

Dirnad Economi Cymru  
Economic Intelligence Wales



# Wales SME Access to Finance Report

Sub-National and Devolved  
Nation Analysis



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# Partner Overview



## 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.

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## About Economic Intelligence Wales

Bringing together economic and SME research, Economic Intelligence Wales is a unique research collaboration between the Development Bank of Wales, Cardiff Business School, Bangor Business School, the Enterprise Research Centre, and the Office for National Statistics.

Economic Intelligence Wales collates and analyses data on the Welsh finance market, enriching understanding of the Welsh economy.

Its research provides robust and reliable insight into the supply of, and demand for, finance in the Welsh market within the broader Welsh economic context.

Economic Intelligence Wales produces quarterly, annual and bespoke reports to:

- Track the supply of, and demand for, finance across Wales
- Improve the understanding of SMEs and their role within the Welsh economy
- Create innovative ways of measuring, interpreting and tracking SME data
- Identify and address Welsh SME finance data gaps
- Improve the understanding of the Development Bank of Wales' wider economic impact

To access reports published to date and to sign up to receive Economic Intelligence Wales' reports, [click here](#).

# Project Overview



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## 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 Economic Intelligence Wales, Scottish Enterprise and Enterprise Northern Ireland to produce three nation specific, sub-national access to finance reports. Please click for the [Scotland](#) and [Northern Ireland](#) reports.

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## Wales project methodology

In Wales, survey fieldwork was conducted by Beaufort Research as part of the October 2023 Business Omnibus Survey.

The survey findings build on 498 interviews with business establishments located in Wales, identified through ownership of a business telephone line. Interviews were conducted between 2 and 22 October 2023 using Computer Aided Telephone Interviewing technology.

The fieldwork targeted small and medium businesses (SMEs), defined as businesses with up to 250 employees (full or part-time) at the location contacted. Eligible respondents were defined as the manager, proprietor, owner, managing director or other senior manager present at the time of interview.

The sampling frame for the survey was designed to be representative of all SME business establishments located in Wales. To this end, the sampling frame included



interlocking quotas on business activity and size within regions, based on business population counts supplied by Market Location. Once this data had been collected, weighting was applied to correct small deviations between the business activity and size composition of the survey sample and the wider SME population. Table 1 shows the geographical profile of the sample, including the target and achieved quotas. The four regions presented are further described in the next section.

The survey questionnaire sought responses on eight key questions, replicated from the British Business Bank's annual [Business Finance Survey](#) (Annex 1). Alongside these, it collected information on a range of socio-demographic and business characteristics of the respondents, shown in [Annex 1](#).

This Omnibus Survey provides a larger sample of responses for Wales 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 Welsh SME finance landscape at a very granular level. Despite this large sample size, the data is still subject to a range of limitations. These are outlined in [Annex 2 – Methodological caveats](#).

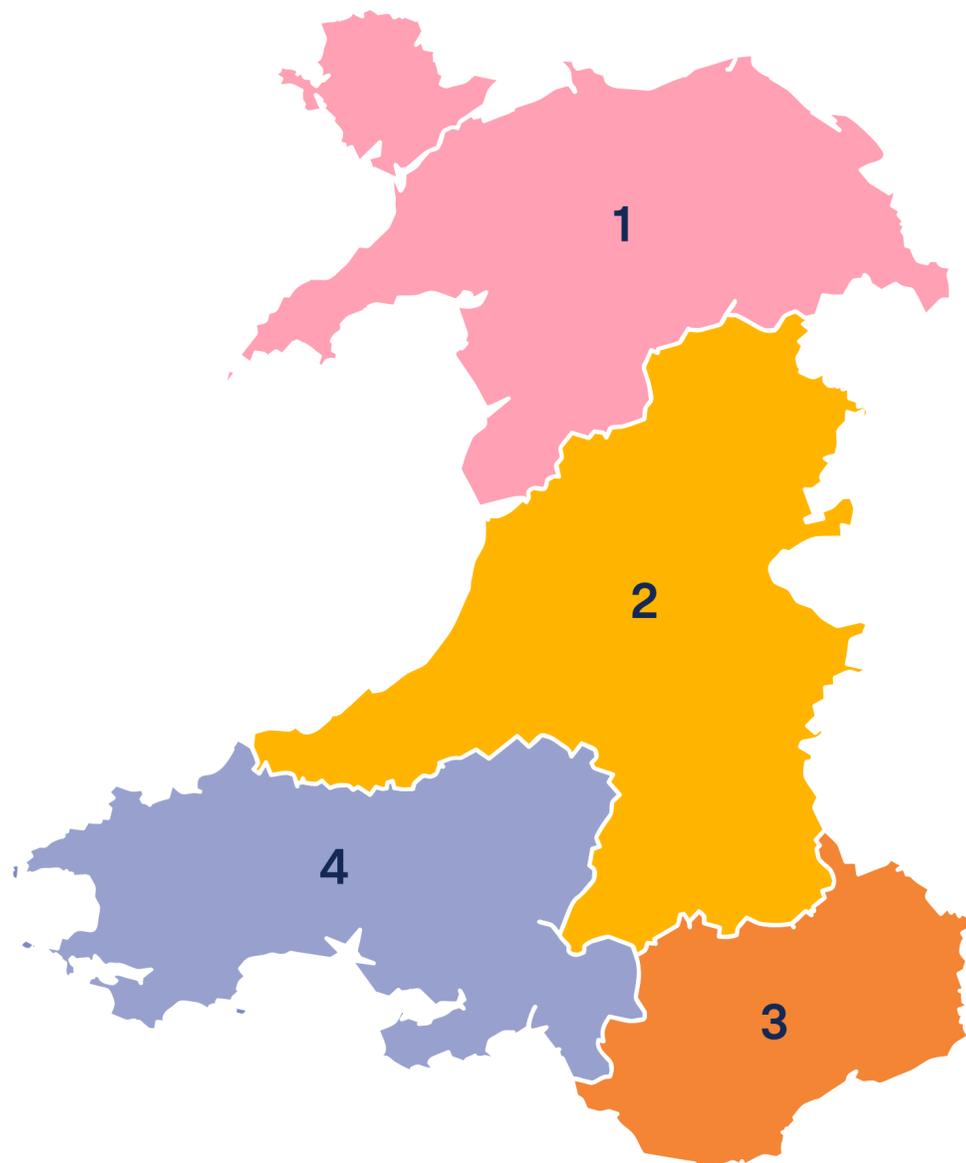
Table 1

**SME sample composition**

Region	Target	Achieved	% (out of 100%)	Weighted %
North Wales	120	109	24%	22%
South East Wales	200	192	40%	39%
South West Wales	100	111	20%	22%
Mid Wales	80	86	16%	17%
<b>Total</b>	<b>500</b>	<b>498*</b>	<b>100%</b>	<b>100%</b>

\* This total excludes 4 further responses with unknown region location.

# Regional Overview



**Data set is split by local authority, of which there are 22 and we have grouped them into the following sub-regions:**

Sub-region	Local Authority	Colour
1. North Wales	Wrexham, Flintshire, Denbighshire, Conwy, Anglesey, Gwynedd – Arfon and Dwyfor only	Pink
2. Mid Wales	Ceredigion, Powys, Gwynedd – Merionnydd only	Yellow
3. South East Wales	Bridgend, Blaenau Gwent, Caerphilly, Cardiff, Rhondda Cynon Taf, Monmouthshire, Newport, Merthyr Tydfil, Torfaen, Vale of Glamorgan	Orange
4. South West	Swansea, Neath & Port Talbot, Carmarthenshire, Pembrokeshire	Lilac

## 1. North Wales

North Wales<sup>1</sup> boasts a diverse SME ecosystem, encompassing rural, urban, and coastal areas. Predominantly rural, the region is characterised by a thriving tourism sector and SMEs in sectors like advanced manufacturing and renewable energy, with tech startups also on the rise. Coastal towns like Rhyl and Prestatyn exemplify North Wales’ economic diversity, with a historic focus on tourism now expanding to include commerce, industry, and retail<sup>2</sup>. Developments like the North Wales Growth Deal and Anglesey’s approval as a freeport by the Welsh and UK government aim to bolster connectivity and innovation, fostering growth opportunities for SMEs and further enhance investment prospects for the region. StatsWales estimates for 2023 show there were approximately 60,000 SMEs in North Wales employing around 173,000 people<sup>3</sup>.



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## 2. Mid Wales

Mid Wales<sup>4</sup> offers a picturesque backdrop for SMEs, with a blend of rural landscapes and small towns. The region's SMEs are diverse, spanning sectors such as agriculture, tourism, renewable energy, and niche manufacturing, across a broad spectrum of business sizes and economic activity. Despite facing challenges in connectivity and access to markets, initiatives like the Mid Wales Growth Deal aim to address infrastructure gaps and stimulate economic growth. SMEs benefit from supportive networks like the Mid Wales Manufacturing Group and Aberystwyth University's Innovation and Enterprise Campus. Estimates for 2023 show Mid Wales was home to around 27,000 SMEs, providing employment for over 67,000 individuals<sup>5</sup>.

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## 3. South East Wales

South East Wales<sup>6</sup> is a dynamic hub for SMEs, blending urban centres like Cardiff and Newport with rural areas. The region boasts a well-established infrastructure with good public transport links. Cardiff and Newport combined form one of two innovation-led clusters as identified in Wales by the British Business Bank's Nations and Regions Tracker 2023. With a large proportion of innovation-led companies seeking grants and equity to support research and development, spinouts represent a considerable amount of the equity activity. Institutions like Cardiff University and initiatives like the Cardiff Capital Region's Business Growth Programme provide innovation and entrepreneurship support. In 2023, South East Wales had approximately 104,000 SMEs, employing over 322,000 people<sup>7</sup>.

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## 4. South West Wales

South West Wales<sup>8</sup> offers a mix of coastal charm and industrial heritage, fostering a diverse SME ecosystem. Traditional sectors like agriculture and manufacturing coexist with emerging industries such as life sciences, marine technology, and renewable energy. Swansea, one of two Nations and Regions Tracker 2023 innovation-led clusters in Wales, drives innovation and entrepreneurship in the region. A large proportion of innovation-led companies in Swansea seek grants and equity to support research and development. Initiatives like the Swansea Bay City Deal aim to boost innovation and infrastructure, whilst the Celtic Freeport is focused on new economic growth, future skills, and manufacturing for South West Wales. With around 55,000 SMEs in the region in 2023, employing over 156,000 individuals, South West Wales continues to evolve as a hub for entrepreneurship and innovation<sup>9</sup>.

# Executive Summary



## Wales findings

Nearly half (49%) of Welsh SMEs reported using finance. Higher finance use was amongst those with larger turnover/employee size; in wholesale/retail; expecting significant growth; established less than 20 years ago.

One in five experienced barriers to accessing finance. A similar share of businesses mentioned time/complexity of applications, ability to obtain/repay and poor perceptions of/relationships with providers.

92% of Welsh SMEs regarded their current level of debt as manageable, with larger businesses and those established less than 20 years ago more inclined to report this.

Around 16% require additional financing over the next year. 61% of these anticipated accessing loan products. Businesses with turnover over £500k and 10+ employees were more likely to express this.

Of those that anticipated accessing finance, 51% intended to use this for capital expenditure, with 43% for working capital. Other uses were mentioned, such as research/process improvements/significant maintenance (14%), environmental sustainability (14%), and refinancing or managing existing debt (12%).

65% felt confident about securing finance. Confidence levels were high among larger businesses and/or those that expected to remain stable over the next year. They were lowest among the youngest businesses, those expected to perform badly over the next year, and businesses seeking between £10–50k.

58% expected stable performance over the year ahead, whereas 22% expected growth, 9% anticipated a contraction and 7% difficult trading conditions/risk of closure. Larger and younger businesses were more likely to anticipate growth. Those expecting contraction or trading difficulties/risk of closure were within sole traders and businesses in primary or wholesale/retail sectors.



Nearly half of Welsh SMEs **(49%)** reported using finance

**1 in 5**

experienced barriers to accessing finance



**16%** requiring additional financing over the next year

**65%**

requiring finance felt confident about securing it





## Sub-national findings

External finance use did not vary significantly across Wales except in two cases. Firstly, business overdrafts were more popular in North and Mid Wales. Secondly, invoice financing was more frequently reported in South East Wales and less in North Wales.

The four regions of Wales were broadly similar in terms of their growth prospects, although businesses based in the South West were more likely to require additional financing of over £250k.

South East businesses were most likely to be using invoice financing



North and Mid Wales businesses were more likely to be using business overdrafts

## Devolved Nations comparison

Finance use was higher in Northern Ireland (56%) and Scotland (62%) than in Wales (49%). Credit card use among Welsh businesses was low when compared with Scotland. Wales (20%) was similar to Northern Ireland (21%) in terms of the share of SMEs experiencing barriers to finance, but was lower than Scotland (38%).

Businesses' perceptions of the manageability of their current debt were broadly aligned across the three Devolved Nations.

SMEs requiring additional financing over the next year (16%) was significantly lower in Wales but these had the highest share anticipating accessing business loans.

Welsh SMEs were similar to those in Northern Ireland and Scotland for the intended purposes of additional financing, except on investment in research/process improvement/significant maintenance, which were far lower.

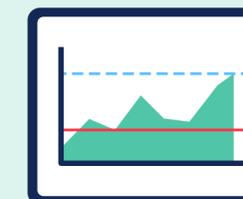
Confidence in obtaining the additional financing was at similar levels in Wales and Scotland, and higher than in Northern Ireland.

A larger proportion in Wales expected to remain stable in the next year, and those expecting to grow was lower. Wales showed a broadly similar proportion of SMEs expecting negative performance.



