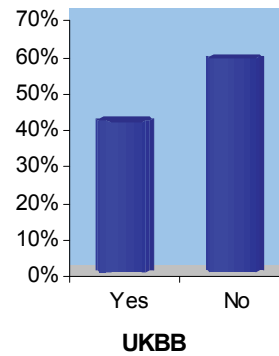


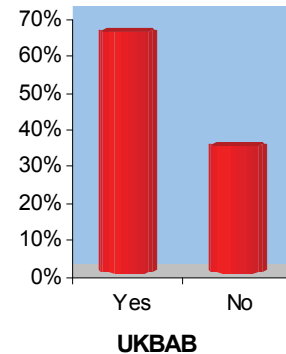
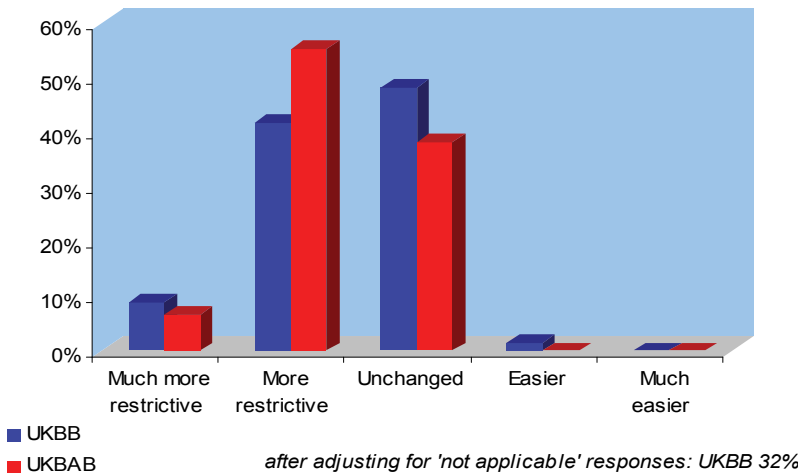
**Access to Finance — UKBB and UKBAB panels return contrasting results.**

It has been reported to us that for some SMEs in some areas, there is only one source of external finance, namely banks. When asked about access to sources of external debt finance, 60% of UKBB respondents said that, apart from banks, they did not have such access

This contrasted with the picture gained the parallel panel of business advisers. They indicated that, after adjusting for ‘don’t know’ responses (16%), 66% of clients did have such access.



**Have you noticed a change in the terms and conditions of debt finance offered by banks?**



**What about the terms and conditions offered by banks?**

2007 saw the onset of the current credit squeeze and the major banks are reporting in their 2007 results significantly higher provisions against bad debts and losses from the collapse in credit markets. These problems are likely to continue in 2008 and the Financial Services Authority has warned banks that in future they will have to keep more of their loans on their own books rather than selling them off. In addition the implementation of the Basel II Accord from the beginning of 2008 (regulations which require lenders to retain higher levels of capital when lending to lower credit-rated borrowers, mainly smaller businesses, than did the previous Basel I regulation) is likely to result in increased charges for borrowing.

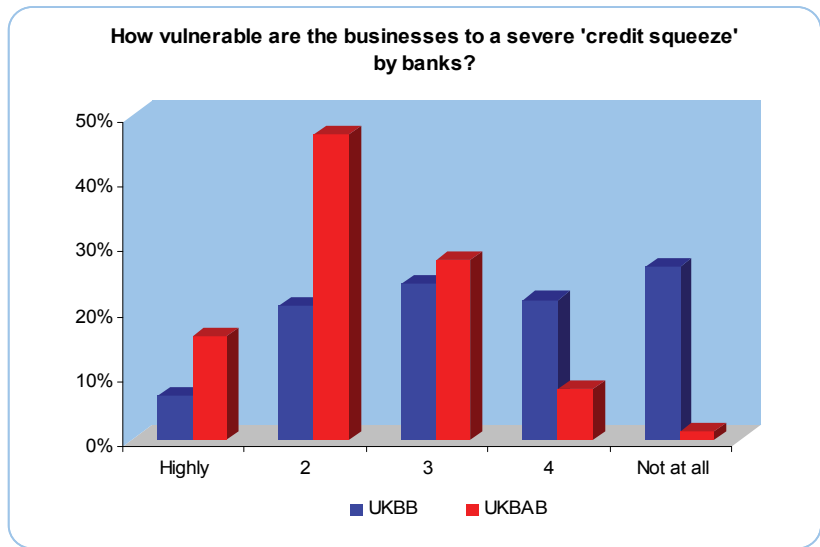
After adjusting for ‘not applicable’ responses, 51% of UKBB respondents said that terms and conditions of debt finance offered by banks had become more or much more restrictive. Business advisers were asked if they thought terms and conditions of debt finance offered to clients by banks had become more restrictive over the last six months and 62% said they had.

