

CALL FOR EVIDENCE: Small Business Access to Finance

Response by the Society of Maritime Industries

Questions

Q1: What is your experience of seeking debt finance? Please specify the type of debt finance you are referring to.

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

Q2: What has your experience been of using a commercial finance broker?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

Q3: How could the Business Growth Service best encourage business finance readiness, including signposting and facilitating access to appropriate financing options at the right time?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

Q4: Do you believe that there are any barriers to demand for debt finance? If so, what are the main barriers?

SMI believes there are significant barriers to demand for debt finance among small and medium-sized enterprises (SMEs) in the maritime engineering, science and technology industry. These include:

- Fragmented government engagement with the maritime sector.
- Fragmented supply chains.
- Fragmented funding from UK institutions.
- Lack of UK primes.
- Lack of expertise in the banking sector with maritime finance.
- Lack of risk appetite in the funding sector.
- Lack of joined-up thinking between infrastructure and larger spend to pull through UK content.

These barriers are both structural and perceptual in nature, and they have a material impact on the willingness and ability of SMEs to seek external finance. Left unaddressed, SMI thinks that these obstacles would likely slow down progress towards the aims and ambitions that the Department for

Transport has outlined in the Maritime Decarbonisation Strategy. With SMEs making up a sizeable share of the UK's maritime sector, it will be difficult to advance innovation and decarbonisation without better access to funding for this crucial cohort of the maritime engineering, science and technology industry.

Lack of maritime sector's understanding by lenders

Many SMEs report that traditional lenders have limited knowledge of the maritime industry's business models, asset cycles, and growth dynamics. This often results in either overly conservative credit assessments or outright rejection of loan applications, discouraging SMEs from applying in the first place.

Rigidity in loan terms

Standard loan products frequently fail to accommodate the capital-intensive and long-horizon nature of maritime projects, such as shipbuilding, retrofitting, or offshore infrastructure services. The mismatch between project cash flow timelines and repayment expectations makes these products unattractive or unworkable for many businesses.

High collateral requirements and undervaluation of maritime assets

SMEs in the maritime sector often hold valuable assets such as vessels, subsea equipment, or marine technology platforms. However, these are often poorly understood by lenders, leading to reduced valuations and excessive collateral demands, which can deter firms from pursuing finance.

Cost of finance

Where credit is available, interest rates and fees are often prohibitively high due to perceived risks and unfamiliarity with the sector. This increases the total cost of borrowing and can outweigh the expected benefits of investment, suppressing demand.

Burdensome application processes

Lengthy, opaque, and resource-intensive application procedures present a particular burden for SMEs with limited financial or administrative capacity. The complexity of these processes acts as a deterrent to engaging with the finance system.

Q5: Do you believe that financial education or knowledge and availability of information are barriers to demand? If so, to what extent?

SMI believes that financial education and the availability of clear information are indeed barriers to demand for finance, particularly for smaller maritime businesses and early-stage innovators. While many SMEs operating in the maritime sector have deep technical knowledge and global commercial ambitions, they often lack specialist financial expertise or access to trusted advisory services.

How can these barriers best be addressed?

Addressing the financial knowledge gap and information barriers for SMEs requires a combination of targeted education, tailored outreach, and improved coordination between government, industry bodies, and finance providers.

Are there examples of support and advice frameworks in other jurisdictions you believe could benefit the UK?

The UK can learn from a number of international support and advice frameworks that have successfully improved SME access to finance—particularly in sectors with capital-intensive and export-oriented characteristics, such as maritime. Below are examples from peer economies that could inform and inspire enhancements to the UK approach.

Norway – Innovation Norway’s Maritime Financing and Advisory Model

Innovation Norway acts as a combined funding agency and national advisory body, offering coordinated support to maritime SMEs, including:

- Low-interest loans and innovation grants for vessel construction and green technology adoption.
- Sector-specific advisors with deep maritime knowledge who work closely with SMEs.
- Export promotion and co-financing tools for companies seeking to enter international markets.

