



SME Credit Demand Survey

October 2012 – March 2013

*Prepared for
The Department of Finance
May 2013*



**An Roinn Airgeadais
Department of Finance**

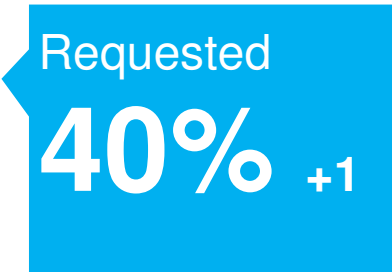
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Overview of Report - Credit Demand (October 2012-March 2013)

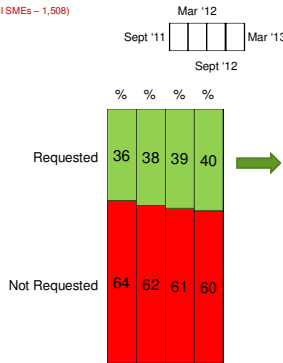
Base – All SMEs interviewed = 1508

Demand



SMEs Seeking Bank Finance In The Past 6 Months

(Base: All SMEs – 1,508)



	Requested By Company Size			
	Sept '11 %	Mar '12 %	Sept '12 %	Mar '13 %
Micro	27	30	36	36
Small	41	43	41	43
Medium	41	42	43	41

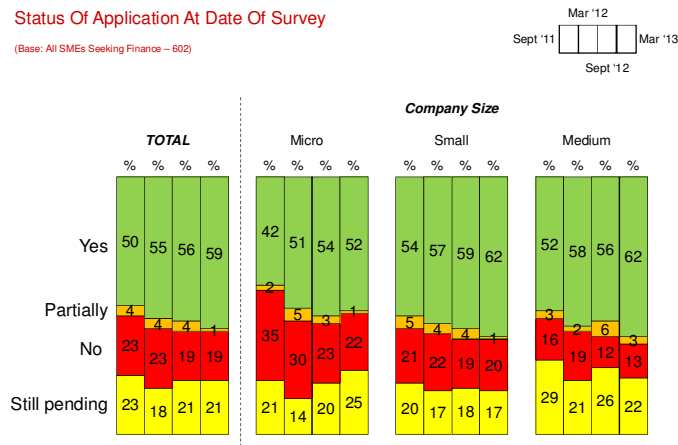
(Q.9)

Application Decisions (incl. pending)



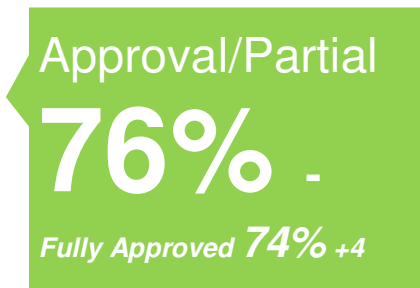
Status Of Application At Date Of Survey

(Base: All SMEs Seeking Finance – 602)



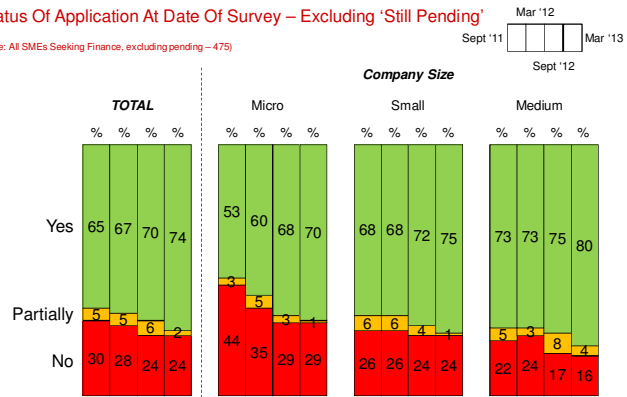
(Q.14)

Application Decisions (excl. pending)



Status Of Application At Date Of Survey – Excluding 'Still Pending'

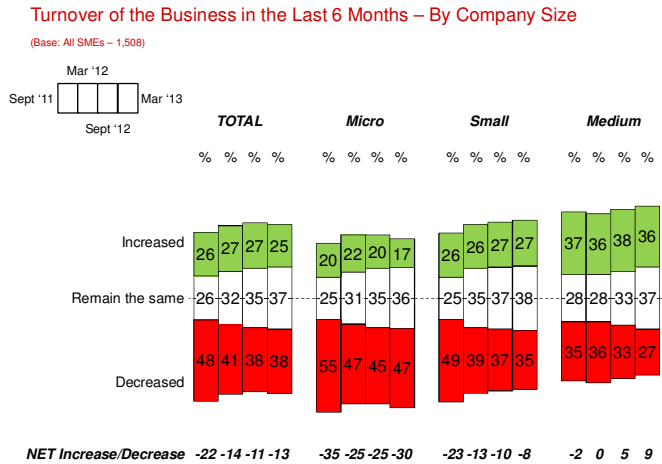
(Base: All SMEs Seeking Finance, excluding pending – 475)



(Q.14)

Trading Performance (all SMEs)

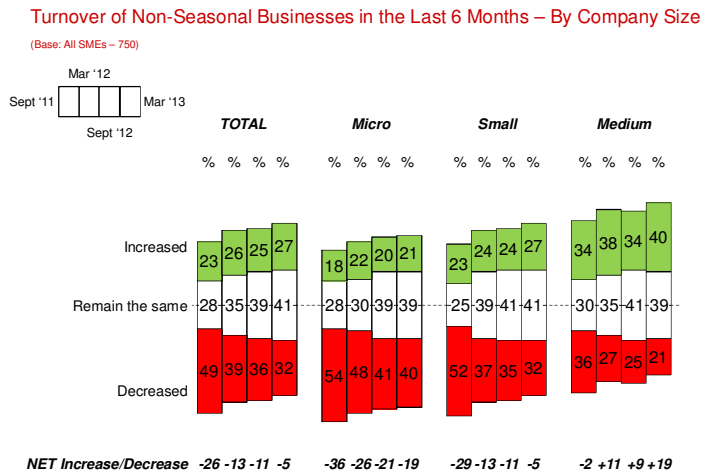
Stable/Increase
62% -



(Q.5)

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

Stable/Increase
68% +4



(Q.5)

Commentary

The results from this period's Credit Demand Survey show that SME credit demand, while remaining low, continues its gradual upward trend. This is helped by a backdrop of continued stabilisation in the marketplace, driven by improved trading conditions for larger SME's.

The overall decline rate remains unchanged, at the level recorded in September 2012, but positively more loan applications are approved in full rather than partial approval.

While demand itself has yet to improve significantly, there has been a positive improvement in the perception of whether banks are lending to the sector or not. A significantly higher proportion of SMEs feel that banks are lending to a small number of SMEs, rather than not lending at all. This improved lending sentiment should lay the ground for the potential for increased demand in the next six months.

Yet, the belief that banks are not lending remains an issue, with a significant minority (6%) of SMEs not applying for credit because they believe the banks are not lending. Micro companies in particular require more help, with those who have looked for credit having done so more informally, and perhaps more needs to be done to encourage formal applications from smaller companies.

Time taken to process credit applications, and ensuring the reasons for decline are clearly understood by the applicant, remain key areas for the banks to focus on in order to further encourage demand in the future.

While awareness of the code of conduct sees a positive increase, it is also a small concern that the overall awareness of the Credit Review Office, set up for those who are refused credit by one of the pillar banks, has decreased.

1.0 Summary

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

1. Further stabilisation of trading conditions for SMEs

While difficult trading conditions remain for many SMEs, we continue to see improvements in turnover performance when correcting for seasonal variations. However, this improvement is mainly driven by Medium-sized companies, while Micro companies continue to struggle in the current economic climate.

Profitability in the SME sector also remains stable, but again we see Micro companies being much less successful than Small and Medium-sized companies. In spite of the improved trading conditions, most SMEs are cautious to increase staff numbers.

2. SME credit demand remains low but has increased further

Credit demand from the SME sector remains low with 40% of SMEs having requested at least one type of bank finance in the period October 2012 to March 2013. Yet, SME credit demand has increased slightly from 39% in September 2012 and 38% a year ago, following the gradual stabilisation of business performance among SMEs in Ireland. When excluding SMEs with seasonal demand for credit, we see that the credit demand is unchanged from the previous wave in September 2012 at 35% but slightly higher than a year ago. Albeit, having tougher trading conditions, the overall increase in credit demand over the four periods is mainly driven by Micro sized companies while demand remains relatively steady among Small and Medium-sized companies.

3. Decline rates are unchanged, but more loan applications are approved in full

The overall decline rate remains at 19% which is equivalent to September 2012 but lower than the 23% decline rate recorded a year ago. However, we see an increasing proportion of applications being approved fully, rather than partial approval. The decline rate for pillar banks still stands at 18%, which is lower than the decline rate for non-pillar banks (24%). There has been an increase in the decline rate for non-pillar banks from 21% in September 2012 to 24%.

4. Changing perception that banks are lending to SMEs

A significant improvement is registered in the perception of whether banks are lending or not to the SME sector, which is vital for stimulating credit demand requests in the future. Almost half, (47%) now believe that the banks are indeed lending to SMEs – this is up from only 39% in September 2012. Most of those SMEs that do feel banks are lending however, believe that banks are only lending to a small number of SMEs rather than a large number of SMEs. The fact that 39% still believe that banks are not

lending to SMEs also remains as a considerable barrier for SME lending in Ireland with 6% of all SMEs claiming that they did not apply for credit due to banks not lending.

5. Increase in informal applications for credit

While most applications for credit go through the formal channels, we see an increase in the number of informal loan requests. Micro companies are relatively more inclined to use informal application channels than Small and Medium sized companies. While a changing perception of lending may be encouraging some Micro companies to “test the water” with informal request, these are seen to be less likely to secure credit, and more should be done to encourage and make easier formal applications from Micro companies. It should be acknowledged that the common application form does go some way towards making it easier to make a formal application.

6. Application claimed turnaround remains on the long side

The average time from application to reaching a decision on the loan request is 21 working days, which remains longer than the 15 working days target set by the current code of conduct and guidelines for lending. Just over half do have their application turned around within the targeted 15 working days, a similar proportion to that seen in September.

7. Most SMEs do not agree with reason for refusal

More than 3 in 4 (77%) of those SMEs who have had their loan application declined continue to state that they do not agree with the reason provided. This underlines a requirement for as much communication as possible from the banks to ensure confidence in the sector and encouragement to request credit.

8. A reduced but significant portion of SMEs who were declined credit still claim that they did not get a reason at all

Just over 1 in 5 (21%) SMEs who were refused credit do still claim that the bank did not provide them with a reason for refusal at all. While this is down from the September wave of research, it again underlines the need for as much communication as possible between banks and businesses during and after this process.

9. Awareness of the Credit Review Office has decreased

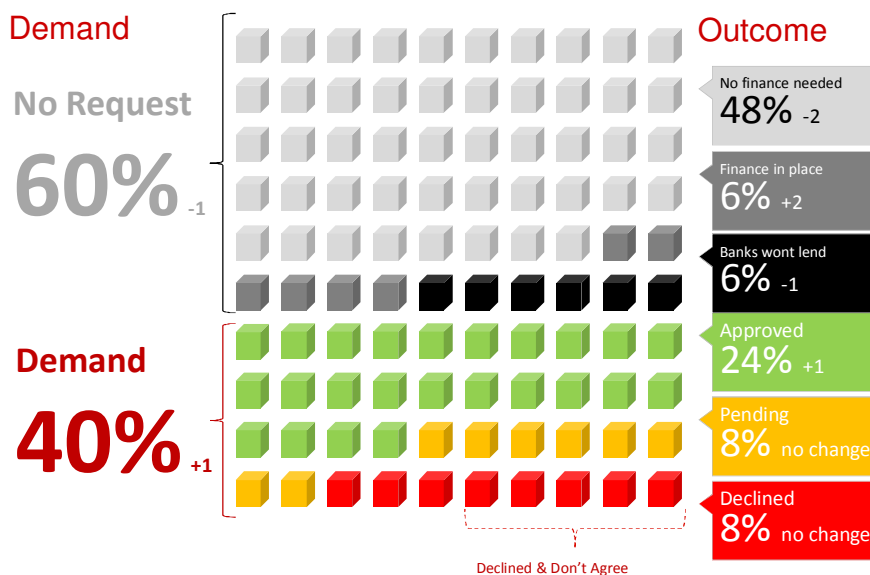
For the first time over the four research waves, we see a decline in awareness of the Credit Review Office which is in place to support businesses who have been refused credit by one of the pillar banks. High awareness of this facility is important, considering that many SMEs who have been refused credit disagree with the reasons provided by the banks. Among those SMEs who have been refused credit by one of the pillar bank, more claim that they were not informed of their rights for a decision

review by the Credit Review Office. Micro sized companies are much more likely to be not aware of this facility than Small and Medium sized companies.

10. In spite of changing perceptions about bank lending, a significant minority of SMEs are still not applying for credit because they believe banks are not lending

While there has been a significant shift in the perception of banks lending to SMEs, there are still significant challenges ahead in terms of enforcing this belief, improving communication of reasons for refusal, increasing awareness of credit review facilities and reducing the application turnaround time. Currently, 6% of SMEs in Ireland do not apply for credit simply because they believe the banks will not lend to SMEs. While it is not clear whether all these businesses represent a good case for borrowing in the first place, they do represent a lost opportunity for stabilisation, growth and employment.

Demand & Credit Outcome Summary – All SMEs



2.0 Introduction

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

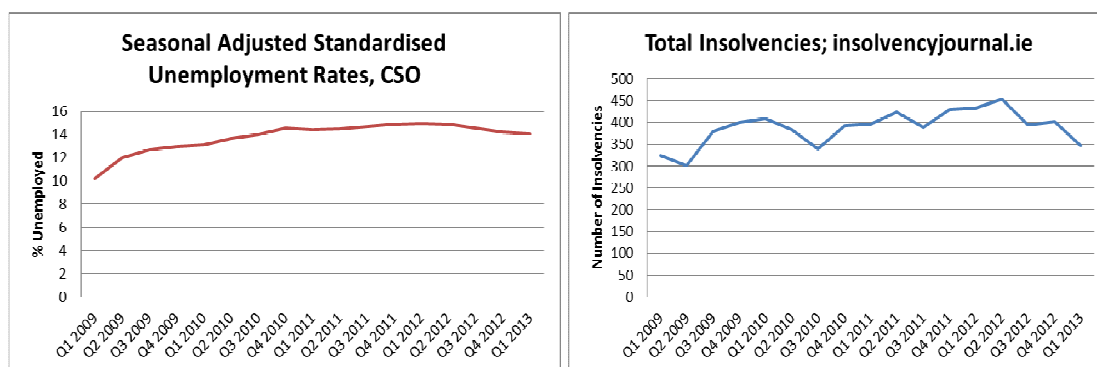
The key parameters of the survey have been kept identical to those in previous waves in order to ensure comparability of data over time. This includes the quotas set for company size and industry, the database of leads used to select businesses for interview, and the key questions in the questionnaire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

All interviews for the study were conducted through RED C's own call centre based in Dundalk. In total 1,508 telephone interviews were conducted with a random sample of Irish micro, small and medium SMEs. The interviews were conducted between the 10th April and 2nd May 2013, with questions focusing on demand for credit between October 2012 and March 2013.

