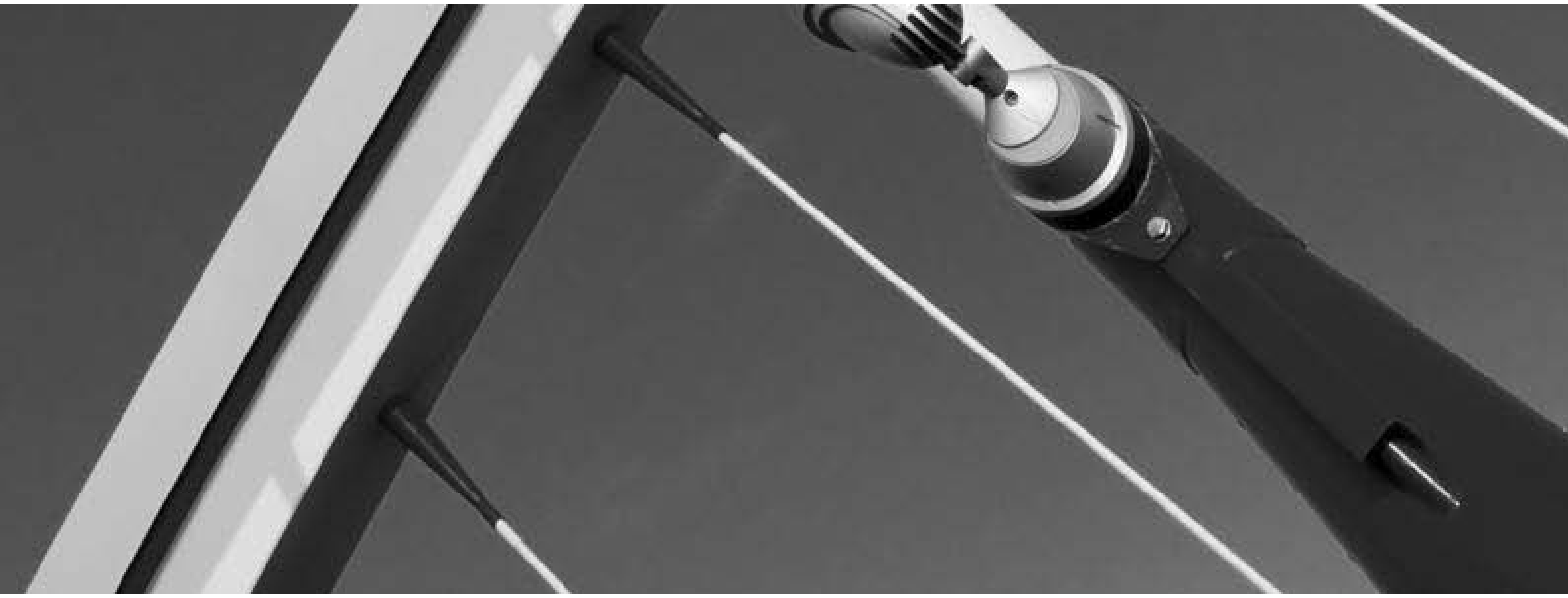
ACCOUNTANCY FUTURES

Small business finance and the recovery

RESULTS OF THE 2010 SME CREDIT AND FINANCE SURVEYS



A joint report from ACCA and the CBI

ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 140,000 members and 404,000 students throughout their careers, providing services through a network of 83 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities.

ABOUT THE CBI

The CBI (the Confederation of British Industry) is the UK's leading business organisation, speaking for some 240,000 businesses that together employ around a third of the private sector workforce.

With offices across the UK as well as in Brussels, Washington, Beijing and New Delhi, the CBI coordinates British business representation around the world.

www.cbi.org.uk

ABOUT ACCOUNTANTS FOR BUSINESS

ACCA's global programme, Accountants for Business, champions the role of finance professionals in all sectors as true value creators in organisations. Through people, process and professionalism, accountants are central to great performance. They shape business strategy through a deep understanding of financial drivers and seek opportunities for long-term success. By focusing on the critical role professional accountants play in economies at all stages of development around the world, and in diverse organisations, ACCA seeks to highlight and enhance the role the accountancy profession plays in supporting a healthy global economy.

www.accaglobal.com/accountants_business

In the summer of 2010, ACCA and the CBI joined forces to make an evidence-based contribution to the debate about how to finance a private sector recovery in the UK. This report presents the findings of this joint research.

Drawing on hundreds of responses from SMEs and their professional advisers, it highlights the most important trends in the supply of and demand for SME finance; it showcases the range and effectiveness of reporting and credit management practices among SMEs; and it suggests ways in which better private and public information can help address many of the problems facing the sector today.

CONTACTS

Dan Morgan
Senior Enterprise Adviser, CBI
dan.morgan@cbi.org.uk

Emmanouil Schizas
Senior Policy Adviser, ACCA
emmanouil.schizas@accaglobal.com

Contents

Foreword

For more than a hundred years, ACCA has championed the growth of small and medium-sized enterprises (SMEs), which either employ or use the advice of more than half of our membership. This has always meant working to improve SMEs' ability to access finance, and we have worked to raise awareness of their diverse funding needs, point out market imperfections and advocate changes in business practice or government policy where necessary.

As we move through the economic cycle, businesses need a secure financial footing and to know they will continue to receive support. The challenge is to piece together the evidence on SMEs' access to finance, to ensure that the right lessons are learned and to bring together the right partners to deliver progress. For this reason, we are very pleased to be working with the CBI on this very important piece of research that will provide a way forward for policy makers, providers of finances and the businesses that require support.

The findings of this research paint a unique picture of the rise of trade credit, the importance of liquidity, the impact of discouraged demand, as well as the successes and challenges of government support. Ultimately, information lies at the heart of all of the many trade-offs in access to finance. Our findings reinforce ACCA's view that better, clearer information is one of the means of improving the cost and accessibility of finance to SMEs.

The policy makers, providers of finance, SMEs and business advisers have a real opportunity to close the gap between perception and reality. If we do nothing the market for SME finance will not fail but we will have failed SMEs. The priority now should be to demonstrate to SMEs the importance of financial information when seeking finance and for us all to take a more proactive approach to ensuring the access to finance door remains open.'

ALeck

Andrew Leck
Head of ACCA UK

Small and medium-sized businesses (SMEs) are the lifeblood of the economy. They account for half of the employment and wealth generated in the UK. Many of these businesses are innovative and entrepreneurial – prepared to take risks to survive and grow – and their success is critical to the UK's future prospects, especially as we look to achieve the growth needed to tackle the deficit.

In order to continue to grow and deliver real benefits to the economy, these small firms will require access to a variety of different types of funding. This is a matter of stimulating demand as much as encouraging supply – building the capacity of SMEs to understand alternative sources of finance and making themselves attractive as recipients of both bank and non-bank lending.

The survey shows that small businesses are already tapping into a wide range of different funding streams, with bank lending becoming less critical to growth than previously anticipated. The demand for bank finance is not expected to rise for some time, while the outlook for trade credit appears more buoyant – along with a consequent need for better information on which to manage credit relationships.

Liquidity was the key concern for SMEs in the recession and this is equally true of the recovery. SMEs, like their larger counterparts, have to ensure that businesses throughout the supply chain are able to cover their working capital needs in order to guarantee mutual survival and growth. This means SMEs will have to adapt their behaviour, prioritising financial information and credit controls as a key business function in the same way as sales or HR.

This survey offers an insight into how SMEs are adapting to the new credit environment and highlights the need to broaden the scope of the policy debate around SME finance and information flows. We hope this can form the basis of a wider debate on the financial options now available to SMEs and how they can best position themselves achieve sustainable growth in the post credit crunch landscape.

Ian McCafferty,
Chief Economic Adviser , CBI

Executive summary

This report presents the findings of two surveys – one of small and medium-sized enterprises (SMEs) and one of accounting practitioners advising SMEs – carried out jointly by ACCA and the Confederation of British Industry (CBI). The surveys, carried out in August – September 2010, provide a valuable snapshot of the state of the SME sector, its ongoing recovery and the financial markets that it depends on, timed to inform our responses to the Government's recent consultation on financing a private sector recovery.

KEY FINDINGS

'Cash is king' was a common refrain throughout the recession. However, it is even more true in the recovery. Cash, liquidity and working capital needs are now the main drivers of SMEs' demand for finance and of their partners' demand for information. Those with strong cash positions are both less likely to need finance and more likely to obtain it if they apply. This point is not lost on the managers and owners of SMEs, who are focused on ensuring liquidity. Already, many SMEs are taking successful action to ensure prompt payment, even from fairly large customers. Overall, trade creditors have tightened their terms faster than banks and commercial lenders.

The behaviour of trade creditors deserves a great deal of attention: as a financial market for SMEs, trade credit is more important than media reports suggest, and easily as important as bank lending. In fact, its significance will only increase in the recovery. Even late payment, the £24bn scourge of small suppliers, is a substantial source of finance for some SMEs. Unfortunately, that most SMEs treat credit to their customers as a commercial rather than a financial matter – until it begins to turn sour. Proactive attitudes to trade credit are still fairly rare and SMEs tend to make do with dated and incomplete information in managing credit risk.

With the continued rise of trade credit, more and more managers and owners of SMEs are waking up to discover they are running small banks – a function to which their businesses' resources and practices are ill-suited. SMEs are, for the most part, relying on relationship-based controls to ensure prompt payment, and there is evidence that these work very well for the scant resources devoted to them. On the other hand, other potentially effective options such as the use of credit reference information are usually overlooked.

If the outlook for trade credit is buoyant, demand for credit from banks and other commercial lenders is not guaranteed to rise from today's lows for some time, even though in theory the appetite for debt is on the rise. As the recovery gets underway it is creating a need for working capital and thus a great deal of latent demand for finance. Only a small part of this, however, translates into actual requests for new funds. One reason for this is discouraged demand – the perception that banks and other providers will simply not lend is forcing SMEs to abandon their financing plans and instead tap their suppliers, their customers, or even friends and family, for finance. Others are responding by keeping recruitment and investment decisions on hold or even pursuing further efficiencies. It is important to note that SMEs' views of lenders and their policies may not be entirely correct. In fact, SMEs applying for additional finance are very likely to receive at least some of the funds they are looking for, which is roughly in line with lenders' claims. Approval rates have not been this high since the early credit crunch of mid-2007.

However, in line with popular perceptions, micro-enterprises are genuinely less likely to have their new loan applications approved by banks than larger businesses. Much of this disadvantage is down to poor cash flow and a lack of security but market imperfections cannot be ruled out.

One crucial input into the credit supply chain is information. Not even businesses under the VAT threshold are so small or so insular that they can avoid reporting to someone on a regular basis. In the recovery, creditors are increasingly looking for more, and more current, information on which to base financial decisions – and so do SMEs themselves, which often penalise customers for providing them with 'incomplete' data. Overall, however, smaller businesses have not been very pro-active in preparing financial information for third parties, largely due to cost, but also due to management skills and mindsets. Even for their own management purposes, SMEs use information that is just about fit for purpose, reconciling the tradeoff between relevance and cost, but no more than that.

Finally, the Government has emerged in the past year as a major player in access to finance. The Business Payment Support Service (BPSS) has been the most widely used and the most successful type of government finance to date, owing to the HMRC's reach and very high success rates. However, our data also reveal a strong interest by

SMEs in grants, possibly due to the way in which they target specific regions or sectors. This major strength of decentralised finance schemes also appears to be their greatest weakness: grants appear to direct funding towards larger SMEs that are better-placed to tender for them. Finally, while awareness of government loan guarantees is satisfactory, and although interventions such as the Enterprise Finance Guarantee (EFG) scheme are well-suited to their original purpose, they are limited by their design which was tailored to the needs of the recession. The Government may need to reconsider the scope of its support so that it is more relevant to the needs of growing SMEs and the recovery in general.

RECOMMENDATIONS

Our analysis suggests that SMEs could be hindered in their efforts to manage their credit risk and cashflow by inadequate credit management practices and a lack of readily available financial information. To address this problem, finance staff and financial advisers alike need to be willing and able to educate SME owners or managers in credit management and challenge their thinking and practices where appropriate. In particular, SMEs appear to be seriously under-utilising tools such as credit reference information which could at the very least help bolster confidence, thus freeing up cash for investment. Improved access to this information could make a big difference. Finally, although good credit management and legislation can help alleviate the worst abuses, policymakers should bear in mind that late payment will remain commonplace as long as commercial considerations make it a very successful tactic.

The two surveys cited in this report suggest that there is an important gap between the potential demand for new finance among SMEs, which has grown strongly in the recovery, and the actual demand (eg new loan applications). How much of the former will eventually translate into the latter is unknown even to the majority of businesses themselves. In light of this both lenders and the government need to reconsider the emphasis placed on SME lending pledges, and develop a constructive response to discouraged demand for finance, which is a very real problem. Overall, the point needs to be made more clearly that the majority of loan and other credit applications by SMEs are in fact approved and that financially healthy businesses are more likely to be successful. On the other hand, the issue of micro-enterprises' access to finance certainly deserves a great deal of attention and lenders should consider in detail how changes in lender and borrower practices, including the provision of better information, can help overcome market imperfections.

