



# SME CREDIT DEMAND SURVEY

April - September 2014



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PREPARED FOR  
The Department of Finance  
November 2014



An Roinn Airgeadais  
Department of Finance



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## Overview of Report - Credit Demand (April to September 2014)

Base – All SMEs interviewed = 1,502

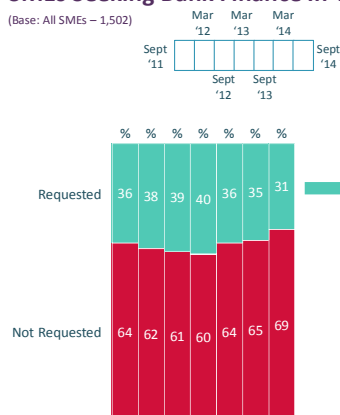
### Demand

Requested

**31%** -4

### SMEs Seeking Bank Finance In The Past 6 Months

(Base: All SMEs – 1,502)



	Requested By Company Size						
	Sept '11 %	Mar '12 %	Sept '12 %	Mar '13 %	Sept '13 %	Mar '14 %	Sept '14 %
Micro	27	30	36	36	30	29	24
Small	41	43	41	43	39	40	38
Medium	41	42	43	41	39	37	32

REDC

(Q.9)

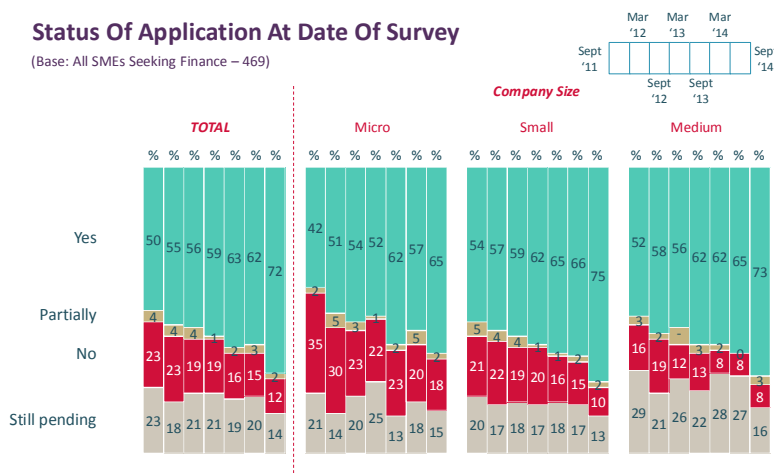
### Application Decisions (incl. pending)

Approval/Partial

**74%** +9

### Status Of Application At Date Of Survey

(Base: All SMEs Seeking Finance – 469)



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(Q.14)

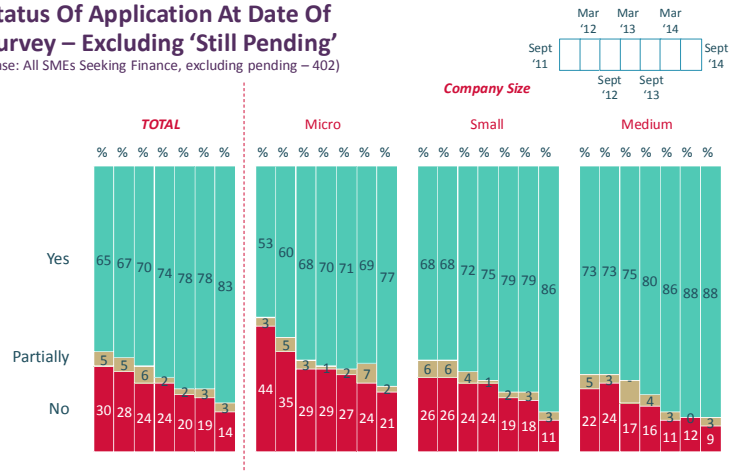


## Application Decisions (excl. pending)

Approval/Partial  
**86%** +5

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

(Base: All SMEs Seeking Finance, excluding pending – 402)

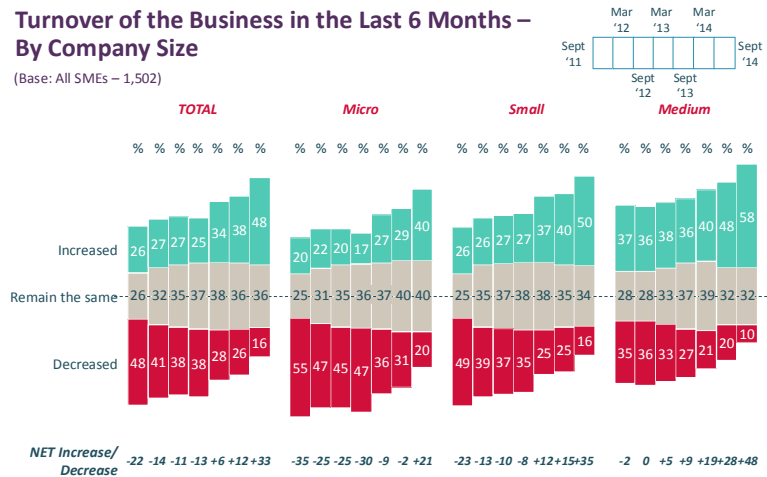


## Trading Performance (all SMEs)

Stable/Increase  
**84%** +10

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

(Base: All SMEs – 1,502)



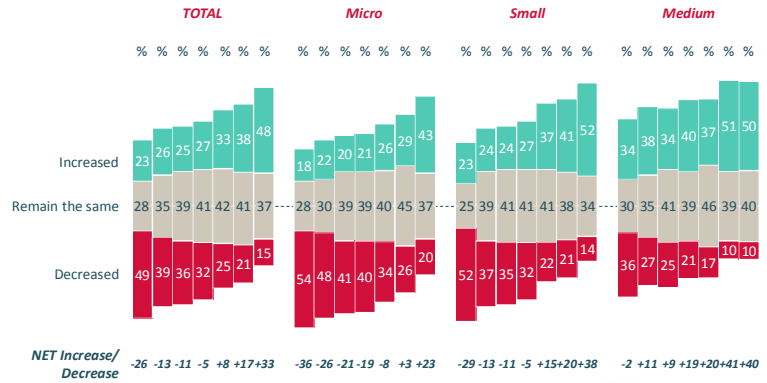


**Non-Seasonal Trading Performance (excl. SMEs with Seasonal Turnover)**

Stable/Increase  
**85%** +6

**Turnover of Non-Seasonal Businesses in the Last 6 Months – By Company Size**

(Base: All SMEs – 678)



(0.5)



## Commentary

*The results from this period's Credit Demand Survey mark another six months of significantly improving trading conditions among Irish SMEs. The great majority (84%) of SME now report stable or improving trading conditions. As a result the majority of SMEs report that they are either breaking even and or making profits. In turn this has led to a further overall stabilisation and increase in staffing levels.*

*At this stage of the cycle it appears that in general SMEs are using their improved and more stable financial position to re-invest in infrastructure that may not have been updated for 5-7 years during the recession, and as such are aiming to secure the business foundations before considering growth opportunities. With the need for finance to support working capital in decline, and as yet only a limited increase in demand for growth, overall we see a decrease in credit demand.*

*The lending picture of the banks to those still applying for credit is also very positive, with significantly higher approval rates (86%) across all company sizes. There is however some evidence those applications for growth are slightly more likely to be declined by the banks, and this needs to be addressed in order to encourage the desire for growth across the SME sector.*

*Less than a quarter (23%) of all SMEs now believe that banks are not lending, but at the same time the majority either state they believe banks are lending to a small number of SMEs or that they don't know. The new trading conditions suggest that banks may need to do more to encourage credit demand for growth purposes, and the new Strategic Banking Corporation of Ireland will assist in this regard.*

*However, while many SMEs are not currently focused on where they can obtain credit support, further communication of Government supports is necessary in order to boost potential for growth.*



## 1.0 Summary

The following is the summary of results from the credit demand survey covering the period April 2014 to September 2014, and the trends compared to the six previous waves reported in March 2014, September 2013, March 2013, September 2012, March 2012 and September 2011.

### 1. Trading Conditions see a significant improvement over this six month period, with resulting improvements in staffing stability and profits

There has been a significant improvement in trading conditions between March and September 2014. The great majority of SMEs (84%) have seen a stable or improving turnover during the period, with almost half (48%) increasing turnover. Profits as a result are also recorded by 56% of all SMEs, a 5% increase on the previous period. Improving turnover and profits lead to more SMEs taking on new staff compared to March 2014. However for the majority improved conditions have simply helped to stabilise staffing levels at this stage.

### 2. SME Credit Demand falls back again

Credit demand from the SME sector has decreased overall, falling back to 31% in September 2014 compared to 35% in March 2014 of all SMEs having requested at least one type of bank finance. The fall is however less among those where seasonal demand is excluded from 30% in March 2014 to 29% in September 2014.

### 3. Improved conditions lead to less demand for credit to support working capital requirements

Improved trading conditions mean that far fewer companies are seeking credit in order to survive day to day financial pressures. Only just under half (48%) of those SMEs seeking finance between April and September 2014 did so for working capital needs, compared to 61% in the previous period. Improved turnover and profit have led to a greater proportion of SMEs suggesting they fund working capital through internal funding/retained earnings (68%), while there is also evidence of a stabilisation in payment times for creditors.

### 4. Further evidence that business consolidation is first priority in improved conditions, rather than growth

It is evident that many SMEs are focusing on consolidating and re-investing in their business after tough times, rather than pursuing new growth opportunities and as such are still reluctant to borrow in order to spur on growth. While there has been an increase in demand for new loans to fund growth and



finance/leasing, on the other side the demand for re-working of existing working capital requirements has fallen back significantly, resulting in a lower demand overall. It is also the case that the key growth area in new credit demand is in fact for leasing or hire purchase of equipment or vehicles, suggesting that the first priority for SMEs that have seen improved trading conditions is to renew resources that have not seen any significant investment for some time.

#### **5. Current evidence of future growth demand is limited**

While there has been an increase in demand for growth, this is only seen among a few SMEs. When asked directly 76% of all businesses state that their focus is on stabilising the business, and any growth is limited. However, 11% of SMEs state that their focus is now on rapid growth.

#### **6. Further improvement in decline rates for bank finance, with significant improvement in approval rates**

The overall decline rate for bank finance has decreased from 15% in March 2014 to just 12% for credit applied for in the period April 2014 to September 2014. This is coupled with a significant improvement in the approval rate of bank finance which jumps from 65% fully or partially approved in March 2014, to 74% fully or partially approved in September 2014. This is partly due to better decline rates, but also due to a decrease in applications still pending from 20% to 14%. Approval rates improve across all company sizes, with a very large reduction in applications from medium-sized companies that are still pending, from 27% to 16%.

#### **7. Decline Rates for Growth higher than for Working Capital**

Although the gap has closed somewhat, it still appears that banks are currently more likely to approve funding for working capital (71%) than for growth (64%). Decline rates for growth stand at 17%, with the decline rate for working capital at just 13%.

#### **8. Application turnaround time remains steady, but improved for Micro SMEs**

The average time from submission of application to reaching a decision on the finance request remains at 19 working days, which is still longer than the 15 working days target set by the current code of conduct for business lending. However, 62% of applications continue to be turned around within the target of 15 working days. Micro companies see an improved turnaround time to leave the average coming in beneath the requisite 15 days.





#### **9. Personal Guarantee conditions in decline**

73% of all approved credit applications have criteria and conditions attached to them – the most imposed condition being regular management accounts provided to the bank. However, it is positive to see that personal guarantees as a condition of finance declines again this period to 38%, down from 44% in March 2014 and 50% a year ago.

#### **10. Bank controlled reasons for decline fall back**

A significantly lower proportion (32%) of declined applicants have given a bank controlled reason for that decline. This is down from 58% a year ago and shows that the banks appear to be trying to lend more to SMEs. In particular there are far fewer SMEs stating that the bank simply did not want to lend to that type of business.

#### **11. Less than a quarter of SMEs now believe that banks are not lending**

Just 23% of all SMEs now believe that banks are not lending, down from 30% in March 2014 and 37% a year ago. The majority (52%) still believe however that banks are only lending to a small number of SMEs, with 4% believing that banks are lending to a large number of SMEs. It is interesting to see that the number of SMEs who state they do not know whether banks are lending or not has increased to 22%.

#### **12. Awareness of Government finance support options remains relatively low**

Awareness of Government schemes remains quite low, however this is in an environment where most SMEs claim not to be targeting growth. The most notable drop in awareness is for the Credit Guarantee Scheme, where awareness has fallen to 39% from the 52% aware in March 2014. However, awareness of the recently launched “Supporting SMEs” online tool already stands at 23% of all SMEs, an extraordinary result given that the online tool was only launched in May this year.



## Demand & Credit Outcome Summary – All SMEs

Demand

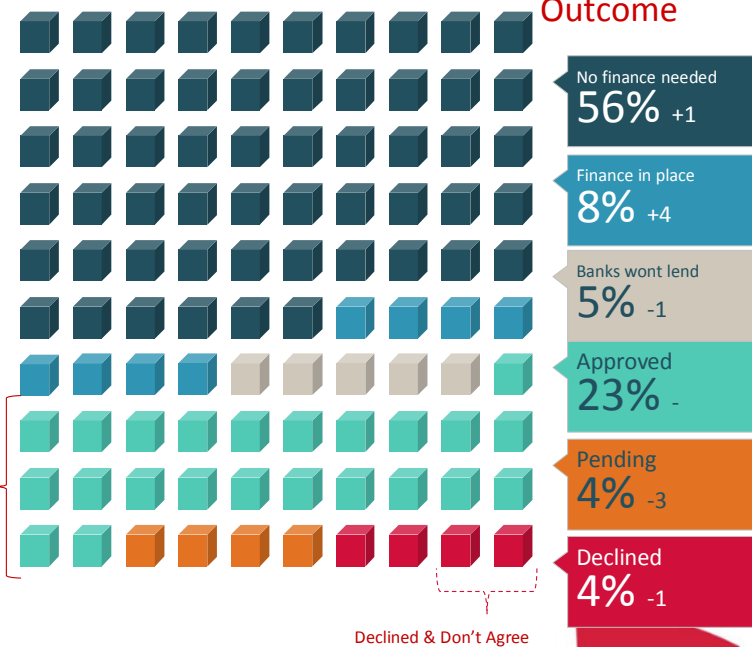
No Request

**69%** +4

Demand

**31%** -4

Outcome





## 2.0 Introduction

This report presents the results for the latest wave of the SME Credit Demand Survey commissioned by the Department of Finance, and covers the period April to September 2014. RED C Research & Marketing Ltd, the independent market research and polling organisation, have conducted both this wave and the previous four waves covering the period April 2012 to March 2014.

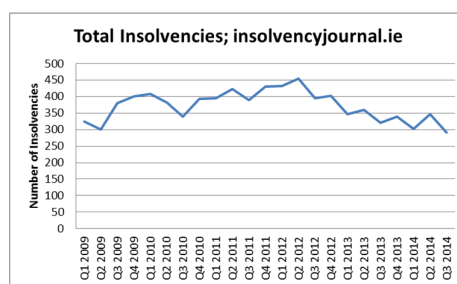
The key parameters of the survey have been kept identical to those in previous waves in order to ensure comparability of data over time. This includes the quotas set for company size and industry, the database of leads used to select businesses for interview, and the key questions in the questionnaire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

All interviews for the study were conducted through RED C's own call centre based in Dundalk. In total 1,502 telephone interviews were conducted with a random sample of Irish micro, small and medium SMEs. The interviews were conducted between the 1<sup>st</sup> and 16<sup>th</sup> October 2014.

### 2.1 Economic Context

The economic recovery has gained momentum in recent quarters with growth recorded in both domestic demand and exports. GDP is forecast to grow by 4.7 per cent this year and 3.9 per cent next year.

The standardised unemployment rate continues to decrease and was 11% in October 2014, down from a high of just over 15% in early 2012, and is now below the euro area average. We also see a downward trend in the number of insolvencies over the past two years.





The Q4 2014 quarterly bulletin from the Central Bank suggests a broad-based economic recovery, driven by both domestic demand and export::

*“The recovery in the Irish economy has gained momentum and is broadening, though the underlying strength of the economy is less than that suggested by the recent exceptionally buoyant Quarterly National Accounts data. However, while the latest year-on-year headline growth rate overstates the scale of the improvement in economic performance, the evidence from a range of other data indicates that the recovery has strengthened and is becoming more balanced. Encouragingly, the domestic economic recovery has become more broad-based, supported by gradually improving employment and incomes. Against this background, consumer spending is growing and, allied to strong growth in investment spending, domestic demand is set to contribute positively to growth in 2014, for the first time since the downturn.”*

The quarterly bulletin notes that the banking sector is improving but that more is required to deal with impaired loans from SME customers:

*“In the banking sector, liquidity and funding positions are continuing to improve and are returning to a more sustainable profile. Bank profitability is also continuing to show signs of recovering. The key issues, however, revolve around making further progress in dealing with the resolution of impaired loans, which continues to cloud the sector as it deleverages. ...The Bank also continues to monitor and audit the progress of banks in resolving arrears in relation to commercial and SME portfolios. While challenging, progress is being made and the balance sheets of banks and their borrowers are gradually being repaired.”*

## 2.2 Government Support Measures

The Programme for Government contains a range of commitments to help support small and medium-sized enterprises against the background of challenging economic conditions. This includes action to ensure that an adequate pool of credit is available to fund small and medium-sized businesses in the real economy during the re-structuring and down-sizing programme for the domestic banking sector. Throughout 2014, the Department of Finance have continued to examine and collate detailed data from AIB and Bank of Ireland on a monthly basis, to ensure there is a more informed understanding of the SME bank lending environment with



a particular focus on new lending.

