Enterprise Nation

Small Business Barometer

Q2 2026

OWNER PAY UNDER PRESSURE, FUNDING APPETITE AT A RECORD LOW

A snapshot of the UK small business community – financing, digital tools, exporting, staffing and growth.

Introduction

This snapshot report takes the pulse of the small business community in the UK in 2026 and incorporates comparative trends from every wave of the Barometer since Spring 2023.

It captures business owners' feelings around financing, digital tools, exporting, late payments, side hustles and growth.

The report paints a picture of a small business community under sustained financial pressure. Owner pay has fallen sharply, appetite for external funding has hit its lowest point since the Barometer began, and late payments have become significantly more widespread. Against this, digital adoption continues to accelerate, led by rapid growth in AI tool use.

This edition also looks in more depth at how founders' motivations and business models vary by age, comparing founders aged 18 to 24 with those aged over 50.

3/4

of owners now pay themselves under £20,000 a year

4 in 10

plan to seek external funding – a record low

64%

of small businesses now use AI tools

42%

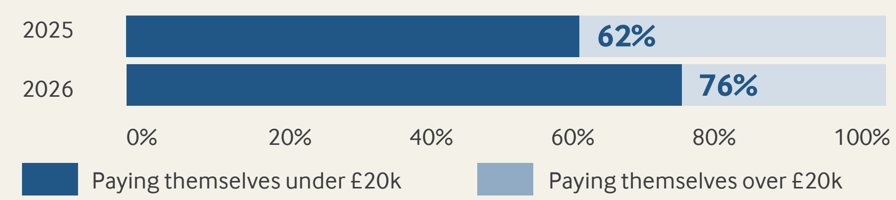
report being paid late in the past 12 months

Research findings

Owner pay under pressure

Three-quarters (76%) of small business owners now pay themselves less than £20,000 a year, up sharply from 63% in 2025. The squeeze is most acute among businesses that already employ staff, where the same figure has climbed from 48% to 65% in a single year.

Owners paying themselves under £20,000 a year, 2025 vs 2026



65%

of owners who employ staff pay themselves under £20,000, up from 48% in 2025

This is a genuine and broad-based squeeze – it holds among solo founders and staffed businesses alike and is most pronounced where owners have wage bills and other costs to absorb before paying themselves.

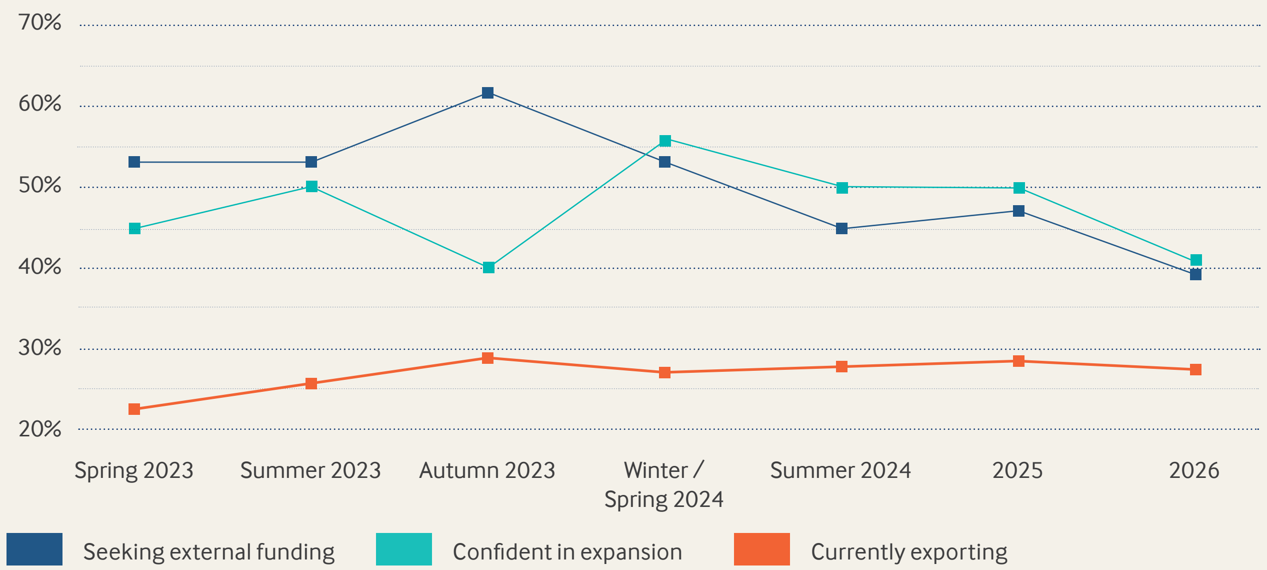
London

is the one large region where the trend runs the other way

Outside investment

Four in 10 (40%) of small businesses now plan to seek external funding in the next 12 months – the lowest reading recorded since the Barometer began tracking this in Spring 2023.

