

June 2017

SME Credit Demand Survey

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1. Summary of main findings

Overview of Report – Credit Demand (October 2016-March 2017)

(Base: All SMEs – 1,519)

Demand

Requested
20% (-6)
(vs. March 2016)

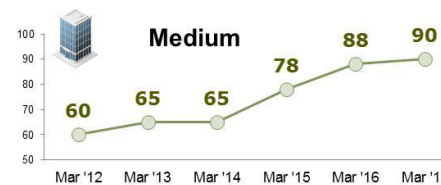
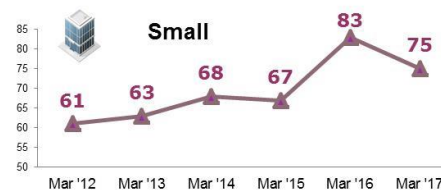
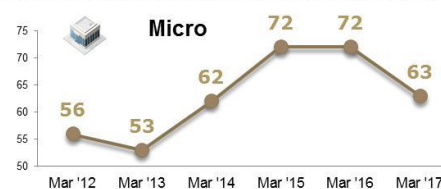
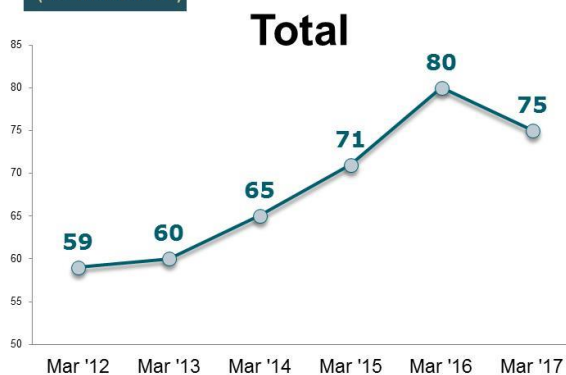


Requested By Company Size							Demand
	Mar '12 %	Mar '13 %	Mar '14 %	Mar '15 %	Mar '16 %	Mar '17 %	Mar 17 vs Mar 16
Micro	30	36	29	26	23	15	↓ -8%
Small	43	43	40	35	31	22	↓ -9%
Medium	42	41	37	40	21	25	↑ +4%

Status of Application at Date of Survey

Application Decisions (incl. pending) (Base: All SMEs Seeking Finance – 290)

Approval/Partial
75% (-5)
(vs. March '16)

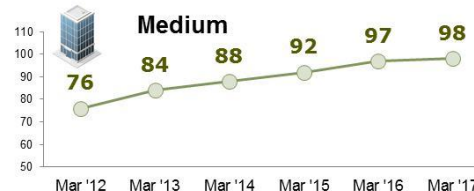
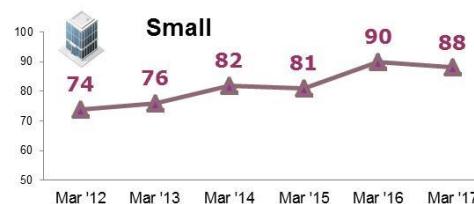
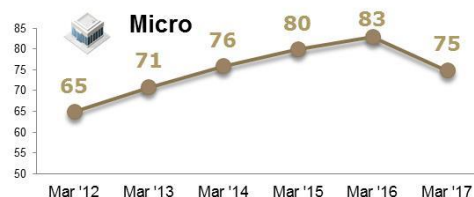


Status of Application at Date of Survey

Application Decisions (excl. pending)

**Approval/
Partial**
88% (-1)
(vs. March '16)

(Base: All SMEs Seeking Finance,
excluding pending – 253)

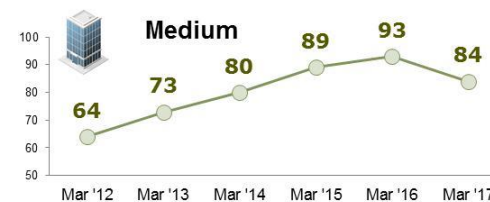
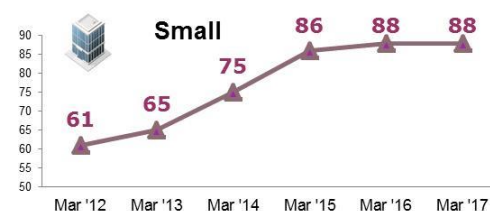
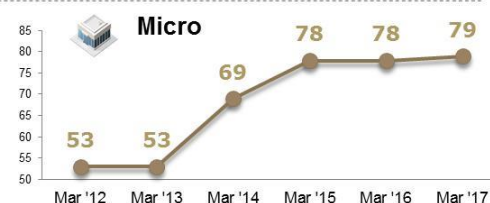
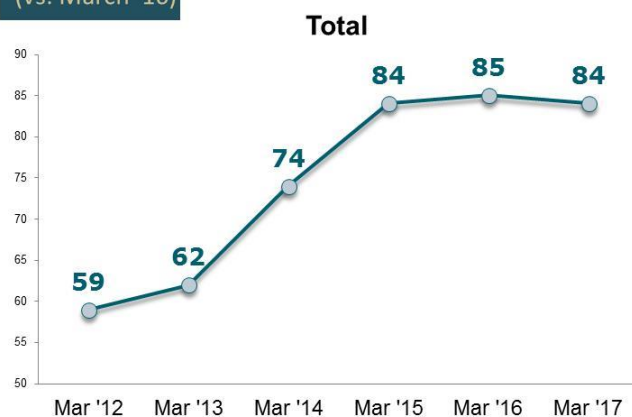


Overview of Report – Credit Demand (October 2016-March 2017)

Trading Performance (all SMEs)

(Base: All SMEs – 1,519)

**Stable/
Increase**
84% (-1)
(vs. March '16)



1. Summary

The following is the summary of results from the SME Credit Demand Survey. All interviews were conducted between 3rd April and 26th April 2017 and covered the period from October 2016 to March 2017. Throughout the report, the most recent wave of findings (referred to as Mar '17) is compared with corresponding waves from previous years. This ensures that historical comparisons are being made on a like-for-like basis, taking any seasonal issues into account.

1.1 Trading Performance

Trading conditions for this most recent period remain favourable, and very much on a par with those prevailing during the same period in 2015 and 2016.

In terms of turnover, 42% of all businesses surveyed report increased turnover in the past six months, with just 16% reporting a decrease. Of those reporting increased turnover, the average percentage increase is 12%.

Most sectors do not see any significant year-on-year change in trading conditions, with more companies having seen increased turnover than a decrease. The construction sector has the highest proportion of SMEs reporting increased turnover.

The proportion of companies increasing their staff numbers stands at 23% in this most recent wave of interviewing, compared with just 7% of companies which have decreased their head count. This rate of staff increase is broadly on a par with that registered in March 2015, although slightly lower than the March 2016 equivalent.

For the fourth year in a row, we have seen an increase in the reported number of companies making a profit with a net profit versus loss balance of +53% in March 2017, +50% in March 2016, +43% in March 2015 and +33% in March 2014.

In terms of overall trading trends, a higher proportion of companies than ever (69%) are pursuing some form of growth strategy, albeit with the majority of these focusing on stabilising the business while pursuing smaller growth opportunities.

While business sentiment with regard to the next six months remains in positive territory, confidence has declined marginally from 51% of companies in March 2016 expecting the business climate to improve in the next six months, to 49% this year.

1.2 Demand for Banking Finance

Credit demand from banks continues to decline year-on-year, with 20% having applied for bank finance in the past six months compared to 26% in March 2016. This decline in credit demand is consistent across SMEs of all sizes, with the exception of medium businesses (up from 21% in March 2016 to 25% in March 2017), and should be interpreted within the context of improved business performance and profitability in the past six months.

The survey also registers a decline in expected future demand for credit, with 13% of all SMEs expecting to apply for finance in the next six months, down from 20% during the corresponding period in 2016. This decline in expected future demand is driven more so by micro and small sized SMEs.

The main stated reasons for not having sought credit in the past six months are dominated by a simple lack of credit requirements, a reason cited by 89% of businesses not seeking credit.

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

The most significant decline in credit demand is from the construction and manufacturing sectors, although the wholesale/retail trade and repair sector has also witnessed an eight percentage point drop in demand for credit compared with the same period in 2016.

Almost half of all SMEs with outstanding loans are not certain of the interest rate attached to their outstanding loans. Of those who are aware, the average cost of credit on outstanding loans is 3.6% - a decline from 4.8% in March 2016.

Just 14% report that the number of days in which customers pay them for their services has increased over the past six months, a percentage which has declined marginally from 15% in March 2016. There has been no change in relation to the average number of days it takes these businesses to pay their own suppliers compared with last year.

Just 1% of SMEs report having missed repayments of their loan in the past six months, down from 3% in March 2016.

Similarly, just 2% have made adjustments to their bank debt in the past six months, with the main types of adjustments made by this small cohort centring around repayment scheduling, and term or interest rate reduction. The proportion of SMEs suggesting that their turnover levels are seasonal continues to decline and stands at 45% of all companies this wave. This has a related effect on credit demand, with 56% of all businesses reporting seasonality of turnover also suggesting seasonal credit demand.



1.3 The Application Process

Just one in five of all SMEs have requested bank finance in the past six months – down from 26% during the same period last year.

Of those companies who have requested bank finance, business expansion, working capital and the purchase, replacement or lease of new equipment are the main uses to which this finance was put.

Of those who sought banking finance, 80% formally applied for it – a similar level to that recorded in March 2016. The main reason given for submitting an informal request is that the business felt there was no need, as it related to a repeat loan or was linked with a personal relationship in the bank.

The proportion of companies who applied for finance with one of the pillar banks continues to decline – from 88% of all those requesting bank finance this time last year to 75% this year.

The average value of credit applied for was €154,572 this year, down from €309,000 in March 2016. Of those applying for bank finance, 45% had to provide some type of collateral, with the main collateral type required being buildings, land, or personal assets of the owner. The average value of collateral required as a percentage of loan is 74% - dropping to 49% for medium sized applicants.

63% of all finance applications were processed within the stipulated 15 working days of receipt of all information from the company, similar to the 68% reported over the same period in 2016.

The average amount of time from application to decision increased from 16 working days in March 2016 to 24 working days in March 2017. The proportion of loans that are still pending stands at just 14%.

The proportion of credit applications declined stands at 11% in this survey, up marginally from 10% during the same period last year. Overall, 75% of all SME credit applications were fully or partially approved at the time of surveying. Decline rates are lower for export versus non-export businesses.

Those applying for credit to restructure a loan, or for working capital are also more likely to have their request declined than are those looking to use the credit for Capital Investment.

Main stated reasons for credit decline remain centred on applicant controlled factors, particularly account performance/history and adequate payment history. Just 12% of all companies who have been declined bank finance agree with the reasons given for their refusal, the same level as recorded in March 2016.



Last year 30% of those refused credit reported that they were informed of their right to an internal review. This figure has decreased to 20% of all SMEs refused credit in 2017, although it should be noted that this calculation is based on a very small base size of just 35 respondents. Also, the proportion uncertain as to whether or not they were informed has increased from 7% in March 2016 to 18% in March 2017.

Excluding don't knows, which have been increasing over the past four years, an increased number of companies refused credit from the two pillar banks said that they were informed of their right to a decision review by the Credit Review Office (50% this year, up from 29% last year).

59% of SMEs whose credit applications were approved have availed of all of the facility, a further 16% have availed of part of it, with 26% not yet having availed of it, up from 21% in March 2016.

1.4 Non-Bank Finance

The proportion of companies making enquiries for non-bank finance has been steadily decreasing since March 2014 and now stands at just 6% of SMEs. The main types of non-bank finance requested were for Government support, and other Government financial support.

62% of these requests for non-bank finance were either fully or partially successful, representing a decrease from 66% in March 2016.

The decline rates for such requests are 17%, a figure which was the same in March 2015 and March 2016.

Of those companies who have not applied for Government financial support, the main reasons given were a lack of need for such finance (70%), and a lack of awareness of such sources of funding (9%).

A majority of SMEs are aware of Enterprise Ireland (EI) (86%), and Local Enterprise Offices (70%).

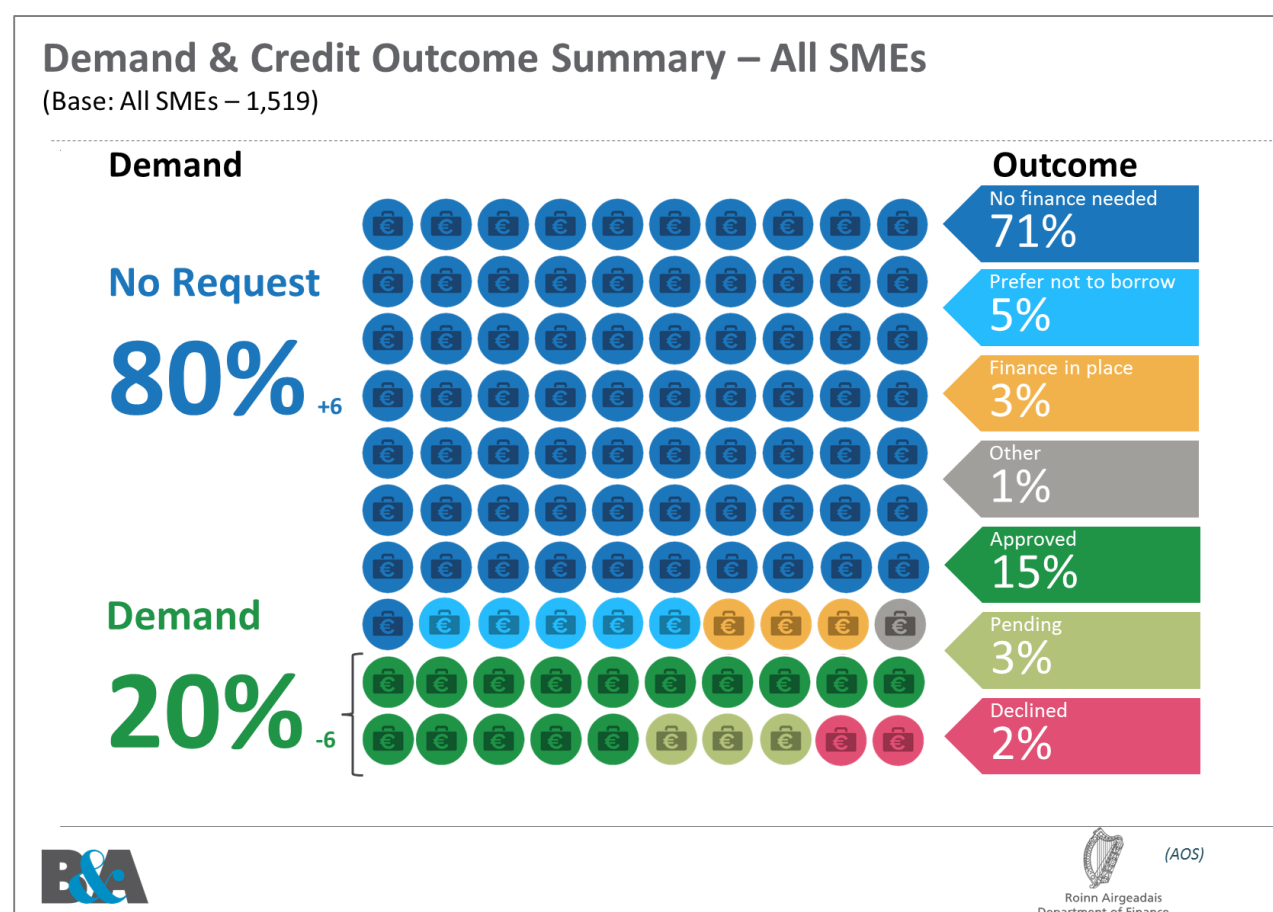
A minority (41%) of SMEs are aware of the Credit Guarantee Scheme. There continues to be a strong appetite for State support, with 68% of all SMEs indicating they would like to see more information on how businesses could apply for State funded support.

Internal funds/retained earnings represent the primary source of working capital finance, with 78% indicating this is so.

1.5 Credit Support Awareness

Finally, when prompted, 58% of SMEs claim they are aware of the Credit Review Office down from 62% in March 2016.

At an overall level, 45% of all SMEs believe that the banks are currently lending to at least some SMEs, 21% believe they are not, while 35% are unsure. Medium sized companies are least certain in this regard. Of the 21% who believe that the banks are not lending, 30% claim that their view is based on personal experience (down from 32% this time last year), with the balance basing their opinion on information from business organisations, media reports, or the views and opinions of their peers.



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 2016 to March 2017. Behaviour & Attitudes Ltd, the independent market research and polling organisation, have conducted this wave of the survey.

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

All interviews for the study were conducted through Behaviour & Attitudes Computer Assisted Telephone Unit. In total 1,519 telephone interviews were conducted with a random sample of Irish micro, small and medium SMEs. The interviews were conducted between the 3rd April and 26th April 2017.

2.1 Economic Context

The Irish economy is continuing to grow with GDP up 5.2 per cent in 2016. With further declines in unemployment and expected increases in consumption and investment by Irish consumers and businesses, the outlook for the Irish economy remains relatively positive. However, it is worth noting that the recovery could be impacted by external factors including inter alia weaker growth in key export markets, the UK's exit from the EU and the uncertainty associated with the policy stance in the US.

We also see a further improvement in the labour market. The unemployment rate continues to fall and was 6.4% in May 2017 – down from a peak of over 15 per cent in early 2012. We also see a downward trend in the number of insolvencies.

The Q2 2017 quarterly bulletin from the Central Bank confirms a broadly favourable outlook for the Irish economy:

"Despite the concerns about Brexit and the weakness of sterling, recent evidence points to a broadening of recovery on the domestic side of the economy, with consumer spending continuing to grow solidly and the revival of the construction sector gaining traction. Growth in underlying domestic demand over the past year has been supported by strong and broad-based growth in employment, which, in 2016, grew at its fastest rate in almost a decade. Since the low point reached in 2012, employment has grown by over 200,000, at an average annual rate of almost 2.5 per cent, while employment outside of the construction sector has now moved above the previous peak reached in the first-half of 2008.

The cumulative effect of these gains has helped incomes to recover and supported solid growth in consumption in recent years. Allied to strengthening growth in underlying investment, which excludes the volatile components of intangibles and



aircraft, this has underpinned recovery on the domestic side of the economy and, to date, has outweighed the negative impact of external factors.

Looking ahead, the main impetus to growth in 2017 and 2018 is expected to come from the projected strength of domestic demand, reflected in solid growth in consumer spending and underlying investment. The main driver of growth will be continuing gains in employment and incomes, though some moderation in employment growth from current rates is projected over the forecast horizon. Notwithstanding this gradual moderation, underlying domestic demand is projected to grow by 4.0 per cent in 2017 and by 3.5 per cent next year.

While the central forecast is for economic activity to continue to grow at a healthy pace, risks to these forecasts are to the downside. The outlook is characterised by uncertainty about the external environment, both in relation to Brexit and the changing international political and economic policymaking landscape. Looking at the wider international picture, there are also risks related to the potential for changes to broader international taxation and trade arrangements.

Both in the short term and the longer term, the economic impact of Brexit on Ireland is set to be negative. Reflecting this, the Central Bank revised down its economic forecasts in the wake of the UK referendum. To date, in the absence of any weakening in the UK economy, the impact of Brexit has mainly been experienced through the sizeable depreciation of sterling against the euro. In addition, however, those sectors with a high dependency on exports to the UK remain exposed to any future adverse UK economic developments and also the threat of new barriers to trade. Consequently, sectors such as agri-food, clothing and footwear and tourism could be affected disproportionately.

While exporters selling to the UK are most immediately affected, there are additional channels by which shifts in the sterling-euro exchange rate affects the economy. First, in many domestic sectors, the market share of domestic firms could be affected by import competition from the UK. Second, many domestically-orientated firms are suppliers to exporters or rely on employees in exporting firms as customers. Third, sterling depreciation may be associated with an increase in cross-border shopping, including a greater volume of online purchases from UK websites.

While these are adverse forces, it is also important to point out that a weaker sterling may benefit some firms that rely on imported inputs from the UK and that real income gains to households due to cheaper imports from the UK may, in part, be recycled into higher spending on domestically-produced goods and services. Over the longer term, Irish firms will have to adapt to the post-Brexit environment. The current uncertainty about the future UK-EU relationship may delay investment plans. In turn, as clarity about the post-Brexit world emerges, firms will have to develop new strategies to respond to the new configuration. In the event of higher trade barriers between the UK and the EU, some firms may plan to serve UK customers through FDI into the UK, while others may search for new export markets. In the other direction, some UK firms may look to set up affiliates in Ireland both to serve the Irish market and as a platform for EU-wide trading."



The Eighteenth Report from the Credit Review Office also noted a favourable outlook and the improving performance of SMEs, although it also noted that some SMEs do still have a way to go to return to full financial strength. The report also highlighted some areas of concern for SME credit, including:

- An emerging trend observed in the quality of service experienced by SMEs/farmers during their interactions with the banks, with some applicants experiencing poor local service and relationship management, which is a contributory factor in the difficulties they have experienced in accessing credit.
- Banks appear to have generally tightened their credit policies over the past year, and the Credit Reviewer is of the opinion that more can be done by the banks to ensure that all viable SMEs and farms are supported.

The rise in on-line credit applications and automated decision making has affected the quality of service may also be contributing to this trend.

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 and Bank of Ireland 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 commenced lending in March 2015. To the end of December 2016, the SBCI has lent €544 million to 12,593 SMEs supporting 67,150 jobs. The SMEs who received SBCI finance are from a variety of business and economic sectors and are spread across every region of the country. 84% of loans are for investment purposes and the average loan size is approximately €43,200. There is a broad geographical spread of the SMEs supported with approximately 85% of them based outside Dublin.

In 2016, SBCI entered agreements with 3 additional non-bank on-lenders (First Citizen, Bibby Financial Services and FEXCO Asset Finance), bringing their total number of on-lenders to 8. The SBCI expects to launch additional on-lenders in 2017.

A detailed breakdown of the loans for the first half of 2017 will be published in July 2017. To date, the SBCI has committed a total of €906 million to their 8 on-lenders to provide appropriately priced, flexible finance to Irish SMEs. The SBCI has a current funding capacity of over €1 billion, which it will use to help Irish SMEs invest in and grow their businesses.

The SBCI is currently 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.



Supporting SMEs Campaign

Almost 100,000 businesses and entrepreneurs have availed of the Government's Supporting SME Campaign since its launch in May 2014.

This campaign is a cross-governmental initiative developed to help small businesses and entrepreneurs learn the full range of potential Government supports available to them. At the heart of this campaign is the Supporting SMEs Online Tool, which brings together over 170 Government business supports from 30 Departments and Agencies to one simple-to-use website.

The campaign comprises three essential components: the Online Tool itself, marketing of the campaign and outreach to small businesses via events across the country.

The "Supporting SMEs" online tool can be accessed at: www.supportingsmes.ie

Ireland Strategic Investment Fund

The Ireland Strategic Investment Fund (ISIF), previously the National Pensions Reserve Fund (NPRF), is a cornerstone investor in two SME funds (SME Equity Fund - Carlyle Cardinal Ireland and SME Credit Fund - Bluebay) making equity and credit available to SMEs and mid-sized corporates in Ireland.

The ISIF continues to deploy capital to support new and existing non-bank alternative and other providers of finance as part of its strategy. Approximately €267m was committed in 2016, including €30m to two SME Funds (Causeway Capital Partners & BMS Finance), €30m to Finance Ireland, €121m approximately in six VC funds, a €43m investment in Draper Esprit, the publicly listed venture capital vehicle, and a €43m commitment to the MilkFlex farmer loan fund.

On 1 June 2017, the ISIF completed a £10m investment in Draper Esprit plc as part of a £100m placement and subscription. This is a follow-on to ISIF's cornerstone investment in the IPO in June 2016. As a result of ISIF's new investment, Draper has committed to investment at least an additional £20m into Irish companies over the next five years on a reasonable endeavours basis. This brings Draper's total planned investment in Irish companies to £50m by 2022.

Enterprise Ireland Seed & Venture Capital Scheme

To develop the domestic venture capital system, the Government commitment of €175 million under the Seed and Venture Capital Scheme 2013-2018 aims to leverage a further €525 million from the private sector, for investment in high potential start-up and scaling companies. As of June 2017, EUR 131 million had been allocated through 2 separate competitive calls in 2013 and 2015, with a final call taking place in 2017.

Microfinance Ireland and the Credit Guarantee Scheme

The Government has also launched both the Credit Guarantee Scheme and the Microenterprise Loan Fund. The Microenterprise Loan Fund is managed by Microfinance Ireland on behalf of the Government. It allows microenterprises and sole traders across all sectors, employing fewer than ten people, to apply for loans of up to €25,000. Up to end of Q1 2017 €18.2m in loans have been approved, supporting 2,948 jobs. 79% of loans are granted to microenterprises outside of Dublin with 21% granted to microenterprises in Dublin.



The Credit Guarantee Scheme is open to businesses employing fewer than 250 staff and with an annual turnover of less than €50 million (SMEs). It offers State guarantees on loans of up to €1 million. Under the scheme, a 75% State guarantee is to be provided to banks against losses on qualifying loans to firms who otherwise have difficulty getting credit owing to inadequacy of collateral or inadequacy of banks' understanding of the novelty of a business model, market, sector or technology. Up to end Q1 2017 437 facilities have been sanctioned totalling €69.8m which has supported over 2,800 jobs.

Under the Credit Guarantee (Amendment) Act 2016 a new Credit Guarantee Scheme was recently announced bringing into effect certain changes. The new Scheme increases the maximum guarantee provided by the State from 75% to 80%, and allows other financial providers and financial products to come within the remit of the Scheme. The 2017 Act provides for a new Counter Guarantee Scheme to be made to facilitate the unlocking of SME funding from EU institutions (COSME, Innovfin, EFSI).

Cash Flow Support Loan Fund for Farmers

In order to assist farmers with market difficulties and price volatility leading to short-term cash flow issues, the Department of Agriculture, Food and the Marine (DAFM) and the Strategic Banking Corporation of Ireland (SBCI) developed a €150 million Cash Flow Support Loan Scheme for farmers. The scheme was supported by €11 million of EU Exceptional Adjustment Aid and further funding from DAFM, under a derogation from state aid regulations that ordinarily apply to the agriculture sector. This scheme is also supported by a COSME counter guarantee facility. This fund was used to provide highly flexible, low interest rate loans to the farming sector was operated by the SBCI through its on-lending partners. The fund was rolled out in February 2017 and has now been exhausted.

2.3 Rationale for this Demand 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 to 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
- the failure of SMEs to seek credit
- the reasons given for refusal of credit and
- their level of knowledge on their rights in relation to credit.

Company Size

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

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

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

Credit Products

The Review covered the following credit products:

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

Sectoral Analysis

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

- Central Bank sectoral codes are those codes used by the Central Bank, and specified at EU level, under which individual banks submit their quarterly returns to that Organisation. These codes are based on NACE Rev. 1 codes.
- The NACE Code system is a pan-European classification system which groups organisations according to their business activities. It assigns a unique 5 or 6 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 who 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:

NACE Categories
Agriculture/Forestry/Fishing
Manufacturing - processing & food
Manufacturing – high tech
Manufacturing – other
Construction – general construction
Construction – other
Wholesale
Retail, Trade and Repairs – non-motor
Retail, Trade and Repairs – motor only
Hotels & Restaurants (including bars)
Transport/storage/communication
Financial & Other Business Services
Real Estate activities (excl. speculative)
Professional, scientific and technical
Human, Health and Social Work
Admin and Support services

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

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

Time Period of Study

In reviewing results it should be noted that the time period of this study is a six month period from October 2016 to March 2017. Seasonality may have an impact on the results of the study.

3. Methodology

This survey represents a study of lending to SMEs conducted in Ireland examining the issue of credit availability. For this wave of research the survey was carried out by the independent market research company Behaviour & Attitudes.

3.1 Sample Selection

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

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

In total, 9,073 companies were contacted to complete the 1,519 interviews, with some companies either falling outside of the quotas classifying small and medium enterprises, others refused to take part or could not do so within the time frame set out for interview.

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

3.2 Sample Accuracy

The sample error for a survey of this nature is very good. Based on a total database of 130,000 SMEs in Ireland, the total sample of 1,519 companies has a possible sample error of just + or – 2.5% (at a 95% significance level), while the sub samples of micro, small and medium companies (each with approximately 500 interviews) has a possible sample error of just + or – 4.4%.

3.3 Collection of Data

Telephone interviews were conducted with 1,519 Irish micro, small and medium SMEs, based on a questionnaire finalised between the Department of Finance and Behaviour & Attitudes. The questionnaire was a broad repeat of that used for the September 2016 wave. Changes to the questionnaire were kept to a minimum this wave, in order to ensure comparability to the previous wave. The changes made this wave included adding 'hedging' as an option at Q9a which asked about requesting different types of finance and adding the option of 'Change in business requirements as a result of Brexit' to the possible reasons for requesting finance. The addition of 'Microfinance Ireland' was added to code 'Microfinance Loan Fund Scheme' at Q.17a/b.