In 2014, the Minister of Finance created the Strategic Banking Corporation of Ireland (SBCI) through the enacting of enabling legislation and the formation of a company under the companies acts. The initial objectives of the SBCI will be to improve the availability of credit to the SME sector. To achieve this, the SBCI will operate as a wholesale lender, providing funds to on-lending institutions. On-lending institutions will include Irish commercial banks and will also include invoice discounting providers and could also include foreign banks, specialist funds and other finance houses engaged in lending activities. This will promote greater competition in the SME lending sector and will drive economic growth and job creation across all sectors of the economy. Funding for the SBCI was secured at a signing ceremony on 31<sup>st</sup> October 2014. Minister Noonan, Minister Howlin, Minister Schäuble of Germany, President Hoyer of the EIB and Dr. Schroeder of KfW attended the ceremony that marked KfW's funding of €150m and the EIB's loan funding of €400m. The SBCI is concluding agreements with its front line lending partners and the first SBCI loans will be available to SMEs in December.

In May 2014, the Minister for Finance launched the "Supporting SMEs" online tool. This online guide is part of the Irish Government's Supporting SMEs campaign to increase awareness of the range of Government supports for start-ups and small businesses. The tool can be accessed at:

<https://www.localenterprise.ie/smeonlinetool/businessdetails.aspx>

In January 2013, the National Pensions Reserve Fund (NPRF) announced investment commitments in three new funds making equity and credit available to SMEs and mid-sized corporates in Ireland:

**SME Equity Fund - Carlyle Cardinal Ireland**

(€275 million fund focused lower mid-market private equity investing. NPRF Commitment €125 million)

Since the inception of the fund, Carlyle Cardinal has developed strong networks across Ireland and has generated a strong pipeline of attractive opportunities for the fund. The Carlyle Cardinal Ireland fund completed its final closing in June 2014 at €292 million, just short of its €300 million target. In January 2014, Carlyle Cardinal announced that it had completed its first transaction with a significant investment in Lily O'Brien's, the Irish manufacturer of premium chocolates, and it has recently closed its second investment in GSLS, a cash-in-transit company.



### **SME Credit Fund - Bluebay**

(€450 million credit fund focused on lending to large SME and Mid Cap companies.  
NPRF Commitment €200 million)

The SME Credit Fund considers credit provision through acquiring and refinancing loans close to maturity where existing lenders are not willing to provide new lines of credit. Lending by the fund is at competitive market rates with loan sizes ranging from €5 million to €45 million with a projected average size of €15 million. To date six loans have been completed totaling approximately €120 million. The pipeline remains strong as BlueBay considers opportunities across a number of industry sectors and currently is actively working through diligence and documentation on a further 3 transactions.

### **SME Turnaround Fund - Better Capital Ireland ("BCI")**

(€100 million fund focused on deep turnaround investing in troubled companies.  
NPRF Commitment €50 million)

The NTMA and Better Capital have agreed not to extend the investment period of this fund which expires at the end of December 2014; however, the two parties will continue to collaborate in respect of turnaround investment opportunities in Ireland post-December 2014. The fund had been set up with a lifespan of two years, with the intention of investing in distressed firms but positive changes in the economy meant it has not completed any investments.

In Budget 2015 the Minister for Finance increased the amount of finance that can be raised by a company under the Employment and Investment Incentive to €5m annually subject to a lifetime maximum of €15m. Investment in the management and operation of nursing homes, medium-sized enterprises in non-assisted areas, and internationally traded financial services that are certified by Enterprise Ireland, will now qualify under the scheme. The required holding period for shares was increased from 3 to 4 years and the inclusion of hotels, guest houses and self-catering accommodation in the scheme was extended by a further 3 years. These changes are subject to the approval of the European Commission.

The Government has also launched both the Credit Guarantee scheme and the Microfinance Fund. The Microfinance Scheme allows small businesses and sole traders across all sectors, employing up to ten people, who have been refused credit by the banks for loans of up to €25,000 to apply for finance directly from the Government.



The Credit Guarantee Scheme is open to companies employing fewer than 250 staff and with an annual turnover of less than €50 million (SMEs). It offer loans of up to €1 million. Under the scheme, a 75 per cent State guarantee is to be provided to banks against losses on qualifying loans to firms who otherwise have difficulty getting credit owing to inadequacy of collateral or inadequacy of banks' understanding of the novelty of a business model, market, sector or technology.

### 2.3 Rationale for this Demand Study

The 4th report of the Credit Review Office suggested *“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 organization and may be misleading to many businesses into not seeking bank credit and using alternative sources of financing both of which are risky”*.

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

### 2.4 Study Scope

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

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



## Company Size

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

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

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

## Credit Products

The Review covered the following credit products:

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

## Sectoral Analysis

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

- Central Bank sectoral codes are those codes used by the Central Bank, and specified at EU level, under which individual banks submit their quarterly returns to that Organisation. These codes are based on NACE Rev. 1 codes.
- The NACE Code system is a pan-European classification system which groups organisations according to their business activities. It assigns a unique 5 or 6 digit code to each industry sector e.g. B - Mining and Quarrying - B5 - Mining of Coal and Lignite.





- In order to ensure that the results are representative of the overall SME population, the construction sector, in so far as property development and speculative activities are concerned, has been excluded. Only companies who support or supply to the construction sector have been included.
- The specific sectors or subsectors included in our analysis on the basis of NACE codes are shown below:

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

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

- Non SME related financial intermediaries: non-bank credit grantors, credit unions, collective investment schemes, SPVs asset-backed securities, pension funds
- Speculative real estate activities
- Speculative construction activities
- Educations – schools and colleges
- Hospitals
- Churches and religious organisations
- Charities



- Government (central and other)
- Extra-territorial organisations and bodies
- Private household lending.

### Time Period of Study

This study follows directly on from the October 2013 to March 2014 study, conducted previously by RED C. In reviewing results it should be noted that the time period of this study is a six month period from April to September 2014. Seasonality may have an impact on the results of the study.



### 3.0 Methodology

This survey represents a study of lending to SMEs conducted in Ireland examining the issue of credit availability. For this wave of research the survey was carried out by RED C Research in its entirety, with calls conducted by RED C interviewers from the outbound call centre located in Dundalk.

#### 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 complier and database provider in Ireland. This database is compiled from multiple sources and updated regularly. At the date of writing, the database held approximately 130,000 SME records.

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

In total 6,120 companies were contacted to complete the 1,502 interviews, with some companies either falling outside of the quotas classifying small and medium enterprises, others refused to take part or could not do so within the time frame set out for interview.

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

#### 3.2 Sample Accuracy

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



### 3.3 Collection of Data

Telephone interviews were conducted with 1,502 Irish micro, small and medium SMEs, based on a questionnaire finalised between the Department of Finance and RED C. Changes to the questionnaire were kept to a minimum this wave, in order to ensure comparability to the previous wave. The most significant change this wave was the incorporation of new questions in relation to SMEs' perception of own economic situation, how SMEs deal with missing loan payments, and an awareness question for the Government's SME Online Tool/Guide for SMEs.

All interviews were conducted between 1<sup>st</sup> and 16<sup>th</sup> October 2014 and covered the period from April to September 2014. Over the course of the study 1,502 SME interviews were conducted. The typical telephone interview lasted between 5-35 minutes, depending on the level of credit demand.

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

### 3.4 Comparative Results

All key parameters of the methodology used in this wave of the Credit Demand Survey were kept the same as in previous waves, in order to ensure direct comparability. This included the approach, quotas, key questions in the questionnaire, and sample database. Minor changes have been made to a few secondary questions in the questionnaire to provide additional depth or data but this does impact the comparability of the surveys across key measures.

Within each micro, small and medium category the number of study respondents by sector varied slightly in comparison to the study published in December 2013 (+/-2% on a sectorial level). Results for this study were weighted to the same size profile as that used in the prior study.

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



### 3.5 Sample Size

1,502 SMEs participated in the telephone interviews. Companies were allocated to micro, small and medium size categories based on employee numbers as a proxy for company size.

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

A sample of SMEs were contacted and asked to respond to a phone based questionnaire. This sample was selected from a database of approximately 130,000 companies. The study was carried out in October 2014 and respondents were asked to respond based on their experience from April to September 2014.

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

### 3.6 Limitations

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

1. The study provides the consolidated opinions of a wide range of SMEs but it is not a census of the entire population of SMEs in Ireland.
2. Each study collects responses from a random sample of SMEs and hence the change in the underlying quality and characteristics of the business will contribute to some of the variations noted from study to study (however, sample error rates shown earlier should account for this).
3. Whilst every effort has been made to ensure that the study sample is as fully representative of the population as a whole as possible, it is possible that certain sub-groups are under-represented. It should be noted that the following sub-populations are relatively small for robust analysis:
  - a) The study included a sample of companies which employed one person (i.e. were self-employed).



- b) The study included a number of companies who had been in business for up to two years, however this type of company has generally not filed company accounts and/or is not listed in Company Registration Office records and is not in the database used for sampling purpose.
4. Demand for credit and the bank lending decisions surrounding the approval of credit are complex, multi-faceted, and unique to each individual SME application. Not every variable contributing to a credit decision can be probed during a telephone interview and likewise the characteristics of the respondents business cannot be fully and comprehensively captured in such a timeframe.
5. Slight rounding may occur in the graphical or other representation of figures in this document.

### 3.7 Other Research

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

### 3.8 Privacy of the Respondent

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

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

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



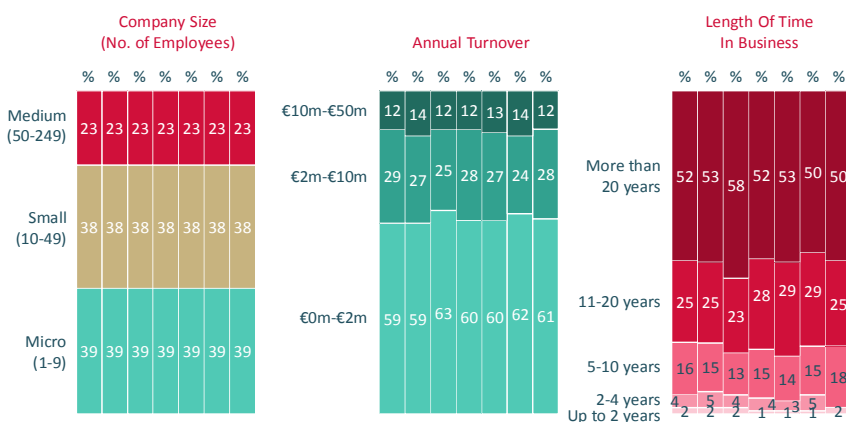
## 4.0 Profile of Respondents

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

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

#### Analysis Of Sample

(Base: All SMEs – 1,502)



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

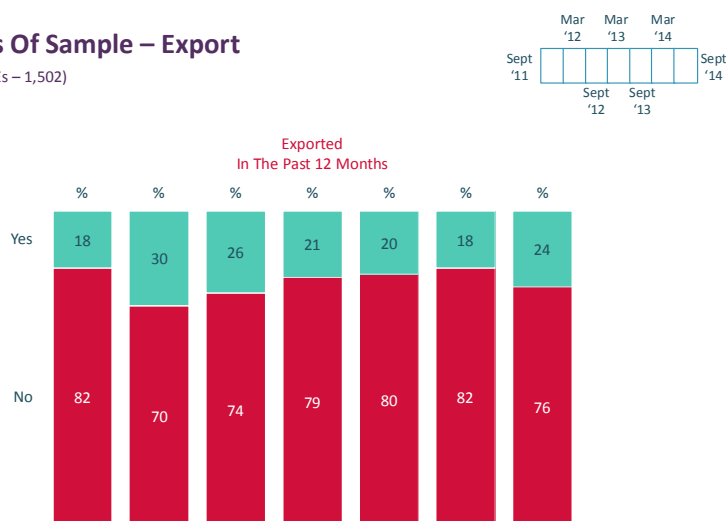
### 4.2 Exporting Companies

24% of the companies interviewed export goods or services outside the Republic of Ireland. This is higher than the previous wave where 18% exported and a year ago where 20% exported. This is driven by the improvement in turnover and profitability, allowing businesses to invest in export growth. It is worth noting that the export question (Q.1d) was changed slightly from the March 2013 wave which might impact comparability for this question with waves conducted before March 2013.



## Analysis Of Sample – Export

(Base: All SMEs – 1,502)



REDC

(AOS)

### 4.3 Computer Hardware/Software Industry

11% of the sample are involved in the computer industry, i.e. hardware and software. This proportion is similar to the previous survey (March 2014) where the proportion was 9% and the September 2013 survey where the proportion was 10%.

### 4.4 Innovation

61% of the SMEs have engaged in innovative activities over the past 6 months – this has increased significantly up from March 2013. Again, this is driven by the improvement in trading performance.

Innovative Activities (past 6 months)	March 2013	September 2013	March 2014	September 2014
	%	%	%	%
New marketing concepts/strategy	34	31	31	38
New business practices/methods of organising work/external relations	31	28	32	33
New/improved services	24	22	24	27
New improved methods of production, distribution or support activity	18	16	17	20
New/improved goods	16	17	21	24
Any Innovation	<b>55</b>	<b>51</b>	<b>53</b>	<b>61</b>
None of the above	45	49	47	39





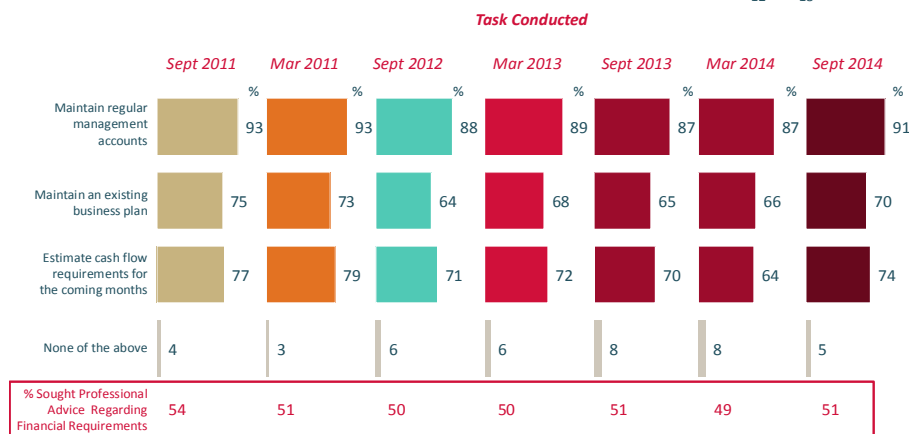
The improvement in terms of innovation is particularly driven by an increase in new marketing concepts/strategies. 38% of the SMEs have developed new marketing concepts/strategies in the past 6 months – this is up from 31% in March 2014. We also see an increase in terms of new/improved goods and services.

#### 4.5 Regular Financial Management Tasks & Use of Financial Advisors

Compared to March 2014, we see an increase in terms of the financial management tasks undertaken by the companies. 91% maintain regular management accounts while 74% estimate cash flow requirements for the coming months – up from 64%. 70% maintain an existing business plan. Half (51%) have used financial advisors in the past 6 months – this is slightly up from the previous wave (49%).

#### Analysis Of Sample - Financial Planning

(Base: All SMEs – 1,502)

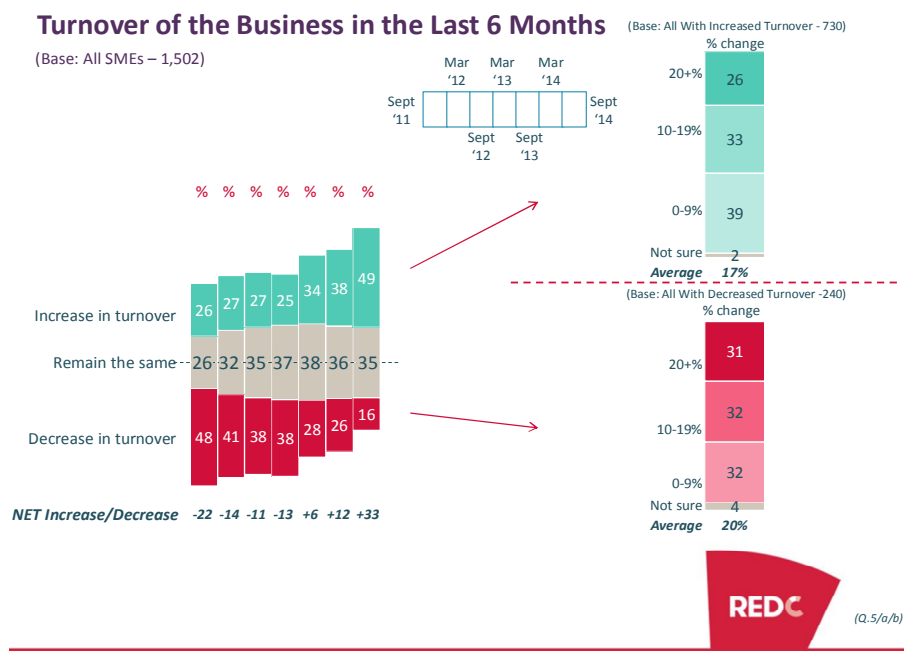




## 5.0 Trading Performance

### 5.1 Turnover Trends

We see a very significant improvement in trading conditions for SMEs in the period April-September 2014 – building on the growth since March 2013. Almost half (49%) of all SMEs report increased turnover in the past six months – this is up from 38% in March 2014 and 34% a year ago (September 2013). At the same, the proportion of SMEs who report a decline in turnover has decreased from 26% in March 2014 to 16% now. 35% of SMEs report no change in turnover compared to the previous 6 month period.



