



An Roinn Airgeadais  
Department of Finance

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# SME Credit Demand Survey – October 2020 - March 2021

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## Final Survey Report



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# 1. Summary of Main Findings

## Overview of Report – Credit Demand (October 2020-March 2021)

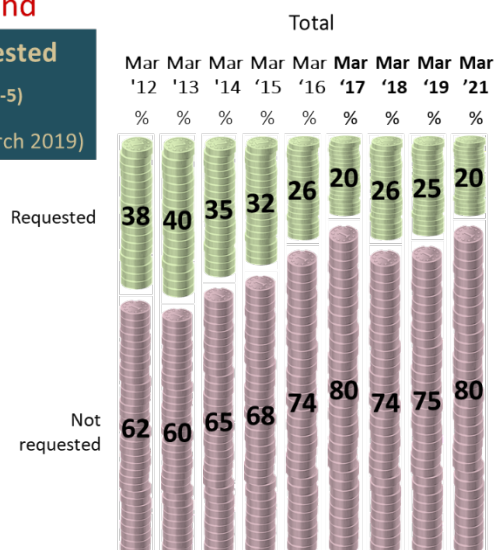
(Base: All SMEs – 1,500)

### Demand

**Requested**

**20% (-5)**

(vs. March 2019)



| Requested By Company Size |         |         |         |         |         |         |         |         |         | Demand           |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------------|
|                           | Mar '12 | Mar '13 | Mar '14 | Mar '15 | Mar '16 | Mar '17 | Mar '18 | Mar '19 | Mar '21 | Mar 21 vs Mar 19 |
| Micro                     | 30      | 36      | 29      | 26      | 23      | 15      | 21      | 22      | 17↓     | -5%              |
| Small                     | 43      | 43      | 40      | 35      | 31      | 22      | 27      | 24      | 22↓     | -2%              |
| Medium                    | 42      | 41      | 37      | 40      | 21      | 25      | 32      | 31      | 20↓     | -11%             |

## Status of Application at Date of Survey

(Base: All SMEs Seeking Finance – 270)

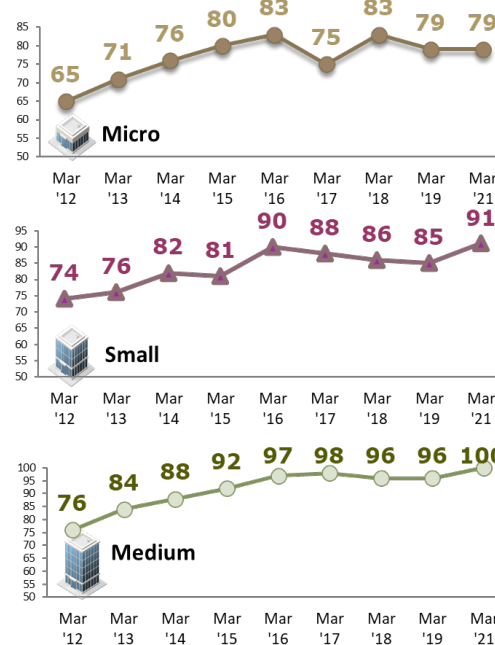
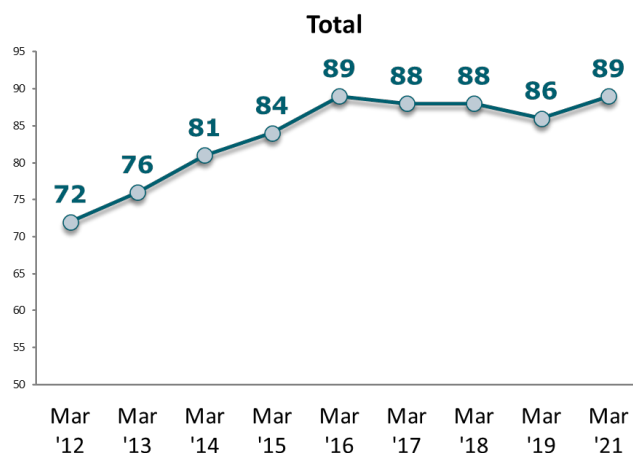
**Approval/**

**Partial**

**89% (+3)**

(March 21

vs. March '19)





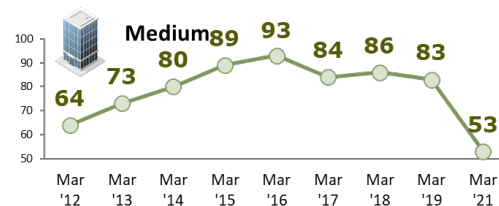
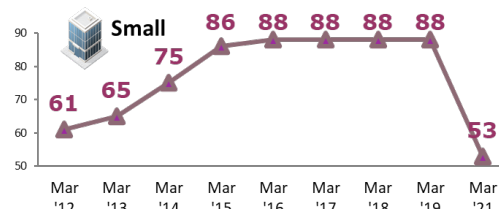
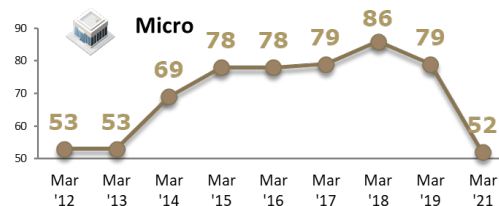
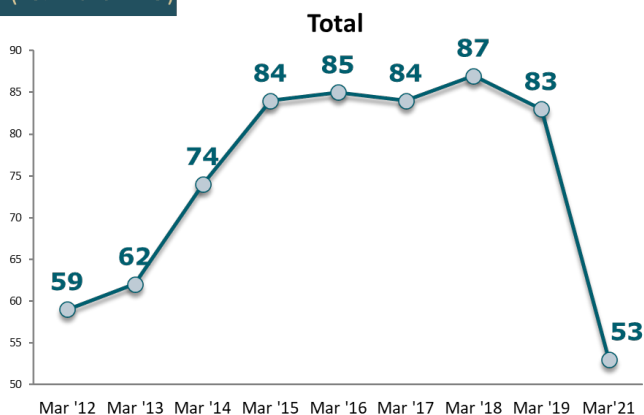
## Trading Performance - Turnover in 2020 compared to 2019

(Base: All SMEs – 1,500)

**Stable/  
Increase**

**53% (-30)**

(vs. March '19)



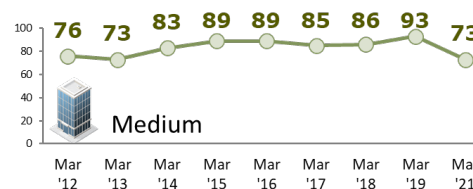
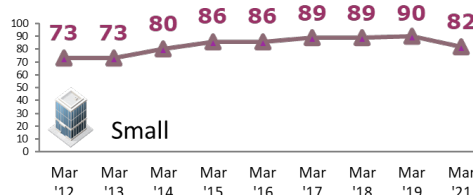
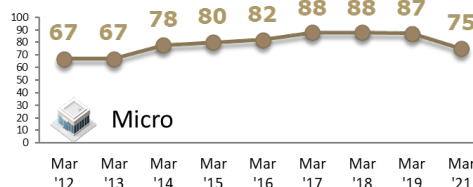
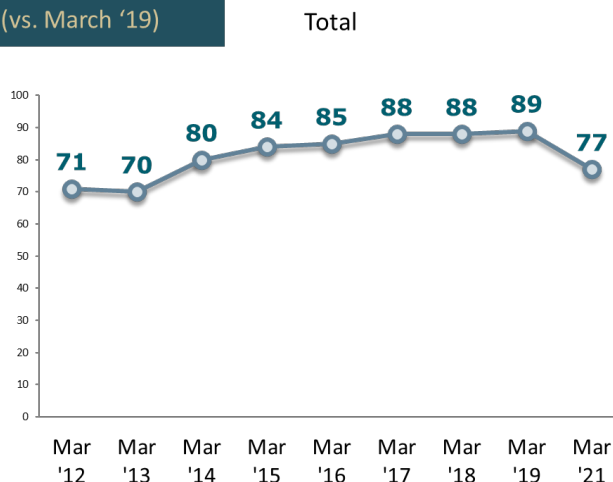
## Profit in the Business (October 2020-March 2021)

(Base: All SMEs – 1,500)

**Made a Profit/  
Broke Even**

**77% (-12)**

(vs. March '19)



## **1. Summary**

The following is the summary of results from the SME Credit Demand Survey. All interviews were conducted between 23<sup>rd</sup> June – 20<sup>th</sup> August, 2021 and covered the period from October 2020 to March 2021. Throughout the report, the most recent wave of findings (referred to as March 2021) is compared with corresponding waves. This ensures that historical comparisons are being made on a like-for-like basis, taking any seasonal issues into account.

Please note that due to Covid 19 restrictions, no interviewing was possible over the same period in 2020 and thus the report for this period was not fielded (i.e. March 2020).

### **1.1 Trading Performance**

The average amount of reported turnover for the year 2020 (€4.09m) was 14% lower than the average amount of reported turnover for 2019 (€4.75m).

30% of all businesses surveyed reported increased turnover for the year 2020 versus 2019, with 47% reporting a decrease. It should be noted, the current survey questioned respondents on changes in turnover for the year 2020 compared to the year 2019. Previous surveys questioned respondents on changes in turnover during the six month period prior to being interviewed, compared to the corresponding period the year before.

The percentage of firms reporting a decrease in turnover was highest in the hotels and restaurants (85%) and construction (58%) sectors.

Compared to March 2019, the March 2021 results at 77% show a 12% decrease in the reported number of companies making a profit, with a net profit versus loss balance of +34% in March 2021, +60% in March 2019, +55% in March 2018, +53% in March 2017, +50% in March 2016, +43% in March 2015 and +33% in March 2014.

### **1.2 Demand for Bank Finance**

Credit demand from banks was lower in March 2021 than March 2019, with 20% having applied for bank finance in the March 2021 period compared to 25% in March 2019. The most pronounced drop was amongst medium sized companies (-11%). Compared to the October 2020 period, Credit Demand has increased from 18% to 20%.

The results also registered a decrease in expected future demand for credit, with 13% of all SMEs expecting to apply for finance in the following six months, down from 17% during the corresponding period in 2019. This decrease in expected future demand was greatest for small companies (12% in March 2021 compared to 17% in March 2019).

The main stated reason for not seeking credit was a simple lack of credit requirements due to sufficient internal funds, a reason cited by 72% of businesses not seeking credit (down from 78% in March 2019).

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

The most significant decrease in credit demand by sector was from Business Services (down eight percentage points) and Wholesale (down seven percentage points). Demand for credit was highest for Construction at 26% (on a par with 27% in March 2019) and Hotels & Restaurants also at 26% (up one percent vs 25% in 2019).

The average reported cost of credit on outstanding loans was 4.90% – an increase from 4.55% in March 2019.

Just 5% of SMEs reported having missed repayments of bank loans in the period, the same rate as recorded in March 2019.

### **1.3 The Application Process**

Of those companies that have requested bank finance, business expansion, working capital and new machinery/equipment were cited as the main reasons for making a finance request.

The average value of credit applied for was €163,550, down from €249,558 in March 2019. Of those applying for bank finance, 27% had to provide some type of collateral, with the main collateral types required being buildings, machinery and equipment, and accounts receivable. The average value of collateral required as a percentage of loan was 45% – rising to 55% for micro sized applicants.

60% of all finance applications were processed within the stipulated 15 working days of receipt of all information from the company, on a par with the 62% reported over the same period in 2019.

The average amount of time from application to decision was 24 working days, compared to 26 working days in March 2019. The proportion of loans that were still pending stood at just 7% (6% in March 2019).

The proportion of credit applications declined stood at 11% in March 2021, down from 14% in March 2019. Decline rates were lowest amongst the Hotels & Restaurants, Manufacturing, and Construction sectors. Highest decline rates were in the Wholesale (19%) and Business Services (16%) sectors.

Those applying for Brexit and Covid related funding needs and/or to restructure debt or to deal with problems with debtors, were more likely to have their request declined.

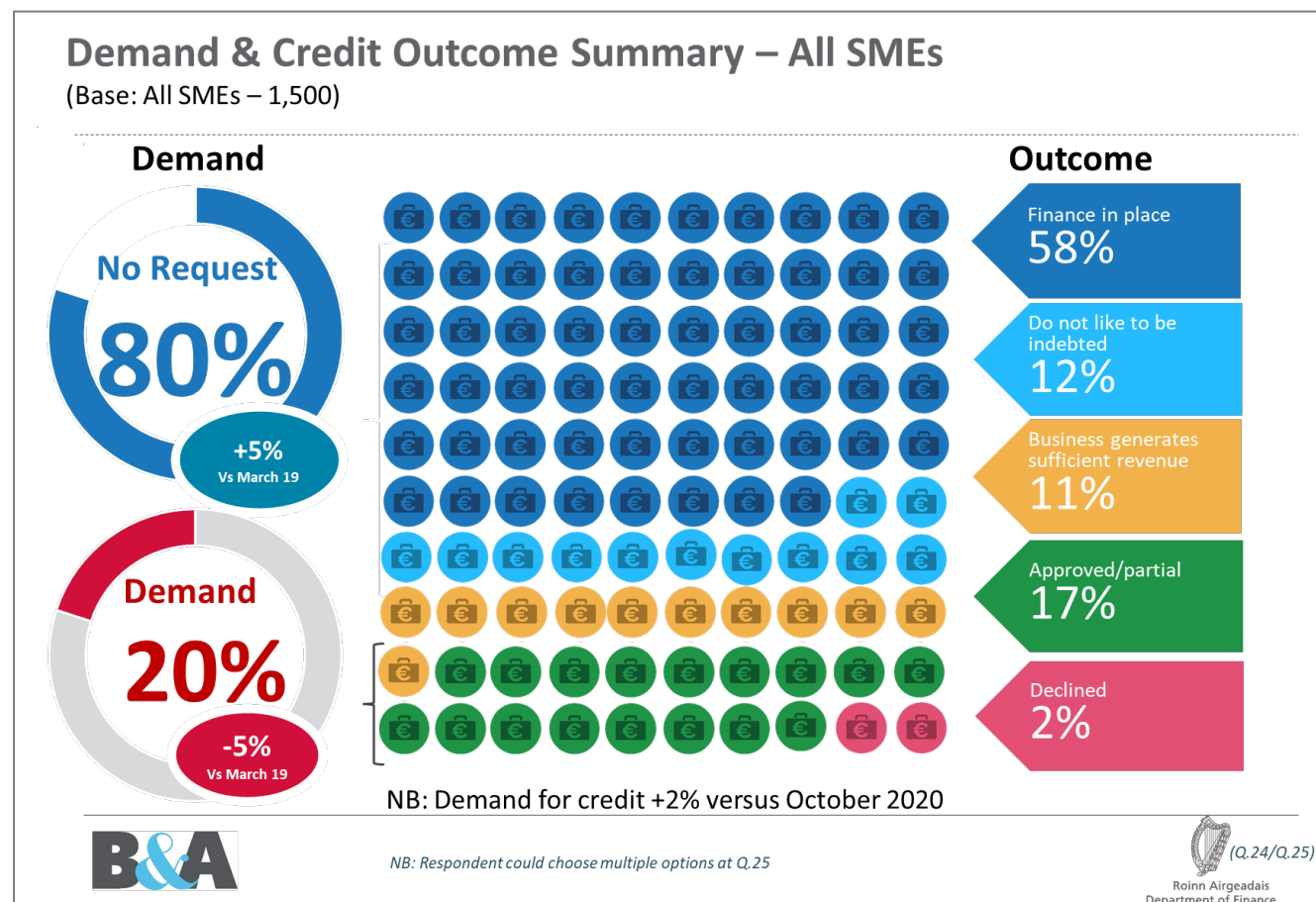
In March 2021, 43% of SMEs that were refused credit reported that they were informed of their right to an internal review. This figure also stood at 43% of all SMEs refused credit in March 2019, although it should be noted that this calculation is based on a very small base size of just 32 respondents. The proportion that were uncertain as to whether or not they were informed increased from 11% in March 2019 to 22% in March 2021.

## 1.4 SME Supports and Initiatives

A large majority of SMEs are aware of Enterprise Ireland (91%), Local Enterprise Offices (86%), and the Credit Guarantee Scheme (68%).

Six in ten SMEs availed of the TWSS since the beginning of the Pandemic – rising to 72% of small businesses and 70% of medium sized enterprises. The average amount availed of via the TWSS scheme was just over €137,000.

21% of SMEs availed of Tax Warehousing (average benefit €314,000), while 11% availed of the CRSS (average value €49,000), and 3% used the Covid Credit Guarantee Scheme (average value €149,000).



## 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 October 2020 to March 2021. This wave of the survey has been conducted by Behaviour & Attitudes Ltd (B&A), the independent market research and polling organisation.

The key parameters of the survey have been kept similar 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 core questions in the questionnaire itself.

All interviews for the study were conducted through Behaviour & Attitudes' Computer Assisted Telephone Unit. In total, 1,500 telephone interviews were conducted with a random sample of Irish based micro, small and medium sized firms. The interviews were conducted between 23<sup>rd</sup> June and 20<sup>th</sup> August, 2021.

### 2.1 Economic Context

The Covid-19 pandemic had a severe impact on the domestic economy last year. While at a headline level, GDP increased by almost 6 per cent in 2020, this is very much a function of the 'dual-nature' of the Irish economy – characterised by highly productive and mainly foreign-owned MNCs on one side and domestic-SMEs on the other – and masks an unprecedented contraction in the domestic economy. Modified Domestic Demand (MDD), which provides the best measure of domestic economic activity, fell by around 5 per cent in 2020. The unemployment rate – including recipients of the Pandemic Unemployment Payment (PUP) – peaked at 30 per cent in April 2020. Ireland saw some of the largest declines in private consumption and construction investment, as a result of the comparatively severe lockdowns throughout the year.

As restrictions were lifted over the summer of 2020, however, the economy began to show signs of recovery. Retail sales, which had collapsed in April, surged in May and recorded one of the largest monthly increases on record in June, and were 11 per cent above the pre-pandemic level in September. The Covid-adjusted unemployment rate began to fall slowly as the economy reopened, reaching 16 per cent in September. This trend slowed down as Christmas approached and some restrictions were imposed again. Modified Domestic Demand shrank by just over 2 per cent on an annual basis in the final quarter while consumption was down almost 9 per cent.

While the reintroduction of restrictions at the end of last year led to a further contraction of the domestic economy in the first quarter of 2021, the decline in activity was not as severe as that seen during the first lockdown last spring. While GDP grew by over just 11 per cent year-on-year in the first quarter this year, this was concentrated in a relatively small number of sectors with limited downstream effects such as in the labour market. However, Modified Domestic Demand fell by just over 5 per cent on an annual basis in the first quarter of 2021. This compares with a fall of around 12 per cent in the second quarter last year. The level of stringency in the first quarter of 2021 was in line with that of the first lockdown last year and among the most stringent across advanced economies. These figures therefore point to a weakening in the relationship between stringency and economic activity, and likely reflect

adaptation by firms and consumers. Consumer spending fell in the first quarter, down 12 per cent year-on-year, while construction declined by around 25 per cent on an annual basis as the sector remained closed for most of the quarter.

As restrictions were lifted in 2021 Q2, the economy began to show signs of recovery. CSO data published on September 2nd shows how the domestic economy recovered strongly. Modified domestic demand grew by almost 8½ per cent on a quarterly basis and surpassed its pre-pandemic level. Consumption by households grew by 12½ per cent in the second quarter while Construction was up 23 per cent quarter on quarter, further evidence of recovery.

Looking forward, the recovery in the domestic economy is expected to continue in the third quarter, although at a more modest pace. Following the sharp rebound in retail sales activity in the second quarter, retail sales volumes decreased by 1.7 per cent in July compared to June, while a range of ultra-high frequency indicators (e.g. payments data) showed positive but easing rates of growth in spending in August. Meanwhile in the labour market, the numbers of recipients on the PUP has fallen by 70 per cent from the peak of around 485,000 in early February, with large declines seen throughout June and July, though this moderated sharply in August.

The economy currently faces a number of risk which are broadly balanced. Firstly, an unwinding of the unprecedented level of savings built up by households since the beginning of the pandemic could stimulate consumer spending and support the economic recovery. The emergence of new variants resistant to current vaccines however could lead to further infection waves and a re-introduction of lockdown restrictions. Greater than anticipated inflationary pressures also pose a risk to the outlook. A sustained increase in inflation could trigger interest rate increases, which would have significant implications for the cost of Government borrowing.

The latest report published by the Credit Reviewer, the 21<sup>st</sup> Report, covers the period 2019 and 2020.

In this report the Credit Reviewer acknowledged the challenging period banks have faced as they have looked to cut costs and increase efficiency and productivity but feels that this has led to a deterioration in the quality of relationships with some of their customers, which has been seen in his reviews. The announced exit of Banks from the Irish market will further constrain the SME Credit market supply side and that remaining Banks have little appetite for giving 'second chances' to those who have failed or required financial restructuring in the past.

The Credit Reviewer noted that due to significant Government supports and the resiliency that both SMEs and the banks have built over recent years that the outcome of the challenging Covid-19 period is more optimistic than the aftermath of the Financial Crisis. While the survival of SMEs will not be universal or binary, firms can be remediated with the coordinated efforts of the Business, the Banks, and the State.

## 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 restructuring 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) was set up in September 2014 to ensure that SMEs in Ireland have access to stable, lower-cost, long-term funding options.

To end February 2021 the SBCI has provided €2,323m in low-cost, flexible funding and 35,354 individual facilities to Irish SMEs and farmers. In addition and to that date, under the Government's €2bn Covid-19 Credit Guarantee Scheme €264m had been provided to 4,032 SMEs.

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.

During 2020 and to date in 2021 the SBCI has focused on expanding its risk sharing activities to quickly address the challenges presented by the Covid-19 pandemic and by further developing its non-bank partner liquidity operations. The Covid-19 Working Capital Loan Scheme was launched in March 2020 and the expansion of the long-term Future Growth Loan Scheme by an additional €500m was announced in July 2020. These schemes were followed in September 2020 with the launch of the Government's €2bn Covid-19 Credit Guarantee Scheme. The new Brexit Impact Loan Scheme, with up to €330m of credit available, will launch in September 2021.

SBCI supported sanctioned lending for 2020, across all its product lines, totalling €835.7m with 7,639 loans to SMEs and an average loan size of €109,438.

The SBCI currently has five bank (AIB; Bank of Ireland; Ulster Bank; Permanent TSB; KBC) and six non-bank (Finance Ireland Limited; Fexco Asset Finance; Bibby Financial Services Ireland; Capital Flow; SME Financing and Leasing Solutions DAC and Close Brothers Commercial Finance) on-lending partners. SBCI has also started partnerships with Credit Unions through the Metamo Group of Credit Unions, Irish League of Credit Unions (ILCU) and the Credit Union Development Association (CUDA). More will join as suitable products materialise.

The SBCI is constantly 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.



### 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 following ISIF commitments have been made to date:

| Year | Description                             | Original Commitment<br>€m | 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 €5m and €45m 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 X              | 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 €250m 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 I                            | 15 | Successor vehicle to BMS Finance Ireland. Fund lends to high growth potential Irish SMEs.  |
| 2019 | MML Growth Capital Partners Ireland Fund II L.P. | 20 | Growth capital private equity fund focused solely on supporting indigenous SMEs on the island of Ireland to grow domestically and internationally.                   |
| 2019 | Beechbrook Capital                               | 20 | Credit Fund focussed on providing loans to regionally based SMEs.  |
| 2020 | Insight Partners XI                              | 9  | Specialist private equity firm that invests in growth-stage technology, software and internet businesses.  |
| 2020 | Development Capital Fund II                      | 20 | Private equity firm that provides development and growth capital to Irish SMEs which have significant growth opportunities, primarily in export markets.             |
| 2020 | Motive Capital Fund I                            | 27 | Specialist financial technology focused private equity fund providing growth equity to FinTech businesses.   |

|      |                             |    |   |
|------|-----------------------------|----|---|
| 2020 | Melior Equity Partners II   | 26 | Private equity firm focused on investing in high potential Irish businesses.                |
| 2020 | Renatus Capital Partners II | 7  | Private equity firm that provides growth funding to ambitious Irish SMEs.                   |
| 2020 | Finance Ireland - Follow On | 17 | Follow on investment in non-bank lender supporting its SME and Agri Leasing business.       |
| 2021 | Beach Point Capital II      | 25 | Successor vehicle to Beach Point Capital I. Fund lends to high growth potential Irish SMEs. |
| 2021 | Dunport Fund                | 50 | Credit fund targeting loans to pandemic impacted SMEs.                                      |

### Enterprise Ireland Seed & Venture Capital Scheme

The Seed & Venture Capital Scheme (2019-24), operated by Enterprise Ireland, aims to foster a strong pipeline of high growth, innovative businesses in the Irish economy by increasing the availability of appropriate sources of risk capital for start-up/early-stage businesses with high growth potential at each stage of their development and by signalling strong Government support for an innovative enterprise culture

Under the most recent Seed and Venture Capital Scheme (2019–2024) a fund of €175m was announced. This fund was further increased to €185m following the 2020 July Stimulus package by the Minister of Finance.

Two calls for expressions of interest have taken place with four funds established to date. This has leveraged additional capital to a total combined fund size of over €340m, with Enterprise Ireland committing over €60m in total to these funds

A third call for expression was announced in March 2021 targeting the Pre-Seed, Seed & Series A/A+ stages, in EI target sectors including ICT, Lifesciences and Industrial. Up to €82m may be committed as part of this call, with a maximum of €20m to any individual Fund.

### **Microfinance Loan Fund**

The Microenterprise Loan Fund was established in 2012 to make loans available to viable micro-enterprises with commercially viable proposals in order to sustain and create jobs. Microfinance Ireland (MFI) was set up to administer the Fund on behalf of the Minister for Business, Enterprise and Innovation.

Businesses can apply for an unsecured loan of between €2,000 and €25,000 for working capital, equipment, start-up costs, or marketing purposes. The loan term is typically 3 years for working capital purposes and can be extended to 5 years for capital expenditures. Interest rates range from between 7.8% for direct applications to 6.8% for Local Enterprise Office clients.

In response to the onset of the Covid-19 pandemic, MFI introduced its Covid-19 Business Loan in March 2020 to assist those microenterprises where business has been negatively impacted, resulting in a reduction of 15% or more in turnover or profit. These loans are available interest free for the first 6 months and with reduced interest rates of between 4.5% and 5.5% for the remainder of the loan. Loans taken from September 2020 can also avail of a government rebate for interest paid in months 7 to 12. Loans were initially available up to €50,000, this limit was reduced in September to a maximum limit of €25,000 in line with its standard business loans.

From the 1st Oct 2012 to 30th June 2021, the Fund approved loans to 3,964 micro-enterprises for a total value of €66.7 million, of which €27.4 million was approved in 2020 alone. These funds supported 9,518 jobs.

### **Credit Guarantee Scheme**

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. 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.

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

The Covid-19 Credit Guarantee Scheme was launched in September 2020. The Scheme provides an 80% State guarantee on lending for terms between 3 months and five and a half years and offers a range of lending products between €10,000 and €1 million including working capital and term loan facilities. Loans up to €250,000 are unsecured. The Scheme is available to SMEs, small Mid-Caps and primary producers. As a result of the high level of the State guarantee, loans are being provided at interest rates lower than the current market rate for similar loans. The long-term policy goal of diversification in participating finance providers has also been achieved with 3 banks, 6 non-banks and 19 Credit Unions all lending under the Scheme. The Scheme was developed in accordance with the European Commission's Temporary Framework and will be available until 31st December 2021 in line with the Framework. Borrowers pay a small premium as required by the Framework.

The Credit Guarantee Scheme became operational in October 2012 and from Q3 of 2018 up until September 2020, 191 loans were drawn totalling €40.5 million. The scheme has helped to support 7,352 jobs.

Since the launch of the Covid-19 Credit Guarantee Scheme in September 2020, there has been 6,516 loans drawn for the value of €424 million up until the 26th of August 2021. The Scheme has helped to support 42,777 jobs.

### **Brexit Loan Scheme/COVID-19 Working Capital Scheme**

The Brexit Loan Scheme launched in 2018 and makes lending available to Brexit-exposed 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 €1.5m, with unsecured loans of up to €500,000 and terms ranging from 1-3 years. As at 30 August 2021, there have been 1,285 applications for eligibility under the scheme, of which 1,093 have been deemed eligible, and 292 businesses have progressed to sanction at finance provider level to a total value of €57.35 million.

In March of 2020, in response to the onset of COVID-19 in Ireland, a proportion of the funding made available under the Brexit Loan Scheme was repurposed for use by eligible businesses impacted by the pandemic. Under the COVID-19 Working Capital Scheme loan features are similar to those of the Brexit Loan Scheme. As at 30 August 2021, there have been 4,617 applications for eligibility under the scheme, of which 4,117 have been deemed eligible, and 978 businesses have progressed to sanction to a total value of €127.95m.

### **Future Growth Loan Scheme**

Launched in 2019, the Future Growth Loan Scheme initially made up to €300m in lending available for terms of 7-10 years as a means of addressing a lack of availability of long-term loans in the marketplace. In response to COVID-19, the scheme was expanded by €500m in July of 2020.