It is important to note that the credit markets that will gain prominence in the recovery (trade credit, supply chain finance, etc) are not as widely understood as bank lending – SMEs will need appropriate advice and support from a wide network of professionals, credit providers and business support organizations in order to adjust to this new range of options. Producing and processing financial information will be crucial to navigating this new landscape; the ability of smaller businesses to automate, standardise, outsource or otherwise manage this workload could have substantial implications for access to finance. One implication of our findings is that SMEs cannot grow without making the leap to producing more and higher quality information as well – therefore the obstacles discussed above could in fact be obstacles to wider economic growth.

Government also faces some difficult choices in redesigning its business and financial support infrastructure. While the success and continued relevance of tax deferral is indisputable, the Government needs to acknowledge the limitations of loan guarantees at a time when the finance supply chain is no longer facing near-failure as it did in 2008. Furthermore, as it continues to streamline the system of business grants, the Government will need to confront the dilemma of relevance vs access: to strike a compromise between fragmentation, which improves awareness and interest among SMEs, and centralisation, which promotes a level playing field for the smallest businesses.

Finally both government and providers of business support in general need to be mindful of the crucial population of high-growth, innovative businesses, which can often be cash-negative and rely mainly on intangible assets. Despite their importance, these businesses could find it extremely difficult to access finance in the recovery, with implications for economic growth and employment. Private and public business support has a role to play in addressing this, for instance by enabling access to equity finance, or improving the awareness and protection of intangible assets.

1. About this report

Following the 2008–9 recession, the UK economy now faces a difficult and uncertain recovery. Small and medium-sized enterprises (SMEs) have suffered disproportionately in the downturn but they have also shown a great deal of resilience and flexibility. Meanwhile, the UK's fiscal challenges have ushered in a new age of austerity in which the Government's options are severely constrained and business support schemes face an uncertain future.

Reliable access to finance of all types will be essential if a healthy SME sector is to contribute to the recovery; however the signs so far are not encouraging. The stock of bank lending to SMEs fell by 1.8% in 2009,[1] and overdraft lending fell even faster.[2] Flows of asset-based finance to SMEs fell by 16% in 2009,[3] while Venture Capital and Business Angel funding both fell by ca. 30%.[4] At the same time, businesses are increasingly turning to their suppliers for credit, often through late payment. By the end of 2009, SMEs were burdened with a crippling £24bn of overdue payments.[5]

Two years of fierce debate regarding SMEs' access to finance have failed to lay the matter to rest; instead, new questions have arisen. Is the demand for new lending really falling or are SMEs discouraged by media reports and banking horror stories? Are credit providers living up to their commitments to support SMEs, and are SMEs themselves meeting them half-way by providing the right information? Are government schemes making a difference by supporting SMEs' access to finance? Crucially, can individual businesses safeguard their own cashflow without disrupting the flow of credit that all trade depends on?

In this paper, ACCA and the Confederation of British Industry (CBI) join forces to address these issues. Our views, supported by a survey of SMEs and accounting practitioners (See Appendix 1), also form a timely contribution to Financing a Private Sector Recovery, the Government's green paper on the future of business finance. Our joint report addresses the business finance supply chain in its totality, starting from the financial information that is its raw material, and shows how the main problems cited by businesses and credit providers are inter-related. It is our hope that this paper will stimulate the thinking and practices of government and business and thus help safeguard the recovery for UK SMEs.

---

1. *Trends in Lending,* Bank of England, 2010.

2. *Small Business Credit Update Q2 2010,* ACCA, 2010.

3. *ABFA Quarterly Statistics to June 2010.* Figures refer to clients with £10m turnover or less.

4. C.M. Mason and R.T. Harrison, *Annual report on the Business Angels Market in the UK: 2008/9,* BIS, June 2010, and BVCA, *Report on Investment Activity 2009*, May 2010.

5. 'Late payments still a major cause for concern for British SMEs', BACS Press Release, 29 March 2010. Data sourced from the *BACS/Continental Business Late Payment Survey.*

2. Trends in the demand for financial information

Almost all of the SMEs surveyed, including the majority of businesses under the VAT threshold, reported the need to produce up-to-date financial information (Table 1). Smaller SMEs typically report to two of the stakeholders listed in Table 1, and larger ones report to three on average, but substantial deviations from these norms were also observed. Banks appear to be the most frequent external users of financial information, followed by shareholders and equity investors, while suppliers and government agencies are also substantial users of information.

As businesses become larger, the demand for up-to-date information increases. Information needs in general jump quite abruptly once the micro-enterprise threshold has been crossed, driven by the needs of customers, suppliers, credit providers and government agencies. However, demand tends to tail off after that – especially in the case of employees and investors or shareholders who become more reliant on standardised regular reports (such as annual reports) as businesses become larger. These findings suggest that the inability to produce appropriate financial information could be a barrier to growth for micro-enterprises, though not for larger SMEs.

For half of the businesses surveyed, the frequency of information requests has not changed at all during the past year, but those that have seen changes tend to report that information requests are becoming more frequent. Credit insurers, customers, non-bank credit providers and suppliers are most active in requesting more frequent information (see Figure 1). This suggests that the need to monitor liquidity and working capital is driving the demand for more up-to-date information, but may also reflect changes in the demand for different types of finance (see Section 3).

As a rule, scrutiny of larger SMEs has intensified much more than that of smaller ones – especially in the case of information provided to suppliers, customers and commercial creditors. Information provided to government agencies has been a notable exception to this trend, with micro and small enterprises becoming more accountable as they draw on public funds and support. Given the fact that bank lending to medium-sized businesses has fallen further in the past year than lending to small businesses,[6] these trends in information provision may reflect medium-sized businesses' shift to different types of creditors.

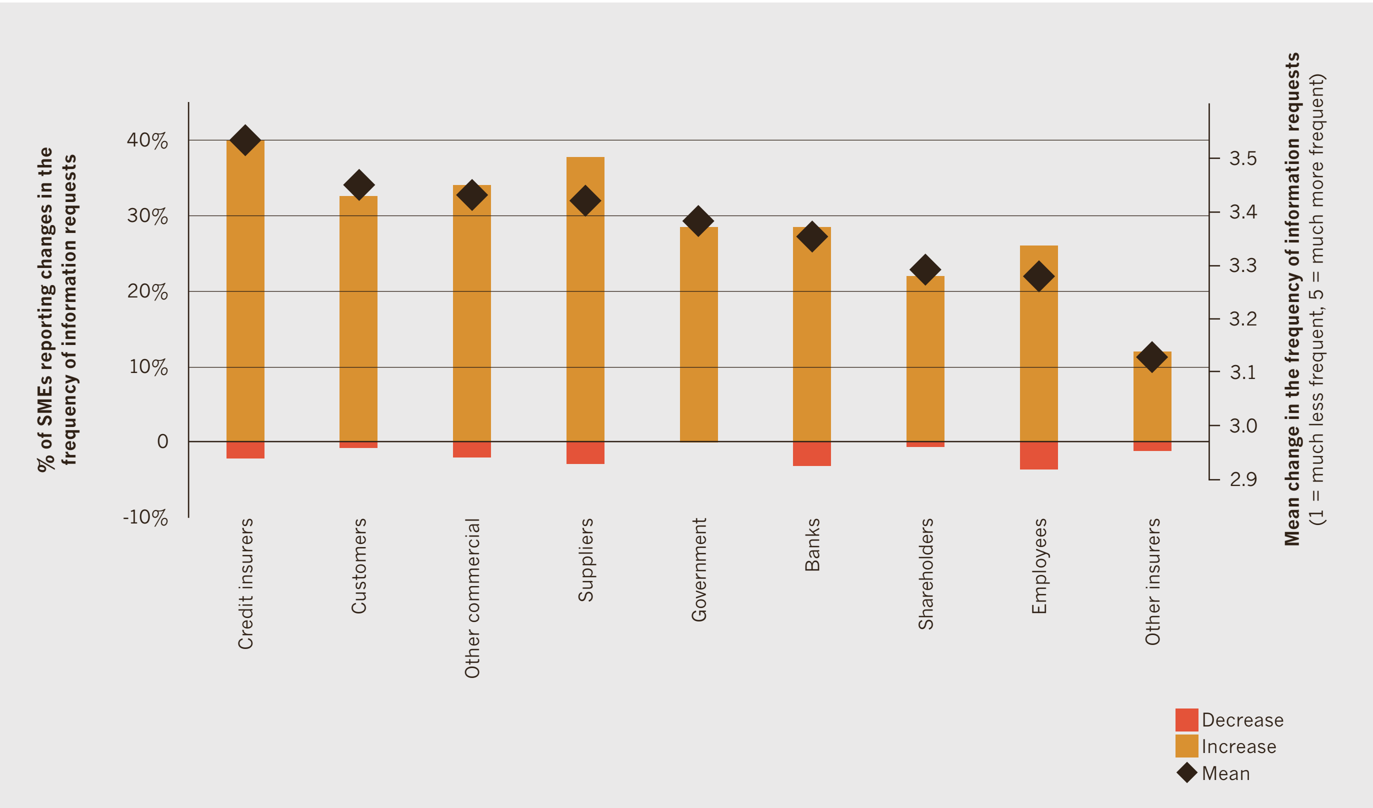
Table 1: Demand for up-to-date financial information by type of recipient and business size

Size variable	Turnover			Number of employees		
Recipient	**Less than £1m**	**£1.1m to £5.6m**	**Over £5.7m**	**0 to 9**	**10 to 49**	**50 to 249**
Banks	50%	75%	81%	49%	75%	79%
Suppliers	20%	33%	34%	16%	32%	35%
Other commercial credit providers (leasing, factoring, invoice discounting or other asset-based)	11%	31%	31%	11%	29%	31%
Shareholders and other equity investors, eg venture capitalists	29%	42%	44%	29%	45%	40%
Clients/customers	21%	23%	36%	14%	28%	33%
Credit insurers	7%	10%	18%	8%	12%	15%
Other insurance providers	22%	21%	22%	21%	19%	25%
Government departments or agencies (other than HMRC and Companies House)	17%	30%	35%	13%	27%	39%
Employees	15%	20%	12%	16%	17%	14%
Others	4%	3%	9%	5%	5%	7%
Any recipient	79%	94%	96%	74%	96%	96%

6. *Trends in Lending,* Bank of England, *August 2010.*

Changes in the frequency of information requests are not without their consequences. As we will discuss in more detail in Section 6, SMEs are limited by their resources in the amount of up-to-date information they can produce. Although users of information realise this and accordingly put more pressure on larger SMEs, the overall trend is one of accelerating flows of information. The ability of smaller businesses to automate, standardise, outsource or otherwise manage this workload could have substantial implications for access to finance.

Figure 1: Changes in the frequency of information requests, by recipient (>3 = more frequent)



3. Supply of and demand for SME finance

In line with previous research findings,[7] half of all the SMEs surveyed (50%) reported that they had sought new credit or loans on commercial terms and a larger share (62%) reported that they have sought some type of additional finance, trade credit) or funds from owners and directors, over the last 12 months.[8] As Table 2 and Figure 2 demonstrate, bank overdrafts were the most commonly applied-for type of finance among SMEs, followed by credit from suppliers (within agreed terms) and bank term loans. Overall, the rate of success in obtaining some of the funds required was high across all types of finance considered: it was comparable to rates last seen in Q3 2007 and substantially better than the success rate in Q4 2008, during the worst of the financial crisis.[9] In the case of bank loans and new overdraft lending, approval rates are roughly in line with major lenders' claims, with nearly three quarters of all applicants (73%) obtaining at least some of the funds they applied for.[10] Overall, 87% of all SMEs that applied for credit and loans on commercial terms got at least some of the funds they sought, from one source or another.

Success rates were much higher when commercial or non-financial considerations were involved. Owners, directors and their families or friends were the least likely to turn down a request for funds, followed by suppliers and customers. Due to the higher success rates involved, credit from suppliers within agreed terms[11] has been a more common source of finance than bank overdrafts, and finance from owners and family has also emerged as a relatively important source of finance. These findings are in line with research suggesting that the volume of trade credit is larger than that of bank lending.[12]

In addition to trade credit obtained within agreed terms, late payment has also emerged as a source of finance almost as important as term loans, with 15% of SMEs using this. These are important findings because the significance and implications of trade credit as a financial market are often overlooked. The high 'success' rates associated with late payment mean that it is likely to persist despite any statutory interventions, because SMEs are often forced to tolerate it by commercial considerations (see Section 8).

7. A. Cosh, A. Hughes, A. Bullock and I. Milner, *SME Finance and Innovation in the Current Economic Crisis*, 2009.

8. External finance sought on commercial terms does not include trade credit, late payment, customer credit or owner and family funds.

9. Ibid. and A. Cosh, A. Hughes, A. Bullock and I. Milner, *Financing UK Small and Medium-sized Enterprises – the 2007 Survey*, 2008. Approval rates across all types of provider were calculated at 55% in 2008, 84% in 2007 and 78% in 2004 by Cosh et al.

