

# Financing SMEs in the UK

**Marc Mullen**

Editor – *ICAEW Corporate Financier*

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# Financing SMEs in the UK

- Public, media & politicians vs the banks
- The UK SME scene
- UK government approach
- Tax incentives
- Debt initiatives
- Equity initiatives
- Other financial measures
- Non-financial measures
- The UK vs Brazil – not just the weather that is different!
- Tips for Brazil

# Who's robbing who?



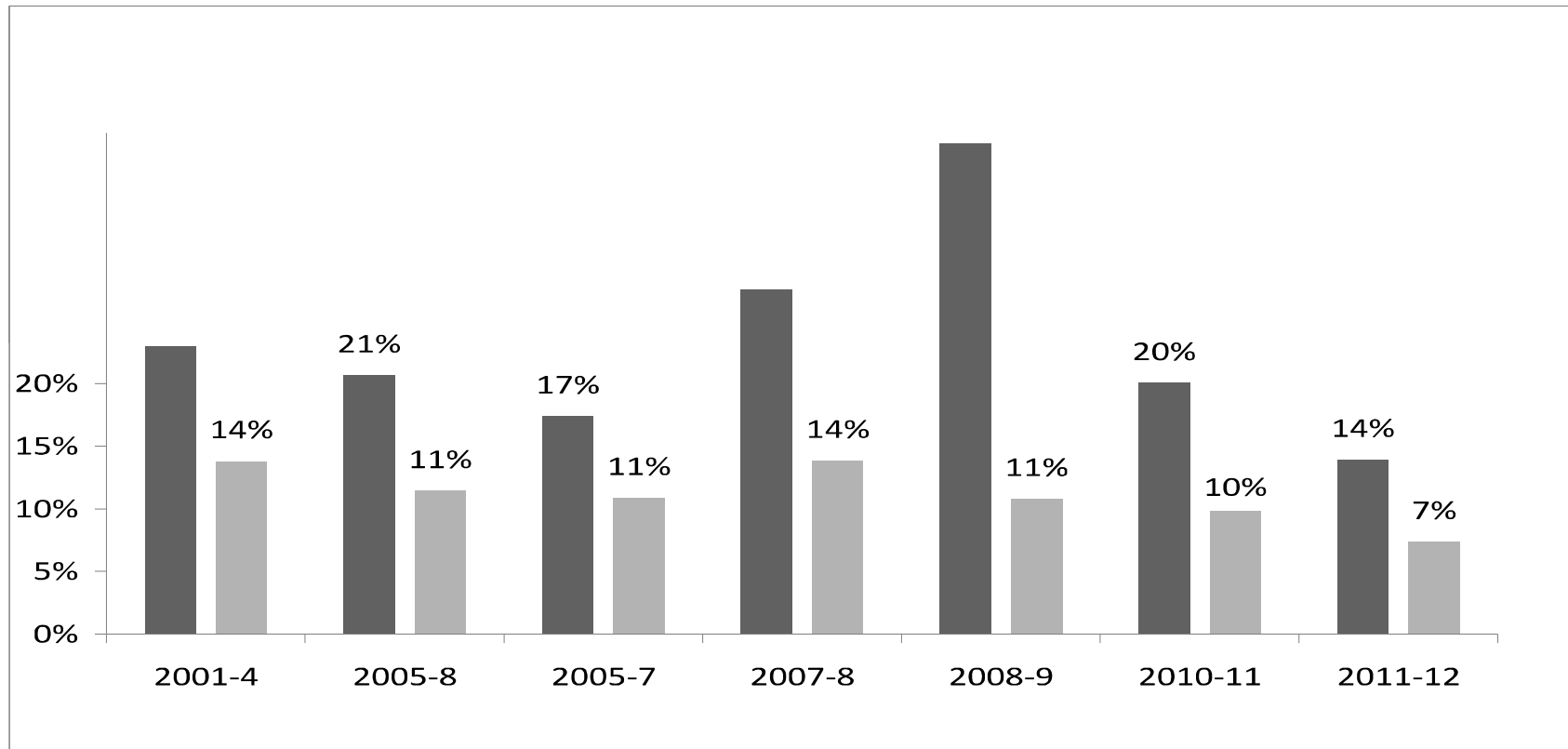
# Public, media, politicians vs banks

- The big bank bailout - £500bn in loans and guarantees - (US was \$700bn)
- "Luckily for the world economy,... Gordon Brown and his officials are making sense,... And they may have shown us the way through this crisis" - Paul Krugman the Nobel Prize winner for Economics
- However – no such thing as a free lunch
- Fred ‘the Shred’ Goodwin – public enemy no 1
- Outright hysteria didn't last long
- Impact of Basle III