Among those SMEs with increased turnover, 39% have seen a slight increase (0-9%), while 26% have had an increase larger than 20%. We see a similar pattern for SMEs with decreased turnover. 32% report a modest decrease of 0-9% with 31% reporting a decrease in turnover of more than 20%. This is different from previous waves where companies with increased turnover reported less growth than the declines among SMEs with decreased turnover. This is further proof of the significant improvement in trading conditions we see for this period.

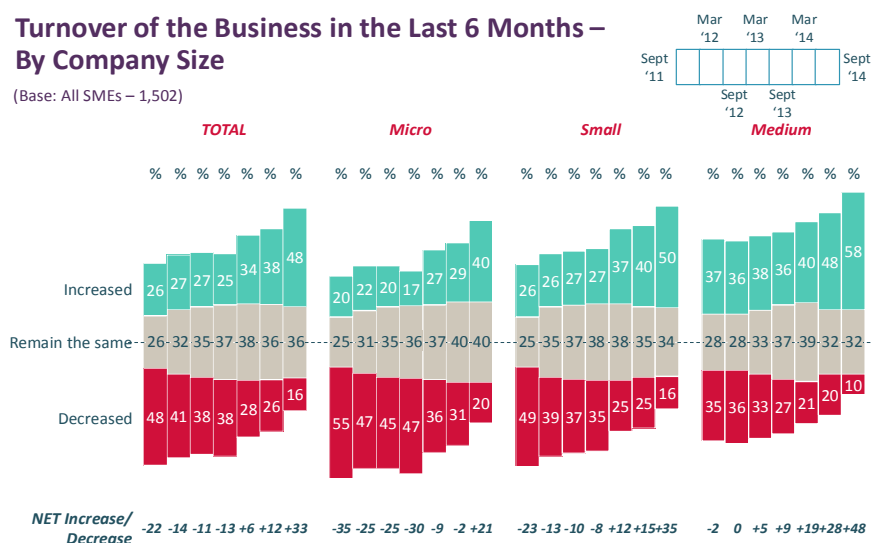
In line with the previous wave in March 2014, all company sizes see a significant improvement in trading conditions for the period April-September 2014. Medium-sized companies continue to report the best trading conditions with 58% reporting



increased turnover and only 10% reporting a decrease in turnover. Among the Small-sized companies, half report an increase in turnover (up from 40% in March 2014), and 40% of Micro companies report increased turnover (up from 29%). However, 20% of Micro companies report declined turnover so the trading conditions continue to be less favourable towards this company segment.

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

(Base: All SMEs – 1,502)

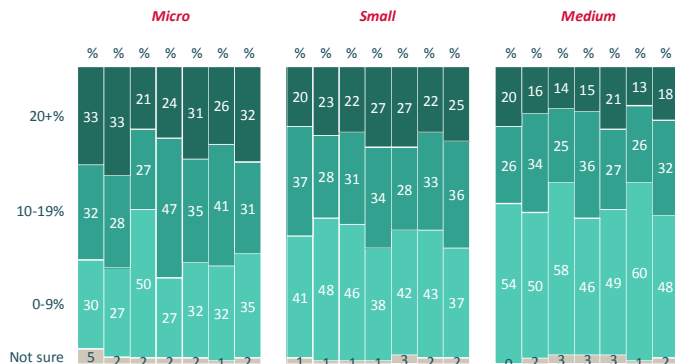


Looking at those SMEs with increased turnover in the last 6 months, we see more Micro and Small-sized companies reporting high growth (20+% increase in turnover).



### Percentage Increase of Turnover X Company Size

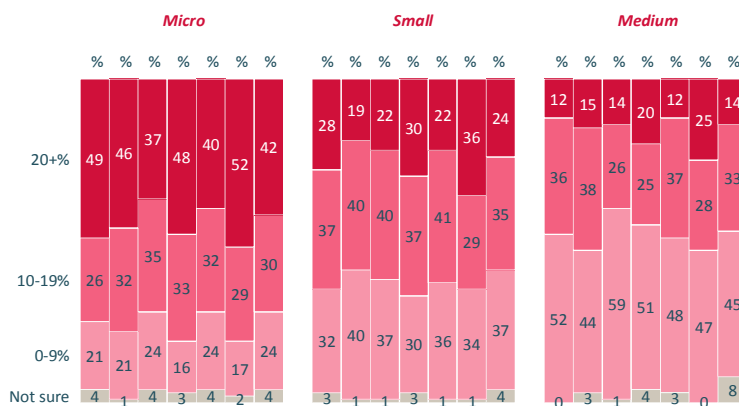
(Base: All SMEs with Increased Turnover – 730)



Looking at those SMEs with decreased turnover in the six month period to March 2014, we see improvements across all company sizes with more companies with modest declines in turnover (0-9%) and less companies with significant declines (20+%). Again, we see the biggest improvements for Micro companies.

### Percentage Decrease of Turnover X Company Size

(Base: All SMEs with Decreased Turnover – 240)

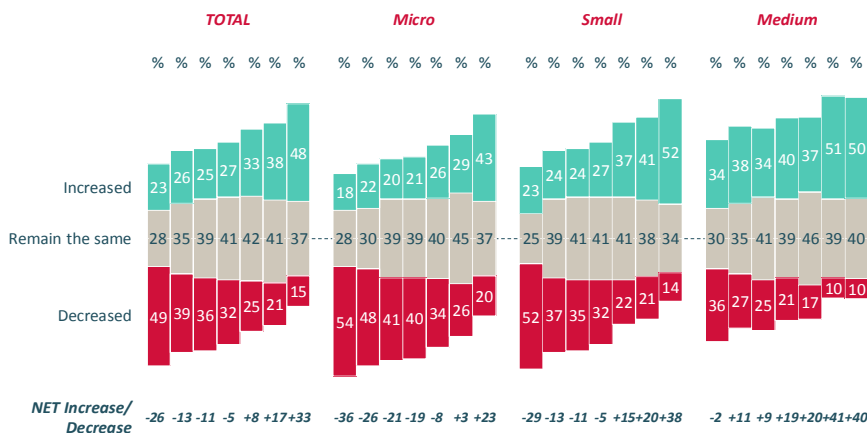




Removing seasonality (considering the six months cycle of each survey) by only looking at SMEs with non-seasonal turnover, we again see a significant improvement in trading conditions, thereby continuing the positive trend from previous waves. Almost half (48%) of these SMEs report increased turnover in the past 6 months while 15% claim declining turnover. 37% of SMEs with non-seasonal turnover have seen no change in turnover in the past 6 months.

### Turnover of Non-Seasonal Businesses in the Last 6 Months – By Company Size

(Base: All SMEs – 678)



Looking at turnover development by company size excluding seasonal turnover, we see improvements for Micro and Small-sized companies while we see no change for Medium-sized companies. Micro companies continue to have the highest proportion of companies with a declining turnover.

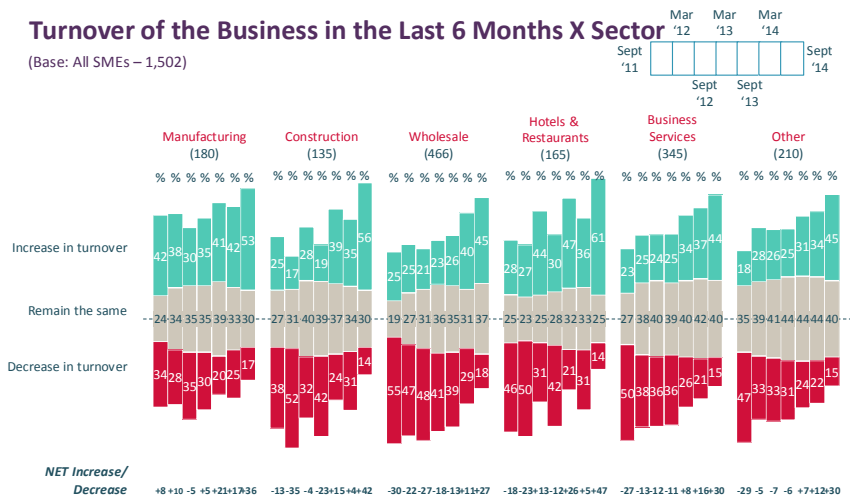
### Turnover by Sector

Trading conditions have improved for all key sectors, especially construction and hotel/restaurants – however, these two sectors are very seasonal in their trading performance. It is positive to see that the decline in trading performance in the manufacturing sector in March 2014 has now been reversed and that the wholesale and business services sectors continue to grow. This demonstrates that the improved trading conditions take place nationwide and not just within specific sectors of the economy.



### Turnover of the Business in the Last 6 Months X Sector

(Base: All SMEs – 1,502)

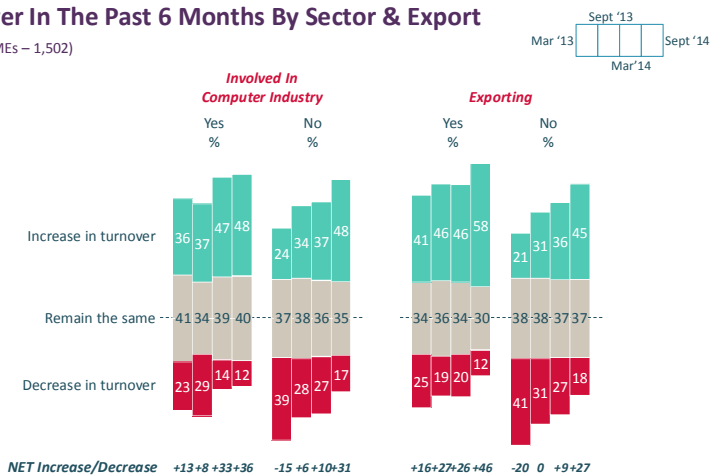


### Turnover for Hardware/Software and Exporting Companies

The improvement in overall trading conditions is driven equally by export and domestic focused companies. Export companies continue to be more likely to report improved turnover than those companies with their sole focus on the Irish market.

### Turnover In The Past 6 Months By Sector & Export

(Base: All SMEs – 1,502)



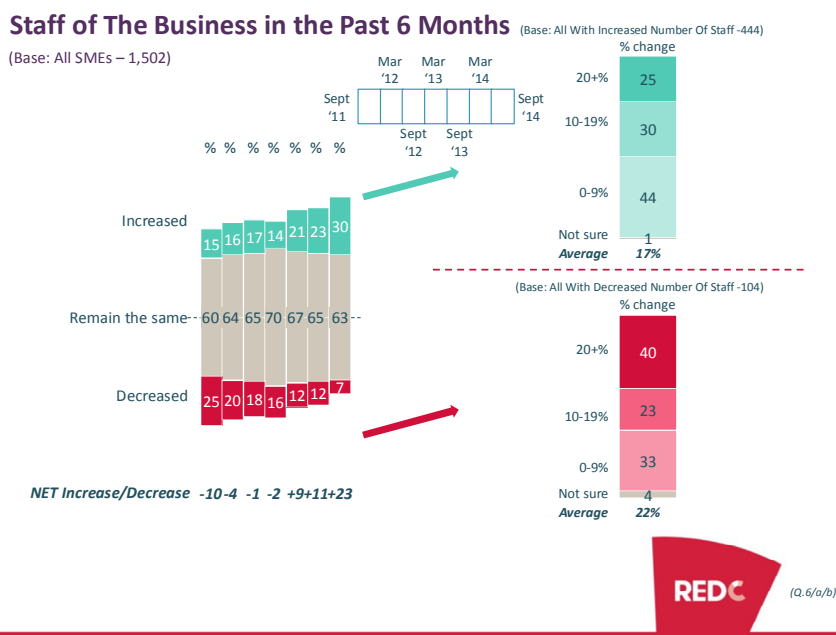


For the first time since the introduction of this survey, those SMEs that are not involved in the computer industry are the key driver of the growth. This is very positive and again demonstrates that the improved trading conditions are across most SMEs in Ireland.

Companies who have innovated in the past 6 months are also more likely to report increased turnover than those with no innovation activities. 53% of SMEs who have innovated report increased turnover while this proportion is only 42% among SMEs with no innovation activities. Yet, both innovative and non-innovative companies see an improvement in trading conditions for the period April-September 2014.

### 5.2 Employment Trends

There has also been a rise in the proportion of SMEs who have increased staff numbers in the past 6 months – however not to the same degree as the turnover development. This indicates that while trading conditions have improved significantly, SMEs are more conservative in terms of investing in additional staff. Just under a third (30%) of all SMEs have increased their staff numbers in the past 6 months – this is up from 23% in March 2014 and 21% a year ago in September 2013. Only 7% of SMEs have reduced staff numbers – down from 12% previously. The majority of SMEs (63%) have not changed their staff numbers in the past 6 months.



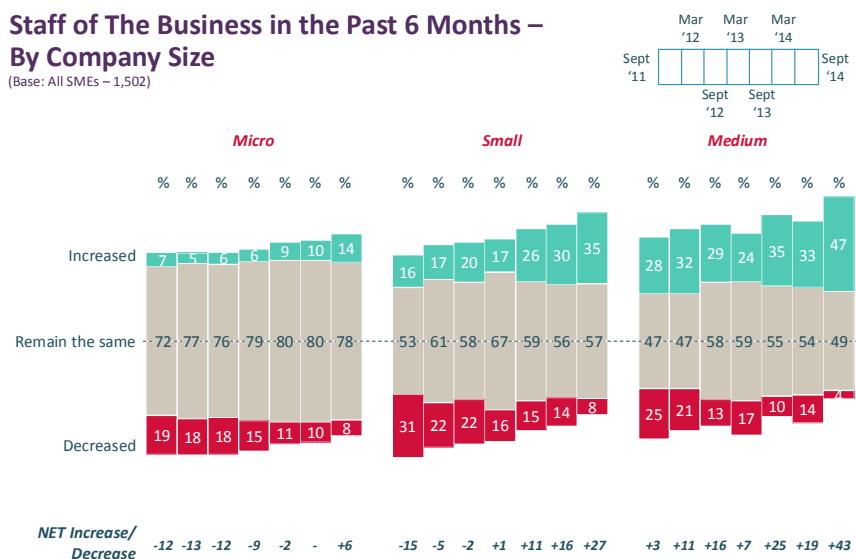


Among SMEs with increased staff numbers, 44% have had moderate growth (0-9%) in staff, while 25% have increased their staff numbers by more than 20%. For companies with decreased staff numbers, 40% have decreased their staff number with more than 20%.

Most of the growth in employment mainly comes from Small- and Medium-sized companies while Micro companies see a more moderate growth. Small- and Medium-sized companies are also much more likely to have increased staff in the past 6 months with 47% of Medium-sized companies claiming to have done so and 1 in 3 (35%) of Small-sized companies having increased their staff numbers. Among Micro companies, 14% have increased their staff numbers but 8% have decreased their staff numbers. This shows that Micro companies are more cautious in terms of investing in staff as result of the improved trading conditions.

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

(Base: All SMEs – 1,502)



REDC

(Q.6)

### 5.3 Profit Trends

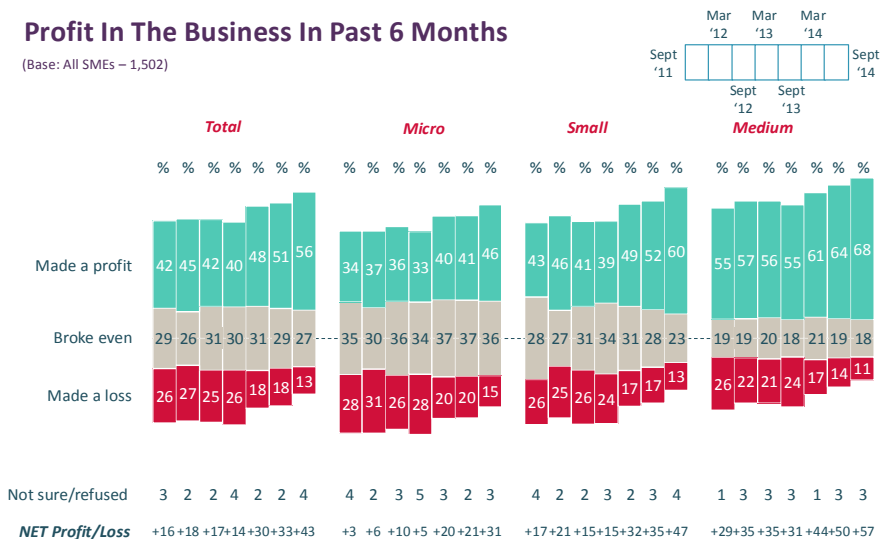
Improved trading conditions result in a considerable improvement in profit performance among SMEs with more than half (56%) reporting profit in the last 6 months – this is up from 51% in March 2014 and 48% a year ago. Importantly, less SMEs report losses with 13% having had a loss in the past 6 months – down from 18% in the two previous periods. 27% of SMEs have broken even for the period April-September 2014.