2.1 Economic Context

Tough economic realities remain for the Irish economy with domestic demand continuing to decline, though at a slower pace than previously, and slowdown in several of our main export markets. Yet, in line with the previous survey period (September 2012) we continue to see reassuring signs of a process of economic recovery.

The standardised unemployment rate appears to have stabilised around 14% from the high level reached in Q1 2012 of 15%. At the same time, we have seen a significant decrease in number of insolvencies over the past year.



The Q2 2013 quarterly bulletin from the Central Bank also suggests some more positive news in light of the recent swap of the promissory notes:

“Financing conditions for both the Irish sovereign and Irish-owned banks continue to improve as the implementation of both fiscal and financial sector reforms under the EU/IMF programme has been maintained. The improved sentiment towards Ireland has manifested itself in lower yields on sovereign debt, as well as lower interest rates being required to attract deposits by banks operating in Ireland. Important domestic policy measures have been taken, such as the swap of the non-standard promissory notes issued in recapitalising IBRC with longer-dated Government bonds, and the announced ending of the Eligible Liabilities Guarantee (ELG) scheme. Both these events improved the overall funding profile of the Irish Government, which successfully re-entered the long-term bond market, during March 2013, after three years without issuance. The wind-down of the ELG scheme also provides evidence of the gradual return to normality in the funding environment for Irish banks, which have also seen some positive developments in terms of deposit-based funding recently. This comes amid wider investor confidence and the re-emergence of a risk appetite among institutional investors for peripheral euro area debt.”

To fully utilise the increased stability of the Irish economy, it is vital that credit is available to Irish businesses so opportunities for growth and stabilisation can be pursued. This is not only important for the wider economy but also for protecting the slightly positive trend in terms of employment. The Credit Review Office, set up by the Government to review lending by the banks, in its latest review covering Q4 2012, raised concerns with regard to the banks’ risk appetite for lending to more challenging but still viable businesses.

The report concluded that *“lending to such challenged businesses will be essential to support the recovery in the domestic economy, and will require leadership, enterprise and banking skills.”*

The report does not only highlight the banks’ lending appetite but also the borrowing experience of SMEs in Ireland when applying for loans. This experience is described as *“being remote and somehow binary – gearing towards a yes/no response rather than seeking to identify workable lending solutions.”*

The report suggests a need to move away from “order taking” by sometimes relatively inexperienced front-line bank personnel and a more customised response to declined applications fully explaining the reasons and considerations behind the refusal.

The report also stated that both pillar banks have achieved their €3.5bn SME loan sanction targets for 2012 through a strong second half of the year with loans peaking in October and November.

Yet, the report underlines the importance of the Credit Review Office facility for SMEs. By December 2012, 323 applications had been received by the office with 251 of those being progressed by the borrower. Of the 211 cases that have been concluded, the Credit Review Office overturned the bank decision in more than half of the cases (55%). This is equivalent to €13m credit being made available to SMEs and farms in Ireland, thereby protecting 1,102 jobs.

The latest Central Bank report also underlines that the SME sector continues to see a decline in bank lending:

“The indigenous small- and medium-sized enterprise (SME) sector continues to see its overall level of bank lending decline. However, certain sectors which exhibit relatively good repayment performance and better trading prospects (e.g. agriculture) are attracting more new lending from the resident banking system. The pricing of bank lending for SMEs remains higher in Ireland than for the euro area as a whole. That said, new business rates on all NFC loans fell in Ireland through 2012 to a greater extent than the euro area average, possibly indicating that most new lending activity reflects restructuring/renegotiation of existing facilities as opposed to new financing on which higher interest rates could be levied.”

According to the most recent SAFE report published by the European Central Bank in April 2013, covering the period October 2012-March 2013, access to finance is the second most mentioned key challenge among Irish SMEs after finding customers. Just under a quarter (24%) of the surveyed Irish SMEs highlighted access to finance as their main business challenge – this is significant higher than the Eurozone average of 16% and only Greece and Spain have a higher proportion highlighting access to finance as their key challenge.

The SAFE report also highlights that access to finance remains a key challenge across the Eurozone and in Ireland – though we see a smaller deterioration than previously in the availability of most finance types. According to the report, Ireland continues to have the second highest rejection rates across the Eurozone, only exceeded by Greece.

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.

As part of the conditionality attached to the latest recapitalisation exercise, the Government has imposed lending targets on the two pillar banks, Allied Irish Banks (“AIB”) and Bank of Ireland (“BoI”), for the three calendar years, 2011 to 2013. Both banks

are required to sanction lending of at least €3 billion in 2011, €3.5 billion in 2012 and €4 billion in 2013.

The Government has also recently officially 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 Loan Guarantee Scheme is open to companies employing fewer than 250 staff and with an annual turnover of less than €50 million (SMEs). It will 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.

In January 2013, the National Pensions Reserve Fund (NPRF) announced investment commitments in three new funds making equity and credit available to SMSs and mid-sized corporates in Ireland. The NPRF will invest up to €500m in these funds with additional funding coming from third-party investors. There will be a SME Equity Fund focusing on investment in healthy businesses seeking to grow, a SME Turnaround Fund focusing on turnaround of businesses close to insolvency but with potential for financial and operational restructuring and a SME Credit Fund which will lend to SMEs and mid-size corporates at competitive market rates.

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:

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

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

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

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

Time Period of Study

This study follows directly on from the April to September 2012 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 October 2012 to March 2013. 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 compiler and database provider in Ireland. This database is compiled from multiple sources and updated regularly. At the date of writing, the database held approximately 130,000 SME records.

A starting sample of 10,000 SMEs was randomly extracted from this database, across each SME size category and NACE sectoral group, ensuring that respondents included a reasonable spread of micro, small and medium-sized SMEs and a proportional representation of 16 key business sectors set out in Section 2.4 above. In total 4,820 companies were contacted to complete the 1,508 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 1,508 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 1,508 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.

All interviews were conducted between 10th April and 2nd May 2013 and covered the period from October 2012 to March 2013. Over the course of the study 1,508 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 not 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 November 2012 (+/-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

1,508 SMEs participated in the telephone interviews. Companies were allocated to micro, small and medium size categories based on employee numbers as a proxy for company size.

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

A sample of SMEs were contacted and asked to respond to a phone based questionnaire. This sample was selected from a database of approximately 130,000 companies. The study was carried out in April 2013 and respondents were asked to respond based on their experience from October 2012 to March 2013.

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.

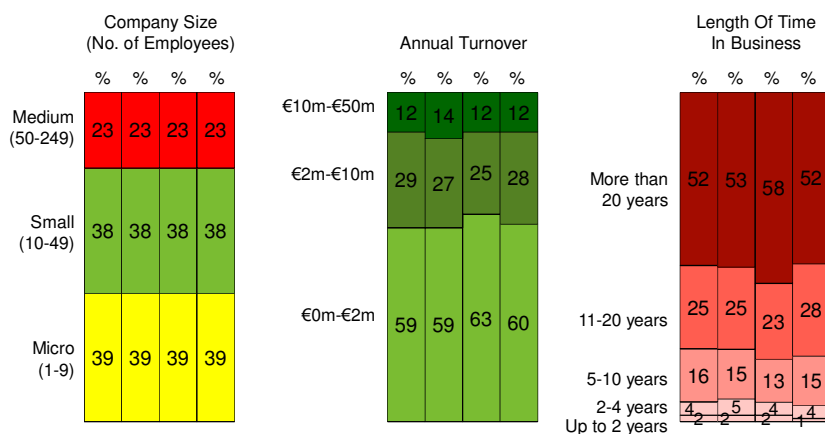
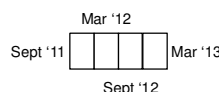
4.0 Profile of Respondents

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 – 1,508)



(AOS)

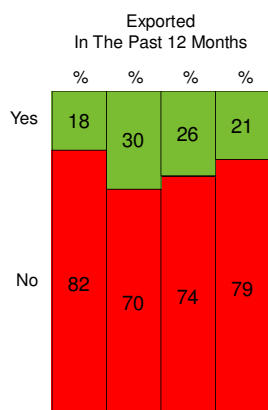
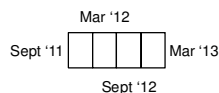
The above confirms the similarity of the four samples with identical distribution on company size, almost identical distribution on turnover while the current survey has a slightly lower proportion of companies which have been in business for more than 20 years than the survey conducted in September 2012 – however the proportion is similar to the surveys conducted in March 2012 and September 2011.

4.2 Exporting Companies

21% of the companies interviewed export goods or services outside the Republic of Ireland. This is slightly lower compared to the previous wave but it is worth noting that the export question was changed slightly which might impact comparability for this question.

Analysis Of Sample – Export

(Base: All SMEs – 1,508)



	Export Location %
Northern Ireland	54
UK (excl. Northern Ireland)	64
Other European Union	46
USA	25
BRICS countries	15
Rest of World	20

(AOS)

The main export market is the United Kingdom with 64% of those SMEs who export selling products/services in the United Kingdom excluding Northern Ireland. 54% export to Northern Ireland with 46% exported to other European Union countries.

4.3 Computer Hardware/Software Industry

9% of the sample are involved in the computer industry, i.e. hardware and software. This proportion is higher than the previous surveys where the proportion was 7%.

4.4 Innovation

More than half (55%) of the SMEs have engaged in innovative activities over the past 6 months:

	Innovative Activities (past 6 months) %
New marketing concepts/strategy	34
New business practices/methods of organising work/external relations	31
New/improved services	24
New improved methods of production, distribution or support activity	18
New/improved goods	16
Any Innovation	55
None of the above	45

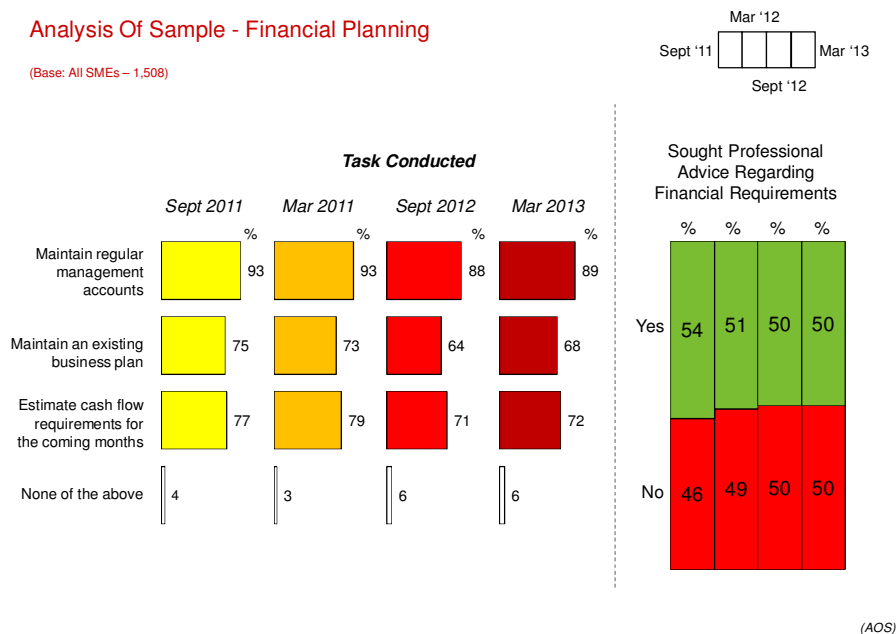
34% of the SMEs have developed new marketing concepts/strategy over the past 6 months while 31% have innovated business practices.

4.5 Regular Financial Management Tasks & Use of Financial Advisors

The samples are also similar in terms of financial management tasks undertaken by the companies and the use of financial advisors – indicating a similar level of financial knowledge of those interviewed.

Analysis Of Sample - Financial Planning

(Base: All SMEs – 1,508)



5.0 Trading Performance

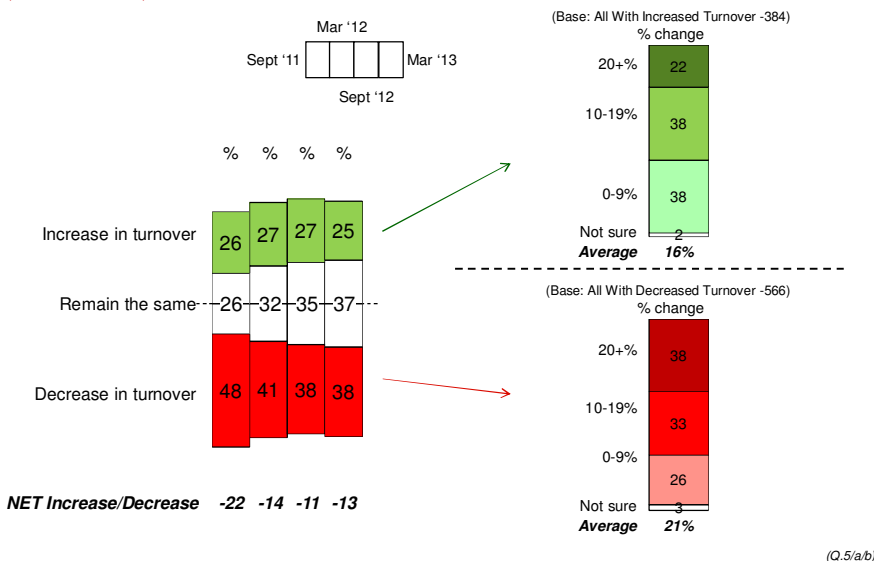
5.1 Turnover Trends

Difficult trading conditions for SMEs continue during the 6 months to March 2013, with 38% of all SMEs indicating that their turnover has decreased over the period. For the same period, 25% express increased turnover while 37% see no change to their turnover. As such, more companies have decreased turnover than companies with increased turnover.

Compared to September 2012, this is a slight decrease in trading performance, with slightly less companies with increased turnover and more companies with unchanged turnover. The proportion of companies with decreased turnover is unchanged. However, if we compare to March 2012 and especially September 2011, the trading performance is less worse now with less companies claiming decreased turnover. The net negative turnover is -13 for this wave, slightly worse than in September 2012 (-11) but better than a year ago (-14) and much better than September 2011 (-22). Thus the overall trend is slight improvement, though the process of recovery is slow.

