Response to the Northern Ireland Assembly Committee for Finance by the Northern Ireland Branch of CIPFA

5 June 2025

Further information about CIPFA can be obtained at www.cipfa.org

Introduction

1. The Finance Committee of the Northern Ireland Assembly is currently undertaking scrutiny of banking and financial services which has been prompted by the number of local bank branch closures since 2020, as well as the arrival of Banking Hubs to Northern Ireland. Whilst oral evidence has been gathered, the Committee has sought written evidence from CIPFA.

2. The Northern Ireland Branch of the Chartered Institute of Public Finance & Accountancy (CIPFA) is pleased to respond to this consultation request. CIPFA is the only professional accountancy body in the world that is dedicated to improving public financial management, governance and performance of publicly funded organisations.

3. Whilst, within the timescales of this consultation we have not been able to canvass public bodies in Northern Ireland to seek views about banking and financial services, we have received some user feedback from members as well as our research of some of the wider issues in the banking sector. The details of this are set out below.

Access to Financial Services

5. The main challenge here is that many rural and low-income communities in Northern Ireland have limited access to banking and financial services due to branch closures and poor digital infrastructure. The Northern Ireland Assembly's research paper (niassembly.gov.uk) highlights concerns over rural bank branch closures and the need for alternative financial service models like credit unions and community banks.

6. There is therefore a need for the sector to improve digital financial infrastructure including broadband and mobile banking.

7. Also, there is a need for more effective community banks and credit unions through rationalisation of a relatively large number of small entities; building capacity in those who govern; and a more balanced approach to regulation, which has increased in recent times.

Regulatory Alignment Post-Brexit

8. Northern Ireland occupies a unique position with the EU due to the Northern Ireland Protocol, remaining in the EU single market for goods while being part of the UK financial regulatory system. This dual status creates uncertainty and complexity for financial firms according to the overview of the Northern Ireland Protocol and the Windsor Framework, detailing changes and proposals affecting financial services (House of Commons Library).

9. To address this requires greater clarity and streamlining of regulations that apply to Northern Ireland-based financial firms; consistent compliance guidance that aligns with UK and EU standards and steps to protect financial stability in cross-border transactions with the Republic of Ireland.

Support for SMEs and Regional Economic Growth

10. The business finance landscape has changed significantly over recent years with the diversification of finance sources as tracked most recently in Northern Ireland SME Access to

Finance Report by the British Business Bank. Although Invest Northern Ireland's Access to Finance initiative has invested over £200 million in over 1,250 NI businesses since 2011 to support start-ups and SMEs, the British Business Bank's report indicates that 21% of SMEs in Northern Ireland faced barriers when trying to access finance, with the most common obstacles being the ability to obtain funding. (British Business Bank).

11. There is a consensus with government enterprise networks that greater focus should be placed on signposting/referrals to appropriate alternative sources of finance to meet business needs when traditional banking finance isn't available e.g. small business loan fund or proof of concept rather than relying on family or expensive overdrafts. We understand that the issue of financial inclusion in the UK is being addressed by the Department for the Economy.

12. To address this requires expansion of local venture capital and alternative financing options; more effective lending programs tailored to NI's business environment; and greater financial literacy and business planning support for local entrepreneurs.

Workforce Skills and Talent Retention

13. There is a skills gap in digital finance, risk management, and compliance roles, as well as difficulties in retaining top talent according to the Department for the Economy. It projects that the workforce in Northern Ireland is expected to grow to around one million jobs by 2033, highlighting the importance of developing skills for future economic growth.

14. There should therefore be greater development of industry-led training and apprenticeship programs to help address specialist shortages. In addition, the sector should seek to strengthen university-industry links in finance and tech fields and provide incentives to retain and attract skilled professionals.

Financial Literacy

15. Financial exclusion, debt, and low financial literacy rates remain concerns for many Northern Ireland households which is underscored by the OECD as well as the Central Bank of Ireland that highlights the need to improve financial literacy rates in Ireland, which are relatively low compared to other Northern European countries. Government should seek to enhance public education on personal finance and strengthen consumer protection laws to protect vulnerable people.

Overall conclusion

16. The banking and financial services sector plays a significant role in Northern Ireland's economy, primarily through employment, financial services provision, and support for business activities.

17. Overall, and given our analysis of current research, CIPFA understands that enhancing Northern Ireland's financial services sector involves addressing several structural, regulatory, and economic challenges. This is highlighted by the context of post-Brexit realities and regional economic disparities within the UK.

Northern Ireland SME Access to Finance Report

Sub-National and Devolved Nation analysis

Contents

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 £17.4bn of finance to almost 64,000 smaller businesses (as at end March 2024).

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

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

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

About Enterprise Northern Ireland

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

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

Project overview

Devolved Nation project overview

The make-up of sub-regional 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-regional 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.

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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-regional access to finance economies and developed bespoke interventions accordingly. This project seeks to adopt a similar approach across Scotland and Wales, whilst simultaneously undertaking a devolved nations comparison. This is the second year the Bank has supported this project, after publishing a first suite of nation specific sub-regional access to finance reports in 2024.

Carrying out access to finance surveys with a minimum of 500 SME respondents and applying quotas to ensure the sample is representative each devolved nation, the British Business Bank is working alongside the Scottish Government's Business Gateway, Economic Intelligence Wales and Enterprise Northern Ireland to produce a second edition of the reports released last year. This is the latest report for Northern Ireland, published alongside one for Scotland and one for Wales.

Northern Ireland project methodology

The survey findings (2024) build on 1,014 online responses from SMEs located in Northern Ireland, of which 816 could be assigned to individual local authorities within the nation.

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

The online survey questionnaire was administered by Enterprise Northern Ireland during September and October 2024, as part of their fifth annual NI Enterprise Barometer Survey. The Enterprise Barometer provides an overview of how SMEs in Northern Ireland are doing and what is required to ensure they get the right support at the right time, covering SMEs of all sizes, in all sectors and across all parts of the nation. Table 1 shows the geographical profile of the sample. The six regions presented are described in the next section.

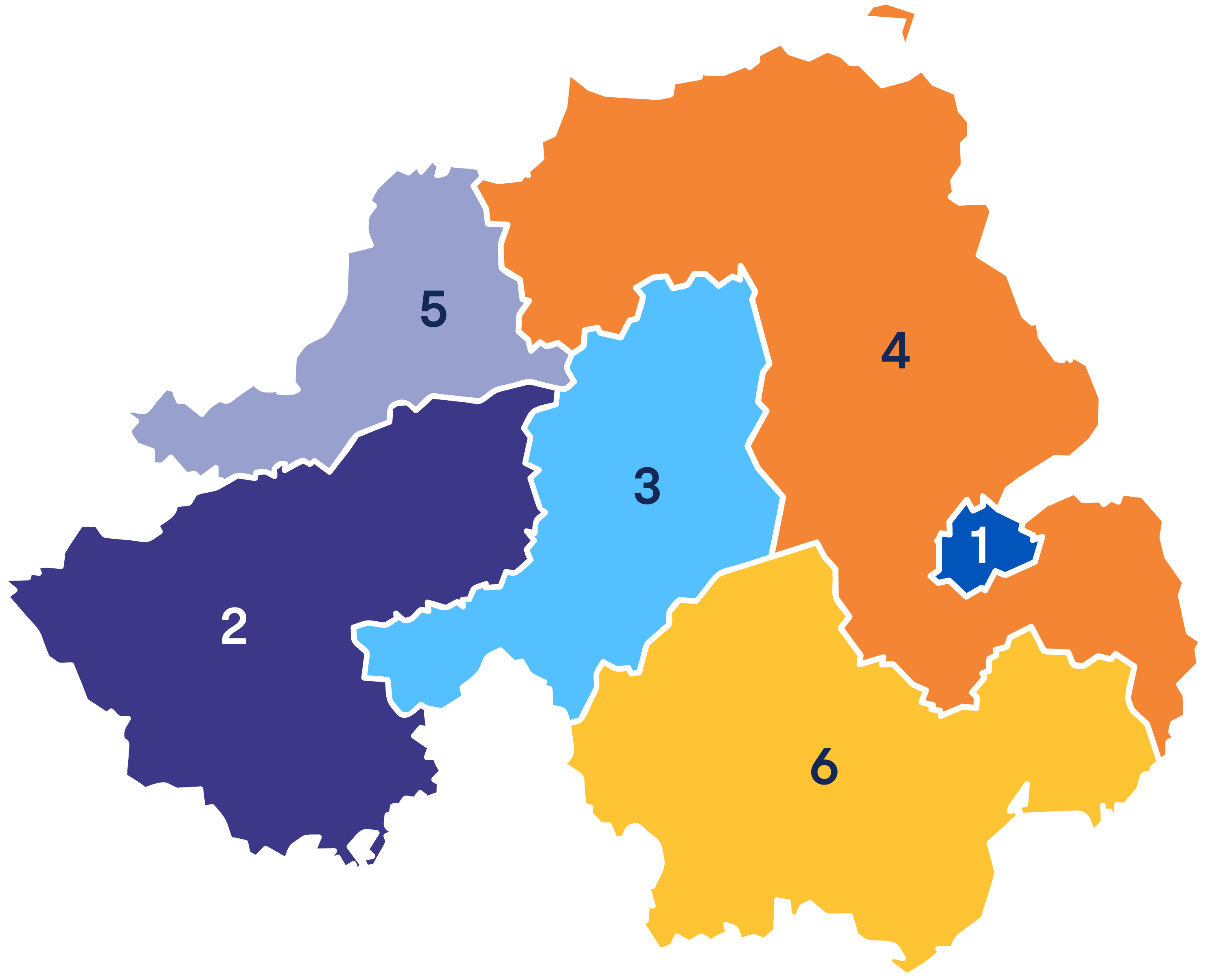
For the first time this year, the analysis is also complemented by the qualitative insights gathered via two virtual focus groups. The first of these was held on 13 January 2025 with a group of finance intermediaries who worked with smaller businesses based in Northern Ireland. The second was held on 21 January with a diverse group of smaller businesses based in Northern Ireland that had experience of considering or accessing external finance options.

Table 1

SME sample composition

Region	Sample	% Sample
Belfast	87	11%
Fermanagh	47	6%
Mid Ulster	24	3%
North East/East	445	55%
North West	52	6%
South	133	16%
Multiple locations	28	3%
Total	**816**	**100%**

Regional overview



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

1. Belfast

Belfast, the capital and economic hub of Northern Ireland, boasts a thriving ecosystem with SMEs making up 14%[1] of Northern Ireland's business population. As the largest city in Northern Ireland by population, Belfast has experienced significant economic rejuvenation in recent years. It has positioned itself as a leading destination for multiple sectors, capitalizing on its highly educated. and skilled workforce. The technology sector continues to flourish, with a focus on cybersecurity, software development, and digital innovation. Additionally, Belfast has emerged as a healthcare and life sciences leader, pushing the boundaries of medical advancements. The city's infrastructure, including well-connected transportation networks and well established ecosystem further enhances its appeal. Home to Queens University and Ulster University, Belfast is highlighted as the Nations and Regions Tracker 2023 innovation-led cluster in Northern Ireland and claims the majority of the nation's active Innovation Driven Enterprises population.

2. Fermanagh

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

3. Mid-Ulster

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

4. North East & East

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

5. North West

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

6. South

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

Executive summary

Overall findings

57% of smaller businesses* in Northern Ireland reported using external finance in late 2024. The most commonly used form was Covid-19 loans, with 24% of businesses relying on them. Credit cards (17%) and business overdrafts (12%) were the second and third most frequently used sources of finance.

One in five (21%) SMEs in Northern Ireland experienced barriers when trying to access finance. The most commonly reported obstacles were the ability to obtain or repay finance (41%) and lack of awareness or availability of options/support (27%).

The vast majority (91%) of smaller businesses that had taken on debt felt their current debt levels were manageable, indicating that financial strain was not a widespread concern.

Nearly half (48%) of SMEs expected to require additional finance within the next year. Of these, the majority (74%) anticipated needing £50k or less, while 18% required between £50k and £250k, and 9% needed an amount exceeding £250k.

* Smaller businesses refers to businesses with 0-249 employees. We use the term interchangeably with the abbreviation 'SMEs' throughout the report.

When looking ahead to financing options, business loans and grants were the most commonly cited choices, each mentioned by 45% of businesses that expected to seek funding.

Among those anticipating a need for finance, 59% planned to use it for working capital, while 58% intended to invest in capital expenditure. When asked about their likelihood of securing the required funds, 61% of businesses expressed confidence in obtaining the necessary financial support.

Looking forward, 27% of smaller businesses expected their business situation to remain stable over the next year. Meanwhile, 61% were optimistic about growth prospects, while 7% anticipated contraction, and 5% believed they faced difficult trading conditions or even a risk of closure.

Sub-national findings

Finance usage varied across Northern Ireland, with the North East/East and South regions reporting the lowest rates, at just 53%. This was a statistically significant difference compared to other areas. Mid Ulster had the highest reliance on Covid-19 loans, with 42% of businesses in the region currently using this type of funding.

Over half of Northern Irish SMEs **(57%)** reported using finance

1 in 5 experienced barriers to accessing finance

48% requiring additional financing over the next year

61% requiring finance felt confident about securing it

The perception of barriers to finance also varied by region. Businesses in the Mid Ulster region were more likely to report difficulties in accessing finance (33%), while those in the South region were less likely to face such obstacles (18%).

Slight regional differences were observed in businesses' confidence in managing their debt. In Fermanagh and Mid Ulster, 94% of businesses reported that they felt their debt burden was manageable, which was above the national average.

Businesses based in Belfast were significantly more likely to anticipate needing additional finance in the next year (60%) than those in other regions. Conversely, those in the North East/East (42%) and South (45%) regions were less likely to report an upcoming finance requirement.

The amount of finance businesses expected to require also varied by location. Belfast-based businesses were the most likely to need over £250k in funding (19%). Meanwhile, SMEs in Mid Ulster showed a stronger tendency to seek funding between £50k and £250k (42%) compared to other regions.

The type of finance businesses intended to access also differed by region. In Fermanagh and the North West, more businesses expected to use business overdrafts (38% and 27% respectively), whereas businesses in Belfast had the highest preference for equity financing (24%). Grant funding was a popular choice across Belfast (53%), the North East/East (46%), and South (52%) regions.

The intended use of additional financing differed between regions. Businesses in Fermanagh, Mid Ulster, and the North West were more likely to invest in capital expenditure (72%, 72% and 62% respectively), while businesses in Belfast were more focused on using finance for working capital needs (69%).