Loans under the scheme range from €25,000 to €3m, with loans of up to €500,000 available unsecured. 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. These rates represent a significant saving compared typical SME lending in the

market. The Scheme is available to business with up to 499 employees and operators in the primary agriculture and seafood sectors.

As at 30 August, there have been 9,000 applications for eligibility under the scheme, of which 8,503 have been approved, and 3,447 loans have progressed to sanction to a total value of €728.4m.

### **Brexit Impact Loan Scheme**

Work is also under way on the development of a Brexit Impact Loan Scheme, which will provide affordable financing to businesses that have been impacted by the UK's withdrawal from the EU and in light of the dual disruption of the COVID-19 pandemic. This scheme will open to SMEs and small mid-caps, including those in the primary agriculture and seafood sectors. The scheme will be delivered by the SBCI through commercial lenders and will make a fund of up to €330 million available to eligible businesses with up to 499 employees.

Loans under the scheme will range from €25,000 to €1.5m, with loans of up to €500,000 being made available unsecured. These loans may be used for liquidity or investment purposes. These loans are for terms of up to six years.

The Brexit Impact Loan Scheme is expected to launch in September of 2021.

## **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, both of which are risky"*.

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 on-going 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;
- why SMEs did not seek credit;
- the reasons given for refusal of credit;
- SMEs' 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    |
|---------------|------------------|--------------|------------------------|
| <b>Micro</b>  | 1-9              | <=2million   | <b>&lt;=2million</b>   |
| <b>Small</b>  | 10-49            | <=10 million | <b>&lt;=10 million</b> |
| <b>Medium</b> | 50-250           | <=50 million | <b>&lt;=43 million</b> |

*\*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
- 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 subsectors included in our analysis on the basis of NACE codes are shown below:

| <b>NACE Categories</b>                      |
|---|
| 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 (including 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
- Education – 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 October 2020 to March 2021. Seasonality may have an impact on the results of the study.



### **3. Methodology**

This survey represents a Behaviour & Attitudes 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 115,000 SME records.

The starting sample of 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 SMEs and a proportional representation of the 16 key business sectors set out in Section 2.4 above.

In total, 18,118 companies were called, and contact was made with 16,643 companies. Of these 16,643 contacted, 1,500 interviews were completed, with some companies either falling outside of the quotas classifying SMEs, or others refusing to take part or to complete within the time frame set out for interview.

This is up very significantly from the 12,308 companies called in 2019, when contact was made with 11,300 and 1,501 interviews were completed.

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). Note due to the reticence of many medium sized enterprises in particular to participate in Covid-era research, the percentage of all completed interviews accounted for by this grouping was 6%, with the sub-sample statistically up-weighted to its more representative 23% at analysis stage (see Section 4.1).

#### **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 1,500 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 have a possible sample error of between  $\pm 10\%$  (medium companies) to  $\pm 3.4\%$  (micro companies).

### **3.3 Collection of Data**

Telephone interviews were conducted with 1,500 Irish micro, small and medium sized firms, based on a questionnaire finalised between the Department of Finance and B&A.

In addition to the core credit demand tracking questions, a range of questions was included to cover Covid-specific supports availed of. The format of questioning designed to measure turnover patterns differed from that used in previous years, and this is also noted in the main body of the report.

All interviews were conducted between 23<sup>rd</sup> June – 20<sup>th</sup> August, 2021 and covered the period from October 2020 to March 2021. Over the course of the study, 1,500 SME interviews were conducted. The typical telephone interview lasted between 17 and 27 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 4-10.

### **3.4 Comparative Results**

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

Some 1,500 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 this report should be read on that basis.

It should be noted that, while 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 a whole as possible, it is possible that certain sub-groups are under-represented. It should be noted that the following sub-populations, for example, are relatively small for robust analysis:
  - a) the study included a sample of companies which employed one person (i.e. were self-employed);
  - b) the study included a number of companies who 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 the 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 a respondent's 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 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 who had primary responsibility for financial matters in their business.

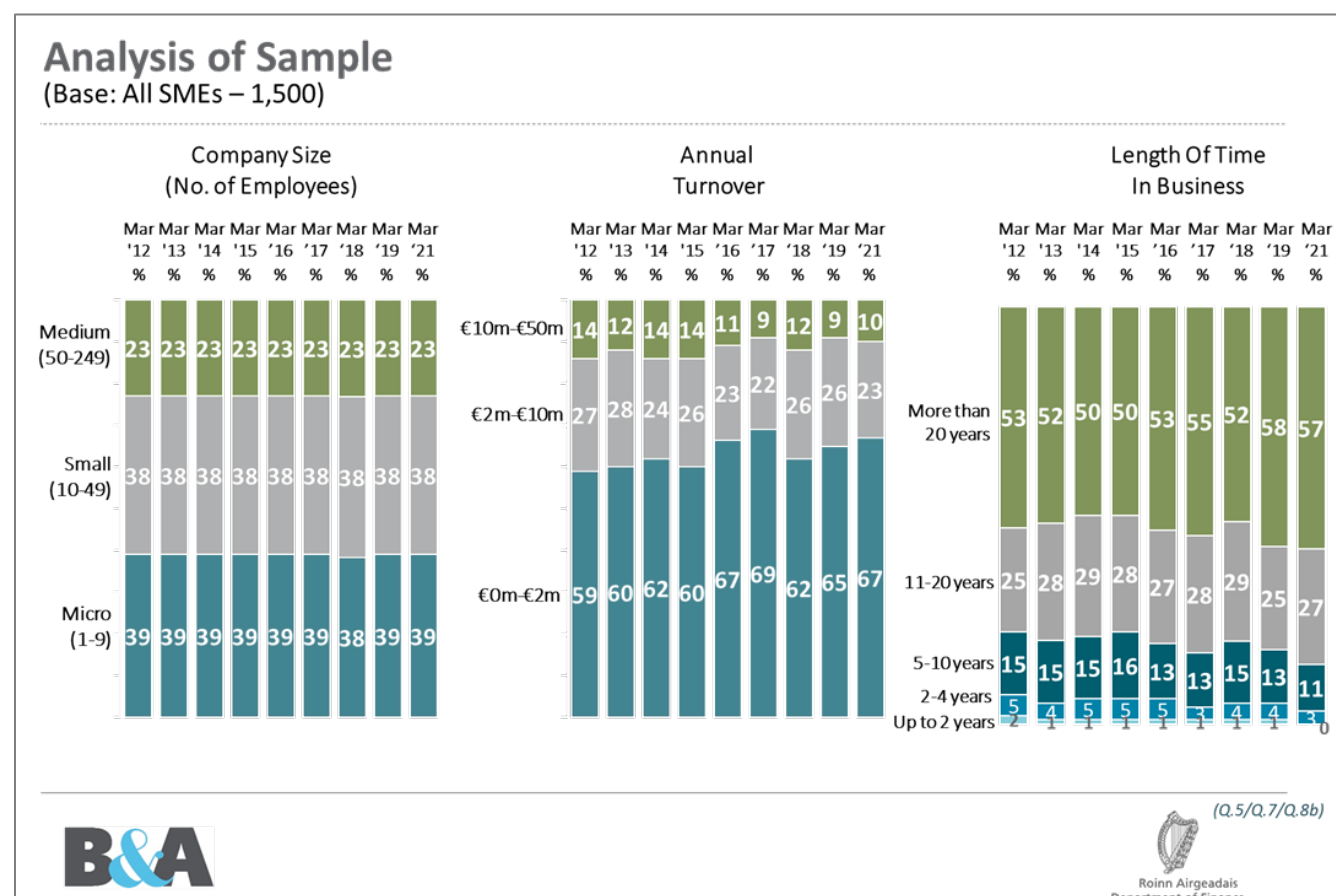
The Department of Finance had no specific interest in the individual financial affairs of any of the SMEs that participated in this study. Rather, the key objective was to better inform Government of the volume, nature and demand for credit in this key sector of the Irish economy.

We would like to express our sincere thanks to all those SMEs who have participated in this study.

## 4. Profile of Respondents

### 4.1 Company Size, Turnover & Length of Time in Business

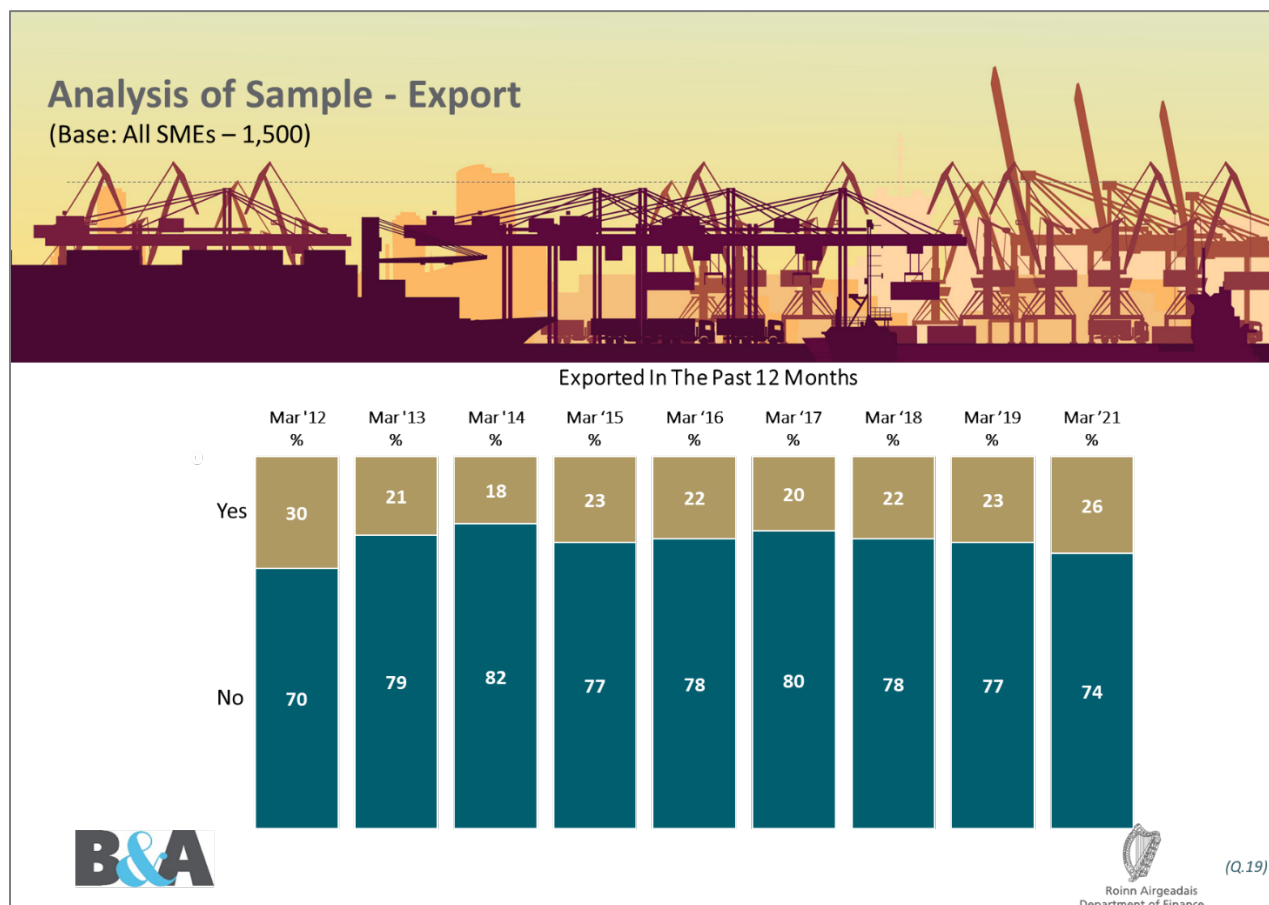
To be able to compare the results from the Credit Demand Survey wave-by-wave, it is important that the samples achieved are similar on key business demographics. This was achieved through strict quota control on company size and sector, and subsequent statistical weighting of the dataset in line with these quotas.



The above confirms the similarity of the weighted samples, with identical distribution on company size and very similar distribution on turnover and length of time in business.

## 4.2 Exporting Companies

The percentage of companies exporting has increased from 23% in March 2019 to 26% in March 2021. Since March 2012, survey results for the percentage of SMEs exporting have also varied from 30% (March 2012) to 18% (March 2014). In this regard, it is worth noting that the export question was changed slightly for the March 2013 wave, and again for the March 2015 wave, which might impact comparability for this question slightly over the years.

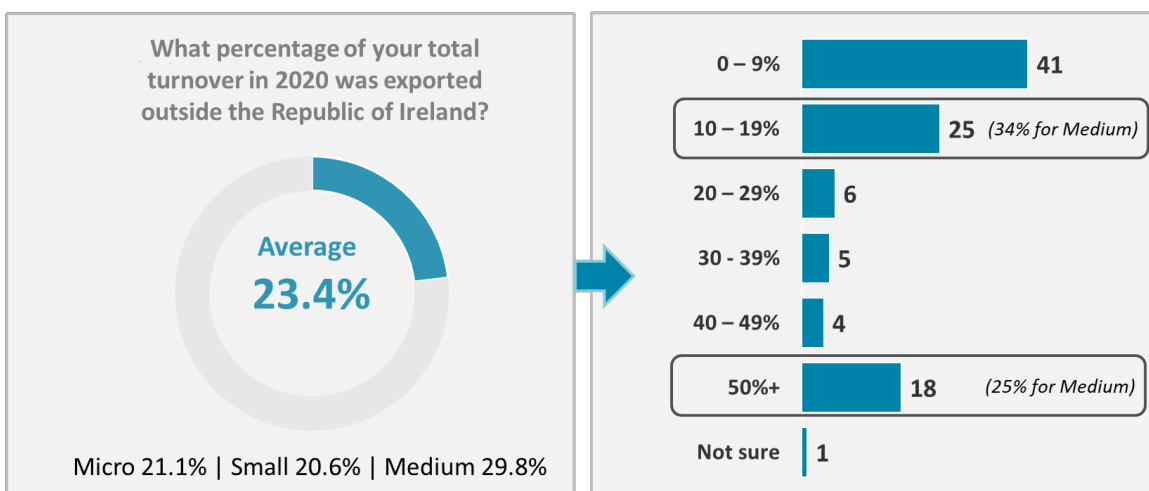


NB: The graphic above illustrates the average proportion of all exporting companies that export anything to areas outside of The Republic of Ireland, and does not reflect the relative scale of different firms' exporting activity.

Approximately 23% of the turnover of exporting companies was exported outside the Republic of Ireland.

## Percentage of Total Turnover in 2020 exported outside Republic of Ireland

(Base: All SMEs who export – 311)



## 5. Trading Performance

### 5.1 Turnover Trends

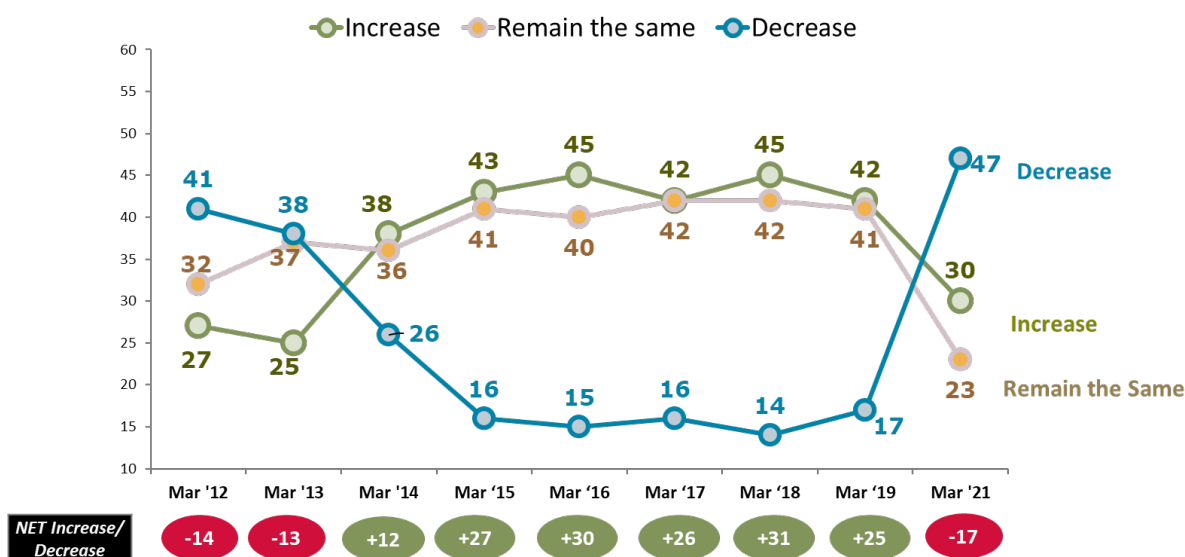
Reported trading conditions for SMEs for 2020 were difficult, compared to 2019. Just 30% of SMEs claiming increased turnover between the year 2019 and 2020. Some 23% reported that turnover was unchanged year-on-year, while 47% reported that turnover had decreased over the period.

Note, the current survey questioned respondents on changes in turnover for the year 2020 compared to the year 2019.

Previous surveys questioned respondents on changes in turnover during the six month period prior to being interviewed, compared to the corresponding period the year before. Nevertheless, it is clear that the Pandemic had a profound effect on business levels during 2020 versus the year before.

#### Turnover of the Business 2020 vs 2019

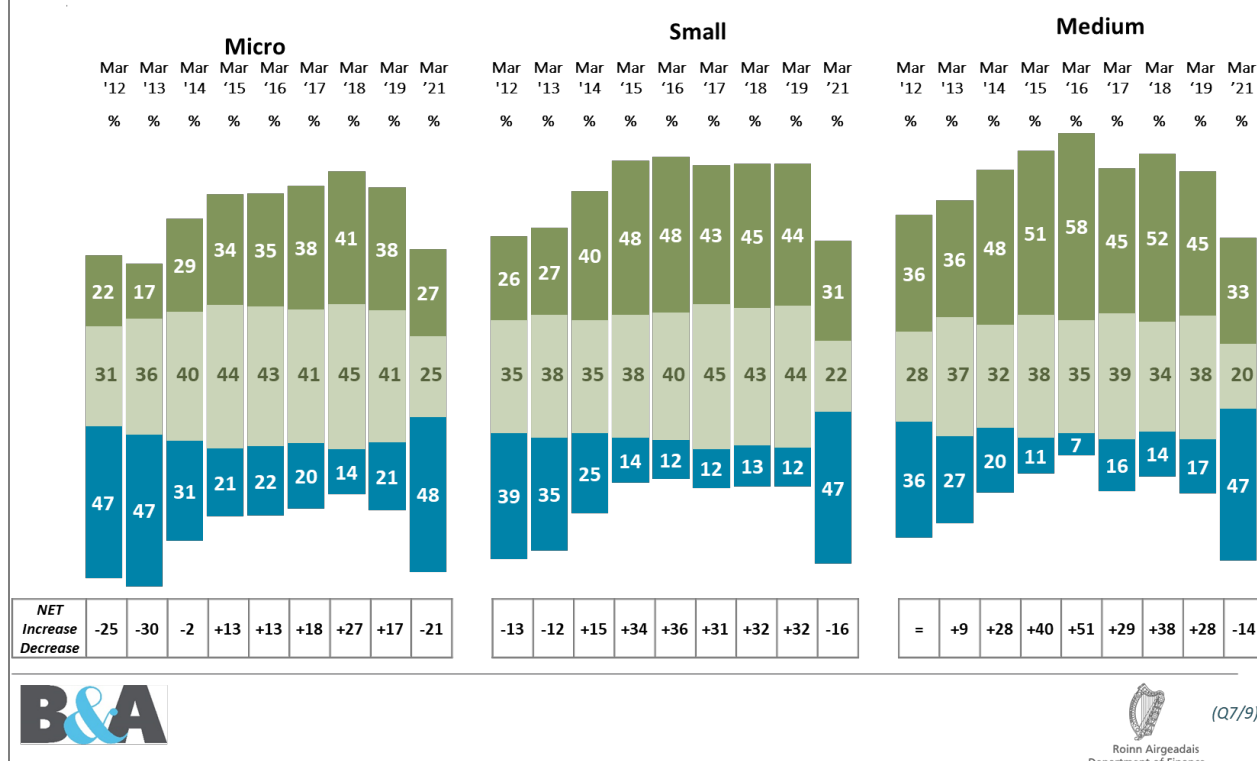
(Base: All SMEs – 1,500)



Trading conditions were broadly similar when looking at different company sizes. Micro companies reported the least favourable trading conditions, with only 27% of them experiencing increased turnover, compared to 31% for small companies, and 33% for medium sized enterprises.

## Turnover of the Business 2020 vs 2019 – By Company Size

(Base: All SMEs – 1,500)

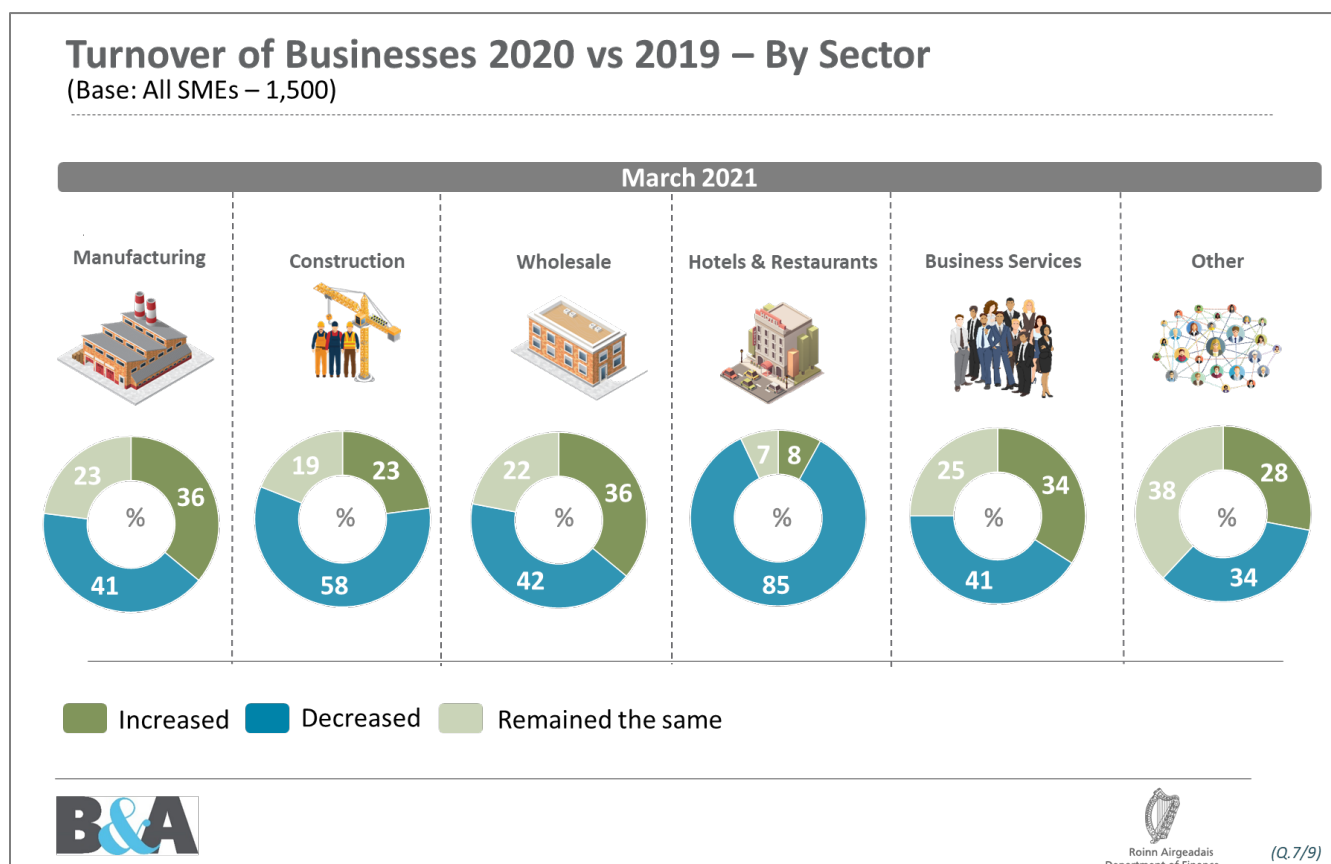


At an overall level, turnover patterns for 2020 had regressed to 2012/2013 levels.



## 5.2 Turnover by Sector

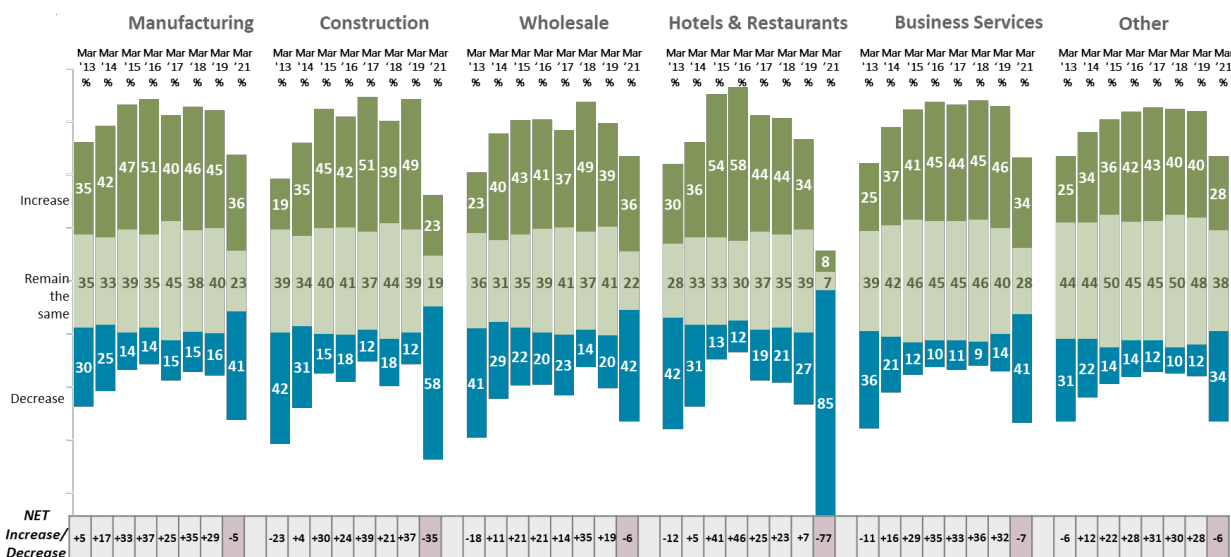
Hotels and Restaurants, and Construction, reported the highest levels of turnover decrease, with no sectors improving their overall turnover position year-on-year.



In keeping with overall turnover levels, the Hotels & Restaurants and Construction sectors were impacted most negatively compared to previous years.

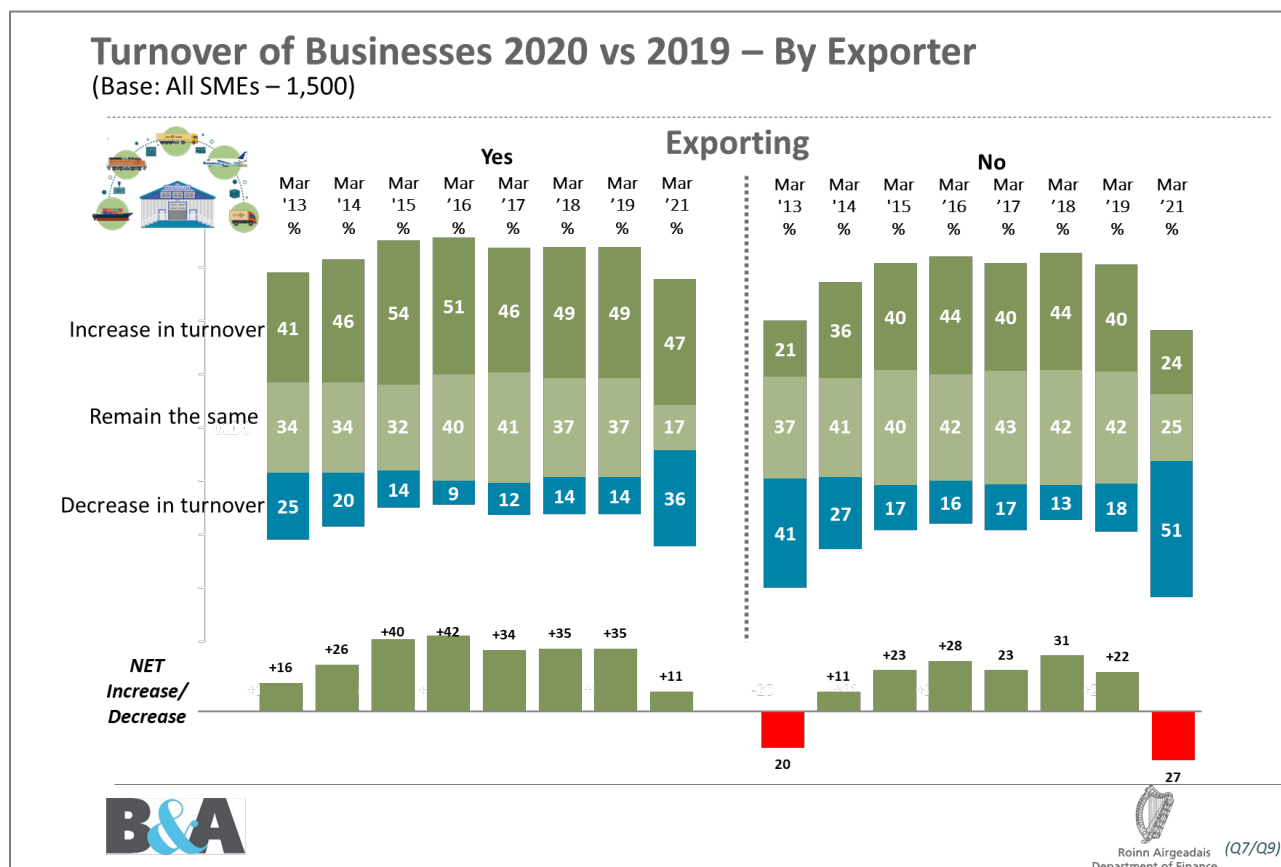
## Turnover of Businesses 2020 vs 2019 – By Sector Comparison

(Base: All SMEs – 1,500)



### 5.3 Turnover for Exporting Companies

The net performance of non-exporting companies in 2020 was significantly worse than it was for exporting companies. 51% of SMEs not exporting experienced a decline in revenue in 2020, compared to 36% for exporting companies.