10. For instance, RBS and HSBC have cited approval rates of 85% and 70% respectively. N. Pratley, 'HSBC Big Enough to Cope', *The Guardian*, 2 August 2010, and J. Treanor, 'Lending to Businesses Must Come Before Bonuses, Banks are Warned', *The Guardian*, 2 August 2010.

11. Throughout this report we will distinguish between trade credit extended by suppliers to their customers as part of their terms of sale ('trade credit within agreed terms') and the additional credit that some customers are able to extract through late payment.

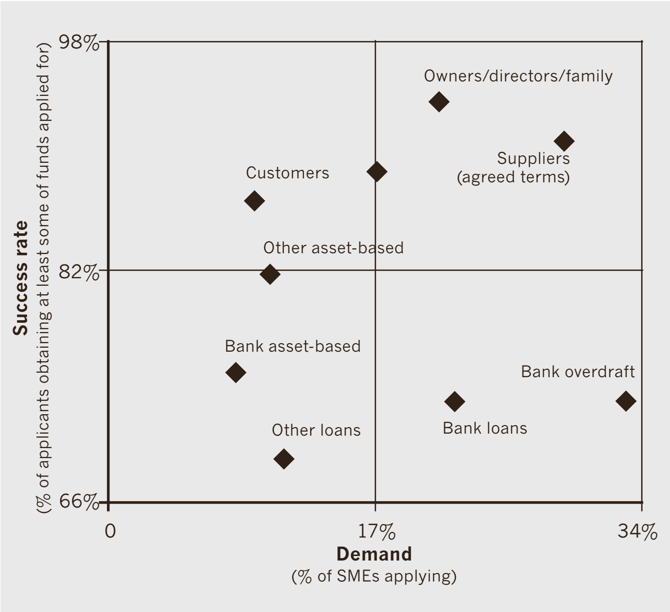
12. S. Paul and R. Boden, 'The Secret Life of UK Trade Credit Supply: Setting a New Research Agenda', *The British Accounting Review,* 40: 3 September 2008.

Table 2: Demand for finance

Source of new or additional finance	Demand	Success rate*	Use (demand x success rate)
Banks: overdrafts	33%	73%	24%
Banks: term loans	22%	73%	16%
Banks: factoring, invoice discounting or other asset-based	8%	75%	6%
Other commercial credit providers: loans	11%	69%	8%
Other commercial credit providers: factoring, invoice discounting or other asset-based	10%	82%	8%
Suppliers: within agreed terms	29%	91%	26%
Suppliers: through late payment	17%	89%	15%
Owners/directors and friends and family of owners/directors	21%	94%	20%
Customers (eg through discounts for early payment)	9%	87%	8%
Other creditors	7%	82%	5%

* Success indicates that the business managed to obtain at least some of the funds applied for.

Figure 2: Demand for different types of new or additional finance, and associated success rates



The data (see Table 3) reveal a strong correlation between bank approval rates and business size, especially in the case of term loans. Importantly, this finding persists in the case of enterprises with fewer than 10 employees even after controlling for sector, turnover and cash position strength (see Appendix 2). The data also reveal that, contrary to perceptions, smaller firms are if anything more likely to attempt late payment, even though they are less likely to request trade credit within agreed terms. Either way, the smallest business are less likely to succeed. This confirms that commercial considerations and customer power underlie the decision to tolerate late payment.

An additional finding is that smaller SMEs were much more likely to fall back on owners' and directors' funds, with around one third of micro-enterprises using these in the past year.

Table 3: Demand for credit and success rates by business size

Demand	**Number of employees**			**Turnover**		
Type of credit applied for	**0 to 9**	**10 to 49**	**50 to 249**	**Less than £1m**	**£1.1m to £5.6m**	**Over £5.7m**
Banks: overdrafts	29%	34%	35%	28%	37%	33%
Banks: term loans	21%	21%	24%	17%	20%	27%
Banks: asset-based	4%	9%	10%	3%	8%	12%
Other commercial credit: loans	6%	9%	16%	6%	11%	14%
Other commercial credit: asset-based	7%	11%	10%	7%	12%	10%
Trade credit within agreed terms	24%	29%	31%	23%	32%	30%
Suppliers: through late payment	20%	19%	13%	18%	18%	15%
Owners/directors and friends and family	34%	20%	15%	31%	18%	17%
Customers	16%	9%	6%	11%	11%	6%
Other creditors	7%	6%	7%	5%	8%	7%
Success rates	**Number of employees**			**Turnover**		
Type of credit applied for	0 to 9	10 to 49	50 to 249	Less than £1m	£1.1m to £5.6m	Over £5.7m
Bank overdrafts	50%	76%	82%	63%	74%	79%
Bank term loans	33%	75%	90%	40%	70%	89%
Trade credit within agreed terms	88%	95%	87%	90%	97%	85%
Owners/directors and friends and family	88%	96%	100%	93%	100%	91%

Note: Success rates are reported only for the most sought-after types of finance to ensure reasonably large samples. See Appendix 2 for a more detailed analysis of the effect of business size on demand for finance and success rates

Crucially, both demand and success rates varied substantially according to the applicant's cash position. As Table 4 shows, SMEs that saw their cash position as an organisational strength were much less likely to apply for any type of finance, but when they did, approval rates were substantially higher. The influence of cash positions may go some way towards explaining the effect of size on demand and success rates, because, as Figure 6 demonstrates, smaller businesses appear to be much less confident about cashflow than larger ones. Once cash is taken into account only the smallest businesses are genuinely more likely to be rejected by their banks (see Appendix 2). Lack of collateral or security could also account for much of the difference in success rates, although this effect could not be captured by the SME survey.

One implication of the importance of cash and collateral is that more innovative SMEs that rely on research and development (R&D) or intangible assets could find themselves at a disadvantage when applying for finance.[13] These businesses need substantial amounts of finance but will often be unable to pledge assets of comparable value as collateral. While credit of one type or another may not be suitable for some of these,[14] our findings raise the question of whether outcomes could be improved for these crucial businesses[15] through appropriate business support.

13. This is documented, for instance, in *Access to Finance Analytical Report*, Flash Eurobarometer Series #271, ECB/EC, The Gallup Organisation, 2009.

14. ACCA SME Committee, *Improving SME Access to Equity Finance*, ACCA, 2010.

15. For the contribution of innovative, high-growth businesses to employment and growth, see *The Vital Six Per Cent*, research summary, NESTA, October 2009.

Table 4: Demand for finance and success rates, by strength of cash position

	Cash position			
Type of credit applied for	**Weak or neutral**	**Strong**	**Effect of cash strength**	**Sig.**
Demand				
Banks: overdraft	48%	22%	-53%	***
Banks: term loan	28%	17%	-40%	***
Banks: asset-based	11%	7%	-42%	
Other commercial loans	16%	7%	-56%	***
Other commercial asset-based	11%	8%	-27%	***
Suppliers: within agreed terms	35%	23%	-35%	***
Suppliers: through late payment	29%	9%	-68%	***
Owners/directors and friends and family	32%	12%	-63%	***
Customers	16%	5%	-66%	**
Other creditors	11%	4%	-66%	***
Success rates				
Banks: overdraft	64%	88%	+36%	***
Banks: term loan	63%	84%	+33%	
Banks: asset-based	71%	83%	+17%	
Other commercial loans	60%	92%	+54%	
Other commercial asset-based	86%	80%	-7%	
Suppliers: within agreed terms	86%	95%	+10%	*
Suppliers: through late payment	89%	88%	-1%	
Owners/directors and friends and family	93%	100%	+8%	
Customers	85%	90%	+6%	
Other creditors	79%	86%	+9%	

Sig: Significance of cash effect after controlling for size and sector
* p<0.1 ** p<0.05 *** p < 0.01 (see Appendix 2).

Figure 3: Reported strength of cash position by size of business (>3 = strength)

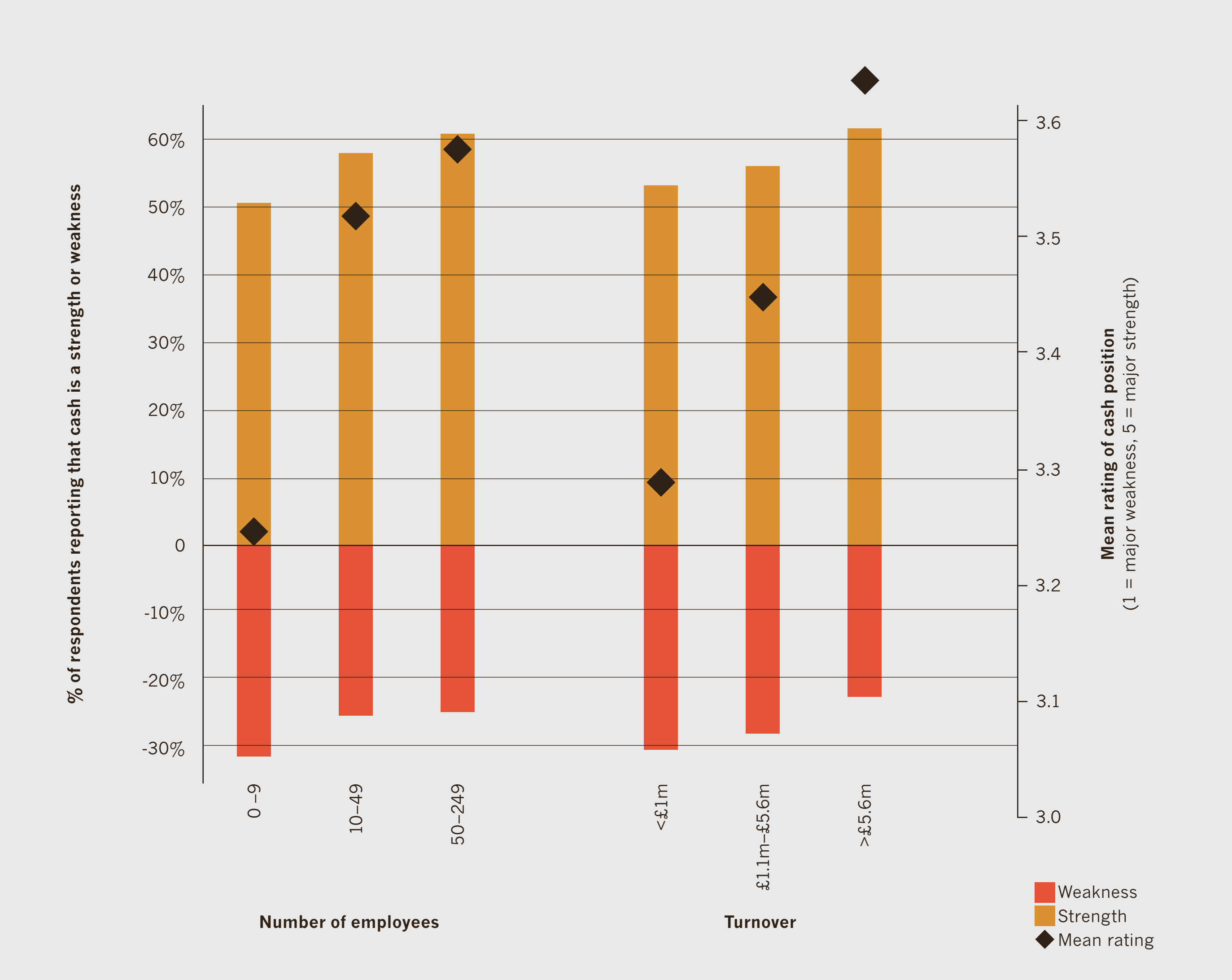
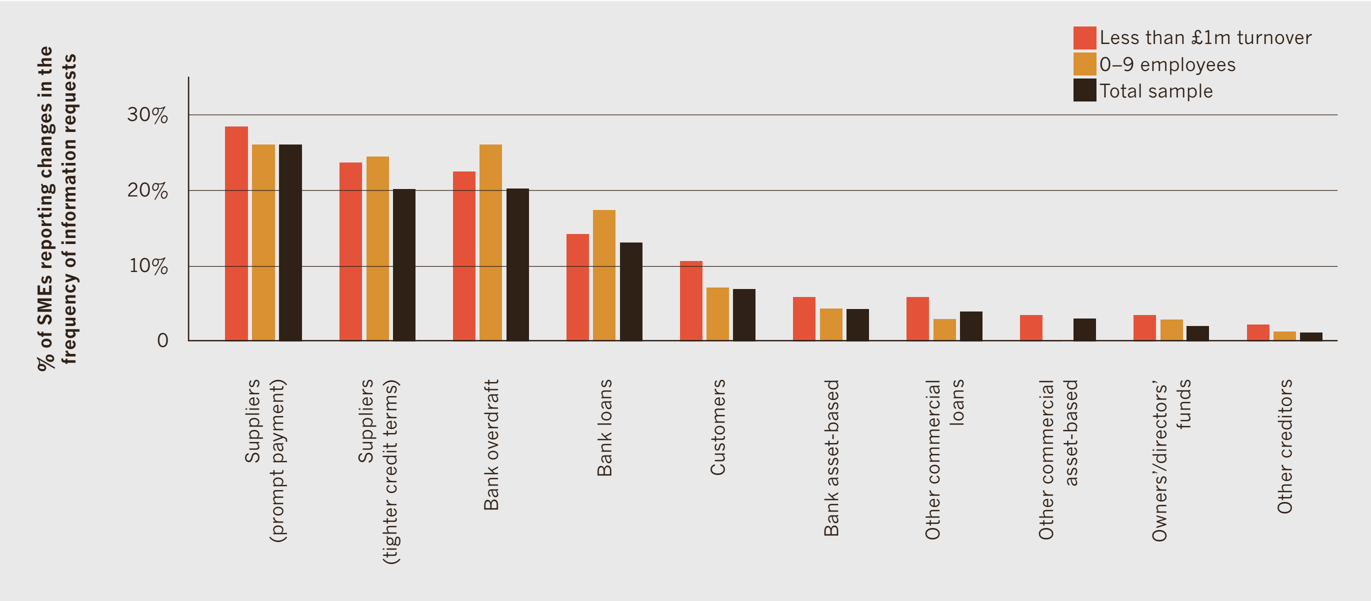


Figure 4: Reported restrictions in the supply of finance, full sample vs micro-enterprises



Overall, just under half of all SMEs surveyed (45%) reported some restrictions in the supply of credit in the past year, with the supply of overdrafts and trade credit from suppliers reacting most strongly. Contrary to expectations, problems in the credit supply do not decrease uniformly with business size, partly because larger SMEs rely on a wider variety of finance providers. It is important to note that, although banks have often tightened the supply of funds, they have done so to a similar extent as suppliers. This is consistent with academic and ACCA survey evidence globally, which suggests that bank lending might take cues from trade credit.[16] This relationship begins to break down, however, in the case of micro-enterprises, which were more likely to face restrictions from their banks than trends in trade credit alone can justify.