## Profit In The Business In Past 6 Months

(Base: All SMEs – 1,502)



In line with the turnover performance, the profit performance has improved across all three company sizes. Small-sized companies see the biggest improvement with 60% of the companies reporting profit – up from 52% in March 2014. Micro companies also see an increase with 46% reporting profit compared to just 41% in March 2014. Medium-sized companies see the smallest improvement in profit performance but continue to outperform Micro and Small-sized companies with 68% having reported profit in the period April-September 2014.

### 5.4 Overall Trading Trends

While we see a very significant improvement in trading conditions, we continue to see some restraint in terms of increased investment, e.g. in new staff. It is evident from a more qualitative evaluation, that the majority of SMEs are currently focusing on stabilising their business after the recession or only pursuing smaller growth opportunities. Half of all SMEs are currently focused in stabilising the business while only exploring smaller growth opportunities with an additional 26% focusing solely on stabilisation. Only 11% of SMEs are currently focusing on rapid growth. It is also still evident that trading conditions remain difficult for a smaller section of SMEs with 12% claiming they are currently struggling to survive.



## Current Company Situation

(Base: All SMEs – 1,502)



Medium-sized companies are much more likely to pursue rapid growth opportunities with 18% of these companies claiming to do so. Small-sized companies are very much focused on stabilisation with 82% focusing either solely on stabilisation or stabilisation while pursuing smaller growth opportunities. It is furthermore evident that many Micro companies continue to struggle, in spite of improved trading conditions, with 22% of Micro companies claiming that they are currently struggling to survive.

There is a strong relationship between turnover and profit performance with companies having increased turnover being much more likely to report profit and companies with declining turnover more likely to report a loss. However, compared to the previous wave, we see more companies with declining turnover reporting profit. This is positive as it shows that companies have adjusted their cost structures when faced with turnover/sales challenges.

	Turnover Increased %	Turnover Remained the Same %	Turnover Decreased %
Made a profit	70	49	32
Broke even	21	32	33
Made a loss	6	14	32
Don't know/refused	3	5	3



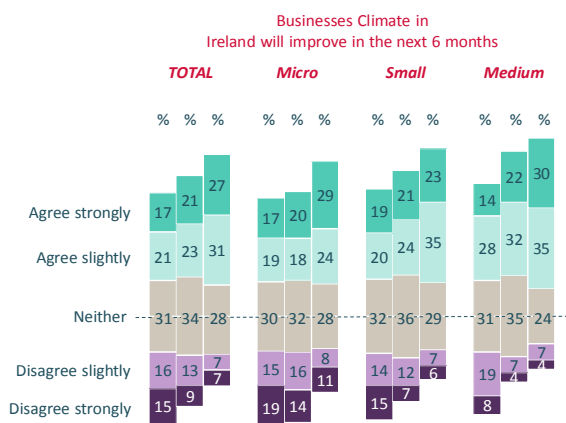
## 5.5 Business Sentiment – Next 6 Months

It is not only in terms of turnover performance that we see a significant uplift among SMEs. Business sentiment also sees a significant increase with 3 in 5 (58%) of all SMEs agreeing that the business climate will improve in Ireland in the next 6 months. This is up from 44% in March 2014 and 38% in September 2013. Only 14% disagree with this statement – down from 21% in March 2014. This improved outlook is shared across company size but Medium-sized companies continue to be more positive in relation to the future with 65% agreeing that the business climate will improve. 58% of Small-sized companies agree with this while the proportion is 53% among Micro companies. Micro companies have the highest incidence of disagreeing that the business climate will improve with 19% feeling this way.

### Business Sentiment – Next 6 Months

(Base: All SMEs – 1,502)

Sept '13    Mar '14    Sept '14



(Q.24d)

There is a clear relationship between SMEs individual turnover situation and their business climate outlook. Thus, SMEs with increased turnover in the past 6 months are much more likely to think the business climate of Ireland will improve in the next 6 months. This illustrates that further business growth (turnover, staff, profit) can have a really positive impact on business sentiment and thereby investment, employment and credit demand levels.



<b>Statement: <i>I think the business climate in Ireland will improve in the next 6 months</i></b>	<b>Turnover Increased %</b>	<b>Turnover Remained the Same %</b>	<b>Turnover Decreased %</b>
NET Agree	69	51	39
Neither agree nor disagree	22	34	32
NET Disagree	9	15	29

Yet, we see a higher proportion of SMEs with decreased turnover believing that the business climate will improve now compared to March 2014 – this indicates that many SMEs regardless of their situation are positive about the future of business in Ireland.



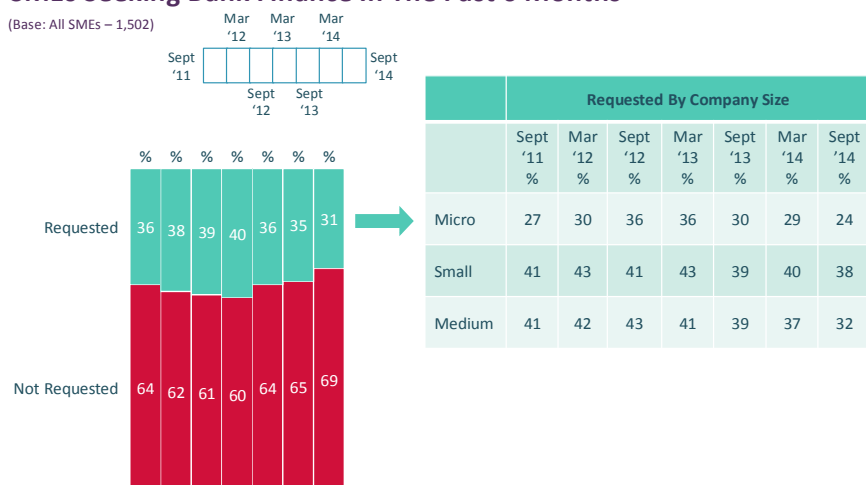
## 6.0 Demand for Banking Finance

### 6.1 Current Demand for Credit

Credit demand for the period April-September 2014 has fallen back again this period, with 31% having applied for credit in the past 6 months. This is down from 35% for the period October 2013 to March 2014 and 36% for the period April-September 2013.

#### SMEs Seeking Bank Finance In The Past 6 Months

(Base: All SMEs – 1,502)



All three company sizes see a decline in credit demand. This is more so the case among Micro and Medium-sized companies while Small-sized companies are the most likely to have requested credit in the period April-September 2014. 38% of Small-sized companies have requested bank finance this period compared to 40% in the previous wave. Only 24% of Micro companies have requested credit in the period April-September – this is down from 29% previously. 32% of Medium-sized companies have requested credit this period compared to 37% previously.

However, when taking out the impact of seasonality (considering the six month period of this research), we only see a slight decline in credit demand from 30% to 29%. This decline is mainly driven by Micro companies where credit demand has decreased from 24% to 19%. We also see a slight decline among Medium-sized businesses (from 34% to 32%) while credit demand has, in fact, increased for Small-



sized businesses. Small-sized companies' credit demand for the period April-September 2014 is 37% - up from 35% previously.

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

(Base: All Without Seasonal Credit Demand - 1,010)



The slight decline in credit demand (when removing the impact of seasonality) is explained by the fact that the majority of SMEs remain focused on stabilisation of the business post-recession rather than pursuing significant investment opportunities. It is evident that companies remain cautious in terms of investment and taking on new staff. This corresponds well with Micro companies being less likely to seek credit as these companies were hardest hit by the recession.

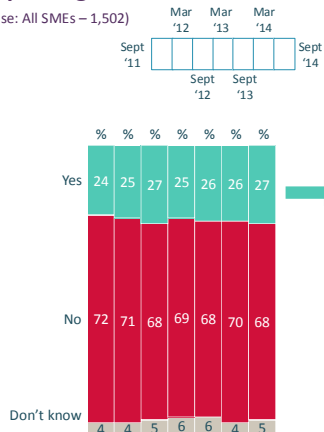
### 6.2 Future Demand for Credit

Expectations to seek bank finance over the next 6 months has increased slightly compared to March 2014 with 27% of all SMEs (up from 26%) expecting to apply for finance in the next 6 month. As such, most SMEs remain cautious in terms of seeking credit.



### Expecting to Seek Bank Finance In Next 6 Months

(Base: All SMEs – 1,502)



	By Company Size						
	Sept '11 %	Mar '12 %	Sept '12 %	Mar '13 %	Sept '13 %	Mar '14 %	Sept '14 %
% Yes							
Micro	21	19	24	24	22	21	22
Small	25	28	28	26	25	29	31
Medium	30	30	29	25	31	27	30



This is different to actual recorded demand shown in past months, as it is simply a prediction of possible future demand, and therefore should not be directly compared to actual credit demand recorded in the past. In fact, it tends to underestimate the credit demand for the following 6 months.

Small- and Medium-sized companies are more likely to apply for credit in the next 6 months than Micro companies. This can be explained by Micro companies seeing improvements in trading conditions and thereby being more cautious.

### 6.3 Reasons for Not Seeking Credit

In order to better understand the reason behind SMEs' lack of credit demand, 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 bank related reasons.

The main reason given is that bank finance is simply not required – with 81% of those businesses who did not apply for credit mentioning this. This is down slightly from 82% in March 2014 but higher than a year ago in September 2013 (78%). 12% did not apply because they already have existing finance products in place while 8% express they prefer not to borrow.



Why did you not request Credit?	Total %	Micro %	Small %	Medium %
<b>Business Related Reasons</b>				
Didn't need it	81	76	84	84
Existing finance product in place	12	9	14	16
Prefer not to borrow	8	14	6	1
Use/raise personal funds when needed	3	3	2	3
Too expensive to borrow	1	2	2	0
Inability to repay/meet requirements of finance	1	2	1	0
Not the right time given the economic climate	1	1	1	1
Existing debt burden already too high	1	1	1	0
Raise finances from investors/venture capital	1	0	2	0

Why did you not request Credit?	Total %	Micro %	Small %	Medium %
<b>Bank Related Reasons</b>				
Possible rejection	5	8	3	2
Belief that banks are not lending	3	4	3	1
Have been turned down before	1	2	1	1
Too many terms and conditions	1	1	0	0
Banks take too long to make decision	1	1	0	1
Application process too difficult	1	1	0	0
Don't trust the banks	0	1	1	0

A very small proportion of SMEs who have not looked for credit (5%) suggest that this is due to possible rejection – this is down from 7% in the three previous waves. Micro companies are slightly more likely to suggest that they have not looked for credit due to possible rejection but this is down to 8% from 11% in March 2014. 3% express that they did not look for credit because of a perception that banks are not lending – this is unchanged compared to March 2014. We see limited change in bank related reasons for not requesting credit – apart from less mentioning possible rejection as the reason for not applying for credit.





Why did you not request Credit? ( ) = change since March 2014	Total %	Micro %	Small %	Medium %
<b>Bank Related Reasons</b>				
Possible rejection	5 (-2)	8 (-3)	3 (-1)	2 (-2)
Belief that banks are not lending	3 (-)	4 (-)	3 (+2)	1 (-2)
Have been turned down before	1 (-)	2 (+1)	1 (-)	1 (+1)
Too many terms and conditions	1 (+1)	1 (+1)	0 (-)	0 (-)
Banks take too long to make decision	1 (-)	1 (+1)	0 (-1)	1 (-)
Application process too difficult	1 (+1)	1 (+1)	0 (-1)	0 (-1)
Don't trust the banks	0 (-1)	1 (-)	1 (+1)	0 (-)

#### 6.4 Demand for Credit by Product

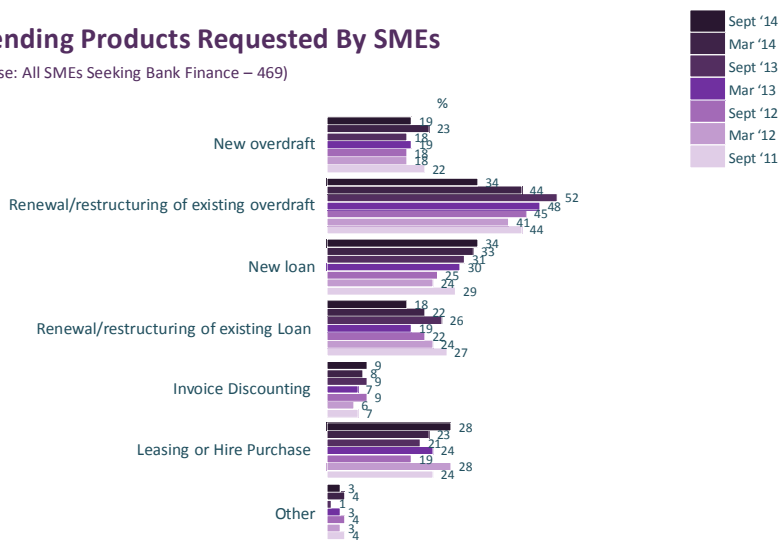
Among those SMEs who have requested bank finance in the period April-September 2014, new loans and renewal/restructuring of existing overdrafts are the main bank finance products requested – both requested by 34% of those SMEs who requested bank finance. The demand for new loans remains steady compared to March 2014 but we see a considerable decline in demand for renewal/restructuring of existing overdrafts – from 44% to 34%. This follows a decrease from 52% to 44% in the previous wave.

The third most requested type of bank finance is leasing or hire purchase (28%) followed by 19% applying for new overdrafts and 18% for renewal/restructuring of existing loans. We generally see a decline in demand for renewal/restructuring of existing loans and overdraft and also a decline in applications for new overdrafts. Applications for leasing or hire purchase have increased from 23% to 28%.



## Lending Products Requested By SMEs

(Base: All SMEs Seeking Bank Finance – 469)



(Q9)

Invoice discounting is the least popular products with 9% of those who have applied for bank finance having applied for this credit type.

When looking at this based on the total number of products requested the proportion of new loans has increased from 21% in March 2014 to 24% in September 2014. Leasing or hire purchase have also increased from 15% to 19%. Renewal/restructuring of existing overdrafts has decreased from 29% to 24%.

% of all products requested	Sep 11	Mar 12	Sep 12	Mar 13	Sep 13	Mar 14	Sep 14
	%	%	%	%	%	%	%
New overdraft	14	13	13	13	11	15	13
Renewal/ restructuring of existing overdraft	32	28	28	32	33	29	24
New loan	18	17	18	20	20	21	24
Renewal/restructuring of existing loan	15	17	17	13	16	14	12
Invoice discounting	6	4	4	5	6	5	6
Leasing or hire purchase	13	19	15	16	13	15	19
Other	3	2	3	2	0	1	2

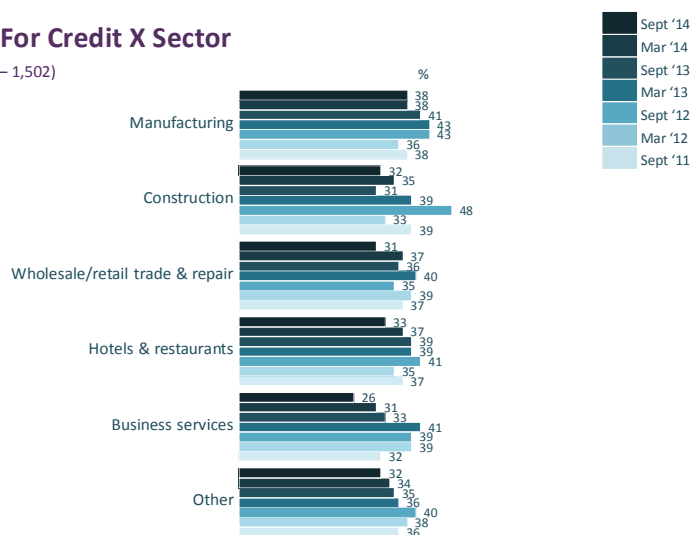


## 6.5 Demand for Credit by Sector

We see a decline in credit demand across all sectors, except manufacturing where credit demand remains unchanged at 38%. Manufacturing continues to be the sector with the highest credit demand. Credit demand has particularly decreased for wholesale (from 37% to 31%), business services (from 31% to 26%) and hotel & restaurants (from 37% to 33%). Business services have the lowest credit demand with 26% having requested bank finance in the past 6 months.

### Demand For Credit X Sector

(Base: All SMEs – 1,502)



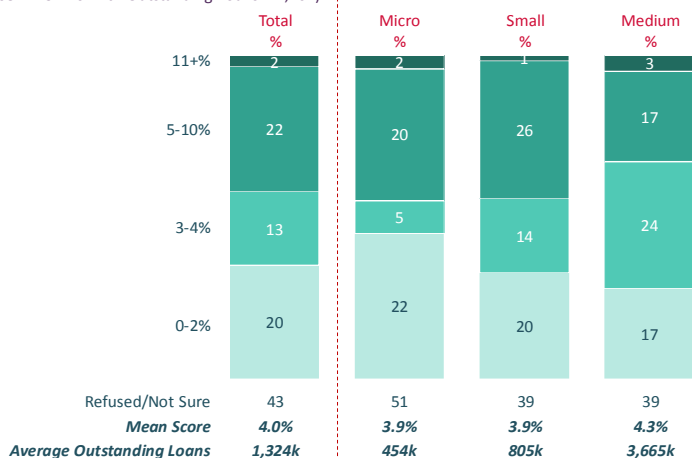
## 6.6 Cost of Credit

Among those with outstanding loans, the average claimed cost of credit across all outstanding loans is 4%. This is up from 3.8% in March 2014 but down from 4.4% a year ago in September 2013. 35% of SMEs with outstanding loans claim a very low cost of credit between 0-2% (when removing those who have refused to answer this question), while the majority (61%) have an average cost of credit of between 3-10%.