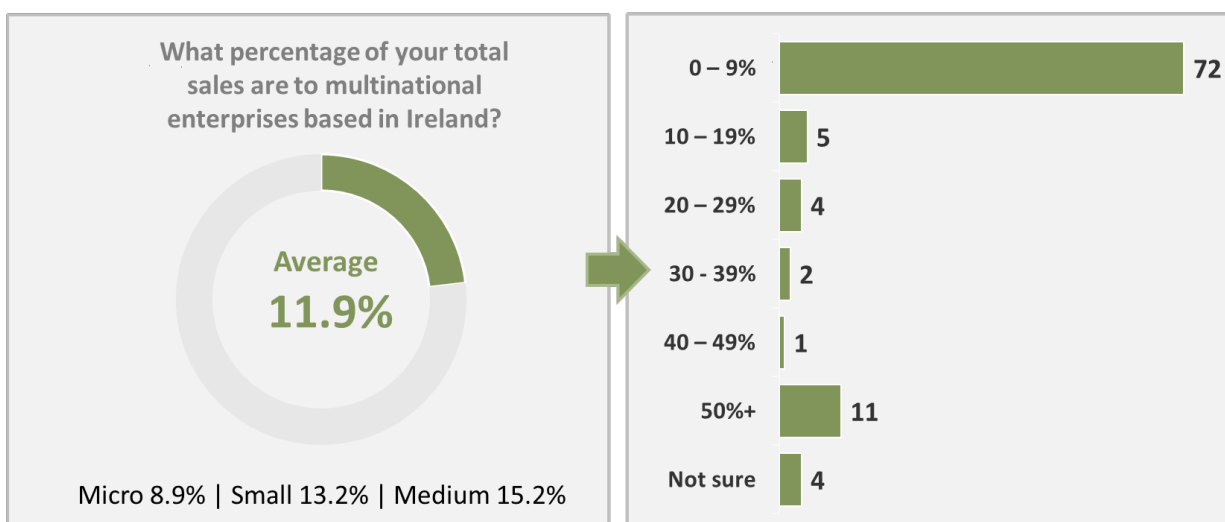
In fact, exporting companies registered a net increase of +11% in turnover between 2019 and 2020.

## 5.4 Percentage of Sales & Purchases to/from Multinationals

Just under 12% of SME sales are to multinational enterprises based in Ireland, a proportion which increases to 13.2% for small companies and 15.2% for medium companies.

### % of Sales to Multinational Enterprises based in Ireland – All SMEs

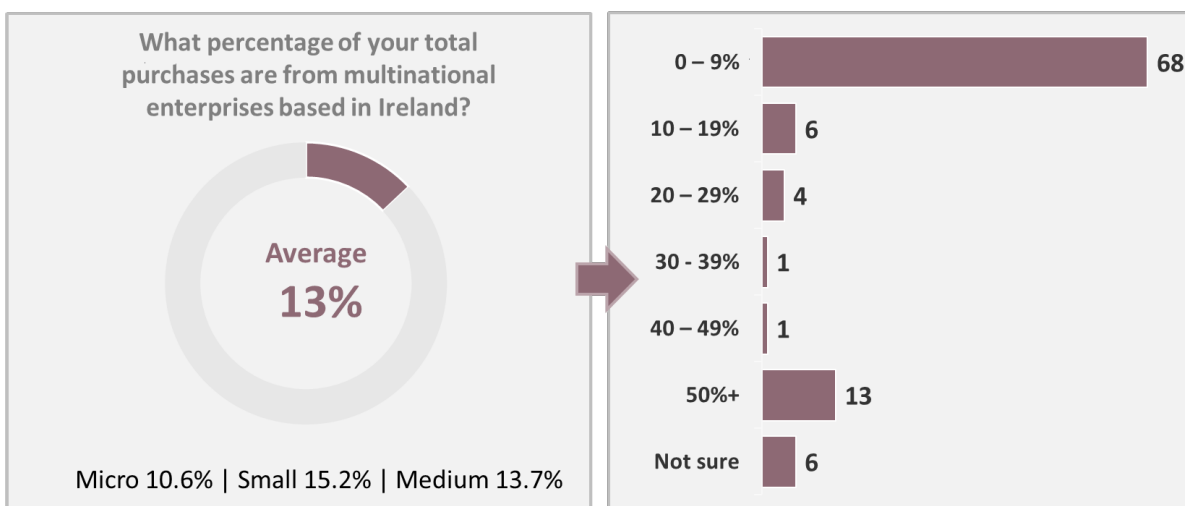
(Base: All SMEs – 1,500)



13% of all SME Purchases are from Irish-based multinationals, a proportion which peaks amongst small companies at 15.2%.

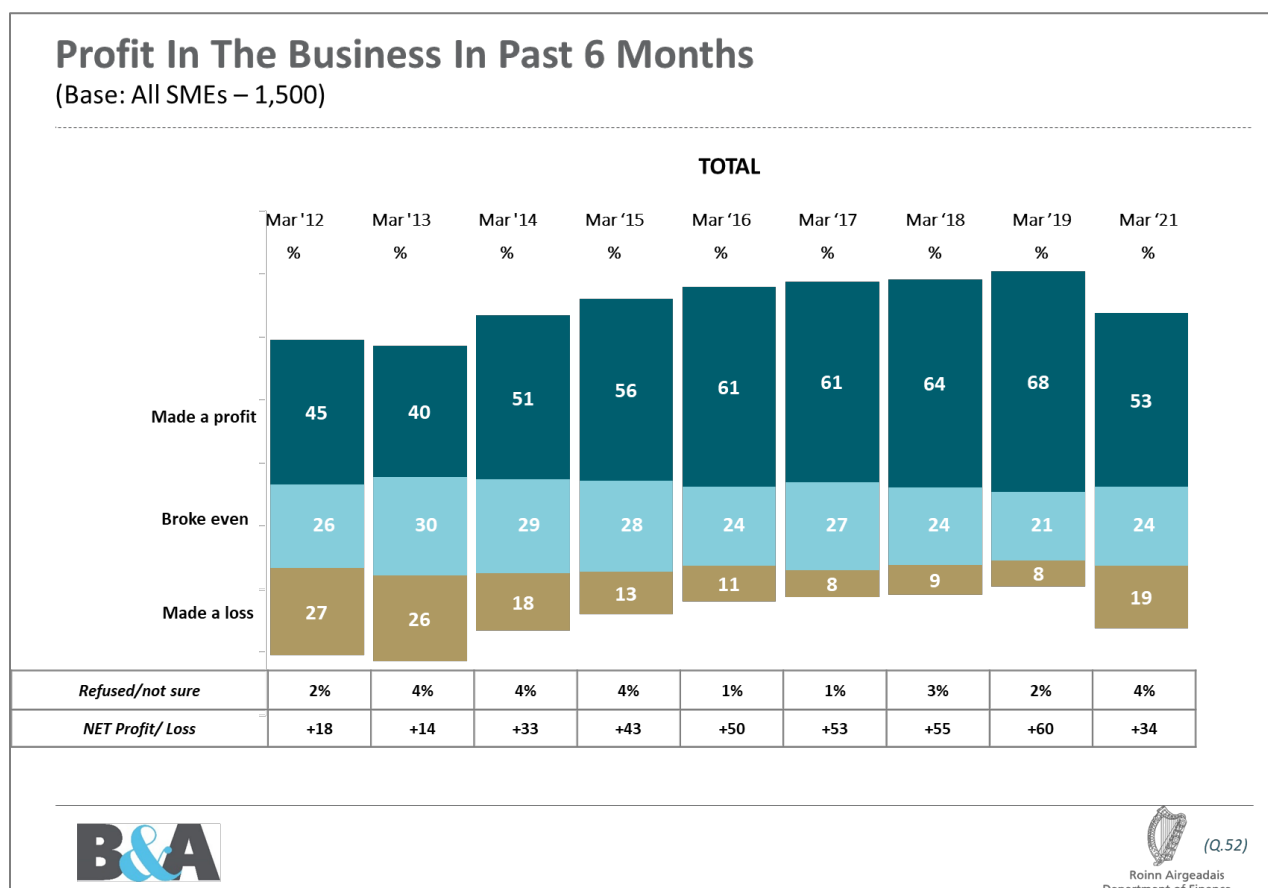
## % of Total Purchases from Multinational Enterprises based in Ireland – All SMEs

(Base: All SMEs – 1,500)

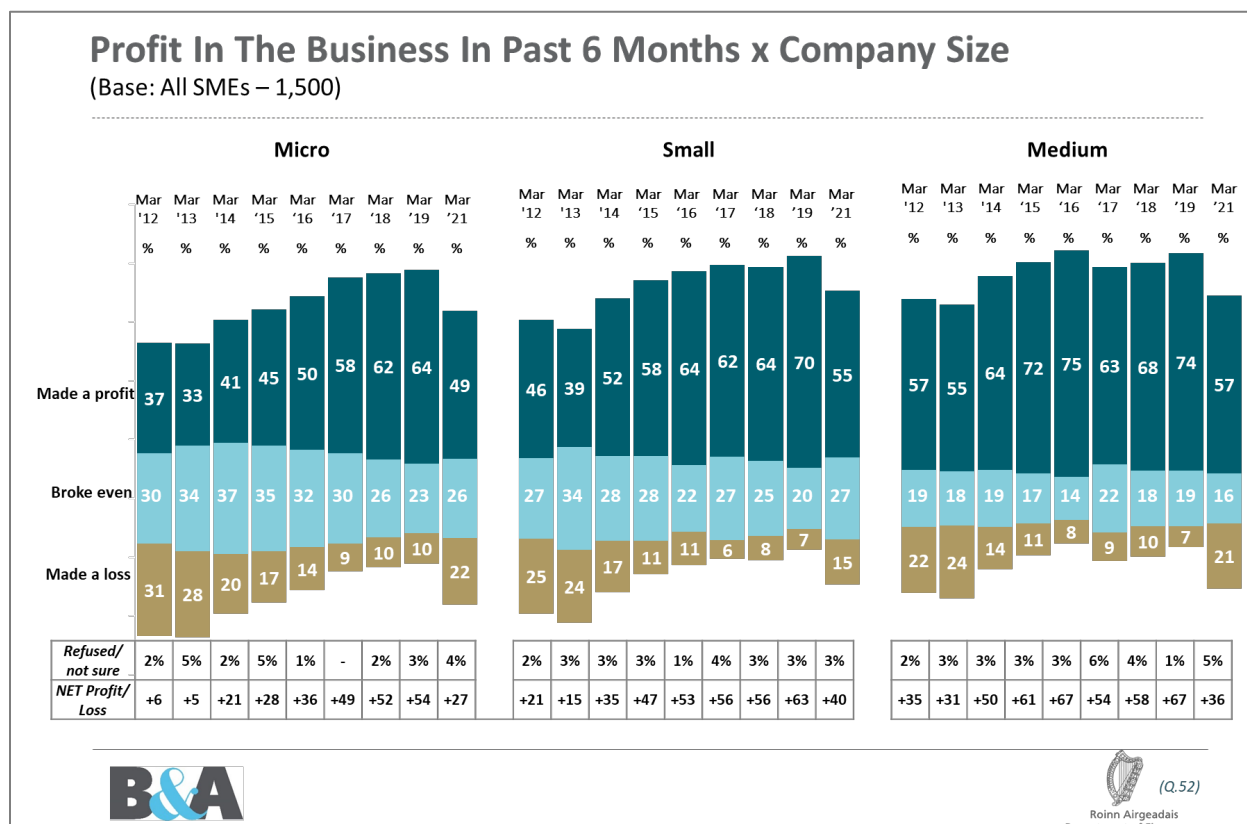


## 5.5 Profit Trends

As might be expected, results show a decline in the net profit/loss for businesses reported in March 2021 compared to those reported in March 2019. Some 53% of all SMEs reported a profit in March 2021 (compared to 68% in March 2019). 19% reported a loss, with 24% breaking even.



Compared to March 2019, results also show the most significant decrease in profitability emanating from medium companies.



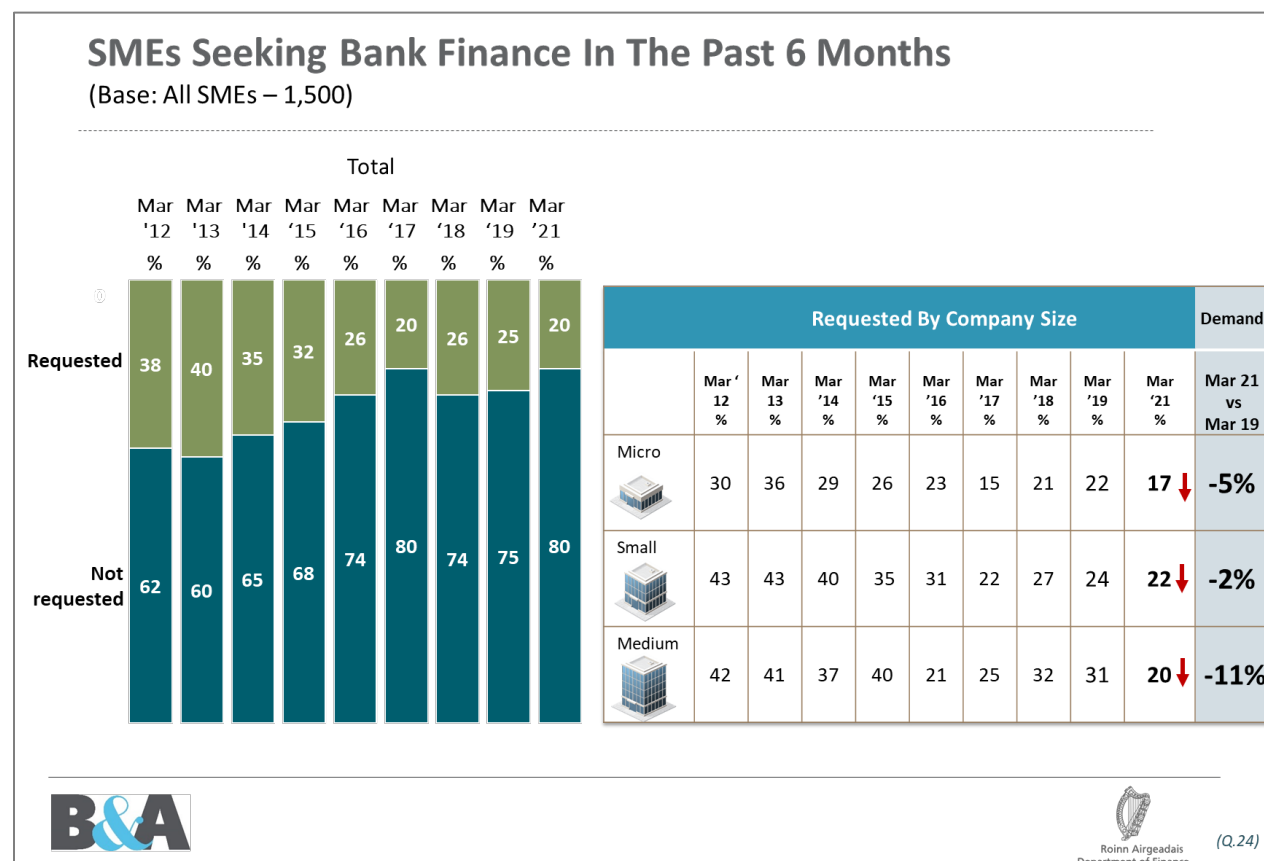
As has always been the case in the credit demand series, a strong relationship exists between turnover and profit performance, with companies having increased turnover being much more likely to report profit than companies with declining turnover, which were more likely to report a loss.

| Turnover – Last Six Months | Turnover Increased | Turnover Remained the Same | Turnover Decreased |
|----------------------------|--------------------|----------------------------|--------------------|
|                            | %                  | %                          | %                  |
| Made a profit              | 74                 | 56                         | 39                 |
| Broke even                 | 18                 | 30                         | 25                 |
| Made a loss                | 6                  | 10                         | 33                 |
| Refused                    | 0                  | 1                          | 1                  |
| Don't know                 | 2                  | 3                          | 2                  |

## 6.0 Demand for Bank Finance

### 6.1 Current Demand for Credit

Credit demand for March 2021 declined from March 2019. About 20% of firms applied for bank finance in the six month period up to March 2021, compared to 25% in the period up to March 2019.

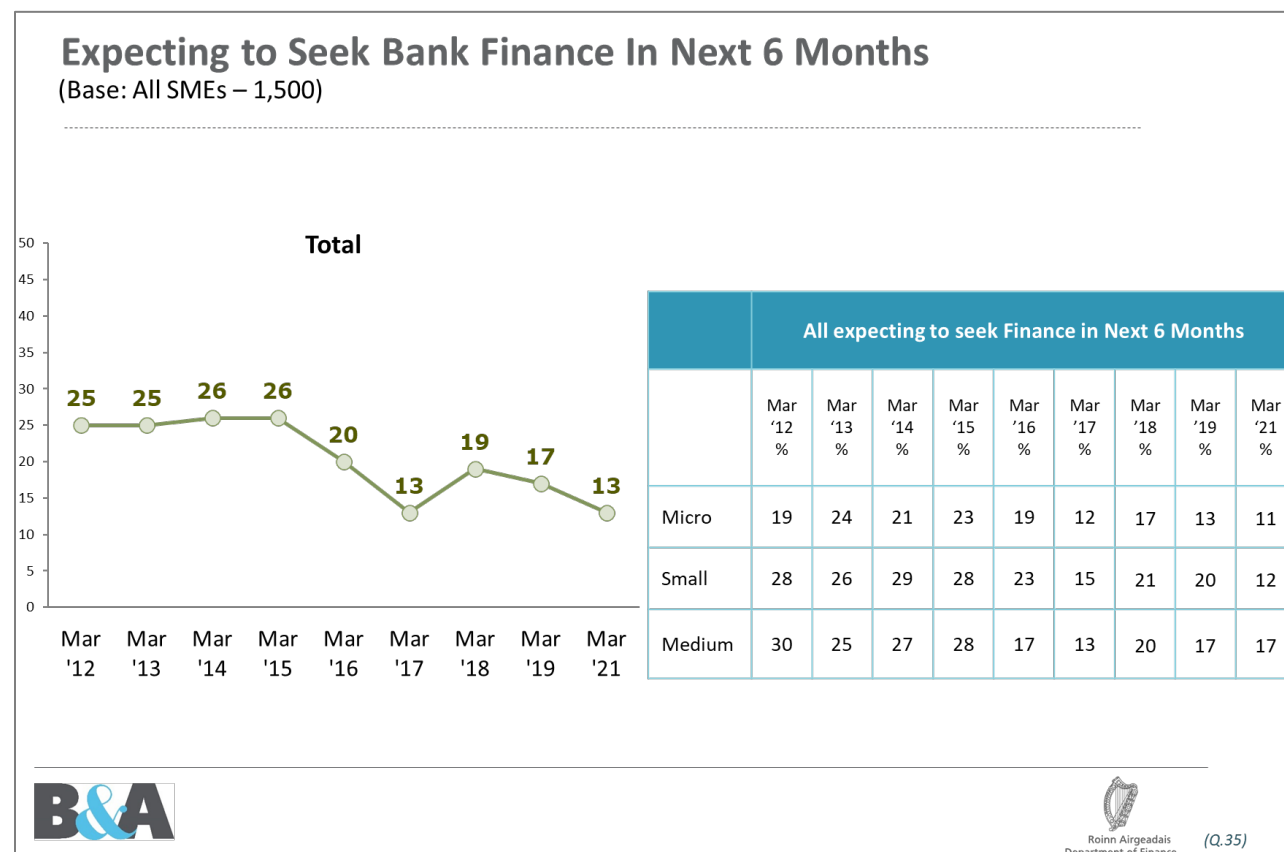


The most pronounced decline in credit demand was amongst medium sized companies (from 31% to 20%).



## 6.2 Future Demand for Credit

Between March 2019 and March 2021, there was a decrease recorded in expectations for seeking bank finance in the following six months. About 13% of all SMEs expected to apply for finance in the following six months, which was down from 17% in March 2019.



It is worth noting, 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.

The predicted decrease in possible future demand was greatest for small companies (from 20% to 12%), and remained quite stable for micro enterprises (from 13% in March 2019 to 11% in March 2021), and Medium SMEs (17% in both March 2019 and March 2021).

### 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 reasons for not seeking credit in the past six months.

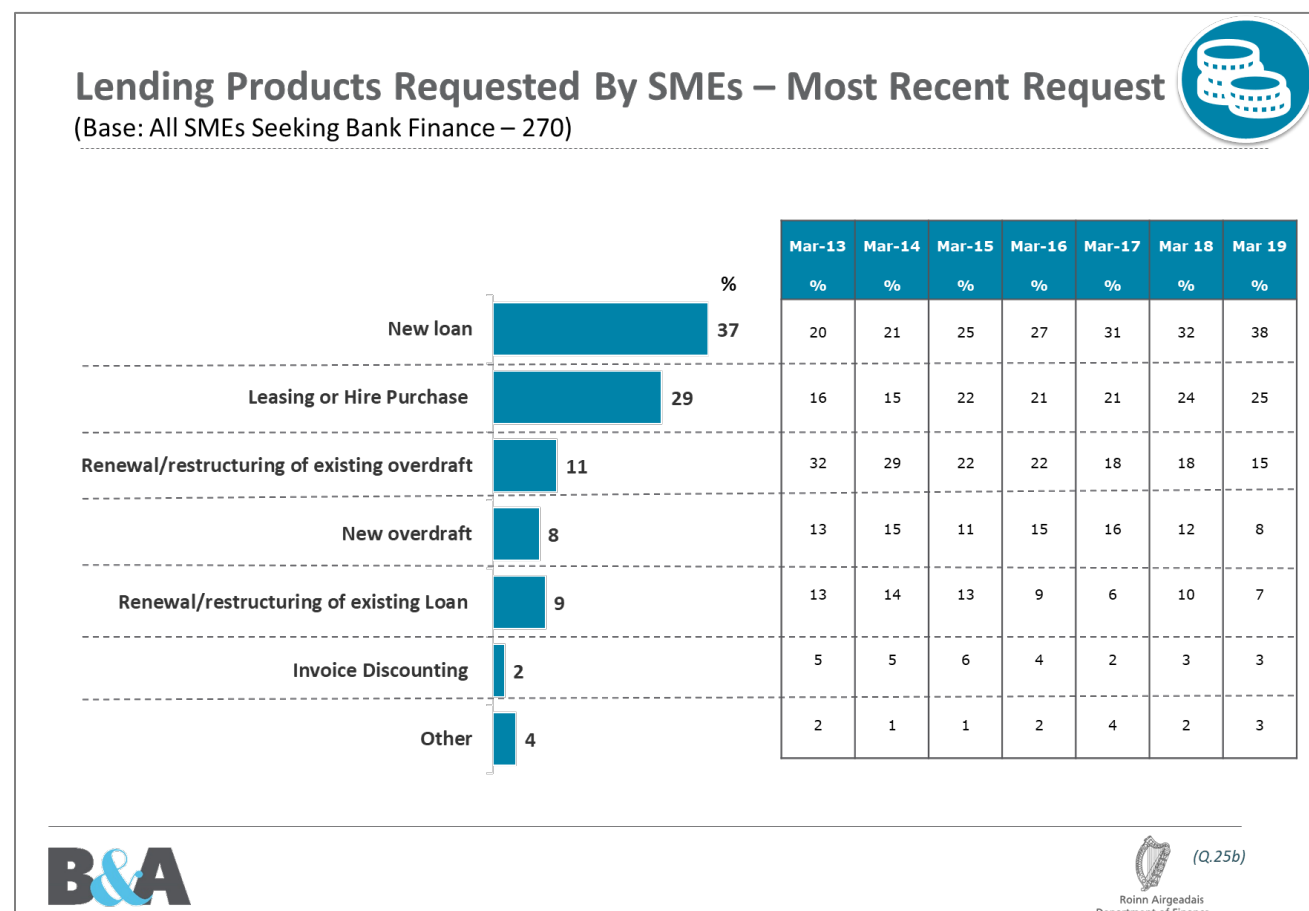
The main reason given was that finance was simply not required as their business had sufficient internal funds – with 72% of those businesses that did not apply for credit mentioning this. This figure was down from the 78% reporting that they did not need finance in March 2019.

Other key reasons for not requiring bank finance included companies stating that they preferred not to borrow (16%), had sufficient existing lines of credit (14%), and/or that their business generates sufficient revenue (14%)

|  | Total | Micro | Small | Medium |
|--|-------|-------|-------|--------|
|  | %     | %     | %     | %      |
| Had sufficient internal funds            | 72    | 63    | 79    | 76     |
| I do not like to be indebted             | 16    | 24    | 12    | 7      |
| Current lines of credit are sufficient   | 14    | 15    | 15    | 12     |
| My business generates sufficient revenue | 14    | 16    | 15    | 8      |
| Prefer to use internal finance           | 10    | 12    | 13    | 2      |
| Possible rejection                       | 3     | 3     | 2     | 6      |
| Other specify                            | 13    | 15    | 11    | 14     |

## 6.4 Demand for Credit by Product

Among those SMEs that requested bank finance in the October 2020 to March 2021 period, new loans, leasing or hire purchase, renewal/restructuring of existing overdrafts/loans and new overdrafts were the main bank finance products requested.



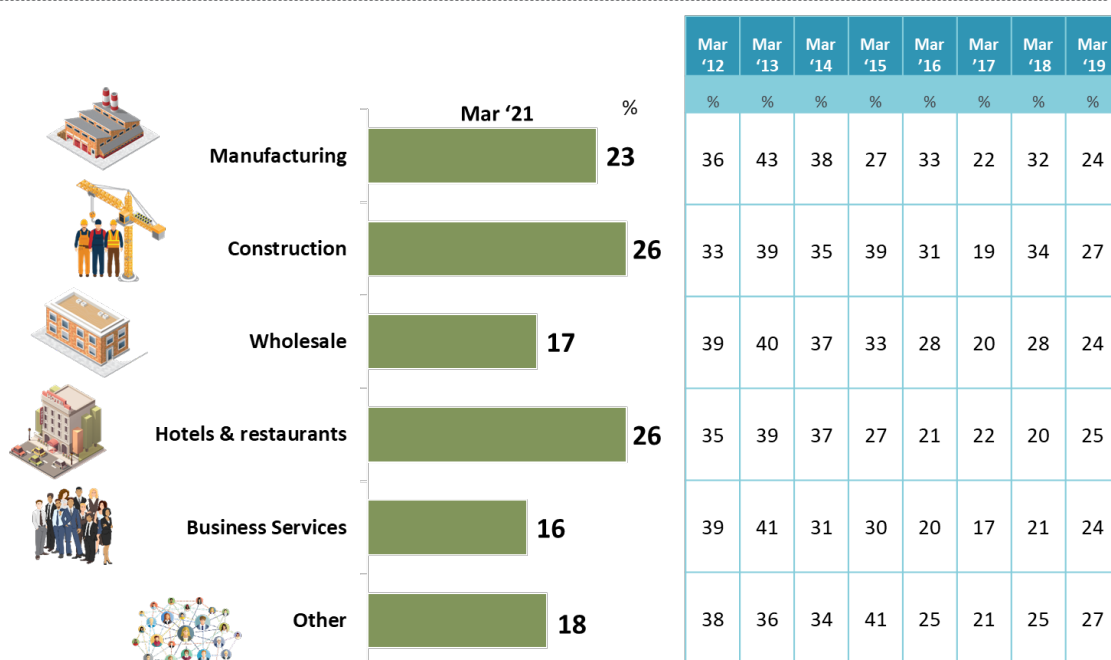
Invoice discounting remains the least popular product, with just 2% of those who applied for bank finance in the period having applied for this credit type.