An encouraging finding is the fact that demands for prompt payment have increased substantially – with even large organisations reporting this. This is in line with recent research which found that the amount of overdue payments owed to SMEs fell by 7% in 2009, and even faster in the second half of the year.[17] If the recession has prompted businesses to take action against late payment, then demand could continue to shift away from this and towards less controversial sources of credit.

16. I. Love, L.A. Preve and V. Sarria-Allende, *Trade Credit and Bank Credit: Evidence From Recent Financial Crises*, World Bank policy research working paper 3716, September 2005. Also T. Tanaka, 'Does Trade Credit Provide Favourable Information to Banks? Evidence from Japan', OSIPP discussion paper, in *Economics and Business,* 09-22-Rev, February 2010. ACCA evidence summarised in E. Schizas, 'Turning the Credit Tap On and Off', *Accountancy Futures*, July 2010.

17. 'Late payments still a major cause for concern for British SMEs', BACS press release, 29 March 2010. Data sourced from the BACS/Continental business late payment survey.

4. Trends in the supply and demand

It is difficult to say with certainty how demand for most types of finance will change over the next year – a substantial number of SMEs were unsure of their financing needs. It is possible, however, to develop some scenarios (see Table 5).[18] It is clear that applications for new overdraft lending as well as late payment will fall substantially in any event, while the use of owners'/ directors' funds is also expected to fall under reasonable assumptions, and demand for supplier and customer credit should be affected the least. The findings regarding supply chain finance extended by customers are not unexpected[19] but must be considered with some caution. While Table 5 suggests that demand for this type of finance could rise significantly, there is no guarantee that supply will respond accordingly. Supply chain finance is heavily reliant on information and control mechanisms including a high level of trust, which inevitably limit the potential for this type of financing to address the needs of most of the SME sector.[20]

The data from the survey of SMEs offer some tentative evidence of discouraged demand, ie demand that is suppressed by the conviction that lenders, especially banks, are unwilling to extend credit. As discussed earlier, success rates in obtaining credit are in fact quite high, but SMEs' perceptions could be skewed by a barrage of anecdotal evidence as large numbers of would-be borrowers are turned down. Discouraged demand could also manifest itself by diverting demand for one type of finance into substitutes (see Table 6). In the case of bank overdrafts, these would be owners' or directors' funds, credit through late payment, or asset-based finance from banks.

Figure 5 demonstrates that, with the exception of late payment, non-bank asset-based lending as well as owners' and directors' funds (all three of which often function as substitutes for overdrafts and trade credit), demand for all other types of finance is likely to behave in a manner consistent with discouraged demand. This relationship appears to hold regardless of assumptions about the behaviour of undecided SMEs. Further evidence of discouraged demand is provided by the survey of accountants: the majority (53%) of these reported increasing (latent) demand among their clients during the past 12 months, while only a small minority (7%) reported falling demand.

18. SMEs that are unsure about whether or not they will apply for additional finance are more likely to have poor cashflow. Based on the findings discussed in Section 3, this suggests that the high-demand scenario is more likely to materialise than the low-demand one. Note also that these scenarios are not consistent across different types of finance – the high demand scenario for, eg overdrafts, will not necessarily coincide with a high demand scenario for late payment.

19. This is anticipated, for instance, in CBI, *The Shape of Business in 10 Years*, November 2009.

20. M.R. Fellenz, C. Augustenborg, M. Brady and J. Greene (2009), 'Requirements for an evolving model of supply chain finance: a technology and service providers perspective', *Communications of the IBIMA*, 10: 29, 227–35.

Table 5: Annual trends in the demand for finance and some scenario-based estimates

Types of finance	Sought in last year	Will definitely seek in next year	Don't know	Expected % change in the number of SMEs seeking additional funds over next 12 months: Scenario A: No undecided SMEs seek funds	Scenario B: All undecided SMEs seek funds	Scenario C: Half of all undecided SMEs seek funds
Banks: overdraft	33%	16%	10%	-52%	-21%	-36%
Banks: term loans	22%	15%	11%	-32%	18%	-7%
Banks: factoring, invoice discounting or other asset-based	8%	6%	5%	-25%	38%	6%
Other commercial credit providers: loans	11%	8%	7%	-27%	36%	5%
Other commercial credit providers: factoring, invoice discounting or other asset-based	10%	5%	6%	-50%	10%	-20%
Suppliers: within agreed terms	29%	24%	7%	-17%	7%	-5%
Suppliers: through late payment	17%	9%	7%	-47%	-6%	-26%
Owners/directors or friends and family	21%	11%	12%	-48%	10%	-19%
Customers (eg through discounts for early payment)	9%	8%	8%	-11%	78%	33%
Other creditors	7%	6%	6%	-14%	71%	29%

Figure 5: Some evidence of discouraged demand

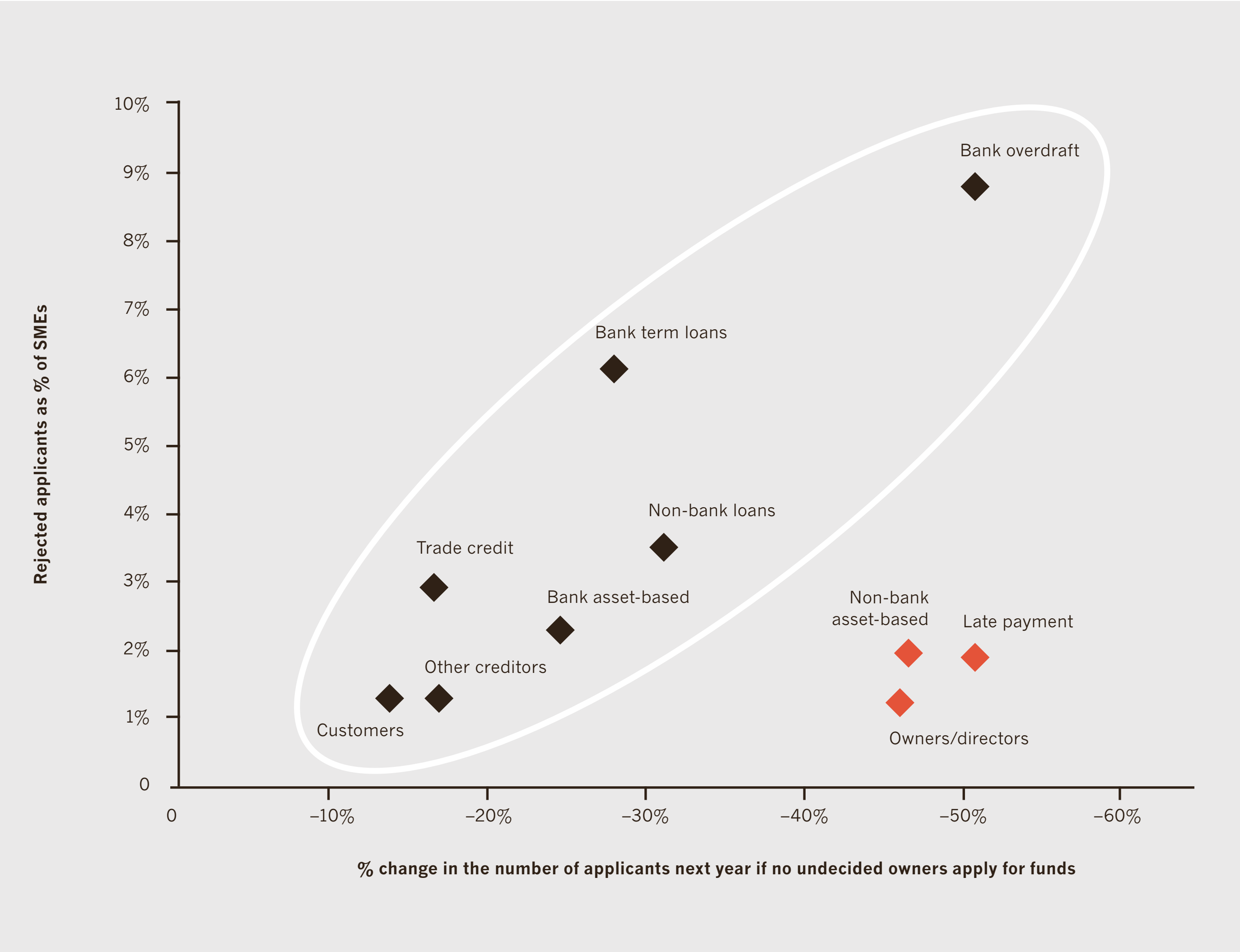


Table 6: Finance types and their substitutes

Rows: Types of finance the business applied for regardless of outcome. Columns: Types of finance the business applied for successfully.

	Bank overdraft	Bank term loan	Bank asset-based	Non-bank asset-based	Supplier credit within terms	Funds from directors, owners, friends and family
Bank overdraft		-.232*	.048	.171	-.204*	.043
Bank term loans	-.128		-.207	-.167	.037	-.130
Bank asset-based	-.232*	-.220		-.332	-.170	-.378**
Other commercial loan	-.305**	-.316**	-.238	-.134	-.198	-.339**
Other commercial asset-based	-.085	-.256*	-.048		-.274**	-.215
Supplier credit within terms	-.139	-.056	-.412*	-.058		-.284*
Late payment	-.191*	-.245*	-.211	.030	-.226*	-.050
Funds from directors, owners, friends and family	-.261**	-.227	-.333	-.460**	-.090	
Credit from customers	-.068	-.276*	-.302	-.140	.079	-.041
Other credit	-.227*	-.256*	-.101	-.100	-.254*	-.298*

Note: * p<0.1 ** p<0.05. A negative correlation suggests the type of finance applied for (regardless of outcome) can function as a substitute for the type of finance applied for successfully

These trends mean that the use of external finance should, in the near future, shift towards trade credit (within agreed terms) and term loans, and away from overdrafts, a move which is already underway.[21] It appears that larger SMEs are more likely to perform this shift, which implies a lower amount of working capital, a higher amount of cash, or both. This could mean a number of forces are at play, all of them documented either today or in past economic cycles:

- SMEs are unsure about the resilience of the recovery and either anticipate lower demand or plan to take on less work.[22] The survey of accountants also suggests that new orders are expected to remain virtually flat over the next 12 months.

- SMEs are underestimating their working capital needs in a recovery.[23]

- SMEs are planning to increase their reliance on own funds. Two thirds (67%) of the accountants surveyed agree with this statement.

- SMEs are reviewing investment plans and headcount decisions.[24] Most of the accountants surveyed expected investment and headcount among their clients to fall (53% and 58% respectively).

Overall, both the SME and practice surveys suggest that with investment and employment decisions still on hold, SMEs' cash positions and working capital needs are the most important drivers of demand for finance. However, businesses with weak cash flow and credit controls appear to be shifting towards the use of trade credit and owners' or directors' funds, while cash-rich SMEs are opting for formal lending and overdrafts. If weak cash positions are driving most of the shift in demand already observed, this trend may continue – as 78% of the accountants surveyed believe that their clients' cash positions are bound to deteriorate over the next year.

21. *Quarterly Small Business Credit Update: Q2 2010*, ACCA, August 2010. Overdrafts now make up 15.5% of all bank lending to small businesses, falling steadily from a pre-crisis level of 18.7%.

