Fitzpatrick Associates

An Roinn Airgeadais
Department of Finance

SME Credit Demand Survey – April 2019-September 2019

Final Report

Fitzpatrick Associates
ECONOMIC CONSULTANTS

B&A

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Fitzpatrick Associates ECONOMIC CONSULTANTS

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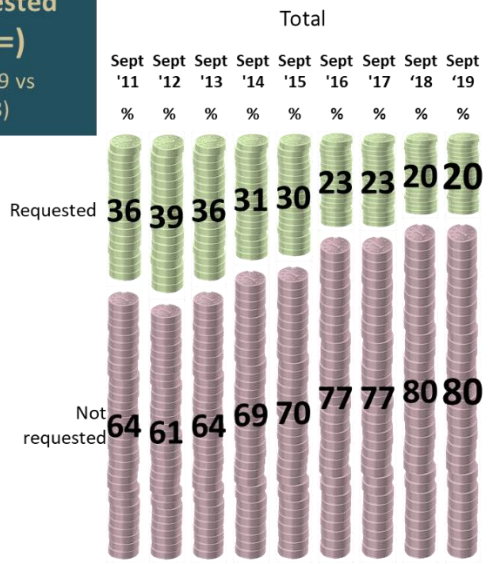
1. Summary of Main Findings

Overview of Report – Credit Demand (April 2019 - Sept 2019)

(Base: All SMEs – 1,518)

Demand

Requested 20%(=)
(Sept '19 vs Sept '18)



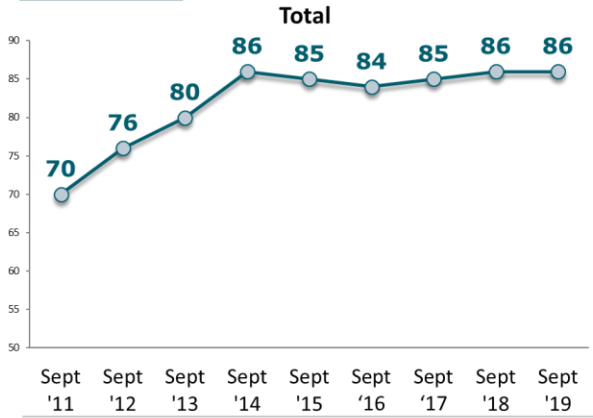
	Requested By Company Size									Demand
	Sept '11 %	Sept '12 %	Sept '13 %	Sept '14 %	Sept '15 %	Sept '16 %	Sept '17 %	Sept '18 %	Sept '19 %	Sept '19 vs Sept '18
Micro	27	36	30	24	24	20	18	15	14 ↓	-1%
Small	41	41	39	38	34	24	26	24	25 ↑	+1%
Medium	41	43	39	32	34	28	26	22	23 ↑	+1%

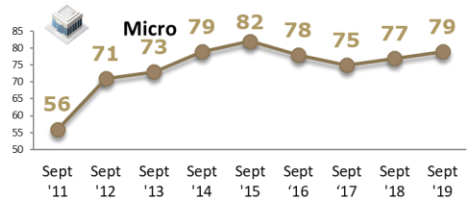
Status of Application at Date of Survey

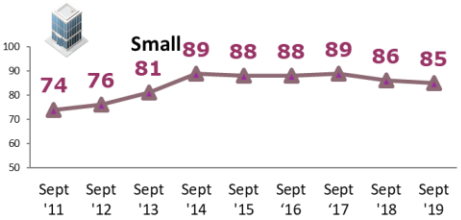
Application Decisions (excl. pending)

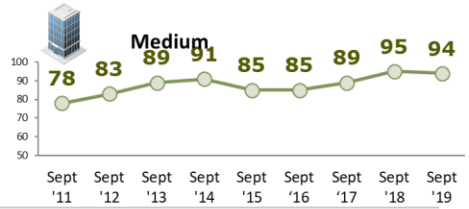
(Base: All SMEs Seeking Finance, excluding pending – 297)

Approval/ Partial 86% (=)
(Sept '19 vs Sept '18)





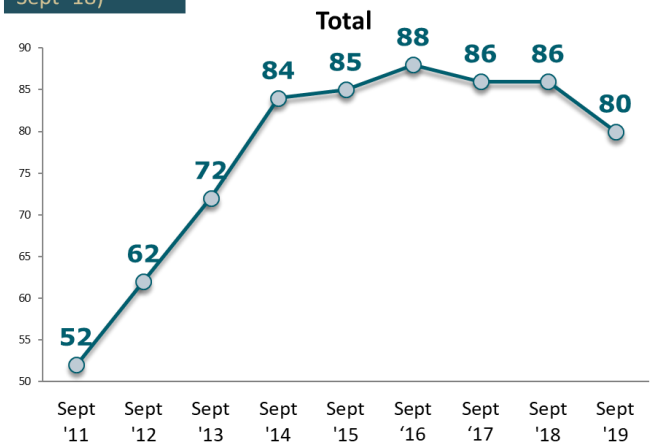


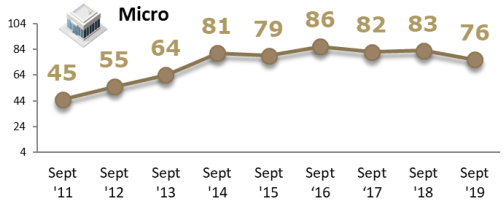


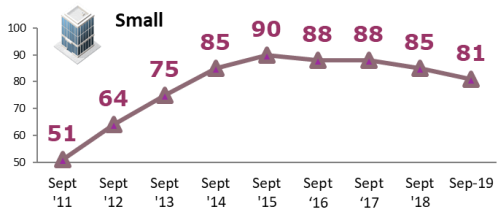
Trading Performance (April 2019 - Sept 2019)

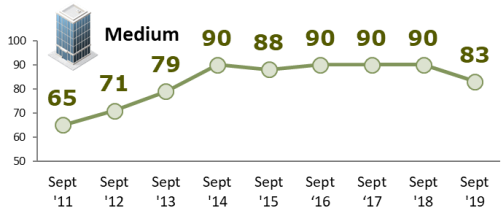
(Base: All SMEs – 1,518)

Stable/ Increase
80% (-6%)
(Sept '19 vs Sept '18)





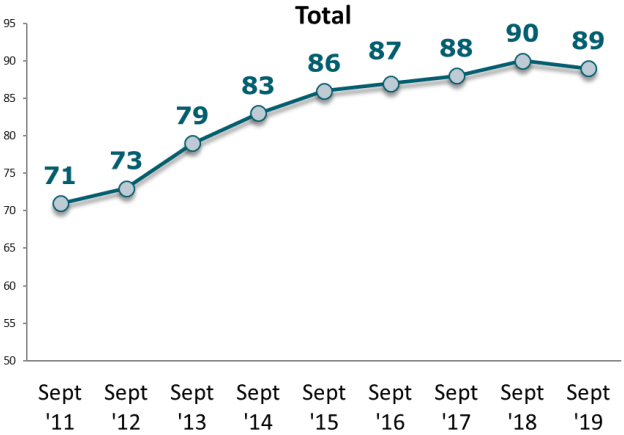


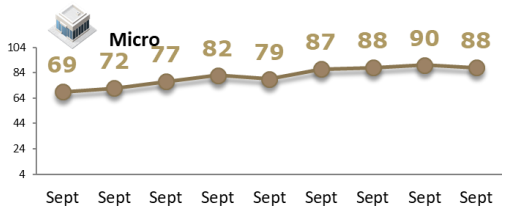


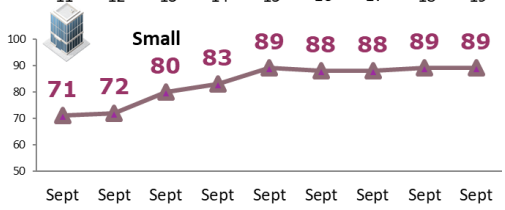
Profit In the Business in Past 6 Months

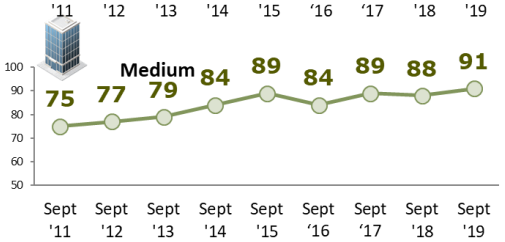
(Base: All SMEs – 1,518)

Made a Profit/ Broke Even
89% (-1%)
(Sept '19 vs Sept '18)









1. Summary

The following is the summary of results from the SME Credit Demand Survey. All interviews were conducted between 10th October and 19th November 2019 and covered the period from April to September 2019. Throughout the report, the most recent wave of findings (referred to as September 2019) is compared with corresponding waves from previous years. This ensures that historical comparisons are being made on a like-for-like basis, taking any seasonal issues into account.

1.1 Trading Performance

Trading conditions for this most recent period remain positive, albeit with the lowest levels of increased turnover since 2013.

In terms of turnover, 80% of all businesses surveyed reported increased or stable turnover in the past six months, compared to 86% in 2018.

The business services and manufacturing sectors reported the most pronounced levels of increased turnover, while the greatest declines in turnover were amongst the hotels/restaurants and wholesale sectors.

The proportion of companies increasing their staff numbers stood at 25% in this most recent wave of interviewing, compared with just 8% of companies that decreased their head count. The net reported increase/decrease figure of +17%, therefore, represents no real change from the +18% registered in September 2018.

For the first time in eight years, the survey has seen a decline in the reported number of companies making a profit, with a net profit versus loss balance of +60% in September 2019 compared to +65% in September 2018.

1.2 Demand for Banking Finance

Credit demand from banks has remained static year-on-year, with 20% having applied for bank finance in the six months to September 2019 – the same level as in September 2018.

The survey also registered little change in expected future demand for credit, with 18% of SMEs expecting to apply for finance in the next six months, compared to 19% during the corresponding period in 2018.

The main stated reasons for not having sought credit in the past six months are dominated by a simple lack of credit requirements, a reason cited by 79% of businesses not seeking credit.

Of the minority of companies which had requested bank finance in the six months to September 2019, new loans, leasing or hire purchase, renewal/restructuring of existing overdrafts, new overdrafts and renewal/restructuring of existing loans were the main bank finance products requested.

The only real decrease in credit demand, by sector, was found in the hotels and restaurants sector (down from 28% in September 2018 to 22% in September 2019).

Further analysis also indicates that a positive business performance in terms of turnover can impact positively on credit demand, as companies look towards expanding or consolidating their business. In terms of profitability, however, credit demand is currently highest amongst companies making a loss.

About 40% of all SMEs with outstanding debt were not certain of the interest rate attached to their outstanding loans. Of those that were aware, the average cost of credit reported on outstanding loans was 5.1%, up from 4.4% in September 2018.

About 16% of respondents reported that the number of days taken to receive payments from customers had increased over the past six months, a percentage which increased marginally from 14% in September 2018.

Just 1% of SMEs reported having missed repayments of their loans in the past six months. It should be noted, however, that the wording was expanded in 2017 to ask the question of those with bank loans, other business loans, personal loans which use the business as collateral and other personal loans such as mortgages or buy-to-let loans.

Just 3% of respondents adjusted their bank debt in the past six months, with the main types of adjustments made being repayment scheduling and term extension.

1.3 The Application Process

As noted, one-fifth of all SMEs have requested bank finance in the past six months – identical to the 20% in the same period last year.

Of those companies that have requested bank finance, working capital, investment in machinery or equipment, and growth and expansion requirements are the main uses to which this finance was put.

Of those firms that sought banking finance, 76% formally applied for it – down from 85% in September 2018. The main reason given for submitting an informal request is that the business felt there was no need for a formal request, as it related to a repeat loan or was linked to a personal relationship in the bank.

The proportion of companies that applied for finance with one of the pillar banks has slipped slightly – from 79% of all those requesting bank finance in September 2018 to 77% in September 2019. The average value of credit applied for was €265,686, up from €227,793 in September 2018. Of those applying for bank finance, 42% had to provide some type of collateral, with the main collateral type required being buildings, personal assets of the owners and accounts receivable. The average value of collateral required as a percentage of loan was 68% – higher than the corresponding 61% registered in September 2018.

Some 67% of all finance applications were processed within the stipulated 15 working days of receipt of all information from the company, higher than the 64% reported over the same period in 2018.

The average amount of time from application to decision remained similar to September 2018, at 22 working days. The proportion of loans that are still pending has meanwhile decreased, from 12% to 5%.

The proportion of credit applications that were declined stood at 14% in this survey, up marginally from 13% in September 2018. Overall, 81% of all SME credit applications were fully or partially approved at the time of surveying. Decline rates were highest amongst micro companies, and are broadly similar for export versus non-export businesses.

Those applying for credit as a result of Brexit, to manage payments to Revenue or because of a slow-down in debtor collection were more likely to have their request declined.

The main stated reason for credit declines was a failure to meet the bank's lending criteria.

In September 2019, 53% of companies that were refused credit reported that they were informed of their right to an internal review (based on a small sample size of 47 respondents), this figure stood at 38% in September 2018, down from 49% in September 2017.

Excluding 'don't knows', the proportion of companies that were refused credit from the main banks, and said that they were informed of their right to a decision review by the Credit Review Office, stands at 67%, up from 60% in September 2018.

Some 59% of SMEs whose credit applications were approved have availed of all the facility, a further 17% have availed of part of it, with 24% not yet availing of it.

1.4 Non-Bank Finance

The proportion of companies making enquiries for non-bank finance began to decline in September 2013 and has now levelled off at just 7% of SMEs in September 2019, no change from the figures reported in 2017 and 2018. A range of different types of non-bank finance were requested including Government support and loans from family, friends or colleagues etc.

About 67% of these requests for non-bank finance in September 2019 were either fully or partially successful, an increase from 62% in September 2018.

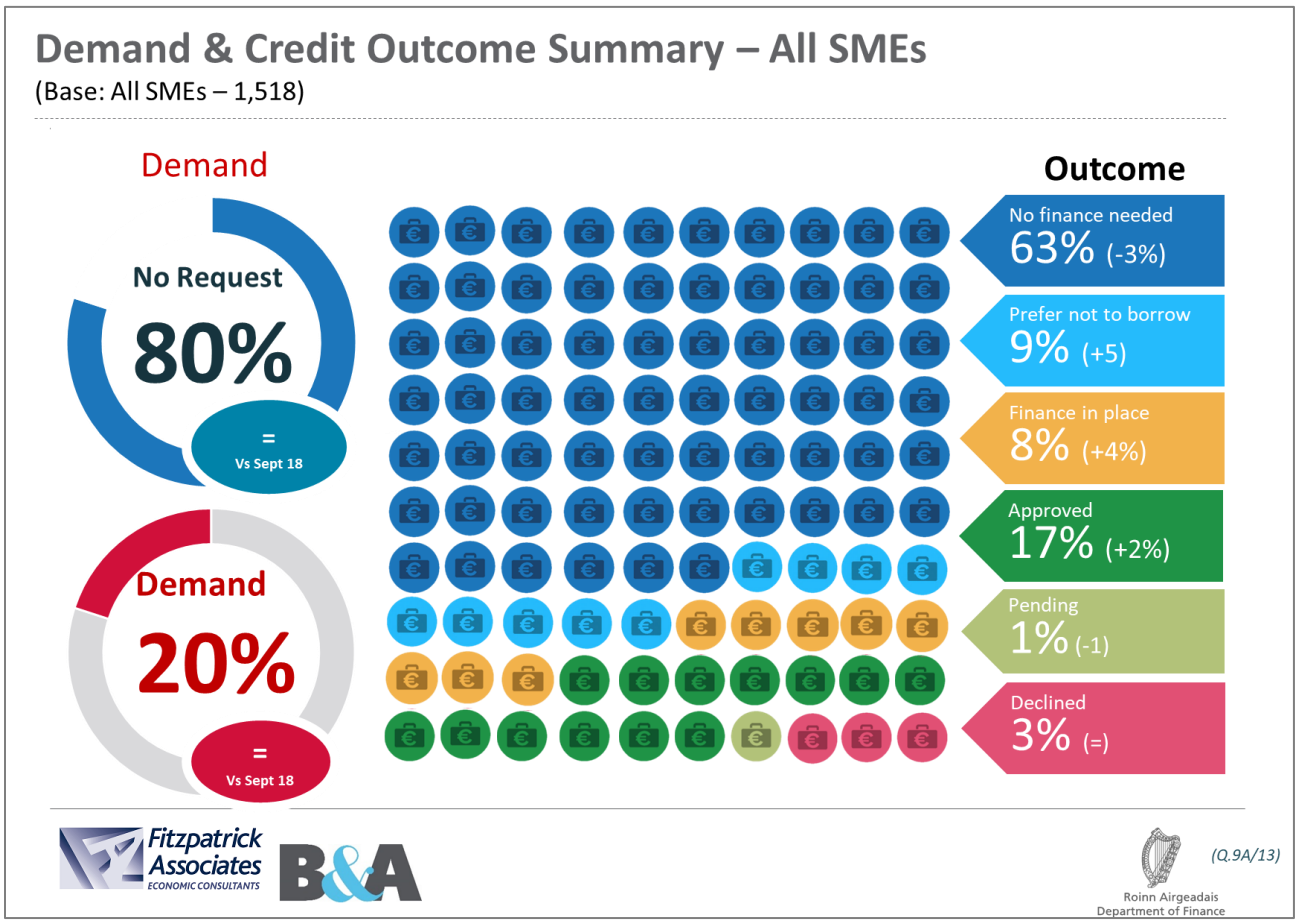
The decline rates for such requests were 18%, a figure which is up from 7% in September 2018.

Of those companies that have not applied for Government financial support, the main reason given was a lack of need for such finance (70%), while only 5% said they had a lack of awareness of such sources of funding.

A majority of SMEs surveyed were aware of Enterprise Ireland support initiatives (90%) and Local Enterprise Office support initiatives (79%). About 47% of SMEs were aware of the Credit Guarantee Scheme. About 86% of those surveyed also indicated that internal funds/retained earnings represented their primary source of working capital finance (an increase of one percentage point since 2018).

1.5 Credit Demand Overview

In summary, this survey has registered no difference in year-on-year credit demand.



2. Introduction

This report presents the results for the latest wave of the SME Credit Demand Survey commissioned by the Department of Finance, and covers the period April to September 2019. Fitzpatrick Associates has conducted the study and Behaviour & Attitudes Ltd (B&A), the independent market research and polling organisation, has carried out its fieldwork.

The key parameters of the survey have been kept identical to those in previous waves in order to ensure comparability of data over time. This includes the quotas set for company size and industry, the database of leads used to select businesses for interview, and the key questions in the questionnaire itself.

All interviews for the study were conducted through B&A's own Computer Assisted Telephone Unit. In total, 1,518 telephone interviews were conducted with a random sample of Irish micro, small and medium sized firms. The interviews were conducted from 10th October to 19th November 2019.

2.1 Economic Context

The National Income and Expenditure results for 2018, published in July 2019, confirm that the economy continues to perform strongly. The results show that real GDP grew by 8.2 per cent in 2018, one of the strongest in the EU. Data for the third quarter of 2019 also indicates that momentum has continued into 2019, with the level of GDP rising by 1.7 per cent in Q3 2019 relative to the previous quarter. As a result, the level of GDP was 5 per cent higher year-on-year in the third quarter of this year. While GDP figures can be exaggerated in an Irish context, a broader range of measures – labour market indicators and tax revenue developments – also confirm that the economy continues to grow at a robust pace.

Despite external headwinds, export growth continues to remain robust up 11.1 per cent year-on-year in the third quarter of 2019, with strong growth recorded for both goods (+10.5 per cent) and services (+11.8 per cent). Indeed total exports exceeded €100 billion for the fourth successive quarter in a row in Q3 2019. Importantly the domestic economy however is also now making a significant contribution to growth. In the third quarter of 2019, personal consumption increased by 3.3 per cent on an annual basis, reflecting solid increases in disposable income, ongoing improvement in household balance sheets and overall improvements in the labour market.

Indeed, the strong performance of the economy of late is possibly best reflected in the significant improvements seen in the labour market. Total employment is now at nearly 2.33 million, as of Q3 2019, or almost 100,000 above the previous peak level recorded in 2007. Significantly, this employment growth is broad-based across sectors and regions and is driven by gains in full-time positions. This rise in employment has also led to a significant decline in unemployment, with the unemployment rate at 4.8 per cent in November 2019, over 11 percentage points below its peak. Reflecting the positive momentum in the labour market, net migration also turned positive in 2015 and has continued to increase since then.

However, while the short-term outlook for the Irish economy therefore remains positive, over the medium-term risks are still firmly tilted to the downside, and principally external in nature.

First and foremost is the potential fallout from a more adverse-than-expected outcome of the ongoing Brexit process. Secondly, given Ireland's position as a small open economy with a high degree of integration in global value chains, any disruption to world trade and, in particular, any tit-for-tat trade war would have a disproportionate impact on Irish growth prospects. In addition, a faster-than-expected normalisation of monetary policy (especially in the euro area), changes in other jurisdictions that affect the competitiveness of Ireland's corporate tax regime and rising geopolitical uncertainty all have the potential to derail the recovery.

Domestically, the principal risk still relates to the potential for overheating as the economy approaches full employment. While this would mean a temporary boost to growth, it could generate significant imbalances over the medium term which would adversely impact on competitiveness. From a policy perspective, given the stage of the economic cycle, it is essential that budgetary policy 'leans against the wind' and does not contribute to overheating pressures.

The Credit Reviewer's 20th Report was published in March 2019 and relies on the September 2018 Credit Demand Survey. However, recent Credit Reviewer reports also suggest some underlying causes for the persistently low demand for bank credit in a strongly growing economy, as measured by the Department of Finance bi-annual demand survey. These include: business caution at the prospect of taking on lending at a time of uncertainty (e.g. Brexit, international trade restrictions); the risks in relying on self-funding capital projects; and the need for funding plans which may include some degree of bank credit. The Credit Reviewer also reflects on the impact that bank branch closures and the reduction in the level of relationship management may be having on demand for bank credit from SMEs and farms, while welcoming steps taken by banks to increase relationship management activity in 2018.

Two new guidance sheets on self-financing have recently been posted on the Credit Review Office website – one for SMEs and one for farms. These are in addition to the guidance sheets on the website for SMEs and farms which have had their loans sold on to Hedge Funds/Investment Funds.

2.2 Government Support Measures

The Programme for Government contains a range of commitments to help support small and medium-sized enterprises. This includes action to ensure that an adequate pool of credit is available to fund small and medium-sized businesses in the real economy during the re-structuring and down-sizing programme for the domestic banking sector. Since 2014, the Department of Finance has examined and collated detailed data from AIB, Bank of Ireland and more recently Permanent TSB on a monthly basis, to ensure there is a more informed understanding of the SME bank lending environment with a particular focus on new lending.

Strategic Banking Corporation of Ireland

The Strategic Banking Corporation of Ireland (SBCI) commenced lending in March 2015. To end December 2019, the SBCI has supported sanctioned loans totalling €1,320m to 28,960 Irish SMEs through the provision of a combination of liquidity and risk sharing. The SMEs who received SBCI finance are from a variety of business and economic sectors, including agriculture, food, retail, healthcare, transport and manufacturing, and they are spread across every region of the country.

To end of December the SBCI has a current funding capacity of just below €1 billion, which it will use to help Irish SMEs invest in and grow their businesses.

The SBCI continues to operate the €300m Brexit Loan Scheme supporting Irish businesses to adjust to a post Brexit environment. The SBCI has also launched the €300m Future Growth Loan Scheme supporting long term investments by Irish SMEs and Small Midcaps and added KBC bank as a provider of SBCI product.

The SBCI is also seeking to broaden its distribution capability and market coverage by adding new on-lenders and working to develop innovative products, thereby serving to meet the needs of Irish SMEs and drive competition in the SME finance market. In 2019, the SBCI approved a further €137.5m in wholesale liquidity funding to its non-bank on-lenders.

Supporting SMEs Campaign

In March 2019, the Department of Business, Enterprise and Innovation upgraded and relaunched the SME online tool. **Supportingsmes.gov.ie** is designed to assist small businesses and entrepreneurs to find information on over 170 Government supports which they may have access to. Answering seven simple questions, the tool will generate a customised list of supports tailored to their business requirements, with further information on each support and contact details for follow-up. The Government encourages all SMEs at any stage of their development, including start-ups, to check which supports are available to them.

17,567 businesses and entrepreneurs used the Government's Supporting SMEs Online Tool in the year to mid December 2019, with 98.9 per cent of them using the Online Tool for the first time. 69.8 per cent of visits were referrals, 23.7 per cent were direct visits and 6.1 per cent were by organic search. 82.21 per cent of sessions in the year to mid-December 2019 were from Ireland and 4 per cent were from the UK.

The online tool includes supports to help you grow your business, hire staff, develop skills, engage in research and development and more. It filters the results by county and sector as well as business size. New features include an SME events calendar and a latest news feature on supports and relevant agencies. An upgraded search function delivers greater accuracy and better presentation of the supports relevant to your business.

The campaign is a cross-governmental initiative developed to help small businesses and entrepreneurs learn the full range of potential Government supports available to them.

The tool is available at: www.supportingsmes.gov.ie

Ireland Strategic Investment Fund

The Ireland Strategic Investment Fund (ISIF) invests on a commercial basis in a manner designed to support economic activity and employment in Ireland. To ensure efficient delivery of funding to the SME sector, the support of which requires large volumes of granular debt and equity investments to be made in underlying SMEs, the ISIF will generally target investment in private sector entities that interface directly with those SMEs. Programme terms are flexible, once the underlying requirement that the funding is provided on a commercial basis is met.

The selected following ISIF commitments have been made to date:

Year	Description	Original Commitment (€ Million)	Description
2012	Carlyle Cardinal Ireland	125	Private equity fund targeting growth and lower mid-market buy-out transactions in Ireland.
2013	BlueBay	200	Credit fund making loans of between €5 million and €45 million to medium/large Irish SMEs.
2016	Causeway Capital	15	Private equity fund that will invest in established, growing SMEs in Ireland and the UK.
2016	BMS	15	Non-bank lender providing growth loans to Irish SMEs.
2016	Finance Ireland	30	Non-bank lender providing SME leasing, commercial mortgages, agri finance and auto finance.
2017	Muzinich Pan-European Private Debt Fund	45	Growth capital to Irish SMEs and corporates.
2017	Insight Venture Partners	83	Growth stage private equity fund that will target software opportunities in Ireland and globally.
2017	BGF	125	Largest ever growth capital fund dedicated to Irish SMEs with €250 million to invest.
2018	Motive Capital Fund I	25	Specialist financial technology focused private equity fund providing growth equity to FinTech businesses.
2018	DunPort SME Fund	95	Successor vehicle to the Bluebay SME credit fund. Fund providing a mix of unitranche, senior

			and mezzanine debt to medium/large Irish SMEs and mid-sized corporates.
2018	Finance Ireland - Follow On	15	Follow on investment in non-bank lender supporting its SME and Agri Leasing business.
2018	Beach Point Capital	15	Successor vehicle to BMS Finance Ireland. Fund lends to high growth potential Irish SMEs.
2019	Beechbrook Capital	20	Credit fund that targets regionally based Irish SMEs

Enterprise Ireland Seed & Venture Capital Scheme

To develop the domestic venture capital system, the Government commitment of €175 million under the Seed and Venture Capital Scheme 2013-2018 aims to leverage a further €525 million from the private sector, for investment in high potential start-up and scaling companies. As of December 2019, €160 million had been allocated under the scheme through three separate calls (taking place in 2013, 2015 and 2017).

This amount of €160 million has been formally committed to 12 funds. These funds are actively investing and will target investments, from Seed to Series A, across sectors including Life Sciences, ICT, Fintech, and Internet of Things.

Moreover, as part of Budget 2019, a further €175 million was allocated to a new Seed and Venture Capital Scheme, which will cover the 2019-2024 period. The programme is oriented towards seed and early stage investments, where an evaluation of the current scheme has shown there is a very clear market failure.

The first call for expressions of interest was undertaken in the first half of 2019, and to date two funds have launched with a commitment from Enterprise Ireland of €26m. Furthermore, it is anticipated that a number of additional new funds will be launched during the first half of 2020.

Microfinance Ireland and the Credit Guarantee Scheme

The Microenterprise Loan Fund Scheme is managed by Microfinance Ireland on behalf of the Government. The purpose of the Fund is to provide loans of €2,000 up to €25,000 to micro-enterprises. A micro-enterprise is a business with fewer than 10 employees and/or turnover of less than €2 million. To end of Q3 2019, €32 million in loans have been approved, supporting 5,364 jobs. About 79% of loans are granted to micro-enterprises outside of Dublin, with 21% granted to micro-enterprises in Dublin.

The Credit Guarantee Scheme is open to businesses employing fewer than 250 staff and with an annual turnover of less than €50 million (SMEs).

The Credit Guarantee Scheme was launched in October 2012, to facilitate additional bank lending to eligible SMEs. The Credit Guarantee Scheme offers State guarantees of up to 80% on loans ranging between €10,000 and €1 million in value and are provided to banks against losses on qualifying loans to firms who would otherwise have difficulty getting credit.

The Credit Guarantee Scheme is open to SMEs. The aquaculture, primary agriculture, financial services, education, insurance services, property owners and investment industries sectors are not eligible for the scheme.

Reforms to the Scheme were provided for in 2016 amending primary legislation. This legislation allows new products to be rolled out by the SBCI in 2018 and following years, including the extension of the Scheme to cover loans other than traditional bank loans (i.e., invoice discounting, factoring, lessors etc). The revised scheme was launched in July 2018 and provides

- an increase in the level of risk the State will take from 75% to 80% of individual loans;
- an extension of the scope to cover other financial product providers, like lessors, invoice discounters etc; and
- an extension of the definition of loan agreements to include non-credit products and overdrafts.

The legislation underpinning the revised scheme also empowers the Minister to give counter-guarantees that will enable the SBCI (in their capacity as a National Promotional Financial Institution) to unlock matching guarantee facilities from EU sources and thus better share risk across banks, the Minister and the EU. This counter-guarantee would operate in conjunction with the optimal leveraging of EU financial instruments in this area, such as the European Programme for Competitiveness of SMEs (COSME), the Horizon 2020 funding earmarked for SMEs and the European Fund for Strategic Investment administered by the European Investment Bank and European Investment Fund (often referred to as the "Juncker Plan").

The SME borrower pays an annual premium (currently 0.5%) to the Government in addition to the interest rate/fee charged by the bank.

Since the Credit Guarantee Scheme became operational in October 2012, 751 facilities have been sanctioned totalling €123 million, which has supported over 6,877 jobs.

Brexit Loan Scheme

Under Budget 2018, the Government announced the introduction of a new Brexit Loan Scheme, which was launched in March 2018. It is a €300 million loan fund available to eligible Irish businesses impacted by Brexit. The scheme makes a fund of up to €300 million available to eligible businesses with up to 499 employees to help them innovate, change or adapt to overcome their Brexit challenge. The maximum interest rate is 4%. Loans range from €25,000 to €1.5 million, with unsecured loans of up to €500,000 and terms ranging from 1-3 years.