## 6.5 Demand for Credit by Sector

Between March 2019 and March 2021, the most significant decrease in credit demand amongst SMEs emanated from Business Services (from 24% in Mar 2019 to 16% in March 2021) and Wholesale (from 24% to 17%). Demand for credit was highest for Construction at 26% (on a par with 27% in March 2019) and Hotels & Restaurants also at 26% (up one percent vs 25% in 2019).

### Demand for Credit x Sector

(Base: All SMEs 1,500)



## 6.6 Demand for Credit by Turnover and Profit Performance

It is 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, with broadly similar levels of credit demand from companies whose turnover increased and decreased.

| March 2021 |       | Turnover in 2020 compared to 2019 |                   |           |
|------------|-------|-----------------------------------|-------------------|-----------|
| Turnover   | TOTAL | Increased                         | Remained the same | Decreased |
|            | 1,500 | 386                               | 341               | 647       |
|            | %     | %                                 | %                 | %         |
| Any Demand | 20    | 21                                | 15                | 23        |
| None       | 80    | 79                                | 85                | 77        |

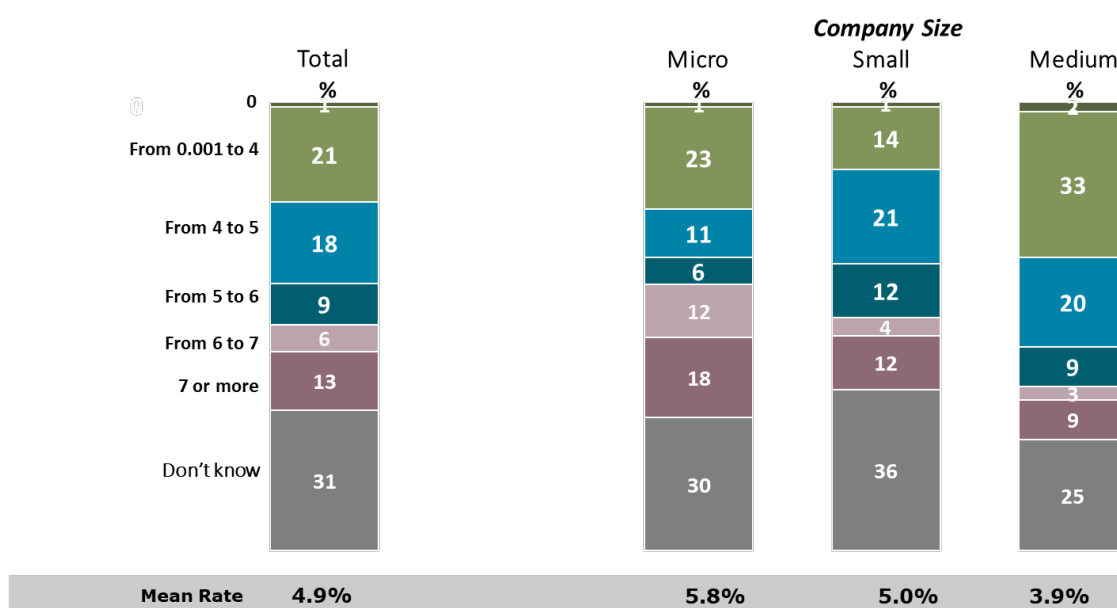
| March 2021 | Profit performance past 6 months |               |            |             |         |
|------------|----------------------------------|---------------|------------|-------------|---------|
| Profit     | TOTAL                            | Made a profit | Broke even | Made a loss | Refused |
|            | 1,500                            | 766           | 390        | 297         | 47      |
|            | %                                | %             | %          | %           | %       |
| Any Demand | 20                               | 19            | 15         | 26          | 14      |
| None       | 80                               | 81            | 85         | 74          | 86      |

In terms of profitability, however, companies making a loss demonstrated higher levels of credit demand (at 26%) than those making a profit (19%).

## 6.7 Cost of Credit

Amongst those with outstanding loans, the average claimed cost of credit for March 2021 was 4.9%. This increased compared to March 2019, when the cost of credit for outstanding loans on average was 4.55%.

### Average Costs Of Credit (Interest Rate) For Outstanding Loans (Base: All SMEs successful/partially successful - 238)

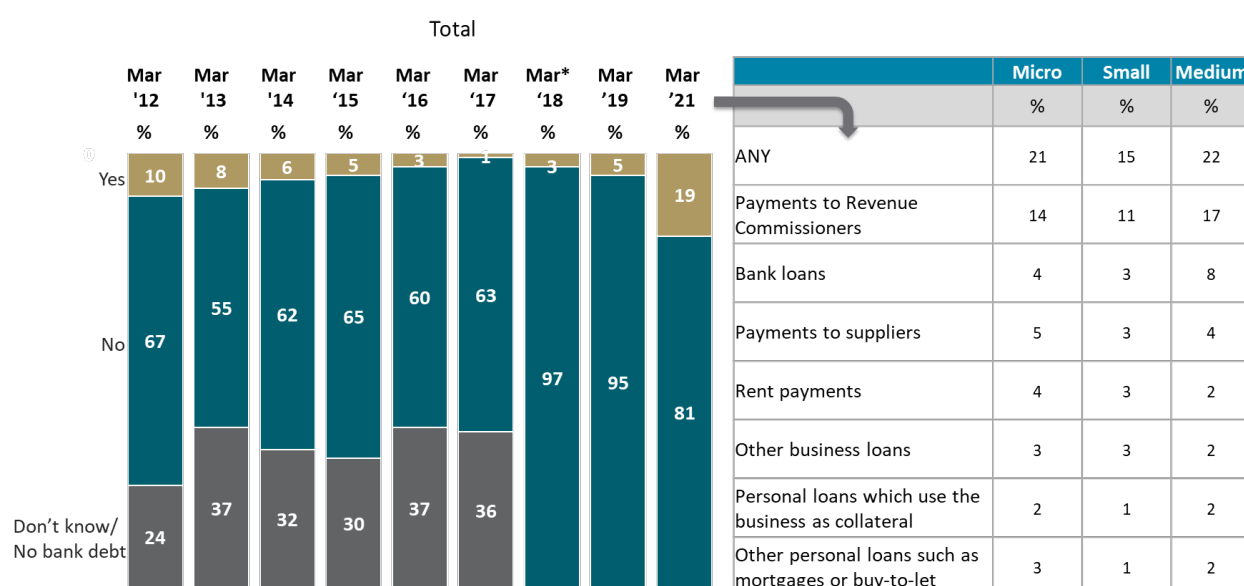


## 6.8 Missed payments

The financial position of a business can also be affected by having missed repayments on existing loans, as this can be used to effectively avoid requiring credit in the short term. 19% of SMEs reported that they had missed repayments of any type in the period October 2020 to March 2021. This significant increase in missed repayments is due to the 14% who missed revenue payments during the Pandemic. Note, just 5% missed repayment on bank loans in March 2021.

### Missed Repayments On Loans In Past 6 Months (Oct 20 – Mar 21)

(Base: All SMEs – 1,500)



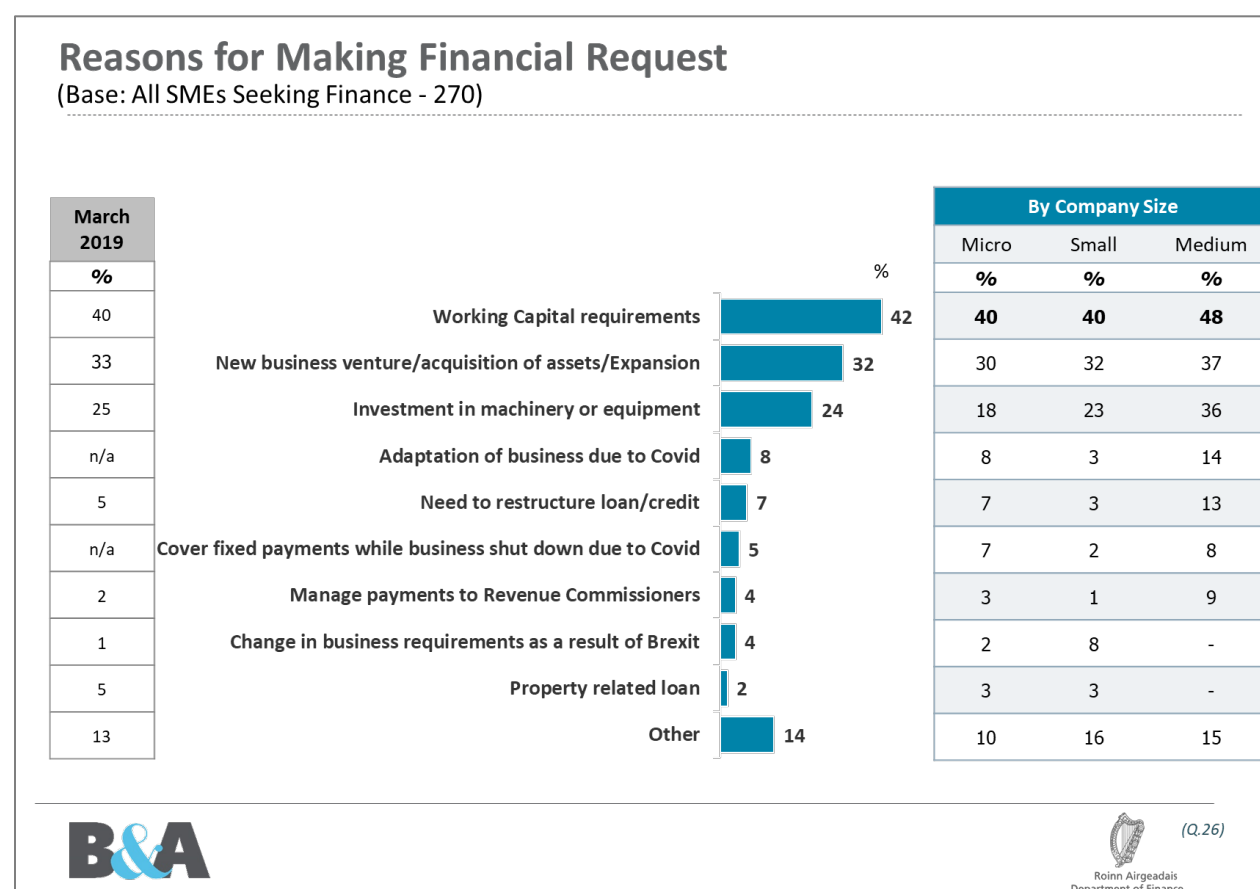
## 7. The Application Process

Of the 1,500 SMEs interviewed for this wave of research, 20% requested bank finance in the six months to March 2021 – down from 25% in March 2019, and 26% in March 2018.

### 7.1 Nature of Demand

Working capital/cash flow were the main reasons for finance requests (42%), followed by expansion needs (32%) and new machinery/equipment (24%).

Only 7% of firms applied for bank finance in order to restructure a loan/credit, and just 2% applied for a property related loan.

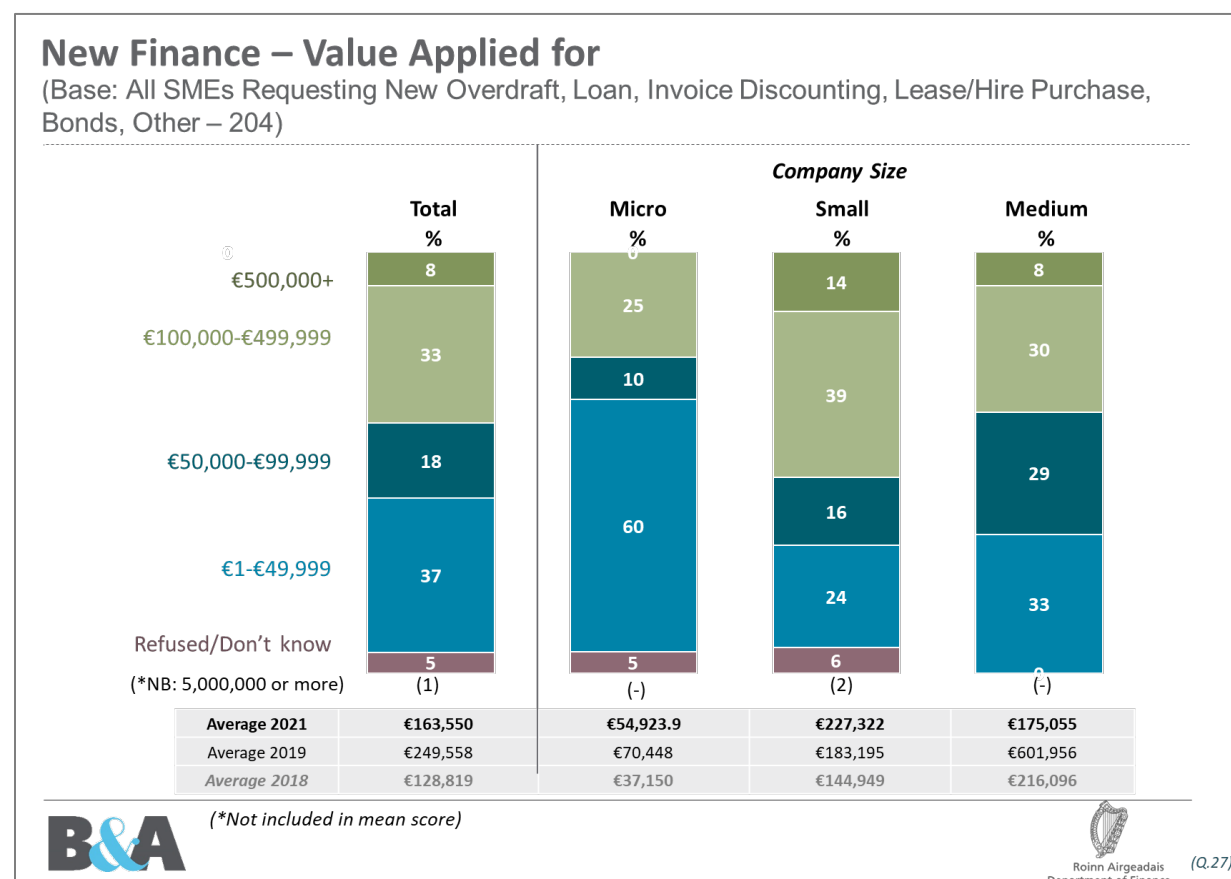


Reasons for financial requests were quite similar across all company sizes, although medium companies were more likely to seek funding for investment in machinery or equipment.



## 7.2 Economic Value of Credit Applications

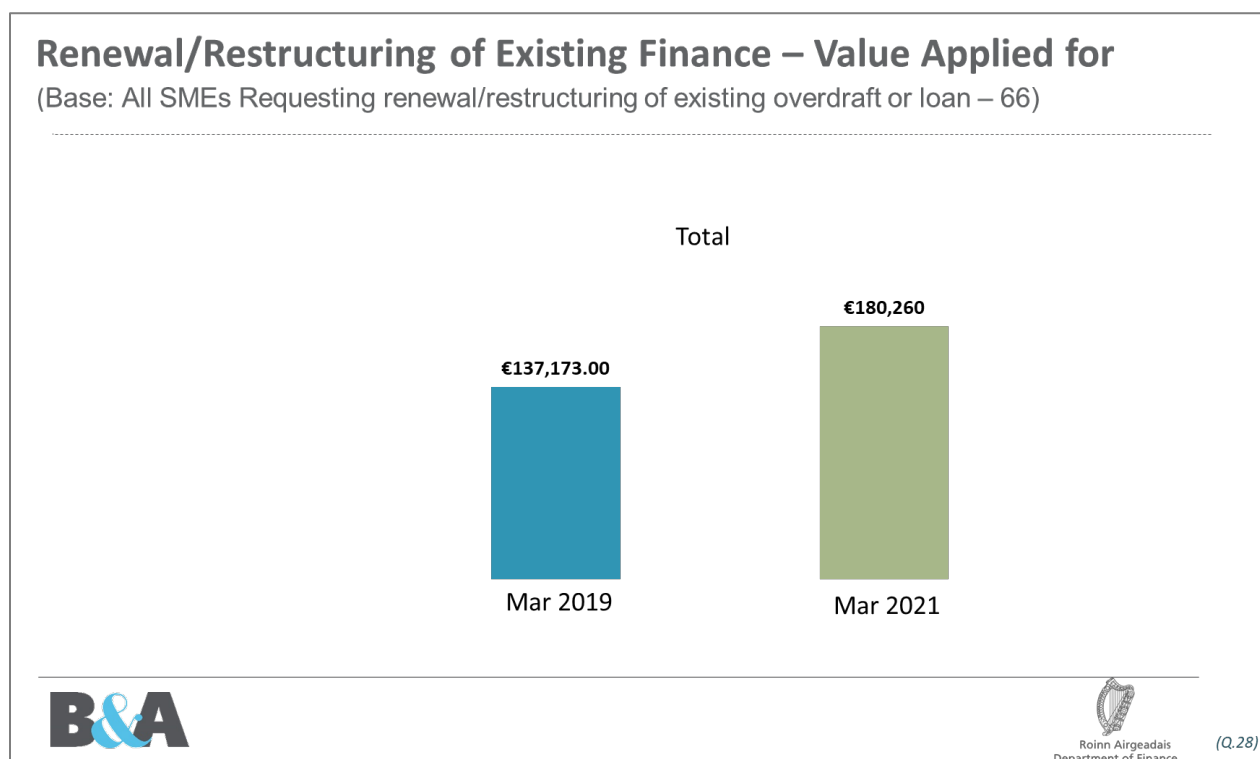
Each business that applied for credit provided the monetary value of that application. When looking at applications for new bank finance (e.g. overdraft, loan or lease/hire purchase), the average stated amount was €163,550. This was lower than the stated value in March 2019, at €249,558.



When looking at the different sizes of SMEs, it is notable, though perhaps unsurprising, that small (at €227,322) and medium sized companies (at €175,055) sought higher levels of new bank finance than micro firms (at €54,924).

Average finance sought for small companies was marginally higher than in March 2019. Note, however, that caution should be exercised in reviewing differences between company sizes, due to small sub-sample sizes.

The average value of credit sought by the small (N-66) number of SMEs seeking renewal/restructuring finance was just over €180,000 in March 2021 – up somewhat from the €137,000 sought by the same sub-group in March 2019.

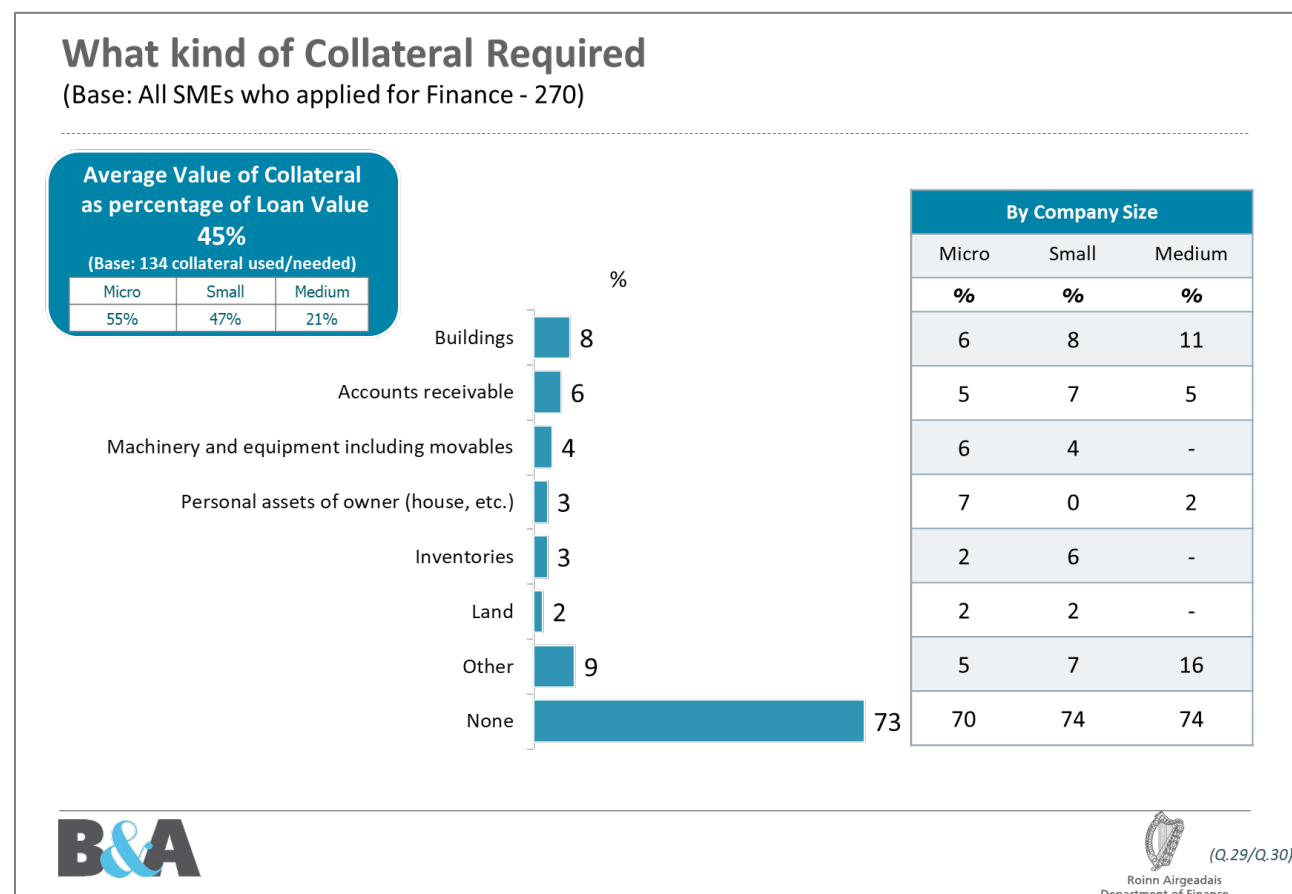


### 7.3 Collateral Required for Credit Applications

Among the SMEs that applied for bank finance, 27% of applications required some kind of collateral. This was lower than the corresponding 39% recorded in March 2019.

The most common kinds of collateral required were buildings (8%), accounts receivable (6%) and machinery and equipment (4%).

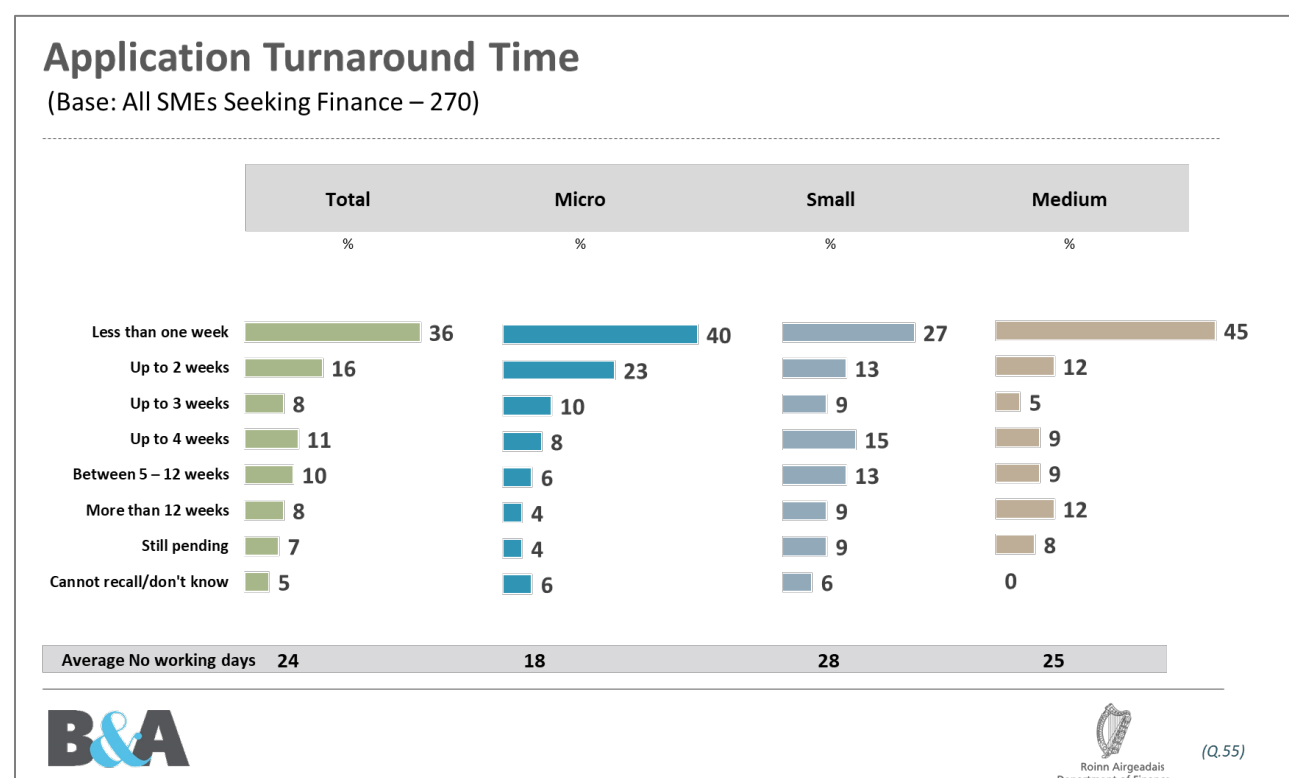
The average value of collateral required as a percentage of the loan was 45%, dropping to 21% for medium companies and rising to 55% for micro companies.



## 7.4 Turnaround Time on Decisions

Based on the regulations for firms lending to SMEs, which regulated lenders (other than credit unions) must have complied with from 1 July 2016 or (in the case of credit unions) from 1 January 2017, lenders are required to inform SMEs of a decision on their loan within 15 working days of receiving all information they require from the company.

According to the businesses themselves, 60% of all finance applications were processed within the 15 working days in the period to March 2021. This was similar to the reported figure of 62% in March 2019.



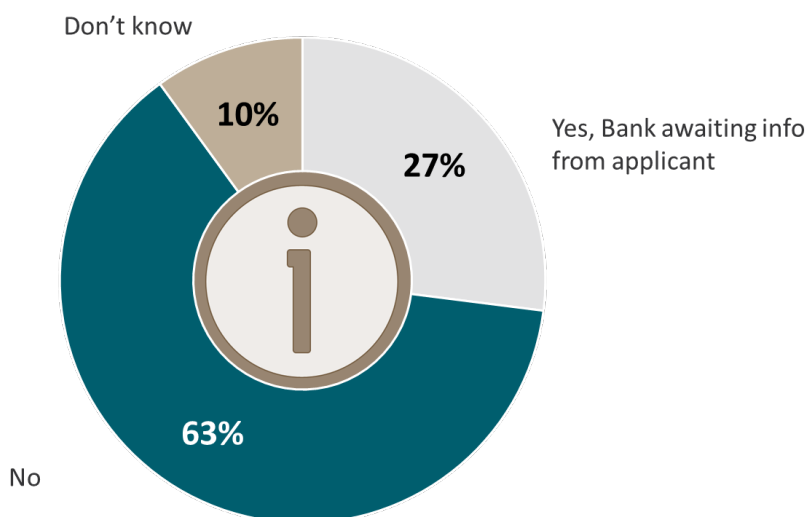
The average amount of time from application to decision stood at 24 working days in March 2021. The average turnaround time for small companies was 28 working days, with medium-sized companies receiving decisions within 25 working days, and micro companies within 18 days.

It should be noted that this does not differentiate between businesses that supply all information required by the lender at the outset and those that receive requests for further information. The proportion of loans that remained “still pending”, meanwhile, stood at just 7%.

63% of firms with applications still pending have not been asked for additional information from their bank, although note this figure is based on a very low sample size of just 16 respondents.