Finance use was higher in Northern Ireland (**56%**) and Scotland (**62%**) than in Wales (**49%**)

A lower share of SMEs in Wales require additional financing over the next year (**16%**) than in Scotland (**39%**) and Northern Ireland (**38%**)





# Data Analysis

1. External finance usage
2. Barriers to external finance
3. Debt manageability
4. Future finance needs
5. Future finance needs (type)
6. Future finance needs (purpose)
7. Future finance needs (confidence)
8. Anticipated business performance



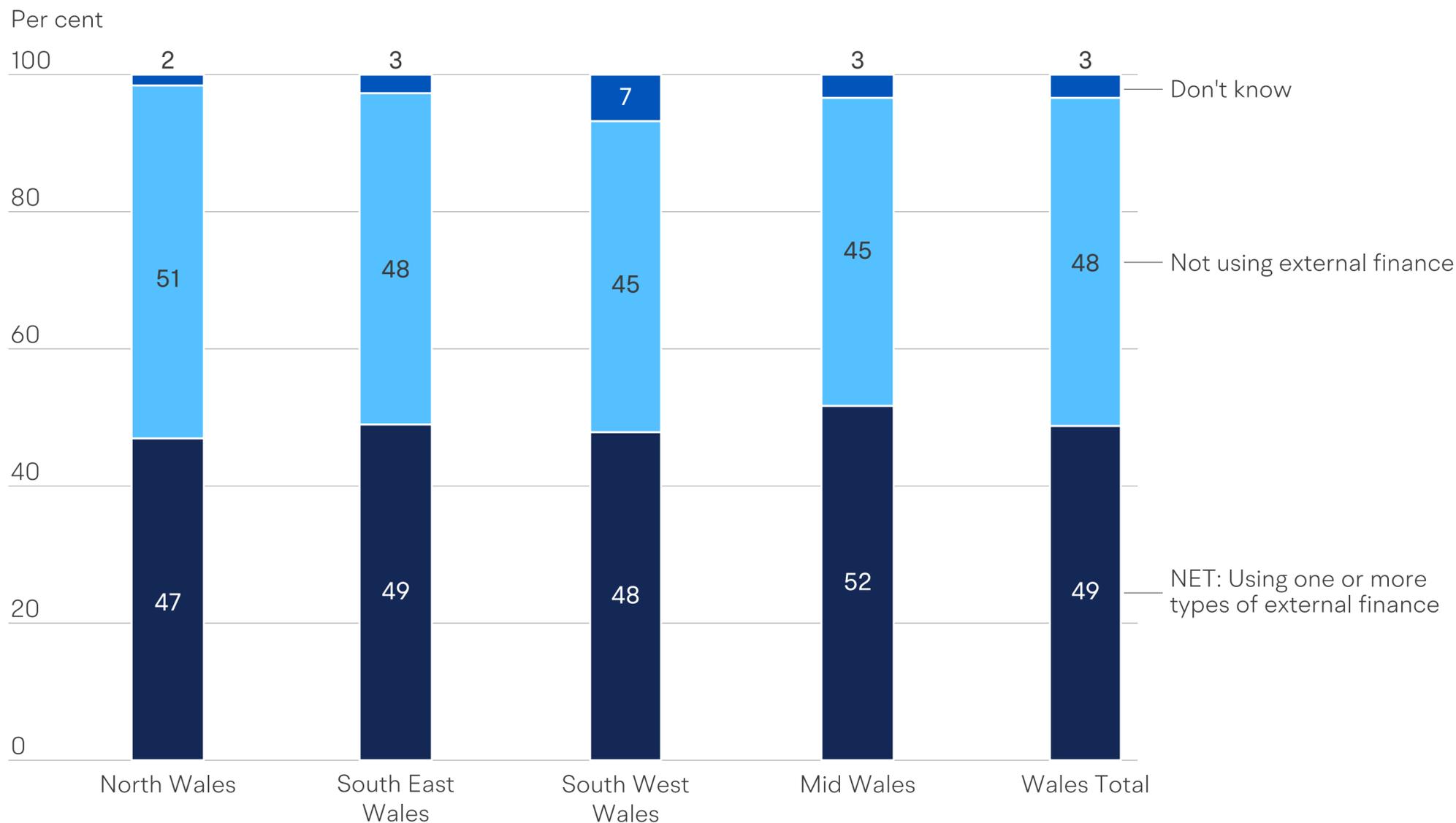
## 1. External finance usage

The results show that 49% of SMEs in Wales were using external finance<sup>10</sup> at the time of the survey (Figure B1.1). The small differences observed across the four areas of Wales were not found to be statistically significant.

Figure B1.1

### Use of external finance among businesses based in Wales, by region

Unweighted sample sizes: 498 (Wales Total), 120 (North Wales) 169 (South East Wales), 114 (South West Wales), 95 (Mid Wales).





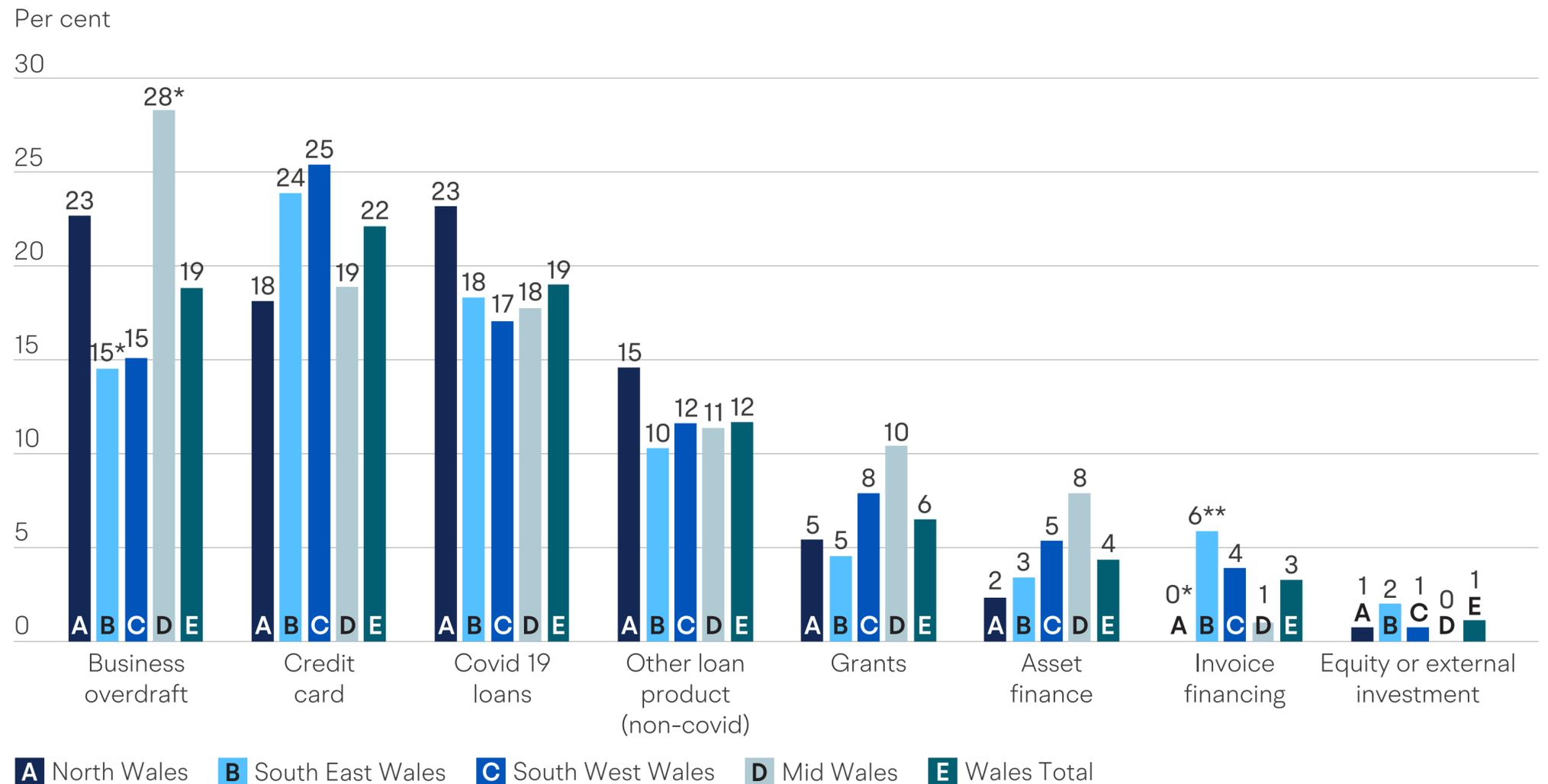
Meanwhile, usage levels for different external finance types show some statistically significant variations across SMEs in different regions of Wales (Figure B1.2).

Business overdrafts were particularly popular among SMEs in North and Mid Wales. This is likely to reflect the composition of local businesses in these regions, characterised by a greater prevalence of businesses established over 30 years ago and a higher concentration of “traditional” business activity sectors, such as agriculture, manufacturing and hospitality. This aligns with findings from the British Business Bank intermediary survey (see [Wales Intermediary Survey Summary](#) for information) where lack of awareness of non-bank finance options was seen to be prevalent across Wales, particularly regarding agriculture in Mid Wales.

Figure B1.2

**Use of external finance among businesses based in Wales, by region and by finance type**

Unweighted sample sizes: 498 (Wales Total), 109 (North Wales), 192 (South East Wales), 111 (South West Wales), 86 (Mid Wales).



\*Correlation is significant at the 0.05 level

\*\*Correlation is significant at the 0.01 level



The proportion of SMEs using other finance types – such as grants or asset/invoice/equity finance – was much smaller (5% or less) in all regions of Wales; among these, invoice financing shows some diverging patterns across the four regions, with businesses in South East Wales and North Wales showing (respectively) a higher and lower propensity to use this finance type. In the South West and Mid Wales asset and grant funding usage is more prevalent, perhaps due to the higher concentrations of sectors which lend themselves to these types of funding (such as agriculture and manufacturing).

Of the three Devolved Nations in the UK, at the time of the survey, Wales had the lowest proportion of businesses using any external finance (Figure B1.3). Barring a few exceptions (discussed below), Wales-based businesses generally had much lower usage rates than Scotland across most finance types, and more similar (although still lower) usage rates relative to Northern Ireland (Figure B1.4).

Credit card use among Wales-based businesses was slightly higher than among Northern Ireland-based businesses, but both nations lagged behind Scotland, which showed a particularly high credit card usage rate at 30%. The only other finance types where Wales showed different patterns from the other Devolved Nations were loan products. Specifically, Covid-19 loans were used by a far lower proportion of businesses in Wales than in

Northern Ireland. Use of other loan products was also less frequent among Wales-based businesses than their counterparts in Scotland.

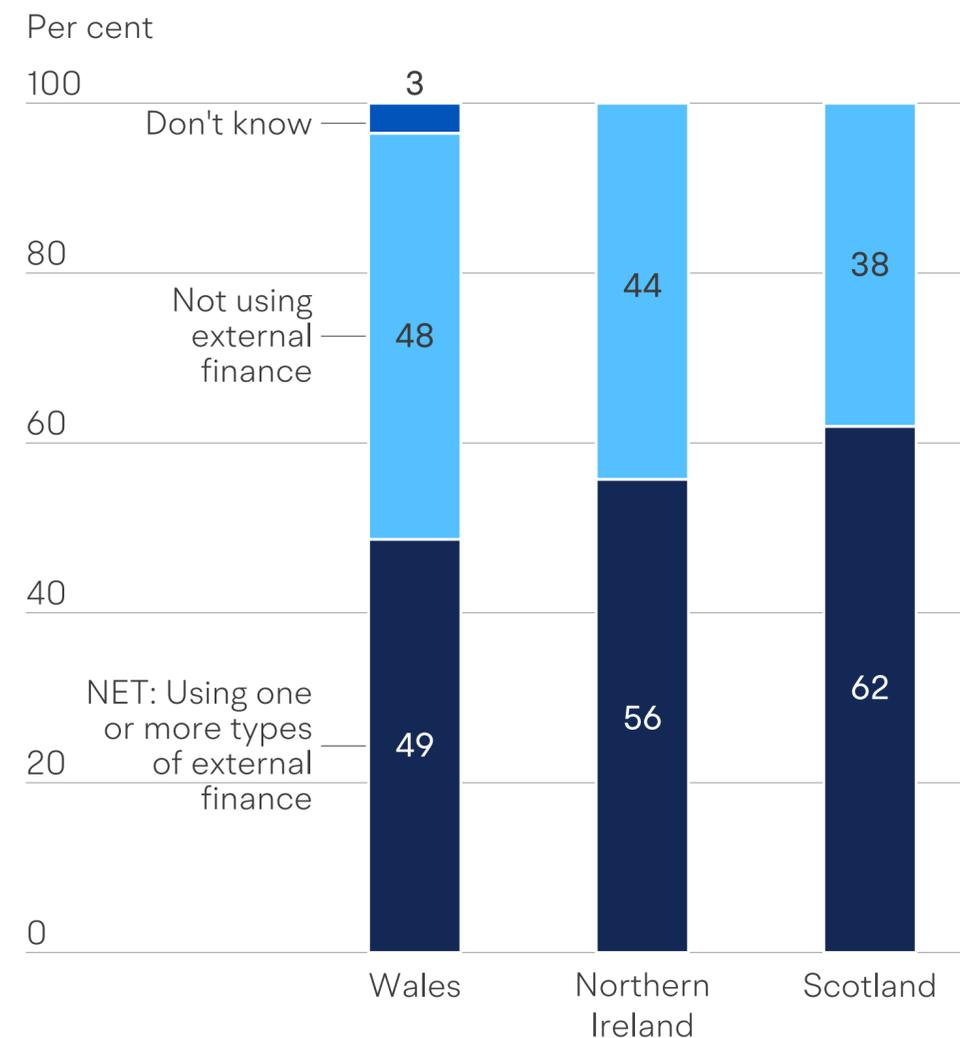
**Business characteristics associated with higher use of external finance across Wales include:**

- **Larger employee/turnover size:** Businesses with more than 10 employees or turnover over £500k per year were more likely to report using at least one source of external finance, as well as invoice and asset finance specifically, than smaller businesses. Businesses with between two and nine employees also had a higher tendency to report using invoice financing. Conversely, sole traders were less likely to use any type of finance at all, as well as many of the finance types generally preferred by larger businesses (such as asset finance and grants). Businesses in the highest turnover band (over £500k) further showed higher propensity to use specific finance types such as invoice financing, asset finance, credit cards, equity finance and grants.
- **Significant growth expected:** Wales-based SMEs that expected to grow significantly over the next year also tended to show higher use of finance in general, and of loans (Covid-19 or other loan products) and invoice financing specifically.