Small business investment, expansion and export ambition, all waves since Spring 2023



Demand for funding peaked at 63% in Autumn 2023 and has been on a broadly downward path since, falling most sharply this year in London (59% to 42%) and the South West (32% to 14%).

Among those still seeking funding, the amounts requested have also shrunk. More than four in 10 (40%) now want under £10,000, up from 27% a year ago, while requests in the £10,000–£100,000 range have fallen from 51% to 39% – a sign that businesses are seeking smaller top-ups to see them through, rather than funding for growth.

Small businesses seeking finance are also shifting where they turn for funding. Alternative lending has been the most popular source in almost every wave since 2023, but its share has fallen sharply in 2026, down to 20% from a peak of 31% in Summer 2024. Taking its place at the top is investment via SEIS/EIS, which has climbed steadily to 23% in 2026, its highest level yet. Traditional bank funding has stayed consistent throughout, sitting in a 14%–19% band across every wave, neither gaining nor losing ground. The clearest sign of the wider pressure on small businesses shows up in credit card use, which has nearly doubled since 2025 (4.5% to 8.7%). That's consistent withthe broader pattern of owners reaching for smaller, more accessible sources of support rather than larger, growth-focused funding.

40%

plan to seek external funding – the lowest figure since the Barometer began

63%

the peak reading, recorded in Autumn 2023

40%

of funding-seekers now want under £10,000, up from 27% last year

Growth

Confidence in expansion has fallen to 41%, down from 50% a year ago and among the lowest readings recorded across the Barometer's history.

Importantly, this does not appear to be translating into a hiring freeze. Among businesses that already employ staff, appetite to take on more people has held broadly steady year on year, suggesting owners are pulling back on growth ambitions rather than on their existing teams.

Business services and technology businesses are bucking the wider decline in expansion confidence; the sharpest falls are concentrated in food and drink and general retail.

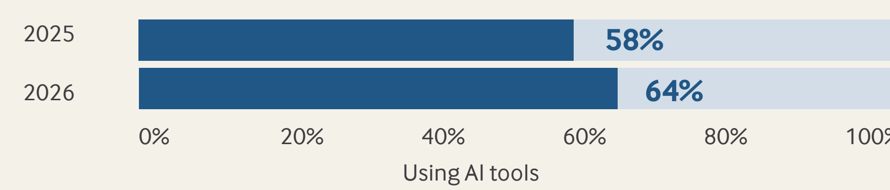
Expansion confidence by sector, 2025 vs 2026

Sector	2025	2026	Change
Technology	65.9%	73.3%	**+7.4pts**
Business services	42.6%	42.6%	**Flat**
Education	64.3%	60.9%	**-3.4pts**
General retail	41.2%	33.3%	**-7.8pts**
Food and drink	58.6%	40.0%	**-18.6pts**

Adoption of digital tools and technology

Sixty-four per cent of small businesses now use AI tools such as ChatGPT or Gemini, up from 59% a year ago – the clearest technology story in this year's data.

AI tool adoption, 2025 vs 2026



Adoption has climbed across the board, alongside rises in use of digital payment devices (29% to 35%), the Apple ecosystem (27% to 34%) and the Microsoft ecosystem (57% to 62%).

Despite rising AI tool adoption, fewer businesses describe themselves as "mainly digital" (35%, down from 43% in 2025) and website ownership has eased slightly (78%, down from 83%). This may reflect a changing understanding of what it means to operate digitally, rather than a dip in digital competency. A business no longer necessarily needs its own website to find customers or make sales: social media profiles, online marketplaces and platforms such as Etsy, Instagram and TikTok Shop can provide a ready-made shopfront, audience and payment system. More than 200,000 UK small and medium-sized businesses are now reportedly selling through TikTok Shop, for example, without the need for a website.