22. See *CBI Quarterly SME Trends Survey*, July 2010 and *Global Economic Conditions Survey Report: Q2 2010 – UK Edition*, ACCA, June 2010.

23. R. Harding, *The Business of Recovery Report,* HSBC Commercial Banking, November 2009.

24. N. Michelas, F. Chittenden and P. Poutziouris, 'Financial policy and capital structure in UK SMEs: Empirical evidence from company data', *Small Business Economics*, 12: 2, March 1999.

5. Government support

Despite an intense policy debate about their effectiveness, a minority of the SMEs surveyed (13%) were unaware of any government schemes or grants aimed at improving access to finance (see Table 7). Tax deferral, through the Business Payment Support Service (BPSS), is perhaps unsurprisingly the best-known, due to the function of HMRC as a gatekeeper. Awareness of the Enterprise Finance Guarantee (EFG) scheme is also high, while awareness of EU funding through the European Investment Bank (which due to its wholesale design cannot be marketed directly to SMEs) was quite low.

Even BPSS and EFG were only known to less than half of the sample, and awareness of support in general was not much higher among the cash-poor SMEs primarily targeted. Smaller SMEs were more likely to be aware of the two flagship support schemes, but in the case of direct grants the opposite was true – if anything, it was cash-rich firms that were more likely to be aware of these. Overall, it is entirely possible for a single SME to be using one type of assistance and be unaware of others: for instance, 40% of government-supported SMEs were unaware of EFG.

Among those SMEs that were aware of them, interest in government funding schemes was relatively low – direct grants performed best, with 41% of those aware also taking an interest, possibly due to the targeted or local/regional character of most grants. Finally, among those SMEs that were aware of and interested in government support, success rates were relatively high in the case of tax deferral and direct grants but much lower in the case of loan guarantees.

Table 7: Performance of government finance schemes

Type of scheme	Aware	Interested, % of those aware	Successful, % of those interested
Tax deferral (eg BPSS)	48%	28%	79%
Loan guarantee from UK government funds (eg EFG)	43%	29%	23%
Loan guarantee from EU funds (eg European Investment Bank facility)	21%	23%	13%
Direct grant	41%	41%	65%
Any scheme	87%	35%	70%

Among those aware of them, interest in the more centrally-run schemes, such as BPSS, EFG and EIB guarantees, tends to peak among small businesses. So do success rates; overall, small businesses benefit more than micro- or medium-sized enterprises. Grants, however, do not follow this pattern – the larger the SME, the more likely they are to be aware of grants and the more likely they are to be successful in accessing these (see Table 8).

One implication of these patterns is that the key strength of the grants system – the increased relevance provided by its sector and regional focus – is also a major weakness as it provides an implicit subsidy to businesses with the resources required to tender for grants on a regular basis. This is bound to present the Government with a dilemma given its stated intention to streamline support to businesses.

Table 8: Awareness, interest in and use of government grants by business size

	Aware	Interested,	Successful
Employment			
0 to 9*	41%	24%	9%
10 to 49*	30%	39%	24%
50 to 249	37%	54%	40%
Turnover			
Less than £1m*	44%	30%	12%
£1m to £5.6m*	28%	38%	32%
Over £5.6m	37%	52%	35%

* Small sample (between 30 and 50 observations)

6. Management information

As discussed in Section 2, the vast majority of SMEs need to report regularly to providers of finance and other stakeholders, often many at once. However, it is also clear that a great deal of information is needed internally in order to manage businesses in the fist place. The survey revealed that management accounts, profit and loss accounts and cashflow forecasts were the formats in which management in SMEs were most likely to seek information (see Table 9).

Cashflow statements, profit and loss accounts, tailored management information, costing reports and budgeted financial statements are much more popular with larger businesses. Additionally, management accounts, forecasts and budgets are rarely used among micro enterprises, but once the £1m and 10 employee thresholds have been crossed, usage is fairly uniform and universally high. The opposite is true of bank statements (used for reconciliation purposes) and break-even analysis, which appear to be associated with smaller businesses. Importantly, less than a third of SMEs use credit report information, making this the least-utilised format.

The ideal frequency for producing financial information is decided by the tradeoff between the relevance of up-to-date information and the cost of preparing it; our findings are consistent with this principle. The most commonly used types of financial information were typically expected to be between 3 and 9 weeks old. The most up-to-date information was required when management used information received from banks (where no costs were incurred in producing the information) or forward-looking information in order books and tailored management accounts. Financial statements had a slightly longer shelf-life (4 to 10 weeks) and information building on budgets had the longest (7 to 16 weeks).

While up-to-date information is arguably more critical to the survival of the smallest SMEs, it is also easier for larger SMEs to produce. Due to this tradeoff, small businesses typically use more current information for management purposes than micro- or medium-sized enterprises across the most common formats.

Table 9: Information used for management purposes

		Age (weeks)	
Format	**% using**	**Maximum**	**Minimum**
VAT records	38%	13.7	5.5
Cash flow statement (as part of financial statements)	66%	9.6	3.8
Bank statements	65%	4.7	1.5
State of order book	56%	4.8	1.6
Budgeted financial statements	67%	15.3	6.6
Credit rating data	30%	14.0	6.1
Profit and loss account	88%	9.8	3.8
Budgeted profit and loss account	67%	15.7	6.9
Budgeted order book	30%	11.7	4.8
Management accounts	90%	7.9	2.8
Tailored management information	58%	5.5	4.7
Balance sheet	78%	9.8	3.8
Cash flow forecast/budget	80%	8.7	3.3
Bank reconciliation statement	54%	4.7	1.5
Ratio analysis	35%	13.1	5.5
Comparison of budgets with actual	67%	7.9	2.8
Break-even analysis	34%	9.4	3.5
Costing reports	40%	6.7	2.3

7. Managing credit and supply chain risk

As discussed in Sections 4 and 5, trade credit is a substantial financial market for smaller businesses and is likely to become even more so in the medium-term. However, its growing significance also means that SMEs (who are trade creditors as well as debtors) are increasingly having to think and act like lenders – a role to which their resources and internal processes are not necessarily well adapted. At the same time, ensuring the continued financial health of suppliers is also important, as the commercial impact of supply chain disruption can be substantial even for small businesses.

As Table 10 demonstrates, SMEs' information on credit and supply chain risk is overwhelmingly relationship-based. Instruments such as management accounts or accounts filed with Companies House are much more likely to be used to assess new customers – but quickly give way to more relationship-based controls as soon as working relationships have been established and are therefore used rarely by comparison. Customers' reputations, payment histories and their relationships with their suppliers emerged as much more commonly used criteria, and were rated much more consistently as such, than other sources of information. Overall, supply chain relationships and industry networks emerged as SMEs' preferred means of monitoring their supply chains. Although one might assume that it is smaller SMEs that place more emphasis on relationships, the opposite appears to be generally true. Larger businesses, however, are also more likely to use a wider range of information in their credit decisions – especially credit reference checks – and they are therefore much less reliant on relationship-based information.

In addition to the types of information used and the means by which these are accessed, it is important to note how up-to-date this information typically is. As might be expected, information on customers that were new or perceived to be at risk was requested more frequently than information on established customers. However, the acceptable age of nearly all information, typically ranging from 21 to 37 weeks, was about twice that of the information SMEs used for their own management purposes (see Figure 6). The implication is that SMEs rarely have access to credit risk information as current as they would wish for. Importantly, credit score information tended to be the most current information used in credit control, suggesting that it may have some incremental value over other types of information.

SMEs themselves may be responsible for the lack of up-to-date information. The survey of accountants suggested that SMEs are not very proactive in sharing information with suppliers. When asked about SMEs' attitudes towards this, 74% of accountants reported that their clients do not prepare any information for suppliers unless this is demanded of them explicitly. Similar attitudes were recorded with regard to information requested by banks and other lenders.

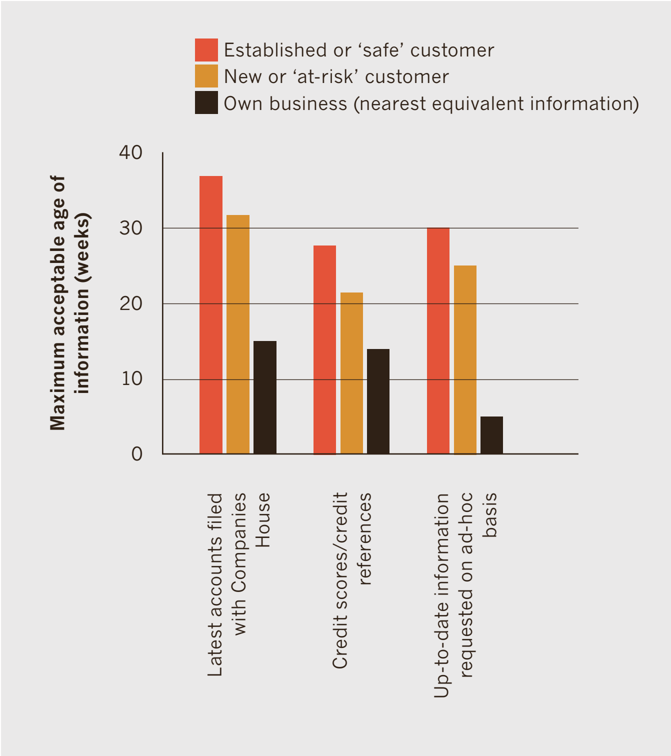
Table 10: Significance of credit risk information and monitoring tools by trade creditor's size

Importance of credit risk information (Mean rating: 1 = not at all important, 4 = very important)	Employment			Turnover		
	0 to 9	10 to 49	50 to 249	£1m or less	£1.1m to £5.6	More than £5.6m
Credit reference checks	1.9	2.5	2.8	1.9	2.5	2.9
Latest management accounts	1.8	2.1	2.2	1.8	2.1	2.2
Latest accounts w/ companies house	2.1	2.5	2.4	2.0	2.4	2.5
Customer demographics	2.1	2.3	2.3	2.1	2.2	2.4
General industry trends	2.1	2.4	2.4	2.2	2.3	2.5
Overall business relationship	3.0	3.2	3.2	3.0	3.2	3.2
Business owners/governance	2.4	2.7	2.6	2.6	2.6	2.6
Economic index or quantitative risk metrics	1.6	1.7	1.8	1.5	1.8	1.8
Customer payment history	2.7	3.1	3.1	2.7	3.0	3.1
Customer reputation	3.0	3.1	3.0	3.0	3.0	3.0
General macro conditions	2.2	2.4	2.3	2.2	2.4	2.4

Preferred supply chain monitoring tools (choice of 3)	Employment			Turnover		
	0 to 9	10 to 49	50 to 249	£1m or less	£1.1m to £5.6	More than £5.6m
Industry press	25%	10%	16%	23%	13%	13%
Network of industry contacts	40%	41%	39%	35%	44%	40%
Credit checks	16%	34%	39%	15%	31%	45%
Latest management accounts	16%	12%	15%	16%	17%	11%
Latest accounts filed with Companies House	10%	14%	13%	9%	14%	15%
Direct insight through ongoing relationship with suppliers	57%	63%	64%	62%	57%	66%
Direct insight through ongoing relationship with customers	57%	64%	56%	62%	58%	58%

One intriguing suggestion from the survey of accountants is that most SMEs may not see credit decisions as financial in nature, ie as tradeoffs between credit risk and gains from extending credit. As a result they do not turn to accountants for advice on trade credit in the same way that they would for other types of finance. Almost all of the accountants surveyed were consulted by clients on managing cashflow (94%) and most were asked to help SMEs plan their financing needs (74%). Yet of those accountants that offered either of these types of advice, fewer than half (46%) offered advice on credit policies or the management of credit risk. This would go some way towards explaining SMEs' use of information for credit management purposes – choices that are not optimal from a financial perspective may well be justified from a commercial point of view.

Figure 6: Timeliness of financial information used for credit management, by perceived level of customer credit risk

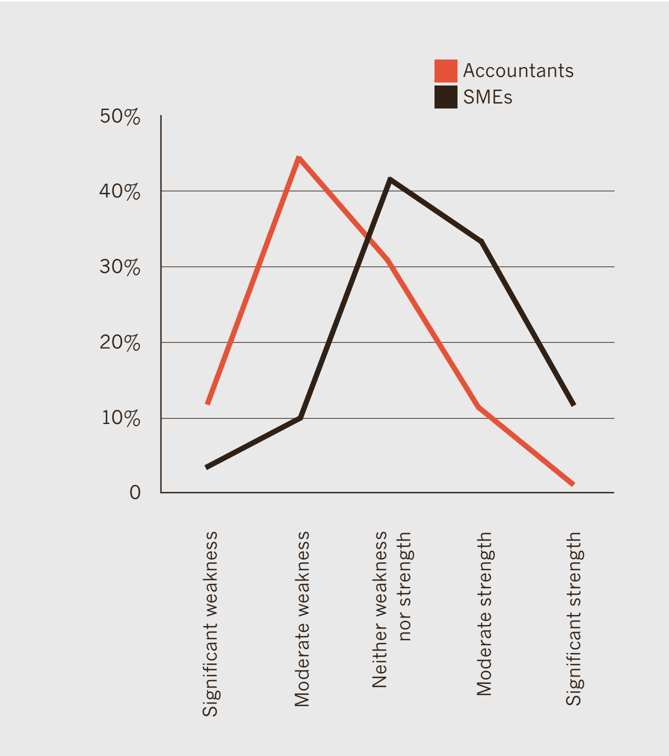


8. Getting results from credit management

SMEs' use of information is, as discussed earlier, dictated by the tradeoff between the cost and benefits of acquiring more current information. As such, information on credit risk is usually fit for purpose – but not much more than this. The greatest share of SMEs surveyed (45%) saw their credit control processes as a strength, while another 42% did not believe they were either a strength or a weakeness.