**Are businesses feeling more vulnerable as a result of the credit squeeze?**

48% of the respondents to the UKBB say that their business is not at all or not very vulnerable to a severe credit squeeze by banks and only 7% say they feel highly vulnerable. This appears to be different in the case of businesses who are clients of business advisers.

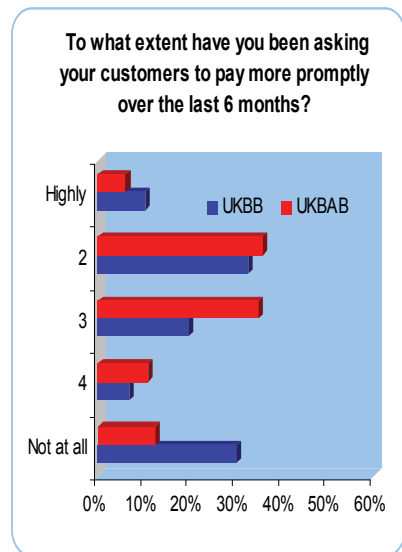
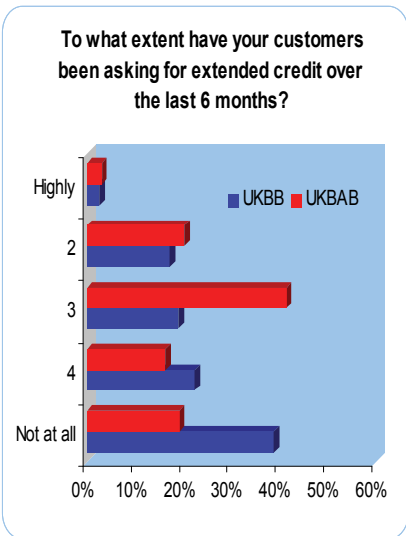
The UKBAB asked panellists to what extent their clients' businesses would be vulnerable in the event of a severe credit squeeze by banks and found that 63% of advisers assess their clients' businesses as highly or relatively highly vulnerable.

The rising costs of bank finance are also expected to result in many businesses reviewing their payment relationships. The January UKBB survey and UKBAB surveys looked at terms of credit between buyers and sellers over the last six months.



**Payment relationships - Customers**

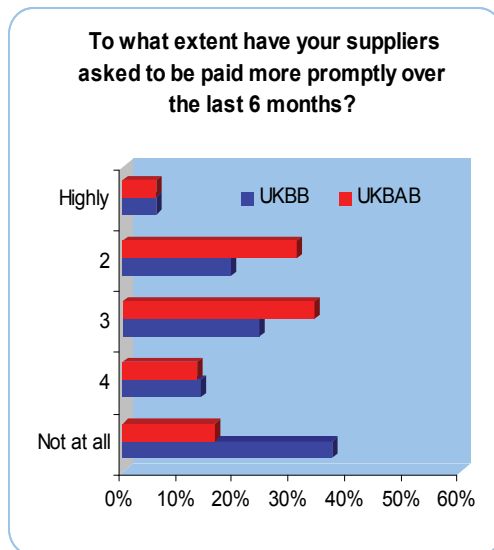
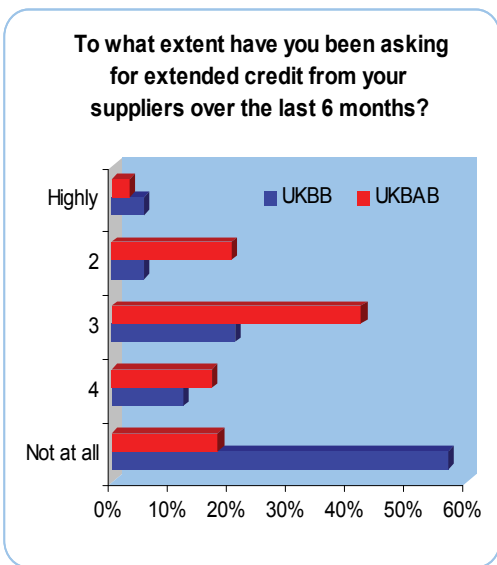
UKBB respondents reported some pressure from customers, with nearly 20% saying their customers had been asking to a high or reasonably high extent for extended credit over the period, while 43% had at the same time been asking their customers, to a high or reasonably high extent, to pay up more promptly. UKBAB respondents showed similar results at the higher pressure end, with 23% saying their clients are reporting to a high or reasonably high extent that their customers had been asking for extended credit and 42% saying that their clients are reporting to a high or reasonably high extent that they had asked customers to pay up more promptly.



