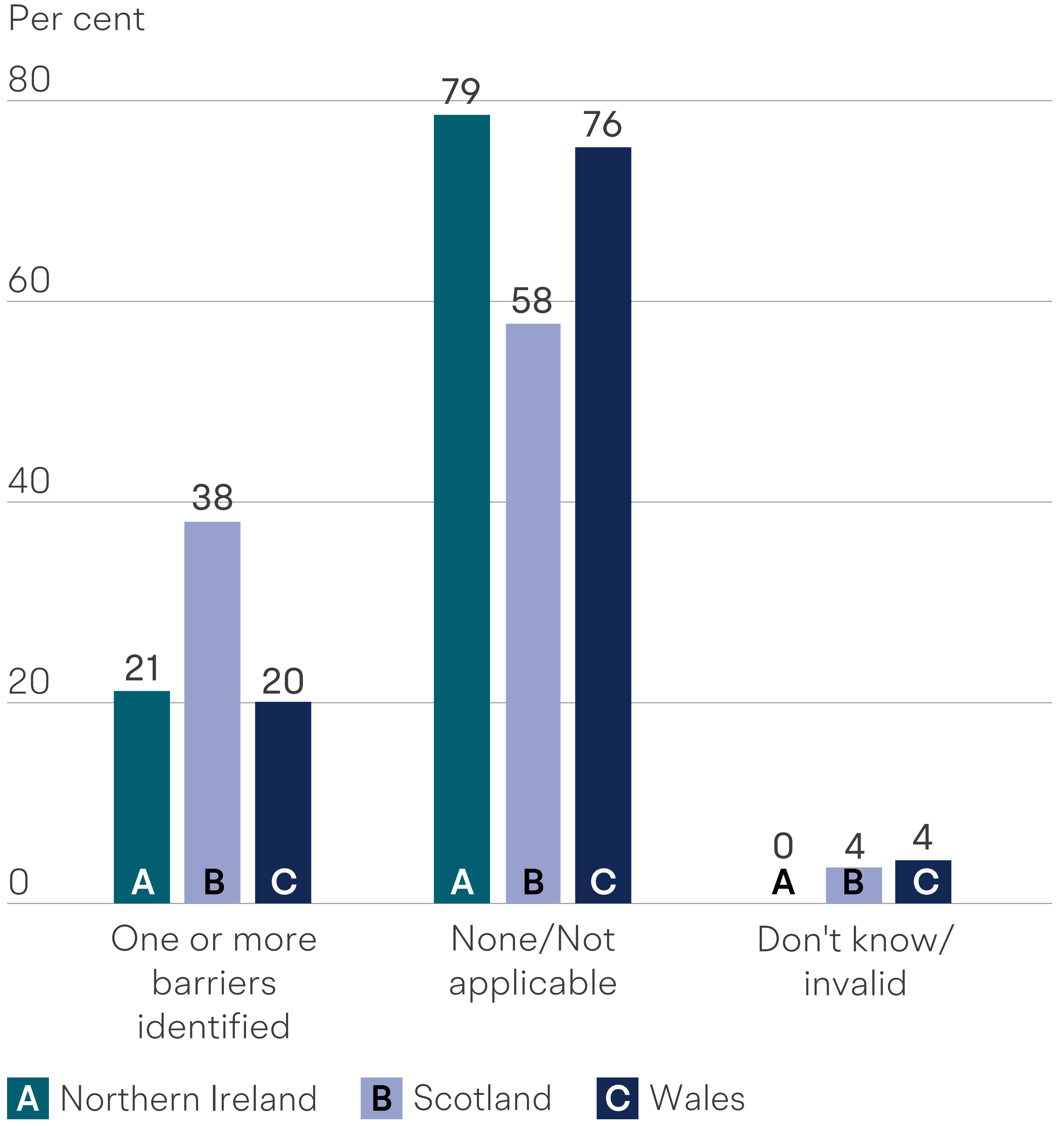
Business characteristics associated with higher propensity to identify barriers (or certain types of barriers) include:

- **Pre-revenue:** businesses at this stage were more likely than others to say they experienced barriers in accessing finance. Alongside businesses with no employees, they also showed a greater tendency to mention lack of awareness as a key barrier than other businesses. In contrast, time and complexity-related barriers tend to be more prevalent within larger businesses.
- **Expected challenges in business performance:** compared with other businesses, those that anticipated having trading difficulties or being at risk of closure over the next year were more likely to identify barriers to finance in general, and to mention their ability to repay/obtain finance and impacts from Covid-19 as key barriers.
- **Sectoral patterns:** a couple of sectors – specifically, engineering and Tourism. Hospitality, Entertainment and Recreation – were more inclined than other sectors to report barriers related to the time and complexity of finance applications and lack of awareness/support/suitable product (respectively).
- **More recently established:** businesses established five years ago or less had higher propensity to identify barriers, especially when compared with businesses established more than ten years ago, which were more inclined to report no barriers at all. Among the themes analysed, ability to obtain/repay finance was particularly prevalent among younger businesses.

Figure B2.3

Barriers to external finance access among businesses based in Northern Ireland, Scotland and Wales

Unweighted sample sizes: 513 (Northern Ireland), 500 (Scotland), 498 (Wales).

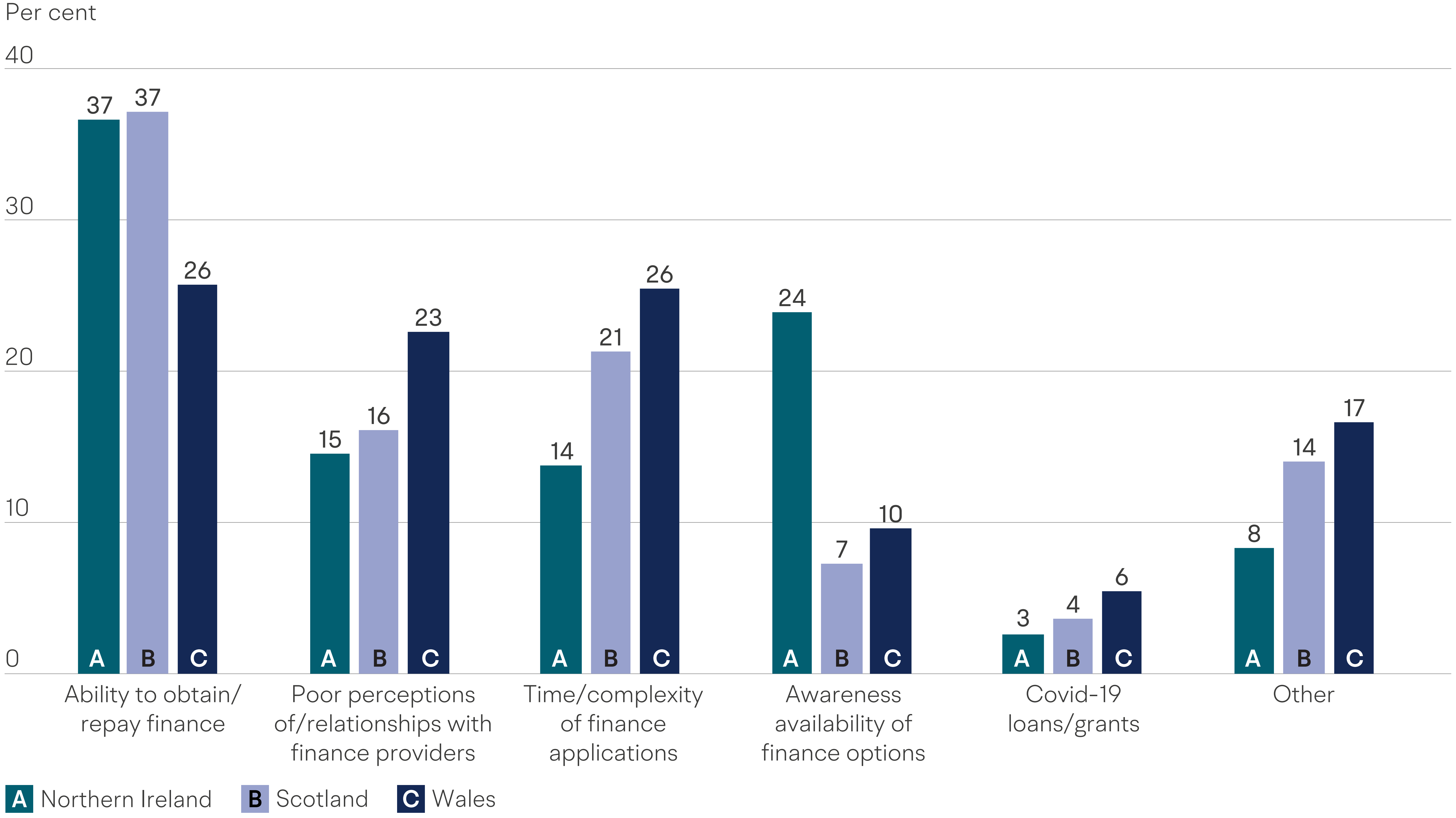


Northern Ireland was similar to Wales in terms of the share of SMEs reporting they experienced any barriers to finance (Figure B2.3), with 21% compared with 20% in the latter. Nevertheless, both nations had a much lower value than Scotland (38%) on this measure. In addition, the response patterns of businesses that did report at least one barrier were slightly different across the three nations (Figure B2.4). For example, lack of awareness or availability of finance options/support was much more frequently reported in Northern Ireland than in Scotland or Wales.

Figure B2.4

Barriers to external finance access among businesses based in Northern Ireland, Scotland and Wales, by theme

Unweighted sample sizes: 109 (Northern Ireland), 191 (Scotland), 101 (Wales).



3. Debt manageability

This question was asked to all survey respondents. Those that were not using debt finance at the time of the survey were given the opportunity to select a dedicated option (“the business has no debt”). To enable a clearer comparison, in Figure B3.1, we remove the latter group from our calculations, expressing the results as a share of all respondents that reported having debt at the time of the survey.

