Fitzpatrick Associates

An Roinn Airgeadais
Department of Finance

SME Credit Demand Survey – October 2017 – March 2018

Final Report

Fitzpatrick Associates
ECONOMIC CONSULTANTS

B&A

July 2018

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1. Summary of Main Findings

Overview of Report – Credit Demand (October 2017-March 2018)

(Base: All SMEs – 1,553)

Demand

Requested 26% (+6)

(vs. March 2017)

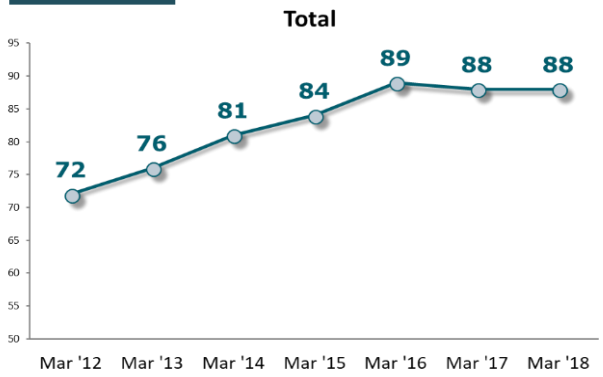
Requested By Company Size	Mar '12 %	Mar 13 %	Mar '14 %	Mar '15 %	Mar '16 %	Mar '17 %	Mar '18 %	Demand: Mar 18 vs Mar 17
Micro	30	36	29	26	23	15	**21**	↑ +6%
Small	43	43	40	35	31	22	**27**	↑ +5%
Medium	42	41	37	40	21	25	**32**	↑ +7%

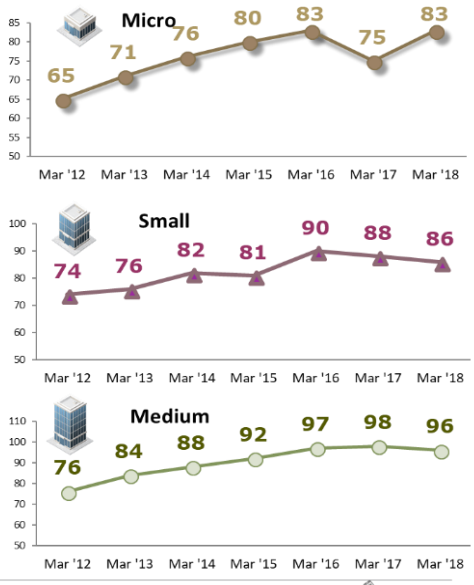
Approvals/partial approvals as % of all application decisions at date of survey (excl. pending)

(Base: All SMEs Seeking Finance, excluding pending – 374)

Approval/ Partial 88% (=)

(vs. March '17)





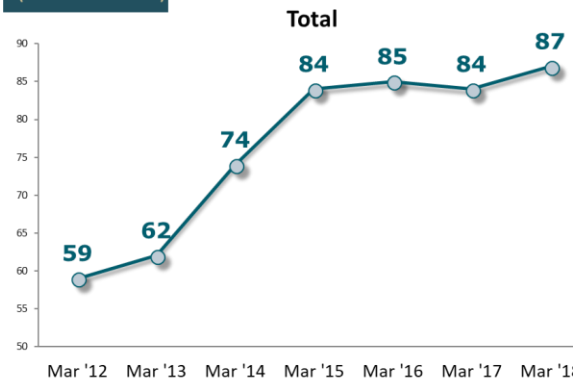
Roinn Airgeadais Department of Finance Q.13b

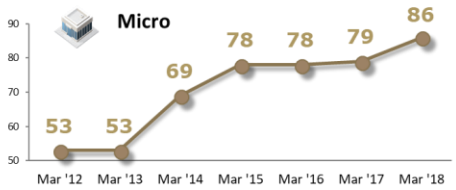
Overview of Report – Credit Demand (October 2017-March 2018)

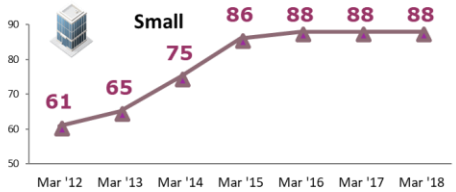
Trading Performance (all SMEs)

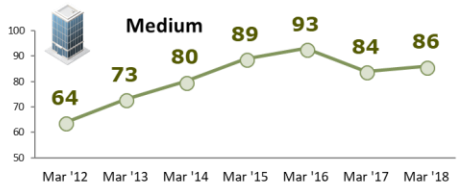
(Base: All SMEs – 1,553)

Stable/ Increase 87% (+3) (vs. March '17)









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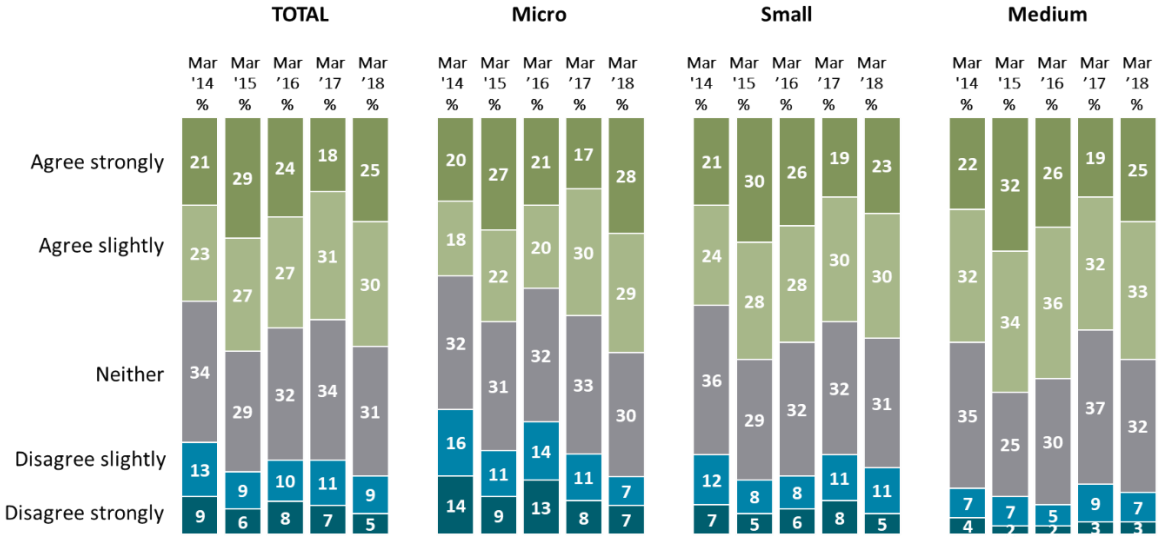
Roinn Airgeadais Department of Finance Q.14

Business Sentiment – Next 6 Months

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

(Base: All SMEs - 1553)



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Roinn Airgeadais Department of Finance (Q17b)

1. Summary

The following is the summary of results from the SME Credit Demand Survey. All interviews were conducted between 21st May and 25th June 2018 and covered the period from October 2017 to March 2018. Throughout the report, the most recent wave of findings (referred to as March 2018) is compared with corresponding waves from previous years. This ensures that historical comparisons are being made on a like-for-like basis, taking any seasonal issues into account.

1.1 Trading Performance

Trading conditions for this most recent period remain favourable, and very much on a par with those prevailing during the same period in 2016 and 2017.

In terms of turnover, 45% of all businesses surveyed report increased turnover in the past six months, with just 14% reporting a decrease. Of those reporting increased turnover, half report an increase of 10% or more.

Most sectors do not see any significant year-on-year change in trading conditions, with more companies having seen increased turnover than a decrease. Business services, manufacturing and wholesale report the highest levels of turnover increase.

The proportion of companies increasing their staff numbers stands at 23% in this most recent wave of interviewing, compared with just 8% of companies which have decreased their head count. This rate of staff increase is broadly on a par with that registered in March 2017.

For the fifth year in a row, we have seen an increase in the reported number of companies making a profit, with a net profit versus loss balance of +55% in March 2018, +53% in March 2017, +50% in March 2016, +43% in March 2015 and +33% in March 2014.

Business sentiment with regard to the next six months remains in positive territory, and confidence has increased, up from 49% of companies in March 2017 expecting the business climate to improve in the next six months, to 55% in March 2018.

1.2 Demand for Banking Finance

Credit demand from banks has increased year-on-year, with 26% having applied for bank finance in the past six months compared to 20% in March 2017. This increase in credit demand is consistent across SMEs of all sizes, to broadly the same extent.

The survey also registers an increase in expected future demand for credit, with 19% of all SMEs expecting to apply for finance in the next six months, up from 13% during the corresponding period in 2017. This increase in expected future demand is up across all company sizes (+5 percentage points for micro, +6 percentage points for small and +7 percentage points for medium companies).

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

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

The most significant increase in credit demand is from the construction, up 15 percentage points, and manufacturing sectors, up 10 percentage points. The wholesale/retail trade and repair sector has also witnessed an eight percentage point increase in demand for credit compared with the same period in 2017.

The average reported cost of credit on outstanding loans is 5.06% – a slight decrease from 5.1% in September 2017. It should be noted that different question wording for cost of credit was utilised from September 2017.

14% report that the number of days in which customers pay them for their services has increased over the past six months, a percentage which is the same as March 2017.

Just 3% of SMEs report having missed repayments of their loan in the past six months, up from 1% in March 2017.

Similarly, just 4% have made adjustments to their bank debt in the past six months, with the main types of adjustments made by this small cohort focused around repayment scheduling, term extension, interest rate reduction, arrears capitalisation and interest moratorium.

1.3 The Application Process

26% of all SMEs have requested bank finance in the past six months – up from 20% during the same period last year.

Of those companies that have requested bank finance, business expansion, working capital and new machinery/equipment are the main uses to which this finance was put.

Of those that sought bank finance, 75% formally applied for it – down from 80% in March 2017. The main reason given for submitting an informal request is that the business felt there was no need for a formal application, as the request related to a repeat loan or was linked with a personal relationship in the bank.

The proportion of companies that applied for finance with one of the pillar banks has increased slightly from 75% of all those requesting bank finance in March 2017 to 79% in March 2018.

The average value of credit applied for was €128,819, down from €154,571 in March 2017. Of those applying for bank finance, 39% had to provide some type of collateral, with the main collateral types required being buildings and land, machinery and equipment, and personal assets of the owner. The average value of collateral required as a percentage of loan is 65% – dropping to 52% for micro-sized applicants.

65% of all finance applications were processed within the stipulated 15 working days of receipt of all information from the company, similar to the 63% reported over the same period in 2017.

The average amount of time from application to decision is 25 working days, compared to 24 working days in March 2017. The proportion of loans that are still pending stands at just 5%. The proportion of credit applications declined stands at 12% in March 2018, up marginally from 11% in March 2017. Decline rates are lowest amongst the manufacturing and business services sectors.

Those applying for credit to restructure a loan, or for new loans and overdrafts, are more likely to have their request declined.

Main stated reasons for credit decline were not meeting the bank's capital criteria and ability to repay the facility or credit. Just 5% of all companies that have been declined bank finance agree with the reasons given for the refusal, down from 12% in March 2017.