41%

are confident their business will expand in the next 12 months, down from 50%

Flat

hiring intent among businesses that already employ staff

73%

of technology businesses are confident of expansion – the strongest sector

64%

of small businesses now use AI tools, up from 59% in 2025

35%

describe their business as "mainly digital", down from 43%

78%

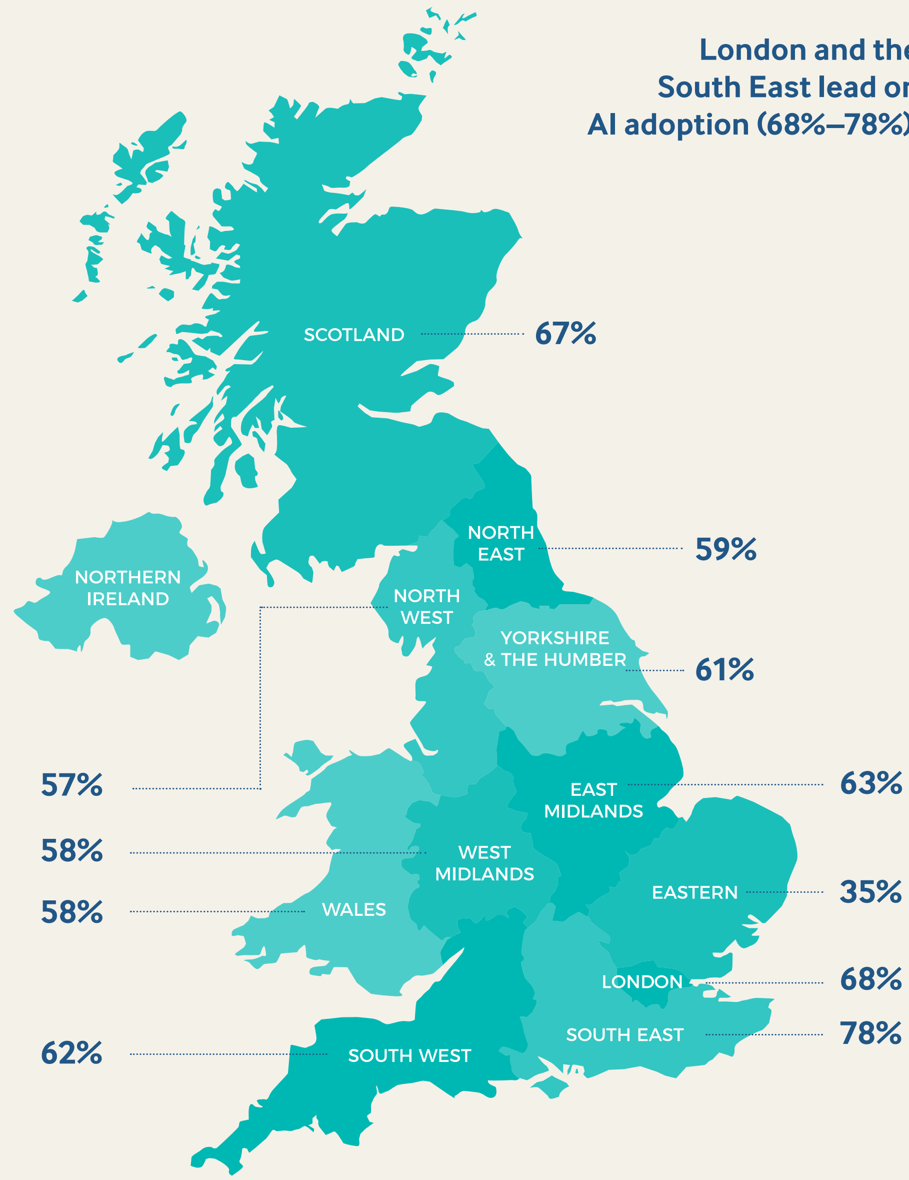
have a business website, down slightly from 83%

AI adoption by region

AI tool use varies notably by region. The figures below are 2026 data only, so they reflect the current picture rather than a blend with last year. But that means several regional samples are small, and results should be read with that in mind.