Since its establishment to end of September 2019, 816 applications for eligibility have been received, 738 have been deemed eligible and 194 businesses have progressed to sanction at finance provider level to a total value of €43.517 million.

Future Growth Loan Scheme

Under Budget 2019, a new €300 million Future Growth Loan Scheme was established, for loans of up to 10 years, as a means of addressing a lack of availability of long-term loans in the marketplace with terms of over 7 years. Loans will range from €100,000 (€50,000 is the minimum loan size in the case of primary agriculture) to a maximum of €3 million, with unsecured loans of up to €500,000. The initial maximum interest rate is capped at 4.5% for loans up to €249,999 and 3.5% for loans more than or equal to €250,000 for the first six months. The rates thereafter are variable and will be dependent on the cost of funds at that point in time. These rates represent a significant saving compared to similar loans on the market. The scheme is available to business with up to 499 employees and operators in the primary agriculture and seafood sectors.

The Future Growth Loan Scheme is offered by the Government of Ireland, through the Strategic Banking Corporation of Ireland, funded by the Department of Business, Enterprise and Innovation and the Department of Agriculture, Food and the Marine, , and supported by the EIB Group's Guarantee Facility. On April 17th, 2019 the scheme opened for eligibility applications through the SBCI website. Since its establishment to end of September 2019, 1,353 applications for eligibility have been received, 1,283 have been deemed eligible and 270 businesses have progressed to sanction at finance provider level to a total value of €43.806 million.

2.3 Rationale for Study

The 4th Report of the Credit Review Office suggested that *"existing 'credit surveys' are being used widely as a commentary on the availability of bank lending. These surveys are not quality assured by any reputable market research organisation and may be misleading many businesses into not seeking bank credit and using alternative sources of financing".*

As such, Irish SMEs, the Government, policy makers and other stakeholders require a reliable and reputable demand study to be conducted either as a once-off exercise or as part of an ongoing process. This report represents the output from such a demand study exercise.

2.4 Study Scope

The scope of this exercise was to establish a regular, independent measure of the demand for credit (encompassing all lending institutions) from the perspective of the SME. Additionally, and since the provision of credit to SMEs extends beyond the two pillar banks, information is required to inform Government as to the experience of micro, small and medium-sized enterprises in accessing credit from the banking sector as a whole. In this context, the Department of Finance commissioned this study to ascertain the situation in relation to:

- the demand for credit from SMEs
- the failure of SMEs to seek credit
- the reasons given for refusal of credit
- their level of knowledge on their rights in relation to credit.

Company Size

This review was conducted on the basis of companies falling into one of three categories of SMEs, as determined by the EU definition of each category, which can be broadly summarised as follows:

Description	Employee Numbers	Turnover (€)	Balance Sheet Value (€)
Micro	1-9	<=2million	**<=2million**
Small	10-49	<=10 million	**<=10 million**
Medium	**50-250**	**<=50 million**	**<=43 million**

**A company which satisfies two of the three criteria is deemed to be an SME, one of which is employees.*

Credit Products

The review covered the following credit products:

- Overdrafts
  - New overdraft
  - Renewal/restructuring of an existing overdraft
- Loan
  - New loan
  - Renewal/restructuring of an existing loan
- Invoice discounting
- Leasing or hire purchase
- Bonds (bank backed, advance payment of other bonds etc)
- Other credit products.

Sectoral Analysis

In order to ensure that information produced as part of this study was comparable with previous studies and could be collated to form a sectoral picture, we have used Central Bank sectoral codes.

- Central Bank sectoral codes are those codes used by the Central Bank, and specified at EU level, under which individual banks submit their quarterly returns to that organisation. These codes are based on NACE Rev. 1 codes.

- The NACE Code system is a pan-European classification system which groups organisations according to their business activities. It assigns a unique five- or six-digit code to each industry sector, e.g. B – Mining and Quarrying, B5 – Mining of Coal and Lignite.

- In order to ensure that the results are representative of the overall SME population, the construction sector, in so far as property development and speculative activities are concerned, has been excluded. Only companies that support or supply to the construction sector have been included.

- The specific sectors or sub-sectors included in our analysis on the basis of NACE codes are shown below:

NACE Categories
Agriculture/Forestry/Fishing
Manufacturing - Processing & Food
Manufacturing – High Tech
Manufacturing – Other
Construction – General Construction
Construction – Other
Wholesale
Retail, Trade and Repairs – Non-Motor
Retail, Trade and Repairs – Motor Only
Hotels & Restaurants (incl. Bars)
Transport/Storage/Communication
Financial & Other Business Services
Real Estate activities (excl. Speculative)
Professional, Scientific and Technical
Human, Health and Social Work
Administration and Support Services

The specific sectors or sub-sectors excluded from the analysis are set out in detail below:

- Non-SME related financial intermediaries: non-bank credit grantors, credit unions, collective investment schemes, SPVs asset-backed securities, pension funds
- Speculative real estate activities
- Speculative construction activities
- Educations – schools and colleges
- Hospitals
- Churches and religious organisations
- Charities
- Government (central and other)
- Extra-territorial organisations and bodies
- Private household lending.

Time Period of Study

In reviewing results, it should be noted that the time period of this study is a six-month period from April to September 2019. Seasonality may have an impact on the results of the study.

3. Methodology

This survey represents a Fitzpatrick Associates study of lending to SMEs in Ireland examining the issue of credit availability. Fieldwork and analysis for the survey was carried out by B&A, the independent market research company.

3.1 Sample Selection

The study sample was selected at random from an industry-leading database of all SMEs across Ireland supplied by Bill Moss, the leading compiler and database provider in Ireland. This database is compiled from multiple sources and updated regularly. At the date of writing, the database held approximately 130,000 SME records.

A starting sample of 10,000 SMEs was randomly extracted from this database, across each SME size category and NACE sectoral group, ensuring that respondents included a reasonable spread of micro, small and medium-sized enterprises and a proportional representation of 16 key business sectors set out in Section 2.4 above.

In total, 11,533 companies were called, and contact was made with 9,578 companies. Of these 9,578 contacted, 1,518 interviews were completed, with some companies either falling outside of the quotas classifying small and medium enterprises, or others refusing to take part or to complete within the time frame set out for interview.

Quotas were set in order to ensure that the sample was sufficiently representative of the SME population in terms of both SME size (micro, small and medium) and sector (as defined by NACE codes) and to match the previous waves of this survey.

3.2 Sample Accuracy

The sample error for a survey of this nature is very good. Based on a total database of 130,000 SMEs in Ireland, the total sample of 1,518 companies has a possible sample error of just +/- 2.6% (at a 95% significance level), while the sub-samples of micro, small and medium companies (each with approximately 500 interviews) has a possible sample error of just +/– 4.4%.

3.3 Collection of Data

Telephone interviews were conducted with 1,518 Irish micro, small and medium SMEs, based on a questionnaire finalised between the Department of Finance, Fitzpatrick Associates and B&A. The questions asked in the April-September 2019 wave followed the same format used in the April-September 2018 wave.

All interviews were conducted between 10th October and 19th November 2019 and covered the period from April to September 2019. The typical telephone interview lasted between five and 35 minutes, depending on the level of credit demand.

Data from completed questionnaires was reviewed and analysed, and the results are presented in this report. The full study questionnaire is attached as an appendix to the report, and detailed results are presented in Sections 4-8.

3.4 Comparative Results

All key parameters of the methodology used in this wave of the SME Credit Demand Survey were kept the same as in previous waves in order to ensure direct comparability. This included the approach, quotas, and key questions in the questionnaire and sample database.

Within each micro, small and medium category the number of study respondents by sector can vary slightly (+/-2% on a sectoral level). Results for this study were weighted to the same size profile as that used in the prior study, however.

Information relating to applications is based on actual results, on the basis that lenders must consider each application for credit on its own merit.

3.5 Sample Size

As noted already, 1,518 SMEs participated in the telephone interviews. Companies were allocated to micro, small and medium size categories based on employee numbers as a proxy for company size.

The three SME size categories have very different characteristics. As such, and in line with previous surveys, SMEs should not necessarily be considered as a single population, but as three distinct populations – micro, small and medium. Study results have been provided separately for each category, and the report should be read on that basis.

It should be noted that whilst the physical number of micro enterprises operating in Ireland is significantly higher than the number of small and medium enterprises, the economic weight or value of each category of SME (micro, small and medium) to the Irish economy is broadly similar.

3.6 Limitations

The results set out in this document should be considered in the context of the following limitations:

1. The study provides the consolidated opinions of a wide range of SMEs, but it is not a census of the entire population of SMEs in Ireland.

2. Each study collects responses from a random sample of SMEs and hence the change in the underlying quality and characteristics of the business will contribute to some of the variations noted from study to study (however, sample error rates shown earlier should account for this).

3. Whilst every effort has been made to ensure that the study sample is as fully representative of the population as possible, it is possible that certain sub-groups are under-represented. It should be noted that the following sub-populations are relatively small for robust analysis:

   a) The study included a sample of companies that employed one person (i.e. were self-employed).
   b) The study included a number of companies that had been in business for up to two years, however this type of company has generally not filed company accounts and/or is not listed in Company Registration Office records, and is not in the database used for sampling purposes.

4. Demand for credit, and bank lending decisions surrounding the approval of credit, are complex, multi-faceted and unique to each individual SME application. Not every variable contributing to a credit decision can be probed during a telephone interview, and likewise the characteristics of the respondents' business cannot be fully and comprehensively captured in such a timeframe.

5. Slight rounding may occur in the graphical or other representation of figures in this document.

3.7 Other Research

We have examined the research work conducted in the area of SME lending (demand and supply) by various stakeholder groups. These include the Central Bank of Ireland, the CSO, the Credit Review Office and the ESRI amongst others.

3.8 Privacy of the Respondent

Throughout the study process, all interviews conducted with SMEs were carried out on a confidential basis, and the respondents' rights under the Data Protection Act(s) were fully observed, including the rights of respondents to choose not to answer or to end the interview at any stage. In all instances, the interviewer ensured that responses were collected from the person that had primary responsibility for financial matters in their business.

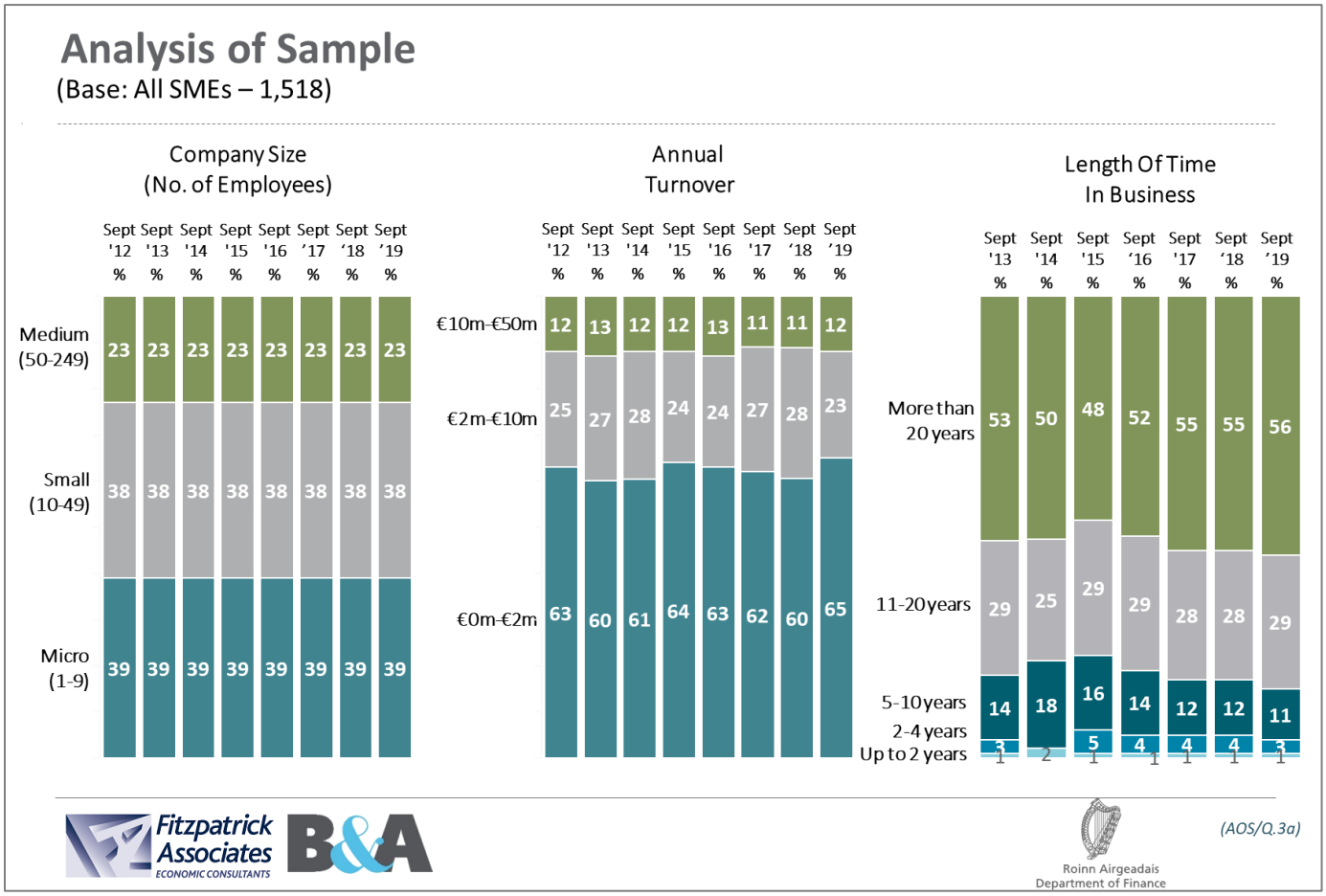
The Department of Finance had no specific interest in the individual financial affairs of any of the SMEs that participated in this study. Rather, the key objective was to better inform Government of the volume, nature and demand for credit in this key sector of the Irish economy.

Fitzpatrick Associates and B&A would like to express sincere thanks to all those SMEs that have participated in this study.

4. Profile of Respondents

4.1 Company Size, Turnover and Length of Time in Business

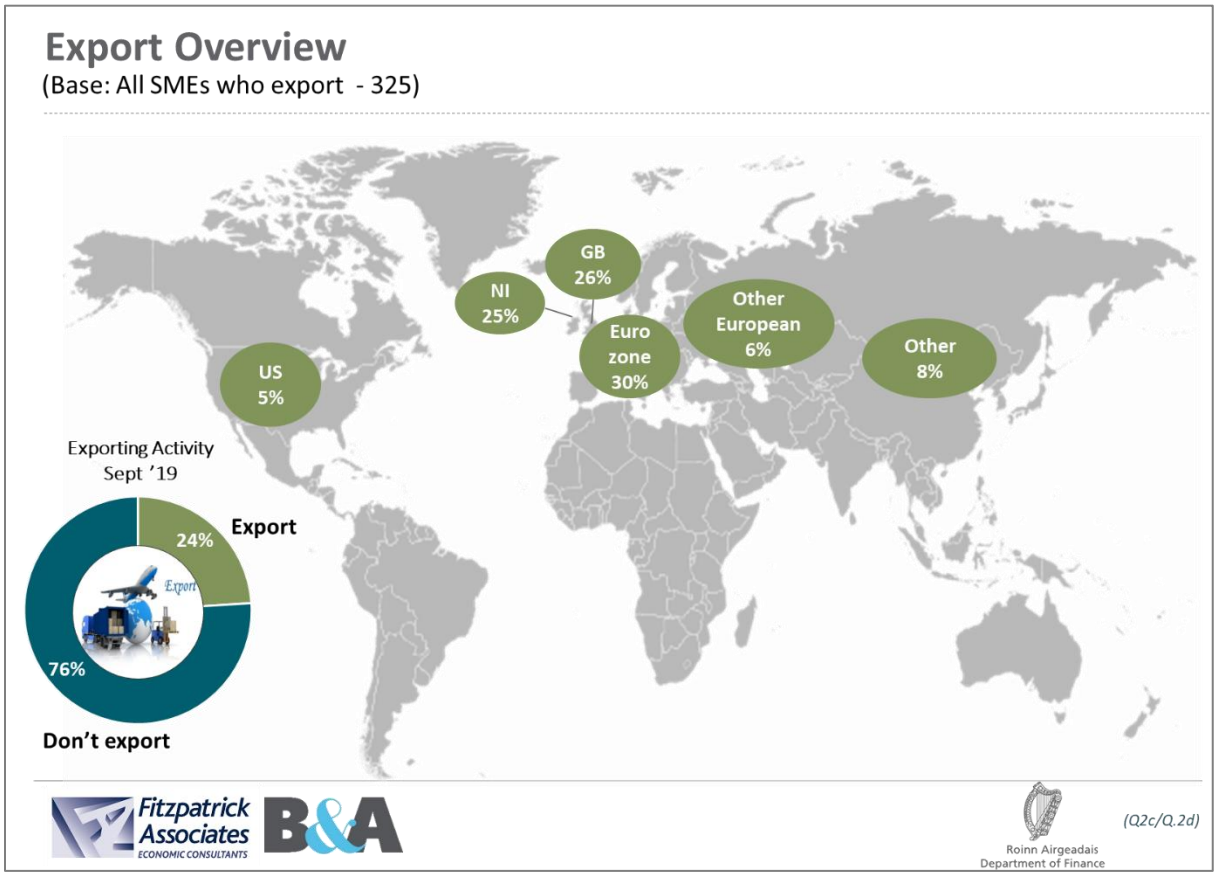
To be able to compare the results from the credit demand study wave by wave, it is important that the samples achieved are similar on key business demographics. This was achieved through strict quota control on company size and sector.



The above confirms the similarity of the samples since 2011, with identical distribution on company size and almost identical distribution on turnover and length of time in business.

4.2 Exporting Companies

About 24% of the companies interviewed exported goods or services outside the Republic of Ireland, compared to 21% in September 2018. It is worth noting, however, that the export question was changed slightly from previous waves (March 2013, March 2015) and again in September 2017, which might impact comparability for this question slightly over the years.



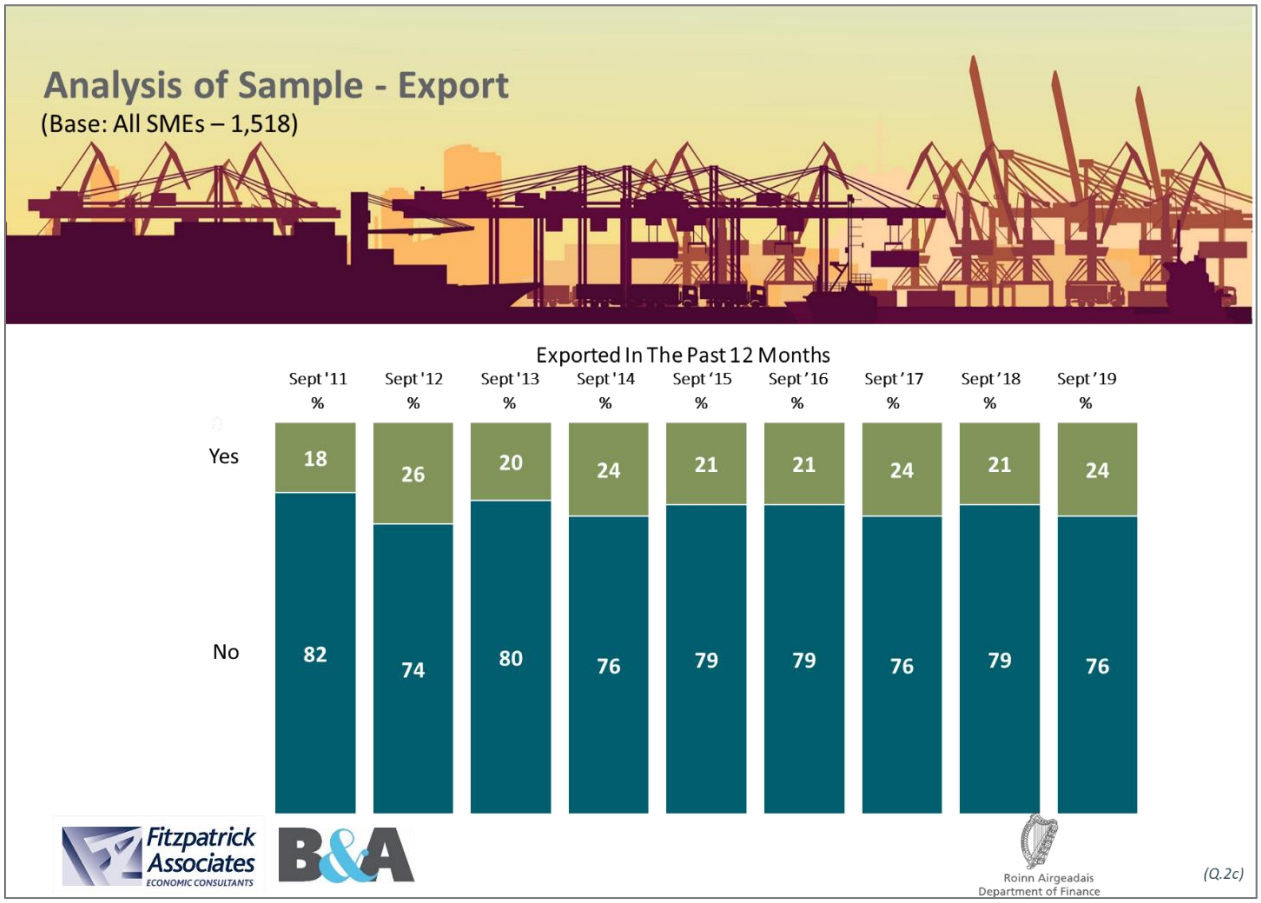
NB: The graphic above illustrates the average proportion of all exporting companies that export anything to each region featured and does not reflect the relative scale of different firms' exporting activity.

In looking at a breakdown of countries exported to, it can be seen that Northern Ireland, Great Britain and the EU/Eurozone are the main exporting destinations for exporting SMEs.

Export Overview Percentage of Firms' Sales Exported Sept 19 – All That Export (Base: 325)						
% of sales exported	Northern Ireland	Great Britain (i.e. excl. Northern Ireland)	EU/Eurozone	Other European country	United States	Other
	%	%	%	%	%	%
None	12	3	5	10	10	6
From 1 to 10	15	17	7	6	7	7
From 11 to 20	4	8	4	3	3	2
From 21 to 30	2	6	3	1	3	2
From 31 to 40	2	4	4	0	1	1
From 41 to 50	7	11	6	3	2	3
From 51 to 60	1	1	2	0	0	1
From 61 to 70	1	2	4	0	1	0
From 71 to 80	2	2	6	1	1	1
From 81 to 90	2	2	5	0	0	1
From 91 to 100	14	9	11	1	1	3
Don't Know	38	35	43	73	72	73
Mean	24.95	25.56	30.17	6.03	5.00	8.29

NB: The table above illustrates the average proportion of all exporting companies that export anything to each region featured and does not reflect the relative scale of different firms' exporting activity.

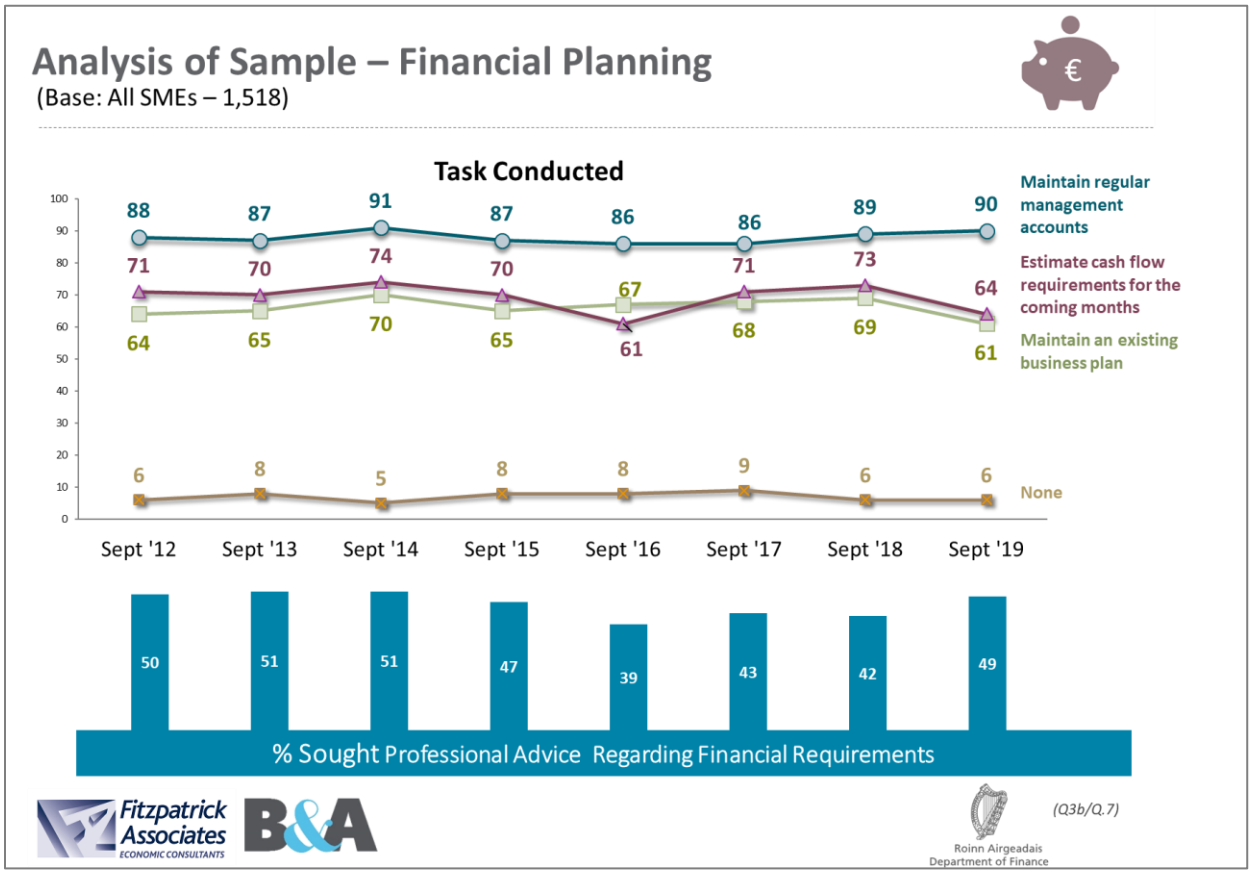
The percentage of companies exporting has increased from 21% in September 2018 to 24% in September 2019. Since September 2011, survey results for the percentage of SMEs exporting have varied from 18% (September 2011) up to 26% (September 2012).



4.3 Regular Financial Management Tasks and Use of Financial Advisors

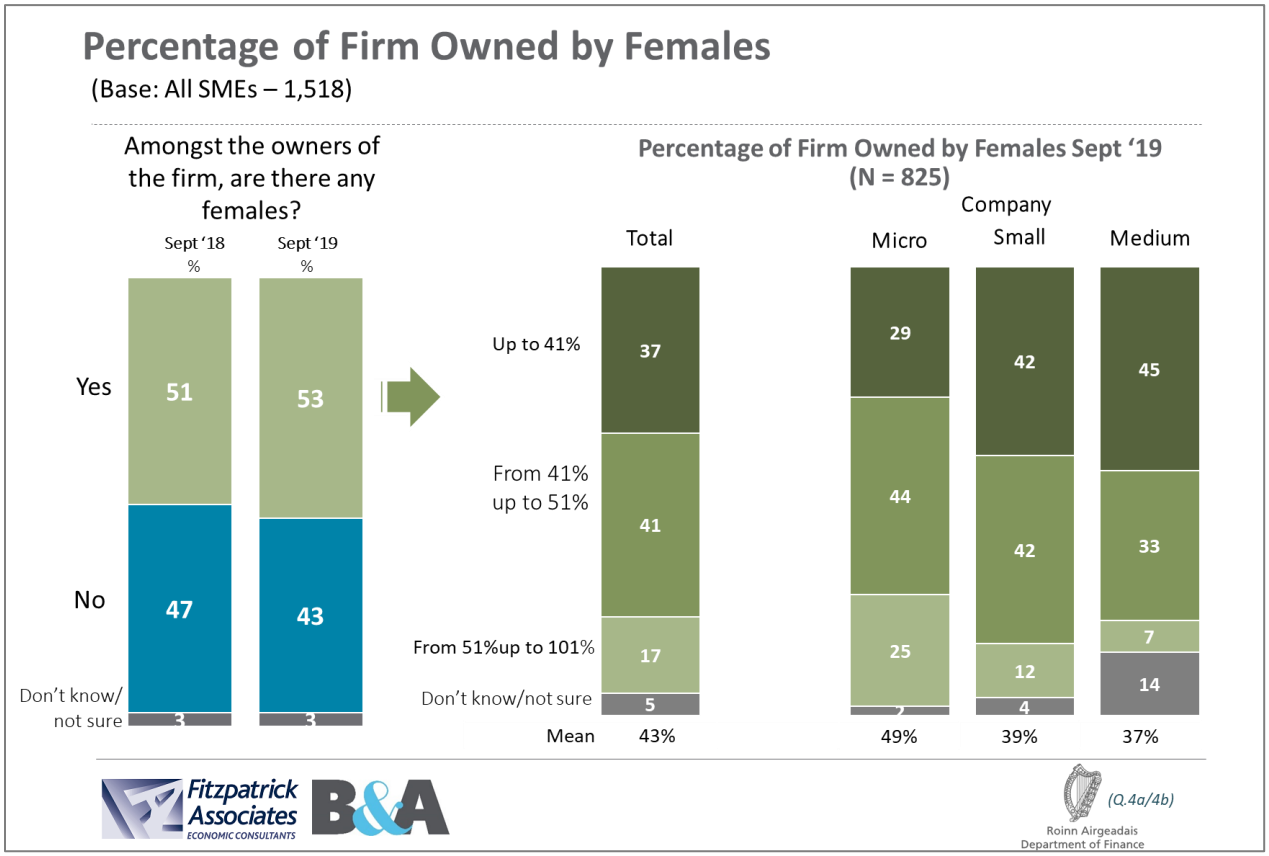
Compared to September 2018, the survey shows similar levels of financial management tasks undertaken by companies. Some 90% maintain regular management accounts (up from 89% in September 2018), and 61% maintain an existing business plan – down from 69% in the previous year.

There is an increase in the incidence of firms using financial advisors in the period – 49% of SMEs had used financial advisors in September 2019, up from 42% in September 2018. There was a drop in firms estimating cash flow requirements for the coming months, however (at 64%, down from 73% in September 2018).