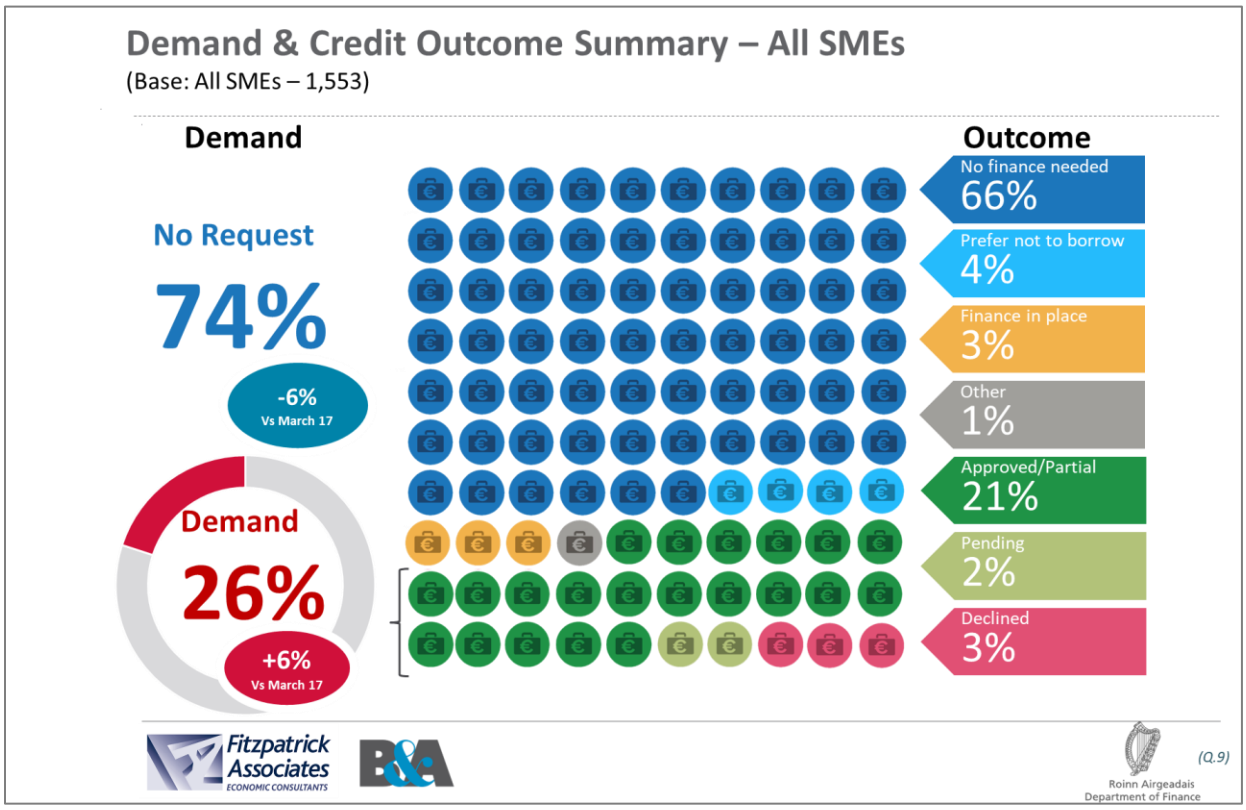
In March 2017, 20% of SMEs that were refused credit reported that they were informed of their right to an internal review. This figure has increased to 38% of all SMEs refused credit in March 2018, although it should be noted that this calculation is based on a very small base size of just 49 respondents. Also, the proportion that were uncertain as to whether or not they were informed has increased, from 18% in March 2017 to 23% in March 2018.

Excluding don't knows, an increased number of those companies that applied for credit from the pillar banks also said that they were informed of their right to a decision review by the Credit Review Office (two-thirds in March 2018, up from half in March 2017).

64% of SMEs whose credit applications were approved have availed of all of the facility, and a further 17% have availed of part of it. However, 19% of SMEs with approved credit applications have not yet availed of the facility, down from 26% in March 2017.

1.4 Credit Support Awareness

At an overall level, 61% of all SMEs believe that the banks are currently lending to at least some SMEs, 16% believe they are not, while 23% are unsure. Micro sized companies are least certain in this regard. Of the 16% that believe that the banks are not lending, 35% claim that their view is based on personal experience (up from 30% this time last year), with the balance basing their opinion on information from business organisations, media reports or the views and opinions of their peers.


Demand & Credit Outcome Summary – All SMEs
(Base: All SMEs – 1,553)
Demand
Outcome
No Request
74%
-6%
Vs March 17
Demand
26%
+6%
Vs March 17
No finance needed
66%
Prefer not to borrow
4%
Finance in place
3%
Other
1%
Approved/Partial
21%
Pending
2%
Declined
3%
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Department of Finance

2. Introduction

This Report presents the results for the latest wave of the SME Credit Demand Survey commissioned by the Department of Finance, and covers the period October 2017 to March 2018. This wave of the survey has been conducted by Fitzpatrick Associates Economic Consultants Ltd, in conjunction with Behaviour & Attitudes Ltd, the independent market research and polling organisation.

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

All interviews for the study were conducted through Behaviour & Attitudes' Computer Assisted Telephone Unit. In total, 1,553 telephone interviews were conducted with a random sample of Irish micro, small and medium SMEs. The interviews were conducted between the 21st May and 25th June 2018.

2.1 Economic Context

The National Income and Expenditure results for 2017, published in July 2018, confirm that the economy continues to perform strongly. The results show that real GDP grew by 7.2 per cent in 2017, the strongest in the EU. Data for the first quarter of 2018 indicates that momentum has continued into 2018 with annual growth of 9.1 per cent recorded. While GDP figures can be exaggerated in an Irish context, a broader range of measures – labour market indicators and tax revenue developments – confirm that the economy continues to grow at a robust pace.

Importantly the domestic economy is now making a significant contribution to growth. In the first quarter of 2018, personal consumption increased by 2.7 per cent on an annual basis, reflecting solid increases in disposable income, ongoing improvement in household balance sheets and sustained consumer confidence. Underlying investment - that is excluding volatile components such as aircraft and intangibles – also continues to perform strongly driven by the rebound in building and construction spending which continued to record double-digit annual growth in the first quarter. Growth remains broad based with net exports also contributing positively to growth.

The increasing importance of domestic demand has reaped dividends in the labour market. Employment grew by 2.9 per cent in the first quarter of 2018 compared to the same period last year. As a result, employment levels have now surpassed their pre-crisis peak with the economy fast approaching full employment. The expansion in employment has led to a significant decline in unemployment. After peaking at 16 per cent in early 2012, unemployment has fallen to 5.1 per cent as of July.

The latest forecasts published by the Department of Finance, as part of the Stability Programme Update for 2018, project GDP growth of 5.6 per cent this year and 4.0 per cent next year. Importantly, the ongoing recovery in domestic demand will continue to support employment growth, with 60,000 additional jobs expected to be created this year.

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

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

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

The Credit Reviewer's 19th Report was published in March 2018 and relies on the September 2017 Credit Demand Survey therefore it does not take into account the more buoyant results of this survey. However it does suggest some underlying causes for the persistently low demand for bank credit in a strongly growing economy, as measured by the Department of Finance bi-annual demand survey. These include the risks in relying on self- funding capital projects, and the need for funding plans which may include some degree of bank credit. The Credit Reviewer also reflects on the impact that bank branch closures and the reduction in the level of relationship management may be having on demand of bank credit from SMEs and Farms.

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

2.2 Government Support Measures

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

Strategic Banking Corporation of Ireland

The Strategic Banking Corporation of Ireland commenced lending in March 2015. To the end of March 2018, the SBCI has supported loans totalling €952m to 23,867 Irish SMEs supporting 122,227 jobs. The SMEs who received SBCI finance are from a variety of business and economic sectors, including agriculture, food, retail, healthcare, transport and manufacturing, and they are spread across every region of the country.

To date, the SBCI has committed a total of €881 million to its seven on-lenders to provide appropriately priced, flexible finance to Irish SMEs. The SBCI has a current funding capacity of over €1 billion, which it will use to help Irish SMEs invest in and grow their businesses. The SBCI has supported a further €145m of SME funding through the Agriculture Cashflow Loan Support scheme.

The SBCI currently has seven on-lending partners, three bank and four non-bank finance providers. These are AIB, Bank of Ireland and Ulster Bank, and Finance Ireland, FEXCO, Bibby Financial Services and First Citizen.

The SBCI continues to develop more innovative products, such as the Brexit Loan Scheme launched in March 2018. This €300m scheme is designed to provide funding support to enable eligible Irish businesses to implement necessary changes to address the challenges posed by Brexit. Additionally, the SBCI is also continuing to work on a number of initiatives, including the continued use of guarantees and risk sharing schemes to support lending by finance providers. These aim to address recognised market failures.

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

Supporting SMEs Campaign

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

This campaign is a cross-governmental initiative developed to help small businesses and entrepreneurs learn the full range of potential Government supports available to them. At the heart of this campaign is the Supporting SMEs Online Tool, which brings together over 170 Government business supports from 30 departments and agencies to one simple-to-use website. Newly added supports include those offered to SMEs by the Health and Safety Authority.

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

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

Ireland Strategic Investment Fund

At commencement on 22 December 2014, the Ireland Strategic Investment Fund (ISIF) absorbed the EUR 7.1 billion Discretionary Portfolio of the National Pensions Reserve Fund to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland. To ensure efficient delivery of funding to the SME sector, the support of which requires large volumes of granular debt and equity investments to be made in underlying SMEs, the ISIF will generally target investment in private sector entities that interface directly with those SMEs.

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

May 2017: The ISIF committed €45m to the Muzinich Pan-European Private Debt Fund which focusses on providing European SME companies with a mix of senior stretch term loans (c. 70%), mezzanine loans (c. 20%) and equity (c. 10%) taken alongside some of the debt positions. The fund is targeting investment of €67.5m in Irish SMEs including a majority in sub €10m term loans.

September 2017: The ISIF launched the Ireland AgTech Fund in partnership with Finistere Ventures. This €20m fund will invest in start-up and early stage AgTech companies that can generate significant economic impact in the Irish Agriculture and Food sectors.

November 2017: The ISIF announced a commitment with BGF that launched the largest ever growth capital fund dedicated to Irish small and medium-sized companies. The fund, which will have up to €250 million to invest, is also backed by AIB, Bank of Ireland and BGF's existing shareholders. BGF Ireland will provide initial investments of between €2 million and €10 million in return for a minority stake, with additional funding to investee companies as needed.

December 2017: The ISIF completed a $29.5m (€25m) investment into Motive Capital Fund I, a specialist financial technology private equity investor.

March 2018: ISIF completed a €95m commitment to the €283m Elm Corporate Credit fund ("Elm"), which will be managed by DunPort Capital Management, a successor vehicle to the Bluebay SME credit fund. Elm will provide a mix of Unitranche, Senior and Mezzanine debt to Irish SMEs with ticket sizes of €3m to €35m and terms of 3 – 5 years. The investment is a strong fit with the ISIF SME Strategy as it delivers a stretch senior loan product targeted on growth funding for SME borrowers.

March 2018: ISIF completed a €15m follow-on investment in Finance Ireland, Ireland's leading broad based non-bank lender, in which ISIF has a 34% equity interest. The investment is a follow-on to ISIF's €30m investment in December 2016. ISIF's equity is expected to support €229m of lending in SME & Agri Leasing, Agri finance and residential/small commercial development loans out to 2020.

Enterprise Ireland Seed & Venture Capital Scheme

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

An amount of €131m has been formally committed to nine Funds to date under the Seed & Venture Capital Scheme 2013-2018. These funds are actively investing and will target investments from Seed to Series A across sectors including Life Sciences, ICT, Fintech, and Internet of Things.

Microfinance Ireland and the Credit Guarantee Scheme

The Microenterprise Loan Fund is managed by Microfinance Ireland on behalf of the Government. The purpose of the Fund is to provide loans of €2,000 up to €25,000 to micro-enterprises. A microenterprise is a business with fewer than 10 employees and/or turnover of less than €2million. Up to end of Q2 2018, €25.4min loans have been approved, supporting 4,277 jobs. 79% of loans are granted to microenterprises outside of Dublin, with 21% granted to microenterprises in Dublin.

The Credit Guarantee Scheme is open to businesses employing fewer than 250 staff and with an annual turnover of less than €50m (SMEs). It offers State guarantees on loans of up to €1m. Under the scheme, a 75% State guarantee is to be provided to banks against losses on qualifying loans to firms that otherwise have difficulty getting credit, owing to inadequacy of collateral or inadequacy of banks' understanding of the novelty of a business model, market, sector or technology. Up to end Q2 2018, 587 facilities have been sanctioned totalling €93.4m, which has supported over 3,600 jobs.

The revised SME Credit Guarantee Scheme was launched in July 2018 and aims to assist viable SMEs, which under normal lending criteria are unable to borrow from their bank, in accessing credit. The scheme operates by providing an 80% guarantee (previously 75%) to participating finance providers on qualifying loans to SMEs.

