

Fitzpatrick Associates



An Roinn Airgeadais
Department of Finance

SME Credit Demand Survey – October 2018- March 2019

Survey Report

Contents

1. Summary of Main Findings	1
1. Summary	3
1.1 Trading Performance	3
1.2 Demand for Banking Finance	3
1.3 The Application Process	4
1.4 Credit Support Awareness	5
2. Introduction.....	7
2.1 Economic Context	7
2.2 Government Support Measures	8
2.3 Rationale for Study	13
2.4 Study Scope	13
3. Methodology	16
3.1 Sample Selection	16
3.2 Sample Accuracy	16
3.3 Collection of Data.....	16
3.4 Comparative Results.....	17
3.5 Sample Size	17
3.6 Limitations	18
3.7 Other Research.....	18
3.8 Privacy of the Respondent.....	18
4. Profile of Respondents	20
4.1 Company Size, Turnover & Length of Time in Business	20
4.2 Exporting Companies.....	21
4.3 Regular Financial Management Tasks & Use of Financial Advisors	24
4.4 Company Ownership Gender Profile.....	25
5. Trading Performance.....	27
5.1 Turnover Trends	27
5.2 Turnover by Sector	29
5.3 Turnover for Exporting Companies	31
5.4 Employment Trends	32
5.5 Profit Trends	34

5.6	Business Sentiment – Next Six Months	36
6.0	Demand for Banking Finance.....	38
6.1	Current Demand for Credit	38
6.2	Future Demand for Credit	39
6.3	Reasons for Not Seeking Credit.....	40
6.4	Demand for Credit by Product.....	41
6.5	Demand for Credit by Sector	42
6.6	Demand for Credit by Turnover and Profit Performance.....	43
6.7	Cost of Credit	44
6.8	Financial Position of Businesses	45
6.9	Repayment of Current Loans	47
6.10	Adjustments to Current Banking Debt.....	48
7.	The Application Process	49
7.1	Nature of Demand.....	49
7.2	Formal Applications for Credit.....	50
7.3	Economic Value of Credit Applications.....	53
7.4	Collateral Required for Credit Applications.....	55
7.5	Turnaround Time on Decisions.....	56
7.6	Decline Rate.....	58
7.7	Criteria, Conditions and Interest Rates Attached to Approved Applications	64
7.8	Reasons for Decline.....	65
7.9	SME Opinions on Reasons for Decline	66
7.10	The Right to an Internal Bank Review	67
7.11	Credit Review Office	68
7.12	Drawdown of Approved Facilities.....	69
8.0	SME Awareness of Credit Supports.....	70
8.1	Credit Review Office	70
8.2	Knowledge of State Funded Support	71
8.3	The Perception of Banks Lending to Irish SMEs	73
	Appendix : Questionnaire	75

1. Summary of Main Findings

Overview of Report – Credit Demand (October 2018-March 2019)

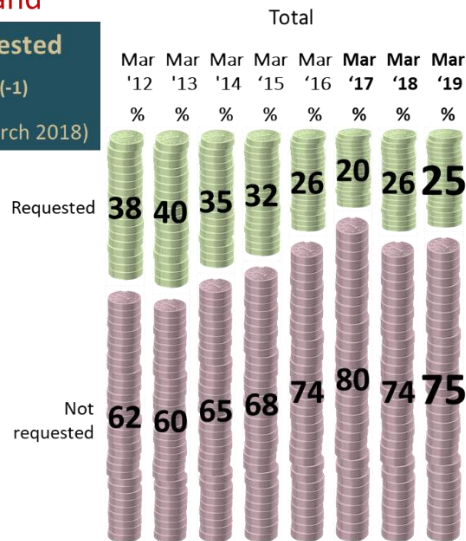
(Base: All SMEs – 1,501)

Demand

Requested

25% (-1)

(vs. March 2018)



Requested By Company Size									Demand
	Mar '12 %	Mar '13 %	Mar '14 %	Mar '15 %	Mar '16 %	Mar '17 %	Mar '18 %	Mar '19 %	Mar 19 vs Mar 18
Micro	30	36	29	26	23	15	21	22↑	+1%
Small	43	43	40	35	31	22	27	24↓	-3%
Medium	42	41	37	40	21	25	32	31	-1%

Status of Application at Date of Survey

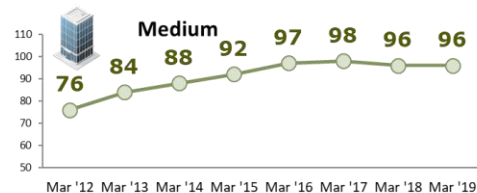
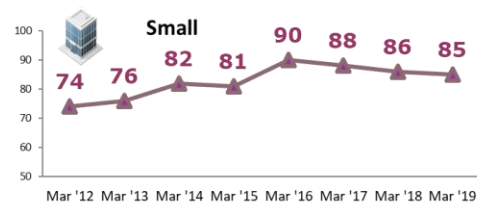
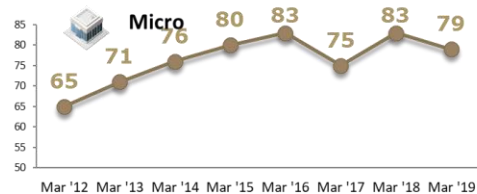
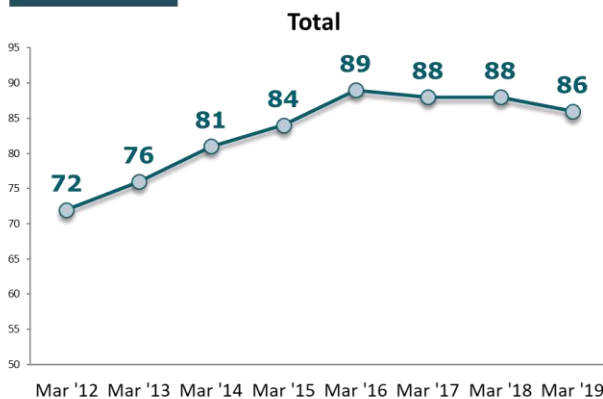
Application Decisions (excl. pending)

(Base: All SMEs Seeking Finance, excluding pending – 341)

Approval/Partial

86% (-2)

(vs. March '18)

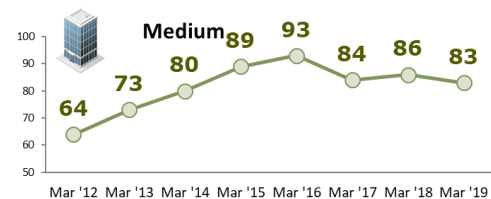
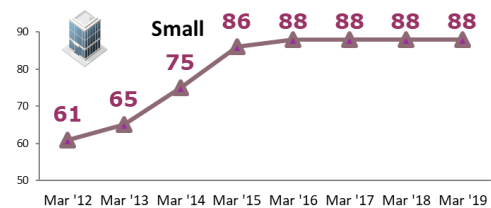
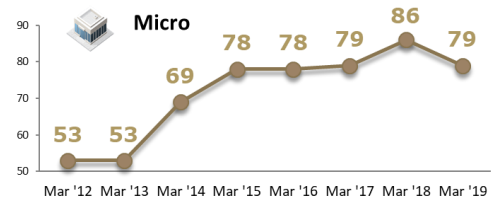
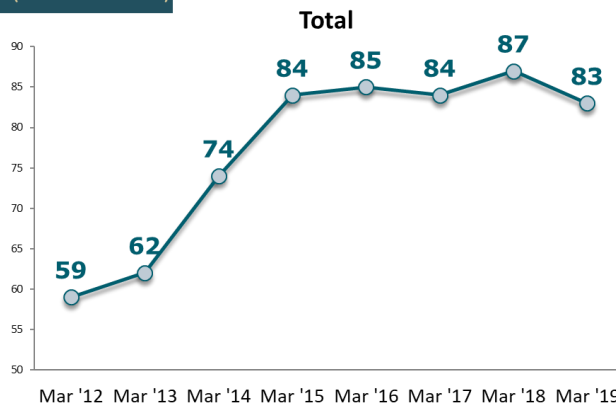


Overview of Report – Credit Demand (October 2018-March 2019)

Trading Performance (all SMEs)

(Base: All SMEs – 1,501)

**Stable/
Increase**
83% (-4)
(vs. March '18)

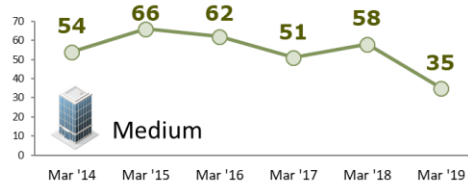
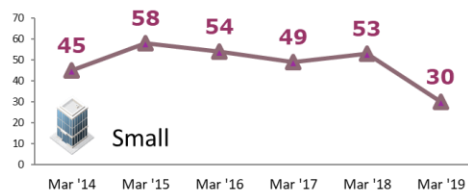
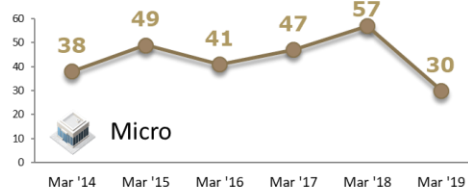
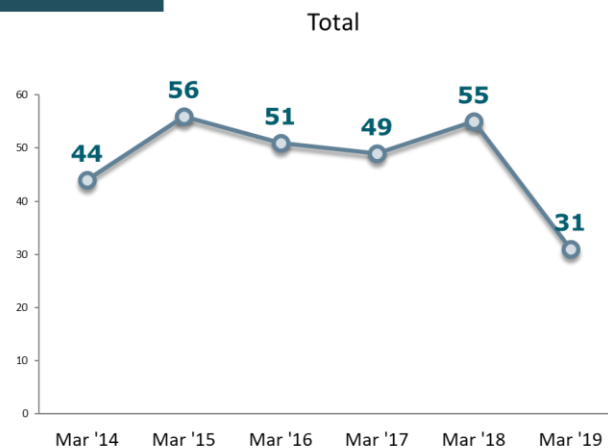


Business Sentiment

I think the business climate in Ireland will improve in the next 6 months

(Base: All SMEs – 1,501)

Any Agree
31% (-24)
(vs. March '18)



1. Summary

The following is the summary of results from the SME Credit Demand Survey. All interviews were conducted between 21st May and 25th June 2019 and covered the period from October 2018 to March 2019. Throughout the report, the most recent wave of findings (referred to as March 2019) is compared with corresponding waves from previous years. This ensures that historical comparisons are being made on a like-for-like basis, taking any seasonal issues into account.

1.1 Trading Performance

Trading conditions for the October 2018 to March 2019 period remained positive, and broadly on a par with those prevailing during the period to March 2018.

In terms of turnover, 42% of all businesses surveyed reported increased turnover in the six month period, with just 17% reporting a decrease.

The percentage of firms reporting a decrease in turnover was highest in the hotels and restaurants (27%) and wholesale (20%) sectors.

The proportion of companies increasing their staff numbers stood at 27% in this most recent wave of interviewing, compared with just 8% of companies which had decreased their head count. This rate of staff increase was higher than that registered in March 2018 (23%).

For the sixth year in a row, results show an increase in the reported number of companies making a profit, with a net profit versus loss balance of +60% in March 2019, +55% in March 2018, +53% in March 2017, +50% in March 2016, +43% in March 2015 and +33% in March 2014.

Business sentiment with regard to the following six months declined considerably, and confidence decreased, from 55% of companies in March 2018 expecting the business climate to improve in the following six months, down to 31% in March 2019. Just 8% of firms believed that Brexit would have a positive impact on their business (down from 11% for March 2018), while 70% believed it would have a negative impact (up from 57% for March 2018).

1.2 Demand for Banking Finance

Credit demand from banks was similar year-on-year, with 25% having applied for bank finance in the March 2019 period compared to 26% in March 2018. There was a marginal decrease (-3%) in credit demand amongst small firms.

The results also registered a marginal decrease in expected future demand for credit, with 17% of all SMEs expecting to apply for finance in the following six months, down from 19% during the corresponding period in 2018. This decrease in expected future demand was also consistent across all company sizes.

The main stated reason for not seeking credit was a simple lack of credit requirements, a reason cited by 78% of businesses not seeking credit (down from 89% in March 2018).

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

The most significant increase in credit demand by sector was from hotels and restaurants, up five percentage points, and business services, up three percentage points. The most pronounced drops in credit demand, on the other hand, were in manufacturing (a decline of eight percentage points) and construction (down seven percentage points).

The average reported cost of credit on outstanding loans was 4.55% – a slight decrease from 5.06% in March 2018.

Some 14% of firms reported that the number of days in which customers pay them for their services had increased over the period, the same percentage as March 2018 (14%).

Just 5% of SMEs reported having missed repayments of their loan in the period, however, up from 3% in March 2018.

Similarly, just 4% of firms made adjustments to their bank debt in the period, with the main types of adjustments made by this small cohort focused around repayment scheduling, term extension, interest rate reduction and capital moratorium.

1.3 The Application Process

About 25% of all SMEs have requested bank finance in the October 2018 to March 2019 – down from 26% during the corresponding period 12 months previously.

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

Of those that sought bank finance, 79% formally applied for it – up from 75% in March 2018. The main reason given for submitting an informal request was that businesses felt there was no need for a formal application, as the request related to either a repeat loan or was linked to a personal relationship in the bank.

The proportion of companies that applied for finance with one of the pillar banks declined slightly, from 79% of all those requesting bank finance in March 2018 down to 77% in March 2019.

The average value of credit applied for was €249,558, up from €128,819 in March 2018, with the increase largely accounted for by an increase in the number of loans for €500,000 or more. Of those applying for bank finance, 39% had to provide some type of collateral, with the main collateral types required being buildings and land, machinery and equipment, and personal assets of the owner. The average value of collateral required as a percentage of loan was 66% – dropping to 48% for micro sized applicants.

About 62% of all finance applications were processed within the stipulated 15 working days of receipt of all information from the company, slightly below the 65% reported over the same period in 2018.

The average amount of time from application to decision was 26 working days, compared to 25 working days in March 2018. The proportion of loans that were still pending stood at just 6%.

The proportion of credit applications declined stood at 13% in March 2019, up marginally from 12% in March 2018. Decline rates were lowest amongst the manufacturing, business services and construction sectors.

Those applying for credit for new loans and overdrafts were more likely to have their request declined.

Main stated reasons for credit decline were not meeting the bank's criteria, ability to repay the facility or credit, and the risk profile of the facility. About 9% of all companies that were declined bank finance agreed with the reasons given for the refusal, up from 5% in March 2019.

In March 2018, 38% of SMEs that were refused credit reported that they were informed of their right to an internal review. This figure had increased to 43% of all SMEs refused credit in March 2019, however, although it should be noted that this calculation is based on a very small base size of just 49 respondents. The proportion that were uncertain as to whether or not they were informed also decreased, from 23% in March 2018 to 11% in March 2019.

Excluding don't knows, about 68% of those companies that applied for credit from the pillar banks also said that they were informed of their right to a decision review by the Credit Review Office.

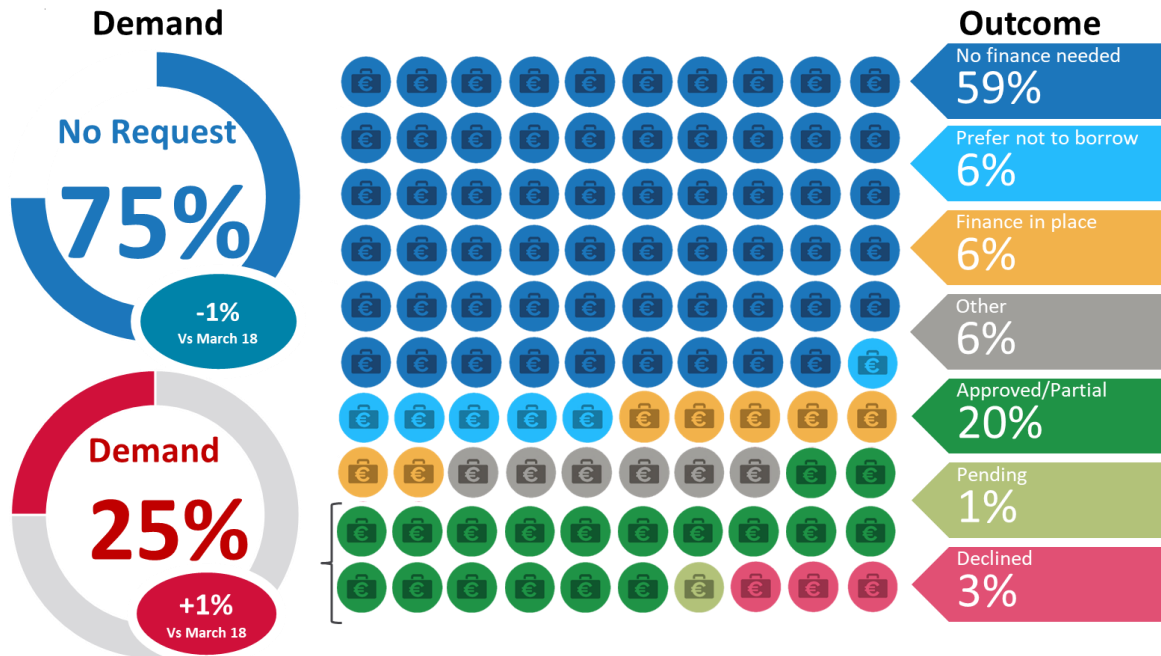
About 60% of SMEs whose credit applications were approved have availed of all of the facility, and a further 15% have availed of part of it. However, 25% of SMEs with approved credit applications have not yet availed of the facility, up from 19% in March 2018.

1.4 Credit Support Awareness

At an overall level, 62% of all SMEs in the March 2019 wave believed that the banks are currently lending to at least some SMEs, 14% believed they are not, while 24% were unsure. Micro sized companies were least certain in this regard. Of the 14% that believed that the banks are not lending, 34% claimed that their view was based on personal experience (35% in March 2018), with the balance basing their opinion on information from business organisations, media reports or the views and opinions of their peers.

Demand & Credit Outcome Summary – All SMEs

(Base: All SMEs – 1,501)



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 2018 to March 2019. This wave of the survey has been conducted by Fitzpatrick Associates Economic Consultants Ltd, in conjunction with Behaviour & Attitudes Ltd (B&A), the independent market research and polling organisation.

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, 1,501 telephone interviews were conducted with a random sample of Irish micro, small and medium sized firms. The interviews were conducted between 21st May and 25th June 2019.

2.1 Economic Context

The National Income and Expenditure results for 2018, published in July 2019, confirm that the economy continues to perform strongly. The results show that real GDP grew by 8.2 per cent in 2018. Data for the first quarter of 2019 also indicates that momentum has continued into 2019, with annual growth of 6.3 per cent when compared to the first quarter of 2018. While GDP figures can be exaggerated in an Irish context, a broader range of measures – labour market indicators and tax revenue developments – confirm that the economy continues to grow at a robust pace.

Despite external headwinds, export growth continues to remain robust up 13.8 per cent year-on-year in the first quarter of 2019, with strong growth recorded for both goods (+14.1 per cent) and services (+13.4 per cent). Indeed total exports exceeded €100 billion for the second successive quarter in a row in Q1 2019. Importantly the domestic economy is now making a significant contribution to growth. In the first quarter of 2019, personal consumption increased by 2.9 per cent on an annual basis, reflecting solid increases in disposable income, ongoing improvement in household balance sheets and overall improvements in the labour market.

Indeed the strong performance of the economy of late is possibly best reflected in the significant improvements seen in the labour market. Total employment is now in excess of 2.3 million, almost 100,000 above the previous peak level recorded in 2007. Significantly, this employment growth is broad-based across sectors and regions and is driven by gains in full-time positions. This rise in employment has also led to a significant decline in unemployment, with the unemployment rate falling to 4.6 per cent in July 2019, over 11 percentage points below its peak. Reflecting the positive momentum in the labour market, net migration also turned positive in 2015 and has continued to increase since then.

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

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

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

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

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

2.2 Government Support Measures

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

Strategic Banking Corporation of Ireland

The Strategic Banking Corporation of Ireland (SBCI) commenced lending in March 2015. To the end of December 2018, the SBCI has supported loans totalling €1,052m to 26,061 Irish SMEs supporting almost 142,000 jobs. The SMEs who received SBCI finance are from a variety of business and economic sectors, including agriculture, food, retail, healthcare, transport and manufacturing, and they are spread across every region of the country.

To end 2018, the SBCI has committed a total over €900 million to its current 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 has supported a further €145m of SME funding through the Agriculture Cashflow Loan Support Scheme.

The SBCI currently has six on-lending partners, three bank and three non-bank finance providers. These are AIB, Bank of Ireland and Ulster Bank, and Finance Ireland, FEXCO, and Bibby Financial Services. In 2018, the SBCI increased the wholesale liquidity funding that it has provided to its non-bank on-lenders. They provided an additional €75 million facility to Finance Ireland and an additional €25 million to Bibby Financial Services Ireland.

The SBCI's risk sharing capability and products were developed further with the launch of the Brexit Loan Scheme in March 2018 and the launch of the Future Growth Loan Scheme in April 2019.

The SBCI is also seeking to broaden its distribution capability and market coverage by adding new on-lenders and working to develop innovative products, thereby serving to meet the needs of Irish SMEs and drive competition in the SME finance market.

Supporting SMEs Campaign

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

20,192 businesses and entrepreneurs used the Government's Supporting SMEs Online Tool in 2018, with over 98 percent of them using the Online Tool for the first time. In that year 69.8% of visits were referrals, 22.6% direct visits and 6.6% by organic search. 82.3% sessions in 2018 were from Ireland and 4.2% from UK.

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

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

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

Ireland Strategic Investment Fund

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

The selected following ISIF commitments have been made to date:

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

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

Enterprise Ireland Seed & Venture Capital Scheme

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

An amount of €160 million has been formally committed to 12 Funds under the Seed and Venture Capital Scheme 2013-2018. These funds are actively investing and will target investments from Seed to Series A across sectors including Life Sciences, ICT, Fintech, and Internet of Things.

Moreover, as part of Budget 2019, a further €175 million was allocated to a new Seed and Venture Capital Scheme, which will cover the 2019-2024 period. The programme is oriented towards seed and early stage investments, where an evaluation of the current scheme has shown there is a very clear market failure. The deadline for the first call for expressions of interest under the new scheme was April 2019, and it is anticipated that new funds will be launched over the coming 6 months.

Microfinance Ireland and the Credit Guarantee Scheme

The Microenterprise Loan Fund Scheme is managed by Microfinance Ireland on behalf of the Government. The purpose of the Fund is to provide loans of €2,000 up to €25,000 to micro-enterprises. A micro-enterprise is a business with fewer than 10 employees and/or turnover of less than €2 million. To end of Q2 2019, €31 million in loans have been approved, supporting 5,210 jobs. About 79% of loans are granted to micro-enterprises outside of Dublin, with 21% granted to micro-enterprises in Dublin.

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

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

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

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

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

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

The SME borrower pays an annual premium (currently 1%) to the Government in addition to the interest rate/fee charged by the bank.

Since the Credit Guarantee Scheme became operational in October 2012, 689 facilities have been sanctioned totalling €110 million, which has supported over 5,888 jobs.

Brexit Loan Scheme

Under Budget 2018, the Government announced the introduction of a new Brexit Loan Scheme, which was launched in March 2018. It provides affordable working capital finance to eligible businesses that are either currently impacted by Brexit or which will be in the future.

The SBCI Brexit Loan Scheme is offered in partnership with the Department of Business, Enterprise and Innovation, the Department of Agriculture, Food and the Marine and is supported by the InnovFin SME Guarantee Facility, with the financial backing of the European Union under Horizon 2020 Financial Instruments.