Confidence levels also showed regional disparities. Businesses in Belfast were slightly less confident in their ability to secure financing (60%), while those in Mid Ulster (73%) and the North West (70%) reported the highest levels of confidence.

Although there were no statistically significant differences in business growth expectations across most regions, businesses in the North West were the most likely to anticipate growth (73%).

Smaller businesses' expectations of their performance over the next year were fairly similar across the four regions with no statistically significant differences detected, although a higher proportion of respondents in the North West expected to grow, while proportionally more respondents in Mid Ulster anticipated negative business performance (contraction/trading difficulties/risk of closure) than in other regions.

The access to finance focus group stated location as a key factor in Northern Ireland for access to finance. Businesses in urban centers like Belfast or Derry have better access to financing options, networking events, and support programs compared to those in rural or "cold spot" areas. Even if financing options are available, businesses in remote locations may not be as aware of them or have the same ease of access as those closer to main financial hubs.

North East/East
businesses were least likely to use finance

Belfast
businesses most likely to require finance over the next year

Devolved Nations comparison

The proportion of SMEs using external finance in Northern Ireland was broadly in line with the other Devolved Nations, Wales and Scotland. However, finance type preferences differed. While usage patterns in Northern Ireland were similar to Wales for most finance types, Northern Irish SMEs were less likely to use credit cards or business overdrafts compared to their counterparts in Scotland and Wales.

Northern Ireland and Wales had identical proportions of SMEs reporting barriers to accessing finance (21%), while Scotland had a significantly higher share, with 42% of businesses facing difficulties.

The nature of finance-related barriers varied across the Devolved Nations. In Northern Ireland, a lack of awareness or availability of finance options and support programmes was more frequently cited as a barrier than in the other Devolved Nations. Conversely, the time and complexity of finance applications was more prevalent in Scotland and Wales than in Northern Ireland. The ability to obtain or repay finance was a widespread concern across all three nations but was less frequently mentioned in Northern Ireland and Wales compared to Scotland.

SMEs in all three Devolved Nations had broadly similar views on the manageability of their current debt burdens.

Northern Ireland had the highest proportion of SMEs anticipating a need for additional finance over the next year, with demand levels more than double those reported in Wales.

Northern Ireland businesses were more likely than their Scottish or Welsh counterparts to require funding amounts at or below £50k.

Compared to businesses in Scotland and Wales, Northern Ireland SMEs showed a stronger inclination toward wanting to seek grant funding over the next year. They were less likely than Scotland (and more likely than Wales) to seek other forms of finance, with the exception of equity investment, where their preferences were similar to Scotland.

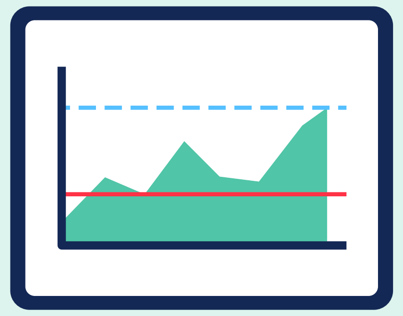
SMEs across the three nations had broadly similar intended uses for additional finance. However, Northern Ireland businesses were more likely to cite working capital and capital investment as key priorities. In contrast, businesses in Scotland and Wales were more likely to mention refinancing. Compared to their counterparts in Scotland, SMEs in Northern Ireland were also less likely to anticipate seeking finance for research/process improvement/significant maintenance purposes.

Northern Ireland and Wales were similar in terms of their confidence in their ability to secure the additional finance needed over the next year, but both lagged behind Scotland, where proportionally more businesses felt confident about this.

£

74%
of NI businesses requiring finance planned to seek £50k or less

Northern Irish businesses were the most positive about their growth prospects over the next 12 months



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 57% of smaller businesses in Northern Ireland were using external finance[2] at the time of the survey (Figure B1.1), a broadly similar share as in the survey carried out in Autumn 2023 (56%).

Overall finance usage rates were lowest in the North East/East and South regions, where only just over half of smaller businesses (53%) reported using any finance at the time of the survey.

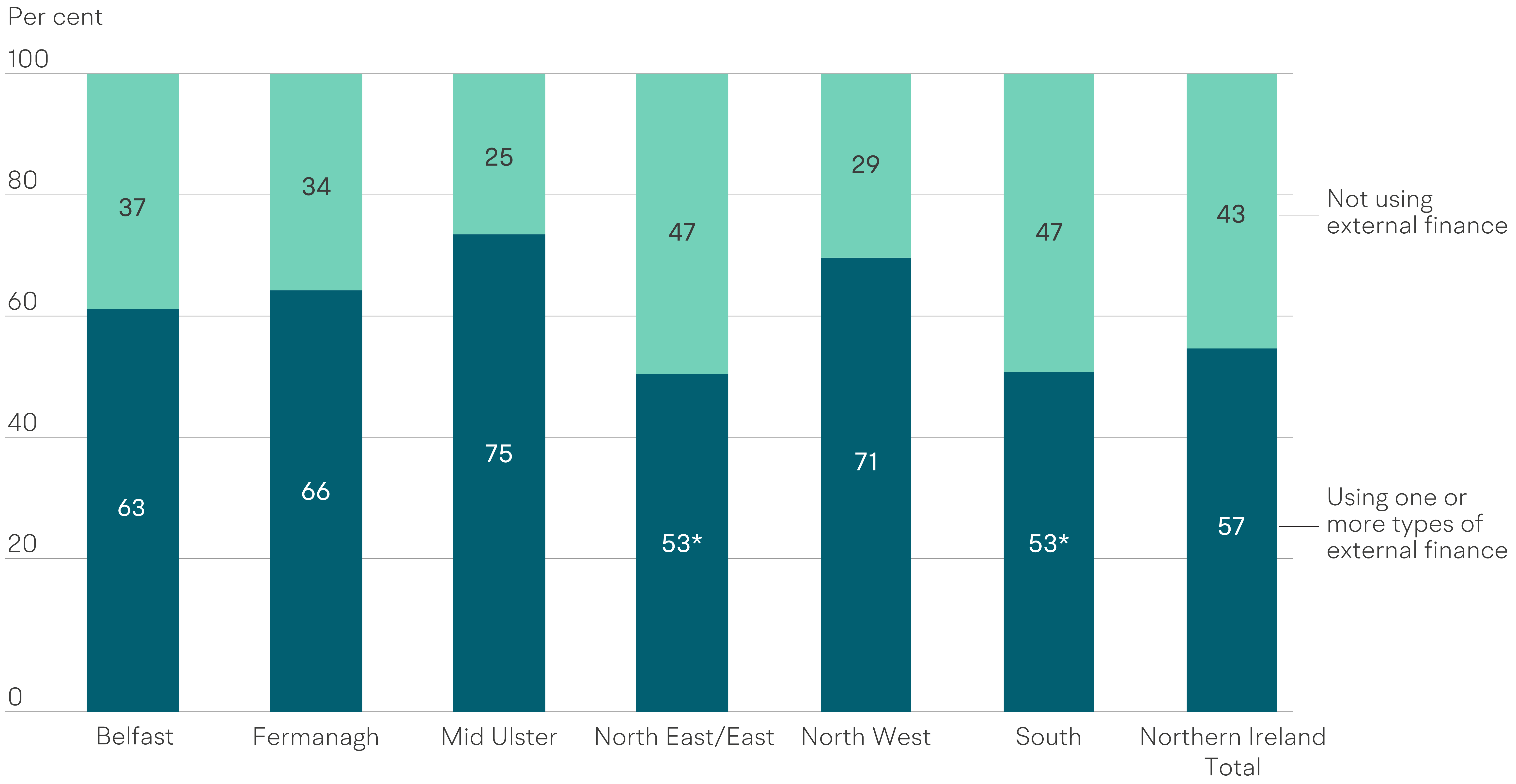
These differences with other regions were found to be statistically significant and were also identified in the previous year's survey, providing stronger evidence that use of finance is structurally lower in these areas.

The access to finance focus groups we ran with intermediaries and smaller businesses both stated location as a relevant (although not the most important) factor in Northern Ireland for access to finance, in that they recognised it might impact access to opportunities for strengthening awareness, networking and finance management skills. They noted that businesses in urban centres like Belfast or Derry have better access to financing options, networking events, and support

Figure B1.1

Figure B1.1 Use of external finance among businesses based in Northern Ireland, by region

Unweighted sample sizes: Northern Ireland Total (816), Belfast (87), Fermanagh (47), Mid Ulster (24), North East/East (445), North West (52), South (133).



*Correlation is significant at the 0.05 level.

programs compared to those in rural or "cold spot" areas, for instance in the western part of the nation. Even if financing options are available, businesses in remote locations may not be as aware of them or have the same ease of access as those closer to main financial hubs, especially given the declining physical presence of banks and other finance providers in less densely populated areas. In those contexts, reducing mainstream finance can create a perception of reduced or more challenging access to finance and the related information and support. At the same time, some smaller businesses acknowledged that public support schemes, such as grants offered by local councils or NI Small Business Loans, helped them secure funding that they may not otherwise have secured.

As in the previous year, Covid-19 loans were still the most commonly used finance form among smaller businesses in Northern Ireland, having been used by 24% of respondents across the nation (compared to 28% in the Autumn 2023 survey). Since the suite of loan schemes created to support businesses through the pandemic closed for applications in March 2021, this share represents businesses who were still using or repaying the support received before this date. The second and third most commonly used finance forms were again credit cards and business overdrafts, although both had a slightly lower usage rate (17% and 12% respectively) than in the 2023 survey (19% and 14%). Other (non pandemic-related) loan products and grants were used by (respectively) 11% and 9% of smaller businesses in Northern Ireland. The proportion of SMEs using other finance types – such as equity or asset/invoice/equity finance – was much smaller (6% or less) throughout the Nation.

According to the intermediaries participating in our focus groups, the relative popularity of credit cards as a source of business funding is likely due to their ease of access and quick approval process, which appeals to businesses looking to avoid the extensive due diligence required by other lenders. This can help address short-term cash flow issues but may also be connected to a lack of awareness of alternatives.

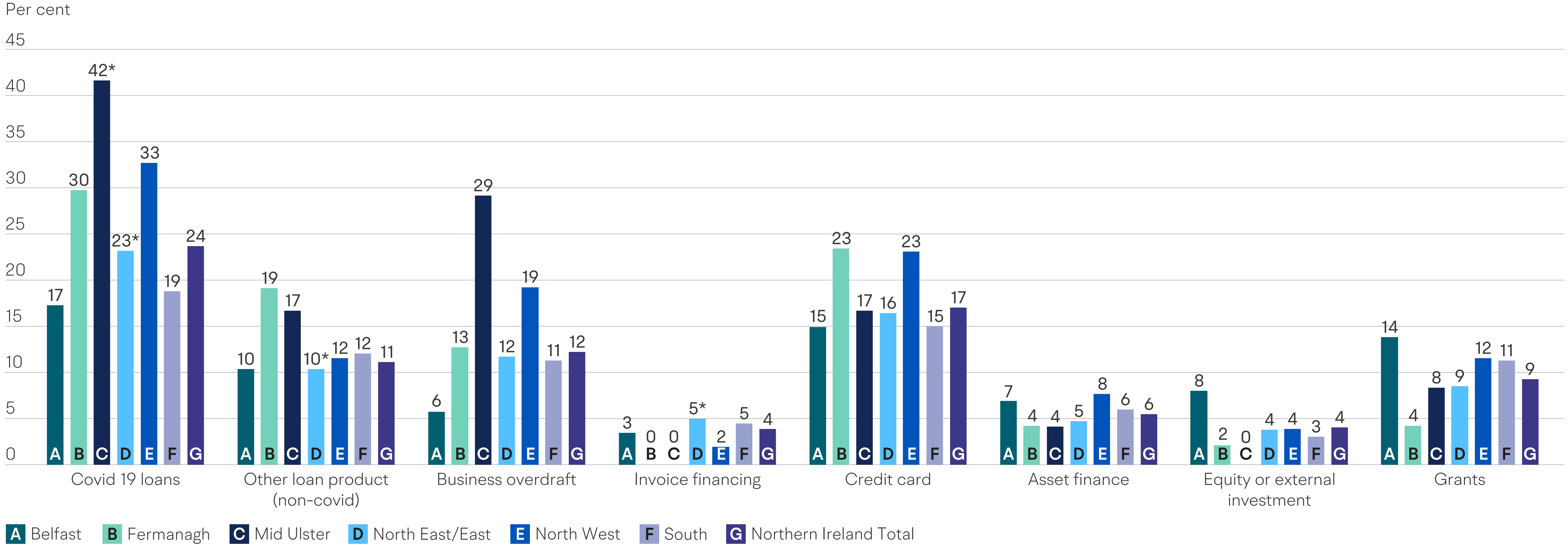
Usage levels for different external finance types show some variations across smaller businesses located in different regions of Northern Ireland (Figure B1.2), although most of these did not meet statistical significance criteria. The only statistically significant difference related to Mid Ulster, which had by far the highest share of smaller businesses reporting they were using Covid-19 loans (42%) of all regions in Northern Ireland, and to the North East/East region, which had slightly lower usage of Covid-19 loans and other (non pandemic-related) loan products and slightly higher usage of invoice finance than the average across the nation.

Northern Ireland had a comparable proportion of smaller businesses using external finance to the other two Devolved Nations of the UK (Figure B1.3). Patterns of finance usage by type among Northern Ireland-based smaller businesses were similar to Wales with respect to most finance types except for credit cards and business overdrafts, where usage rates were much lower than the other two Devolved Nations (Figure B1.4).

Figure B1.2

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

Unweighted sample sizes: Northern Ireland Total (816), Belfast (87), Fermanagh (47), Mid Ulster (24), North East/East (445), North West (52), South (133).



*Correlation is significant at the 0.05 level.

Figure B1.3

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

Unweighted sample sizes: Northern Ireland (816), Wales (500), Scotland (505).