Figure B1.3

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

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



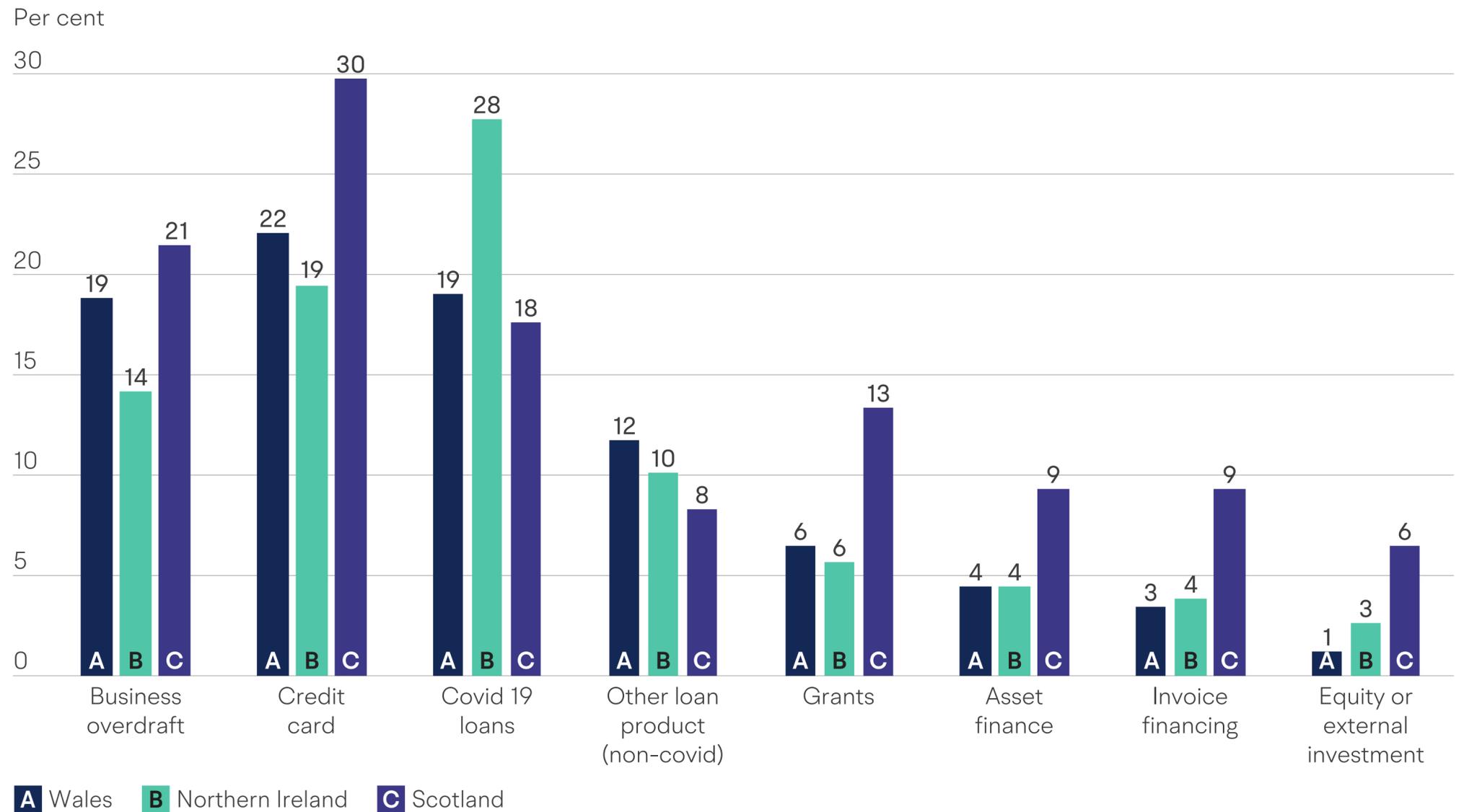


- **Wholesale/retail:** businesses operating in this sector had higher propensity to use external finance than their counterparts in other sectors, particularly loans (Covid-19 or other loan products). In contrast, hotels and other services had lower appetite for using external finance in general and for specific types such as overdrafts, credit cards and asset finance (although they tended to use grants more often than other sectors). Primary sectors and construction/transport businesses displayed more mixed patterns. While they were more inclined to use specific types of finance such as asset and invoice financing (respectively) they had lower propensity to use loan products, and showed no statistically significant pattern in terms of finance use overall.
- **More recently established:** businesses established less than 20 years ago were particularly likely to report using Covid-19 loans.

Figure B1.4

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

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





## 2. Barriers to external finance

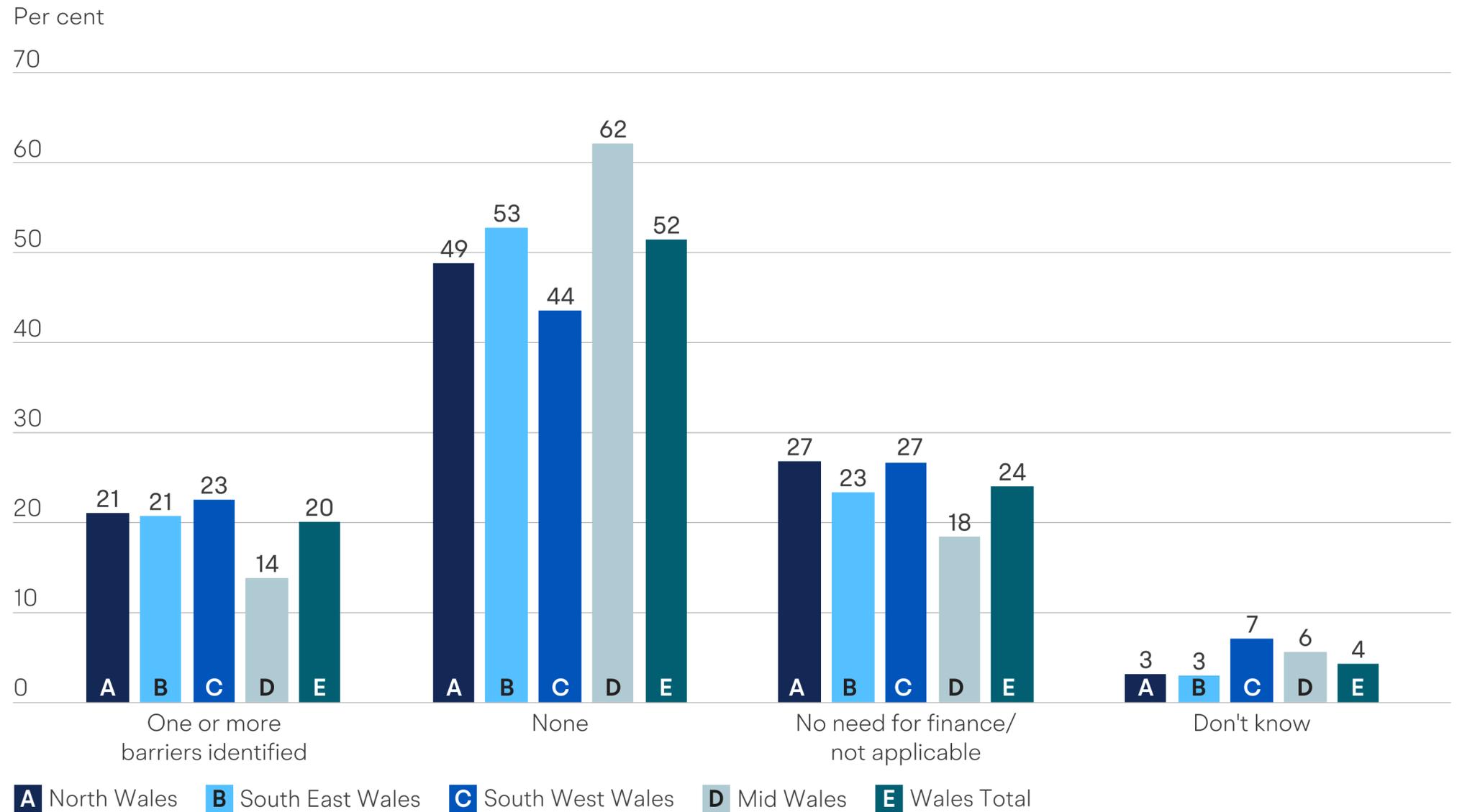
As shown in Figure B2.1, one in five businesses (20%) in Wales reported they experienced barriers to accessing finance, with the rest of the respondents mentioning “None” (52%), “No need for finance/not applicable” (24%) or “Don’t know” (4%). SMEs’ views on key barriers to accessing finance did not differ in a statistically significant way across the four regions of Wales.

The responses of businesses that agreed they experienced barriers to external finance access related to 19 different themes. To streamline interpretation, our analysis groups these into six broader themes, as presented in Figure B2.2.

Figure B2.1

### Barriers to external finance access among businesses based in Wales, by region

Unweighted sample sizes: 498 (Wales Total), 120 (North Wales) 169 (South East Wales), 114 (South West Wales), 95 (Mid Wales).





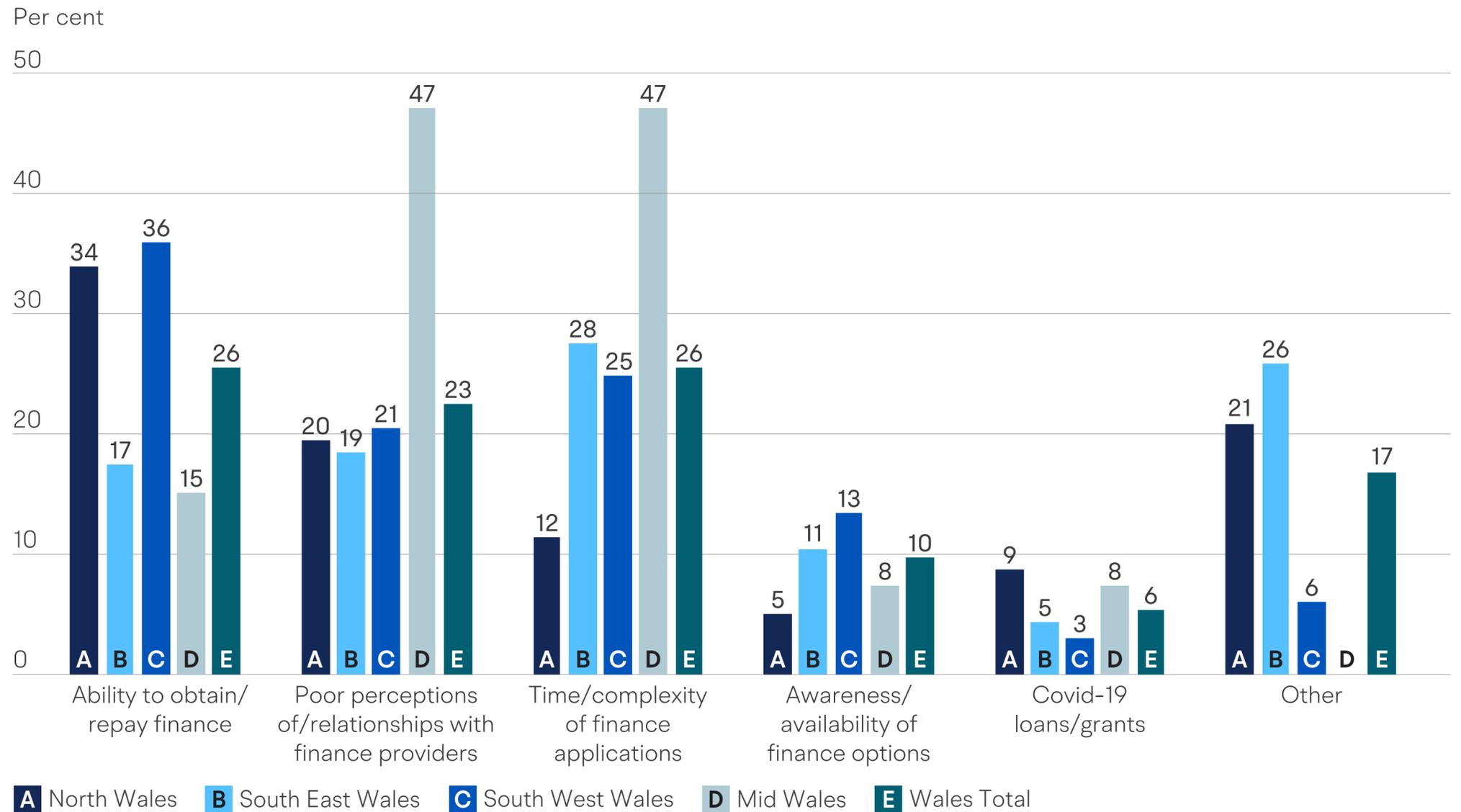
**Of these, the most frequently reported by businesses in Wales as a whole were:**

- **Time/complexity of finance applications (26%):** 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; Difficulties with online banking/applications.
- **Ability to obtain/repay finance (26%):** 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 (23%):** 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; General negative comment re: banks (unhelpful, lack of knowledge etc.)

Figure B2.2

**Barriers to external finance access among businesses based in Wales, by region and theme**

Unweighted sample sizes: 101 (Wales Total), 25 (North Wales), 37 (South East Wales), 26 (South West Wales), 13 (Mid Wales).





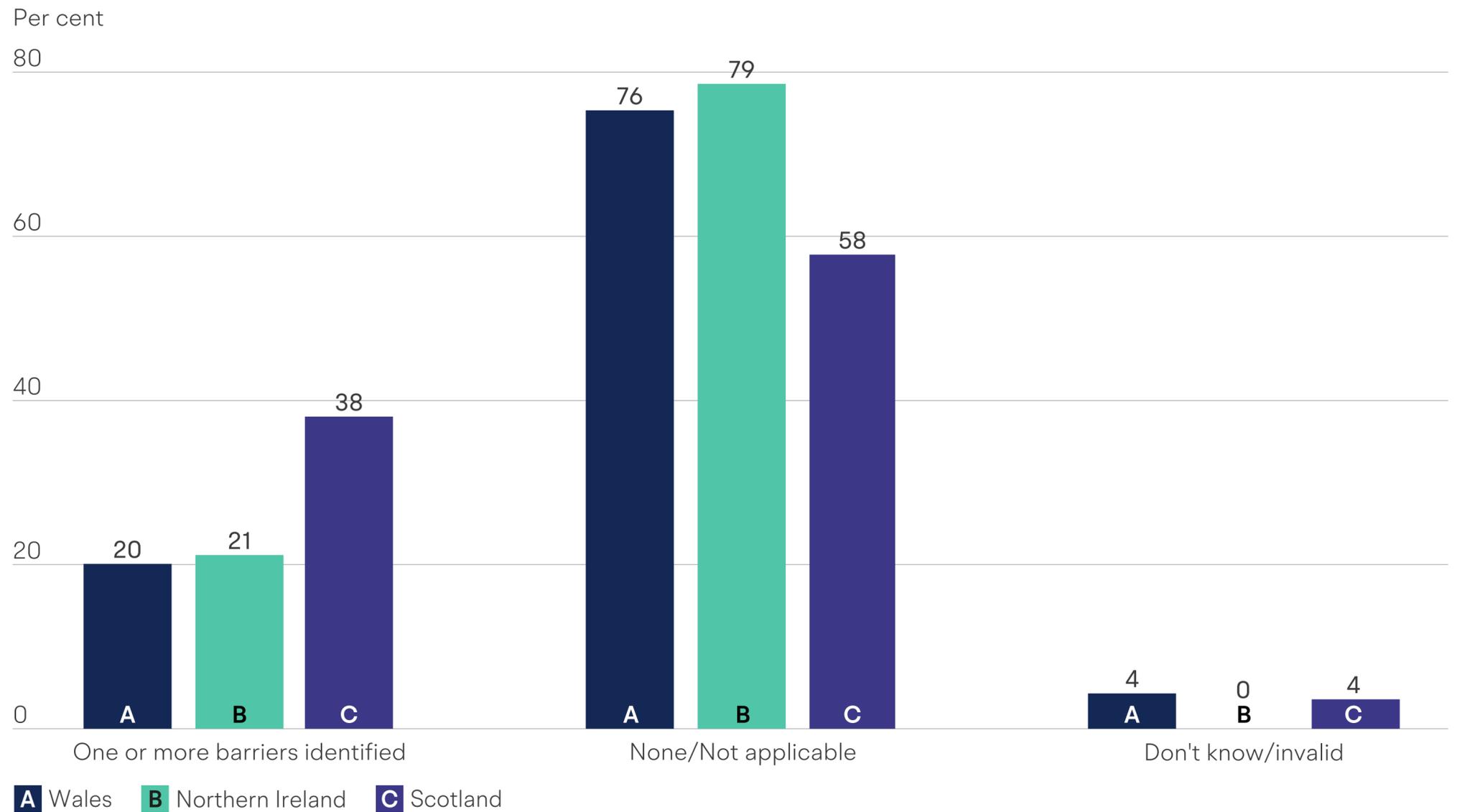
A smaller proportion of respondents also cited other types of barriers (17% in Wales as a whole). Barriers related to a lack of awareness or availability of finance options/support (10%) and the positive/negative impact of Covid-19 loans on their appetite for further finance (6%).