The loans are available through AIB, Bank of Ireland and Ulster Bank. Approval of loans are subject to the banks' own credit policies and procedures.

The scheme makes a fund of up to €300 million available to eligible businesses with up to 499 employees to help them innovate, change or adapt to overcome their Brexit challenge. The maximum interest rate is 4%. Loans range from €25,000 to €1.5 million, with unsecured loans of up to €500,000 and terms ranging from 1-3 years.

Since its establishment to mid-July 2019, 697 applications for eligibility have been received, 635 have been deemed eligible and 162 businesses have progressed to sanction at finance provider level to a total value of €36.26 million.

Further to this, under Budget 2019, a new €300 million Future Growth Loan Scheme was established, for loans of up to 10 years, as a means of addressing a lack of availability of long term loans in the marketplace with terms of over seven years. The scheme has been developed by the Department of Business, Enterprise and Innovation with the European Investment Bank Group, the Department of Agriculture, Food and the Marine, and the Department of Finance together with the SBCI, and is supported by the EIB Group's Guarantee Facility. Loans will range from €100,000 (€50,000 is the minimum loan size in the case of primary agriculture) to a maximum of €3.0 million, with unsecured loans of up to €500,000 with terms of 8-10 years. On April 17th 2019, the scheme opened for eligibility applications through the SBCI website. Since its establishment to mid-July 2019, 733 applications for eligibility have been received, 689 have been deemed eligible and 62 businesses have progressed to sanction at finance provider level to a total value of €9.55 million.

2.3 Rationale for Study

The 4th report of the Credit Review Office suggested that *"existing 'credit surveys' are being used widely as a commentary on the availability of bank lending. These surveys are not quality assured by any reputable market research organisation and may be misleading many businesses into not seeking bank credit and using alternative sources of financing, 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;
- SMEs' level of knowledge on their rights in relation to credit.

Company Size

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

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

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

Credit Products

The review covered the following credit products:

- Overdrafts
 - New overdraft
 - Renewal/restructuring of an existing overdraft
- Loan
 - New loan
 - Renewal/restructuring of an existing loan
- Invoice discounting
- Leasing or hire purchase
- Other credit products

Sectoral Analysis

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

- Central Bank sectoral codes are those codes used by the Central Bank, and specified at EU level, under which individual banks submit their quarterly returns to that organisation. These codes are based on NACE Rev. 1 codes.
- The NACE code system is a pan-European classification system, which groups organisations according to their business activities. It assigns a unique five or six digit code to each industry sector, e.g. B – Mining and Quarrying, B5 –Mining of Coal and Lignite.
- In order to ensure that the results are representative of the overall SME population, the construction sector, in so far as property development and speculative activities are concerned, has been excluded. Only companies that support or supply to the construction sector have been included.

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

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
Administration and Support Services

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

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

Time Period of Study

In reviewing results, it should be noted that the time period of this study is a six month period from October 2018 to March 2019. Seasonality may have an impact on the results of the study.

3. Methodology

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

3.1 Sample Selection

The study sample was selected at random from an industry-leading database of all SMEs across Ireland supplied by Bill Moss, the leading compiler and database provider in Ireland. This database is compiled from multiple sources and updated regularly. At the date of writing, the database held approximately 115,000 SME records.

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

In total, 12,308 companies were called, and contact was made with 11,300 companies. Of these 11,300 contacted, 1,501 interviews were completed, with some companies either falling outside of the quotas classifying SMEs, or others refusing to take part or to complete within the time frame set out for interview.

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 1,501 companies has a possible sample error of just +/- 2.6% (at a 95% significance level), while the sub-samples of micro, small and medium companies (each with approximately 500 interviews) has a possible sample error of just +/- 4.4%.

3.3 Collection of Data

Telephone interviews were conducted with 1,501 Irish micro, small and medium sized firms, based on a questionnaire finalised between the Department of Finance, Fitzpatrick Associates and B&A. Questionnaire changes made this wave included new questions on the role of women in the ownership of businesses, and included (for the first time since 2017) questions on the awareness of the Credit Review Office amongst all SMEs.

One question was deleted, which had asked companies to estimate the percentage increase in their turnover.

All interviews were conducted between 21st May and 25th June 2019, and covered the period from October 2018 to March 2019. Over the course of the study, 1,501 SME interviews were conducted. The typical telephone interview lasted between five and 35 minutes, depending on the level of credit demand.

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

3.4 Comparative Results

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

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

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

3.5 Sample Size

Some 1,501 SMEs participated in the telephone interviews. Companies were allocated to micro, small and medium size categories based on employee numbers as a proxy for company size.

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

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

3.6 Limitations

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

1. The study provides the consolidated opinions of a wide range of SMEs, but it is not a census of the entire population of SMEs in Ireland.
2. Each study collects responses from a random sample of SMEs, and hence the change in the underlying quality and characteristics of the business will contribute to some of the variations noted from study to study (however, sample error rates shown earlier should account for this).
3. Whilst every effort has been made to ensure that the study sample is as fully representative of the population as a whole as possible, it is possible that certain sub-groups are under-represented. It should be noted that the following sub-populations, for example, are relatively small for robust analysis:
 - a) the study included a sample of companies which employed one person (i.e. were self-employed);
 - b) the study included a number of companies who had been in business for up to two years, however this type of company has generally not filed company accounts and/or is not listed in Company Registration Office records, and is not in the database used for sampling purposes.
4. Demand for credit and the bank lending decisions surrounding the approval of credit are complex, multi-faceted and unique to each individual SME application. Not every variable contributing to a credit decision can be probed during a telephone interview, and likewise the characteristics of a respondent's business cannot be fully and comprehensively captured in such a timeframe.
5. Slight rounding may occur in the graphical or other representation of figures in this document.

3.7 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, Central Statistics Office (CSO), Credit Review Office and Economic and Social Research Institute (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.

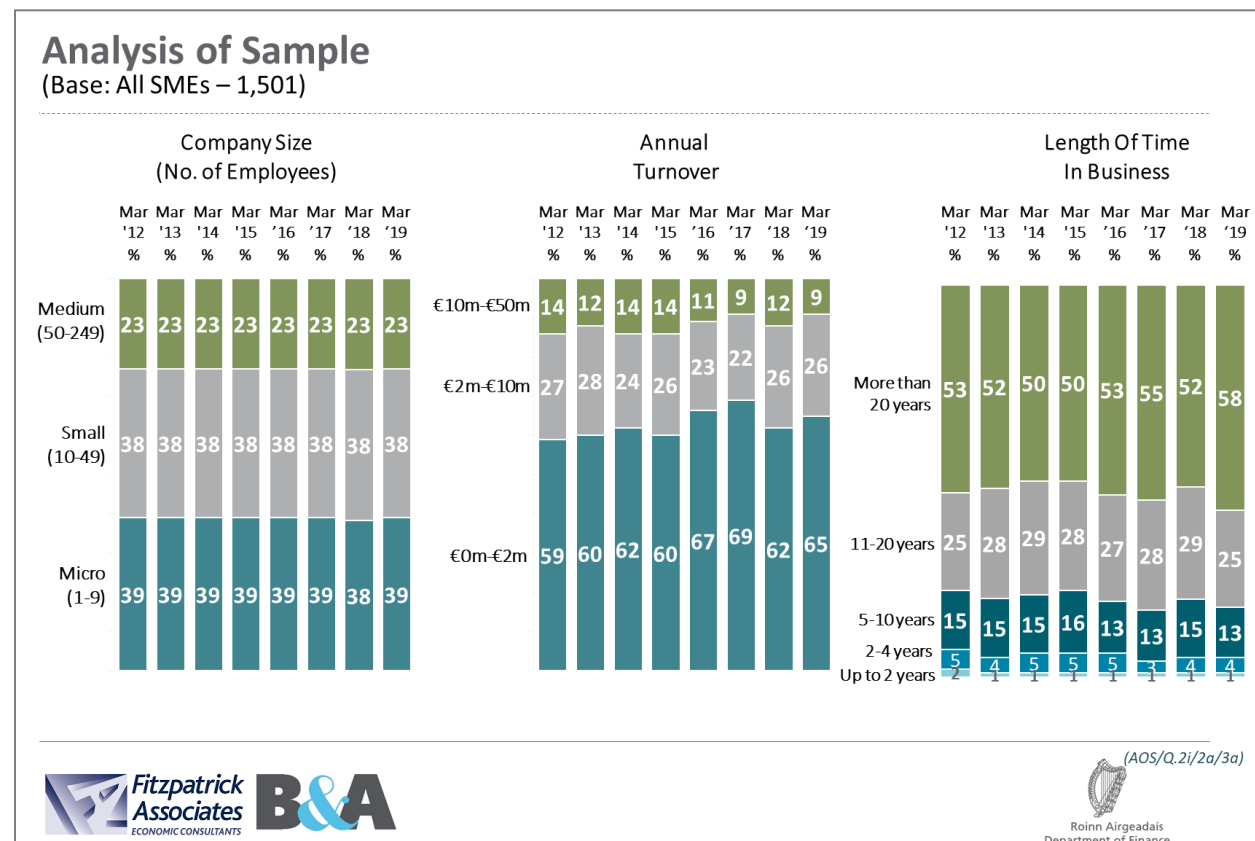
The Department of Finance had no specific interest in the individual financial affairs of any of the SMEs that participated in this study. Rather, the key objective was to better inform Government of the volume, nature and demand for credit in this key sector of the Irish economy.

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

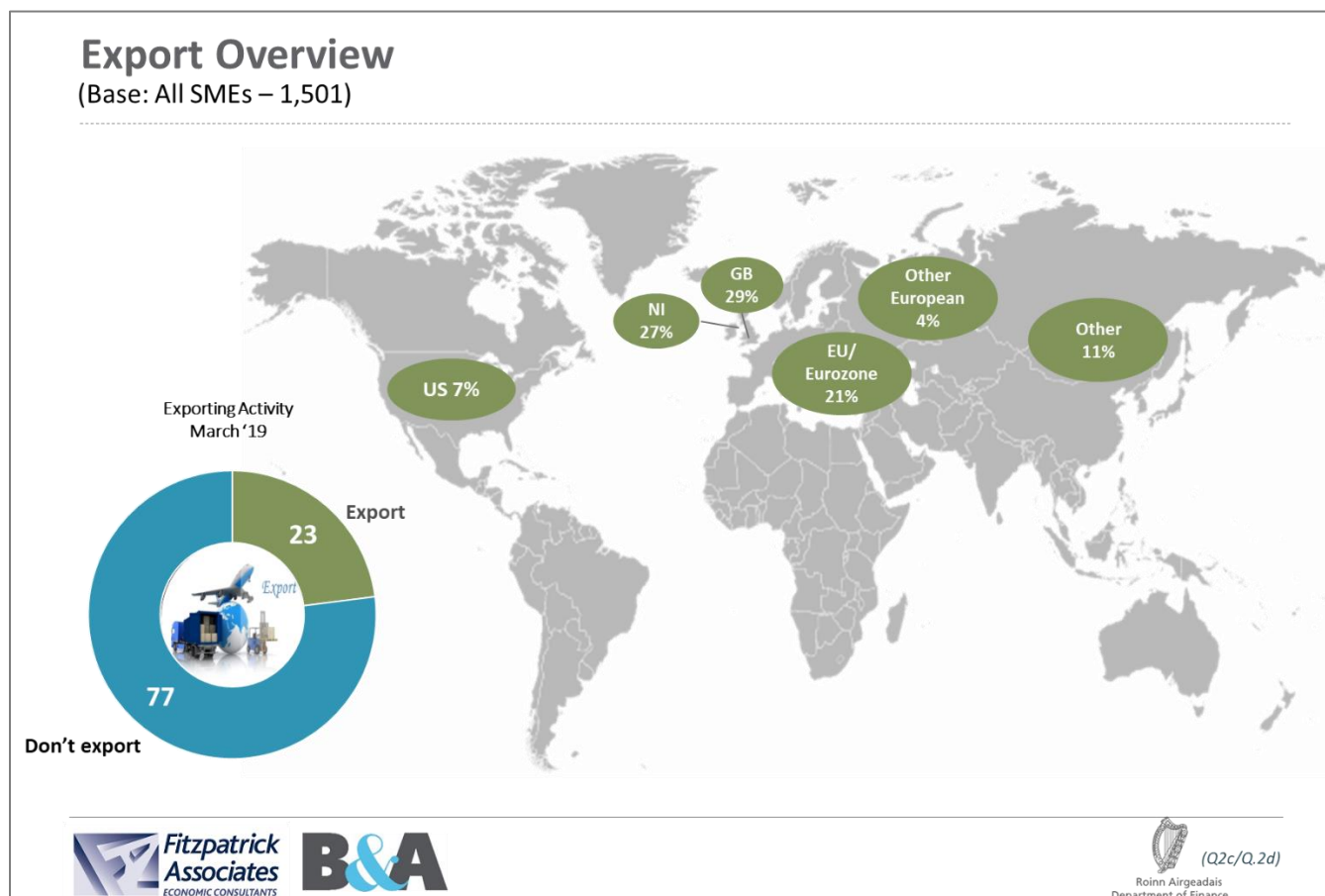
To be able to compare the results from the Credit Demand Survey wave-by-wave, it is important that the samples achieved are similar on key business demographics. This was achieved through strict quota control on company size and sector.



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

4.2 Exporting Companies

About 23% of the companies interviewed export goods or services outside the Republic of Ireland. It is worth noting that the export question was also changed in March 2018 to include the countries exported to.



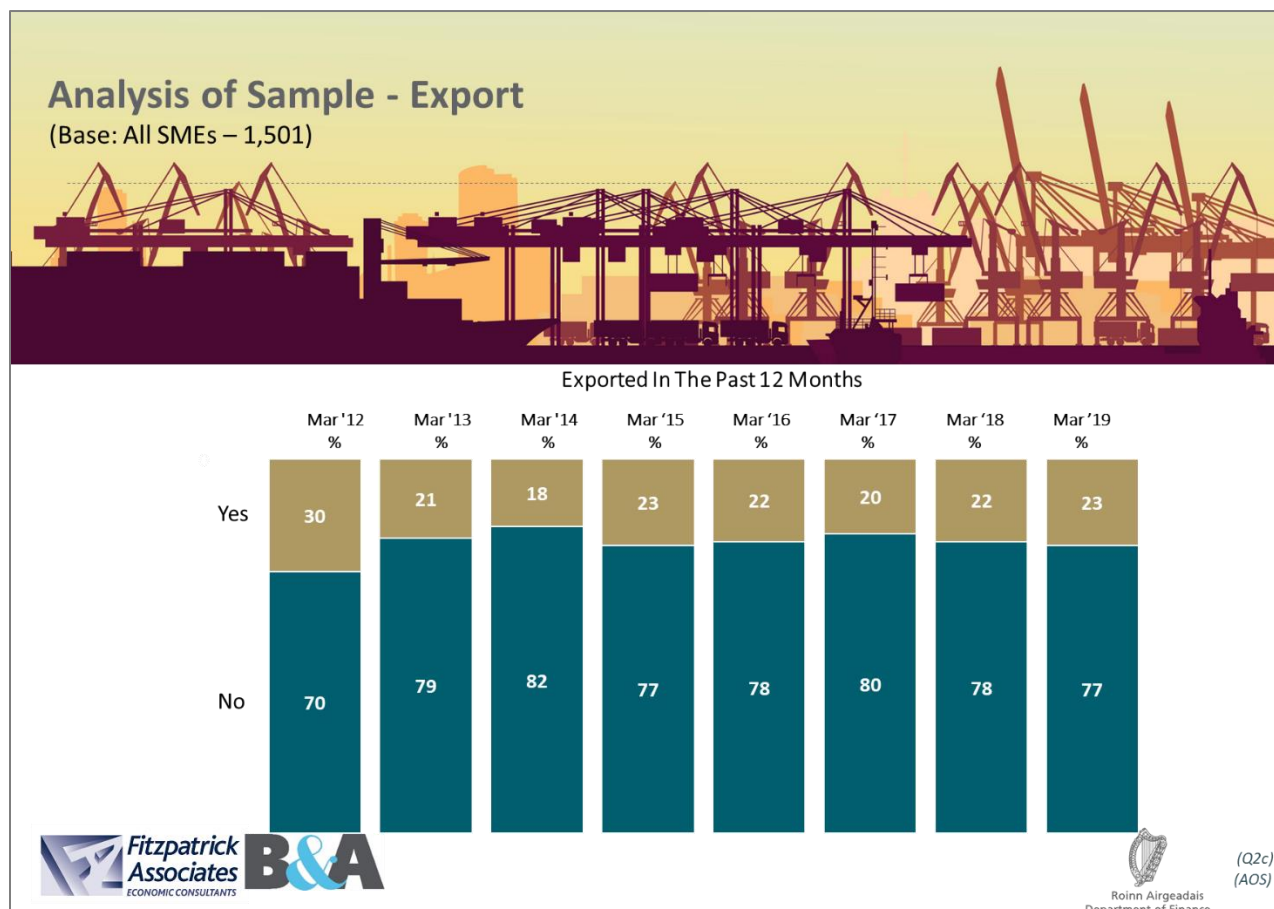
NB: The graphic above illustrates the average proportion of all exporting companies that export anything to each region featured, and does not reflect the relative scale of different firms' exporting activity.

In looking at a breakdown of countries exported to, it can be seen that Northern Ireland and Great Britain account for a combined average of 57% of all exports. In March 2018, the comparable figure was 58%.

Export Overview						
Percentage of Firms' Sales Exported Mar 19 – All That Export (Base: 307)						
% of sales exported	Northern Ireland	Great Britain (i.e. excluding Northern Ireland)	EU/ Eurozone	Other European country	United States	Other
	%	%	%	%	%	%
None	18	11	12	25	19	14
From 1 to 10	19	19	10	5	7	4
From 11 to 20	8	10	7	3	5	2
From 21 to 30	4	6	6	1	2	3
From 31 to 40	1	2	3	2	1	1
From 41 to 50	7	10	5	0	3	3
From 51 to 60	1	1	2	0	0	1
From 61 to 70	3	2	2	-	0	2
From 71 to 80	1	3	2	-	0	2
From 81 to 90	1	4	4	1	0	1
From 91 to 100	15	11	7	1	2	4
Don't Know	21	21	41	62	59	63
Mean	27.16	29.36	21.09	4.11	7.13	11.14

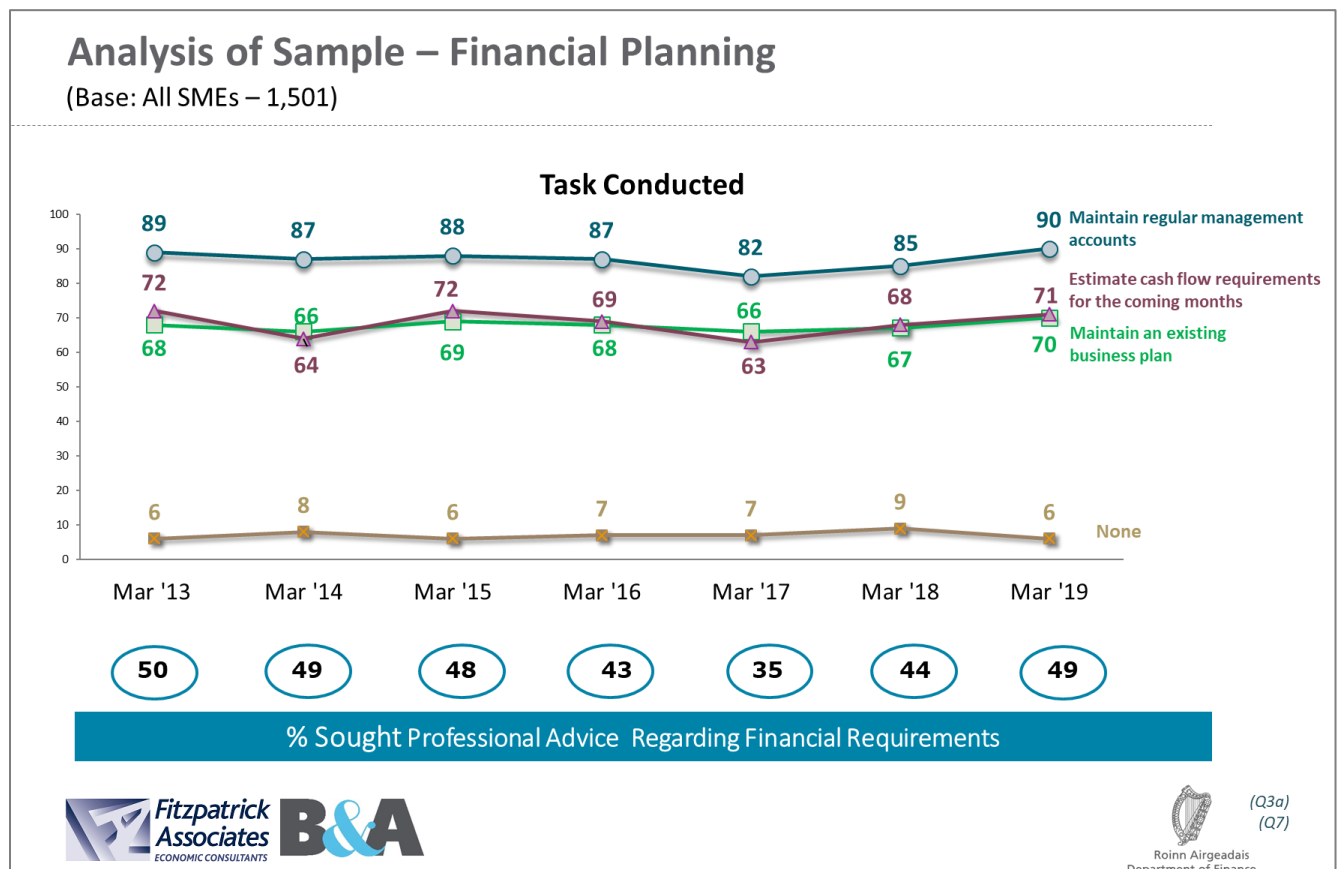
NB: The table above illustrates the average proportion of all exporting companies that export anything to each region featured, and does not reflect the relative scale of different firms' exporting activity.

The percentage of companies exporting has increased from 22% in March 2018 to 23% in March 2019. Since March 2012, survey results for the percentage of SMEs exporting have also varied from 30% (March 2012) to 18% (March 2014). In this regard, it is worth noting that the export question was changed slightly for the March 2013 wave, and again for the March 2015 wave, which might impact comparability for this question slightly over the years.