# UK SME scene

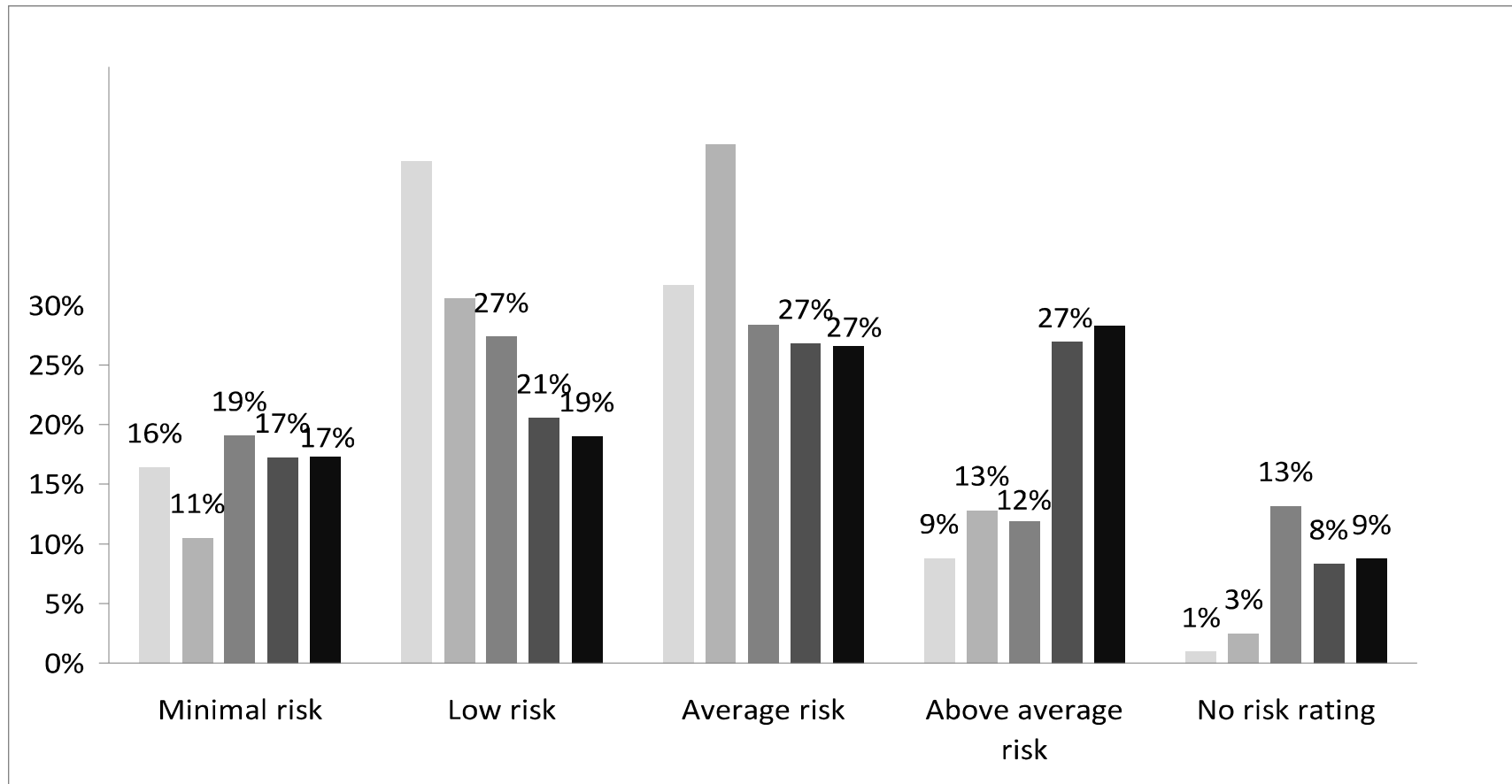
- UK SMEs not as dominant as German Mittelstand, but critical part of UK economy
- SME funding continues to be tough
- At start of crisis large number of SMEs denied credit
- Number fallen because far fewer applying for credit
- Effectively two tier lending market – haves and have-nots
- Growth businesses in ‘fashionable’ sectors have funding options
- ‘Refinancing wall’ has left ‘zombie companies’
- Large corporates have accumulated cash through crisis