### Incidence of Bank requesting Additional Information from Pending Applicants

(Base: All Pending Application – 16\*)



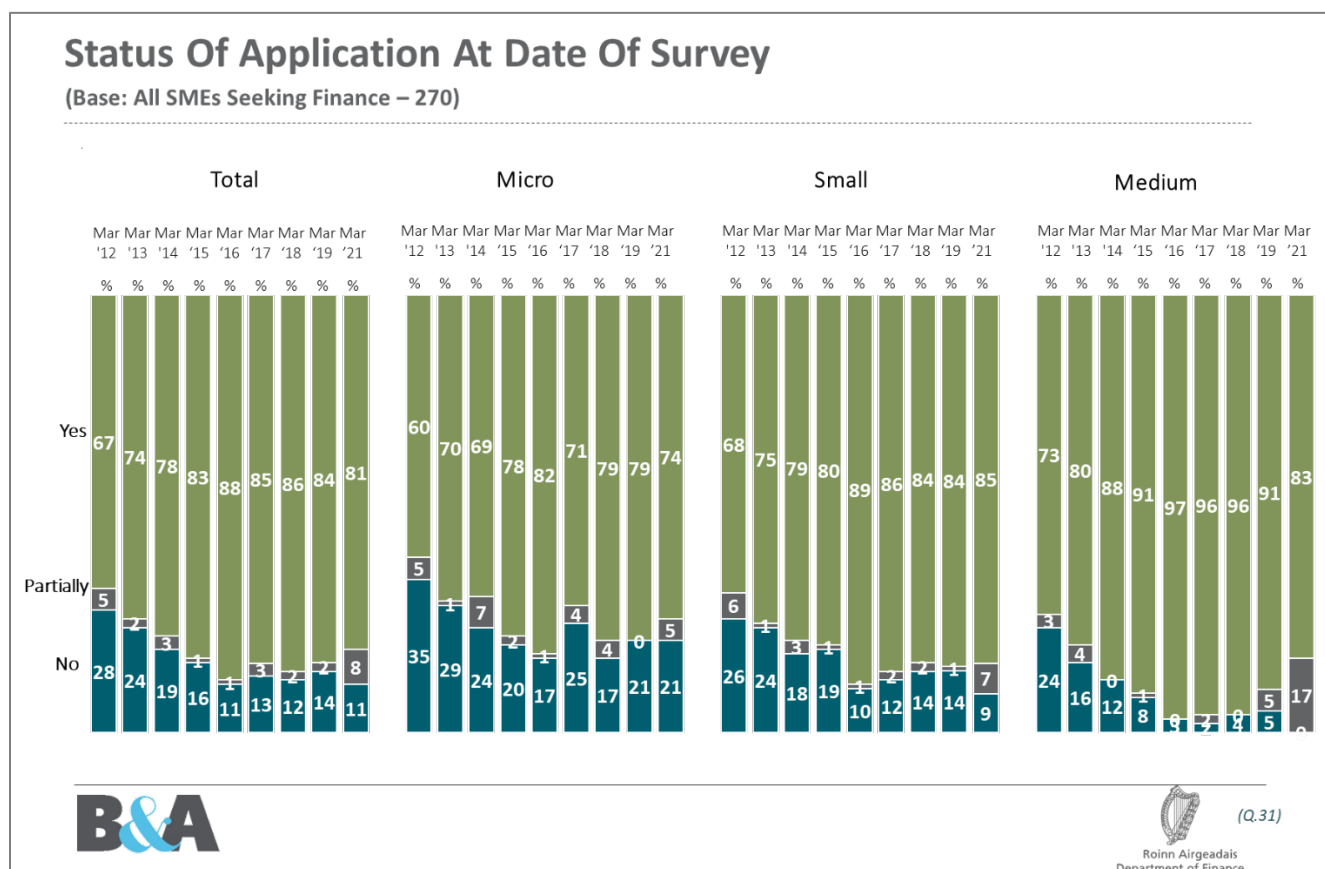
\*Caution low base

## 7.5 Decline Rate

The decline rate for all credit applications in the period October 2020 to March 2021 stood at 11% – down from 14% in March 2019.

About 81% of all applications were approved in full over the six months – a decrease from 84% when compared to March 2019.

A further 8% stated that their credit applications had been partially approved, leaving 89% of all credit applications fully or partially approved.



Small and medium sized businesses seeking finance indicated the highest levels of approval rates. Refusal rates amongst micro companies stands at 21% - the same level recorded in 2019.

### Decline Rate by Product

Decline rate varied across financial type requested – which can be a reflection of the differences in application process, in the sense that some lending products could require more extensive or rigorous application processes than others. In particular, overdrafts and renewal/restructuring of loans had the highest decline rates.

| Lending Products                            | Yes | Partially | No |
|---|-----|-----------|----|
| Total                                       | 81  | 8         | 11 |
|   | %   | %         | %  |
| New overdraft                               | 67  | 19        | 13 |
| Renewal/restructuring of existing overdraft | 78  | 11        | 11 |
| New Loan                                    | 80  | 9         | 10 |
| Renewal/restructuring of existing Loan      | 64  | 20        | 16 |
| Invoice Discounting                         | 95  | 5         | -  |
| Leasing or Hire Purchase                    | 92  | 7         | 1  |
| Other                                       | 56  | 13        | 32 |

### Decline Rate by Type of Credit Applied For

|  | Yes | Partially | No |
|--|-----|-----------|----|
| Total  | 81  | 8         | 11 |
| %  | %   | %         | %  |
| New business venture/acquisition of assets/Expansion               | 79  | 7         | 14 |
| Working capital/cash flow  | 83  | 11        | 7  |
| Slow down in debtor collection/Bad debts                           | 69  | 10        | 21 |
| Property related loan  | 66  | 34        | -  |
| Investment in machinery or equipment                               | 82  | 11        | 7  |
| Need to restructure loan/credit                                    | 74  | 5         | 21 |
| Manage payments to Revenue Commissioners                           | 83  | 11        | 5  |
| Change in business requirements as a result of Brexit              | 68  | -         | 32 |
| Adaptation of business due to Covid/social distancing requirements | 65  | 25        | 9  |
| Cover fixed payments while business shut down due to Covid         | 32  | 47        | 21 |
| Other (specify)  | 91  | 3         | 6  |

Credit refusal rates for March 2021 were highest when related to managing change due to Brexit, restructuring debt, slow-down in debtor collection/bad debt, and to cover fixed payments due to Covid shutdowns.

### Decline Rate by Export vs. Non-Export Companies

|                     | Yes | Partially | No |
|---------------------|-----|-----------|----|
|                     | 81  | 8         | 11 |
|                     | %   | %         | %  |
| Export Business     | 85  | 2         | 13 |
| Non Export Business | 79  | 11        | 10 |

Decline rates for export businesses were similar to those experienced by non-export businesses.



### Decline Rate by Sector

|                      | Yes | Partially | No |
|----------------------|-----|-----------|----|
| Total                | 81  | 8         | 11 |
|                      | %   | %         | %  |
| Manufacturing        | 95  | -         | 5  |
| Construction         | 90  | 3         | 7  |
| Wholesale            | 78  | 3         | 19 |
| Hotels & restaurants | 69  | 30        | 1  |
| Business Services    | 73  | 11        | 16 |
| Other                | 87  | 6         | 7  |

The lowest levels of decline rate by sector were amongst the manufacturing (5%), construction (7%) and hospitality (1%) sectors, with the highest levels in wholesale (19%) and business services (16%).

### Decline Rate Linked To Company Trading Performance

Decline rates were higher for companies where turnover had decreased (25%), compared to those where turnover had increased (11%).

|                   | Yes | Partially | No |
|-------------------|-----|-----------|----|
| Total             | 81  | 8         | 11 |
|                   | %   | %         | %  |
| Increased         | 82  | 3         | 11 |
| Decreased         | 71  | -         | 25 |
| Remained the same | 81  | 1         | 10 |

Decline rates were similar amongst applicants that had made a loss (11%) to those that made a profit (10%).

|               | Yes | Partially | No |
|---------------|-----|-----------|----|
| Total         | 81  | 8         | 11 |
|               | %   | %         | %  |
| Made a profit | 86  | 4         | 10 |
| Broke even    | 84  | 4         | 12 |
| Made a loss   | 68  | 21        | 11 |

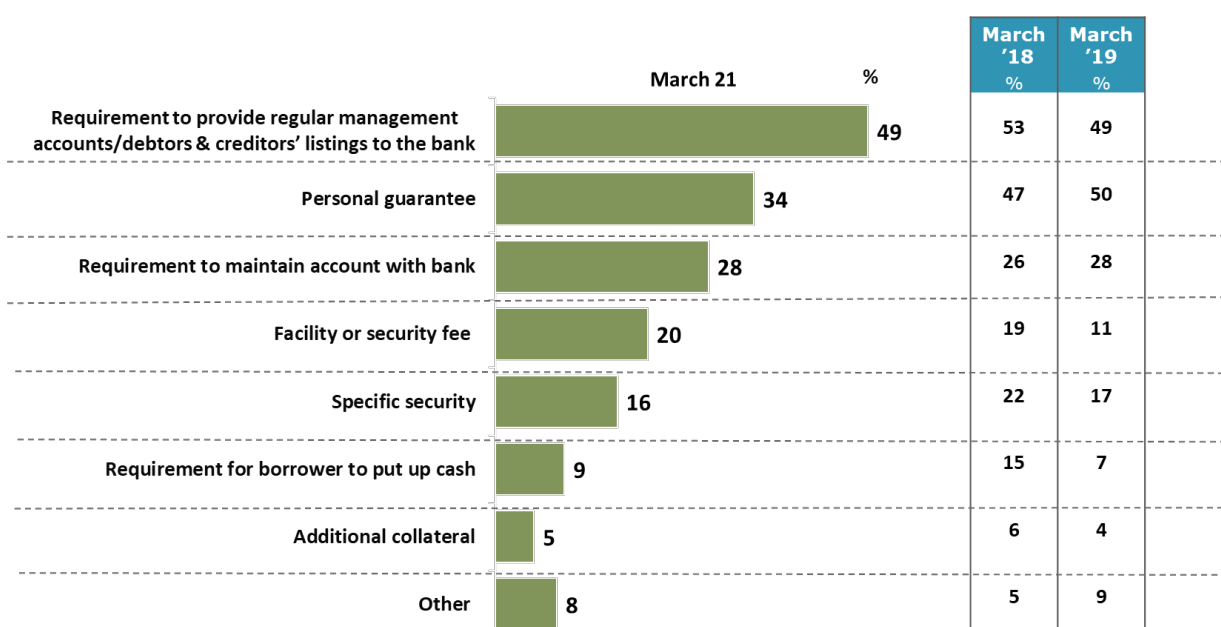
## 7.6 Criteria, Conditions and Interest Rates Attached to Approved Applications

Of those applicants for whom conditions were applied to credit applications in the period to March 2019, the most common conditions were personal guarantees, the provision of regular management accounts and/or a requirement to maintain an account with the bank.

### Conditions attached to approved/partially approved applications

(Base: All SMEs Seeking Bank Finance Successful or Partially criteria attached – 129)

Excluding All who said 'No Criteria' attached

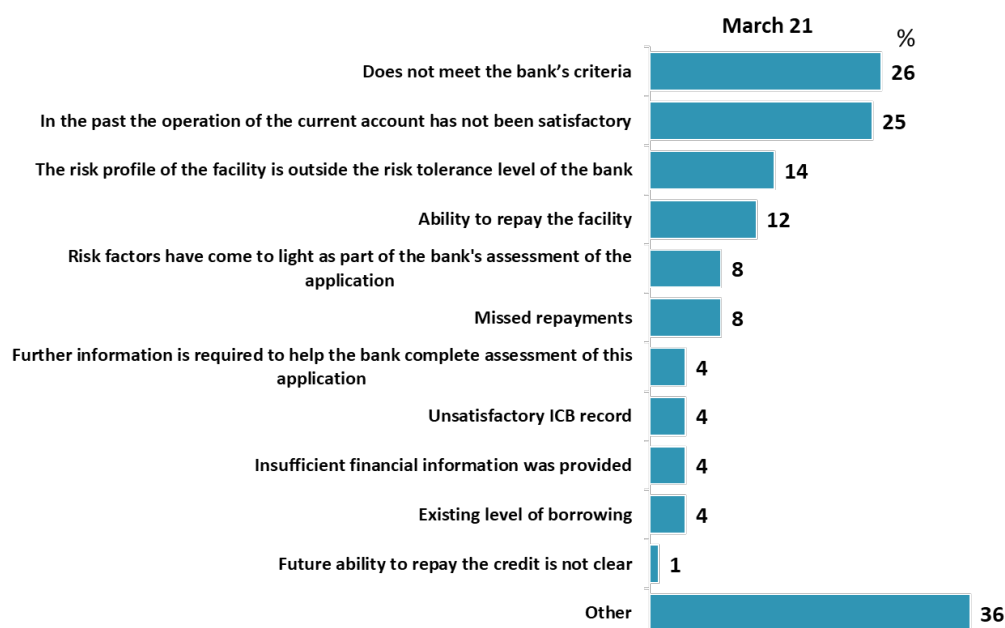


## 7.7 Reasons for Decline

The main stated reasons for credit decline were an inability to meet the bank's criteria, inability to repay the facility, unsatisfactory operation of the company's current account in the past, and the risk profile of the facility being outside the bank's tolerance level.

### Reasons for Bank Declining Application for Loan

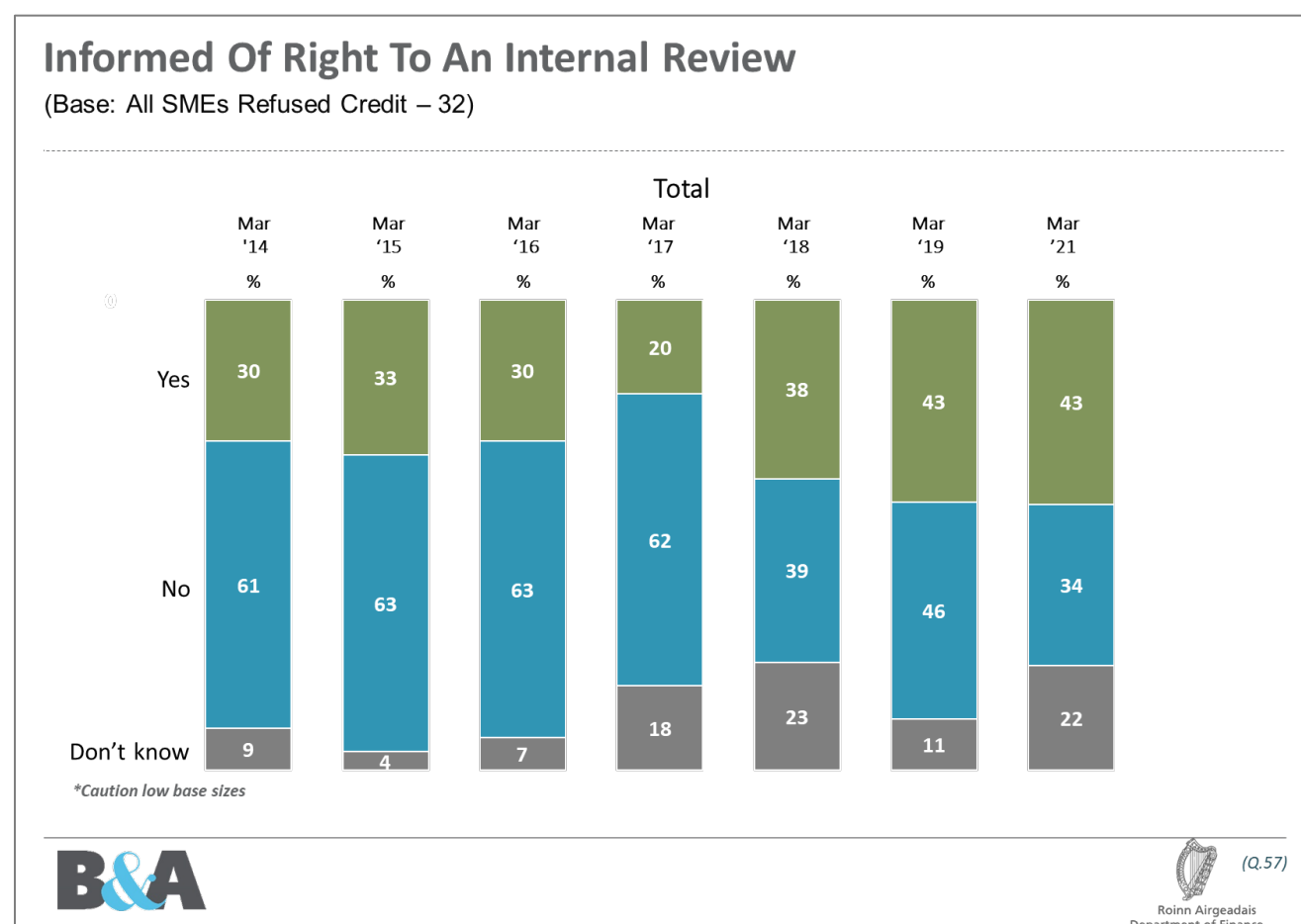
(Base: All SMEs Refused Credit – 32)



## 7.8 The Right to an Internal Bank Review

In March 2017, 20% of all SMEs that were refused credit claimed that they were informed of the right to an internal review. However, this had increased to 38% of all SMEs refused credit in March 2018, 43% in March 2019 and 43% again in March 2021.

The proportion of respondents that were uncertain as to whether or not they were informed of their right to a review also increased from 11% in March 2019 to 22% in March 2021.



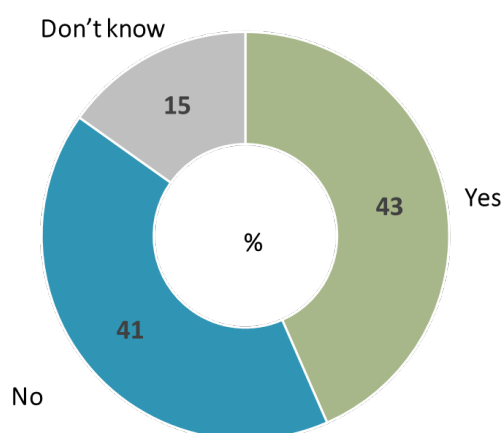
Note, these 2021 percentages are based on a limited sample size of just 32 respondents.

## 7.9 Credit Review Office

About 43% of those refused credit report that they were informed of their right to a decision review by the Credit Review Office. Again, this analysis is based on a small sub-sample size of 32 respondents.

### Main Banks – Informed Of Right To Review by Credit Review Office

(Base: All SMEs Refused Credit – 32)



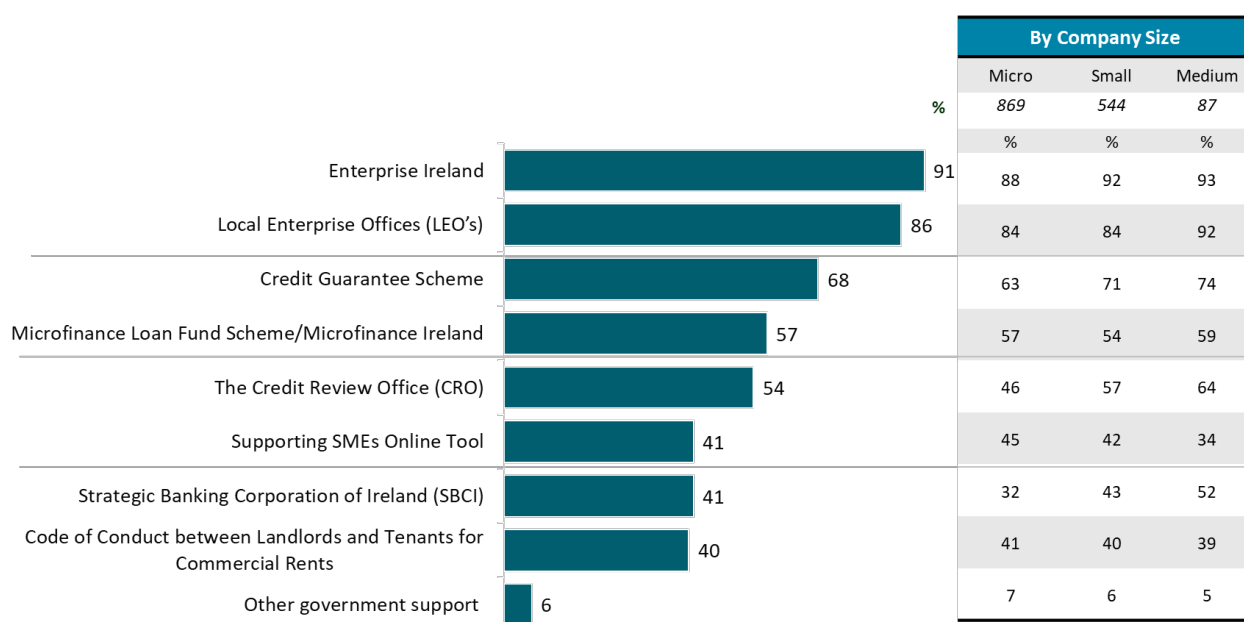
## 8.0 SME Supports & Initiatives

### 8.1 Awareness of Supports & Initiatives

Awareness of business supports and initiatives was highest for Enterprise Ireland initiatives (91%) and Local Enterprise Office initiatives (86%). Some 68% of SMEs were aware of the Credit Guarantee Scheme and 57% were aware of Microfinance Ireland supports.

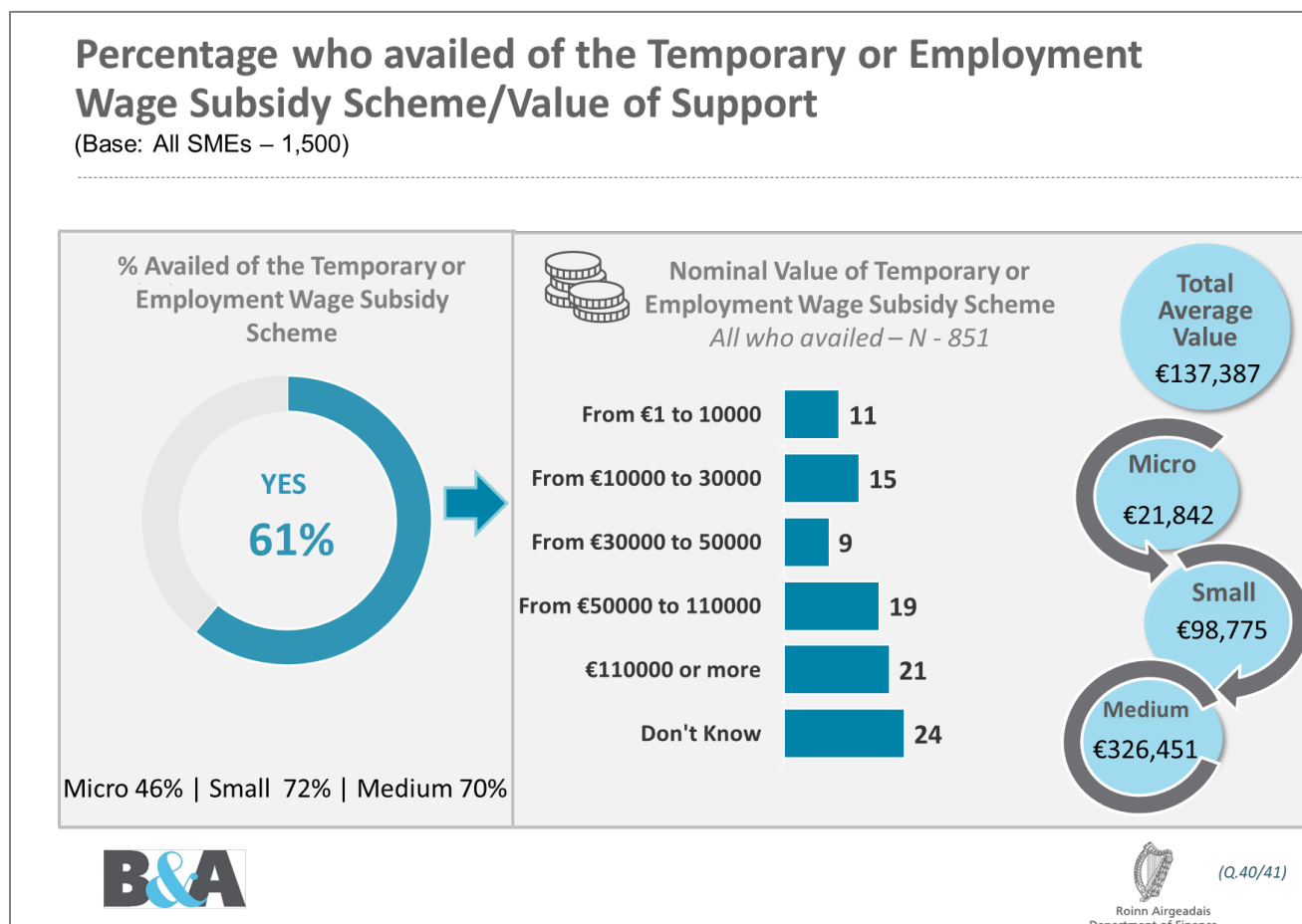
#### Awareness Of Supports and Initiatives

(Base: All SMEs – 1,500)



## 8.2 Use of Government Support Schemes

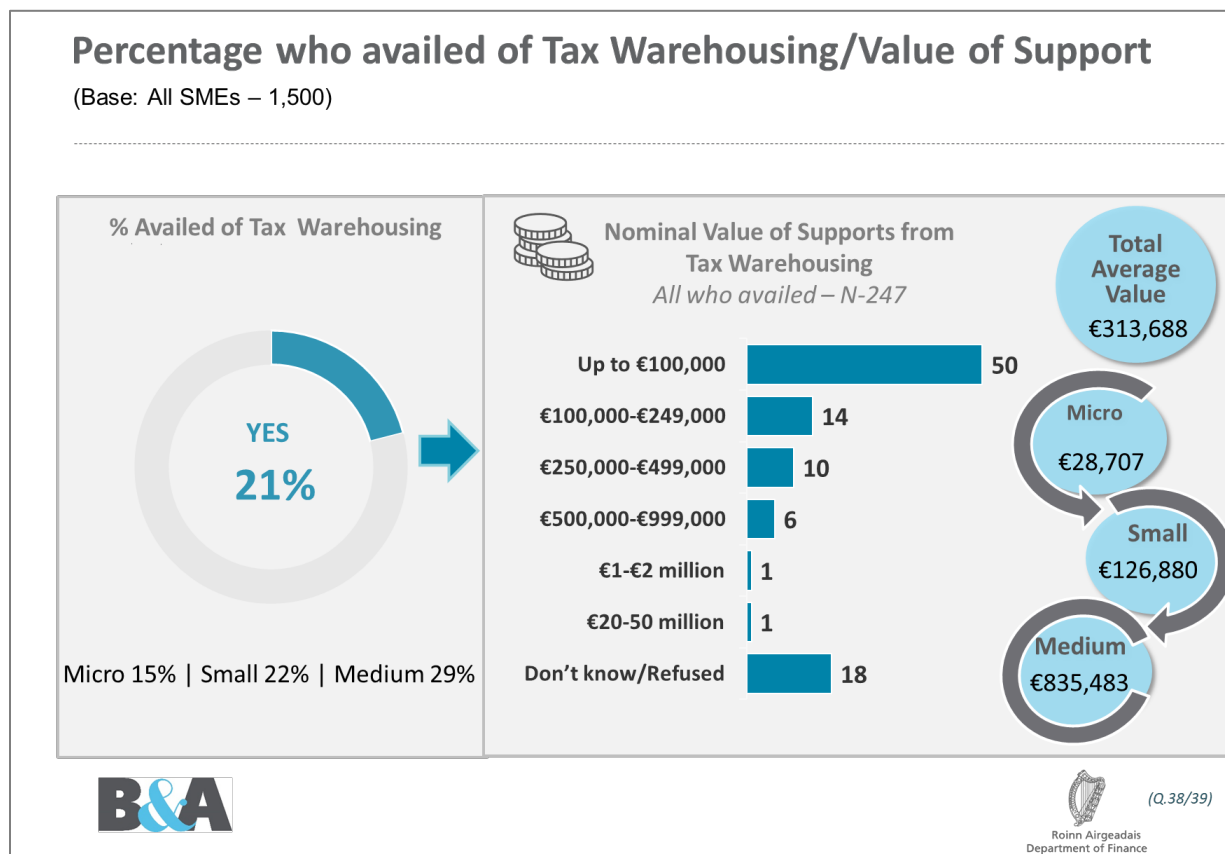
Six in ten of all SMEs in Ireland report having availed of the TWSS – a figure which rises to 72% of small businesses and 70% of medium-sized enterprises.



The average value of TWSS support availed of was €137,387.