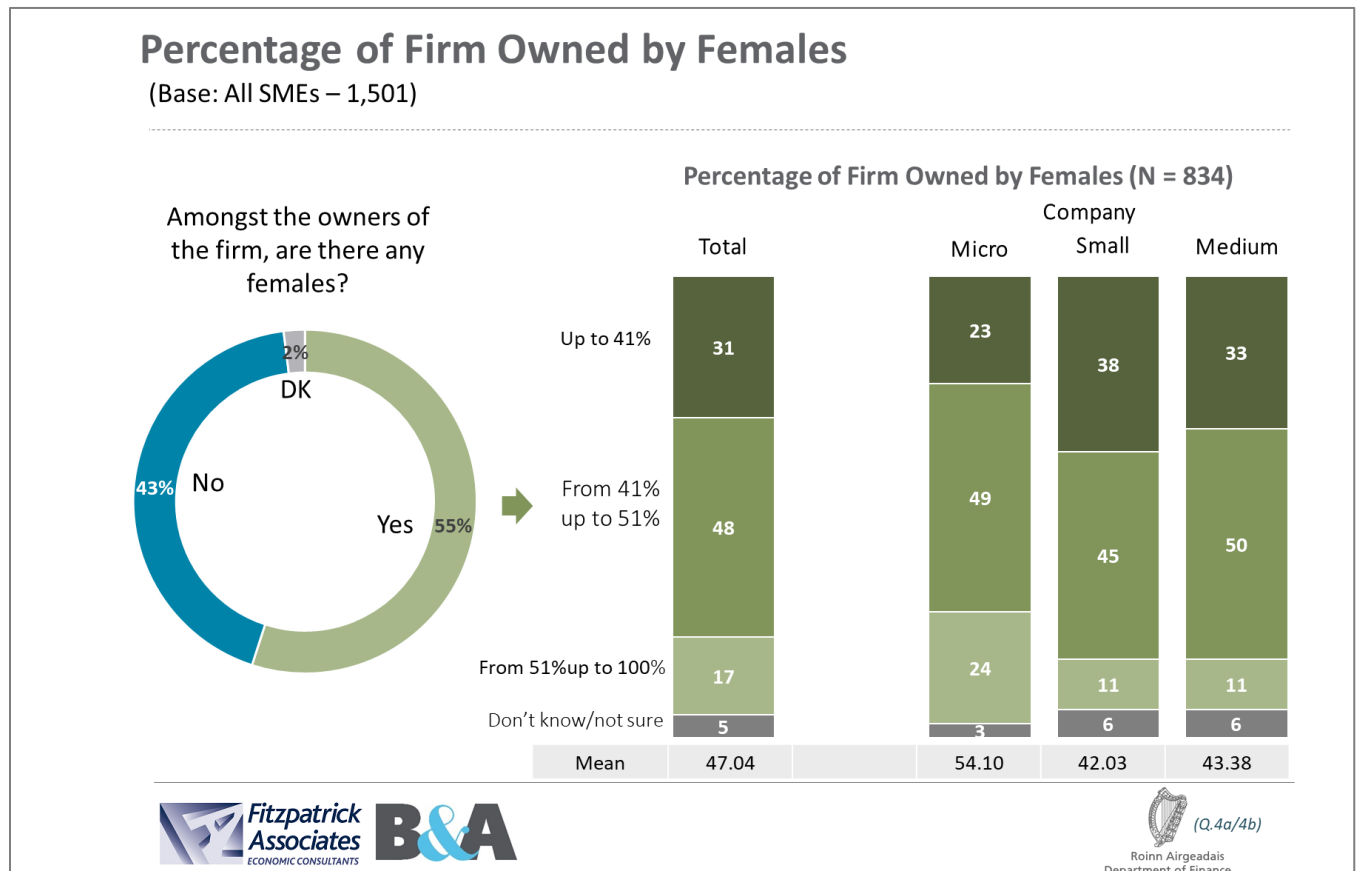
4.3 Regular Financial Management Tasks & Use of Financial Advisors

Compared to March 2018, there have been general increases in terms of the financial management tasks undertaken by the companies. About 90% maintain regular management accounts (an increase from 85% in March 2018), while 70% maintain an existing business plan – up from 67% a year ago. There has also been an increase in the use of financial advisors in the past six months, at 49% – up from 44% in March 2018. Lastly, there has been an increase in those estimating cash flow requirements for the coming months (at 71%, up from 68% in March 2018).



4.4 Company Ownership Gender Profile

Looking at ownership of SMEs in March 2019, results show that 55% of firms reported that women either owned or were included as owners of the company. A subsequent question asked what percentage of the firm was owned by females, and the chart below shows that this equated to 47% for all SMEs with any female owners, rising to 54% for the micro sector.

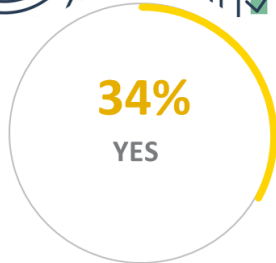


N.B. This question was introduced in September 2018.

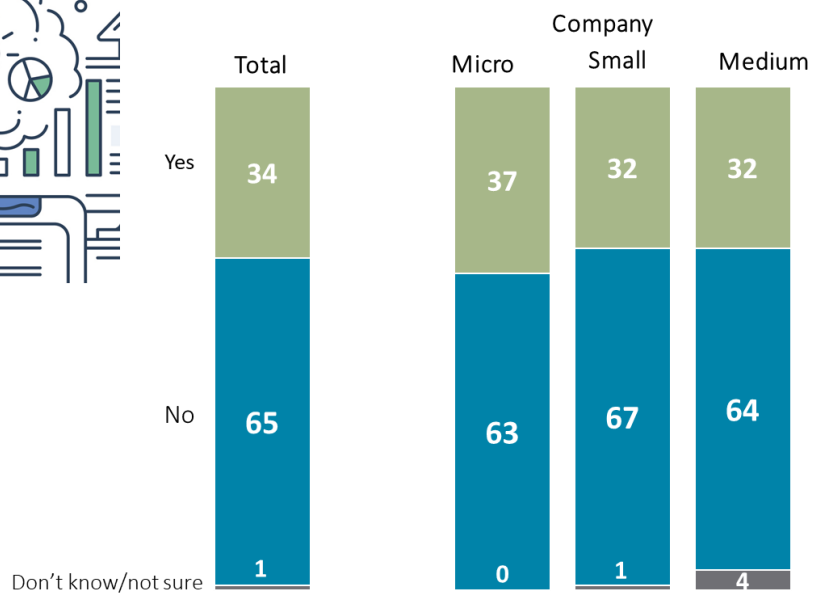
When asked if the Senior Manager or CEO of the firm was female, the responses indicated that just over one-in-three of all SMEs were managed by a female. This rose to 37% for micro companies, and dropped to 32% for both small and medium companies.

Female is Senior Manager/CEO of Firm x Company Size

(Base: All SMEs – 1,501)



Is the senior manager/CEO of the firm female?



N.B. This question was introduced in September 2018.

5. Trading Performance

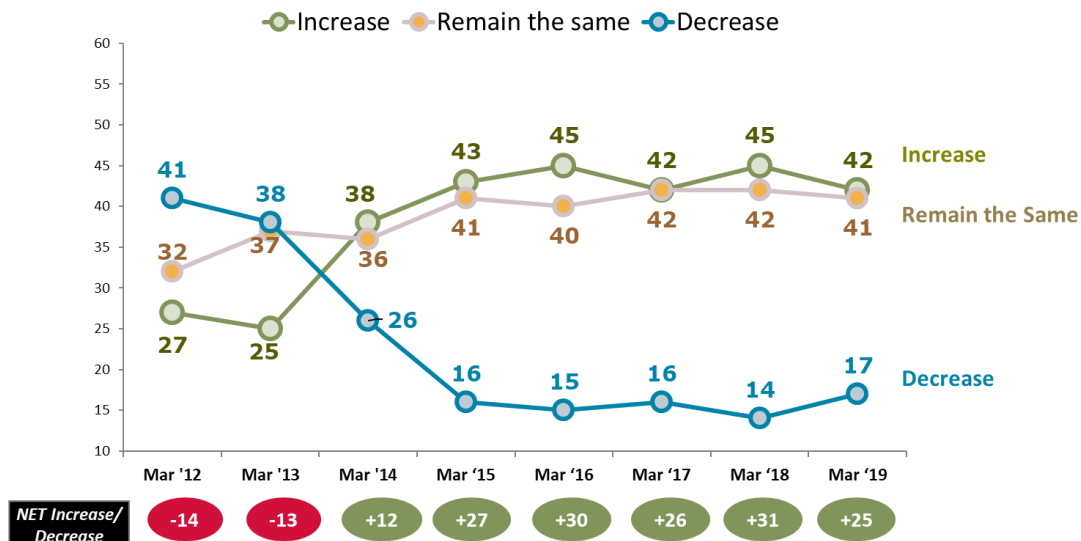
5.1 Turnover Trends

Trading conditions for SMEs in the period October 2018 to March 2019 remained positive, with similar proportions of SMEs claiming increased turnover in the six months (42%) compared to the same period in 2018 (45%). Some 41% reported that turnover was unchanged, while 17% reported that turnover had decreased in the six months (an increase of 3% since March 2018).

Comparing turnover trends over the past three years, results show that trading conditions for SMEs have remained quite favourable, despite the March 2019 dip in turnover back to March 2017 levels.

Turnover of the Business in the Last 6 Months

(Base: All SMEs – 1,501)

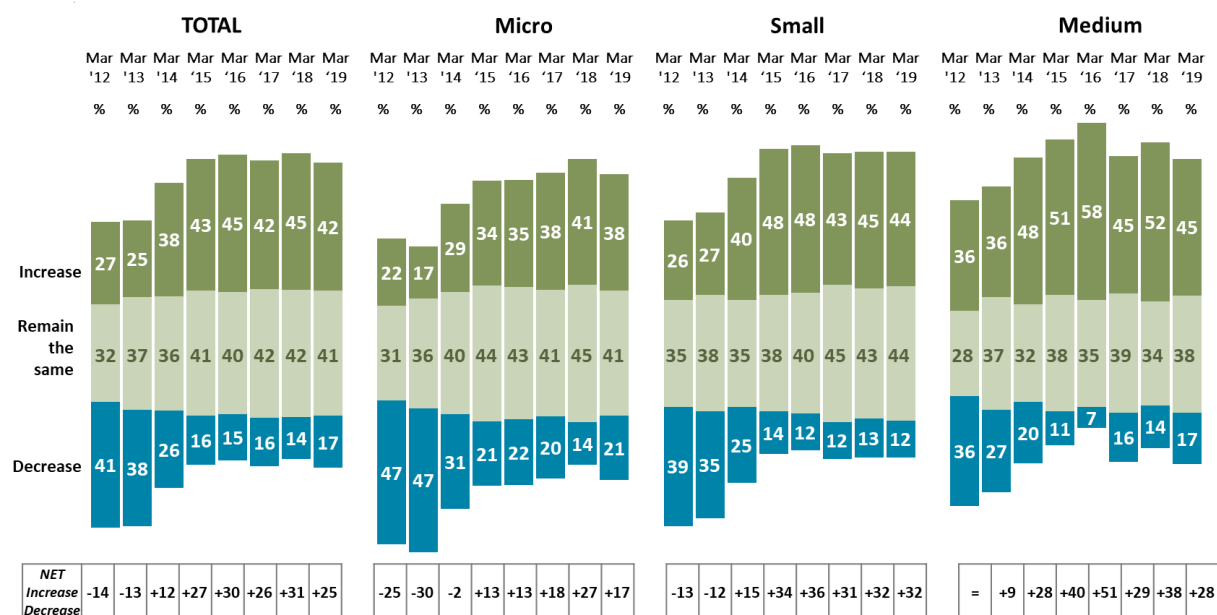


Trading conditions were somewhat different when looking at different company sizes. Small-size companies had the most favourable trading conditions, with 44% of small-sized companies reporting increased turnover, while only 12% of small-sized companies reported a decline in turnover. The reported turnover performance of medium companies was down on the same period last year – from a net positive increase/decrease performance of +38 in March 2018 up to +28 in March 2019.

Micro companies lagged behind, with 38% reporting increased turnover in the period October 2018 to March 2019. This was down from 41% in March 2018. More micro companies also claimed decreased turnover in the six months compared to last year (21% in March 2019 versus 14% in March 2018).

Turnover of the Business in the Last 6 Months – By Company Size

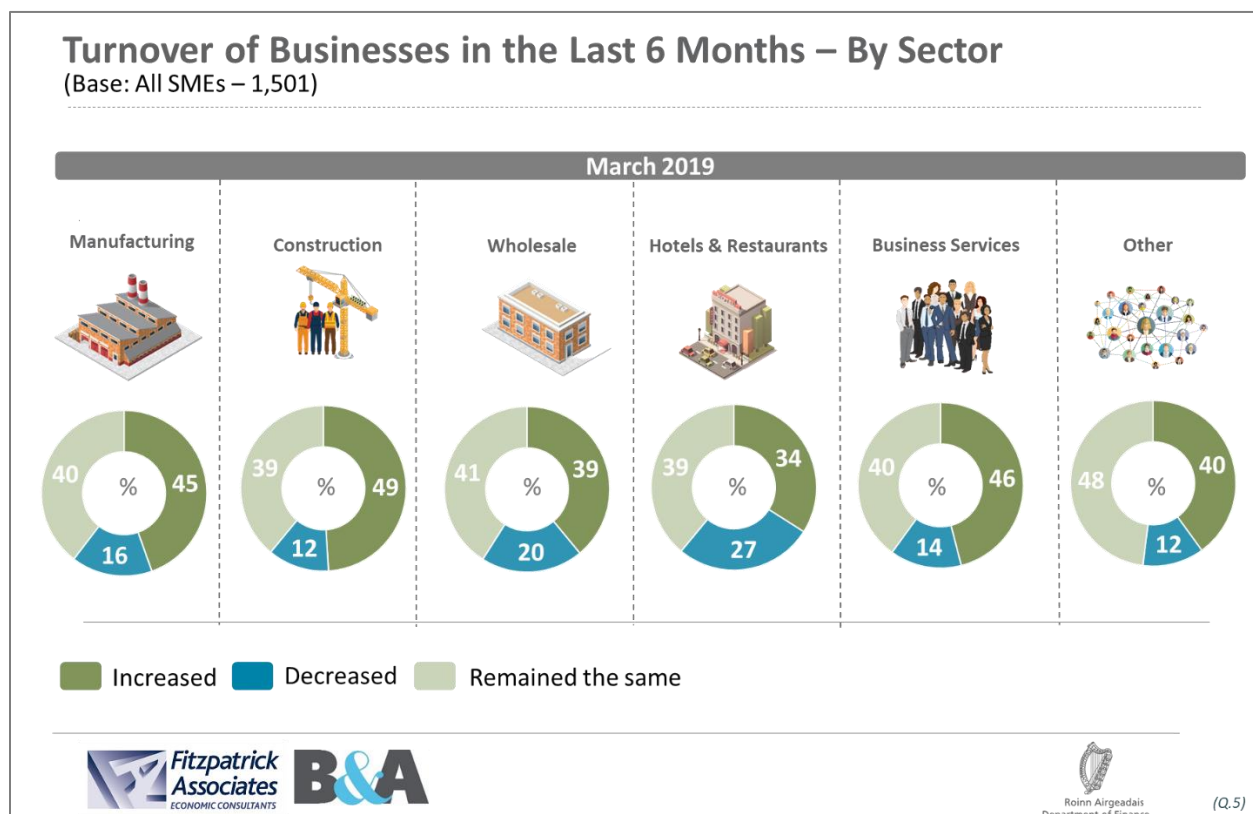
(Base: All SMEs – 1,501)



In general, for all types of SMEs, turnover trends have reverted to March 2017 levels.

5.2 Turnover by Sector

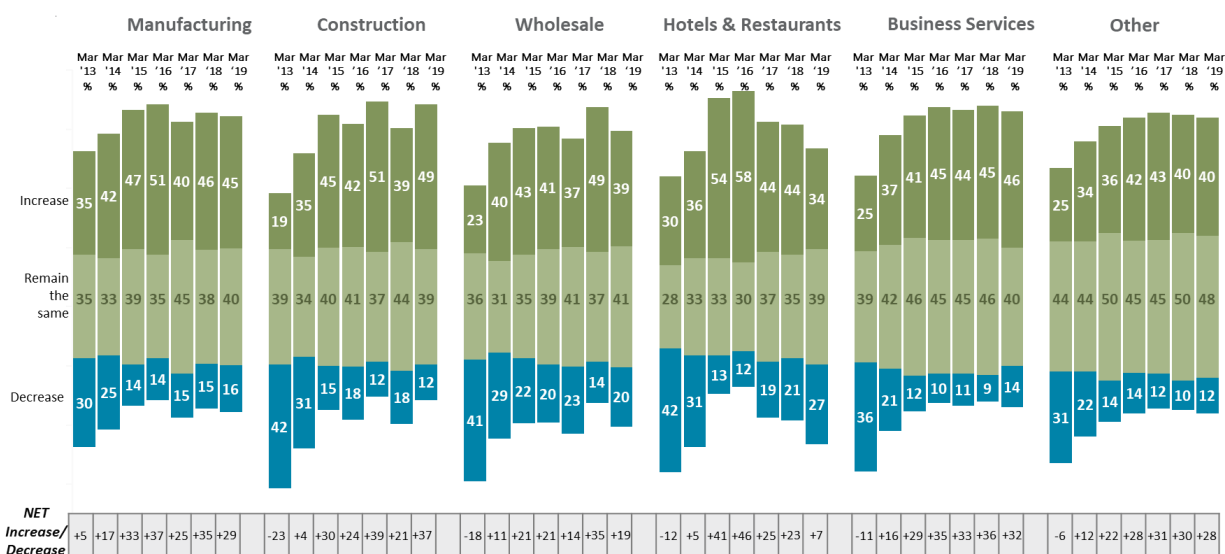
Construction, business services and manufacturing reported the highest levels of turnover increase, with construction the only sector to have improved its overall turnover position year-on-year (from 39% with increased turnover in March 2018 to 49% with increased turnover in March 2019).



The percentage of firms reporting a decrease in turnover was also noticeably higher in the hotels and restaurants (27%) and wholesale (20%) sectors, when compared to other sectors. The comparable estimate for the hotels and restaurants sector in March 2018 was 21%, while it was 14% for the wholesale sector.

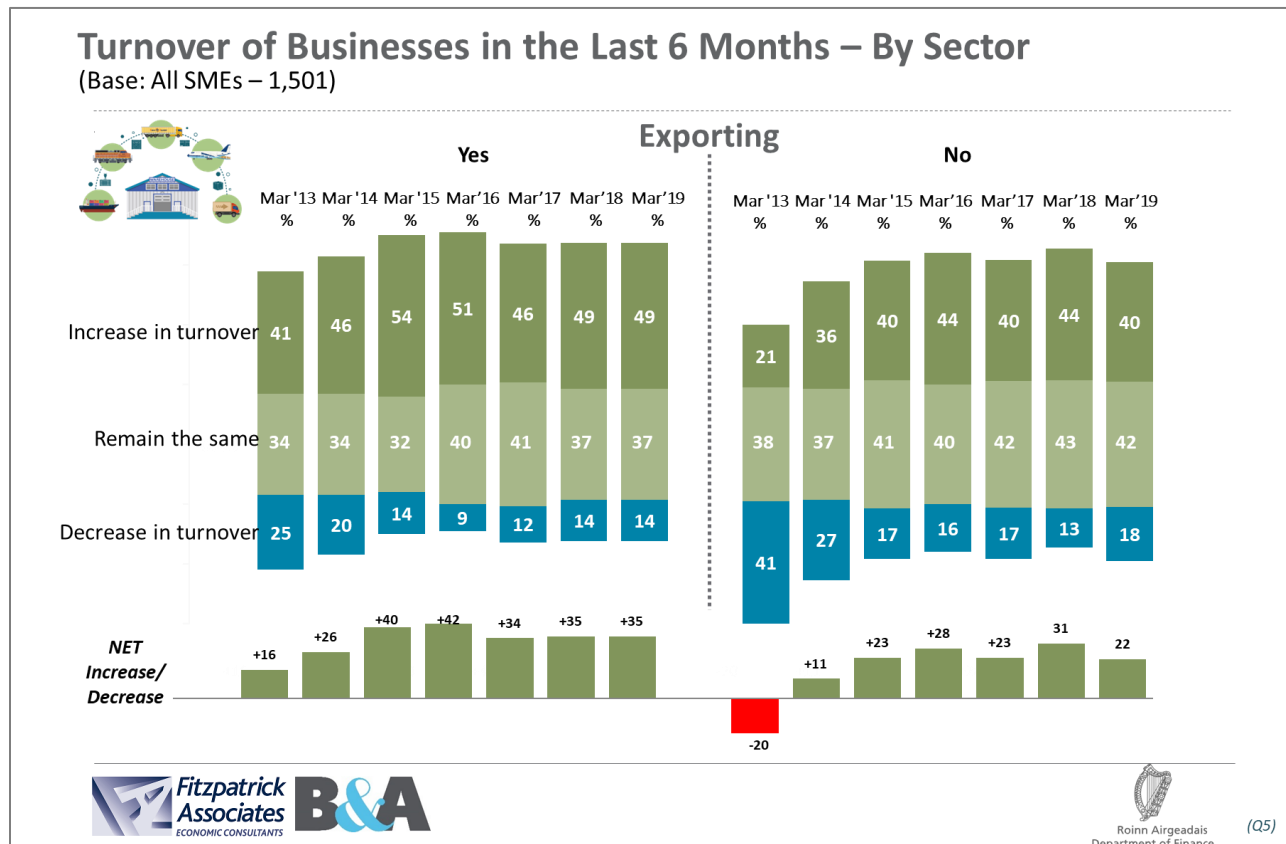
Turnover of Businesses in the Last 6 Months – By Sector Comparison

(Base: All SMEs – 1,501)



5.3 Turnover for Exporting Companies

The relative performance of exporting companies in March 2019 was on a par with March 2018, with 49% reporting an increase in turnover. Just 40% of non-exporting companies reported an increase in turnover for the six months to March 2019, however, compared to 44% for the six months to March 2018.

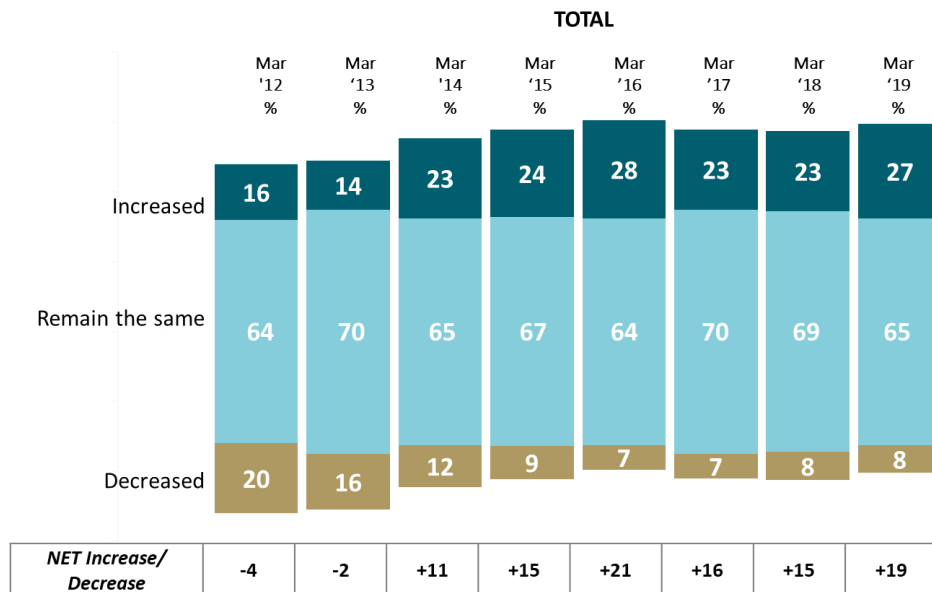


5.4 Employment Trends

About 27% of all SMEs have increased staff numbers in the period. Some 8% have decreased staff numbers, while 65% have not changed staff numbers. This represents an increase of four percentage points in firms reporting increased staff hires compared to March 2018.