Figure B3.1

Perceptions of current debt level manageability among businesses based in Northern Ireland, by region

Unweighted sample sizes: 427 (Northern Ireland Total), 42 (Belfast), 25 (Fermanagh),30 (Mid Ulster), 182 (North East/East), 23 (North West), 53 (South).

*Correlation is significant at the 0.05 level.
**Correlation is significant at the 0.01 level.

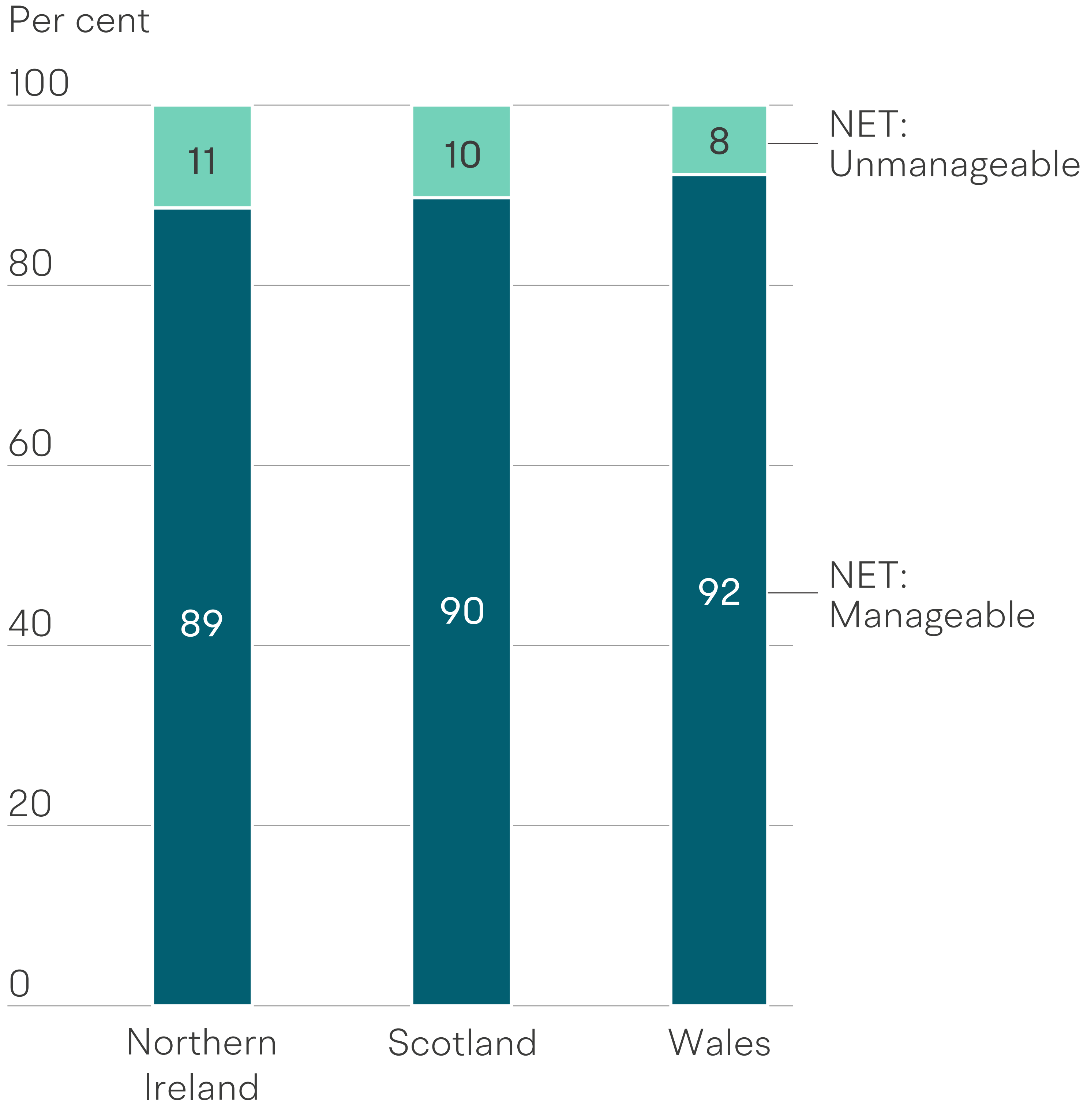
According to this data, roughly nine in ten businesses in Northern Ireland as a whole (89%) regarded their current level of debt as manageable (Figure B3.1), with statistically significant variations detected in Fermanagh, where businesses showed a particularly low propensity to report this, and the North East/East, where the reverse applied. Northern Ireland's proportion was also broadly in line with the other devolved nations (Figure B3.2).

Interestingly, in the 2023 Intermediary Survey half of respondents perceived local businesses to not be well equipped to reduce their debt burden, perhaps suggesting those businesses engaging with these intermediaries were considered to be those needing additional support.

Figure B3.2

Perceptions of current debt level manageability among businesses based in Northern Ireland, Scotland and Wales

Unweighted sample sizes: 427 (Northern Ireland), 359 (Scotland), 262 (Wales).



Business characteristics associated with more positive perceptions of debt manageability include:

- **Larger employee/turnover size:** Businesses with employees and with turnover of £85k or higher were more likely to describe their debt as manageable.
- **Less recently established:** businesses established 5 years ago or more had higher propensity to regard their current level of debt as manageable, while the reverse was true for younger businesses.

4. Future finance needs

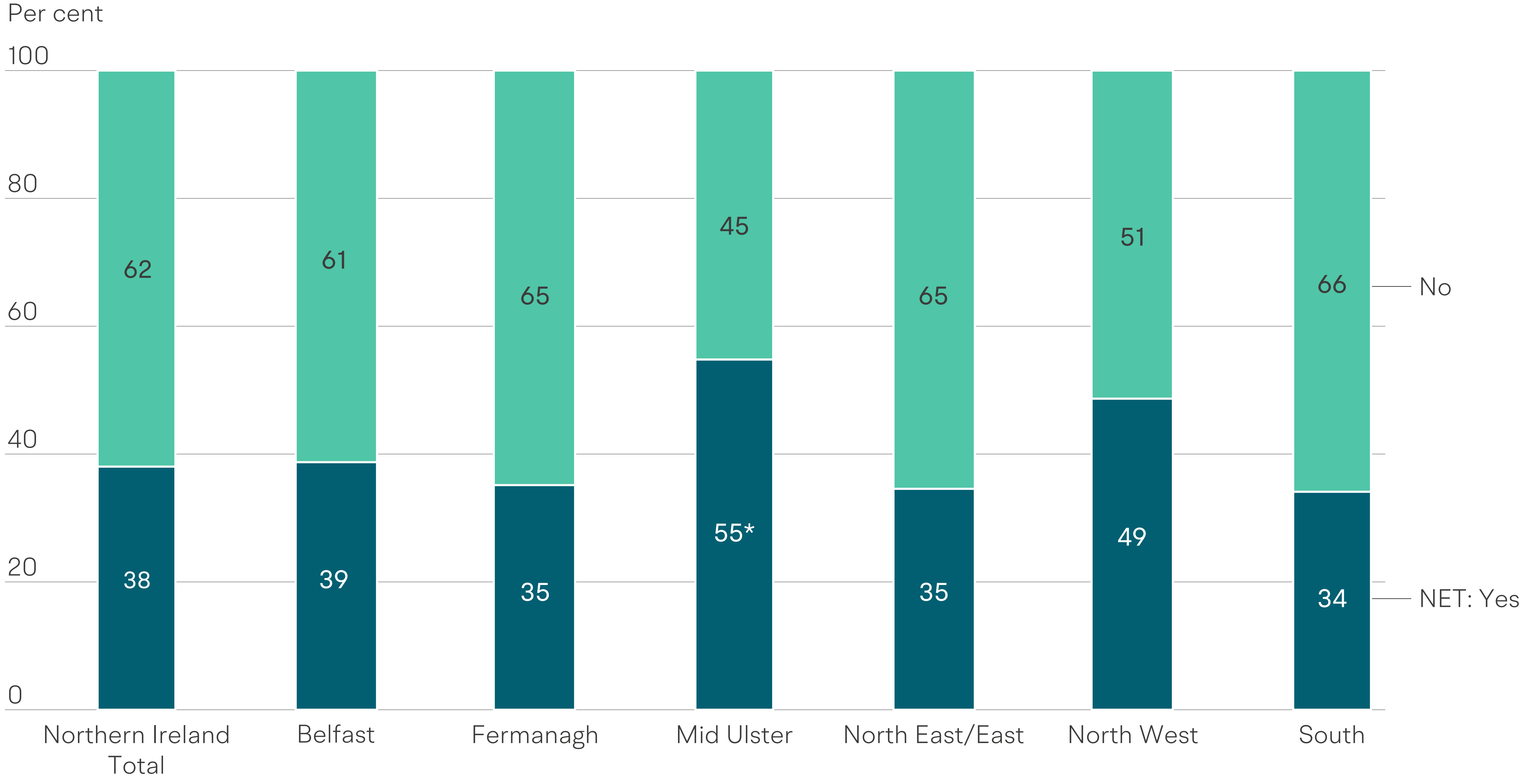
Just under four in ten SMEs in Northern Ireland (38%) as a whole reported requiring additional financing over the next 12 months, with statistically significant differences detected for Mid Ulster. Businesses based there were more inclined to express this view than their counterparts in the rest of the nation (Figure B4.1).

Similar to Section 1 (External finance usage), this regional disparity may again be reflective of the SME population in the Belfast and Mid-Ulster areas, alongside the North West where there may be greater numbers of larger more established and scaling companies.

Figure B4.1

Proportion of SMEs in Northern Ireland that anticipate needing additional financing over the next year, by region

Unweighted sample sizes: 673 (Northern Ireland Total), 62 (Belfast), 37 (Fermanagh), 42 (Mid Ulster), 312 (North East/East), 37 (North West), 85 (South).