The scheme has been designed to address three barriers to lending:

- Inadequate collateral
- Novel business market, sector or technology which is perceived by finance providers as higher risk under current credit risk evaluation practices
- Need for refinancing caused by the exit of an SMEs lender from the Irish market

The Scheme is operated on behalf of the Department by the Strategic Banking Corporation of Ireland (SBCI) and is available from the participating banks. If you are an SME, and are encountering one of the 3 barriers set out above, you can approach one of the 3 participating banks and ask for a loan under the scheme.

Key Features of the Scheme:

- Facilities of €10,000 up to €1m
- Terms of up to 7 years
- Term Loans, Demand Loans and Performance Bonds

Reforms to the Scheme were provided for in 2016 amending primary legislation that led to the making of the Credit Guarantee Scheme 2017. This legislation allows new products to be rolled out by the SBCI in 2018 and following years, including the extension of the Scheme to cover loans other than traditional bank loans (i.e., invoice discounting, factoring, lessors etc.). The 2017 Act also provides for a new Counter Guarantee Scheme to be made to facilitate the unlocking of SME funding from EU institutions (COSME, Innovfin, and EFSI).

Brexit Loan Scheme

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

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

The scheme is delivered by the SBCI, through participating finance providers.

2.3 Rationale for Study

The 4th report of the Credit Review Office suggested that *"existing 'credit surveys' are being used widely as a commentary on the availability of bank lending. These surveys are not quality assured by any reputable market research organisation and may be misleading 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;
- 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 five or six digit code to each industry sector, e.g. B – Mining and Quarrying, B5 –Mining of Coal and Lignite.

- In order to ensure that the results are representative of the overall SME population, the construction sector, in so far as property development and speculative activities are concerned, has been excluded. Only companies 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 sub-sectors excluded from the analysis are set out in detail below:

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

Time Period of Study

In reviewing results, it should be noted that the time period of this study is a six month period from October 2017 to March 2018. Seasonality may have an impact on the results of the study.

3. Methodology

This survey represents a study of lending to SMEs conducted in Ireland, examining the issue of credit availability. This wave of the survey has been conducted by Fitzpatrick Associates Economic Consultants Ltd, in conjunction with Behaviour & Attitudes Ltd, the independent market research and polling organisation.

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.

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

In total, 13,194 companies were called, and contact was made with 10,758 companies. Of these 10,758 contacted, 1,553 interviews were completed, with some companies either falling outside of the quotas classifying small and medium enterprises, or others refusing to take part or to complete within the time frame set out for interview.

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

3.2 Sample Accuracy

The sample error for a survey of this nature is very good. Based on a total database of 130,000 SMEs in Ireland, the total sample of 1,553 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 1,553 Irish micro, small and medium SMEs, based on a questionnaire finalised between the Department of Finance, Fitzpatrick Associates and Behaviour & Attitudes. Questionnaire changes made this wave included the following:

- rewording on the export question to include countries exported to;
- a new question added on ownership of business;
- the missed repayments question included types of loans, and Ulster Bank and PTSB were also included in the right to review question.

Questions deleted, which were used in the March 2017 report, included the following:

- difficulty in sourcing export-related finance and company situation (company struggling to survive, etc);
- the question on innovation and total expenditure on fixed assets, and questions on seasonality of the business and percentage of increase/decrease in staff;
- the questions on non-banking finance;
- awareness of the existence of the Credit Review Office (though asked in a separate question regarding banks informing applicants of the right to review).

All interviews were conducted between 21st May and 25th June 2018 and covered the period from October 2017 to March 2018. Over the course of the study, 1,553 SME interviews were conducted. The typical telephone interview lasted between five and 35 minutes, depending on the level of credit demand.

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

3.4 Comparative Results

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

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

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

3.5 Sample Size

1,553 SMEs participated in the telephone interviews. Companies were allocated to micro, small and medium size categories based on employee numbers as a proxy for company size.

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

It should be noted that 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 purposes.

4. Demand for credit and the bank lending decisions surrounding the approval of credit are complex, multi-faceted and unique to each individual SME application. Not every variable contributing to a credit decision can be probed during a telephone interview, and likewise the characteristics of the respondent's business cannot be fully and comprehensively captured in such a timeframe.

5. Slight rounding may occur in the graphical or other representation of figures in this document.

3.7 Other Research

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

3.8 Privacy of the Respondent

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

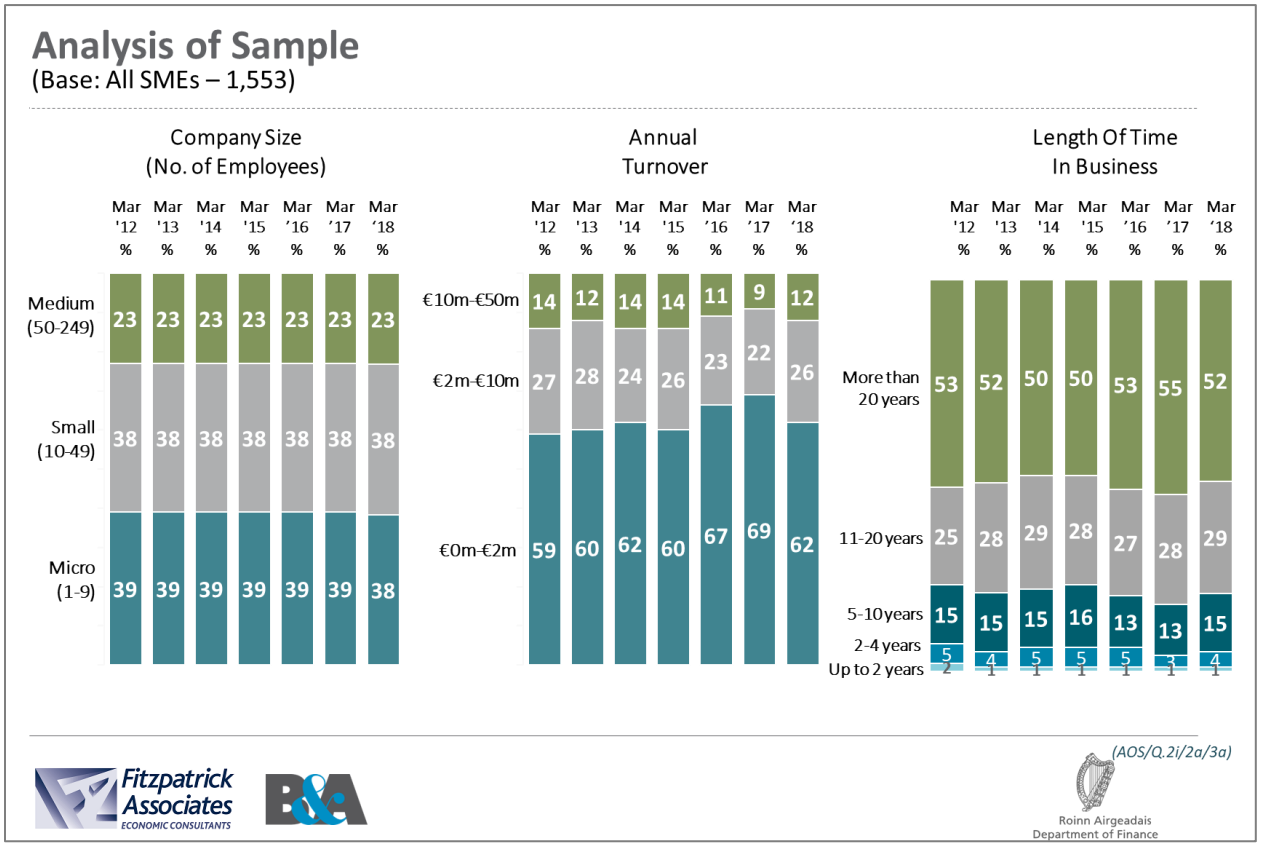
The Department of Finance had no specific interest in the individual financial affairs of any of the SMEs that participated in this study. Rather, the key objective was to better inform Government of the volume, nature and demand for credit in this key sector of the Irish economy.

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

4. Profile of Respondents

4.1 Company Size, Turnover & Length of Time in Business

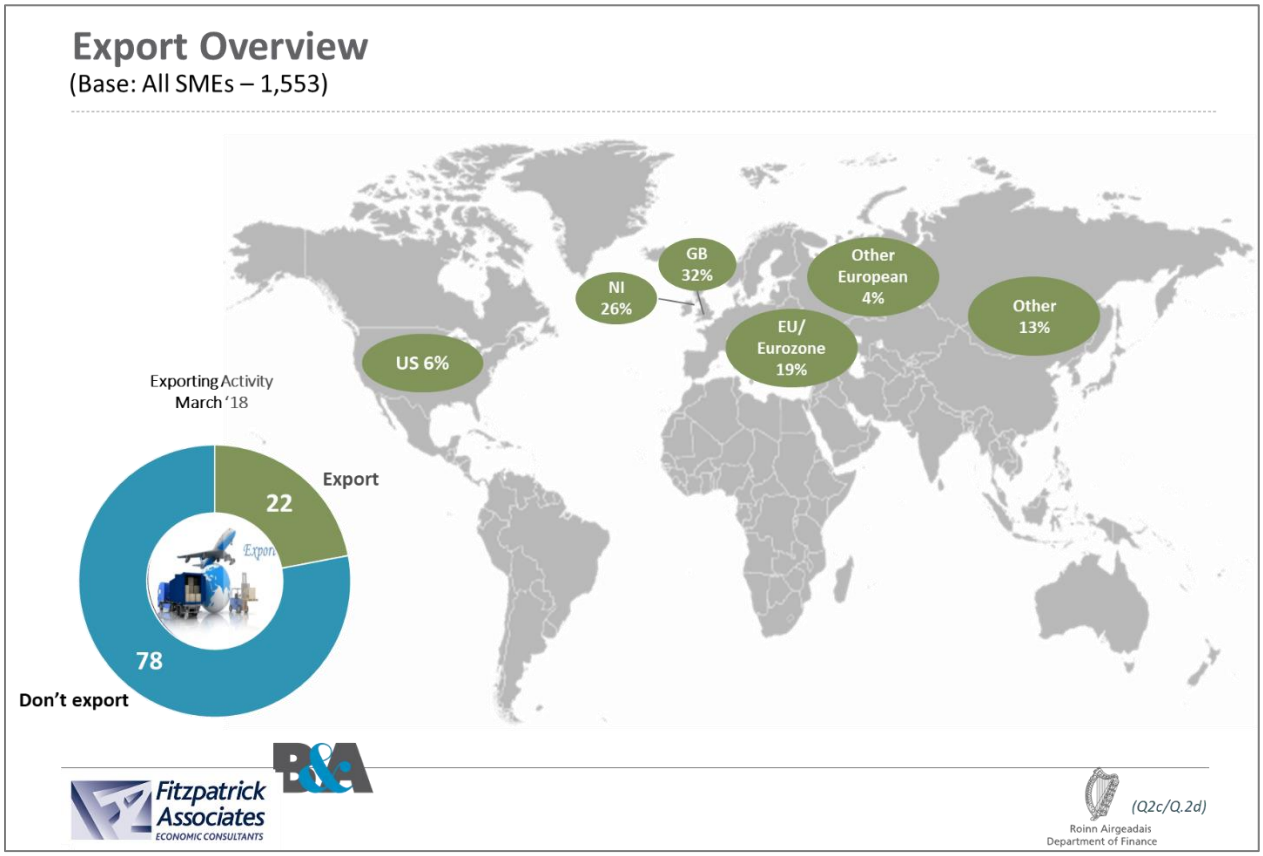
To be able to compare the results from the credit demand study wave by wave, it is important that the samples achieved are similar on key business demographics. This was achieved through strict quota control on company size and sector.



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

4.2 Exporting Companies

22% of the companies interviewed export goods or services outside the Republic of Ireland. It is worth noting that the export question was also changed in March 2018 to include the countries exported to.