## Average Costs Of Credit (Interest Rate) For Outstanding Loans

(Base: All SMEs With Outstanding Loans – 1,162)



### 6.7 Financial Position of Businesses

The number of days that go by before businesses are paid by their customers affects the cash flow of the business and thereby also the need for external finance. Likewise, cash flow can be improved by delaying paying suppliers to the business.

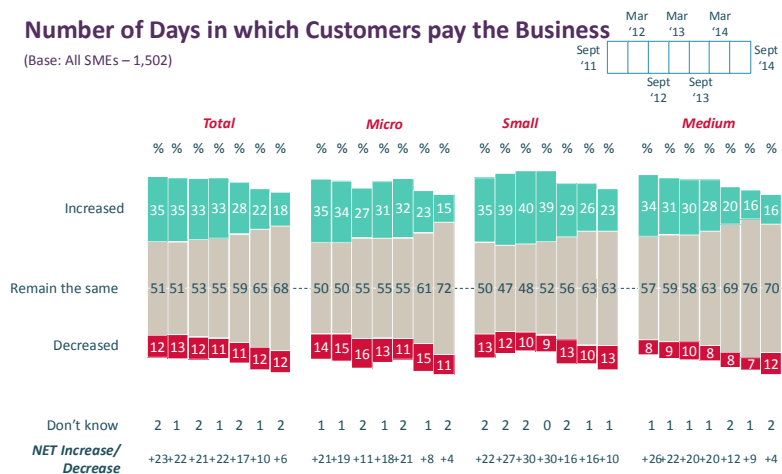
18% of SMEs feel that the average number of days within which customers pay has increased during the period April-September 2014. 68% feel that the payment period is unchanged, while 12% feel customers are paying faster. This is a further improvement compared to previous waves – indicating that customers are paying faster as result of the improved trading conditions.

All three company sizes see an improvement in number of days in which customers pay them.



### Number of Days in which Customers pay the Business

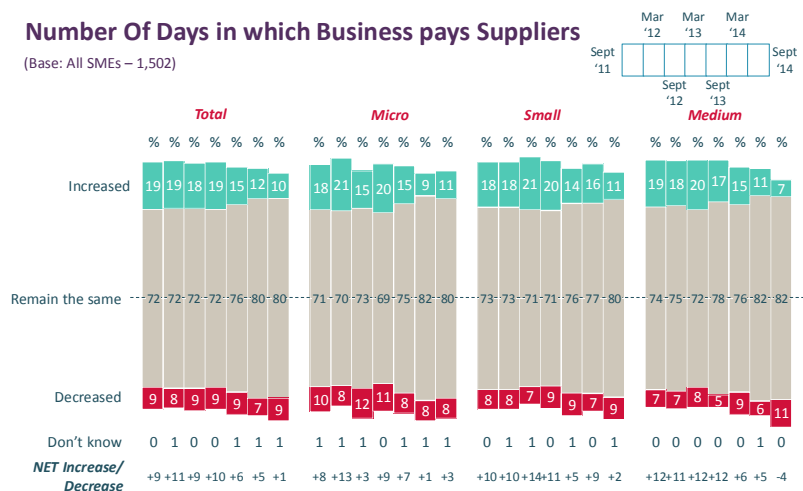
(Base: All SMEs – 1,502)



We see a similar pattern when looking at how fast SMEs claim to pay their suppliers. The majority (80%) of all SMEs feel that the average number of days they take to pay suppliers remains unchanged, while 10% suggest that the payment period has increased – this is down from 12% previously. 9% feel that they pay suppliers faster than before. The improvement in payment of suppliers is driven by Small- and Medium-sized companies while we see limited change among Micro companies.

### Number Of Days in which Business pays Suppliers

(Base: All SMEs – 1,502)





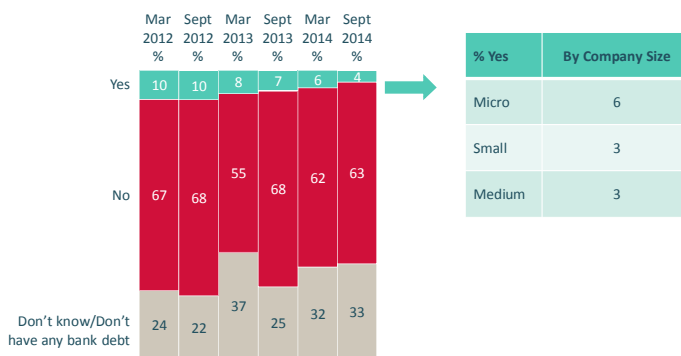
## Repayment of Current Loans

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

Only 4% of SMEs suggested that they had missed repayments on loans in the period April-September 2014 – this is down from 6% in March 2014. Micro companies are twice as likely to have missed repayments compared to Small-and Medium-sized companies.

### Missed Repayments On Loans In Past 6 Months

(Base: All SMEs – 1,502)



Of those SMEs who have missed payments on loans in the past 6 months, 27% have paid the outstanding balance since without any need for re-structuring the loan. 30% have re-structured the loan with creditor while 43% have neither re-structured the loan or paid the balance.

### Adjustments to Current Bank Debt

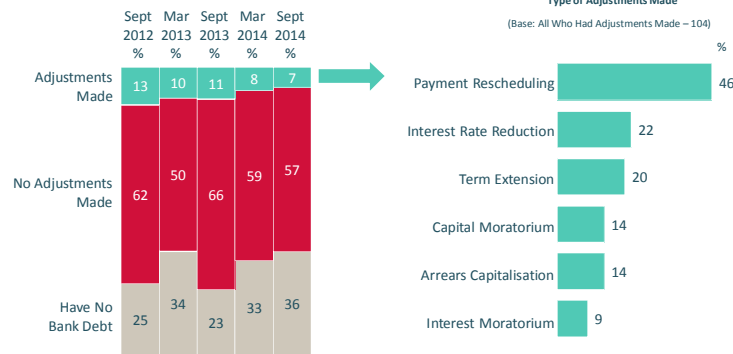
Whether adjustments have been made to current bank debt is the second indicator of a business potentially using a restructuring of debt to provide credit, and affects the future possibility of the business to obtain bank finance. The majority of SMEs did not make adjustments to payment schedules in the past six months. Only 11%



of all SMEs with bank debts have made adjustments to this debt in the past 6 months – this is down slightly from 12% in March 2014.

### Adjustments Made to Bank Debt in Past 6 Months

(Base: All SMEs – 1,502)



The most common adjustment remains payment rescheduling, followed by interest rate reduction and term extension. Compared to the previous wave, capital moratorium, term extension and interest moratorium have decreased relatively in usage compared to other adjustments.

Base: All Who Have Adjusted Bank Debt	Mar 2012	Sep 2012	Mar 2013	Sep 2013	Mar 2014	Sep 2014
	%	%	%	%	%	%
Base size	(294)	(189)	(152)	(165)	(120)	(104)
Payment Rescheduling	36	35	47	49	45	46
Capital Moratorium	22	25	26	18	27	14
Term Extension	16	23	26	32	33	20
Interest Moratorium	13	20	20	12	18	9
Interest Rate Reduction	17	19	16	19	20	22
Arrears Capitalisation	11	6	10	11	10	14

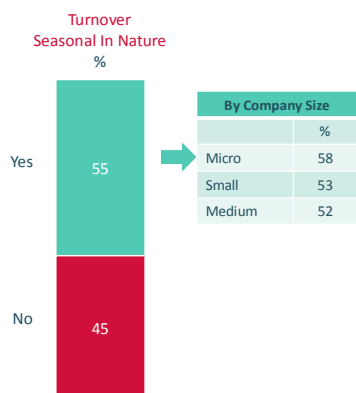


## 6.8 Seasonality of Demand and Credit

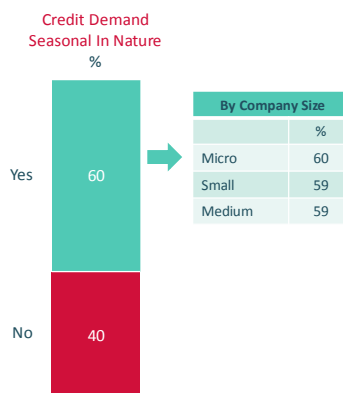
More than half (55%) of SMEs indicate that their turnover/sales are seasonal. This has an effect on credit demand, with 60% of businesses with seasonal turnover also having seasonal credit demand.

### Seasonality of Turnover & Credit Demand

(Base: All SMEs – 1,502)



(Base: All With Seasonal Turnover – 824)



REDC

(Q.19a/b)





## 7.0 The Application Process

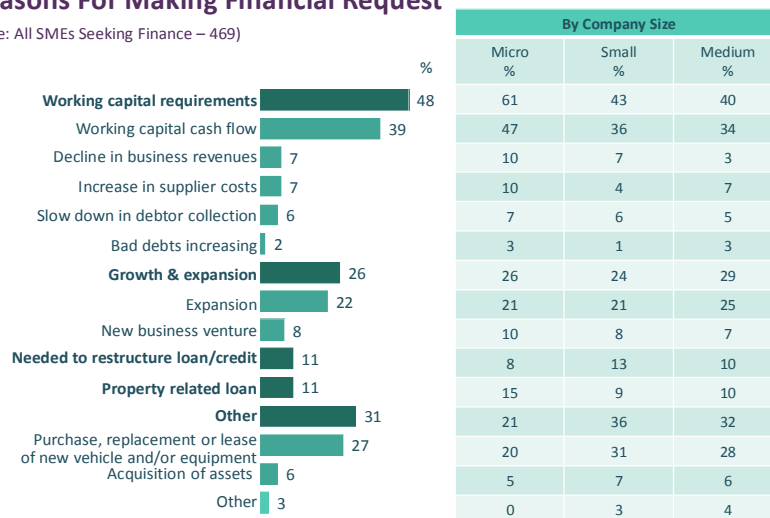
Of the total 1,502 SMEs interviewed for this wave of the study, 31% have requested bank finance in the past 6 months – down from 35% in September 2013.

### 7.1 Nature of Demand

Working capital requirements remain the main reason for applying for bank finance but this has reduced significantly in the past six months. Only just under half of all SMEs (48%) now state they required finance for working capital, down from 61% in March 2014. However at the same time the proportion of SMEs who applied for finance for growth and expansion has not yet increased substantially. This wave sees 26% apply for finance of growth and expansion, compared to 24% in March 2014. There has been an increase in the proportion of finance required by SMEs for the purchase, replacement or lease of new vehicles and equipment, which now stands at 27%, up 3% since March 2014.

#### Reasons For Making Financial Request

(Base: All SMEs Seeking Finance – 469)



REDC

(Q.11)

Finance required for working capital has decreased across all SMEs, however the largest drop is seen for Small companies, where 43% of finance applied for is for working capital. This is offset among Small companies by an increase in finance for purchase and replacement of vehicles and equipment. This suggests that as SMEs move into better trading conditions their first priority is to renew and replace



equipment and assets that have not been replaced for some time, rather than immediate thoughts of growth or expansion.

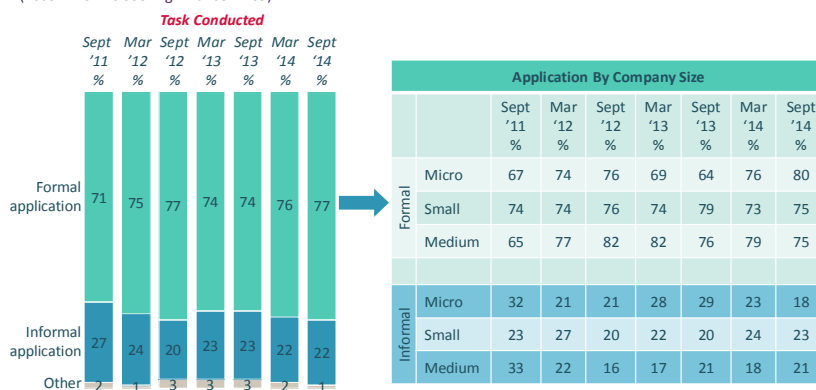
Requirements for growth related finance have increased for Medium companies from 25% in March 2014 to 29% in September 2014. However, they still remain behind that seen a year ago when they stood at 32% of all finance requested. Credit demand for growth and expansion purposes remains more likely to be sought among those whose turnover has increased (29%) vs. those where turnover has remained the same (25%) or declined (14%). Requirements for working capital is higher among those with declining turnover (58%) and those with no change in turnover (52%) or those with increasing turnover (42%).

### 7.2 Formal Applications for Credit

For the third period in a row we see an increase in the proportion of applications for credit which include a formal application – from 76% in March 2014 to 77% now. However, more than 1 in 5 (22%) SMEs who apply for credit continue to rely on informal applications solely.

#### Formal Applications For Credit

(Base: All SMEs Seeking Finance – 469)



\*Formal includes 'formal' & 'both'



It is very positive to see that Micro companies, who traditionally relied more on informal applications have again seen a significant increase in the usage of formal applications. This company size is now more likely than Small and Medium companies to use formal applications for credit demand. We see a decline in usage of formal applications among Medium companies.



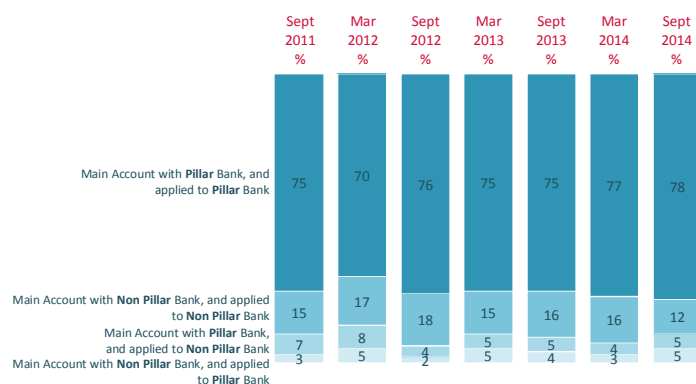
The main reason cited for submitting an informal request is that the business felt there was no need, as it was a repeat loan or a personal relationship. The proportion of SMEs stating this has increased from 50% in March 2014 to 56% in September 2014. Those suggesting they used informal applications to effectively test the water, or because they believed the application will fail has fallen back.

Reasons for making an informal application	Oct 2012- Mar 2013	Apr-Sep 2013	Oct 2013- Mar 2014	Apr-Sep 2014
No need for providing formal application (e.g. repeat loan or personal relationship)	51%	45%	50%	56%
To see if it would be possible	12%	13%	14%	12%
Knew formal application would not be successful	9%	8%	8%	6%
Time consideration	4%	7%	7%	7%
Accounts not up to date	1%	2%	1%	1%

The proportion of SMEs who have applied for finance through one of the two pillar banks increases again this period (83%). Of those who have a main bank account with one of the pillar banks, 94% have applied for finance through a pillar bank.

#### Bank From Which Finance Was Requested

(Base: All SMEs Seeking Finance –469)



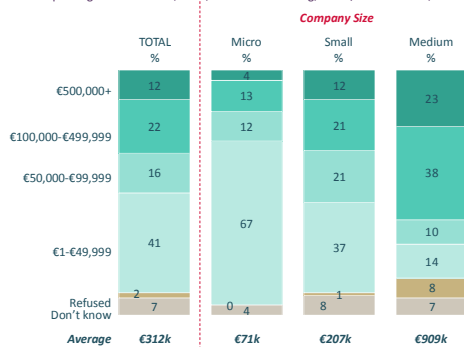


### 7.3 Economic Value of Credit Applications

Each business that applied for credit provided us with the monetary value of that application. When looking at applications for new bank finance, e.g. overdraft, loan or lease/hire purchase, we see that the average stated amount applied for is down on that seen in the previous period at €312,000 across all SMEs. Not surprisingly, this amount increases when looking at Medium companies where the average amount is almost €1 million.

#### New Finance – Value Applied for

(Base: All SMEs Requesting New Overdraft, Loan, Invoice Discounting, Lease/Hire Purchase, Bonds, Other – 305)



When looking at renewal/restructuring of existing finance, e.g. loans and overdraft, we see that 48% of SMEs who requested these loan types did not request any additional funds – this is up from 45% in March 2014.

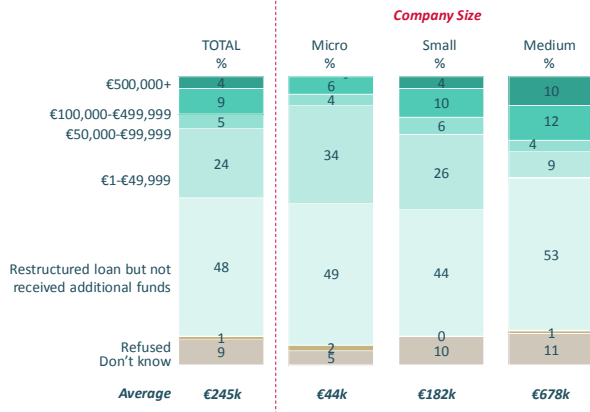
Among those that did apply for additional funds the amount sought has decreased significantly again. The average stated value requested across all SMEs is approximately €245,000, although approximately two thirds of applications were for less than €100,000.

Again, Medium companies apply for a much larger amount of funds than Micro and Smaller companies.