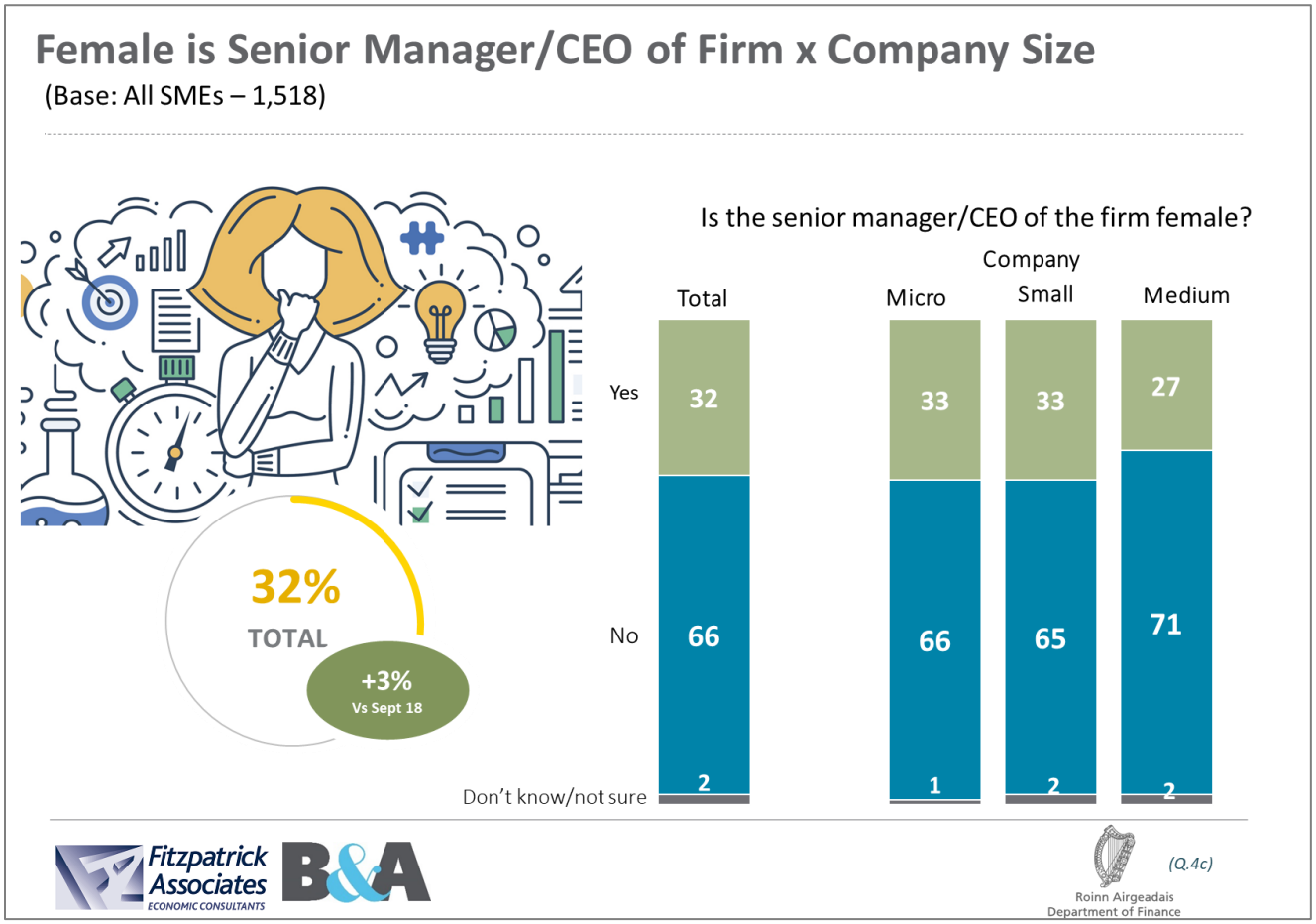
4.4 Company Ownership Gender Profile

Looking at ownership of SMEs in September 2019, the survey shows that 53% reported that women either owned or were included as owners of the company. A subsequent question asked what percentage of the firm was owned by females, and it can be seen from the chart below that this equates to 43% for all SMEs (with some level of female ownership), rising to 49% for the micro sector.



N.B. It should be noted that the averages for percentage of female ownership within firms, as per the chart above, do not take account of the relative size of the respondent firms.

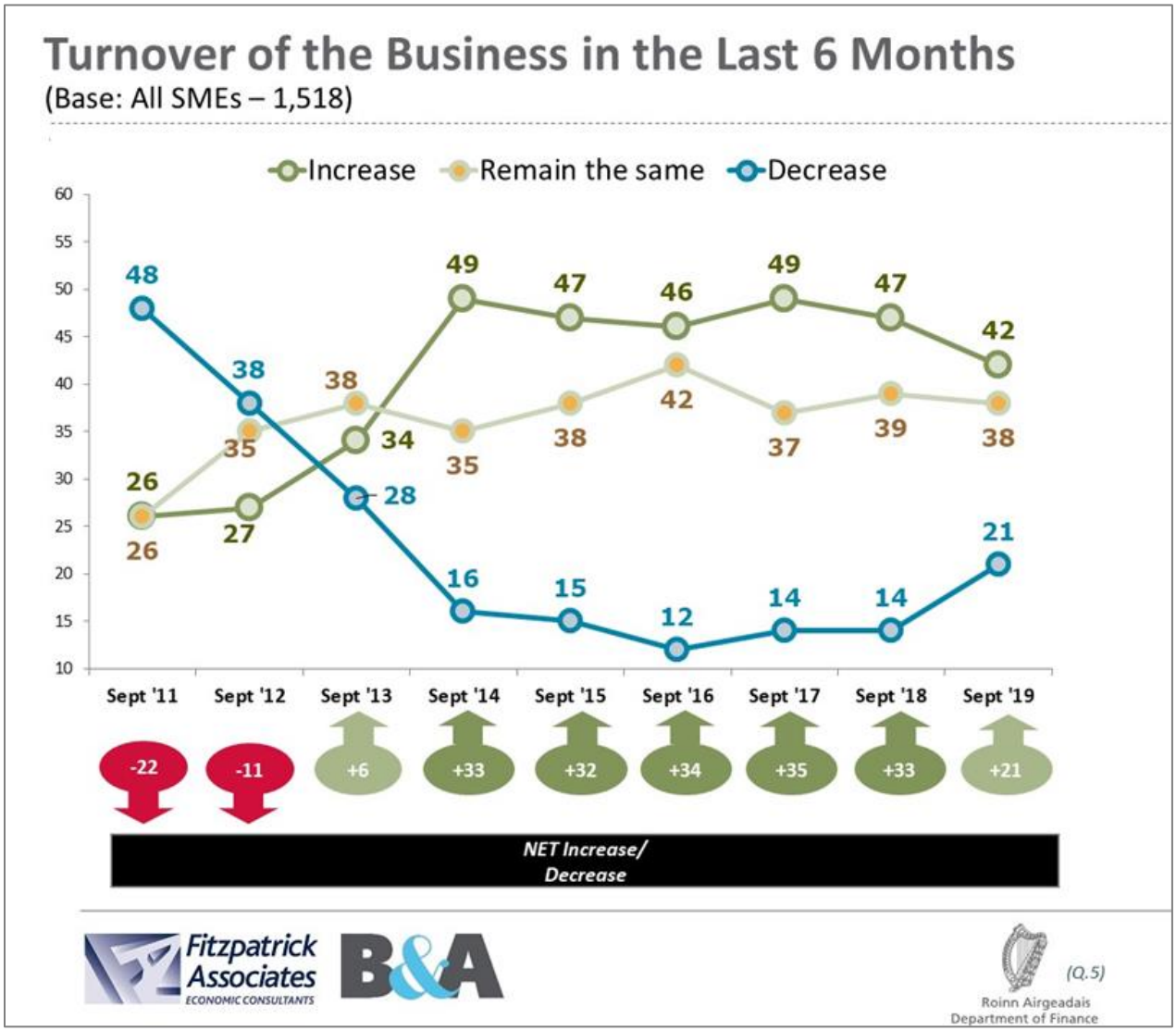
When asked if the Senior Manager or CEO of the firm was female, the respondents indicated that just under one-in-three of all SMEs were managed by a female. This rose to 33% for micro and small companies, but dipped to 27% of all medium sized companies.



5. Trading Performance

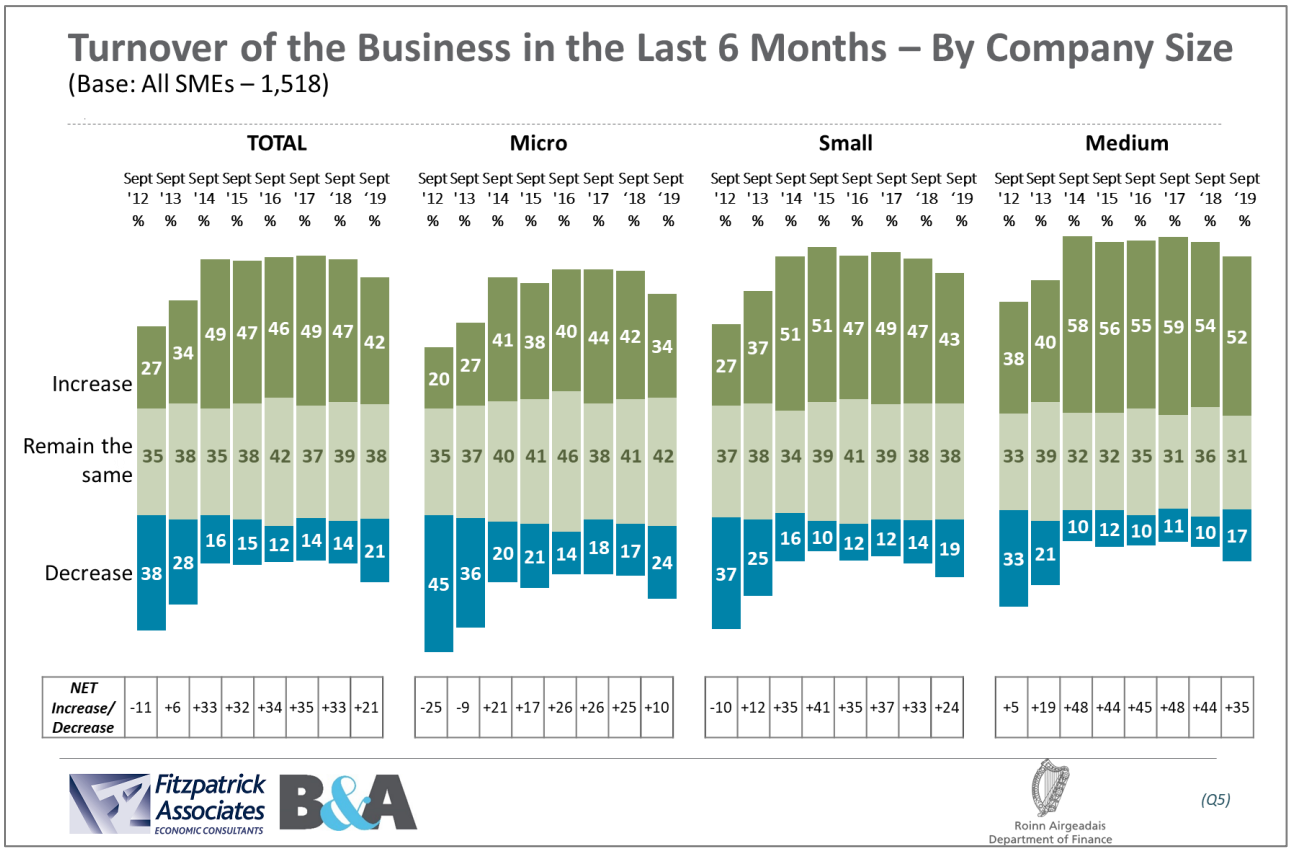
5.1 Turnover Trends

Trading conditions for SMEs in the period to September 2019 remained positive, albeit with lower proportions of SMEs claiming increased turnover (42%) compared to the same period in 2018 (47%). Some 38% reported that turnover was unchanged, while 21% reported that their turnover had decreased over the period.



Trading conditions were also quite different when looking at different company sizes, and medium-sized companies have the most favourable trading conditions. For example, 52% of medium-sized companies reported increased turnover, compared to 54% in September 2018. About 17% of medium-sized companies reported a decline in turnover in September 2019, however – this compares with 10% at the same time last year.

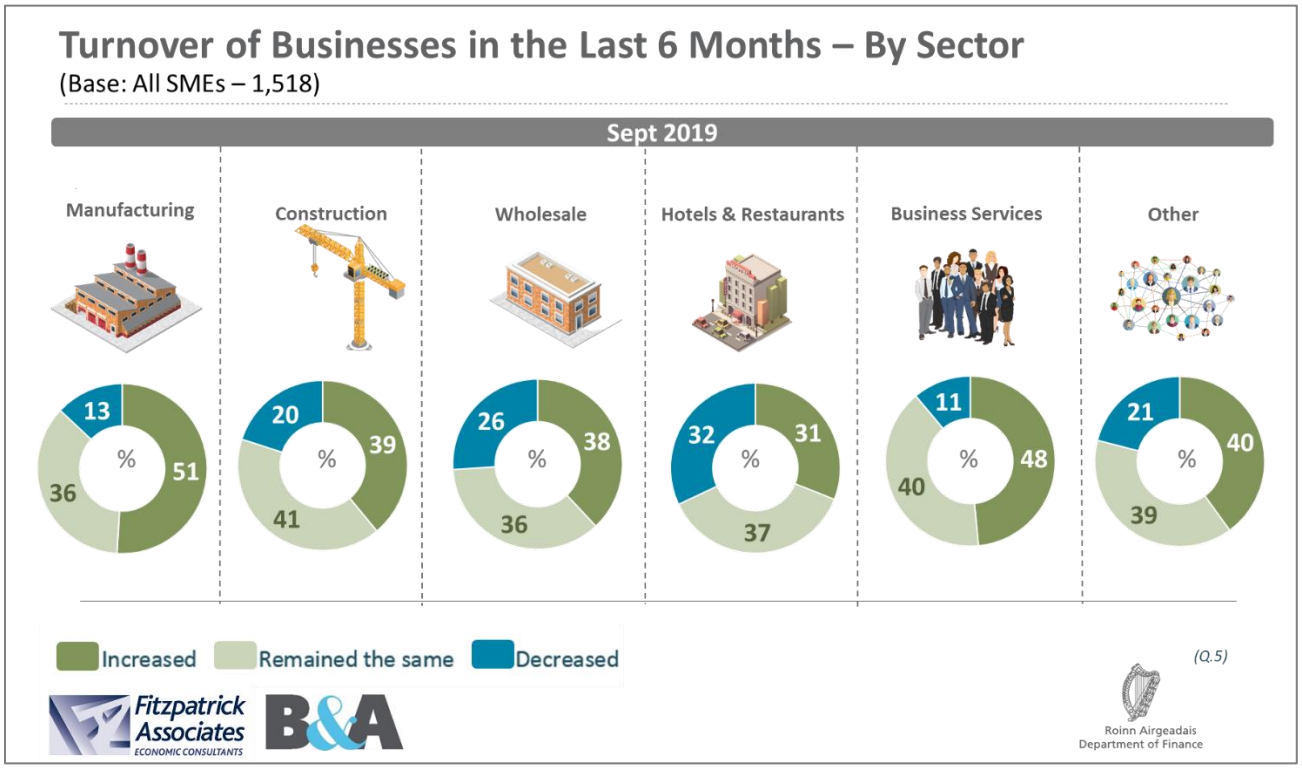
Micro companies continue to have the least favourable trading conditions, with 34% reporting increased turnover in the period to September 2019 – this is down from 42% the year before. Some 24% of micro companies claimed decreased turnover in the past six months, on the other hand, up from 17% in September 2018.



For all types of SMEs, however, turnover trends have still been more positive over September 2014-September 2019 waves, when compared to September 2012-September 2013.

Turnover by Sector

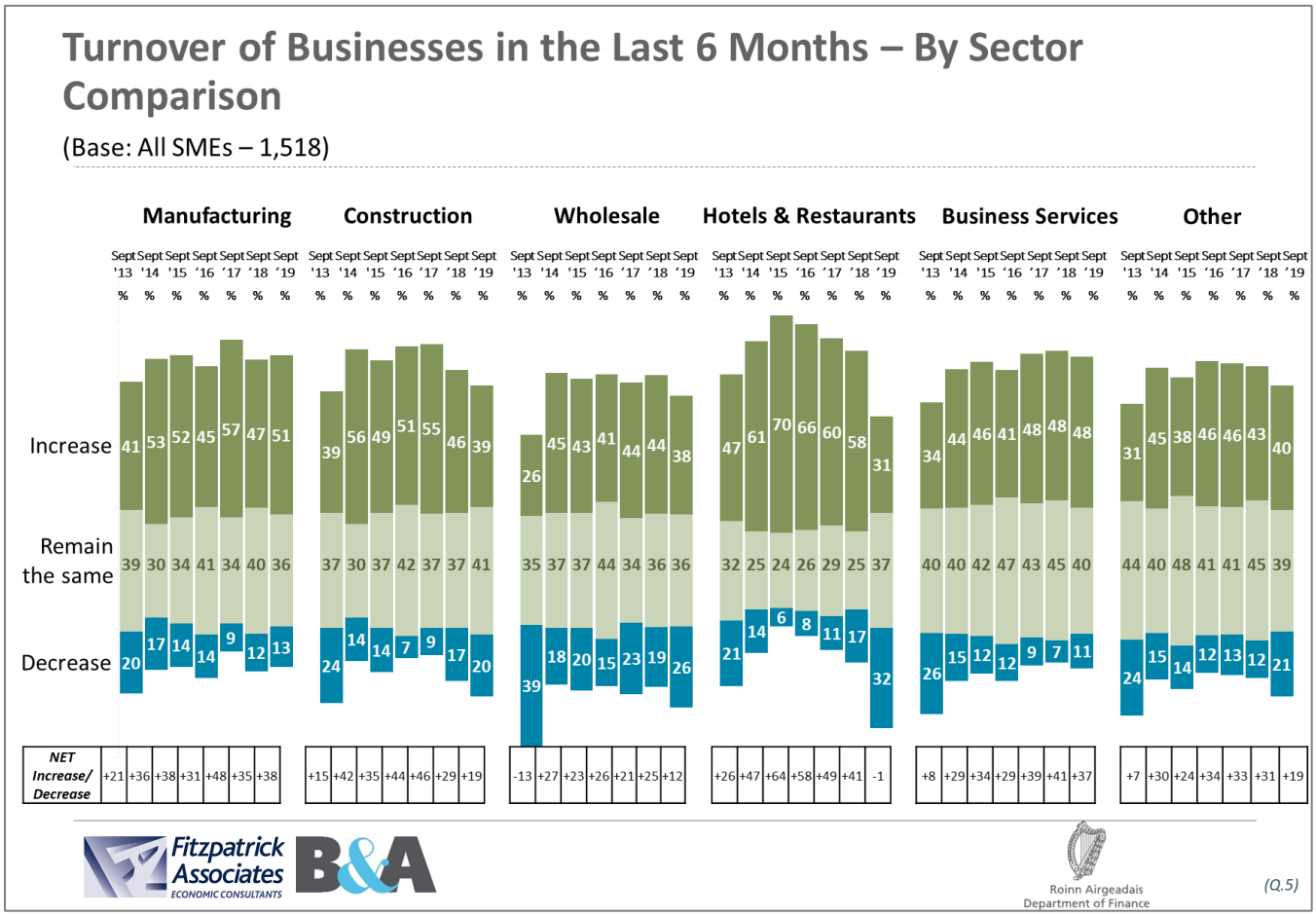
As previously noted, more companies have seen increased turnover than declining turnover in the past six months. By sector, the manufacturing and business services sectors also had the highest proportion of SMEs reporting increased turnover.



The percentage of firms reporting a decrease in turnover, meanwhile, is highest in the hotels and restaurants sector (32%) and wholesale sector (26%).

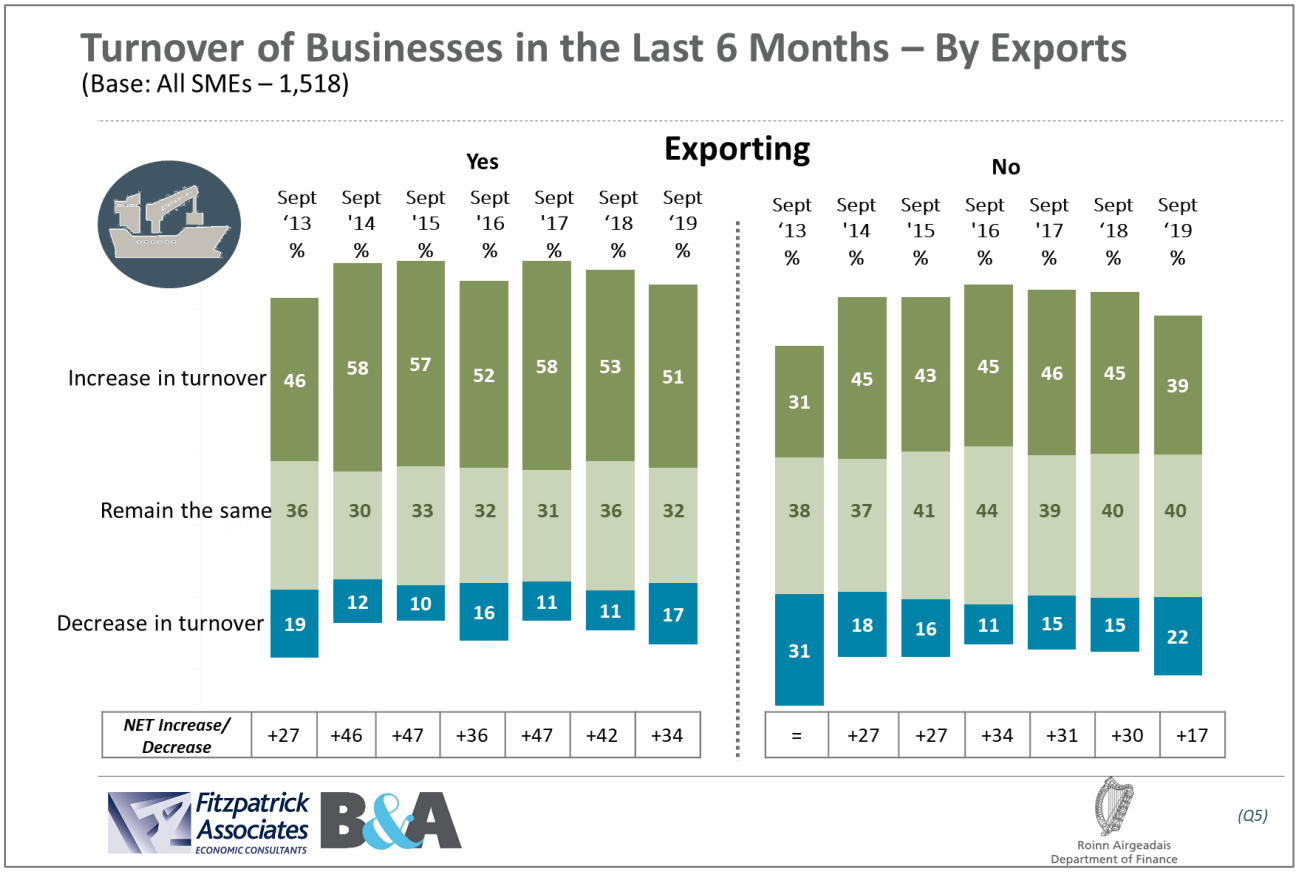
While the business services sector, at 48%, had the highest proportion of firms reporting an increase in turnover, the proportion reporting a decline in turnover in the same sector was 11%.

The differential between increased turnover and decreased turnover in the hotels and restaurants sector, however, has actually dipped into negative territory, with 31% reporting increased turnover and 32% reporting decreased turnover.



Turnover for Exporting Companies

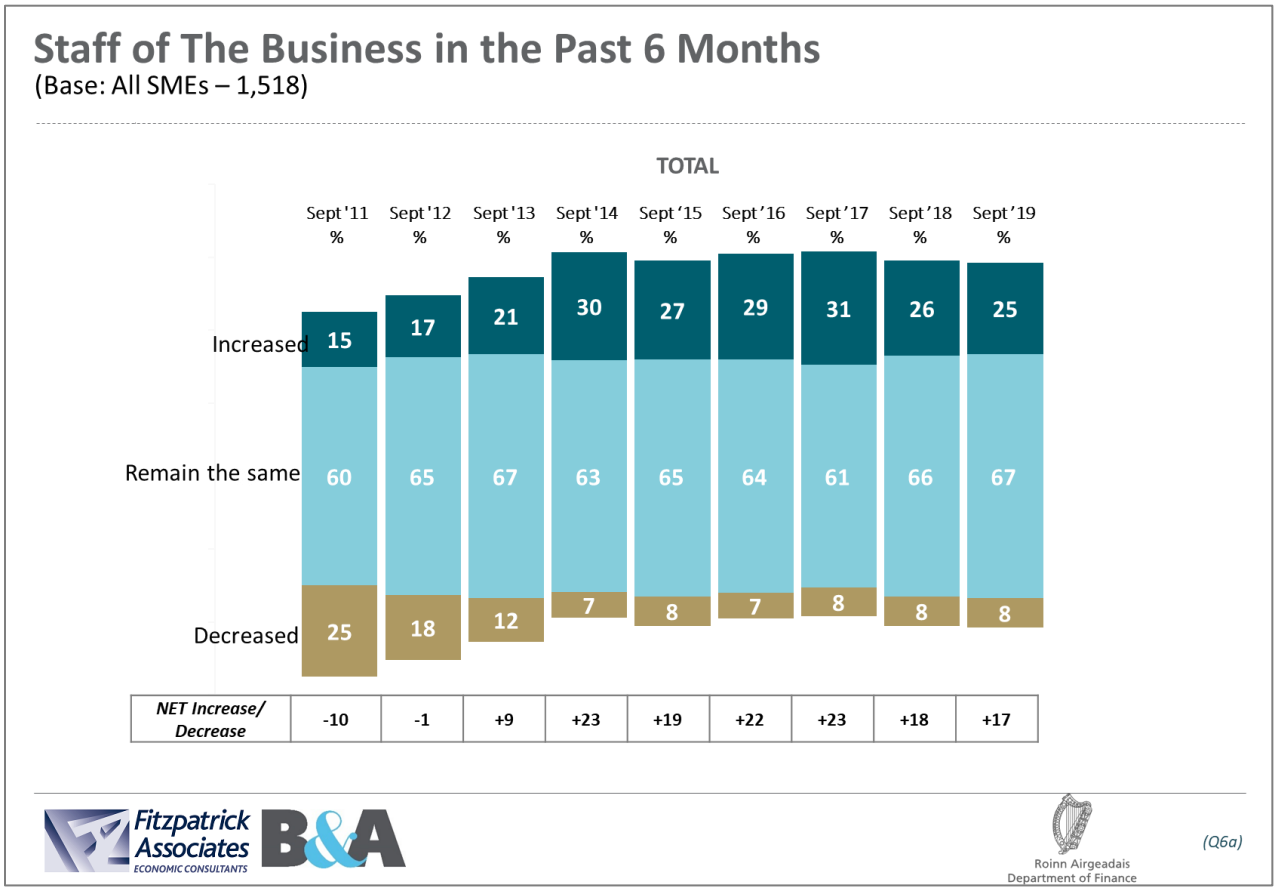
The relative performance of exporting companies has declined over the last 12 months, but there was an even more pronounced decline in turnover for non-export companies.



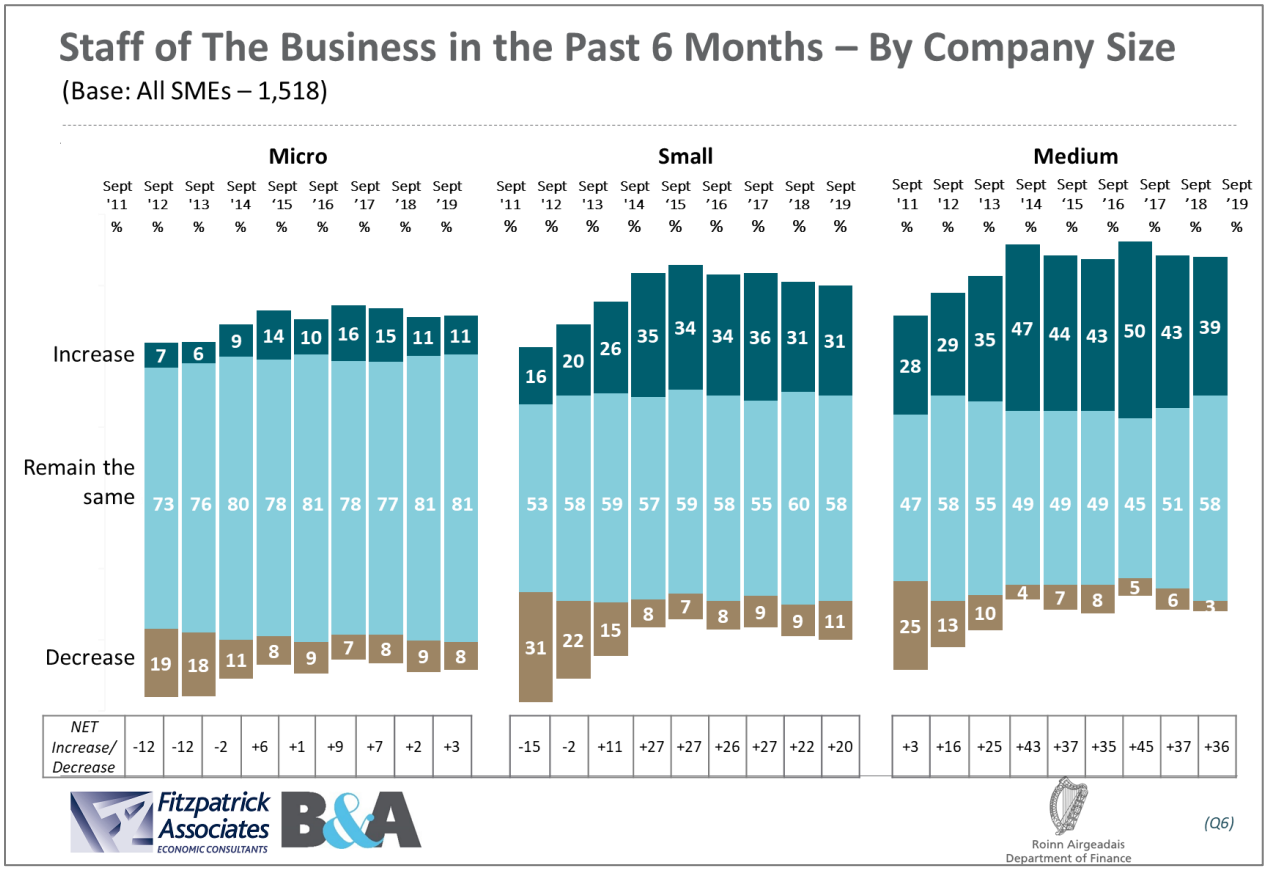
Some 51% of exporting firms reported an increase in turnover in the period to September 2019 (compared to 53% in September 2018), while 39% of non-exporting firms reported an increase in turnover (45% in September 2018).