Wales was similar to Northern Ireland in terms of the share of SMEs reporting any barriers to external finance (Figure B2.3). Both nations scored much lower on this dimension than Scotland, where a significantly higher share of businesses were able to identify one or more barriers (38% compared with 20% in Wales and 21% in Northern Ireland).

Figure B2.3

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

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



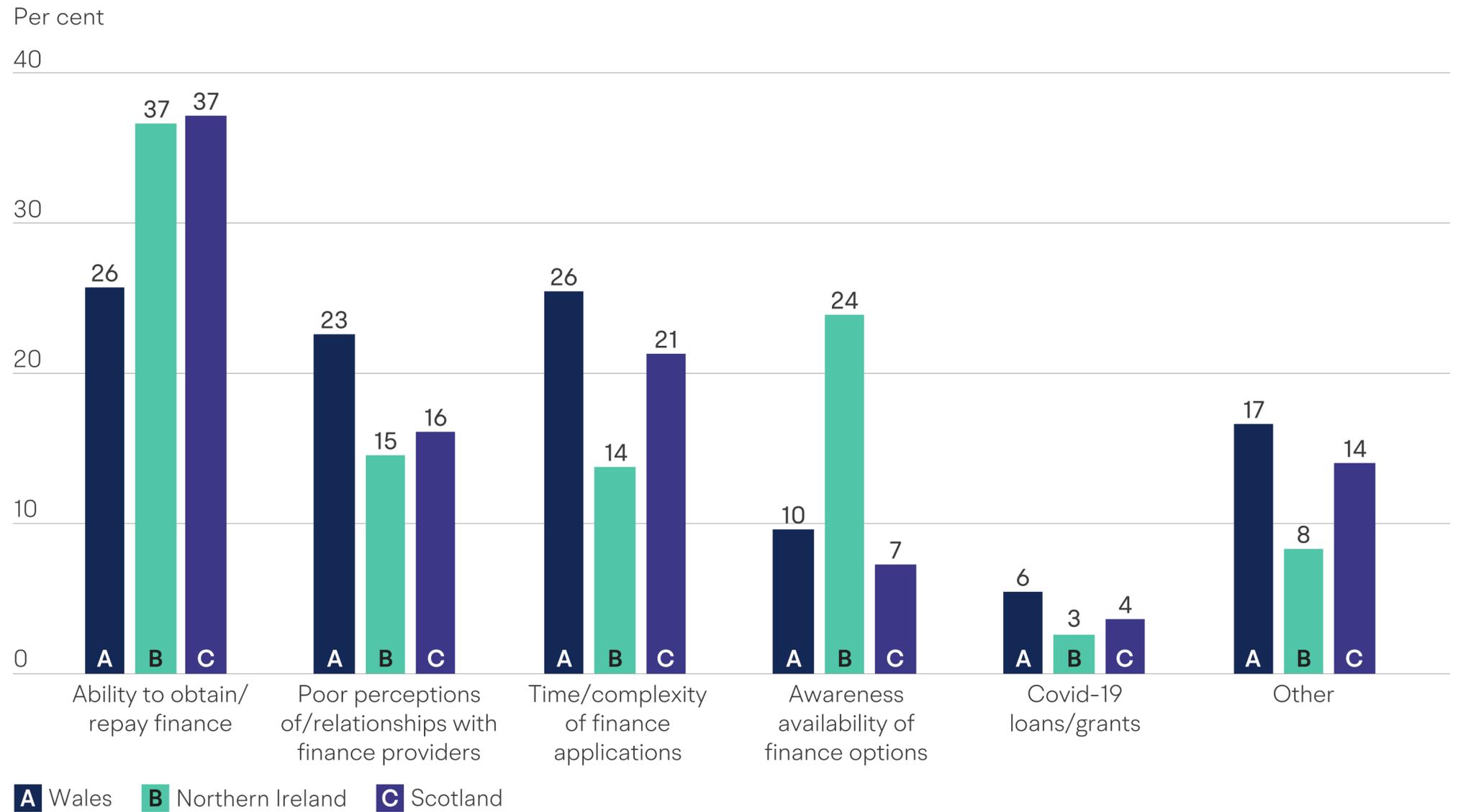


That said, the patterns of response of businesses that reported at least one barrier were not substantially different across the three nations (Figure B2.4).

Figure B2.4

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

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





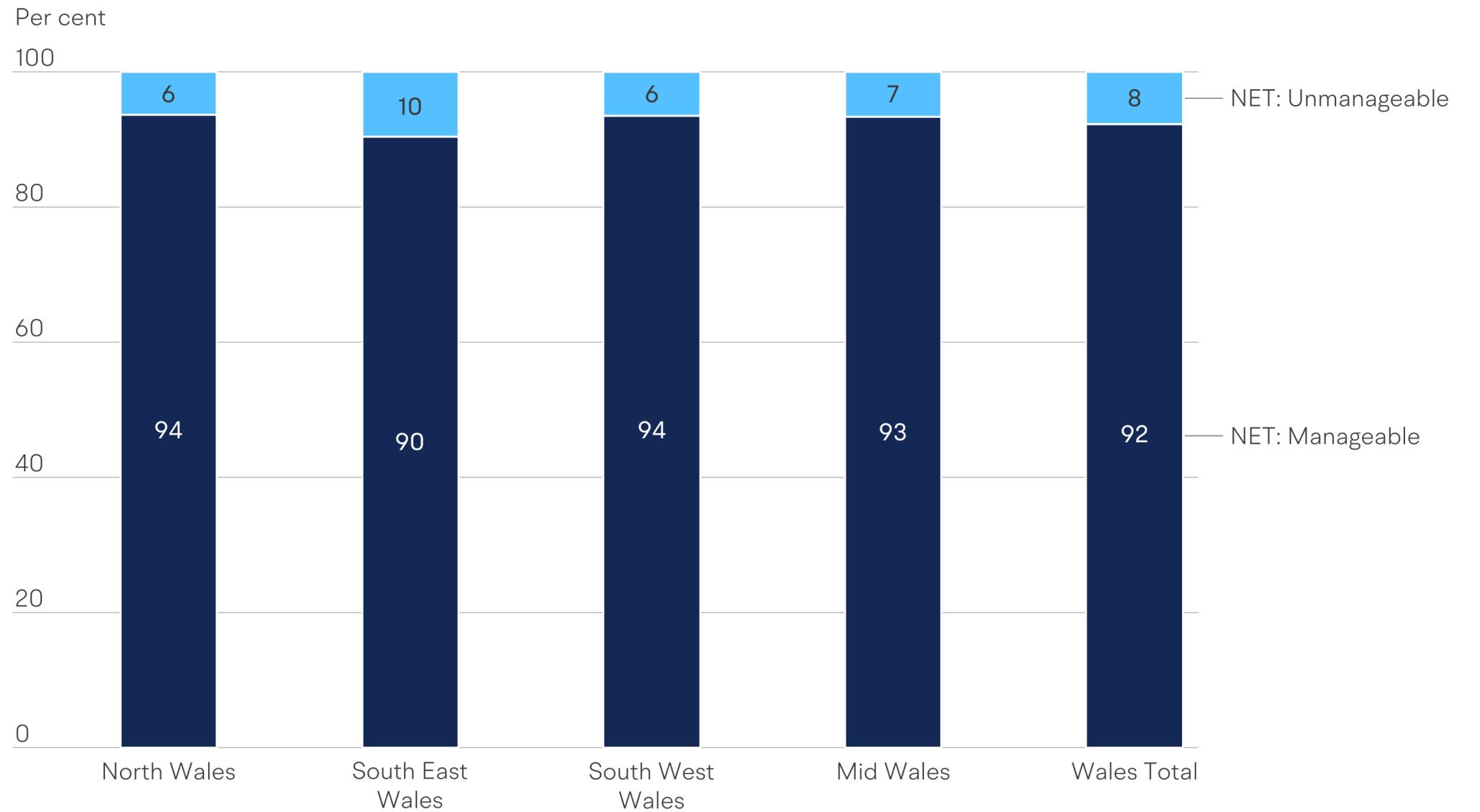
### 3. Debt manageability

This question was asked to all survey respondents. Those that were not using debt finance at the time of the interview 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 Wales, by region

Unweighted sample sizes: 262 (Wales Total), 59 (North Wales), 92 (South East Wales), 55 (South West Wales), 56 (Mid Wales).





According to this data, fewer than one in ten businesses (8%) in Wales as a whole regarded their current level of debt as unmanageable, with no statistically significant variation detected across different regions of Wales (Figure B3.1). This proportion was also broadly in line with the other Devolved Nations of the UK (Figure B3.2). Interestingly, in the 2023 Intermediary Survey over two thirds of stakeholders perceived businesses to not be well equipped to reduce their debt burden, perhaps suggesting the types of businesses engaged with these intermediaries were those needing additional support and guidance.

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

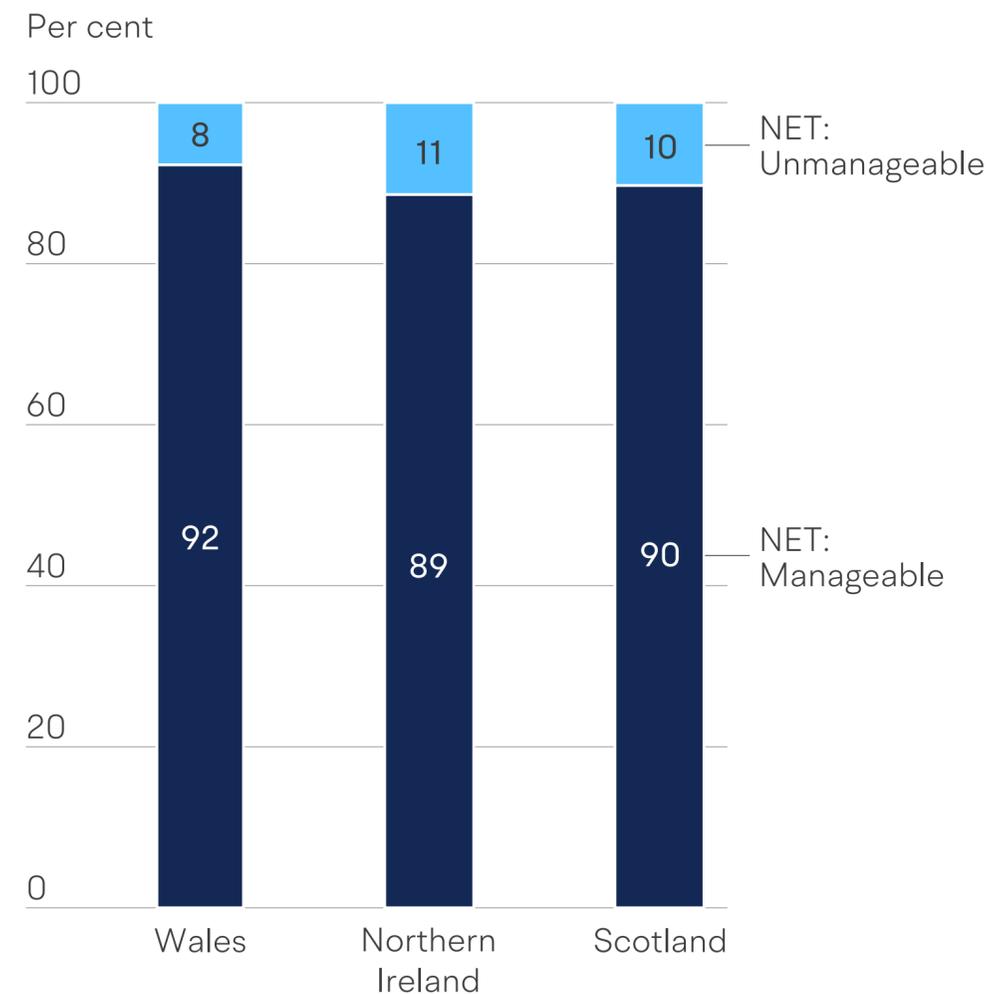
- **Larger employee/turnover size:** businesses in the highest turnover (over £500k) and employment (10+ employees) bands were more likely to describe their debt as manageable. The reverse is true for businesses with turnover of less than £100k.
- **More recently established:** businesses established less than 20 years ago had higher propensity to regard their current level of debt as manageable, and the reverse was true for those established more than 40 years ago.
- **All-male management teams:** these businesses were significantly less likely to regard their current level of debt as unmanageable.