### Payment relationships - Suppliers

On the supply side, 25% of UKBB respondents say that suppliers have asked for more prompt payment over the last six months, to a high or reasonably high extent while only 10% say they have asked for extended credit from their suppliers to a high or reasonably high extent over the same period.

37% of respondents to the UKBAB say that their clients reported to a high or reasonably high extent that their suppliers asked them to pay more promptly over the last six months, and 23% say that their clients reported to a high or reasonably high extent that they asked their suppliers for extended credit over the last six months.



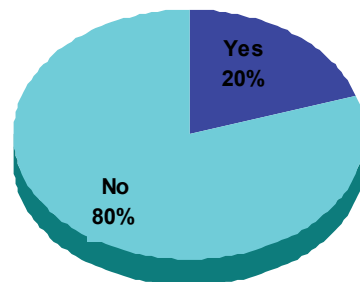
### Business fraud — is it on the increase?

In its annual report on fraud, BDO Stoy Hayward warns of 'an explosion' of corporate fraud in 2008.

After adjusting for 'don't know' responses (5%), 20% of respondents say that they have been the victim of business fraud at least once. 61% have introduced new measures against business fraud in the last two years to a high or reasonably high extent, although 13% have done nothing more and 8% have only done a little.

Panellists of the UKBAB were asked to what extent their clients have introduced new anti-business-fraud measures over the last two years. 58% said highly or reasonably high while 6% said not at all and 10% said very little.

### Has your business ever been the victim of business fraud?



## > MARCH 2008 EDITION — JANUARY 2008 - BB115—THE QUESTIONS

- |  |   |
|--|---|
| <p>Q1. Do you have access to sources of external debt finance over and above your bank?</p> <p>Q2. Have you noticed a change in the terms and conditions of debt finance offered by banks?</p> <p>Q3. Over the last six months have you noticed a change in the extent to which you have been approached by banks with offers of debt finance?</p> <p>Q4. To what extent would your business be vulnerable in the event of a severe 'credit squeeze' implemented by banks in response to the current turbulence in the financial markets?</p> <p>Q5. To what extent are you aware of the forthcoming changes in capital gains tax?</p> <p>Q6. To what extent will the forthcoming changes in capital gains tax have an impact upon your strategic decisions?</p> | <p>Q7. Has your business ever been the victim of business fraud?</p> <p>Q8. Over the last two years to what extent have you introduced new measures to reduce the likelihood of business fraud?</p> <p>Q9. To what extent have your customers been asking for extended credit over the last 6 months?</p> <p>Q10. To what extent have your suppliers asked to be paid more promptly over the last 6 months?</p> <p>Q11. To what extent have you been asking your customers to pay more promptly over the last 6 months?</p> <p>Q12. To what extent have you been asking for extended credit from your suppliers over the last 6 months?</p> |
|--|---|

To view the complete set of results for this and for previous surveys, follow this link:

[www.ukbb.ac/UI/surveys.aspx](http://www.ukbb.ac/UI/surveys.aspx)

Sector			
Production & Manufacturing	Distribution	Services	Total
25%	8.6%	66.4%	100.0%

About the respondents:

In the January 2008 survey, 116 respondents were drawn with the following population characteristics:

Turnover (£)			
< 1 M	1M-3M	>3M	Total
68.1%	19%	12.9%	100.0%

Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
58.6%	26.7%	7.6%	3.4%	3.4%	100.0%

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Please feed back your thoughts via the following link: [www.ukbb.ac/UI/contact.aspx](http://www.ukbb.ac/UI/contact.aspx)