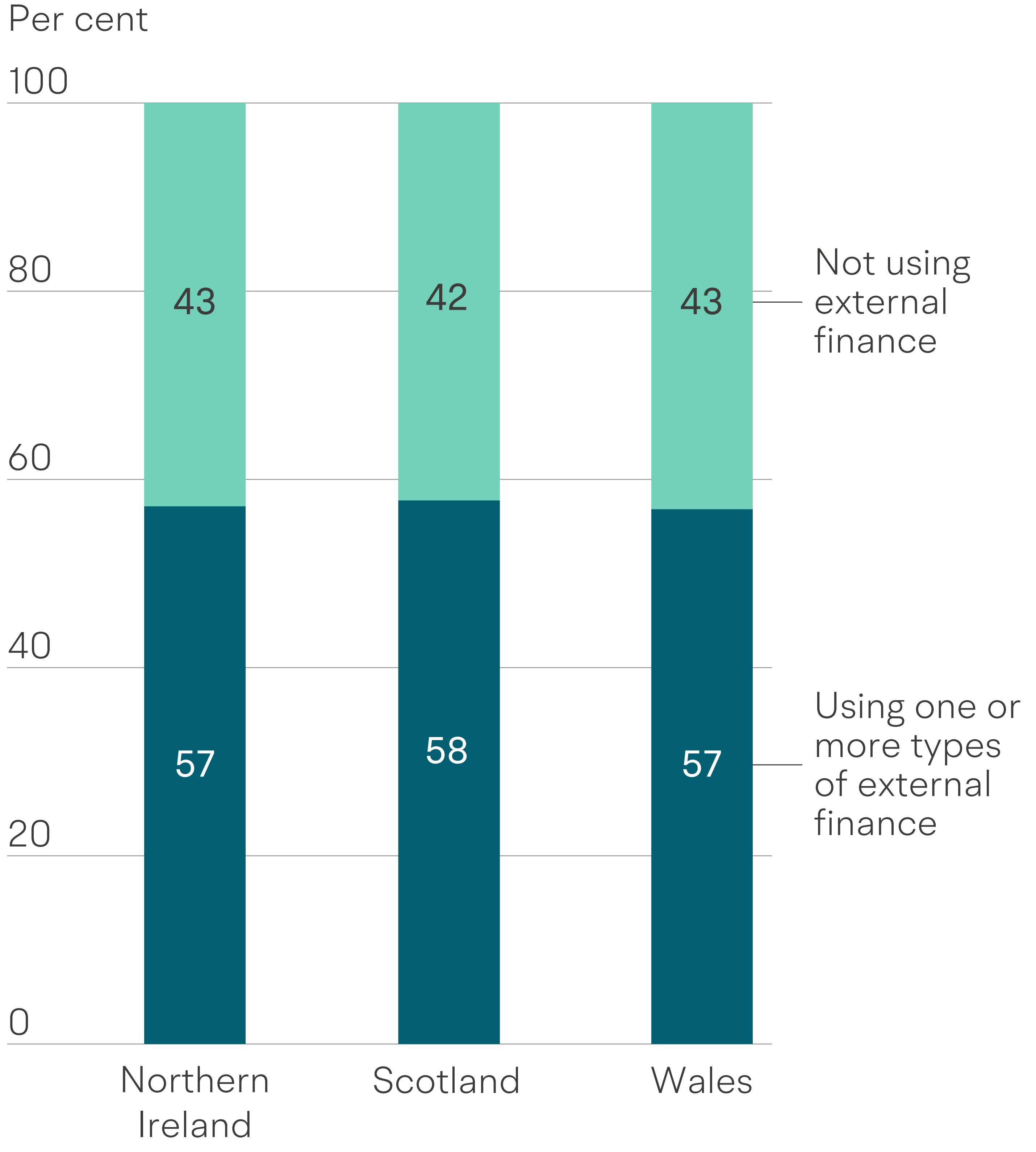
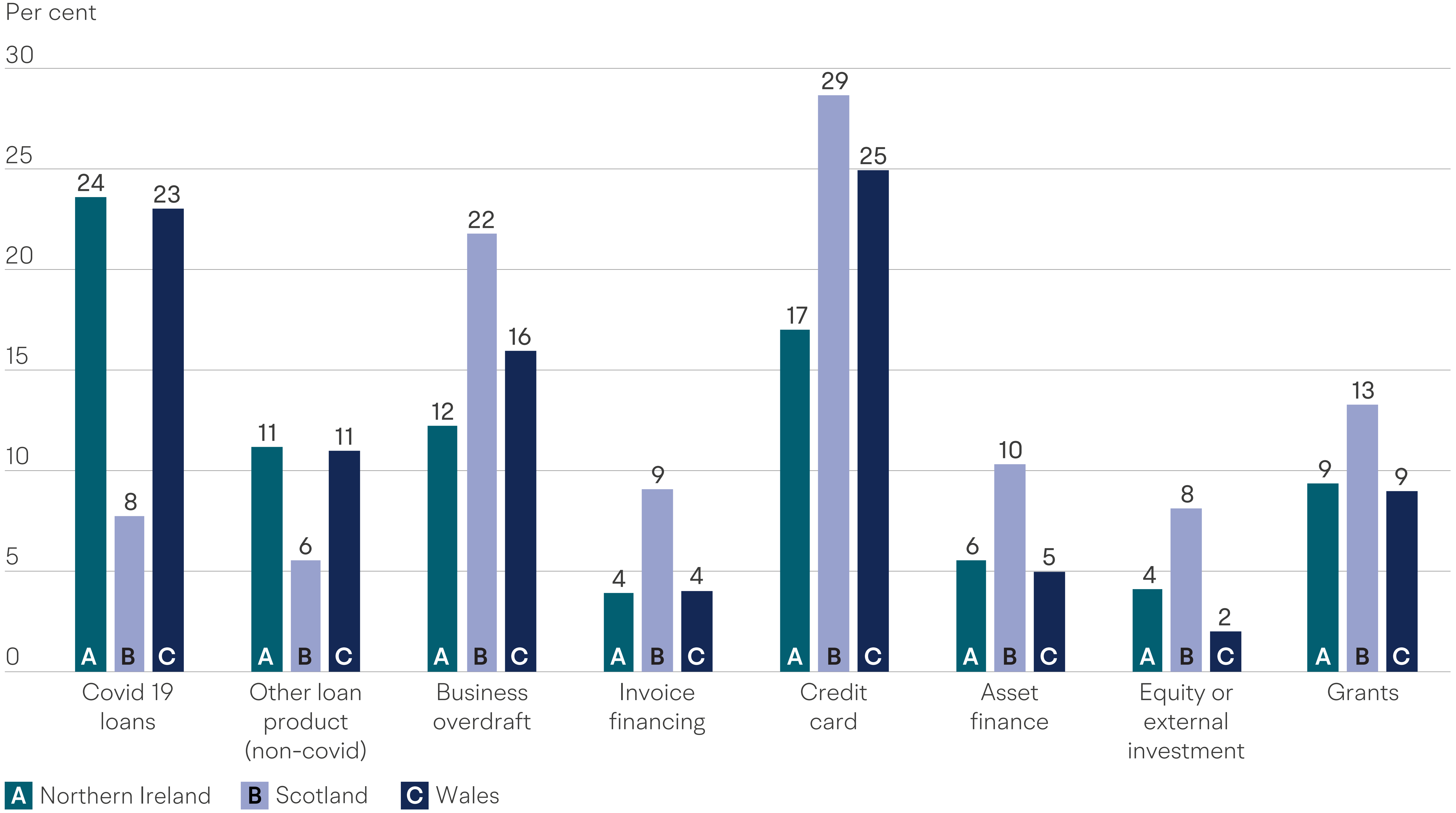


Figure B1.4

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

Unweighted sample sizes: Northern Ireland (816), Wales (500), Scotland (505).



2. Barriers to external finance

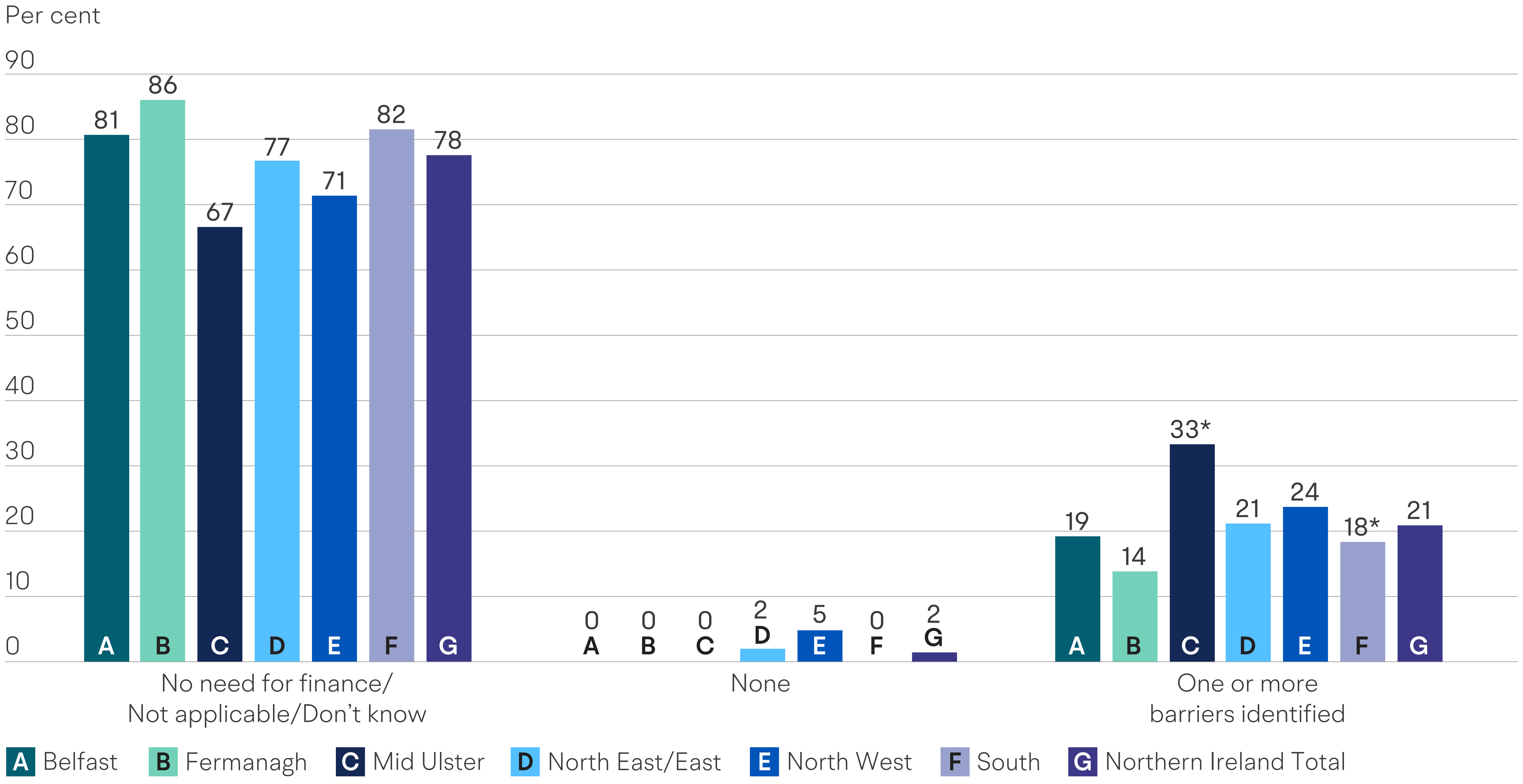
As shown in Figure B2.1, around one in five smaller businesses (21%) in Northern Ireland reported they experienced barriers to accessing finance, with the rest of the respondents mentioning "None" (2%) or "No need for finance/not applicable" (78%). The share of respondents reporting barriers was the same as in the 2023 survey (21%).

Smaller businesses' views on whether they experienced barriers to accessing finance in Mid Ulster and South regions differed in a statistically significant way from the rest of the nation, showing a share of respondents reporting this that was higher and lower than the Northern Ireland average respectively.

Figure B2.1

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

Unweighted sample sizes: Northern Ireland Total (816), Belfast (87), Fermanagh (47), Mid Ulster (24), North East/East (445), North West (52), South (133).



*Correlation is significant at the 0.05 level.

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 five broader themes, as presented in Figure B2.2.

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

- **Ability to obtain/repay finance (41%):** 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. This was also one of the three most frequently mentioned barrier themes in 2023, even though at that time it was reported by a much lower share of respondents (24%).
- **Lack of awareness or availability of finance options/support (27%):** this category encompasses all barriers that stem from a lack of awareness of finance options among businesses, or difficulties in finding information and advice that can help them access available and relevant finance solutions. Although this was already one of the two the top themes in the 2023 survey (alongside ability to obtain/repay finance) it was mentioned by a higher share of respondents at that time (37%) than in the latest survey.
- **Poor perceptions of/relationships with finance providers (11%):** 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.). Poor perceptions of/relationships with finance providers was slightly less of an issue in the 2024 survey than in the previous year's one, where it had been mentioned by 15% of respondents.

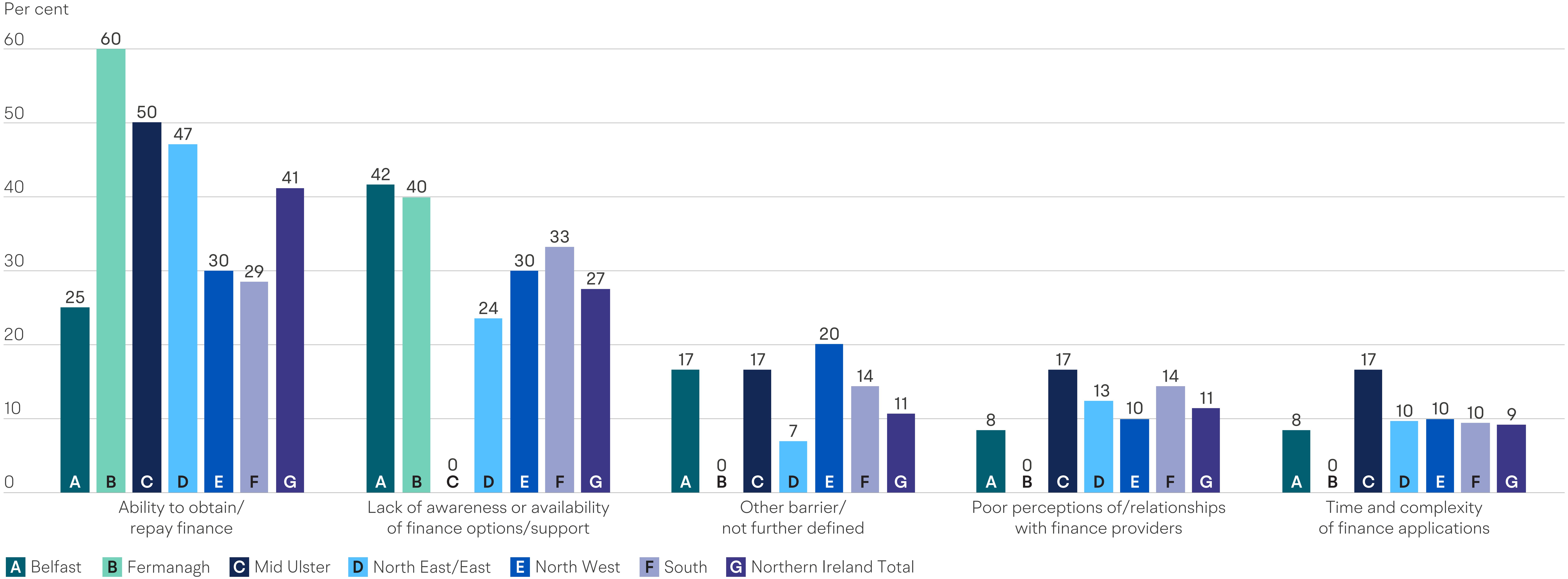
A smaller proportion of respondents also cited other types of barriers (11% in Northern Ireland as a whole, like last year) as well as barriers related to time/complexity of finance applications (9%).