*Correlation is significant at the 0.05 level.

Business characteristics associated with greater appetite for additional financing include:

- **Pre-revenue stage and/or larger employee/turnover size:** Alongside pre-revenue businesses, those with employees and turnover at or above £85k were more likely to anticipate needing external finance. A reverse relationship existed for businesses with turnover of £85k or less. Unsurprisingly, businesses with no employees that reported an additional financing need predominantly estimated this at less than £10k, whilst larger businesses tend to have greater additional financing requirements.
- **Wholesale and retail trade:** Businesses operating in this sector were more likely to identify an additional financing requirement for the next 12 months. This contrasts with professional, scientific and technical activities since businesses in this sector are less likely to anticipate needing finance over the same period.
- **Established more recently:** businesses that were two years old or younger were more likely to say they would need external finance in the future, particularly compared with the oldest businesses (established more than ten years ago).

The question also captured the scale of the additional financing potentially required by businesses, using six bands. In the analysis below, these six bands have been merged into three to boost the sample size for each option and align with the pattern of the responses received. Overall, around three quarters of businesses in Northern Ireland (76%) reported requiring £50k or less in additional financing, whereas 17% estimated their need at between £50k and £250k; and only 7% reported needing higher additional financing (Figure B4.2). Across the six regions considered in this report, the ones that showed statistically significant differences with the rest of the nation in terms of the size of their additional financing requirement are:

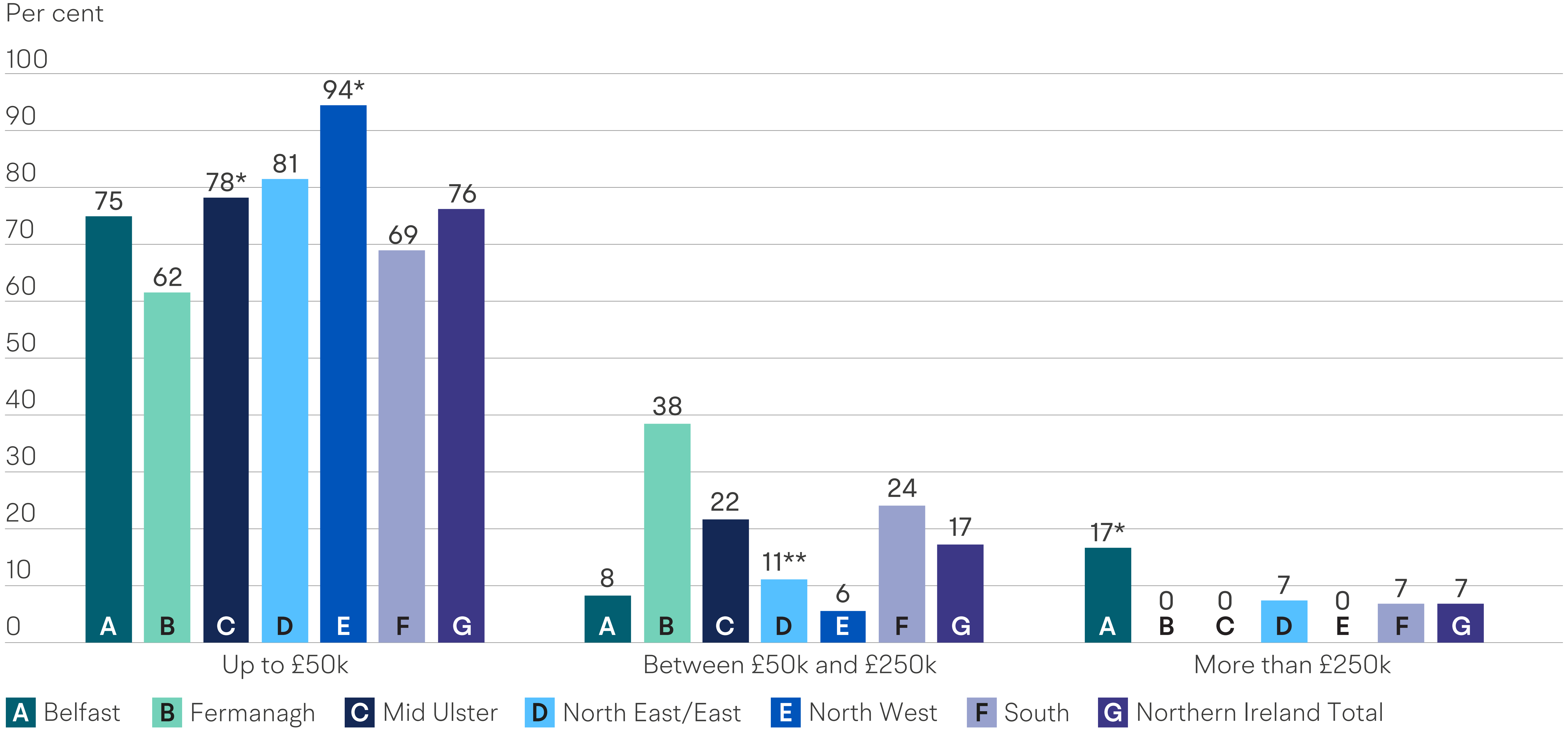
- **Mid Ulster and North West,** with local businesses more frequently indicating they required additional financing up to £50k
- **Belfast,** where businesses were the most likely to estimate an additional financing need at £250k and above.

Larger businesses (those with five+ employees and/or turnover above £500k) were more likely to report larger external funding requirements (£50k and above) than smaller and pre-revenue businesses. **Wholesale and retail trade** businesses had also particularly high propensity to seek additional financing below £50k, while the sector with the greatest appetite for additional financing of £250k plus was **administrative and support service activities.** A few sectors tended to show a strong preference for additional financing of between £50k and £250k; these included **engineering, transport and storage, and real estate activities.**

Figure B4.2

Size of financing requirement of SMEs in Northern Ireland that anticipate needing additional financing over the next year, by region

Unweighted sample sizes: 256 (Northern Ireland Total), 24 (Belfast), 13 (Fermanagh), 23 (Mid Ulster), 108 (North East/East), 18 (North West), 29 (South).



*Correlation is significant at the 0.05 level
**Correlation is significant at the 0.01 level.

When compared with the other devolved nations, the overall proportion of SMEs that anticipated requiring additional financing over the next 12 months was significantly higher than Wales, but similar to Scotland (Figure B4.3).

Differences can also be seen in the size of the additional financing required, in that businesses in Northern Ireland were less likely to anticipate accessing more than £50k than in both Wales and Scotland (Figure B4.4). This higher proportion of SMEs seeking finance at lower levels locally is reflective of a greater concentration of microbusinesses in Northern Ireland.

Figure B4.3

Proportion of SMEs in Northern Ireland, Scotland and Wales that anticipate needing additional financing over the next year

Unweighted sample sizes: 673 (Northern Ireland), 498 (Scotland), 498 (Wales).

