



BANK OF ENGLAND

News release

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Finance for Small Firms: A Seventh Report

The Bank of England today publishes its seventh annual report on Finance for Small Firms.

Eddie George, Governor of the Bank of England said:

"During the 1990s there have been a number of encouraging trends in the financing of small businesses. Of particular note has been the growing sophistication of such businesses in utilising a range of different financing tools, for example the combination of traditional bank finance with asset-based receivables finance. This move has helped to increase the flexibility and resilience of these businesses. There may be scope, however, for more small firms to consider the potential advantages of equity finance".

The report contains a special section on equity finance for SMEs. It covers the range of equity finance, from seedcorn and start-up to the public markets and considers both demand and supply-side issues. While acknowledging that many small businesses do not wish to seek external equity, there seem sometimes to be supply-side constraints for the fast growing firms which do. At a time when more US than UK money is flowing into UK venture capital and private equity funds, the report considers some of the key factors influencing the supply of funds to such intermediaries. The attitudes of institutional investors, past returns in the industry, economies of scale from making such investments and the perceived riskiness of the asset are considered.

A section is devoted to technology-based small firms, reflecting the importance of this sector and acknowledging that many such firms have their own special financing needs. The Executive Summary (pages ii and iii of the report) highlights the key issues raised in the report.

Note for Editors

Copies of the Finance for Small Firms Report are available from the Public Enquiries Group, Bank of England, EC2R 8AH (Tel: 020 7601 4012; Fax 020 7601 5460) or from the Bank's website.

Key Resources

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<http://webarchive.nationalarchives.gov.uk/20100114080129/http://www.bankofengland.co.uk/publications/financeforsmallfirms/fin4sm07.pdf>