Our focus groups with finance intermediaries and smaller businesses also noted the significant impact of lack of financial awareness, skills and information on access to finance, identifying a widespread lack of sophistication in business planning and financial management within the smaller business community in Northern Ireland. These businesses experience a variety of challenges – related to both skills and time constraints – in providing necessary documentation and financial projections, particularly when they have a limited financial track record, and do not always have a team of advisors to guide them through the finance application process and ensure they are prepared before embarking on it. Many entrepreneurs struggle to balance the requirements of growing the business with the time needed to raise finance. In addition, sole trader businesses often face eligibility issues, leaving them with a narrow range of finance options they can access beyond credit cards and bank overdrafts. Participants generally recognised that although various government-backed external finance support programmes and advisory services are available in Northern Ireland, more can be done to improve their visibility and coordination.

Figure B2.2

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

Unweighted sample sizes: Northern Ireland Total (131), Belfast (12), Fermanagh (5), Mid Ulster (6), North East/East (72), North West (10), South (21).



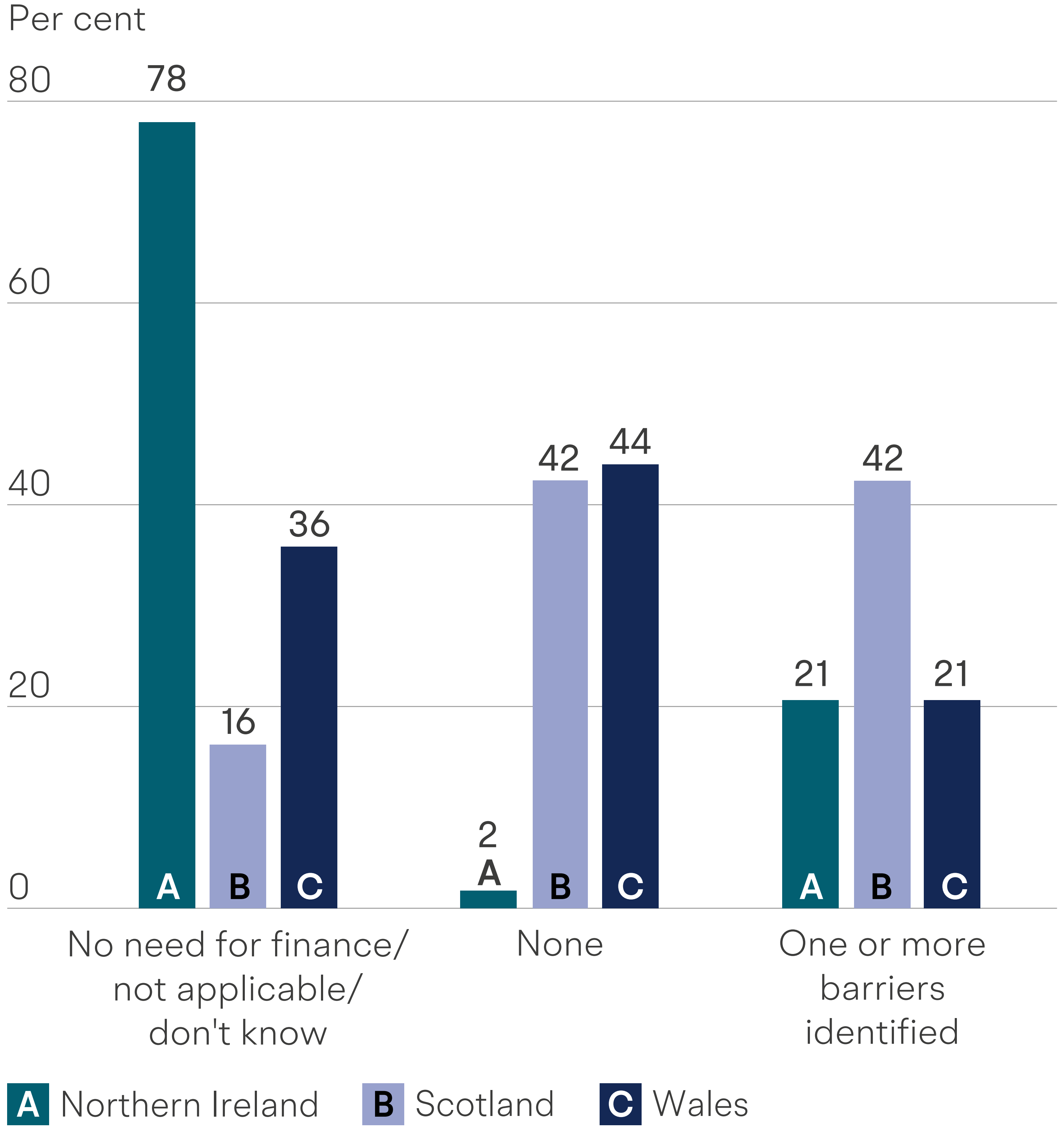
Alongside these common challenges, there are often additional difficulties confronting specific types of businesses. For instance, potential gaps in the market were also identified for (among others) many innovative and/or pre-revenue businesses that are not mature enough to fit traditional lending models – for instance, because they are still in the process of building their stock and assets to fulfil sales orders and generate cash flow – but at the same time have progressed beyond the stage that many finance products focused on start ups target. In those circumstances, it would be essential for the business owners to have knowledge not only of the finance types available, but also of how those options could be streamlined and combined to best support the growth of the business at such a challenging development stage. This knowledge often does not exist at a sophisticated level among start-up entrepreneurs.

Northern Ireland was identical to Wales 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 (42% compared with 21% in Wales and Northern Ireland). This closely replicates the picture emerging from the survey conducted in 2023.

Figure B2.3

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

Unweighted sample sizes: Northern Ireland (816), Wales (500), Scotland (505).



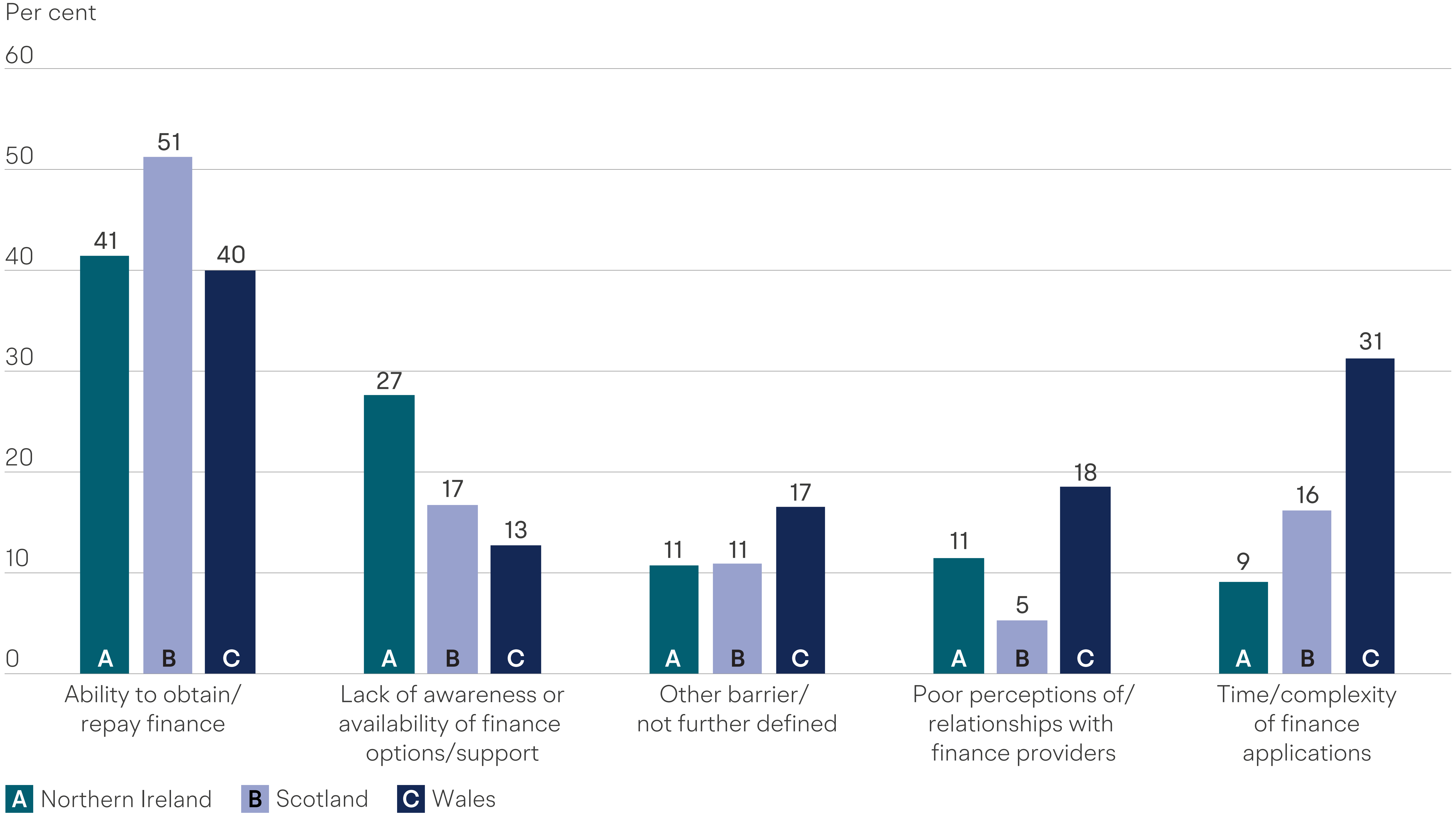
Meanwhile, the response patterns of businesses that reported at least one barrier were slightly different across Northern Ireland, Scotland and Wales (Figure B2.4).

In particular, lack of awareness or availability of finance options/support was more prevalent in Northern Ireland than in the other Devolved Nations, whereas the reverse was true for time/complexity of finance applications. In addition – and despite emerging as one of the top themes in all Devolved Nations – ability to obtain/repay finance was a less widespread concern in Northern Ireland and Wales than in Scotland.

Figure B2.4

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

Unweighted sample sizes: Northern Ireland (131), Wales (103), Scotland (210).



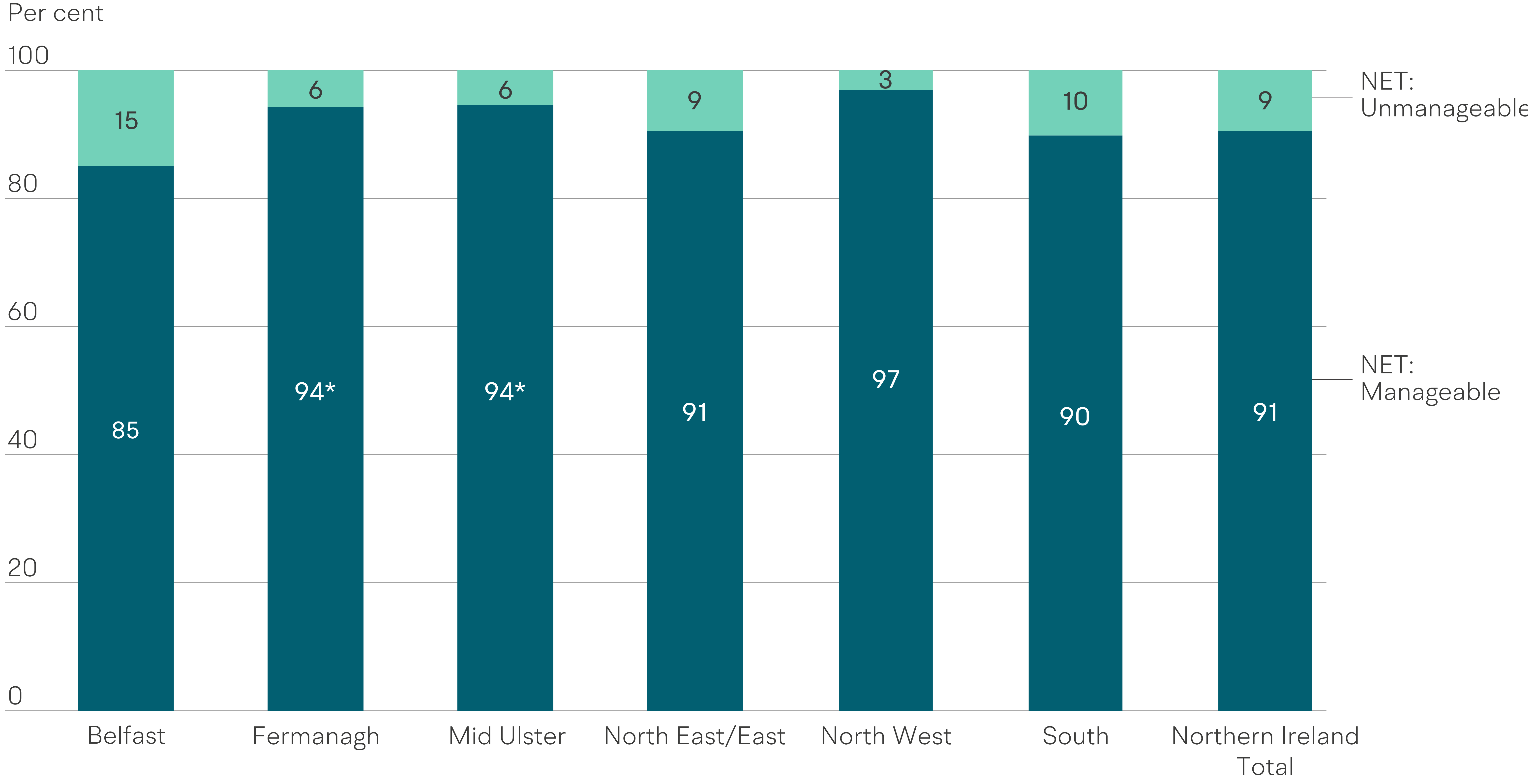
3. Debt manageability

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 Northern Ireland, by region

Unweighted sample sizes: Northern Ireland Total (466), Belfast (54), Fermanagh (34), Mid Ulster (18), North East/East (257), North West (33), South (70).