This model shows the benefits of integrating funding, expert advice, and internationalisation support under one roof. It also illustrates how a national development agency can build sector-specific credibility that mainstream finance providers may lack.

The Netherlands – Netherlands Enterprise Agency (RVO)

RVO provides SMEs with easy access to finance, subsidy schemes, and expert advice—supported by a centralised digital portal. Key features include:

- Tailored SME financing roadmaps for different sectors (e.g. maritime, energy, manufacturing).
- Dedicated green shipping and port development programmes.
- Real-time advisory chat and helpline to guide SMEs through grant or loan applications.

The Netherlands demonstrates how digital delivery and centralisation of financial support tools can reduce administrative burdens and increase uptake—particularly valuable for time- and resource-constrained SMEs.

Canada – Business Development Bank of Canada (BDC)

BDC operates as a government-owned commercial bank that provides loans, venture capital, and advisory services exclusively to SMEs. It offers:

- Flexible loan products for innovation, export readiness, and equipment purchases.
- Free financial literacy tools and planning templates tailored to small businesses.
- Integrated support for under-represented entrepreneurs, including women, Indigenous businesses, and start-ups.

BDC demonstrates how a public bank can complement the private sector by serving market gaps without distorting competition, while actively improving SMEs’ financial capabilities through embedded advisory services.

Singapore – Enterprise Singapore (ESG)

Enterprise Singapore is a statutory board that supports SME growth and internationalisation. Maritime SMEs benefit from:

- The Maritime Innovation and Technology (MINT) Fund, which supports R&D and commercialisation.

- The SME Centres—community hubs offering business advisory services, including help with financing and digitalisation.
- Proactive lender partnerships, where ESG co-invests or co-guarantees loans in priority sectors.

Singapore’s approach shows how structured support ecosystems can help SMEs in high-tech, trade-facing sectors scale more quickly—especially when financial and technical advice is accessible at the local level.

Germany – KfW Bankengruppe and Chambers of Commerce

KfW, Germany’s state-owned development bank, works closely with local banks and the German Chambers of Commerce (IHKs) to support SMEs. The system provides:

- Subsidised loan schemes via local lenders, with KfW assuming most of the credit risk.
- Trusted in-person advice through IHK advisors, many of whom specialise in exporting or specific sectors like shipbuilding and logistics.
- Strong regional access through physical offices and workshops across the country.

Germany’s model illustrates the value of long-standing collaboration between public finance institutions and sectoral/local business networks—ensuring SME advice is both technically accurate and regionally relevant.

Policy Proposals for Export Tax Credits

One of SMI’s member companies – Coltraco Ultrasonics – has suggested that the UK should aspire to create an Export Trade Tax Credit Scheme. With only 8.8% of the UK’s 4.4 million businesses exporting, such a policy could replicate the success of the R&D Tax Credit Scheme to accelerate national exporting as an additional policy tool to kickstart economic growth.

Q6: Why are some small businesses permanent non-borrowers?

SMI understands that a significant subset of SMEs may wish to avoid external borrowing, even where there are growth opportunities or investment needs, due to a combination of structural, cultural and experiential factors such as

- Strong preference for financial independence;
- Risk aversion and fear of over-indebtedness;
- Negative past experiences with financial providers;
- Reliance on self-financing;
- Lack of knowledge and/or confidence about borrowing;
- Mismatch between available products and business needs.

These companies have significant potential to become export-capable businesses that would be more open to accessing finance, if provided access to better-positioned and scope-aligned products.

Should this be considered a problem?

Permanent non-borrowers are not necessarily financially fragile or disengaged—they often run resilient businesses, albeit with more conservative or internally funded strategies. However, for some, this stance may limit their ability to invest in innovation, decarbonisation, or international growth.

How can policy intervention support small businesses in this category, who have ambitions to grow, to seek finance?