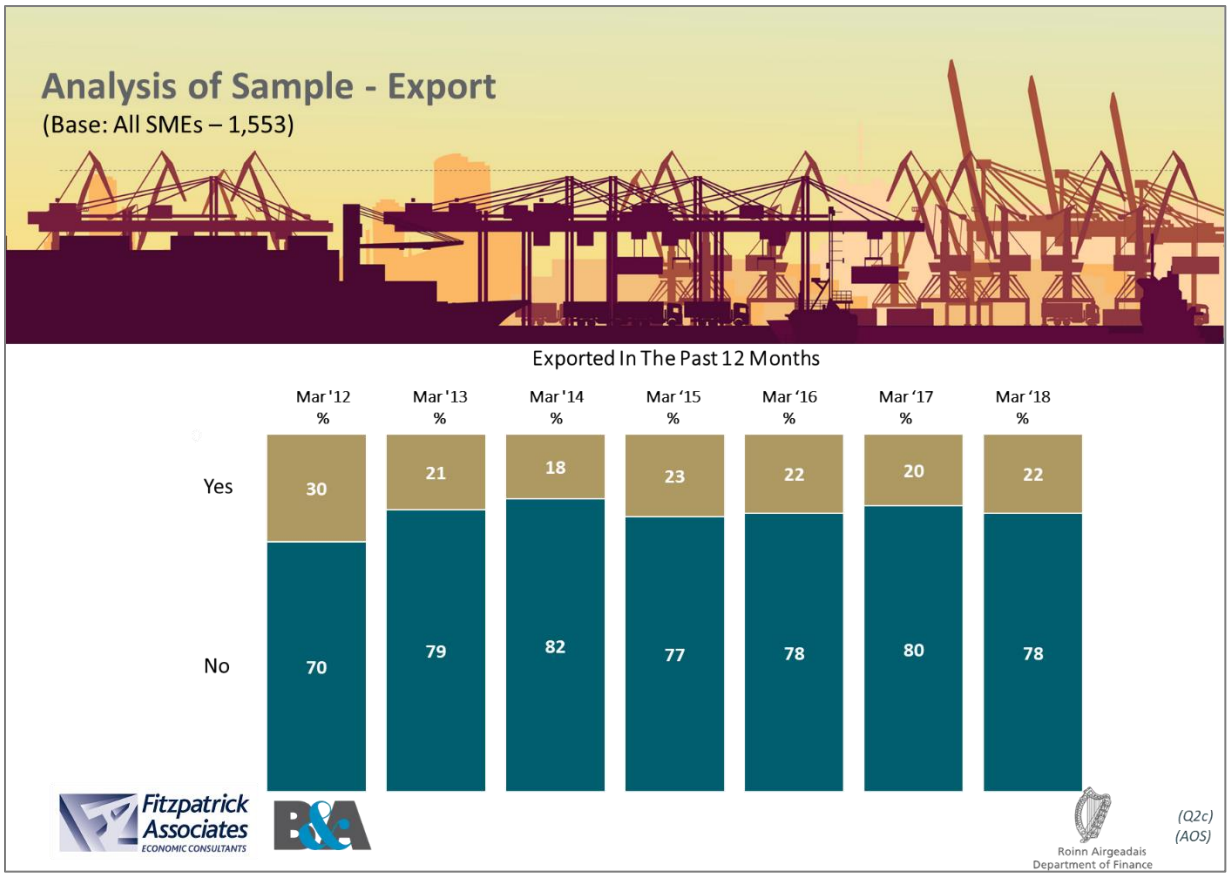
NB: The graphic above illustrates the average proportion of all exporting companies that export anything to each region featured, and does not reflect the relative scale of different firms' exporting activity.

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

Export Overview Percentage of Firms' Sales Exported March 18 – All That Export (Base: 316)						
% of sales exported	Northern Ireland	Great Britain (i.e. excl. Northern Ireland)	EU/Eurozone	Other European country	United States	Other
	%	%	%	%	%	%
None	37	26	46	66	62	57
From 1 to 10	23	17	10	8	10	6
From 11 to 20	5	9	7	2	3	5
From 21 to 30	2	5	4	-	2	1
From 31 to 40	1	3	4	-	2	2
From 41 to 50	6	10	4	2	3	3
From 51 to 60	1	3	2	-	2	1
From 61 to 70	0	-	1	0	-	-
From 71 to 80	2	3	2	-	1	2
From 81 to 90	2	3	2	1	0	2
From 91 to 100	14	14	6	1	0	5
Don't Know	7	7	12	20	15	18
Mean	**25.85**	**32.15**	**18.65**	**4.50**	**6.20**	**12.63**

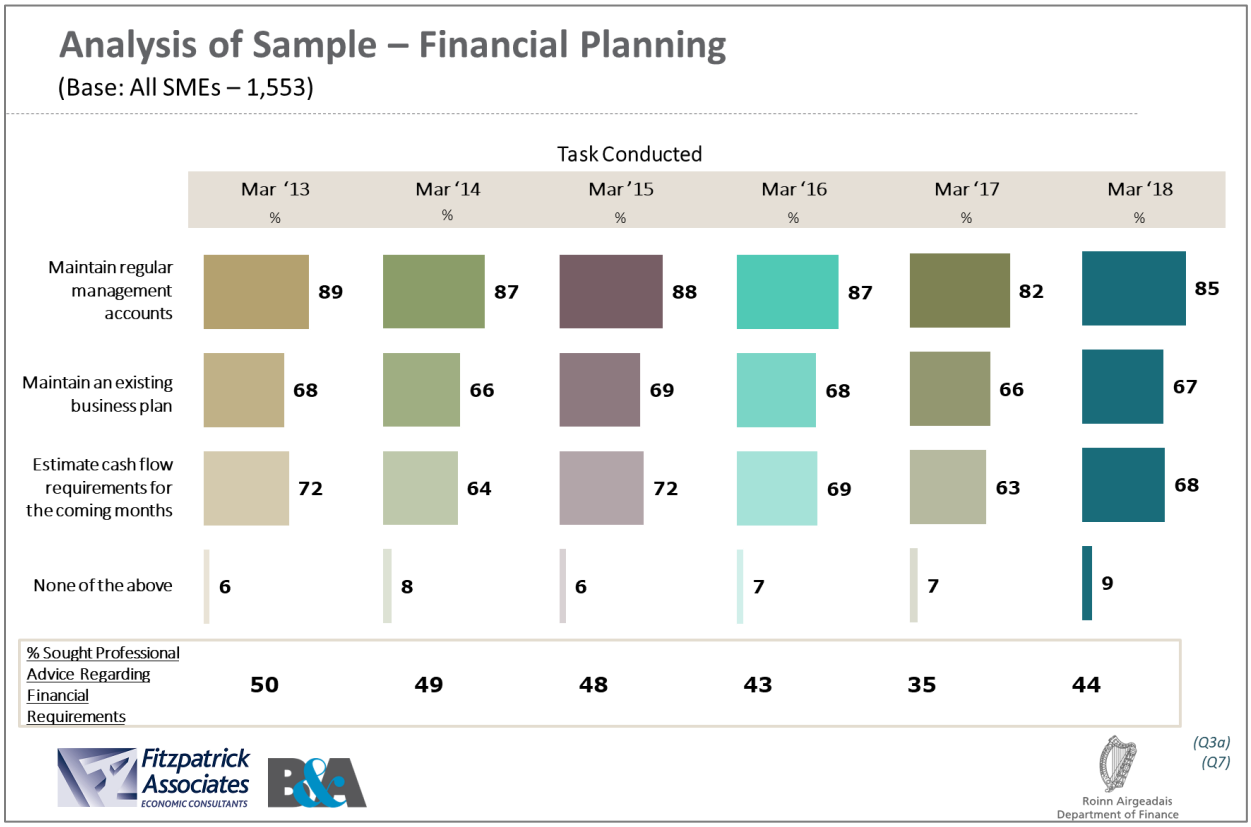
NB: The table above illustrates the average proportion of all exporting companies that export anything to each region featured, and does not reflect the relative scale of different firms' exporting activity.

The percentage of companies exporting has increased from 20% in March 2017 to 22% in March 2018. Since March 2012, survey results for the percentage of SMEs exporting have varied from 30% (March 2012) to 18% (March 2014). It is worth noting that the export question was changed slightly for the March 2013 wave, and again for the March 2015 wave, which might impact comparability for this question slightly over the years.



4.3 Regular Financial Management Tasks & Use of Financial Advisors

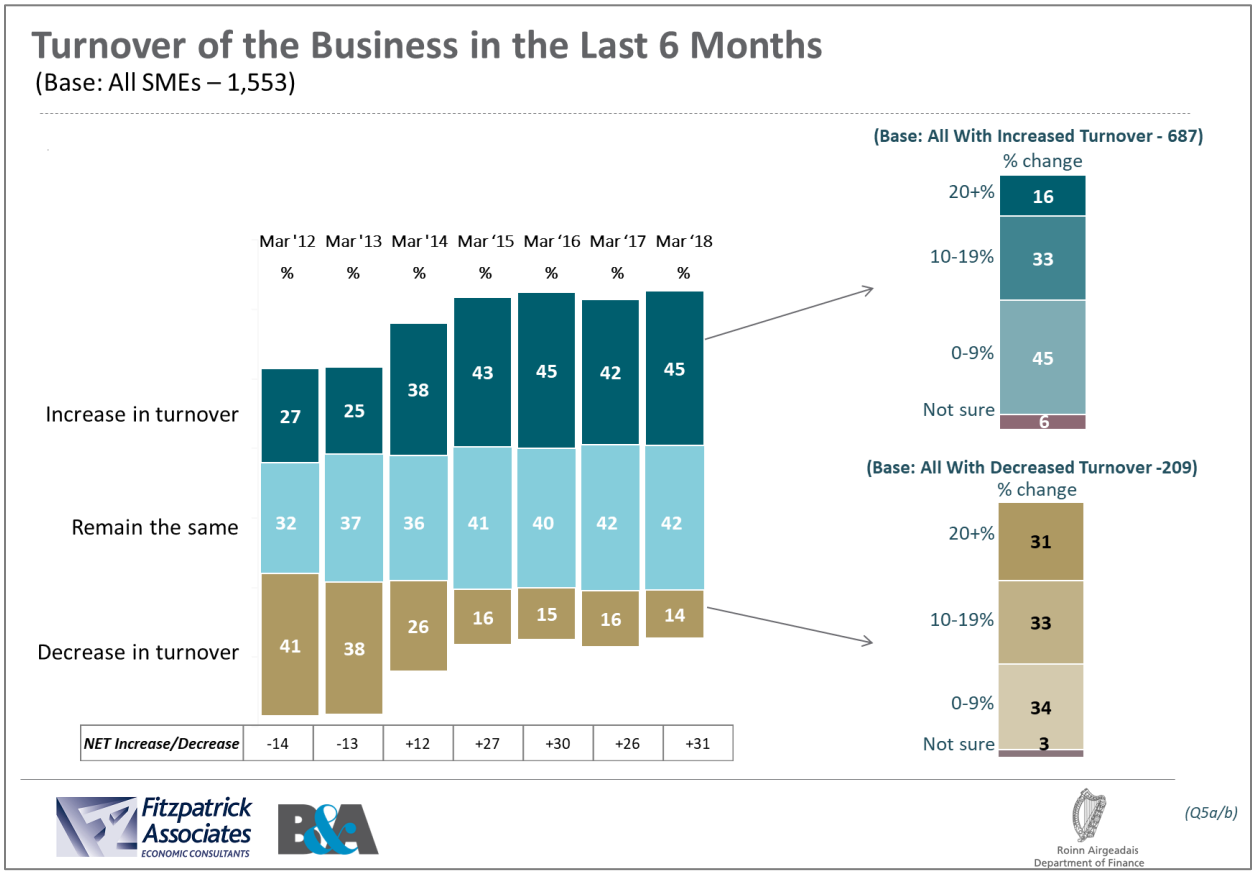
Compared to March 2017, we see similar levels in terms of the financial management tasks undertaken by the companies. 85% maintain regular management accounts (an increase of 3% since March 2017), while 67% maintain an existing business plan – similar to the level seen a year ago. We see an increase in the use of financial advisors in the past six months, at 44%–up from 35% in March 2017. Also we see an increase in those estimating cash flow requirements for the coming months (68%, up from 63% in March 2017).