*Correlation is significant at the 0.05 level.

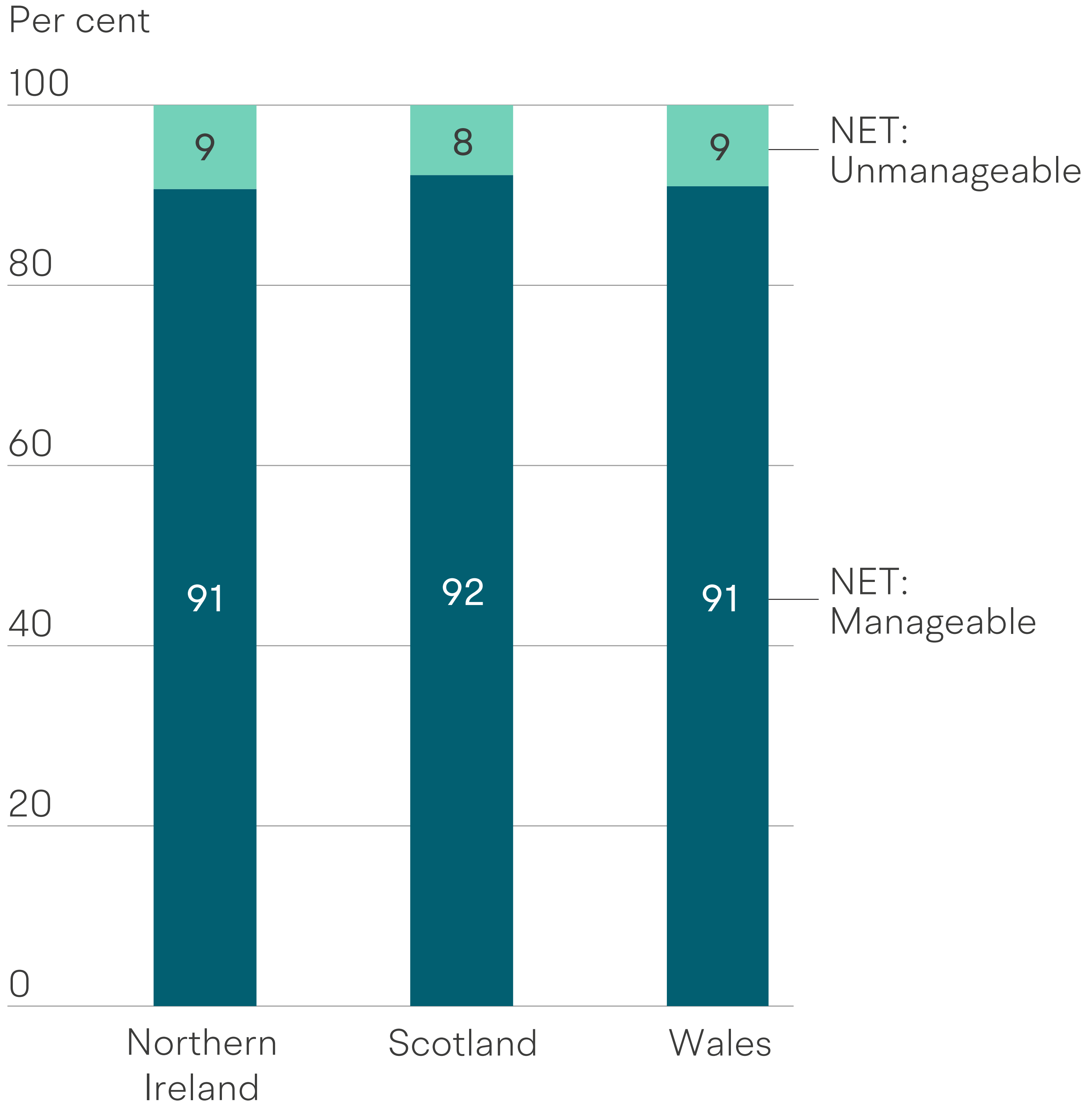
Around 9 in 10 Northern Ireland based businesses with debt (91%) perceived their current debt burden as manageable, which closely replicates the result from the 2023 survey (89%). Some small and statistically significant regional variations were present, with respondents in Fermanagh and Mid Ulster showing an above average share of businesses reporting this (94%).

As in 2023, this proportion was also broadly in line with the other Devolved Nations of the UK (Figure B3.2).

Figure B3.2

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

Unweighted sample sizes: Northern Ireland (466), Wales (257), Scotland (371).



4. Future finance needs

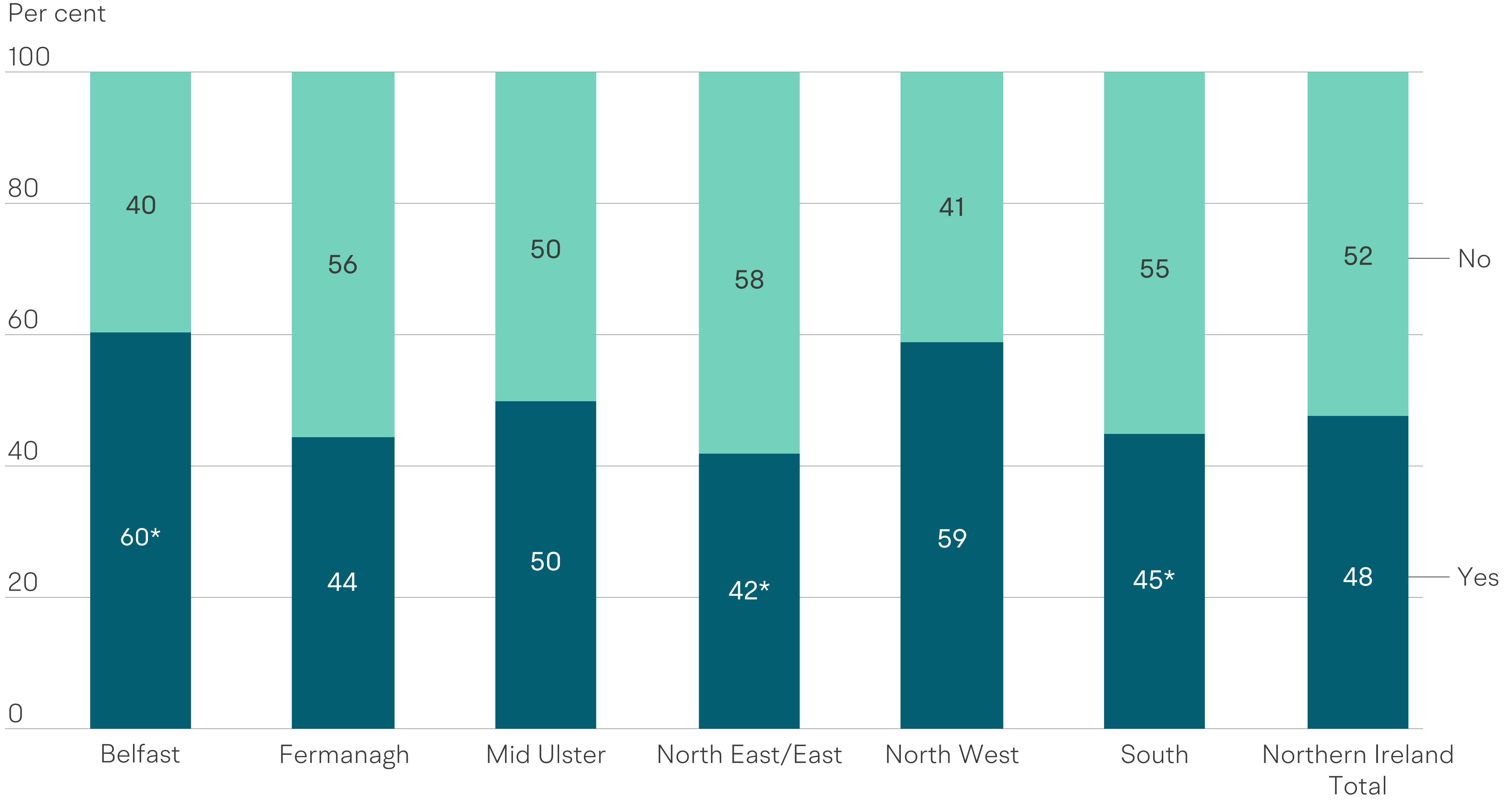
Slightly under half (48%) of smaller businesses in Northern Ireland as a whole reported requiring additional financing over the next 12 months (Figure B4.1). This is a higher share than in the 2023 survey (38%).

Respondents based in Belfast were far more likely to express this view than their counterparts elsewhere in a statistically significant way, while those based in the North East/East and South regions were slightly less likely to report this.

Figure B4.1

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

Unweighted sample sizes: Northern Ireland Total (816), Belfast (87), Fermanagh (47), Mid Ulster (24), North East/East (445), North West (52), South (133).



*Correlation is significant at the 0.05 level.

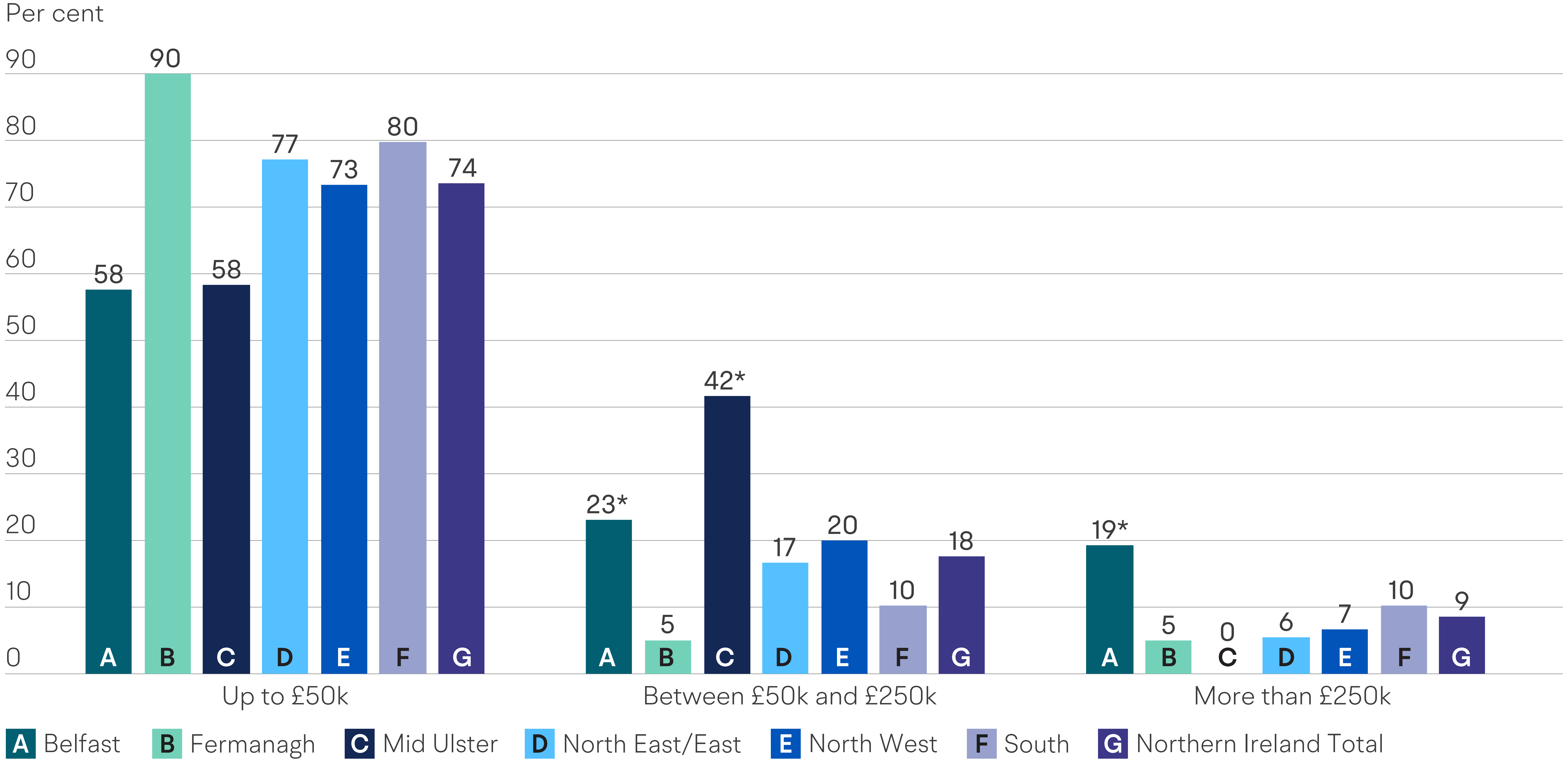
The question also captured the scale of the additional financing potentially required by businesses, using six bands. In the analysis below, these six bands have been merged into three to boost the sample size for each option and align with the pattern of the responses received.

Of the Northern Ireland based businesses who anticipate needing additional financing over the next year, nearly three quarters (74%) said they had a requirement at or below £50k, with another 18% of eligible respondents stating a requirement between £50 and £250k and the remaining 9% a larger requirement. There were statistically significant differences detected across different regions of Northern Ireland on amounts over £250k, suggesting that respondents in Belfast were the most likely to report they had a finance requirement in this bracket. Smaller businesses based in the Mid Ulster region were also particularly inclined to report an additional finance requirement between £50k and £250k.

Figure B4.2

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

Unweighted sample sizes: Northern Ireland Total (405), Belfast (52), Fermanagh (20), Mid Ulster (12), North East/East (180), North West (30), South (59).