Turnover of the Business in the Last 6 Months

(Base: All SMEs – 1,508)



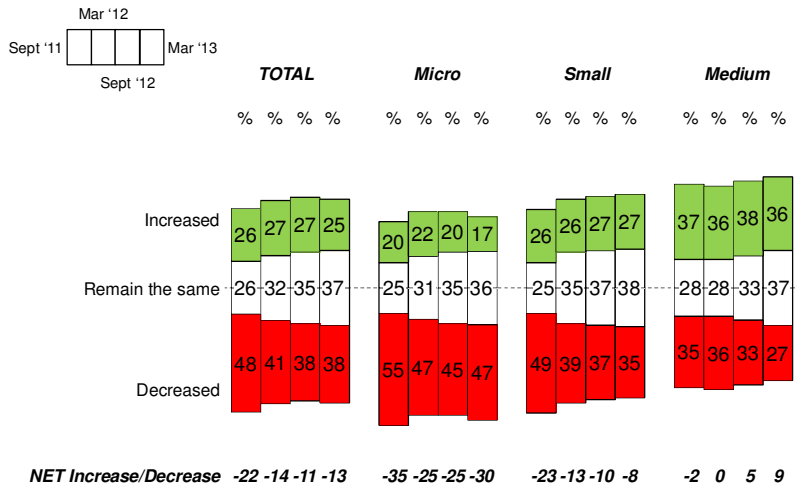
Among those SMEs with declining turnover, 26% have seen a slight decline (0-9%), while 38% have had a decline larger than 20%. For SMEs with increased turnover, 38% have seen a slight increase between 0-9%.

The trading performance is different depending on company size. Small and Medium-sized companies have seen an improvement in trading performance since September 2012 and especially Medium-sized companies are doing well with more companies with

increased turnover (36%) than companies with decreased turnover (27%). Micro companies however have seen a decline in business performance with 47% claiming decreased turnover versus 45% in September 2012 and only 17% claiming increased turnover (20% in September 2012).

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

(Base: All SMEs – 1,508)

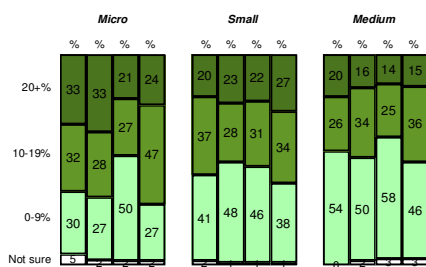


(Q.5)

Looking at those SMEs with increased turnover over the last 6 months, Micro companies are more likely to report turnover growth of minimum 10%. Medium-sized companies are less likely to report 20+% turnover growth compared to Micro and Small-sized companies.

Percentage Increase of Turnover X Company Size

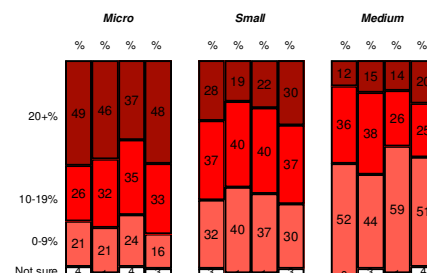
(Base: All SMEs with Increased Turnover – 384)



(Q.5a)

Percentage Decrease of Turnover X Company Size

(Base: All SMEs with Decreased Turnover – 566)



(Q.5b)

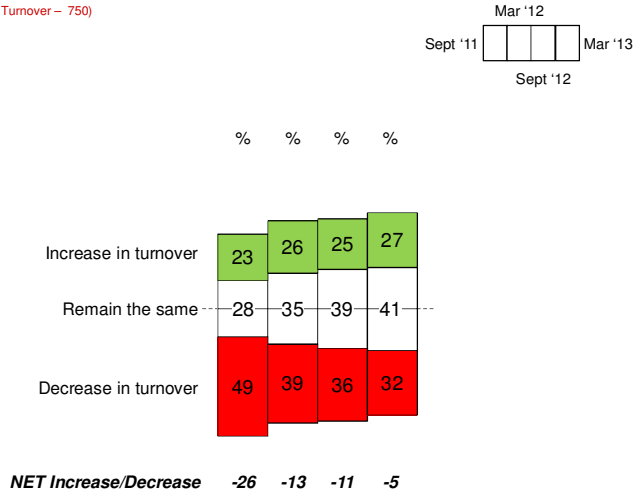
Looking at businesses with decreased turnover up to March 2013, we see that Micro-sized companies are much more likely to report a significant decrease in turnover (20+%) than Small and Medium-sized companies.

Given the six months cycle of each survey, seasonality could have impacted the trading performance described above. This appears to be the case as trading performance has in fact improved from September 2012 when excluding businesses with seasonal turnover

from our sample. The proportion of non-seasonal businesses with increased turnover is 27% compared to just 25% in September 2012. At the same time, we see fewer businesses with decreased turnover.

Turnover of Non-Seasonal Businesses In The Past 6 Months

(Base: All SMEs With Non-Seasonal Turnover – 750)

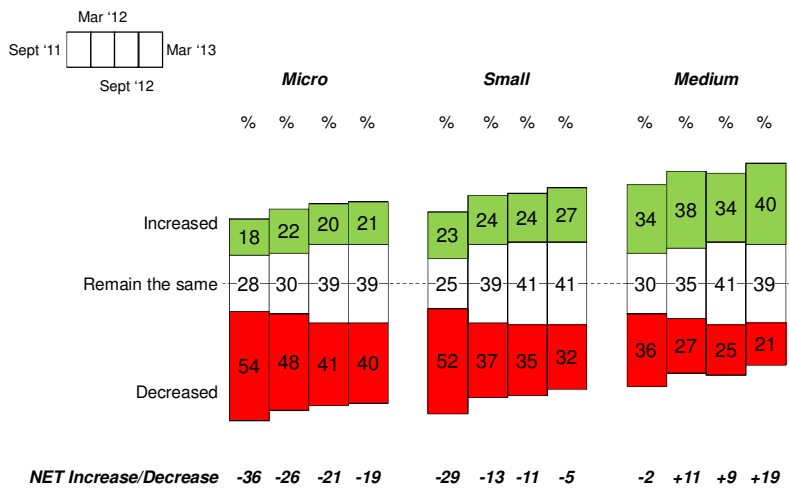


(Q.5)

Looking at turnover development by company size excluding seasonal turnover, we see improvements for all company sizes but in particular for Medium-sized companies. Micro-sized companies continue to perform worse than Smaller and Medium-sized companies.

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

(Base: All SMEs With Non-Seasonal Turnover – 750)



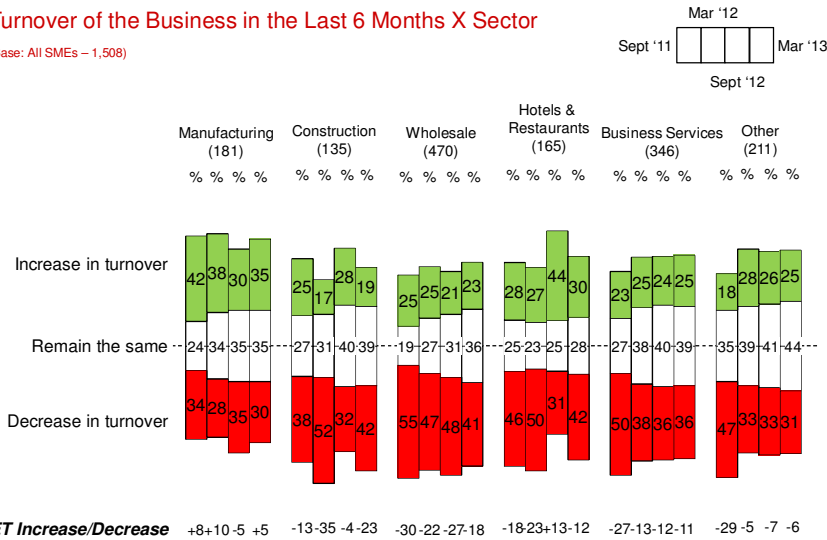
(Q.5)

Turnover by Sector

Looking at sector, we see an improvement in trading performance for manufacturing and wholesale/retail compared to September 2012. The construction sector has seen a significant decline in trading performance but this seems to be seasonal with overall performance being better than a year ago. The hotel/restaurant sector has also seen a significant decline since September 2012.

Turnover of the Business in the Last 6 Months X Sector

(Base: All SMEs – 1,508)



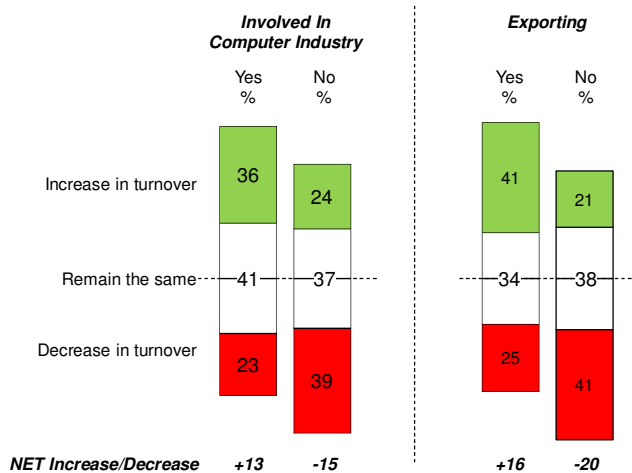
(Q.5)

Turnover for Hardware/Software and Exporting Companies

SMEs involved in the computer industry or exporting have performed significantly better in terms of turnover in the past 6 months. More than a third (36%) of companies in the hardware/software industry have reported an increase in turnover compared to only 24% of SMEs with no involvement in the computer industry.

Turnover In The Past 6 Months By Sector & Export

(Base: All SMEs – 1,508)



(Q.5)

Export companies also perform well, with 41% showing an increase in turnover, compared to 21% of those companies with no export. This highlights the importance of the computer and export sector in restoring the Irish economy.

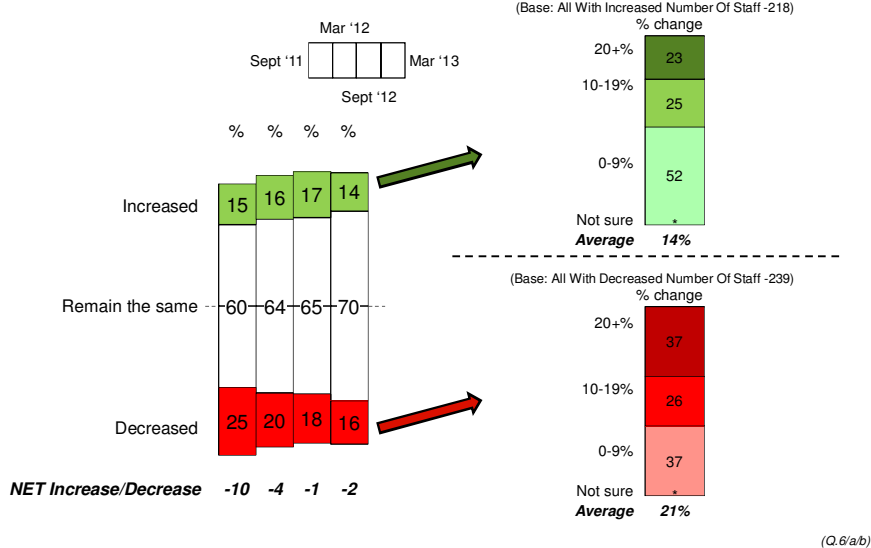
Companies who have innovated in the past 6 months are also more likely to report increased turnover than companies with no innovation activities. 28% of SMEs who have innovated report increased turnover while this proportion is only 22% among SMEs with no innovation activities. New business practices and new/improved products/services are more likely to drive a positive trading performance. This underlines the importance of having credit available for innovation purposes to the SME sector.

5.2 Employment Trends

The trend of fewer companies reducing staff numbers continues this wave with only 16% of SMEs expressing that they have reduced staff numbers in the previous 6 months. This proportion was 18% in September 2012 and 20% in March 2012. However, we see a bit more caution among SMEs with only 14% having increased staff numbers compared to 17% in September 2012. This means that a higher proportion of SMEs has unchanged staff numbers (70%). However, as seen above for turnover, seasonality may also impact these numbers.

Staff of The Business in the Past 6 Months

(Base: All SMEs - 1,508)



Those who have reduced staff have done so to a greater relative degree than those employing new staff. Among those companies, who have reduced staff numbers, more than a third (37%) have reduced staff numbers by less than 10%. However, 37% have made a significant cut in staff numbers with a reduction of 20% or more. The majority (52%) of companies employing more staff has increased staff numbers with less than 10%. This difference between staff growth and staff reduction levels is to a high degree

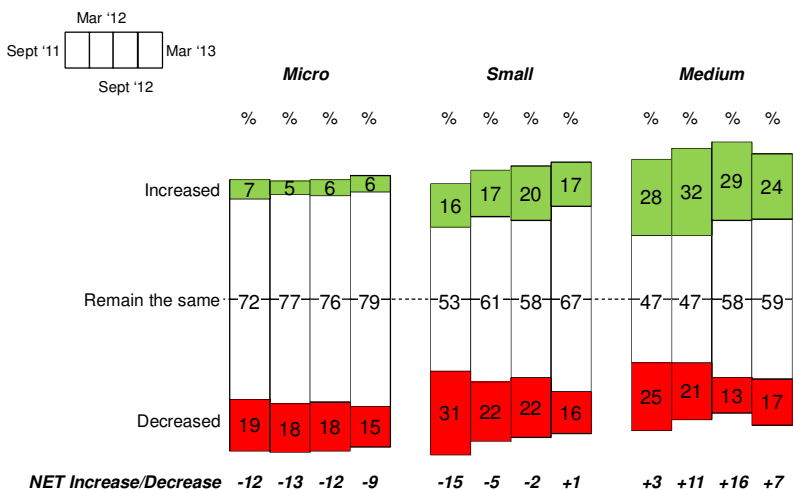
explained by the fact that Small and Medium-sized businesses are more likely than Micro companies to take on additional staff.

Micro companies remain in the most difficult position with regard to staffing levels, with 15% having reduced staff in the past 6 months while only 6% of these companies have taken on more staff. Yet, we see an improvement for Micro companies with fewer of those companies having reduced staff numbers compared to the previous wave.

The development is much more positive when looking at Small and Medium-sized companies. Among Smaller companies 17% have increased their staff numbers while 24% of Medium-sized companies have taken on more staff. Only 17% of Medium-sized companies have reduced their staff numbers over the past 6 months, meaning that medium sized companies are more likely to have increased rather than decreased staff numbers, with the majority suggesting that level of staff is unchanged. Yet, compared to September 2012, we see less Medium-sized companies who have increased staff numbers and more that have reduced their staff number.