The clearest pattern: London and the South East lead on AI adoption (68%–78%), while the East of England lags well behind every other region at 35%. The Midlands and North sit in a broadly similar middle band (57%–65%).

London and the South East lead on AI adoption (68%–78%),



Exporting goods and services

Just over a quarter (26%) of small businesses currently export or would like to export more, broadly unchanged on 2025 (28%) and continuing a gentle upward drift seen since Spring 2023 (23%).

Seventeen per cent are exporting today with no further ambition noted, similar to last year. Export activity has been the most stable of the Barometer's core measures over the past three years, showing none of the sharp swings seen in funding appetite or expansion confidence.

26%
currently export or want to export more (25.7%)

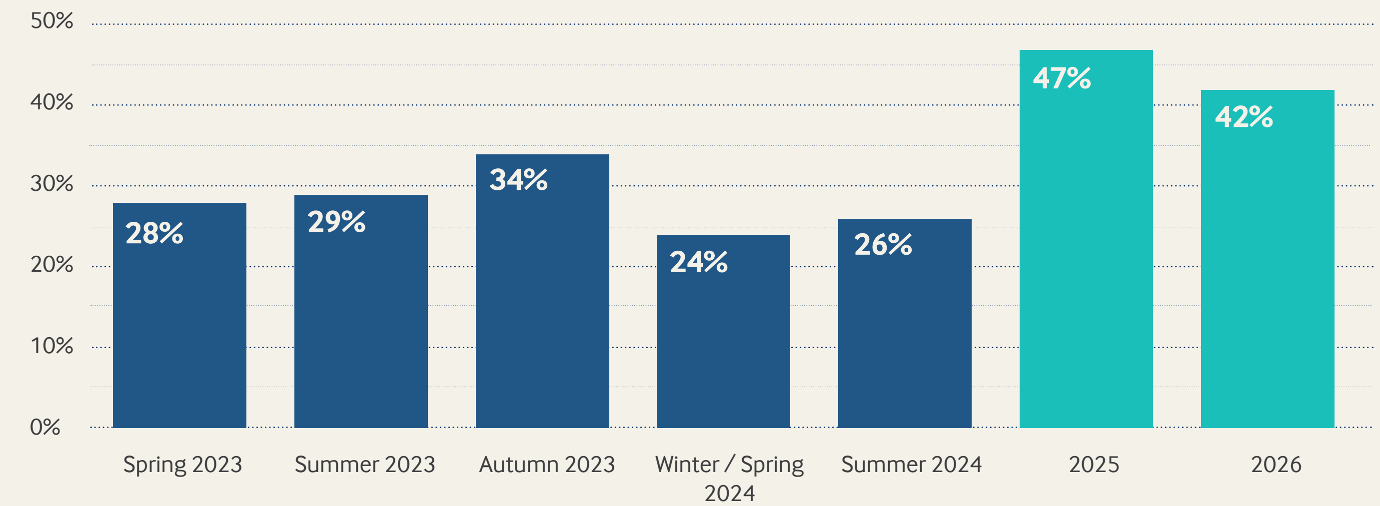
17%
are currently exporting

+3pts
gentle rise in export activity since Spring 2023 (22.8% to 25.7%)

Late payments

Late payments have become significantly more widespread, with 42% of small businesses reporting they have been paid late in the past 12 months, nearly double the 24%–34% band seen consistently through 2023 and 2024, and holding at that elevated level for a second-year running.

Small businesses experiencing late payments, all waves since Spring 2023 (2025 and 2026 highlighted)

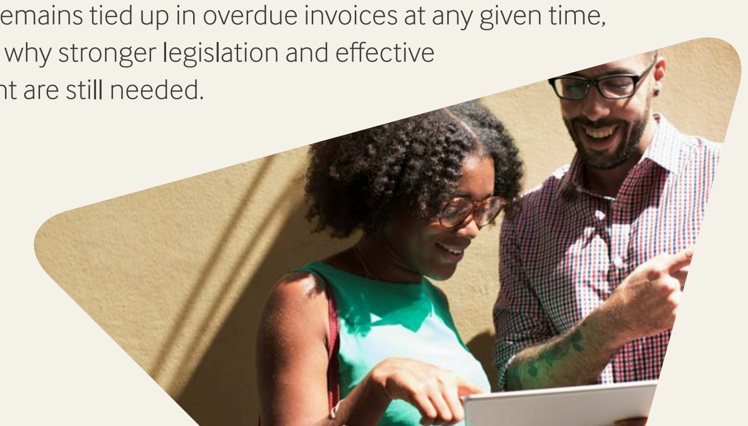


The rise holds across sectors and business sizes, and is most pronounced among businesses that employ staff, where reported late payments have more than doubled since Summer 2024.