*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 the highest (Figure B4.3), at over double the level seen in Wales. Differences can also be seen across the Devolved Nations in the size of the additional financing required, with proportionally more smaller businesses anticipating a finance requirement at or below £50k in Northern Ireland than in Scotland or Wales (Figure B4.4), returning a similar comparison as in the 2023 survey.

Figure B4.3

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

Unweighted sample sizes: Northern Ireland (816), Wales (500), Scotland (505).

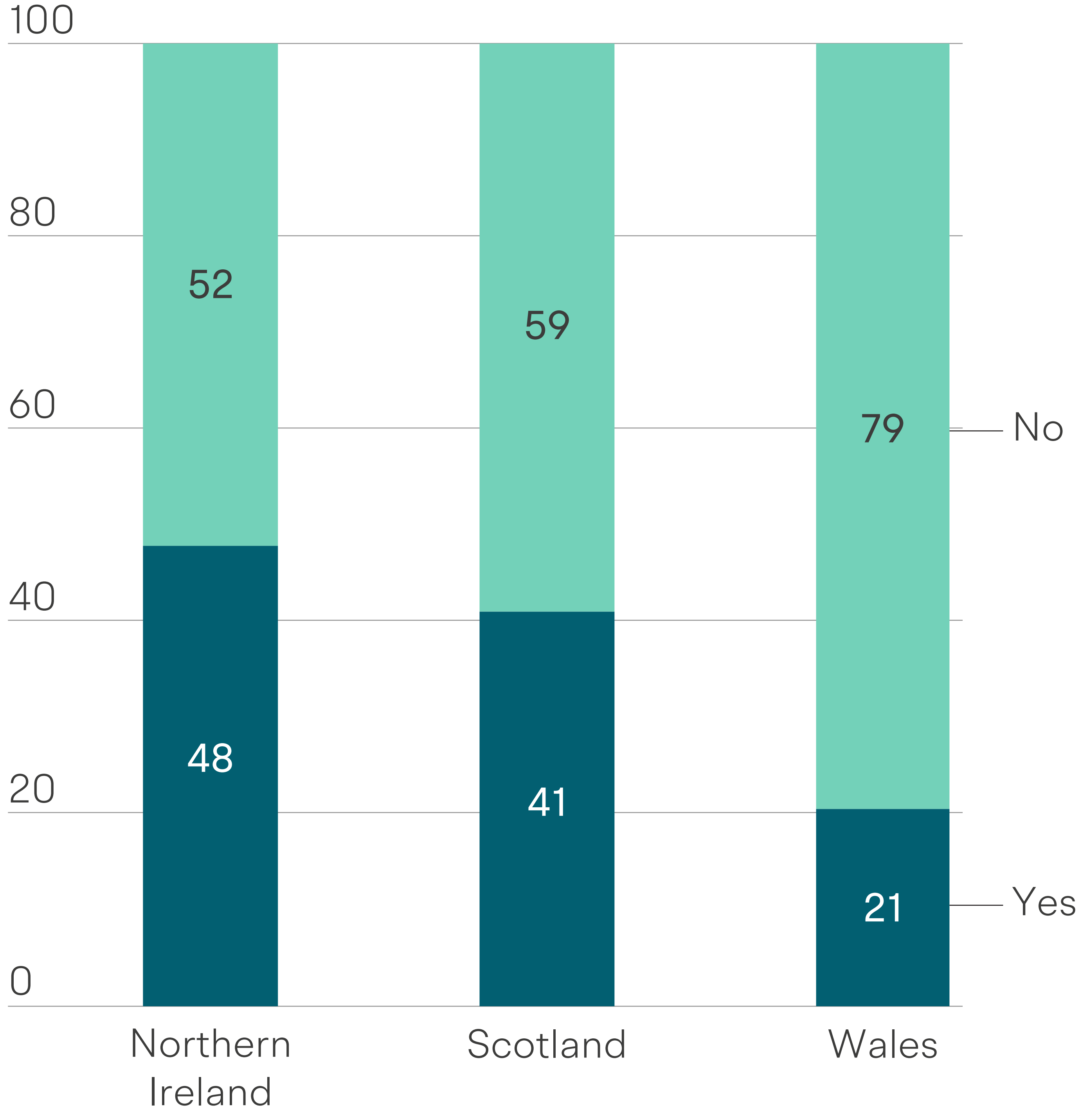
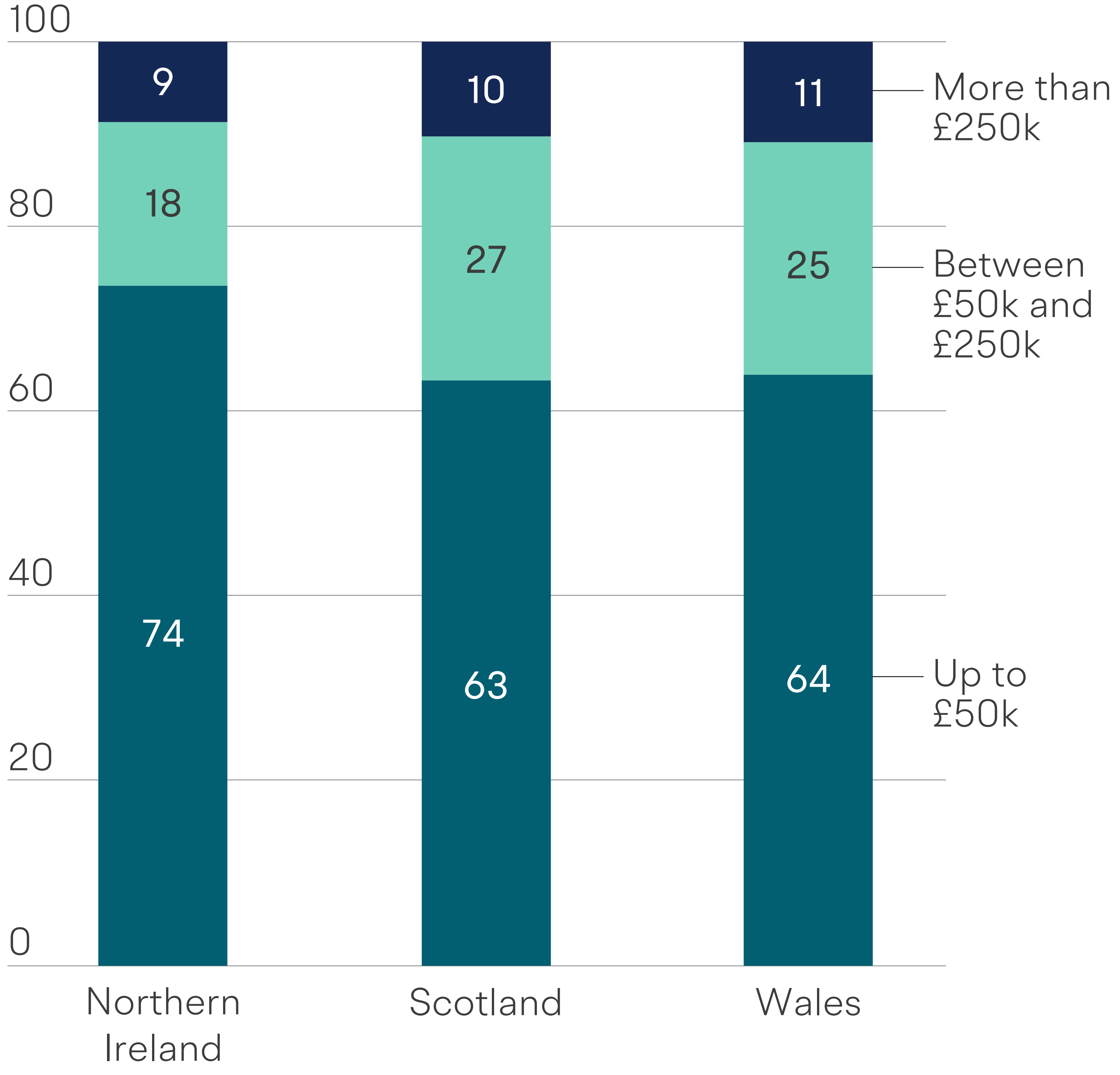


Figure B4.4

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

Unweighted sample sizes: Northern Ireland (405), Wales (142), Scotland (207).



5. Future finance needs (type)

Consistent with our previous survey findings, the most common finance forms that Northern Ireland based businesses with a finance need anticipated accessing over the next year were business loans as well as grants, each mentioned by 45% of respondents (Figure B5.1).

Equity finance, credit cards and business overdrafts were also relatively popular compared with other finance types, but were mentioned by a lower proportion of businesses (14%, 15% and 17% respectively). Invoice and asset finance were selected by fewer than 10% of businesses.

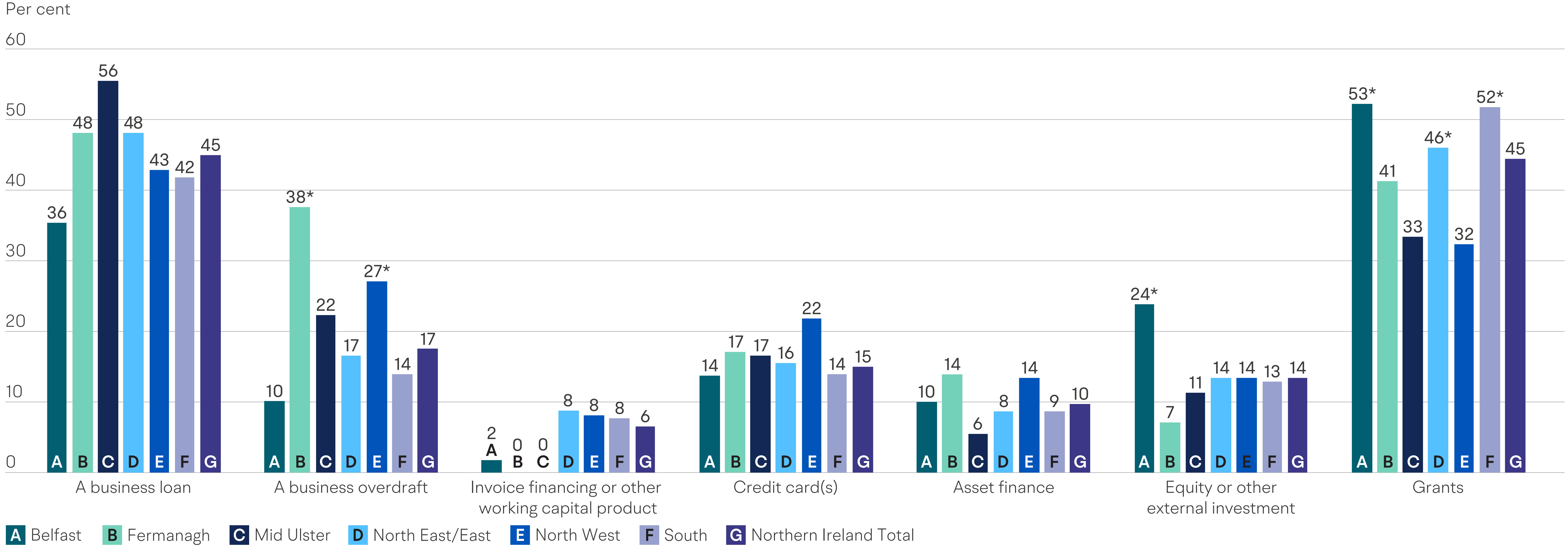
Smaller business participants in our access to finance focus group noted that grants had become easier to access over the past few years, which may be the reason for the high uptake. Participants also highlighted that smaller businesses' strong awareness of (and preference for) grants may discourage them from exploring other repayable finance options that they could secure more rapidly and on sustainable terms (including for example the British Business Bank's Start-Up Loans). Meanwhile, and even though the smaller businesses recognised there is strong appetite in the community to explore external finance options, concerns were raised over the challenge of being able to provide personal guarantees to access debt finance, which was encouraging some to look at alternative options (including equity).

Some regions of Northern Ireland stood out for their high propensity to report considering some of these finance forms, which differed in a statistically significant way from the corresponding values in the rest of the nation. For example, Fermanagh and the North West had a considerably higher share of businesses that anticipated accessing business overdrafts while the capital had the highest share of businesses mentioning equity in this context. When it came to accessing grants, businesses in Belfast, the North East/East and the South region were also more likely to expect accessing this finance types than their counterparts elsewhere.

Figure B5.1

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

Unweighted sample sizes: Northern Ireland Total (656), Belfast (59), Fermanagh (29), Mid Ulster (18), North East/East (250), North West (37), South (79).



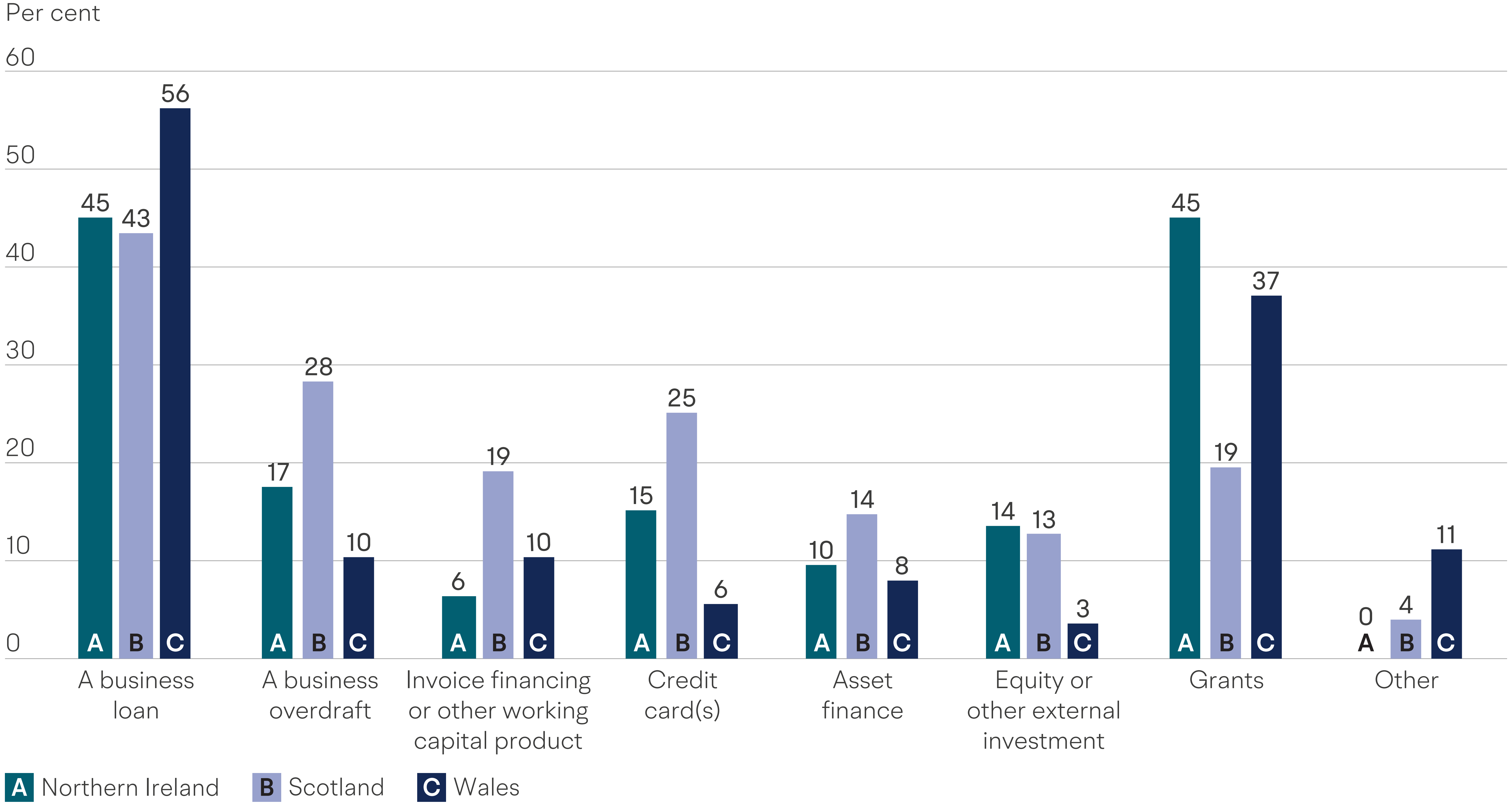
*Correlation is significant at the 0.05 level.