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

(Base: All SMEs – 1,508)



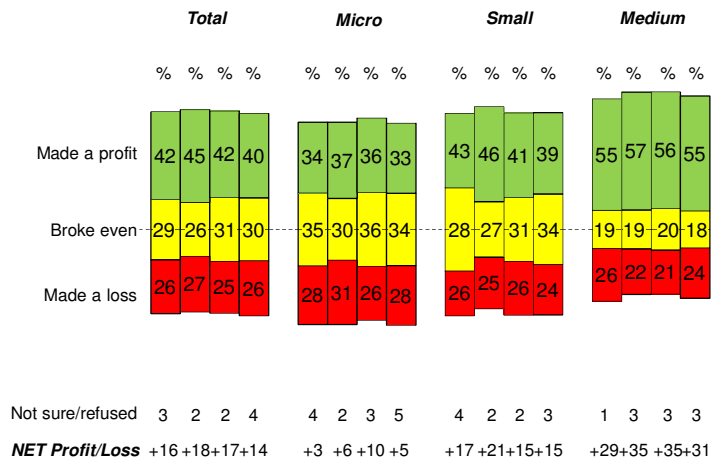
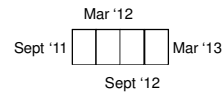
(Q.6)

5.3 Profit Trends

The majority of the SMEs have made a profit over the past 6 months but we see a slight decrease in the proportion of profit making businesses from 42% to 40%. At the same time, slightly more businesses (26%) have had a loss in the past 6 months. 30% of the businesses broke even over the period. Again, seasonality plays a role as for turnover and staff levels.

Profit In The Business In Past 6 Months

(Base: All SMEs – 1,508)



(Q.5c)

As in the previous period, Medium-sized companies are significantly more likely to be profitable than Micro or Smaller-sized companies. More than half of all Medium-sized companies reported profit over the past 6 months.

5.4 Overall Trading Trends

The proportion of SMEs reporting a loss is smaller than the proportion reporting a decrease in turnover. This is encouraging as businesses to some degree are able to protect the bottom line in the face of decreased sales, e.g. by reviewing the cost structure of the company. The relationship between turnover and profit is shown below:

	Turnover Increased %	Turnover Remained the Same %	Turnover Decreased %
Made a profit	64	45	20
Broke even	22	34	33
Made a loss	11	18	43
Don't know/refused	3	3	4

However, it is obvious that companies with a turnover increase are generally more likely to report profit than the average.

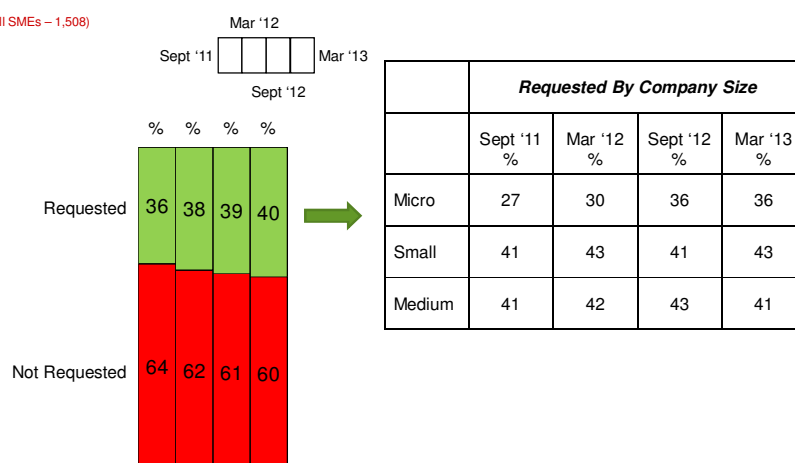
6.0 Demand for Banking Finance

6.1 Current Demand for Credit

Demand for credit in the period October 2012 to March 2013 has increased slightly compared to the previous period, with 40% of SMEs having requested one or more forms of credit from the banks. The credit demand follows a very gradual upward trend with demand being 4% higher now than back in September 2011.

SMEs Seeking Bank Finance In The Past 6 Months

(Base: All SMEs – 1,508)



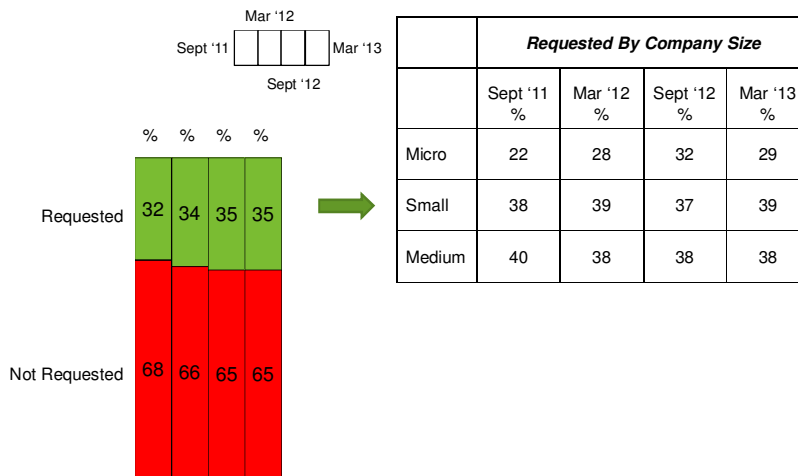
(0.9)

Looking at company size, we only see minor changes in credit demand compared to the previous wave. Credit demand has increased from 41% to 43% among Small-sized companies while demand has decreased among Medium-sized companies from 43% to 41%. Credit demand is unchanged for Micro companies – however, looking at all four waves, it is evident that Micro companies are driving the overall upwards trend in credit demand.

30% of the sample of SMEs have seasonal demand for credit which is usually higher in the months covered by this wave of research. When excluding these companies, we see that credit demand is unchanged compared with the previous wave with 35% having requested one or more forms of credit from the banks. Again, we see a slight upwards trend across all four waves with non-seasonal credit demand having increased from 32% in September 2011 to 35% in March 2013.

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

(Base: All Without Seasonal Credit Demand – 1,061)



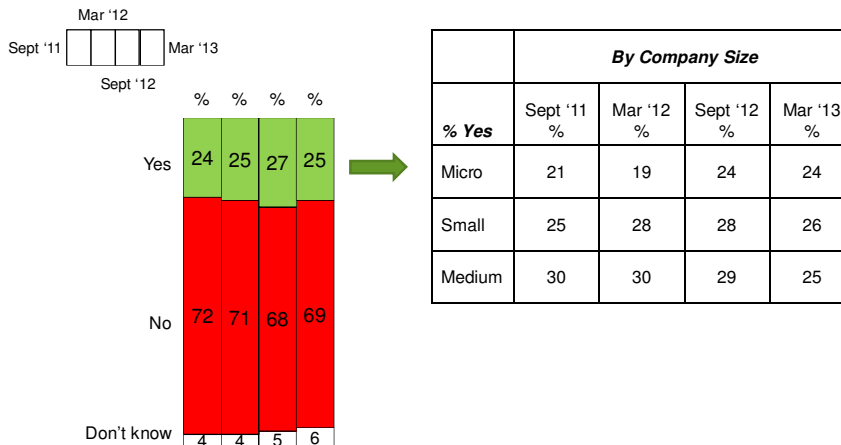
(Q.9)

6.2 Future Demand for Credit

Expectations to seek bank finance over the next 6 months have decreased slightly with 25% of SMEs expecting seeking credit. This is similar to the level recorded a year ago in March 2012.

Expecting to Seek Bank Finance In Next 6 Months

(Base: All SMEs – 1,508)



(Q.16b)

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. For instance, before the last 6 months in the last wave 27% predicted credit demand and 40% actually sought credit, because it is difficult for businesses to predict future conditions.

However comparison wave on wave of the same measure is valid, and when we look at predicted future demand, 1 in 4 of SMEs expect to seek credit in the next six months – this is down slightly from 27% in September 2012.

The predicted decrease in credit demand is driven by Small and Medium-sized companies, while Micro companies predicted demand remains the same as seen in September 2012.

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.

As in previous waves, the reasons for not applying for credit are more related to business circumstances than the banks. The main reason given by all companies is that bank finance is simply not required – with almost 4 in 5 (79%) of those businesses who did not apply for credit mentioning this.

Why did you not request Credit?	Total %	Micro %	Small %	Medium %
Business Related Reasons				
Didn't need it	79	76	81	83
Existing finance product in place	15	11	14	24
Prefer not to borrow	5	7	5	3
Inability to repay/meet requirements of finance	1	2	2	0
Use/raise personal funds when needed	1	1	1	2
Not the right time given the economic climate	1	1	1	0
Too expensive to borrow	1	1	1	0
Raise finance from grants	0	1	0	0
Bank Related Reasons				
Possible rejection	7	10	5	3
Belief that banks are not lending	4	6	2	2
Have been turned down before	1	2	1	0
Application process too difficult	1	1	0	1
Banks take too long to make decision	0	1	0	0
Too many terms and conditions	0	0	1	0
Don't trust the banks	0	1	0	0

A small proportion of SMEs who have not looked for credit (7%) suggests that this is due to possible rejection – this is up from 4% in September 2012. A further 4% have not applied due to a belief that banks are not lending – this is down from 6% in September 2012.

Micro companies are more likely to suggest that they have not looked for credit due to possible rejection or a belief that banks are not lending.

Why did you not request Credit?	Total Sep12 %	Total Mar 13 %	Micro Sep 12 %	Micro Mar 13 %	Small Sep 12 %	Small Mar 13 %	Medium Sep 12 %	Medium Mar 13 %
Bank Related Reasons								
Possible rejection	4	7	4	10	3	5	3	3
Belief that banks are not lending	6	4	9	6	6	2	1	2
Have been turned down before	2	1	3	2	1	1	1	0
Application process too difficult	1	1	0	1	2	0	1	1
Banks take too long to make decision	0	0	0	1	0	0	1	0
Too many terms and conditions	0	0	1	0	0	1	0	0
Don't trust the banks	1	0	1	1	1	0	1	0

6.4 Demand for Credit by Product

The most requested bank finance product is the renewal/restructuring of existing overdraft, which has been requested by 48% of those SMEs who have requested one or more forms of bank finance.

Lending Products Requested By SMEs

(Base: All SMEs Seeking Bank Finance – 602)



(Q 9)

Other popular products are new loans (30%), leasing or hire purchase (24%), renewal/restructuring of existing loan (19%) and new overdraft (19%). Invoice discounting is least popular with only 7% of bank finance requesters having asked for this form of finance in the past 6 months.

Compared to the previous wave, we see an increase in applications for leasing or hire purchases, new loans and renewal/restructuring of existing overdraft while renewal/restructuring of existing loans is less popular than in September 2012. When looking at products based on the total number of products requested the proportion of new core lending (using applications for new overdrafts and new loans) has increased from 31% in September 2012 to 33% in March 2013.

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

At the same time, we see a decrease in renewal/restructuring of existing overdrafts or loans.

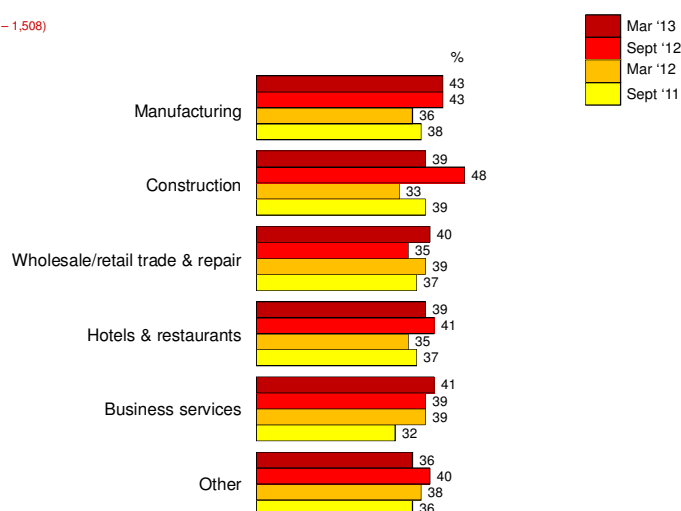
6.5 Demand for Credit by Sector

Most sectors see relatively small changes in credit demand from September 2012 to March 2013. However, we see a decrease in credit demand within the construction sector but much of this decrease appears to be seasonal.

At the same time, there is an increase in credit demand from the wholesale/retail sector.

Demand For Credit X Sector

(Base: All SMEs – 1,508)



(Q 9)

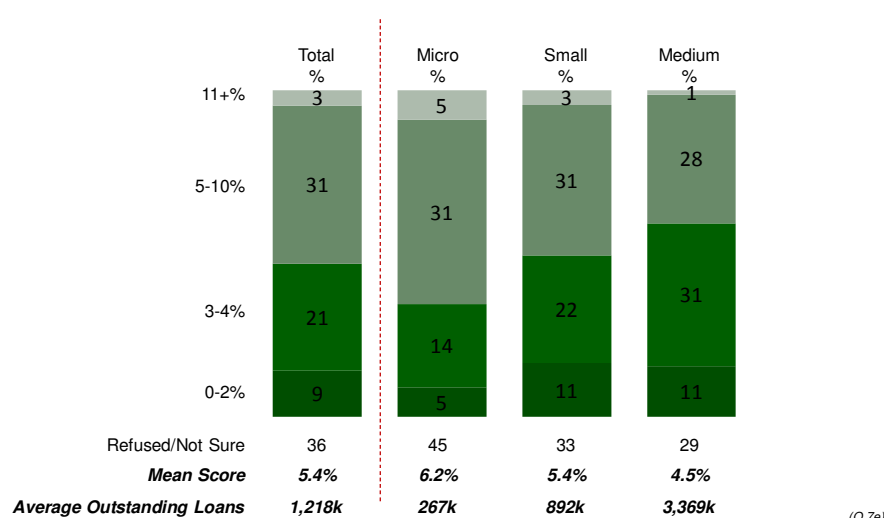
6.6 Cost of Credit

More than a third (38%) of the SMEs claim to have no outstanding loans. The incidence of having no outstanding loans is highest among Micro companies (41%) and lowest among Medium-sized companies (35%).

Among those with outstanding loans, the average claimed cost of credit across all outstanding loans is 5.4%. A tenth (9%) of all SMEs with outstanding loans claim to have a very low cost of credit between 0-2% while the majority (52%) have an average cost of credit of 3-10%.

Average Costs Of Credit (Interest Rate) For Outstanding Loans

(Base: All SMEs With Outstanding Loans – 931)



Though, Micro companies are less likely to have outstanding loans, they tend to pay a higher cost for these than Small and Medium-sized companies. The average cost of credit for Micro companies is 6.2% compared to 5.4% for Smaller companies and 4.5% for Medium-sized businesses.

Business performance is also correlated with average cost of credit. Companies with increased turnover in the past 6 months have an average cost of credit of 4.8% compared to 6% among companies with a decline in turnover.