Staff of the Business in the Past 6 Months

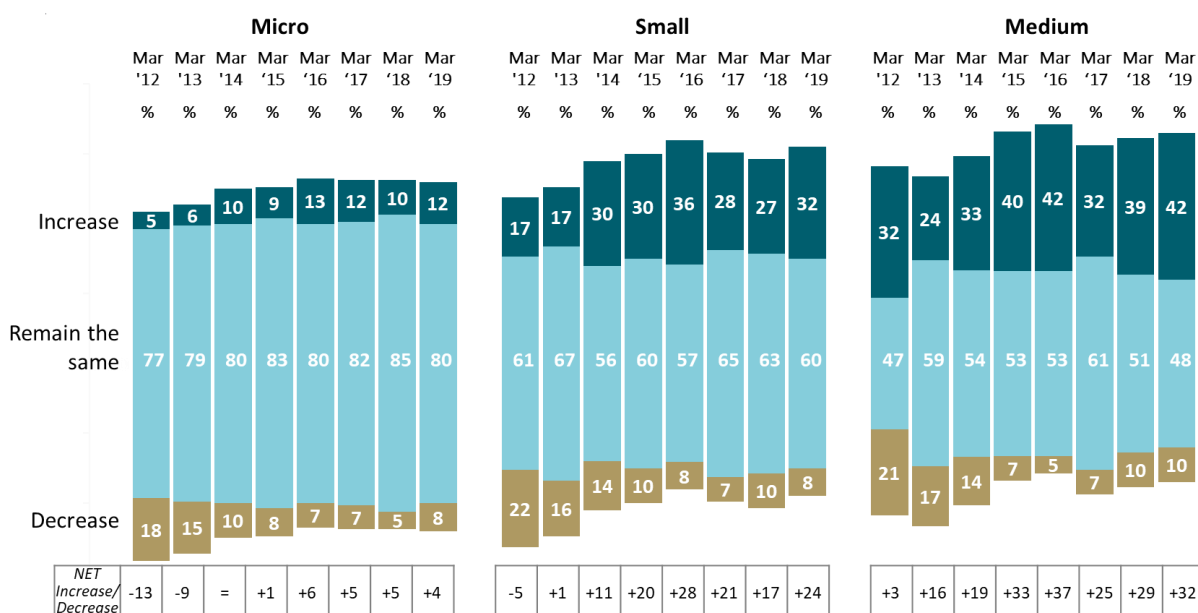
(Base: All SMEs – 1,501)



Medium sized companies indicated the highest incidence of growth in staff numbers, with 42% indicating an increase of staff numbers in the period. 32% of small sized companies indicated an increase in staff numbers, while only 12% of micro companies indicated an increase in staff.

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

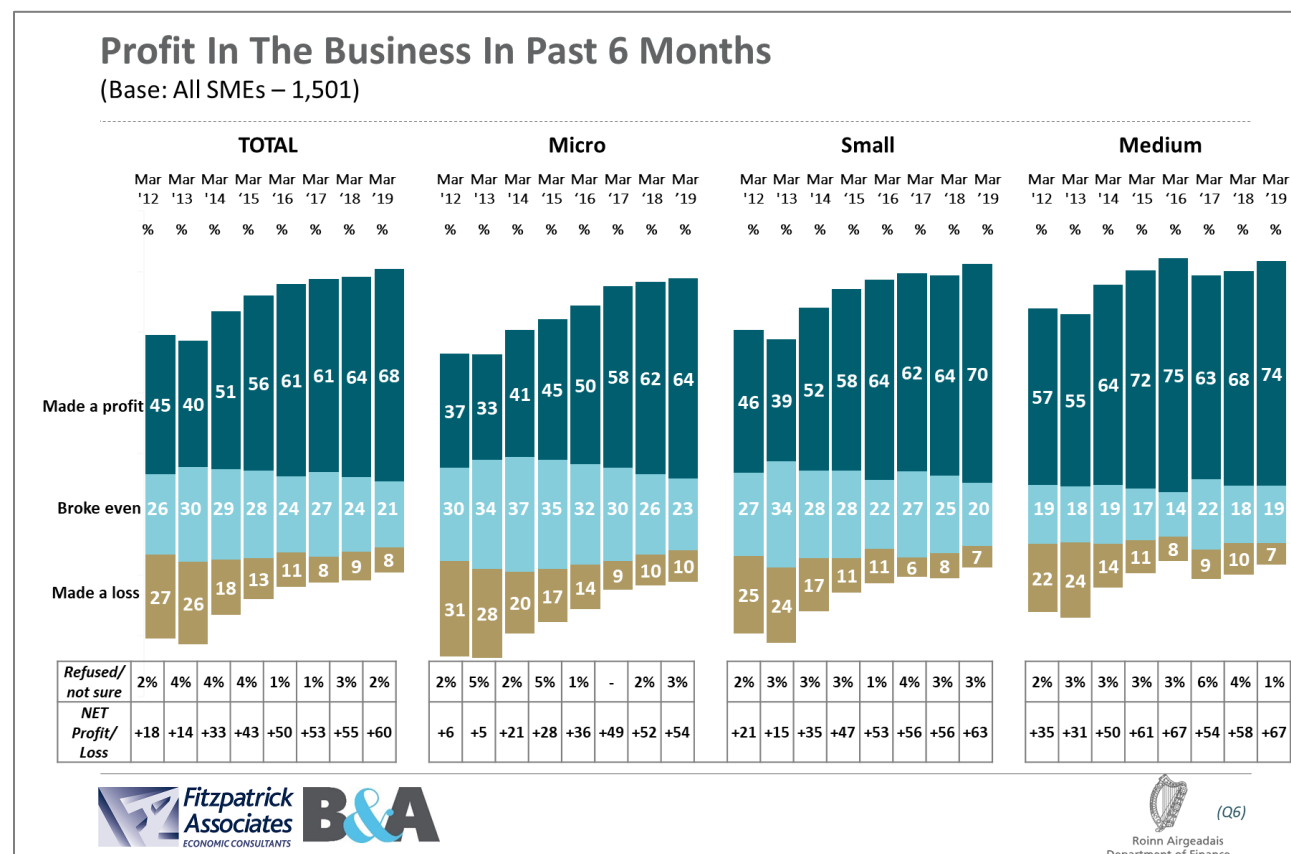
(Base: All SMEs – 1,501)



For all SME sizes, however, employment trends have been consistently more positive over the past 5-6 years.

5.5 Profit Trends

For the sixth year in a row, results show an increase in the net profit/loss for businesses for the six month period. Some 68% of all SMEs reported a profit in March 2019 (compared to 64% in March 2018). About 8% reported a loss, while 21% reported breakeven.



Compared to March 2018, results also show the most significant increases in profitability emanating from small and medium companies. Micro company profitability, on the other hand, while still reporting a high proportion making a profit, was broadly on a par with the same period in 2018.

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

Turnover – Last Six Months	Turnover Increased	Turnover Remained the Same	Turnover Decreased
	%	%	%
Made a profit	82	66	42
Broke even	12	23	37
Made a loss	4	8	20
Refused	0	0	-
Don't know	1	3	1

5.6 Business Sentiment – Next Six Months

Business sentiment has declined significantly for all companies of all sizes in March 2019, when compared to March 2018. Just 31% of SMEs expected the business climate to improve in the following six months – down from 55% in March 2018.

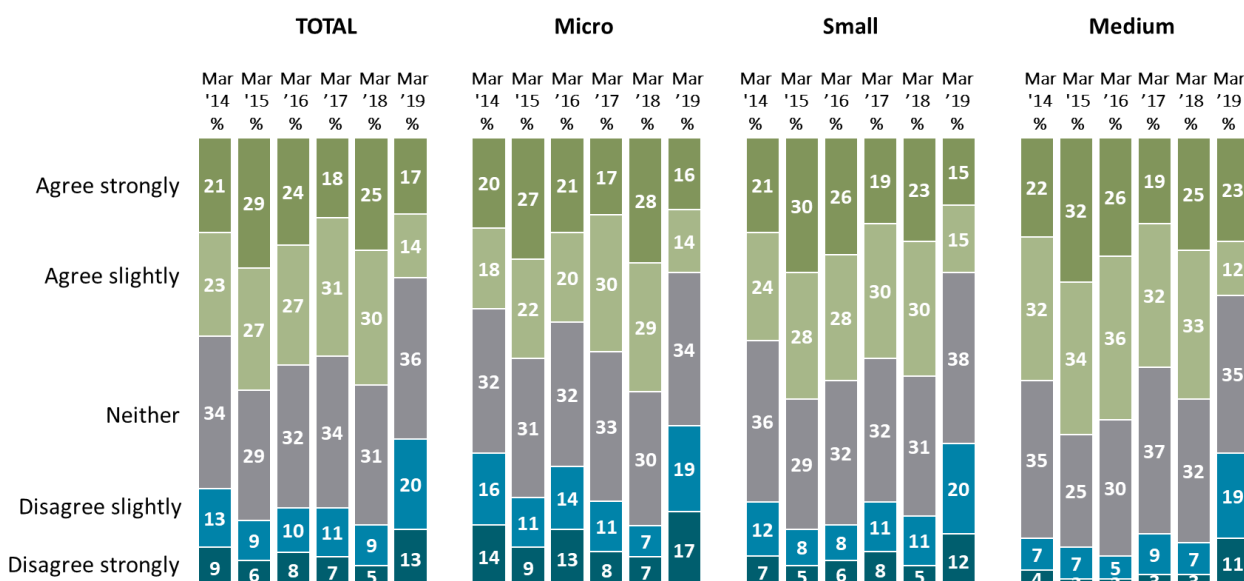
Some 33% of SMEs also expected the business climate to be worse in the following six months, up from 14% in March 2018.

Moreover, business sentiment was down significantly across all company sizes.

Business Sentiment Next 6 Months

I think the business climate in Ireland will improve in the next 6 months

(Base: All SMEs – 1,501)

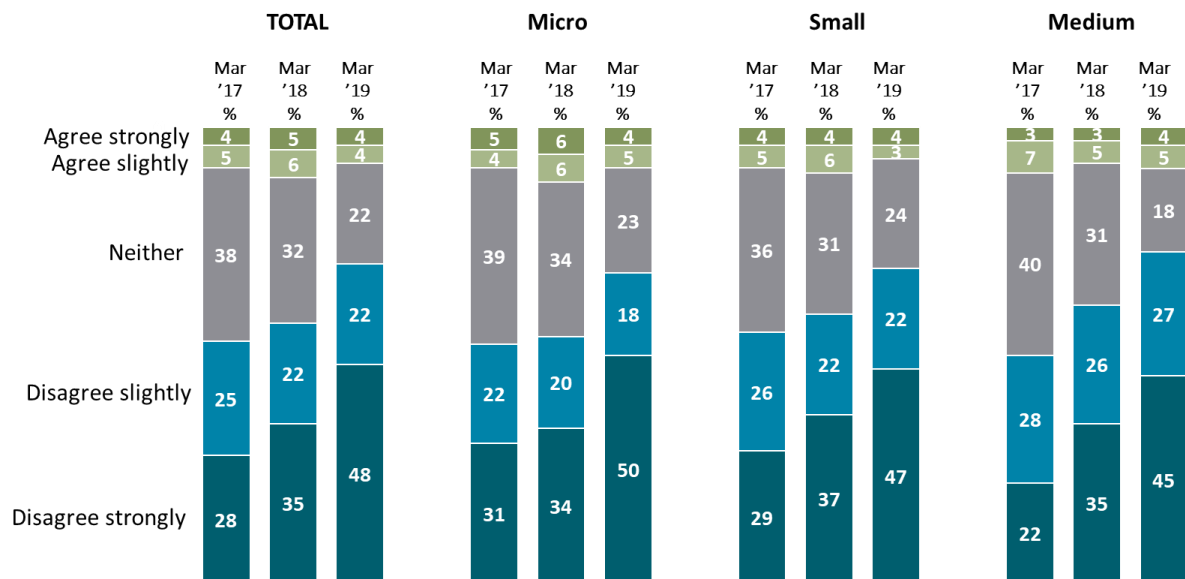


Just 8% of firms in the March 2019 wave believed that Brexit will have a positive impact on their business (down from 11% in March 2018), while 70% believed it will have a negative effect (up from 57% last year). Some 22% of SMEs believed it will have no impact on their business either way.

Business Sentiment Next 6 Months

I think Brexit will have a positive impact on my business

(Base: All SMEs – 1,501)



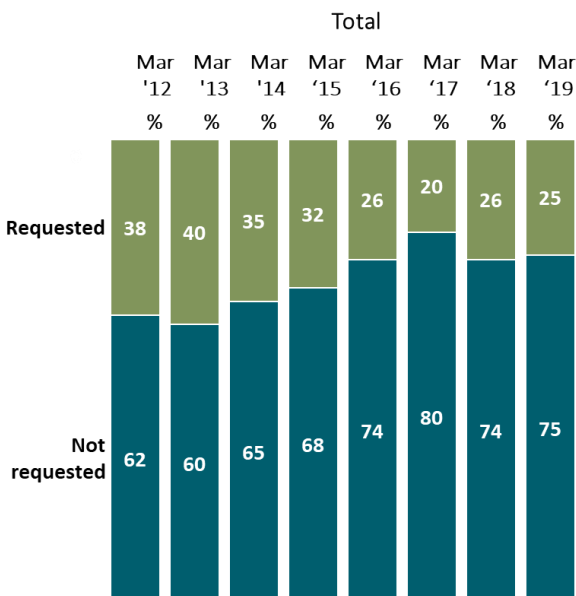
6.0 Demand for Banking Finance




6.1 Current Demand for Credit

Credit demand for the period October 2018 to March 2019 was similar to the October 2017 to March 2018 period. About 25% of firms applied for bank finance in the six month period, compared to 26% in the period up to March 2018.

SMEs Seeking Bank Finance In The Past 6 Months

(Base: All SMEs – 1,501)

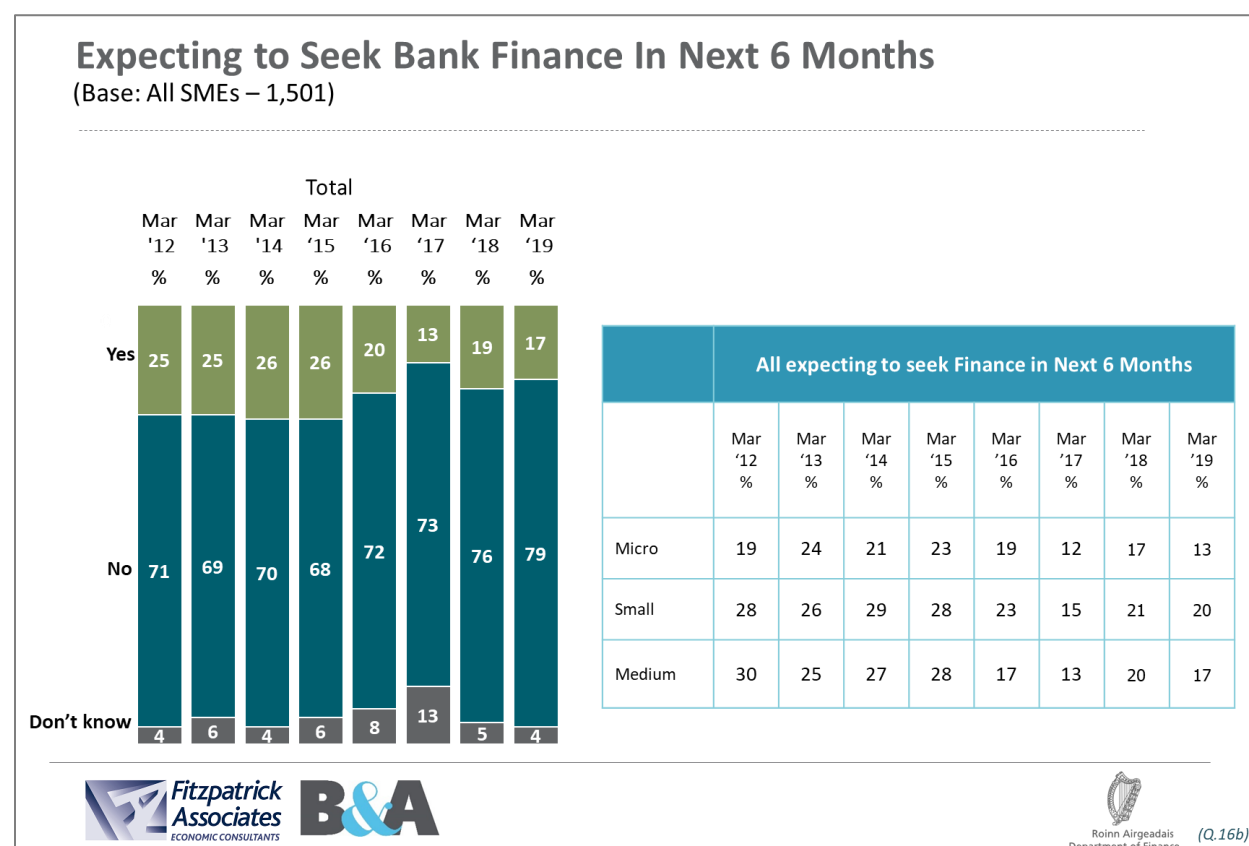


Requested By Company Size									Demand
	Mar '12 %	Mar '13 %	Mar '14 %	Mar '15 %	Mar '16 %	Mar '17 %	Mar '18 %	Mar '19 %	Mar 19 vs Mar 18
Micro 	30	36	29	26	23	15	21	22 ↑	+1%
Small 	43	43	40	35	31	22	27	24 ↓	-3%
Medium 	42	41	37	40	21	25	32	31	-1%

There was a slight decrease in credit demand (from 27% to 24%) amongst small SMEs between March 2018 and March 2019.

6.2 Future Demand for Credit

Between March 2018 and March 2019, there was a marginal decrease recorded in expectations for seeking bank finance in the following six months. About 17% of all SMEs expected to apply for finance in the following six months, which was down from 19% in March 2018.



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

The predicted decrease in possible future demand was also consistent across all company sizes, while the percentage of companies that were uncertain about future bank finance needs has also decreased (from 13% in March 2017, down to 5% in March 2018 and 4% in March 2019).

6.3 Reasons for Not Seeking Credit

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

The main reason given was that bank finance was simply not required – with 78% of those businesses that did not apply for credit mentioning this. This figure was down from the 89% reporting that they did not need finance in March 2018.

Other key reasons for not requiring bank finance included companies stating they had finance in place (9%) or that they preferred not to borrow (8%).

	Total	Micro	Small	Medium
	%	%	%	%
Business Related Reasons				
Didn't need it	78	74	84	78
Existing finance product in place	9	6	10	11
Prefer not to borrow	8	13	5	3
Not the right time given the economic climate	1	2	1	-
Use/raise personal funds when needed	0	1	-	1
Bank Related Reasons				
Possible rejection	1	3	1	-
Too expensive to borrow	1	0	1	1
Belief that banks are not lending	1	2	-	-
Application process too difficult	1	1	0	1
Too many terms and conditions	1	1	0	0
Other	7	8	5	10

As in previous years, bank related reasons were less commonly cited as reasons for not applying for bank finance over the period.

6.4 Demand for Credit by Product

Among those SMEs that requested bank finance in the October 2018 to March 2019 period, new loans, leasing or hire purchase, renewal/restructuring of existing overdrafts and new overdrafts were the main bank finance products requested.

Lending Products Requested By SMEs – Any request

(Base: All SMEs Seeking Bank Finance – 362)

		Mar '12	Mar '13	Mar '14	Mar '15	Mar '16	Mar '17	Mar '18
	%	%	%	%	%	%	%	%
New loan	49	24	30	33	37	37	31	40
Leasing or Hire Purchase	27	28	24	23	32	29	21	31
Renewal/restructuring of existing overdraft	22	41	48	44	33	30	18	27
New overdraft	14	18	19	23	17	20	16	17
Renewal/restructuring of existing Loan	10	24	19	22	19	13	6	13
Invoice Discounting	5	6	7	8	9	5	2	6
Other	4	3	3	4	1	3	4	2

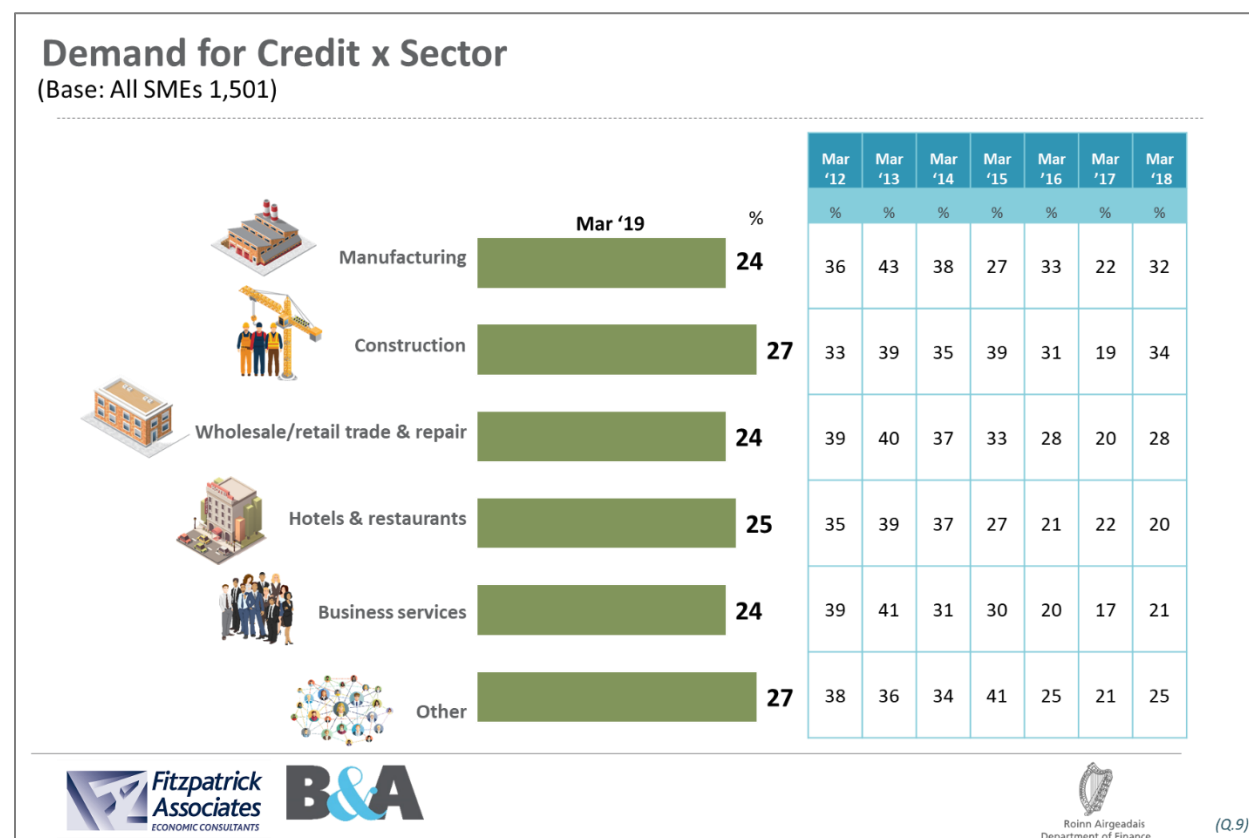
New loans increased in terms of the level of requests (at 49%, up from 40% in March 2018), and was the only product that recorded an increase from March 2018 levels.

Leasing or hire purchase requests also remained high at 27%, albeit down from 31% in March 2018. Requests for renewal/restructuring of existing overdrafts decreased from 27% in March 2018 to 22% in March 2019. The 14% requesting a new overdraft, meanwhile, was down on the 17% recorded in March 2018.

Invoice discounting remains the least popular product, with just 5% of those who applied for bank finance in the period having applied for this credit type.

6.5 Demand for Credit by Sector

Between October 2018 and March 2019, the largest increase in credit demand amongst SMEs emanated from hotels and restaurants (from 20% to 25%) and business services (from 21% to 24%). The most pronounced drops in credit demand were in manufacturing (from 32% to 24%) and construction (from 34% to 27%).