All interviews were conducted between 3rd April and 26th April 2017 and covered the period from October 2016 to March 2017. Over the course of the study, 1,519 SME interviews were conducted. The typical telephone interview lasted between 5 and 35 minutes, depending on the level of credit demand.

Data from completed questionnaires was reviewed, analysed and the results are presented in this Report. The full study questionnaire is attached as an Appendix to this Report and detailed results are presented in Sections 4-9.

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 sectorial level). Results for this study were weighted to the same size profile as that used in the prior study.

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

1,519 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.

A sample of SMEs were contacted and asked to respond to a phone based questionnaire. This sample was selected from a database of approximately 130,000 companies. The study was carried out in April 2017 and respondents were asked to respond based on their experience from October 2016 to March 2017.

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

3.6 Limitations

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

1. The study provides the consolidated opinions of a wide range of SMEs but it is not a census of the entire population of SMEs in Ireland.
2. Each study collects responses from a random sample of SMEs and hence the change in the underlying quality and characteristics of the business will contribute to some of the variations noted from study to study (however, sample error rates shown earlier should account for this).
3. Whilst every effort has been made to ensure that the study sample is as fully representative of the population as a whole as possible, it is possible that certain sub-groups are under-represented. It should be noted that the following sub-populations are relatively small for robust analysis:
 - a) The study included a sample of companies 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 purpose.
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 the respondents business cannot be fully and comprehensively captured in such a timeframe.
5. Slight rounding may occur in the graphical or other representation of figures in this document.

3.7 Other Research

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

3.8 Privacy of the Respondent

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



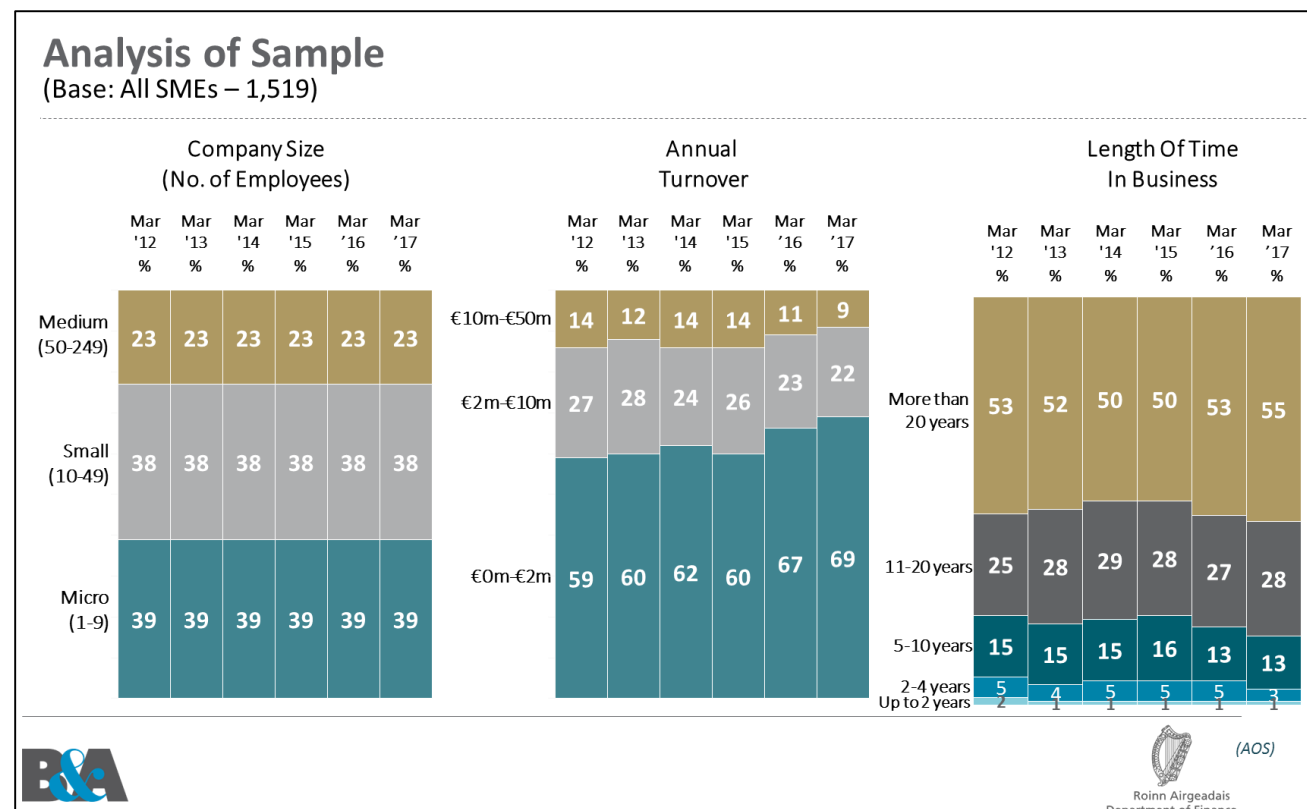
The Department of Finance had no specific interest in the individual financial affairs of any of the SMEs that participated in this study. Rather, the key objective was to better inform Government of the volume, nature and demand for credit in this key sector of the Irish economy.

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 study wave by wave, it is important that the samples achieved are similar on key business demographics. This was achieved through strict quota control on company size and sector.



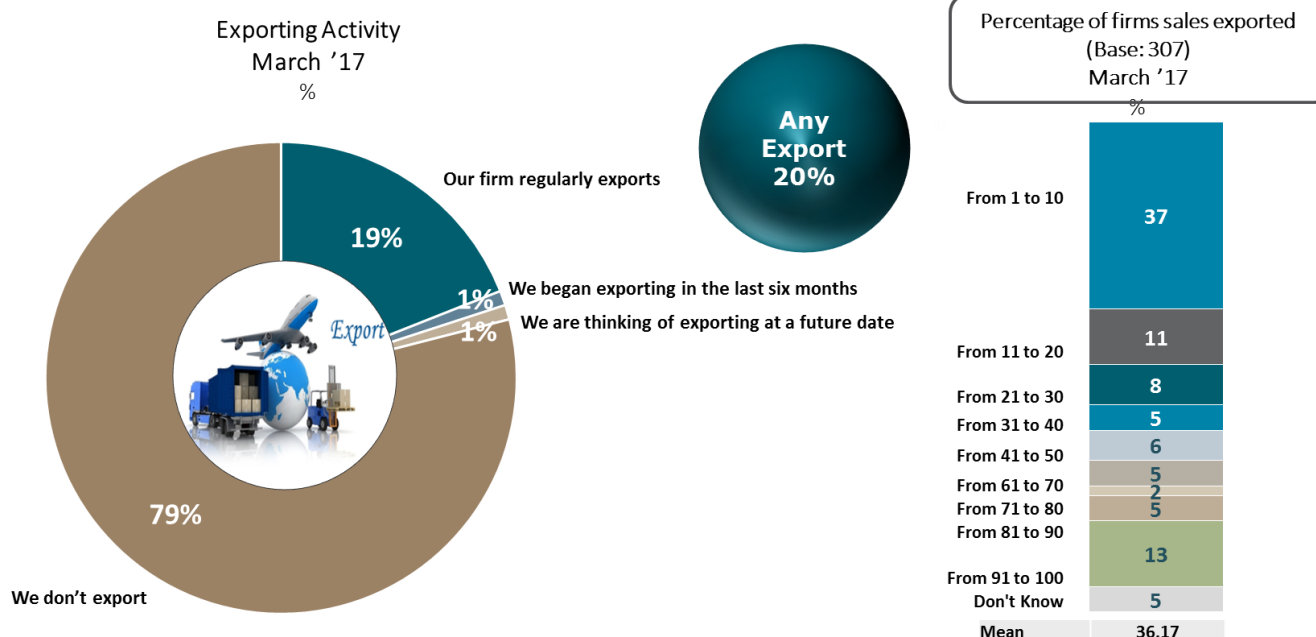
The above confirms the similarity of the samples with identical distribution on company size and almost identical distribution on turnover and length of time in business.

4.2 Exporting Companies

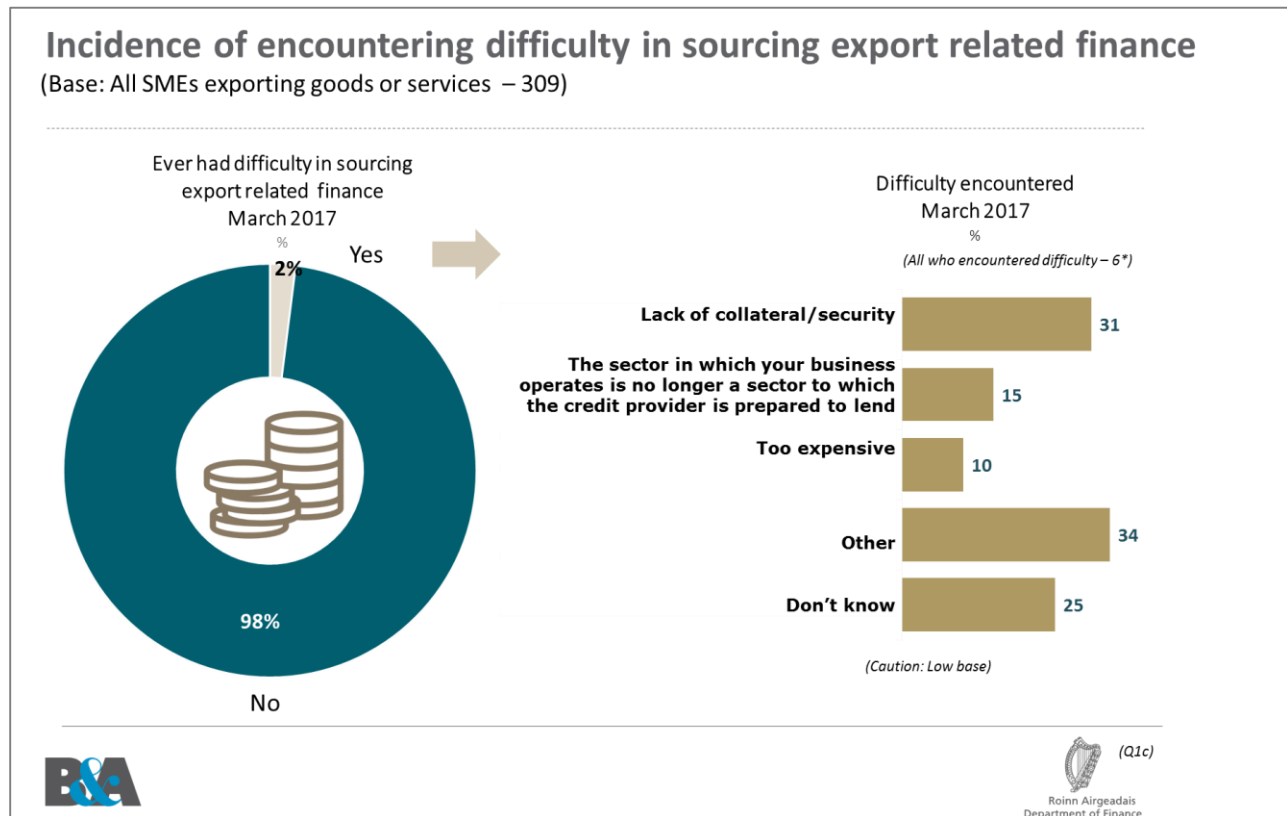
20% of the companies interviewed export goods or services outside the Republic of Ireland. It is worth noting that the export question (Q.1d) was changed slightly from the March 2013 wave and again for the March 2015 wave which might impact comparability for this question slightly over the years.

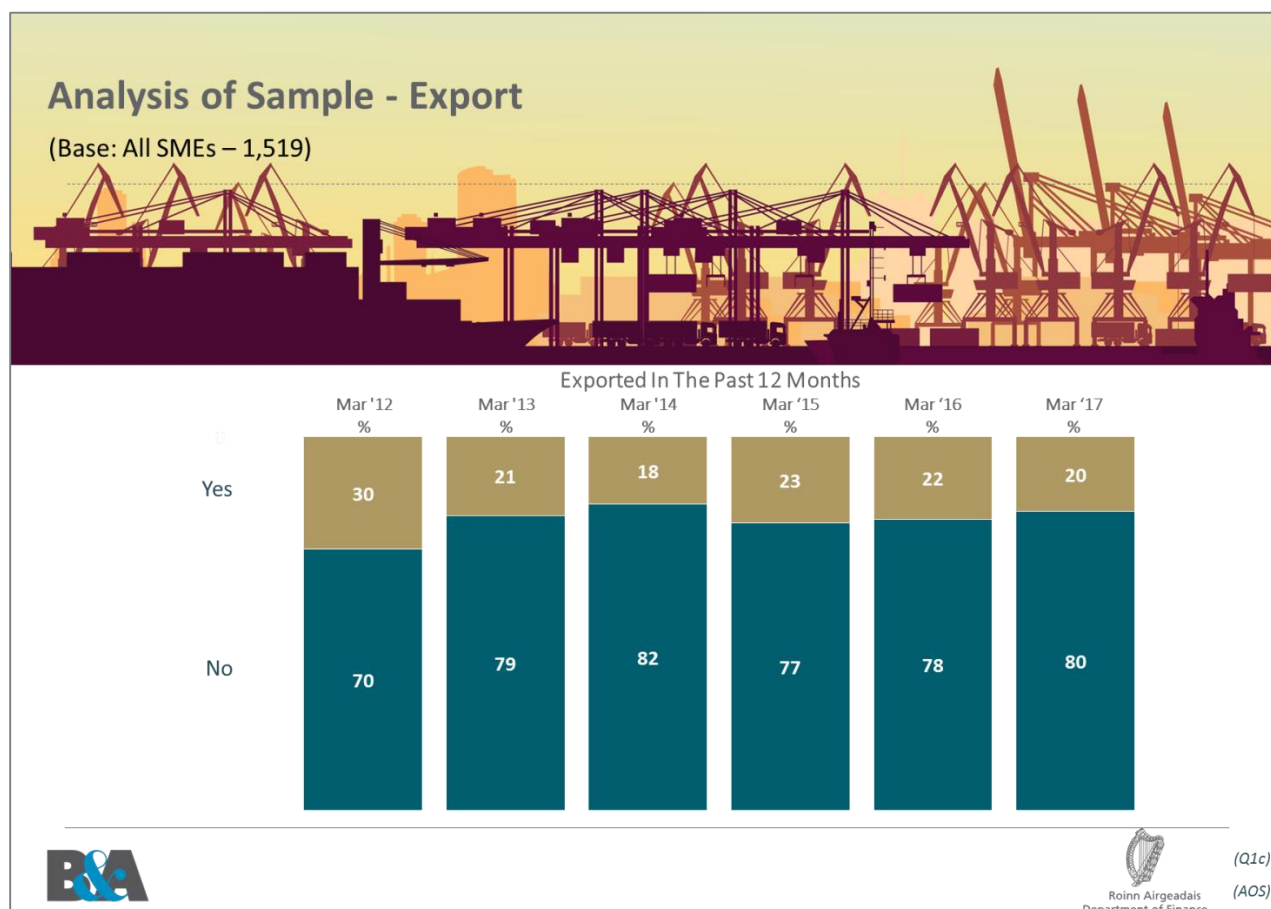
Export Overview

(Base: All SMEs – 1,519)



Just 2% of all exporting companies have had difficulty sourcing export related finance.





Among those SMEs who do not currently export, 4% have begun, or are considering exporting at a future date.

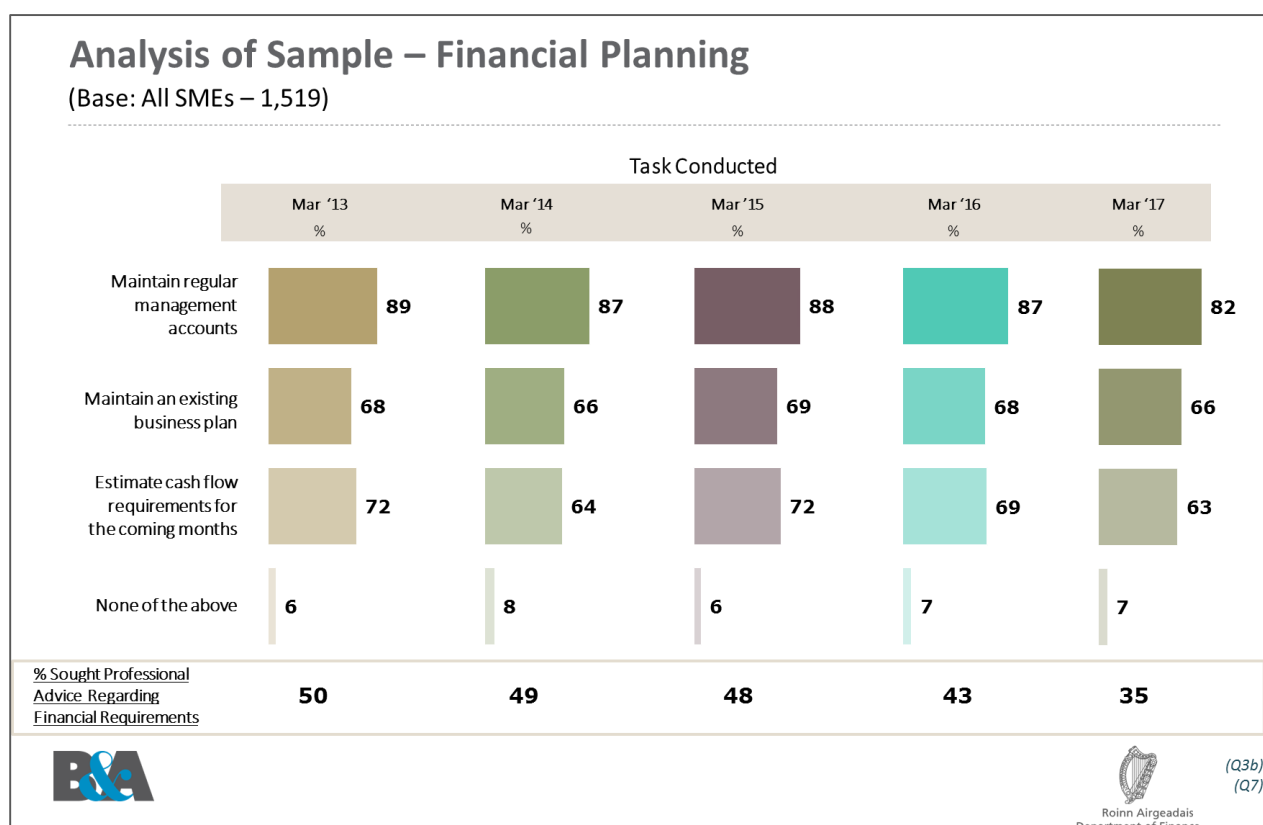
4.3 Innovation

43% of SMEs have engaged in innovative activities over the past 6 months – this is a decrease of 10% vs March 2016. There has also been a 54% drop in companies engaging in new business practices/methods of organising work/external relations compared to March 2016.

	March 2014 %	March 2015 %	March 2016 %	March 2017 %
New marketing concepts/strategy	31	34	31	25
New business practices/methods of organising work/external relations	32	31	28	15
New/improved services	24	27	23	17
New improved methods of production, distribution or support activity	17	20	17	11
New/improved goods	21	22	20	15
ANY INNOVATION	53	56	53	43
NONE OF THESE	47	44	47	57

4.4 Regular Financial Management Tasks & Use of Financial Advisors

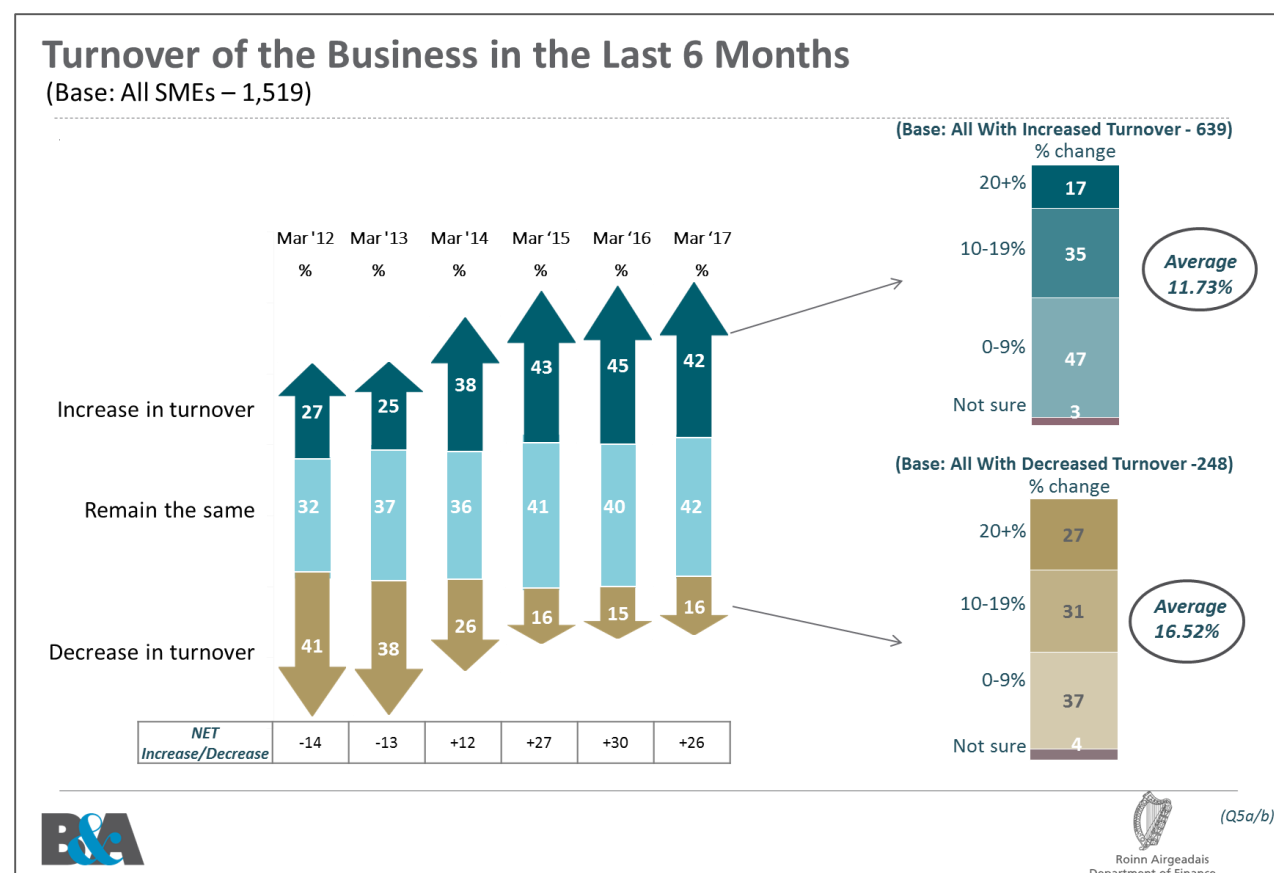
Compared to March 2016, we see similar levels in terms of the financial management tasks undertaken by the companies. 82% maintain regular management accounts (a decline of 5% since March 2016), 66% maintain an existing business plan – similar to the level seen a year ago. However, we see a decrease for the second year in the incidence of using financial advisors in the past 6 months. 35% of SMEs have used financial advisors in the past 6 months – this is down from 43% in March 2016. Also we see a decline in estimating cash flow requirements for the coming months (63%, down from 69% in March 2016).



5. Trading Performance

5.1 Turnover Trends

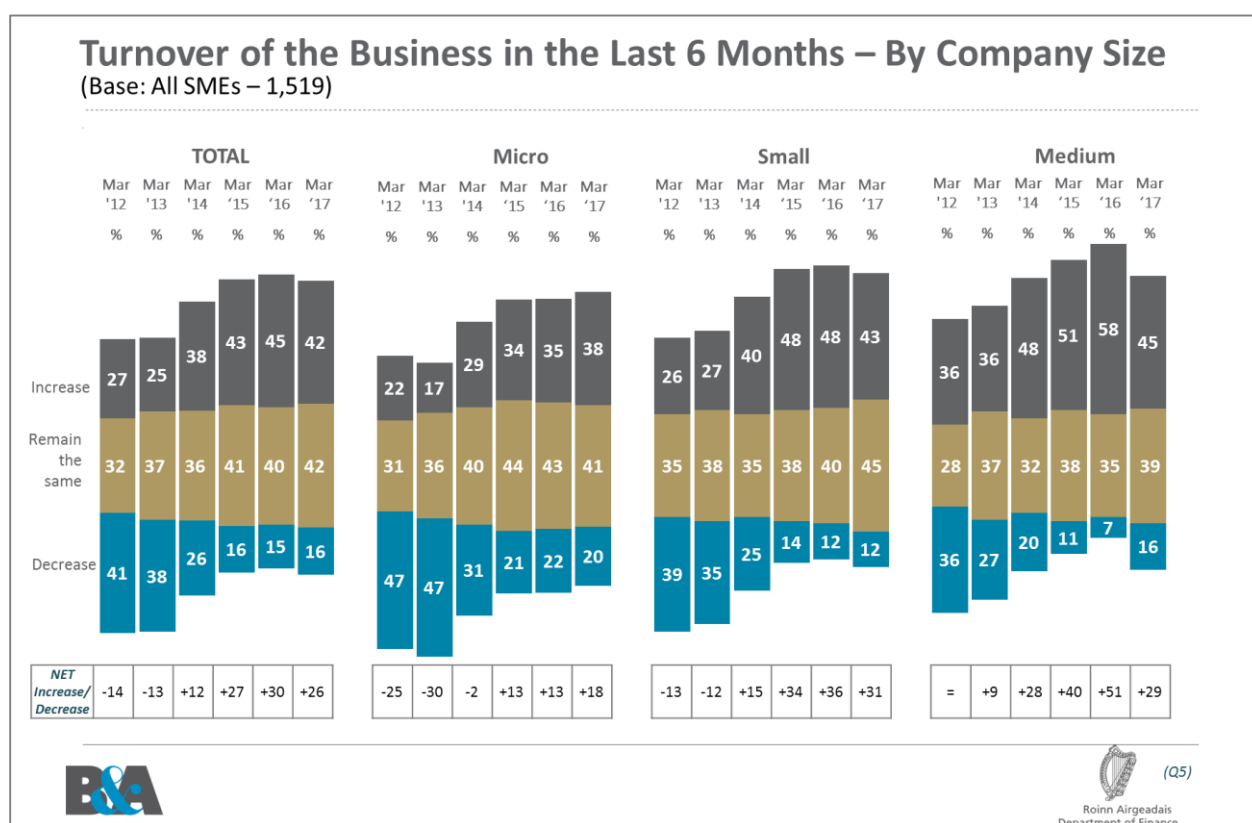
Trading conditions for SMEs in the period October 2016 to March 2017 remain favourable with similar proportions of SMEs claiming increased turnover in the past 6 months (42%) compared to the same 6 month period in 2016 (45%). 42% report that turnover is unchanged while 16% of the SMEs report that their turnover has decreased in the past 6 months. Comparing turnover trends over the past 3 years, we see that trading conditions for SMEs remain favourable and the proportion of SMEs are settling in on a plateau of turnover.



Among those SMEs with increased turnover, 47% have seen a slight increase (0-9%), while 17% have had an increase larger than 20%. Among SMEs with decreased turnover, 37% report a modest decrease of 0-9% with 27% reporting a decrease in turnover of more than 20%.

Trading conditions are somewhat different when looking at different company sizes. Small and medium-sized companies have the most favourable trading conditions. 45% of Medium-sized companies report increased turnover, while only 16% of Medium-sized companies report a decline in turnover. The reported turnover performance of medium companies is however down on the same period last year – from a net positive increase/decrease performance of +51 last year to +29 in March 2017.