## Renewal/Restructuring of Existing Finance – Value Applied for

(Base: All SMEs Requesting renewal/restructuring of existing overdraft or loan –165)



### 7.4 Collateral Required for Credit Applications

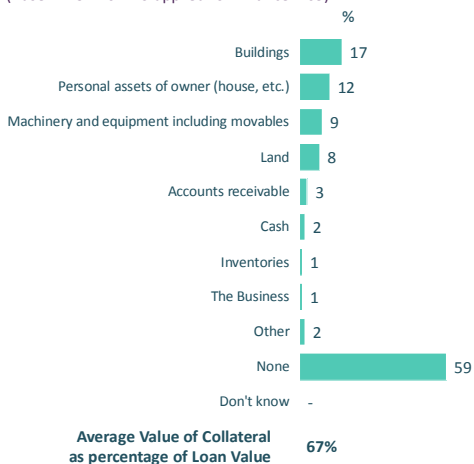
Among those SMEs who applied for bank finance, 41% of the applications required some kind of collateral, which is a small increase on that seen in March 2014.

The two most common kinds of collateral required were buildings (17% of all applications) and personal assets of owner (12%). This was followed by machinery/equipment (9%), land (8%), and accounts receivable (3%).



## What kind of Collateral Required

(Base: All SMEs who applied for Finance—469)



By Company Size		
Micro %	Small %	Medium %
16	18	16
11	13	12
1	11	13
7	8	10
3	4	3
0	3	4
1	2	1
0	1	1
1	2	3
68	56	52
0	-	0
65%	69%	66%



Applications from Micro companies are less likely to require collateral due to the smaller amount applied for from this company size. The average value of collateral required as percentage of loan has fallen back to 67%, down from 73% in March 2014.

### 7.5 Turnaround Time on Decisions

Based on the current code of conduct for business lending, all lenders are required to inform SMEs of a decision on their loan within 15 working days of receiving all information from the company. Excluding pending applications and according to the businesses themselves, 62% of all finance applications are processed within the required 15 working days – this is almost identical to that seen in March 2014, but remains well above the 57% recorded in September 2013 and the 54% recorded in March 2013.

The average amount of time from application to decision remains steady at 19 working days, just above the code of conduct agreed terms. However there is an improvement in loans that remain still pending, with 14% still pending compared to 20% of all applications made in March 2014.



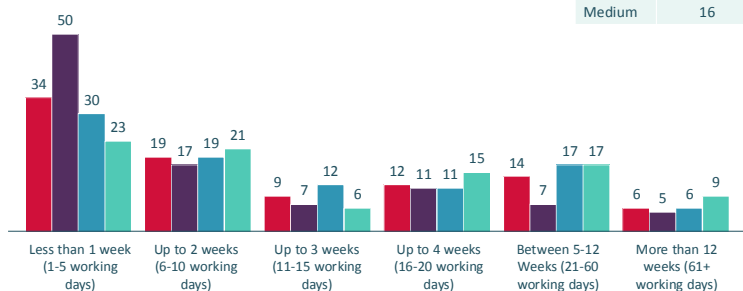
## Application Turnaround Time – Excluding ‘Pending’

(Base: All SMEs Seeking Finance, excluding ‘pending’ – 402)



Average:	Total	19 working days
	Micro	14 working days
	Small	20 working days
	Medium	23 working days

	% Pending
Total	14
Micro	15
Small	13
Medium	16



We see a significant improvement in the turnaround of decision making on Micro companies’ loan applications, with half of all these applications being decided by the banks within a week. This drives down the average number of days’ turnaround for loan applications to 14 days for Micro companies. The average turnaround time has also dropped for Medium companies, down to 23 days from 29 days in March 2014. However for the Small companies, who are more likely to have been applying for credit within this period, the average turnaround time has increased by one day to 20 days.

There appears to be no real relationship between turnaround time and whether an application is approved or not. The proportion who are approved or declined in the prescribed 15 days is similar. Those who are declined are somewhat more likely to not recall how long the process took.

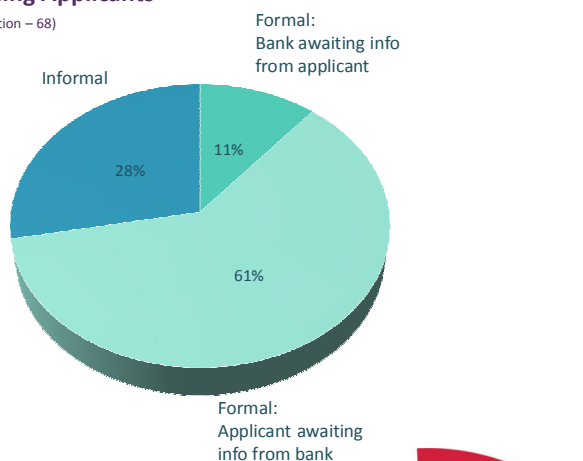
	Approved %	Declined %
Less than 1 week (1-5 working days)	35	32
Up to 2 weeks (6-10 working days)	20	14
Up to 3 weeks (11-15 working days)	9	12
Up to 4 weeks (16-20 working days)	11	11
Between 5-12 weeks (21-60 working days)	14	12
More than 12 weeks (61+ working days)	6	6
Don’t know	5	13



Looking at the pending applications, these can be pending due to the bank looking into the application (which is related to the waiting time), but also by the bank awaiting additional information from the applicant. The majority (61%) of the pending applications are with the bank, i.e. the bank has all the information required to decide on the application. This is up from 59% in the previous wave. 11% of the applications are pending due to the fact that the applicant has not yet provided all the necessary information – down from 21% in March 2014. We are only looking at formal requests here, as it is more difficult to ascertain in informal requests whether it is the bank or applicant that needs to reach a decision/provide more information.

### Profile Of Pending Applicants

(Base: All Pending Application – 68)



### 7.6 Decline Rate

The decline rate for all credit applications in the period April to September 2014 stands at just 12% of all applications - this is down from 16% a year ago in September 2013.

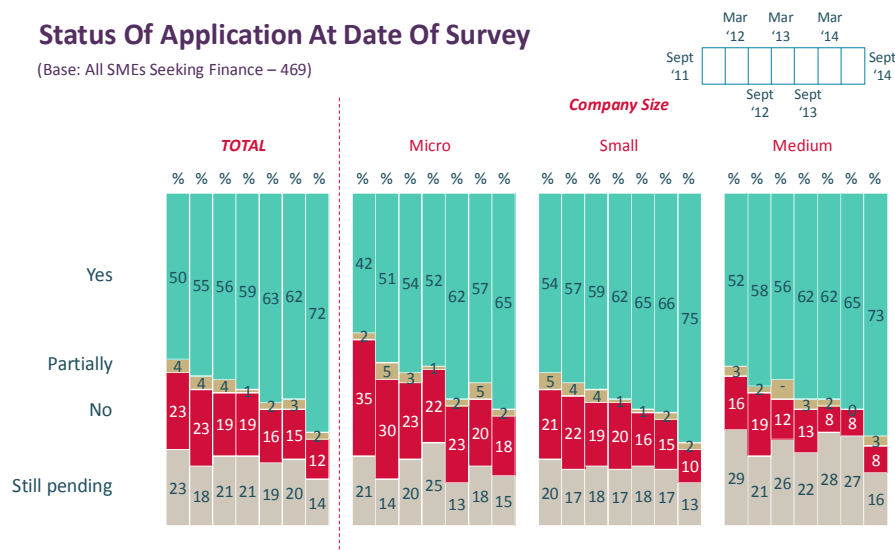
72% of all applications have been approved in full over the past 6 months – a significant improvement of a full 10% on the previous wave. A further 2% stated that their credit applications had been partially approved, leaving 74% of all SME credit applications either fully or partially approved. Just 14% of all applications are still pending, down from 20% in March 2014.





## Status Of Application At Date Of Survey

(Base: All SMEs Seeking Finance – 469)



(Q.14)

The approval rate has increased among all company sizes, with the largest increase seen among Small companies among whom three quarters (75%) of all applications are now approved in full, up from 66% in March 2014. This is coupled with an improvement in the decline rate from 15% in March 2014 to 10% in September 2014. There is also a significant improvement in approval rates among Medium sized companies, with an increase in full approval of 8%, and far less applications still pending (16% September 2014 vs. 27% March 2014), rather than less being declined. Micro companies also see an improvement of approval rates, both as result of better decline rates and less applications still pending.

Excluding pending applications, the overall decline rate stands at 14% - this is down significantly on the rate seen in March 2014 when it stood at 19%, and marks a continued trend in improving decline rates over the past 3-4 years. In total 83% of all applications over the past 6 months (excluding still pending) have been approved in full with additional 3% being partially approved.

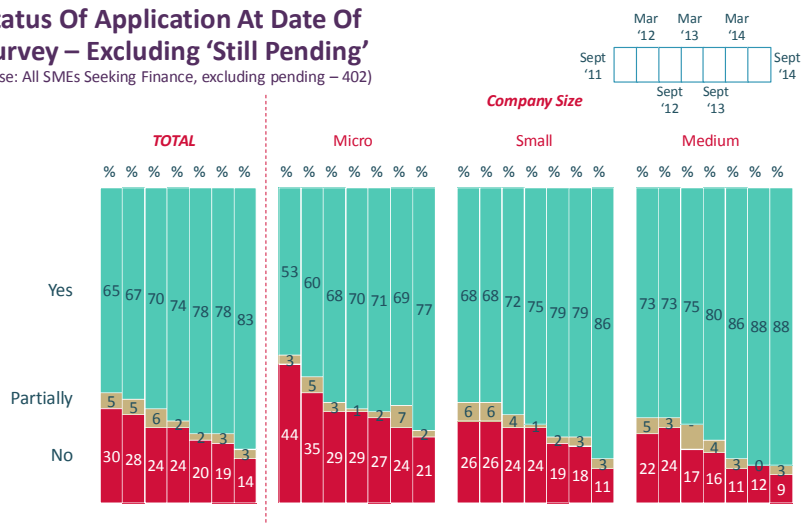
Again, the improvement is driven mainly by Small-sized companies, where 86% of applications have been approved in full, up from 79% in March 2014. This brings Small companies in line with Medium companies who both see the significant majority of credit applications being approved. Among Micro companies, the



decline rate has decreased from 24% to 21%, with less applications being partially approved rather than fully approved.

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

(Base: All SMEs Seeking Finance, excluding pending – 402)



### Decline Rate by Product

The decline rate varies across finance type requested – which is a reflection of differences in purpose and application process. New overdrafts and new loans continue to have the highest decline rates at 17% and 18% respectively. This is however a further improvement on the 25% seen in March 2014 and 46% seen at the same time last year, suggesting banks are becoming more open to new applications for credit as well as restructuring of existing credit.

Lending Products	Yes %	Partially %	No %	Pending %
<b>Overdraft</b>	<b>72</b>	<b>4</b>	<b>11</b>	<b>13</b>
New overdraft	67	6	17	10
Renewal/restructuring of existing overdraft	74	3	9	14
<b>Loan</b>	<b>61</b>	<b>1</b>	<b>15</b>	<b>22</b>
New loan	64	2	18	16
Renewal/restructuring of existing loan	55	0	9	36
<b>Leasing or hire purchase</b>	<b>91</b>	<b>1</b>	<b>5</b>	<b>3</b>
<b>Other</b>	<b>69</b>	<b>3</b>	<b>14</b>	<b>14</b>



### Formal Application Decline Rate

Type Of Application	Yes %	Partially %	No %	Pending %
<b>TOTAL</b>	<b>72</b>	<b>2</b>	<b>12</b>	<b>14</b>
Formal application	75	2	10	13
Informal application	59	3	19	18

As seen in previous waves, the decline rate is higher for informal applications than for formal applications. One of the main reasons for submitting informal applications is that applicants were concerned that a formal application would not be successful. The decline rate for formal applications in the period from April to September 2014 is 10%, while for informal applications the decline rate stands at 19%.

### Decline Rate by What Credit Applied For

Funding For	Yes %	Partially %	No %	Pending %
Working Capital	71	2	13	14
Growth & Expansion	64	4	17	15
Property Related loan	49	4	18	29
Need to re-structure loan/ credit	57	0	10	33

Although the gap has reduced somewhat it still appears that banks are currently more likely to approve funding for working capital (71%) than for growth (64%). Decline rates are also higher Growth and Expansion at 17%.

Property related loans and re-structuring also appear to take longer to agree, with a third of these applications still pending.

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

Export vs. Non-Export	Yes %	Partially %	No %	Pending %
Export Business	77	2	8	14
Non-Export Business	70	2	13	15



A gap is re-appearing between approval rates for export and non-export businesses. Approval rates are 7% higher among export businesses at 77% than for non-export businesses at 70%, while decline rates are also lower among export businesses applying for finance.

#### Decline Rate by Pillar/Non Pillar Banks

Decline rates are lower among pillar banks than for non-pillar banks. However this appears to be mainly due to pillar banks having a higher number of applications still pending. In fact approvals rates are identical for both pillar and non-pillar banks.

<i>Bank</i>	Yes %	Partially %	No %	Pending %
Pillar	71	2	11	15
Non-Pillar	71	2	15	11

#### Decline Rate by Sector

The manufacturing sector's decline rates have improved significantly from 19% in March 2014 to just 10% now in September 2014, with similar improvements also noted in the Business service sector. Approval rates have also increased significantly in the wholesale/retail industries, but this is mainly due to far fewer applications being still pending.

<i>Sector</i>	Yes %	Partially %	No %	Pending %
Manufacturing	75	3	10	13
Construction	62	7	7	23
Wholesale/retail trade & repair	72	1	15	11
Hotels & restaurants	61	4	13	23
Business service	80	2	9	10
Other	71	0	12	17

#### Decline Rate Linked to Company Trading Performance

The relationship between company performance and decline rates, with companies with declining turnover and/or a loss being less likely to be approved for a loan is retained during this period.



Turnover Performance	Yes %	Partially %	No %	Pending %
Increased	74	2	10	14
Decreased	68	1	16	14

Turnover Performance	Yes %	Partially %	No %	Pending %
Made a profit	75	2	9	14
Made a loss	59	0	19	22

It is also the case that those companies applying for credit that are making a loss, are far less likely to have their credit application approved, than those that have made a profit.

### 7.7 Criteria, Conditions & Interest Rates Attached to Approved Applications

Companies who had credit approved were asked to provide details of any criteria or conditions attached to the credit. The majority of SMEs (73%) with approved finance applications had at least one criteria/condition attached to them – this is up slightly from 71% in March 2014.

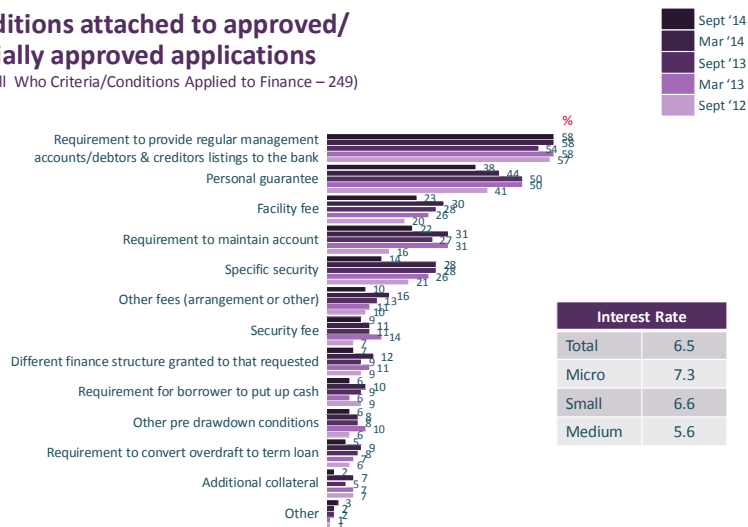
The criteria/conditions required are similar to those seen in previous waves with the need to provide regular management accounts/debtors and creditors listing to the bank being the most common requirement, with 58% of all approved applications with criteria/conditions having this requirement. The second most popular condition is personal guarantee (38%). However it is positive to see that personal guarantees are being sought less by banks as a condition to finance, down from 44% in March 2014 and 50% a year ago. The requirement to maintain accounts is also less likely to be sought (21%) as are specific security (14%).

Overall the average number of conditions appears to have declined across all applications. The average number of criteria/conditions required by the banks is down from 2.7 in March 2014 to just 2 for September 2014.



## Conditions attached to approved/ partially approved applications

(Base: All Who Criteria/Conditions Applied to Finance – 249)



Interest Rate	
Total	6.5
Micro	7.3
Small	6.6
Medium	5.6



The average interest rate on the approved credit provided by the banks is claimed to be 6.5% overall across all SMEs – down slightly from that seen in March 2014. Medium companies have the lowest interest rates at 5.6%, on what would be significantly larger loans.

Quite a high proportion (35%) of businesses are not sure exactly what rate they are being charged. Across all SMEs with approved credit, just 3% claim to be charged over 10% in annual interest.

### 7.8 Reasons for Decline

Reasons for decline can on a broad level be divided into applicant controlled and bank controlled reasons. A significantly lower proportion (32%) of declined applicants have given a bank controlled reason – the most common mentioned reason being changes in bank lending policy (11%).

Applicant controlled reasons are now given more frequently than bank controlled reasons with 42% mentioning at least one of these reasons – this is however down from 52% in March 2014. This indicates that a higher proportion of SMEs who have been declined credit are businesses where it would not be a good business case to provide finances. Account performance is mentioned as biggest reason for decline by 16% of SMEs who have been declined bank finance.