SMI believes that targeted policy intervention can play a transformative role in encouraging “permanent non-borrowers” with growth ambitions to engage with the finance system. While these businesses may have historically avoided borrowing, many are now facing new pressures and opportunities – from green transition targets to export market access – that require external capital.

To unlock their potential, policy should focus on reducing perceived risks, building trust, and improving the suitability and visibility of finance options.

Q7: What factors do you consider when selecting finance provider(s)?

Not Applicable. As the trade association for businesses operating in the UK’s maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

Q8: Are there sources of support or advice, or both, that you use to access finance? To what extent do these meet your needs?

Not Applicable. As the trade association for businesses operating in the UK’s maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

Q9: In your view, what would help to encourage the volume of small business lending in the UK?

SMI believes that boosting small business lending in the UK requires a comprehensive approach that builds lender confidence, improves borrower readiness, and tailor products to support the needs of SMEs on the ground.

For small and medium-sized businesses operating in the maritime sector, where growth, innovation and the net zero transition all require long-term investment, targeted support is essential by way of government-backed guarantee schemes and specialised lending products.

Q10: Do you have experience or knowledge of successful lending market interventions in other jurisdictions that have helped meet an identified debt market gap?

In the Response to Question 5, SMI has pointed to a number of instances where governments and development banks have made significant efforts to address debt market gaps, especially for SMEs in capital-intensive, export-facing, or transition sectors such as maritime.

Q11: What role do personal guarantees (PGs) play when seeking debt finance?

Personal guarantees can play a significant, albeit problematic, role in the small business lending market, particularly in sectors like maritime where businesses are cash-flow variable, or where projects require significant upfront capital.

SMI members observed that personal guarantees can create excessive risk and prevent debt being a viable option. Lenders pass risk beyond the business, which prevents entrepreneurs from progress, the terms are onerous and any change in policy or contractual failure could result in bankruptcy of individuals and companies. This is a clear imbalance that could be addressed with an underwritten guarantee or insurances but these are not available. For high capital projects the risk is too high and is creating a de facto cartel where only Tier 1 can engage.

Finance is unwilling or unable to consider moderate and significant funding models in the sub £10-15 million region, which is where the majority of development funds are needed. Grants are unable to address the gap between innovation and scale and the innovate debt is premised on a very odd set of metrics that are suited to low CAPEX models only. A new set of loan or guarantee schemes is urgently needed in the £1-15 million band.

Q12: In your experience, what are the barriers to borrowing to finance intangible investments relative to tangible investments?

As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

One SMI member reported that Funding Circle will offer loans on both tangible and intangible investments, provided that they are satisfied with the ability of firms to pay the loans back.

Q13: What is the experience of businesses seeking to use intangible assets as collateral for borrowing?

As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

Q14: Do you believe that regulatory change has affected business lending? If so, how?

As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

One SMI member pointed out that traditional banks appeared to give excessive credence to negative assumptions regarding SMEs' capacity to repay, and therefore "have been encouraged to be frightened to lend".

Q15: Have you worked with a non-bank lender, such as a Community Development Finance Institution (CDFI), to secure finance? If so, what has been your experience?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Businesses* such as this one.

Q16: Do you believe there to be any barriers to the adoption of cooperative and mutual models by finance providers? If so, what are they?

Cooperative and mutual finance models offer a promising, community-rooted solution to structural gaps in SME lending, but they require clearer policy support, regulatory flexibility, and targeted investment to scale. In the context of the UK's maritime sector – with its regional clusters, long-term capital needs, and strong sense of local identity – these models deserve further exploration.

How could these barriers be overcome?

According to some SMI members, Maritime UK clusters offer the best route for cooperative models with good governance in place and a clear local vision of investment priorities based on government strategies. In each of these clusters, there is a good blend of SMEs and larger organisations who inevitably form complex inter-dependent networks with mutual benefits for all through investment in individual businesses for growth.