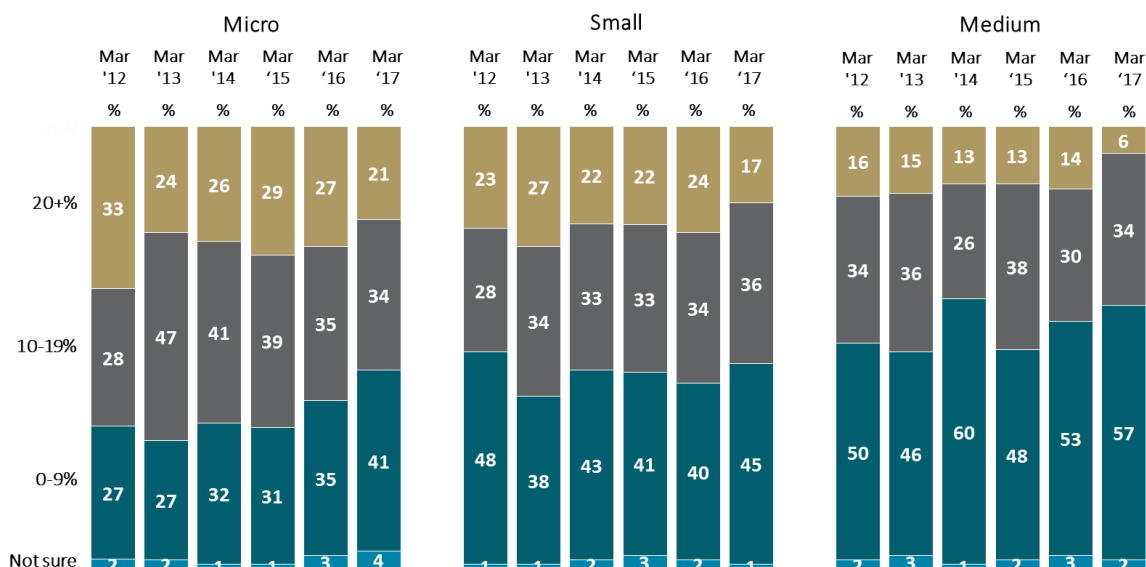
Micro companies continue to have the least favourable trading conditions with 38% of these reporting increased turnover in the period October 2016 to March 2017. This is up from 35% the year before. Slightly less Micro companies claim decreased turnover in the past 6 months compared to last year (20% now versus 22% in March 2016).



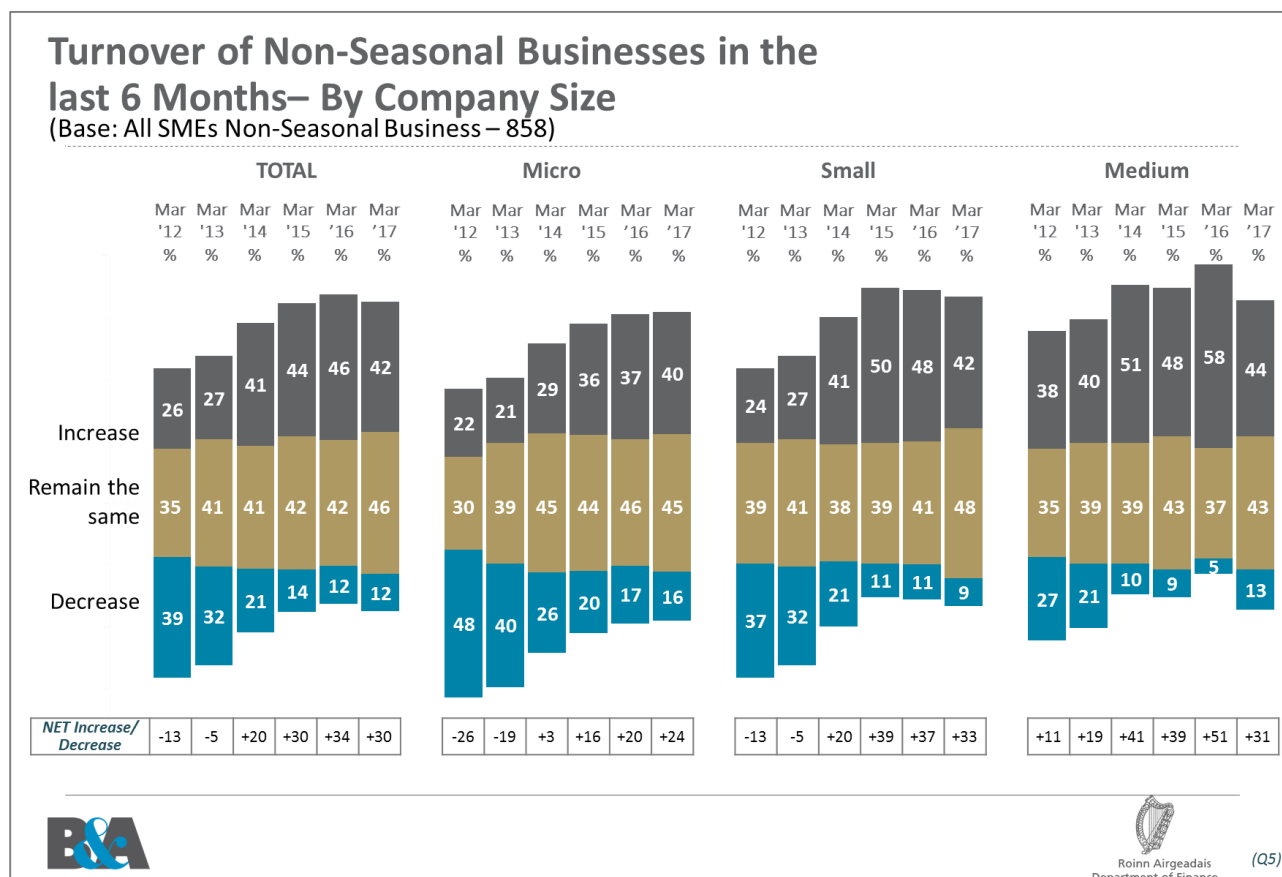
Looking at those SMEs with increased turnover in the last 6 months, we see that Micro companies are more likely to report high turnover growth (20+% increase in turnover). The opposite is the case for Medium-sized companies where just 6% claim high turnover growth.

Percentage Increase of Turnover X Company Size

(Base: All SMEs with increased turnover - 639)



Removing seasonality (considering the six months cycle of each survey) by only looking at SMEs with non-seasonal turnover, we see little change overall in trading conditions compared to March 2016. However, the proportion with turnover remaining the same has increased year-on-year. 42% of all companies with non-seasonal turnover report increased turnover in the past 6 months compared to the previous 6 month period. 12% report a decrease in turnover while 46% have seen no change in turnover in the past 6 months.



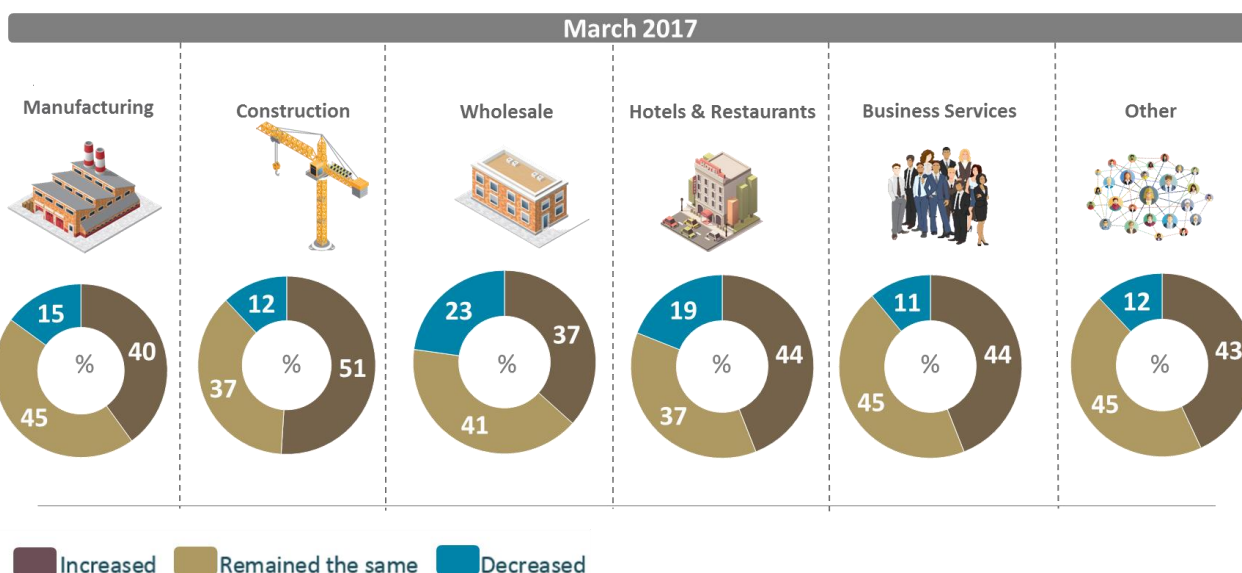
Looking at turnover development by company size excluding seasonal turnover, we see a significant decline in trading conditions for Medium-sized companies year-on-year. 44% of these companies report increased turnover compared to 58% in March 2017. Non-seasonal trading conditions are relatively stable for Small-sized companies, and improved for Micro companies.

Turnover by Sector

Most sectors do not see any significant change in trading conditions from October 2016 to March 2017 with more companies having seen increased turnover than companies reporting declining turnover in the past 6 months. The construction sector has the highest proportion of SMEs reporting increased turnover.

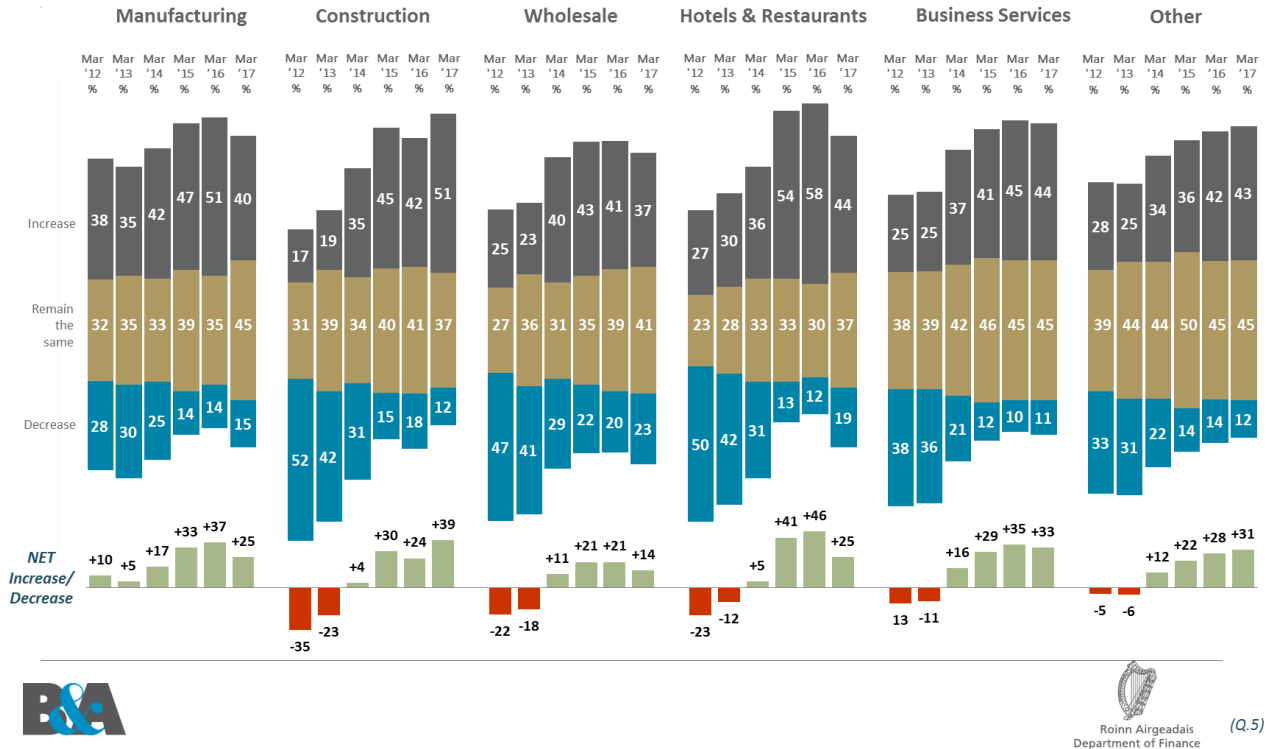
Turnover of Businesses in the Last 6 Months – By Sector

(Base: All SMEs – 1,519)



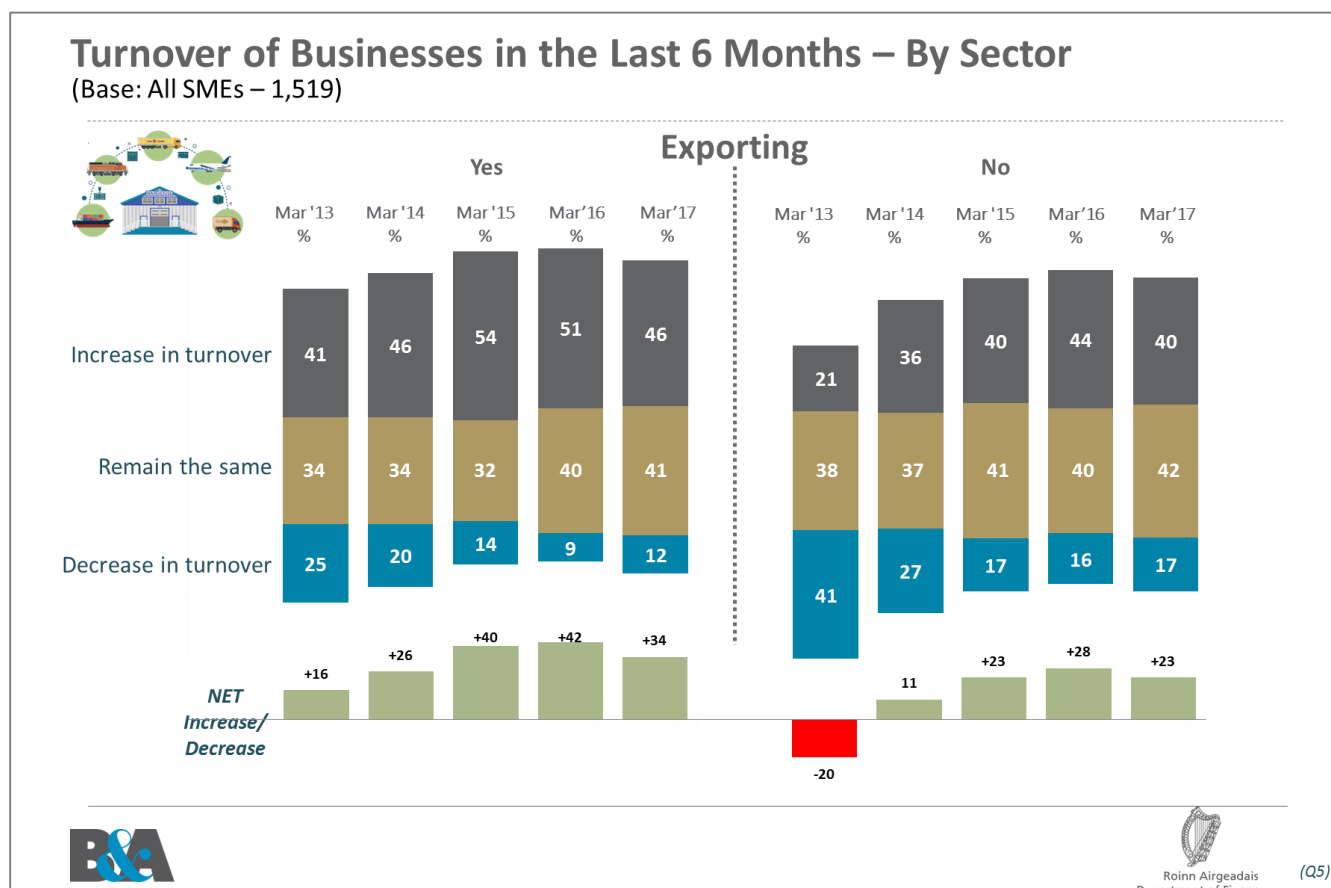
Turnover of Businesses in the Last 6 Months – By Sector Comparison

(Base: All SMEs – 1,519)



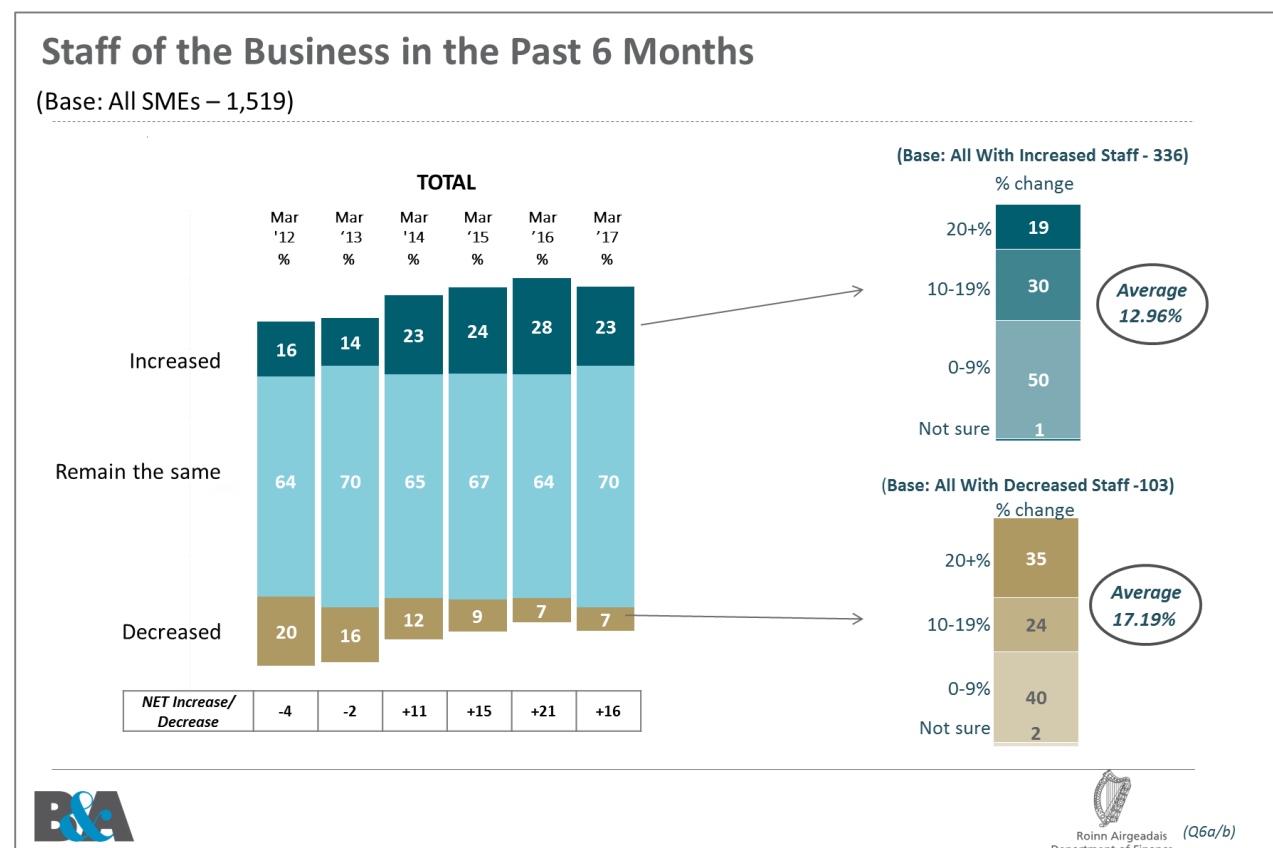
Turnover for Exporting Companies

The relative performance of exporting companies has diminished over the last twelve months, however, with a less pronounced decline in turnover for non-export companies.



5.2 Employment Trends

23% of all SMEs have increased staff numbers in the past 6 months. 7% have decreased staff numbers in the past 6 months while 70% have not changed their staff numbers in the past 6 months. This represents a dip in reported increased staff hires compared to March 2016.

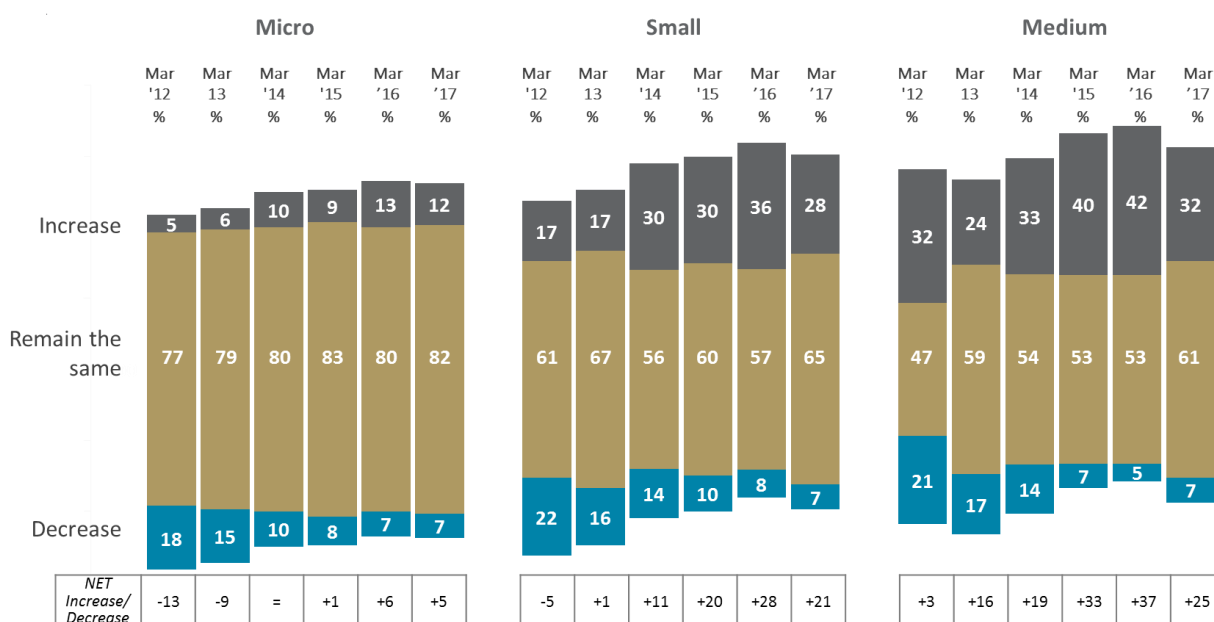


Amongst SMEs with increased staff numbers, 50% have had moderate growth (0% - 9%) in staff. 19% have increased their staff numbers by more than 20%. A further 30% have increased their staff numbers by 10% – 19%. Amongst those who have decreased their number of staff, on average the decrease was by about 17%.

Medium-sized companies indicate the highest growth in staff numbers, with 32% indicating an increase of staff numbers in the past six months. 28% of Small-sized companies indicate an increase in staff numbers during the same period, while only 12% of Micro companies indicate an increase in staff.

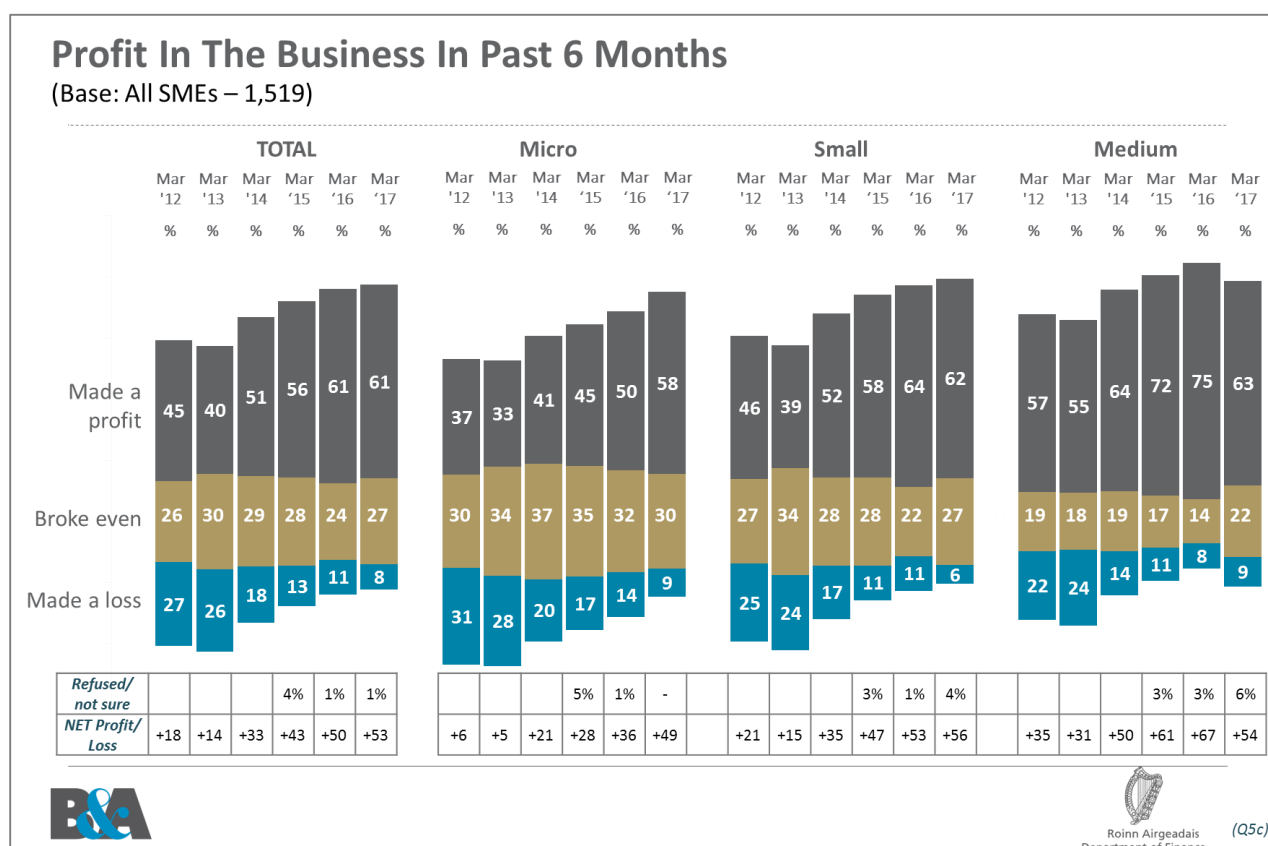
Staff of The Business in the Past 6 Months – By Company Size

(Base: All SMEs – 1,519)



5.3 Profit Trends

For the fourth year in a row we see an increase in the net profit/loss for businesses for the past six months. 61% of all SMEs report a profit in the past six months (compared to 61% in March 2016). 8% reported a loss, while 27% reported they broke-even.

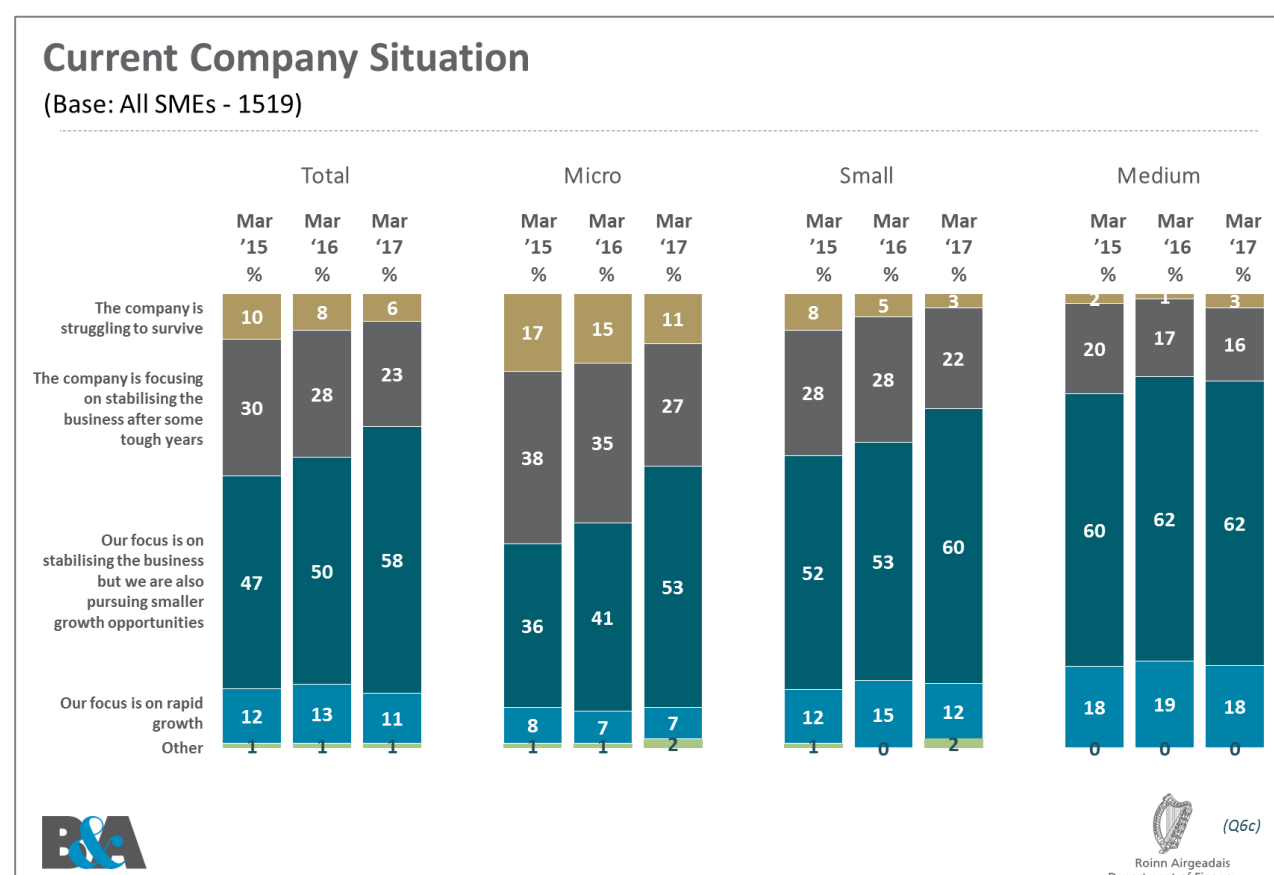


Compared to March 2016, we see an increased profitability emanating from Micro companies. Medium-sized company profitability, while still reporting the highest proportion making a profit, has decreased compared to this period last year (63% now report making a profit, with 9% reporting a loss).