6.7 Financial Position of Businesses

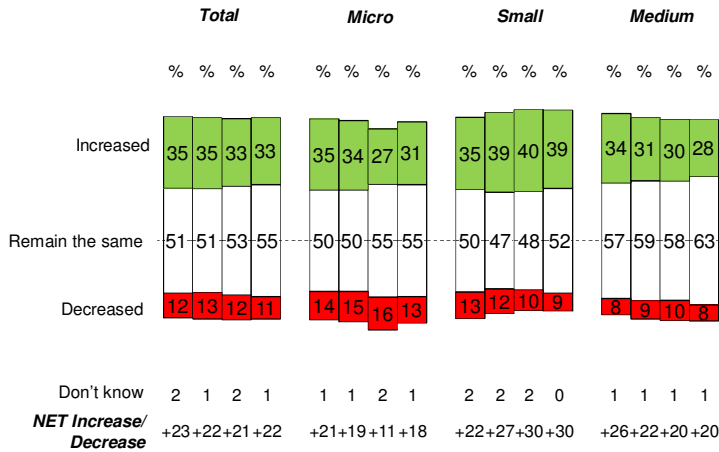
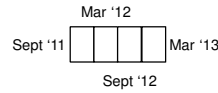
The number of days that go by before businesses are paid by their customers affects cash flow of the business and thereby also the need for external finance. Likewise, cash flow can be improved by delaying paying suppliers to the business.

1 in 3 (33%) SMEs feel that the average number of days within which customers pay has increased during the period October 2012-March 2013. Just over half (55%) feel that the

payment period is unchanged, while 11% feel customers are paying faster. Longer delay for payment is in particular affecting Smaller companies where 39% feel that the number of days with outstanding payment from customers has increased.

Number of Days in which Customers pay the Business

(Base: All SMEs – 1,508)

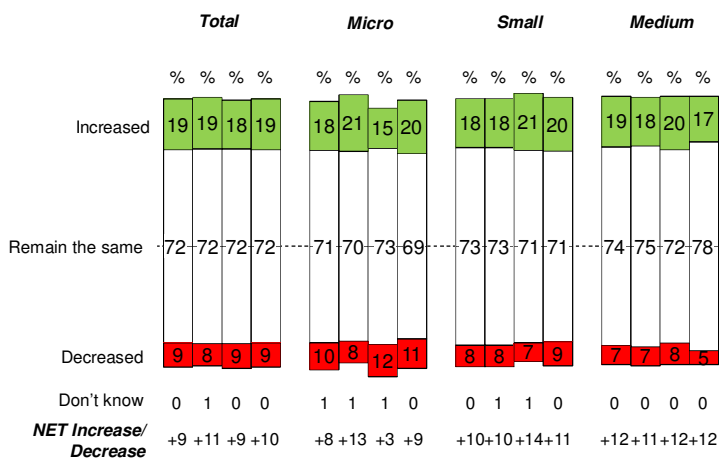
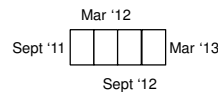


(Q.7c)

The majority (72%) of all SMEs feel that the average number of days they take to pay suppliers remains unchanged, but at the same time 19% do suggest that the payment period has increased. Only 9% feel that they pay suppliers faster than before.

Number Of Days in which Business pays Suppliers

(Base: All SMEs – 1,508)



(Q.7b)

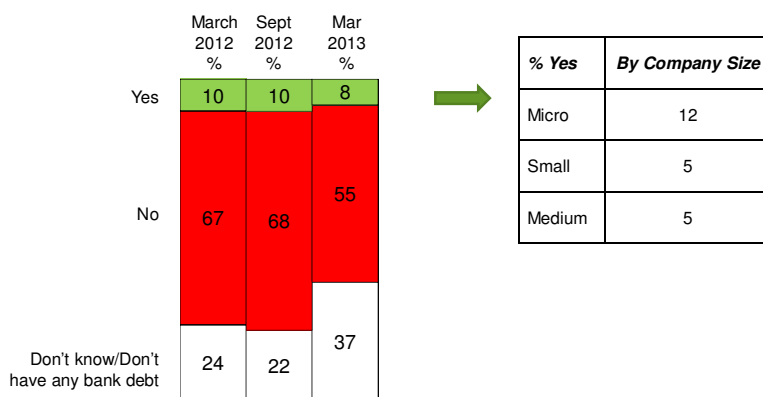
Repayments of Current Loans

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

In March 2013, 8% of SMEs suggested that they had missed repayments on loans in the past 6 months – this is down from 10% in September 2012. Micro companies are more likely to struggle with the repayment of current loans.

Missed Repayments On Loans In Past 6 Months

(Base: All SMEs – 1,508)



(Q.7g)

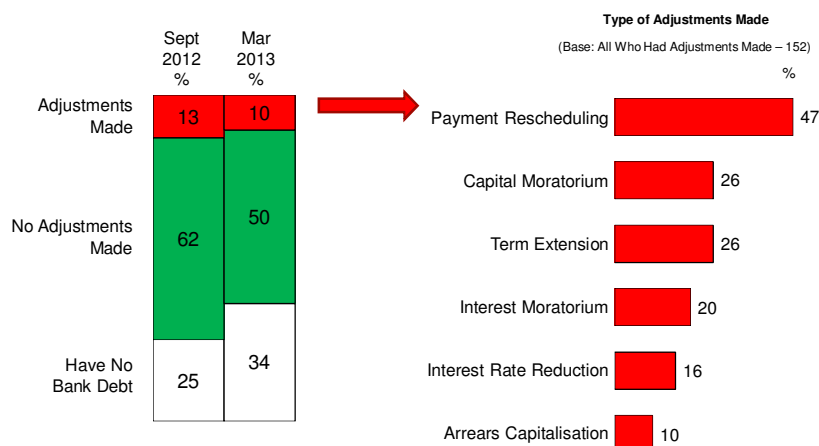
Adjustments to Current Bank Debt

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. In this period 17% of all the SMEs with bank debts have made adjustments to this debt in the past six months. This is unchanged compared to September 2012.

Adjustments Made to Bank Debt in Past 6 Months

(Base: All SMEs – 1,508)



(Q 16d)

The most common adjustment remains to be payment rescheduling, followed by capital moratorium and term extension. Compared to previous waves, payment rescheduling has increased relatively in usage compared to other adjustments.

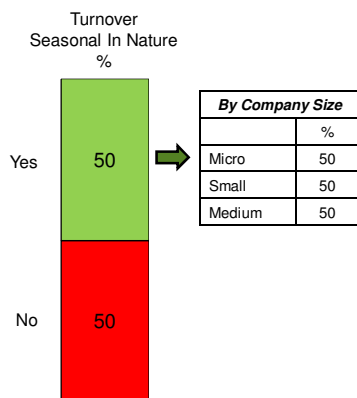
Base: All Who Have Adjusted Bank Debt	Mar 2012 %	Sep 2012 %	Mar 2013 %
Base size	(294)	(189)	(152)
Payment Rescheduling	36	35	47
Capital Moratorium	22	25	26
Term Extension	16	23	26
Interest Moratorium	13	20	20
Interest Rate Reduction	17	19	16
Arrears Capitalisation	11	6	10

6.8 Seasonality of Demand and Credit

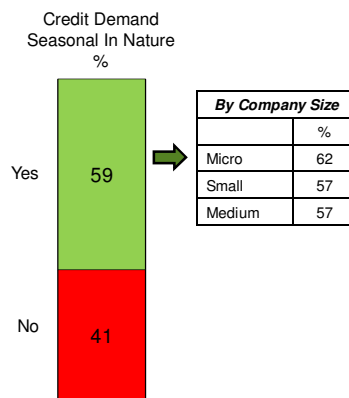
Half of SMEs indicate that their turnover/sales are seasonal. This has an effect on credit demand, with 59% of businesses with seasonal turnover also having seasonal credit demand. Seasonality appears to impact the different company sizes equally – though Micro companies are slightly more likely to have seasonal credit demand.

Seasonality of Turnover & Credit Demand

(Base: All SMEs – 1,508)



(Base: All With Seasonal Turnover – 758)

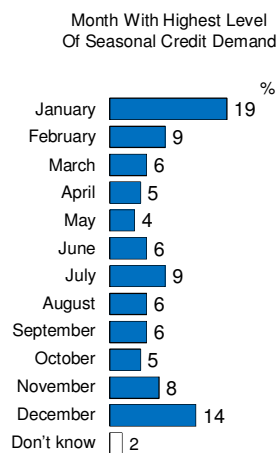
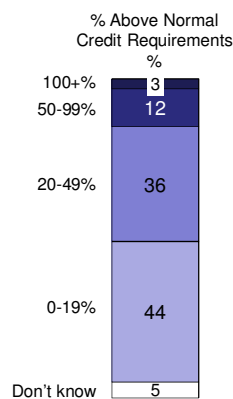


(Q.19a/b)

Among those companies with seasonal credit demand 44% express that they need 0-19% more credit than normal at the height of their demand for credit. 36% need between 20-49% while 15% need more than 50% above normal credit requirements.

Seasonal Credit Demand

(Base: All SMEs With Seasonal Credit Demand – 447)



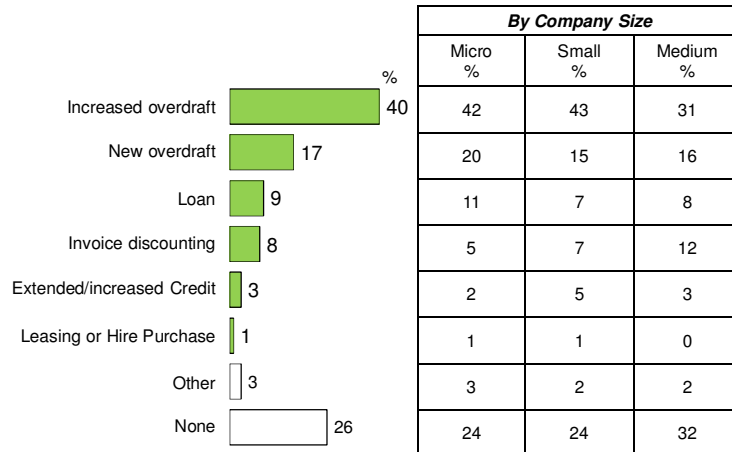
(Q.20b/21a)

The most common months to have higher credit demands due to seasonality are January, December, February, July and November. This suggests that the current period being analysed has a higher credit seasonal demand than the previous period between April and September.

Use of overdrafts is the most common mean to manage seasonal credit demand, either through increasing the current overdraft (40%) or through obtaining new overdrafts (17%). 26% have not used any credit type to cover seasonal demand but rely instead on internal funds or retained earnings.

Covering Seasonal Credit Demand

(Base: All SMEs With Seasonal Credit Demand – 447)



(Q.22)

7.0 The Application Process

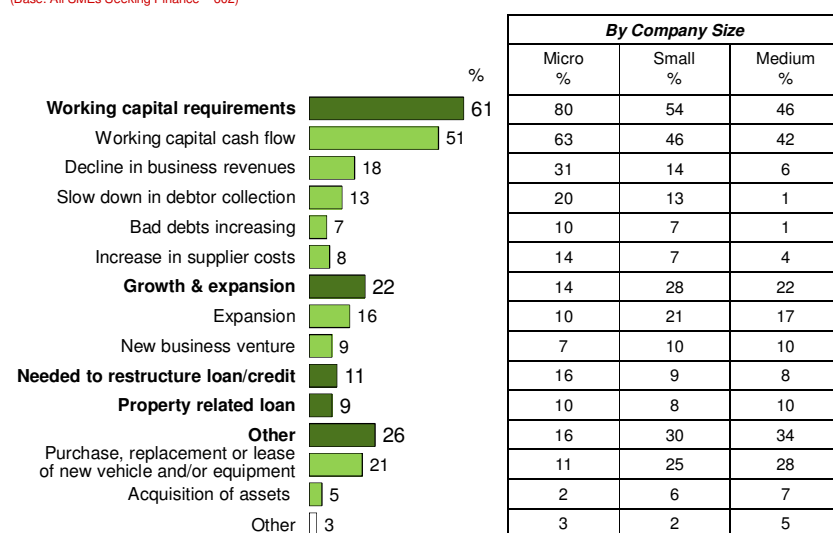
Of the total 1,508 SMEs interviewed for this wave of the study, 40% have requested bank finance in the past 6 months.

7.1 Nature of Demand

The main reason for seeking credit between October 2012 and March 2013 is to finance working capital requirements – this is mentioned by 61% of all SMEs seeking finance during the period. The second most common purpose is to finance growth and expansion which is mentioned by 22%. Purchase, replacement or lease of new vehicle or equipment is mentioned by 21%.

Reasons For Making Financial Request

(Base: All SMEs Seeking Finance – 602)



(Q.11)

Micro companies are more likely to seek finances for working capital requirements, e.g. cash flow, decline in business revenues and slowdown in debtor collection while Small and Medium-sized companies are more likely than Micro companies to look for credit for expansion.

There are also differences in terms of the finance requested depending on the purpose of the request. Working capital requirements are much more likely to be financed through overdraft or restructuring/renewal of existing loans while growth and expansion requests are more likely to be pursued using new loans.

Almost half (45%) of those companies who have innovated in the past 6 months have applied for credit compared to just 34% of SMEs with no innovation activities. This

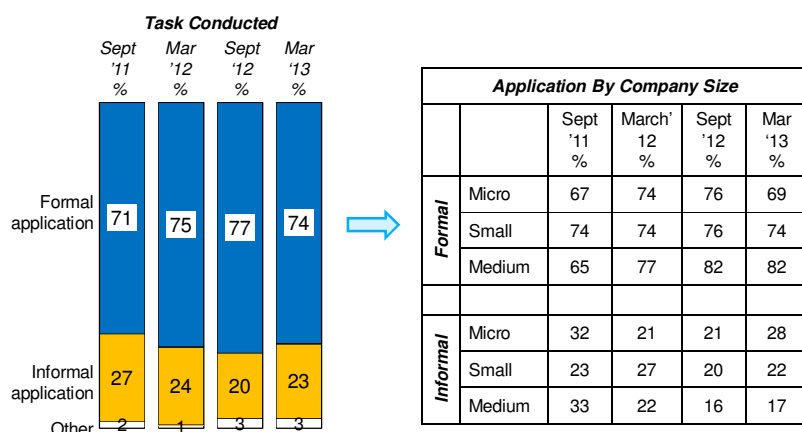
underlines that credit is important to support innovation and thereby business performance of SMEs in Ireland.

7.2 Formal Applications for Credit

Across all applications submitted, 74% include a formal application, while 23% rely solely on informal contact for application for bank finance. This is a slight decrease in formal applications since September 2012 – bringing the proportion of formal applications back to the level recorded a year ago.