Conversely, characteristics such as operating in primary sectors (ie agriculture, mining, utilities) made businesses more inclined to say their level of debt was “very unmanageable” (although, as shown above, very few respondents overall felt this way)

Figure B3.2

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

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





## 4. Future finance needs

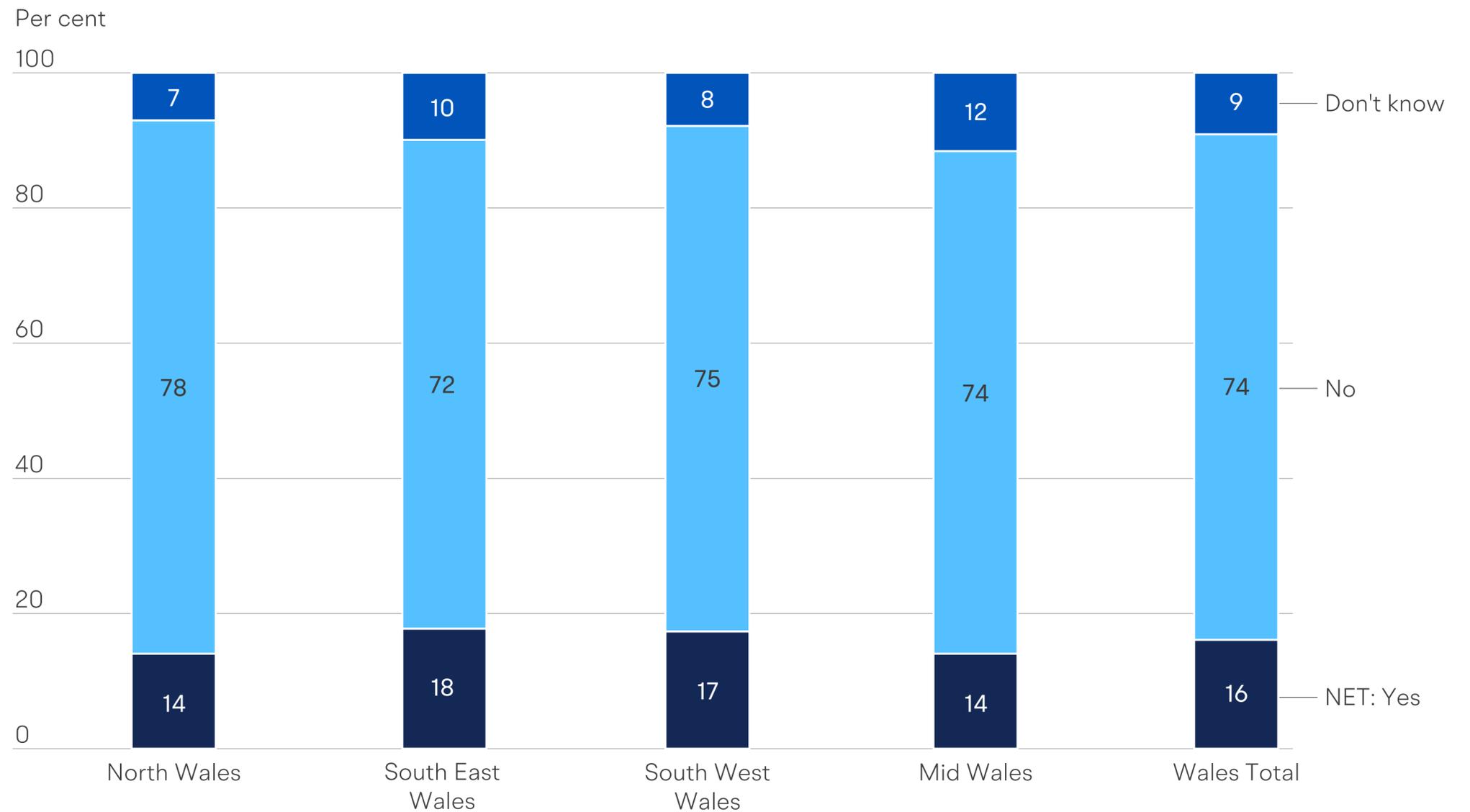
Around 16% of SMEs in Wales as a whole reported requiring additional financing over the next 12 months, with no statistically significant differences detected across different regions of Wales (Figure B4.1).

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.

Figure B4.1

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

Unweighted sample sizes: 498 (Wales Total), 120 (North Wales) 169 (South East Wales), 114 (South West Wales), 95 (Mid Wales).





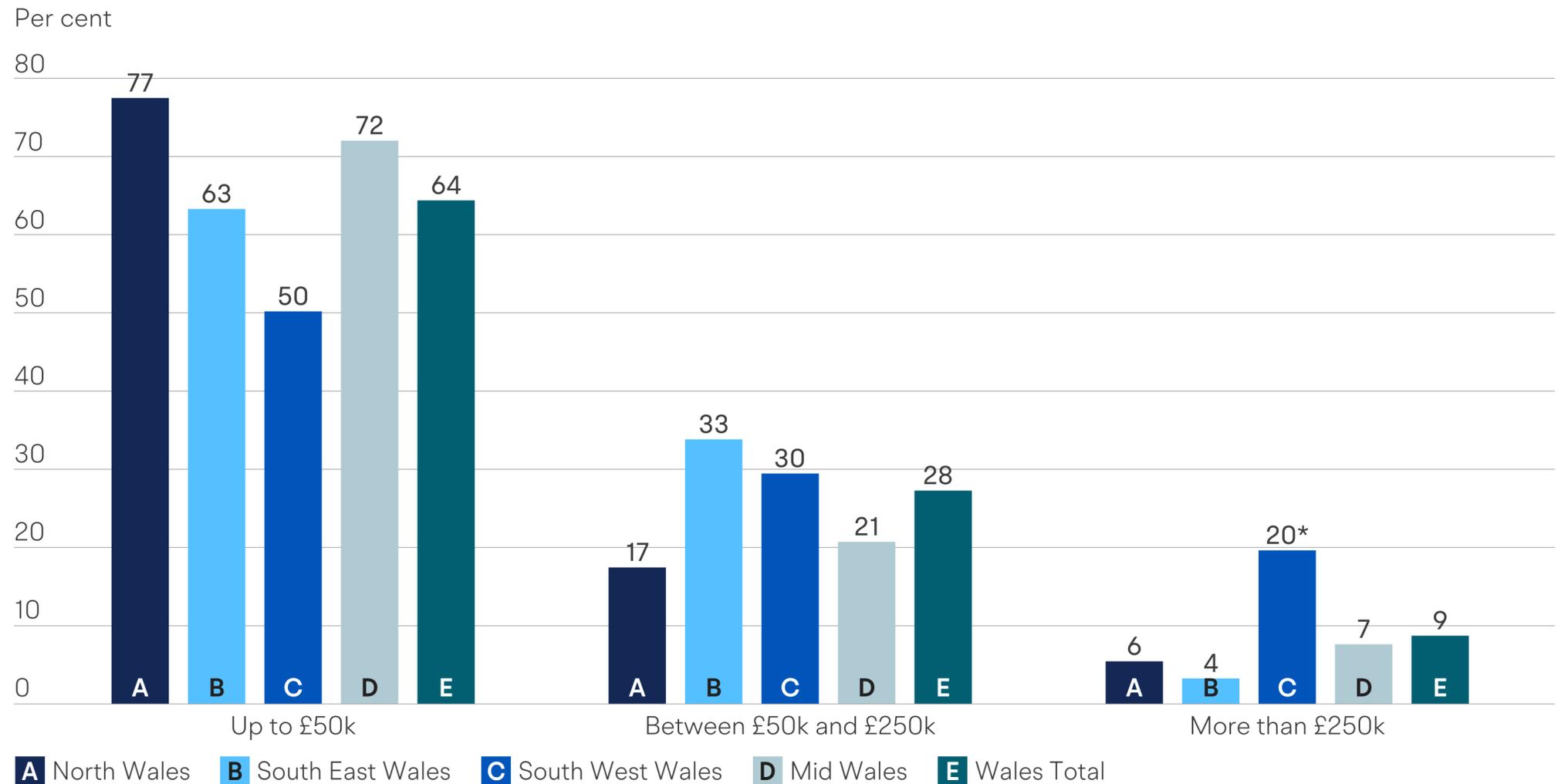
Overall, the majority of businesses in Wales reported requiring £50k or less in additional financing, whereas more than one quarter estimated their need at between £50k and £250k; less than one in ten reported needing higher additional financing (Figure B4.2). Across the four regions considered in this report, South West Wales was the only one showing statistically significant differences with the rest of Wales on the highest band. Specifically, businesses based in the South West were more likely to report they would require over £250k than their counterparts in the rest of Wales; while other differences can be observed across the four regions in other bands, these were not found to be statistically significant.

Larger businesses (those with 10+ employees and/or turnover above £500k) were more likely to report larger external funding requirements (£50k and above). Manufacturing businesses had also particularly high propensity to seek additional financing in the order of £50–£100k.

Figure B4.2

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

Unweighted sample sizes: 84 (Wales Total), 17 (North Wales), 32 (South East Wales), 21 (South West Wales), 14 (Mid Wales).



\*Correlation is significant at the 0.05 level



When compared with the other Devolved Nations of the UK, the overall proportion of SMEs that anticipated requiring additional financing over the next 12 months was significantly lower in Wales (Figure B4.3). Differences can also be seen in the size of the additional financing required, particularly with Northern Ireland, where businesses were less likely to anticipate accessing more than £50k than in Wales or Scotland (Figure B4.4).

Figure B4.3

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

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

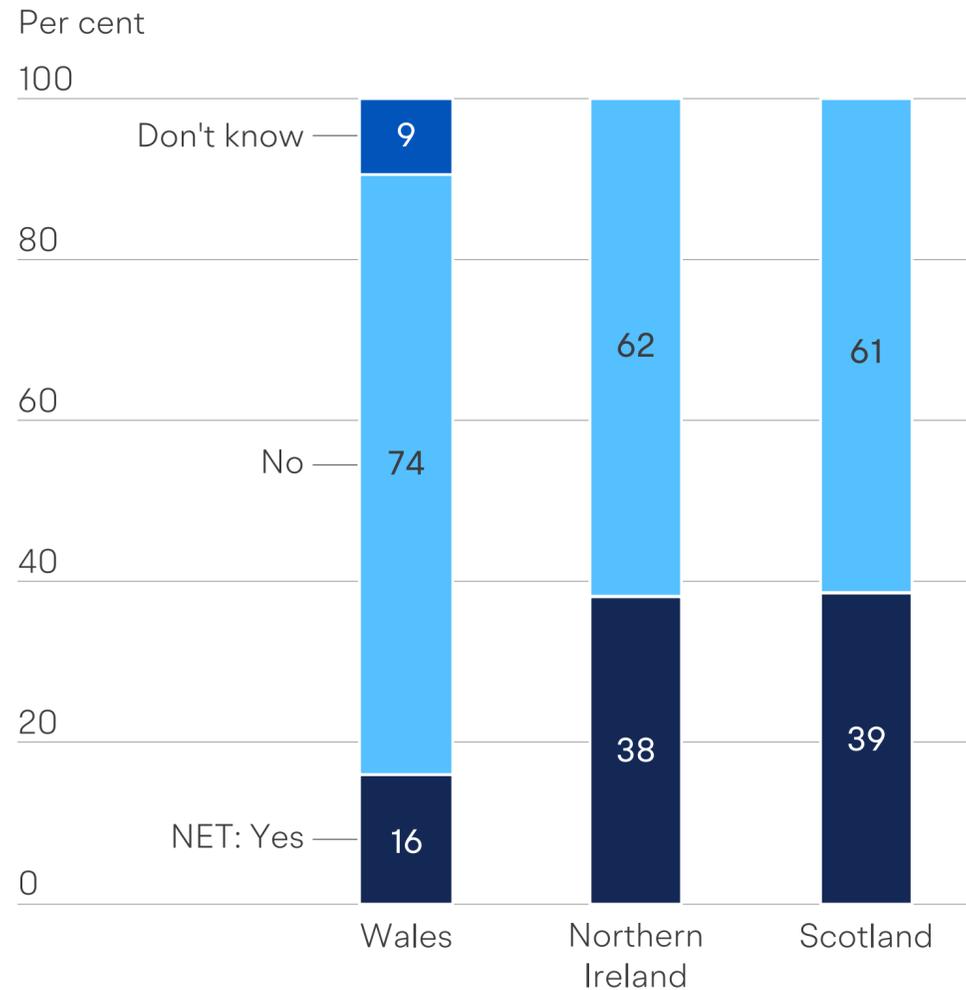
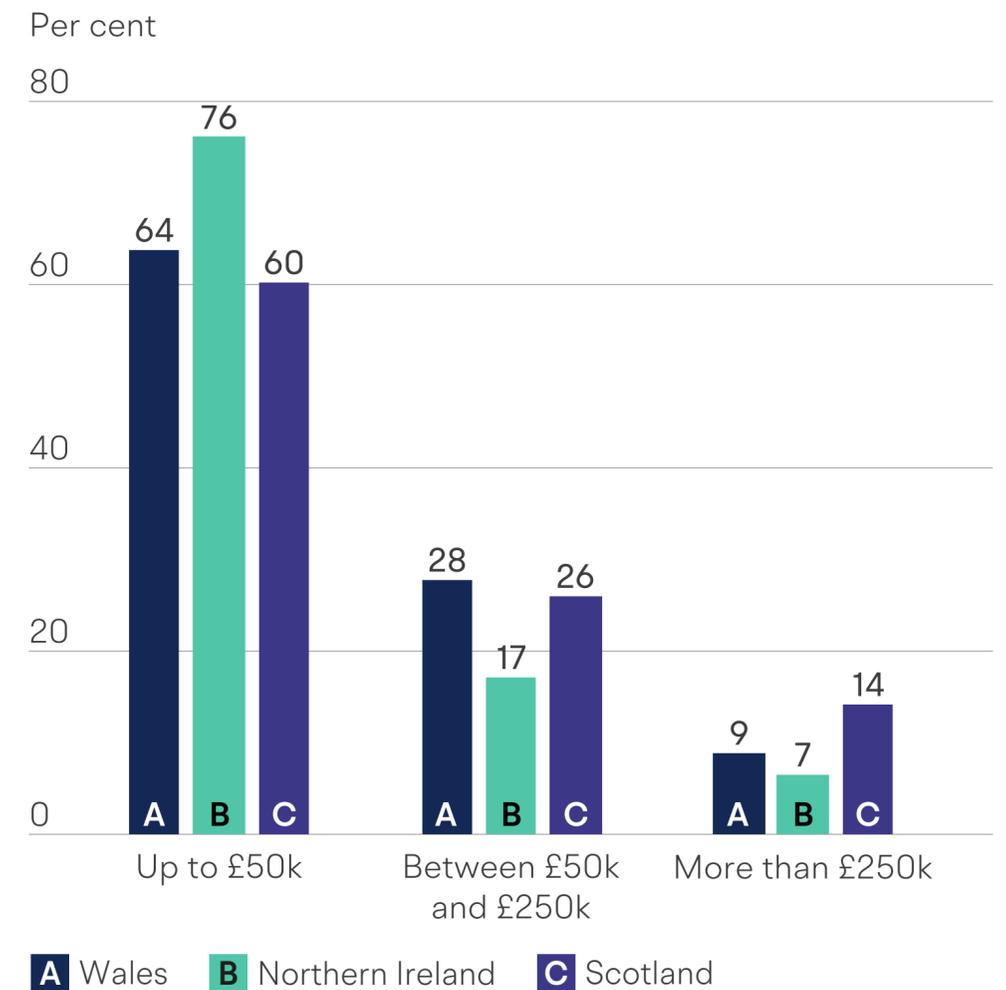


Figure B4.4

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

Unweighted sample sizes: 84 (Wales), 377 (Northern Ireland), 193 (Scotland).





## 5. Future finance needs (type)

The four regions of Wales were broadly similar in terms of their finance type preferences for fulfilling their future financing needs. Over six in ten of the Wales-based businesses that had additional financing needs over the next 12 months anticipated accessing loan products (Figure B5.1).

Grants and business overdrafts were also relatively popular compared with other finance types, but were mentioned by a lower proportion of businesses (26% and 17% respectively).

Credit cards and asset/invoice/equity finance were selected by fewer than 10% of businesses. Some regions stood out for their high usage rates of some of these finance forms; for example, Mid Wales had an exceptionally high share of businesses that anticipated accessing equity or other types of external investment. Nevertheless, these values were not found to differ in a statistically significant way across the regions.

**Businesses without employees** were more likely than larger businesses to anticipate using credit cards, while **manufacturing** businesses had greater appetite for grants than their peers in other sectors.