Reason for Decline	Sept '11 %	Mar '12 %	Sep '12 %	Mar '13 %	Sep '13 %	Mar '14 %	Sep '14 %
<b>Applicant Controlled</b>	<b>45</b>	<b>50</b>	<b>38</b>	<b>42</b>	<b>44</b>	<b>52</b>	<b>42</b>
Inadequate repayment capacity	26	25	17	23	18	25	13
Account performance/history	17	30	14	18	20	20	16
Deterioration in business financial performance	25	29	12	13	20	20	12
Inadequate historic information provided	5	3	8	4	9	6	5
Existing debt burden already too high (code added from March 2014)	N/A	N/A	N/A	N/A	N/A	18	8
<b>Bank Controlled</b>	<b>67</b>	<b>67</b>	<b>49</b>	<b>54</b>	<b>58</b>	<b>52</b>	<b>32</b>
Change in bank lending policy	49	45	28	33	32	31	11
Inadequate/insufficient security	17	17	15	14	16	14	8
No longer a sector to which the bank is prepared to lend	23	20	14	20	23	24	10
No longer a type of business to which the bank is prepared to lend	20	20	7	8	16	19	8
Requested facility was sanctioned at lower level/different structure	13	15	6	9	8	7	2
Change in bank pricing policy	13	19	4	5	9	15	3
Other	1	1	1	3	6	8	8
No reason given/none	15	13	24	21	10	13	24

The proportion of bank controlled reasons versus applicant controlled reasons (when excluding those who claim they have not been given a reason for decline) is at 43% which is 7% lower than in March 2014 and 14% lower than September 2013. There has again been an increase in the proportion of applicants who claim they did not receive a reason for the decline.

### 7.9 SME Opinions on Reasons for Decline

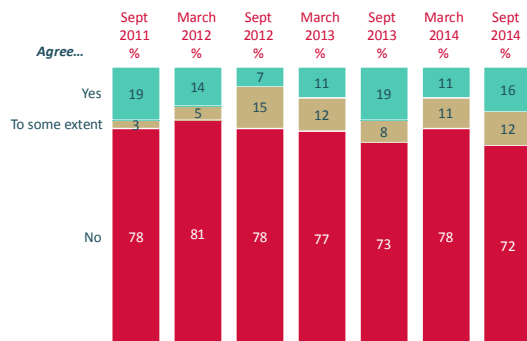
Almost three quarters (72%) of those SMEs who have been declined bank finance disagree with the reasons given for the refusal. This is similar to levels seen in September 2013 (73%) and down from March 2014 (78%).

16% of those SMEs who have been declined bank finance fully agree with the reasons given for the refusal. This is an increase on that seen in March 2014.



### Agreement With Bank Decision To Refuse Credit

(Base: All Banks Who Gave Reason For Refusal – 45\*)



(\*Small Base)

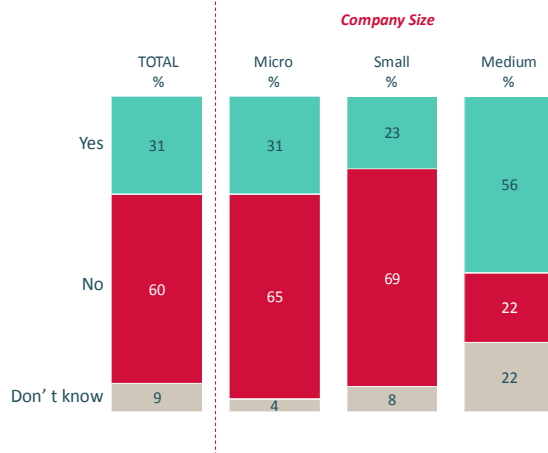


### 7.10 The Right to an Internal Bank Review

60% of those applicants who were refused credit stated that the bank did not inform them of their right to an internal review of the decision to refuse credit. This is very similar to the levels seen in March 2014 where 61% said they were not informed. It remains at a high level, and this continues to suggest that there is more work to do to make applicants fully aware of their rights to a review.

### Informed Of Right To An Internal Review

(Base: All SMEs Refused Credit – 55)



Note: Very small base size for company size breakdown







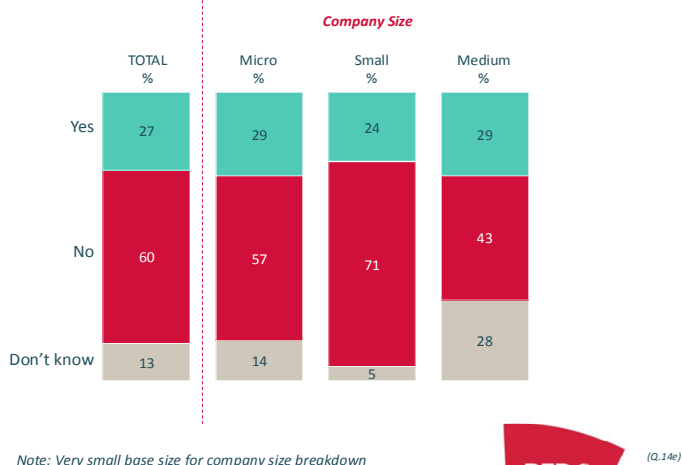
### 7.11 Credit Review Office

60% of those applicants who were refused bank finance by the two pillar banks said that they were not informed of their right to a decision review by the Credit Review Office. This is down slightly from 62% in the previous period.

When excluding those who do not know if they were informed of the credit review facility, 69% claim they were not informed of the Credit Review Office which is similar to the level seen at this time last year.

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

(Base: All Requested Application From AIB or BOI – 43)



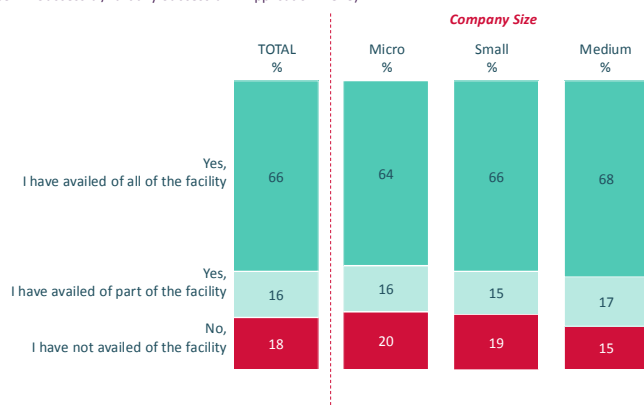
### 7.12 Drawdown of Approved Facilities

Two thirds (66%) of SMEs whose applications were approved, have availed fully of the given credit facilities. An additional 16% have availed of them partially. 18% of the SMEs have not availed of the facilities yet – down from 22% in March 2014. The most cited reason for not availing of the credit facility is that the finance is not needed at present time.



## Availed Of Facility To Date

(Base: All Successful/Partially Successful In Application – 348)





## 8.0 Non-Bank Finance

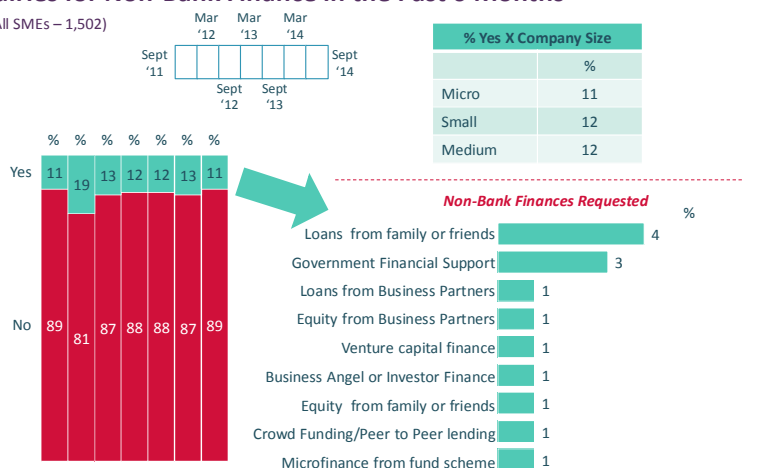
### 8.1 Enquiries for Non-Bank Finance

The number of enquiries made for non-bank finance is down slightly compared to the previous wave. In total 11% of SMEs sought non-bank finance over the period April to September 2014, which represents a small decrease of 2% of SMEs seeking non-bank finance. This matches the decline in bank finance seen across SMEs.

Loans from family or friends (requested by 4%) remain the most common source of non-bank finance requested. Government financial support (3%) is the next most common source.

#### Enquiries for Non-Bank Finance in the Past 6 Months

(Base: All SMEs – 1,502)



Working capital requirements and growth/expansion purposes are key drivers of applications for non-bank finance. But we see a decline in the working capital requirements driving applications for non-bank finance. 36% of the enquires for non-bank finances were driven by working capital requirements for the period April-September 2014 – this is down from 54% in March 2014. At the same time, we see a slight growth for non-bank finance enquires being driven by growth purposes, i.e. new business ventures/expansions/purchase of assets/equipment, from 53% in March 2014 to 56% now. Looking at the different types of non-bank finance, loans from family/friends and business partners are more likely to support working



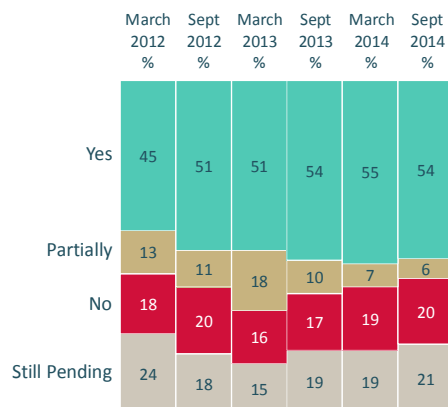
capital requirements while Government support, investor finance and equity are more likely to be driven by growth and expansion purposes.

## 8.2 Decisions Made on Non-Bank Finance Applications

In total 54% of all non-bank finance enquiries were successful with an additional 6% being partially successful. This represents a very similar picture to that seen in the previous period. The decline rate however increases slightly again this period, leaving it at 20% overall, which is 3% higher than a year ago. This means the decline rate for non-bank finance (20%) is now significantly higher than for bank finance (12%) during this period April-September 2014.

### Success In Obtaining Non-Bank Finance

(Base: All Application for Non-Bank Finance –221)



(Q.18)

Loans from business partners are the most successful route to non-bank finance with 87% complete success rate, and 7% partial success rate. Equity from business partners is now the second most successful route, with 79% complete success rate, making finance sought from business partners the most successful route for finance and both avenues more successful than applying for bank finance.

The success rate for loans from family or friends, which remains the most common route for non-bank finance, has actually decreased from 76% complete success and



10% partial success rate in March 2014 to 63% complete success and 9% partial success rate now.

### 8.3 Reasons for Not Applying for Government Financial Support

In the 6 months from April-September 2014, the main reasons for not applying for Government Financial Support remain relatively unchanged from the previous 6 months. A belief that they do not need this type of financing remains the top reason, with two thirds of SMEs who have not applied for this type of finance mentioning this as the reason, with a lack of knowledge and a belief that the finance type was not relevant for business/sector being the next most common reasons.

<i>Reason for Not Applying for Government Financial Support</i>	March 2014 %	September 2014 %
Don't need this type of financing	64	66
Lack of knowledge	23	24
I don't believe this source is relevant for my business or sector	10	12
Didn't think we would get it	2	1
Application process too difficult	2	2
Previously rejected for this type of finance	2	1
Costs/Fees are too high	1	1
Already have this type of financing in place so do not need more	1	1
Prefer not to borrow	1	0
Don't want to lose control of business	1	5
No interest in this type of financing	0	0
Friends/family/business partners don't have the money	0	0
Terms and Conditions too onerous	0	1

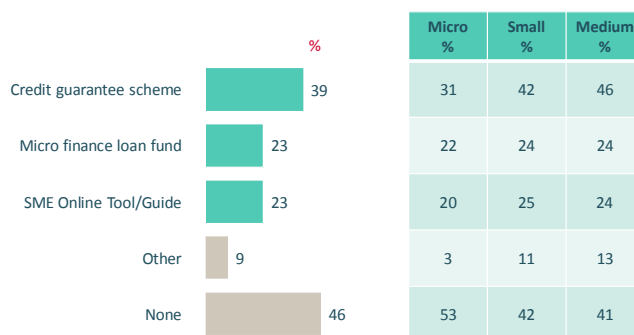


## 8.4 Awareness of State Funded Support

Overall awareness and knowledge of state funded support has decreased slightly from the level seen in the previous period, with 46% of SMEs now saying they are unaware of Government support initiatives. The most notable drop in awareness is in relation to the Credit Guarantee Scheme, with 39% aware of this initiative now compared to 52% in March 2014. Awareness of the Micro Finance Loan Fund has also decreased slightly, but positively 23% are aware of the new supporting SMEs Online Tool, an extraordinary result given that the online tool was only launched in May this year.

### Awareness Of Government Support Initiatives

(Base: All SMEs – 1,502)



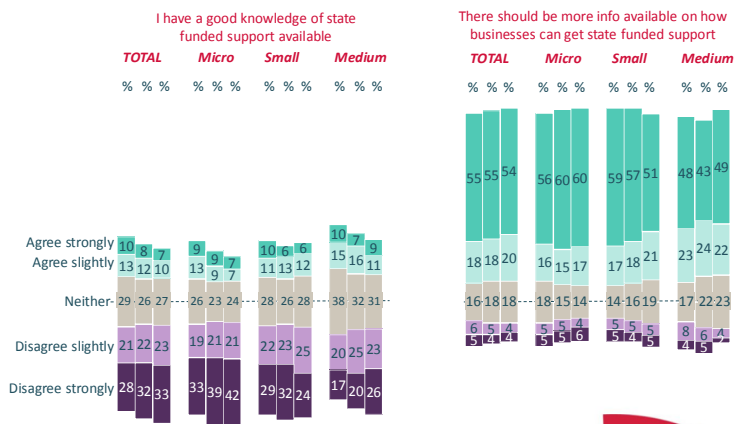
Lack of knowledge about state funded support available for SMEs continues to be a problem with only 17% of the SMEs agreeing with the statement “I have a good knowledge of state funded support available”, representing a further 3% decrease from the previous period. A slightly increased proportion (74%) of SMEs agree that they would like to see more information on how businesses can apply for state funded support. This suggests that the “Supporting SMEs” online tool will play a vital role in addressing this knowledge deficit.



### Attitudes Towards State Funded Support

(Base: All SMEs – 1,502)

Sept '13  Mar '14  Sept '14



REDC

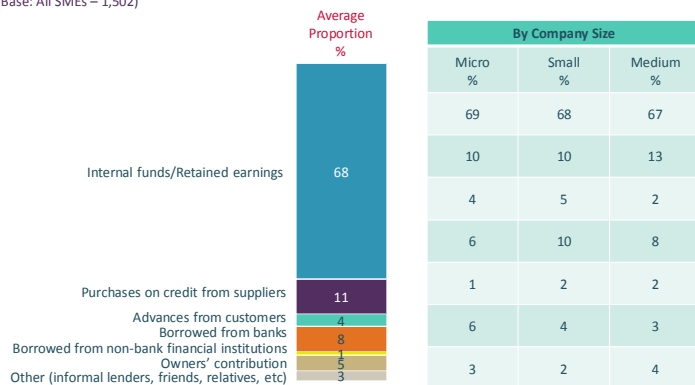
(Q.24d)

### 8.5 Financing the Business

Internal funds and retained earnings has increased from 62% in the previous period to 68% now as a proportion for financing working capital, which feeds into an overall explanation for the decrease in credit demand despite markedly better trading conditions. Credit from suppliers is again the second most utilised source for financing working capital, although this has decreased to 11% from 13% in the previous period, with bank loans the third largest source of working capital finance at 8%. Once again, we see that non-bank finances are not integral in financing working capital of SMEs in Ireland.

#### How Are Working Capital Financed?

(Base: All SMEs – 1,502)



REDC

(Q.18b)



Over a third (35%) of SMEs state that they have acquired fixed assets in the past 6 months, representing a 4% increase from the 31% in March 2014. 17% of Micro companies have acquired fixed assets within the past 6 months while the proportion for Small companies has increased from 29% to 40% now. Medium-sized companies remain far more likely to have invested in fixed assets with 58% having acquired fixed assets in the past 6 months.

For those who have invested in fixed assets, the average expenditure on fixed assets has increased notably within the past 6 months:

	Average Expenditure Fixed Assets	
	March 2014	Sept 2014
<b>All SMEs</b>	<b>€308k</b>	<b>€526k</b>
Micro	€64k	€124k
Small	€141k	€191k
Medium	€548k	€1,085k

This represents a near doubling of expenditure on fixed assets among Medium-sized companies and again we see that a slightly increased proportion of this has been financed from internal funds/retained earnings, with money borrowed from banks and leasing arrangements the next most important sources of finance.

Source of Finance	Average Proportion		
	Sept 2013	March 2014	Sept 2014
Internal funds/retained earnings	67%	71%	72%
Leasing arrangements	9%	6%	9%
Borrowed from banks	12%	9%	10%
Credit from suppliers	3%	5%	2%
Advances from customers	1%	0%	1%
Owners' contribution	5%	5%	3%
Borrowed from non-bank financial institutions	1%	1%	2%
Other	2%	3%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>





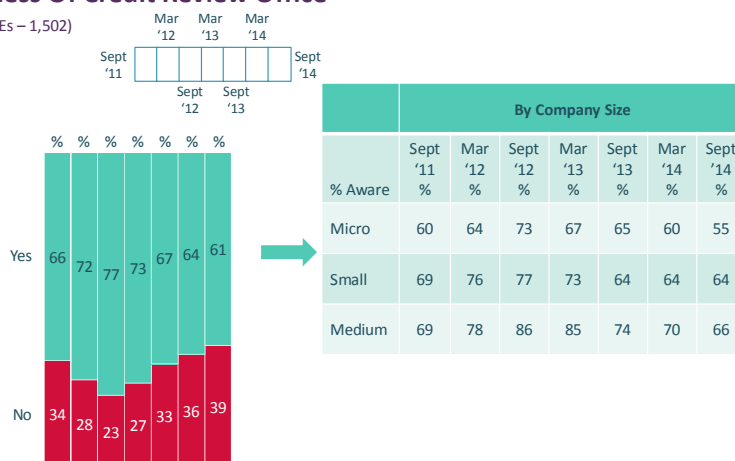
## 9.0 SME Awareness of Credit Supports

### 9.1 Credit Review Office

Awareness of the Credit Review Office has decreased again this wave and is at the lowest levels since tracking began in September 2011. While this can be due to less promotion of this office, the decrease in credit demand might also be a factor as less SMEs are thinking about credit and credit support facilities. In total 61% of all SMEs are aware of the Credit Review Office.