5.2 Employment Trends

Staff employment trends have remained solid year-on-year, with 25% of respondents increasing their staff in the period to September 2019, down slightly from 26% in September 2018. Some 8% have decreased staff numbers (same as September 2018), while 67% have unchanged staff numbers.



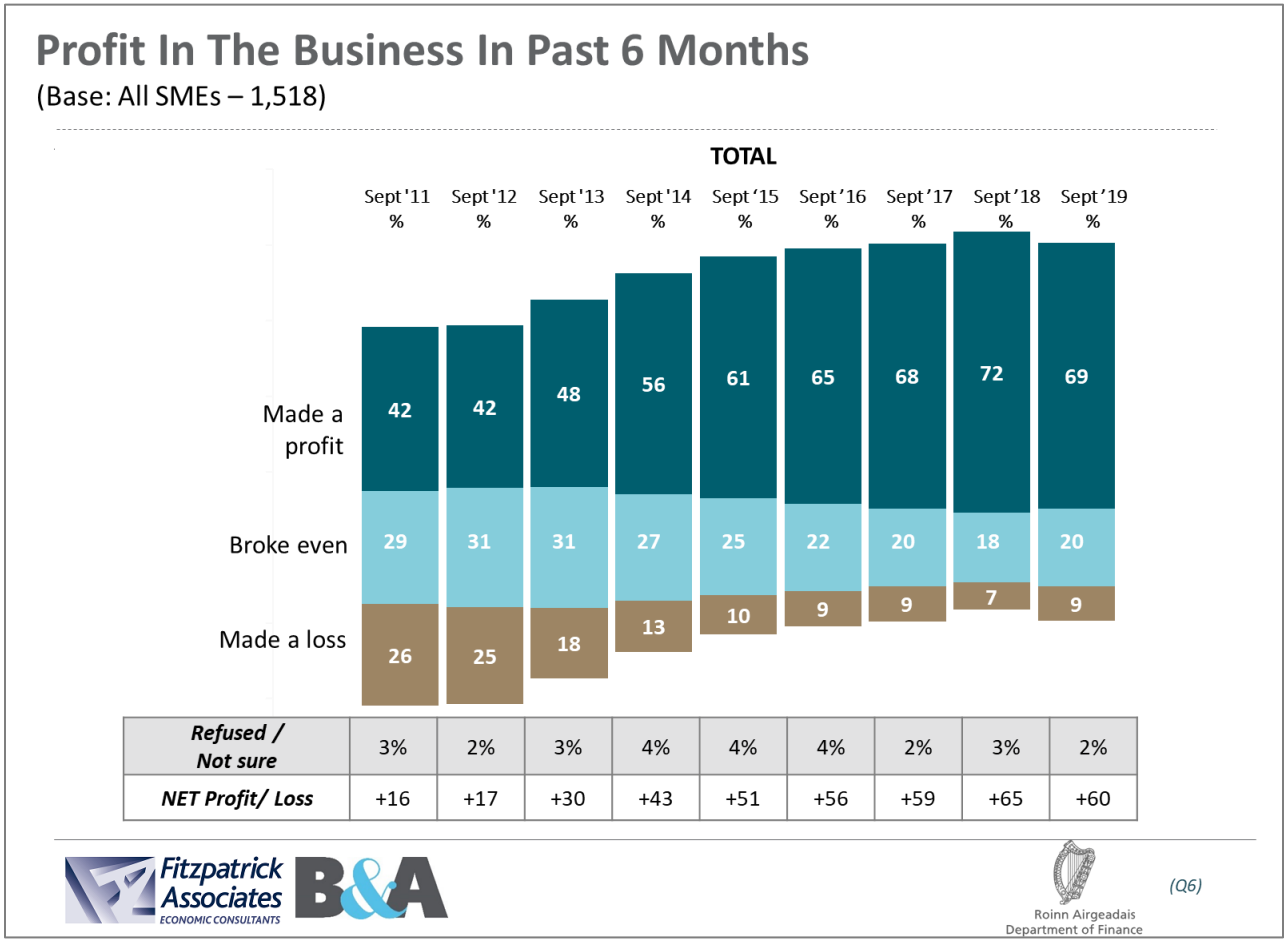
Medium-sized companies reported the highest incidence of growth in staff numbers, with 39% indicating an increase, while 31% of small-sized companies and only 11% of micro companies indicated an increase.



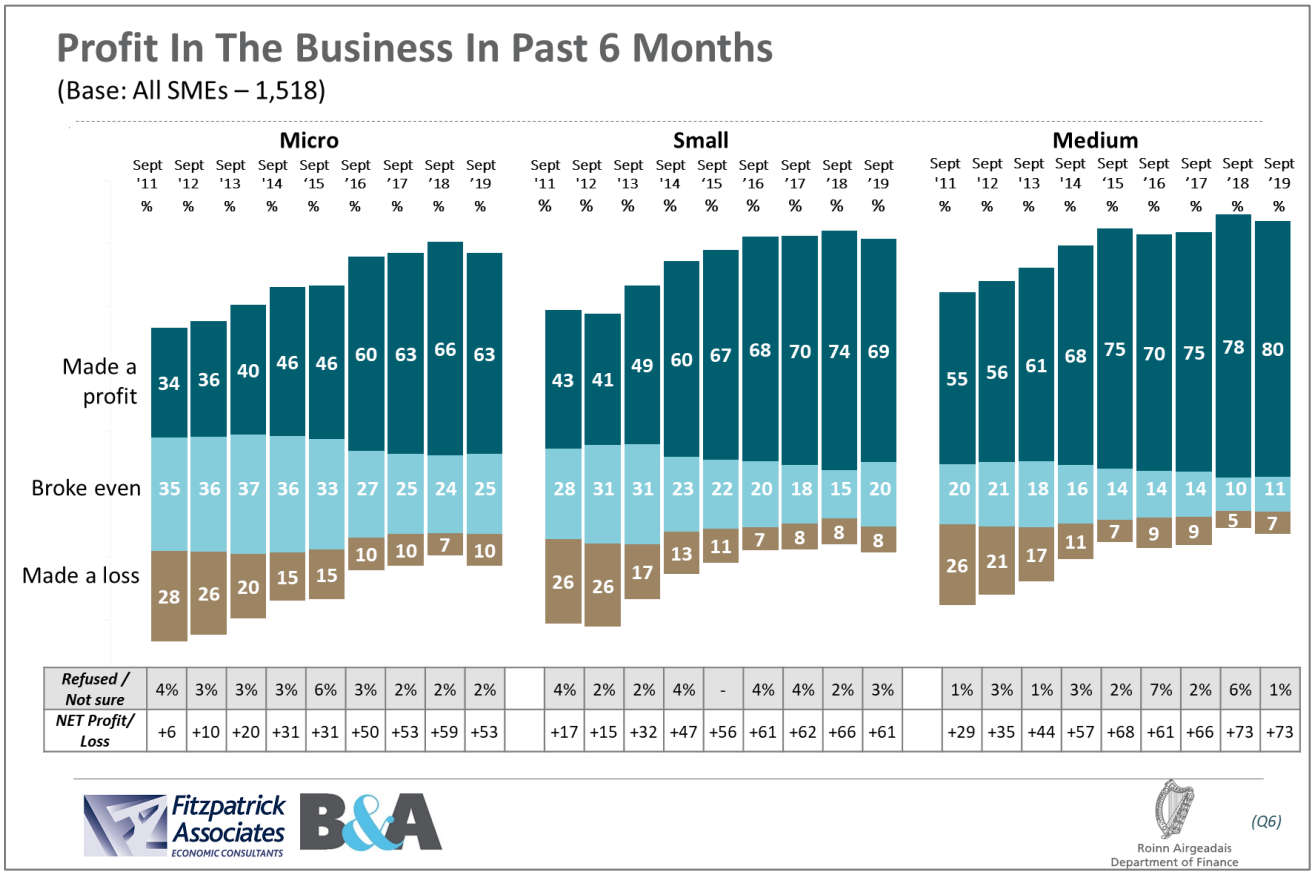
Across all SME sizes, however, employment trends have still been consistently more positive in the September 2014-September 2019 period than in the September 2011-September 2013 period.

5.3 Profit Trends

For the first time in eight years, the survey shows a decrease in the net profit/loss ratio for businesses. In this regard, 69% of all SMEs reported a profit in the period (compared to 72% in September 2018), 9% reported a loss (7% in September 2018), while 20% reported break-even.



Some 80% of medium-sized companies reported a profit in the period to September 2019, compared to 69% for small companies and 63% for micro companies. In the case of micro and small firms, the share of firms reporting a profit had decreased somewhat when compared to September 2018.



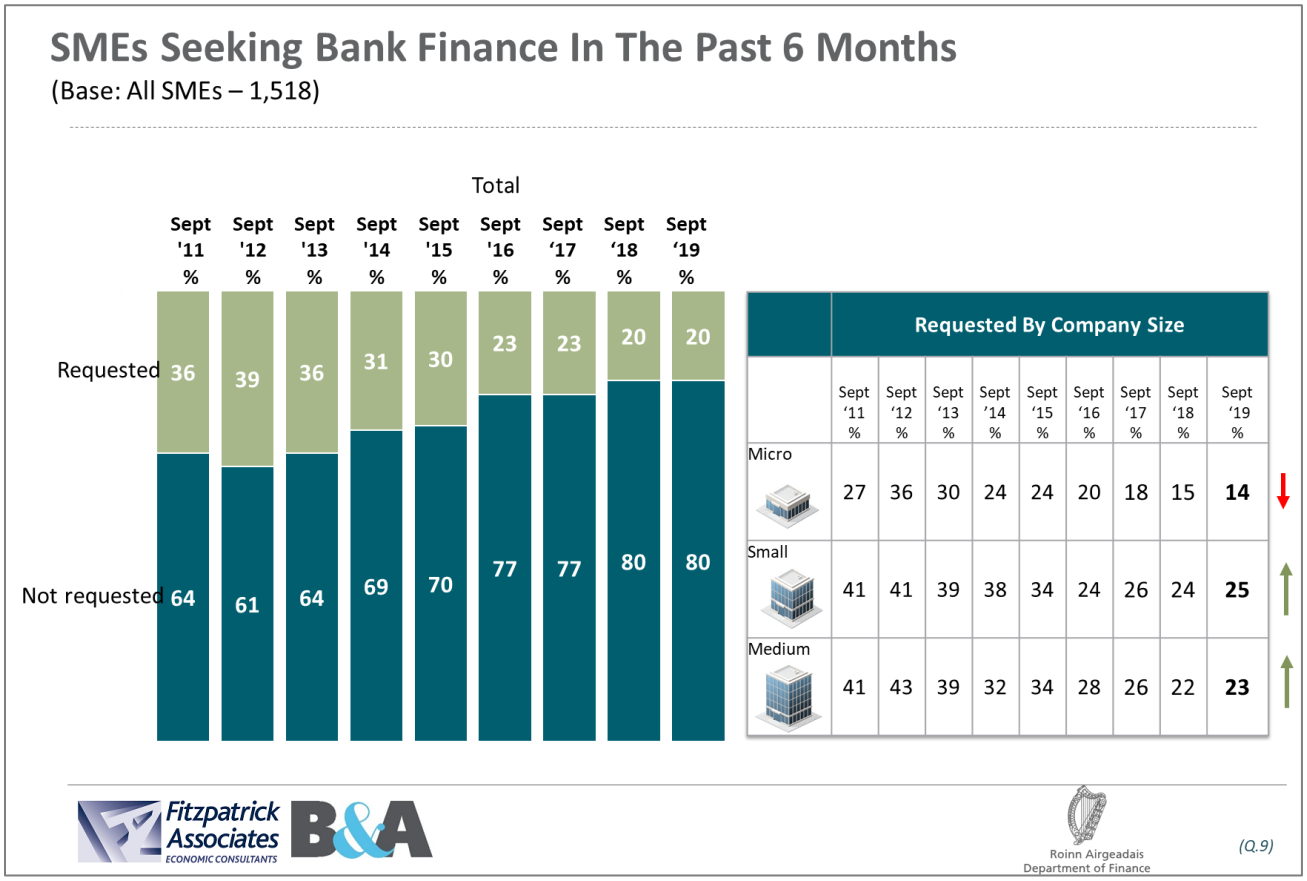
A strong relationship between turnover and profit performance also exists. Companies with increased turnover, for example, are much more likely to report profit than companies with declining or static turnover, which are more likely to report a loss.

	Turnover Increased	Turnover Remained the same	Turnover Decreased
	%	%	%
Made a profit	77	68	49
Broke even	14	21	29
Made a loss	6	9	21
Don't know / Refused	3	2	1

6.0 Demand for Banking Finance

6.1 Current Demand for Credit

Credit demand for the six-month period to September 2019 remained static versus the same period last year. About 20% of SMEs, for example, applied for bank finance in the six months to September 2019, the same level as in September 2018.



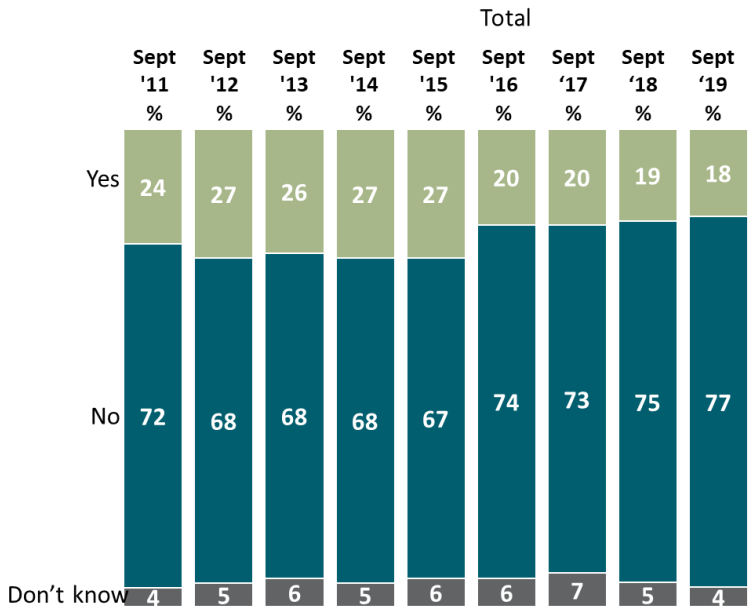
The levelling off of credit demand is also registered across SMEs of all sizes.

6.2 Future Demand for Credit

Expectations for seeking bank finance in the next six months also remained reasonably steady year-on-year. Some 18% of all SMEs expected to apply for finance in the next six months, compared to 20% in September 2017 and 19% in September 2018, but still down on the 26%-27% recorded between September 2012 and September 2015.

Expecting to Seek Bank Finance In Next 6 Months

(Base: All SMEs – 1,518)



Requested By Company Size	Sept '11 %	Sept '12 %	Sept '13 %	Sept '14 %	Sept '15 %	Sept '16 %	Sept '17 %	Sept '18 %	Sept '19 %
Micro	21	24	22	22	22	19	17	15	15
Small	25	28	25	31	31	22	22	23	22
Medium	30	29	31	30	27	17	23	21	19

Roinn Airgeadais
Department of Finance

(Q.16b)

It should be noted, however, that this is simply a prediction of possible future demand, and therefore should not be directly compared to actual credit demand reported in the past.

6.3 Reasons for Not Seeking Credit

In order to better understand the reasons behind SMEs' lack of demand for credit, companies were specifically asked to provide their reasons for not seeking credit in the previous six months. The reasons given were then grouped into business related and banking related reasons.

The main reason given was that bank finance was simply not required – with 79% of those businesses that did not apply for credit mentioning this, down 10 percentage points from 89% in September 2018.

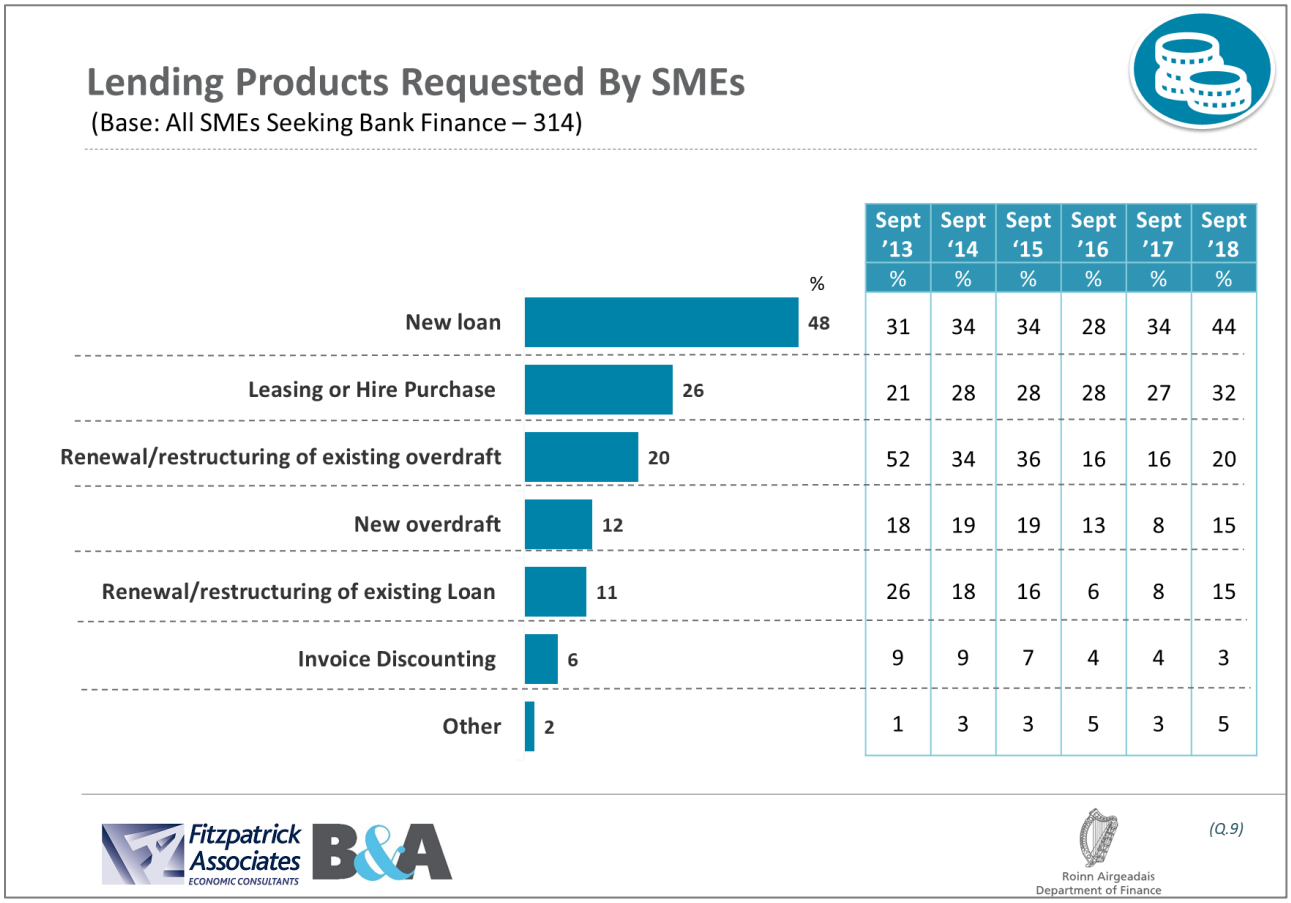
Other reasons for not requiring bank finance included companies stating that they prefer not to borrow (11%, up 6% from September 2018), or that they have finance in place (10%, up 5% from September 2018). Moreover, there was also little variation in reasons given across different SME sizes.

No finance requested – 1,204	Total	Micro	Small	Medium
	%	%	%	%
Business Related Reasons				
Didn't need it	79	74	81	87
Prefer not to borrow	11	17	9	6
Existing finance product in place	10	8	10	14
Not the right time given the economic climate	1	2	1	1
Use/raise personal funds when needed	1	1	1	0
Too expensive to borrow	1	1	1	0
Going out of business	0	1	-	-
Bank Related Reasons				
Belief that banks are not lending	1	1	0	-
Possible rejection	1	1	1	0
Have been turned down before	1	1	0	-
Application process too difficult	1	1	0	-
Inability to repay/meet requirements of finance	0	1	0	-
Don't trust the banks	0	0	0	-
Too many terms and conditions	0	0	1	0
Banks take too long to make decision	0	0	1	0
Existing debt burden already too high	0	0	-	1
Other	6	6	6	5

Bank related reasons are not commonly cited as reasons for not applying for bank finance in the past six months.

6.4 Demand for Credit by Product

Among those SMEs that have requested bank finance in the period to September 2019, new loans, leasing or hire purchase and renewal/restructuring of existing overdrafts were the main bank finance products requested.



	Sept '13	Sept '14	Sept '15	Sept '16	Sept '17	Sept '18
	%	%	%	%	%	%
New loan	31	34	34	28	34	44
Leasing or Hire Purchase	21	28	28	28	27	32
Renewal/restructuring of existing overdraft	52	34	36	16	16	20
New overdraft	18	19	19	13	8	15
Renewal/restructuring of existing Loan	26	18	16	6	8	15
Invoice Discounting	9	9	7	4	4	3
Other	1	3	3	5	3	5

The largest absolute increase in the type of credit requested was for new loans (up from 44% in September 2018 to 48% in September 2019), with requests leasing or hire purchase declining from 32% in September 2018 to 26% in September 2019.

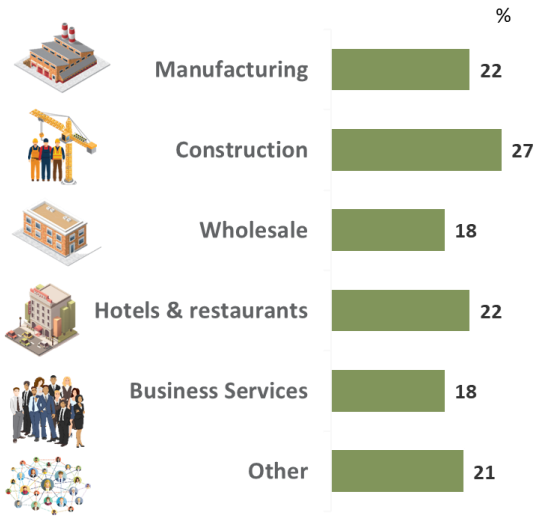
Invoice discounting still remains the least popular product, with just 6% of those that applied for bank finance having applied for this credit type.

6.5 Demand for Credit by Sector

By sector, the only real decrease in demand for credit was found in the hotels and restaurants sectors, where demand has dropped to 22% in September 2019, down from 28% in September 2018.

Demand for Credit x Sector

(Base: All SMEs 1,518)



	Sept '13	Sept '14	Sept '15	Sept '16	Sept '17	Sept '18
	%	%	%	%	%	%
Manufacturing	41	38	36	25	25	21
Construction	31	32	31	30	25	26
Wholesale	36	31	29	20	22	19
Hotels & restaurants	39	33	34	22	25	28
Business Services	33	26	27	23	22	17
Other	35	32	29	26	23	16

(Q.9)

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For all sectors, meanwhile, the level of demand for credit is significantly down on September 2013 levels.

6.6 Demand for Credit by Turnover and Profit Performance

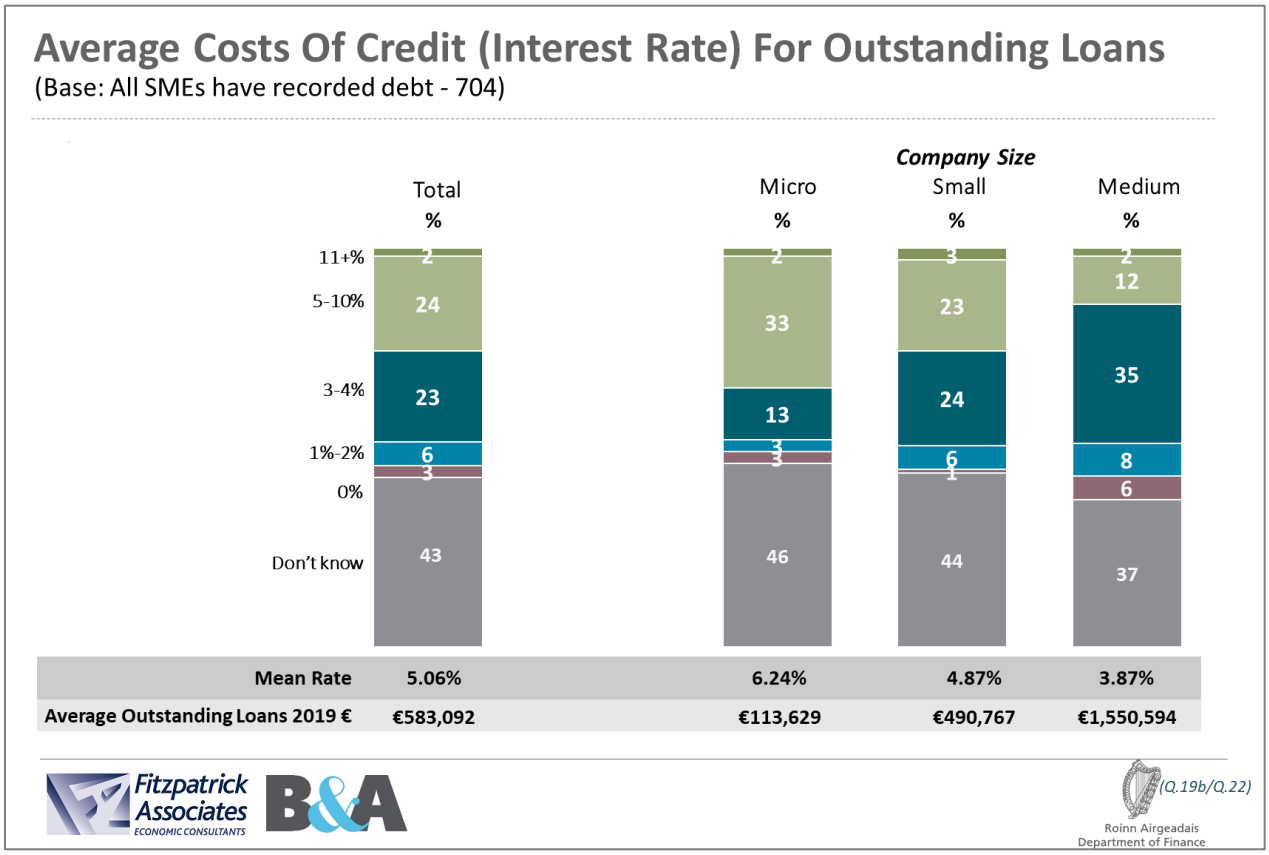
It is also interesting to look at credit demand by business performance to gauge whether companies are requesting credit for growth or for stability/maintenance of the business. From the results below, it is evident that both motivations play a role, though there is greater demand among companies that are loss making.

Sept 2019		Turnover last 6 months		
Turnover	TOTAL	Increased	Remained the same	Decreased
	1,518	361	123	1034
	%	%	%	%
Any Demand	20	25	23	18
None	80	75	77	82

Sept 2019	Profit performance past 6 months				
Profit	TOTAL	Made a profit	Broke even	Made a loss	Refused DK/
	1,518	*1020*	*327*	*132*	*39*
	%	%	%	%	%
Any Demand	20	19	20	33	15
None	80	81	80	67	85

6.7 Cost of Credit

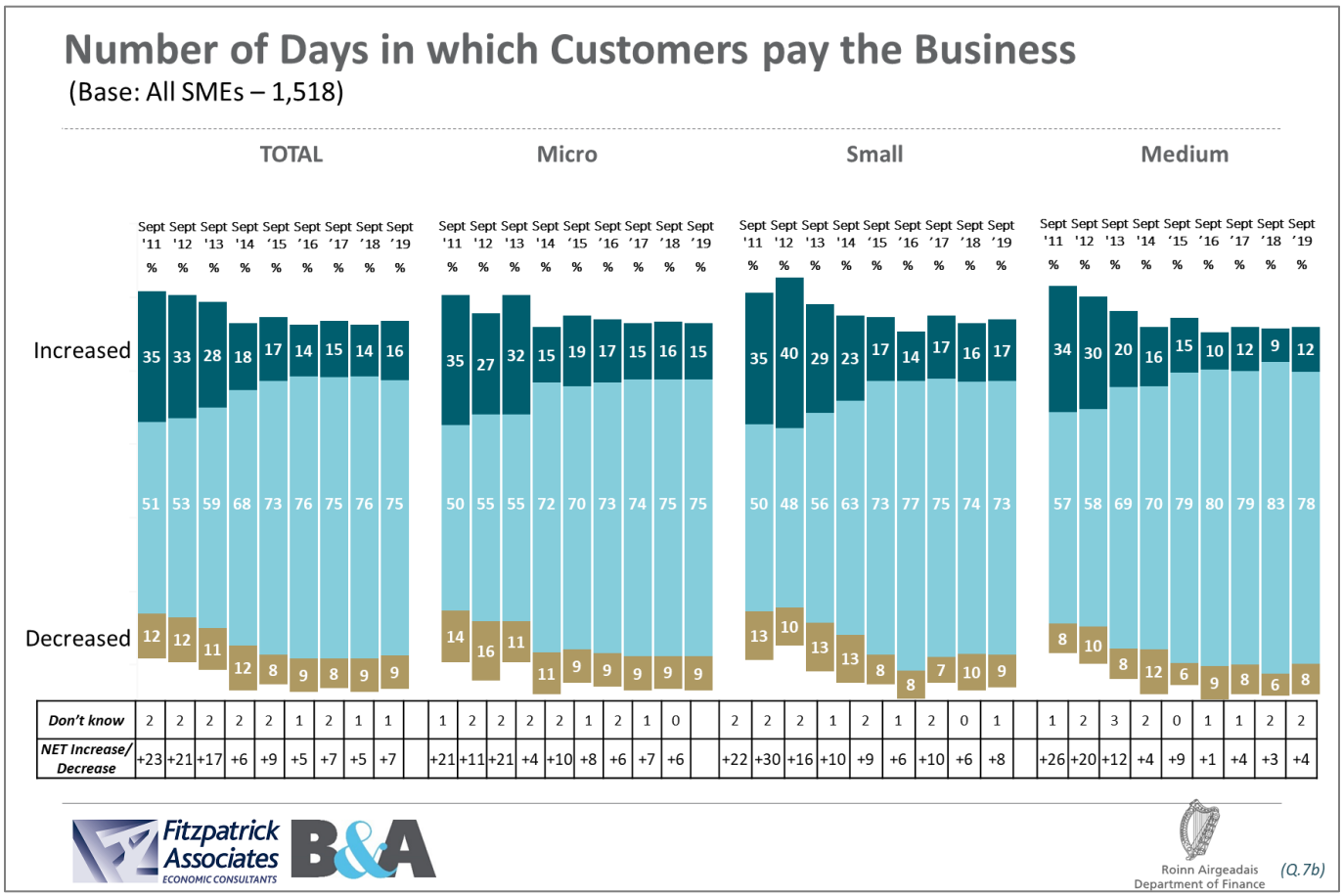
About 40% of all SMEs with outstanding debt were not certain of the interest rate attached to their outstanding loans. Of those that were aware, the average cost of credit reported on outstanding loans was 5.1% in the period to September 2019, up from 4.4% in 2018. The larger the company, the lower the cost of credit they reported.