5.4 Overall Trading Trends

In line with previous trends, the positive trading trends of profitability over the past few waves appear to have had an impact on the mind-set of SMEs, with more companies pursuing some form of growth strategy. The majority continue to focus on smaller growth opportunities rather than rapid growth – indicating a more cautious SME environment.

However, it should be noted that all sizes of SMEs are reporting some interest in rapid growth (Micro companies 7%, Small-sized companies 12%, Medium-sized companies 18%).





A strong relationship between turnover and profit performance exists with companies having increased turnover being much more likely to report profit than companies with declining turnover which are more likely to report a loss.

	Turnover Increased %	Turnover Remained the same %	Turnover Decreased %
Made a profit	74	58	47
Broke even	16	30	35
Made a loss	5	8	16
Refused to answer	1	0	2
Not sure	3	4	0

5.5 Business Sentiment – Next 6 Months

While business sentiment remains positive overall for all companies of all sizes, we see a slight decline in business sentiment as being registered this wave compared to March 2016. 49% of SMEs expect the business climate to improve in the next six months – this is down from 51% in March 2016. This is the lowest level we have seen in the past three years.

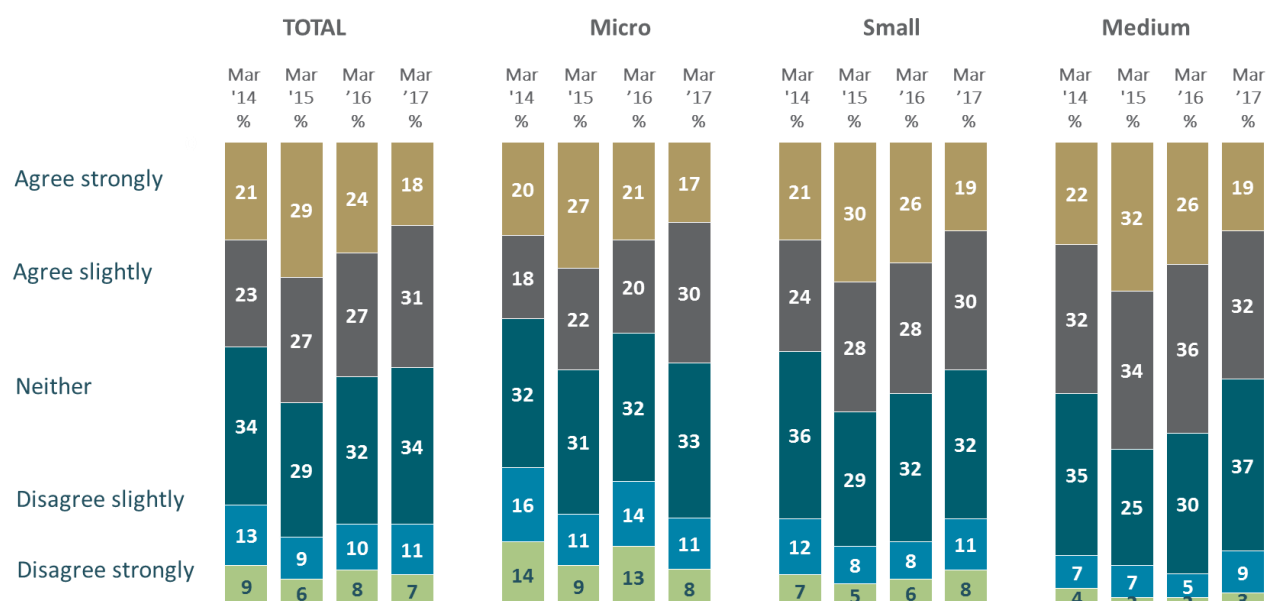
18% of SMEs now expect the business climate to perform worse in the next six months. This is on a par with March 2016.

Medium sized companies see the biggest decline in business sentiment, with 12% of these organisations expecting the business climate to be worse in the next six months, up from 7% in March 2016.

Business Sentiment – Next 6 Months

How much do you agree or disagree I think the business climate in Ireland will improve in the next 6 months

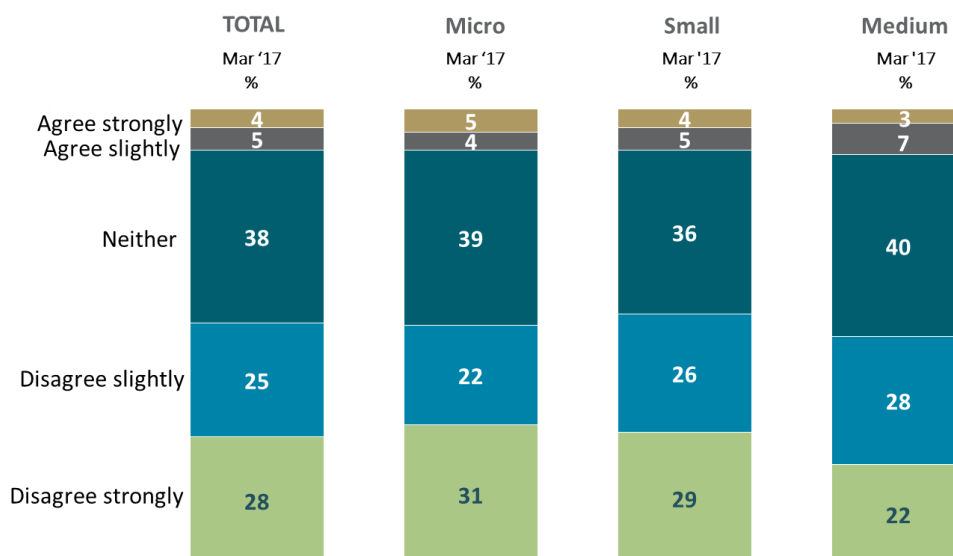
(Base: All SMEs - 1519)



Just 9% believe Brexit will have a positive impact on their business, (down from 14% in September 2016), while 53% believe it will have a negative effect. 38% of SMEs believe it will have no impact on their business.

Business Sentiment – I think Brexit will have a positive impact on my business

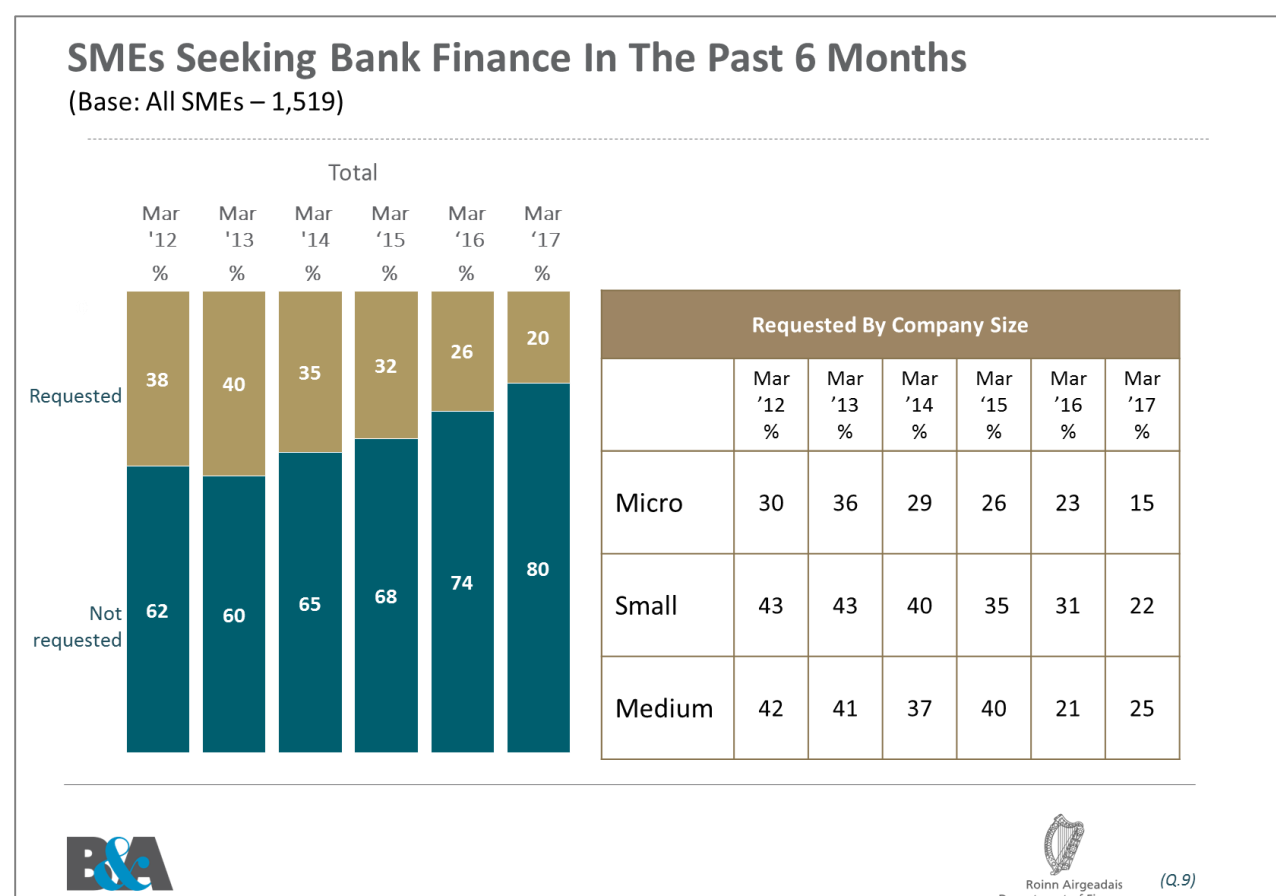
(Base: All SMEs - 1519)



6.0 Demand for Banking Finance

6.1 Current Demand for Credit

Credit demand for the period October 2016 to March 2017 has decreased versus the similar period last year. 20% have applied for bank finance in the past six months compared to 26% in March 2016. This is the lowest level of credit demand registered across the duration of the survey.



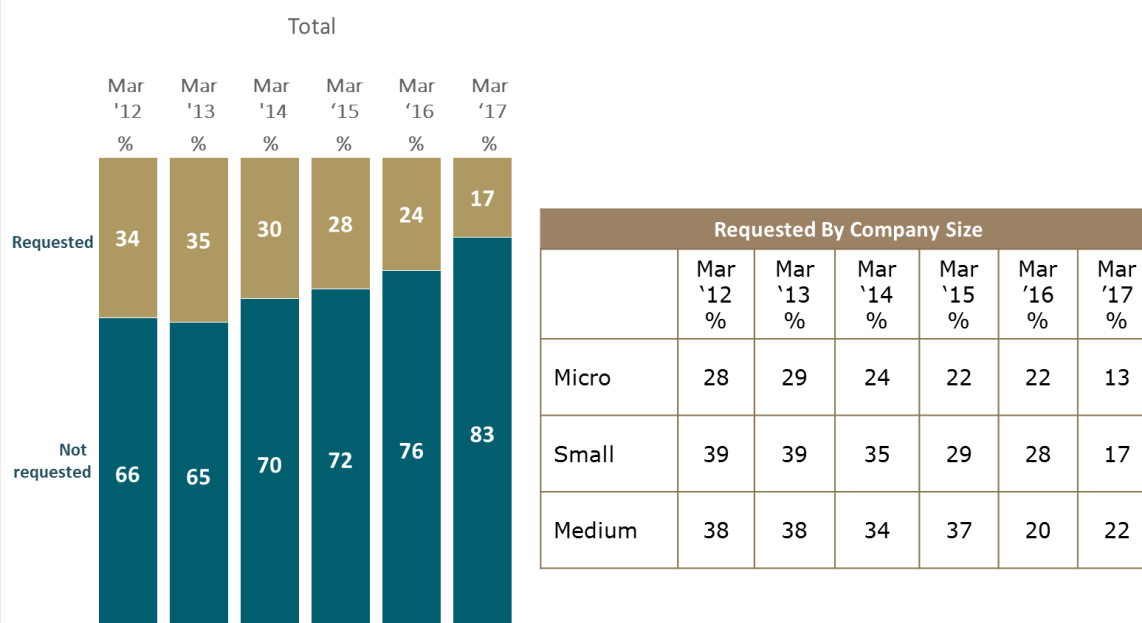
The decline in credit demand since March 2016 is registered across SMEs of all sizes, with the exception of medium businesses.

It should be noted that the backdrop is one of improved business sentiment and profitability across the SME sector in the past six months. Also, there are indications that SMEs remain somewhat cautious.

Taking the impact of seasonality into consideration, a similar decline in SMEs seeking bank finance in the past six months is registered. Credit demand among SMEs with no seasonal demand has declined from 24% in March 2016 to 17% in March 2017. Taking this seasonality into consideration, this decline in credit demand is common across all company sizes.

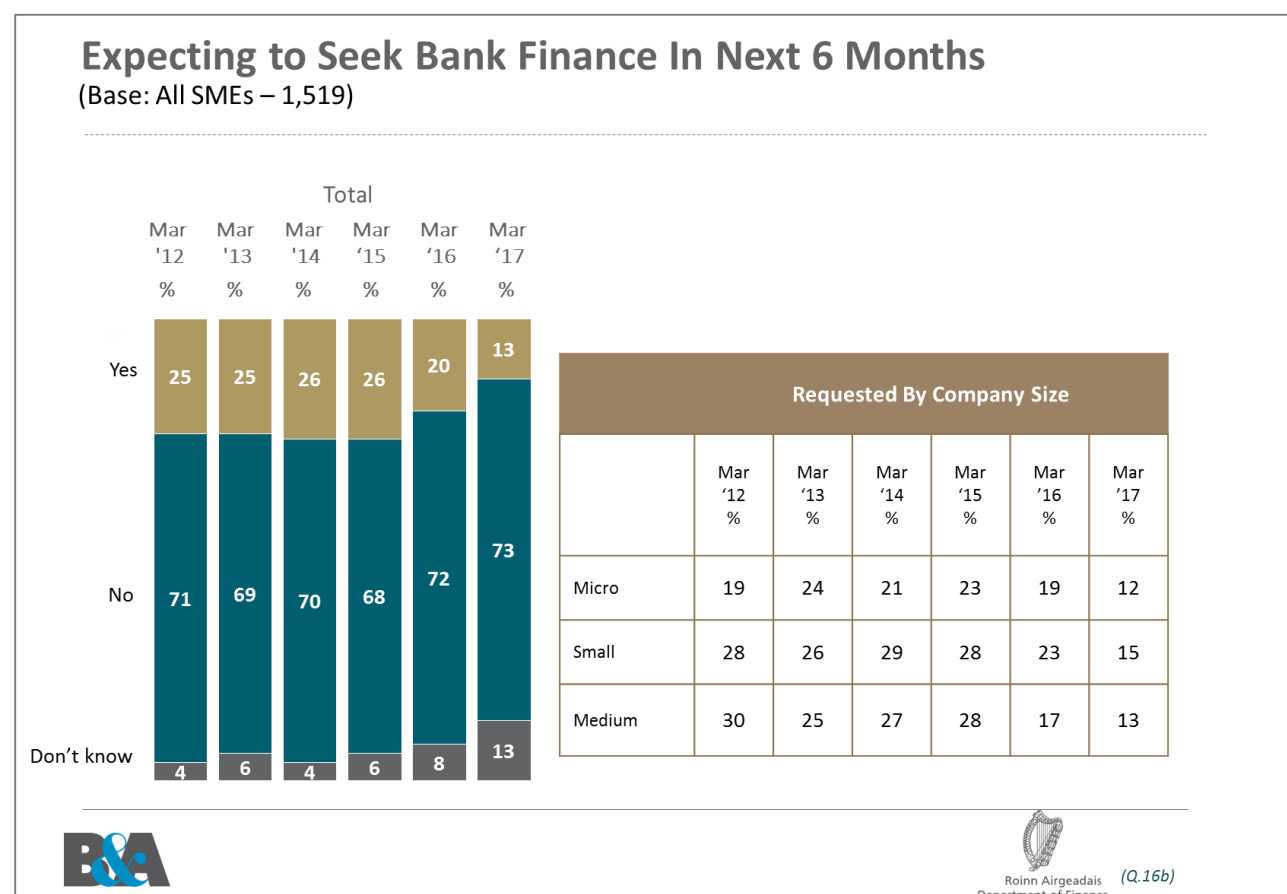
SMEs (With No Seasonal Demand) Seeking Bank Finance In The Past 6 Months

(Base: All SMEs – 858)



6.2 Future Demand for Credit

A significant decrease year on year is also registered in expectations for seeking bank finance in the next six months. 13% of all SMEs expect to apply for finance in the next six months, which is down from 20% in March 2016.



It is worth noting 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 decline is driven more so by Micro and Small sized SMEs.



6.3 Reasons for Not Seeking Credit

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

The main reason given is that bank finance is simply not required – with 89% of those businesses who did not apply for credit mentioning this. This is up 5 percentage points from 84% in March 2016.

Other key reasons for not requiring bank finance include companies stating they have finance in place (4%) and those who prefer not to borrow (6%).

	Total	Company Size		
		Micro	Small	Medium
Business Related Reasons	%	%	%	%
Didn't need it	89	87	90	90
Prefer not to borrow	6	7	4	8
Existing finance product in place	4	2	4	7
Use/raise personal funds when needed	2	2	2	1
Existing debt burden already too high	1	2	0	1
Too expensive to borrow	1	1	0	1
Not the right time given the economic climate	1	1	1	1

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

	Total	Company Size		
		Micro	Small	Medium
Bank Related Reasons	%	%	%	%
Belief that banks are not lending	2	1	2	1
Possible rejection	2	3	3	0
Application process too difficult	1	1	1	1
Don't trust the banks	2	3	2	3
Too many terms and conditions	1	1	0	0
Have been turned down before	1	2	1	-
Banks take too long to make decision	1	1	0	-

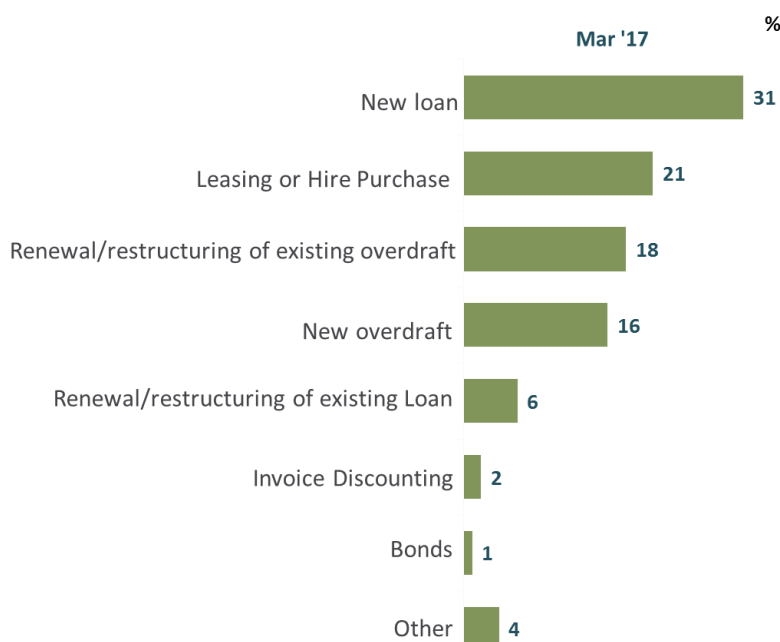
6.4 Demand for Credit by Product

Among those SMEs who have requested bank finance in the period October 2016 to March 2017, new loans, leasing or hire purchase and renewal/restructuring of existing overdraft and new overdraft are the main bank finance products requested.

Leasing or hire purchase remains high at 21%, although is down from 29% in March 2016. New loans have also declined in terms of the proportions requesting (31% down from 37% in March 2016). Renewal/restructuring of existing overdraft has also declined from 30% in March 2016 to 18% in March 2017. 16% of those applying for bank finance have requested a new overdraft. 16% of those applying for bank finance have requested a new overdraft.

Lending Products Requested By SMEs

(Base: All SMEs Seeking Bank Finance – 290)



Mar '12 %	Mar '13 %	Mar '14 %	Mar '15 %	Mar '16 %
24	30	33	37	37
28	24	23	32	29
41	48	44	33	30
18	19	23	17	20
24	19	22	19	13
6	7	8	9	5
-	-	-	-	-
3	3	4	1	3



Bonds are least popular product with 1% of those who have applied for bank finance having applied for this credit type.

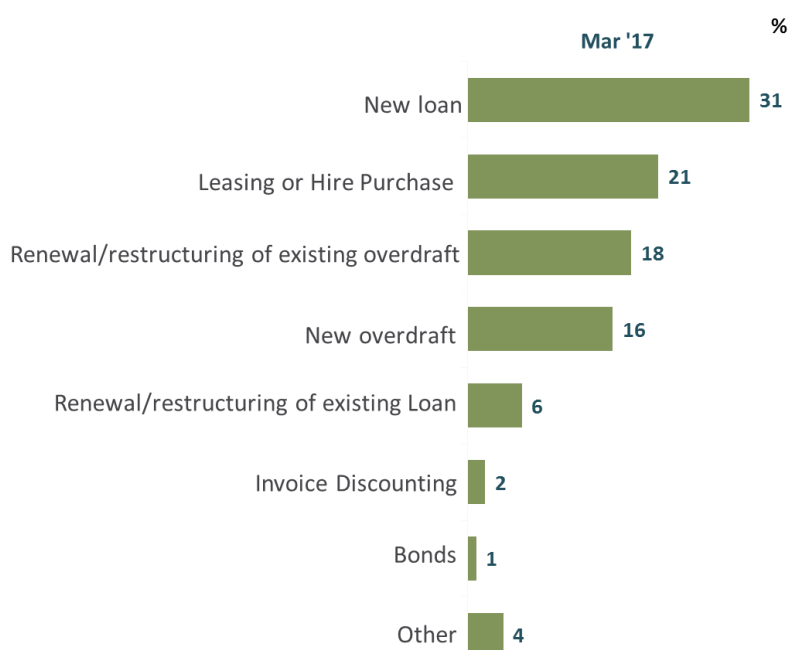
% of all products requested	Mar 13 %	Mar 14 %	Mar 15 %	Mar 16 %	Mar 17 %
New overdraft	13	15	11	15	16
Renewal/ restructuring of existing overdraft	32	29	22	22	18
New loan	20	21	25	27	31
Renewal/restructuring of existing loan	13	14	13	9	6
Invoice discounting	5	5	6	4	2
Leasing or hire purchase	16	15	22	21	21
Bonds (bank backed, advance payment of other bonds)	-	-	-	-	1
Other	2	1	1	2	4

6.5 Demand for Credit by Sector

The largest decline in credit demand amongst SMEs emanates from the Construction and Manufacturing sectors. The wholesale/retail trade and repair sector also registers a sharp drop in credit demand.

Lending Products Requested By SMEs

(Base: All SMEs Seeking Bank Finance – 290)



Mar '12 %	Mar '13 %	Mar '14 %	Mar '15 %	Mar '16 %
24	30	33	37	37
28	24	23	32	29
41	48	44	33	30
18	19	23	17	20
24	19	22	19	13
6	7	8	9	5
-	-	-	-	-
3	3	4	1	3



6.6 Demand for Credit by Turnover and Profit Performance

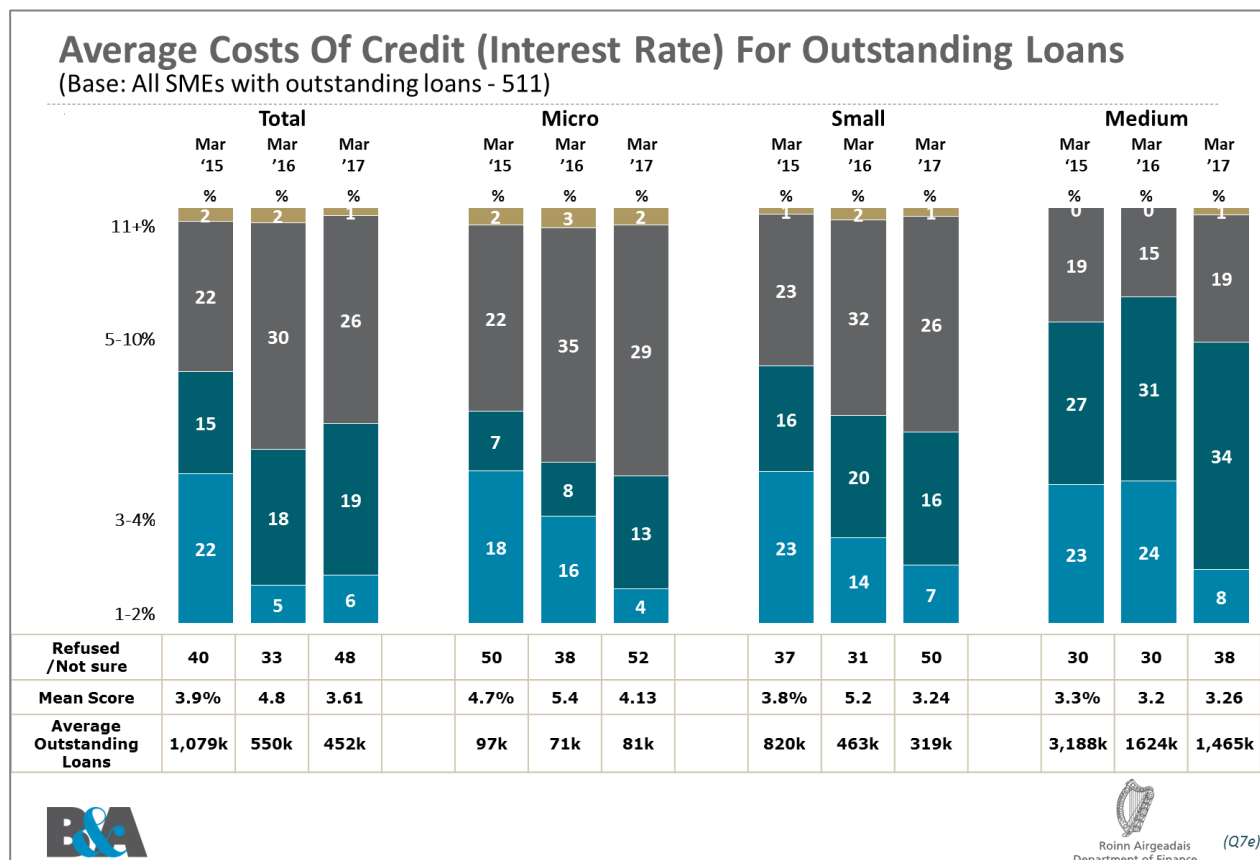
It is interesting to look at credit demand by business performance to gauge whether companies are requesting credit for growth or for stability/maintenance of the business. From the results below, it is evident that both motivations play a role, albeit with greater levels of credit demand from those who made a profit.