5. Trading Performance

5.1 Turnover Trends

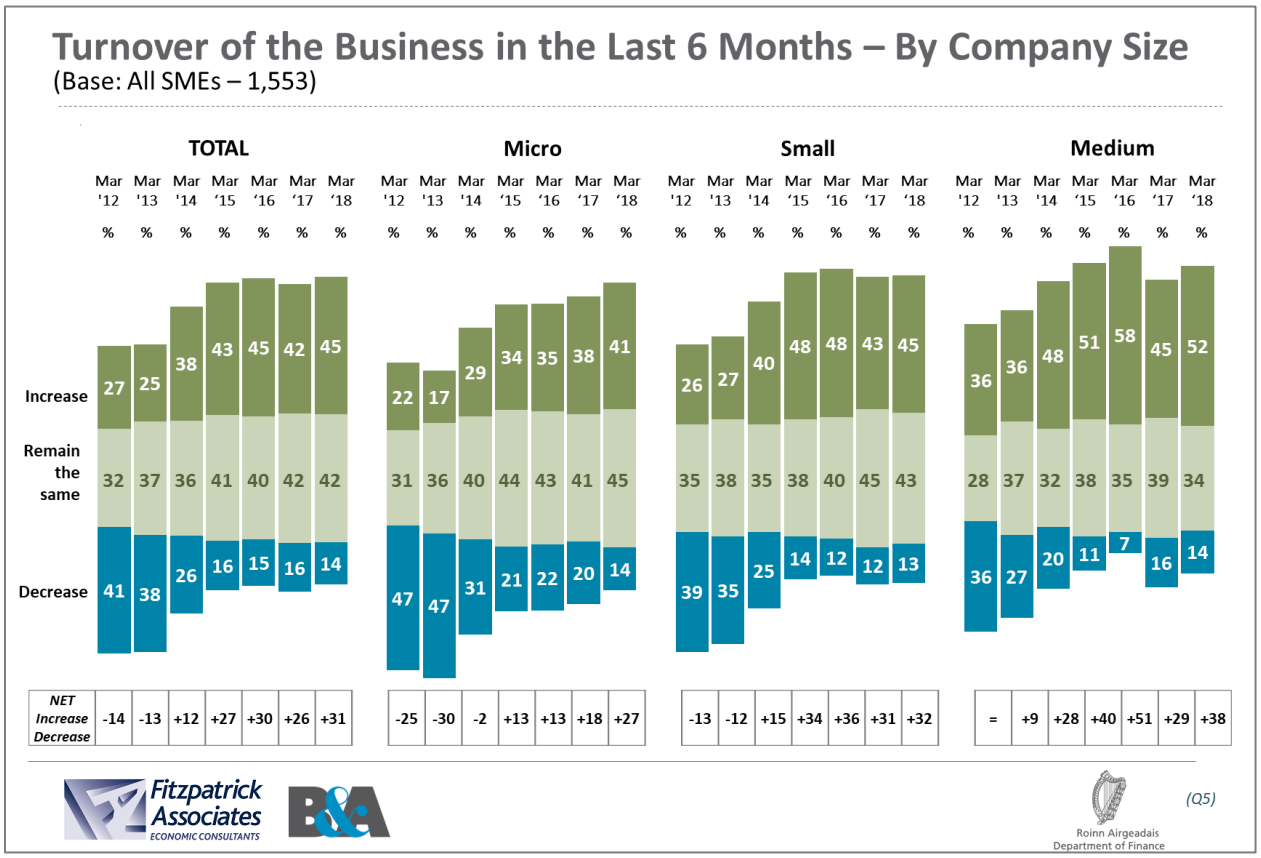
Trading conditions for SMEs in the period October 2017 to March 2018 remain favourable, with similar proportions of SMEs claiming increased turnover in the past six months (45%) compared to the same 6 month period in 2017 (42%). 42% report that turnover is unchanged, while 14% report that turnover has decreased in the past six months. Comparing turnover trends over the past 3 years, we see that trading conditions for SMEs remain favourable, and the proportion of SMEs experiencing different changes in turnover have started to plateau.



Among those SMEs with increased turnover, 45% have seen a slight increase (0-9%), while 16% have had an increase larger than 20%. Among SMEs with decreased turnover, 34% report a modest decrease of 0-9%, with 31% reporting a decrease in turnover of more than 20%.

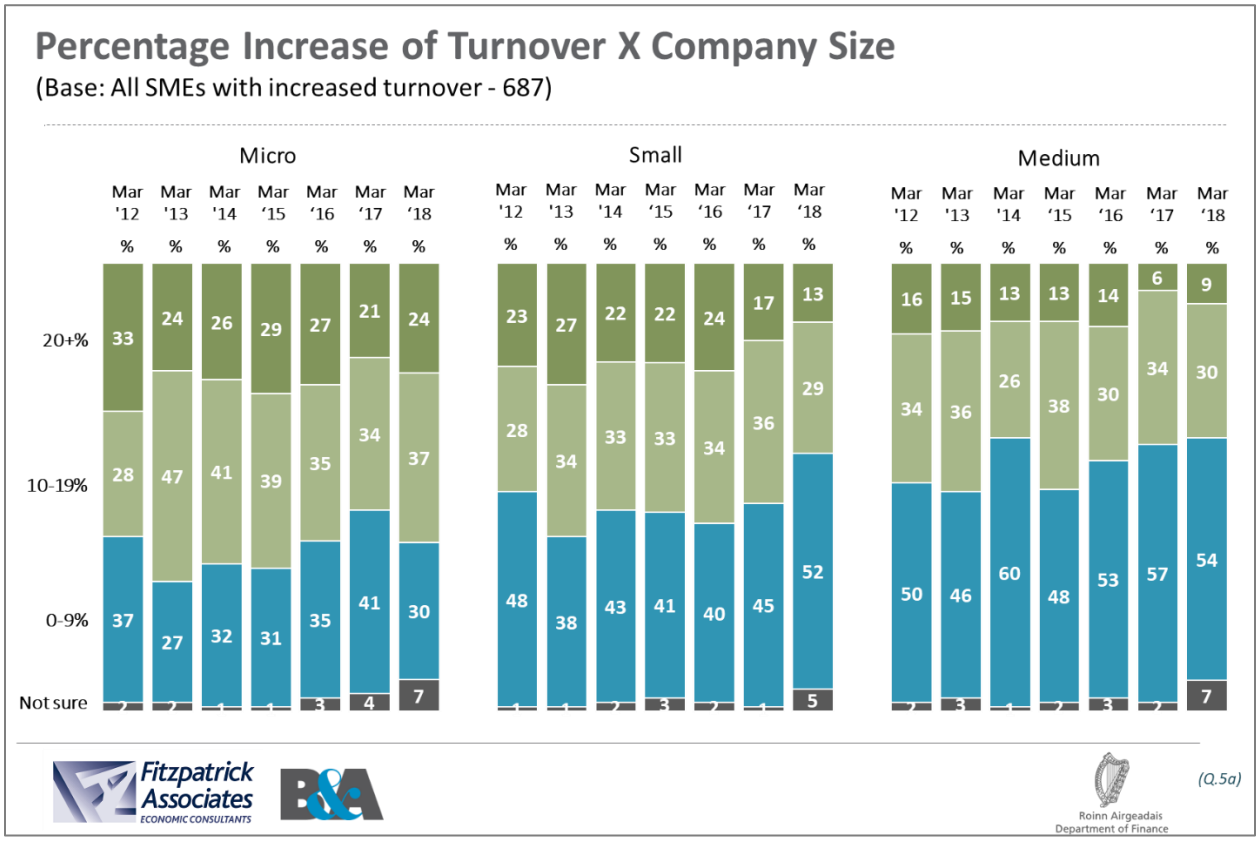
Trading conditions are somewhat different when looking at different company sizes. Small and medium-sized companies have the most favourable trading conditions, with 52% of medium-sized companies reporting increased turnover, while only 14% of medium-sized companies report a decline in turnover. The reported turnover performance of medium companies is up on the same period last year – from a net positive increase/decrease performance of +29 in March 2017 up to +38 in March 2018.

Micro companies lag slightly, with 41% of these reporting increased turnover in the period October 2017 to March 2018. This is up from 38% in March 2017, however. Fewer micro companies also claim decreased turnover in the past six months compared to last year (14% in March 2018 versus 20% in March 2017).



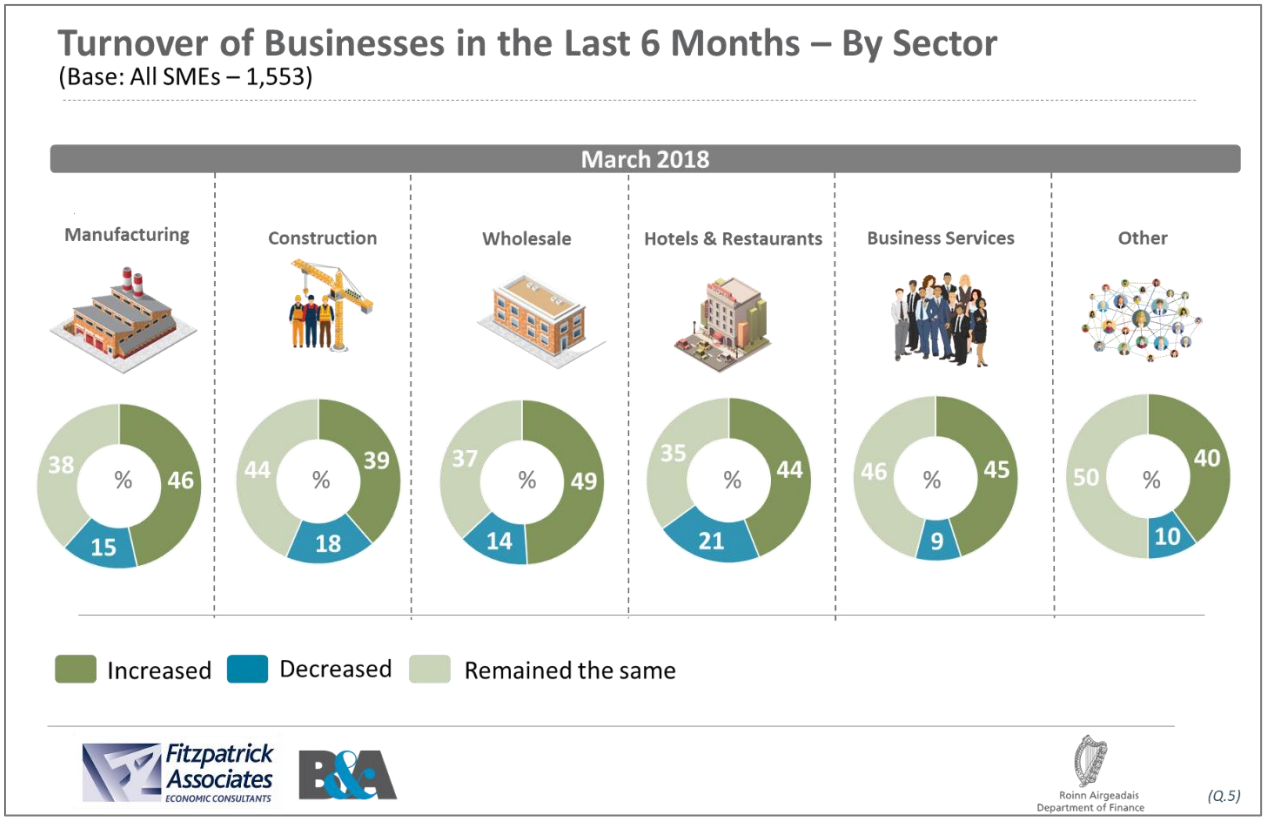
In general, for all types of SMEs, turnover trends have also consistently improved over the past 5-6 years.

Looking at those SMEs with increased turnover in the last six months, we see that micro companies are more likely to report high turnover growth (20+% increase in turnover). The opposite is the case for medium-sized companies, where just 9% claim high turnover growth.



5.2 Turnover by Sector

Most sectors do not see any significant change in trading conditions from October 2017 to March 2018, with more companies having seen increased turnover than companies reporting declining turnover in the past six months. Business services, manufacturing and wholesale report the highest levels of turnover increase.