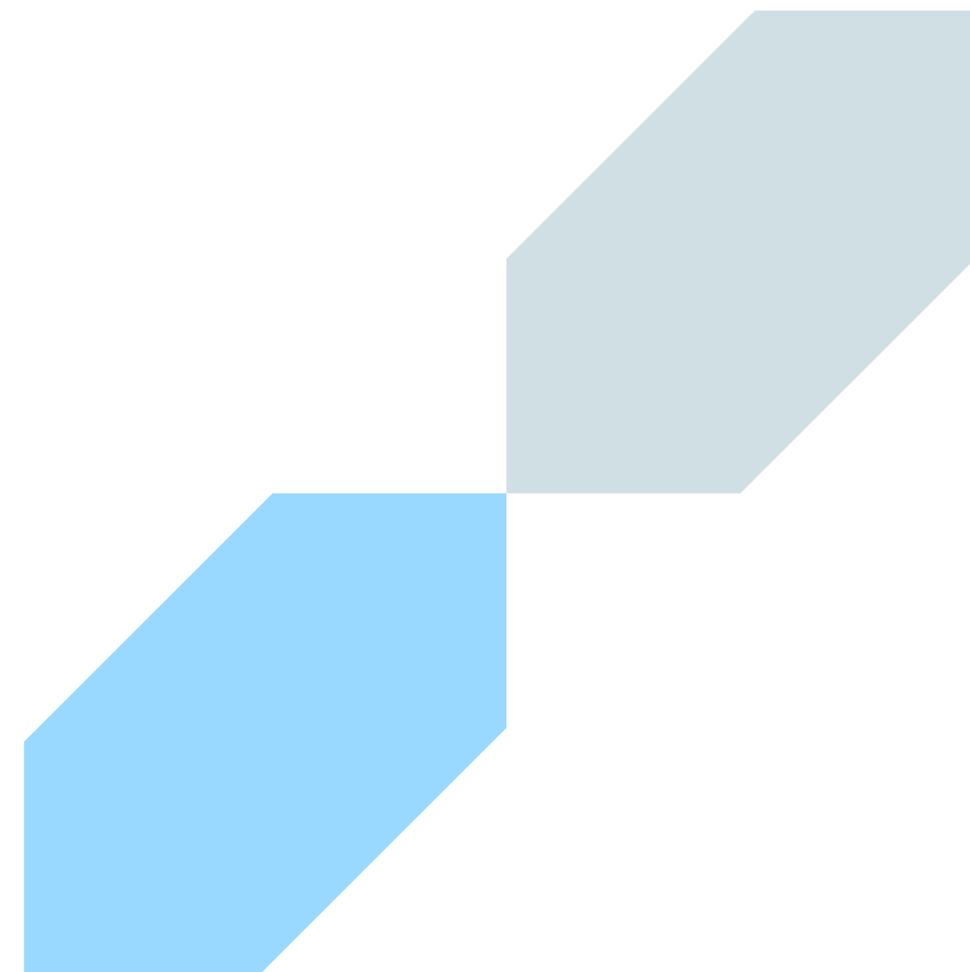
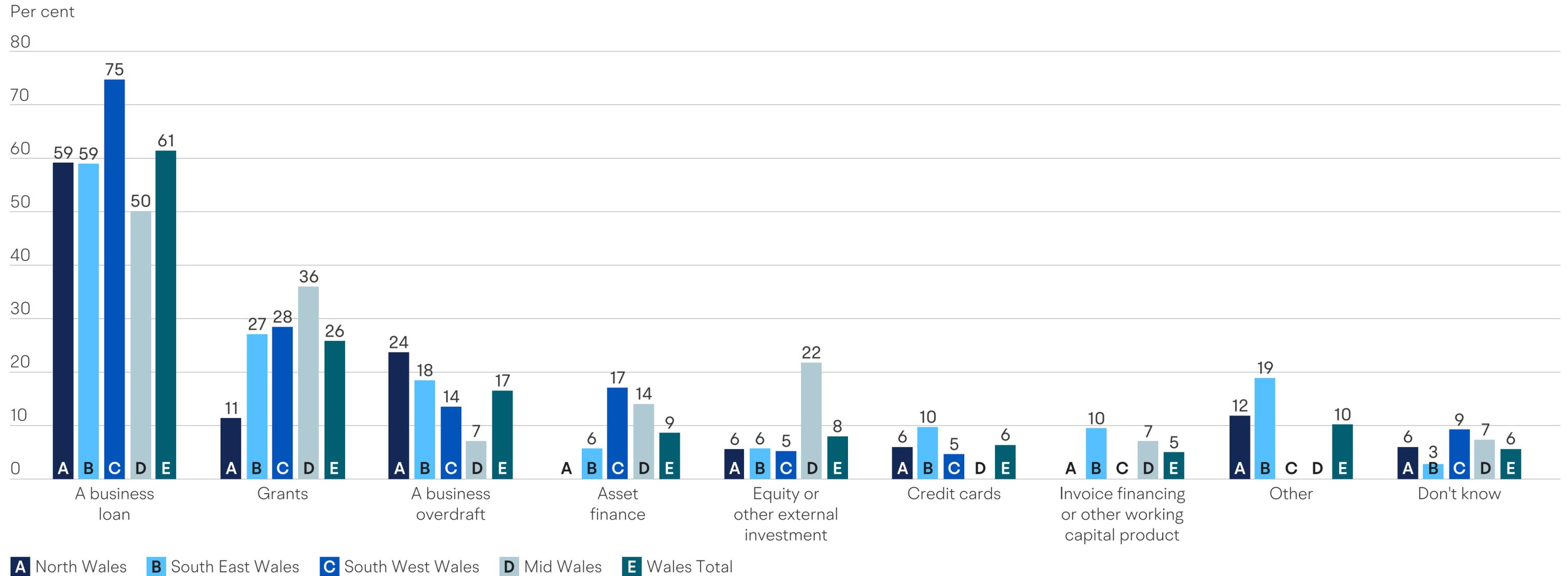




Figure B5.1

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

Unweighted sample sizes: 84 (Wales Total), 17 (North Wales), 32 (South East Wales), 21 (South West Wales), 14 (Mid Wales).



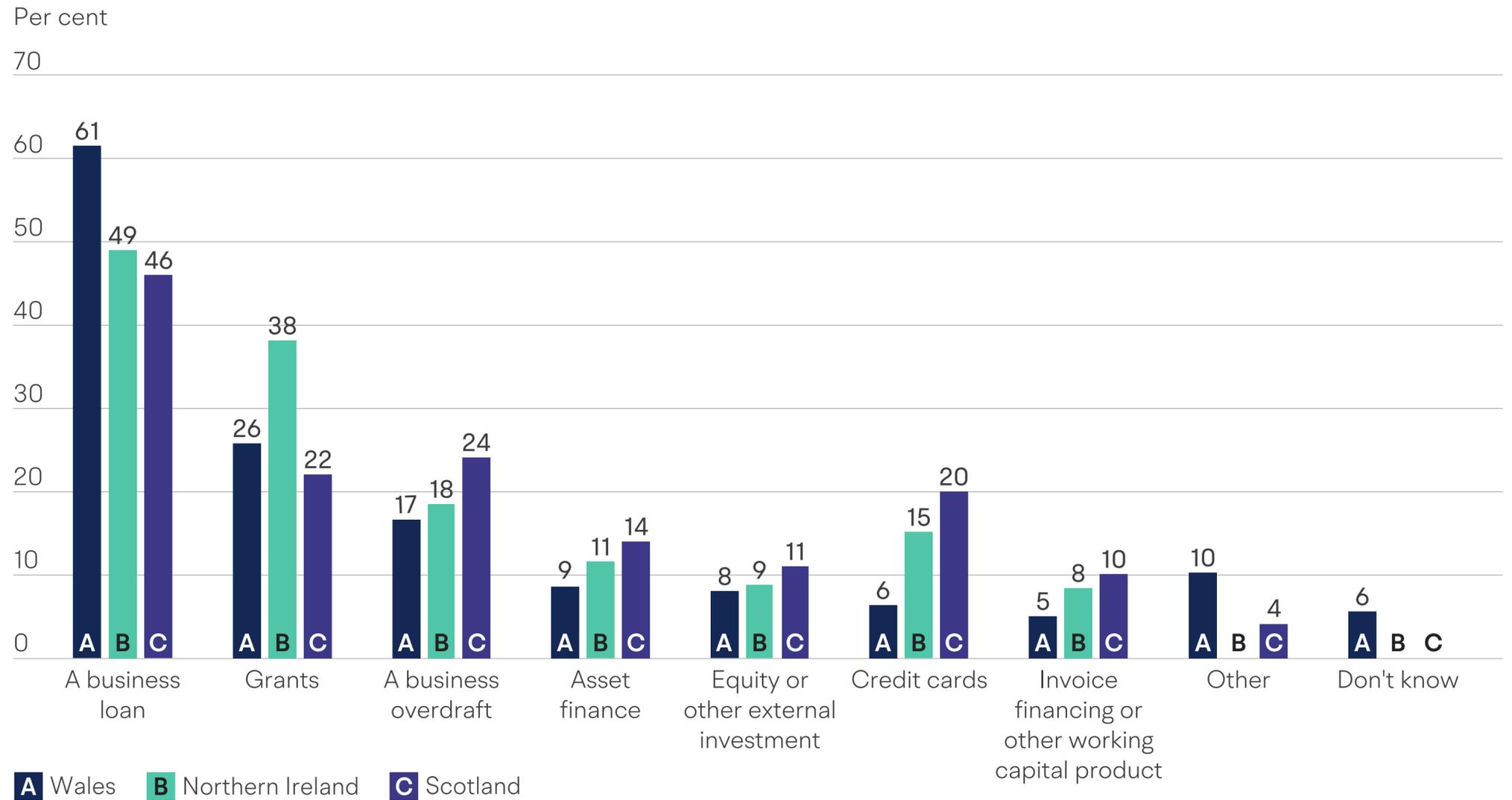


Compared with their counterparts in the other Devolved Nations of the UK, SMEs in Wales were more inclined to anticipate accessing business loans for meeting their finance needs over the next year, and less inclined to use credit cards for this purpose (Figure B5.2).

Figure B5.2

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

Unweighted sample sizes: 84 (Wales), 377 (Northern Ireland), 193 (Scotland).





## 6. Future finance needs (purpose)

Businesses in the four regions of Wales had broadly similar views on how they planned to use any additional financing required, in that their responses did not show statistically significant differences across the nation (Figure B6.1).

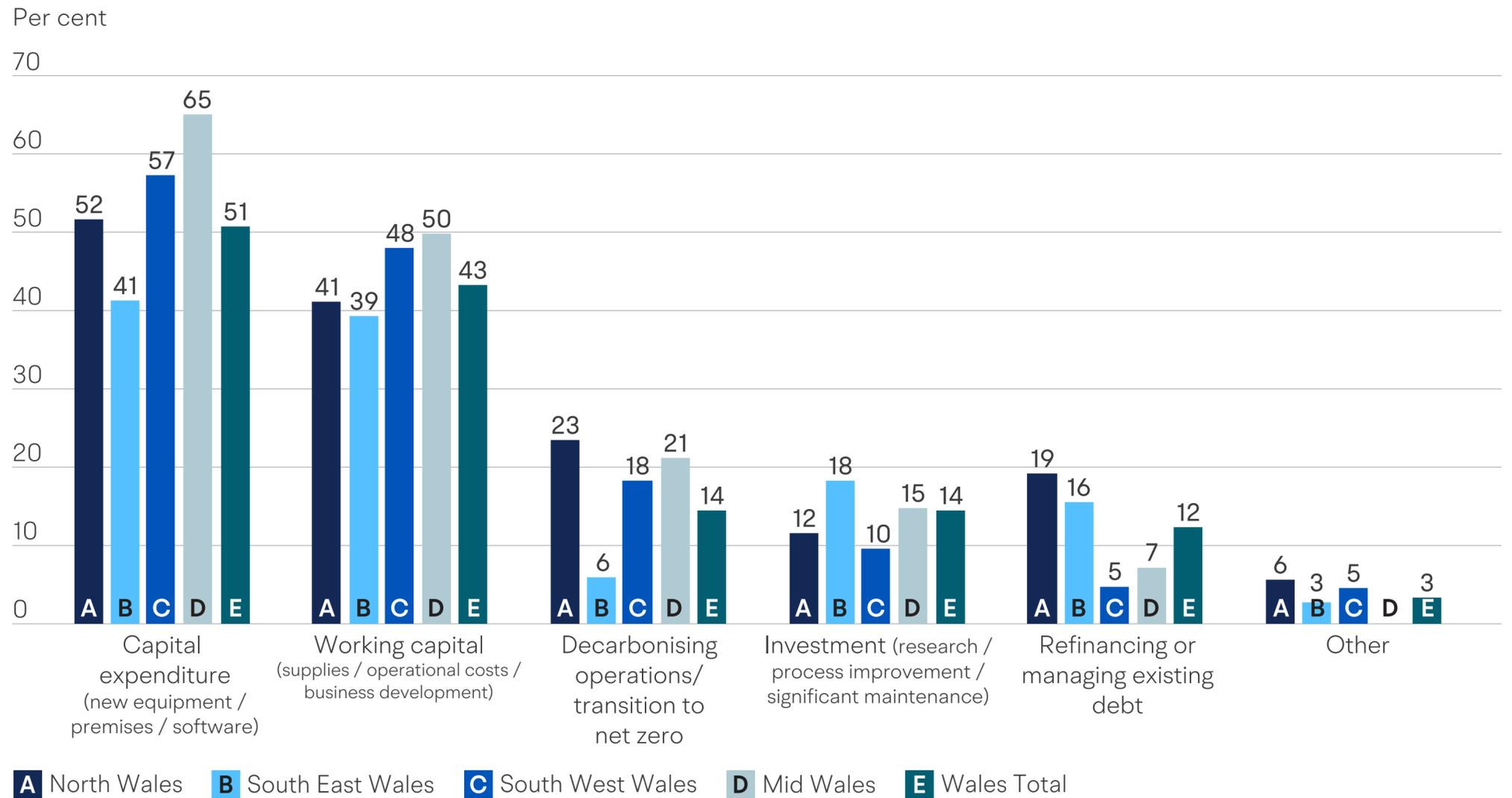
In Wales as a whole, slightly over half (51%) intended to use it for capital expenditure, while over four in ten (43%) would use it for working capital. Other planned uses, such as investment in research/process improvements/significant maintenance, and in actions relating to environmental sustainability, were mentioned by 14% of respondents each, with a slightly smaller share (12%) also mentioning refinancing or managing existing debt.

There were no statistically significant patterns on this question across sectors of activity, employee/turnover sizes and business age. However, the data shows that businesses that had a relatively large additional finance requirement (£100k–250k) also had greater inclination to use the additional financing for investment purposes.

Figure B6.1

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

Unweighted sample sizes: 84 (Wales Total), 17 (North Wales), 32 (South East Wales), 21 (South West Wales), 14 (Mid Wales).