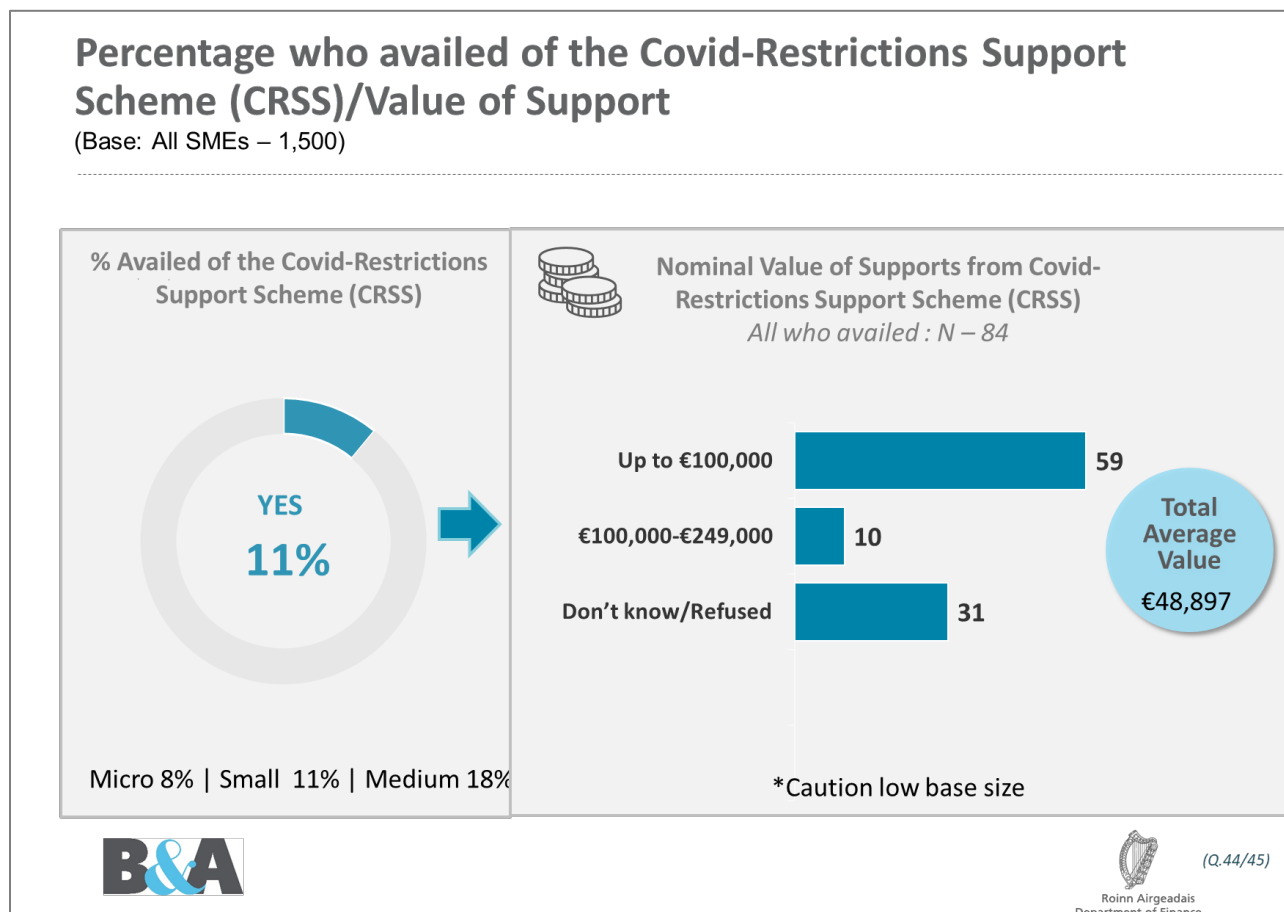


In addition, just over one in five of all SMEs have availed of Tax Warehousing, a figure which rises to 29% of all medium-sized firms.



The average value of tax warehousing support availed of was €313,688, ranging from just under €30,000 for Micro Business recipients, and over €800,000 for Medium SME users.

Usage of both the Covid-Restrictions Support Scheme (CRSS) and COVID-19 Credit Guarantee Scheme were more limited.

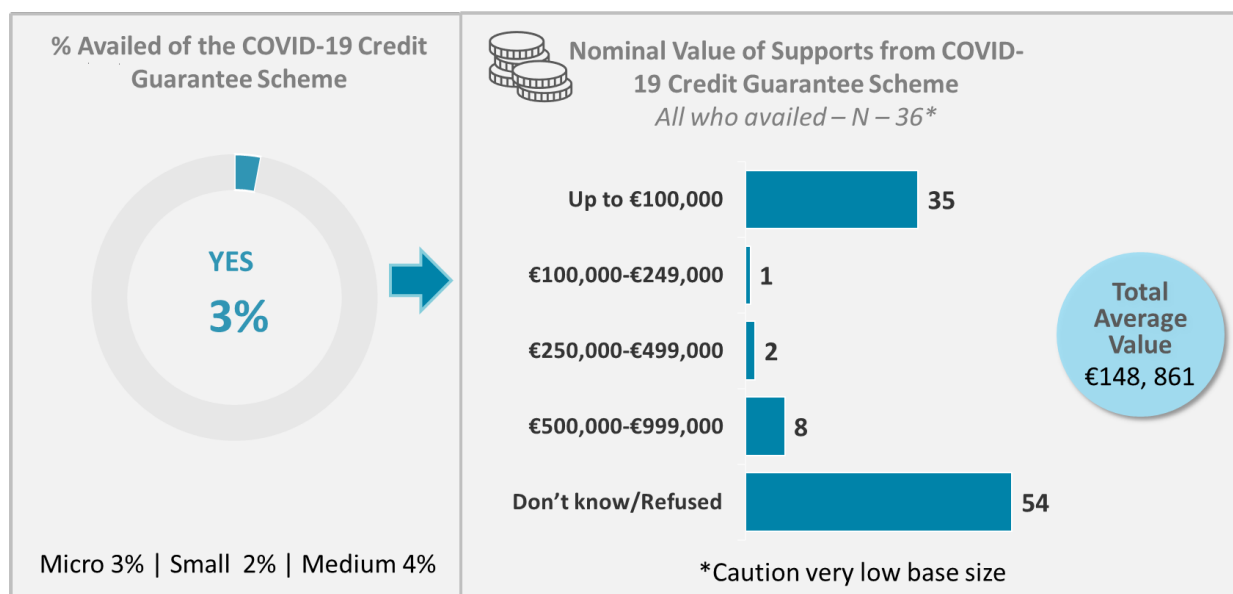


11% of all SMEs availed of the CRSS, at an average value of €49,000.

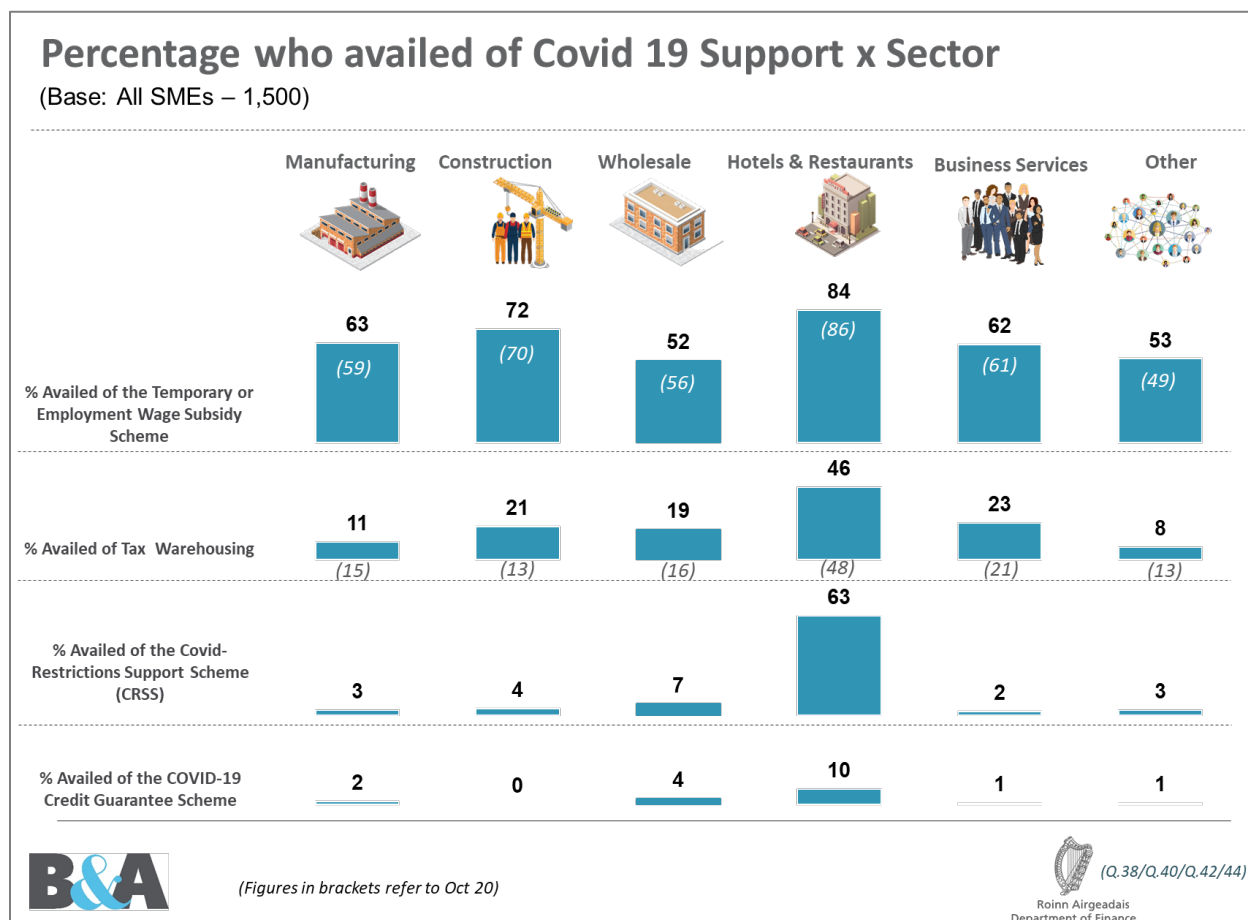
With only 3% reporting that they had accessed the COVID-19 Credit Guarantee Scheme, at an average value of almost €149,000.

## Percentage who availed of the COVID-19 Credit Guarantee Scheme/Value of Support

(Base: All SMEs – 1,500)



The hotels and restaurants sector has relied most heavily on all forms of Covid-related Government support, including the TWSS (84%), CRSS (63%), Tax Warehousing (46%) and Covid Credit Guarantee Scheme (10%)



A majority of SMEs across all sectors has utilised the TWSS scheme.

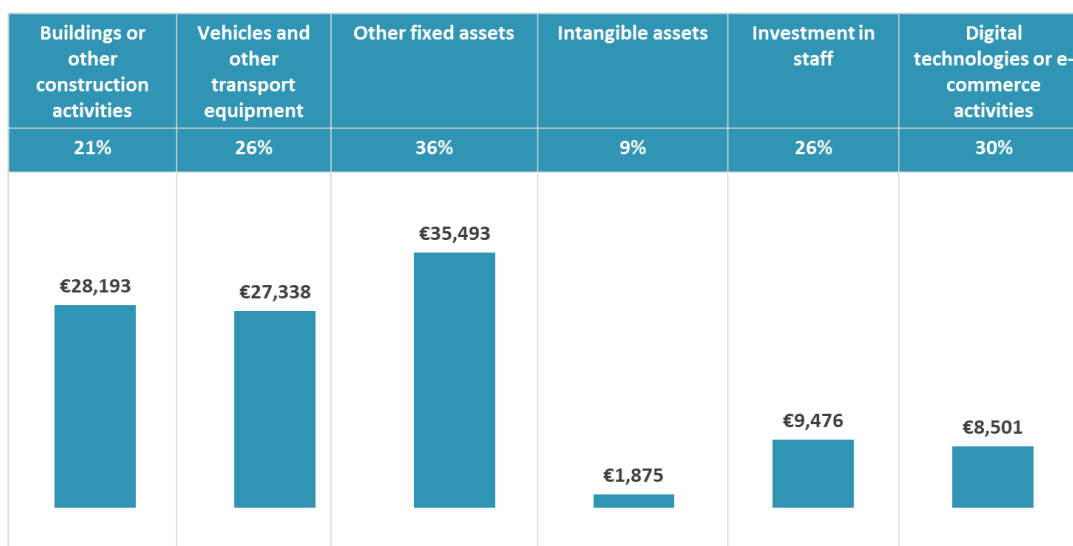
## 9.0 Investment Activity & Company Assets

### 9.1 Investment of the Organisation in Assets

The single most significant area of investment by SMEs in 2020 was 'other fixed assets' including machinery and equipment with 36% investing in this category, at an average investment level of €35,493.

#### Investment of the Organisation in Assets in 2020

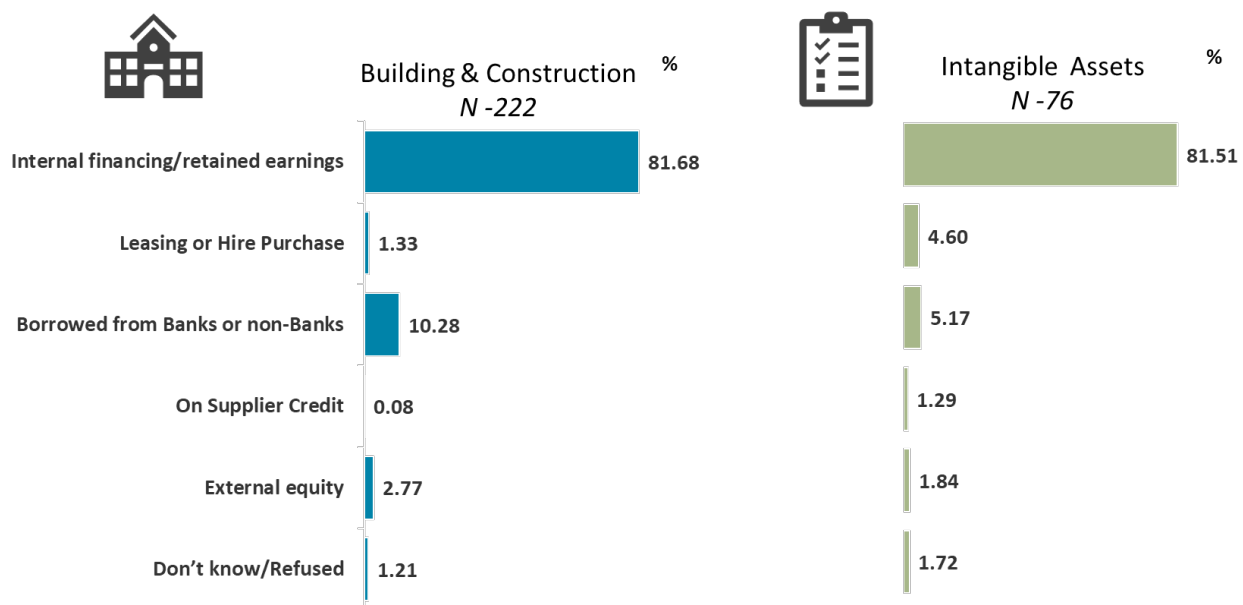
(Base: All SMEs – 1,500)



Three in ten also invested in digital activities at an average investment of €8,500 with about a quarter investing an average of €27,000 in vehicles and transport, and a similar proportion investing an average of €9,500 in staff initiatives.

## How Investment was Financed

(Base: All SMEs who financed Buildings & Construction N – 222/Intangible Assets N - 76)



The vast majority (80 percent plus) of investments made were funded by companies' internal funds.

## Historical Investment Activities 2019 x Company Size & Sector

(Base: All SMEs – 1,500)

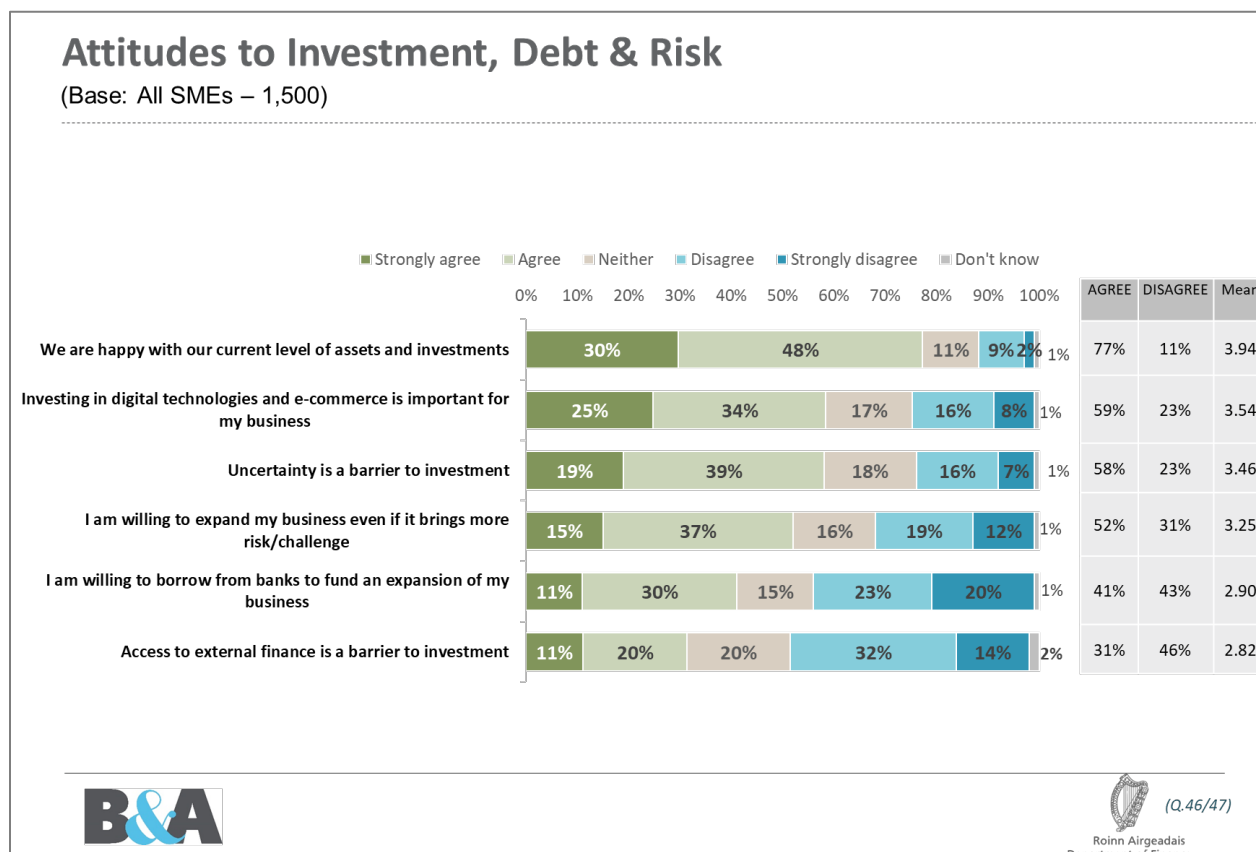


By far the greatest investment by SMEs in 2019 related to fixed assets, with the average investment made in this category standing at €340,534.

Average investment levels in intangible assets and digital technologies were more modest, at €24,363 and €6,351 respectively.

## 9.2 Attitudes to Investment, Debt & Risk

Almost eight in ten SMEs indicate they are happy with their current levels of assets and investments, and six in ten acknowledge both the importance of digital technologies, and that uncertainty is a barrier to investment.



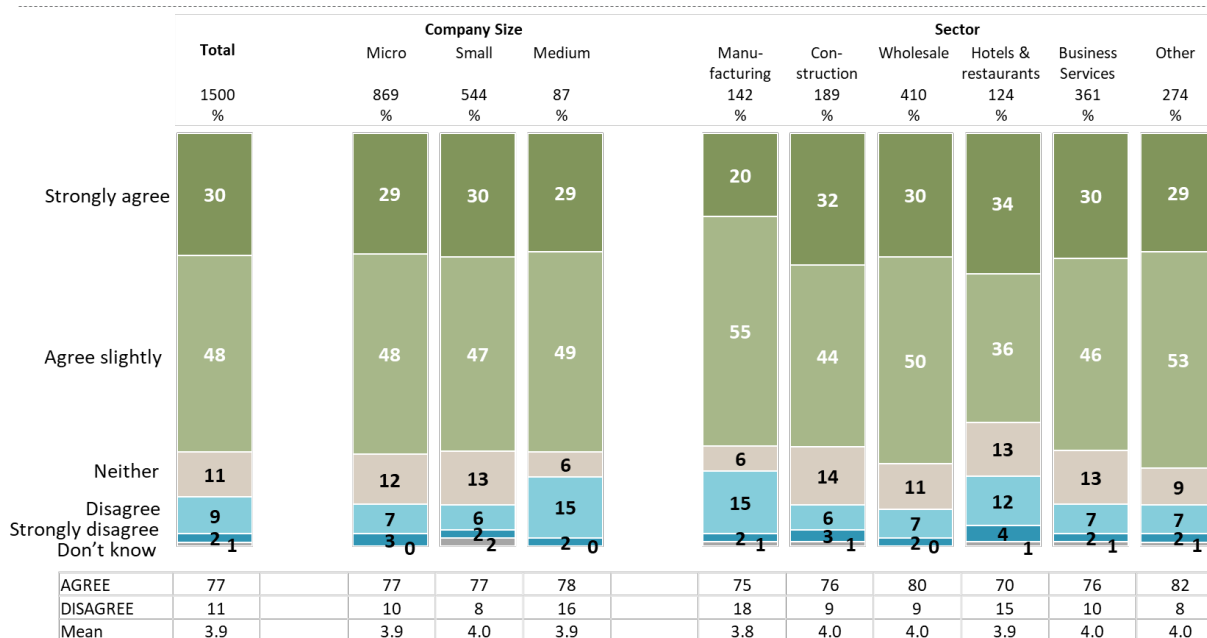


Levels of happiness with current levels of investments and assets are quite consistent across company types.

## Levels of Agreement with statement

*We are happy with our current level of Investments x Company Size & Sector*

(Base: All SMEs – 1,500)

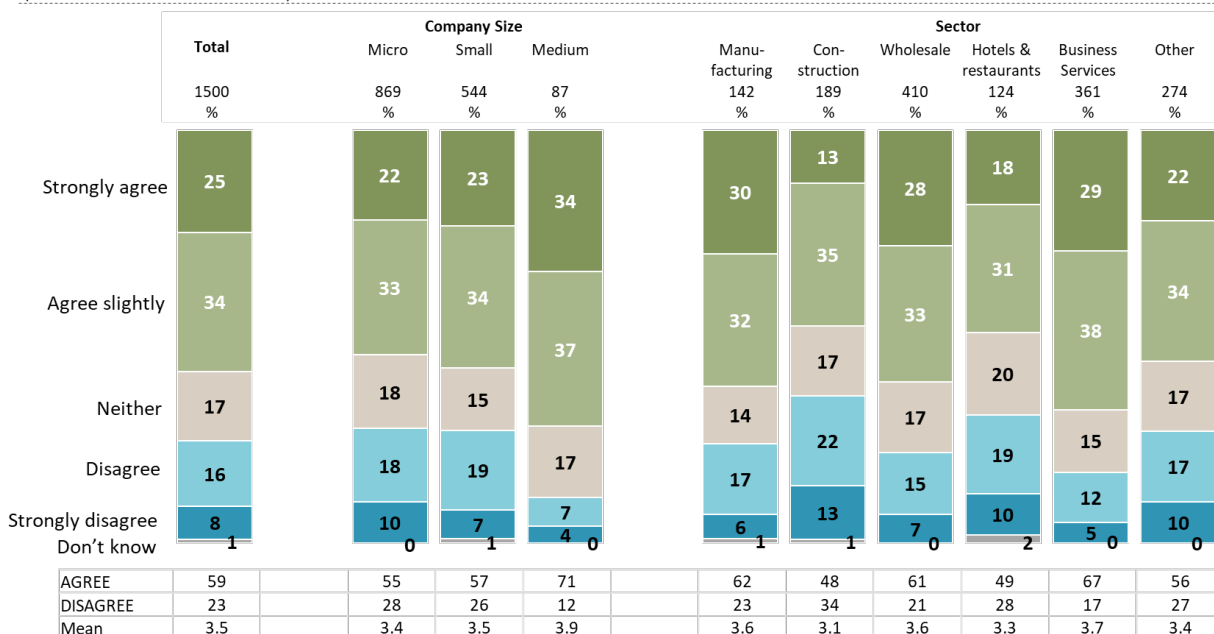


Medium SMEs, and those in the business services sector, are significantly more likely than all others to recognise the importance of digital technologies to their business.

## Levels of Agreement with statement

*Investing in digital technologies and e-commerce is important for my business*  
x Company Size & Sector

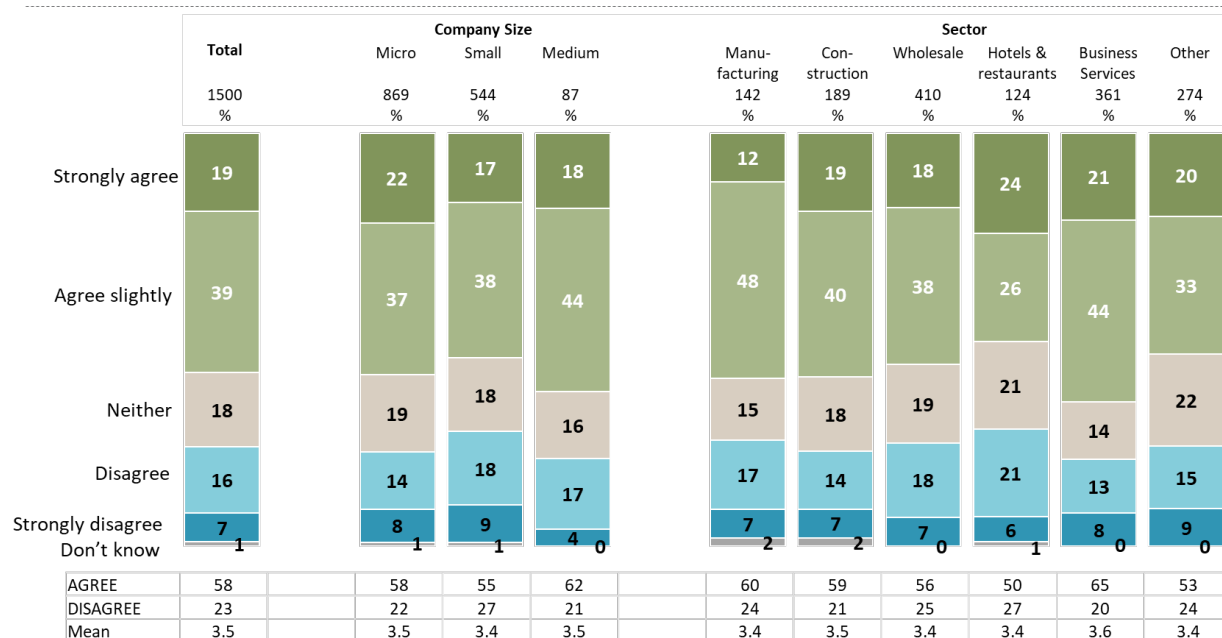
(Base: All SMEs – 1,500)



The business services sector is also most likely to acknowledge the role of uncertainty as a barrier to investment.

## Levels of Agreement with statement *Uncertainty is a Barrier to Investment x Company Size & Sector*

(Base: All SMEs – 1,500)



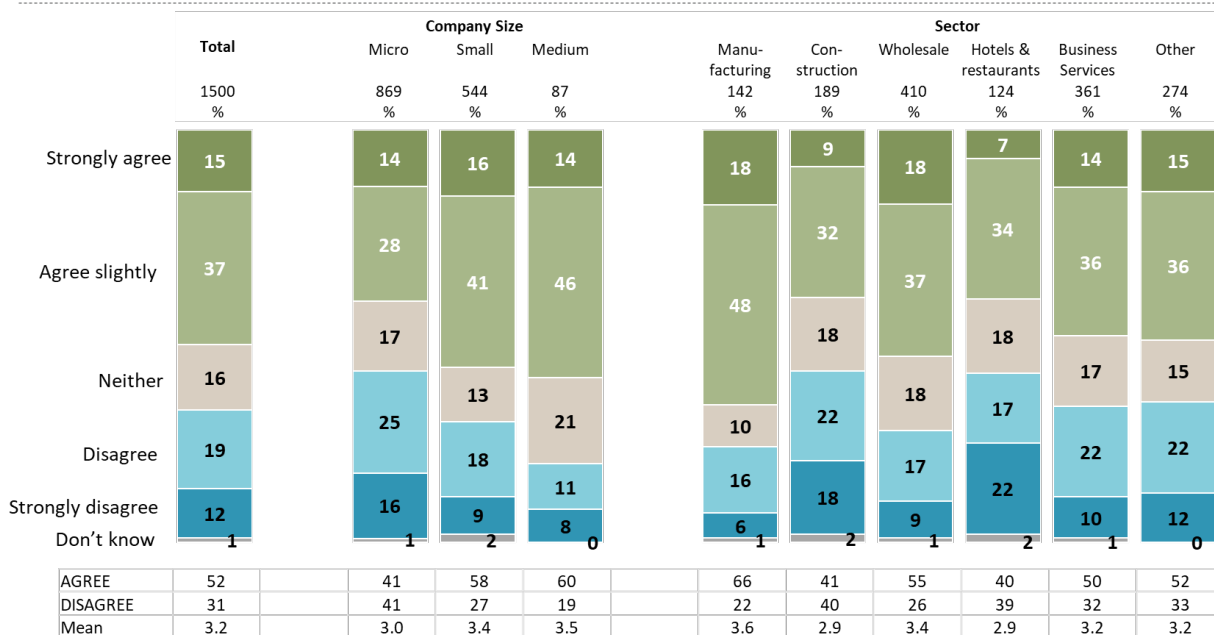
The larger the SME, the more likely it is to assume some risk to expand its business.