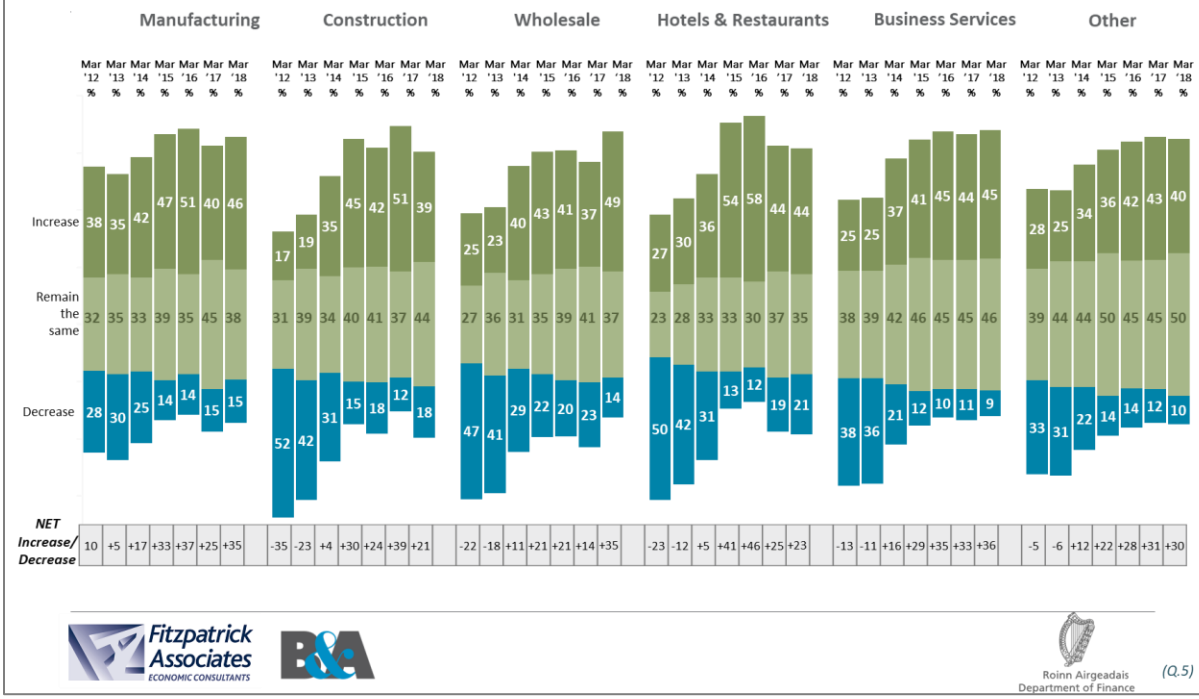


The percentage of firms reporting a decrease in turnover is noticeably higher in the hotels and restaurants sector (21%) when compared to other sectors. The comparable estimate for the hotels and restaurants sector in March 2017, meanwhile, was 19%.

Also, the wholesale sector, at 49%, had the highest proportion of firms reporting an increase in turnover. This figure was noticeably higher than the equivalent figure in March 2017, which was 37%. The construction sector, meanwhile, shows a drop in turnover growth for March 2018, down to 39% (whereas the figure for March 2017 was 51%).

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

(Base: All SMEs – 1,553)



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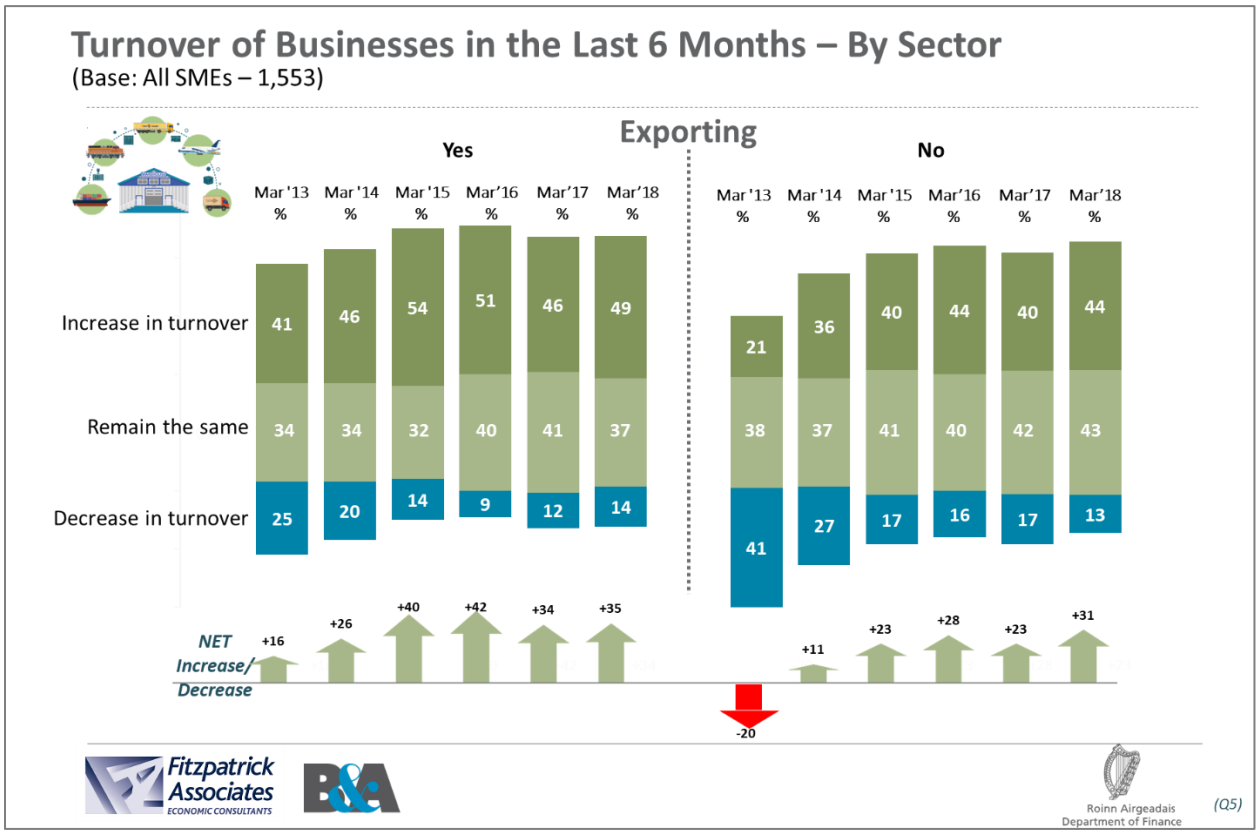
Department of Finance

(Q.5)

5.3 Turnover for Exporting Companies

The relative performance of exporting companies is on a par with March 2017, with an increase in turnover for non-exporting companies.

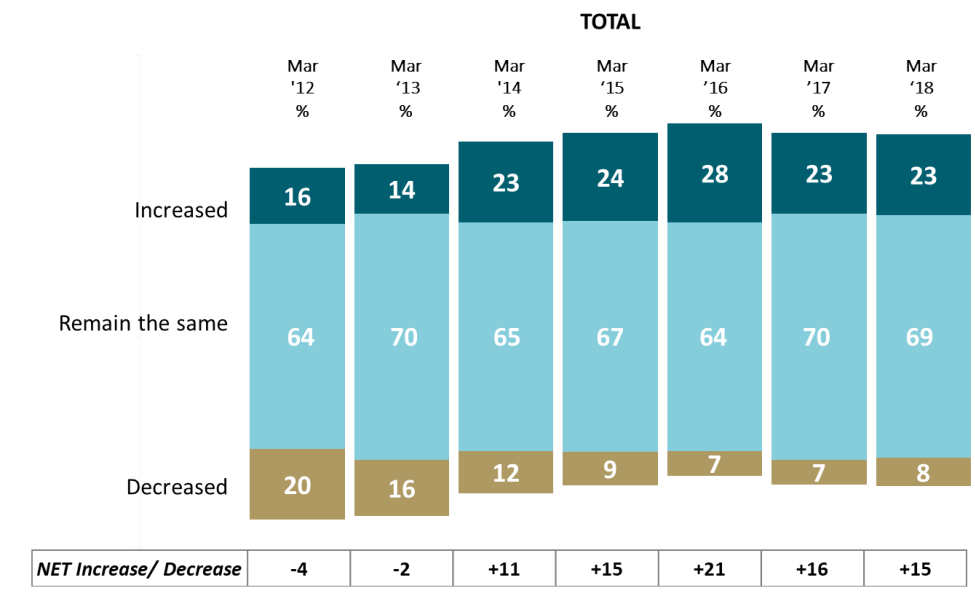


5.4 Employment Trends

23% of all SMEs have increased staff numbers in the past six months. 8% have decreased staff numbers in the past six months, while 69% have not changed their staff numbers in the past six months. This represents no change in reported increased staff hires compared to March 2017.

Staff of the Business in the Past 6 Months

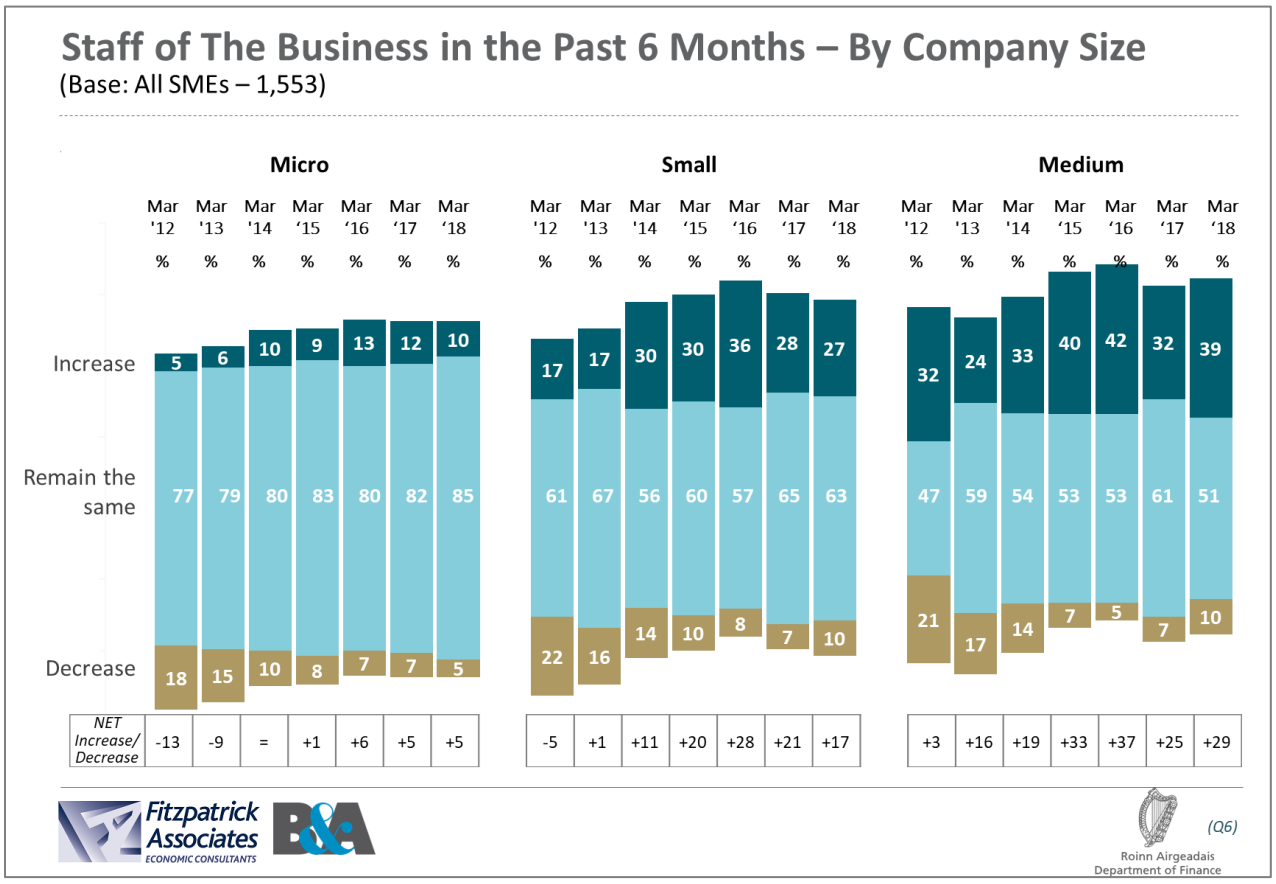
(Base: All SMEs – 1,553)