Encouragingly, among businesses that are affected, the proportion of their invoices typically paid late has fallen compared with 2023–24 suggesting more businesses are being touched by the problem, even as its severity per business eases.

Announced in the 2026 King's Speech, the Commercial Payments Bill should give small businesses greater cash-flow certainty by capping large companies' payment terms at 60 days, making interest on overdue invoices mandatory and strengthening enforcement against persistent late payers.

According to the latest report from the Small Business Commissioner £26 billion remains tied up in overdue invoices at any given time, underlining why stronger legislation and effective enforcement are still needed.



42%
of small businesses report being paid late, nearly double the 2023–24 average

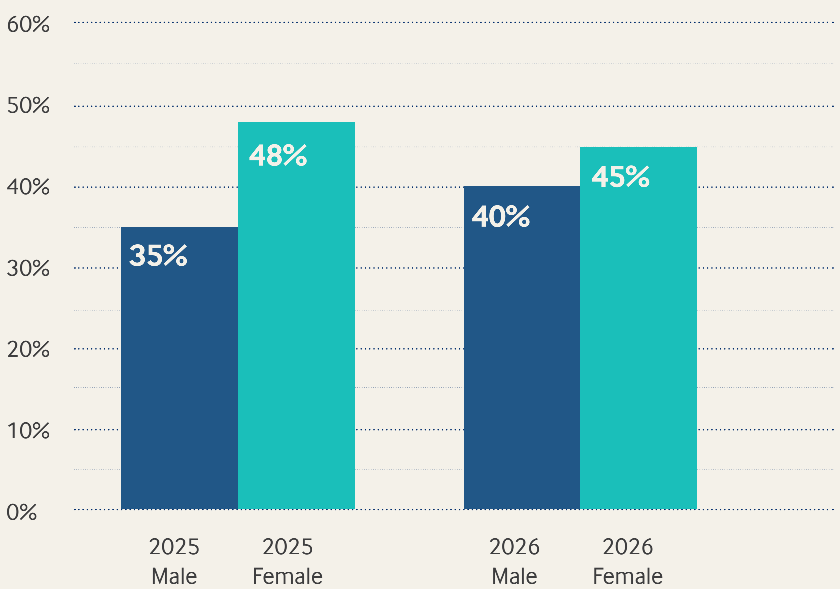
2x
the rate among businesses that employ staff, compared with 2024

Easing
severity per affected business has fallen since 2023–24

Side hustles

Just over four in 10 (42%) of the founders surveyed in 2026 said their business began as a side hustle, broadly unchanged on 2025 (43%) and consistent with the level seen across most waves since 2023.

% who started as a side hustle



Female founders remain more likely to report a side-hustle origin than male founders (45% vs 40% in 2026), though this gap has narrowed considerably over the past year, driven mainly by a rise among male founders who now employ staff.

42%
of businesses began as a side hustle

40% 45%
of female founders began as a side hustle, vs 40% of male founders

Narrowing
the gender gap in side-hustle origin has more than halved in a year

Business support

Sixty-six per cent of small business owners looked for support or advice in the past 12 months, broadly unchanged on 2025 (68%). Female founders remain markedly more likely to seek support than male founders – 69% versus 58% in 2026 – a gap that has held consistently across the Barometer's history and does not appear to be explained by business size.

The sharpest shift this year is in how useful that support proves. Forty per cent of male business owners say "nothing worked for me" when they sought advice, up from 27% a year ago, rising to roughly half of male founders who already employ staff, twice the rate seen in 2025. Female founders report no equivalent deterioration.