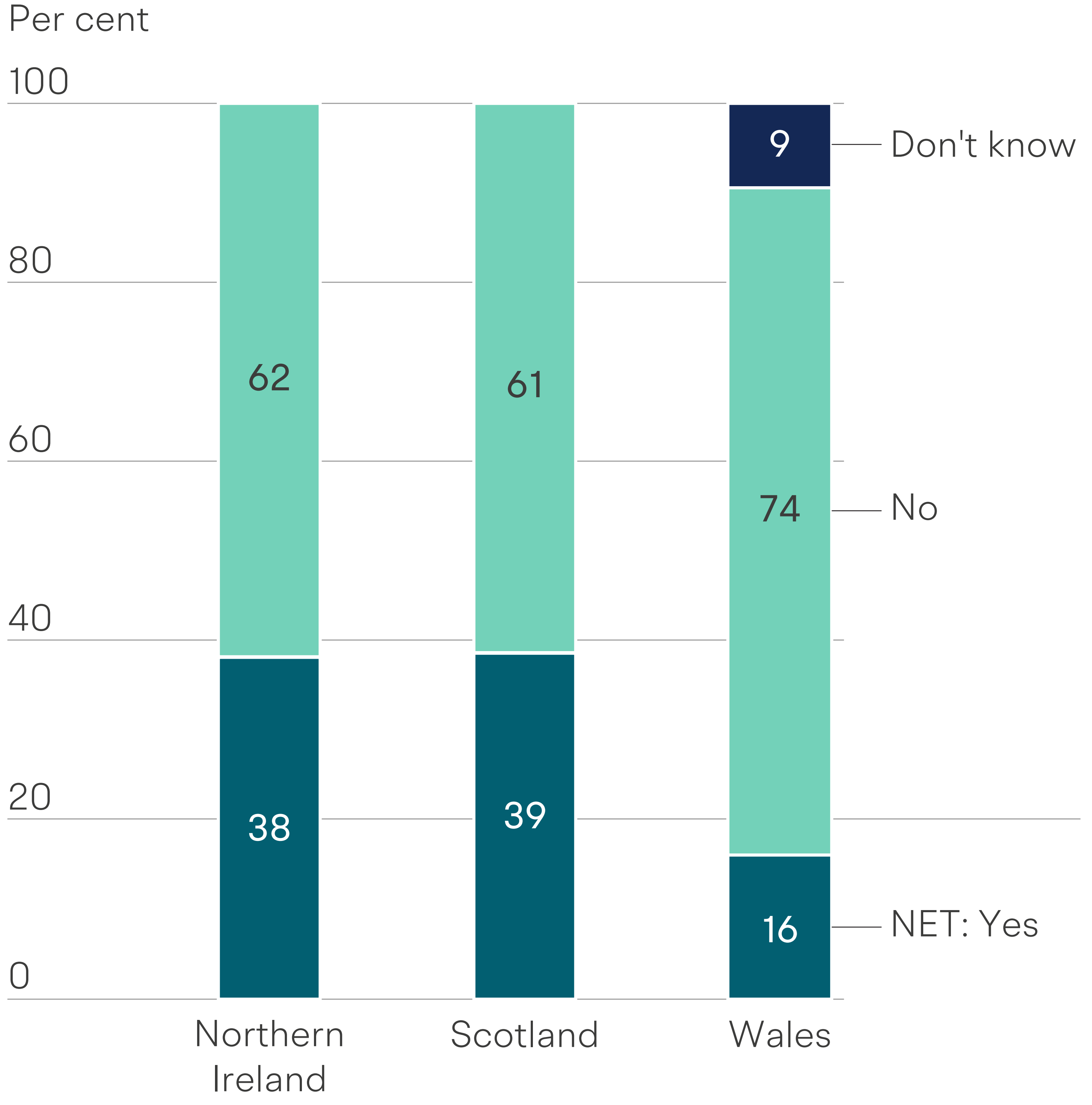
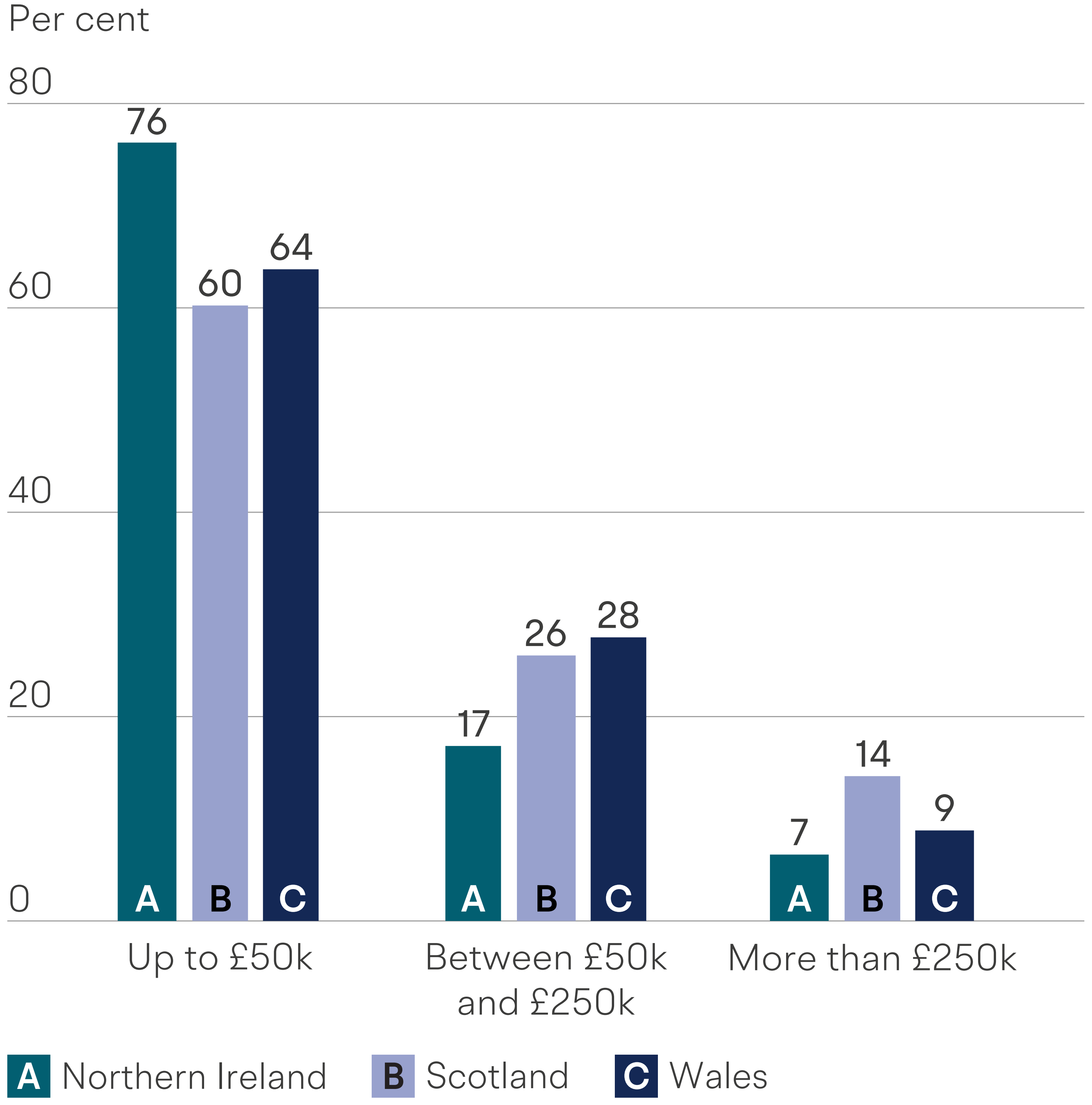


Figure B4.4

Size of financing requirement of SMEs in Northern Ireland, Scotland and Wales that anticipate needing additional financing over the next year

Unweighted sample sizes: 256 (Northern Ireland), 193 (Scotland), 125 (Wales).



5. Future finance needs (type)

Nearly half (49%) of SMEs in Northern Ireland that had additional financing needs over the next 12 months anticipated accessing loan products (Figure B5.1). Grants (38%) were also relatively popular compared with other finance types, whereas credit cards and business overdrafts were cited by a sizeable but lower proportion of businesses (15% and 18% respectively).

The regional-level results highlight some statistically significant differences on this question. Mid Ulster based businesses were more likely to anticipate using relevant business grants. Conversely, Fermanagh based businesses were less inclined to express this view, but had a higher propensity to anticipate using business overdrafts, than their counterparts elsewhere.

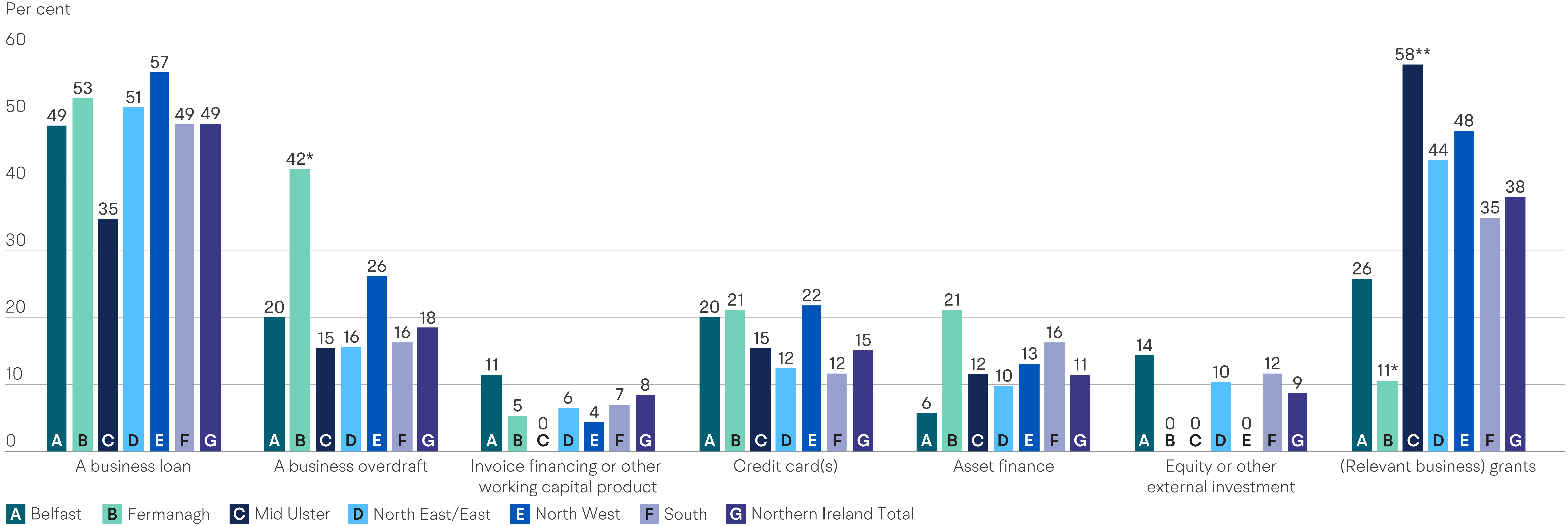
Business characteristics associated with greater appetite for specific forms of additional financing include:

- **Pre-revenue stage and/or larger employee/turnover size:** alongside pre-revenue businesses, those with employees and turnover at or above £85k had a greater appetite for most finance types, particularly loans, invoice financing, asset and equity finance. The most notable exception to this was grants. While these had still comparatively high mention rate among pre-revenue businesses, they also tended to be more popular among businesses with no employees than their larger peers.
- **Sectoral patterns:** agriculture, forestry and fishing businesses were more likely than others to anticipate accessing loans and invoice financing. Similarly, wholesale and retail trade businesses also had relatively large appetite for using invoice financing in the future, as well as credit cards. Further, expectations of using asset finance were particularly high in the engineering, other manufacturing and construction sectors, while arts and creative industry businesses had a stronger preference for accessing grants in the future, compared with other sectors.
- **Less recently established:** businesses established more than ten years ago were less likely to say they would access business loans or grants in the future.
- **Expected challenges in business performance:** businesses that anticipated having trading difficulties or being at risk of closure over the next year were more likely to expect requiring additional finance over the same period, compared to other businesses.

Figure B5.1

Types of finance type sought by SMEs in Northern Ireland that anticipate needing additional financing over the next year, by region

Unweighted sample sizes: 358 (Northern Ireland Total), 35 (Belfast), 19 (Fermanagh), 26 (Mid Ulster), 154 (North East/East), 23 (North West), 43 (South).



*Correlation is significant at the 0.05 level.
**Correlation is significant at the 0.01 level.