Turnover	Requested Credit %
Increased	42
Remained the same	42
Decreased	16

Profit	Requested Credit %
Made a profit	61
Broke even	27
Made a loss	8

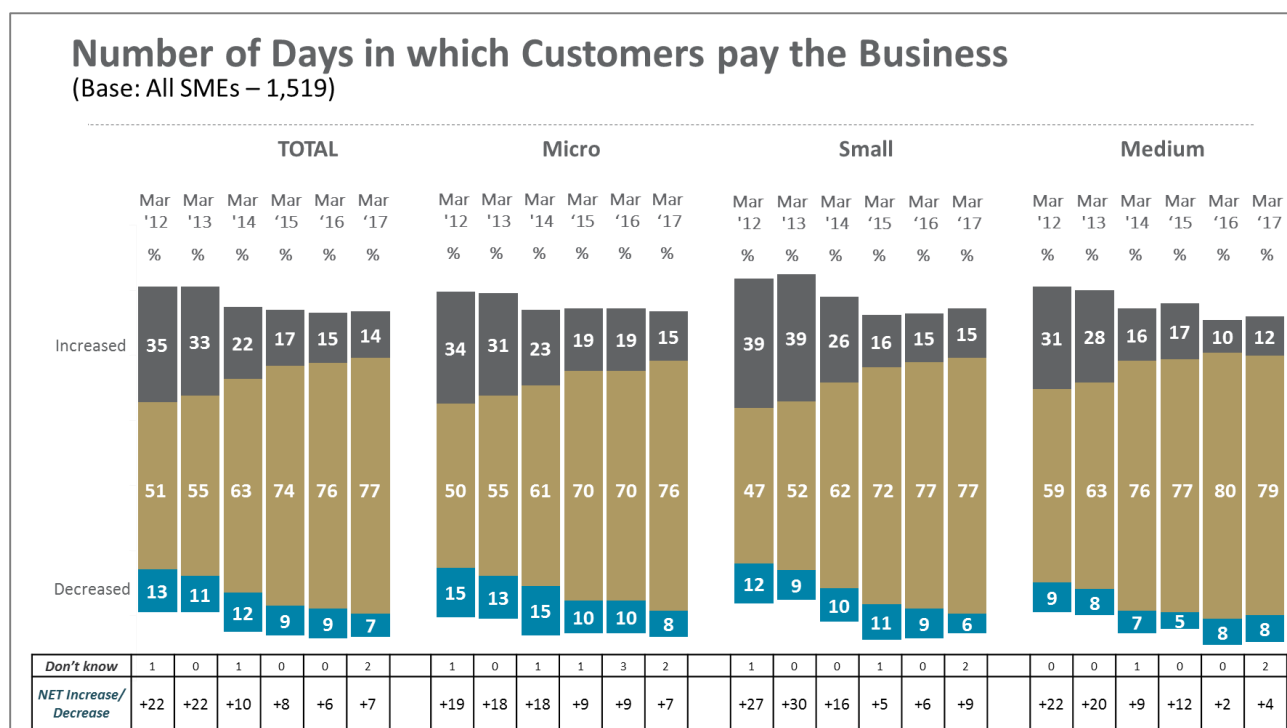
6.7 Cost of Credit

Amongst those with outstanding loans, the average claimed cost of credit stands at 3.6%. This has declined compared to March 2016 where the cost of credit for outstanding loans on average was 4.8%. 87% of SMEs with outstanding loans have an average cost of credit between 3% and 10% (after excluding those who had refused to answer this question).



6.8 Financial Position of Businesses

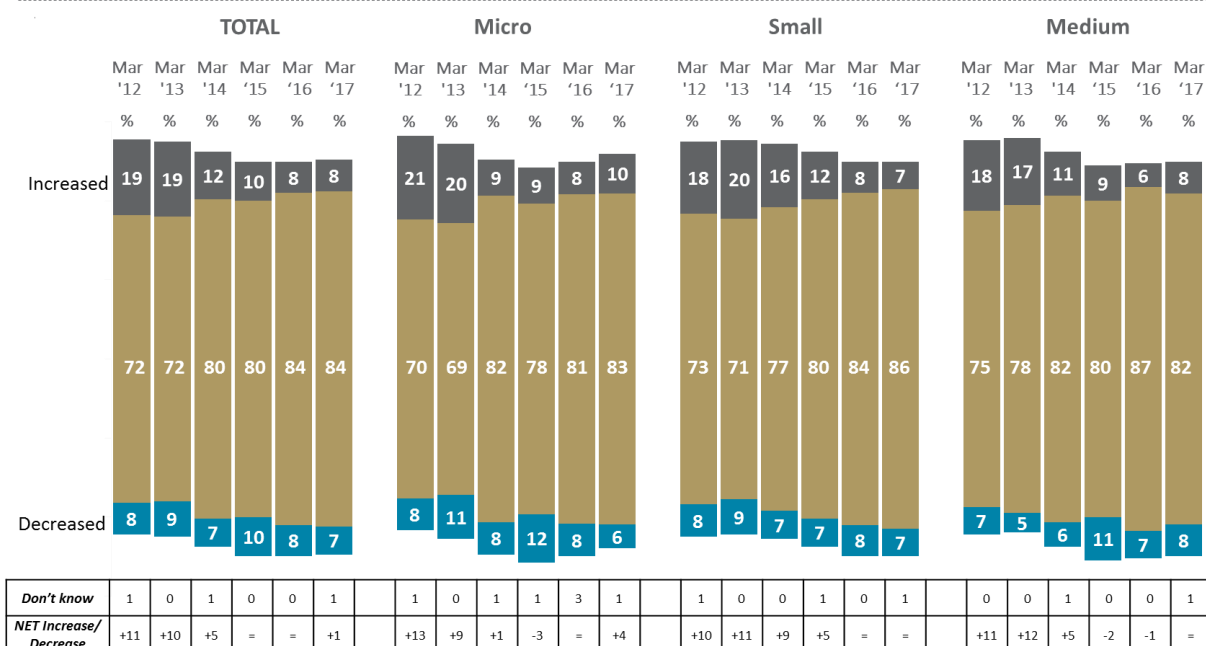
The numbers of days that go by before businesses are paid by their customers affects the cash flow of the business and, thereby, also the need for external finance. Likewise, cash flow can be improved by delaying paying customers to the business. 14% of SMEs feel that the average number of days within which customers pay has increased during the period October 2016 to March 2017 – this is down slightly from 15% in March 2016. 77% feel that the payment period is unchanged, while 7% feel customers are paying faster.



In terms of supplier payment, we do not see any major change from March 2016. 84% of all SMEs feel that the average number of days they take to pay suppliers to pay remains unchanged, while 8% suggest that the payment period has increased; a similar proportion (7%) say they pay suppliers faster than before.

Number Of Days in which Business pays Suppliers

(Base: All SMEs – 1,519)

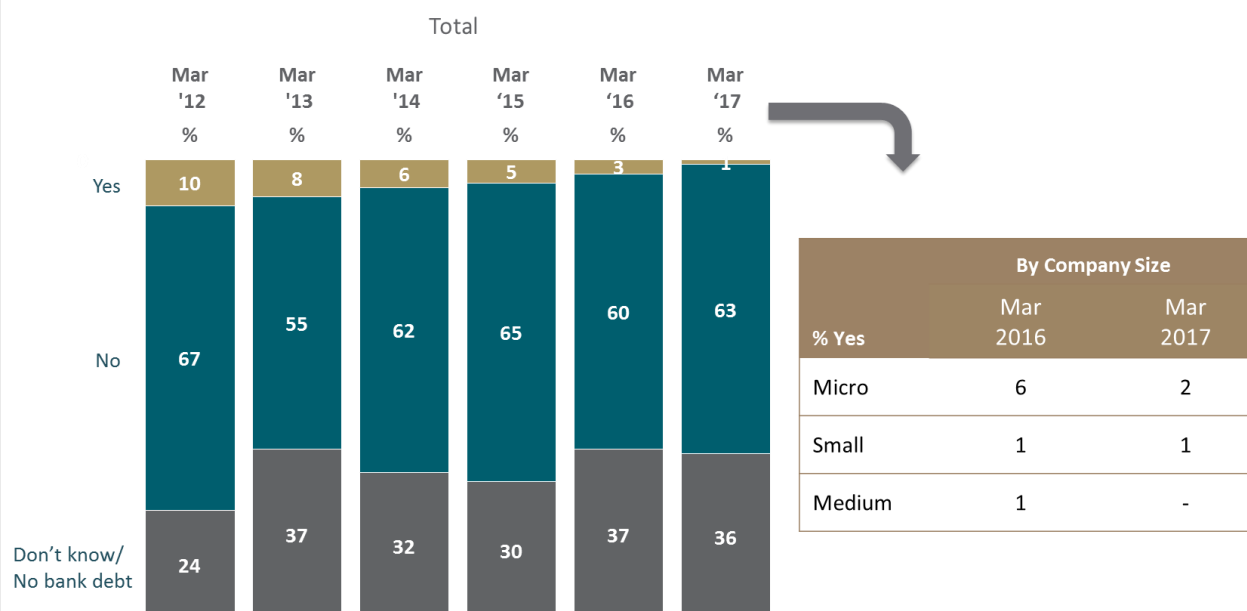


Repayment of Current Loans

The financial position of a business can also be established by the incidence of having missed repayments on existing loans, as this can be used to effectively avoid requiring credit in the short term. Only 1% of SMEs suggested that they had missed repayments of loans in the period October 2016 to March 2017. This is down slightly from 3% in March 2016. Note, the smaller the company the more likely they are to have missed repayments.

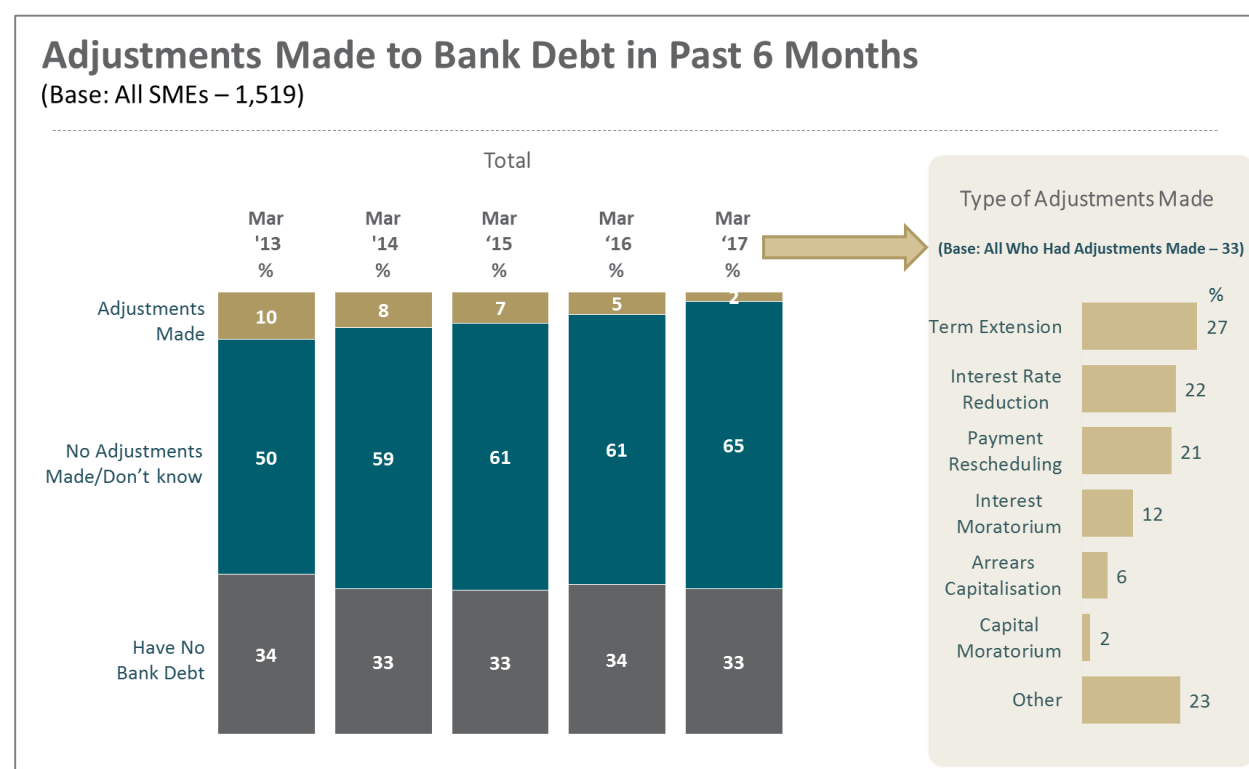
Missed Repayments On Loans In Past 6 Months

(Base: All SMEs – 1,519)



Adjustments to Current Banking Debt

Only 2% of SMEs made adjustments to their bank debt between October 2016 and March 2017. The main types of adjustments made centre around repayment scheduling, term extension, interest rate reduction and interest moratorium.

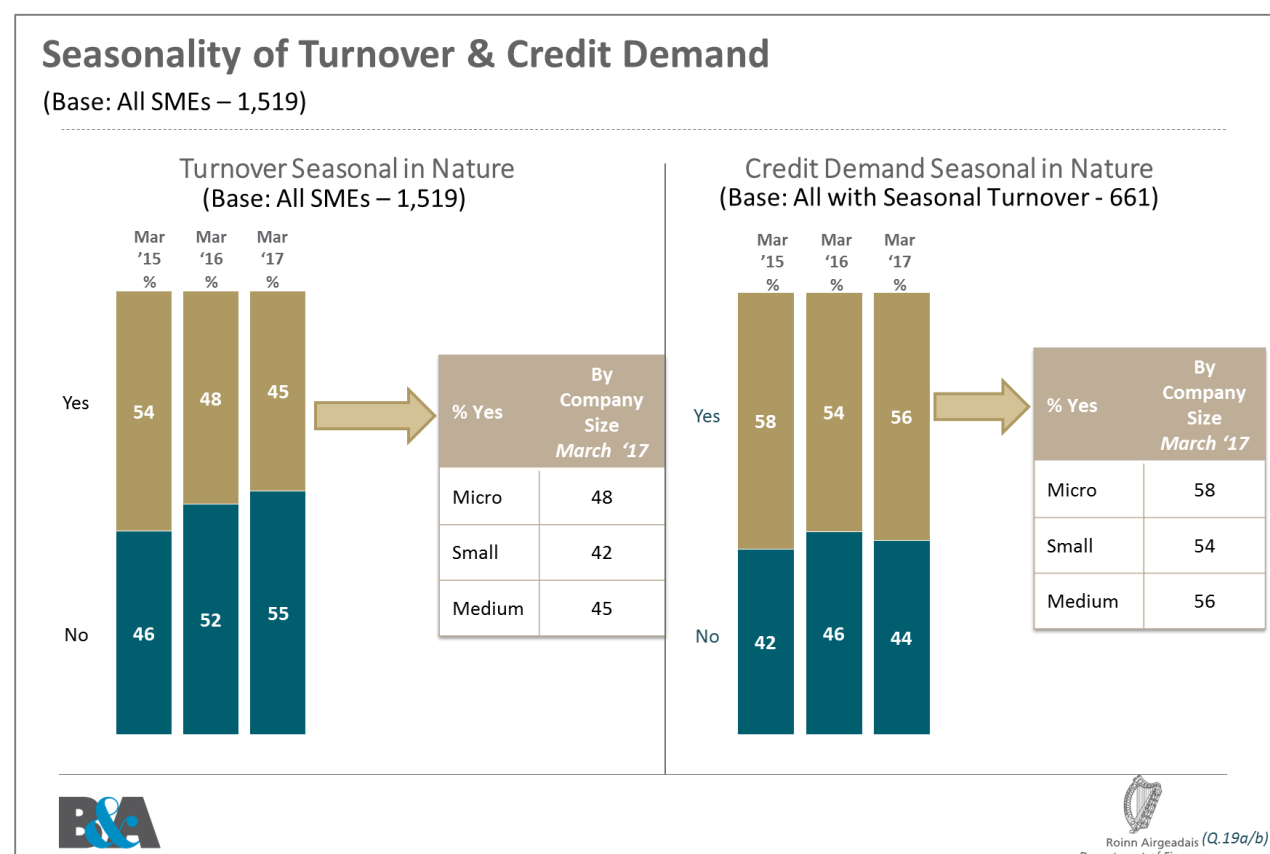


Base: All Who Have Adjusted Bank Debt	Mar 16	Mar 17
	%	%
Payment Rescheduling	28	21
Capital Moratorium	16	2
Term Extension	31	27
Interest Moratorium	11	12
Interest Rate Reduction	31	22
Arrears Capitalisation	4	6

Incidence of capital moratorium adjustment has declined from 16% of all making an adjustment in March 2016 to 2% in March 2017.

6.9 Seasonality of Demand and Credit

45% of SMEs indicate their turnover/sales are seasonal. Note, that year on year this has been steadily decreasing. This has an effect on credit demand with 56% of businesses with seasonal turnover also having seasonal credit demand.



7.0 The Application Process

Of the total 1,519 SMEs interviewed for this wave of research, just one in five have requested bank finance in the past 6 months – down from 26% in March 2016.

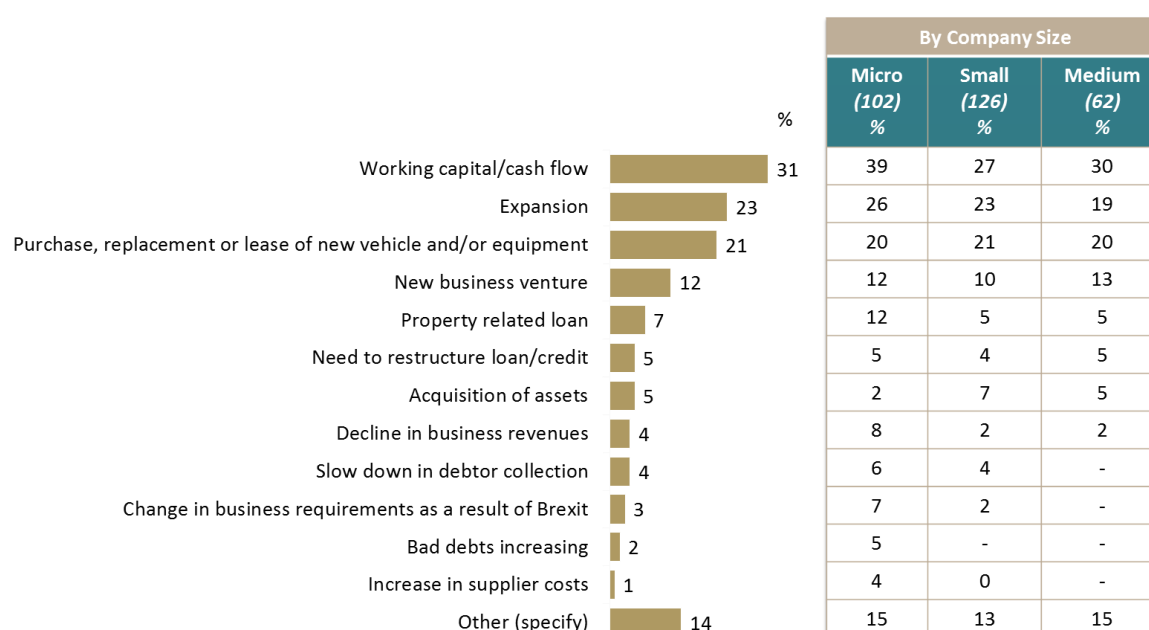
7.1 Nature of Demand

Working capital/cash flow is the main reason for such finance request (31%), followed by expansion needs (23%), and new vehicles/equipment (21%).

Only 5% applied for bank finance in order to restructure a loan/credit, and just 7% for a property related loan.

Reasons for Making Financial Request

(Base: All SMEs Seeking Finance - 290)



Reasons for financial requests are quite similar across all company sizes.

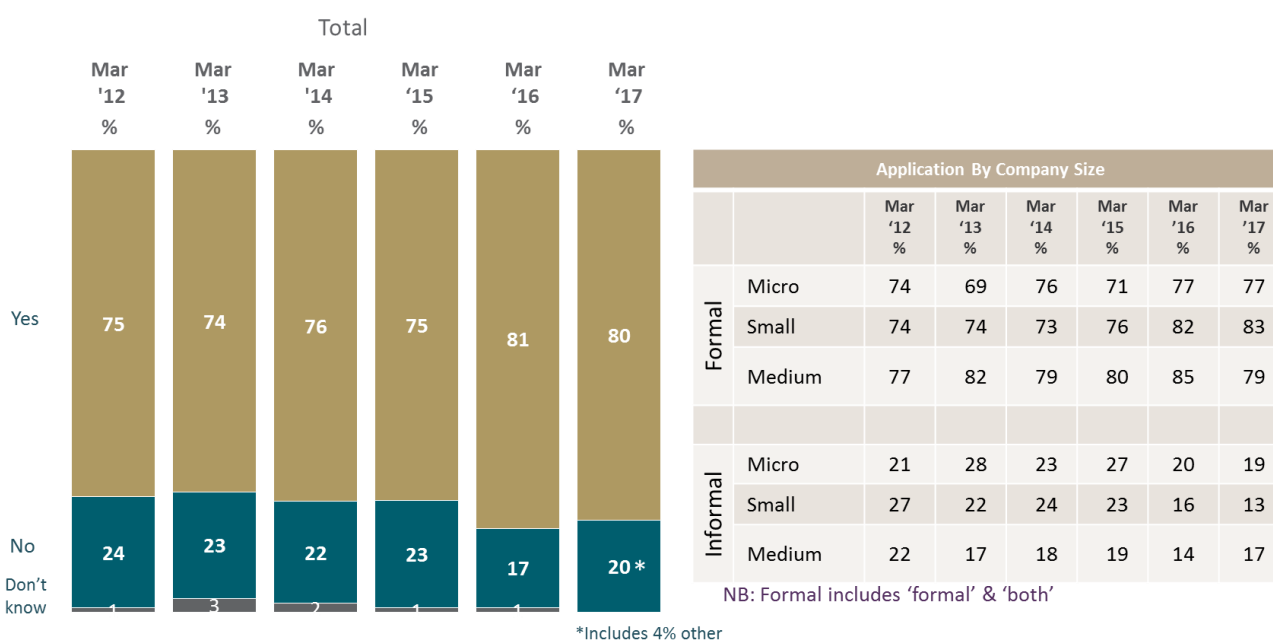
7.2 Formal Applications for Credit

A similar level of formal applications for credit exist compared to March 2016, with 80% of SMEs seeking finance formally applying.

Formal applications have declined, and informal applications increased, amongst medium sized SMEs.

Formal Applications for Credit

(Base: All SMEs Seeking Finance - 290)



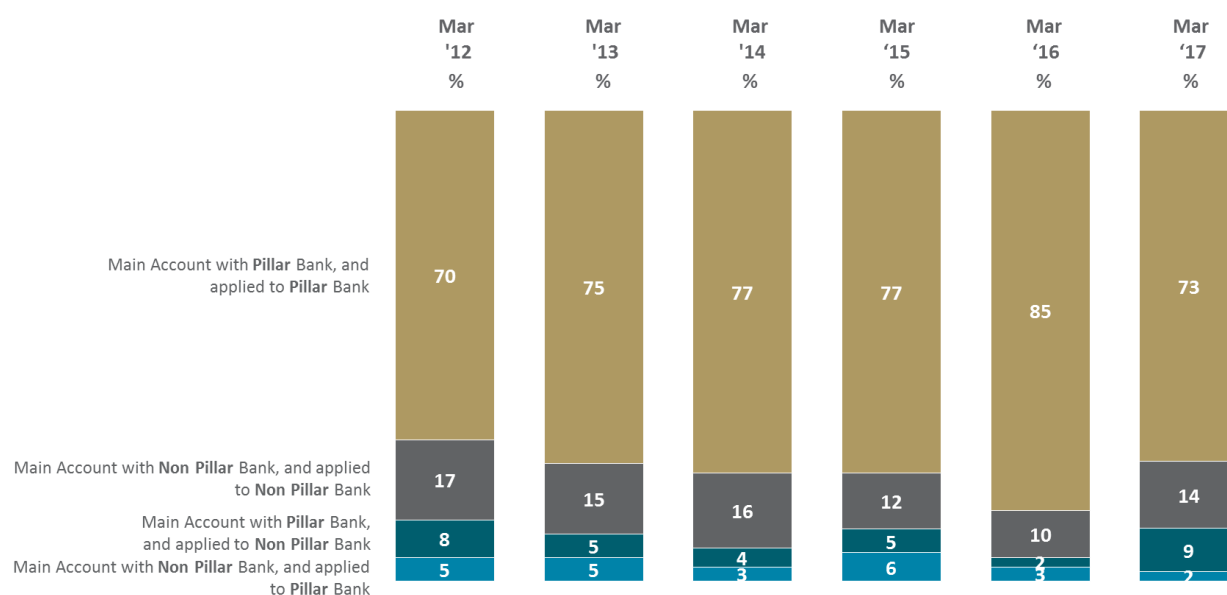


The main reasons cited for submitting an informal request is that the business felt there was no need to make a formal application, as it was a repeat loan or a personal relationship.

Reasons for making an informal application	Mar '14	Mar '15	Mar '16	Mar '17
	%	%	%	%
No need for providing formal application (e.g. repeat loan or personal relationship)	50	57	52	58
To see if it would be possible	14	9	8	4
Knew formal application would not be successful	8	11	2	6
Time consideration	7	6	3	5
Accounts not up to date	1	0	-	-
Didn't want finance from bank in the end	0	0	3	8
Requested from Account Manager	-	-	-	1
Not an option as was refused	-	-	-	9
Only a query	-	-	-	2
None	-	-	-	2
Don't know	-	-	-	6

Bank From Which Finance was Requested

(Base: All SMEs Seeking Finance - 290)



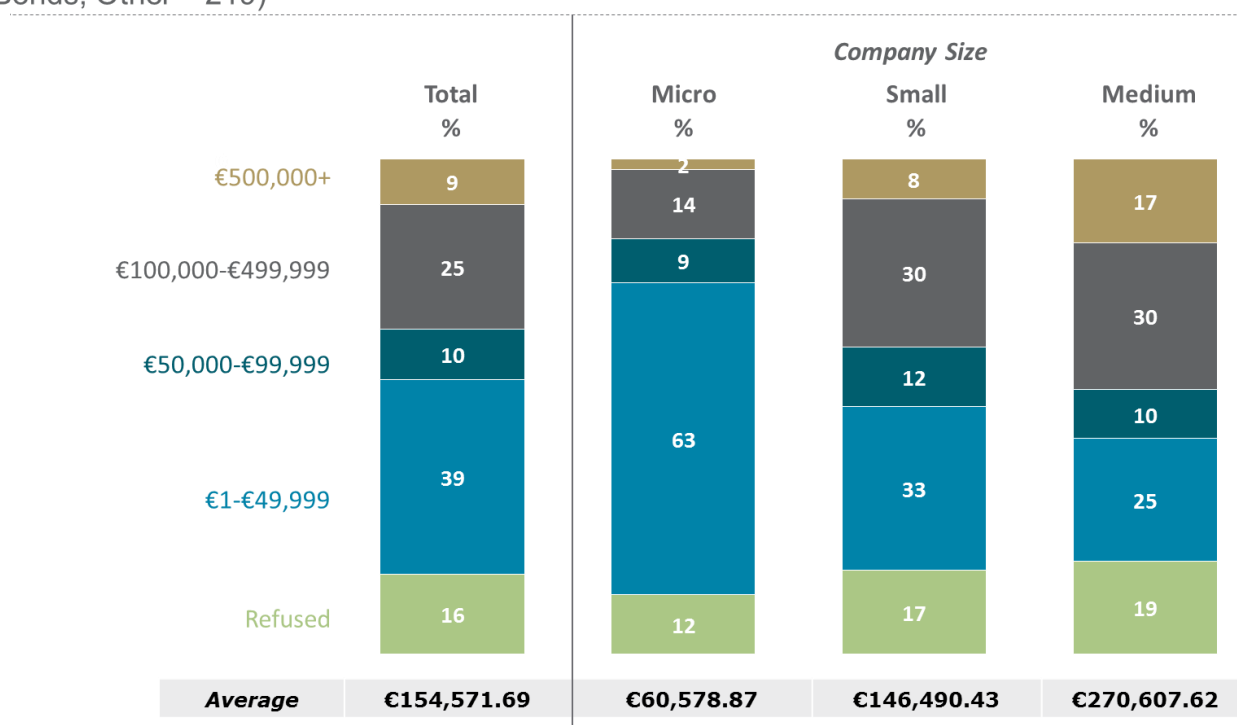
The proportion of SMEs who applied for finance through one of the two pillar banks has decreased this period. In total, 75% applied to the main pillar banks – down from 88% in March 2016.