6.6 Demand for Credit by Turnover and Profit Performance

It is interesting to look at credit demand by business performance to gauge whether companies are requesting credit for growth or for stability/maintenance of the business. From the results below, it is evident that both motivations play a role, with broadly similar levels of credit demand from companies whose turnover and profit has increased, decreased and remained the same.

March 2019		Turnover last 6 months		
Turnover	TOTAL	Increased	Remained the same	Decreased
	<i>1,501</i>	<i>399</i>	<i>976</i>	<i>125</i>
	%	%	%	%
Any Demand	25	28	24	20
None	75	72	76	80

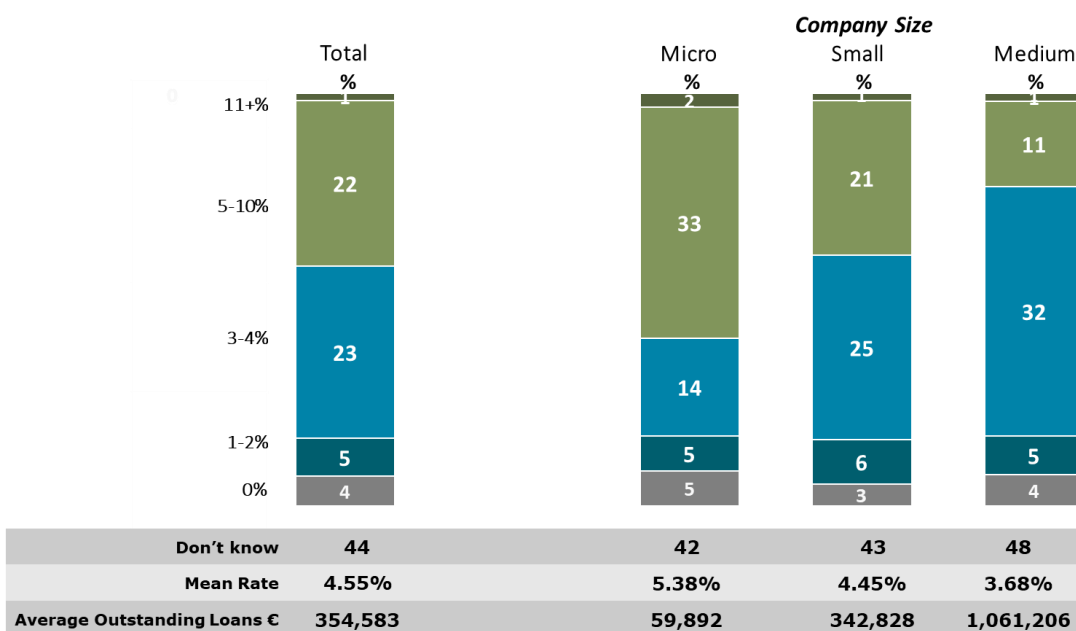
March 2019	Profit performance past 6 months				
Profit	TOTAL	Made a profit	Broke even	Made a loss	Refused
	<i>1,501</i>	<i>1,016</i>	<i>316</i>	<i>133</i>	<i>36</i>
	%	%	%	%	%
Any Demand	25	25	25	24	9
None	75	75	75	76	91

6.7 Cost of Credit

Amongst those with outstanding loans, the average claimed cost of credit for March 2019 was 4.55%. This decreased compared to March 2018, when the cost of credit for outstanding loans on average was 5.06%.

Average Costs Of Credit (Interest Rate) For Outstanding Loans

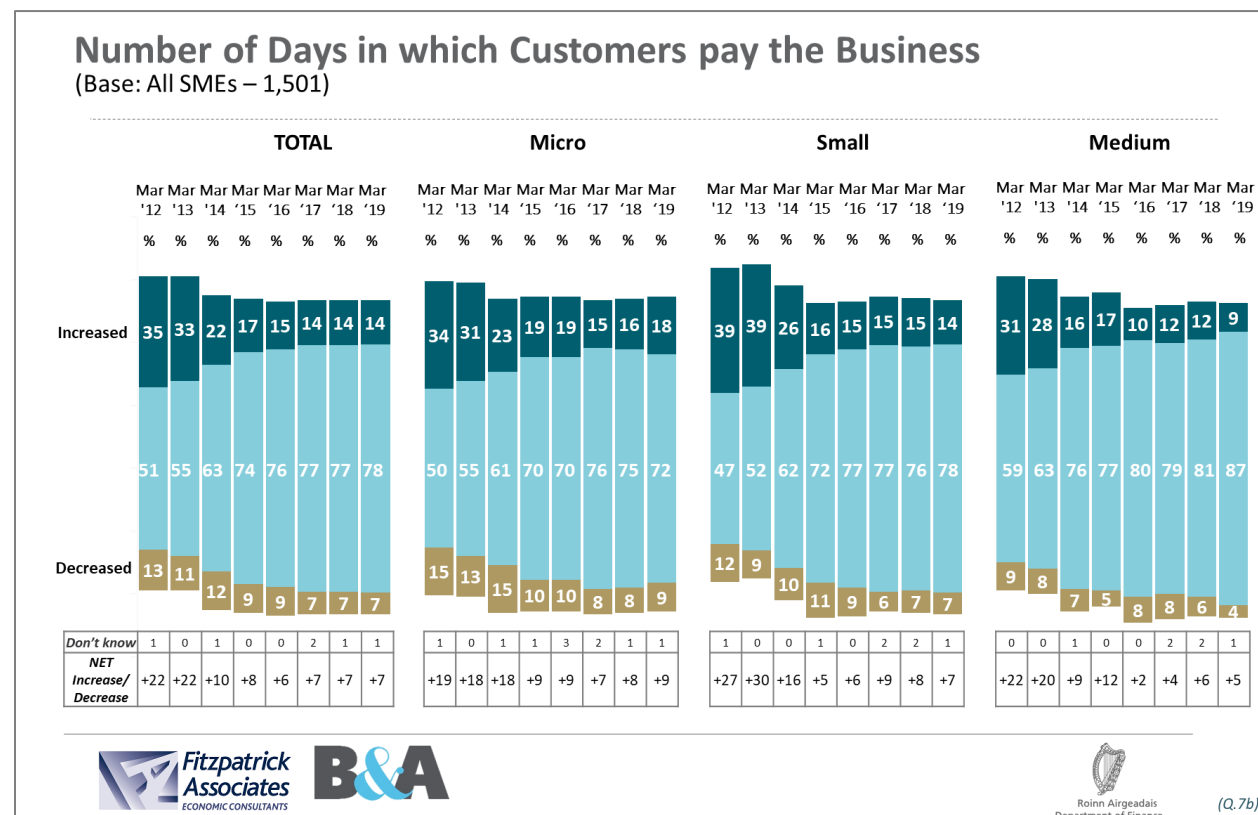
(Base: All SMEs have recorded debt - 723)



*Excluding None/No Debt

6.8 Financial Position of Businesses

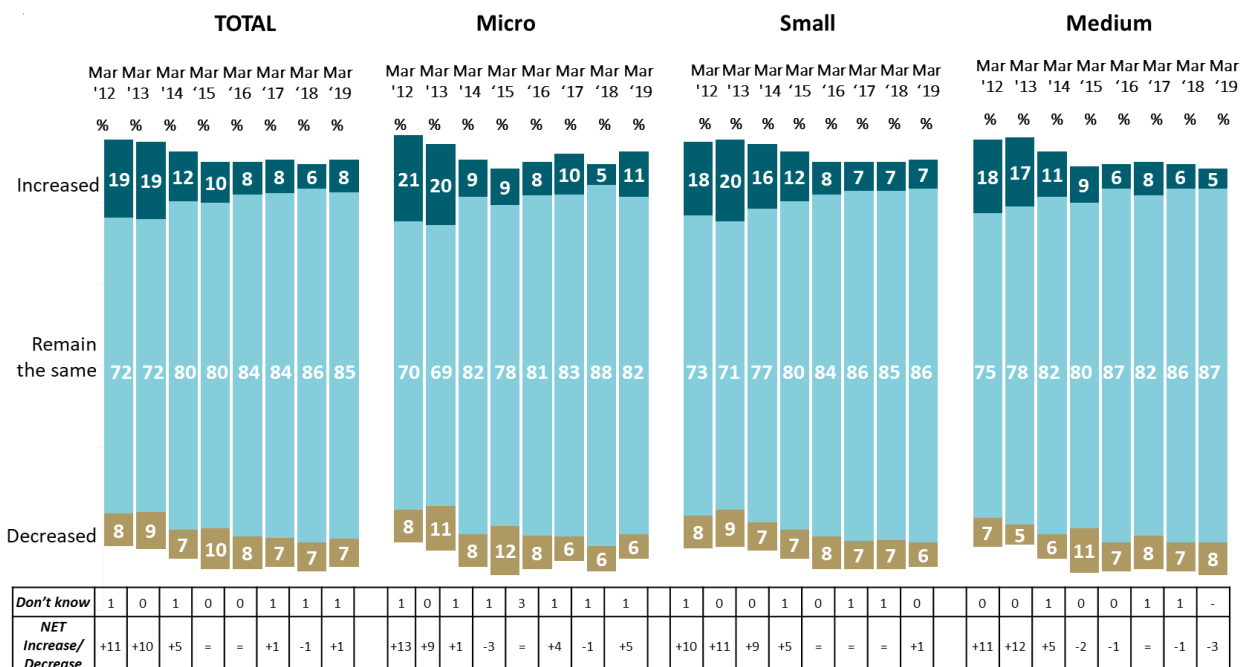
The numbers of days that go by before businesses are paid by their customers affects the cash flow of the business and, thereby, also the need for external finance. Likewise, cash flow can be improved by delaying payment to customers of the business. 14% of SMEs felt that the average number of days within which customers pay had increased during the period October 2018 to March 2019 – the same as in March 2018. 78% of firms believed that the payment period was unchanged, while 7% believed customers were paying faster.



In terms of supplier payment, results do not show any major change from March 2018. Some 85% of all SMEs believed that the average number of days taken to pay suppliers remained unchanged in the six months to March 2019, while 8% suggested that the payment period had increased. A similar proportion (7%) stated that they paid suppliers faster than before.

Number Of Days in which Business pays Suppliers

(Base: All SMEs – 1,501)

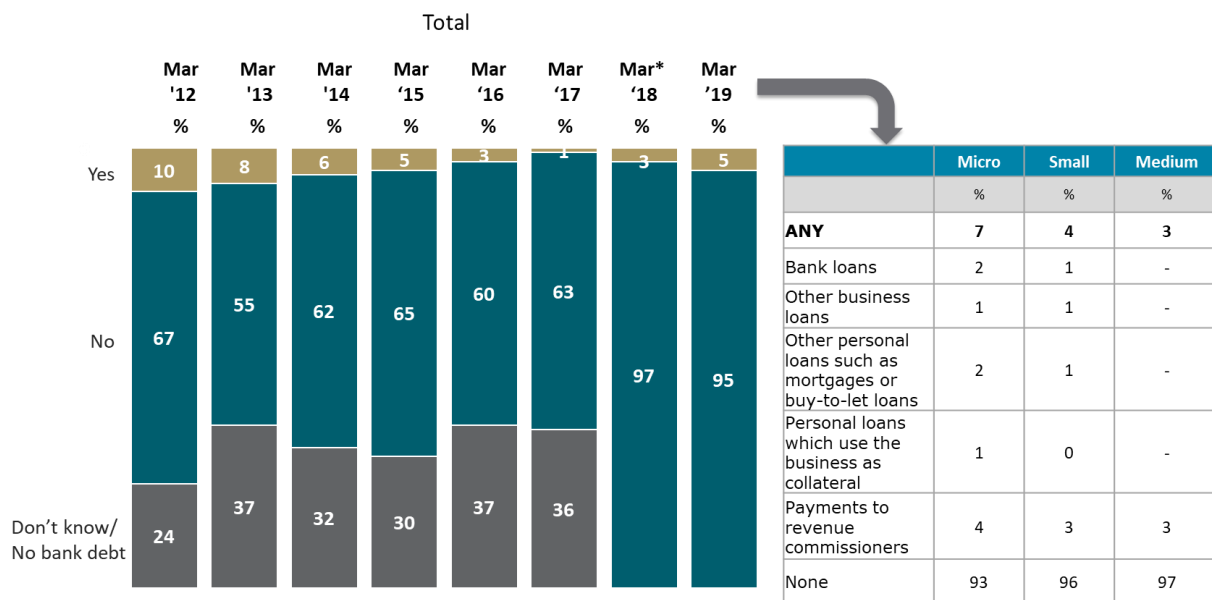


6.9 Repayment of Current Loans

The financial position of a business can also be affected by having missed repayments on existing loans, as this can be used to effectively avoid requiring credit in the short term. Only 5% of SMEs suggested that they had missed repayments on loans in the period October 2018 to March 2019, however. This was up slightly, from 3% in March 2018. Also, the smaller the company, the more likely it is to have missed repayments.

Missed Repayments On Loans In Past 6 Months

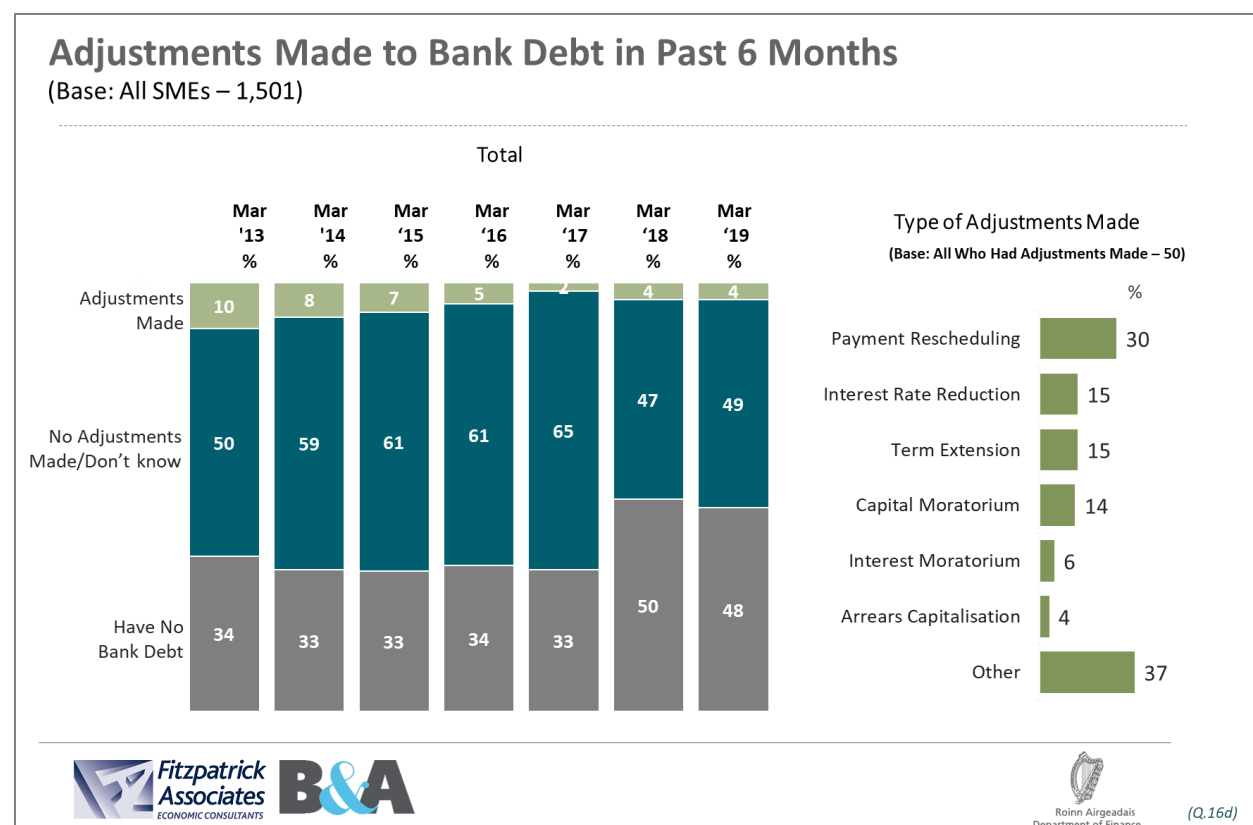
(Base: All SMEs – 1,501)



*NB question wording changed in Mar 2018

6.10 Adjustments to Current Banking Debt

Only 4% of SMEs made adjustments to their bank debt between October 2018 and March 2019, with no change evident when compared to March 2018. The main types of adjustments made were focused on repayment scheduling, term extension, interest rate reduction and capital moratorium.



Base: All Who Have Adjusted Bank Debt	Mar 16	Mar 17	Mar 18	Mar 19
	%	%	%	%
Payment Rescheduling	28	21	37	30
Capital Moratorium	16	2	9	14
Term Extension	31	27	26	15
Interest Moratorium	11	12	7	6
Interest Rate Reduction	31	22	9	15
Arrears Capitalisation	4	6	11	4

Incidence of interest rate reduction increased from 9% of those making an adjustment in March 2018 to 15% in March 2019, while capital moratorium increased from 9% to 14%.

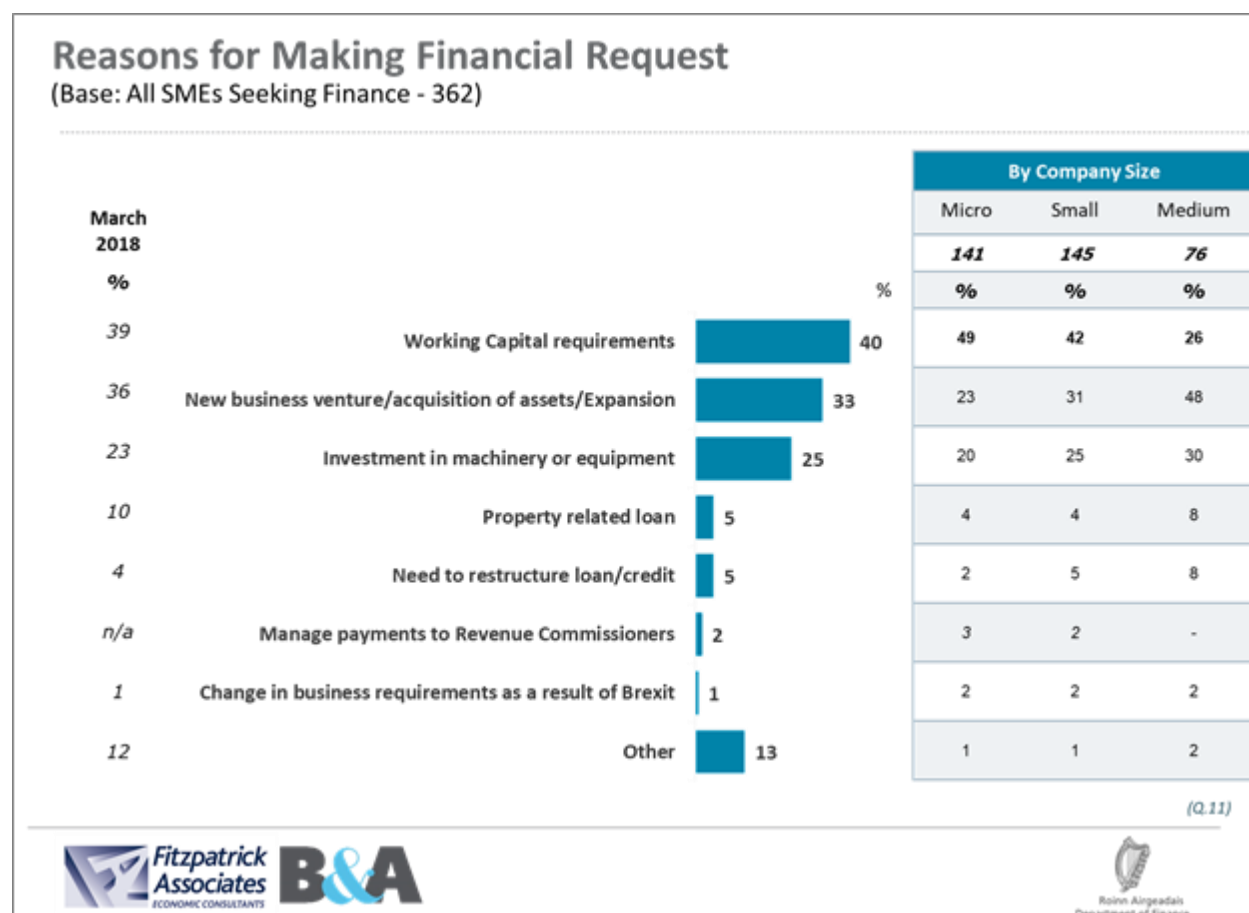
7. The Application Process

Of the 1,501 SMEs interviewed for this wave of research, 25% requested bank finance in the six months to March 2019 – down from 26% in March 2018, but higher than 20% in March 2017.

7.1 Nature of Demand

Working capital/cash flow were the main reasons for finance requests (40%), followed by expansion needs (33%) and new machinery/equipment (25%).

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



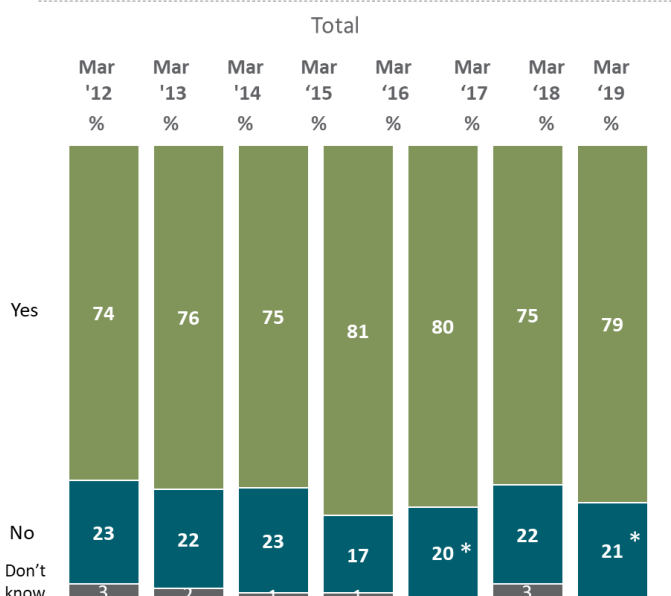
Reasons for financial requests were quite similar across all company sizes, although micro companies were more likely to seek funding for working capital requirements, while medium companies were more likely to seek funding for new business, acquisition or expansion requirements.

7.2 Formal Applications for Credit

A slightly higher level of formal applications for credit were made in the period to March 2019, when compared to March 2018, with 79% of SMEs seeking finance by way of formal application, compared to 75% in March 2018.