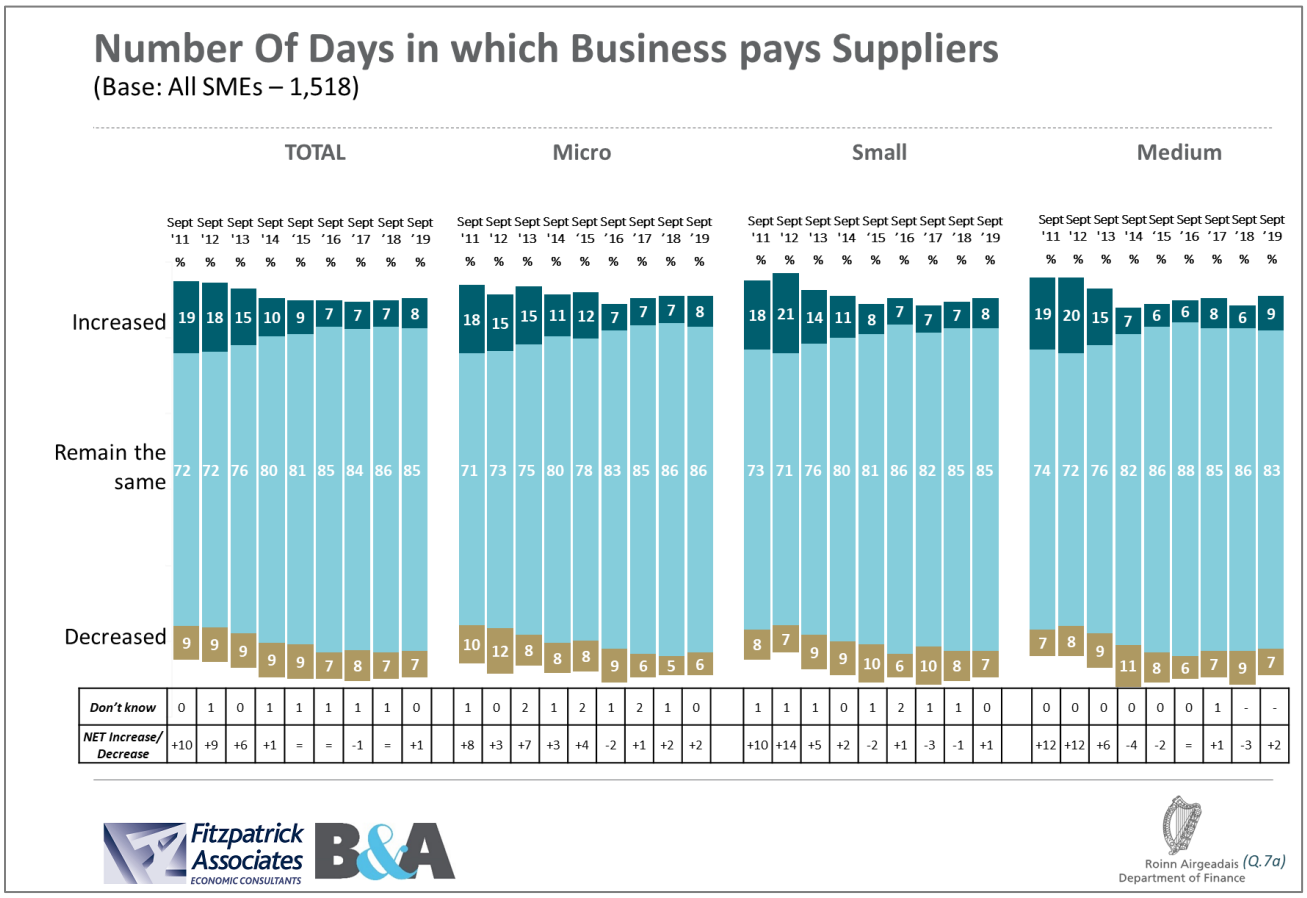
6.8 Financial Position of Businesses

The numbers of days that pass before businesses are paid by their customers affects the cash flow of the business and, therefore, also the need for external finance. Likewise, cash flow can be improved by delaying payments to suppliers to the business. Some 16% of SMEs felt that the average number of days within which customers pay had increased during the period to September 2019 – this was up slightly from 14% in September 2018. However, 75% felt that the payment period was unchanged, while 9% felt customers were paying faster.

Analysing by company size, the survey shows that 17% of small-sized businesses, a slight increase from 16% in September 2018, believed that customers were taking longer to pay.



In terms of supplier payment, the September 2019 survey does not show any major change from September 2018. Some 85% of all SMEs felt that the average number of days they took to pay suppliers remained unchanged, while 8% suggested that the payment period had increased, and 7% said that they paid suppliers faster than before.



Repayment of Current Loans

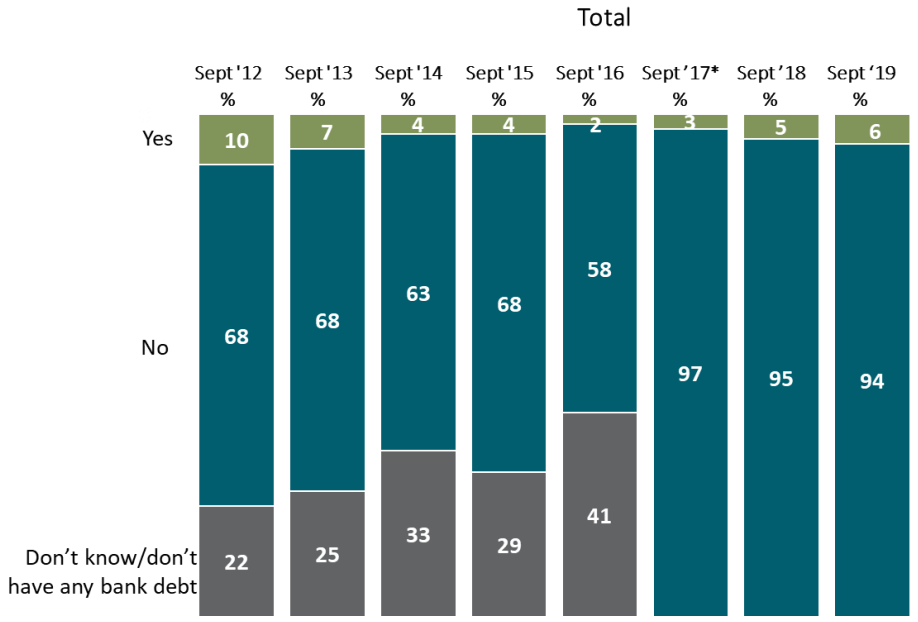
The financial position of a business can also be established by having missed repayments on existing loans, as this can be used to effectively avoid requiring credit in the short term.

Note: the wording of the question was expanded in 2017 to ask the question of those with bank loans, other business loans, personal loans which use the business as collateral, and other personal loans such as mortgages or buy-to-let loans.

6% of SMEs suggested that they had missed repayments of loans in the period to September 2019 (payments to Revenue Commissioners accounting for 5%; the remaining 1% refers to missed payments on bank loans). The smaller the company, however, the more likely they were to have missed repayments, with 6% of Micro companies claiming to have missed repayments to Revenue.

Missed Repayments On Loans In Past 6 Months

(Base: All SMEs – 1,518)



	Micro	Small	Medium
	%	%	%
ANY	8	5	3
Bank loans	2	2	0
Other business loans	0	1	-
Other personal loans such as mortgages or buy-to-let loans	1	-	-
Personal loans which use the business as collateral	0	0	-
Payments to revenue commissioners	6	4	3
None	92	95	97

0 = less than 1%

*NB question wording changed in Sept 2017

(Q.7c)

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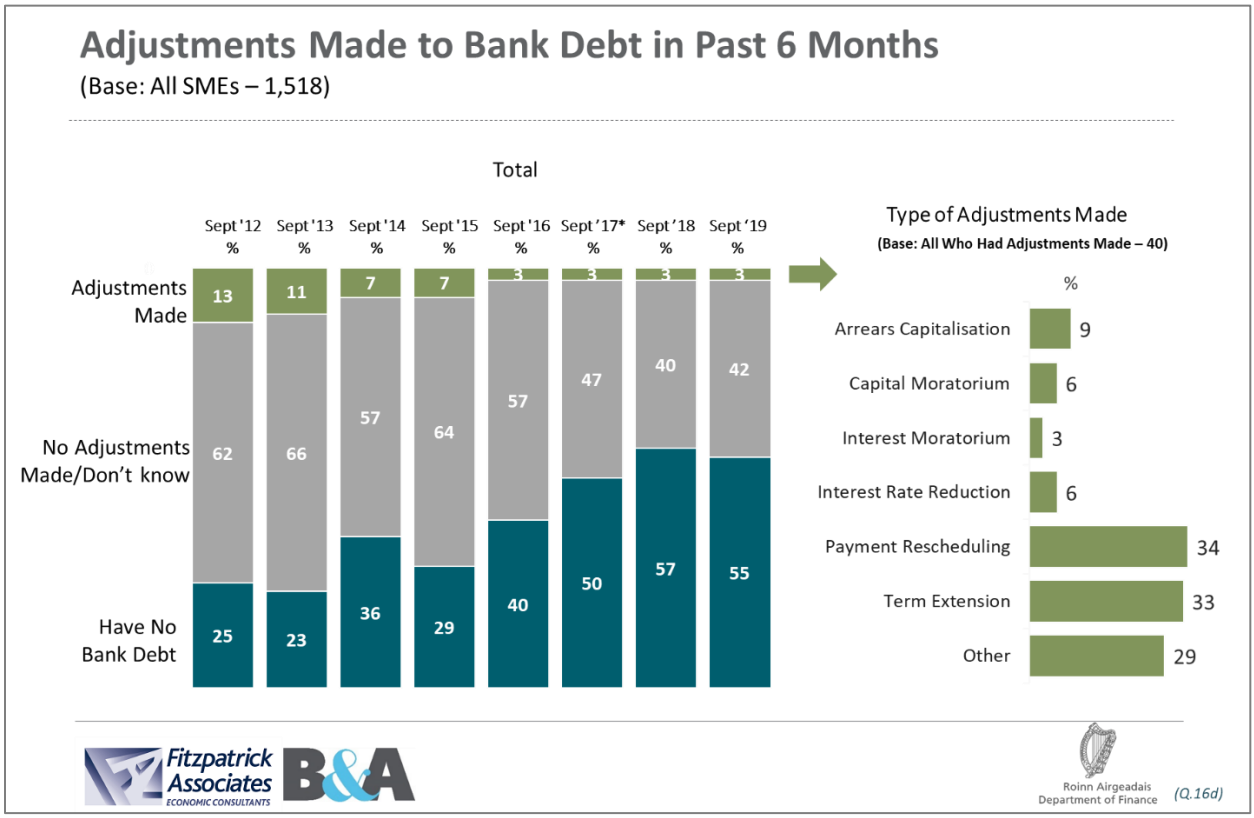
Adjustments to Current Banking Debt

Only 3% of SMEs adjusted their bank debt between April and September 2019, in line with the same figure for 2017 and 2018. The main types of adjustments made centred around payment rescheduling and term extension.



Base: All Who Have Adjusted Bank Debt	Sept 2013 %	Sept 2014 %	Sept 2015 %	Sept 2016 %	Sept 2017 %	Sept 2018 %	Sept 2019 %
	165*	104*	79*	55*	47*	40*	40*
Payment Rescheduling	49	46	44	28	30	24	34
Capital Moratorium	18	14	14	12	7	9	6
Term Extension	32	20	26	17	27	25	33
Interest Moratorium	12	9	11	5	7	17	3
Interest Rate Reduction	19	22	24	16	18	26	6
Arrears Capitalisation	11	14	5	9	4	4	9

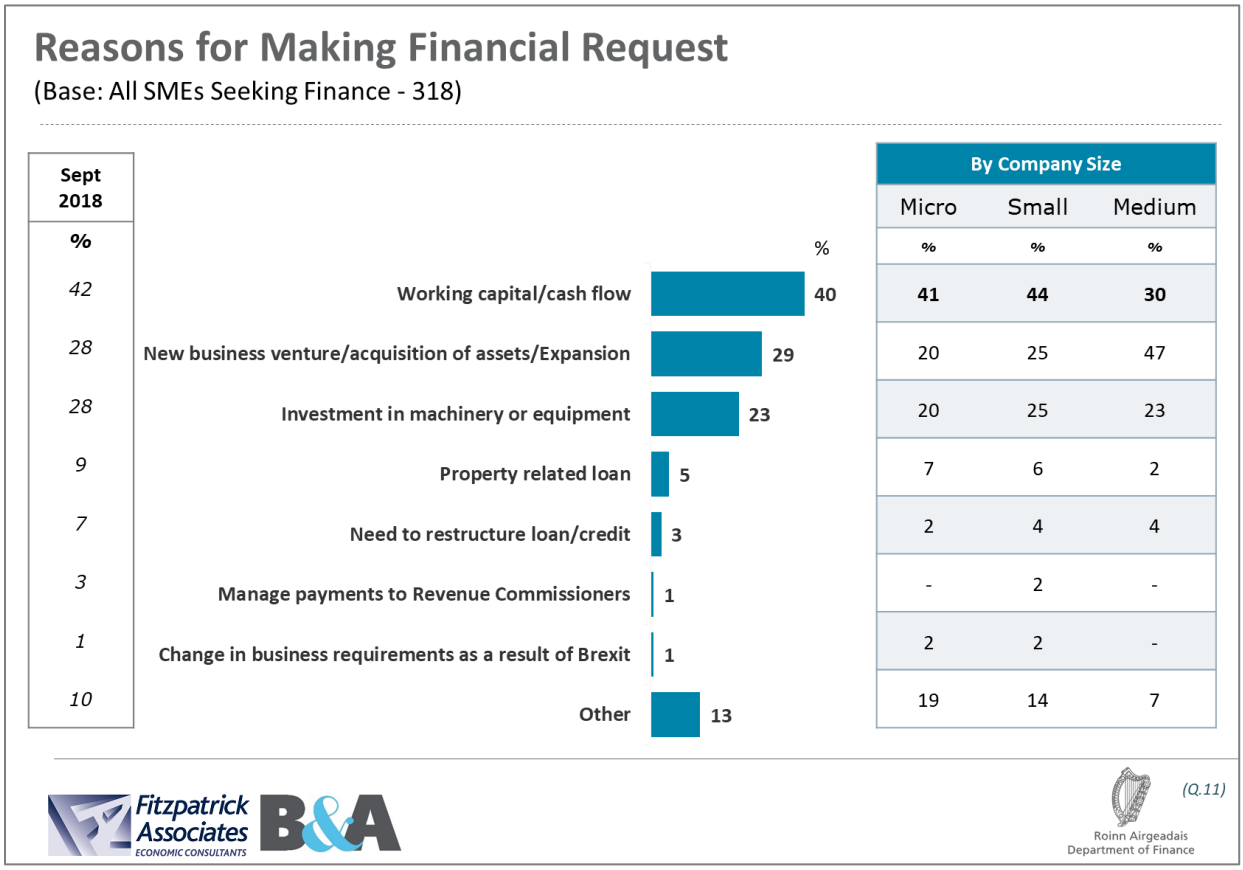
Note: Caution low base sizes

7.0 The Application Process

As noted earlier, of the 1,518 SMEs interviewed for this wave of research, just a fifth had requested bank finance in the six months to September 2019 – the same as in September 2018.

7.1 Nature of Demand

The single greatest reason given for finance requests was the need for working capital, with 40% of those requesting bank finance in this period doing so for this reason. This is followed by growth and expansion requirements (29%) and investment in machinery or equipment (23%). Only 3% applied for bank finance in order to restructure a loan/credit, and just 5% were seeking a property loan (down from 9% in September 2018).

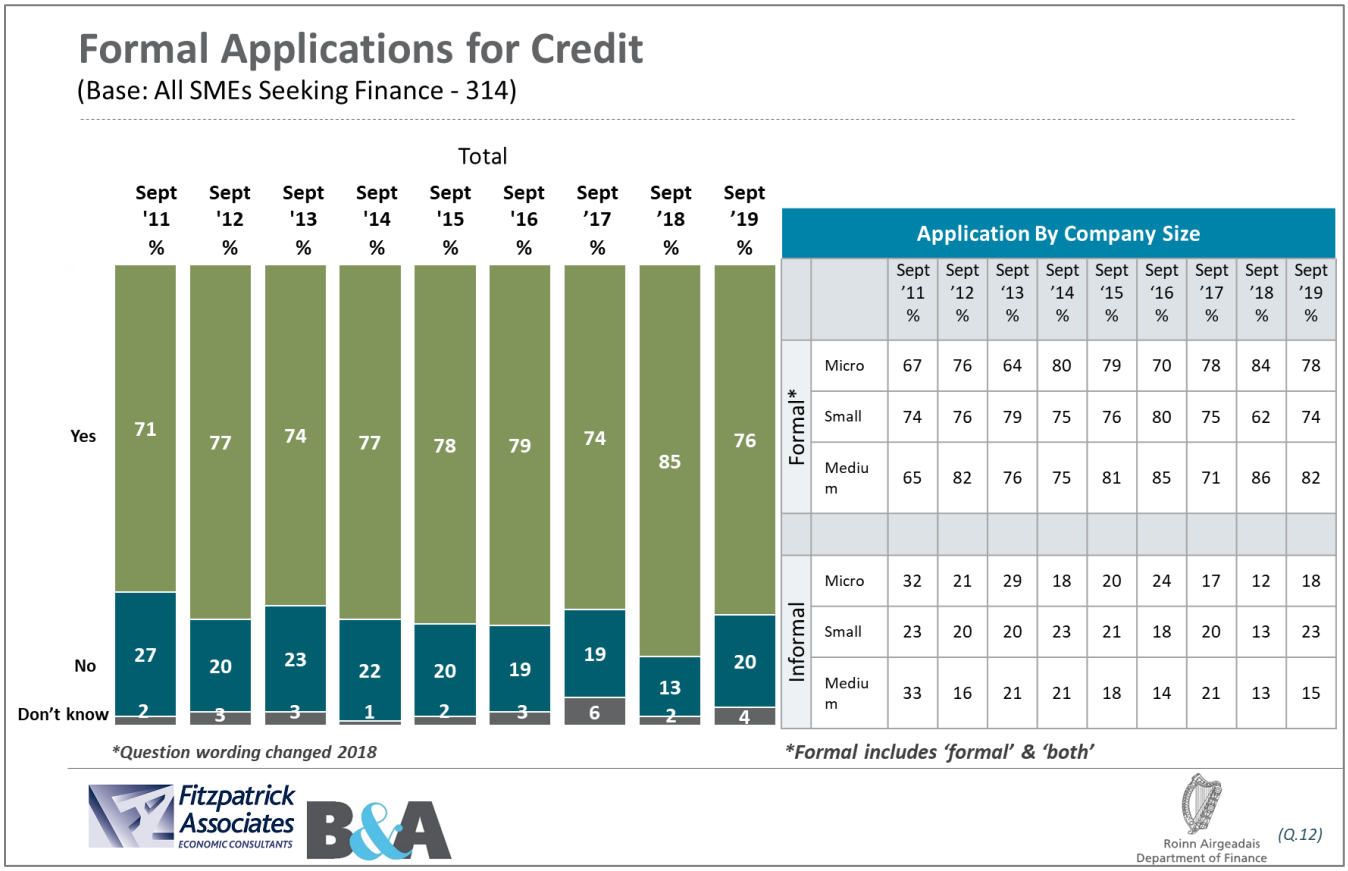


Micro and small companies were more likely to require finance for working capital cash flow purposes. Medium sized companies, on the other hand, are more likely to require finance for expansion.

7.2 Formal Applications for Credit

A decline of nine percentage points in the level of formal applications for credit was reported for the period to September 2019 compared to September 2018, with 76% of SMEs that sought finance making formal applications. Note, however, that this was similar to the level of formal applications in September 2017 (74%).

Formal applications were highest among medium sized businesses (although with reported levels down from 86% in September 2018 to 82% in September 2019) and micro-sized businesses (down from 84% to 78% in the same period).



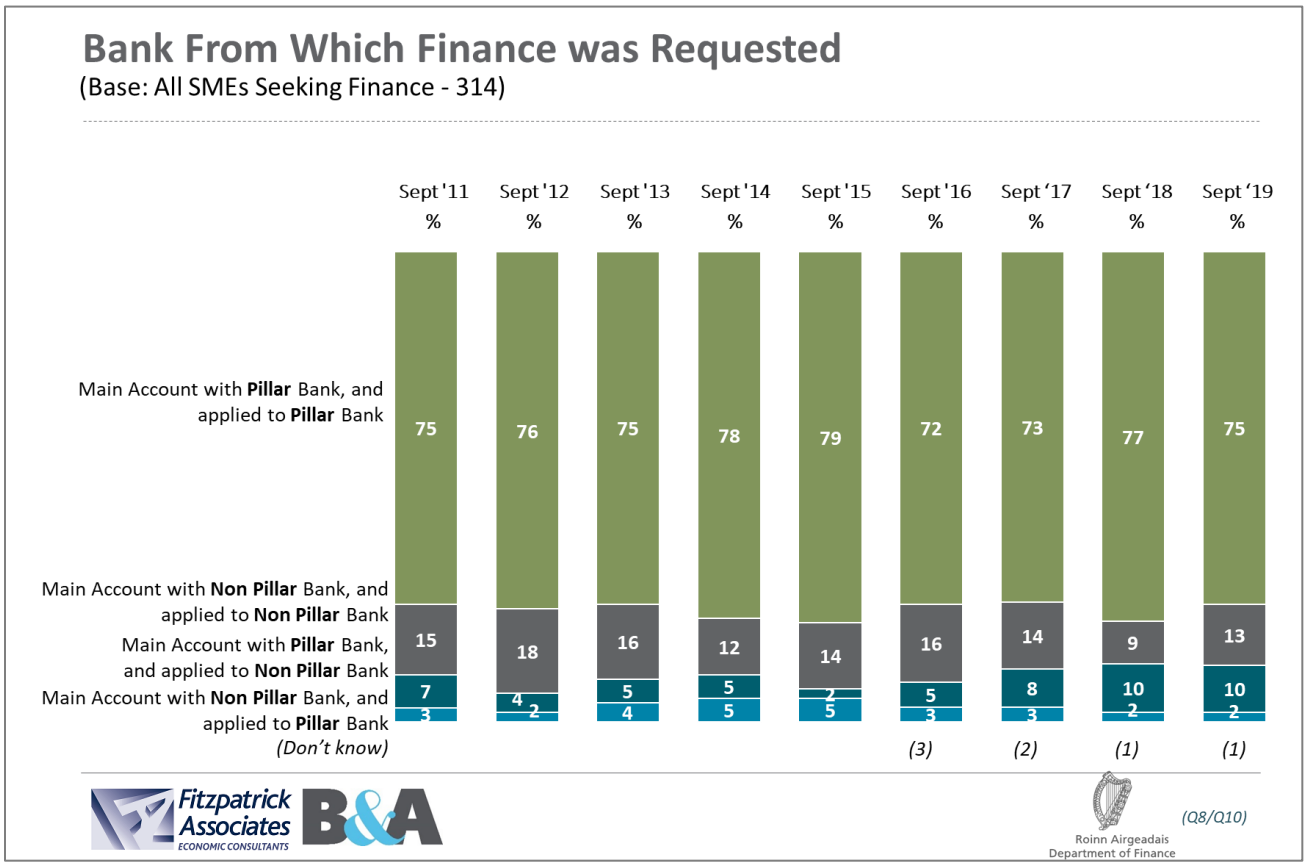
Application By Company Size

		Sept '11 %	Sept '12 %	Sept '13 %	Sept '14 %	Sept '15 %	Sept '16 %	Sept '17 %	Sept '18 %	Sept '19 %
Formal*	Micro	67	76	64	80	79	70	78	84	78
	Small	74	76	79	75	76	80	75	62	74
	Medium	65	82	76	75	81	85	71	86	82
Informal	Micro	32	21	29	18	20	24	17	12	18
	Small	23	20	20	23	21	18	20	13	23
	Medium	33	16	21	21	18	14	21	13	15

The main reason cited for submitting an informal request was that the business felt there was no need to make a formal application, as it was for a repeat loan or through a personal relationship.

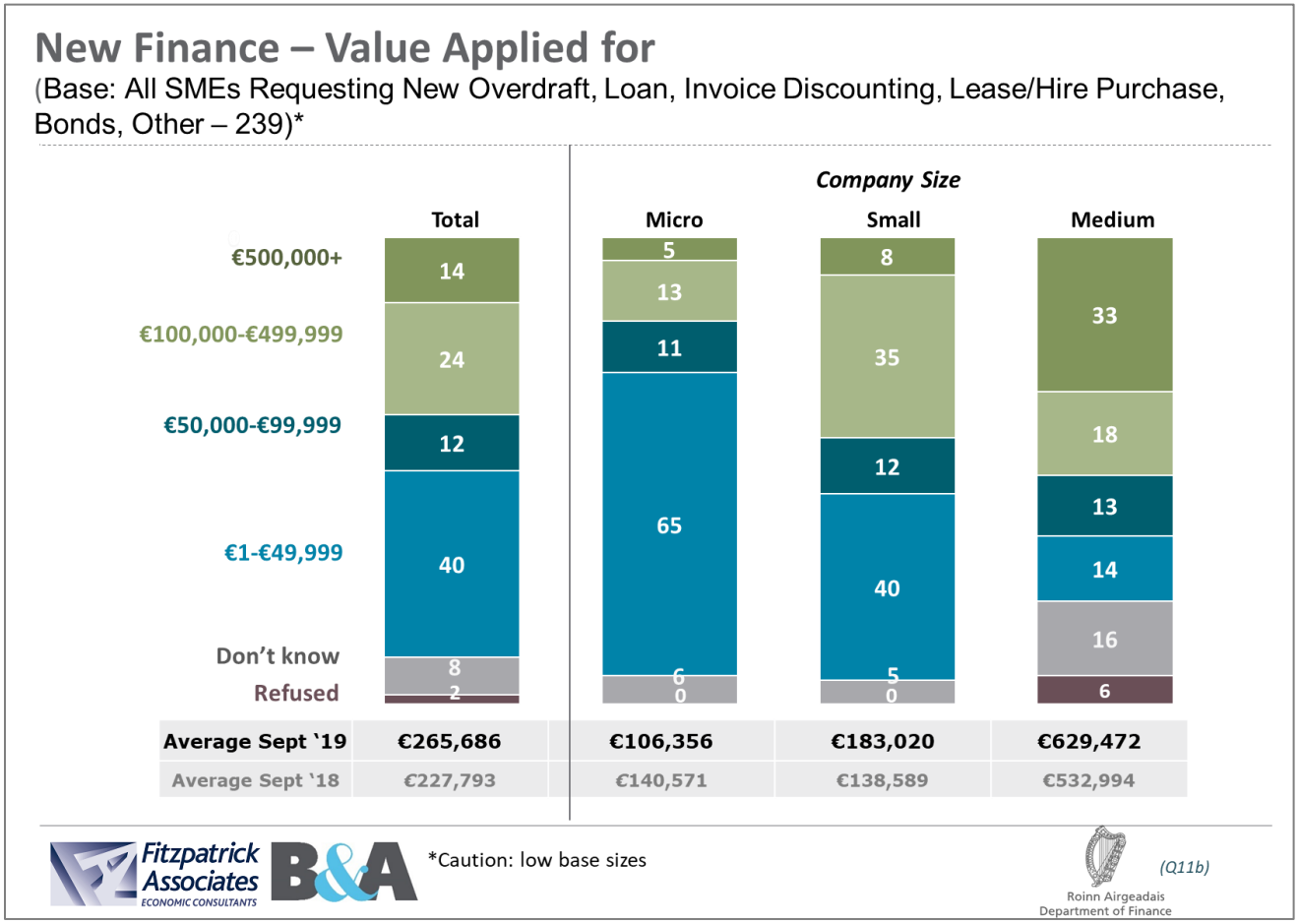
Base: All submitting Informal Request	Sept '14	Sept '15	Sept '16	Sept '17	Sept '18	Sept '19
	%	%	%	%	%	%
No need for providing formal application (e.g. repeat loan or personal relationship)/not necessary	56%	52%	65%	32%	59%	58%
Only a query	-	-	-	10%	10%	3%
Knew formal application would not be successful	6%	12%	10%	12%	8%	9%
Time consideration	7%	3%	2%	5%	8%	7%
Didn't want finance from bank in the end	0%	4%	10%	17%	6%	2%
Had finance myself	-	-	-	-	-	4%
Too much paperwork involved	-	-	-	-	5%	-
Already in negotiations with bank	-	-	-	-	3%	-
Requested from Account Manager	-	-	-	3%	1%	-
To see if it would be possible	12%	6%	5%	1%	-	-
Accounts not up to date	1%	0%	-	-	-	-
Other Don't know/none	- -	- -	- -	10% 8%	- 9%	11% 3%

The proportion of SMEs that applied for finance through one of the two pillar banks dipped slightly in the period to September 2019. In total, 77% applied to the main pillar banks – compared to 79% in September 2018 (including firms where main accounts are held with either pillar or non-pillar banks).