#### Awareness Of Credit Review Office

(Base: All SMEs – 1,502)



### 9.2 Perception of Banks Lending to Irish SMEs

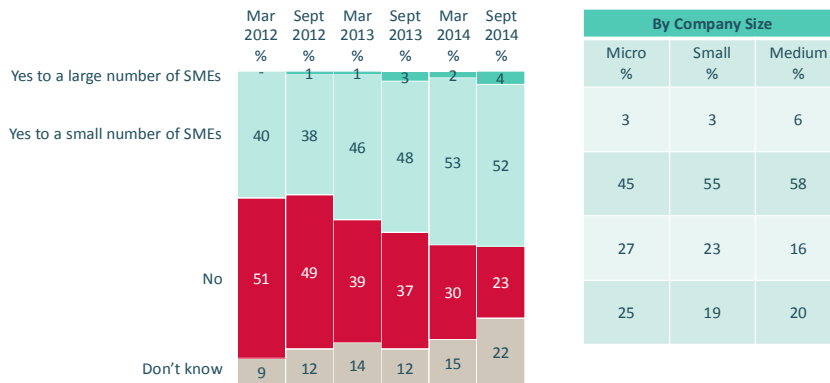
The trend of increasing belief that the banks are lending to the SME sector in Ireland continues. A total of 56% believe the banks are lending – this is up from 55% in March 2014 and 51% in a year ago. Most SMEs still believe the banks are only lending to a small number of SMEs (52%) while 4% of all SMEs now believe the banks are lending to a large number of SMEs.

However the biggest change is the reduction in the proportion of SMEs who believe that the banks are not lending. Just 23% now believe that the banks are not lending to the SME sector, significantly down from 30% in March 2014 and 37% a year ago in September 2014. A far greater proportion now claim they are unaware if banks are lending or not.



## Perception of Banks Currently Lending to Irish SMEs

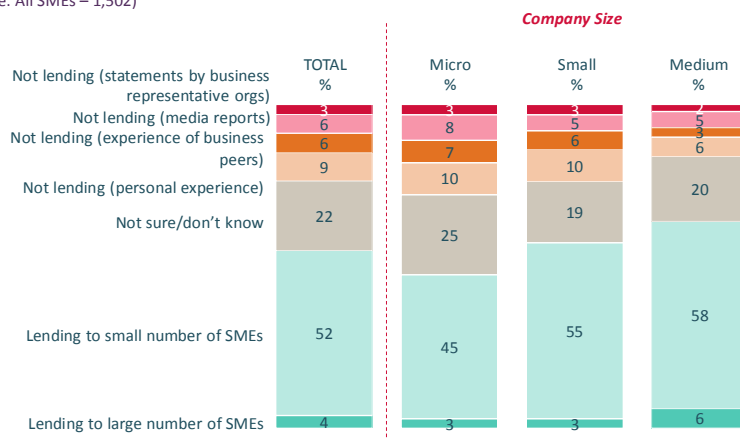
(Base: All SMEs – 1,502)



Of the 23% who suggest the banks are not lending, 2 in 5 claim this view is based on personal experience. The rest hold this opinion based on business organisations, media reports or peers.

## View On Banks Lending to Irish SMEs in Last 6 Months

(Base: All SMEs – 1,502)





## APPENDIX

The SME Demand Survey Questionnaire



71114

**DEPARTMENT OF FINANCE  
CREDIT DEMAND SURVEY**

**QUESTIONNAIRE**

**1<sup>st</sup> October 2014**

Good morning/afternoon/evening. My name is ..... from RED C Research, the opinion and polling research company. 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.

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**SECTION 1 – COMPANY INFORMATION**

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

Yes ..... 1

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

**INDUSTRY SECTOR Q.1b**

**ASK Q.1b IF NO AT Q.1a**

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

**PROBE TO PRECODES – SINGLE CODE**

Agriculture & forestry & fishing ..... 1

**CHECK QUOTAS**

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 - SME LENDING Questionnaire – April-September 2014**

**Q.1c** Is your business involved in the computer software/hardware industry? By ‘involved’ we are referring to businesses that develop, sell or implement software and /or hardware. **SINGLE CODE**

- Yes ..... 1
- No ..... 2

**Q.1d** Which of the following statements about export outside the Republic of Ireland best applies to your business? **SINGLE CODE**

- Our firm regularly exports ..... 1
- We began exporting in the last six months..... 2
- We don’t export ..... 3

**ASK IF EXPORT (CODE 1+2 IN Q1D)**

**Q.1d\_1** What percentage of the firm’s sales are exported?

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

SCRIPTER: ALLOW DON’T KNOW, MIN-MAX 1-100

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

**ASK 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	<b>MICRO:</b>
2 - 4 .....	2	<b>CHECK QUOTAS</b>
5 - 9 .....	3	
10 -20 .....	4	<b>SMALL:</b>
21 – 49 .....	5	<b>CHECK QUOTAS</b>
50 - 100 .....	6	<b>MEDIUM -</b>
101 – 249 .....	7	<b>CHECK QUOTAS</b>
250+ .....	8	<b>CLOSE</b>
Refused/ don’t know .....	9	



**Q.2a** What was your business' turnover in the last 12 months i.e. for the period **October 2013-September 2014**?

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

**Q.2a1** What was your business' turnover in the last 12 months i.e. for the period **October 2013-September 2014** as per the following bands? **READ OUT - SINGLE CODE**

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

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

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

**READ OUT – SINGLE CODE**

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

**ASK ALL**

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

\_\_\_\_\_ years (MIN-MAX 0-999)

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

**READ OUT - MULTI CODE**

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



**Q.5** In the last 6 months, i.e. from **April-September 2014**, has the turnover of your business increased, decreased or stayed the same compared to the previous 6 month period?

**SINGLE CODE**

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

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

**Q.5a** By about what percentage has your turnover increased?  
 INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE

\_\_\_\_\_ % (MIN-MAX 1-9999)

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

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

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

**Q.5b** By about what percentage has your turnover decreased?  
 INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE

\_\_\_\_\_ % (MIN-MAX 1-100)

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

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

**ASK ALL**

**Q.5c** In the last 6 months, i.e. from **April-September 2014**, has your company made a profit, broke even, or made a loss?

**READ OUT - SINGLE CODE**

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



**ASK ALL**

**Q.6** In the last 6 months, i.e. from **April-September 2014**, has your number of staff increased, decreased or stayed the same? **SINGLE CODE**

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

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

**Q.6a** By about what percentage has your staff increased?  
INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE  
\_\_\_\_\_ % (MIN-MAX 1-9999)

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

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

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

**Q.6b** By about what percentage has your staff decreased?  
INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE  
\_\_\_\_\_ % (MIN-MAX 1-100)

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

**READ OUT - SINGLE CODE**

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

**ASK ALL**

**Q.6c** Which of the following statements best applies to your company?  
**SINGLE CODE, READ OUT**

- The company is struggling to survive
- The company is focusing on stabilising the business after some tough years
- Our focus is on stabilising the business but we are also pursuing smaller growth opportunities
- Our focus is on rapid growth
- Other, please specify: \_\_\_\_\_ (DO NOT READ OUT)





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**SECTION 2 – FINANCING YOUR BUSINESS**

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**ASK ALL**

**Q.7** In the last 6 months, i.e. from **April-September 2014**, have you sought professional advice regarding your financing requirements? By professional advice we are referring to advice from auditors, accountants or professional financial advisors.

**SINGLE CODE**

Yes ..... 1  
No ..... 2

**Q.7b** In the past 6 months, i.e. **from April-September 2014**, 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  
Do not know ..... 4

**Q.7c** In the past 6 months, i.e. **from April-September 2014**, 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  
Do not know ..... 4

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

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

**ASK Q7E IF MORE THAN €0 AT Q7D**

**Q.7e** What is the average cost/interest rate that you pay on this outstanding debt?  
INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE, IF COSTS ARE DIFFERENT ACROSS LOAN TYPES, ASK FOR THE AVERAGE ACROSS THE TOTAL

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

**Q.7g** In the last 6 months, i.e. **from April-September 2014**, have you missed any repayments on your loans, if you have any? **SINGLE CODE**

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



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

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

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

**ASK ALL**

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

- AIB .....1
- Anglo/ Irish Bank Resolution Corporation .....2
- Bank of Ireland .....3
- Bank of Scotland (Ireland).....4
- National Irish Bank .....5
- Ulster Bank .....6
- Permanent TSB .....7
- Rabobank .....8
- ACC .....9
- GE Capital/ Woodchester .....10
- KBC (previously IIB) .....11
- Other financial institution (specify) \_\_\_\_\_ .....12
- Don't know .....13

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

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

**Q.9** In the last 6 months, i.e. from **April-September 2014**, have you requested from any bank, any of the following types of finance? It does not matter if you have been successful or not.

**READ OUT - MULTICODE**

- New overdraft .....1
- Renewal/restructuring of existing overdraft .....2
- New Loan .....3
- Renewal/restructuring of existing Loan .....4
- Invoice Discounting .....5
- Leasing or Hire Purchase .....6
- Bonds (bank backed, advance payment of other bonds) .....7
- Other (specify) \_\_\_\_\_ .....8
- None .....9 **GO TO Q.9b**

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



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

**Q9b** Why did you not apply for bank finance in the last 6 months, i.e. from **April-September 2014**?

**MULTICODE, PROBE FULLY, DO NOT READ OUT.**

- Didn't need it
- Existing finance product in place
- Prefer not to borrow
- Not the right time given the economic climate
- Inability to repay/meet requirements of finance
- Use/raise personal funds when needed
- Going out of business
- Raise finance from grants
- Too expensive to borrow
- Raise finances from investors/venture capital
- Belief that banks are not lending
- Possible rejection
- Have been turned down before
- Application process too difficult
- Don't trust the banks
- Too many terms and conditions
- Banks take too long to make decision
- Existing debt burden already too high
- Other, please specify: \_\_\_\_\_

**Q.10** From which bank did you request \_\_\_\_\_ (FROM Q.9)?

**SINGLE CODE**

- AIB .....1
- Anglo/ Irish Bank Resolution Corporation .....2
- Bank of Ireland .....3
- Bank of Scotland (Ireland).....4
- National Irish Bank .....5
- Ulster Bank .....6
- Permanent TSB .....7
- Rabobank .....8
- ACC .....9
- GE Capital/ Woodchester .....10
- KBC (previously IIB) .....11
- Other financial institution (specify) \_\_\_\_\_ .....12
- Don't know .....13

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

**READ OUT - MULTICODE**

- New business venture ..... 1
- Expansion ..... 2
- Decline in business revenues ..... 3
- Slow down in debtor collection ..... 4
- Bad debts increasing ..... 5
- Increase in supplier costs ..... 6



Property related loan ..... 7  
 Working capital / cash flow ..... 8  
 Purchase, replacement or lease of new vehicle and/or  
 equipment ..... 11  
 Need to restructure loan/credit ..... 12  
 Acquisition of assets ..... 13  
 Other (specify) \_\_\_\_\_ ..... 14

**Q.11b** In what month did you apply for \_\_\_\_\_ (FROM Q.9)  
**SINGLE CODE**

**April 2014** .....1  
**May 2014** .....2  
**June 2014** .....3  
**July 2014** .....4  
**August 2014** .....5  
**September 2014** .....6  
 Cannot recall / Don't know .....7

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

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

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

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

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

**Q.11d** What was the additional value of the \_\_\_\_\_ (FROM Q.9) for which you applied?  
**OPEN END: INSERT AMOUNT**

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

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

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

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

**MULTIPLE ANSWER ALLOWED**

Land..... 1  
 Buildings..... 2  
 Machinery and equipment including movables..... 3  
 Accounts receivable..... 4  
 Inventories..... 5



Personal assets of owner (house, etc.)..... 6  
 Other (specify) \_\_\_\_\_ 7  
 None.....8

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

**Q.11f** What was the approximately 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**  
 Don't know/ can't recall ..... 9

**IF STILL PENDING CODE 7 AT Q.13**

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

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

**Q.14** Were you successful in your \_\_\_\_\_ **(FROM Q.9) request?**

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



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

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

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

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

**Q.14a2** Were any of the following criteria/ conditions attached to your \_\_\_\_\_ (FROM Q.9) request? **READ OUT - MULTICODE**

- Requirement to provide regular management accounts/ debtors + creditors listings to the bank .....1
- Different finance structure granted to that requested .....2
- Personal guarantee .....3
- Specific security .....4
- Facility fee .....5
- Security fee .....6
- Other fees (arrangement or other) .....7
- Requirement to maintain account with bank .....8
- Requirement to convert overdraft to term loan .....9
- Additional collateral .....10
- Requirement for borrower to put up cash .....11
- Other pre drawdown conditions .....12
- Other (specify) \_\_\_\_\_ .....13
- No .....14 **GO TO Q.16**

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

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

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

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

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

- Inadequate repayment capacity .....1
- Account performance/ history .....2
- Inadequate historic information provided .....3
- Deterioration in business financial performance .....4
- Change in bank lending policy .....5
- Change in bank pricing policy .....6
- The sector in which your business operates is no longer a sector to which the bank are prepared to lend .....7
- The business which you are operating, is no longer a type of business to which the bank is prepared to lend .....8
- Requested facility was sanctioned at lower level/ different structure to that requested .....9



- Existing debt burden already too high.....10
- Inadequate/ insufficient security .....11
- Other (specify)\_\_\_\_\_ .....12
- No reason given .....13
- None of these .....14

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

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

- Yes .....1
- No .....2
- To some extent .....3

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

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

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

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

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

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

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

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

- Yes .....1
- No .....2

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

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

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

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

**Q.16a** What are the reasons for not availing of the facility to date?  
**OPEN END: PROBE FULLY**

**ASK ALL**

**Q.16b** Do you expect to seek bank finance for your business in the next 6 months (i.e. from **October 2014 to March 2015**)? **SINGLE CODE**

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



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

**Q.16c** Why will you not be seeking bank finance in this period?  
**OPEN END: PROBE FULLY**

**ASK ALL**

**Q.16d** Thinking about your bank debt, have any of the following adjustments been put in place in the last six months i.e. from **April-September 2014**? **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

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**SECTION 3 – NON BANK FINANCING**

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

- SME Online Tool/Guide.....1
- Credit Guarantee Scheme..... 2
- Microfinance Loan Fund Scheme..... 3
- Other government support (specify) \_\_\_\_\_ ... 4
- None.....5

**We would now like you to think about the most recent period from April to September 2014 again.**

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

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

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





**Q.18** Were you successful in obtaining finance from \_\_\_\_\_(FROM Q.17) or only partially successful or is the decision still pending, or were you not successful? **SINGLE CODE**

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

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

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

**READ OUT - MULTICODE**

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

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

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

**MULTICODE, PROBE FULLY, DO NOT READ OUT**

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

**ASK ALL**

**Q.18b** Over the last six months (i.e. from **April-September 2014**), please estimate the proportion of this establishment's working capital that was financed from each of the following sources? **(MUST ADD TO 100%)**

**Percent Sources of Working Capital**

a. Internal funds/Retained earnings		%
b1. Purchases on credit from suppliers		%
b2. Purchases on advances from customers		
c. Borrowed from banks		%
d Borrowed from non-bank financial institutions		%
e. Owners' contribution		%



f. Other (informal lenders, friends, relatives, etc)		%
None of these (DNRO)		

**ASK ALL**

**Q.18b1** Over the last six months (i.e. from **April-September 2014**), if the company acquired fixed assets, could you please provide an estimate of the total expenditure?

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

**ASK ALL WHO HAVE NOT ANSWERED “NO ACQUISITION” IN Q.18B1**

**Q.18c** Over the last six months (i.e. from **April-September 2014**), please estimate the proportion of this establishment’s purchase of fixed assets that was financed from each of the following sources? **(MUST ADD TO 100%)**

**Percent Sources of Investment**

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

**Q18d** During the past six months, **April-September 2014**, did your enterprise introduce any of the following:

**READ OUT - MULTICODE**

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



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#### SECTION 4 – SEASONALITY

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**ASK ALL**

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

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

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

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

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#### SECTION 5 – AWARENESS

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**ASK ALL**

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

- Yes ..... 1  
No ..... 2

**ASK ALL**

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

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

**IF NO CODE 2 AT Q.24C**

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

The experience of your business in the last 6 months (i.e. from **April-September 2014**) 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. **April-September 2014**) 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 **April-September 2014**). 3

Statements by business representative organisations in the last six months (i.e. from **April-September 2014**)..... 4



**ASK ALL**

**Q.24d (ii)**

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

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

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

List 32 counties

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