69%
of female founders looked for business support, vs 58% of male founders

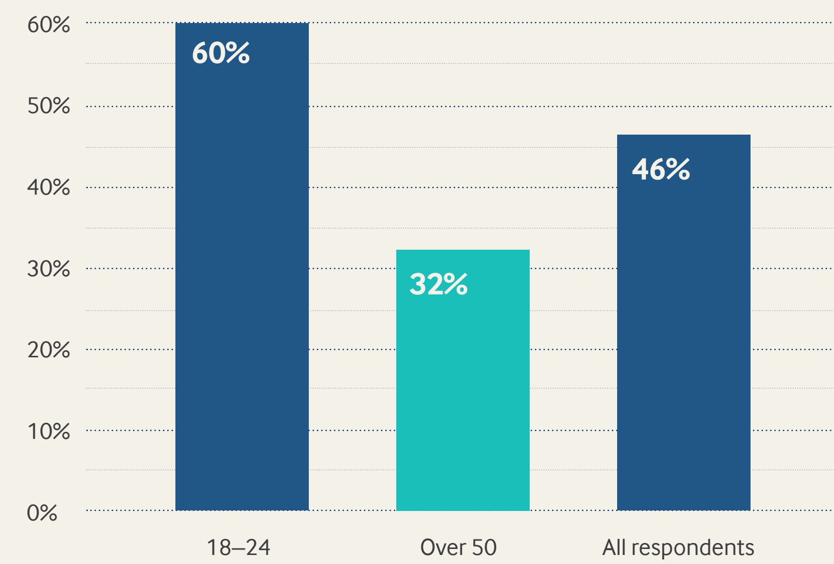
40%
of male founders say nothing worked for them, up from 27% last year

~50%
of male founders with staff say nothing worked – double the 2025 rate

18–24s vs the over-50s

Just over four in 10 (42%) of the founders surveyed in 2026 said their business began as a side hustle, broadly unchanged on 2025 (43%) and consistent with the level seen across most waves since 2023.

Started as a side hustle, by age group



18–24s are far more likely to have started as a side hustle (60%) than over-50s (32%), and far more likely to still be running it alongside other employment today (52% vs 25%).

60%
of 18–24 founders started as a side hustle, vs 32% of over-50s

52%
of 18–24 founders still run it alongside other employment, vs 25% of over-50s

Reasons for starting, and government priorities

Why they started a business

Reason	18–24	Over 50
Earn more money	48.5%	20.8%
Use a skill/hobby/interest to make money	47.1%	29.0%
To give back/help people	33.8%	30.4%
Wanted a better work-life balance	20.6%	36.1%
Fed up with job/the rat race	14.7%	25.6%
Gap in the market	20.6%	17.5%

What they think government should do

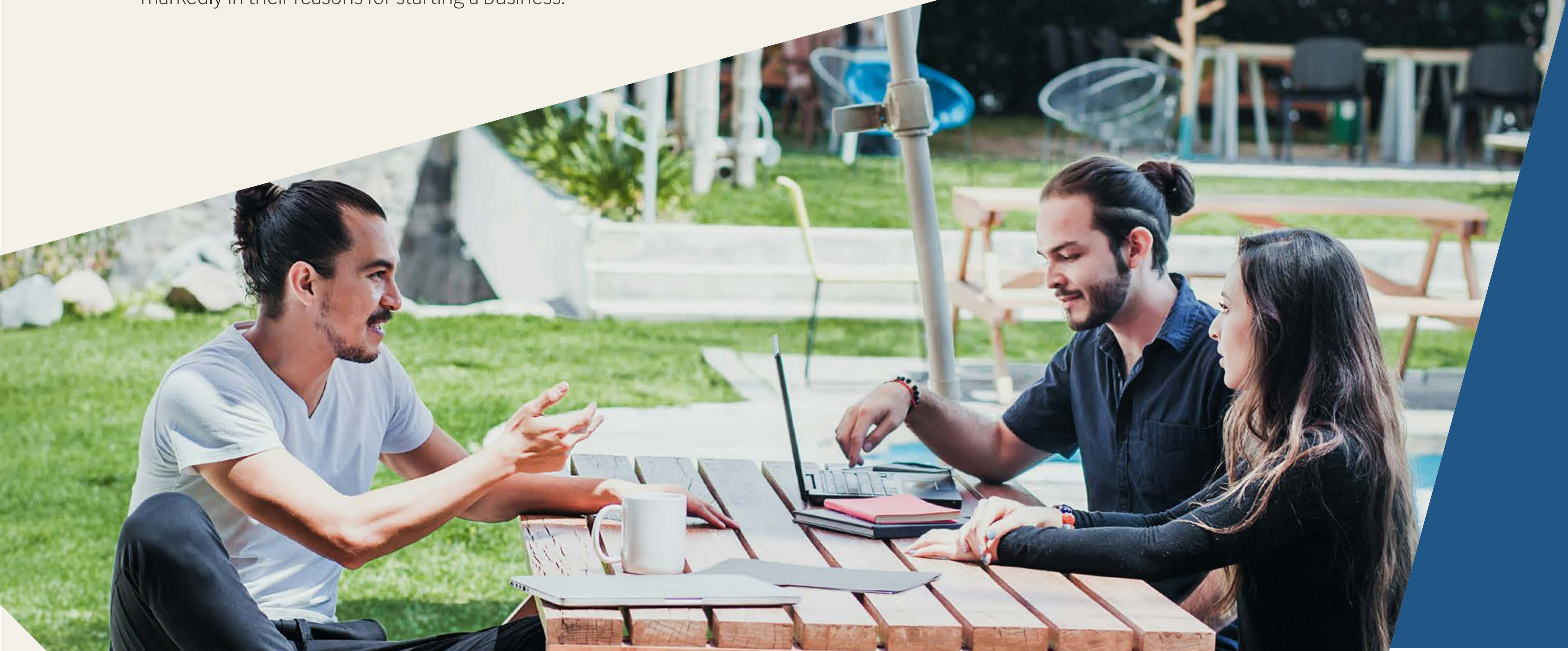
Reason	18–24	Over 50
Lowering the tax burden	54.4%	58.9%
Support with energy/fuel costs	22.1%	29.7%
Adequate workspace for entrepreneurs	25.0%	19.1%
Cheerleading for entrepreneurs	26.5%	25.2%