Accountants, on the other hand, were much less confident in their clients' credit policies, with 57% citing them as a weakness. As Figure 7 shows, however, the views of these SME and practice samples appear to be very similar after allowing for a consistent level of bias. Accountants that derived most of their income from serving sole traders, as well as those that advised on choosing finance providers or liaised with trade creditors were more pessimistic, while those that assisted in monitoring and implementing credit policies were more optimistic (see Appendix 2).

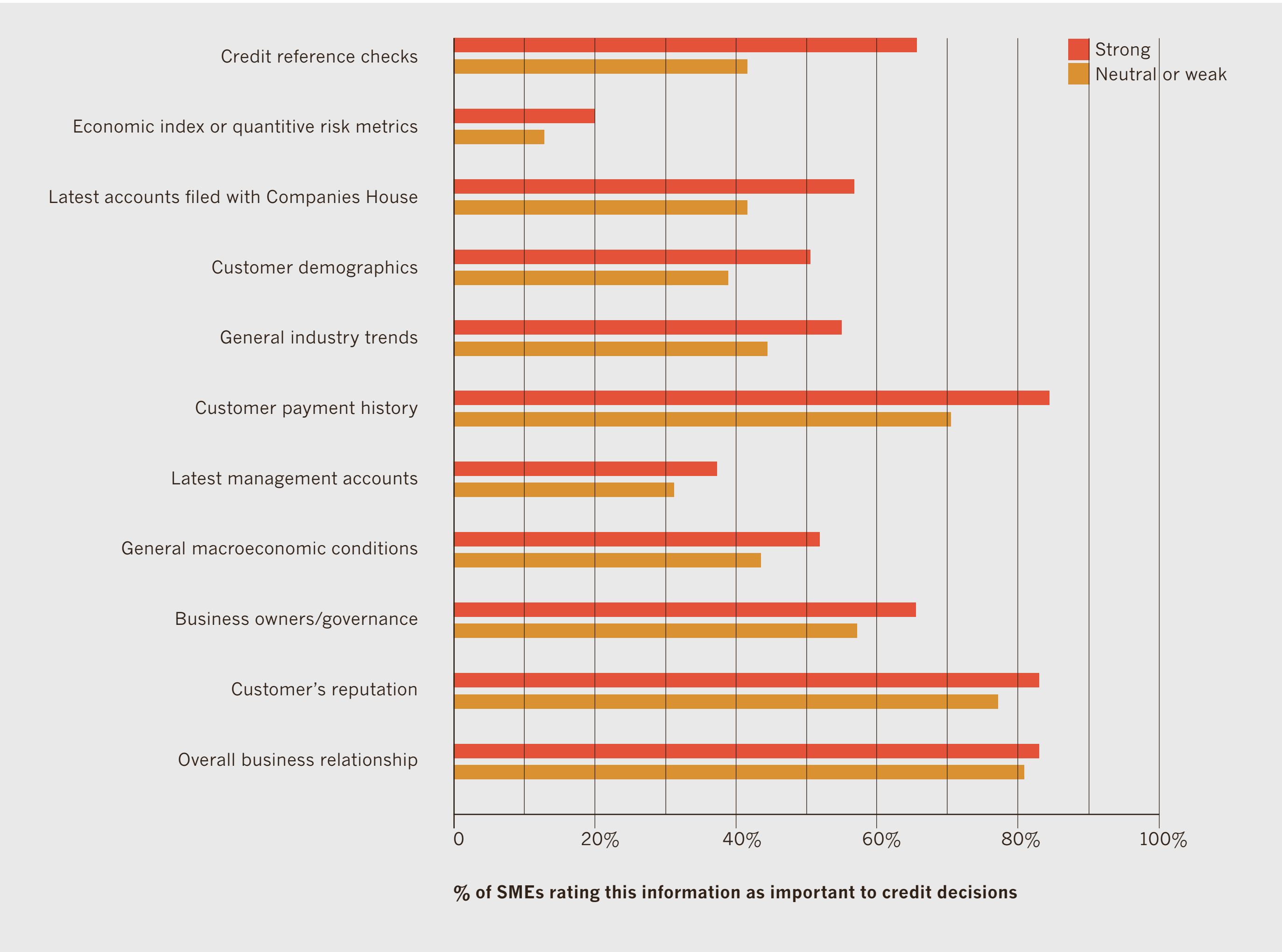
Figure 7: SMEs' and accountants' appraisals of SME credit control policies



Regardless of quality, credit control policies have become more important to SMEs over the past year. The majority of the SMEs surveyed (54%) had to restrict their own supply of credit to customers during the past year, with larger SMEs much more likely to do so. In most cases where SMEs tightened their credit terms, this was due to increased risk or adverse information, but a substantial number of SMEs were also influenced by a lack of information on their customers. To these should be added a substantial share of SMEs (13%) that would have withdrawn credit if they could but found it commercially impossible. Unsurprisingly, smaller SMEs are over-represented within this group – but so are SMEs with poor cash-flow.

Credit management can deliver benefits on two levels. It can deliver confidence and peace of mind, allowing SMEs to invest rather than hoard the cash that they generate; and it can improve cashflow by allowing businesses to anticipate and mitigate credit risks. The survey results suggest that SMEs that were confident in their credit management policies were nearly twice as likely to see the quality of their receivables or their cash positions as organisational strengths.

Figure 8: Importance of different types of information in credit management by (self-assessed) strength of credit policies



A comparison between SMEs that are confident about their credit control policies and cash positions and those that are not (see Figure 8) reveals that the use of credit ratings, quantitative metrics and accounts filed with Companies House is associated with a greater degree of confidence, while reliance on the industry press and direct relationships with customers is associated with perceived weakness in terms of both cash positions and credit control policies. In light of this evidence, the relatively low level of use of all of these types of information could suggest a missed opportunity for smaller SMEs.

When controlling for the effects of business size and sector (see Appendix 2), the effect of using credit reference checks on SMEs' confidence in their credit policies remains strong and a weak positive effect also emerges for the use of quantitative metrics.[25]

However, these effects do not necessarily translate to stronger cash positions or higher quality receivables. An emphasis on relationships with customers does, however, have a mild positive effect on the quality of receivables. Crucially, reliance on general macro-economic information for credit decisions has a very strong negative effect on the strength of SMEs' cash positions, suggesting that SMEs that make allowances for economic conditions (whether good or bad) could be biased towards overly lenient credit policies.

The fact that using some types of information appears to improve the perceived quality of credit policies without necessarily improving SMEs' cash positions can be explained in part by the behaviour of owner-managers. The majority of accountants surveyed (66%) reported that when managing cash-flow, their clients were concerned with maintaining a minimum level of liquidity, not actually remaining cash-positive – only 8% cited this as the main objective of their clients.

25. See Appendix 2 for detailed findings. These results were obtained through a set of ordinal regression analyses in which the self-assessments of SMEs' cash positions, credit policies and quality of receivables were included as dependent variables, while the credit management information variables, along with size, turnover, and sector variables, were included as determinants. See the Appendix for the relevant coefficient tables.

9. Conclusions and recommendations

CASH IS KING, AGAIN

This timeless phrase was vindicated throughout the recession but will ring even more true in the recovery. Financing needs tend to rise with economic recovery and the risk of over-trading is ever-present, a point not lost on SMEs' creditors. With investment subdued, it is almost entirely cash, liquidity and working capital needs that drive SMEs' demand for finance and their partners' demand for information. Businesses with strong cash positions are both less likely to need finance and more likely to obtain it if they apply.

Small businesses are highly alert to the importance of cash, with most owner-managers focusing on keeping their businesses liquid rather than hoarding cash. There is evidence that many are taking action to ensure prompt payment, even from fairly large customers, and trade creditors are tightening terms faster than banks and commercial lenders. However, SMEs may be hindered in their efforts to manage their cashflow by attitudes towards trade credit – which is usually treated as a commercial, rather than a financial, issue. Finance staff and financial advisers alike need to be willing and able to educate SME owners in credit management and challenge their thinking where appropriate.

WE'RE ALL BANKS NOW

Trade credit is an enormous financial market – from an SME point of view it is almost certainly more important than bank lending. Its significance appears to be increasing in the short term, despite tightening terms of credit, even as the importance of bank overdrafts continues to decrease. Late payment is also a substantial, if problematic, source of finance for SMEs. It will remain commonplace as long as commercial considerations make it a very successful tactic.

The continued rise of trade credit means that SMEs are exposed to increasing amounts of credit risk and having to think and act like lenders themselves – a function to which their resources and practices are ill-suited. Many SMEs lack the tools by which to manage credit risk well, relying instead on incomplete and dated information. Smaller SMEs in particular need access to more, cheaper and more timely information on credit risk. While there are tangible benefits to the relationship-based approach taken by most SMEs, there is also evidence that under-utilised options such as credit reference information have a lot to offer.

AS THE FINANCE SUPPLY CHAIN RECOVERS, SMES ARE STILL SMARTING FROM THE CREDIT CRUNCH

Our findings appear to confirm that discouraged demand is partly responsible for the fall in lending to SMEs – the perception that banks in particular will not lend has led many to seek alternatives to external finance altogether. This is unfortunate as success rates in obtaining finance are fairly high and roughly in line with lenders' claims. They are even comparable to the approval rates last seen in mid-2007.

However, in line with popular perceptions, micro-enterprises are genuinely less likely to have their loan applications approved by banks than small and medium-sized businesses. Even this, however, is not evidence of poor practice. Much of the difference in success rates may be justified by fundamentals such as weaker cash positions or a lack of security.

In light of the uncertainty surrounding SMEs' demand for finance, both banks and the government may need to reconsider the emphasis placed on bank lending pledges, which have not at any rate been very successful to date. Banks and business representative bodies in particular need to develop a constructive response to discouraged demand for finance – bearing in mind, however, that discouraged borrowers may often be precisely the type of SMEs that would not be able to obtain credit on commercial terms. Overall, the point needs to be made more strongly that the clear majority of loan and other credit applications by SMEs are in fact approved.

LIFE AFTER OVERDRAFTS

Demand for additional finance in general is hard to predict as a substantial share of SMEs are as yet uncertain of their financing needs in a sluggish recovery. However it is clear that in the short term demand for new overdraft lending will almost certainly fall. Some of the shortfall will be made up by alternatives such as credit from suppliers and customers or asset-based finance from banks, as pressure on cashflow will prompt SMEs to find alternative ways of financing their working capital. Demand for finance for any other purpose, however, will almost certainly remain subdued as SMEs keep recruitment and investment decisions on hold or even pursue further efficiencies.

It is important to note that the credit markets that will gain prominence in the recovery are not as widely understood as bank lending – SMEs will need appropriate advice and support from a wide network of professionals, credit providers and business support organizations in order to adjust to their new range of options.

POOR INFORMATION IS A BARRIER TO SME GROWTH

Financial information will be crucial to navigating this new landscape; very few businesses are so small or so insular that they can avoid reporting on a regular basis. There is evidence that demand for information from creditors is increasing and that SMEs themselves respond to increased credit risk by seeking more information on customers. Small suppliers have even reported penalising customers for providing 'incomplete' financial information. One implication of this trend its that the ability of smaller businesses to automate, standardise, outsource or otherwise manage this workload could have substantial implications for access to finance.

Overall, however, smaller businesses have not been very pro-active in preparing financial information for third parties. Even for their own management purposes, SMEs use information that is fit for purpose, reconciling the tradeoff between relevance and cost, but no more than that. The need for better, more proactive supply of information is quite clear. However the expense and commitment of internal resources required, as well as the lack of necessary management skills and mindsets are formidable obstacles. One implication of our findings is that SMEs cannot grow without making the leap to higher quality information as well – therefore the obstacles discussed above are in fact obstacles to economic growth.

GOVERNMENT SUPPORT

Tax deferral has been the most widely used and the most successful type of government finance to date, owing to the HMRC's reach and very high success rates. However, our data also reveal a strong interest by SMEs in grants, possibly due to the way in which they target specific regions or sectors. This major strength of decentralised finance schemes also appears to be their greatest weakness: grants appear to direct funding towards larger SMEs that are better-placed to tender for them. As it continues to streamline the business support infrastructure, the Government will eventually need to confront this dilemma of relevance vs access.