Roinn Airgeadais Department of Finance

(Q6a)

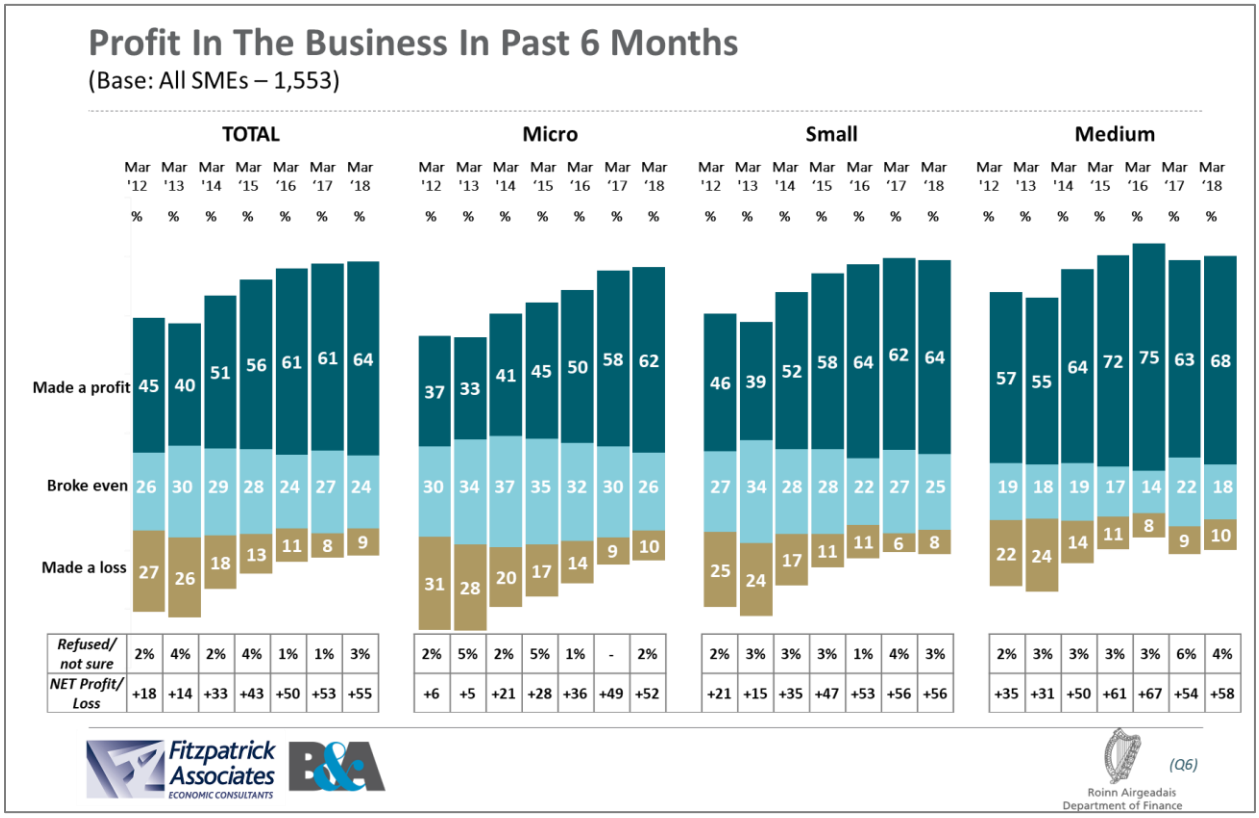
Medium-sized companies indicate the highest growth in staff numbers, with 39% indicating an increase of staff numbers in the past six months. 27% of small-sized companies indicate an increase in staff numbers during the same period, while only 10% of micro companies indicate an increase in staff.



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

5.5 Profit Trends

For the fifth year in a row we see an increase in the net profit/loss for businesses for the past six months. 64% of all SMEs report a profit in the past six months (compared to 61% in March 2017). 9% reported a loss, while 24% reported breakeven.



Compared to March 2017, we see an increased profitability emanating from micro and medium companies. Small-sized company profitability, while still reporting a high proportion making a profit, has plateaued compared to this period last year.

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

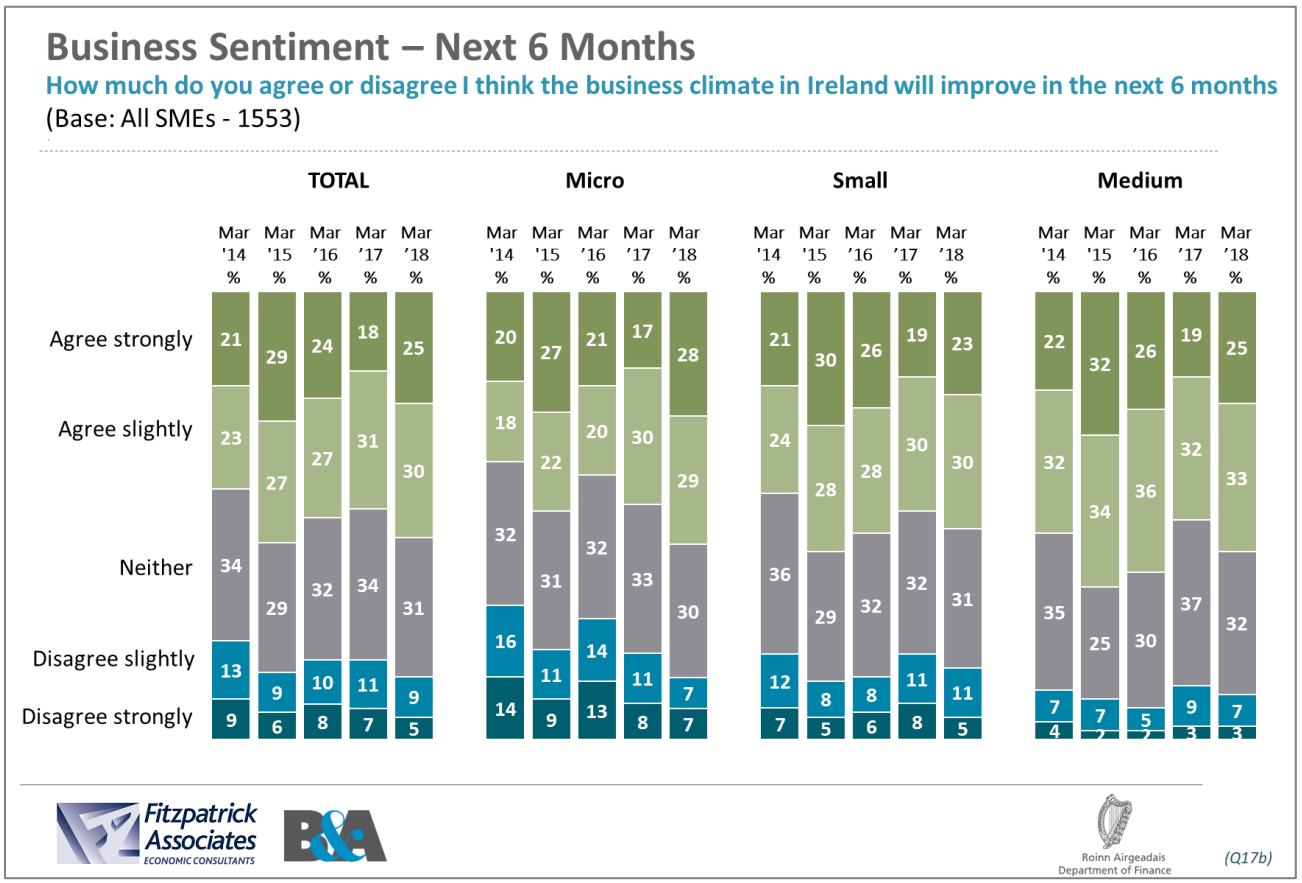
Turnover – Last Six Months	Turnover Increased	Turnover Remained the Same	Turnover Decreased
	%	%	%
Made a profit	78	61	48
Broke even	13	27	27
Made a loss	6	8	23
Refused	1	0	1
Don't know	2	3	1

5.6 Business Sentiment – Next Six Months

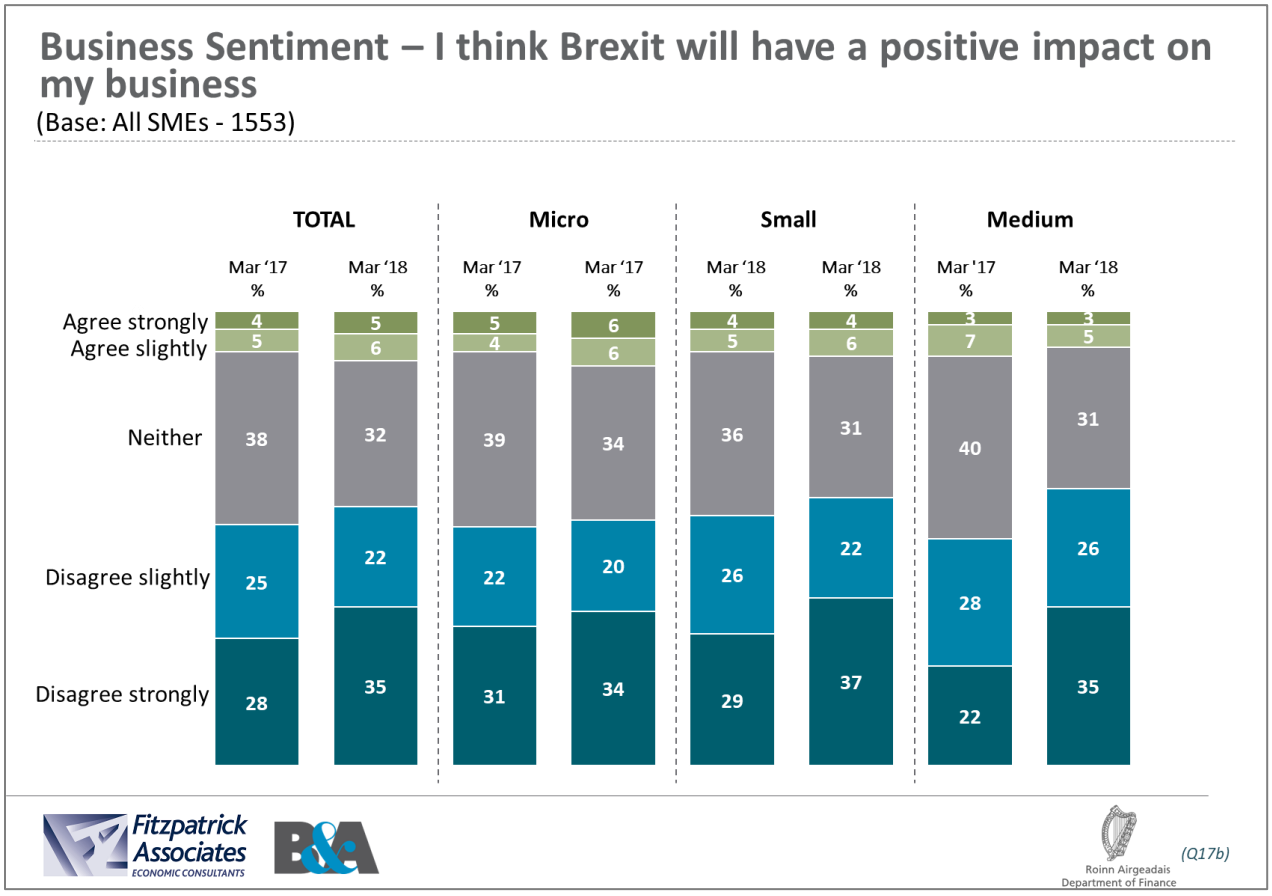
Positive business sentiment has increased overall for all companies of all sizes, compared to March 2017. 55% of SMEs expect the business climate to improve in the next six months – up from 49% in March 2017.