## Levels of Agreement with statement

*I am willing to expand my business even if it brings more risk/challenge x*

### Company Size & Sector

(Base: All SMEs – 1,500)



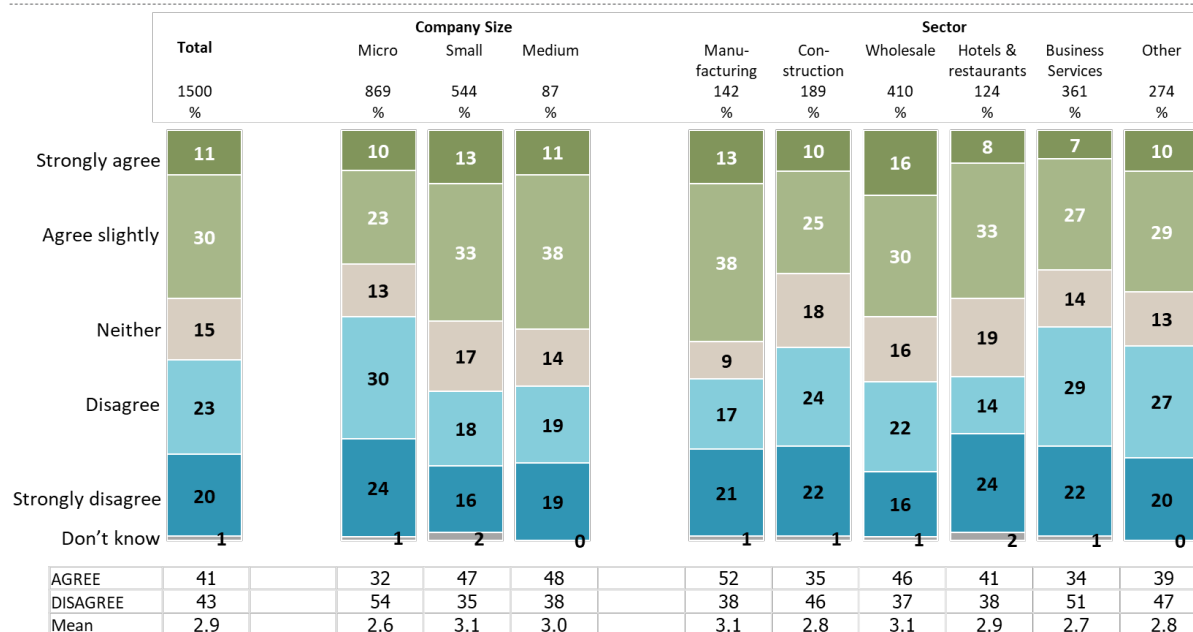
Businesses in the manufacturing sector are most willing to borrow in order to expand, with business services companies least willing.

## Levels of Agreement with statement

*I am willing to borrow from banks to fund an expansion of my business x*

### Company Size & Sector

(Base: All SMEs – 1,500)

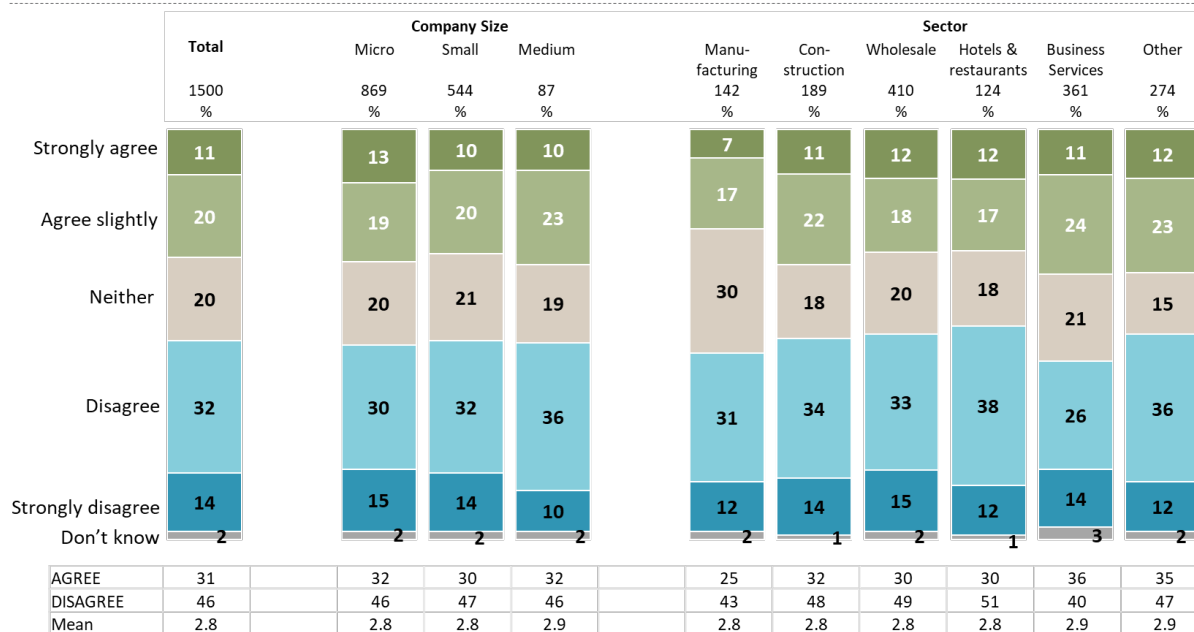


Less than a third of SMEs believe that access to external finance is a barrier to investment, a pattern which is consistent across the various company types.

## Levels of Agreement with statement

### *Access to external finance is a barrier to investment x Company Size & Sector*

(Base: All SMEs – 1,500)



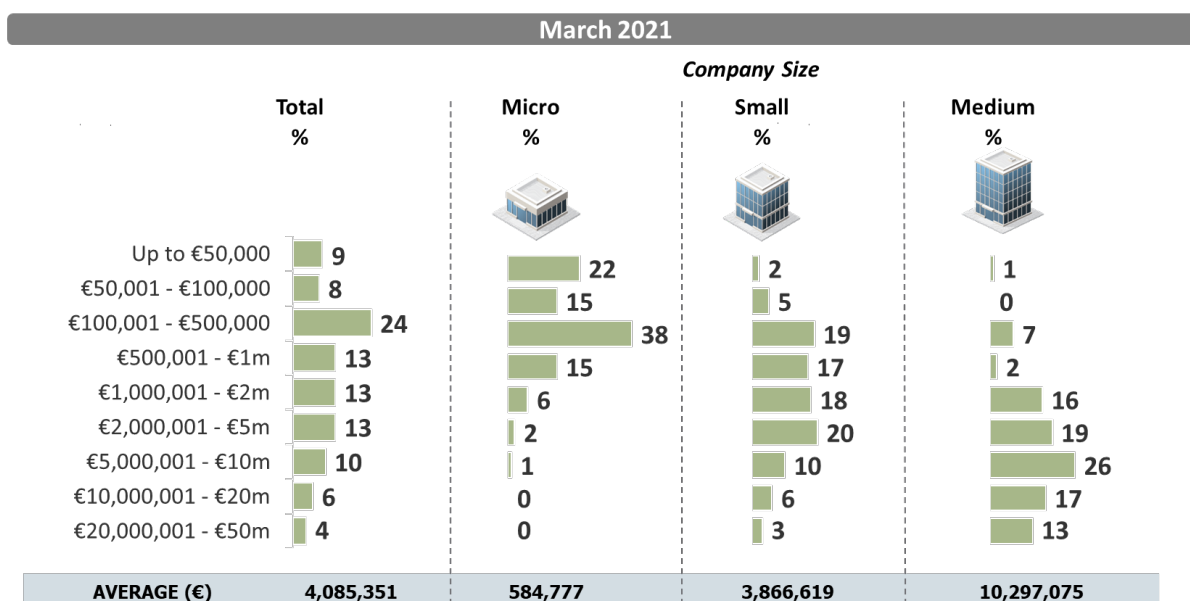
## 10.0 2020 versus 2019 Business Performance

### 10.1 Turnover

Average reported turnover for Irish SMEs during 2020 was just over €4m, rising to just over €10m for medium sized companies.

#### Approximate Turnover of the Business – 2020

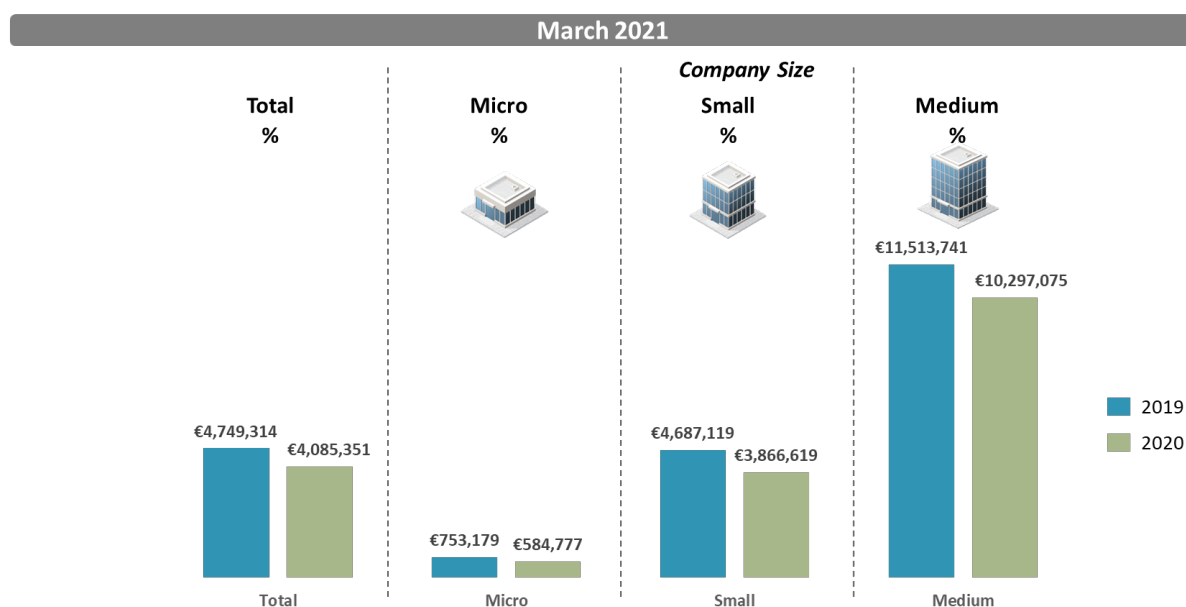
(Base: All SMEs who answered – 1,291)



Reported turnover for 2020 represents a 14% drop compared to 2019 turnover levels. There is a direct relationship between size of company and extent of revenue decline between 2020 and 2019, with turnover for micro enterprises dropping by 22%, small sized SME turnover declining by 18%, and medium sized company turnover dropping by 11%.

## Turnover of the Business – 2020 vs 2019 Average x Company Size

(Base: All SMEs who answered –1,374/1,291)



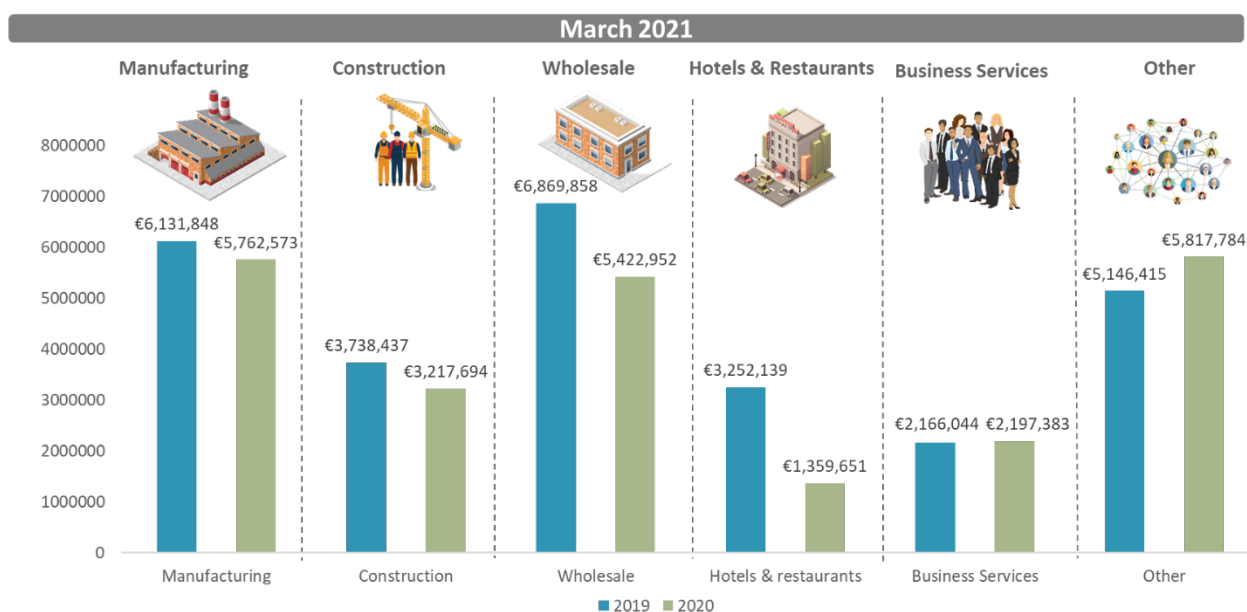


There are stark differences by industry sector in 2020 versus 2019 turnover levels. For example, turnover for the Hotels and Restaurants sector declined by 58%, Wholesale revenue declined by 21%, Construction by 14%, and Manufacturing by 6%.

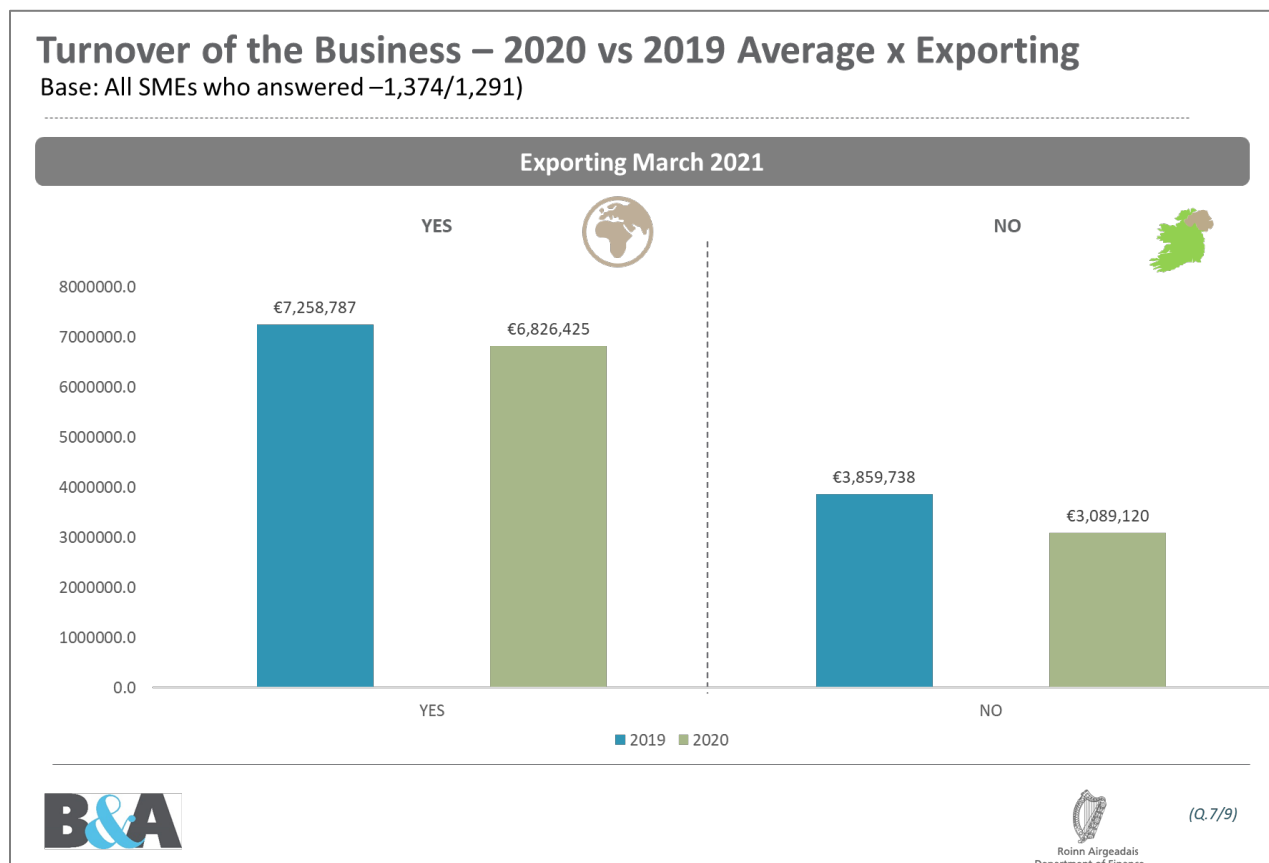
Conversely, turnover in the Business Services sector actually remained stable over the same period, with the 'Other' sector growing by around 13%.

## Turnover of the Business – 2020 vs 2019 Average x Sector

Base: All SMEs who answered –1,374/1,291)

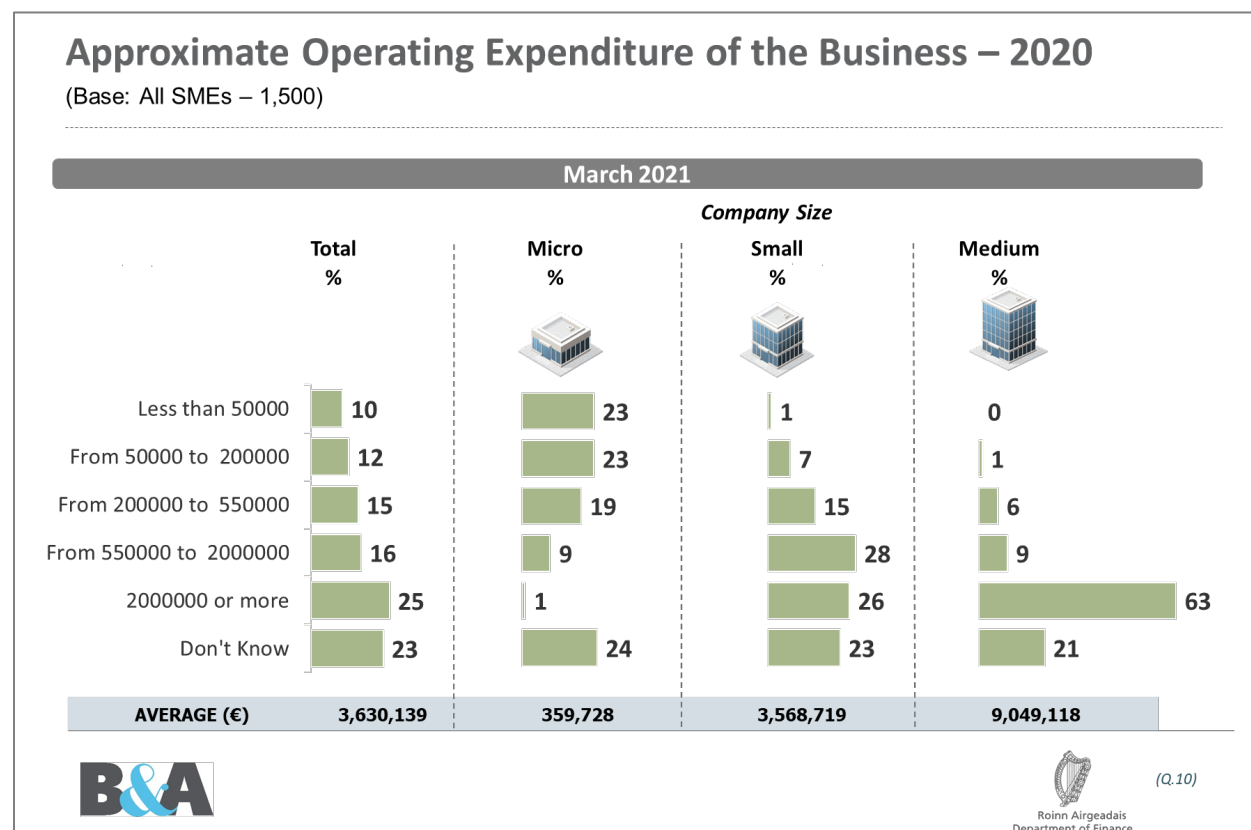


The turnover for non-exporting companies declined by 20% between 2019 and 2020, compared to a less dramatic drop of 6% for exporting companies.



## 10.2 Operating Expenditure

2020 SME operating expenditure registers at an average of just over €3.6m – rising to €9m for medium sized companies and declining to just under €360,000 for micro enterprises.

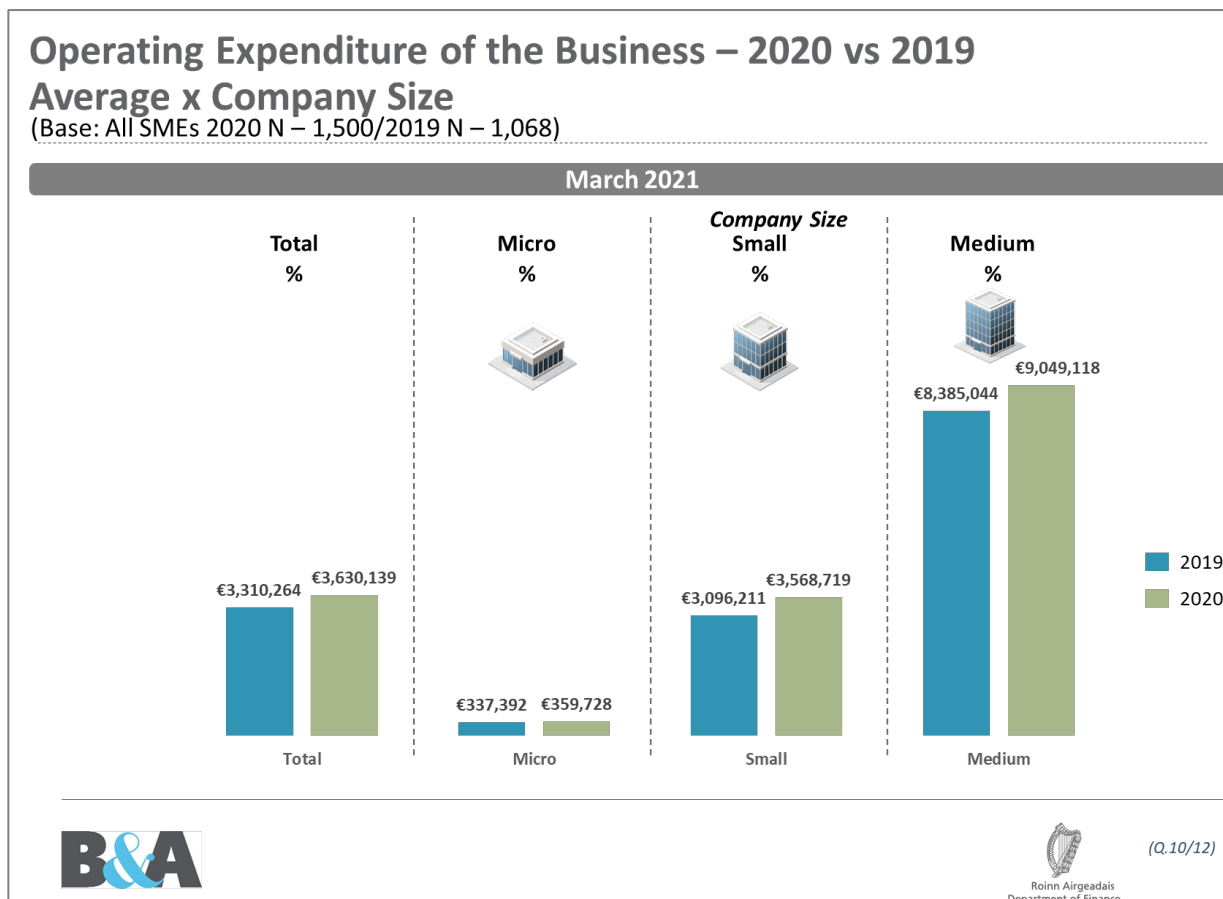


Roughly a third of all SME 2020 expenditure was accounted for by the purchase of goods and services, and a third by wages and salaries.

Less than 2% of all expenditure was accounted for by interest and debt payments.

|                                  | In terms of your 2020 operating expenditure, can you tell me what percent of the operating expenditure was accounted for by the following items: |  |             |                     |                                      |   |                      |              |
|----------------------------------|--|--|-------------|---------------------|--------------------------------------|---|----------------------|--------------|
|                                  | Purchase<br>s of<br>goods<br>and<br>services   | Wages<br>and<br>salaries/<br>personal<br>costs | Utilities   | Rent (if<br>renter) | Interest<br>and debt<br>payment<br>s | Payment<br>s to the<br>Revenue<br>Commis<br>sioners | Commer<br>cial rates | Other        |
| All who answered<br>excluding DK | 1,329  | 1,329  | 1,329       | 1,329               | 1,329                                | 1,329   | 1,329                | 1,329        |
|                                  | %  | %  | %           | %                   | %                                    | %   | %                    | %            |
| 0                                | 16   | 9  | 33          | 68                  | 80                                   | 61  | 71                   | 57           |
| From 1 to 10                     | 11   | 8  | 54          | 25                  | 17                                   | 22  | 27                   | 17           |
| From 11 to 20                    | 11   | 14   | 8           | 4                   | 3                                    | 10  | 1                    | 10           |
| From 21 to 30                    | 12   | 19   | 3           | 1                   | 0                                    | 4   | 0                    | 6            |
| From 31 to 40                    | 11   | 16   | 1           | 0                   | -                                    | 3   | 0                    | 2            |
| From 41 to 50                    | 16   | 11   | 1           | 1                   | 0                                    | 0   | 0                    | 3            |
| From 51 to 60                    | 9  | 9  | 0           | 0                   | -                                    | 0   | -                    | 1            |
| From 61 to 70                    | 7  | 6  | 0           | -                   | 0                                    | -   | 0                    | 1            |
| From 71 to 80                    | 5  | 6  | 0           | -                   | -                                    | -   | -                    | 0            |
| From 81 to 90                    | 1  | 2  | -           | 0                   | -                                    | -   | -                    | 0            |
| From 91 to 100                   | 1  | 1  | 0           | 0                   | 0                                    | -   | -                    | 3            |
| <b>Mean</b>                      | <b>34.21</b>   | <b>36.37</b>                                   | <b>6.41</b> | <b>3.38</b>         | <b>1.49</b>                          | <b>5.37</b>   | <b>1.63</b>          | <b>11.13</b> |

The average SME operating expenditure rose 10% between 2019 and 2020, with the greatest rate of increase registered amongst small SMEs, whose expenditure rose by 15% over the 12 month period.

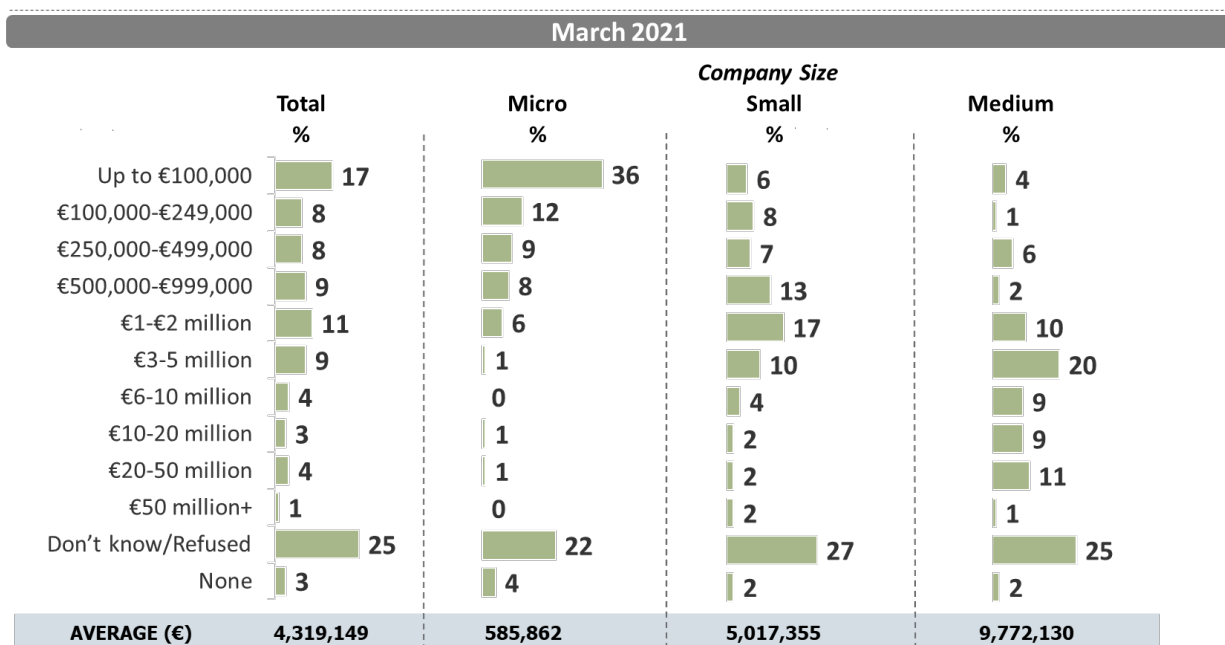


### 10.3 Company Assets

The average value of SME assets in 2020 was €4.3m, a figure which rises to just under €10m for medium size enterprises.