While government guarantees do not appear to exhibit this bias, they have their own limitations. Despite levels of awareness and interest rivalling those of the BPSS, success rates among applicants for guaranteed loans have been far lower. The EFG has been generally acknowledged as a useful and well-thought-out scheme,[26] but its reach is limited by its design, which reflects the needs and preoccupations of the 2008–9 financial crisis. In the recovery, there may well be a need to expand or otherwise rethink this scheme so that it addresses the wider needs of growing SMEs.

One further implication of our findings for business support relates to the importance of cashflow (and possibly collateral) for access to finance. The crucial population of high-growth, innovative businesses could find themselves at a significant disadvantage under these conditions, with implications for economic growth and employment. Private and public business support has a role to play in addressing this, for instance by enabling access to equity finance, or improving the awareness and protection of intangible assets. In times of austerity, when the Government is seeking ever higher returns on taxpayers' money, such a focused approach to business support is a necessity.[27]

26. House of Common Business and Enterprise Committee, 'Enterprise Finance Guarantee Scheme', Tenth Report of Session 2008–9, July 2009.

27. See for instance, CBI, 'Enterprise Policy Framework ' December 2009.

Appendix 1: About the SME and practice surveys

The present study is based on two surveys: a survey of businesses, on which this report's observations on the prospects and behaviour of SMEs are mainly based, and a validation survey of accountants in practice offering services to SMEs, which examines some of the assumptions made in interpreting the findings of the SME survey. The primary survey of businesses was carried out between 22 July and 9 September 2010. It achieved 380 responses from UK SMEs, recruited among the CBI and ACCA membership through a combination of direct email invitations, online promotion and a series of 'booster' telephone interviews in Wales and Scotland. The 'validation survey' of accounting practitioners took place between 25 August and 6 September 2010 and achieved 93 valid responses, recruited through direct email invitations of ACCA members and promotion through ACCA's online publications.

ABOUT THE BUSINESS SAMPLE

The SME survey was able to provide reasonable business samples across employment and turnover size bands. Just over one fifth (22%) of the SME sample consisted of businesses with fewer than 10 employees, while businesses with 10 to 49 employees made up the largest share of respondents (41%) (Figure 9). A small minority (7%) of the businesses that responded to the survey were below the VAT threshold, while more than a quarter (27%) were below the BoE/BBA 'small business' threshold of £1m turnover. The majority (62%) were below the audit threshold (although not all of these will have been companies), and almost all (96%) were below the threshold of eligibility for funding under the Enterprise Finance Guarantee Scheme (EFG). (See Figure 10)

Efforts were also made to ensure reasonable samples in Scotland and Wales. As Figure 3 demonstrates, enterprises with a presence in Scotland and Wales made up 12% and 11% of the SME sample respectively, which was deliberately higher than the nations' respective shares of the enterprise population (8% and 5% respectively).[28]

The final sample was also well-balanced across industries (see Figure 12), with just under one third (29%) of the sample active in construction, engineering, manufacturing, utilities or other industrial activities, while another 28% were in financial, professional and business services. A substantial number (17%) were active in education, leisure, health and social enterprise, while nearly 10% were in wholesale, retail and transport and about 7% were in media, telecoms and technology.

28. Note that respondents could select multiple locations.

Figure 9: Profile of SMEs by employment size-band

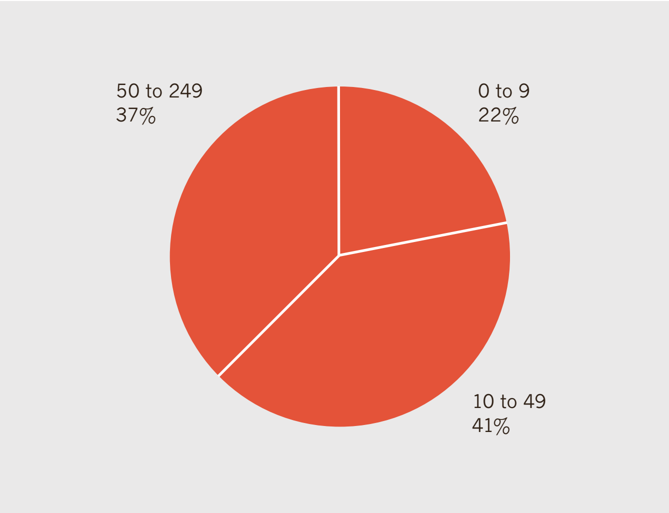


Figure 11: Profile of SMEs by location (includes businesses operating in multiple locations in the UK)

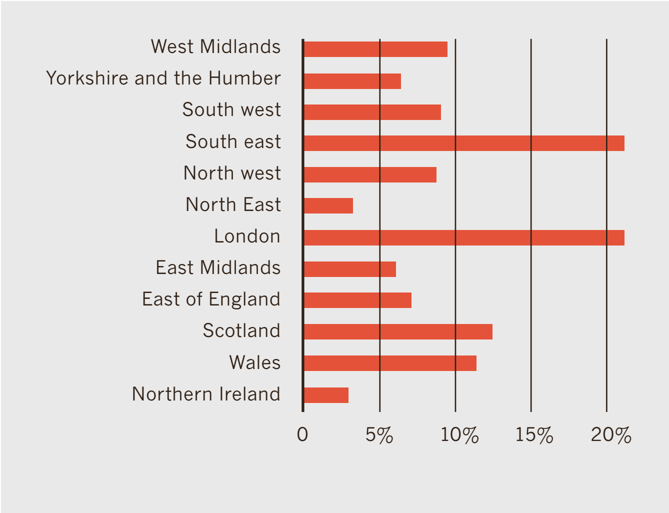


Figure 10: Profile of SMEs by turnover size-band

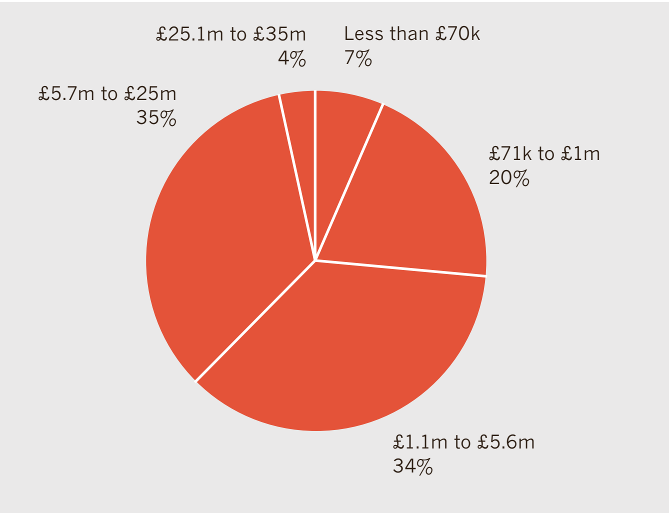
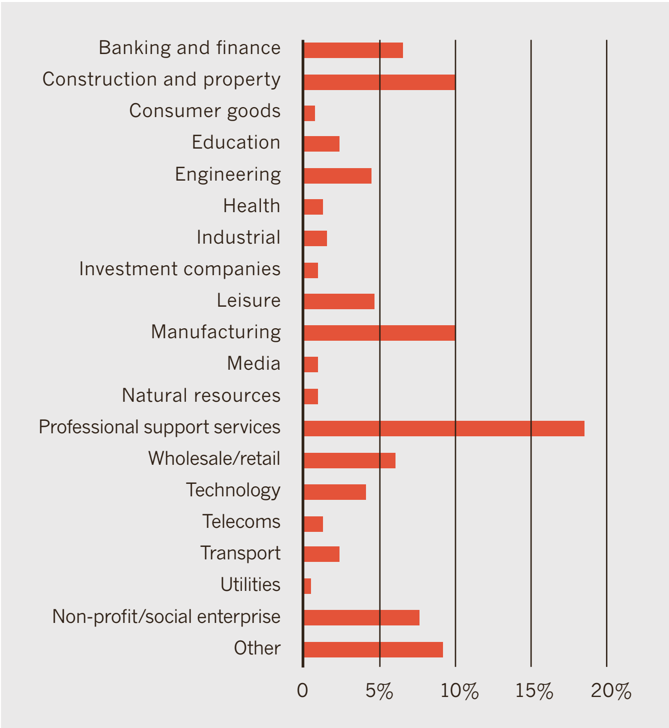


Figure 12: Profile of SMEs by sector



ABOUT THE ACCOUNTANCY PRACTICE SAMPLE

There is a fairly strong correlation between the size of a practice and that of its typical client.[29] The majority of the practices surveyed (56%) had fewer than 10 employees, and nearly half cited micro-enterprises (1 to 9 employees) as the segment of the SME population that contributed the most to their income (see Table 11). Of the practices surveyed, most specialised on providing business advice to the SME sector. Nearly two thirds (63%) of the sample derived more than three quarters of their income from SMEs and less than half of their income from audit and assurance services (See Table 12).

29. This relationship becomes less robust with successively larger practices, and considerably so for practices of 50 employees of more.

Table 11: Sizes of accountancy practices surveyed and of their typical clients

	Number of employees in the practice (UK only – including non-professional staff, but excluding owners/directors/partners)						
Employment size band from which most of the practice's income is derived	**none**	**1 to 9**	**10 to 49**	**50 to 249**	**250 to 999**	**over 1,000**	**Total**
None	*	*					*
1 to 9	6.6%	25.3%	13.2%				45.1%
10 to 49		19.8%	19.8%	4.4%	*	*	46.2%
50 to 249	*		*			*	*
Don't know			*	*			*
Total	9.9%	46.2%	35.2%	5.5%	*	*	100%

* denotes a disclosive sample

Table 12: Sources of practice income

	% of practice's income derived from SME clients					
% of practice's SME income derived from audit and assurance services	**25% to 49.9%**	**50% to 74.9%**	**75% to 99.9%**	**All**	**Don't know / prefer not to say**	**Total**
less than 25%	*	5.5%	6.6%	17.6%		30.8%
25% to 49.9%	*	*	22.0%	16.5%		45.1%
50% to 74.9%	*	*	4.4%	4.4%		12.1%
75% to 99.9%			*	*		5.5%
All			*			*
Don't know		*			*	*
Total	5.5%	13.2%	37.4%	41.8%	*	100.0%

* denotes a disclosive sample

Appendix 2: Statistical tables

Table 13: Determinants of accountants' assessment of the strength of clients' credit policies

Ordinal regression variables	Estimate	Sig.
Type of advice offered		
Designing or establishing credit management policies	-.510	.435
Implementing or monitoring credit management policies	2.125	.002
Managing customer credit risk	.191	.779
Monitoring and forecasting cashflow	.116	.895
Anticipating and planning financing needs	-.465	.452
Choosing financial products	.749	.236
Choosing finance providers	-1.314	.047
Applying for finance and preparing information for providers	-.718	.214
Establishing/managing relationships with lenders	.533	.297
Establishing/managing relationships with trade creditors	-1.289	.096
Size of practice		
Sole practitioner	.891	.619
Micro practice (1 to 9 employees)	.536	.754
Small practice (10 to 49 employees)	1.164	.483
Medium practice (50 to 249 employees)	.652	.735
Large practice (250 to 999 employees)	-20.605	.
Client size band from which most income is derived		
Sole traders	-4.400	.018
Micro enterprise (1 to 9 employees)	-2.096	.134
Small enterprise (10 to 49 employees)	-1.750	.201

Table 14: Credit management information and credit management outcomes – coefficients of ordinal regression analysis

	Receivables		Cash		Credit policies	
Ordinal regression variables	b	Sig.	b	Sig.	b	Sig.
Credit reference checks	0.087	0.513	0.139	0.297	0.365	0.008
Latest management accounts	-0.153	0.299	-0.032	0.826	-0.043	0.779
Latest accounts filed with Companies House	-0.044	0.774	-0.162	0.288	-0.086	0.583
Customer demographics	0.163	0.296	0.154	0.321	-0.029	0.854
General industry trends	-0.168	0.355	-0.108	0.55	-0.302	0.108
Relationship with customer	-0.202	0.276	0.124	0.502	0.07	0.716
Business owners/governance	0.151	0.363	0.034	0.837	0.128	0.456
Quantitative risk metrics	-0.077	0.677	0.24	0.193	0.318	0.096
Payment history	-0.139	0.387	-0.032	0.84	0.211	0.205
Customers' reputation	0.04	0.833	0.086	0.652	-0.261	0.18
General macro conditions	0.08	0.616	-0.422	0.009	0.11	0.505
0 to 9 employees	-0.226	0.626	0.1	0.829	0.394	0.412
10 to 49 employees	0.346	0.254	0.296	0.328	0.538	0.086
Below VAT threshold	-0.087	0.924	0.076	0.933	1.591	0.09
Below BBA/BoE threshold	0.299	0.719	0.022	0.979	1.101	0.197
Below audit threshold	0.312	0.671	0.291	0.692	0.953	0.208
Below EGF threshold	0.632	0.371	0.561	0.427	1.16	0.111
Banking and finance	-0.406	0.48	0.039	0.946	-0.786	0.188
Construction and property	-0.243	0.61	-0.429	0.367	-0.839	0.091
Consumer goods	0.196	0.889	-0.64	0.643	-0.726	0.619
Education	0.593	0.467	1.72	0.052	0.012	0.989
Engineering	0.266	0.658	-0.408	0.495	-0.59	0.342
Health	-0.296	0.77	0.148	0.884	-2.083	0.048
Industry	-0.171	0.849	-1.262	0.159	-0.747	0.426
Investment companies	1.459	0.167	1.171	0.268	0.516	0.627
Leisure	0.059	0.929	0.435	0.515	-0.318	0.642
Manufacturing	0.97	0.044	-0.055	0.908	0.167	0.734
Media	0.281	0.838	-0.52	0.703	-0.354	0.802
Natural resources	1.623	0.246	-0.095	0.944	-2.74	0.053
Professional and support services	0.07	0.875	-0.027	0.952	-0.661	0.152
Retail and wholesale	-0.669	0.206	-0.389	0.46	0.302	0.579
Technology	-0.066	0.913	-0.944	0.117	-1.115	0.076
Telecoms	0.569	0.535	0.744	0.43	0.437	0.638
Transport	0.056	0.947	1.242	0.155	0.97	0.267
Utlities	1.368	0.326	0.46	0.74	-2.794	0.048
Nonprofit	-0.641	0.212	0.16	0.755	-0.177	0.738