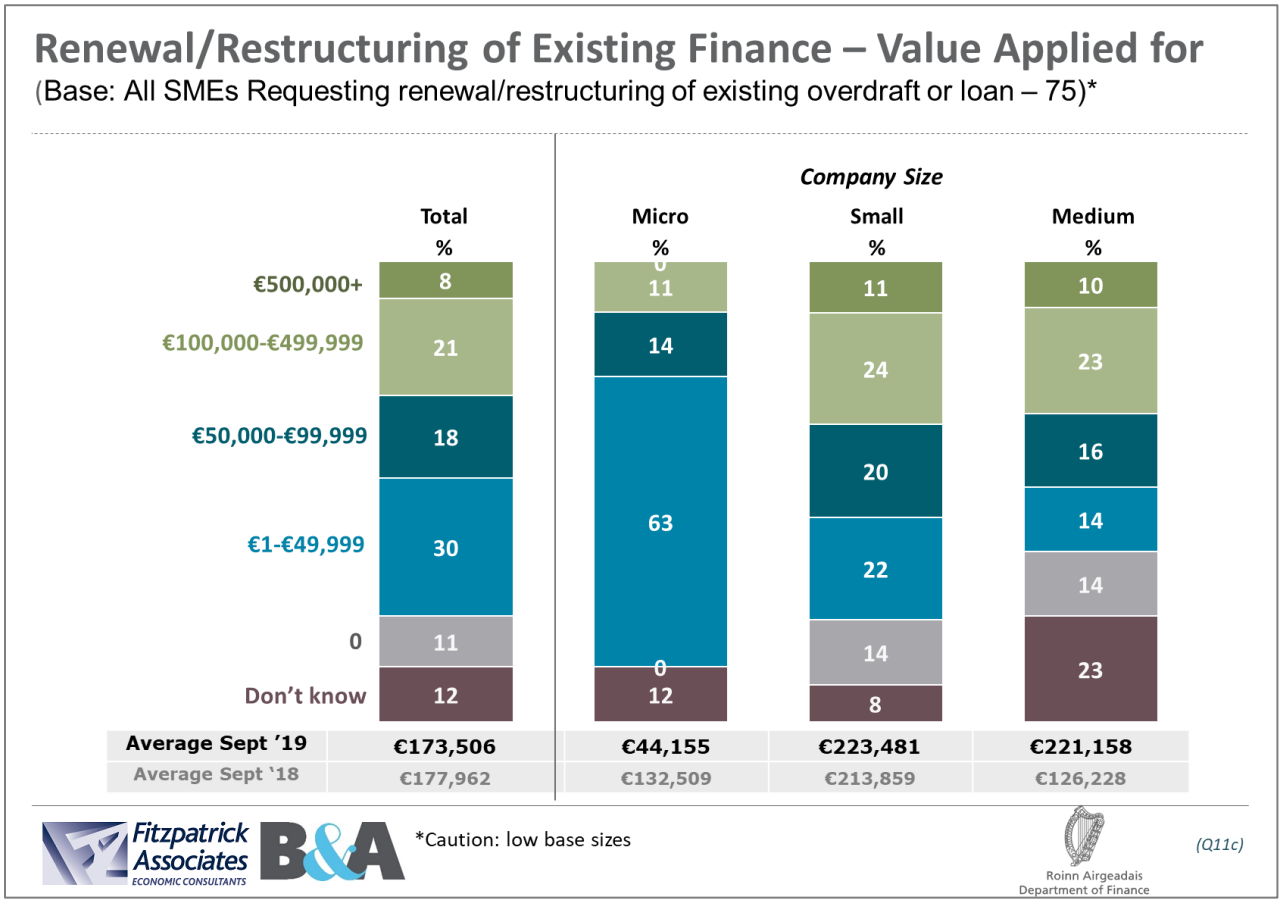
7.3 Economic Value of Credit Applications

Each business that applied for credit provided the estimated monetary value of that application. When looking at applications for new bank finance (e.g. overdraft, loan or lease/hire purchase), the average stated amount was €265,686. This is higher than the stated value in September 2018, which was €227,793.



When looking at the different sizes of SME, it is notable, though perhaps unsurprising, that medium-sized companies (at €629,000) sought higher levels of new bank finance than micro or small firms (at about €106,000 and €183,000 respectively).

As might be expected, there are also differences between different sized companies in the value of renewal/restructuring finance requested, with micro-sized companies requesting almost €130,000 less (at €44,000) than the average SME (at €174,000).



7.4 Collateral Required for Credit Applications

Among those SMEs that applied for bank finance, 42% of firms indicated that applications required collateral. This is on a similar level to September 2018, where 39% of applications required collateral.

The most common kinds of collateral required were buildings (8%), personal assets of owners (7%) and accounts receivable (7%).

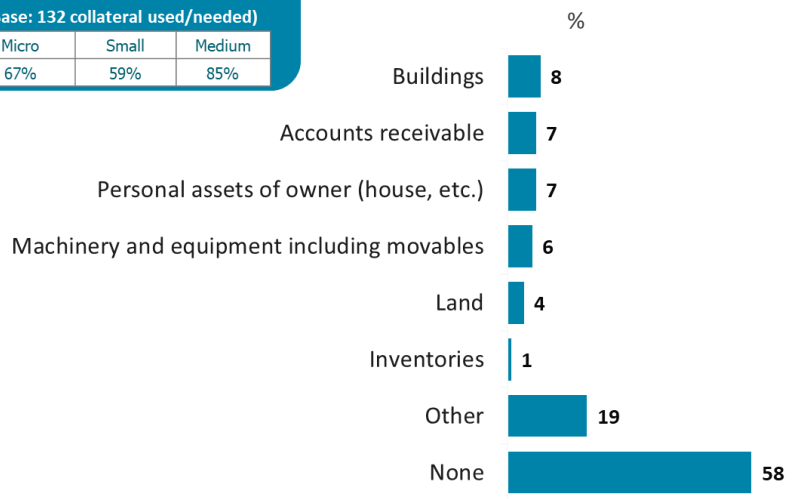
Applications from micro companies were less likely to require collateral. The average value of collateral required as a percentage of a loan was 68%, which was higher than the level in September 2018 (61%). Note, however, the base size upon which this analysis is based (n=132) is small.

What kind of Collateral Required

(Base: All SMEs Seeking Finance - 314)

Average Value of Collateral as percentage of Loan Value
68%
(Base: 132 collateral used/needed)

Micro	Small	Medium
67%	59%	85%



	By Company Size		
	Micro %	Small %	Medium %
Buildings	6	6	13
Accounts receivable	6	3	15
Personal assets of owner (house, etc.)	11	8	4
Machinery and equipment including movables	7	4	9
Land	8	3	2
Inventories	1	0	2
Other	13	26	14
None	64	55	57

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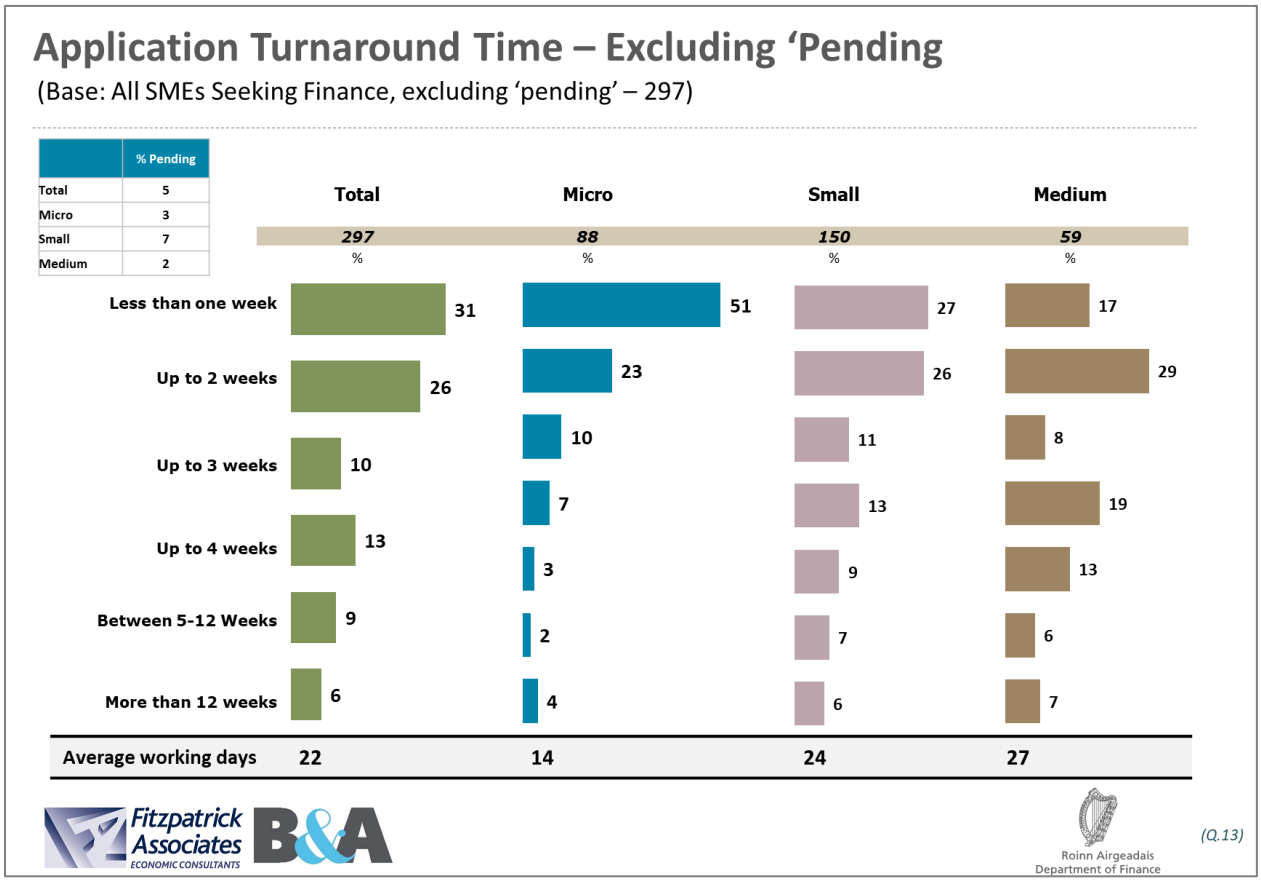
(Q.11d)

7.5 Turnaround Time on Decisions

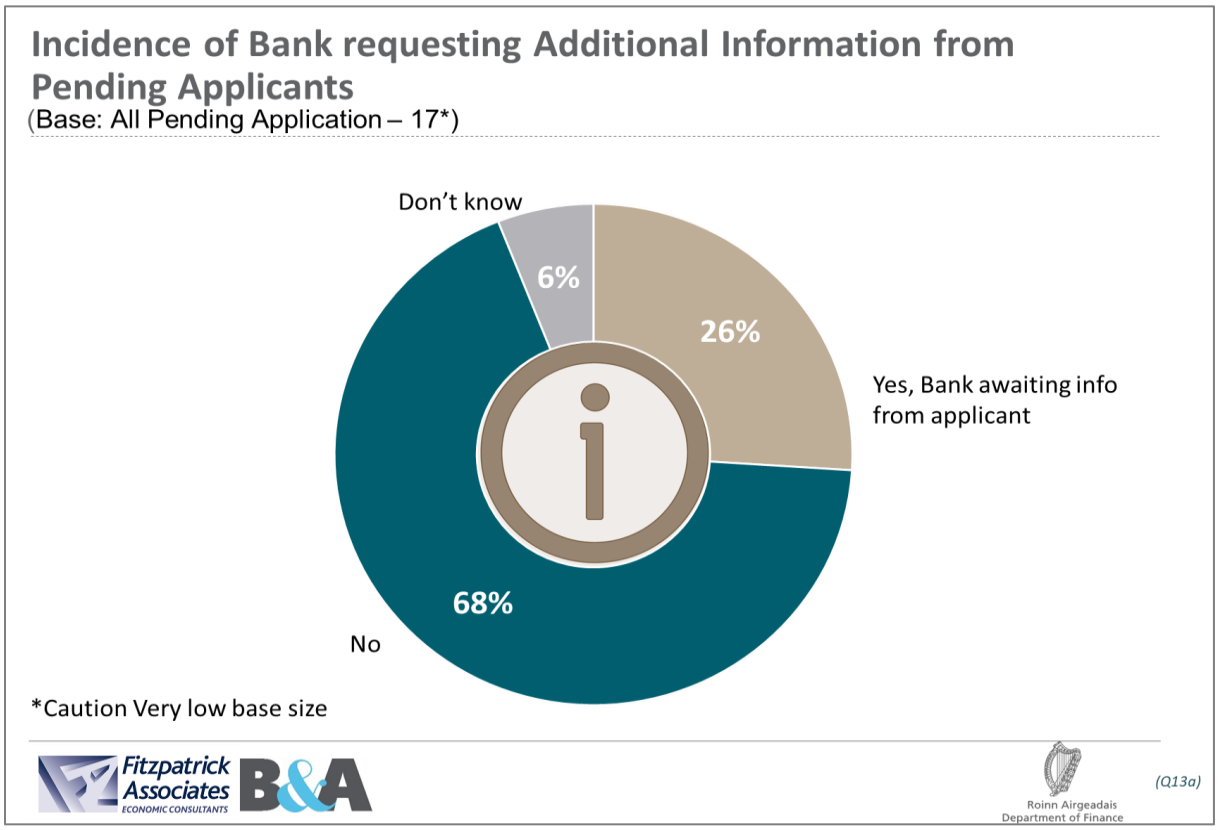
Central Bank of Ireland regulations stipulate that firms lending to SMEs, with which regulated lenders must have complied from 1 July 2016, and credit unions, from 1 January 2017, are required to inform SMEs of a decision on their loan within 15 working days of receiving all information they require from the company. Excluding pending applications and according to the businesses themselves, therefore, the findings of the survey suggest that 67% of all finance applications were processed within the 15 working days for the period to September 2019, up from the 64% recorded in September 2018.



The average amount of time from application to decision remained similar to September 2018, at 22 working days. It should be noted, however, that this does not differentiate between businesses that supplied all information required by the lender at the outset and those that received requests for further information. The proportion of loans that remained 'still pending', meanwhile, had decreased from 12% in September 2018 to 5% in September 2019.

	Approved	Declined
	%	%
Less than 1 week (1-5 working days)	32	27
Up to 2 weeks (6-10 working days)	25	31
Up to 3 weeks (11-15 working days)	9	15
Up to 4 weeks (16-20 working days)	14	7
Between 5-12 weeks (21-60 working days)	9	4
More than 12 weeks (61+ working days)	5	6
Don't know	5	11

Also, the larger the company, the longer the application turnaround time. The average turnaround time for micro companies is 14 working days, with small-sized companies receiving decisions within 24 working days, and medium-sized companies waiting 27 working days on average.

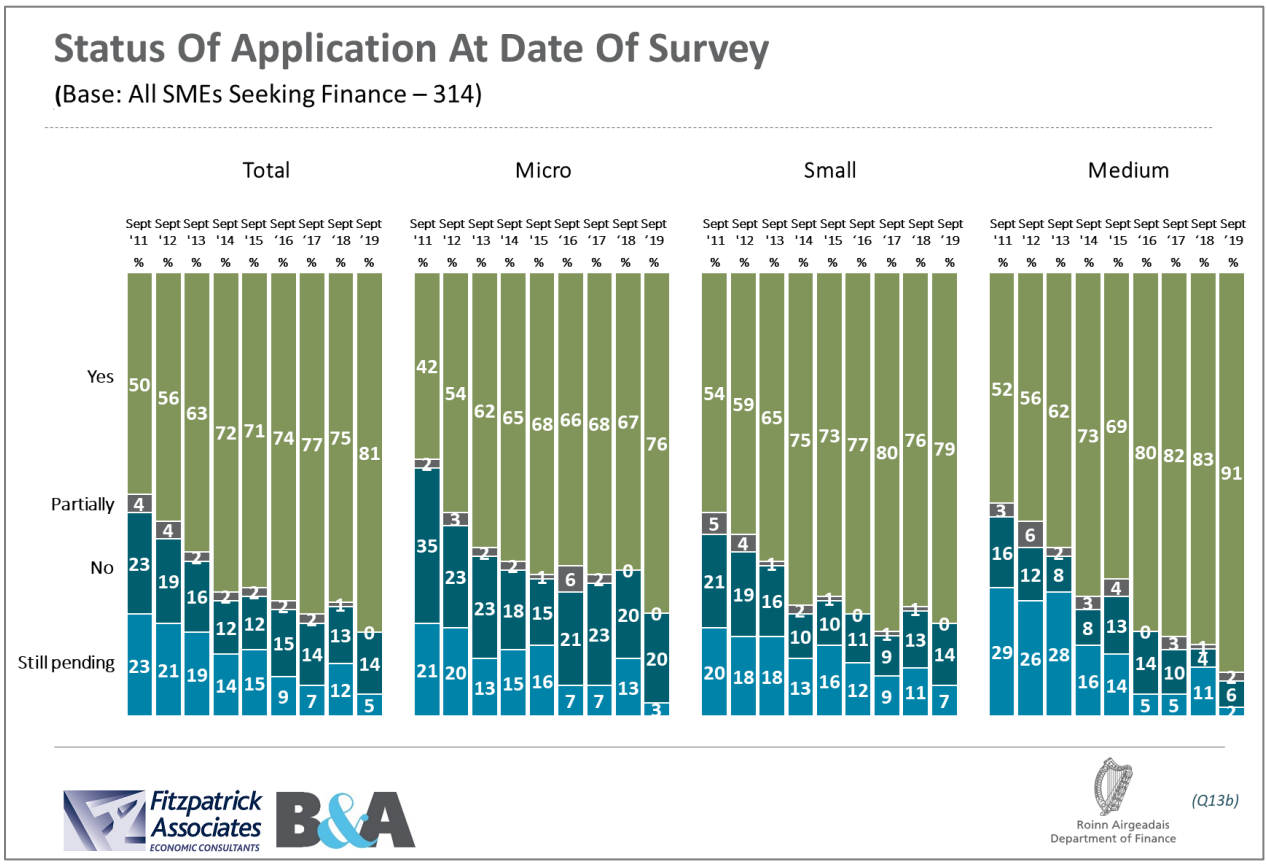


7.6 Decline Rate

The decline rate for all credit applications in the period to September 2019 is broadly the same as in September 2018, with the rate of decline standing at 14% of all applications – up from 13% in September 2018.

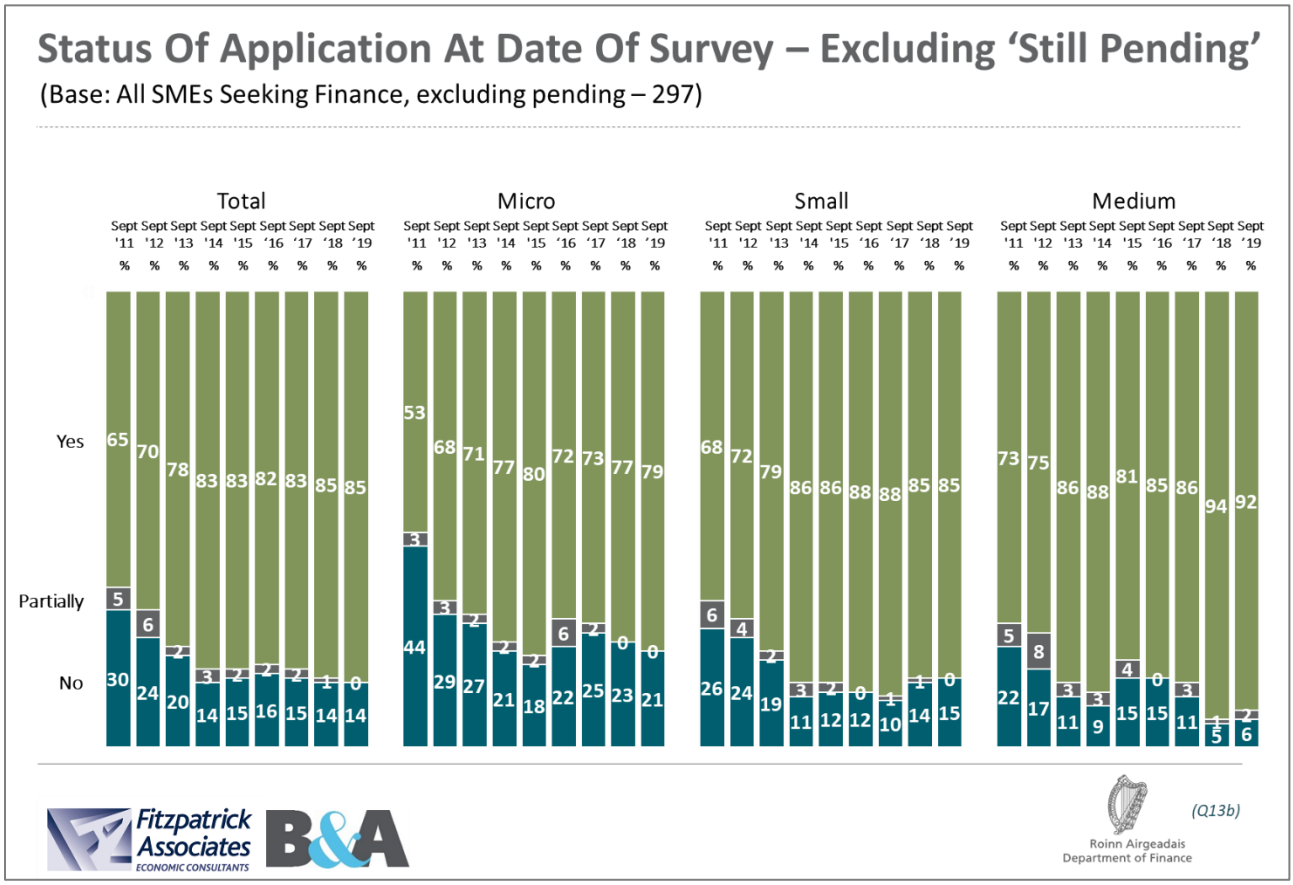
Some 81% of all applications were approved in full over the period – an increase from 75% when compared to September 2018.

Less than 1% (0.1%) stated that their credit applications had been partially approved. Just 5% of all applications were still pending in the period, down from 12% in September 2018.



Small and medium-sized businesses seeking finance are indicating higher levels of approval rates. Micro companies, however, have lower approval rates, with a rejection rate of 20%.

Excluding pending applications, the overall decline rate stands at 14% (the same level compared to September 2018). In total, 85% of all applications for the period (excluding "still pending") have been approved in full/partially. The rejection rate for micro sized enterprises decreased in the period (from 23% in September 2018 down to 21% in September 2019), while there was a one percentage point increase in rejection rates for both small firms (from 14% to 15%) and medium sized companies (from 5% to 6%).



Decline Rate by Product

Decline rate varied across financial type requested – which reflects the differences in application processes. New overdrafts, in particular, had the highest decline rates, at 30%, with several other products having decline rates of between 18% and 20%.

	Yes	Partially	No	Still pending
Total	81	0	14	5
	%	%	%	%
New overdraft	66	-	30	4
Renewal/restructuring of existing overdraft	79	-	18	3
New Loan	75	1	18	7
Renewal/restructuring of existing Loan	70	4	20	6
Invoice Discounting	75	-	20	4
Leasing or Hire Purchase	88	-	11	1
Other	61	-	39	-

Formal Application Decline Rate

Informal applications also had a higher rate of decline than formal applications (20% versus 14%).

	Yes	Partially	No	Still Pending
Total	81	0	14	5
	%	%	%	%
Informal request	75	-	20	5
Formal application	80	-	14	5

Decline Rate by Type of Credit Applied For

Refusal rates in September 2019 were highest for credit sought due to changed business requirements due to Brexit (72%), credit to manage payments to the Revenue Commissioners (29%) and credit sought to address a slow-down in debtor collection (32%). Decline rates were also relatively high, meanwhile, for restructuring of loans or credit (25%) and applications for credit to fund working capital/cash flow (20%).

	Yes	Partially	No	Still Pending
Total	81	0	14	5
	%	%	%	%
New business venture/acquisition of assets/Expansion	82	-	15	3
Working capital/cash flow	76	-	20	4
Slow-down in debtor collection/Bad debts	68	-	32	-
Property related loan	85	-	9	6
Investment in machinery or equipment	85	-	11	3
Need to restructure loan/credit	51	12	25	13
Manage payments to Revenue Commissioners	31	-	29	40
Change in business requirements as a result of Brexit	28	-	72	-

Decline Rate by Export vs. Non-Export Companies

The decline rates for export businesses (16%) were also marginally higher than non-export businesses (13%).

	Yes	Partially	No	Still pending
	%	%	%	%
Export Business	83	-	16	1
Non-Export Business	80	1	13	7

Decline Rate by Pillar/Non-Pillar Banks

There was no significant difference, however, in decline rate by pillar versus non-pillar banks.

	Yes	Partially	No	Still Pending
Total	81	0	14	5
%	%	%	%	%
PILLAR	82	1	13	5
NON-PILLAR	81	1	14	4

Decline Rate by Sector

By sector, the highest level of decline rates were amongst the hotels and restaurants sector (17%) and the manufacturing sector (19%).

	Yes	Partially	No	Still Pending
Total	81	0	14	5
%	%	%	%	%
Manufacturing	79	-	19	2
Construction	87	-	10	4
Wholesale	81	1	12	5
Hotels & Restaurants	77	-	17	6
Business Services	87	-	8	5
Other	73	-	19	8

Decline Rate Linked to Company Trading Performance.

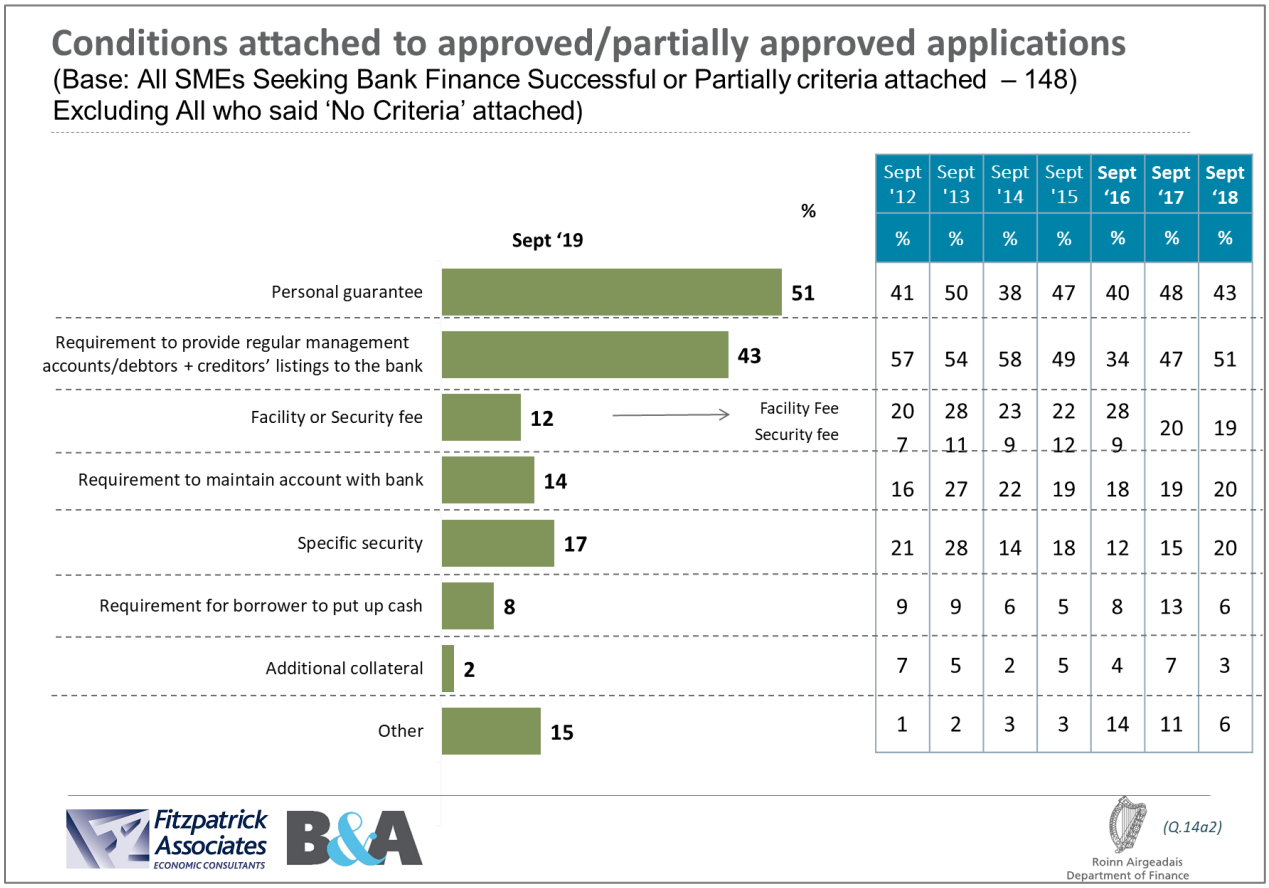
The survey continues to show a strong relationship between decline rate and company performance. Those companies with increased turnover or profitability, in particular, were again shown to be more likely to be approved for bank finance.

Turnover v Decline Rate	Yes	Partially	No	Still Pending
Total	81	0	14	5
	%	%	%	%
Increased	81	-	14	5
Decreased	66	2	22	10
Remained the same	91	-	7	1

Profit v Decline Rate	Yes	Partially	No	Still Pending
Total	81	0	14	5
%	%	%	%	%
Made a profit	86	-	11	4
Broke even	80	2	12	6
Made a loss	65	-	28	6

7.7 Criteria, Conditions and Interest Rates Attached to Approved Applications

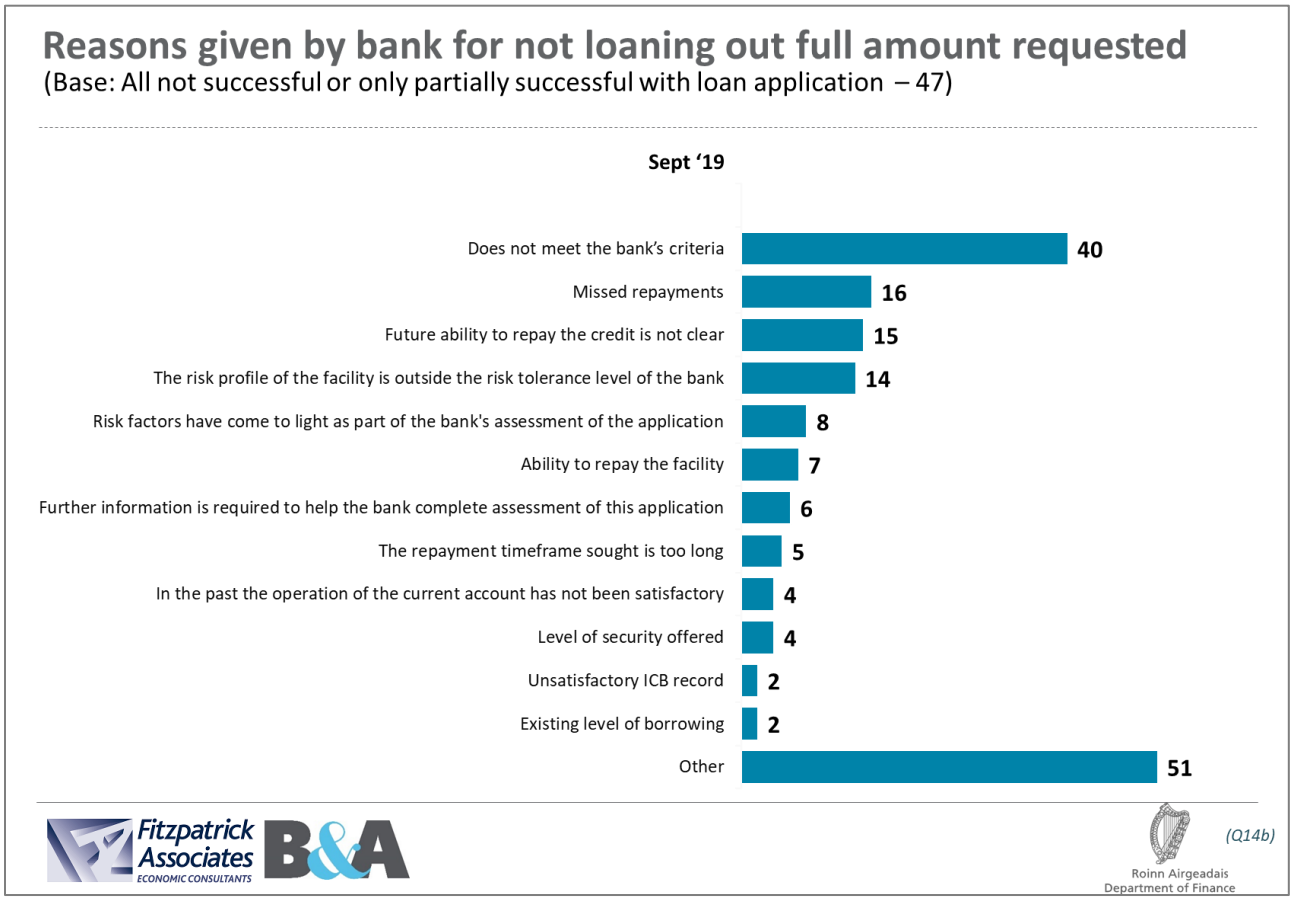
Of those applicants for whom conditions were applied, the most common conditions were personal guarantees (51%) and the provision of regular management accounts (43%).



