

[Home](#) > [News and Events](#) > [News](#) > External finance usage remains steady across the UK, as opti ...

External finance usage remains steady across the UK, as optimism grows among small businesses

Press release • 07 October 2025

- External finance use fell slightly in the UK (-1 percentage point) in 2024, stabilising after a sharp increase in 2023
- 5 percentage point increase in smaller businesses' openness to using finance for growth in 2024
- Credit cards remain the leading external finance type across the UK's smaller businesses
- Equity investment declined in 2024, although some regions outside London showed signs of growth

The British Business Bank's fifth Nations and Regions Tracker, published today, finds that use of external finance remained stable in 2024, following a sharp uptick in 2023. The report also found that the proportion of smaller businesses open to seeking external finance to grow increased by 5 percentage points (to 38%) from the previous year. However, a cautious approach still dominates, with 19% of businesses that were open to considering finance to grow thinking it would be difficult to secure it.

Use of external finance stabilises in 2024

External finance use among smaller businesses saw a slight decline in 2024 (-1 percentage point) to 45%, consistent with a trend of stabilisation since the sharp recovery (10 percentage point increase) in 2023. External finance across half of the UK's Nations and regions

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remained stable or increased marginally, with Northern Ireland reporting the largest share of smaller businesses using external finance, with 52%.

The North West and East of England reported the strongest growth in finance use, with 5 and 3 percentage point growth, respectively. However, half of the UK's Nations and regions saw declines, most notably in the East Midlands (-9 percentage points), the North East (-8) and Wales (-7).

The report also shows that the type of finance use remained stable from 2023 to 2024, with small UK-wide declines of 2 percentage points for grants, overdrafts, and credit cards. Credit cards continue to be the most used finance type (15%), followed by overdrafts (11%), and leasing/hire purchase/vehicle finance, which ranked third (10%).

Increased openness to using external finance

The BVA BDRC's SME Finance Monitor indicates that smaller businesses had more appetite for risk in 2024, with the proportion of "Ambitious Risk Takers" (smaller businesses that want to grow and are willing to take risks) increasing from 27% in 2023 to 31% in 2024.

This was reflected in the Nations and Regions Tracker, which found that smaller businesses' openness to using external finance to drive growth rose by 5 percentage points (up to 38% UK-wide), with the sharpest uptick in the West Midlands, which saw a 20 percentage point rise. Some regions also showed a growing share of smaller businesses' actively planning to apply/renew. Yorkshire and the Humber, for example, saw the largest increase of any region in the UK, with a 9 percentage point increase to 16%.

However, a cautious approach remains. 19% of businesses that were open to considering finance to grow thought it would be difficult to secure it, and overall business sentiment remained muted. Many may be awaiting stronger recovery signs to feel more confident in seeking finance.

Equity investment declined in 2024, though some regions outside London showed signs of growth

Equity investment across the UK fell slightly (-2.5%) to £10.8bn in 2024, with deal volumes down 15.1%, returning close to 2018 levels. Initial H1 data from 2025 suggests that the contraction in equity activity is continuing across the UK, reflecting continued market uncertainty.

Outside London, while local presence by venture capital investors remains limited, the gap is narrowing, with the number of unique investors per 100 high-growth enterprises rising from 3 in 2023 to 5 in 2025. This marks the first time since 2017 that growth in venture capital investor presence across the Nations and regions has outpaced the capital.

The North West and South West showed an increase in intensity of deals per 100 high growth enterprises (based on a 2022-2024 average), slightly narrowing the gap with London. For the North West, this was mostly driven by strong equity market performance over 2024, with deals up by 11% and investment value up by 46%, bucking the declining UK-wide trend.

Based on investment value per 100 high growth enterprises, the East of England also outperformed other parts of the UK. This is largely driven by thriving clusters and proximity to investors, particularly in the Cambridge area; in 2024, the Mayoral Strategic Authority of Cambridge and Peterborough boasted the largest number of deals (82) and largest investment value of these deals (£748 million) of any Strategic Authority in England except the Greater London Authority, although activity had declined relative to 2023.

British Business Bank driving impact across the UK

The British Business Bank has continued to deliver significant support to smaller businesses across the UK through its debt and equity finance programmes, with a focus on benefitting firms outside of London. Throughout 2024/25, 84% of the Bank's newly supported businesses were outside the capital, which is expected to result in £4.7bn in additional GVA and support around 22,100 jobs across all UK Nations and regions.

The Bank is expanding geographically-focused interventions to support the UK's Modern Industrial Strategy and unlock regional potential. In June 2025, the government committed £6.6bn to the Bank, increasing its total financial capacity to £25.6bn. Of this increase, £350m has been allocated to two new Nations and Regions Investment Funds in the East and South East, expanding targeted finance to every UK Nation and region outside London.

The Regional Angels Programme has been expanded by £340m, which saw record activity in 2024/25, and will be combined with new support

for diverse angel networks and innovation-led businesses.

Richard Bearman, Chief Development Officer of British Business Bank, said:

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In the face of a challenging economic environment, it is encouraging that use of external finance has remained stable. This year's Nations and Regions Tracker also indicates that optimism is brewing for small businesses and we hope to see this reflected in their use of external finance in the near future.

The British Business Bank is pivotal to providing businesses across our regions with access to the finance they need. With the expanded capacity of the Bank under the Modern Industrial Strategy, we are poised to build on our existing work across the nations and regions, including the new investment funds for the South East and East of England.

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Further Information

If you are a journalist and have a media enquiry, please contact mediaenquiries@british-business-bank.co.uk.

Notes to editors

About the 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 £23bn ¹ of finance to almost 64,000 ² smaller businesses.

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¹ Figures as at end March 2025

² Figures as at end March 2025, does not include Start Up Loans

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