Formal Applications for Credit

(Base: All SMEs Seeking Finance - 362)



*Includes 3% other

Application By Company Size									
		Mar '12 %	Mar '13 %	Mar '14 %	Mar '15 %	Mar '16 %	Mar '17 %	Mar '18 %	Mar '19
Formal	Micro	74	69	76	71	77	77	73	81
	Small	74	74	73	76	82	83	79	80
	Medium	77	82	79	80	85	79	73	76
Informal	Micro	21	28	23	27	20	19	21	20
	Small	27	22	24	23	16	13	19	20
	Medium	22	17	18	19	14	17	27	24

NB: Formal includes 'formal' & 'both'

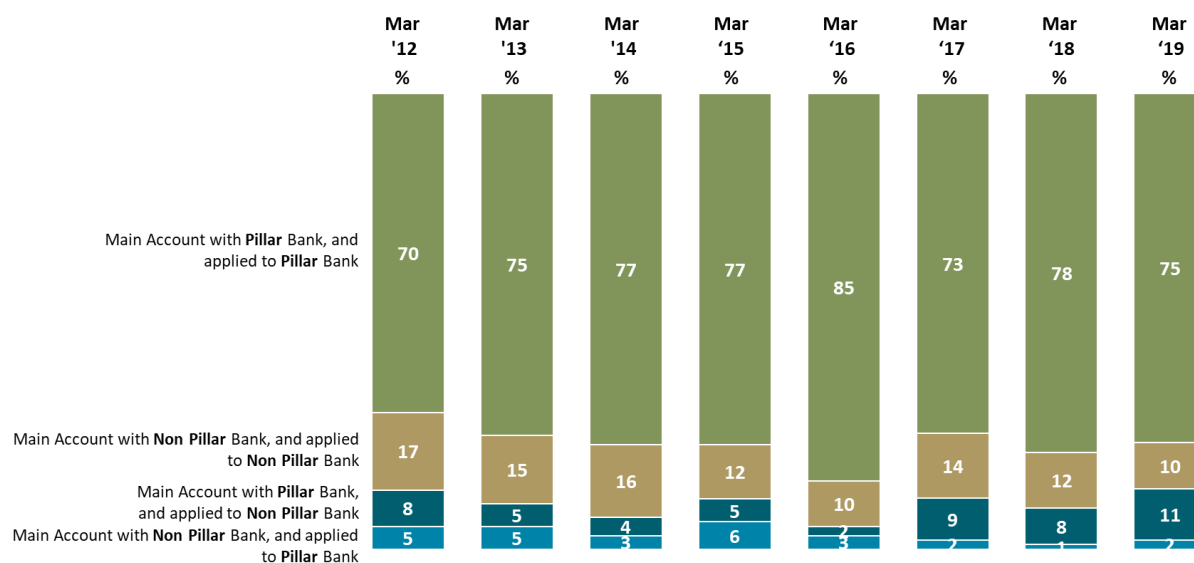
The main reason cited for submitting an informal request was that some businesses felt that there was no need to make a formal application, as the request was either a repeat loan or it was based on a personal relationship.

Reasons for making an informal application	Mar '14	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
	%	%	%	%	%	%
No need for providing formal application(e.g. repeat loan or personal relationship)	50	56	52	58	56	52
To see if it would be possible	14	9	8	4	-	8
Knew formal application would not be successful	8	11	2	6	1	1
Time consideration	7	6	3	5	1	1
Accounts not up to date	1	0	-	-	-	-
Didn't want finance from bank in the end	7	1	3	8	5	5
Not an option as was refused	-	-	-	9	-	2
Requested from Account Manager	-	-	-	1	7	3
Only a query	-	-	-	2	6	1
Other	11	11	23	-	11	20
None	1	7	7	2	11	3
Don't know	1	-	2	6	2	4

The proportion of SMEs that applied for finance through one of the pillar banks has declined slightly in the period. In total, 77% applied to the main pillar banks in the period up to March 2019 – down from 79% in March 2018.

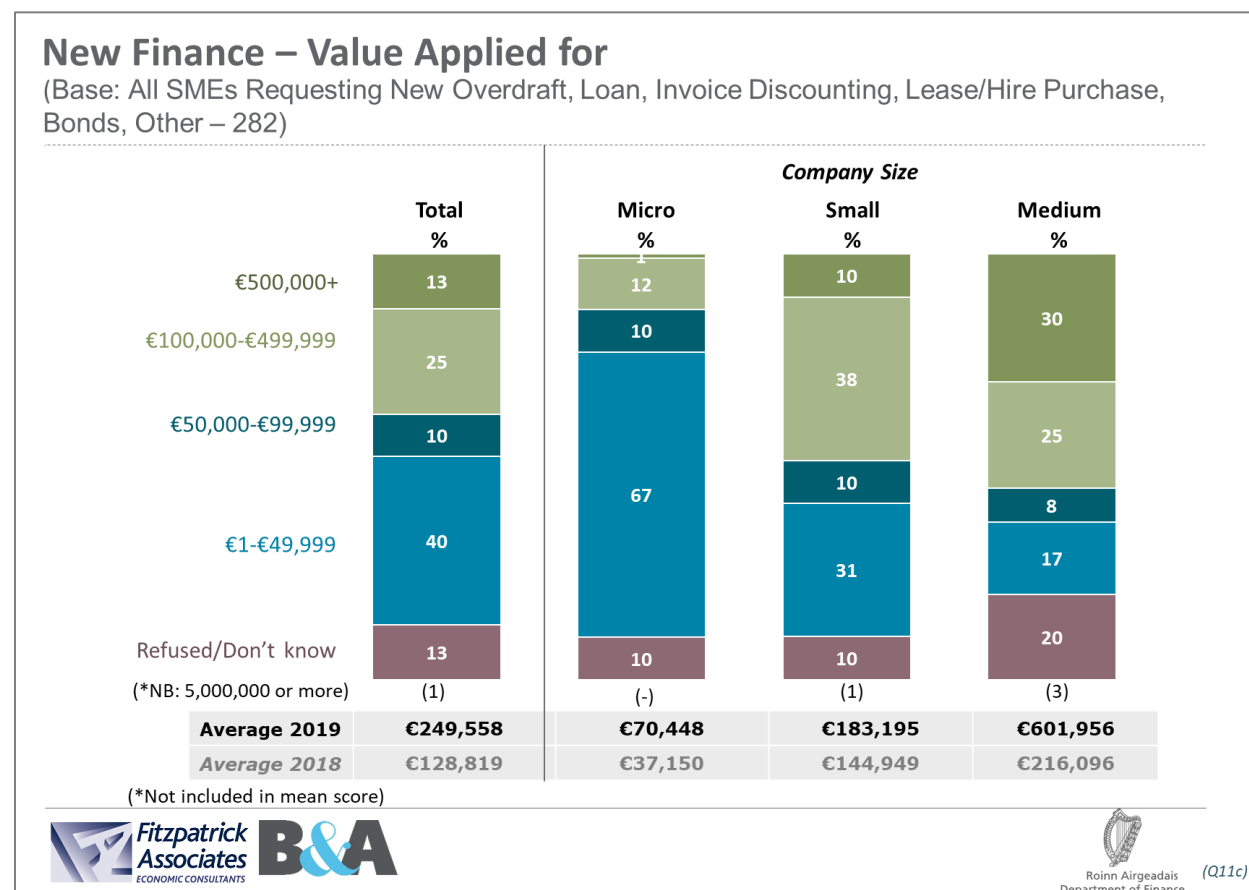
Bank From Which Finance was Requested

(Base: All SMEs Seeking Finance - 362)



7.3 Economic Value of Credit Applications

Each business that applied for credit provided the monetary value of that application. When looking at applications for new bank finance (e.g. overdraft, loan or lease/hire purchase), the average stated amount was €249,558. This was higher than the stated value in March 2018, at €128,819, with the increase largely accounted for by an increase in the number of loans requested at greater than €500,000.

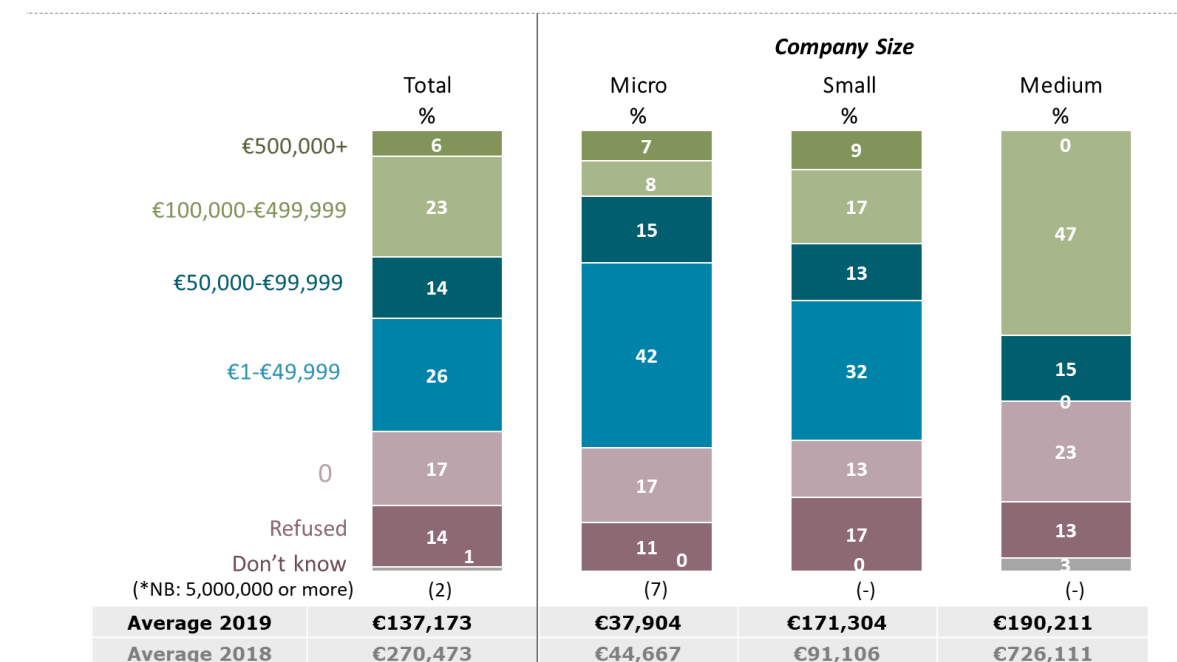


When looking the different sizes of SMEs, it is notable, though perhaps unsurprising, that medium sized companies (at €601,956) sought higher levels of new bank finance than micro or small firms (at between €70,000 and €183,000). Average finance sought for micro and medium companies was also higher than in March 2018. Note, however, that caution should be exercised in reviewing differences between company sizes, due to small sub-sample sizes.

As might be expected, there were also differences between different sized companies in the value of renewal/restructuring finance requested, with medium sized companies requesting around 40% more than the average SME. However, it should be noted that the sample size for companies requesting renewal/restructuring of existing overdrafts or loans was only based on 80 companies in this wave, so differences across company sizes should be treated with caution.

Renewal/Restructuring of Existing Finance – Value Applied for

(Base: All SMEs Requesting renewal/restructuring of existing overdraft or loan – 80)



7.4 Collateral Required for Credit Applications

Among the SMEs that applied for bank finance, 39% of applications required some kind of collateral. This was the same as recorded in March 2018.

The most common kinds of collateral required were buildings (12%), land (8%), personal assets (8%) and machinery and equipment (5%).

The average value of collateral required as a percentage of the loan was 66%, dropping to 48% for micro companies and rising to 79% for medium sized companies.

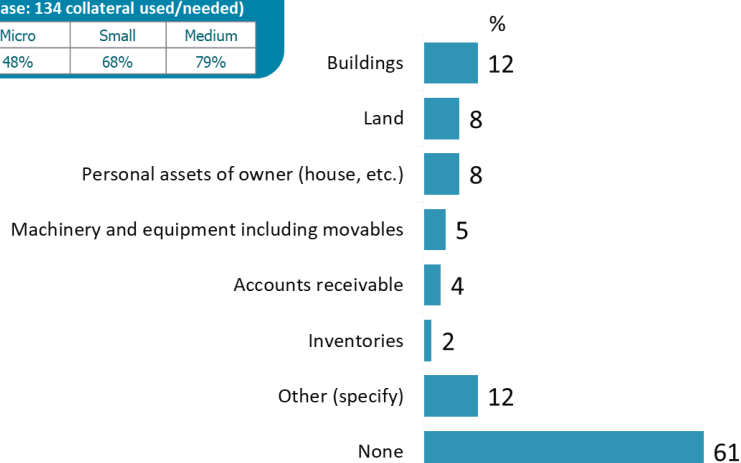
What kind of Collateral Required

(Base: All SMEs who applied for Finance - 362)

**Average Value of Collateral
as percentage of Loan Value
66%**

(Base: 134 collateral used/needed)

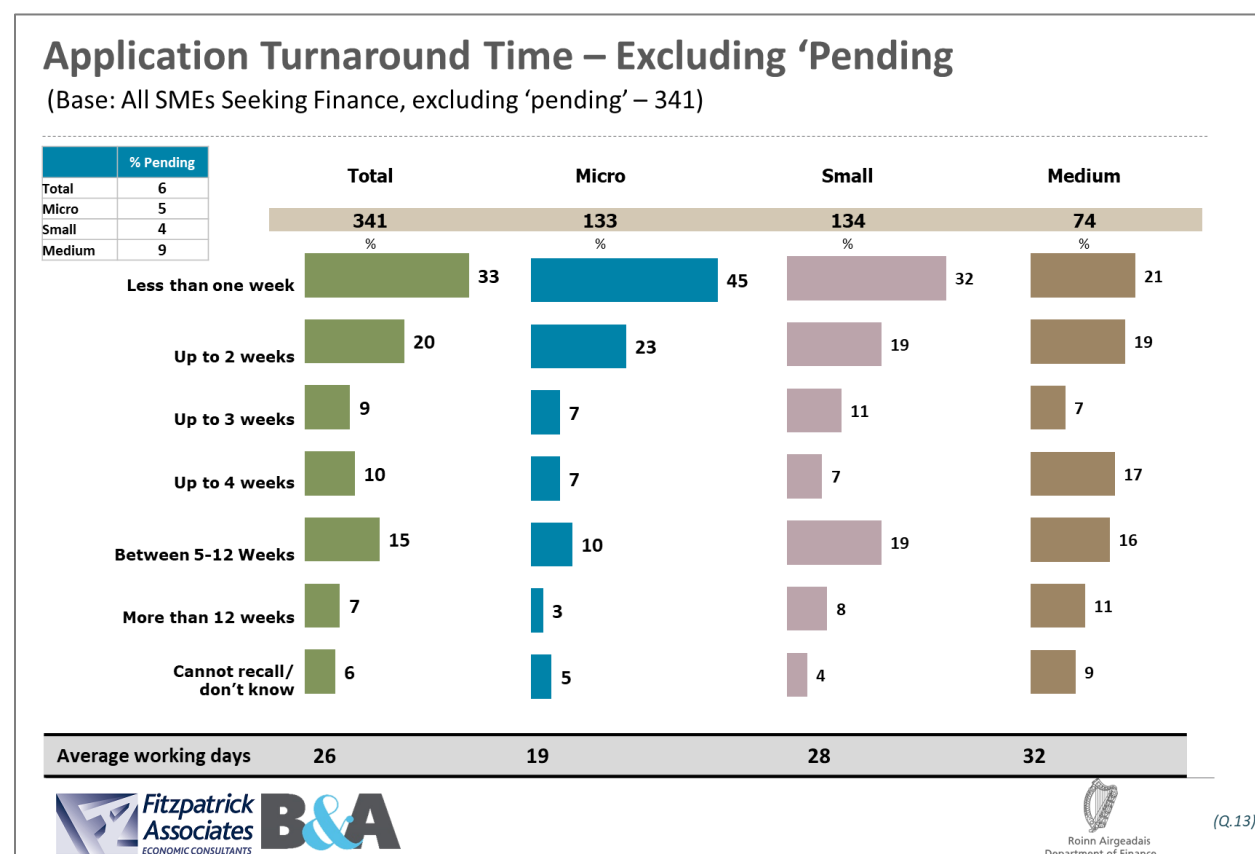
Micro	Small	Medium
48%	68%	79%



By Company Size		
Micro % (141)	Small % (149)	Medium % (76)
8	11	18
9	7	9
9	11	3
2	5	7
3	4	5
0	3	2
8	16	11
69	58	57

7.5 Turnaround Time on Decisions

Based on the regulations for firms lending to SMEs, which regulated lenders (other than credit unions) must have complied with from 1 July 2016 or (in the case of credit unions) from 1 January 2017, lenders are required to inform SMEs of a decision on their loan within 15 working days of receiving all information they require from the company. Excluding pending applications and according to the businesses themselves, 62% of all finance applications were processed within the 15 working days in the period to March 2019. This was slightly below the reported figure of 65% in March 2018.



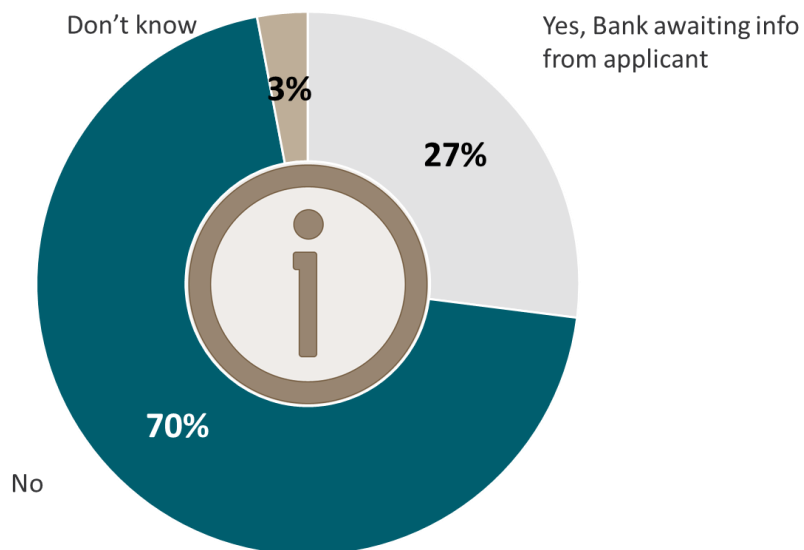
The average amount of time from application to decision stood at 26 working days in March 2019. The average turnaround time for small companies was 28 working days, with medium-sized companies receiving decisions within 32 working days, and micro companies within 19 days.

It should be noted that this does not differentiate between businesses that supply all information required by the lender at the outset and those that receive requests for further information. The proportion of loans that remained “still pending”, meanwhile, stood at just 6%.

70% of firms with applications still pending have not been asked for additional information from their bank.

Incidence of Bank requesting Additional Information from Pending Applicants

(Base: All Pending Application – 21*)



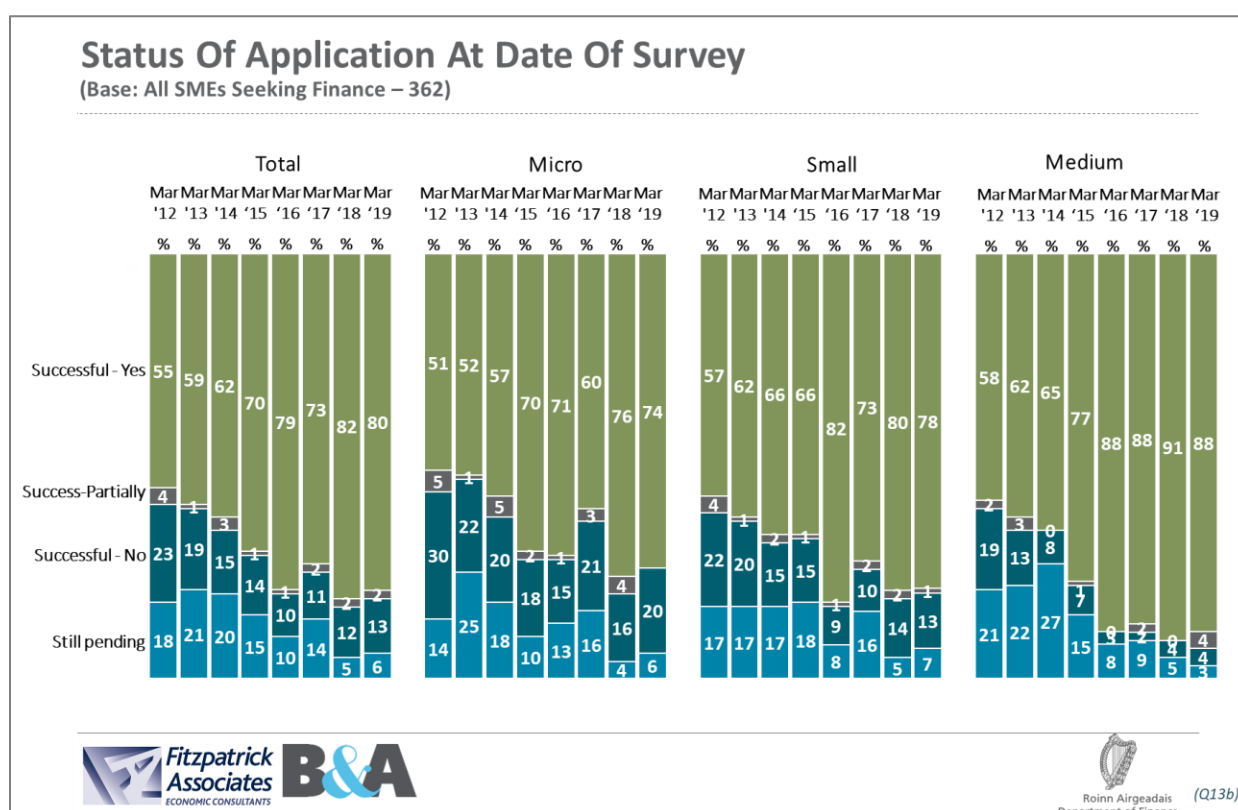
*Caution low base

7.6 Decline Rate

The decline rate for all credit applications in the period October 2018 to March 2019 stood at 13% – up from 12% in March 2018.

About 80% of all applications were approved in full over the six months – a decrease from 82% when compared to March 2018.

A further 2% stated that their credit applications had been partially approved, leaving 82% of all credit applications fully or partially approved. Just 6% of all applications were still pending, practically the same as in March 2018.

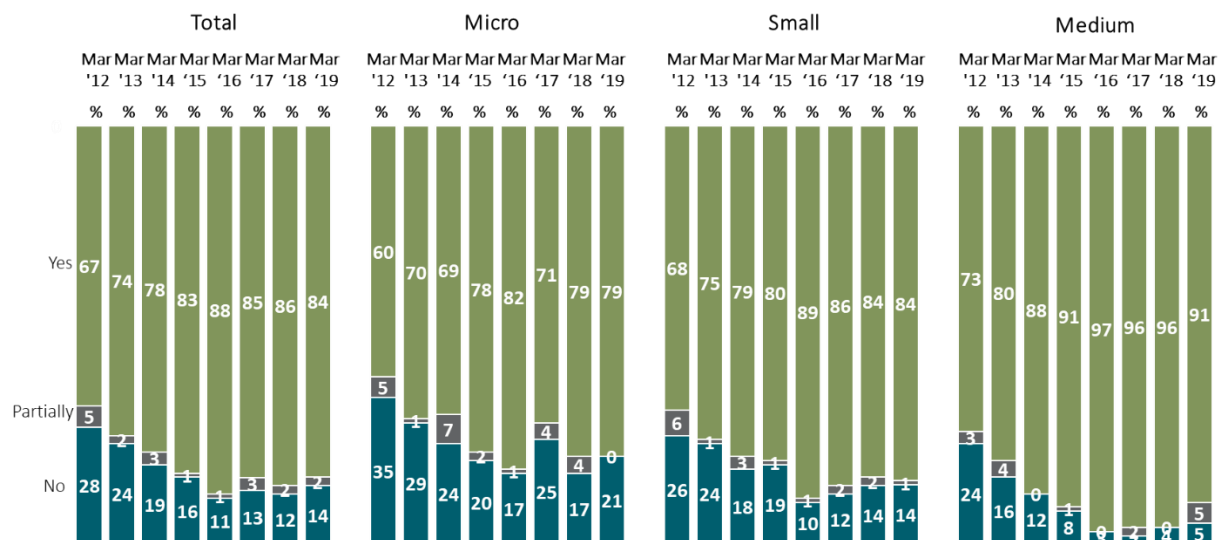


Small and medium sized businesses seeking finance indicated the highest levels of approval rates. Refusal rates amongst micro companies, however, have increased from 16% in March 2018 to 20% in March 2019.