	Sept '12 %	Sept '13 %	Sept '14 %	Sept '15 %	Sept '16 %	Sept '17 %	Sept '18 %
Personal guarantee	41	50	38	47	40	48	43
Requirement to provide regular management accounts/debtors + creditors' listings to the bank	57	54	58	49	34	47	51
Facility or Security fee	20	28	23	22	28	20	19
Facility Fee	7	11	9	12	9		
Security fee							
Requirement to maintain account with bank	16	27	22	19	18	19	20
Specific security	21	28	14	18	12	15	20
Requirement for borrower to put up cash	9	9	6	5	8	13	6
Additional collateral	7	5	2	5	4	7	3
Other	1	2	3	3	14	11	6

7.8 Reasons for Decline

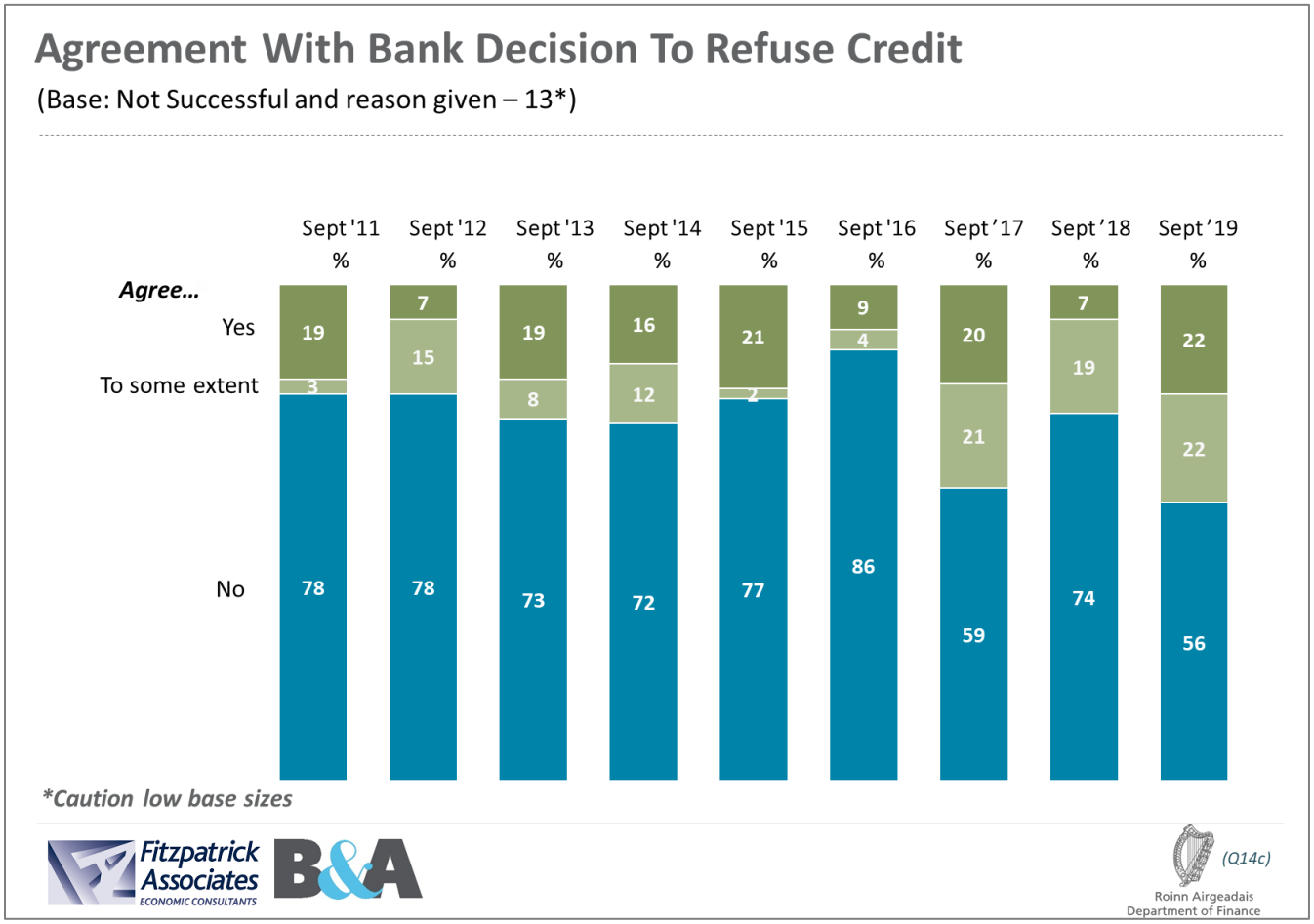
The most common reason given by banks for not loaning the full amount requested by firms was a failure to meet the bank's lending criteria (at 40%), followed by missed repayments (16%), assessment of the applicant's ability to repay (15%) and the risk profile of the facility (14%).



7.9 SME Opinions on Reasons for Decline

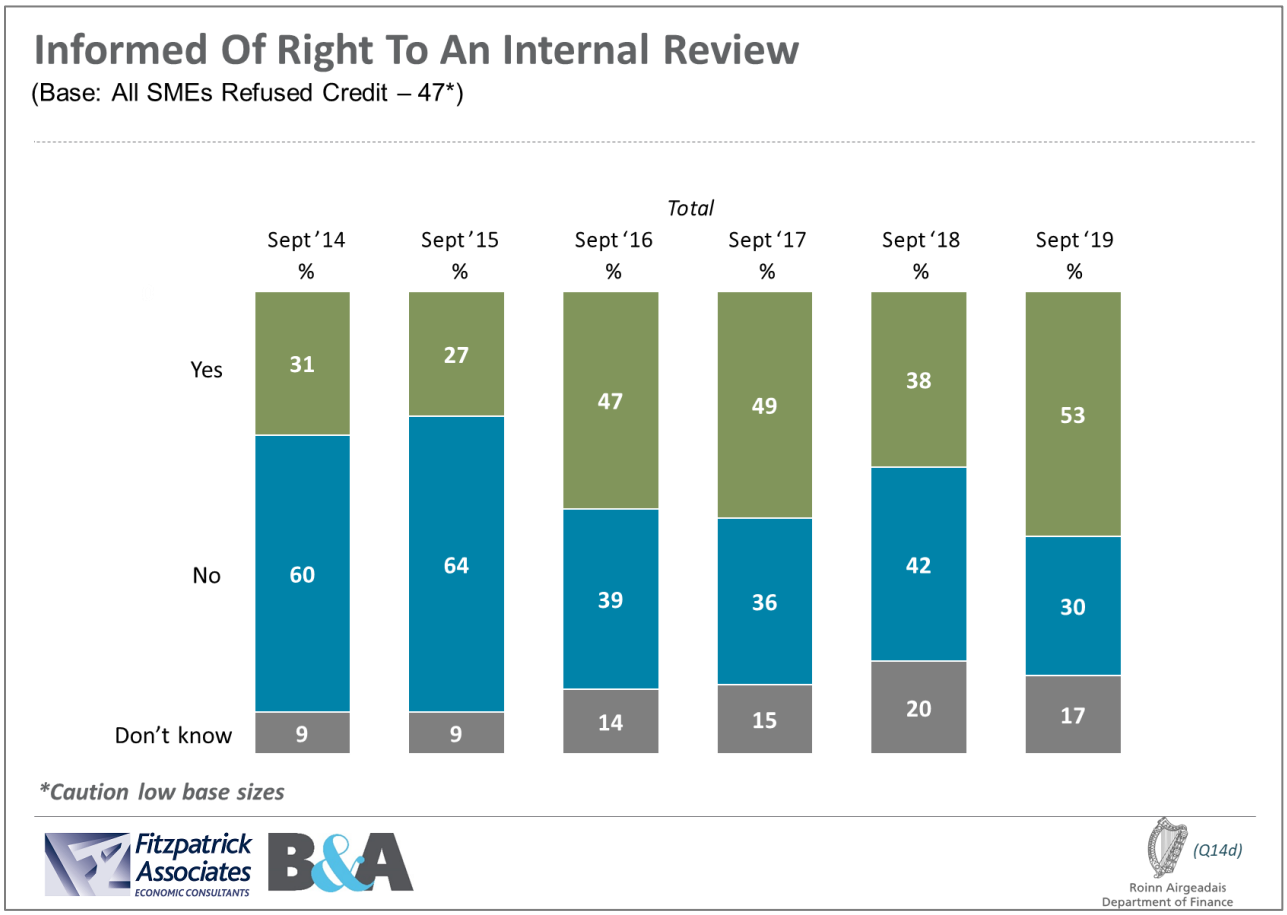
In September 2019, some 56% of respondents that were declined bank finance disagreed with the reasons given for their refusal. Taking the very small sub-set of respondents qualifying for this question (just 13 in total) into account, the only conclusion that might be drawn from this finding is that a majority of those declined credit in recent years have tended to disagree with any reasons given.

N.B. This analysis is based on a very small sample size.



7.10 The Right to an Internal Bank Review

The survey results show an improvement registered amongst those applicants (refused credit) that were informed of their right to an internal review on the decision to refuse credit. In September 2018, for example, some 38% of all SMEs that were refused credit claimed that they were informed of the right to an internal review, whereas this had increased to 53% of all SMEs refused credit in September 2019. Again, however, this analysis is based on a very small sample size.

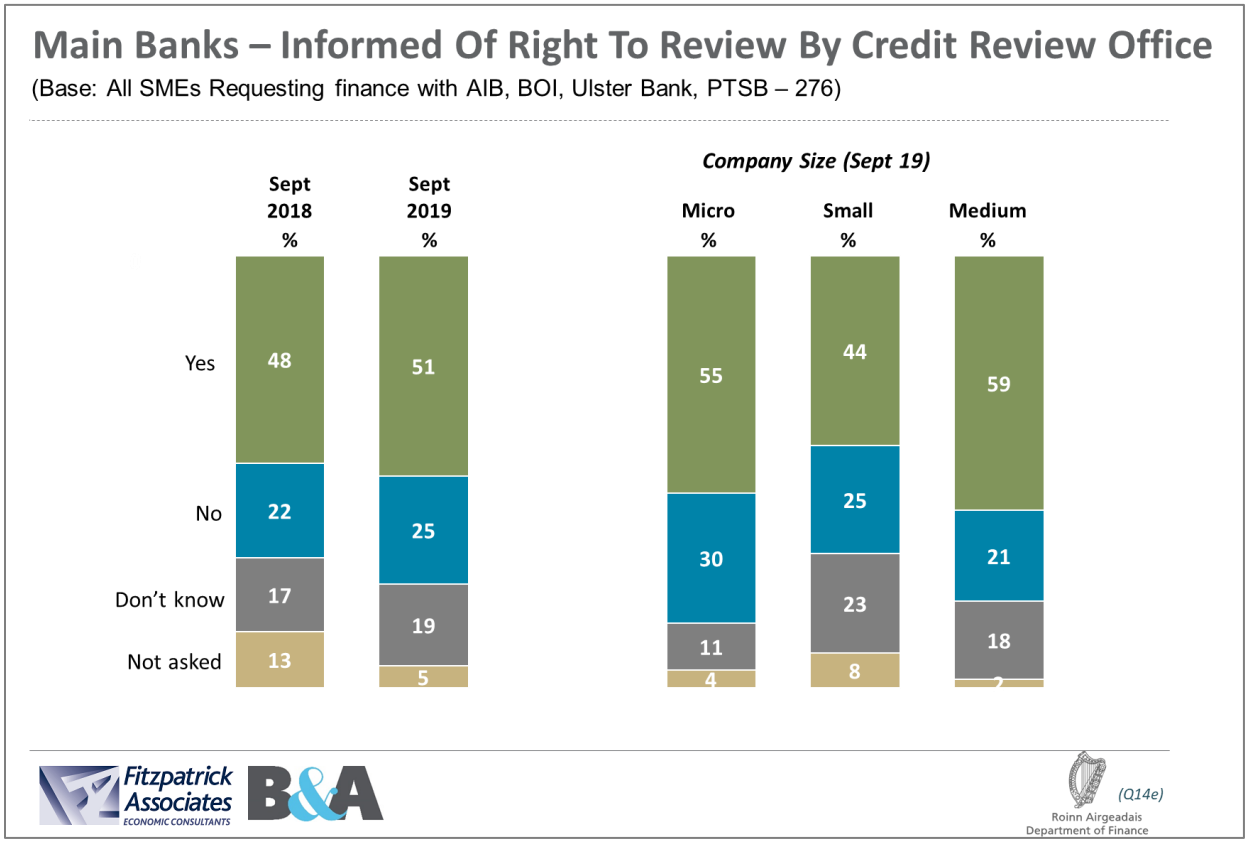


In September 2016, September 2017, September 2018 and September 2019, stated provision of information regarding right to review was also well above the level recorded in September 2014 and September 2015.

7.11 Credit Review Office

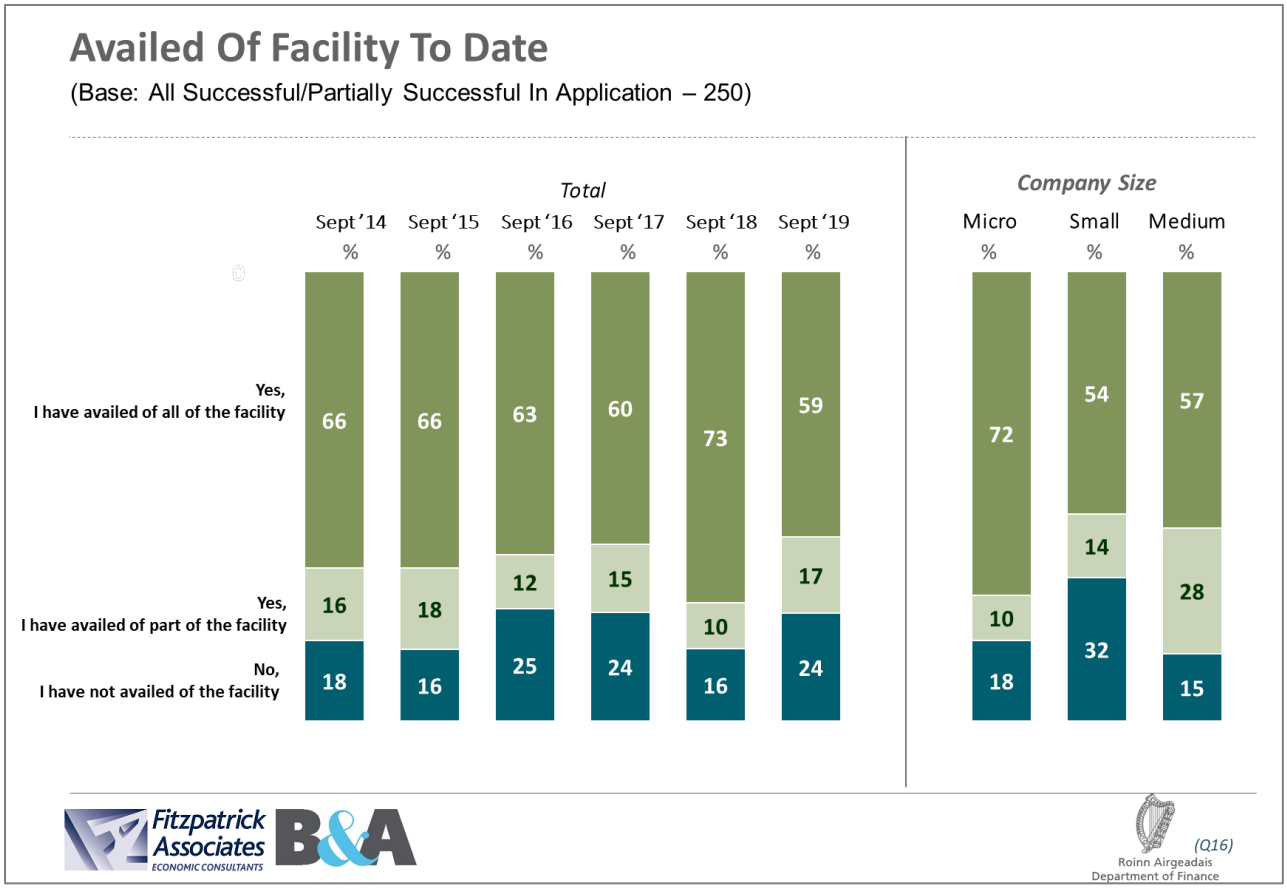
In September 2019, some 51% of applicants that applied for credit from the main banks stated that they were informed of their right to a decision review by the Credit Review Office, up from 48% in September 2018.

Moreover, when excluding "don't knows", some 67% of applicants that applied for credit from the main banks stated that they were informed of their right to a decision review by the Credit Review Office.



7.12 Drawdown of Approved Facilities

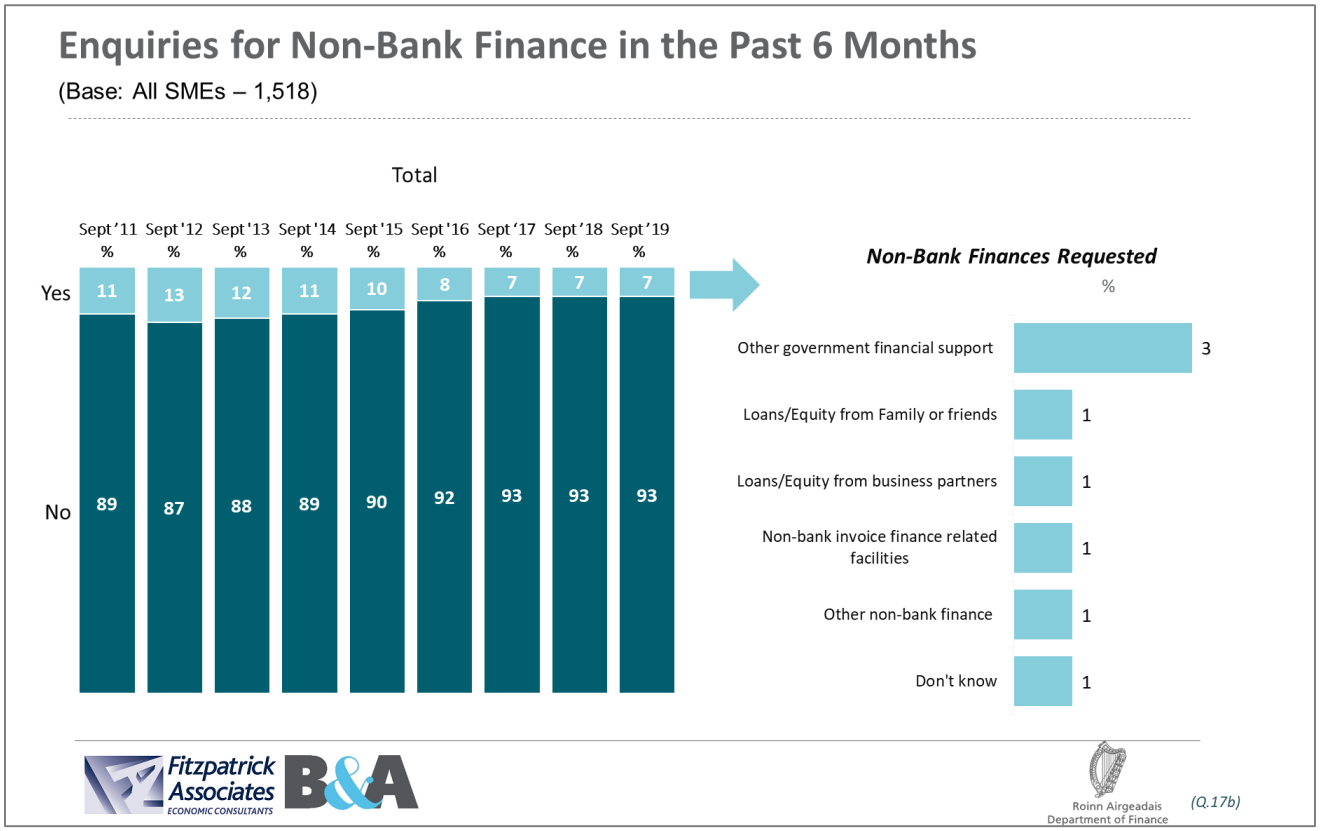
Some 59% of SMEs whose applications were approved have availed fully of the given credit facilities – this is a decline from 73% in September 2018, but on a par with the 60% registered in September 2017. An additional 17%, meanwhile, have partially availed of the credit facilities, while 24% have not availed of the facilities so far – compared to 16% in September 2018.



8.0 Non-Banking Finance

8.1 Enquiries for Non-Bank Finance

The number of SMEs making enquiries for non-bank finance has decreased since September 2012, but has levelled off at just 7% in September 2017, September 2018 and September 2019.

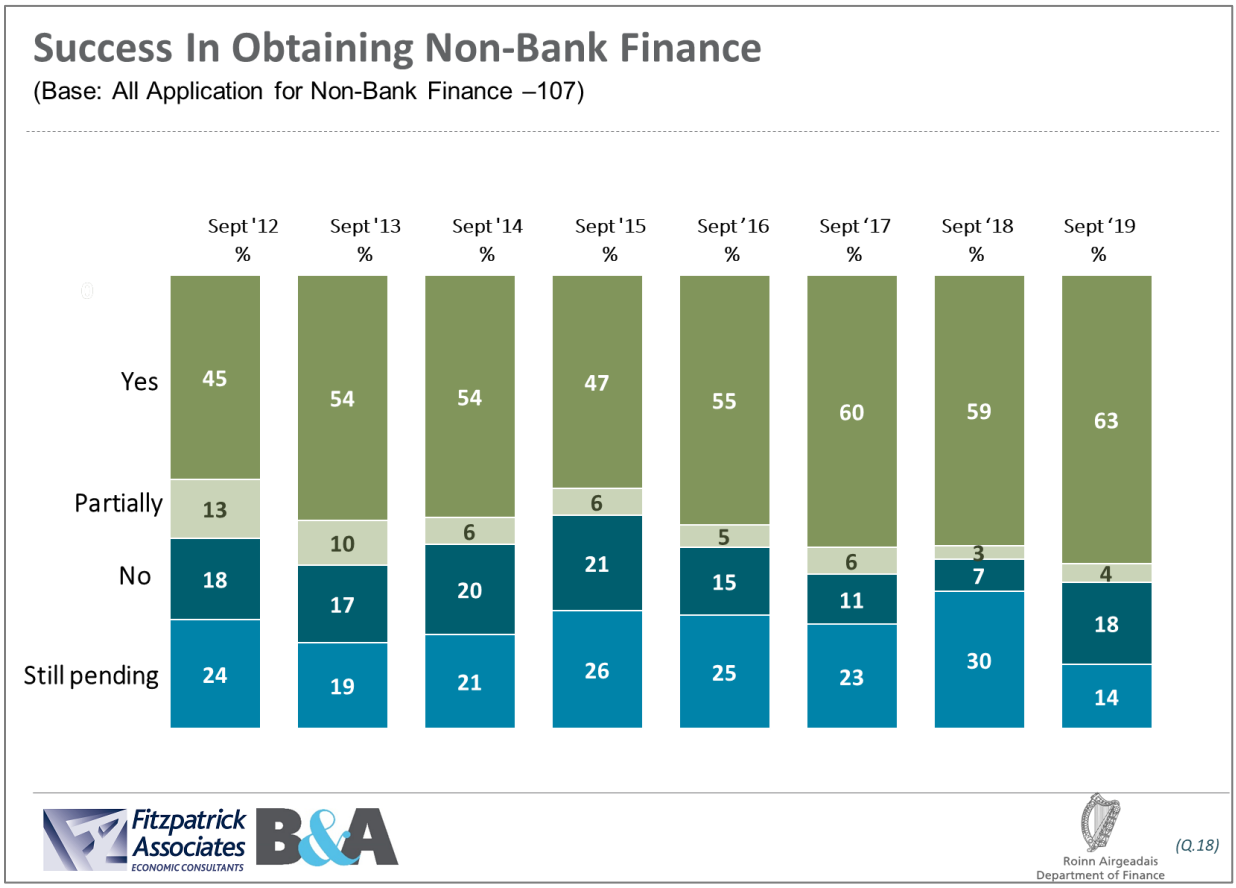


Crowd funding/peer-to-peer lending has not risen above the 1% level it achieved in September 2014. In this latest wave, when the four (4) respondents falling into this category were subsequently asked if they were successful in obtaining finance through crowd funding/peer-to-peer lending, one reported they had been successful, two were unsuccessful and one was still pending decision.

8.2 Decisions Made on Non-Bank Finance Applications

In total, 63% of all non-bank finance enquiries were successful, with an additional 4% partially successful. This is a slight increase from September 2018, where 62% of applications were fully or partially successful.

The decline rate was 18% – up from 7% in September 2018. 'Still pending' applications, however, were down from 30% to 14% year-on-year. Overall, successful applications for bank finance were also higher than for non-bank finance applications.



8.3 Reasons for Not Applying for Government Financial Support

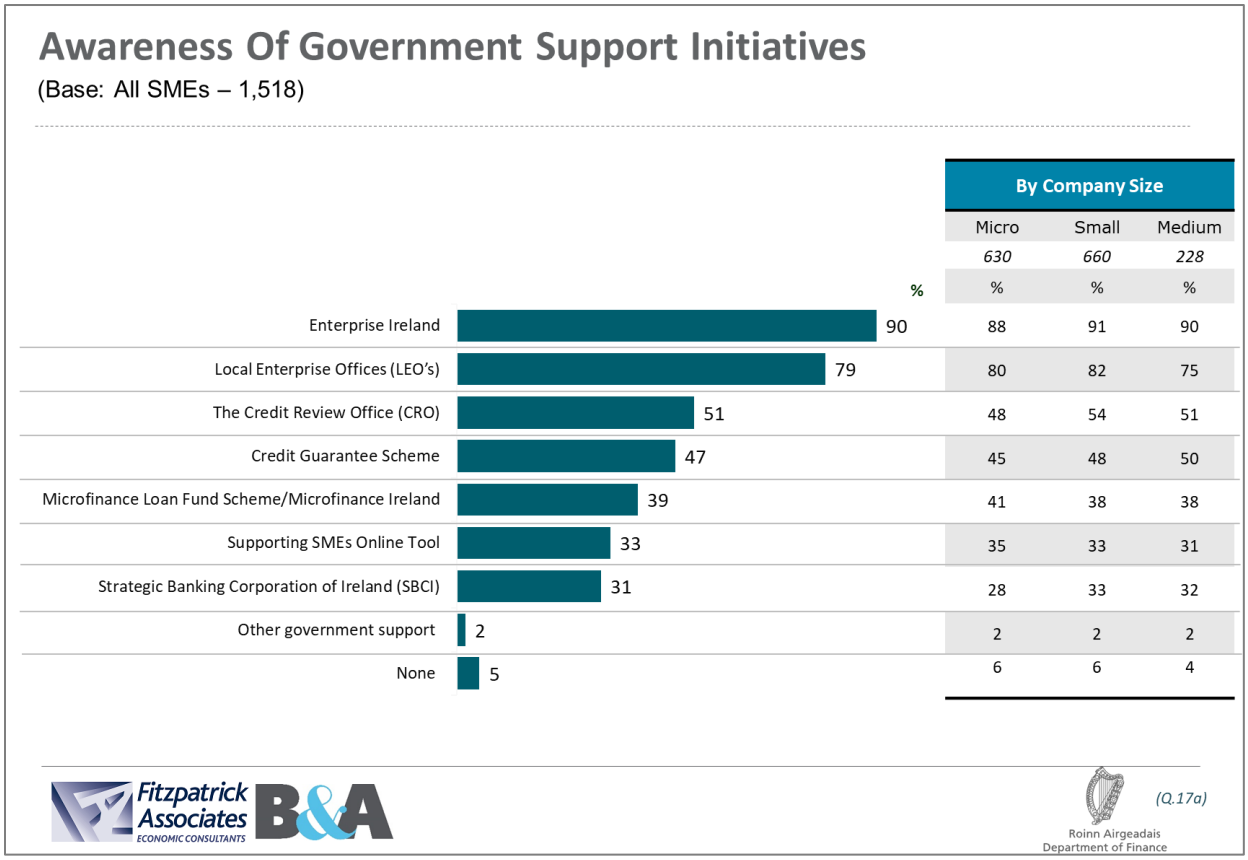
The main reason given for not applying for Government financial support was a lack of need for such finance (70%), which was broadly consistent with the results of previous surveys.

Reason for Not Applying for Government Financial Support	Sept '14	Sept '15	Sept '16	Sept '17	Sept '18	Sept '19
	%	%	%	%	%	%
Don't need this type of financing	66	64	69	68	71	70
Lack of knowledge	24	18	11	10	7	5
I don't believe this source is relevant for my business or sector	12	15	4	9	6	13
Already have this type of financing in place so do not need more	1	2	2	1	1	3
Application process too difficult	2	3	2	1	1	1
Don't want to lose control of business	5	2	2	1	1	2
Previously rejected for this type of finance	1	2	1	1	0	1
Costs/Fees are too high	1	1	1	1	0	1
Terms and Conditions too onerous	1	1	1	1	1	2
Used in past but not currently relevant	0	1	1	1	1	1

Noticeably, however, the number of SMEs indicating a lack of knowledge of Government supports (5%) was significantly lower than the rates recorded in September 2014 (24%) and September 2015 (18%), while also below the 10%-11% recorded in September 2016 and September 2017 and the 7% recorded in September 2018.