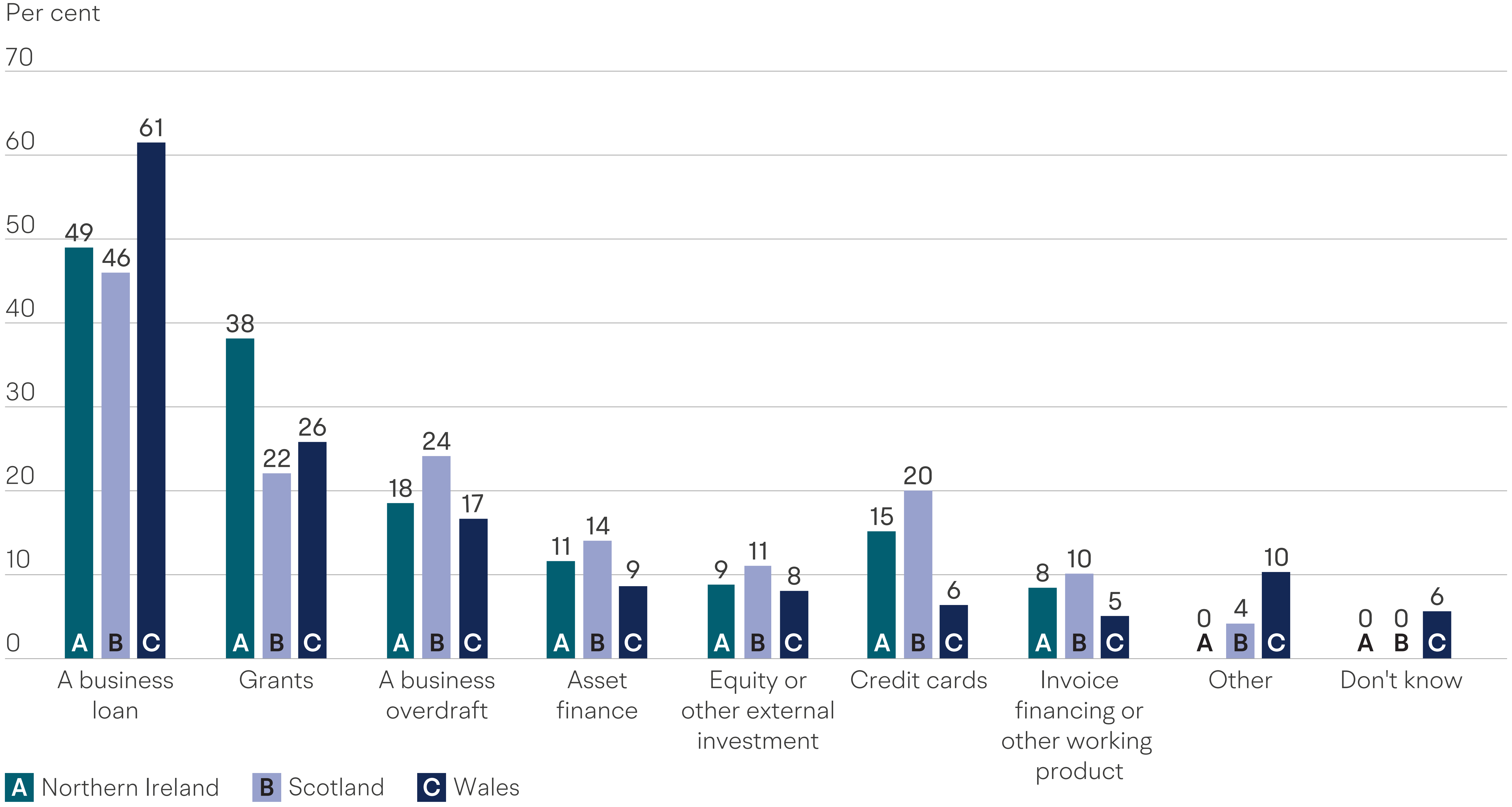
Compared with their counterparts in the other devolved nations, SMEs in Northern Ireland had significantly greater appetite for accessing relevant business grants, and were also more inclined to use credit cards or business overdrafts for this purpose (Figure B5.2). These findings align with the recognised preference for core debt and grant based funding captured through qualitative insight gathering across Northern Ireland.

While SMEs in Northern Ireland also showed a lower propensity to access business loans relative to Scotland based SMEs, their uptake of this finance type was broadly similar to Wales based SMEs.

Figure B5.2

Types of finance sought by SMEs in Northern Ireland, Scotland and Wales that anticipate needing additional financing over the next year

Unweighted sample sizes: 358 (Northern Ireland), 193 (Scotland), 125 (Wales).



6. Future finance needs (purpose)

In Northern Ireland as a whole, 50% of SMEs intended to use the additional financing required over the next 12 months for capital expenditure, while 47% mentioned they would use this for working capital (Figure B6.1). Investment in research/process improvements/significant maintenance was selected by 24% of respondents, with 8% mentioning investment actions relating to environmental sustainability and 4% in refinancing/managing existing debt. Businesses in the six regions of Northern Ireland had broadly similar views on how they planned to use any additional financing required. However, statistically significant differences were identified for three of the regions:

- **South,** where businesses were more likely to use additional financing for working capital purposes than their counterparts in the rest of the nation.
- **Mid Ulster,** where businesses were more likely to indicate capital investment in their response than in other regions.
- **North East/East,** where businesses had a lower propensity to anticipate accessing finance for the purpose of taking decarbonisation/net zero related actions.

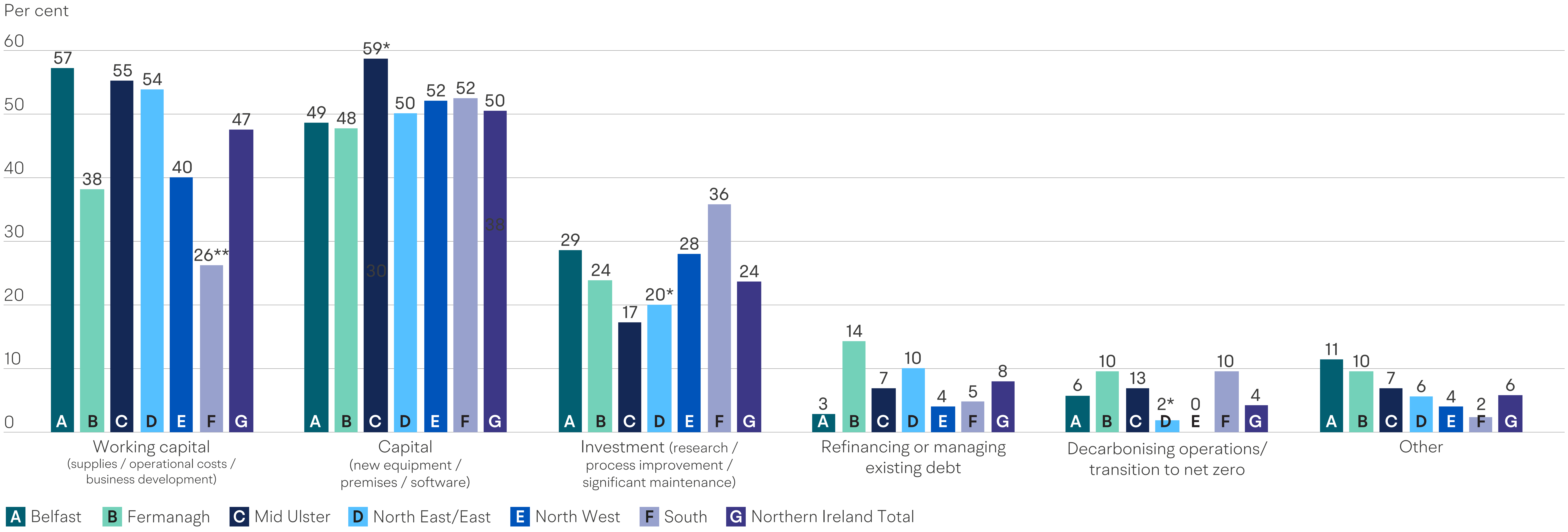
Business characteristics associated with a greater inclination to select specific additional financing purposes include:

- **Pre-revenue stage and/or larger employee/turnover size:** alongside pre-revenue businesses, those with no employees and turnover below £85k were more likely to anticipate using the additional financing needed for investment in capital than larger businesses. Meanwhile, they had a lower propensity to anticipate using that financing for investment in research/process improvements/significant maintenance.
- **Sectoral patterns:** agriculture, forestry and fishing businesses were more likely than others to anticipate accessing additional financing for capital investment and for the purpose of decarbonising their operations (alongside arts and creative industry businesses). Other sectors also show statistically significant patterns in their responses to this question. For instance, engineering and other manufacturing businesses had a greater propensity to anticipate using additional financing for investment in research and development/process improvement/significant maintenance, whereas wholesale and trade and accommodation and food services businesses tended to mention (respectively) working capital and refinancing more often than businesses in other sectors.
- **More recently established:** businesses established less than two years ago were more likely to say they would access additional financing for working capital purposes or for the purpose of capital investment, particularly when compared to businesses that were five years old or older.

Figure B6.1

Planned use of finance by SMEs in Northern Ireland that anticipate needing additional financing over the next year, by region

Unweighted sample sizes: 377 (Northern Ireland Total), 35 (Belfast), 21 (Fermanagh), 29 (Mid Ulster), 160 (North East/East), 25 (North West), 42 (South).



*Correlation is significant at the 0.05 level.
**Correlation is significant at the 0.01 level.