Formal Applications For Credit

(Base: All SMEs Seeking Finance – 602)



*Formal includes 'formal' & 'both'

(Q.12)

Micro companies are more likely to rely on informal applications and this company size is the driving force behind the decline in proportion of formal applications. Yet, the clear majority of Micro companies still rely on formal applications when applying for bank finance.

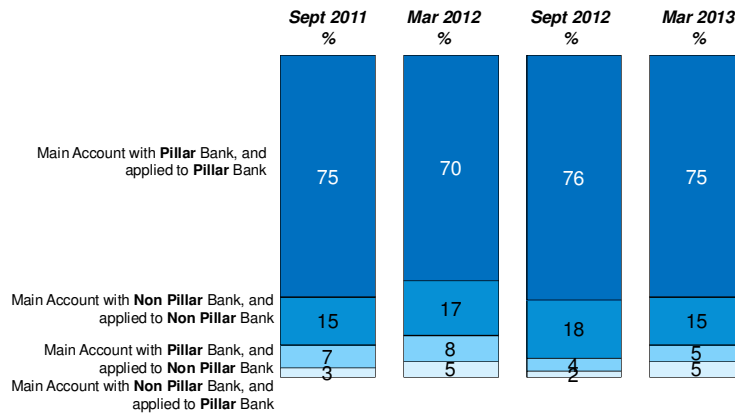
The main reason for submitting an informal request only was that the business felt there was no need, as it was a repeat loan or a personal relationship. 12% of those making informal approaches for credit stated that they were effectively testing the water to see if the loan would be possible – this is down from 22% in September 2012. Compared to the previous wave, we see an increase in the proportion that used informal channels because they knew formal application would not be successful from 3% to 9%.

Reasons for making an informal application	Total
No need for providing formal application (e.g. repeat loan or personal relationship)	51%
To see if it would be possible	12%
Knew formal application would not be successful	9%
Time consideration	4%
Accounts not up to date	1%

The proportion of SMEs who have applied for finance through one of the two pillar banks has increased from 78% in September 2012 to 80%. Of those who have 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 – 602)



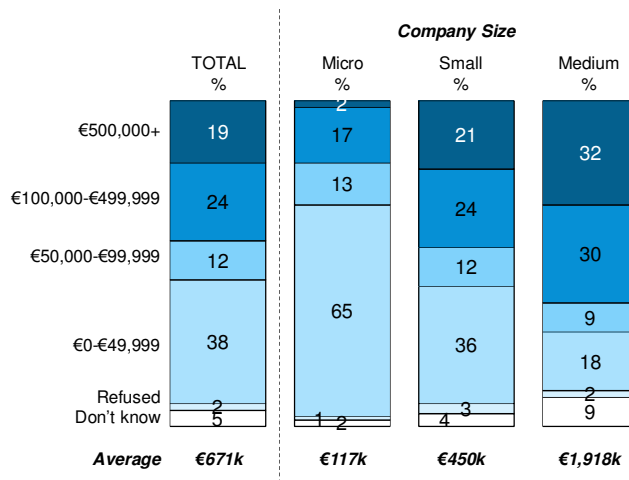
(Q.8/Q.10)

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 application for new bank finance, e.g. overdraft, loan or lease/hire purchase, we see that the average stated amount applied for is €617,000 across all SMEs. Not surprisingly, this amount increases when looking at Medium-sized companies where the average amount is €1.9 million.

New Finance – Value Applied for

(Base: All SMEs Requesting New Overdraft, Loan, Invoice Discounting, Lease/Hire Purchase, Bonds, Other – 321)

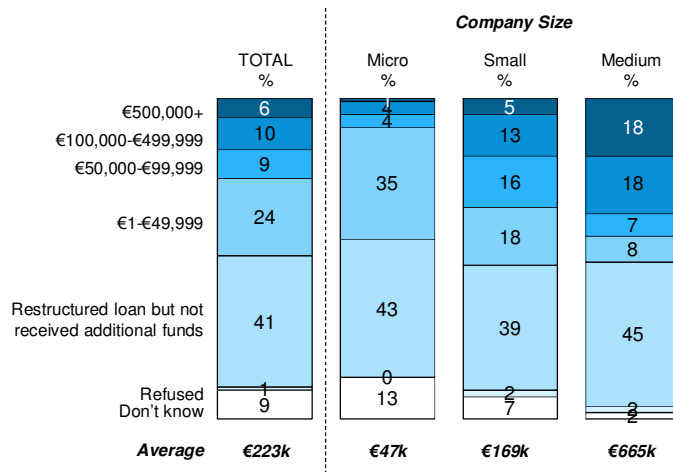


(Q.11c)

When looking at renewal/restructuring of existing finance, e.g. loans and overdraft, we see that 41% of SMEs who requested these loan types did not request any additional funds. However, the average stated value requested across all SMEs is circa €223,000. Again, Medium-sized 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 – 201)



(Q.11d)

It is worth noting that the average loan amounts are lower than the previous wave. In the September 2012, we had a few Medium-sized companies claiming rather high loan amounts which pulled the average up significantly.

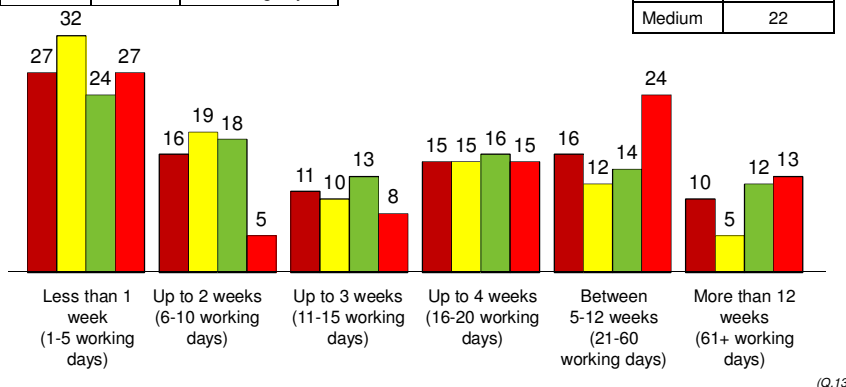
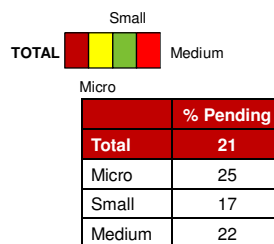
7.4 Turnaround Time on Decisions

Based on current code of conduct and guidelines for 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 business themselves, more than half (54%) of all finance applications are processed within the required 15 working days – this is up slightly from 53% in September 2012.

Application Turnaround Time – Excluding ‘Pending’

(Base: All SMEs Seeking Finance, excluding ‘pending’ – 475)

Average:	Total	21 working days
	Micro	16 working days
	Small	21 working days
	Medium	26 working days



Looking at all finance applications, approximately 1 in 5 (21%) applications are still pending. Not surprisingly, the waiting time is longer from Medium-sized companies which could be explained by the larger amount of finance these companies ask for. It is however some concern that over a third of Medium-sized companies stated that they waited for more than 4 weeks for a decision on their credit application.

It appears that approved applications are more likely to take longer time than those which were declined. As such, it is important to note that a longer waiting time does not necessary mean the application will be declined.

	Approved Applications %	Declined Applications %
Less than 1 week (1-5 working days)	25	32
Up to 2 weeks (6-10 working days)	16	15
Up to 3 weeks (11-15 working days)	12	9
Up to 4 weeks (16-20 working days)	17	10
Between 5-12 weeks (21-60 working days)	14	21
More than 12 weeks (61+ working days)	11	6
Don't know	5	7

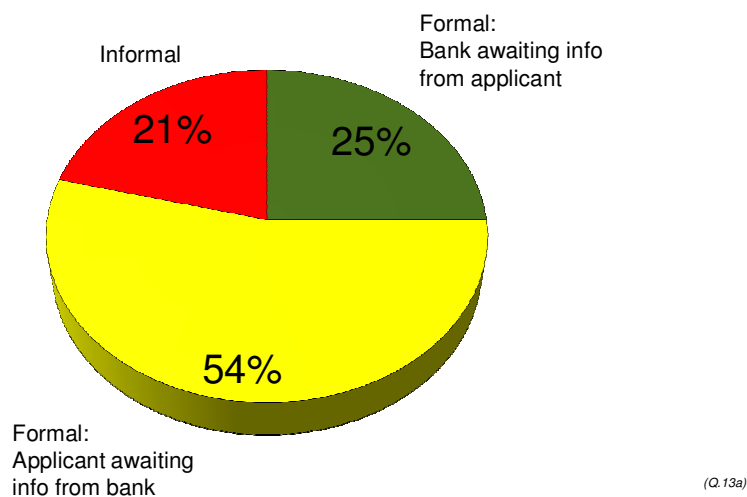
Looking at the pending applications, these can be pending due to the bank looking into the application (which is related to the waiting time), but also by bank awaiting additional information from the applicant. The majority (54%) of the pending applications are with the bank, i.e. the bank has all the information required to decide on the application. This is down from 61% in the previous wave. 25% of the applications are pending due to the fact

that the applicant has not yet provided all the necessary information to the bank which is the same as the previous wave.

We are only looking at formal requests here as informal requests are harder to allocate to whether it is the bank or applicant that needs to reach a decision/provide more information.

Profile Of Pending Applicants

(Base: All Pending Application – 127)

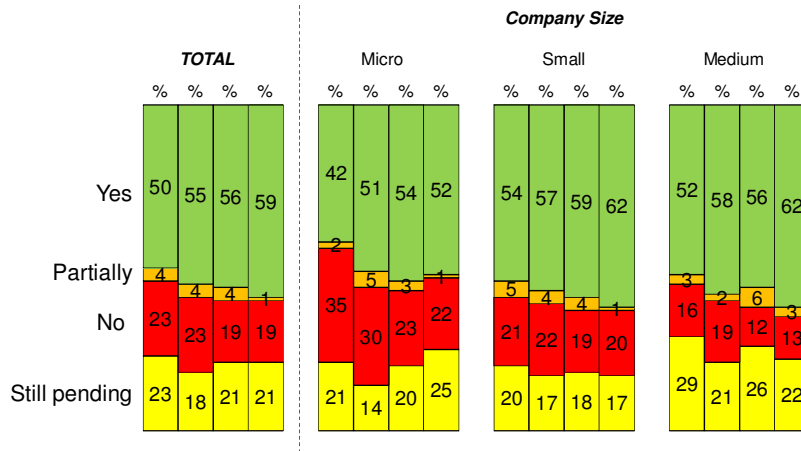
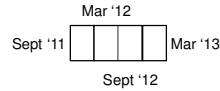


7.5 Decline Rate

Looking at all credit applications across the period of October 2012 to March 2013, the current decline rate stands at 19%, which is similar to the previous wave of research in September 2012 but lower than a year ago where the decline rate was 23%. Almost 3 in 5 (59%) applications have been approved fully, with 1% receiving partial approval (less than full amount applied for). 21% are still pending.

Status Of Application At Date Of Survey

(Base: All SMEs Seeking Finance – 602)



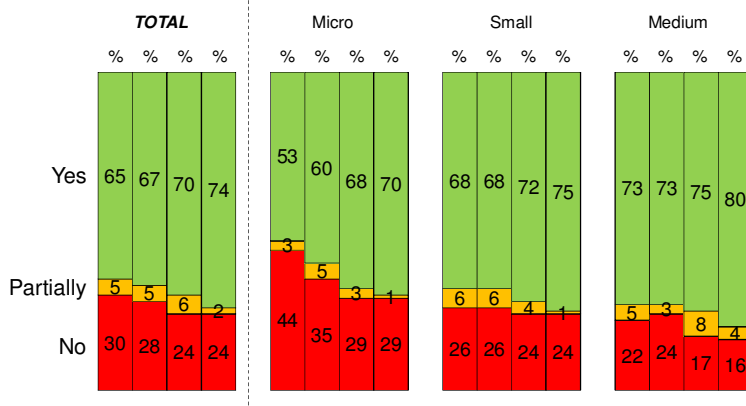
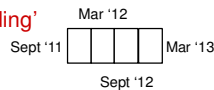
(Q.14)

The decline rate is higher for Micro companies (22%) and Small companies (20%) than for Medium-sized companies (13%). Compared to the previous wave, we see more applications from Micro companies being “still pending” while the approval rate has increased for Smaller and Medium-sized companies.

Excluding pending applications, the overall decline rate is 24% which is unchanged from the previous wave in September 2012 but a decrease from 28% in March 2012. Again, we see a higher proportion of applications being fully approved rather than partially approved.

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

(Base: All SMEs Seeking Finance, excluding pending – 475)



(Q.14)

Decline Rate by Product

The decline rate varies across finance type requested – which is a reflection of differences in purpose and application process. New loans and overdrafts have a higher decline rate than renewal/restructuring of existing loans/overdrafts (when excluding pending applications).

Application Response X Product Sought

(Base: All SMEs Seeking Finance – 602)

Lending Products	Yes %	Partially %	No %	Pending %
Overdraft	63	0	18	19
New overdraft	55	0	22	23
Renewal/restructuring of existing overdraft	65	0	17	18
Loan	47	1	22	30
New loan	48	2	27	23
Renewal/restructure of existing loan	44	0	13	43
Leasing or hire purchase	68	4	18	10
Other	74	10	3	13

(Q 14)

We also see a higher proportion of pending applications for loans, than overdraft, and in particular renewal or re-structuring of an existing loan, suggesting than banks take longer time processing these applications.

The overall approval rate is unaffected by type of loans applied for in the past 6 months. The proportion of application for new loans (generally lower approval rate) has increased but we also see an increase in applications for leasing or hire purchase (generally higher approval rate). The approval rate for different type of loans is also relatively unchanged compared to the September 2012 wave.

The approval rate is also similar by reason for application, i.e. working capital requirements versus growth and expansion.

Formal Application Decline Rate

Type Of Application	Yes %	Partially %	No %	Pending %
TOTAL	59	1	19	21
Formal application	59	1	18	22
Informal application	54	2	25	19

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 October 2012 to September 2013 is 18%, while for informal applications the decline rate stands at 25%. However, informal applications appear to be processed quicker than formal applications.

Decline Rate by Pillar/Non Pillar Banks

Unlike the previous wave, where we saw very little difference between pillar and non-pillar banks, the decline rate is now higher for non-pillar banks than pillar banks. This also applies when excluding pending applications of which pillar banks have slightly more.

Bank	Yes %	Partially %	No %	Pending %
TOTAL	59	1	19	21
Pillar	59	1	18	22
Non-Pillar	54	2	24	20

Decline Rate by Sector

Applications from manufacturing companies appear to have the lowest decline rate followed by wholesale/retail and business service. Those in non-classified industry sectors and the hotel/restaurant sector have received the highest decline rates.