TAX

Lowering the tax burden is the top priority for both groups, by similar margins, younger founders are notably more motivated by earning money and turning a skill into income, while over-50s lean more toward work-life balance.

Summary of the findings

- Owner pay has come under sustained pressure, with three-quarters of small business owners now paying themselves under £20,000 a year, a squeeze most acute among those who employ staff.
- Appetite for outside funding has fallen to its lowest point since the Barometer began, and the amounts businesses are asking for have shrunk too.
- Confidence in expansion has softened to a multi-year low, but this has not translated into a hiring freeze among businesses that already employ staff.
- The ambition to export has held broadly steady, continuing a gentle multi-year rise rather than a sharp swing in either direction.
- AI adoption continues to climb rapidly, now used by almost two-thirds of small businesses, with clear regional variation.
- Late payments have become significantly more widespread and remain one of the most pressing issues facing small businesses, even as the severity per affected business eases.
- Starting as a side hustle remains a prevalent pattern, particularly among female founders and young people aged 18 to 24, though the gender gap here has narrowed.
- Male founders are increasingly struggling to find useful business support, a trend not seen among female founders.
- Young people aged 18 to 24 and over-50s share similar top priorities for government support, particularly on lowering the tax burden, but differ markedly in their reasons for starting a business.



Industry view

Aaron Asadi
CEO, Enterprise Nation

This year's Barometer shows small business owners absorbing financial pressure. Three in four are now paying themselves less than £20,000 a year, and that number only gets worse once a business takes on staff. People are protecting their teams and their customers by taking the hit. That's not a sustainable position for the UK's key driver of the economy.

At the same time, the funding appetite has hit a record low. That's not businesses losing ambition, it's owners telling us plainly that the environment doesn't currently support the risk of borrowing to grow. Ahead of the Budget, we need measures that ease the pressure on owner pay directly, get a grip on late payments (which are now costing small firms £26 billion in overdue invoices at any one time) and restore the confidence to invest in growth again.

It's encouraging to see AI adoption continuing to accelerate, but we know only 21% of UK SMEs use AI regularly, just 6% daily, yet AI is the single most in-demand topic across our whole network.

We can't ignore that business support isn't working for everyone. Male founders in particular are increasingly coming away empty-handed when they seek advice, and that's a gap we need to close.

Enterprise Nation is a pioneer in small business support.

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Browse research

Report data collected from small businesses in 2025 (n=395) and 2026 (n=257), with comparative trends drawn from every wave of the Small Business Barometer since Spring 2023 (n=4,440 total).