Excluding pending applications, the overall decline rate for March 2019 stood at 14% (similar to March 2018). In total, 86% of all applications for the six months (excluding “still pending”) were approved in full/partially.

Status Of Application At Date Of Survey – Excluding ‘Still Pending’

(Base: All SMEs Seeking Finance, excluding pending – 341)



Decline Rate by Product

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

Lending Products	Yes	Partially	No	Still pending
Total	80	2	13	6
	%	%	%	%
New overdraft	62	-	31	7
Renewal/restructuring of existing overdraft	80	-	13	7
New Loan	76	1	17	7
Renewal/restructuring of existing Loan	83	-	10	8
Invoice Discounting	100	-	-	-
Leasing or Hire Purchase	97	-	2	1
Other (specify)	35	29	19	17

Formal Application Decline Rate

Formal requests also attracted marginally higher decline rates than informal applications.

	Yes	Partially	No	Still pending
TOTAL	80	2	13	6
	%	%	%	%
Informal request	79	-	10	11
Formal application	81	-	14	5

Decline Rate by Type of Credit Applied For

Credit refusal rates for March 2019 were highest when related to the management of payments to Revenue and slow-down in debtor collection/bad debt. Pending applications were highest for property related loans.

	Yes	Partially	No	Still pending
Total	80	2	13	6
%	%	%	%	%
New business venture/acquisition of assets/Expansion	80	-	12	7
Working capital/cash flow	73	1	18	8
Slow-down in debtor collection/Bad debts	62	-	38	-
Property related loan	80	-	-	20
Investment in machinery or equipment	93	-	4	3
Need to restructure loan/credit	79	-	18	2
Manage payments to Revenue Commissioners	54	-	46	-
Change in business requirements as a result of Brexit	84	-	16	-
Other	71	10	17	2

Decline Rate by Export vs. Non-Export Companies

Decline rates for export businesses were lower compared to non-export businesses. In addition, export businesses also had lower pending applications compared to non-export businesses.

	Yes	Partially	No	Still pending
	80	2	13	6
	%	%	%	%
Export Business	80	4	11	4
Non Export Business	80	1	14	6

Decline Rate by Pillar/Non-Pillar Banks

There was little difference in decline rates between non-pillar banks (13%) and pillar banks (15%) in the March 2019 period.

	Yes	Partially	No	Still pending
Total	80	2	13	6
%	%	%	%	%
PILLAR	78	1	15	6
NON PILLAR	83	-	13	5

Decline Rate by Sector

The lowest levels of decline rate by sector were amongst the manufacturing (3%), business services (11%), and construction (9%) sectors, with the highest levels in wholesale (20%) and hotels and restaurants (19%).

	Yes	Partially	No	Still pending
Total	80	2	13	6
%	%	%	%	%
Manufacturing	91	3	3	3
Construction	81	-	9	11
Wholesale	71	3	20	7
Hotels & restaurants	73	-	19	8
Business Services	84	2	11	3
Other	87	-	10	4

Decline Rate Linked To Company Trading Performance

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

	Yes	Partially	No	Still pending
Total	80	2	13	6
	%	%	%	%
Increased	82	3	11	4
Decreased	71	-	25	3
Remained the same	81	1	10	8

Decline rates were similarly higher amongst applicants that had made a loss (14%) or broke even (23%).

	Yes	Partially	No	Still pending
Total	80	2	13	6
	%	%	%	%
Made a profit	81	2	10	6
Broke even	72	-	23	5
Made a loss	85	-	14	1

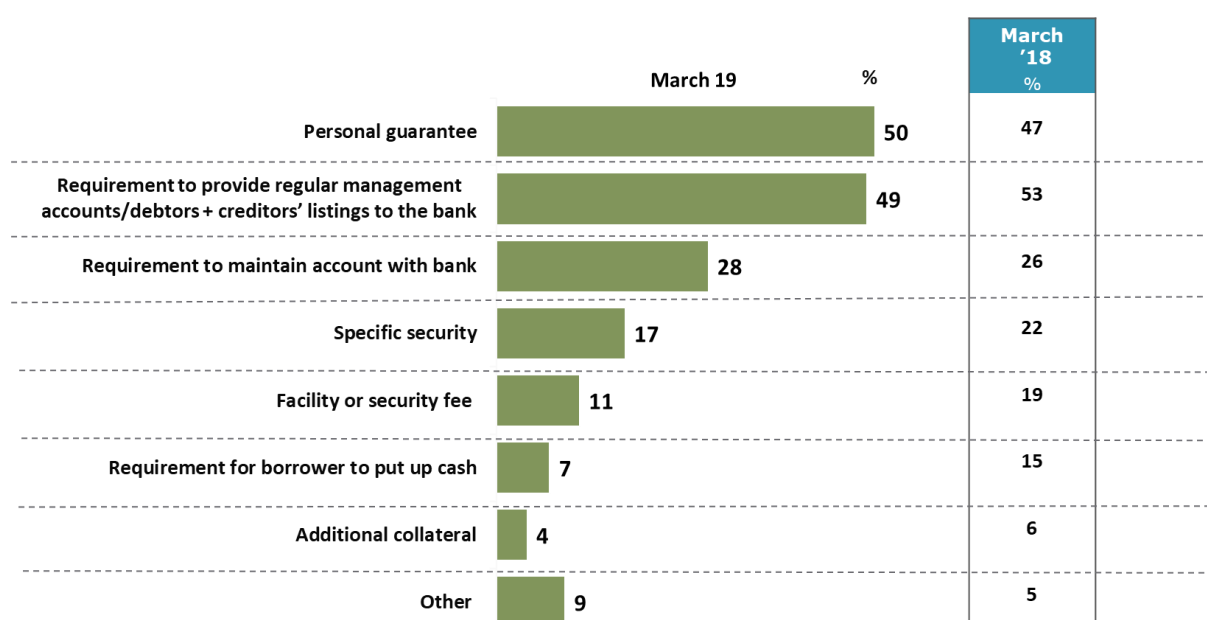
7.7 Criteria, Conditions and Interest Rates Attached to Approved Applications

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

Conditions attached to approved/partially approved applications

(Base: All SMEs Seeking Bank Finance Successful or Partially criteria attached – 141)

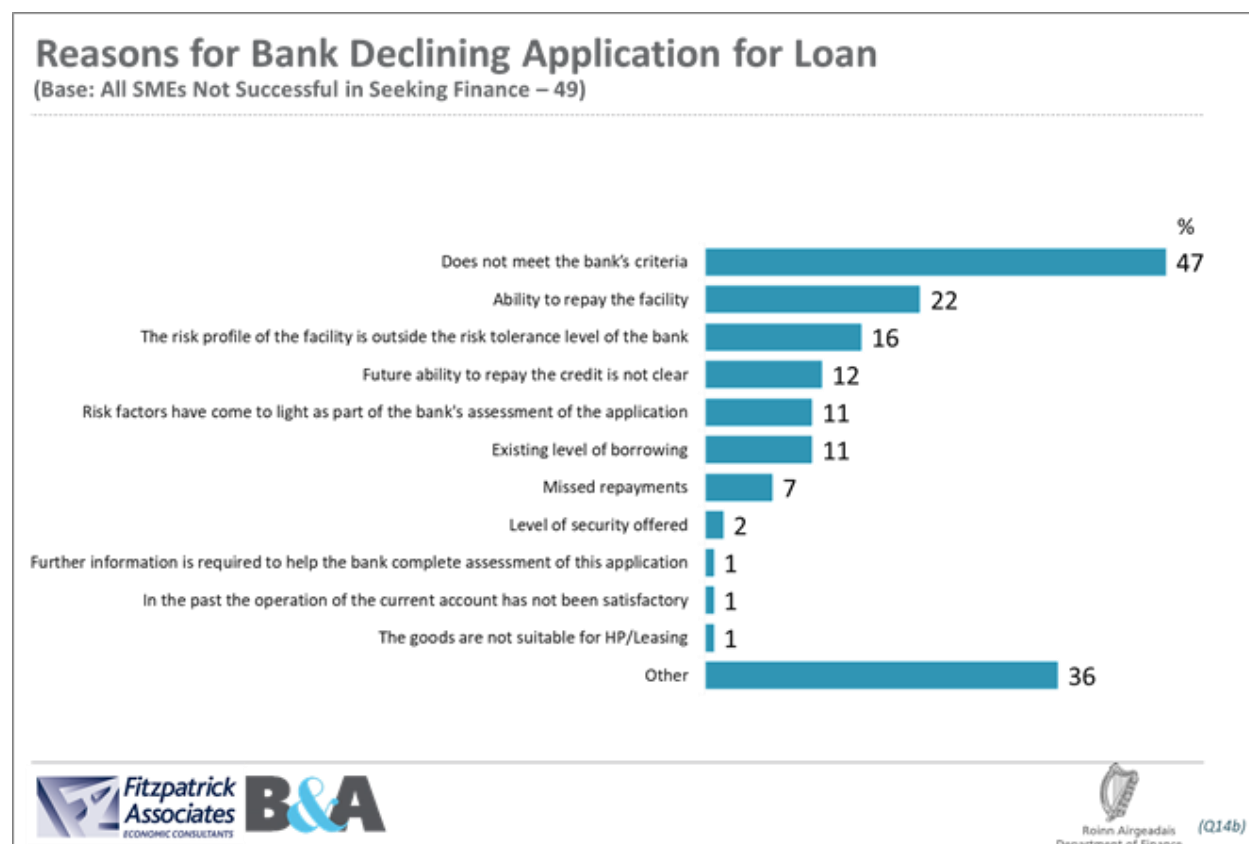
Excluding All who said 'No Criteria' attached



Just under half of SMEs with approved finance applications (49%) had at least one criterion/condition attached to them. This is a decrease from the March 2018 figure of 65%.

7.8 Reasons for Decline

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



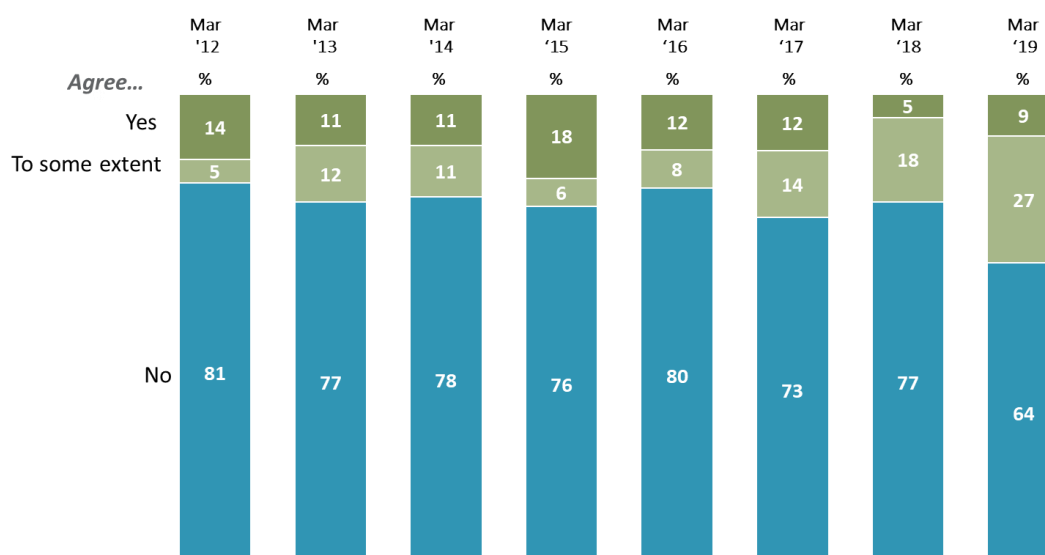
7.9 SME Opinions on Reasons for Decline

About 64% of SMEs that were declined bank finance in the period to March 2019 and disagreed with the reasons given for their refusal. This represented a decrease from 77% in March 2018.

About 9% of SMEs that were declined bank finance fully agreed with the reasons for their refusal. This was up from the corresponding March 2018 figure of 5%

Agreement With Bank Decision To Refuse Credit

(Base: Not Successful and reason given – 34*)



*Caution low base sizes

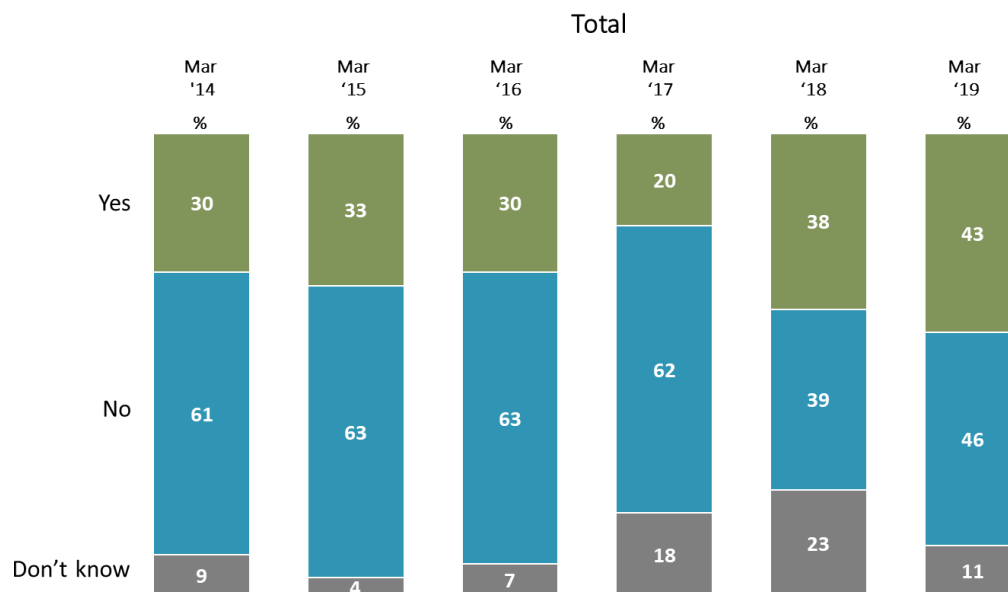
7.10 The Right to an Internal Bank Review

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

The proportion of respondents that were uncertain as to whether or not they were informed of their right to a review also decreased from 23% in March 2018 to 11% in March 2019.

Informed Of Right To An Internal Review

(Base: All SMEs Refused Credit – 49)



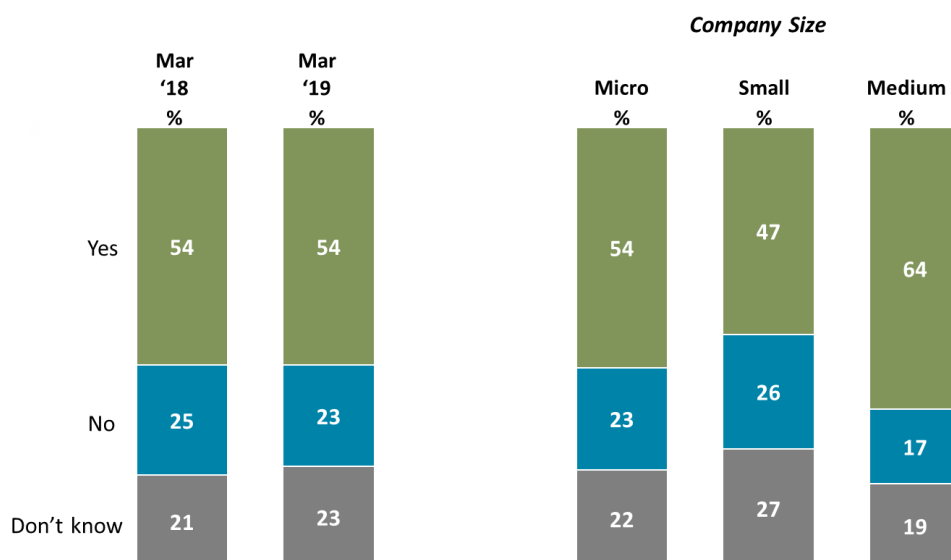
*Caution low base sizes

7.11 Credit Review Office

Excluding “don’t knows”, about 68% of those applicants that applied for credit from the participating banks said that they were informed of their right to a decision review by the Credit Review Office.

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

(Base: All SMEs Requesting finance with AIB, BOI, Ulster Bank, PTSB – 321)



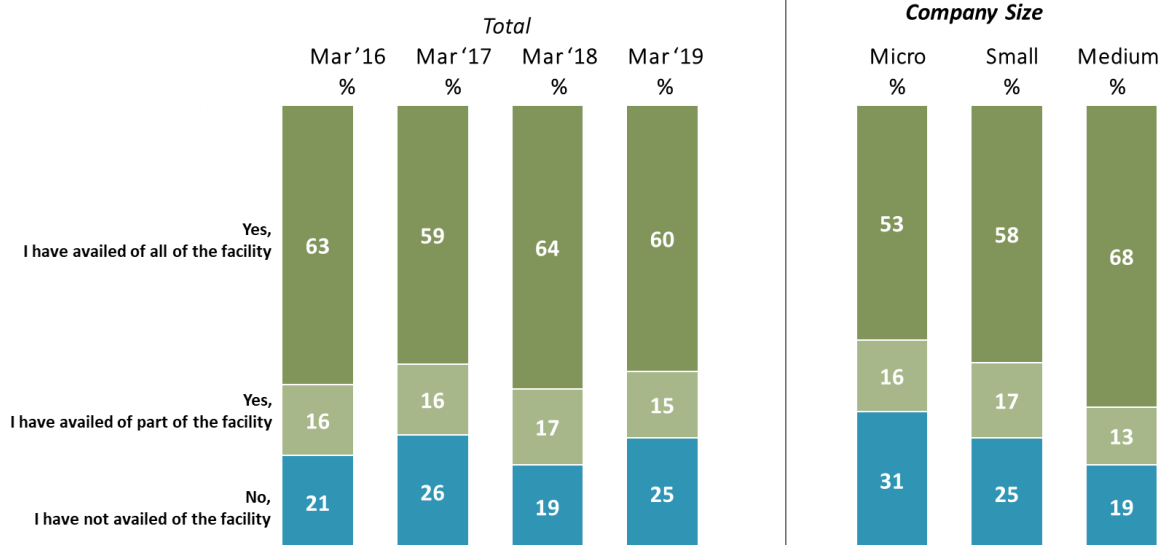
NB: This question was changed in 2018 to ask all those applying to AIB, Bank of Ireland, Ulster Bank and Permanent TSB (previous waves having only asked applicants to AIB and Bank of Ireland).

7.12 Drawdown of Approved Facilities

About 60% of SMEs whose applications were approved have availed fully of the given credit facilities – this is slightly lower than the 64% registered in March 2018. An additional 15% have partially availed of the credit facilities, while 25% have not yet availed of the facilities – up from 19% in March 2018.

Availed Of Facility To Date

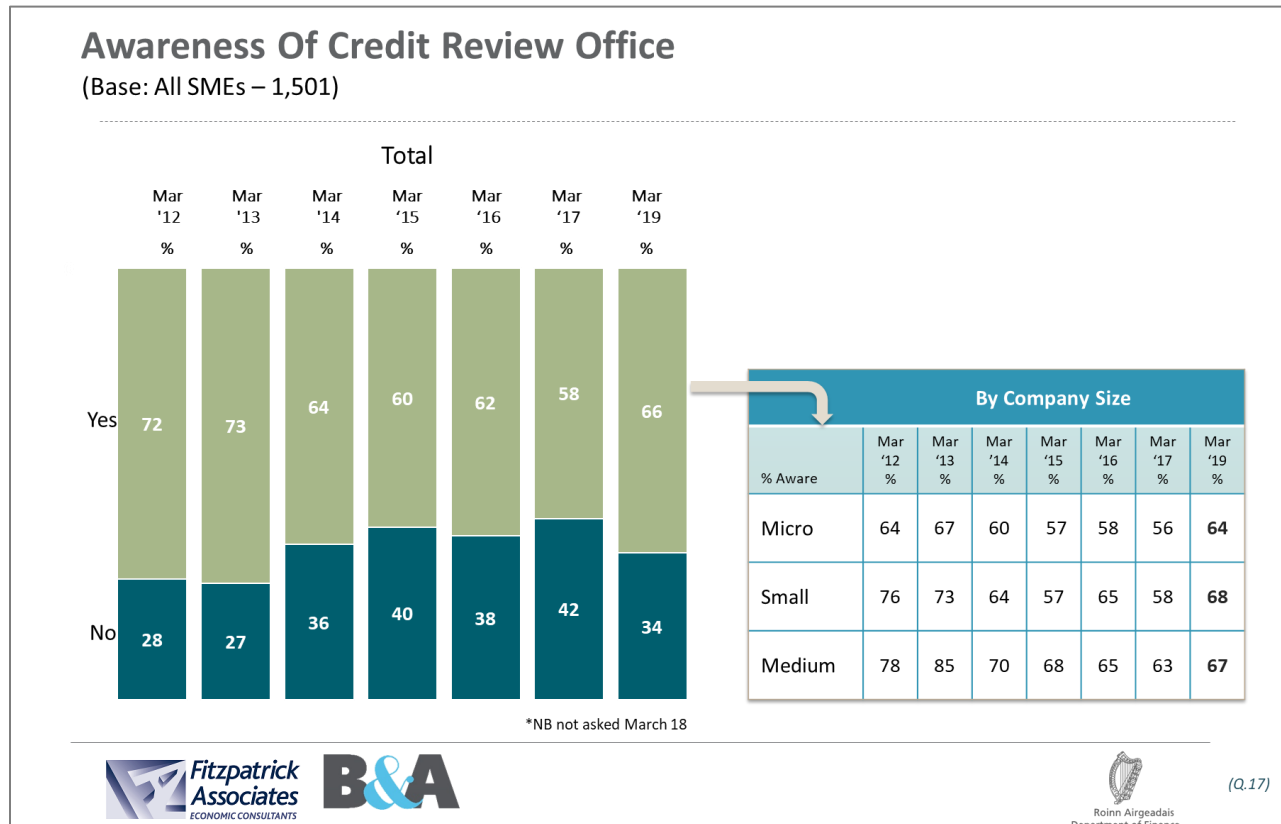
(Base: All Successful/Partially Successful In Application – 292)



8.0 SME Awareness of Credit Supports

8.1 Credit Review Office

An increase in awareness amongst SMEs of the Credit Review Office is evident across all company sizes, with 66% of SMEs now aware of its existence (up from 58% in March 2017).



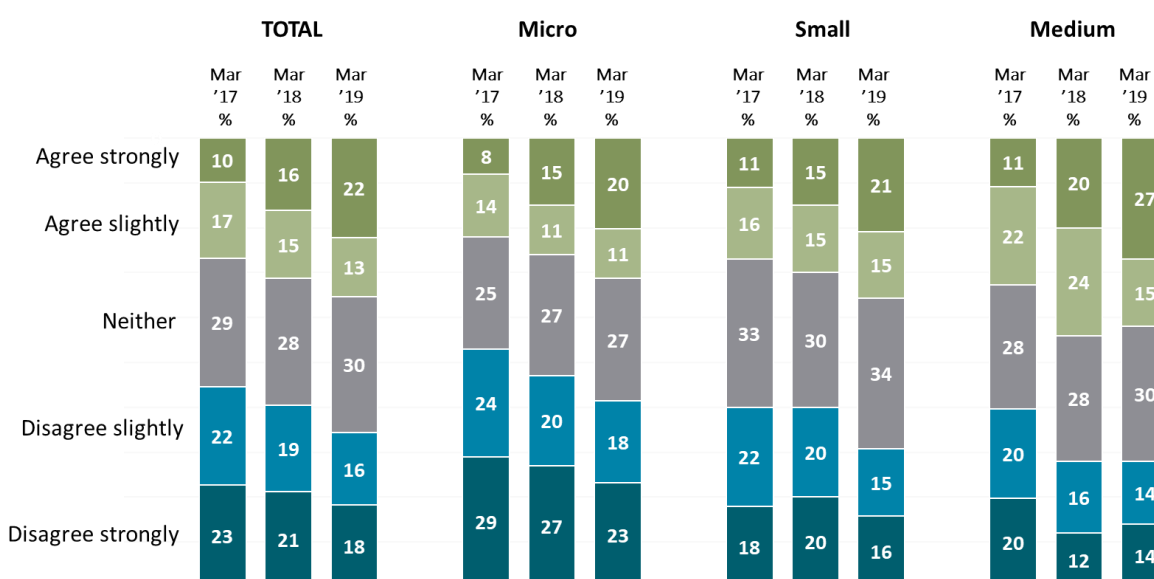
N.B. This question was not asked in the March 2018 wave.