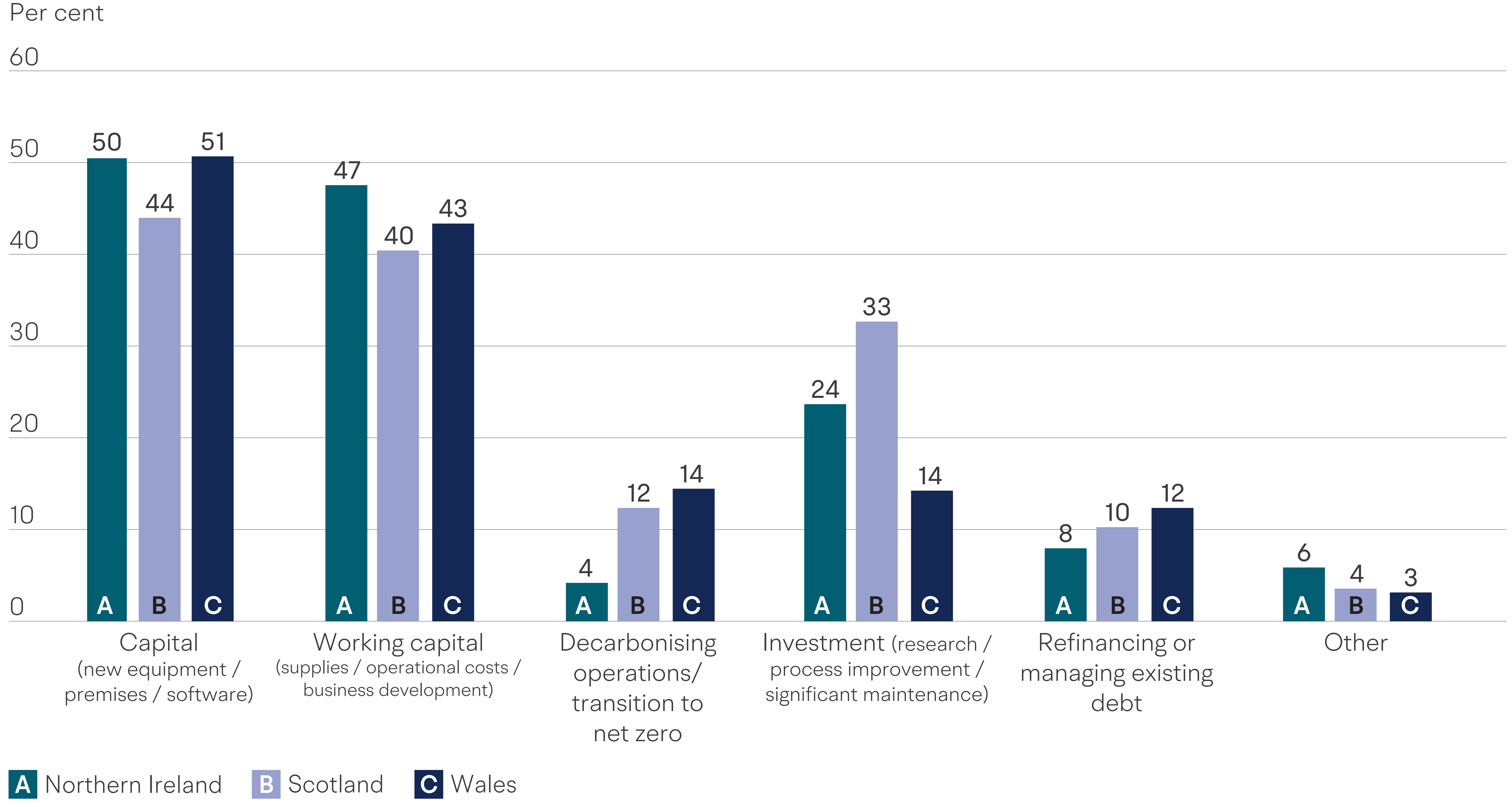
Northern Ireland based SMEs were broadly similar to their counterparts in Scotland and Wales in terms of the intended purposes of any additional financing sought, except for investment in research/process improvement/significant maintenance.

This latter use, (as can be seen in Figure B6.2), was selected by a far greater proportion of respondents in Scotland than elsewhere (33% compared to 24% in Northern Ireland and 14% in Wales). There were also notable differences in the anticipated use of finance to decarbonise operations, with only 4% of SMEs in Northern Ireland selecting this option compared with 12% in Scotland and 14% in Wales.

Figure B6.2

Planned use of finance by SMEs in Northern Ireland, Scotland and Wales that anticipate needing additional financing over the next year

Unweighted sample sizes: 377 (Northern Ireland), 193 (Scotland), 125 (Wales).



7. Future finance needs (confidence)

Just over half (51%) of the Northern Ireland based SMEs that required additional financing over the next year said they were confident about obtaining it (Figure B7.1), with statistically significant differences on this measure identified for **Mid Ulster** and the **North West**, where businesses were more inclined to lack confidence in their ability to access additional financing, as well as the **North East/East**, where they were less inclined to express this view than other businesses.

Figure B7.1

Confidence in accessing additional financing for SMEs in Northern Ireland that anticipate needing it over the next year, by region

Unweighted sample sizes: 454 (Northern Ireland Total), 45 (Belfast), 26 (Fermanagh), 31 (Mid Ulster), 188 (North East/East), 31 (North West), 54 (South).

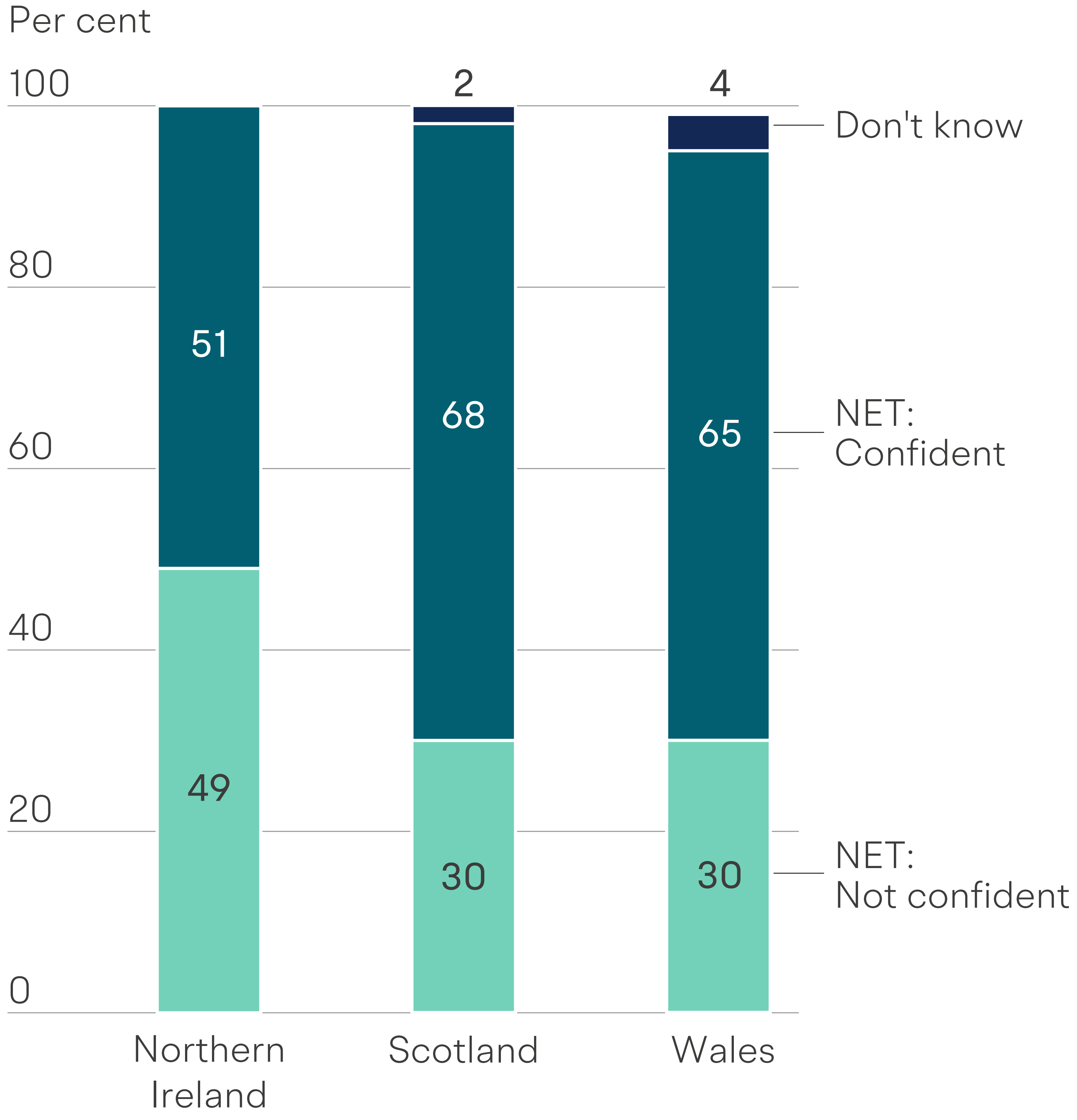
Confidence levels in Northern Ireland were considerably lower than in the other devolved nations. Nearly half of SMEs had low confidence they would obtain the additional financing needed over the next 12 months, while this proportion was less than one third (30%) in both Scotland and Wales (Figure B7.2).

Findings from the Intermediary Survey identified that finance gaps were perceived to be greatest when accessing early-stage equity (66%) and growth-stage equity in Northern Ireland.

Figure B7.2

Confidence in accessing additional financing for SMEs in Northern Ireland, Scotland and Wales that anticipate needing it over the next year

Unweighted sample sizes: 454 (Northern Ireland), 193 (Scotland), 125 (Wales).



Business characteristics associated with a greater confidence in obtaining additional financing include:

– **Larger employee/turnover size:** businesses with employees and turnover of £85k or more were generally more confident in their ability to secure the additional financing needed over the coming year, compared with smaller businesses.

– **Established less than ten years ago:** these businesses were more likely to say they felt confident about their chances of securing the additional financing needed over the next year. Conversely, those established more than ten years ago were less likely to report this.