Table 15: Determinants of success in SMEs' applications for different types of finance

	Bank overdrafts		Bank term loans		Bank asset-based		Other commercial loans		Other commercial asset-based		Suppliers (within terms)		Late payment		Owners/ directors, etc		Customers		Other		Any type of finance	
Binary regression variables	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**
Employees		.167		.147		1.000		.706		1.000		.991		.261		1.000		.734		1.000		.338
0 to 9 employees	-2.150	.059	-2.731	.055	-20.945	1.000	-1.742	.419		.996	-.422	.890	-3.689	.244	-73.583	.997	-1.283	.609	-149.068	.997	-2.391	.262
10 to 49 employees	-1.043	.237	-.971	.364	20.922	.999	-.216	.909	-75.293	.998	39.035	.996	-.649	.810	-39.415	.998	.538	.762	-55.938	.998	-.311	.871
Turnover		.957		.719		1.000		.697		1.000		.988		.999		1.000		.993		1.000		.998
Below VAT threshold	.119	1.000	21.528	1.000	-19.862	1.000	40.730	.999	46.714	.999	-46.915	.997	-38.273	.999	85.210	.999	-.955	1.000	51.046	.999	-18.681	.999
Below BBA/BoE small business threshold	1.140	1.000	-2.184	1.000	.000	1.000	42.141	.999	150.066	.998	6.577	.999	-19.174	1.000	83.140	.999	20.136	1.000	112.024	.998	.154	1.000
Below audit threshold	1.043	1.000	-.756	1.000	-20.455	1.000	39.858	.999	76.395	.999	-9.521	.998	.336	1.000	86.747	.999	-.678	1.000	-56.614	.999	18.361	.999
Below EFG threshold	1.456	1.000	-.207	1.000		1.000		.999			-11.404	.998	-18.493	1.000	14.991	1.000	-1.461	1.000	17.634	1.000	-.495	1.000
Sector		.796		.992	1.105	1.000	.415	.831		1.000		1.000		1.000		1.000		1.000		1.000		1.000
Banking and finance	.131	.926	21.936	.999	-61.460	.999	18.624	1.000	-27.599	1.000	32.800	.999	19.421	.999	13.097	.999	3.710	1.000	53.843	.999	36.609	.997
Construction and property	.553	.581	1.545	.276	1.868	1.000	1.221	.502	-98.971	.999	-20.879	.999	1.048	.700	37.287	.999	-19.720	.999	148.828	.998	.941	.501
Consumer goods	1.844	.296	19.256	1.000	.922	1.000	1.182	.662	-57.281	.999	-83.913	.998	1.049	1.000	-30.059	.999			56.936	.999	19.410	1.000
Education	18.118	1.000	2.041	.250	22.323	1.000	.035	.990		.998	-3.093	1.000	4.103	1.000	-17.070	1.000	-18.716	.999	17.122	1.000	17.962	.999
Engineering	20.695	1.000	19.256	1.000	.130	1.000	18.624	1.000	-96.888	.999	.383	1.000	3.672	1.000	3.390	1.000	-.595	1.000			18.908	.999
Health	18.079	1.000	21.775	1.000	22.061	1.000	60.549	.999	-98.157	.999	-36.757	.999	19.609	.999	26.322	.999	-.595	1.000			17.261	.999
Industry	1.373	.366	20.403	.999	-19.054	1.000	21.095	.999		.999	-.849	1.000	.124	.962	.195	1.000	2.417	1.000	93.421	.998	3.208	1.000
Investment companies	-1.485	.145	-.802	.526	-20.557	1.000			-134.777	.999	-45.090	.999	22.863	1.000	4.284	1.000	-18.937	.999	.000	1.000	18.520	1.000
Leisure	20.283	1.000	19.922	1.000	-19.528	1.000			-128.652	.999	-4.381	1.000	19.543	1.000	5.449	1.000	.229	1.000			19.721	.998
Manufacturing	1.732	.117	.428	.776					-134.270	.999	-18.140	.999	21.546	.998	-36.686	.999	2.239	1.000			19.700	.998
Media	1.769	.302	19.483	.999							-20.032	1.000	40.568	.998	4.284	1.000	-17.381	1.000			19.906	1.000
Natural resources	2.130	.125	1.911	.312							.533	1.000	.927	.753	20.705	1.000					20.436	1.000
Professional and support services	-25.370	.999	-1.461	.443							35.098	.999	17.969	1.000							20.175	.996
Retail and wholesale	19.574	1.000	19.357	1.000							-38.610	.999									37.590	.996
Technology	19.483	.999	20.122	.999							-47.090	.999	24.437	1.000							2.112	.284
Telecoms											-49.836	.998									18.896	.999
Transport											-14.716	1.000									17.524	.999
Utilities											-1.848	1.000									19.244	.999
Nonprofit																					20.475	.998
Cash strength	1.082	.001	.333	.324	.158	.780	.481	.370	-35.686	.996	2.211	.066	.525	.452	12.989	.997	-.736	.440	-18.539	.998	1.136	.032
Constant	-2.700	1.000	.822	1.000	19.019	1.000	-41.271	.999	220.124	.998	26.234	.999	19.104	1.000	-22.049	1.000	22.675	1.000	95.358	.998	-1.011	1.000

Table 16: Determinants of SMEs' demand for different types of finance

Binary regression variables	Bank overdrafts B	Bank overdrafts Sig.	Bank term loans B	Bank term loans Sig.	Bank asset-based B	Bank asset-based Sig.	Other commercial loans B	Other commercial loans Sig.	Other commercial asset-based B	Other commercial asset-based Sig.	Suppliers (within terms) B	Suppliers (within terms) Sig.	Late payment B	Late payment Sig.	Owners/ directors, etc B	Owners/ directors, etc Sig.	Customers B	Customers Sig.	Other B	Other Sig.	Any type of finance B	Any type of finance Sig.
Employees		.340		.698		.846		.318		.938		.784		.840		.592		.245		.779		.618
0 to 9 employees	-.694	.237	.410	.520	-.149	.893	-1.301	.174	-.258	.798	-.382	.516	.371	.599	.408	.544	1.041	.217	.561	.574	-.438	.459
10 to 49 employees	-.523	.169	-.052	.901	.268	.645	-.691	.227	-.197	.735	-.214	.575	.266	.597	-.131	.790	-.040	.952	.466	.507	-.359	.343
Turnover		.296		.712		.876		.996		.437		.838		.950		.169		.845		.759		.638
Below VAT threshold	.919	.527	-1.795	.180	-17.693	.998	-17.354	.998	-15.921	.999	.366	.748	-.293	.840	-1.654	.245	.302	.876	-1.296	.464	-1.207	.312
Below BBA/BoE small business threshold	1.742	.187	-1.202	.285	.080	.962	.357	.802	2.670	.156	.384	.708	-.205	.876	-.469	.713	.545	.767	-1.694	.279	-.346	.753
Below audit threshold	2.065	.097	-.941	.339	.540	.686	.494	.682	3.082	.059	.669	.460	-.181	.879	-1.217	.292	.317	.854	-.761	.541	-.176	.860
Below EFG threshold	1.668	.173	-.631	.503	.952	.459	.417	.718	2.805	.075	.297	.732	-.535	.631	-1.598	.147	-.375	.813	-1.137	.329	-.072	.941
Sector		.833		.979		.942		.953		.675		.802		.802		.702		.821		.987		.649
Banking and finance	-.588	.418	-.535	.509	-18.096	.998	-19.171	.998	.599	.685	-.206	.804	-.758	.442	-.268	.726	-.355	.748	-.085	1.000	-.360	.602
Construction and property	.188	.740	.251	.674	.260	.789	.360	.633	.973	.417	1.065	.090	.609	.402	.555	.389	.686	.448	18.960	.998	.618	.323
Consumer goods	-20.087	.999	-20.962	.999	-18.589	.999	-19.519	.999	4.692	.025	1.673	.292	1.571	.371	-21.207	.999	2.808	.136	-.892	1.000	20.170	.999
Education	-20.465	.999	-.390	.743	-18.210	.999	-18.907	.999	-17.692	.999	.943	.350	-18.610	.999	-19.562	.999	-18.631	.999	.939	1.000	-.494	.594
Engineering	-.501	.509	.153	.841	.062	.961	-.658	.586	-17.803	.999	.626	.428	-.231	.819	-1.635	.174	1.540	.122	19.291	.998	-.369	.613
Health	-.816	.545	-.048	.970	-18.794	.999	-19.428	.999	-17.960	.999	.371	.777	-19.901	.999	.264	.852	1.588	.280	-.578	1.000	-.702	.558
Industry	-1.708	.176	-.715	.565	1.073	.435	-19.861	.999	1.632	.292	.795	.465	.853	.490	-20.597	.999	.550	.706	19.019	.998	-.903	.413
Investment companies	.792	.541	-20.017	.999	-17.876	.999	-17.877	.999	-16.456	.999	2.149	.069	-19.118	.999	-20.090	.999	-18.669	.999	-.072	1.000	.215	.857
Leisure	.685	.353	.069	.933	-18.571	.999	-18.982	.999	.984	.504	.975	.228	.273	.790	1.312	.113	.893	.431	.045	1.000	1.276	.162
Manufacturing	-.258	.657	-.037	.953	1.416	.096	1.041	.147	2.079	.062	1.261	.044	.771	.292	-.237	.737	.754	.423	19.750	.998	-.024	.967
Media	-20.615	.999	-20.024	.999	-18.298	.999	-18.744	.999	-17.783	.999	1.662	.282	1.673	.286	-20.417	.999	-19.414	.999	-.048	1.000	-.495	.747
Natural resources	.323	.843	.797	.605	2.824	.106	-19.728	.999	-17.884	.999	-19.719	.999	1.621	.302	-20.587	.999	-19.333	.999	.088	1.000	-1.090	.520
Professional and support services	-.113	.830	-.652	.281	-.022	.982	-.515	.521	1.107	.333	.081	.897	-.537	.471	-.513	.416	-1.237	.222	17.034	.998	-.180	.735
Retail and wholesale	.306	.625	-.563	.441	.742	.447	-19.385	.998	1.942	.098	.964	.159	.752	.344	-.316	.688	.643	.530	19.149	.998	.009	.989
Technology	.091	.897	-.109	.888	-.123	.925	-.031	.976	.577	.698	.317	.690	.453	.594	.188	.813	-.934	.485	-.420	1.000	.459	.553
Telecoms	-.520	.673	.887	.396	1.129	.411	-18.804	.999	-17.690	.999	.461	.713	.984	.466	.639	.621	-18.012	.999	.364	1.000	-.774	.462
Transport	.531	.610	.825	.419	2.130	.085	1.664	.156	5.065	.002	1.022	.330	.496	.719	-.659	.655	-18.186	.999	19.470	.998	1.663	.180
Utilities	-19.549	.999	-20.367	.999	-17.638	1.000	2.843	.099	-16.625	.999	23.268	.999	-19.128	.999	-20.724	.999	-19.223	.999	21.544	.998	20.857	.999
Nonprofit	-1.534	.032	-1.042	.180	-18.443	.998	-.323	.710	-17.859	.998	.269	.700	-1.718	.156	-2.592	.030	-19.030	.998	18.807	.998	-1.154	.061
Cash strength	-.592	.000	-.410	.000	-.255	.146	-.624	.000	-.238	.165	-.352	.001	-.723	.000	-.650	.000	-.394	.019	-.661	.002	-.727	.000
Constant	.094	.943	1.144	.311	-2.499	.115	.124	.928	-5.282	.005	-.657	.530	.733	.575	2.158	.097	-1.419	.439	-18.332	.998	3.699	.002

POL-AF-SBF

ACCA 29 Lincoln's Inn Fields London WC2A 3EE United Kingdom / +44 (0)20 7059 5000 / www.accaglobal.com