#### Value of Company Assets – 2020

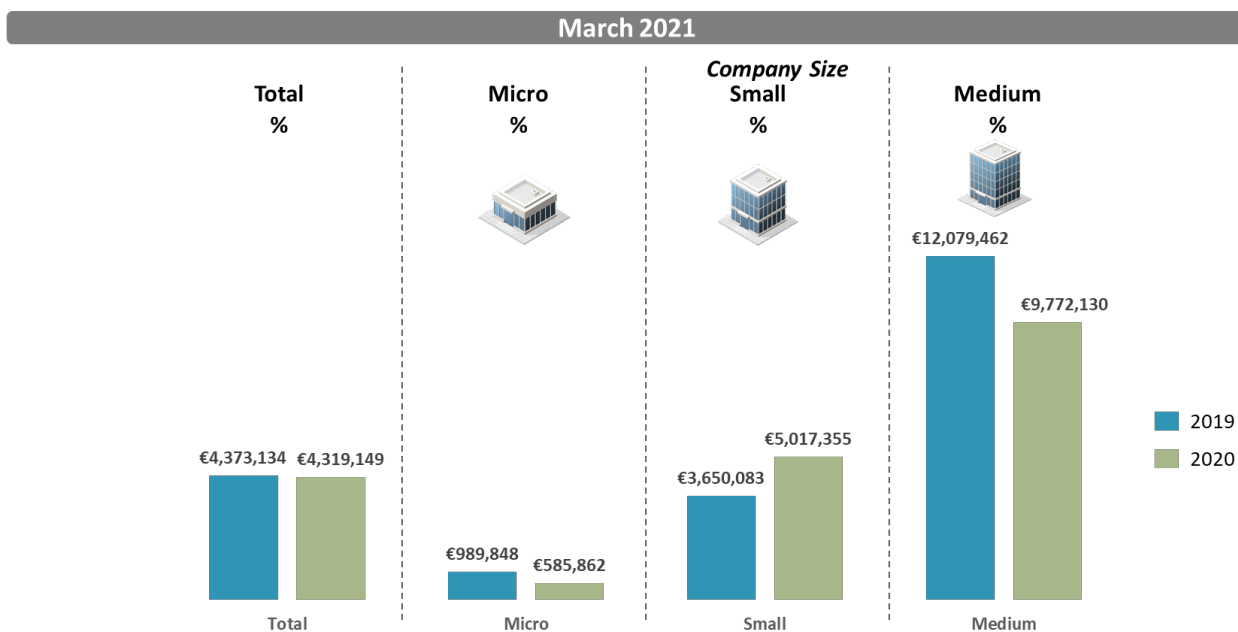
(Base: All SMEs who answered 1,136)



The value of both Micro sized and medium sized enterprise assets declined year-on-year, while small SME assets increased by quite a significant 37%.

## Value of Company Assets 2020 vs 2019

(Base: All SMEs who answered: 2020 - 1,136/2019 - 1,025)



Roughly half of all SME assets are accounted for by fixed assets, with the balance split quite evenly between cash/cash equivalents, and stocks or other liquid assets.

|                               | Roughly what proportion of total assets was in fixed assets, and what proportion was in cash, stocks or other liquid assets? |                           |                               |
|-------------------------------|--|---------------------------|-------------------------------|
|                               | Fixed assets   | Cash and cash equivalents | Stocks or other liquid assets |
| All SMEs excluding Don't know | 943  | 943                       | 943                           |
|                               | %  | %                         | %                             |
| 0                             | 13   | 29                        | 33                            |
| From 1 to 10                  | 9  | 19                        | 11                            |
| From 11 to 20                 | 8  | 13                        | 13                            |
| From 21 to 30                 | 8  | 9                         | 9                             |
| From 31 to 40                 | 7  | 5                         | 5                             |
| From 41 to 50                 | 11   | 8                         | 10                            |
| From 51 to 60                 | 6  | 2                         | 4                             |
| From 61 to 70                 | 8  | 3                         | 4                             |
| From 71 to 80                 | 9  | 4                         | 3                             |
| From 81 to 90                 | 6  | 3                         | 3                             |
| From 91 to 100                | 15   | 3                         | 5                             |
| Mean                          | 48.77  | 24.55                     | 26.68                         |

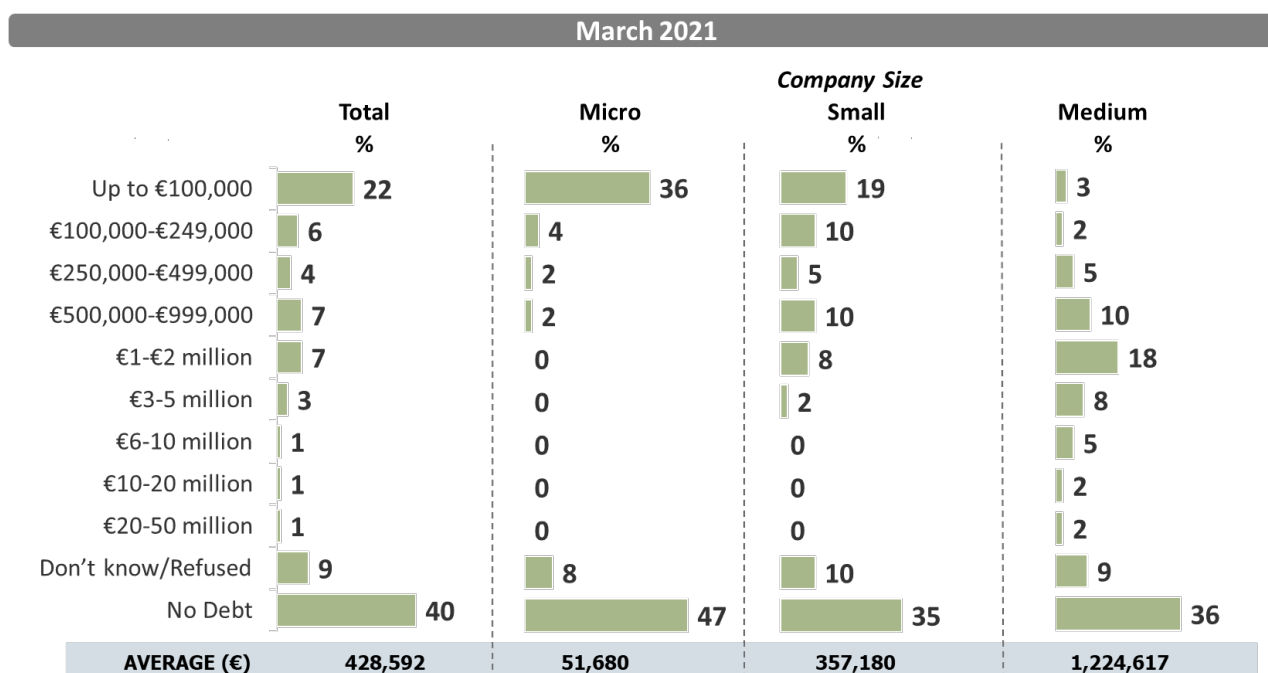


## 10.4 Outstanding Debt

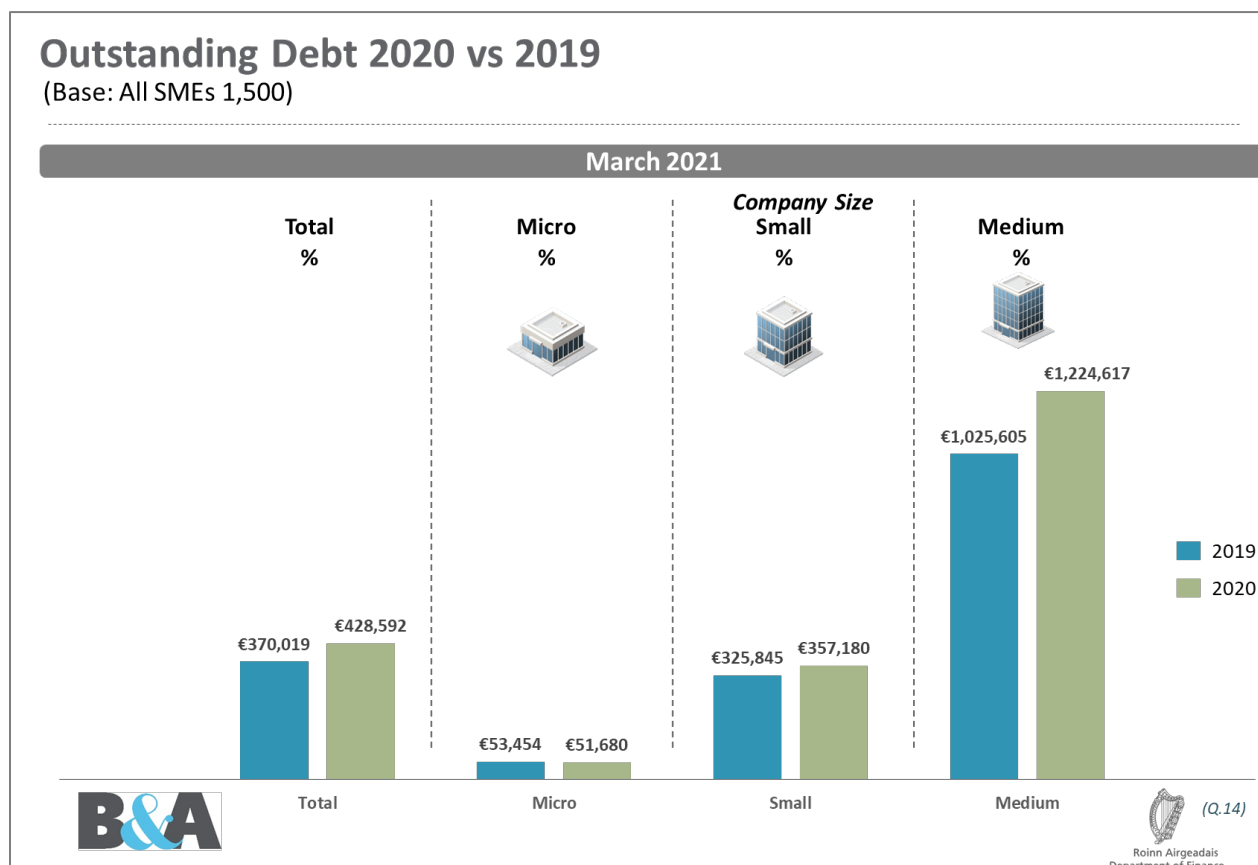
The average Irish SME had outstanding debt of just under €430,000 in 2020, a figure which is almost three times higher amongst medium sized companies.

### Value of Company Outstanding Debt 2020

(Base: All SMEs – 1,500)



SME debt increased between 2019 and 2020 for both small and medium sized enterprises, and remained relatively static over that period amongst micro sized enterprises, at just over €50,000.



Approximately 60% of all SME outstanding debt is to retail banks, with the balance owed to non-bank bodies.

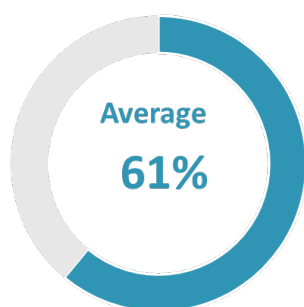
## Outstanding Debt owed to Retail Banks/Other

(Base: All SMEs who answered – 619)

What is the approximate share of  
your outstanding debt owed to

**Retail Banks**

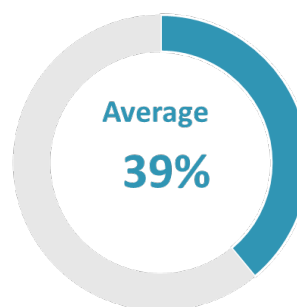
N - 619



What is the approximate share of  
your outstanding debt owed to

**Other Non-Banks**

N - 619



## DEPARTMENT OF FINANCE SME CREDIT DEMAND SURVEY QUESTIONNAIRE

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**

**REPEAT ABOVE IF PASSED OVER TO SOMEONE ELSE**

The study will take about 20 minutes depending on your answers. We are conducting a survey on bank lending and the economic impact the pandemic has had on 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.

This interview will be conducted in accordance with Market Research Society guidelines - for quality control purposes this call may be monitored by a supervisor.

Yes 1

Yes, later (INTERVIEWER MAKE APPOINTMENT) 2

No/refusal to participate (INTERVIEWER PLEASE PROCESS AS A REFUSAL) 3

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### SECTION 1 – COMPANY INFORMATION

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**Q.2** Can you confirm the county in which is your main office is based? SINGLE CODE

List 32 counties

**Q.3a** 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.3a ASK Q.3b**

**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 ASK Q.3b IF NO AT Q.3a

**Q.3b** 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.4** How many years has your business been in operation?

|                             |
|-----------------------------|
| _____ Years (Min-Max 0-999) |
|-----------------------------|

- Q.5 Including yourself, how many people were employed in the business in 2020?  
**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)   | <b>1</b> | <b>MICRO:<br/>CHECK QUOTAS</b>  |
| 2 - 4               | <b>2</b> |                                 |
| 5 - 9               | <b>3</b> |                                 |
| 10 -20              | <b>4</b> | <b>SMALL:<br/>CHECK QUOTAS</b>  |
| 21 - 49             | <b>5</b> |                                 |
| 50 - 100            | <b>6</b> | <b>MEDIUM:<br/>CHECK QUOTAS</b> |
| 101 - 249           | <b>7</b> |                                 |
| 250+                | <b>8</b> | <b>CLOSE</b>                    |
| Refused/ don't know | <b>9</b> |                                 |

- Q.6 Including yourself, how many people were employed in the business in 2019?  
**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,

- Q. 7 What was the approximate turnover of the company for the year 2020? Even if you are uncertain of the precise figure, please give your best estimate.

€ 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Don't know/Refused 1 – **ASK Q.8**

**If greater than €50mn close.**

- Q.8 What was your business' turnover for 2020 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 <b>CLOSE</b> |
| Refused/don't know <b>(DNRO)</b> ..... | 99 <b>CLOSE</b> |

### ASK ALL

**Q. 9** What was the approximate turnover of the company for the year 2019? Even if you are uncertain of the precise figure, please give your best estimate.

€

Don't know/Refused 1

**Q.10** What was the approximate total operating expenditure of the company for the year 2020? Again, even if you are uncertain of the precise figure, please give your best estimate. Please include all operating expenditure including purchases, debt and interest payments, rent, wage and salaries, utilities, etc. Do not include expenditure on investment items or replacement of depreciated items.

€

Don't know/Refused 1

**Q.11** In terms of your 2020 operating expenditure, can you tell me what percent of the operation expenditure was accounted for by the following items:

| Expenditure item<br>READ OUT ↓        | Share of total<br>operation<br>expenditure |
|---------------------------------------|--|
| Purchases of goods and services       | % of total                                 |
| Wages and salaries/personal costs     | % of total                                 |
| Utilities                             | % of total                                 |
| Rent (if renter)                      | % of total                                 |
| Interest and debt payments            | % of total                                 |
| Payments to the Revenue Commissioners | % of total                                 |
| Commercial rates                      | % of total                                 |
| Other                                 | % of total                                 |
| Don't know/Refused                    | 1  |

- Q.12** What was the approximate total operating expenditure of the company for the year 2019? Again, even if you are uncertain of the precise figure, please give your best estimate. Please include all operating expenditure including purchases, debt and interest payments, rent, wage and salaries, utilities, etc. Do not include expenditure on investment items or replacement of depreciated items.

€ 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Don't know/Refused 1

- Q.13** And, what was the approximate value of your company's total assets for the year 2020? By total assets we mean all assets including fixed assets, cash, stocks or other liquid assets. Even if you are not entirely certain of this figure, please give your best estimate. RECORD PRECISE NUMBER BELOW.

€ 

|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|
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|--|--|--|--|--|--|--|--|--|

Don't know/Refused 1

- Q.14** Roughly what proportion of this \_\_\_\_\_ (VALUE FROM Q.13) in total assets was in fixed assets, and what proportion was in cash, stocks or other liquid assets?

Fixed assets

|  |  |  |   |
|--|--|--|---|
|  |  |  | % |
|--|--|--|---|

Cash and cash equivalents

|  |  |  |   |
|--|--|--|---|
|  |  |  | % |
|--|--|--|---|

Don't know/Refused

1

- Q.15** And, what was the approximate value of your company's total assets for the year 2019? By total assets we mean all assets including fixed assets, cash, stocks or other liquid assets. Even if you are not entirely certain of this figure, please give your best estimate. RECORD PRECISE NUMBER BELOW.

€ 

|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|

Don't know/Refused 1



**Q.16** What was the approximate value of your company's total outstanding debt, if any, for the 2020 financial year? Please give your best estimate.

€ 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Don't know/refused 1

None/No debt 2 **-GO TO Q.18**

**Q.17** What was the approximate share of your outstanding debt in 2020 owed to the following:

Retail banks

|  |  |
|--|--|
|  |  |
|--|--|

 %

Don't know/refused 1

None/No debt 2

Other non-bank finance

|  |  |
|--|--|
|  |  |
|--|--|

 %

Don't know/refused 1

None/No debt 2

**Q.18** What was the approximate value of your company's total outstanding debt, if any, for the 2019 financial year? Please give your best estimate.

€ 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Don't know/refused 1

None/No debt 2

### ASK ALL

**Q.19** Does your company export any goods or services outside the Republic of Ireland?

Yes 1 **ASK Q.20**

No 2 **GO TO Q.21**

**Q.20** What percentage of your total turnover in 2020 was exported outside the Republic of Ireland?

\_\_\_\_\_ % of total sales

**ASK ALL**

**Q.21** What percent of your total sales are to multinational enterprises based in Ireland?

%

Don't know/refused 1

None 2

**Q.22** What percent of your total purchases are from multinational enterprises based in Ireland?

%

Don't know/refused 1

None 2

## SECTION 2 – FINANCING YOUR BUSINESS

ASK ALL

**Q.23** In the period October 2020 to March 2021, have you missed or deferred repayments on the following? **READ OUT.**

| 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          |
| Rent payments  | 1   | 2  | 0          |
| Payments to suppliers                                      | 1   | 2  | 0          |

**Q.24** In the period October 2020 to March 2021, 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 - **GO TO Q.25**
- GO TO Q.26**

**Q.25** Why did you not look for external finance? **READ OUT**

- Had sufficient internal funds ..... 1  
 Current lines of credit were sufficient ..... 2  
 Preferred to use internal finance` ..... 3  
 My business generated sufficient revenue ..... 4  
 Possible rejection ..... 5  
 I do not like to be indebted ..... 6  
 It is too expensive to borrow ..... 7  
 Other specify ( ..... ) ..... 7 - **GO TO Q.35**

**IF MORE THAN ONE REQUEST FOR ONE PARTICULAR TYPE OF FINANCE AT Q.24, ASK ABOUT MOST RECENT**

**Q.26** I'm now going to ask you about your \_\_\_\_\_ (**FROM Q.24**) request. Which, if any, of these, were reasons for making your \_\_\_\_\_ (**FROM Q.24**) 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
- Adaptation of business due to Covid/social distancing requirements
- Cover fixed payments while business shut down due to Covid
- Other (specify)..... 9

**ASK Q.27 FOR ALL WHO ANSWERED CODES 1, 3, 5, 6, 7 in Q.24**

**Q.27** What was the value of the \_\_\_\_\_ (**FROM Q.24**) for which you applied?

**OPEN END: INSERT AMOUNT**

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  |  |  |  |  |
|--|--|--|--|--|--|

Don't know ..... 8

Refused ..... 9

**ASK Q.28 FOR ALL WHO ANSWERED CODES 2 OR 4 @ Q.24**

**Q.28** What was the additional value of the \_\_\_\_\_ (**FROM Q.24**) 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.29** 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.30 IF ANY COLLATERAL IN Q.29 (NOT CODE 8 AT Q.29)**

**Q.30** 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.31** Were you successful in your\_\_\_\_\_(**FROM Q.24**) request? SINGLE CODE

Yes..... 1 **GO TO Q 32**  
 No ..... 2 **GO TO Q 34**  
 Partially ..... 3 **GO TO Q 32**

**ASK Q.32 AND Q.33 TO ALL SUCCESSFUL (CODE 1 AT Q.31) OR PARTIALLY (CODE 3 AT Q.31)**

**Q.32** Were any of the following criteria/conditions attached to your\_\_\_(FROM Q.24) request? READ OUT – MULTICODE

|  |   |
|--|---|
| Requirement to provide regular management accounts/debtors + creditors' listings to the bank | 1 |
| Personal guarantee   | 2 |
| Specific security  | 3 |
| Facility or security   | 4 |
| Requirement to maintain account with bank  | 5 |
| Additional collateral  | 6 |
| Requirement for borrower to put up cash  | 7 |
| Other (specify)  | 8 |
| No   | 9 |

**Q.33** What is the average interest rate attached to your\_\_(FROM Q.24) request?  
INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE.  
\_\_\_\_\_% (MIN-MAX 0-99, ALLOW REFUSAL/NOT SURE)

**ASK Q.34 TO ALL UNSUCCESSFUL IN APPLICATION (CODE 2 AT Q.31) OR PARTIALLY (CODE 3 AT Q.31) IN APPLICATION**

**Q.34** Were any of the following reasons given by the bank for turning down your \_\_ (FROM Q.24) request? READ OUT – MULTICODE

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

**ASK ALL**

**Q.35** Do you expect to seek bank finance for your business between now and the end of 2021? SINGLE CODE

- Yes .....1 **GO TO Q.37**  
 No ..... 2 **GO TO Q.36**  
 Don't know (DNRO) ..... 3 **GO TO Q.37**

**ASK Q.36 IF NO AT Q.35**

**Q.36** 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

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## SECTION 3: SME Supports and Initiatives

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### ASK ALL

**Q.37** Which of the following supports or 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)                       |   |
| The Credit Review Office (CRO).....                                   | 6 |
| Code of Conduct between Landlords and Tenants for Commercial Rents... |   |
| Other government support (specify).....                               | 7 |
| None .....  | 8 |

**Q.38** Since the beginning of the pandemic did you avail of tax warehousing?

|                                 |   |                   |
|---------------------------------|---|-------------------|
| Yes .....                       | 1 | <b>ASK Q.39</b>   |
| No .....                        | 2 | <b>GO TO Q.40</b> |
| Don't know ( <b>DNRO</b> )..... | 3 | <b>GO TO Q.40</b> |

**Q.39** What was the nominal value of the supports from tax warehousing in 2020?

\_\_\_\_\_(ALLOW REFUSAL/NOT SURE)

### ASK ALL

**Q.40** Since the beginning of the pandemic did you avail of the temporary or employment wage subsidy scheme?

|                                 |   |                   |
|---------------------------------|---|-------------------|
| Yes .....                       | 1 | <b>ASK Q.41</b>   |
| No .....                        | 2 | <b>GO TO Q.42</b> |
| Don't know ( <b>DNRO</b> )..... | 3 | <b>GO TO Q.42</b> |



**Q.41** What was the nominal value of the supports from the Wage Subsidy Scheme in 2020?

\_\_\_\_\_(ALLOW REFUSAL/NOT SURE)

**ASK ALL**

**Q.42** Since the beginning of the pandemic did you avail of the COVID-19 Credit Guarantee Scheme?

Yes ..... 1 **ASK Q.43**

No ..... 2 **GO TO Q.44**

Don't know (**DNRO**)..... 3 **GO TO Q.44**

**Q.43** What was the nominal value of the supports from the Credit Guarantee Scheme in 2020?

\_\_\_\_\_(ALLOW REFUSAL/NOT SURE)

**ASK ALL**

**Q.44** Since the beginning of the pandemic did you avail of the Covid-Restrictions Support Scheme (CRSS)?

Yes ..... 1 **ASK Q.45**

No ..... 2 **GO TO Q.46**

Don't know (**DNRO**)..... 3 **GO TO Q.46**

**Q.45** What was the nominal value of the supports from the Covid-Restrictions Support Scheme (CRSS)?

\_\_\_\_\_(ALLOW REFUSAL/NOT SURE)

## SECTION 4 – INVESTMENT ACTIVITY AND COMPANY ASSETS

We are now going to ask you some more detailed questions about your investment activity and the assets you hold as a company. Where you are unsure, please provide a rough estimate of the magnitude.

### ASK ALL

**Q.46** In 2020, can you tell me how much your firm invested in each of the following type of assets [provide EURO amount]: Providing an estimate would be fine. READ OUT

|  | <b>Amount invested<br/>(including nothing invested)</b>  | <b>Nothing invested</b> | <b>Don't know / No reply</b> |
|--|--|-------------------------|------------------------------|
| Buildings or other construction activities*  | € <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> | 1                       | 2                            |
| Vehicles and other transport equipment   | € <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> | 1                       | 2                            |
| Digital technologies or e-commerce activities (such as automation, robotics, artificial intelligence, blockchain, data analytics infrastructure, internet communication devices etc) | € <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> | 1                       | 2                            |
| Other fixed assets (including other machinery and equipment)   | € <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> | 1                       | 2                            |
| Intangible assets* (i.e. research and development, patents, trademarks and copyrights.)  | € <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> | 1                       | 2                            |
| Investment in staff  | € <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> | 1                       | 2                            |

**ASK IF >0 FOR EACH OF \* AT Q.46 (ONLY THESE TWO)**

**Q.47** For each of the following investments, can you tell me how you financed that investment in 2020 in terms of per cent of total investment? Firstly, what percentage of your € \_\_\_\_\_ (VALUE FROM Q.68) 2020 investment in \_\_\_\_\_ (INVESTMENT TYPE) did you finance through (Financing Source Type)? **REPEAT FOR ALL OTHER FINANCING SOURCE TYPES.**

| Financing source<br>READ OUT ↓       | Fixed Assets | Intangible Assets |
|--------------------------------------|--------------|-------------------|
| Internal financing/retained earnings | % of total   | % of total        |
| Leasing or Hire Purchase             | % of total   | % of total        |
| Borrowed from Banks or non-Banks     | % of total   | % of total        |
| On Supplier Credit                   | % of total   | % of total        |
| External equity                      | % of total   | % of total        |
| Don't know/Refused                   | % of total   | % of total        |

**ASK ALL**

**Q.48** I am now going to read out a couple of statements to do with your attitudes towards investment, risk and debt. For each statement, please indicate whether you agree or disagree with it on a scale from 1 to 5 where 1 is strongly agree and 5 is strongly disagree. **READ OUT EACH STATEMENT IN TURN**

|   | Strongly agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree | Don't know |
|---|----------------|-------|----------------------------|----------|-------------------|------------|
| I am willing to expand my business even if it brings more risk/challenge      | 1              | 2     | 3                          | 4        | 5                 | 6          |
| I am willing to borrow from banks to fund an expansion of my business         | 1              | 2     | 3                          | 4        | 5                 | 6          |
| Investing in digital technologies and e-commerce is important for my business | 1              | 2     | 3                          | 4        | 5                 | 6          |
| Access to external finance is a barrier to investment                         | 1              | 2     | 3                          | 4        | 5                 | 6          |
| Uncertainty is a barrier to investment  | 1              | 2     | 3                          | 4        | 5                 | 6          |
| We are happy with our current level of assets and investments                 | 1              | 2     | 3                          | 4        | 5                 | 6          |

We would like to ask you about your historical investment activities in 2019.

**Q.49** What was the approximate investment in fixed assets (buildings, vehicles, machinery and equipment etc) of the company for the year 2019? Even if you are uncertain of the precise figure, please give your best estimate.

€ 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Don't know/Refused 1

**Q.50** What was the approximate investment in intangible assets of the company for the year 2019? Even if you are uncertain of the precise figure, please give your best estimate.

€ 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

Don't know/Refused 1

**Q.51** What was the approximate investment in digital technologies or e-commerce activities (such as automation, robotics, artificial intelligence, blockchain, data analytics infrastructure, internet communication devices etc) of the company for the year 2019? Even if you are uncertain of the precise figure, please give your best estimate.

€ 

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
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Don't know/Refused 1

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## SECTION 6 – OBSTACLES TO INVESTMENT

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### ASK ALL

**Q.52** For the 6 month period from October 2020 to March 2021, 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 ( <b>DNRO</b> )..... | 5 |

**Q.53** With what bank is your main business account?

**SINGLE CODE**

|  |   |
|--|---|
| AIB.....                                   | 1 |
| Bank of Ireland.....                       | 2 |
| Ulster Bank.....                           | 3 |
| Permanent TSB.....                         | 4 |
| Other financial institution (specify)..... | 5 |

**Q.54** For how many years have you been a customer of this bank?

\_\_\_\_\_years (MIN-MAX 0-999, ALLOW REFUSAL/NOT SURE)

**Q.55** From the date of application, how long did it take the bank to process your (FROM Q.24) 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 <b>GO TO Q.56</b> |
| Cannot recall/don't know..... | 9                   |

**IF STILL PENDING CODE 7 AT Q.55**

**Q.56** Has your bank asked you for additional information which you have not yet supplied e.g. accounts etc.?

Yes..... 1  
 No ..... 2  
 Don't know..... 3

**ASK Q.57 AND 58 TO ALL WHO WERE UNSUCCESSFUL CODE 2 AT Q.31**

**Q.57** 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

**Q.58** 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 ALL**

**Q.59** And finally, would you be willing to allow us retain your contact details with a view to being re-interviewed by Behaviour & Attitudes at some stage in the future in relation to the type of topics covered in today's survey?

Yes  
 No  
 Don't know/depends