8. Anticipated business performance

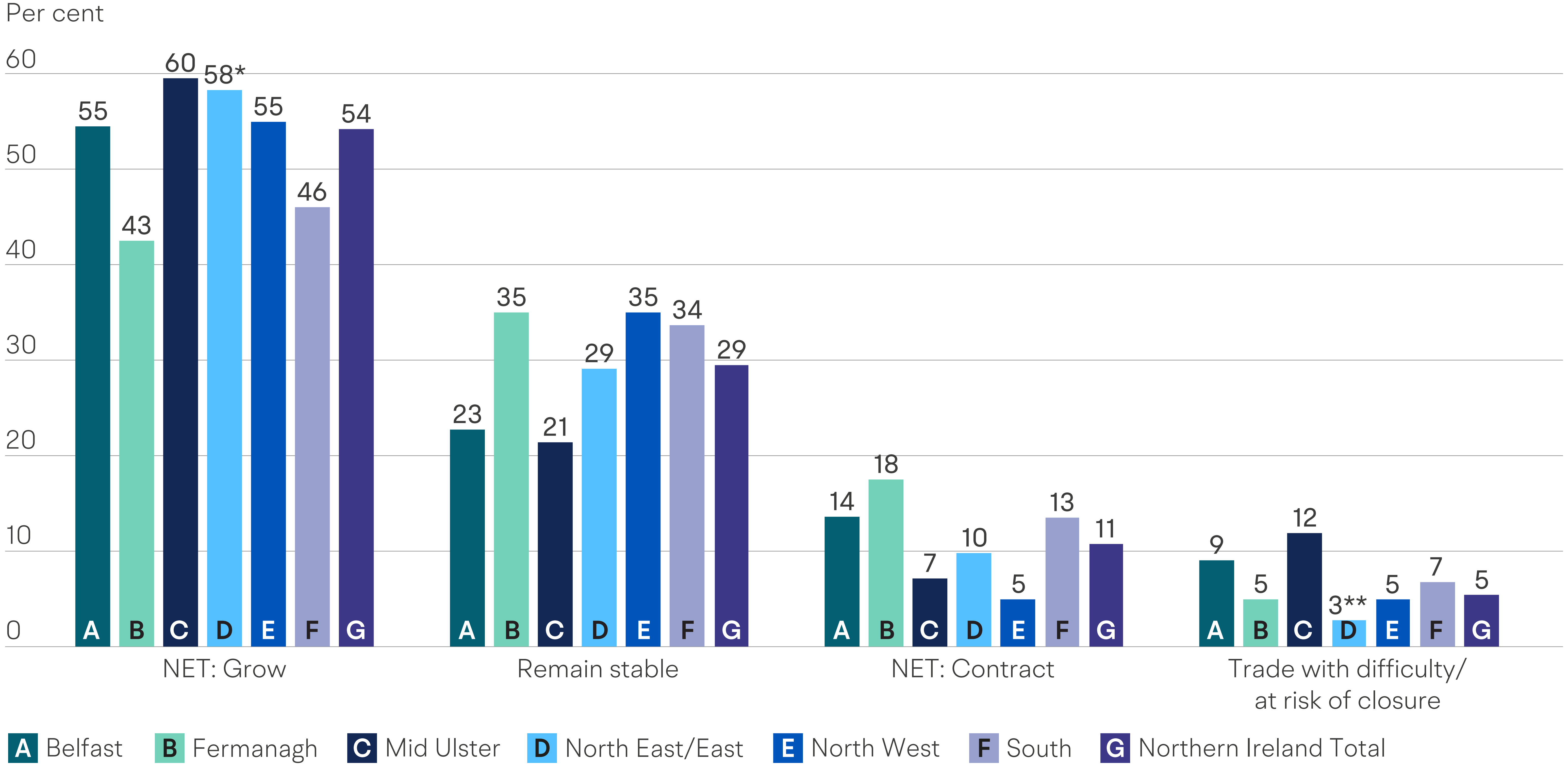
At the national level, as can be seen in Figure B8.1, over half (54%) of businesses in Northern Ireland expected growth over the next year, whereas three in ten expected stability (30%).

The remaining businesses expected a contraction (11%) or difficult trading conditions/risk of closure (5%). SMEs' general business performance expectations over the year ahead did not differ in a statistically significant way across the six regions of Northern Ireland except for the North East/East. In this region, businesses were particularly likely to anticipate growth, and showed much lower propensity to report they expected trading with difficulty/being at risk of closure over the next year compared with their counterparts elsewhere.

Figure B8.1

Expected performance over the next 12 months of SMEs in Northern Ireland, by region

Unweighted sample sizes: 695 (Northern Ireland Total), 66 (Belfast), 40 (Fermanagh), 42 (Mid Ulster), 326 (North East/East), 40 (North West), 89 (South).



*Correlation is significant at the 0.05 level.
**Correlation is significant at the 0.01 level.

Business characteristics associated with better perceived growth prospects include:

- **Established more recently:** these businesses were significantly more likely to anticipate growth over the next year, particularly those established less than two years ago. Conversely, those established more than ten years ago were much more likely to expect stability than growth. This stability has been the sentiment reflected in stakeholder conversations where established businesses are perceived to be continuing to hold back on growth plans.
- **Sectoral patterns:** while there were no specific sectors showing a particular inclination to anticipating growth, there were a few that had more pessimistic expectations about future business performance compared to the rest. For example, businesses in other manufacturing and tourism, hospitality, entertainment and recreation were generally less likely to expect to grow over the next 12 months, and more likely to predict stability. A few other sectors took a more negative view of their future performance; these were accommodation and food services and transport and storage, where businesses showed higher propensity to anticipate a contraction or trading with difficulty/being at risk of closure (respectively), as well as lower propensity to anticipate growth.

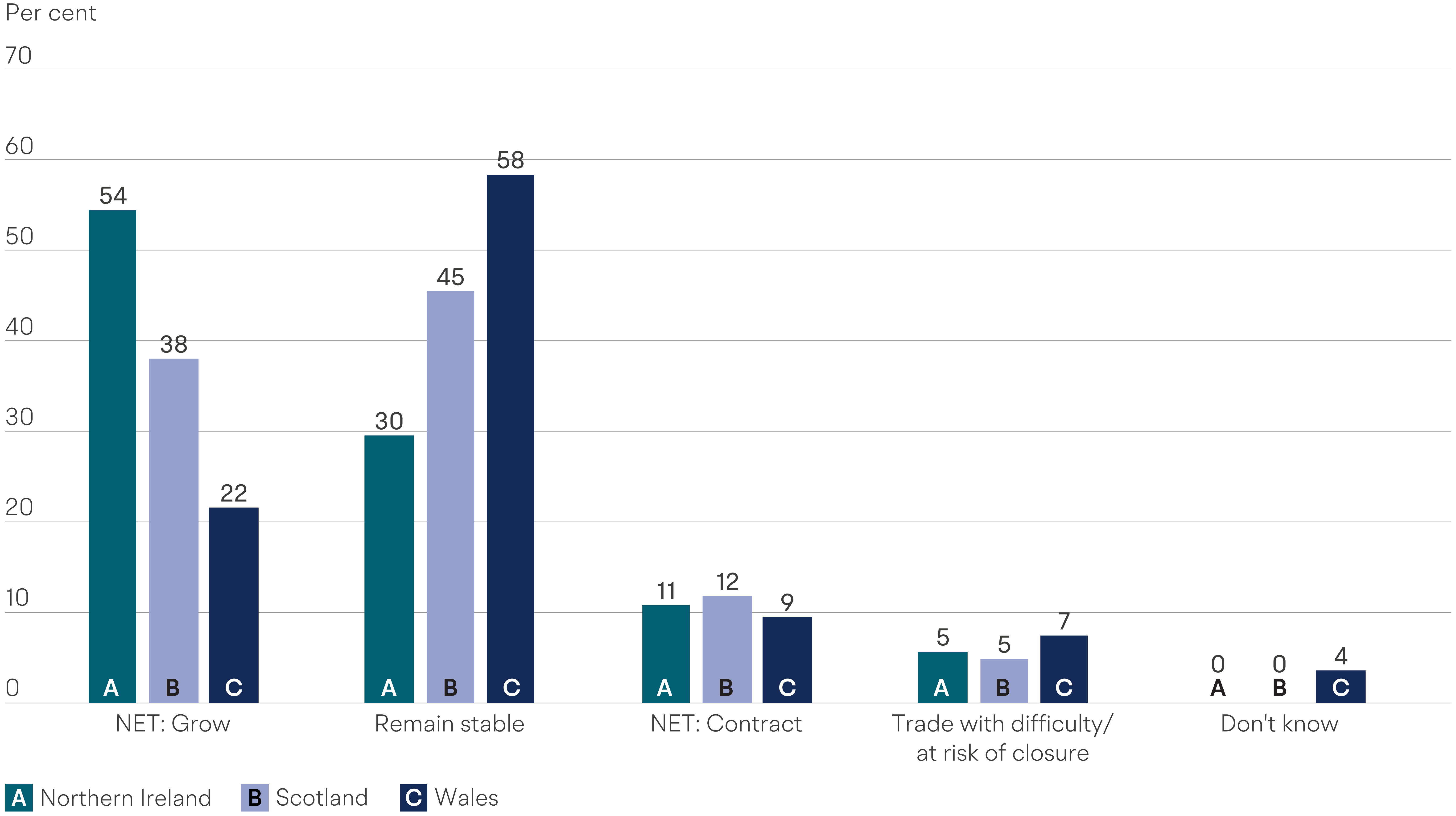
As can be seen in Figure B8.2, Northern Ireland compared favourably with the other devolved nations on the proportion of businesses expecting to grow over the next year (54%). This was around 1.5 times the equivalent proportion in Scotland (38%) and 2.5 times the one in Wales (22%).

This could be partly influenced by the fact that the overall sample size in Northern Ireland was larger, and that the latter survey targeted a more dynamic group of businesses (through Enterprise Northern Ireland's connected networks) than the general SME population. Nevertheless, Northern Ireland was broadly aligned with the other devolved nations in terms of the proportion of SMEs expecting a contraction or difficult trading conditions/risk of closure.

Figure B8.2

Expected performance over the next 12 months of SMEs in Northern Ireland, Scotland and Wales

Unweighted sample sizes: 695 (Northern Ireland), 498 (Scotland), 498 (Wales).