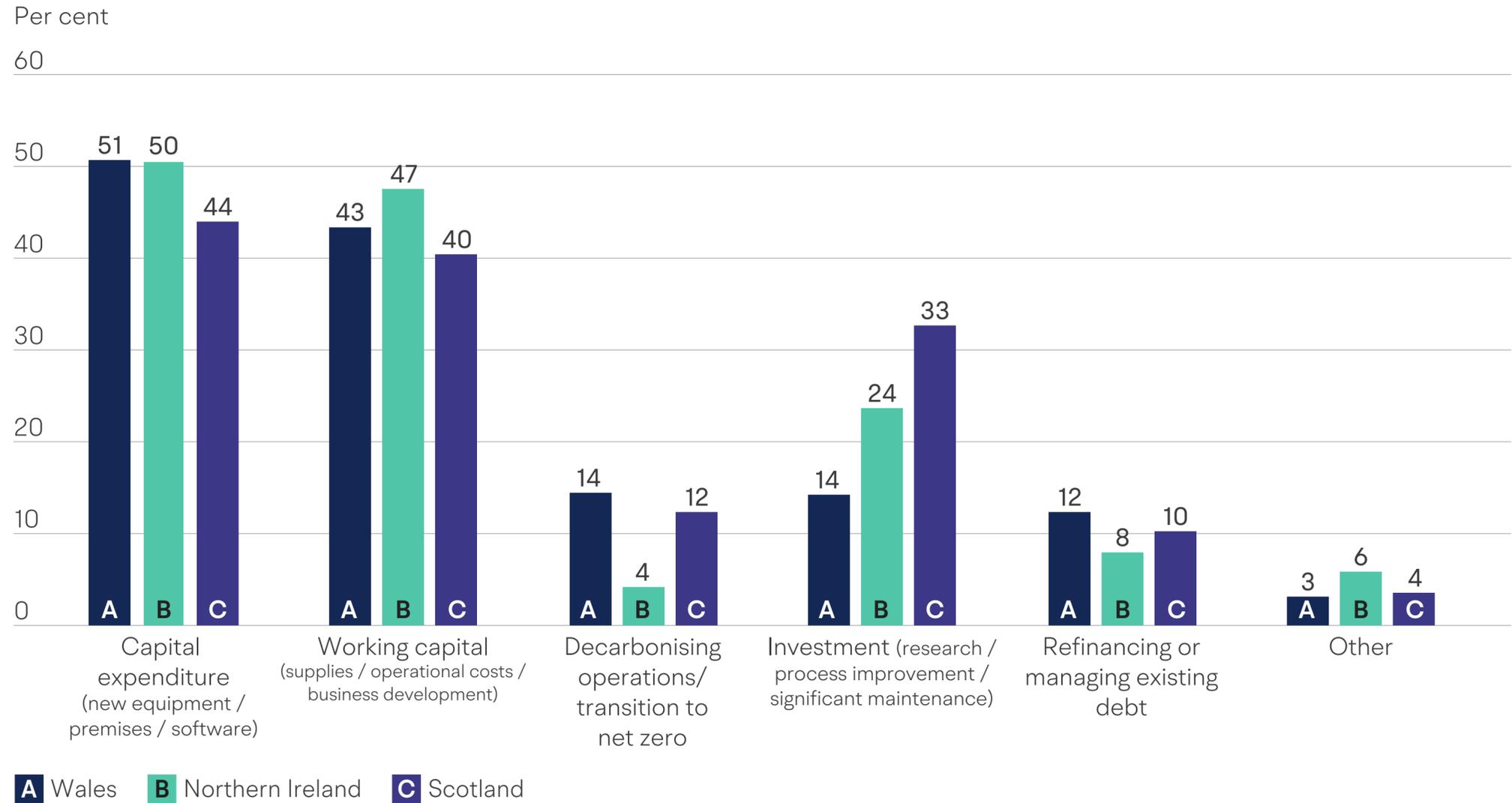


Wales-based SMEs were broadly similar to their counterparts in Northern Ireland and Scotland in terms of the intended purposes of any additional financing sought, except for investment in research/process improvement/significant maintenance, which was selected by a far lower proportion of respondents in Wales than in the other Devolved Nations of the UK (Figure B6.2).

Figure B6.2

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

Unweighted sample sizes: 84 (Wales), 377 (Northern Ireland), 193 (Scotland).





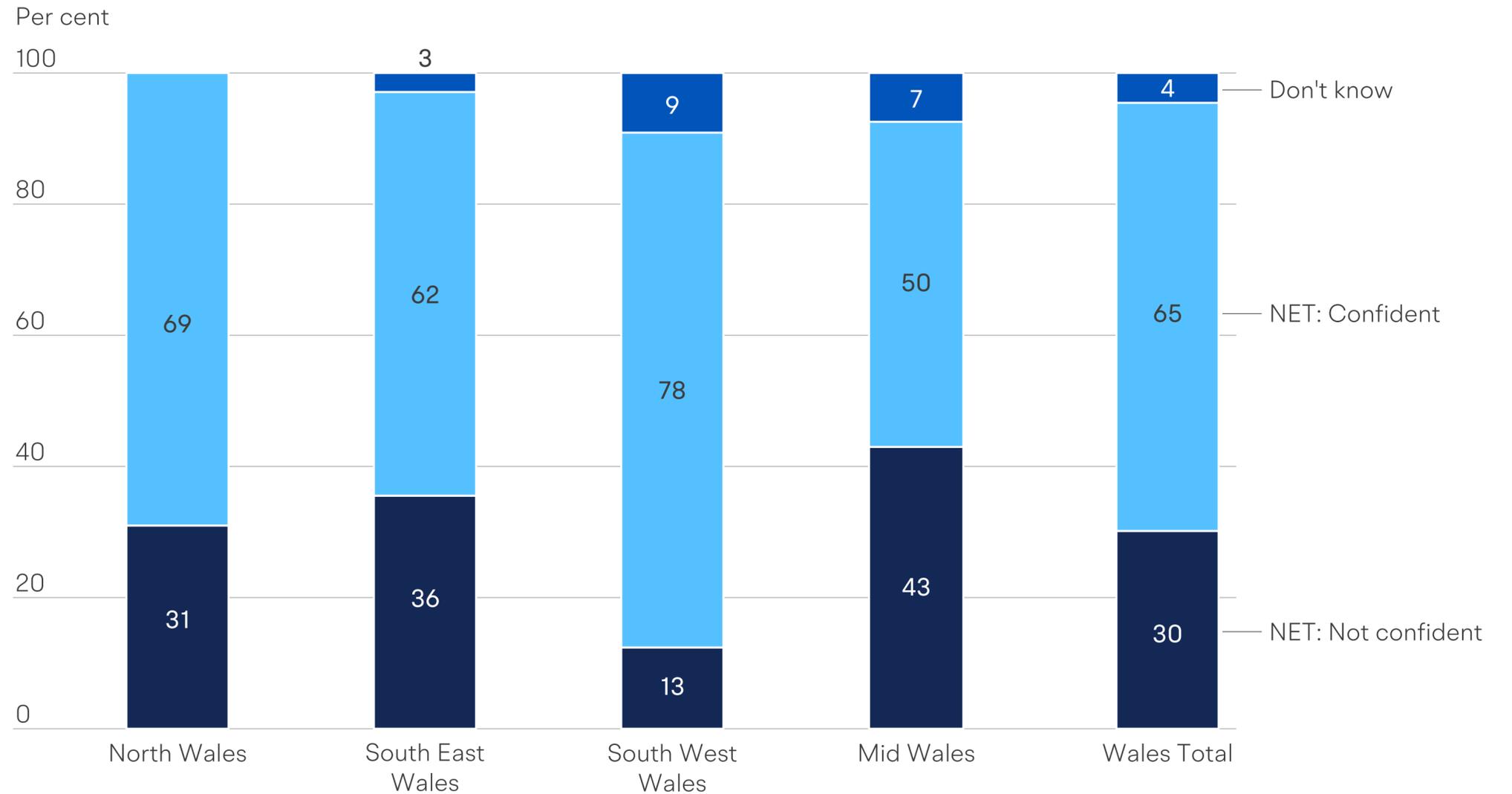
## 7. Future finance needs (confidence)

SMEs’ confidence in accessing additional finance across the four regions of Wales did not differ significantly from the national average, except for South West Wales; notably, a much smaller share of businesses based there were “not confident” they would get access, compared to the rest of Wales (Figure B7.1).

Figure B7.1

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

Unweighted sample sizes: 84 (Wales Total), 17 (North Wales), 32 (South East Wales), 21 (South West Wales), 14 (Mid Wales).





Of all regions, Mid Wales showed the lowest confidence levels. Confidence levels in Wales<sup>11</sup> as a whole were broadly similar to Scotland, whilst Northern Ireland lagged behind the other Devolved Nations on this measure (Figure B7.2).

Across Wales as a whole, **larger businesses** (in terms of employee/turnover size) generally showed greater confidence in their ability to obtain the additional funding sought, as did those expecting to remain stable over the next 12 months.

In contrast, **businesses seeking smaller amounts of funding**, between £10–50k, had the lowest confidence in their ability to access external finance. This aligns with the perception from stakeholders that supply of finance under £100k is less readily available and more difficult

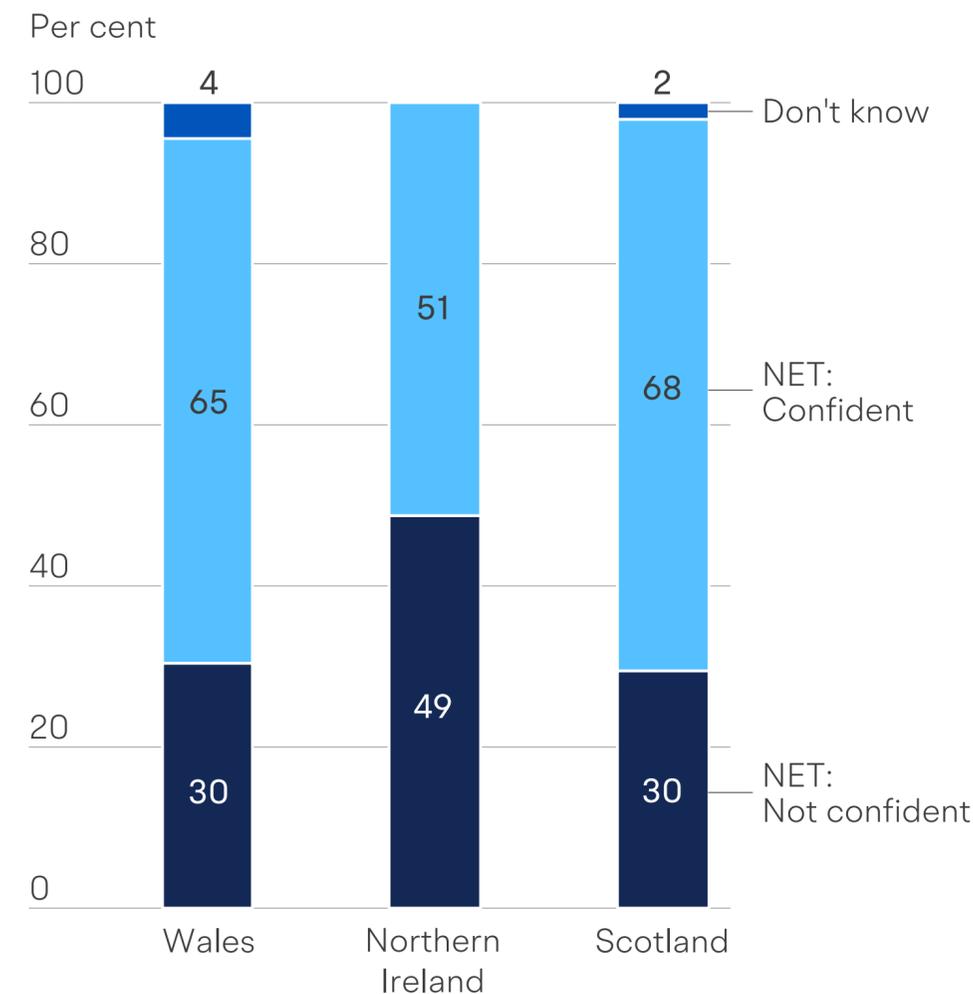
to access. In the Intermediary Survey, finance gaps were perceived to be most severely felt when accessing early-stage equity (65%). The only sectoral pattern detected relates to **financial/business services businesses**, which were generally more likely to report being confident about securing the additional financing needed than other businesses.

Low confidence levels were also evident amongst the **younger businesses** (those established less than 20 years ago), as well as businesses that expected to be trading with difficulty or at risk of closure over the next 12 months.

Figure B7.2

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

Unweighted sample sizes: 84 (Wales), 377 (Northern Ireland), 193 (Scotland).





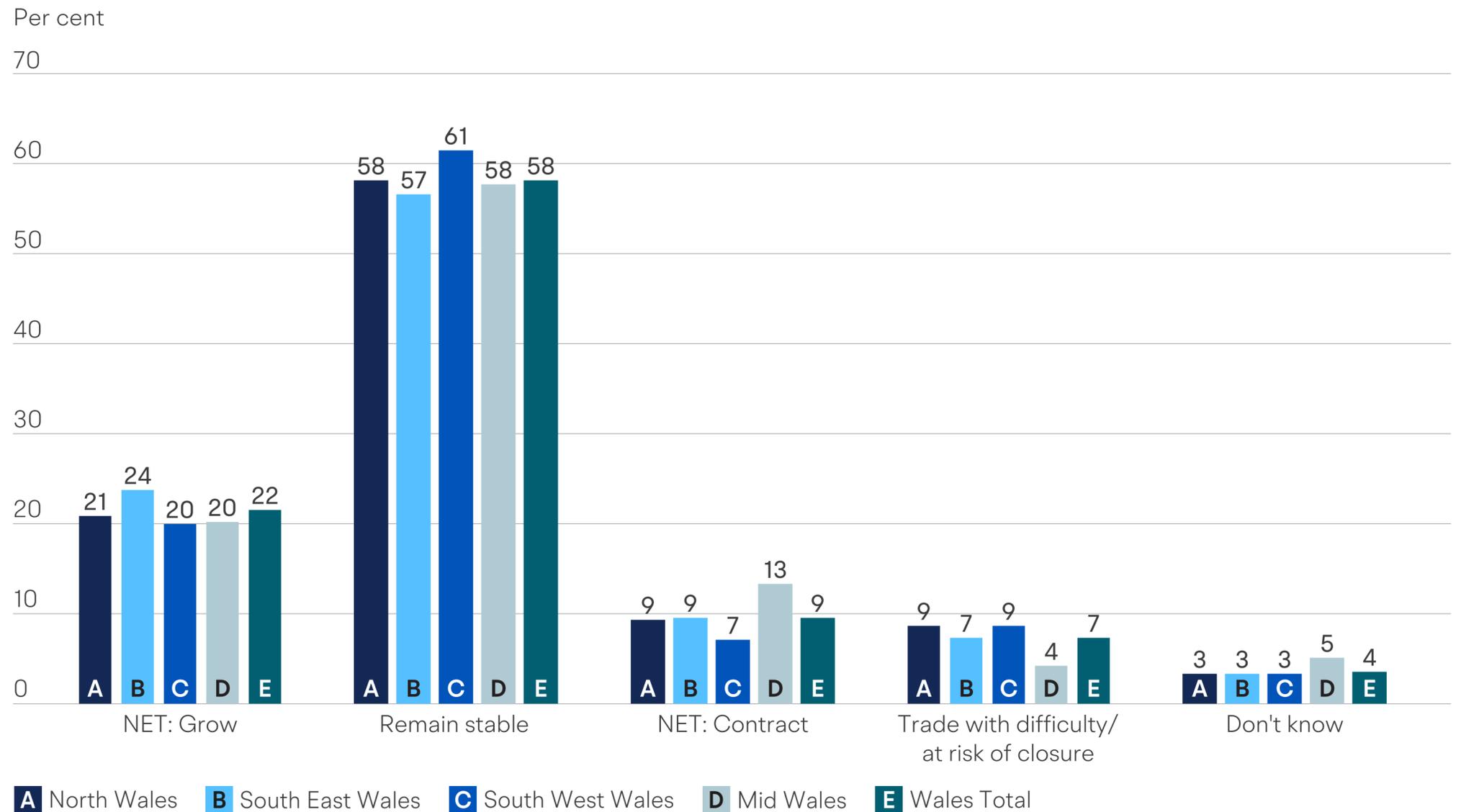
## 8. Anticipated business performance

SMEs' general business performance expectations over the year ahead did not differ in a statistically significant way across the four regions of Wales. At the national level, nearly six in ten businesses expected stability, whereas just over two in ten expected growth and the rest, a contraction or difficult trading conditions/risk of closure (Figure B8.1).