7.3 Economic Value of Credit Applications

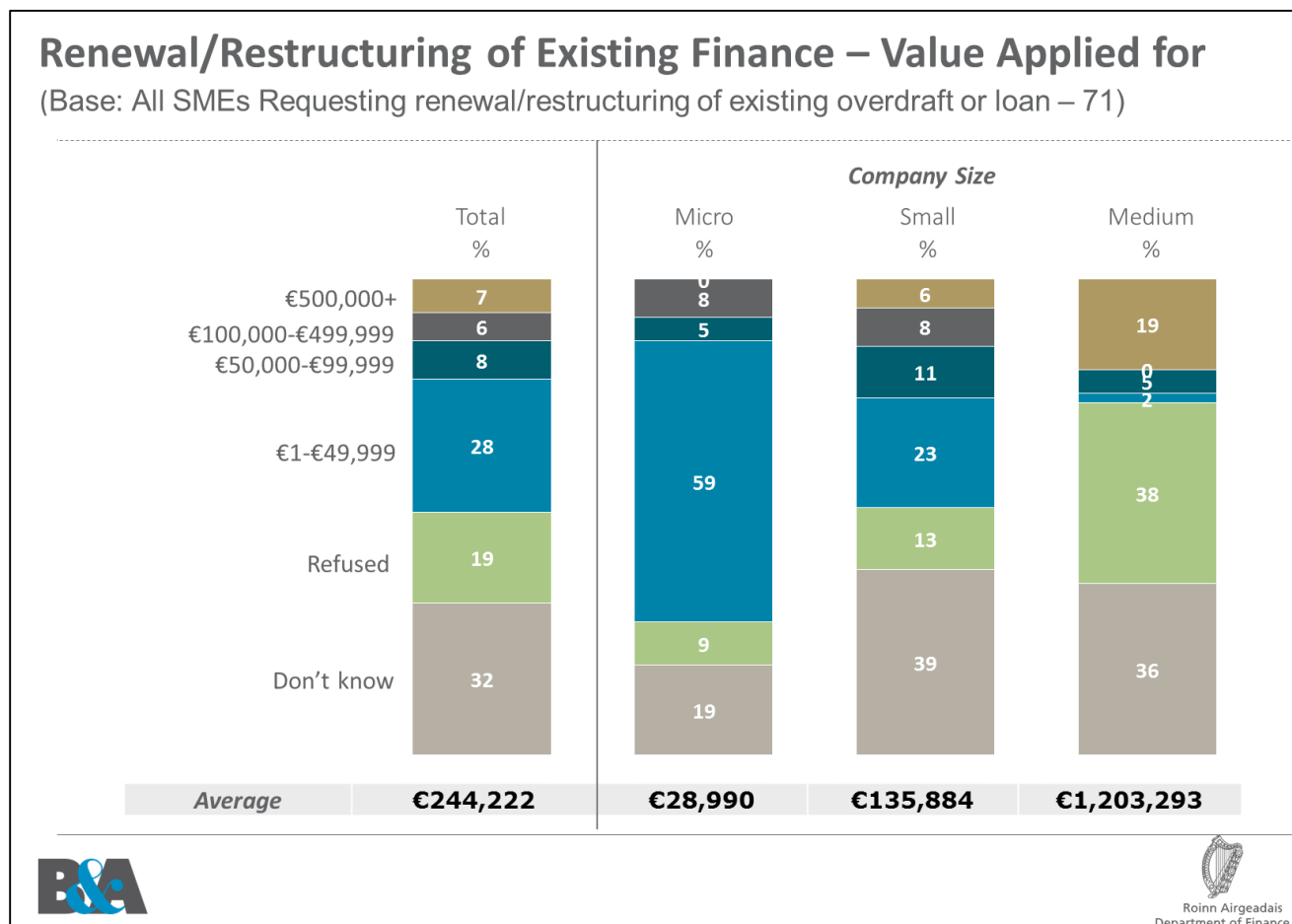
Each business that applied for credit provided us with the monetary value of that application. When looking at applications for new bank finance (e.g. over draft, loan or lease/hire purchase), the average stated amount is €154,571. This is lower than the stated value in March 2016 at €309,000.

New Finance – Value Applied for

(Base: All SMEs Requesting New Overdraft, Loan, Invoice Discounting, Lease/Hire Purchase, Bonds, Other – 219)



Not surprisingly, as company size increases so too does the loan and value applied for.



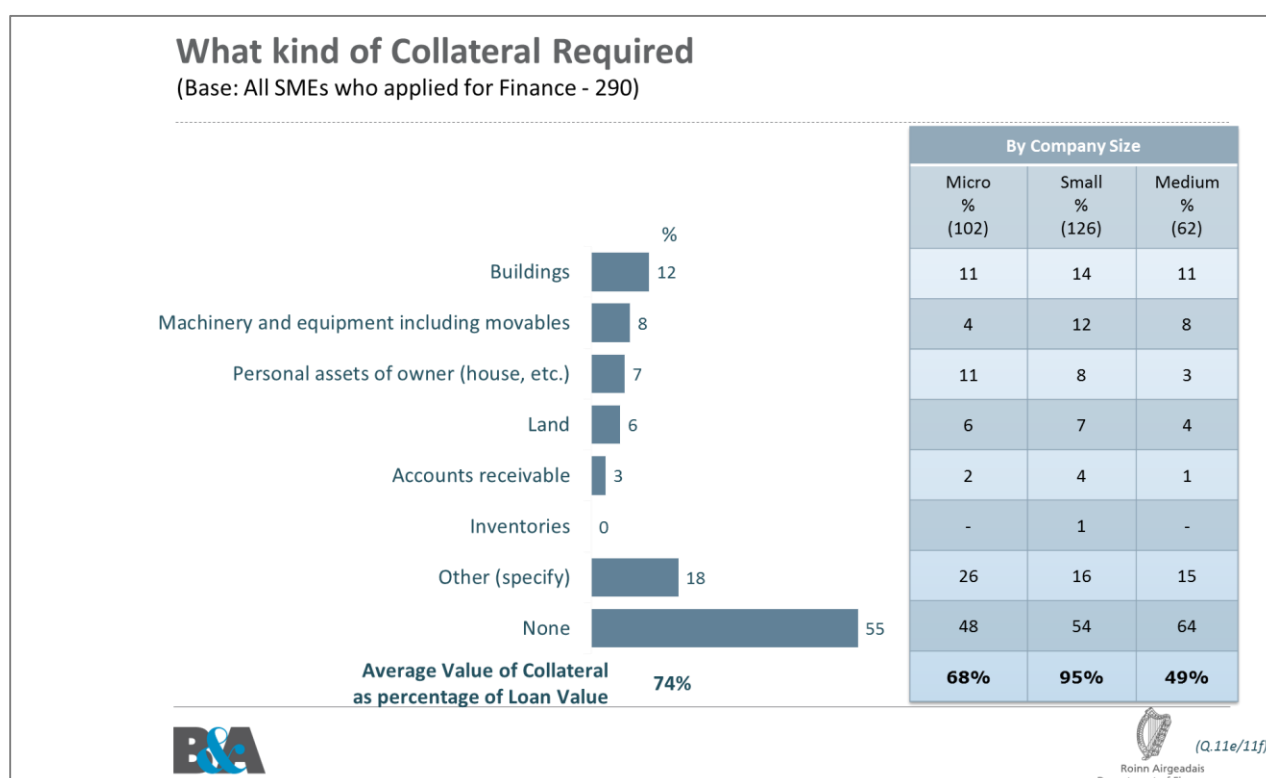
As might be expected, there are stark differences between different sized companies in the value of renewal/restructuring finance requested, with Medium-sized companies requesting almost five times more than the average SME.

7.4 Collateral Required for Credit Applications

Among those SMEs who applied for bank finance, 45% of applications required some kind of collateral. This is a similar level to March 2016 where 46% required collateral.

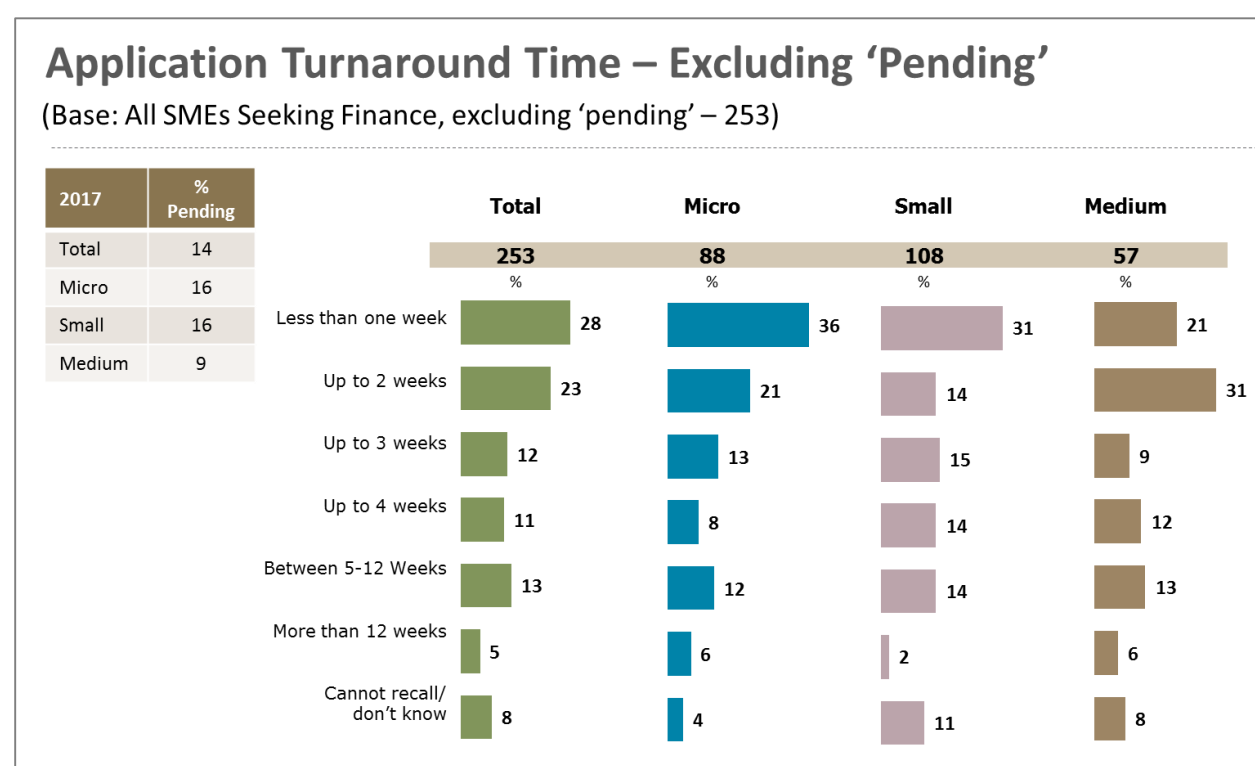
The two most common kinds of collateral required were buildings and land/personal assets of owner (house etc.), followed by machinery and equipment (8%) and accounts receivable (3%).

Applications from Medium companies are less likely to require collateral. The average value of collateral required as a percentage of loan is 74%, dropping to 49% for medium sized SME applicants.



7.5 Turnaround Time on Decisions

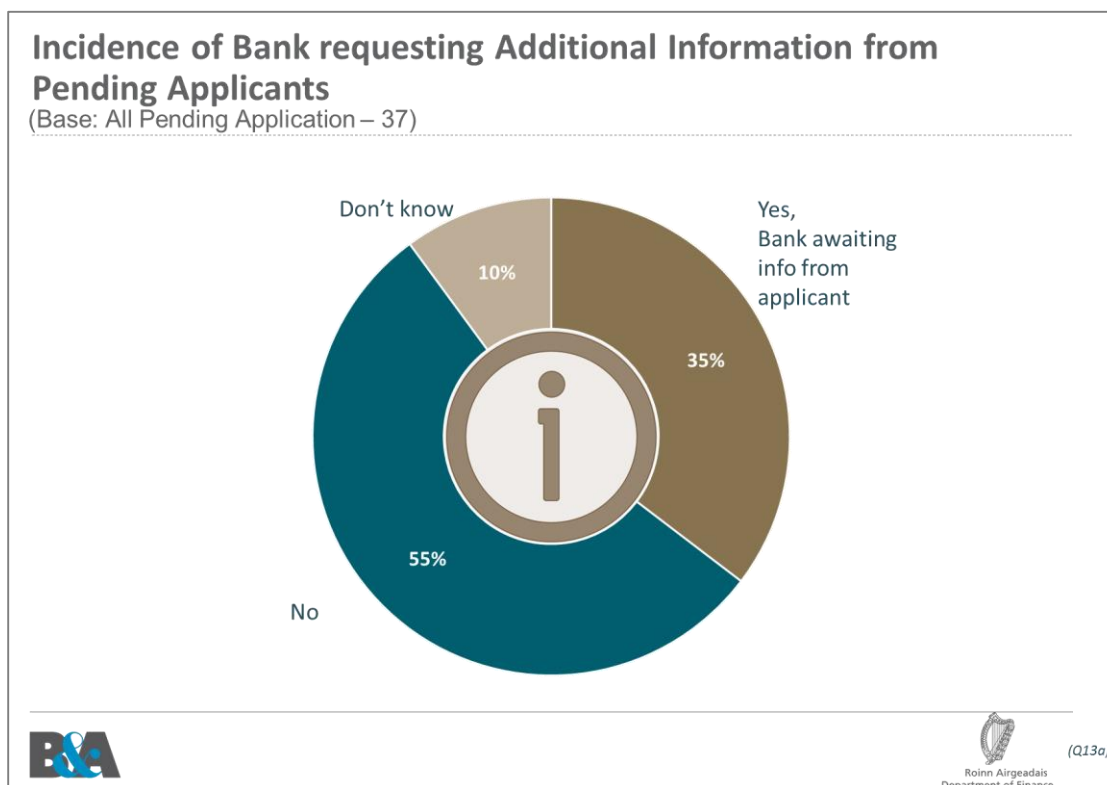
Based on the regulations for firms lending to SMEs, with which regulated lenders (other than credit unions) must have complied from 1 July 2016 or, in the case of credit unions, from 1 January 2017, lenders are required to inform SMEs of a decision on their loan within 15 working days of receiving all information they require from the company. Excluding pending applications and according to the businesses themselves, 63% of all finance applications are all processed within the 15 working days. This is lower than the reported figure of 72% in March 2016 and back in line with the reported figure of 61% for March 2015.



The average amount of time from application to decision stands at 24 working days in March 2017. The average turnaround time for Micro and Medium companies is 22 working days, with Small-sized companies receiving decisions within 26 working days.

It should be noted that this does not differentiate between businesses who supply all information required by the lender at the outset and those who receive requests for further information. The proportion of loans that remains “still pending” stands at just 14%.

55% of those whose application is still pending have not been asked for additional information from their bank.

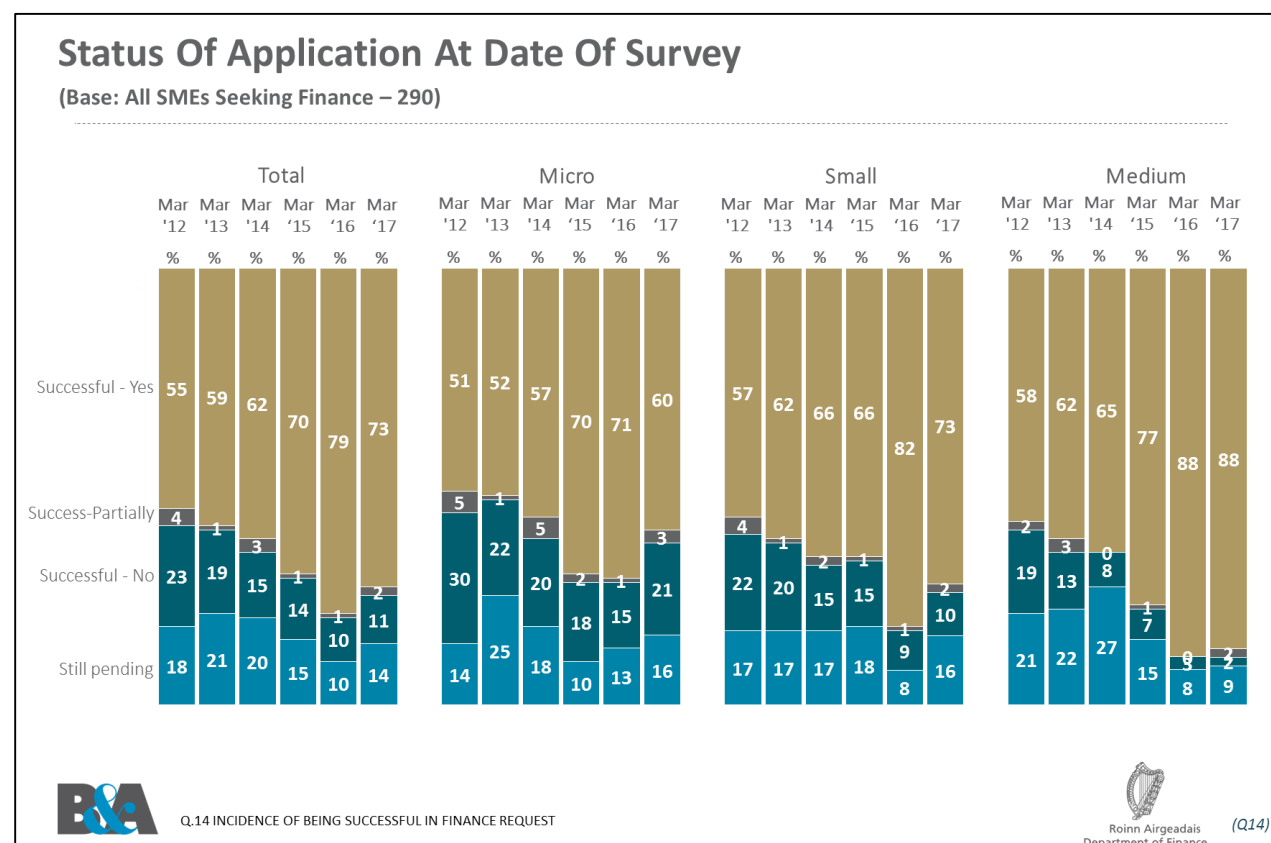


7.6 Decline Rate

The decline rate for all credit applications in the period October 2016 to March 2017 stands at 11% of all applications – this is up from 10% in March 2016.

73% of all applications have been approved in full over the past 6 months – this is a decline when compared to March 2016.

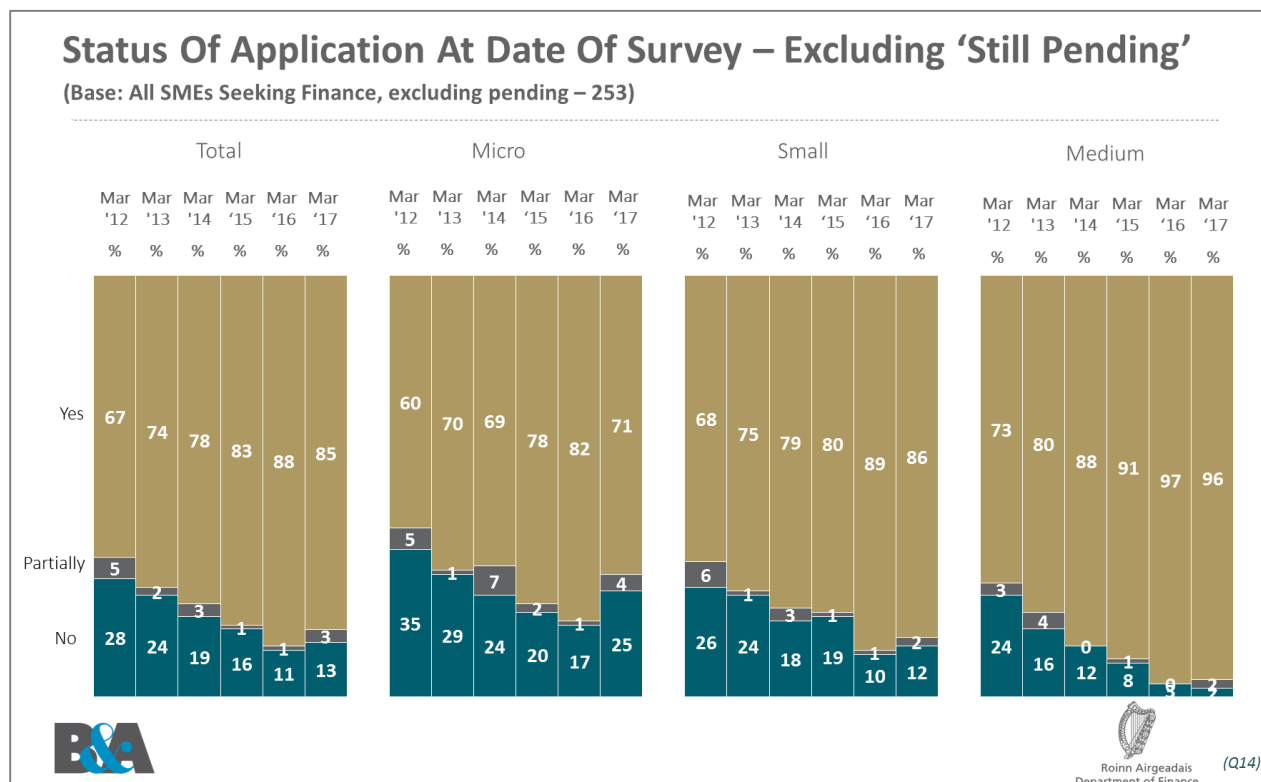
A further 2% state their credit applications have been partially approved, leaving 75% of all SMEs credit applications fully or partially approved. Just 14% of all applications are still pending. This is up from 10% in March 2016.



Small- and Medium-sized businesses seeking finance are indicating higher levels of approval rates. Micro companies, however, have lower approval rates, with an increase in rejection rates from 15% in March 2016 to 21% in March 2017.

Excluding pending applications, the overall decline rates stands at 13% (similar to March 2016). In total, 88% of all applications for the past 6 months (excluding “still pending”) have been approved in full/partially.

Micro SMEs indicated the greatest increase in rejection rates (from 17% to 25% now).





Decline Rate by Product

Decline rate varies across financial type requested – which is a reflection of the differences in application process. New overdrafts and new loans have the highest decline rates.

Lending Products	Yes %	Partially %	No %	Pending %
Total	73	2	11	14
New overdraft	56	7	14	22
Renewal/restructuring of existing overdraft	68	4	8	20
New Loan	66	1	14	18
Renewal/restructuring of existing loan	64	2	5	29
Invoice Discounting	75	-	7	19
Leasing or hire Purchase	84	-	5	11
Bonds (bank backed, advance payment of other bonds)	57	15	-	28

Formal Application Decline Rate

Type Of Application	Yes %	Partially %	No %	Pending %
TOTAL	73	2	11	14
Informal request	58	2	24	16
Formal application	80	2	8	10

Perhaps not surprisingly, informal requests attract higher decline rates than do formal applications.



Decline Rate by Type of Credit Applied For

Type of Application	Yes %	Partially %	No %	Pending %
New business venture	77	4	8	11
Working Capital	64	4	14	18
Expansion	70	2	10	18
Property Related loan	68	-	11	21
Need to re-structure loan/credit	49	-	25	26

Encouragingly, the banks are not more likely to approve funding for expansion at the expense of working capital. Refusal rates are in fact highest for the need to restructure loans/credit. Interestingly, pending applications are lowest for new business ventures, with approvals highest for this category of application.

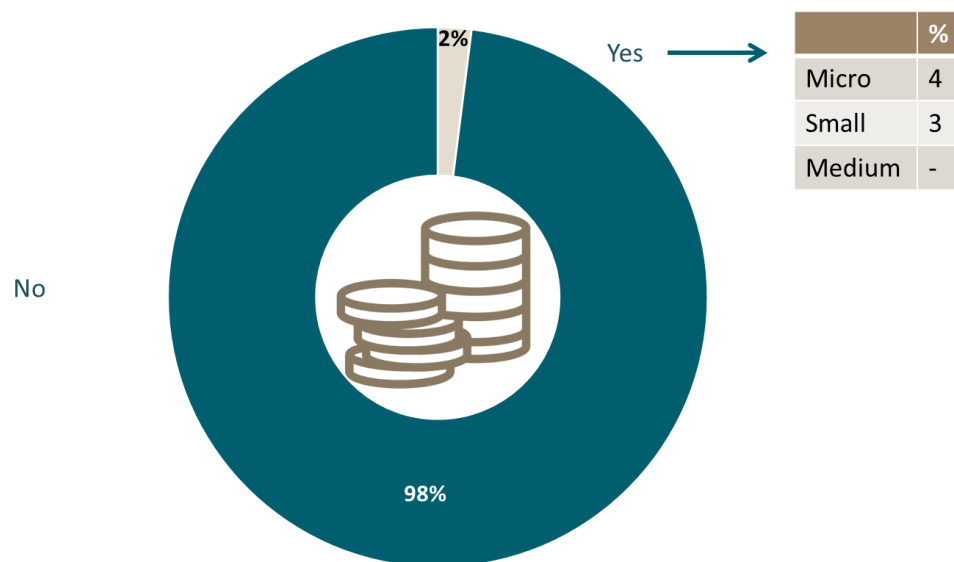
Decline Rate by Export vs. Non-Export Companies

Export vs. Non Export	Yes %	Partially %	No %	Pending %
Export Business	80	1	8	11
Non-Export Business	71	3	12	15

The decline rates for export businesses are lower compared to non-export businesses. In addition, export businesses have lower pending applications compared to non-export businesses.

Difficulty in Sourcing Export Finance

Base: All SMEs Seeking Finance – 290)



The vast majority (98%) of companies who export report no difficulty in sourcing export finance.

Decline Rate by Pillar/Non-Pillar Banks

Bank Applied To	Yes %	Partially %	No %	Pending %
TOTAL	73	2	11	14
Pillar	75	3	9	13
Non Pillar	71	2	17	10

Decline rates are higher amongst non-pillar banks (17%), than they are for pillar banks (9%).

Decline Rate by Sector

Sector	Yes %	Partially %	No %	Pending %
TOTAL	73	2	11	14
Manufacturing	80	-	13	7
Construction	70	3	7	20
Wholesale	72	2	12	14
Hotels & restaurants	66	4	12	19
Business Services	81	1	9	9
Other	67	3	11	18

The lowest levels of decline rate are amongst the Construction (7%) and Business services (9%) sectors.



Decline Rate Linked To Company Trading Performance

There are no differences in decline rates between companies where turnover has increased, and those whose turnover has decreased.

	Yes	Partially	No	Pending
Turnover Performance	%	%	%	%
TOTAL	73	2	11	14
Increased	79	0	13	8
Remained The Same	72	2	8	18
Decreased	62	6	13	19

Decline rates are, however, significantly higher amongst applicants who have made a loss (20%), compared to those who have made a profit (10%), or broken even (10%).

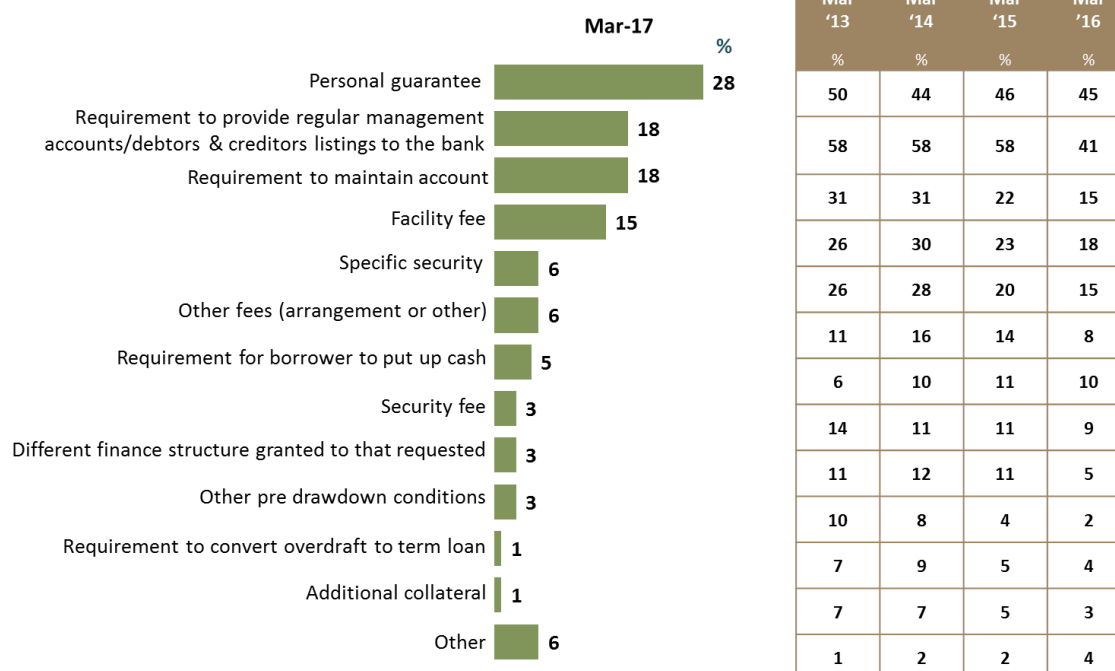
	Yes	Partially	No	Pending
Profit Performance	%	%	%	%
TOTAL	73	2	11	14
Made a profit	83	1	10	7
Broke Even	56	2	10	32
Made a loss	62	8	20	10

7.7 Criteria, Conditions and Interest Rates Attached to Approved Applications

Of those applicants for whom conditions were applied, the most common conditions were personal guarantees, the provision of regular management accounts and/or a facility fee.

Conditions attached to approved/partially approved applications

(Base: All SMEs Seeking Bank Finance Successful or Partially – 214)



(Q.14a2)
(Q.14a3)

Roinn Airgeadais
Department of Finance

The majority of SMEs (58%) with approved finance applications had at least one criterion/condition attached to them. This is in line with the March 2016 figure of 57% of SMEs.