# SME demand for debt



Source: BIS, UK government

# Risky business



Source: Dun & Bradstreet

# Tax incentives

- Tax-based venture capital schemes, which encourage individuals to invest in trusts and therefore equity
- Enterprise Investment Scheme (EIS)
- Seed Enterprise Investment Scheme (SEIS)
- Venture Capital Trust (VCT) scheme
- Listed VCT schemes – Mobeus – 4 with £150m of AUM
- ‘We are looking to invest in the superior companies . . . And for those businesses you see a more optimistic picture’ Mark Wignall, Mobeus CEO
- Debt facility to get deals away



# Debt initiatives

- £190bn 'Project Merlin' - £76bn for SMEs in 2012
- £20bn National Loan Guarantee Scheme
- Enterprise Finance Guarantee Scheme

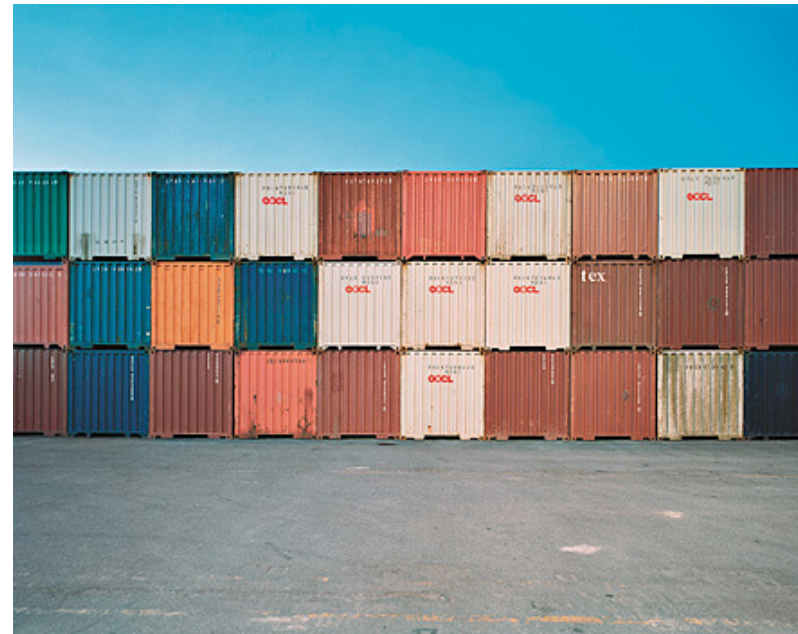
# Equity initiatives

- Business Growth Fund
- Green Investment Bank
- £1bn Business Finance Partnership
- Business Angel Co-investment Fund
- Enterprise Capital Fund



# Other financial measures

- Grants largely
- Smart – grants for R&D
- Innovation Vouchers
- Small Business Research Initiative
- Knowledge Transfer Partnerships
- UK Export Finance



# Non-financial initiatives

- GrowthAccelerator - £200m government-backed programme
- Commercialising innovation
- Business development
- Access to finance
- Leadership and management
  
- Business in You



# UK vs Brazil

## UK

Low growth

Ever increasingly service based economy

Banking system

very/oversophisticated

Wide spread of investors

High cost economy

Broad incentives needed

## Brazil

High growth potential

Greater manufacturing, lower skilled jobs

Scope for further development

Narrower investor base

Lower cost base

Targeted incentives would help

# Lessons?

- Identify the funding gap – early stage?
- Target tax incentives for that gap
- Look at non-financial initiatives to strengthen companies as they grow – business mentoring
- Ensure stepping stones are in place for carry on funding – developing financial services