Sector	Yes %	Partially %	No %	Pending %
Manufacturing	72	1	12	15
Construction	58	0	21	21
Wholesale/retail trade & repair	64	2	17	17
Hotels & restaurants	36	2	27	35
Business service	57	2	18	23
Other	55	0	25	20

As seen in previous waves applications from hotels and restaurants are most likely to still be pending.

Decline Rate Linked to Company Trading Performance

We see a 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.

Turnover Performance	Yes %	Partially %	No %	Pending %
Increased	61	1	16	22
Stayed the same	65	1	15	19
Decreased	52	2	24	22
Profit Performance	Yes %	Partially %	No %	Pending %
Made a profit	63	1	13	23
Broke Even	57	2	20	21
Made a loss	52	2	26	20

However, we see only marginal differences in terms of the proportion of pending applications.

We also see that SMEs who have been declined credit generally have higher cost of credit across all outstanding loans (average of 6.3%) than those who have been approved (average of 5.4%). This could be related to business performance as those with a more positive trading performance are more likely to have lower cost of credit.

7.6 Criteria and Conditions Attached to Approved Applications

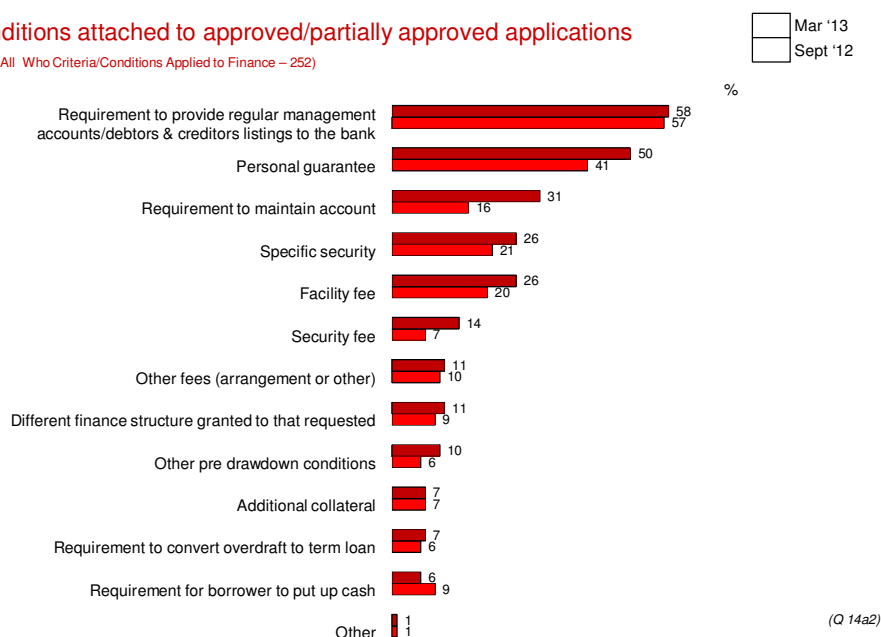
Companies who had credit approved were asked to provide details of any criteria or conditions attached to the credit. The majority of SMEs (70%) with approved finance applications had at least one criteria/condition attached to them.

The criteria/conditions required are similar to 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 (50% up from 41%) followed by requirement to maintain account (31% up from 16%), specific security (26% up from 21%) and facility fee (26% up from 20%).

The average number of criteria/conditions required has increased from 2.1 to 2.6 which indicates that while banks are approving the same amount of loans, they are putting more criteria/conditions in place for these loans.

Conditions attached to approved/partially approved applications

(Base: All Who Criteria/Conditions Applied to Finance – 252)



7.7 Reasons for Decline

Reasons for decline can on a broad level be divided into applicant controlled and bank controlled reasons. More than half (54%) of declined applicants have given a bank controlled reason – the most common mentioned reason being changes in bank lending policy (33%). More than 2 in 5 SME's (42%) have given an applicant specific reason – the main ones mentioned being inadequate repayment capacity (23%), account performance/history (18%) and deterioration in business financial performance (13%).

Reason for Decline	Sept '11 %	Mar '12 %	Sep '12 %	Mar '13 %
Applicant Controlled	45	50	38	42
Inadequate repayment capacity	26	25	17	23
Account performance/history	17	30	14	18
Deterioration in business financial performance	25	29	12	13
Inadequate historic information provided	5	3	8	4
Bank Controlled	67	67	49	54
Change in bank lending policy	49	45	28	33
Inadequate/insufficient security	17	17	15	14
No longer a sector to which the bank is prepared to lend	23	20	14	20
No longer a type of business to which the bank is prepared to lend	20	20	7	8
Requested facility was sanctioned at lower level/different structure	13	15	6	9
Change in bank pricing policy	13	19	4	5
Other	1	1	1	3
No reason given/none	15	13	24	21

The proportion of bank controlled reason versus applicant controlled reason (when excluding those who claim they have not been given a reason for decline) is at 56% which is unchanged to September 2012.

More than 1 in 5 (21%) of those who have been declined credit claim that no reason for the refusal was provided. While this question is based on perceptions, it underlines the importance of communicating openly with the SMEs, especially regarding refusals. However, it is worth noting that this is a decrease from 24% in September 2012.

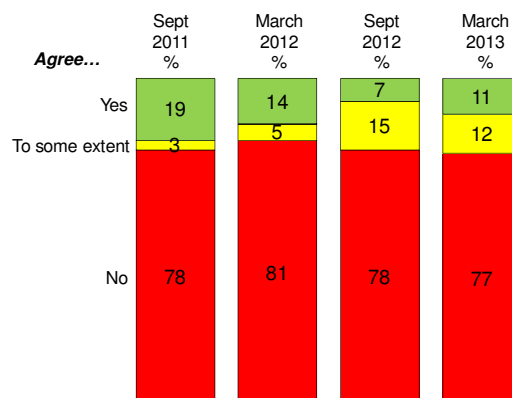
7.8 SME Opinions on Reasons for Decline

Over three quarters (77%) of those SMEs who have been declined bank finance disagree with the reasons given for the refusal. This is slightly down from September 2012 (78%) and March 2012 (81%). However, compared to September 2012, we see more applicants agreeing fully with the decision and less agreeing only to some extent.

The figures suggest that a large number of those declined credit still feel they did not get a fair assessment.

Agreement With Bank Decision To Refuse Credit

(Base: All Banks Who Gave Reason For Refusal – 91)



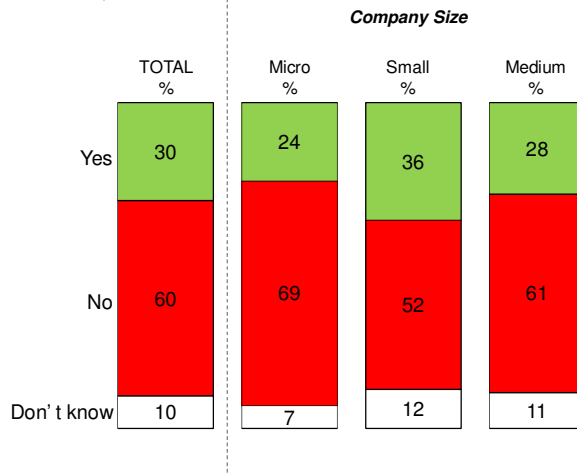
(Q.14c)

7.9 The Right to an Internal Bank Review

3 in 5 (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 a slight increase from September 2012 where 59% said they were not informed. This suggests 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 – 114)



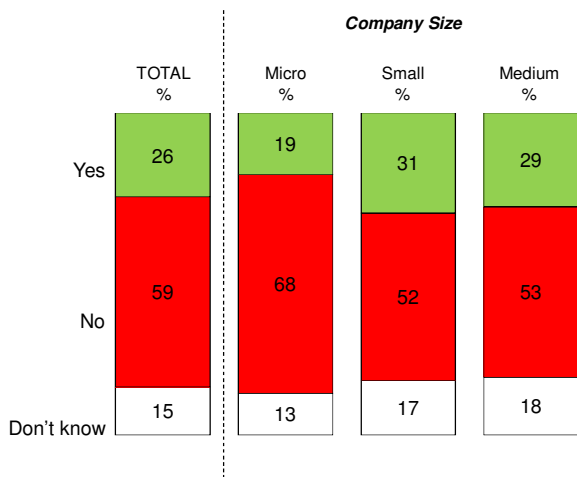
(Q.14d)

7.10 Credit Review Office

At the same time 59% 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. 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 compared to 65% in September 2012. Especially, Micro companies claim to not being informed of their right to a decision review by the Credit Review Office.

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

(Base: All Requested Application From AIB or BOI – 85)



(Q.14e)

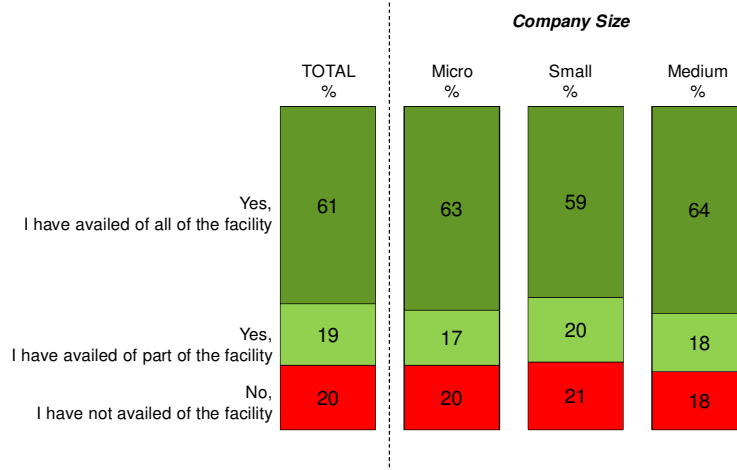
7.11 Drawdown of Approved Facilities

Just under two thirds (61%) of those applications which were approved have availed fully of the given credit facilities, while additional 19% have availed of them partially. 20% of the SMEs have not availed of the facilities yet – this is a slight increase from September 2012 (17%) and similar to March 2012 (19%). The most cited reason for not availing of the credit facility is that the finance is not needed at present time.

Looking at those who had an application approved with criteria/conditions attached to the request, 6% express that the criteria/conditions have prevented them from availing of the sanctioned facility. This is down from 8% in September 2012.

Availed Of Facility To Date

(Base: All Successful/Partially Successful In Application – 361)



(Q.16)

8.0 Non-Bank Finance

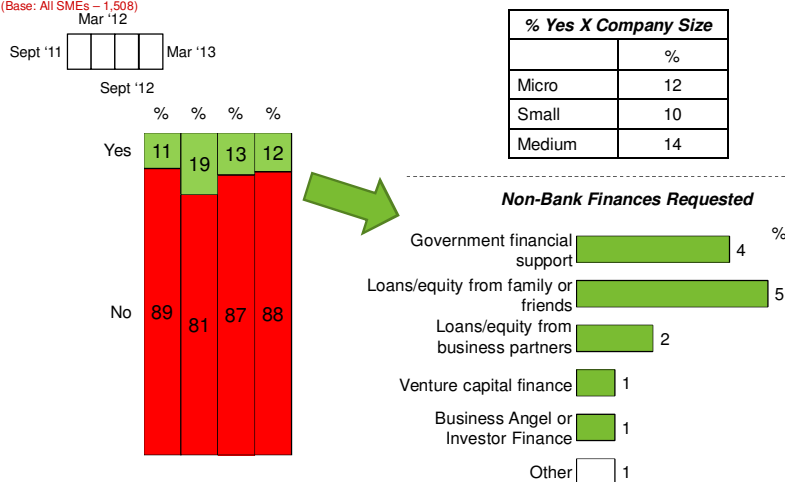
8.1 Enquiries for Non-Bank Finance

The number of enquiries made for non-bank finance has decreased slightly in the period October 2012-March 2013 compared to the previous wave.

The main types of non-bank finance enquired about are loans/equity from family or friends (requested by 5%) and Government financial support (4%). The enquiries for venture capital or business angel finance remain low.

Enquiries for Non-Bank Finance in the Past 6 Months

(Base: All SMEs – 1,508)



(Q.17)

Medium-sized companies are more likely to have enquired about non-bank finances (14%) than Smaller (10%) and Micro (12%) companies.

Those who have applied for bank finance are more likely also to enquire about non-bank finance, underlining a finance need of the business. 16% of those who applied for bank finance also enquired about non-bank finance while, only 8% of those who did not seek bank finance enquired about non-bank finance.

8.2 Decisions Made on Non-Bank Finance Applications

More than half (51%) of all non-bank finance enquires were successful with an additional 18% being partially successful (up from 11% in September 2012). This underlines the importance of these sources in financing businesses in Ireland.

Decline rates for non-bank finance currently stand at 16% (down from 20%) which is lower than the 19% decline rate for bank finance.

Success In Obtaining Non-Bank Finance

(Base: All Who Enquired About Non-Bank Finance – 175)

	March 2012 %	Sept 2012 %	March 2013 %
Yes	45	51	51
Partially	13	11	18
No	18	20	16
Still Pending	24	18	15

(Q.18)

We also see a decline in pending applications for non-bank finance.

8.3 Financing the Business

On average, 63% of an SMEs working capital are financed by internal funds/retained earnings. The second most important source of working capital finance is credit from suppliers/advances from customers (16%) and bank loans (10%). Non-bank finances only play a minor role in financing working capital of SMEs in Ireland.

How Are Working Capital Financed?

(Base: All SMEs – 1,508)

	Average Proportion %	By Company Size		
		Micro %	Small %	Medium %
Internal funds/Retained earnings	63	60	62	68
Purchases on credit from suppliers and advances from customers	16	16	17	15
Borrowed from banks	10	8	11	11
Borrowed from non-bank financial institutions	1	1	1	1
Owners' contribution	7	10	7	4
Other (informal lenders, friends, relatives, etc)	3	5	2	1

(Q.18b)

More than a fourth (28%) of the SMEs have acquired fixed assets in the past 6 months. Medium-sized companies are more likely to have invested in fixed assets with 57% having acquired fixed assets in the past 6 months. Only 10% of Micro companies have acquired fixed assets while the proportion for Small companies is 27%.

Among those that have invested in fixed assets, the average total expenditure in the last 6 months is:

	Average Expenditure Fixed Assets
All SMEs	€360k
Micro	€56k
Small	€269k
Medium	€525k

Looking at how fixed assets acquisitions were financed over the past 6 months, we get the following picture:

Source of Finance	Average Proportion
Internal funds/retained earnings	76%
Leasing arrangements*	8%
Borrowed from banks	7%
Credit from suppliers/advances from customers	3%
Owners' contribution	3%
Borrowed from non-bank financial institutions	1%
Other	2%
Total	100%

* The leasing arrangement option was added from this wave of research.

Again, internal funds are the main source of finance followed by leasing arrangements and bank loans. Non-bank finances only play a minor role for fixed assets acquisitions.

