



FINANCE AND INVESTMENT DECISIONS SURVEY

THIS SURVEY IS NOW CLOSED. FOR DISCUSSION OF THE RESULTS, PLEASE SEE THE ASSOCIATED [QUARTERLY BULLETIN ARTICLE](#).

Welcome to the Survey of Finance and Investment: an initiative of the Bank of England.

Why are we doing this survey?

The aim of this survey is to better understand how investment decisions are made, and how investment is financed.

What will it be used for?

Answers to this voluntary survey have been be treated in strict confidence, used for policy research purposes and published in aggregate form only.



SECTION I - INFORMATION ABOUT THE BUSINESS

First, some questions about the general characteristics of your business.

1) What is the postcode of your business headquarters?

If you prefer, please only provide the first three letters/numbers of your postcode

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2) How old is your business?

Less than 1 year

1 to < 2 years

2 to < 5 years

5 to < 10 years

10 years +

SECTION II - RECENT INVESTMENT DECISIONS

We now turn to how investment decisions are made by your business.

Investment is defined here as expenditure that expands or improves the stock of capital, technology and knowledge. It is often referred to as capital expenditure or CAPEX.

In your responses, please include decisions about investing in the UK (not abroad).

Exclude investment in the form of mergers and acquisitions and the purchases of other financial assets.

3) Which of the following do you usually treat as investment, as opposed to operational budget expenditure?

Please respond for each type of spending.

	Investment	Operational budget	Not applicable
Marketing/ brand management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Working capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New product development/R&D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Acquisition of plant, machinery and vehicles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Software investment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Acquisition of land and buildings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4) Approximately what proportion of turnover have you invested in your business in the past 5 years on average?

Turnover is defined as sales revenue net of discounts and returns.

Less than 1%	1 to < 5%	5 to < 10%	10 to < 25%	25% or more	Impossible to say
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5) Thinking now of all the investment projects completed in the past 5 years. On average, what is the total rate of return realised on those projects?

Please provide a best guess.

Less than 5%	5 to < 10%	10 to < 15%	15 to < 20%	20% or more
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6) If you were given the funds that you required to implement a desired investment project, what total rate of return would you expect?

The total rate of return on investment includes all costs of funds and depreciation.

< 5%	5 to < 10%	10 to < 15%	15 to < 20%	20% or more
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7) Do you feel that your business has made the appropriate level of investment over the past 5 years?

Yes	No – too little investment	No – too much investment
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



8) If your business invested “too little” over the past 5 years, what were the main obstacles to investing?

This is a key question in the survey, so please carefully consider your response.

	No obstacle	Moderate obstacle	Major obstacle	DK/NA
Lack of skilled personnel				
Lack of internal funds (retained earnings)				
Higher/quicker returns from investment abroad				
Higher/quicker returns from non-investment (e.g. M&A)				
High cost of external finance				
Lack of public infrastructure				
Expected return below target hurdle rate or payback period too long				
Increased uncertainty about the economic environment				
Lack of external finance (restrictive terms of finance)				
Owners reluctant to take on risk				
Regulatory burden				
Financial market pressure for short term returns				
No need: major investment completed over 5 years ago				

9) If your firm has invested “too much” over the past 5 years, what were the main reasons?

This is a key question in the survey, so please carefully consider your response.

	Not a factor	Moderate factor	Major factor	DK/NA
Conducive regulatory environment				
Expected return above target hurdle rate or payback period was favourable				
Economic environment was more certain than before				
Lower/slower returns on non-investment uses (e.g. M&A)				
Financial market preference for long term returns				
Lower/slower returns from investment abroad				
Low cost of external finance				
Owners keen to take on risk				
Availability of public infrastructure				
Availability of external finance				
Availability of skilled personnel				
Availability of internal funds (retained earnings)				
Great need –investment was overdue				

Additional comments on this section of the survey.

Please provide further clarification if necessary.

SECTION III - CURRENT APPROACH TO INVESTMENT DECISIONS

Turning now to how your business decides when to go ahead with investment proposals.

Investment is defined here as expenditure that expands or improves the stock of capital, technology and knowledge. It is often referred to as capital expenditure or CAPEX.

In your responses below, please include decisions about investing in the UK (not abroad). Exclude investment in the form of mergers and acquisitions and the purchases of other financial assets.

10) What best describes your business' approach to taking the MAJORITY of its investment decisions?

The total rate of return on investment includes all costs of funds and depreciation. The relative rate of return on investment excludes all costs of funds but includes depreciation.

Tick all that apply

Set a target relative rate of return on investment (i.e. x% above the cost of funds)

Investment takes place if discounted cash-flow exceeds current cost of capital

Set a target payback period on investments decisions

Set a hurdle rate (or target total rate of return) on investment

Set target rate of return in line with industry/main competitors

Set target frequency for replacing kit (capital, technology) and staff training

Investment takes place if the net present value of investment is positive

Other (please specify)

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

11) If you set a target payback period on investment expenditure, what is it?

For this question please exclude investment in land and buildings, as well as M&A. An approximate answer is fine.

Less than 12 months

1 to <3 years

3 to <5 years

5 to <10 years

10 years or more

12) If you set an investment hurdle rate (or target rate for the *total* rate of return required on investment expenditure), what is it?

The total rate of return on investment includes all costs of funds and depreciation. An approximate answer is fine.