7.8 Reasons for Decline

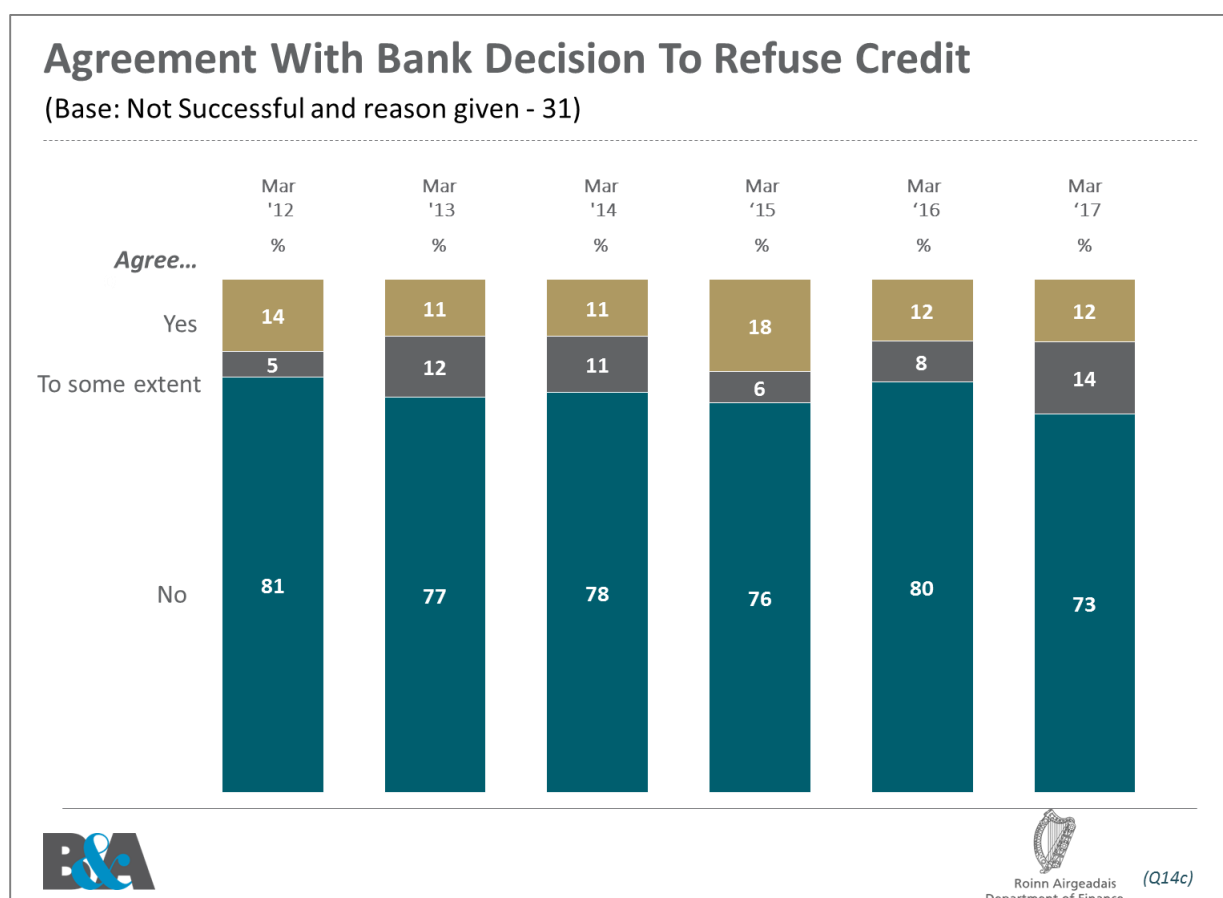
The main stated reasons for credit decline remain centred on applicant controlled factors, particularly account performance/history, and inadequate repayment history.

Reason for Decline	March '16 %	March '17 %
Applicant Controlled	50	54
Inadequate repayment capacity	28	19
Account performance/history	21	29
Existing debt burden already too high	7	3
Inadequate historic information provided	4	2
Deterioration in business financial performance	2	11
Bank Controlled	24	18
Change in bank lending policy	13	4
No longer a sector to which the bank is prepared to lend	8	2
Change in bank pricing policy	5	4
Inadequate/insufficient security	4	12
No longer a type of business to which the bank is prepared to lend	4	6
Requested facility was sanctioned at lower level/different structure	2	2
Other	13	31
No reason given/none	27	7

7.9 SME Opinions on Reasons for Decline

73% of those SMEs who have been declined bank finance and were told why disagree with the reasons given for their refusal. This is a decline from 80% in March 2016.

12% of those SME who have been declined bank finance fully agree with the reasons for their refusal. This is in line with the corresponding March 2016 figure.

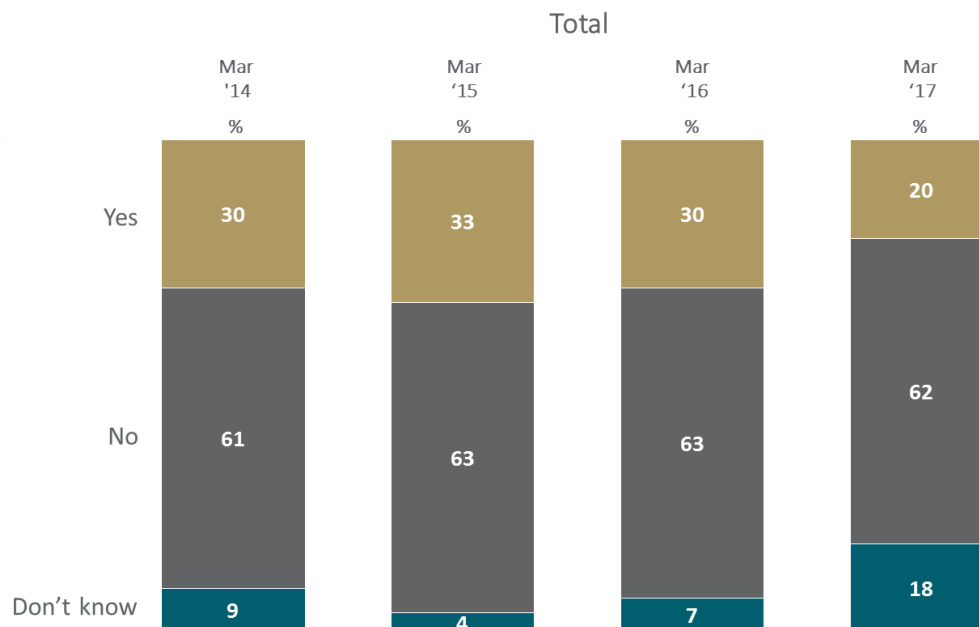


7.10 The Right to an Internal Bank Review

A year-on-year drop was registered amongst those applicants who were refused credit in terms of the bank informing them of their right to an internal review on the decision to refuse credit. In March 2016, 30% of all SMEs refused credit claimed they were informed of the right to an internal review, this has decreased to 20% of all SMEs refused credit in March 2017. Note, the proportion uncertain as to whether they were or were not informed of their right to a review increased from 7% in March 2016 to 18% in March 2017.

Informed Of Right To An Internal Review

(Base: All SMEs Refused Credit – 35)



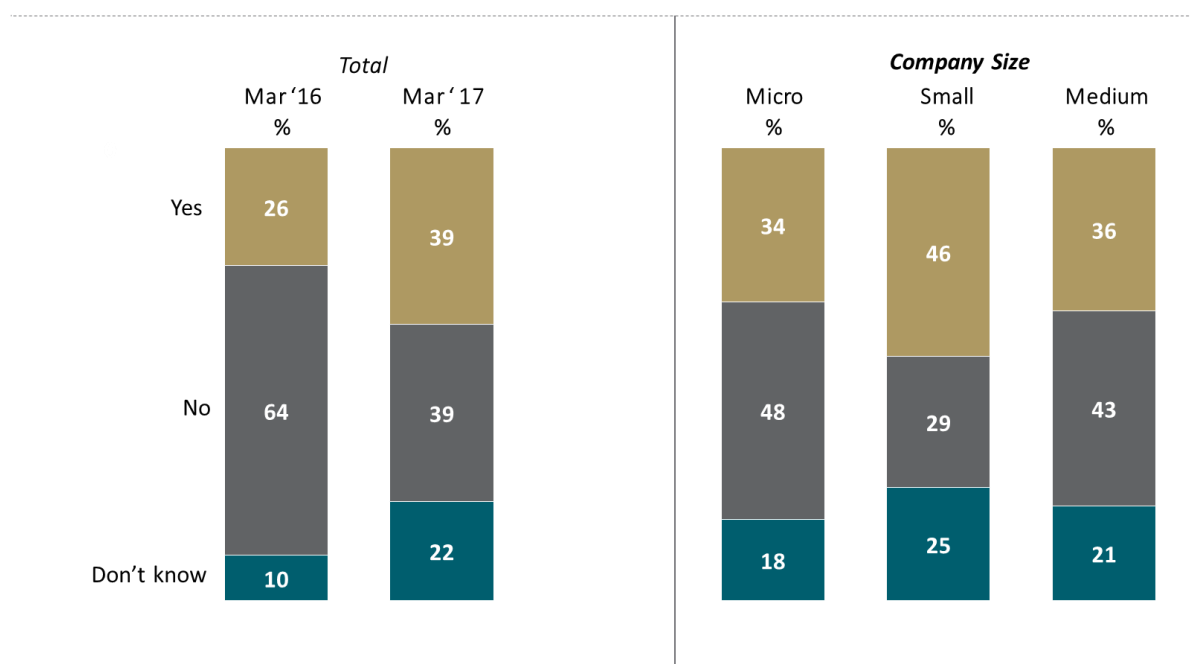
Note: Very small base size for company size breakdown

7.11 Credit Review Office

Excluding Don't Knows (which have been increasing over the last 4 years), an increased number of those applicants who applied for credit from the pillar banks said they were informed of their right to a decision review by the Credit Review Office. Excluding Don't Knows 29% claimed they were informed in March 2016, and this has increased to half being informed in March 2017.

Pillar Banks – Informed Of Right To Review By Credit Review Office

(Base: All Requested Application from AIB or BOI – 193)

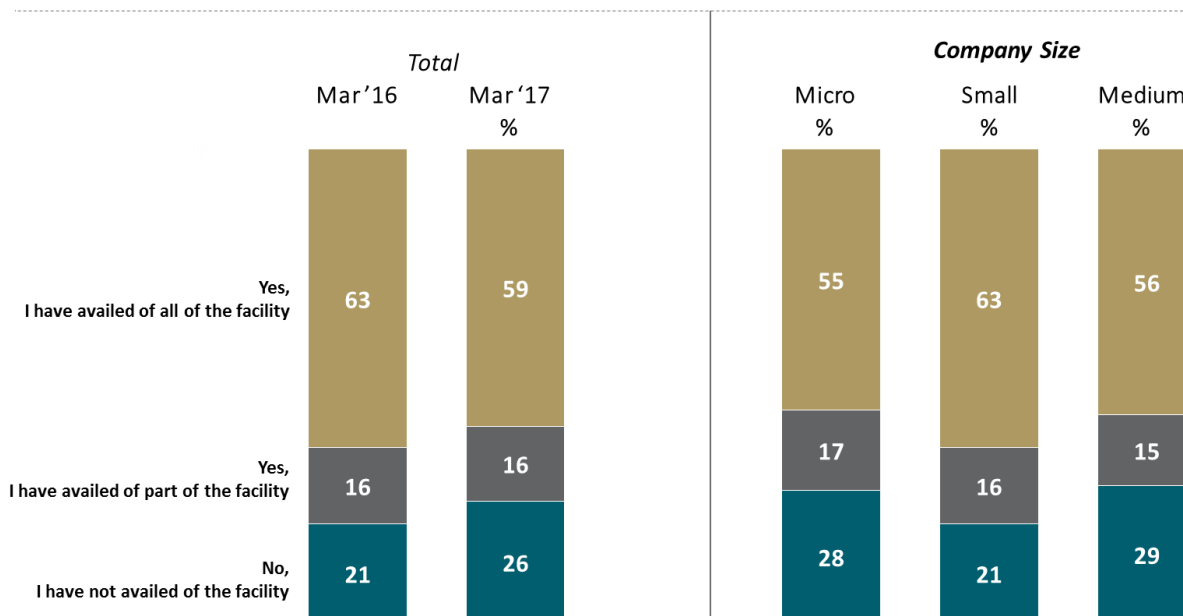


7.12 Drawdown of Approved Facilities

59% of SMEs whose applications were approved, have availed fully of the given credit facilities – this is lower than the 63% registered in March 2016. An additional, 16% partially availed of the credit facilities. 26% of SMEs have not availed of the facilities yet – up from 21% in March 2016.

Availed Of Facility To Date

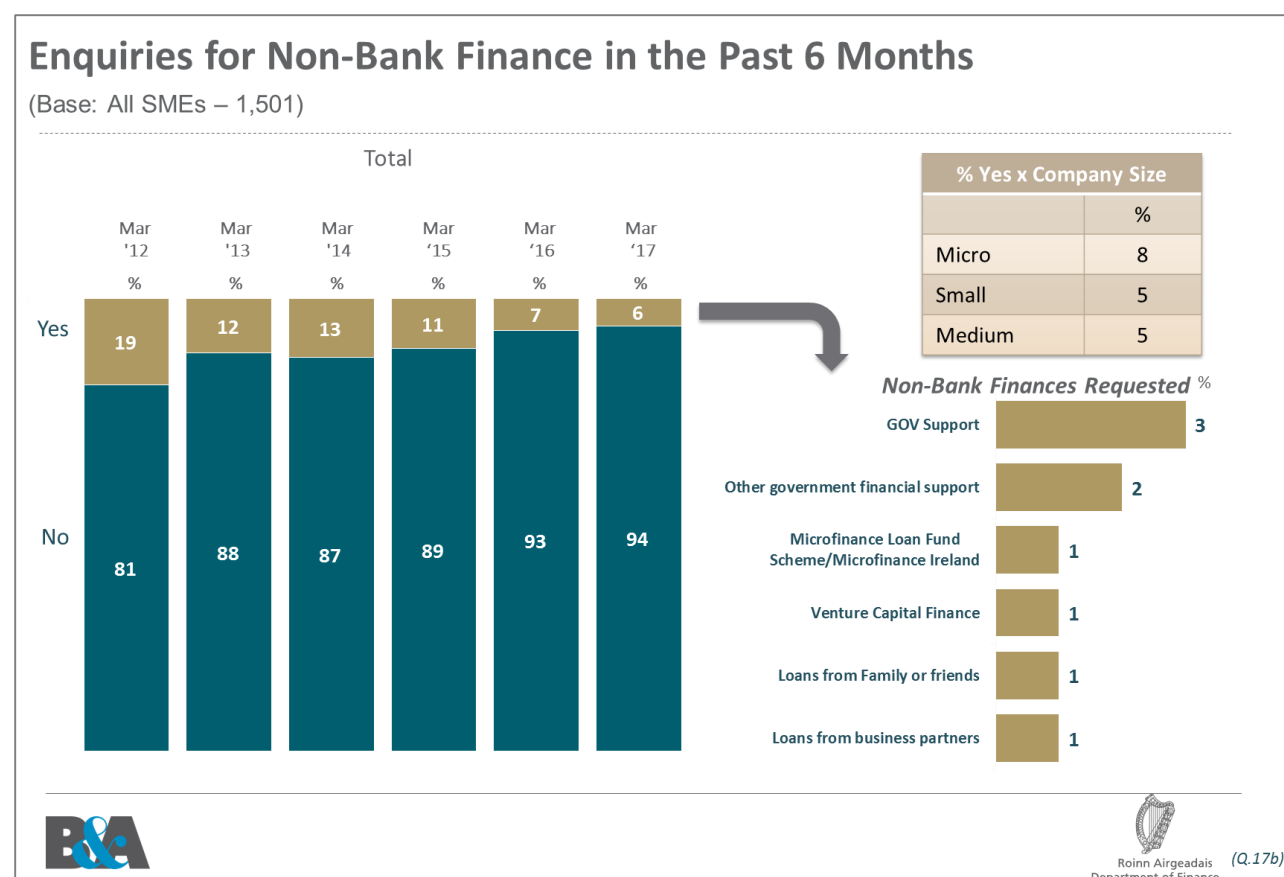
(Base: All Successful/Partially Successful In Application – 218)



8.0 Non-Banking Finance

8.1 Enquiries for Non-Bank Finance

The number of enquiries made for non-bank finance has been steadily decreasing since March 2013 and now stands at just 6% of SMEs having sought non-bank finance in the period October 2016 to March 2017.



Crowd funding/peer to peer lending has not risen above the 1% point level it showed at in September 2014. In this latest wave, the figure using crowd funding/peer to peer lending is below 1% with five respondents mentioning it. When these five respondents were subsequently asked if they were successful in obtaining finance through crowd funding/peer to peer lending, three stated they had been successful and two mentioned they had not.

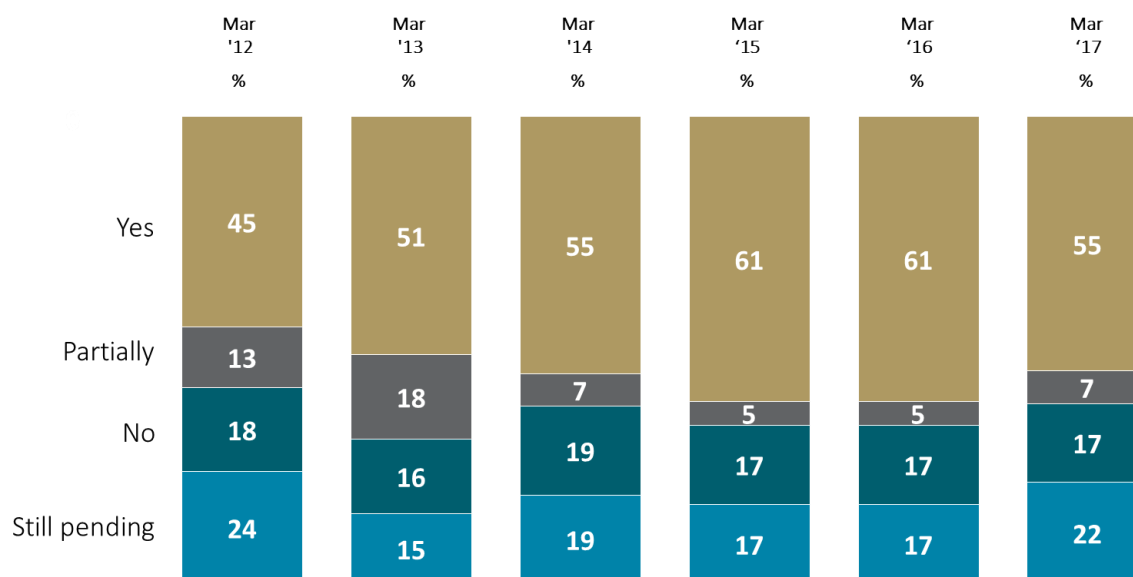
8.2 Decisions Made on Non-Bank Finance Applications

In total, 55% of all non-bank finance enquiries were successful with an additional 7% partially successful. This is a decrease from March 2016 where 66% of applications were fully or partially successful.

The decline rates are 17% - the same as March 2015 and March 2016. A higher level of “still pending” applications still exist year on year. The decline rates for non-bank finance rates are higher than bank finance, with more pending non-bank finance applications also. Overall, bank finance successful applications are significantly higher than non-bank finance applications.

Success In Obtaining Non-Bank Finance

(Base: All Application for Non-Bank Finance –161)



8.3 Reasons for Not Applying for Government Financial Support

The main reasons given for not applying for Government financial support were a lack of need for such finance (70%), and a lack of knowledge of such funding (9%).

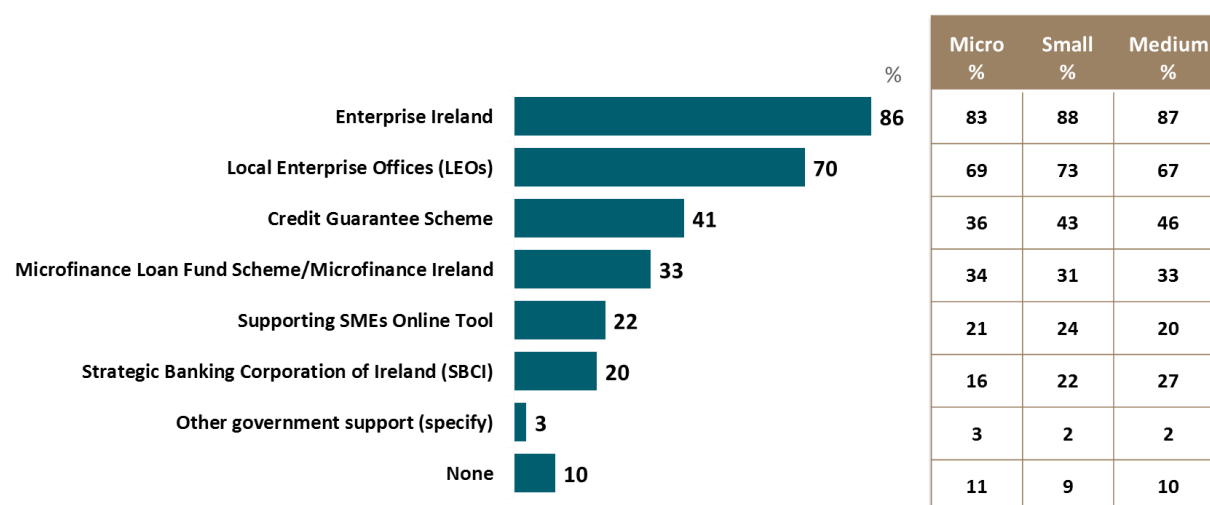
<i>Reason for Not Applying for Government Financial Support</i>	March 2015 %	March 2016 %	March 2017 %
Don't need this type of financing	62	62	70
Lack of knowledge	18	17	9
I don't believe this source is relevant for my business or sector	15	14	7
Already have this type of financing in place so do not need more	2	4	1
Application process too difficult	3	3	1
Don't want to lose control of business	1	3	6
Previously rejected for this type of finance	2	1	0
Costs/Fees are too high	1	1	1
Terms and Conditions too onerous	1	1	1
Used in past but not currently relevant	1	1	1
Didn't think we would get it	2	0	0

8.4 Awareness of State Funded Support

Awareness of State funded support is highest for Enterprise Ireland (86%) followed by local Enterprise Offices (70%). 41% of SMEs are aware of the Credit Guarantee Scheme (which is an increase from 38% in March 2016). One third are aware of the Micro Finance Loan Fund scheme (up 3 points from 30% in March 2016). Awareness of the supporting SMEs Online Tool stands at 22% (lower than the previous 26% recorded in March 2016). Awareness of the Strategic Banking Corporation of Ireland (SBCI) stands at 20% (again lower than the 24% awareness level recorded in March 2016).

Awareness Of Government Support Initiatives

(Base: All SMEs – 1,519)

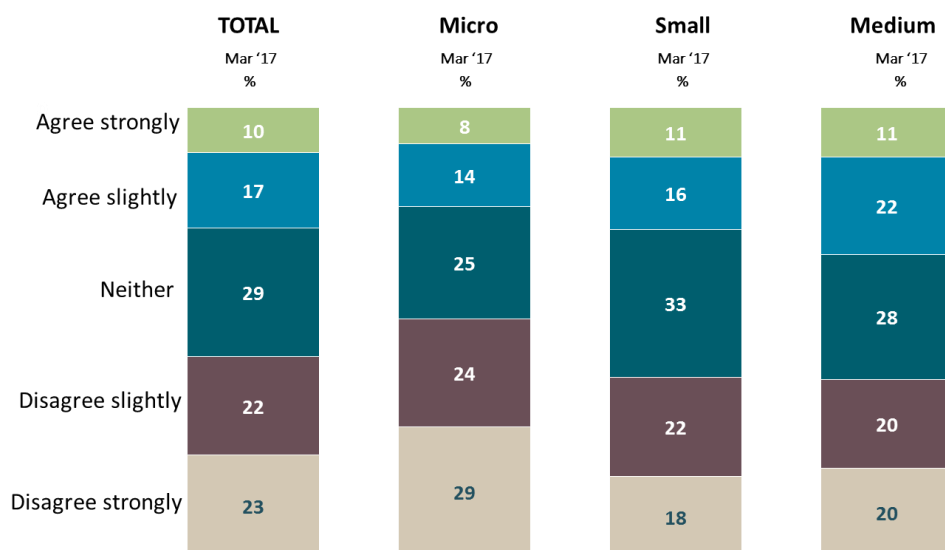


27% of SMEs agree that they have a good knowledge of state funded support available – this is an increase on the March 2016 figure of 23%. There continues to be a strong appetite for state support with 68% of all SMEs agreeing that they would like to see more information on how businesses should apply for state funded support. These are lower levels to March 2016 (72%).

Just 27% of SMEs feel they have a good knowledge of the state funded support available to their business, while 45% do not. Levels of knowledge of such support is lowest amongst Micro and Small SMEs.

Business Sentiment – I feel I have a good knowledge of state funded support available to my business

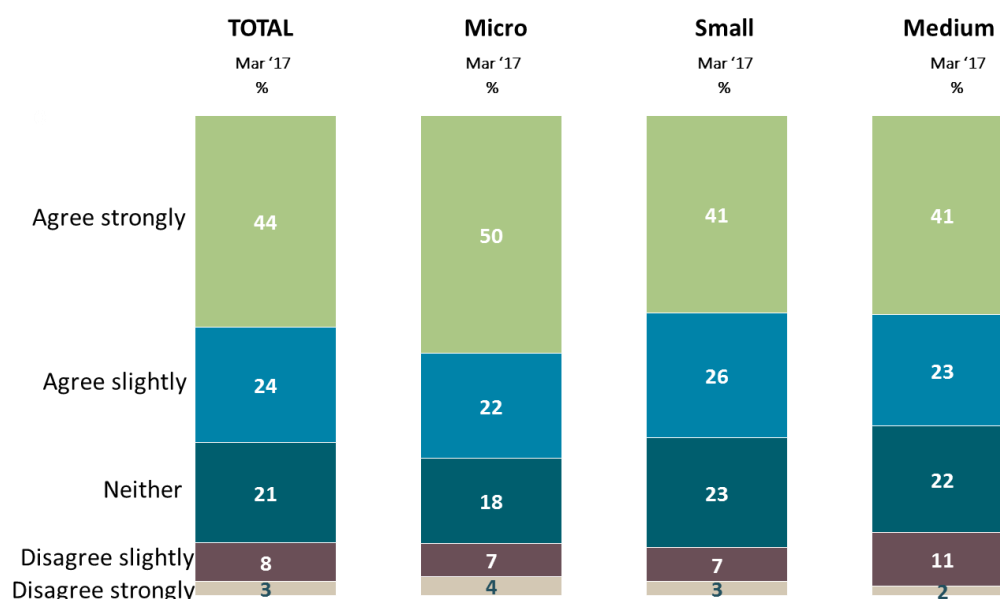
(Base: All SMEs - 1519)



68% of all SMEs believe there should be more information available on state funded support – a figure which peaks at 72% of all Micro organisations.

Business Sentiment – There should be more information available on how businesses like mine can get state funded support

(Base: All SMEs - 1519)



8.5 Financing the Business

Internal funds/retained earnings continue to remain the main financial source of working capital, with 78% of working capital coming from this source.

Average expenditure on fixed assets	Mar 2016	Mar 2017
All SMEs	€358k	€286k
Micro	€131k	€42k
Small	€110k	€185k
Medium	€705k	€622k

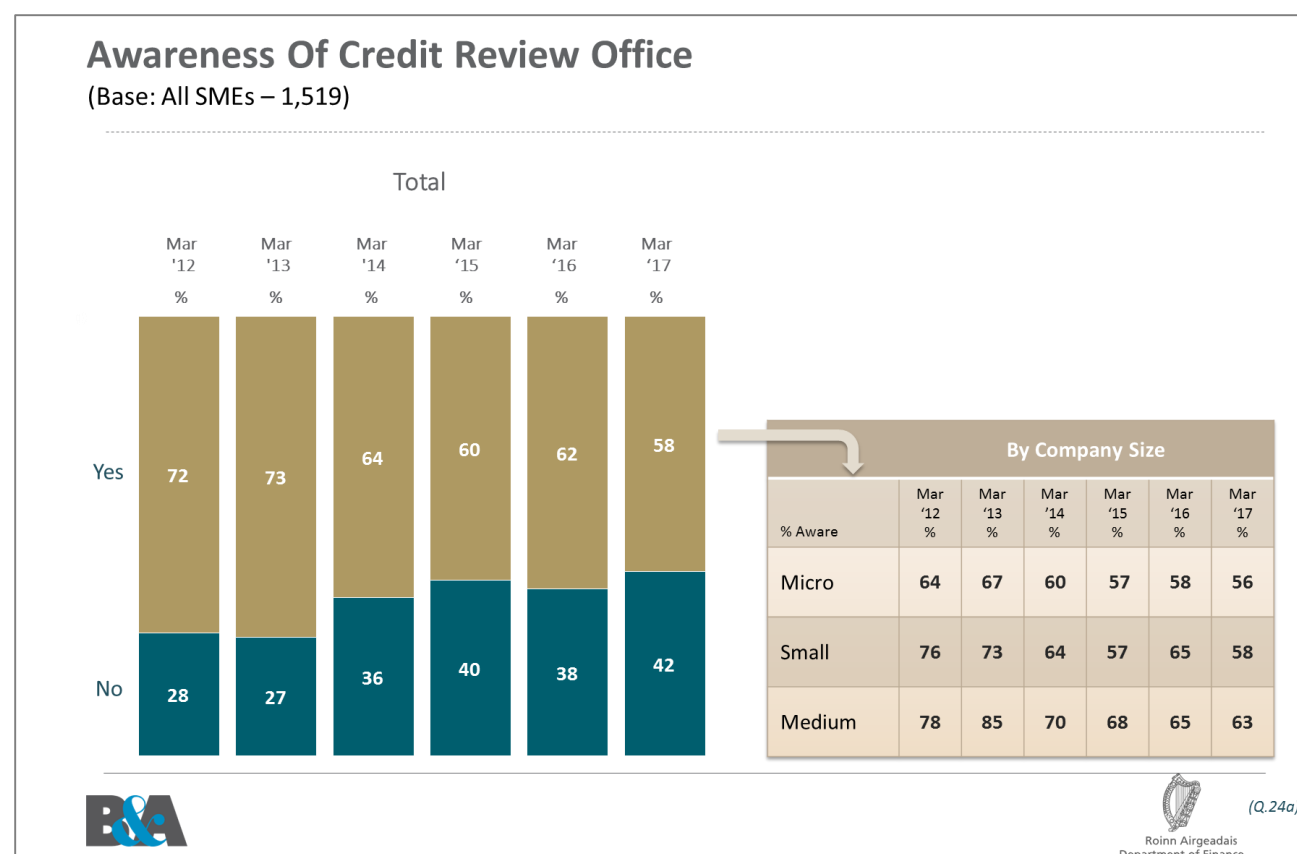
Internal funds/retained earnings also continue to be the main source of finance for fixed assets acquisitions and this figure rose by six percentage points up from 69% in March 2016 to 75% in March 2017, followed by borrowings from banks down two percentage points to 8% year on year.