Figure B8.1

### Expected performance over the next 12 months of SMEs in Wales, by region

Unweighted sample sizes: 498 (Wales Total), 120 (North Wales) 169 (South East Wales), 114 (South West Wales), 95 (Mid Wales).





Wales compared unfavourably with the other Devolved Nations of the UK on the proportion of businesses expecting to grow over the next year, showing instead a much larger share of businesses expecting to remain stable (Figure B8.2). Nevertheless, Wales had a broadly similar proportion of SMEs expecting negative performance (a contraction or difficult trading conditions/ risk of closure).

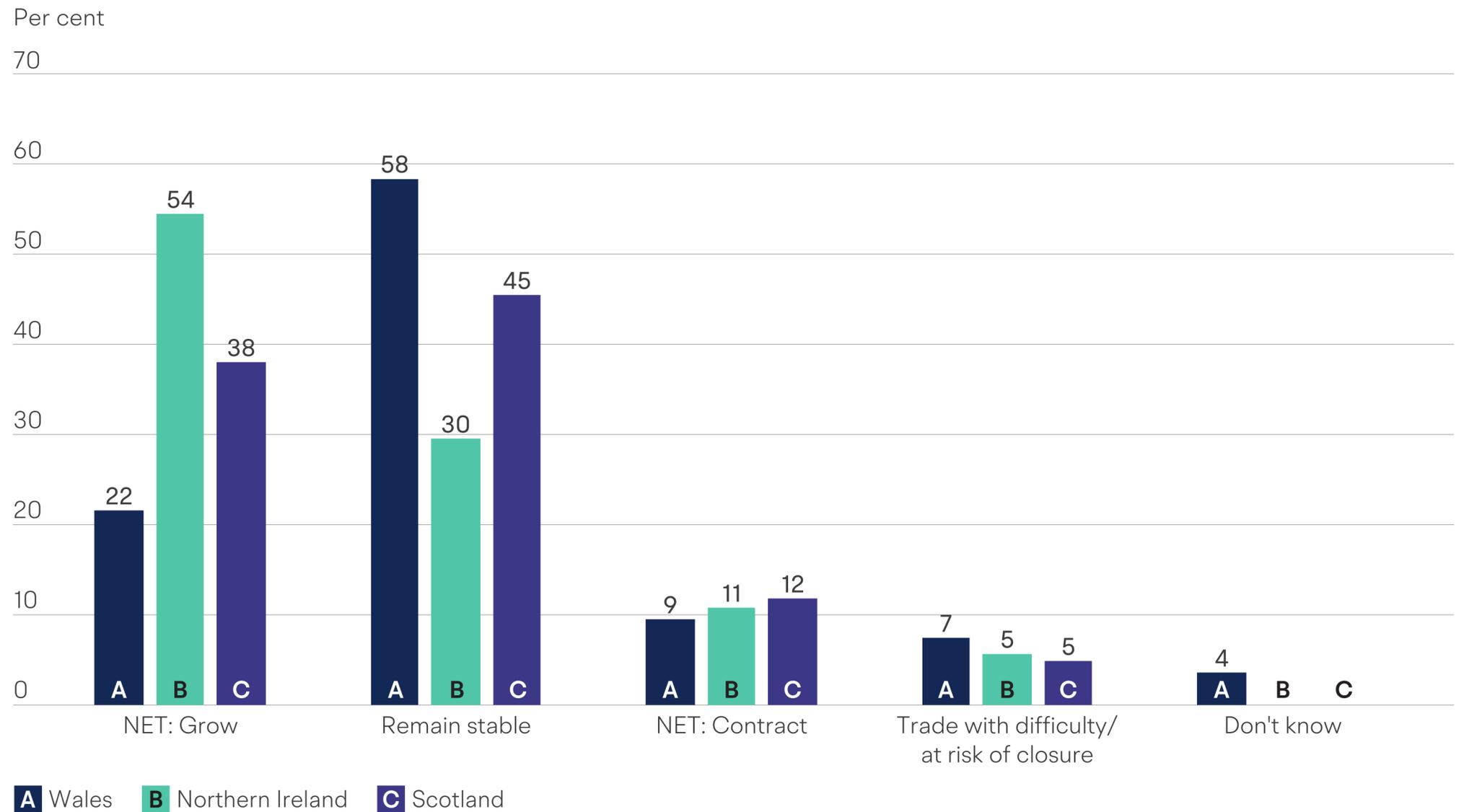
**Across different business activity sectors:**

- **Construction/transport** sector businesses showed higher propensity to anticipate growth than other sectors. The reverse was true for primary sectors (agriculture, mining and utilities). Stakeholders have previously reported, during qualitative engagements, that the construction sector had achieved steady growth in recent years and considering current projections and pipeline projects for local companies they expect this will continue into 2024/25.
- **Wholesale/retail** businesses were more likely to say they expected to be trading with difficulty/be at risk of closure. The reverse was true for finance/business services SMEs.

Figure B8.2

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

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





– **Larger businesses** (in terms of employee/turnover size) and those established less than 20 years ago were more likely to expect growth. This may correspond to higher confidence they will be able to access the finance they need for growth projects, as outlined in the previous section.

Conversely, **older businesses** (over 40 years old) and/or **smaller businesses** (ie sole traders, businesses in the lowest employment/turnover bands) were less likely to anticipate growth, with the latter also showing higher propensity to anticipate significant contraction or risk of closure. This aligned with the recent feedback from Insolvency Practitioners during conversations with the UK Network team.



# Wales Intermediary Survey Summary

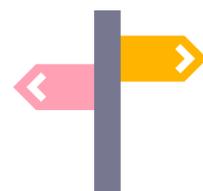


In late 2023, the British Business Bank UK Network team ran a [survey with intermediaries](#) to better understand the SME access to finance perceptions of the varying Regions and Devolved Nations across the UK. Note that this survey was a separate piece of work from the research summarised above and was conducted solely by British Business Bank. The survey collected 725 responses, 49 of those representing Wales. Headline statistics can be found in the infographic (figure B9).<sup>12</sup>

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 B9  
**Summary of Wales Intermediary Research**

Unweighted sample sizes: 725 (UK), 49 (Wales).



**57%**

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



**88%**

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



**59%**

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



**75%**

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



**76%**

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



**69%**

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



In Wales the primary access to finance barriers align with the UK, with 57% citing lack of awareness, 39% access to finance, and 37% cost of external finance. Interestingly, only 10% see a lack of ambition to grow as a significant hurdle, suggesting the perception of high aspirations amongst Welsh businesses. Notably, gaps in external finance supply are acknowledged by most (88%<sup>13</sup>) Welsh respondents, following the UK trend and previous reports.

Furthermore, survey responses reported a notable awareness gap between debt and equity/alternative finance options<sup>14</sup>. Our qualitative intel gathering with stakeholders also report there are regional differences in attitudes towards equity, and knowledge around forms of alternative finance, with anticipated usage being higher in the South East and North. In the sub-national intel survey we see significant regional differences on the forms of finance used across Wales, such as a lack of use of invoice financing across all regions and higher usage of grants in the South West and Mid Wales. This may be influenced by the sectors prevalent in each region but also regional economic plans and the availability of financial information and advisory services.

The second biggest barrier to accessing finance in the intermediary survey was deemed to be supply. When asked specifically about supply of finance, 88% of intermediaries agreed there were gaps. These gaps were perceived to be most severely felt when accessing early-stage equity (65%) and growth stage equity (56%) but was closely followed by debt (49%). Interestingly, the

sub-national intel provides a varied view on the confidence levels among SMEs in Wales regarding their ability to access additional financing. South West Wales appears most positive with 76% of businesses feeling assured in their ability to access funds, whereas Mid Wales shows considerable caution with the lowest net confidence of 50%. These differences can influence strategic business decisions and highlight the need for region-specific financial guidance and services to enhance confidence and access to finance for SMEs across Wales.

To conclude, there is a lack of awareness of finance options amongst Welsh 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 Wales and other British Business Bank programmes.

## Acknowledgements

This report along with its accompanying analysis was produced by the British Business Bank in collaboration with Economic Intelligence Wales. We would like to thank co-authors Martina Tortis, in the British Business Bank Economics Team and Susan Nightingale, Jessica Phillips-Harris, in the British Business Bank UK Network Team. We extend our gratitude to our partners in Economic Intelligence Wales, with thanks to Sian Price. We would like to thank Beaufort Research for the data collection, analysed in this report.

# Annex 1: Question set and variables analysed



Table 2

## Overview and description of the Wales Omnibus survey variables/questions

Variable name/Survey question	Description
Q1 – Is your business currently 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 – What, if any, difficulties or barriers (actual or perceived) have you experienced when accessing finance?	Any access finance barriers the business had experienced; answers were collected in an open-ended format and subsequently coded into 22 categories.
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 interview, 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 interview, including an estimated size range (less than £10k; £10–£50k; £100k to £250k; £250k to £1m; more than £1m).
Q5 – 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 – 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 interview 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 interview. This information was then used to assign respondents to one of four geographical regions within Wales (South East Wales; South West Wales; Mid Wales; North Wales), further described in the Wales – Regions Overview.
Number of employees	Range for all part time and full time employees permanently employed at the business’s named location, including the respondent (1 employee; 2–9 employees; 10+ employees).



Table 2 (continued)

### Overview and description of the Wales Omnibus survey variables/questions

Variable name/Survey question	Description
Activity group	The business's main sector of operation at the time of the interview, based on the SIC 2007 section classification. Answers were then further aggregated into the following macro-sectors: agriculture, mining and utilities (SIC 2007 sections A-B-D-E); construction/transport (F-H-J.61 only) ; wholesale/retail (G); hotels and other services (I, J.58-59-60 only, R, S.95-96 only); manufacturing (C); finance and business services (J. 62-63 only, K, L, M, N).
Turnover	Turnover range for the last financial year, in relation to the business's named location only (under £100k; £101k-£500k; £500k+).
When started	The time range in which the business was set up, relative to the time of the interview (20 years ago or less; 20-40 years ago; 40+ years ago)
Business structure	The responding business's legal status (sole trader; partnership; limited company)
Gender (respondent)	The respondent's gender (male; female; other/prefer not to say)
Gender (management team)	Gender mix among the responding business's Owners/Partners/Directors team (all male, all female, or mixed)
Ethnic group	The respondent's ethnic group (white; mixed or multiple ethnic groups; Asian or Asian British; Black African, Caribbean or Black British; other ethnic group)

# Annex 2: Methodological caveats



This Omnibus Survey provides a larger sample of responses for Wales 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 Welsh 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 suboptimal sample sizes. For instance, disaggregating a question with six answer options across four regions of Wales can result in the 498 responses 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.

To help interpretation, we therefore test all of our comparisons across the four regions of Wales 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. While the survey has been carefully designed to be as representative of Wales-based SMEs as possible, this could only be achieved on the basis of a limited number of characteristics that we can reliably compare between the survey sample and the wider SME population, such as employee size, location and the main sector of activity. In contrast, the concentration of other characteristics such as the gender and ethnic group mix of the management team could not be adjusted in line with the wider SME population either by introducing bespoke quotas in the sample design, or by

weighting the results post-survey. 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 (eg in terms sample size or statistical significance of correlations).

Caveats and limitations also apply to the comparisons between the results from the Wales Omnibus Survey and those from similar surveys undertaken in Northern Ireland and Scotland 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 North Wales – Wrexham, Flintshire, Denbighshire. Conwy, Anglesey, old districts of Arfon & Dwyfor
- 2 Nations and Regions Tracker, 2023, British Business Bank.
- 3 StatsWales: Business structure in Wales by size-band and measure. Available at: <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Structure/Headline-Data/latestbusinessstructureinwales-by-sizeband-measure>. (Accessed: 05/03/2024).
- 4 Mid Wales – Ceredigion, Powys, old district of Meirionnydd.
- 5 StatsWales: Business structure in Wales by size-band and measure. Available at: <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Structure/Headline-Data/latestbusinessstructureinwales-by-sizeband-measure>. (Accessed: 05/03/2024).
- 6 South East Wales – Bridgend, Blaenau Gwent, Caerphilly, Cardiff, Rhondda Cynon Taf, Monmouthshire, Newport, Merthyr, Torfaen, Vale of Glamorgan.
- 7 StatsWales: Business structure in Wales by size-band and measure. Available at: <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Structure/Headline-Data/latestbusinessstructureinwales-by-sizeband-measure>. (Accessed: 05/03/2024).
- 8 South West Wales – Swansea, Neath & Port Talbot, Carmarthenshire, Pembrokeshire.
- 9 StatsWales: Business structure in Wales by size-band and measure. Available at: <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/Businesses/Business-Structure/Headline-Data/latestbusinessstructureinwales-by-sizeband-measure>. (Accessed: 05/03/2024).
- 10 This was calculated by subtracting respondents selecting either don't know or "none of the above (types of finance)" in Question 1 from the overall total of respondents to that question.
- 11 99% due to rounding
- 12 As produced by the British Business Bank UK Network team in January 2024. Data collection ran in Autumn 2023.
- 13 Question 4: 37% strongly agree, 51% agree in Wales, 41% strongly agree, 40% agree in UK.
- 14 Question 7: 63% very well/fairly well informed about debt, 22% very well/fairly well informed about early stage equity, 20% very well/fairly well informed about growth and later stage equity, 14% very well/fairly well informed about alternative.



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