8.2 Knowledge of State Funded Support

About 35% of SMEs interviewed for the March 2019 wave felt that they have a good knowledge of the state funded support available to their business (up from 31% in 2018), while 34% did not. Levels of knowledge of such support are, in particular, lowest amongst micro firms.

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

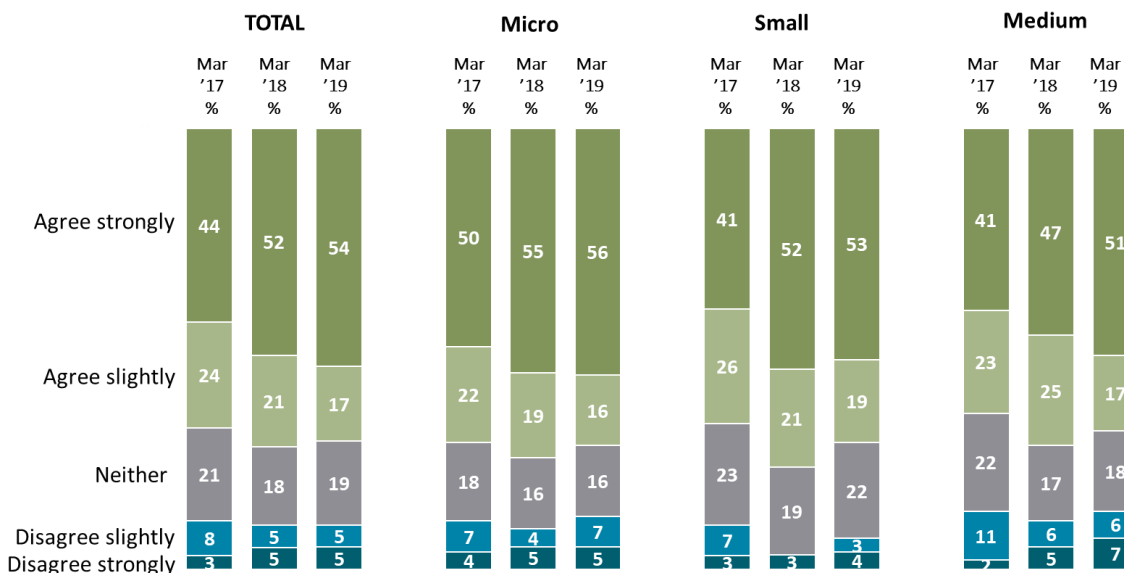
(Base: All SMEs – 1,501)



About 71% of all SMEs believed that there should be more information available on state funded support, down slightly from 73% in March 2018.

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

(Base: All SMEs – 1,501)

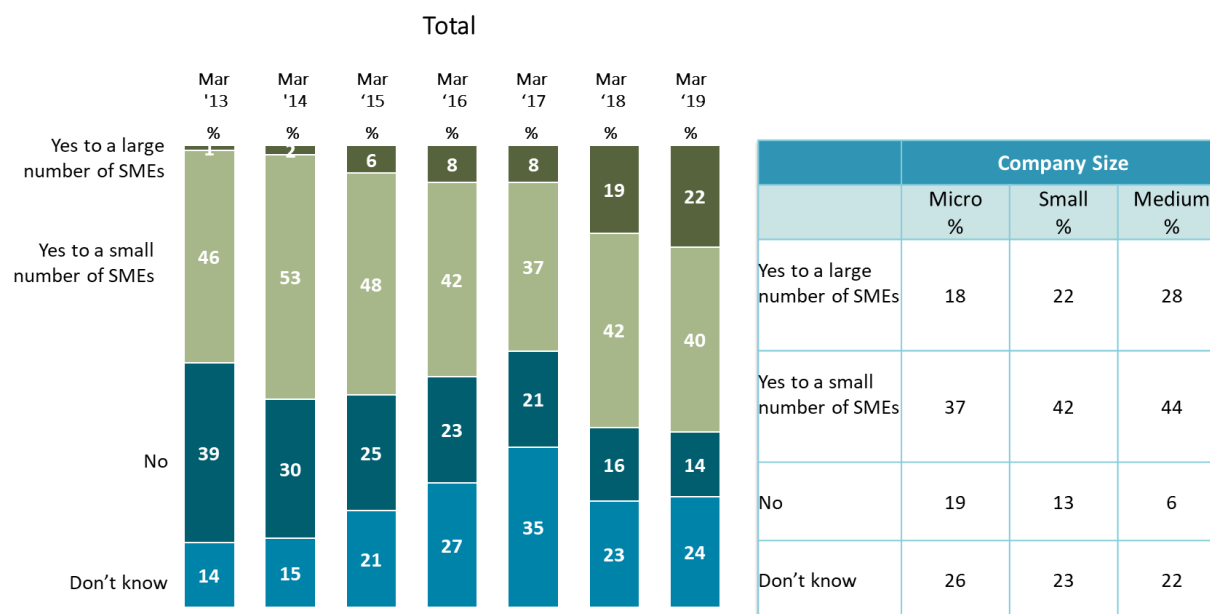


8.3 The Perception of Banks Lending to Irish SMEs

About 14% of SMEs interviewed for the March 2019 wave believed that banks are not lending to the SME sector – a marginally lower level than in March 2018. About 40% believed that banks are lending to a small number of SMEs, while 22% believed that banks are lending to a large number of SMEs – an increase from 19% in March 2018.

Perception of Banks Currently Lending to Irish SMEs

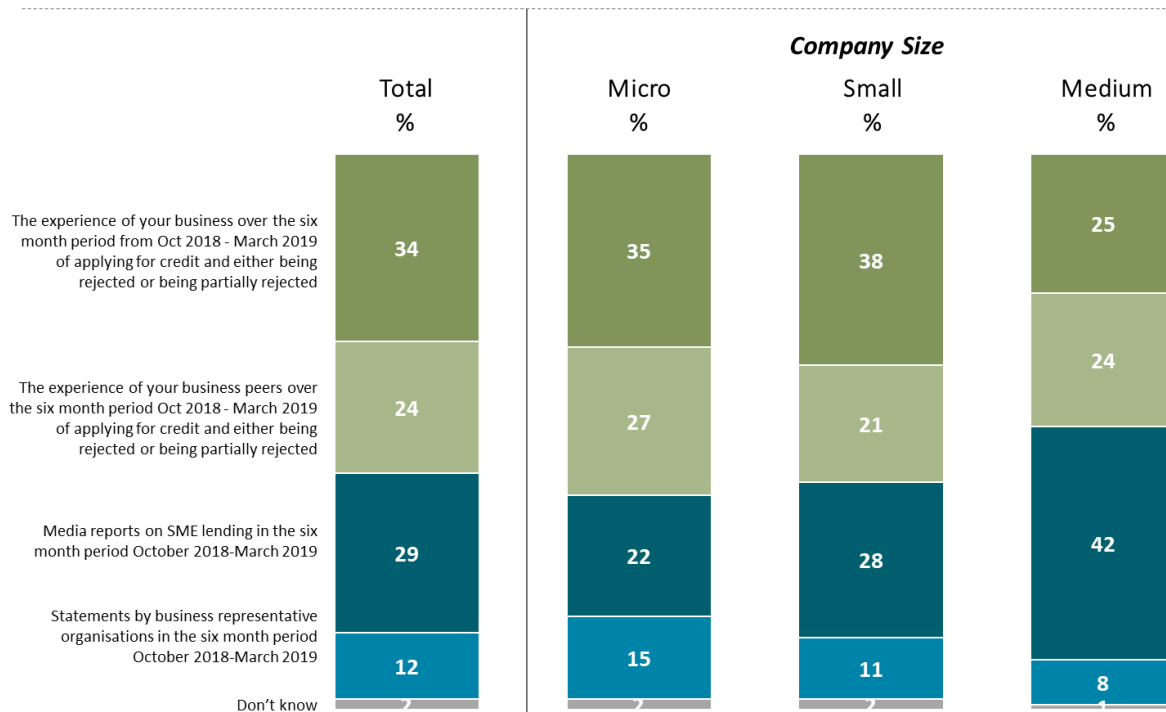
(Base: All SMEs – 1,501)



Of those firms that suggested that banks are not lending, or are only lending to a small number of companies, 34% claimed that this was based on personal experience – compared to 35% in March 2018. Others held their opinions based on business organisations, media reports or peers.

View On Banks Lending to Irish SMEs in Last 6 Months

(Base: All who feel banks not lending or just to a small number – 817)



Appendix : Questionnaire

DEPARTMENT OF FINANCE SME CREDIT DEMAND SURVEY QUESTIONNAIRE

10th May, 2019

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

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

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

SECTION 1 – COMPANY INFORMATION

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

SINGLE CODE

List 32 counties

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

Yes..... 1

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

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

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

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

CHECK QUOTAS

Agriculture & forestry & fishing	1	
Manufacturing - Processing & Food from agricultural activities + manufacturing of food from non-agricultural activities (tobacco and beverages)	2	
Manufacturing - High Tech (including pharmaceutical, electronic, electrical equipment etc	3	
Manufacturing - All other manufacturing.	4	
Construction - General construction (including general building & civil engineering).	5	
Construction - All other construction activities (excluding speculative activities).	6	
Wholesale	7	
Retail Trade & Repairs (non-motor)	8	
Retail Trade & Repairs (motor only)	9	
Hotels & restaurants	10	
Transport, storage & communications	11	
Financial & Insurance Activities	12	
Real estate activities (excluding speculative activities)	13	
Professional, scientific & technical	14	
Administrative & Support Service Activities	15	
Human Health & Social Work Activities	16	
Other	17	CLOSE

ASK ALL

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

_____SCRIPTER: MIN-MAX 1-249, IF MORE THAN 250 ☐

CLOSE ONLY FOR QUOTA CONTROL, NOT PART OF SCRIPT

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

- Q.2a** What was your business' turnover for the 12 month period **April 2018 to March 2019** as per the following bands?

READ OUT - SINGLE CODE

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

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

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

READ OUT – SINGLE CODE

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

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

Yes 1
 No 2 – GO TO Q.3

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

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

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

_____ % of total sales

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

ASK ALL

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

_____ Years (MIN-MAX 0-999)

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

READ OUT - MULTI CODE

Maintain regular management accounts1
Maintain an existing business plan..... 2
Estimate cash flow requirements for the coming months3
None of these (DNRO)..... 4

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

An Irish-owned firm..... 1
A non-Irish-owned firm 2
Other3

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

Yes 1 – ASK Q.4b
No 2
Don't know 3

GO TO Q.4c

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

	Percent
Percentage of female ownership	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> %
Don't know	1

ASK ALL

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

- Yes 1
 No 2
 Don't know 3

Q.5 For the 6 month period from October 2018-March 2019, has the turnover of your business increased, decreased or stayed the same compared to the previous 6 month period?

SINGLE CODE

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

Q.6 For the 6 month period from October 2018-March 2019, has your company made a profit, broke even, or made a loss?

READ OUT - SINGLE CODE

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

Q.6a For the 6 month period from October 2018-March 2019 has your number of staff increased, decreased or stayed the same?

SINGLE CODE

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

SECTION 2 – FINANCING YOUR BUSINESS

ASK ALL

- Q.7** For the 6 month period from October 2018-March 2019, have you sought professional advice regarding your financing requirements? By professional advice we are referring to advice from auditors, accountants or professional financial advisors.

SINGLE CODE

Yes..... 1
No 2

- Q.7a** For the 6 month period from October 2018-March 2019 has the average number of days within which you pay your suppliers increased, decreased or stayed the same?

SINGLE CODE

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

- Q.7b** For the 6 month period from October 2018-March 2019, has the average number of days within which your customers pay you increased, decreased or stayed the same?

SINGLE CODE

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

- Q.7c** For the 6 month period from October 2018-March 2019, have you missed any repayments on the following? **READ OUT.**

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

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

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

READ OUT FOR ALL ABOVE

We have re-structured the loans with the creditor..... 1
We have paid the balance without any need for re-structuring..... 2
The balance is still outstanding without any re-structuring..... 3
Other, please specify:.....(DO NOT READ OUT)..... 4

ASK ALL

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

SINGLE CODE

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

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

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

Q.9 In the 6 month period from October 2018-March 2019, did you request from any bank, any of the following types of finance? It does not matter if you were successful or not.

READ OUT - MULTICODE

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

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

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

Q9a Why did you not apply for bank finance in the six month period from October 2018-March 2019?

MULTICODE, PROBE FULLY, DO NOT READ OUT.

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

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

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

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

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

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

SINGLE CODE

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

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

READ OUT – MULTICODE

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

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

SINGLE CODE

- October 2018 1
- November 2018..... 2
- December 2018..... 3
- January 2019..... 4
- February 2019 5
- March 2019... 6
- Cannot recall/don't know..... 7

ASK Q.11b FOR ALL WHO ANSWERED CODES 1, 3, 5, 6, 7 in Q.9

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

OPEN END: INSERT AMOUNT

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- Don't know 8
- Refused 9

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

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

OPEN END: INSERT AMOUNT

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

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Don't know 8

Refused 9

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

MULTIPLE ANSWER ALLOWED

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

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

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

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

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

SINGLE CODE

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

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

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

OPEN END: PROBE FULLY

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

SINGLE CODE

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

IF STILL PENDING CODE 7 AT Q.13

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

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

Q.13b Were you successful in your _____ (FROM Q.9) request?

SINGLE CODE

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

ASK Q.14a1 IF PARTIALLY SUCCESSFUL - CODE 3 AT Q.13b

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

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

ASK Q.14a2 TO ALL SUCCESSFUL (CODE 1 AT Q.14) OR PARTIALLY (CODE 3 AT Q.13b) AND >70% (CODE 1 AT Q.14A1) SUCCESSFUL IN APPLICATION AT Q14

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

READ OUT – MULTICODE

- Requirement to provide regular management accounts/debtors + creditors' listings to the bank 1
- Personal guarantee 3
- Specific security 4
- Facility or security 5
- Requirement to maintain account with bank 8
- Additional collateral 10
- Requirement for borrower to put up cash 11
- Other (specify) 13
- No 14

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

Q.14a3 What is the average interest rate attached to your _____ (FROM Q.9) request?

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

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

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

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

READ OUT – MULTICODE

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

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

Q.14c Did you agree with the reasons that the bank gave you for turning down your application?

SINGLE CODE

Yes1
No2
To some extent.....3

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

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

SINGLE CODE

Yes1
No2
Don't know (DNRO)3

ASK Q.14e ONLY IF CODES 1 (AIB) OR 3 (Bank of Ireland) 6 (ULSTER BANK)

And 7 Permanent TSB AT Q.10

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

Yes1
No2
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

Yes1

No2

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

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

SINGLE CODE

Yes, I have availed of all of the facility1

Yes, I have availed of part of the facility2

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 it1

Have sufficient internal funds/reserves2

Waiting for Approval3

Too much collateral required4

Disagree with terms & conditions5

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 June 2019 to November 2019)?

SINGLE CODE

Yes1

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 it1

Have sufficient internal funds/reserves2

Prefer not to borrow3

Existing finance products/restructures are already in place4

Inability to pay/meet requirements of bank finance5

Don't trust the banks/believe they are not lending6

Application process for bank finance is too difficult7

Can raise finance from other non-bank sources8

Other Specify9

No ReasonX

ASK ALL

Q.16d Thinking about your bank debt, have any of the following adjustments been put in place in the over the six month period October 2018-March 2019?

READ OUT - MULTI CODE

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

SECTION 3 - AWARENESS OF CREDIT SUPPORT

ASK ALL

- Q.17** 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.18** 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.18

- Q.19** 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 2018-March 2019) 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 2018-March 2019) 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 2018-March 2019) 3

Statements by business representative organisations in the last 6 months
(i.e. from October 2018-March 2019) 4

ASK ALL

- Q.20** 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 business 4

SECTION 4 – INVESTMENT ACTIVITY AND COMPANY ASSETS

ALL NEW QUESTIONS

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

- Q.21** Firstly, what was the approximate value of your company's total assets for the year 2018? By total assets we mean all assets including fixed assets, cash, stocks or other liquid assets. Even if you are not entirely certain of this figure, please give your best estimate. RECORD PRECISE NUMBER BELOW.

€

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Don't know/Refused 1 – ASK Q.21A

- Q.21a** Which of the ranges I am about to read out comes closest to what you feel the value of your company's total assets were for the year 2018? READ OUT.

Up to €100,000	1	
€100,000-€249,000	2	
€250,000-€499,000	3	
€500,000-€999,000	4	- ASK Q.21B
€1-€2 million	5	
€3-5 million	6	
€6 million+	7	
Don't know/Refused	8	GO TO Q.22

- Q.21b** Roughly what proportion of this _____ (VALUE FROM Q.21/Q.21A) in total assets was in fixed assets, and what proportion was in cash, stocks or other liquid assets?

Fixed assets

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

 %

Cash, stocks or other liquid assets

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

 %

Don't know/Refused 1

ASK Q.21c OF ALL WITH ANY CASH, STOCKS OR LIQUID ASSETS AT Q.21b

- Q.21c** And what proportion of these cash, stocks or liquid assets were in cash or cash equivalents?

Cash and cash equivalents

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

 %

Don't know/Refused 1

Q.22 What was the approximate turnover of the company for the year 2018? Again, even if you are uncertain of the precise figure, please give your best estimate.

€

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Don't know/Refused

1 – ASK Q.22A

Q.22a Which of the ranges I am about to read out comes closest to your company's total turnover for 2018?

- 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
- Refused/don't know (DNRO) 99

Q.22c What was the approximate cost of production/expenditure of the company for the year 2018? Again, even if you are uncertain of the precise figure, please give your best estimate.

€

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Don't know/Refused

1 – ASK Q.22A

Q.22d Which of the ranges I am about to read out comes closest to your company's total cost of production for 2018?

- 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
- Refused/don't know (DNRO) 99

Q.23 On average, how many people were employed in the business in 2018?

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Don't know/Refused__1

Now I would like to ask you about your company debts and the interest payments you face.

Q.24 What was the approximate value of your company's total outstanding debt, if any, for the 2018 financial year? Please give your best estimate.

€

Don't know/refused

1 – **ASK Q.24A**

None/No debt

2 – **GO TO Q.25**

Q.24a Which of the following ranges, comes closest to the approximate value of your company's outstanding debt in 2018? **READ OUT**

- | | | |
|--------------------|---|-------------------|
| Up to €100,000 | 1 | |
| €100,000-€249,000 | 2 | |
| €250,000-€499,000 | 3 | |
| €500,000-€999,000 | 4 | |
| €1-€2 million | 5 | |
| €3-5 million | 6 | |
| €6 million+ | 7 | |
| Don't know/Refused | 8 | |
| No debt | 9 | GO TO Q.25 |

ASK Q.24b OF ALL WITH DEBT AT Q.24 OR Q.24a

Q.24b What was the average interest rate paid on the (VALUE FROM Q.24) debt during 2018?

%

Don't know/refused

1

None/No debt

2

ASK ALL

Q.25 What is the average term of any long term debt that your company currently faces?
RECORD BELOW:

YEARS

Don't know/Refused _____ 1

Have no long term debt _____ 2

Q.26 In 2018, can you tell me how much your firm invested in each of the following type of assets
[provide EURO amount]: Providing an estimate would be fine. READ OUT

	Amount invested (including nothing invested)	Nothing invested	Don't know / No reply
Buildings or other construction activities	€ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	1	2
Vehicles and other transport equipment	€ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	1	2
Other fixed assets (including machinery and equipment)	€ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	1	2
Intangible assets (i.e. research and development, patents, trademarks and copyrights.)	€ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	1	2

ASK Q.28 FOR EACH ASSET INVESTED IN AT Q.26

Q.28 In relation to your investment activity, in the following categories, did you: READ OUT

	Invest less than you would like	Invest adequately	Don't know /Refused
Buildings or other construction activities	1	2	3
Vehicles and other transport equipment	1	2	3
Other fixed assets (including machinery and equipment)	1	2	3
Intangible assets (i.e. research and development, patents, trademarks and copyrights.)	1	2	3

Q.29 [ASK FOR THOSE WITH NONE AT Q26 or 1 at Q28]:

Why did your firm not invest or invest less than you would like? PROBE TO APPROPRIATE CODE. DO
NOT READ OUT.

	Q.29
My current capacity is adequate	1
Insufficient internal finance	2
Cost of other inputs (materials, labour) is too high	3
Could not access external finance	4
External finance too expensive	5
Business prospects of your sector too uncertain	6
General economic climate too uncertain	7
Other	8
Don't know/refused	9

ASK IF >0 FOR EACH OF AT Q.26 (ONLY THESE TWO)

Q.30 For each of the following investments, can you tell me how you financed that investment in 2018 in terms of per cent of total investment? Firstly, what percentage of your € _____ (VALUE FROM Q.26) 2018 investment in _____ (INVESTMENT TYPE) did you finance through (Financing Source Type)? **REPEAT FOR ALL OTHER FINANCING SOURCE TYPES.**

Financing source READ OUT ↓	Buildings and Construction	Other fixed assets
Internal financing/retained earnings	% of total	% of total
Leasing or Hire Purchase	% of total	% of total
Borrowed from Banks	% of total	% of total
Owner's contribution	% of total	% of total
On Supplier Credit	% of total	% of total
External equity	% of total	% of total
Other	% of total	% of total
Don't know/Refused	% of total	% of total

ASK ALL

Q.31 In 2018, how much did you spend on training for staff?

€

None _____ 1

Don't know/refused _____ 2

Q.32 Due to the broad economic outlook, we would like you to give us your view of how certain or uncertain your company felt about making investment decisions in 2018. Please indicate on a scale from 1 to 100 how certain or uncertain you felt about making investment decisions in 2018, where 100 is entirely certain, and 1 is entirely uncertain. Please be as specific as you can be in your response.
RECORD VALUE BELOW.

Q.33 I am now going to read out a couple of statements to do with your attitudes towards risk and debt. For each statement, please indicate whether you agree or disagree with it on a scale from 1 to 5 where 1 is strongly agree and 5 is strongly disagree. **READ OUT EACH STATEMENT IN TURN.**

	Strongly agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Don't know
I am willing to expand my business even if it brings more risk/challenge	1	2	3	4	5	6
I am willing to borrow from banks to fund an expansion of my business	1	2	3	4	5	6

Q.34 Finally, how likely or unlikely would you be to invest 30% of your business's annual turnover in a new business venture, on a scale of 1 to 7, where 1 is extremely likely and 7 is extremely unlikely.

	Extremely likely	Moderately likely	Somewhat likely	Neither likely nor unlikely	Somewhat unlikely	Moderately Unlikely	Extremely Unlikely	Don't know
Investing 30% of your annual turnover in a new business venture	1	2	3	4	5	6	7	8