8.4 Awareness of State Funded Support

Awareness of State funded support was highest for Enterprise Ireland initiatives (90%) followed by Local Enterprise Office initiatives (79%). Some 47% of SMEs were aware of the Credit Guarantee Scheme, and 51% were aware of the Credit Review Office. About 39% were aware of the Micro Finance Loan Fund Scheme, while awareness of the Supporting SMEs Online Tool stood at 33%, and awareness of the SBCI stood at 31%.



8.5 Financing the Business

Finally, internal funds/retained earnings continued to be the main financial source of working capital, with 86% of working capital coming from this source. This also represents an increase of one percentage point on the findings for September 2018, which were in turn higher than the findings for both September 2016 and September 2017.

	Year				By Company Size – Sept 2019		
	Sept '16 %	'Sept 17 %	'Sept 18 %	'Sept 19 %	Micro %	Small %	Medium %
Internal funds/Retained earnings	73	81	85	86	86	84	87
Purchases on credit from suppliers	7	7	6	4	4	4	5
Advances from customers	2	2	1	2	1	2	2
Borrowed from banks	5	5	3	4	3	5	4
Borrowed from non-bank financial institutions	1	0	1	0	0	1	0
Owners' contribution	6	2	2	2	3	3	1
Other (informal lenders, friends, relatives, etc)	5	1	2	1	2	1	1

Appendix: The SME Demand Survey Questionnaire

DEPARTMENT OF FINANCE SME CREDIT DEMAND SURVEY QUESTIONNAIRE

30th September 2019

Good morning/afternoon/evening. My name is …… from Behaviour & Attitudes, the independent Irish market research agency. We are conducting a survey on behalf of the Department of Finance. **Please may I speak to the person with primary responsibility for financial matters in your business? Verify right person.**

Q.1 Can I just confirm that you are the person who has primary responsibility for financial matters in your business?

Yes..... 1 **CONTINUE**

No 2

We are conducting a survey on bank lending to SMEs on behalf of the Department of Finance. This survey has been conducted on a number of occasions and the Department has published the results. We may also be conducting this research again over the coming months. All information that we collect will be kept in the strictest confidence and results will be reported at a merged level only. It will not be possible to identify any particular individual or business in the results and no information will be provided to the Department of Finance or any bank that could identify you or your company.

SECTION 1 – COMPANY INFORMATION

Q.1a Can you confirm the county in which is your main office is based?

SINGLE CODE

List 32 counties

Q.1b For this survey we need to talk to businesses of different sizes and in different industry sectors. Can you confirm that your business operates in_____(sector)?

Yes..... 1

No ..... 2 **IF 'NO' at Q.1b ASK**

NOTE, ALL QUESTIONS IN THE SURVEY REFER TO THIS SPECIFIC BUSINESS, WHICH IS REFERRED TO THROUGHOUT AS 'YOUR BUSINESS', FOR EASE OF ADMINISTRATION

INDUSTRY SECTOR Q.1b ASK Q.1b IF NO AT Q.1a

Q.1b What industry sector do you operate in? PROBE TO PRECODES – SINGLE CODE

CHECK QUOTAS

Agriculture & forestry & fishing	1	
Manufacturing - Processing & Food from agricultural activities + manufacturing of food from non-agricultural activities (tobacco and beverages)	2	
Manufacturing - High Tech (including pharmaceutical, electronic, electrical equipment etc	3	
Manufacturing - All other manufacturing.	4	
Construction - General construction (including general building & civil engineering).	5	
Construction - All other construction activities (excluding speculative activities).	6	
Wholesale	7	
Retail Trade & Repairs (non-motor)	8	
Retail Trade & Repairs (motor only)	9	
Hotels & restaurants	10	

Transport, storage & communications	11	
Financial & Insurance Activities	12	
Real estate activities (excluding speculative activities)	13	
Professional, scientific & technical	14	
Administrative & Support Service Activities	15	
Human Health & Social Work Activities	16	
Other	17	CLOSE

ASK ALL

Q.2 Including yourself, how many people are currently employed in your business? **INTERVIEWERS PLEASE NOTE THAT THIS INCLUDES FULL AND PART TIME EMPLOYEES BUT SHOULD ONLY REFER TO THE Full Time Equivalent (FTE) number of EMPLOYEES.**
SCRIPTER: ALLOW DON'T KNOW

_____SCRIPTER: MIN-MAX 1-249, IF MORE THAN 250 **CLOSE ONLY**

FOR QUOTA CONTROL, NOT PART OF SCRIPT

1 (self-employed) 2 - 4 5 - 9	**1** **2** **3**	**MICRO:** **CHECK QUOTAS**
10 -20 21 – 49	**4** **5**	**SMALL:** **CHECK QUOTAS**
50 - 100 101 – 249	**6** **7**	**MEDIUM:** **CHECK QUOTAS**
250+ Refused/ don't know	**8** **9**	**CLOSE**

Q.2a What was your business' turnover for the 12 month period **October 2018 – September 2019** as per the following bands?
READ OUT - SINGLE CODE

Up to €50,000 1
€50,001 - €100,000 2
€100,001 - €500,000..... 3
€500,001 - €1m 4
€1,000,001 - €2m 5
€2,000,001 - €5m 6
€5,000,001 - €10m..... 7
€10,000,001 - €20m 8
€20,000,001 - €50m 9
€50m+ ..... 10 **CLOSE**
Refused/don't know **(DNRO)** ..... 99 **GO TO Q.2b**

ASK Q.2b FOR ALL REFUSED/ DON'T KNOW AT Q2.a

Q.2b For this survey we need to ensure we are interviewing companies with a turnover of less than €50 million. Can you clarify whether your turnover is within the following bands?
READ OUT – SINGLE CODE

Less than or equal to €2m 1
Between €2,000,001m and €10m 2
Between €10,000,001m and €50million 3
Above €50million..... 4 **CLOSE**
Refused/don't know **(DNRO)** .....5 **CLOSE**

Q.2c Does your company export any goods or services outside the Republic of Ireland?

Yes 1
No 2 – GO TO Q.3

ASK IF EXPORT (CODE 1 IN Q2(c))

Q.2d For the past 12 months**,** what percentage of your export sales go to the following destinations? READ OUT DESTINATIONS.

INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE SCRIPTER: ALLOW DON'T KNOW, MIN-MAX 1-100
_____ % of total sales

Northern Ireland. ..... %
Great Britain (i.e. excluding Northern Ireland) ..... %
EU/Eurozone .....%
Other European country. ..... %
United States.....%
Other .....%
.....%
or no change

ASK ALL

Q.3 How many years has your business been in operation?

_____Years (MIN-MAX 0-999)

Q.3a Does your business perform any of the following tasks?
READ OUT - MULTI CODE

Maintain regular management accounts 1
Maintain an existing business plan 2
Estimate cash flow requirements for the coming months 3
None of these **(DNRO)** 4

Q.4 We would now like to ask you some information on the ownership of the business. Is your firm: **READ OUT**

An Irish-owned firm 1
A non-Irish-owned firm 2
Other 3

Q.4a Amongst the owners of the firm, are there any females?

Yes ..... 1 – ASK Q.4b
No 2
Don't know 3

GOTO Q.4c

Q.4b What percentage of the firm is owned by females?

	Percent
Percentage of female ownership	☐☐☐ %
Don't know	1

ASK ALL
Q.4c Is the senior manager/CEO of the firm female?

Yes 1
No 2
Don't know 3

Q.5 For the 6 month period from April – September 2019, has the turnover of your business increased, decreased or stayed the same compared to the previous 6 month period?
SINGLE CODE

Increased ..... 1 **GO TO Q.5a**
Decreased ..... 2 **GO TO Q.5b**
Remained the same ..... 3 **GO TO Q.5c**

Q.6 For the 6 month period from April – September 2019, has your company made a profit, broke even, or made a loss?
READ OUT - SINGLE CODE

Made a profit. 1
Broke even 2
Made a loss 3
Refused 4
Not sure **(DNRO)** 5

Q.6a For the 6 month period from April – September 2019 has your number of staff increased, decreased or stayed the same?
SINGLE CODE

Increased ..... 1 **GO TO Q.6a**
Decreased ..... 2 **GO TO Q.6b**
Remained the same ..... 3 **GO TO Q.7**

SECTION 2 – FINANCING YOUR BUSINESS

ASK ALL

Q.7 For the 6 month period from April – September 2019, have you sought professional advice regarding your financing requirements? By professional advice we are referring to advice from auditors, accountants or professional financial advisors.
SINGLE CODE

Yes 1
No 2

Q.7a For the 6 month period from April – September 2019 has the average number of days within which you pay your suppliers increased, decreased or stayed the same?
SINGLE CODE

Increased 1
Decreased 2
Remained the same 3
Don't know 4

Q.7b For the 6 month period from April – September 2019 , has the average number of days within which your customers pay you increased, decreased or stayed the same?
SINGLE CODE

Increased 1
Decreased 2
Remained the same 3
Don't know 4

Q.7c For the 6 month period from April – September 2019 **, h**ave you missed any repayments on the following? **READ OUT.**

	Yes	No	Don't know
Bank loans	1	2	0
Other business loans	1	2	0
Personal loans while use the business as collateral	1	2	0
Payments to Revenue Commissioners	1	2	0
Other personal loans such as mortgages or buy-to-let loans	1	2	0

ASK ALL WHO ANSWER YES IN Q.7C, I.E. HAVE MISSED ANY REPAYMENTS ON LOANS

Q.7d Which of the following best describe how you have dealt with these missed repayments?
READ OUT FOR ALL ABOVE

We have re-structured the loans with the creditor_____1
We have paid the balance without any need for re-structuring_____2
The balance is still outstanding without any re-structuring_____3
Other, please specify:_____(DO NOT READ OUT)_____4

ASK ALL

Q.8 With what bank is your main business account?
SINGLE CODE

AIB 1
Bank of Ireland 3
Ulster Bank 6
Permanent TSB 7
Other financial institution (specify)_____ 12

Q.8a For how many years have you been a customer of this bank?

_____years (MIN-MAX 0-999, ALLOW REFUSAL/NOT SURE)

Q.9 In the 6 month period from April – September 2019 , did you request from any bank, any of the following types of finance? It does not matter if you were successful or not.
READ OUT - MULTICODE

New overdraft 1
Renewal/restructuring of existing overdraft. 2
New Loan 3
Renewal/restructuring of existing Loan 4
Invoice Discounting 5
Leasing or Hire Purchase 6
Other (specify)_____..... 7
None 8

INTERVIEWERS: IF MORE THAN ONE REQUEST FOR ONE PARTICULAR TYPE OF FINANCE, ASK ABOUT MOST RECENT.

ASK Q.9a FOR ALL WHO ANSWERED 'NONE' AT Q.9

Q9a Why did you not apply for bank finance in the six month period from April – September 2019 ?
MULTICODE, PROBE FULLY, DO NOT READ OUT.

Didn't need it..... 1 – **ASK Q.9b**
Existing finance product in place.....2
Prefer not to borrow 3
Not the right time given the economic climate 4
Inability to repay/meet requirements of finance..... 5
Use/raise personal funds when needed.....6
Going out of business.....7
Raise finance from grants.....8
Too expensive to borrow 9
Raise finances from investors/venture capital..... 10
Belief that banks are not lending. 11
Possible rejection 12
Have been turned down before 13
Application process too difficult. 14
Don't trust the banks. 15
Too many terms and conditions.....16
Banks take too long to make decision..... 17
Existing debt burden already too high. 18
Other, please specify: _____ 19

IF "DIDN'T NEED IT" (1) TO Q9A, PLEASE ASK

Q.9b. Why did you not need finance? **READ OUT**

Had sufficient internal funds	1
Current lines of credit are sufficient	2
Prefer to use internal finance`	3
My business generates sufficient revenue	4
Other specify (……)	5

ASK Q.10 OF MOST RECENT FINANCE REQUEST AT Q.9

Q.10 From which bank did you request _____ (FROM Q.9)?
SINGLE CODE

AIB 1
Bank of Ireland 3
Ulster Bank 6
Permanent TSB.....7
Other financial institution (specify)_____ 12

Q.11 I'm now going to ask you about your_____**(FROM Q.9)** request. Which, if any, of these, were reasons for making your_____**(FROM Q.9)** request?
READ OUT – MULTICODE

New business venture/acquisition of assets/Expansion 1
Working capital/cash flow..... 2
Slowdown in debtor collection/bad debts 3
Property related loan 4
Investment in machinery or equipment… 5
Need to restructure loan/credit..... 6
Manage payments to Revenue Commissioners.....7
Change in business requirements as a result of Brexit..... 8
Other (specify)_____ 9

Q.11a In what month did you apply for_____**(FROM Q.9)**?
SINGLE CODE

April 2019..... 1
May 2019..... 2
June 2019..... 3
July 2019..... 4
August 2019 5
September 2019… 6
Cannot recall/don't know 7

ASK Q.11b FOR ALL WHO ANSWERED CODES 1, 3, 5, 6, 7 in Q.9
Q.11b What was the value of the_____**(FROM Q.9)** for which you applied?
OPEN END: INSERT AMOUNT

Don't know..... 8
Refused 9
ASK Q.11c FOR ALL WHO ANSWERED CODES 2 OR 4 @ Q.9

Q.11c What was the additional value of the_____**(FROM Q.9)** for which you applied?

OPEN END: INSERT AMOUNT

INTERVIEWERS PLEASE INSERT ZERO WHERE RESPONDENT HAS NOT RECEIVED ANY ADDITIONAL FUNDS, BUT HAS RESTRUCTURED THEIR EXISTING LOAN OR OVERDRAFT INSTEAD.

Don't know..... 8
Refused 9

Q.11d Thinking of your application for_____, what kind of collateral (e.g. land, buildings, machinery, your home, etc.) was required, if any? **Probe fully:** What other collateral? Any other collateral?

MULTIPLE ANSWER ALLOWED

Land.....1
Buildings.....2
Machinery and equipment including movables 3
Accounts receivable 4
Inventories 5
Personal assets of owner (house, etc.).....6
Other (specify)_____.....7
None.....8

ASK Q.11e if any collateral in Q.11d (NOT CODE 8 AT Q.11d)

Q.11e What was the approximate value of the collateral required as a percentage of the loan value?
INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE.

_____% (MIN-MAX 0-100, ALLOW REFUSAL/NOT SURE)

Q.12 Did you make a formal request, an informal request or both, when applying for _____ ? (FROM Q.9). **SINGLE CODE**

Informal request	1	**GO TO Q.12a**
Formal application (i.e. filling out formal application form which is assessed internally by the bank or signing a formal document which the bank prepared for you)	2	**CONTINUE TO Q.13**
Both	3	
Other (specify)	4	

ASK ALL CODE 1 'INFORMAL REQUEST' AT Q.12

Q.12a What were the reasons for not making a formal application?

OPEN END: PROBE FULLY

Q.13 From the date of application, how long did it take the bank to process your (FROM Q.9) request and give a final answer?
SINGLE CODE

Less than one week 1
Up to 2 weeks..... 2
Up to 3 weeks..... 3
Up to 4 weeks..... 4
Between 5 – 12 weeks 5
More than 12 weeks 6
Still pending ..... 7 **GO TO Q.13A**
Cannot recall/don't know 9

IF STILL PENDING CODE 7 AT Q.13
Q.13a Has your bank asked you for additional information which you have not yet supplied e.g. accounts etc.?

Yes..... 1 **GO TO Q.16B**
No ..... 2 **GO TO Q.16B**
Don't know..... 3 **GO TO Q.16B**

Q.13b Were you successful in your_____**(FROM Q.9)** request?
SINGLE CODE

Yes..... 1 **GO TO Q 14.a2**
No ..... 2 **GO TO Q 14.b**
Partially ..... 3 **GO TO Q 14.a1**

ASK Q.14a1 IF PARTIALLY SUCCESSFUL - CODE 3 AT Q.13b
Q. 14a1 What % of your application was partially approved?

> 70% of the value applied for ..... 1 **GO TO Q 14.a2**
< 70% of the value applied for ..... 2 **GO TO Q 14.a2**
Don't know..... 3 **GO TO Q 14.a2**

ASK Q.14a2 TO ALL SUCCESSFUL (CODE 1 AT Q.14) OR PARTIALLY (CODE 3 AT Q.13b) AND >70% (CODE 1 AT Q.14A1) SUCCESSFUL IN APPLICATION AT Q14
Q.14a2 Were any of the following criteria/conditions attached to your_____(FROM Q.9) request?
READ OUT – MULTICODE
Requirement to provide regular management accounts/debtors + creditors' listings to the bank 1
Personal guarantee..... 3
Specific security.....4
Facility or security 5
Requirement to maintain account with bank..... 8
Additional collateral.....10
Requirement for borrower to put up cash..... 11

Other (specify)_____.....13
No..... 14

ASK Q.14a3 TO ALL SUCCESSFUL / PARTIALLY SUCCESSFUL IN APPLICATION AT Q13b (CODE 1 / 3 AT Q.14)

Q.14a3 What is the average interest rate attached to your_____(FROM Q.9) request?
INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE.

_____% (MIN-MAX 0-99, ALLOW REFUSAL/NOT SURE)

ASK Q.14B TO ALL UNSUCCESSFUL IN APPLICATION (CODE 2 AT Q.13b) OR PARTIALLY < 70% (CODE 2 AT Q.14A1) IN APPLICATION

Q.14b Were any of the following reasons given by the bank for turning down your _____ (FROM Q.9) request?
READ OUT – MULTICODE

Ability to repay the facility	**1**
Does not meet the bank's criteria	**2**
The risk profile of the facility is outside the risk tolerance level of the bank	**3**
Risk factors have come to light as part of the bank's assessment of the application	**4**
Further information is required to help the bank complete assessment of this application	**5**
Future ability to repay the credit is not clear	**6**
In the past the operation of the current account has not been satisfactory	**7**
Missed repayments	**8**
Unsatisfactory ICB record	**9**
The goods are not suitable for HP/Leasing	**10**
The repayment timeframe sought is too long	**11**
Insufficient financial information was provided	**12**
Level of security offered	**13**
Existing level of borrowing	**14**
Other	**15**

ASK Q.14c IF CODES 1-15 AT Q14b

Q.14c Did you agree with the reasons that the bank gave you for turning down your application?
SINGLE CODE
Yes 1
No 2
To some extent 3

ASK Q.14d TO ALL WHO WERE UNSUCCESSFUL CODE 2 AT Q.13b4

Q.14d Did the bank inform you of your right to an internal review of the decision to refuse credit? **SINGLE CODE**

Yes 1
No 2
Don't know (DNRO)..... 3

ASK Q.14e ONLY IF CODES 1 (AIB) OR 3 (Bank of Ireland) 6 (ULSTER BANK) And 7 Permanent TSB *AT Q.10*

Q.14e Did the bank inform you of your right to a review of the decision to refuse credit by the Credit Review Office? **SINGLE CODE**

Yes 1
No 2
Don't know (DNRO) 3

ASK Q.15 TO ALL WHO HAD CRITERIA ATTACHED (CODES 1-13) AT Q14a2

Q.15 Did any of these criteria/conditions prevent you from availing of the sanctioned facility? **SINGLE CODE**

Yes 1
No 2

ASK Q.16 TO ALL SUCCESSFUL/PARTIALLY SUCCESSFUL AT Q.13b

Q.16 Have you availed of all or part of the facility or not availed of the facility? **SINGLE CODE**

Yes, I have availed of all of the facility 1
Yes, I have availed of part of the facility 2
No, I have not availed of the facility ..... 3 **GO TO Q.16a**

ASK Q.16a TO ALL WHO HAVE NOT AVAILED OF FACILITY AT Q16

Q.16a What are the reasons for not availing of the facility to date? **MULTICODE ALLOWED – PROBE FULLY**

Didn't need it 1
Have sufficient internal funds/reserves 2
Waiting for Approval 3
Too much collateral required 4
Disagree with terms & conditions 5
Other Specify_____ 6

ASK ALL

Q.16b Do you expect to seek bank finance for your business in the next 6 months (i.e. from October 2019 to March 2020? **SINGLE CODE**

Yes 1
No ..... 2 **GO TO Q16C**
Don't know (DNRO) 3

ASK Q.16c if NO AT Q.16b

Q.16c Why will you not be seeking bank finance/further bank finance in this period?
MULTICODE ALLOWED – PROBE FULLY

Don't need it 1
Have sufficient internal funds/reserves 2
Prefer not to borrow 3
Existing finance products/restructures are already in place 4
Inability to pay/meet requirements of bank finance 5
Don't trust the banks/believe they are not lending 6
Application process for bank finance is too difficult 7
Can raise finance from other non-bank sources 8
Other Specify_____ 9
No Reason X

ASK ALL

Q.16d Thinking about your bank debt, have any of the following adjustments been put in place in the over the six month period April – September 2019?
READ OUT - MULTI CODE

Arrears Capitalisation 1
Capital Moratorium..... 2
Interest Moratorium 3
Interest Rate Reduction..... 4
Payment Rescheduling 5
Term Extension 6
Other..... 7
I don't have any bank debt..... 8
No adjustments made..... 9

SECTION 3: STATE SUPPORTS & NON-BANK FINANCING

Q.17a Which of the following Government support initiatives are you aware of?
READ OUT - MULTICODE

Supporting SMEs Online Tool 1
Credit Guarantee Scheme..... 2
Microfinance Loan Fund Scheme/Microfinance Ireland..... 3
Enterprise Ireland 4
Local Enterprise Offices (LEOs)..... 5
Strategic Banking Corporation of Ireland (SBCI)… 6
The Credit Review Office (CRO)… 9
Other government support (specify)_____..... 7
None 8

We would now like you to think about the six month period from April -September 2019, again.

Q.17b Did you enquire about any of the following types of non-bank finance?
READ OUT – MULTICODE ONLY SHOW CODE 1-3 IF ANSWERED IN Q17A

Credit Guarantee Scheme 1
Microfinance Loan Fund Scheme/Microfinance Ireland..... 2
Other government financial support (specify)_____..... 3
Venture Capital Finance..... 4
Business Angel or Investor Finance 5
Loans/Equity from Family or friends..... 6
Loans/equity from business partners 7
Crowd funding/Peer-to-Peer lending. 8
Non-bank invoice finance related facilities..... 9
Non-bank asset finance related facilities..... 10
Other non-bank finance (specify)_____..... 11
None **(DNRO)** ..... 12 **GO TO Q.18b**

ASK Q.18/Q18a FOR ALL NON-BANK FINANCE OPTIONS IN Q17b

Q.18 Were you successful, partially successful, or unsuccessful in obtaining finance from _____(FROM Q.17) or is the decision still pending?
SINGLE CODE

Yes 1
No..... 2
Partially 3
Still pending 4

ASK Q.18a FOR ALL NON-BANK FINANCE OPTIONS IN Q17b

Q.18a I'm now going to ask you about your_____**(FROM Q.17b)** request. Which, if any of these, were reasons for making your_____**(FROM Q.17b)** request?
READ OUT - MULTICODE

New business venture/expansion/purchase assets or equipment…..1 Working capital requirements..... 2
Property related loan 3
Need to restructure loan/credit..... 4
Other (specify)_____ 5

ASK Q.18a1 FOR THOSE WHO DID NOT APPLY FOR ANY GOVERNMENT FINANCIAL SUPPORT (NOT CODE 1, 2, 3 IN Q.17b)

Q.18a1 Why did you not apply for Government financial support in the last 6 months?
MULTICODE, PROBE FULLY, DO NOT READ OUT

Don't want to lose control of business..... 1
Costs/Fees are too high..... 2
Terms and conditions too onerous 3
Lack of knowledge..... 4
Used in past but not currently relevant 5

Previously rejected for this type of finance 6
Application process too difficult 7
I don't believe this source is relevant for my business or sector. 8
Don't need this type of financing… 9
Already have this type of financing in place so do not need more 10
Other (specify) 11

ASK ALL

Q.18b Over the six month period from **April – September 2019**, please estimate the proportion of this establishment's working capital that was financed from each of the following sources? (MUST ADD TO 100%)

Percent Sources of Working Capital

a. Internal funds/Retained earnings		**%**
b1. Purchases on credit from suppliers		**%**
b2. Purchases on advances from customers		**%**
c. Borrowed from banks		**%**
d Borrowed from non-bank financial institutions		**%**
e. Owners' contribution		**%**
f. Other (informal lenders, friends, relatives, etc.)		**%**
None of these (DNRO)		

SECTION 4 – BANKING & BANK RELATIONSHIP

We are now going to ask you some more detailed questions about your banking and bank relationship.

Theme 1 –Bank Debt

Q.19a Are you making financial investment in your business at this time?

Yes	1
No	2

Q.19b What is your existing level of bank debt?
Includes overdrafts, term loans, lines of credit, invoice discounting, credit cards, bank leasing. **RECORD VALUE OF DEBT BELOW**.

€							

None 1
Refused/don't know **(DNRO)** 2

Q.20 And is your debt/that zero debt higher, lower, or the same as it was for the same period last year?

Q.21 By approximately what percentage is it higher/lower than it was for the same period last year?

	Q.20	**Q.21** **% Higher/Lower**
Higher	1	☐☐ % NB Can Exceed 100%
Lower	2	☐☐ % NB Can Exceed 100%
The same	3	Don't know/Refused_____1
Don't know/Refused	4	

ASK Q.22-25 OF ALL WITH BANK DEBT AT Q.19b – THOSE WITH NO BANK DEBT GO TO Q.26

Q.22 What is the average cost/interest rate that you pay on this outstanding debt? INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE, IF RATES/COSTS ARE DIFFERENT ACROSS LOAN TYPES, ASK FOR THE AVERAGE ACROSS THE TOTAL.

☐☐ %

Don't know/refused 1
None/No debt 2

Q.23 **What percentage of bank debt do you have as ….** **%**

Overdraft……1 .. ……
Term Loan……2 ……
Invoice Discounting……3 ……
Leasing or Hire Purchase……4 ……
Commercial Mortgage……5 ……
Other (specify)_____6 ……

Q.24 What is the total value of any security/collateral you have provided the bank with, if any? **RECORD VALUE OF COLLATERAL PROVIDED BELOW**

€							

None ..... 1 **GO TO Q.26**
Refused/don't know **(DNRO)** 2

Q.25 What percentage of that security/collateral is …..

TYPE	%
Personal guarantee	
Security for personal guarantee (asset)	
Mortgage	
Floating Charge over the business	
Life Assurance Cover	
Assignment of debtors	
Cash Deposit	
Other	
None	**Go to Q.26**

ASK IF NO BANK DEBT AT Q.19b

Q.26 Why have you no bank debt? READ OUT OPTIONS

Don't need it ..... 1 – **GO TO Q.27**
Couldn't get any from a bank.....2 – **GO TO Q.28**
No point asking, banks aren't lending.....3
Risky Environment/ economic climate too uncertain 4
Too expensive to borrow 5
Historical bad experience..... 6
No relationship / bank in my area.....7
Application process too difficult. 8
Too many terms and conditions.....9
Other, please specify: _____ 10

Q.27 IF Don't Need it (Code 1 in Q26), please ask "why you do you not need bank debt"? PROBE TO APPROPRIATE CODE.

Business had sufficient internal funds.....1
Can Use personal funds when needed.....2
Can Raise finances externally 3
Other specify (.....) 4

Q.28 IF Couldn't Get It (Code 2 in Q26), please ask "Why did the bank refuse you funding?" **PROBE TO APPROPRIATE CODE. SINGLE CODE**

- Ability to Repay (lack of)……..1
- Too risky for bank……2
- No Security……3
- Needed more information ……4
- Other …… 5

ASK ALL

Q.29 Have you had any business debt/loans sold by your bank to hedge or investment funds?

Yes ……1 - ASK. Q.30

No……2 - Go to Q.31

Q.30 If Yes, what value? **RECORD VALUE BELOW**

Theme 2 –Banking Relationship and Access

Q.31 How is your bank meeting your credit needs, on a scale from 1 to 5, where 5 is very well and 1 is very poorly.

Very Poorly				Very Well
1	2	2	4	5

Q.32 Historically How was your bank meeting your needs 5 years ago, on a scale from 1 to 5, where 5 is very well and 1 is very poorly.

Very Poorly				Very Well
1	2	2	4	5

Q.33 How do you normally access bank services? PROBE TO APPROPRIATE CODES. MULTI-CODING POSSIBLE

Phone	**1**	
Online	**2**	
Local Branch	**3**	**ASK Q 34**
Regional business centre	**4**	**ASK Q.34**
Don't access bank services	**5**	
Other	**6**	

Q.34 How far do you normally travel to access bank services

a. Less than 10miles……1

b. 10-20 miles……..2

c. More than 20 mile……..3

ASK ALL

Q.35 Do you have a relationship manager in the bank?

Yes 1
No 2

Q.36 Do you feel the Relationship Manager or Bank Contact you deal with is ….. **READ OUT.**

	Yes	**No**	**Don't know**
Helpful	1	2	3
Competent	1	2	3
Knowledgeable about business and banking	1	2	3

Q.37 How many relationship/account managers have you had within the bank in the last 5 years? **RECORD IN BOX PROVIDED**

Don't know 1

Theme 3 – Recent Credit Applicants

Note –This section ONLY for those who applied for credit in last 6 months –- CODES 1 – 7 AT Q.9

Q.38 How much time did you take to prepare the credit application**. PROBE TO APPROPRIATE CODES.**

Less than 1 hour	**1**
1 – 4 hours	**2**
More than 4 hours	**3**
Don't know/can't remember	**4**

Q.39 What type of information was required to support your application? **PROBE TO APPROPRIATE CODES. MULTI CODING POSSIBLE.**

Business Plan	**1**
Aged Debtor Analysis	**2**
Year End Certified/Audited Financial Accounts	**3**
Management Accounts	**4**
Aged Creditor Analysis	**5**
Cashflow Projections	**6**
Statement of Affairs	**7**
Copy Bank Statements	**8**
Tax Information – Tax Clearance/Tax Status	**9**
3rd Party Valuation	**10**
Other	**11**

Q.40 Were you asked for additional information?

Yes 1
No 2

Q.41 Did you use a paid third party to assist in preparing addition information or in putting the application together?

Yes	1	ASK Q.42
No	2	**Go to Q.43**

Q.42 Approximately what was the value of any third party costs incurred by you in getting additional information or putting application together? **PROBE TO APPROPRIATE CODE.**

€0 - €1k	**1**
€1k - €5k	**2**
More than €5k	**3**

Q.43 How satisfied were you with the credit application process on a scale of 1 to 5, where 5 is very satisfied and 1 is very dissatisfied.

Very dissatisfied	Somewhat dissatisfied	Neither satisfied nor dissatisfied	Somewhat satisfied	Very satisfied
1	2	2	4	5