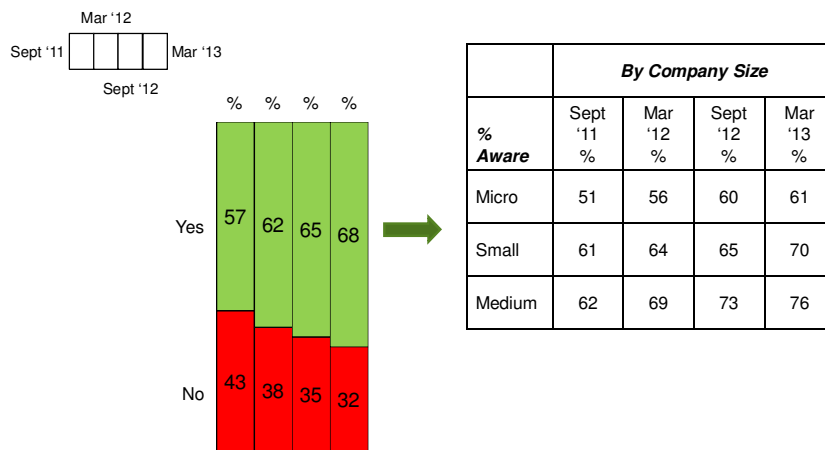
9.0 SME Awareness of Credit Supports

9.1 Code of Conduct for Business Lending to SMEs

Awareness of the Code of Conduct for Business Lending to SMEs continues a positive upward trend, with 68% of all SMEs being aware of the Code of Conduct in March 2013 compared to 65% in September 2012 and 62% a year ago. In total 76% of Medium-sized businesses are now aware of the Code of Conduct, while 70% of Small businesses and 61% of Micro business are aware. While awareness among Micro businesses is lower than larger companies, we see a positive trend in awareness over the past year from 56% to 61%.

Awareness Of the Code Of Conduct

(Base: All SMEs – 1,508)



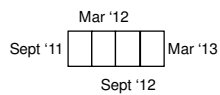
(Q.23a)

9.2 Credit Review Office

We see a decrease in awareness of the Credit Review Office facility, which can assist borrowers who have been refused credit by AIB and Bank of Ireland (the pillar banks). In total 73% of all SMEs are now aware of this facility – down from 77% in September 2012. Yet, current awareness remains higher than a year ago (72%) and back in September 2011 (66%).

Awareness Of Credit Review Office

(Base: All SMEs – 1,508)



	By Company Size			
	Sept '11 %	Mar '12 %	Sept '12 %	Mar '13 %
% Aware				
Micro	60	64	73	67
Small	69	76	77	73
Medium	69	78	86	85

(Q.24a)

The decrease in overall awareness is due to decreased awareness of this facility among Micro and Small-sized companies while awareness continues to be highest among Medium-sized companies.

The main sources of awareness are specified below:

Source of Awareness	% of those aware
Newspapers (ad/article)	36%
Radio (ad/programme)	28%
TV (ad/programme (ad/programme)	17%
Online	7%
Media (not specified)	39%
Representative business organisation	5%
Bank	4%
Financial advisor	4%
Colleague	3%
Friend/family member	2%
Word of mouth/seminar	1%

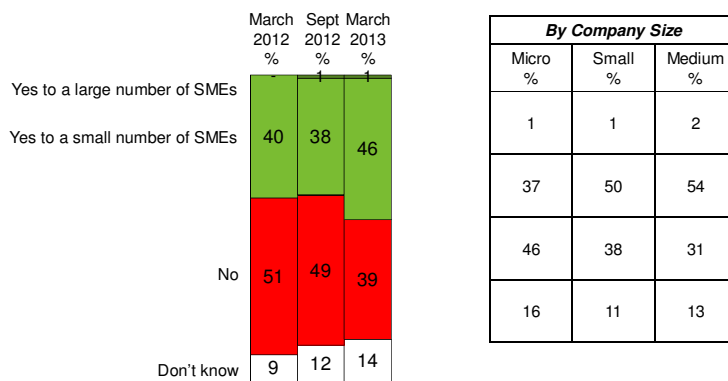
The most recalled source of awareness of the Credit Review Office is newspapers and radio followed by TV. While newspapers have seen an increase, radio awareness is down from 33% in September 2012. Word of mouth remains quite limited. We see an increase for representative business organisation from 2% in September 2012 to 5%.

9.3 Perception of Banks Lending to Irish SMEs

We see a significant change in the SMEs' perception of whether bank are lending to SMEs in Ireland for this wave. Only 39% state that they believe the banks are currently not lending to SMEs in Ireland – this is down from 49% in September 2012 and 51% in March 2012. Yet, most of those who believe the banks are lending suggest that the banks are lending to a small number of SMEs only (46% - up from 38% in September 2012) rather than a large number of SMEs. This indicates that there is still a high amount of work to be done in changing the perceptions regarding bank lending among SMEs.

Perception of Banks Currently Lending to Irish SMEs

(Base: All SMEs – 1,508)

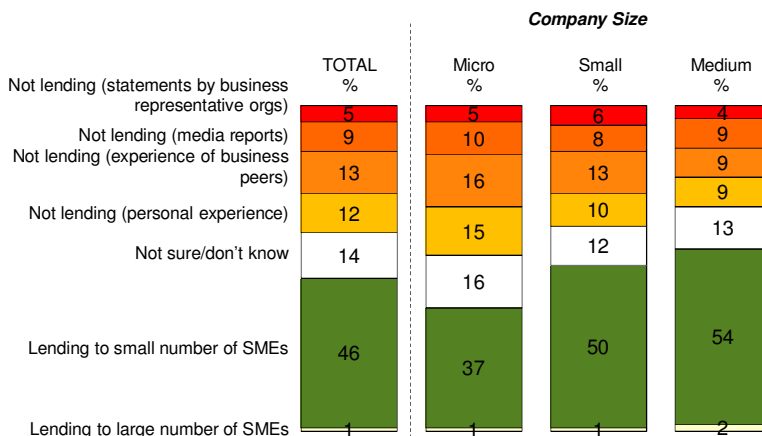


(Q.24c)

Micro companies are more likely to state that they do not believe the banks are lending to SMEs in Ireland while Medium-sized businesses are less likely to state this.

View On Banks Lending to Irish SMEs in Last 6 Months

(Base: All SMEs – 1,508)



(Q.24d)

SMEs are still forming their views on bank lending based on the media, business groups or their business peers, rather than any personal experience.

APPENDIX

The SME Demand Survey Questionnaire

JN. 14013



**CREDIT DEMAND SURVEY
FINAL QUESTIONNAIRE 2-4-13**

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

SECTION 1 – COMPANY INFORMATION

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

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

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

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

PROBE TO PRECODES – SINGLE CODE

- 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 - October 2012 to March 2013

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 IF EXPORT (CODE 1+2 IN Q1D)

Q.1d_2 Approximately, what proportion of your total export sales comes from each of the following destinations:

MUST ADD TO 100%, ALLOW FOR DON'T KNOW

	%
Northern Ireland	
United Kingdom excluding Northern Ireland	
Other European Union	
USA	
Brazil, Russia, India, China, South Africa (BRICS)	
Elsewhere	

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**

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

Q.2a What was your business' turnover in the last 12 months i.e. for the period **April 2012-March 2013**?

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

Q.2a1 What was your business' turnover in the last 12 months i.e. for the period **April 2012-March 2013** as per the following bands? **READ OUT - SINGLE CODE**

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

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

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

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

Q.2c What was your business' turnover in the last **6 months** i.e. for the period **October 2012-March 2013**?

€ _____
SCRIPTER: NUMBER MUST NOT EXCEED ANSWER PROVIDED IN Q.2A/B
IF DON'T KNOW/REFUSED ASK Q.2C1

Q.2c1 What was your business' turnover in the last 6 months i.e. for the period **October 2012-March 2013** 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
- Refused / don't know (**DNRO**) 99

SCRIPTER: NUMBER MUST NOT EXCEED ANSWER PROVIDED IN Q.2A/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 (**DNRO**) 4

Q.4 REMOVED

Q.5 In the last 6 months, i.e. from **October 2012 to March 2013**, has the turnover of your business increased, decreased or stayed the same compared to the previous 6 month period?

SINGLE CODE

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

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

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

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

_____ % (MIN-MAX 1-9999)

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

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

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

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

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

_____ % (MIN-MAX 1-100)

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

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

ASK ALL

Q.5c In the last 6 months, i.e. from **October 2012 to March 2013**, 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 IF PROFIT IN Q.5C

Q5c1 Approximately, how much profit did your company make in the last 6 months?
€ _____ (MIN-MAX 1-50,000,000, ALLOW REFUSAL/NOT SURE)

ASK IF LOSS IN Q.5C

Q5c2 Approximately, how much was the loss made by your company in the last 6 months?
€ _____ (MIN-MAX 1-99,000,000)

ASK ALL

Q.6 In the last 6 months, i.e. from **October 2012 to March 2013**, has your number of staff increased, decreased or stayed the same? **SINGLE CODE**

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

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

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

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

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

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

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

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

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

SECTION 2 – FINANCING YOUR BUSINESS

ASK ALL

Q.7 In the last 6 months, i.e. from **October 2012 to March 2013**, 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 October 2012 to March 2013**, 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 October 2012 to March 2013**, 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 loans 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 October 2012 to March 2013**, 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

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 **October 2012 to March 2013**, 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 **October 2012 to March 2013**?

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
- 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

October 2012	1
November 2012	2
December 2012	3
January 2013	4
February 2013	5
March 2013	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

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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.

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Don't know 8
Refused 9

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 / PARTIALLY SUCCESSFUL IN APPLICATION AT Q14 (CODE 1 / 3 AT Q.14)

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.14B TO ALL UNSUCCESSFUL IN APPLICACION (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
- Inadequate/ insufficient security 10
- Other (specify) _____ 11
- No reason given 12
- None of these 13

ASK Q.14c IF CODES 1-11 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 1-12) 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 April 2013 to September 2013)? **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 **October 2012 to March 2013**? **READ OUT. MULTI CODE**

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

SECTION 2a – HISTORICAL INFORMATION ON CREDIT APPLICATIONS

We would now like to ask you some questions for the period April 2012 to September 2012.

Q.16e Between April to September 2012, did you request 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
- New Loan 2
- Renewal/restructuring of existing overdraft or loan 3
- Other (specify) _____ 4
- None 5

ASK Q.16f FOR ALL WHO ANSWERED ‘NONE’ AT Q.16e, THEN CONTINUE TO Q.17

Q.16f Why did you not apply for bank finance between April to September 2012?
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
- Other, please specify: _____

Q.16.g Were you successful in all of your finance requests in the period April to September 2012?
By successful, we mean that all of the application was approved for at least 70% of the value applied for.

SINGLE CODE

- Yes **1 GO TO Q17**
- No **2 GO TO Q16h**

Q.16.h Were any of the following reasons given by the bank for turning down some or all of your finance requests?

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
- Inadequate/ insufficient security 10
- Other (specify) _____ 11
- No reason given 12
- None of these 13

SECTION 3 – NON BANK FINANCING

We would now like you to think about the most recent period from October 2012 to March 2013 again.

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

READ OUT - MULTICODE

- Government Financial Support 1
- Venture Capital Finance 2
- Business Angel or Investor Finance 3
- Loans/equity from Family or friends..... 4
- Loans/equity from business partners 5
- Other non bank finance (specify) _____ ... 6
- None (**DNRO**) 7 **GO TO Q.18b**

If more than 1 mentioned at Q.17a – ask for most recent

Q.17a REMOVED

Q.17b REMOVED

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 ALL

Q.18b Over the last six months (i.e. from October 2012 to March 2013), 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		%
b. Purchases on credit from suppliers and advances from customers		%
c. Borrowed from banks		%
d. Borrowed from non-bank financial institutions		%
e. Owners’ contribution		%
f. Other (informal lenders, friends, relatives, etc)		%
None of these (DNRO)		

ASK ALL

Q.18b1 Over the last six months (i.e. from October 2012 to March 2013), if the company acquired fixed assets, could you please provide an estimate of the total expenditure?

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

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

Q.18c Over the last six months (i.e. from October 2012 to March 2013), 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		%
g. Purchases on credit from suppliers and advances from customers		%
h. Leasing arrangements		%
h. Loans from friends and relatives		%
h. Other (including informal loans)		%
None of these (DNRO)		%
Does not apply		%

Q18d During the past six months, October 2012 to March 2013, did your enterprise introduce any of the following:

READ OUT - MULTICODE

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

SECTION 4 – SEASONALITY

ASK ALL

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

- Yes 1 **GO TO Q.19b**
 No 2 **GO TO Q.23a**

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.20b**
 No 2 **GO TO Q.23a**

Q.20 REMOVED

Q.20b Thinking about your seasonal credit demand, what percentage above your normal credit requirements is this? **SINGLE CODE**

Between 0 – 19% higher than normal requirements	1
Between 20 – 49% higher than normal requirements	2
Between 50 - 99% higher than normal credit requirements	3
More than 100% higher than normal credit requirements	4
Don't know	5

Q.21 REMOVED

Q.21a Which month has the highest level of seasonal credit demand in your business?
SINGLE CODE

January	1
February	2
March	3
April	4
May	5
June	6
July	7
August	8
September	9
October	10
November.....	11
December.....	12
Don't know/ can't say	99

Q.22 What type(s) of finance would you normally require to cover your seasonal credit requirements?

READ OUT - MULTICODE

New overdraft	1
Increased overdraft	2
Loan	3
Invoice Discounting	4
Leasing or Hire Purchase	5
Other (specify)	6
None (DNRO)	7

SECTION 5 – AWARENESS

ASK ALL

Q.23a Are you aware of the existence of the Code of Conduct for Business Lending to SMEs which governs banks' behaviour? **SINGLE CODE**

Yes	1
No	2

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	GO TO 24b
No	2	GO TO 24c

Q.24b And how did you become aware of the existence of Credit Review Office?

PROBE TO PRECODES. MULTI-CODE

Newspapers (ad/article)	1
Radio (ad/article)	2
TV (ad/programme)	3
Online	4
Media (not specified)	5
Colleague	6
Friend/family member	7
Bank	8
Financial advisor	9
Representative business organisation such as IBEC, Chamber of Commerce, SFA etc.	10
Other (specify _____).....	11
Cannot recall	12

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 And in your opinion, what is the main reason for this view? **READ OUT. SINGLE CODE**

The experience of your business in the last 6 months (i.e. from October 2012 to March 2013) 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. from October 2012 to March 2013) of applying for credit and either being rejected or being partially rejected..... 2

Media reports on SME lending in the last 6 months (i.e. from October 2012 to March 2013). 3

Statements by business representative organisations in the last six months (i.e. from October 2012 to March 2013)..... 4

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.