Northern Ireland Intermediary Survey Summary

In late 2023, the British Business Bank UK Network team conducted a survey with intermediaries[6] to better understand SME access to finance perceptions of the varying Regions and Devolved Nations across the UK. Note that this survey was a separate piece of work from the research summarised above and was conducted solely by the British Business Bank. In total, the survey collected 725 unweighted responses, of which 46 were from Northern Ireland. Headline statistics can be found in the infographic (figure 9).[7]

> The UK Network team are the eyes and ears of the British Business Bank, working with stakeholders and SMEs to better understand and support the local access to finance ecosystems and help small businesses be better informed of their finance options.

Figure 9

Summary of Northern Ireland Intermediary Research

Unweighted sample sizes: 725 (UK), 46 (Northern Ireland)

61%
(UK avg: 60%) SMEs' lack of awareness of finance options available remains the biggest barrier to demand

89%
(UK avg: 81%) Gaps in finance supple for SMEs, regardless of their development stage

65%
(UK avg: 55%) There is not adequate finance support for those looking to start their own business

85%
(UK avg: 75%) SMEs are not well-informed about early stage equity

78%
(UK avg: 75%) SMEs are not well-informed about alternative finance

50%
(UK avg: 67%) of SMEs are not well-equipped to reduce their debt burden in the next 12–18 months

In Northern Ireland the primary access to finance barriers largely align with the UK, with 61% citing lack of awareness, followed by 46% reporting access to the supply of finance. Interestingly the 44% of responses relating to an aversion to taking on finance is higher than other Devolved Nations and also the UK average (39%).

Survey responses reported that NI small businesses are deemed to be better informed about debt finance when compared to the UK average, (NI 74% vs UK 64%), with equity and alternative finance considered to be those options least known, aligning to the recognised preference for core debt products locally as highlighted in the recent Nations & Regions Tracker report.

The second biggest barrier to accessing finance in the intermediary survey was deemed to be supply. When asked specifically about supply of finance, 89% of intermediaries agreed there were gaps. These gaps were perceived to be most severely felt when accessing early-stage equity (66%) and growth stage equity (54%), both similar to the UK response, closely followed by alternative finance (51%) which is notably higher than the UK (29%). Interestingly, debt finance reflects a more favourable position in NI (39%) in comparison to the UK average (53%).

With recent commitments from the Nations & Regions Investment Fund, Enterprise Capital Fund and British Business Investments to further boost the supply of finance locally, it is hoped these will have a positive impact as they deploy across Northern Ireland.

When looking towards what has most impacted the financial ecosystem, intermediaries in Northern Ireland viewed economic challenges as the greatest (61%) in line with the UK (57%). Half of NI intermediaries reported that SMEs are not well equipped to reduce their debt burden. This is a more favourable position to the overall UK average however it is recognised from qualitative insights that economic uncertainty, higher interest rates and costs creates a challenge right across the UK.

To conclude, there is a lack of awareness of finance options amongst Northern Ireland SMEs, particularly around forms of finance such as early-stage equity and alternative finance. Alongside this, there are gaps in the supply of finance regardless of development stage, but particularly for startups. This, however, does provide opportunity for the British Business Bank to support communication gaps and regional disparities in accessibility through our ongoing knowledge sharing and education activities and deployment of the Investment Fund for Northern Ireland and other British Business Bank programmes.

Acknowledgements

This report along with its accompanying analysis was produced by the British Business Bank in collaboration with Enterprise Northern Ireland.

We would like to thank co-authors Martina Tortis, in the British Business Bank Economics Team and Susan Nightingale, Susan McKane, in the British Business Bank UK Network Team. We extend our gratitude to economist Maureen O'Reilly and our partners in Enterprise Northern Ireland, Amy Junkin and Michael McQuillan.

Annex 1:

Question set and variables analysed

Since the survey work commissioned in Northern Ireland was part of a wider survey exercise (the NI Enterprise Barometer), please note that the table below only presents the questions and variables included by the British Business Bank's UK Network.

Table 2

Overview and description of the NI Enterprise Barometer variables/questions

Variable name/Survey question	Description
Q1 – Is your business presently using any of the following finance options?	Whether the business was using any of the following finance types at the time of the interview: asset finance; business overdrafts; Covid-19 loans; credit cards; grants; invoice financing; other loan products; none of the above.
Q2 – Outline below if you have experienced any difficulties or barriers (actual or perceived) when accessing finance.	Any access to finance barriers the business had experienced; answers were collected in an open-ended format and subsequently grouped under six themes.
Q3 – How would you describe the current level of debt in your business?	The extent to which the business regarded their level of debt as manageable at the time of the survey, rated on a 4-point scale from: 1= Very unmanageable to 4= Very manageable. An additional option was provided for businesses that had no debt at the time (“business has no debt”).
Q4 – Are you likely to require additional financing for your business, during the next 12 months?	Whether the business anticipated a finance need over the 12 months following the survey, including an estimated size range (less than £10k; £10–£50k; £100k to £250k; £250k to £1m; more than £1m).
Q5 – Should you require additional finance in the next twelve months, what type of finance do you anticipate accessing?	Whether the business anticipated using any of the following finance types to meet their additional financing needs: asset finance; business overdrafts; business loans; credit cards; grants; invoice financing or other working capital product; other.
Q6 – If hoping to access finance over the next twelve months, what do you plan to use this finance for?	Whether the business anticipated using any of the additional financing accessed for the following purposes: working capital (supplies/operational costs/business development); capital (new equipment/premises/software); investment (research/process improvement/significant maintenance); refinancing or managing existing debt; decarbonising operations/transition to net zero; other.
Q7 – How confident are you that you will be able to access additional financing for your business?	Confidence in the business’s ability to access the additional financing required, rated on a 4-point scale from 1= Not at all confident to 4= Very confident.
Q8 – How do you anticipate your business will perform during the year ahead?	Whether the business anticipated their performance over the 12 months following the survey to fit one of the following categories: grow significantly; grow moderately; remain stable; contract moderately; contract significantly; trade with difficulty; at risk of closure.
Local Authority	The local authority in which the business was located at the time of the survey. This information was then used to assign respondents to one of six geographical regions within Northern Ireland: Belfast; Fermanagh; Mid Ulster; North East/East; North West; South. For further information, see the relevant section of the report.
Number of employees	Range for all part time and full-time employees permanently employed at the business’s named location, excluding the respondent (0; 1–4; 5–9;10–24; 25–49; 50–249).

Table 2 (continued)

Overview and description of the NI Enterprise Barometer variables/questions

Variable name/Survey question	Description
Activity group	The business's main sector of operation at the time of the survey, based on the sector classification used by the Northern Ireland Enterprise Barometer.
Turnover	Turnover range (less than £200k; £200k–£500k; £500k–£1m; £1m–5m; £5m or more).
When started	The age range of the business at the time of the survey, measured in calendar years (0–2 years ; 2.1–5 years; 5.1–10 years; 10+ years)+
Business structure	The responding business's legal status (sole trader; partnership; limited company).
Gender (respondent)	The respondent's gender (male; female; other).
Ethnic group	The respondent's ethnic group (white; mixed or multiple ethnic groups; Asian; Black/African/Caribbean; other ethnic group).

Annex 2:

Methodological caveats

This Enterprise Barometer survey provides a larger sample of responses for Northern Ireland than would be possible to collect via UK-wide surveys (which have bigger constraints in terms of the extent of the fieldwork they can complete in any individual UK Nation and region). As such, it provides unprecedented opportunities to analyse the Northern Irish SME finance landscape at a very granular level.

Despite this large sample size, the data is still subject to a range of limitations.

Firstly, the more granular the analysis, the greater the risk of drawing conclusions based on sub-optimal sample sizes. For instance, disaggregating a question with six answer options across six regions of Northern Ireland can result in the 603 responses with known regional location being broken down into 24 data points, some or all of which may contain less than ten responses each. This can make interpretation of the data at such granular levels uncertain, especially for questions that many respondents decided to skip.

To help interpretation, we therefore test all of our comparisons across the six regions of Northern Ireland for statistical significance (using the Spearman's Rho test) and share this information as appropriate throughout the analysis. We describe comparisons as statistically significant when we can establish (with a reasonable level of confidence) that any differences detected across categories in the survey sample reflects genuine differences in the business population, rather than "noise" from sampling imperfections or other sources of survey bias. This has important implications for navigating the report. In particular, the charts covering regional results should always be considered alongside the accompanying commentary and data annotation, since those will clarify which of the differences in values that are visible in the chart are likely to reflect genuine differences in the SME population, and which are not.

A second key limitation concerns the representativeness of the socio-demographic and business characteristics we capture, as the concentration of some characteristics such as turnover, gender and ethnic group in the sample may not be fully aligned with the wider SME population. Sample size and data anonymisation considerations also limited the extent to which we could present meaningful results disaggregated by variables collecting personal sensitive information. For this reason, in the report we take a selective approach to presenting results broken down by these variables, focusing on questions where the data collected met our quality standards (e.g. in terms sample size or statistical significance of correlations).

Caveats and limitations also apply to the comparisons between the results from the Northern Ireland Enterprise Barometer Survey and those from similar surveys undertaken in Scotland and Wales as part of the same project. While we have made every effort to collect data in a consistent way across the devolved nations, there are some slight methodological differences in the design, sampling and administration of each survey, which make it essential for readers to review the "project methodology" section included at the beginning of each report. As a result, we take a cautious approach to comparing results across the three nations, focusing on the broader differences only.

Endnotes

1 These respondents have been included in the analysis of results at the national level, but excluded from any corresponding analysis at the regional level. As a result, the sample sizes used to estimate results from Northern Ireland are larger than the sum of the regional-level sample sizes
2 See the above note
3 Population statistics from the Enterprise Dashboard.
4 Nations and Regions Tracker 2023.
5 Northern Ireland Deeptech Index 2024.
6 Defined as accountants, solicitors, business advisers.
7 As produced by the British Business Bank UK Network team in January 2024. Data collection ran in Autumn 2023.

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