Source of Finance for fixed assets acquisition	Average Proportion		
	Mar 2015	Mar 2016	Mar 2017
Internal funds/retained earnings	67%	69%	75%
Borrowed from banks	9%	10%	8%
Leasing arrangements	10%	9%	10%
Owners' contribution	4%	4%	2%
Credit from suppliers	5%	2%	*0%
Borrowed from non-bank financial institutions	3%	2%	2%
Loans from friends and relatives	0%	1%	1%
Advances from customers	0%	0%	0%
Other	2%	3%	2%

9.0 SME Awareness of Credit Supports

9.1 Credit Review Office

A marginal decrease in awareness amongst SMEs of the Credit Review Office is evident, with 58% of SMEs now aware of its existence (this is a 4 percentage point decrease on March 2016). The drop in awareness is almost exclusively amongst small sized SMEs.

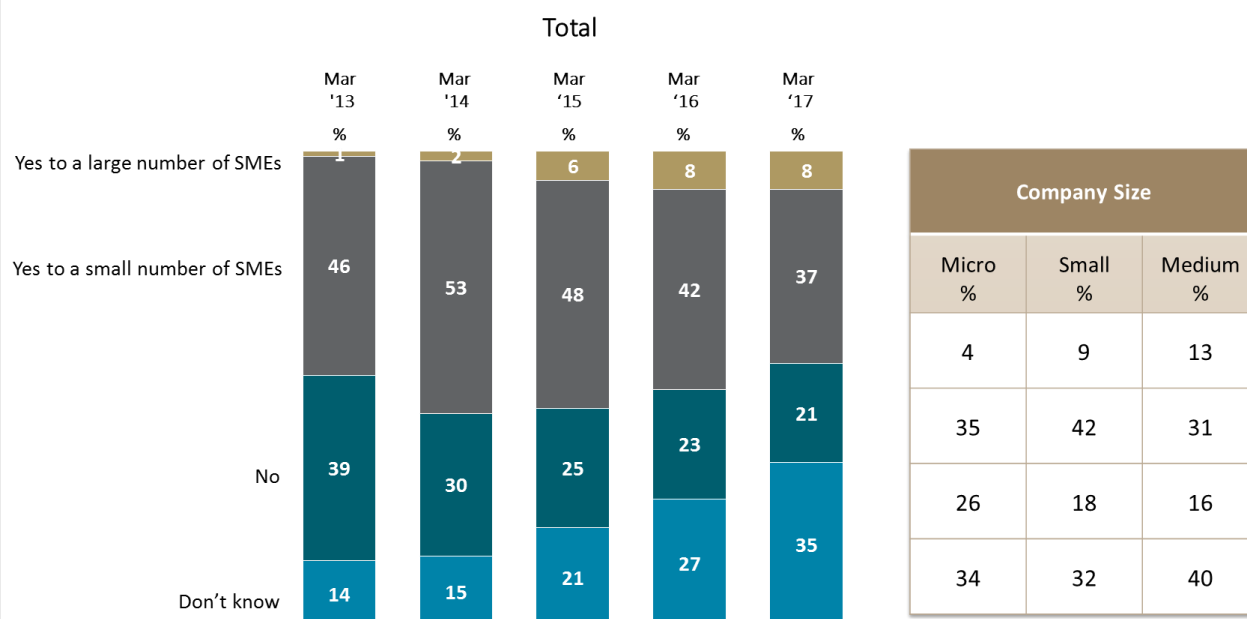


9.2 The Perception of Banks Lending to Irish SMEs

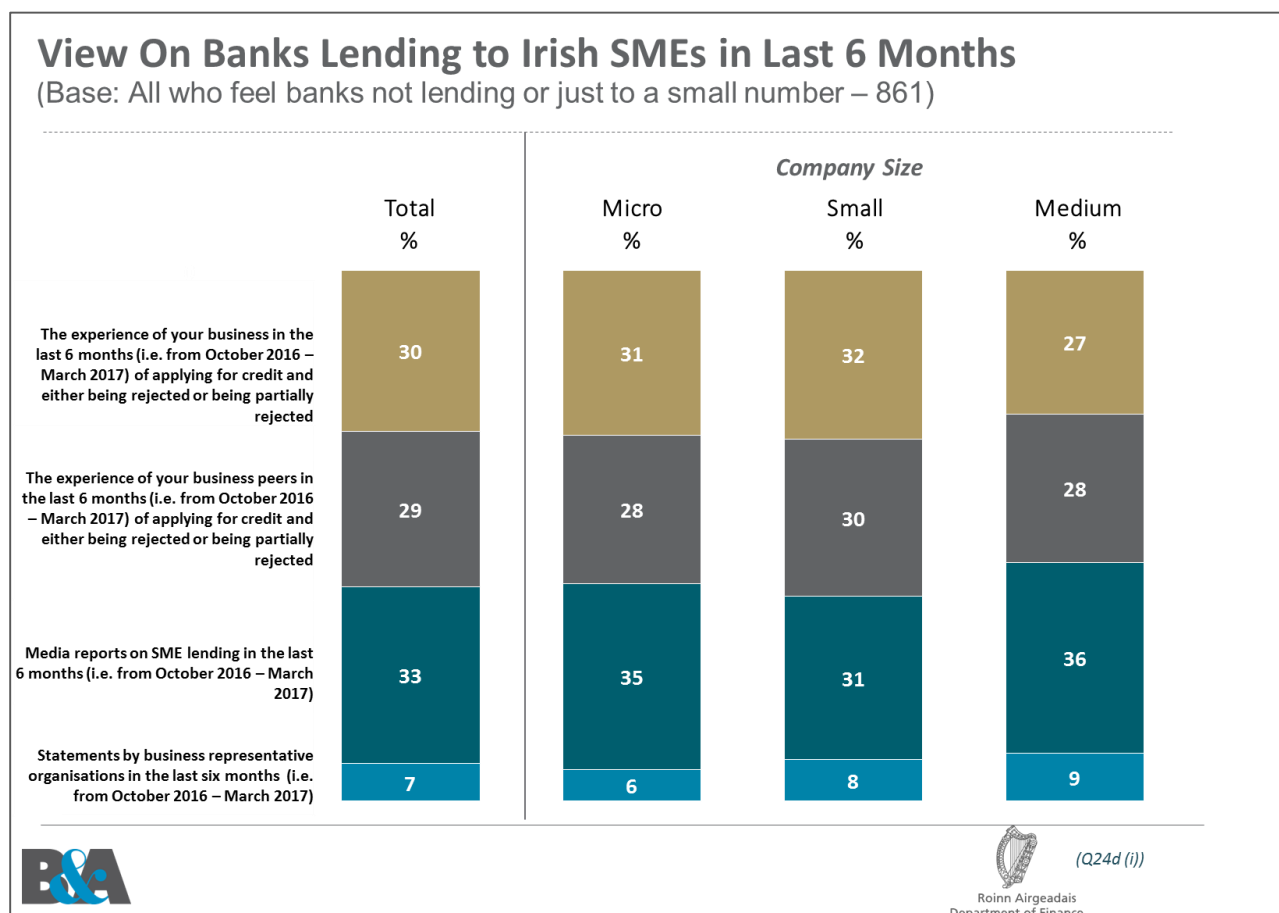
21% of SMEs believe banks are not lending to the SME sector – this is a similar level to that seen in March 2016. However, we see the proportions of SMEs which are not sure if the banks are lending increase from 27% in March 2016 to 35% this wave. 37% believe banks are only lending to a small number of SMEs, while only 8% believe banks are lending to a large number of SMEs.

Perception of Banks Currently Lending to Irish SMEs

(Base: All SMEs – 1,519)



Of those who suggest that banks are not lending or only lending to a small number of companies, 30% claim this is based on personal experience - this is down from 32% in March 2016. The rest hold the opinion based on business organisations, media reports or peers.





Appendix: The SME Demand Survey Questionnaire



DEPARTMENT OF FINANCE
SME CREDIT DEMAND SURVEY
QUESTIONNAIRE
March 2017

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

- Q.1** Can I just confirm that you are the person who has primary responsibility for financial matters in your business?
- Yes..... 1 **CONTINUE**
- No 2

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

SECTION 1 – COMPANY INFORMATION

- Q.1a** 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.1a ASK**

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

Q.1b What industry sector do you operate in?

PROBE TO PRECODES – SINGLE CODE

CHECK QUOTAS

- Agriculture & forestry & fishing..... 1
- Manufacturing - Processing & Food from agricultural activities + manufacturing of food from non agricultural activities (tobacco and beverages) 2
- Manufacturing - High Tech (including pharmaceutical, electronic, electrical equipment etc.)..... 3
- Manufacturing - All other manufacturing..... 4
- Construction - General construction (including general building & civil engineering)..... 5
- Construction - All other construction activities (excluding speculative activities)..... 6
- Wholesale..... 7
- Retail Trade & Repairs (non motor)..... 8
- Retail Trade & Repairs (motor only) 9
- Hotels & restaurants 10
- Transport, storage & communications 11
- Financial & Insurance Activities 12



Real estate activities (excluding speculative activities)	13
Professional, scientific & technical	14
Administrative & Support Service Activities.....	15
Human Health & Social Work Activities.....	16
Other	17 CLOSE

Q.1c Which of the following statements about export outside the Republic of Ireland best applies to your business? **SINGLE CODE – READ OUT OPTIONS**

- Our firm regularly exports..... 1
- We began exporting in the last six months..... 2
- We are thinking of exporting at a future date.....3
- We don't export

ASK IF EXPORT (CODE 1or2 IN Q1D)

Q.1c_1 What percentage of the firm's sales are exported?

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

_____ % of total sales

ASK IF EXPORT (CODE 1or2 IN Q1D)

Q.1c_2 Have you had any difficulty in sourcing export related finance in the past 6 months, i.e. October 2016 – March 2017?

- Yes 1
- No 2

ASK IF YES AT Q1C_2

Q1c_3 What were the reasons for this difficulty?

MULTICODE PROBE FULLY, DO NOT READ OUT

- Lack of collateral/security..... 1
- The sector in which your business operates is no longer a sector to which the credit provider is prepared to lend..... 2
- Deterioration in business financial performance..... 3
- Request for credit was sanctioned at a lower level/different structure to that requested 4
- Beyond the credit provider's risk appetite..... 5
- Inadequate/insufficient security..... 6
- Too expensive..... 7
- Lengthy process/delay in Bank making a decision 8
- Jurisdiction/country which you sought to export to 9
- Other (specify)..... 10
- Don't know..... 11

ASK ALL

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

_____ SCRIPTER: MIN-MAX 1-249, IF MORE THAN 250 **☑ CLOSE**

ONLY FOR QUOTA CONTROL, NOT PART OF SCRIPT

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

- Q.2a** What was your business' turnover in the last 12 months i.e. for the period April 2016 – March 2017?

€ _____
 SCRIPTER: MAX 50,000,000 IF MORE THAN 50m **☑ CLOSE**
 IF DON'T KNOW/REFUSED ASK Q.2A1

- Q.2a1** What was your business' turnover in the last 12 months i.e. for the period **April 2016 to March 2017** as per the following bands?
READ OUT - SINGLE CODE

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



ASK Q.2b FOR ALL REFUSED/ DON'T KNOW AT Q2.a1

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

READ OUT – SINGLE CODE

Less than or equal to €2m 1
Between €2,000,001m and €10m2
Between €10,000,001m and €50million3
Above €50million..... 4 **CLOSE**
Refused/don't know (**DNRO**)5 **CLOSE**

ASK ALL

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

_____ years (MIN-MAX 0-999)

Q.3b Does your business perform any of the following tasks?

READ OUT - MULTI CODE

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

Q.5 In the last 6 months, i.e. from October 2016 – March 2017, has the turnover of your business increased, decreased or stayed the same compared to the previous 6 month period?

SINGLE CODE

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

ASK Q.5a FOR ALL WHOSE TURNOVER HAS INCREASED AT Q5

Q.5a By about what percentage has your turnover increased?

INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE

_____ % (MIN-MAX 1-9999)

IF REFUSED, ASK THE FOLLOWING: By what percentage has your turnover increased as per the following bands:

READ OUT - SINGLE CODE

0 – 9% 1
10 – 19%..... 2
20 – 29%..... 3



30 - 39%.....	4
40 – 49%.....	5
50%+	6
Not sure (DNRO)	7

ASK Q.5b FOR ALL WHOSE TURNOVER HAS DECREASED AT Q5

Q.5b By about what percentage has your turnover decreased?

INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE

_____ % (MIN-MAX 1-100)

IF REFUSED, ASK THE FOLLOWING: By what percentage has your turnover decreased as per the following bands:

READ OUT - SINGLE CODE

0 – 9%	1
10 – 19%.....	2
20 – 29%.....	3
30 - 39%.....	4
40 – 49%.....	5
50%+	6
Not sure (DNRO)	7

ASK ALL

Q.5c In the last 6 months, i.e. from October 2016 – March 2017, has your company made a profit, broke even, or made a loss?

READ OUT - SINGLE CODE

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

ASK ALL

Q.6 In the last 6 months, i.e. from October 2016 – March 2017, has your number of staff increased, decreased or stayed the same?

SINGLE CODE

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



ASK Q.6a FOR ALL WHOSE STAFF HAS INCREASED AT Q6

Q.6a By about what percentage has your staff increased?

INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE

_____ % (MIN-MAX 1-9999)

IF REFUSED, ASK THE FOLLOWING: By what percentage has your staff increased as per the following bands: **READ OUT - SINGLE CODE**

0 – 9%	1
10 – 19%.....	2
20 – 29%.....	3
30 – 39%.....	4
40 – 49%.....	5
50%+	6
Not sure (DNRO)	7

ASK Q.6b FOR ALL WHOSE STAFF HAS DECREASED AT Q6

Q.6b By about what percentage has your staff decreased?

INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE

_____ % (MIN-MAX 1-100)

IF REFUSED, ASK THE FOLLOWING: By what percentage has your staff decreased as per the following bands: **READ OUT - SINGLE CODE**

0 – 9%	1
10 – 19%.....	2
20 – 29%.....	3
30 – 39%.....	4
40 – 49%.....	5
50%+	6
Not sure (DNRO)	7

ASK ALL

Q.6c Which of the following statements best applies to your company?

READ OUT - SINGLE CODE

The company is struggling to survive

The company is focusing on stabilising the business after some tough years

Our focus is on stabilising the business but we are also pursuing smaller growth opportunities

Our focus is on rapid growth

Other, please specify: _____ (DO NOT READ OUT)

SECTION 2 – FINANCING YOUR BUSINESS

ASK ALL

Q.7 In the last 6 months, i.e. from October 2016 – March 2017, have you sought professional advice regarding your financing requirements? By professional advice we are referring to advice from auditors, accountants or professional financial advisors.

SINGLE CODE

Yes 1

No 2

Q.7b In the past 6 months, i.e. October 2016 – March 2017, has the average number of days within which you pay your suppliers increased, decreased or stayed the same?

SINGLE CODE

Increased 1

Decreased 2

Remained the same 3

Don't know 4

Q.7c In the past 6 months, i.e. October 2016 – March 2017, has the average number of days within which your customers pay you increased, decreased or stayed the same?

SINGLE CODE

Increased 1

Decreased 2

Remained the same 3

Don't know 4

Q.7d Approximately, how much is the total outstanding debt that your company holds?

€_____ (MIN-MAX 1-99,000,000, ALLOW REFUSAL/NOT SURE)

ASK Q7E IF MORE THAN €0 AT Q7D

Q.7e What is the average cost/interest rate that you pay on this outstanding debt?

INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE, IF RATES/COSTS ARE DIFFERENT ACROSS LOAN TYPES, ASK FOR THE AVERAGE ACROSS THE TOTAL

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



Q.7g In the last 6 months, i.e. October 2016 – March 2017, have you missed any repayments on your loans, if you have any?

SINGLE CODE

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

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

Q.7h Which of the following best describe how you have dealt with these missed repayments?

READ OUT

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

ASK ALL

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

SINGLE CODE

AIB 1
Bank of Ireland 3
Danske Bank 5
Ulster Bank 6
Permanent TSB 7
Rabobank 8
ACC 9
GE Capital/Woodchester 10
KBC 11
Other financial institution (specify) 12
Don't know 13

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

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

Q.9 In the last 6 months, i.e. from October 2016 – March 2017, have you requested from any bank, any of the following types of finance? It does not matter if you have been 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
Bonds (bank backed, advance payment of other bonds).....	7
Hedging	10
Other (specify) _____	8
None	9 GO TO Q.9b

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

ASK Q.9b FOR ALL WHO ANSWERED 'NONE' AT Q.9, THEN CONTINUE TO Q.16B

Q9b Why did you not apply for bank finance in the last 6 months, i.e. from October 2016 – March 2017?

MULTICODE, PROBE FULLY, DO NOT READ OUT.

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

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

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

SINGLE CODE

AIB	1
Bank of Ireland	3
Danske Bank.....	5
Ulster Bank	6
Permanent TSB	7
Rabobank	8
ACC.....	9
GE Capital/Woodchester	10
KBC	11



Other financial institution (specify) 12
Don't know 13

Q.11 I'm now going to ask you about your _____ (FROM Q.9) request. Which, if any, of these, were reasons for making your _____ (FROM Q.9) request?

READ OUT – MULTICODE

New business venture 1
Expansion..... 2
Decline in business revenues 3
Slow down in debtor collection..... 4
Bad debts increasing 5
Increase in supplier costs 6
Property related loan 7
Working capital/cash flow 8
Purchase, replacement or lease of new vehicle and/or equipment..... 11
Need to restructure loan/credit 12
Acquisition of assets 13
Change in business requirements as a result of Brexit..... 15
Other (specify) 14

Q.11b In what month did you apply for _____ (FROM Q.9)?
SINGLE CODE

October 2016 1
November 2016..... 2
December 2016..... 3
January 2017..... 4
February 2017..... 5
March 2017..... 6
Cannot recall/don't know 7

ASK Q.11c FOR ALL WHO ANSWERED CODES 1, 3, 5, 6, 7, 8 @ Q.9

Q.11c What was the value of the _____ (FROM Q.9) for which you applied?
OPEN END: INSERT AMOUNT

--	--	--	--	--	--

Don't know 8
Refused 9

ASK Q.11d FOR ALL WHO ANSWERED CODES 2 OR 4 @ Q.9

Q.11d What was the additional value of the _____ (FROM Q.9) for which you applied?



OPEN END: INSERT AMOUNT

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

--	--	--	--	--	--

Don't know 8

Refused 9

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

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

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

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

SINGLE CODE

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

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

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

OPEN END: PROBE FULLY



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

SINGLE CODE

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

IF STILL PENDING CODE 7 AT Q.13

Q.13a Has your bank asked you for additional information which you have not yet supplied e.g. accounts etc.?

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

Q.14 Were you successful in your _____ (FROM Q.9) request?

SINGLE CODE

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

ASK Q.14a1 IF PARTIALLY SUCCESSFUL - CODE 3 AT Q.14

Q. 14a1 What % of your application was partially approved?

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

ASK Q.14a2 TO ALL SUCCESSFUL (CODE 1 AT Q.14) OR PARTIALLY (CODE 3 AT Q.14) AND >70% (CODE 1 AT Q.14a1) SUCCESSFUL IN APPLICATION AT Q14

Q.14a2 Were any of the following criteria/conditions attached to your _____ (FROM Q.9) request?

READ OUT - MULTICODE

- Requirement to provide regular management accounts/debtors + creditors' listings to the bank ... 1
- Different finance structure granted to that requested 2
- Personal guarantee 3
- Specific security 4
- Facility fee..... 5
- Security fee 6



Other fees (arrangement or other)	7
Requirement to maintain account with bank.....	8
Requirement to convert overdraft to term loan	9
Additional collateral	10
Requirement for borrower to put up cash	11
Other pre drawdown conditions	12
Other (specify)	13
No	14 GO
TO Q.16	

ASK Q.14a3 TO ALL SUCCESSFUL / PARTIALLY SUCCESSFUL IN APPLICATION AT Q14 (CODE 1 / 3 AT Q.14)

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

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

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

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

READ OUT - MULTICODE

Inadequate repayment capacity	1
Account performance/history	2
Inadequate historic information provided.....	3
Deterioration in business financial performance	4
Change in bank lending policy	5
Change in bank pricing policy	6
The sector in which your business operates is no longer a sector to which the bank is prepared to lend.....	7
The business which you are operating, is no longer a type of business to which the bank is prepared to lend.....	8
Requested facility was sanctioned at lower level/different structure to that requested	9
Existing debt burden already too high.....	10
Inadequate/insufficient security	11
Other (specify)	12
No reason given	13
None of these	14

ASK Q.14c IF CODES 1-12 AT Q14b

Q.14c Did you agree with the reasons that the bank gave you for turning down your application _____ (FROM Q.9) your request?

SINGLE CODE

Yes	1
No	2
To some extent	3



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

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

SINGLE CODE

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

ASK Q.14e ONLY IF CODES 1 (AIB) OR 3 (Bank of Ireland) AT Q.10

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

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

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

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

SINGLE CODE

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

ASK Q.16 TO ALL SUCCESSFUL/PARTIALLY SUCCESSFUL AT Q.14

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

SINGLE CODE

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

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

Q.16a What are the reasons for not availing of the facility to date?

MULTICODE ALLOWED – PROBE FULLY

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



ASK ALL

Q.16b Do you expect to seek bank finance for your business in the next 6 months (i.e. from April 2017 – September 2017)?

SINGLE CODE

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

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

Q.16c Why will you not be seeking bank finance/further bank finance in this period?

MULTICODE ALLOWED – PROBE FULLY

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

ASK ALL

Q.16d Thinking about your bank debt, have any of the following adjustments been put in place in the last six months i.e. from October 2016 – March 2017?

READ OUT - MULTI CODE

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

SECTION 3 – NON BANK FINANCING

Q.17a Which of the following Government support initiatives are you aware of?

READ OUT - MULTICODE

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

We would now like you to think about the most recent period from October 2016 – March 2017 again.

Q.17b Did you enquire about any of the following types of non-bank finance?

READ OUT – MULTICODE ONLY SHOW CODE 1-3 IF ANSWERED IN Q17A

Credit Guarantee Scheme.....	1
Microfinance Loan Fund Scheme/Microfinance Ireland.....	2
Other government financial support (specify) _____	3
Venture Capital Finance	4
Business Angel or Investor Finance.....	5
Loans from Family or friends.....	6
Equity from Family or friends.....	7
Loans from business partners.....	8
Equity from business partners	9
Crowd funding/Peer-to-Peer lending.....	10
Non-bank invoice finance related facilities.....	11
Non-bank asset finance related facilities.....	12
Other non-bank finance (specify) _____	13
None (DNRO)	14 GO TO Q.18b

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

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

SINGLE CODE

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



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

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

READ OUT - MULTICODE

New business venture/expansion/purchase assets or equipment.....1
Working capital requirements..... 2
Property related loan..... 3
Need to restructure loan/credit.....4
Other (specify) _____5

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

Q.18a1 Why did you not apply for Government financial support in the last 6 months?

MULTICODE, PROBE FULLY, DO NOT READ OUT

Don't want to lose control of business..... 1
Costs/Fees are too high 2
Terms and conditions too onerous..... 3
Lack of knowledge..... 4
Used in past but not currently relevant 5
Previously rejected for this type of finance..... 6
Application process too difficult 7
I don't believe this source is relevant for my business or sector..... 8
Don't need this type of financing..... 9
Already have this type of financing in place so do not need more..... 10
Other (specify) 11

ASK ALL

Q.18b Over the last six months (i.e. from October 2016 – March 2017), please estimate the proportion of this establishment's working capital that was financed from each of the following sources? (MUST ADD TO 100%)

Percent Sources of Working Capital

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



ASK ALL

Q.18b1 Over the last six months (i.e. from October 2016 – March 2017), if the company acquired fixed assets, could you please provide an estimate of the total expenditure?

€_____ (MIN-MAX 1-99,000,000, INCLUDE: NO ACQUISITION, REFUSED)

ASK ALL WHO HAVE NOT ANSWERED “NO ACQUISITION” IN Q.18b1

Q.18c Over the last six months (i.e. from October 2016 – March 2017), please estimate the proportion of this establishment’s purchase of fixed assets that was financed from each of the following sources? (MUST ADD TO 100%)

Percent Sources of Investment

a. Internal funds/Retained earnings		%
b. Owners’ contribution		%
c. Issued new equity shares		%
d. Issued new debt (including commercial paper and debentures)		%
e. Borrowed from banks		%
f. Borrowed from non-bank financial institutions		%
g1 Purchases on credit from suppliers		%
g2 Purchases on advances from customers		%
h. Leasing arrangements		%
h. Loans from friends and relatives		%
h. Other (including informal loans)		%
None of these (DNRO)		%
Does not apply		%



Q18d During the past six months, October 2016 – March 2017, did your enterprise introduce any of the following?

READ OUT - MULTICODE

New or significantly improved goods.....	1
New or significantly improved services.....	2
New or significantly improved methods of production of goods or services, distribution methods, or support activity for your goods or services.....	3
New business practices, new methods of organising work responsibilities and decision-making, or new methods of organising external relations with other firms or public institutions.....	4
New marketing concepts or strategy.....	5

SECTION 4 – SEASONALITY

ASK ALL

Q.19a Is the turnover of your business seasonal in nature?

SINGLE CODE

Yes..... 1 **GO TO Q.19b**
No 2 **GO TO Q.24a**

Q.19b As a result of the seasonal nature of your business turnover, is your demand for credit also seasonal in nature? **SINGLE CODE**

Yes..... 1 **GO TO Q.24a**
No 2 **GO TO Q.24a**

SECTION 5 – AWARENESS

ASK ALL

Q.24a Are you aware of the existence of the Credit Review Office which can assist borrowers who have been refused credit by AIB, Bank of Ireland, Ulster Bank and Permanent TSB?

SINGLE CODE

Yes..... 1
No 2

ASK ALL

Q.24c In your view are the banks currently lending to Irish SMEs?

SINGLE CODE

Yes, to a small number of SMEs..... 1
Yes, to a large number of SMEs..... 2
No..... 3
Don't know 4

IF NO CODE 2 AT Q.24C

Q.24d (i) And in your opinion, what is the main reason for this view?

READ OUT - SINGLE CODE

The experience of your business in the last 6 months
(i.e. from October 2016 – March 2017) of applying for credit
and either being rejected or being partially rejected..... 1

The experience of your business peers in the last 6 months
(i.e. October 2016 – March 2017) of applying for credit
and either being rejected or being partially rejected..... 2

Media reports on SME lending in the last 6 months
(i.e. from October 2016 – March 2017) 3

Statements by business representative organisations in the last 6 months
(i.e. from October 2016 – March 2017) 4



ASK ALL

Q.24d (ii) I would now like to read out a list of opinions stated by other companies. On a scale of 1 to 5 where 1 is disagree strongly and 5 is agree strongly, how much do you agree or disagree with each statement?

SINGLE CODE

I feel I have a good knowledge of state funded
support available to my business 1
There should be more information available on how
businesses like mine can get state funded support 2
I think the business climate in Ireland will improve in the next 6 months 3
I think Brexit will have a positive impact on my business4

Q.25 Can you confirm the county in which is your main office based?

SINGLE CODE

List 32 counties

Thank you for responding to this survey for the Department of Finance. The composite results will be published by the department and freely available later in the year.