Compared with their counterparts in the other Devolved Nations of the UK, SMEs in Northern Ireland were more inclined to anticipate accessing grants to meet their finance needs over the next year (Figure B5.2). This is consistent with the results from the previous year's survey. As to other finance types, the share of Northern Ireland based businesses planning to access them was generally higher than in Wales and lower than in Scotland. The only exception to this pattern was equity investment, where the share of businesses that anticipated accessing this type of finance was similar to Scotland (albeit Wales lagged significantly behind both nations on this).

Figure B5.2

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

Unweighted sample sizes: Northern Ireland (656), Wales (142), Scotland (207).



6. Future finance needs (purpose)

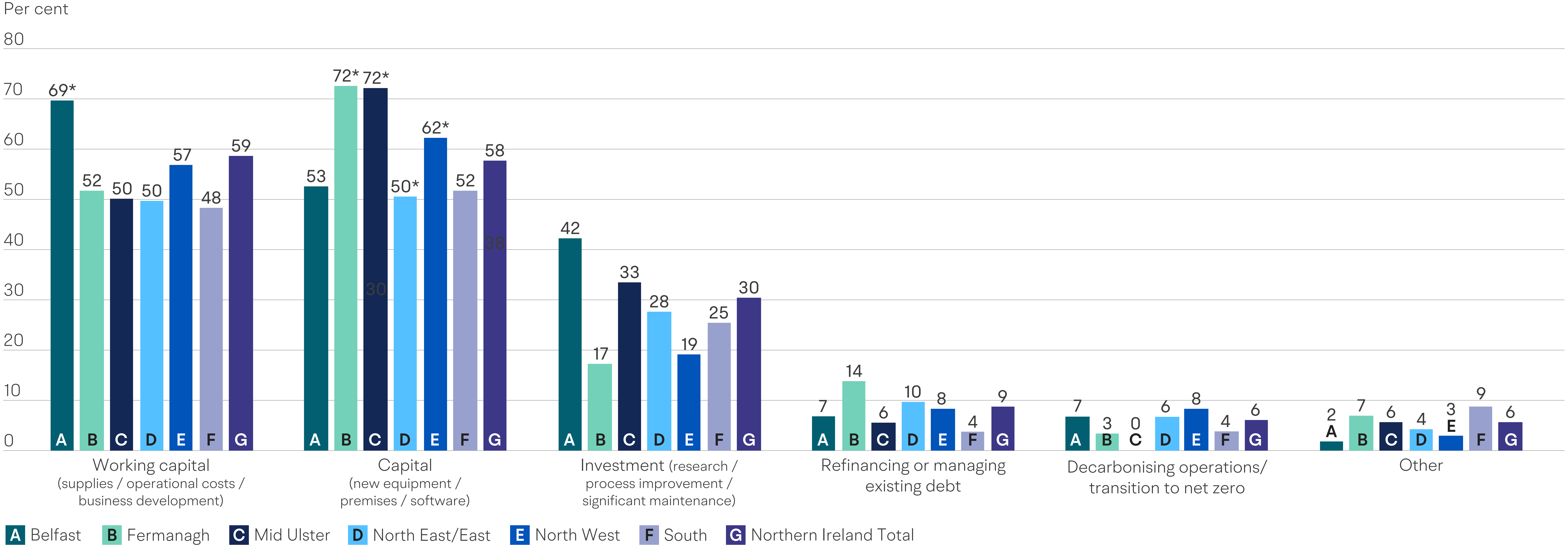
In Northern Ireland as a whole (Figure B6.1), 59% of smaller businesses that anticipated needing finance over the coming year intended to use it for working capital (up from 47% in the 2023 survey), while a similar proportion indicated they would use it for capital expenditure (up from 50% in the 2023 survey).

Other planned uses, such as investment in research/ process improvements/significant maintenance refinancing or managing existing debt and actions relating to environmental sustainability, were mentioned by 30%, 9% and 6% of respondents each. This marks an increase for the former, in that 24% of Northern Ireland based smaller businesses had considered using finance for this purpose in the previous year's survey.

Figure B6.1

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

Unweighted sample sizes: Northern Ireland Total (653), Belfast (64), Fermanagh (31), Mid Ulster (18), North East/East (249), North West (38), South (78).



*Correlation is significant at the 0.05 level.

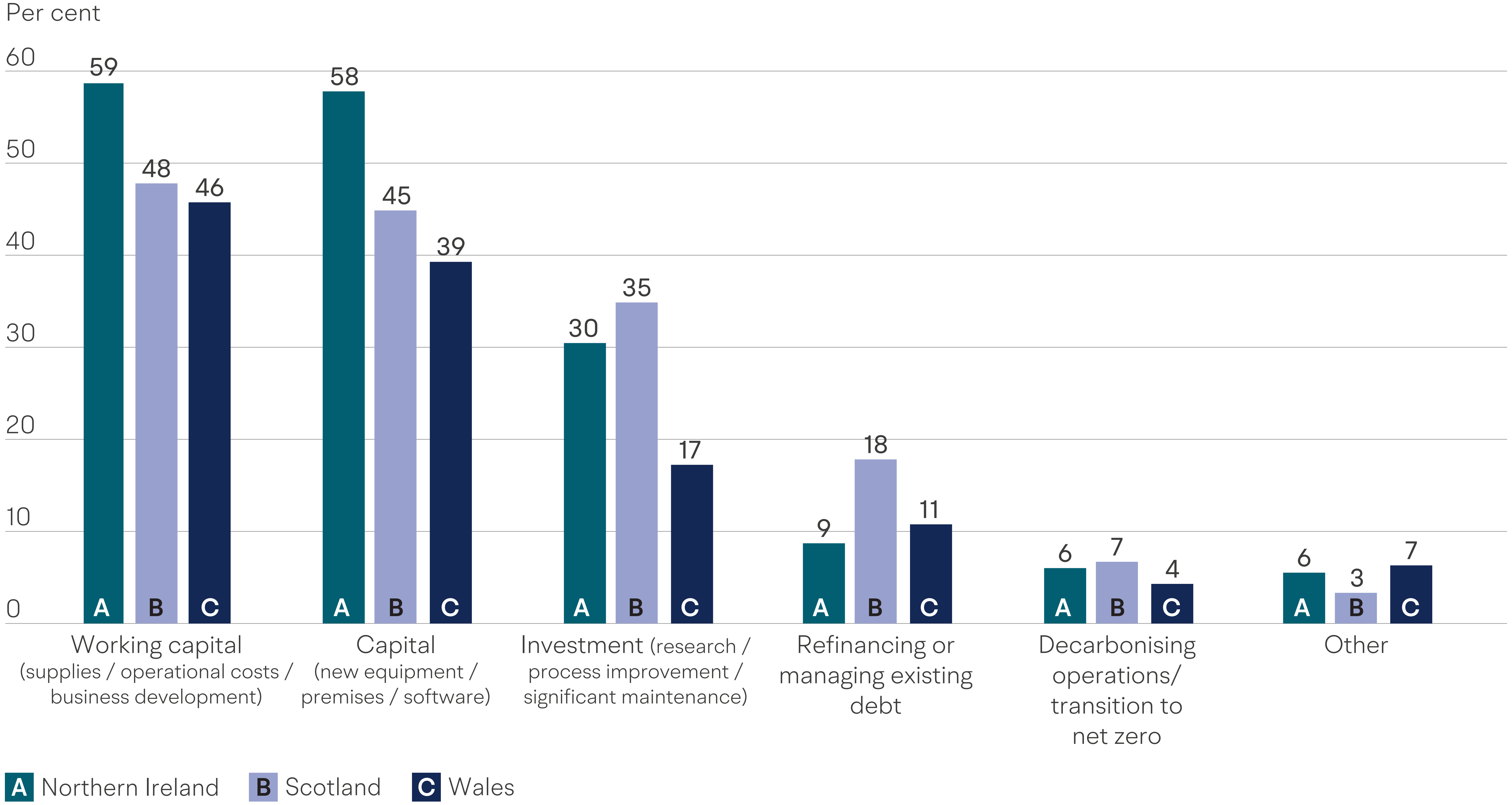
Businesses in the six regions of Northern Ireland had slightly different views on how they planned to use any additional financing required, some of which were statistically significant. For instance, respondents in less densely urban areas Fermanagh, Mid Ulster and the North West were particularly inclined to mention requiring additional finance in order to invest in capital, while those based in Belfast were most likely to mention working capital.

Relative to SMEs in Scotland and Wales, those in Northern Ireland were generally more focused on the two most frequently mentioned purposes (working capital and capital expenditure) than on less common ones, such as investment in research/process improvement/significant maintenance (Figure B6.2).

Figure B6.2

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

Unweighted sample sizes: Northern Ireland (653), Wales (142), Scotland (207).



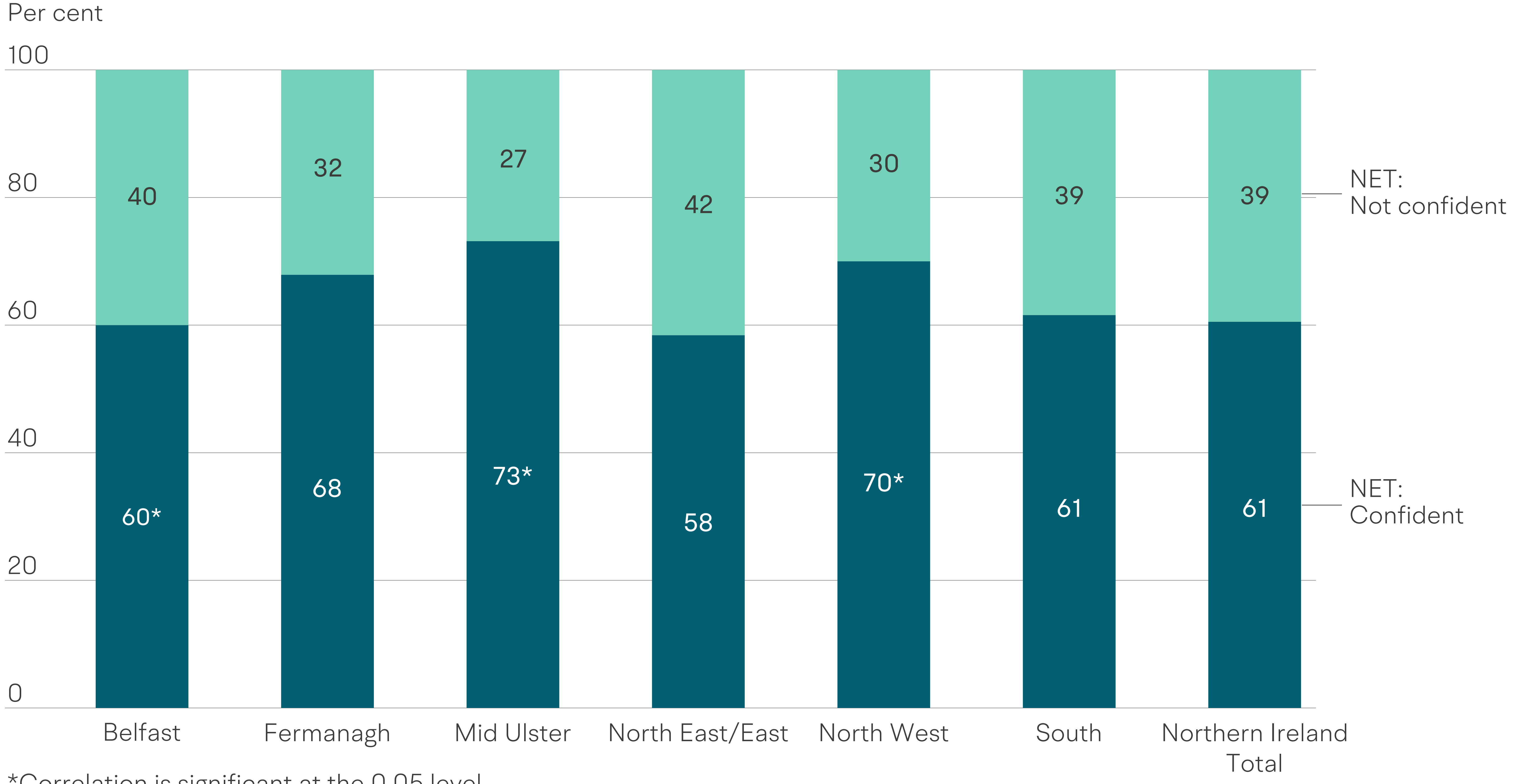
7. Future finance needs (confidence)

Confidence in getting finance among Northern Ireland-based businesses that anticipated needing it over the next year was at 61%, a higher share than in the previous year's survey (51%).