Less than
5%

5 to <10%

10 to <15%

15 to <20%

20% or more



13) If you set a target for the *relative* rate of return required on investment expenditure (i.e. x% above the cost of funds), what is it?

The relative rate of return on investment excludes all costs of funds but includes depreciation. Please provide a best guess.

Less than 5%	5 to <10%	10 to <15%	15 to <20%	20% or more
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

14) When was the last time you reviewed the targets you set for investment expenditure?

Since the referendum/reviewing right now	Within the past year, but before the referendum	1 to <3 years ago	3 to <5 years ago	Not within the past 5 years
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

15) When you last reviewed them, in which direction did you revise your set targets?

Up <i>(Higher return/ quicker payback)</i>	Down <i>(lower return/ slower payback)</i>	Unchanged
<input type="text"/>	<input type="text"/>	<input type="text"/>

16) What was the main reason for the changes made to your set targets?

Tick all of the boxes that apply

Changes to the risk environment (e.g. inflation risk, growth risk, foreign exchange rate risk)	<input type="checkbox"/>
Changes to the macro environment (e.g. higher/lower inflation and GDP growth)	<input type="checkbox"/>
Changes in the costs of borrowing (i.e. interest rates)	<input type="checkbox"/>
Changed to match the industry/main competitors	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>

Additional comments on this section of the survey.

Please provide further clarification if necessary.

SECTION IV - FINANCING INVESTMENT

We will now turn to the financing of your investment projects.

External finance refers to bank loans, equity issuance, debt securities and other financial liabilities.

17) When you think about using internal funds what do you generally prioritise?

Earnings are profits after interest and taxes have been paid.

Rank in order of importance
(1 for lowest importance, 4 for highest)

Funding investment	<input type="text"/>
Distributing to shareholders/ owners (e.g. dividends and share buybacks)	<input type="text"/>
Keeping as cash balances	<input type="text"/>
Purchasing financial assets (including M&A)	<input type="text"/>

18) Over the past year, approximately what proportion of earnings did your business use for each the following purposes?

Earnings are profits after interest and taxes have been paid.

	<10%	10 to <25%	25 to <50%	50-100%	DK/NA
Distribute to shareholders/ owners (e.g. dividends and share buybacks)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
To fund investment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
M&A/purchasing financial assets	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Kept as cash balances	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

19) If your business applied for any form of external finance for investment over the past year, what was the outcome?

External finance refers to bank loans, equity issuance, debt securities and other financial liabilities.

Received everything I applied for	<input type="text"/>
Received 75% or more	<input type="text"/>
Received 25 to <75%	<input type="text"/>
Received less than 25%	<input type="text"/>
Refused because the cost was too high	<input type="text"/>
Was rejected	<input type="text"/>
Did not apply for external funds	<input type="text"/>
NA/Don't know	<input type="text"/>

20) Over the past year, approximately at what cost were you able to raise finance?

If debt is priced over a reference rate such as LIBOR, please quote the current cost inclusive of the reference rate.

	Less than 5%	5 to <10%	10 to <15%	15% or more	NA
Bank loan (all forms)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Asset finance (e.g. bonds and commercial paper)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Trade credit	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Other finance (e.g. trade and equity finance)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>



21) Over the past 5 years, approximately what proportion of investment was financed by:

This is a key question; please answer on a best endeavour basis.

Retained earnings are profits after interest, taxes and dividends have been paid.

	<10%	10 to <25%	25 to <50%	50 to 100%	DK/NA
Asset finance (e.g. leasing and hire purchase)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Equity capital (public offering or private sale)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Invoice finance (e.g. discounting/factoring)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other loan (from family/friends, enterprise)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Retained earnings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade credit (e.g. credit provided by suppliers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Commercial paper (or other short term paper)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Debt securities issued (i.e. bonds)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bank loans (all forms)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

22) Looking back over the past 5 years, how far do you agree with the following statements?

Please restrict your answers to when finance was needed for investment purposes.

	Disagree	Neither Agree or disagree	Agree
I am able to borrow at the maturity I need	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Credit history affects access to finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I do not wish to have any debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Equity is more expensive than debt finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External finance dilutes control over business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Collateral is not a constraint for my business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I do not want to apply for external finance as I believe I would be turned down	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am able to borrow as much as I would like	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Now is not the right time to raise external finance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I do not want to apply for external finance as I believe it is too expensive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
It is a good time to invest as interest rates are low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



23) Please state how much you agree or disagree with the following statements?

	Disagree	Neither Agree or disagree	Agree
Investment decisions are made independently of how to finance them	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External finance is harder to come by now than 3 years ago	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My business raises finance with specific investment projects in mind	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External finance is harder to come by now than 10 years ago	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

24) Approximately what percentage of your balance sheet liabilities take the following form?

Shareholder equity is the net worth of the company (total assets less total liabilities).

Retained earnings are profits after interest and taxes have been paid.

Bank loans/overdraft	<input type="text"/>
Bonds/commercial paper	<input type="text"/>
Equity (shareholders' funds)...	<input type="text"/>
...of which retained earnings (profit and loss account)	<input type="text"/>
Other	<input type="text"/>

Additional comments on this section of the survey.

Please provide further clarification if necessary.

25) Are you happy to be contacted if we have any further questions?

Yes No