What would greater adoption of these alternative models offer to businesses?

It would recognise the wider benefit of investment in one SME, which brings benefits for many suppliers, local education and research institutions and the community. The current simplest model requires one business to take all the risk when many other benefits, and this fairly spreads the risk amongst all the beneficiaries. This will always result in stronger local networks, a determination to keep with local supply chains and reduce transport environmental impact and add significantly to the local social impact.

17. Are there alternative approaches in other jurisdictions that could address gaps and difficulties experienced by smaller businesses seeking finance in the UK? If so, please provide specific examples.

See Response to Question 5.

What are the characteristics of those approaches that make them distinct from the current UK model?

See Response to Question 5.

18. Should the government implement policy measures to stimulate more competition in provision of finance? If so, what could this include?

SMI believes that the Government has an important role to play in stimulating greater competition in the provision of finance to SMEs. Increased competition is essential to improve choice, accessibility, and suitability of financial products. At present, the SME finance market remains heavily concentrated among a small number of high street banks, many of which apply conservative lending criteria and lack sector-specific expertise. This results in underserved business segments, high barriers to entry for newer finance providers, and little incentive to innovate in product design or delivery.

By enabling new entrants, enhancing data access, and embedding transparency, the government can create a more dynamic and responsive lending environment. For maritime SMEs – which operate in a globally competitive, highly technical, and capital-intensive market – this is particularly important. A

more competitive finance landscape would improve access to appropriately structured capital and enable businesses to invest with confidence in growth, innovation, and decarbonisation.

Furthermore, there is rationale for creating a UK-wide maritime log to monitor access to capital by geographical regions, project types (e.g. vessel build, port technology, development, etc.), and loan types. This facility would enable the Government to track improvements and access to finance for SMEs on a more granular basis.

19. How can the CDFI sector be supported more effectively?

SMI supports the role of Community Development Finance Institutions (CDFIs) as essential actors in widening access to finance – particularly for businesses operating in coastal and industrial communities, or those with limited access to traditional lenders.

CDFIs have strong potential to serve niche markets, including smaller maritime enterprises, marine services businesses, and innovation-led firms that struggle to secure finance from mainstream banks due to:

- Atypical cash flows;
- High asset specificity (e.g. vessels, subsea equipment);
- Thin collateral or short trading history.

However, the CDFI sector in the UK remains relatively small and under-capitalised compared to its potential. Measures to address this could include:

- Providing long-term core funding and patient capital;
- Improving access to government guarantee schemes
- Supporting specialisation and industrial sector focus;
- Strengthening digital infrastructure and lending capacity;
- Raising awareness and integration with SMEs.

There is scope for the Government to pilot maritime-focused CDFIs in port areas such as Plymouth, Portsmouth and Aberdeen (to name a few) with strong connections to the UK's maritime supply chains.

20. To what extent does the UK's current lending environment meet the finance needs of under-served entrepreneurs?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Under-Served Entrepreneurs* such as this one.

21. What could encourage under-served entrepreneurs to apply for loans to support business growth?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Under-Served Entrepreneurs* such as this one.

22. Are there any other groups under-served in access to finance that should be considered beyond those discussed in this call for evidence?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Under-Served Entrepreneurs* such as this one.

23. What role could banks and other financial institutions play in improving access to finance for under-served groups through CDFIs?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Under-Served Entrepreneurs* such as this one.

24. In order better understand the lending outcomes of different groups, would you be willing to disclose information such as your gender, ethnicity and whether you have a disability to your lender?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Under-Served Entrepreneurs* such as this one.

25. Do you have experience of any initiatives, either government or private sector-led, that have been or could be beneficial for access to finance for entrepreneurs from under-served groups?

Not Applicable. As the trade association for businesses operating in the UK's maritime engineering, science and technology industry, SMI has actively encouraged its members to contribute to this call for evidence on *Questions for Under-Served Entrepreneurs* such as this one.