Figure B7.1

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

Unweighted sample sizes: Northern Ireland Total (560), Belfast (70), Fermanagh (31), Mid Ulster (22), North East/East (286), North West (40), South (88).



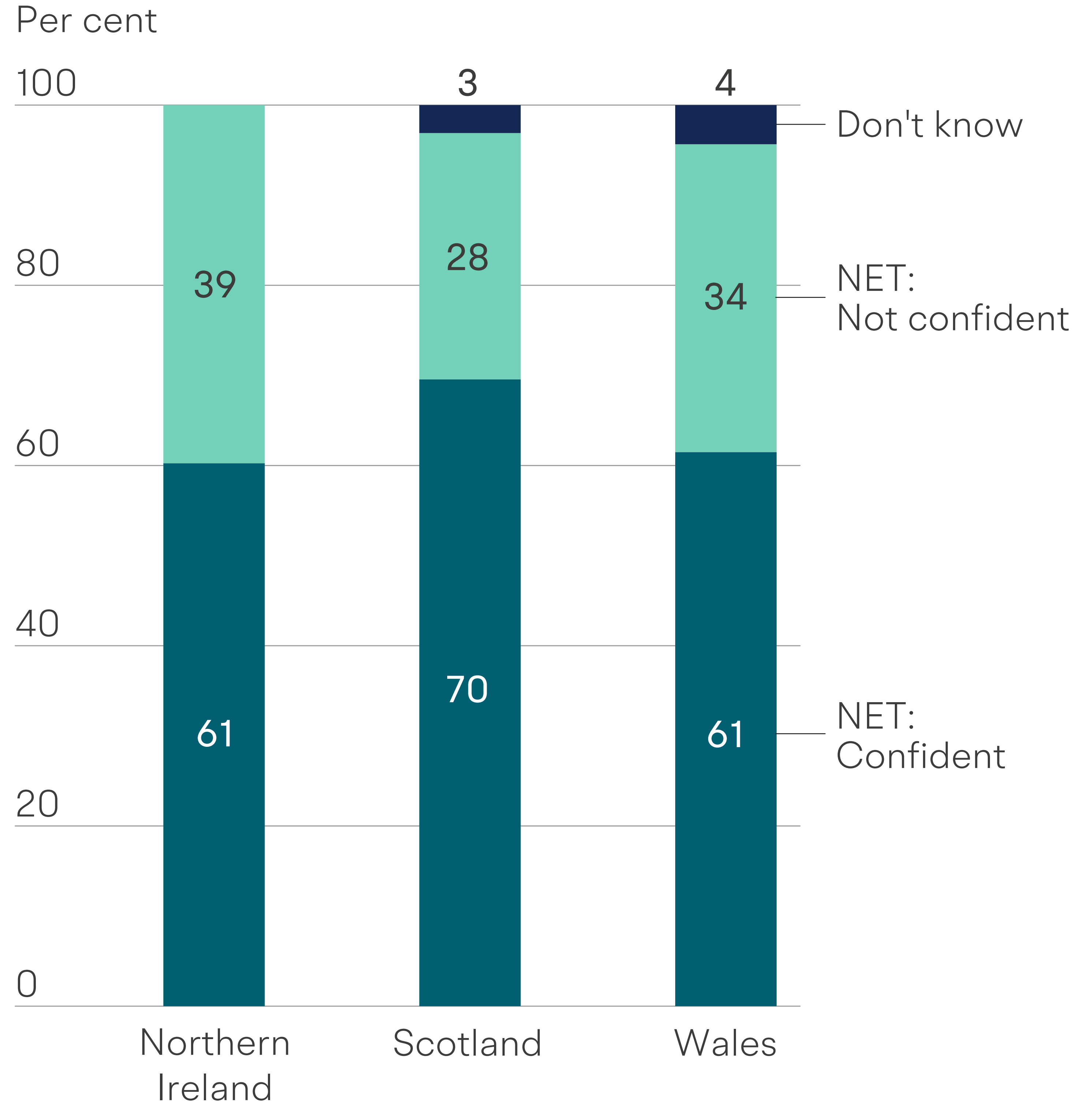
*Correlation is significant at the 0.05 level.

Confidence levels at regional level differed in a statistically significant way in Belfast, where businesses were slightly less inclined to express confidence and in the Mid Ulster and North West regions, where confidence levels were the highest (Figure B7.1). Confidence levels in Northern Ireland as a whole were broadly similar to Wales, but both nations lagged behind Scotland on this measure (Figure B7.2).

Figure B7.2

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

Unweighted sample sizes: Northern Ireland (560), Wales (142), Scotland (207).



8. Anticipated business performance

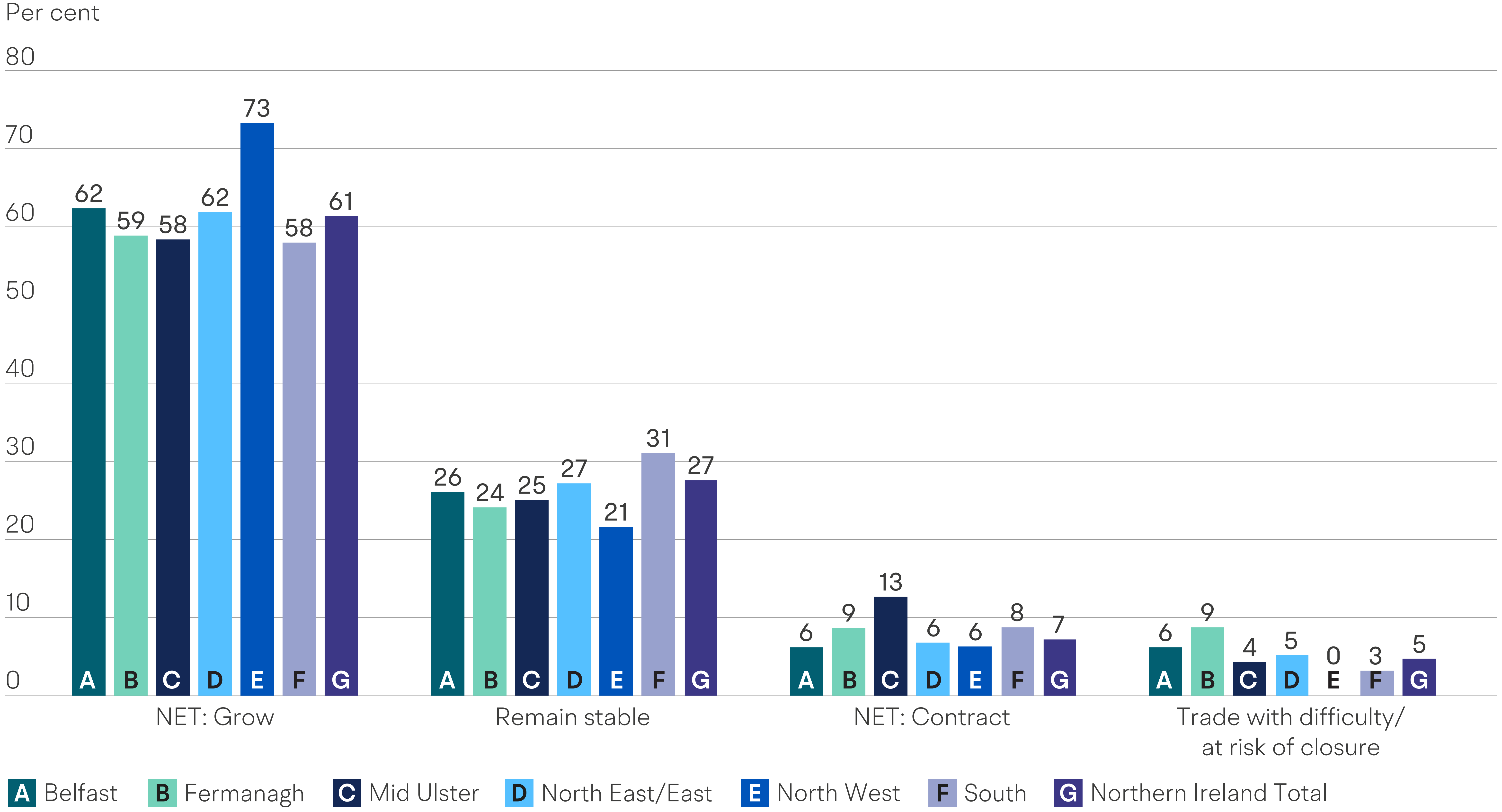
Just over six in ten (61%) of Northern Ireland based smaller businesses in 2024 expected growth, whereas just over a quarter (27%) expected stability and the rest a contraction or difficult trading conditions/risk of closure, at 7% and 5% respectively (Figure B8.1). This reflects a slightly more positive picture than the 2023 survey, where 54% expected growth and 16% a negative performance.

Results were fairly similar across the six regions with no statistically significant differences detected, although a higher proportion of respondents in the North West expected to grow, while proportionally more respondents in Mid Ulster anticipated negative business performance (contraction/trading difficulties/risk of closure) than in other regions.

Figure B8.1

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

Unweighted sample sizes: Northern Ireland Total (816), Belfast (87), Fermanagh (47), Mid Ulster (24), North East/East (445), North West (52), South (133).

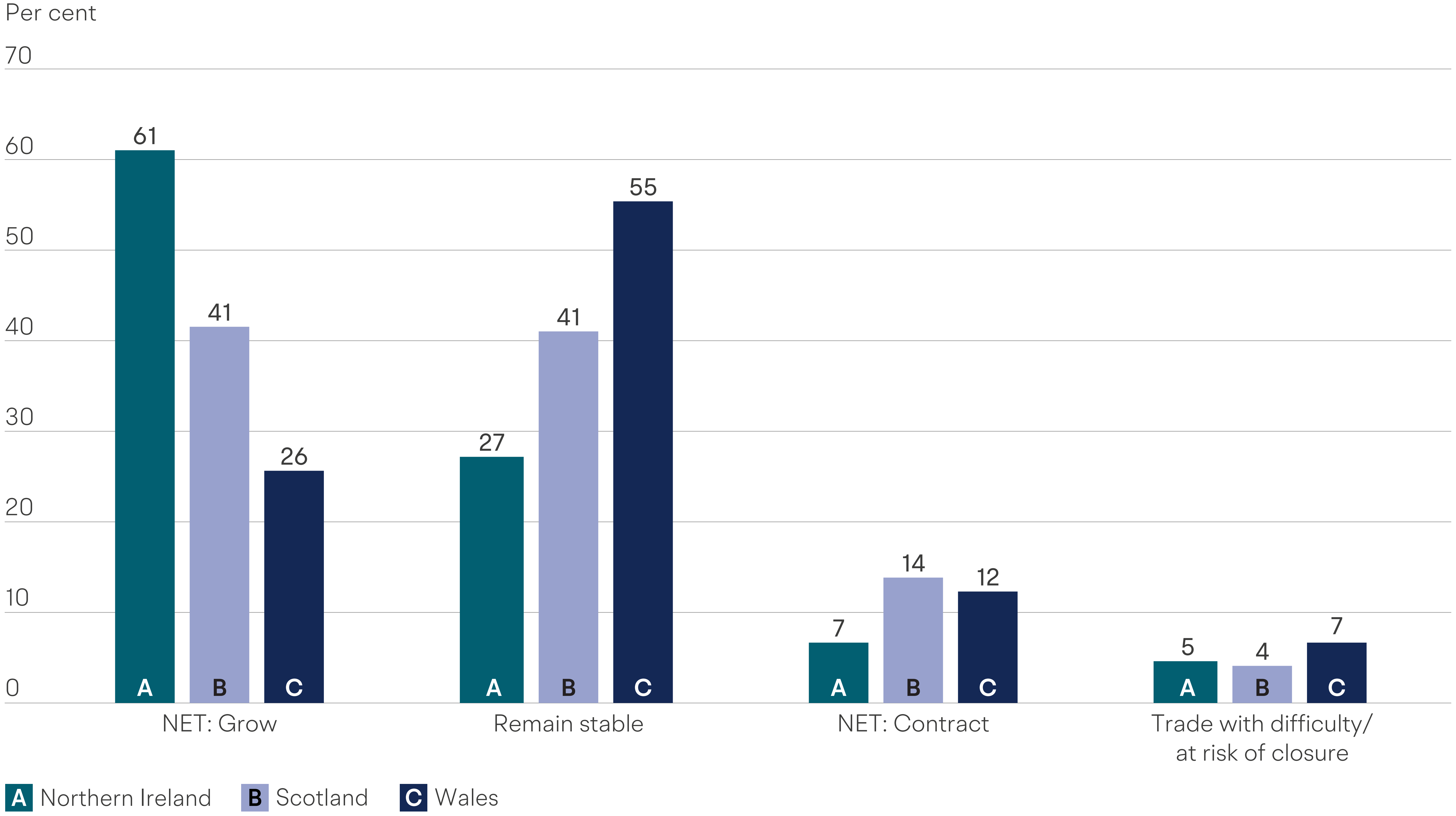


Northern Ireland based smaller businesses were the most positive about their growth prospects over the next 12 months relative to their counterparts in the other Devolved Nations. This is consistent with the 2023 survey, although all Devolved Nations have seen a rise in the share of smaller businesses expecting grow in the 2024 survey (Figure B8.2).

Figure B8.2

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

Unweighted sample sizes: Northern Ireland (816), Wales (500), Scotland (505).



Acknowledgements

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Annex 1:

Question set and variables analysed

Table 2

Overview and description of the NI Enterprise Barometer variables/questions

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

Table 2 (continued)

Overview and description of the NI Enterprise Barometer variables/questions

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

Annex 2:

Methodological caveats

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

Despite this large sample size, the data is still subject to a range of limitations. Firstly, the more granular the analysis, the greater the risk of drawing suboptimal conclusions based on insufficient sample sizes. For instance, disaggregating a question with six answer options across six regions of Northern Ireland can result in the 500 responses being broken down into 36 data points, some or all of which may contain less than 10 responses each. This can make interpretation of the data at such granular levels uncertain.

To help interpretation, we therefore test all of our comparisons for statistical significance 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 report. In particular, charts 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.

Caveats also apply to the comparisons with similar surveys from the other devolved nations of the UK. While we have made every effort to collect data in a consistent way across Wales, Northern Ireland and Scotland, 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 British Business Bank (2023) Small Business Finance Markets: Nations and Regions Tracker 2023.

2 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.

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