14% of SMEs now expect the business climate to perform worse in the next six months. This is down from 18% in March 2017.

Micro sized companies see the greatest increase in business sentiment, with 57% of these organisations expecting the business climate to be better in the next six months, up from 37% in March 2017.



Just 11% believe Brexit will have a positive impact on their business (up from 9% in March 2017), while 57% believe it will have a negative effect. 32% of SMEs believe it will have no impact on their business.



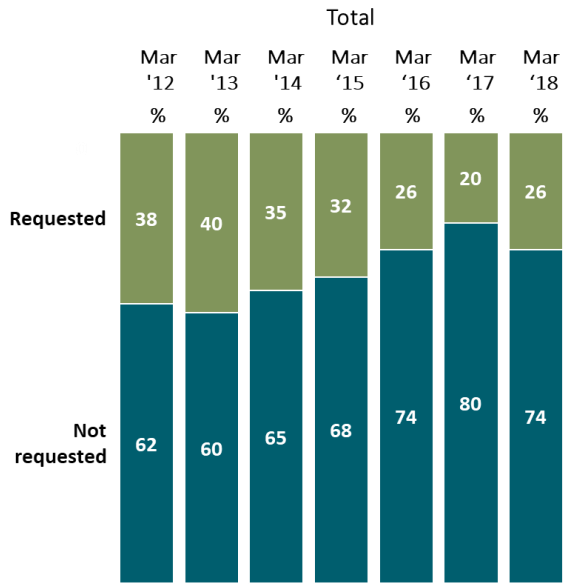
6.0 Demand for Banking Finance

6.1 Current Demand for Credit

Credit demand for the period October 2017 to March 2018 has increased versus the same period last year. 26% have applied for bank finance in the past six months, compared to 20% in March 2017.

SMEs Seeking Bank Finance In The Past 6 Months

(Base: All SMEs – 1,553)



	Requested By Company Size							Demand
	Mar '12 %	Mar 13 %	Mar '14 %	Mar '15 %	Mar '16 %	Mar '17 %	Mar '18 %	Mar 18 vs Mar 17
Micro	30	36	29	26	23	15	**21**	↑ +6%
Small	43	43	40	35	31	22	**27**	↑ +5%
Medium	42	41	37	40	21	25	**32**	↑ +7%

Roinn Airgeadais Department of Finance (Q.9)

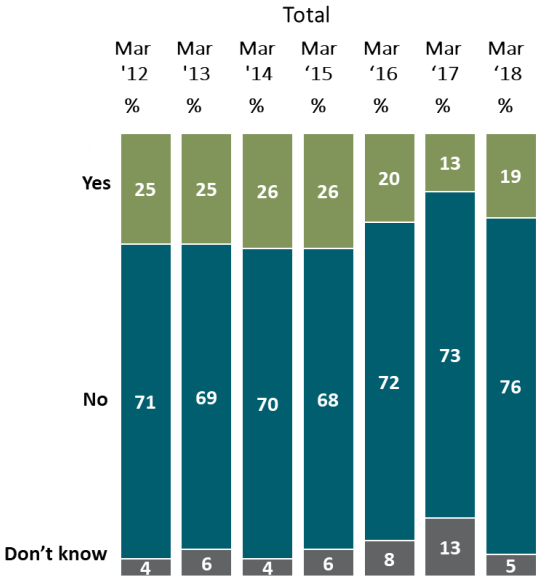
The increase in credit demand since March 2017 is registered across SMEs of all sizes, to the same extent.

6.2 Future Demand for Credit

An increase year-on-year is also registered in expectations for seeking bank finance in the next six months. 19% of all SMEs expect to apply for finance in the next six months, which is up from 13% in March 2017.

Expecting to Seek Bank Finance In Next 6 Months

(Base: All SMEs – 1,553)



	All expecting to seek Finance in Next 6 Months						
	Mar '12 %	Mar '13 %	Mar '14 %	Mar '15 %	Mar '16 %	Mar '17 %	Mar '18 %
Micro	19	24	21	23	19	12	17
Small	28	26	29	28	23	15	21
Medium	30	25	27	28	17	13	20

Roinn Airgeadais Department of Finance (Q.16b)

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

The increase in possible future demand is consistent across all company sizes. Note the year-on-year decrease in the percentage of companies uncertain of their future bank finance needs (down from 13% in March 2017 to 5% in March 2018).

6.3 Reasons for Not Seeking Credit

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

The main reason given is that bank finance is simply not required – with 89% of those businesses who did not apply for credit mentioning this. This is unchanged, with the same percentage reporting that they did not need finance in March 2017.

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

	Total	Micro	Small	Medium
	%	%	%	%
Business Related Reasons				
Didn't need it	89	87	89	93
Prefer not to borrow	6	8	5	2
Existing finance product in place	4	3	4	6
Not the right time given the economic climate	0	1	-	-
Use/raise personal funds when needed	0	-	1	1
Bank Related Reasons				
Possible rejection	1	1	1	-
Too expensive to borrow	1	1	1	-
Belief that banks are not lending	2	3	2	1
Application process too difficult	1	1	0	-
Don't trust the banks	1	2	1	1
Other	7	6	8	6

As in previous years, bank related reasons are less commonly cited as reasons for not applying for bank finance in the past six months.

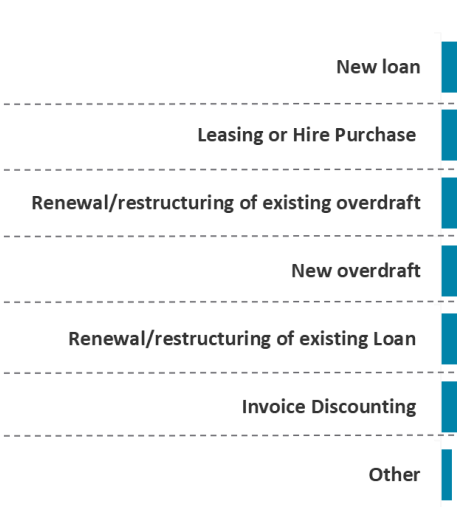
6.4 Demand for Credit by Product

Among those SMEs that have requested bank finance in the period October 2017 to March 2018, new loans, leasing or hire purchase, renewal/restructuring of existing overdrafts and new overdrafts are the main bank finance products requested.

Leasing or hire purchase remains high at 31%, up from 21% in March 2017. New loans have also increased in terms of the proportions requesting (40%, up from 31% in March 2017). Renewal/restructuring of existing overdrafts has increased from 18% in March 2017 to 27% in March 2018. 17% of those applying for bank finance, meanwhile, have requested a new overdraft.

Lending Products Requested By SMEs

(Base: All SMEs Seeking Bank Finance – 393)



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

(Q.9)

Roinn Airgeadais
Department of Finance

Invoice discounting remains the least popular product, when compared with previous survey waves, with just 3% of those who have applied for bank finance having applied for this credit type. However, new overdrafts have also registered a drop, with just 12% seeking such a financial product.

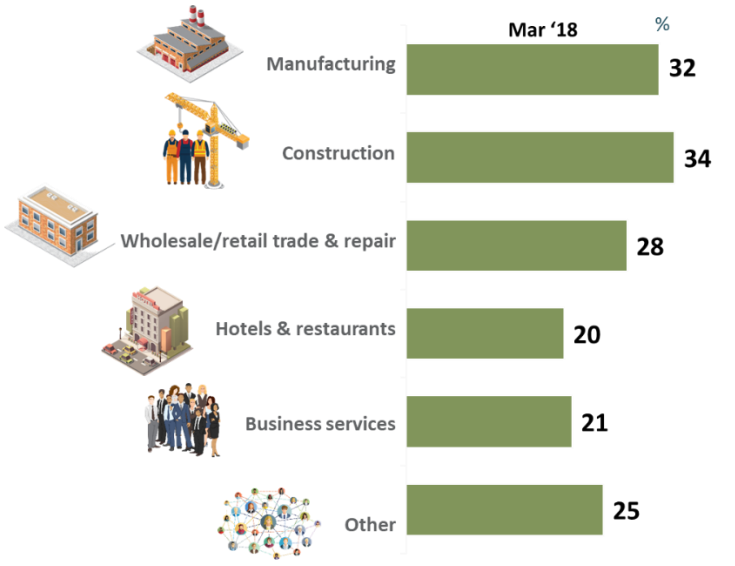
% of all products requested	Mar-13 %	Mar-14 %	Mar-15 %	Mar-16 %	Mar-17 %	Mar '18 %
New loan	20	21	25	27	31	32
Leasing or hire purchase	16	15	22	21	21	24
Renewal/ restructuring of existing overdraft	32	29	22	22	18	18
New overdraft	13	15	11	15	16	12
Renewal/restructuring of existing loan	13	14	13	9	6	10
Invoice discounting	5	5	6	4	2	3
Other	2	1	1	2	4	2

6.5 Demand for Credit by Sector

The largest increase in credit demand amongst SMEs emanates from the construction and manufacturing sectors, followed by the wholesale sector. The hotels and restaurants sector also registers a marginal and insignificant drop in credit demand.

Demand for Credit x Sector

(Base: All SMEs 1553)



	Mar '12	Mar '13	Mar '14	Mar '15	Mar '16	Mar '17
	%	%	%	%	%	%
Manufacturing	36	43	38	27	33	22
Construction	33	39	35	39	31	19
Wholesale/retail trade & repair	39	40	37	33	28	20
Hotels & restaurants	35	39	37	27	21	22
Business services	39	41	31	30	20	17
Other	38	36	34	41	25	21

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(Q.9)

6.6 Demand for Credit by Turnover and Profit Performance

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

Turnover	Mar '17 %	Mar '18 %
Increased	42	45
Remained the same	42	42
Decreased	16	14

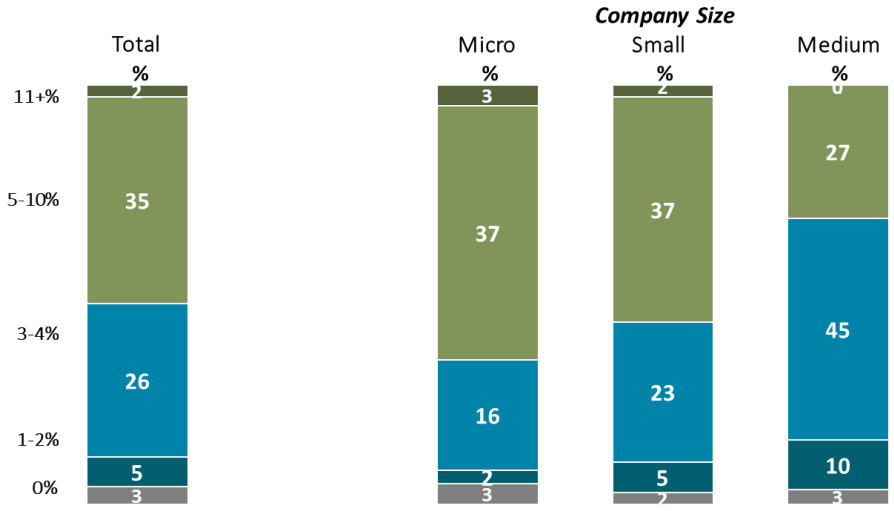
Profit	Mar '17 %	Mar '18 %
Made a profit	61	64
Broke even	27	24
Made a loss	8	9
Not sure	-	3

6.7 Cost of Credit

Amongst those with outstanding loans, the average claimed cost of credit stands at 5.06%. This has increased compared to March 2017, where the cost of credit for outstanding loans on average was 3.6%, although it is broadly on a par with the March 2016 rate of 4.8%

Average Costs Of Credit (Interest Rate) For Outstanding Loans

(Base: All SMEs have recorded debt - 602



	Total	Micro	Small	Medium
Refused/Not sure	18	27	15	8
Don't' know	11	11	15	6
Mean Rate	5.06%	5.89%	5.15%	4.06%
Average Outstanding Loans €	514,553	65,851	455,152	1,411,526

NB: Question wording changed in March 2018

(Q.19/Q.22)

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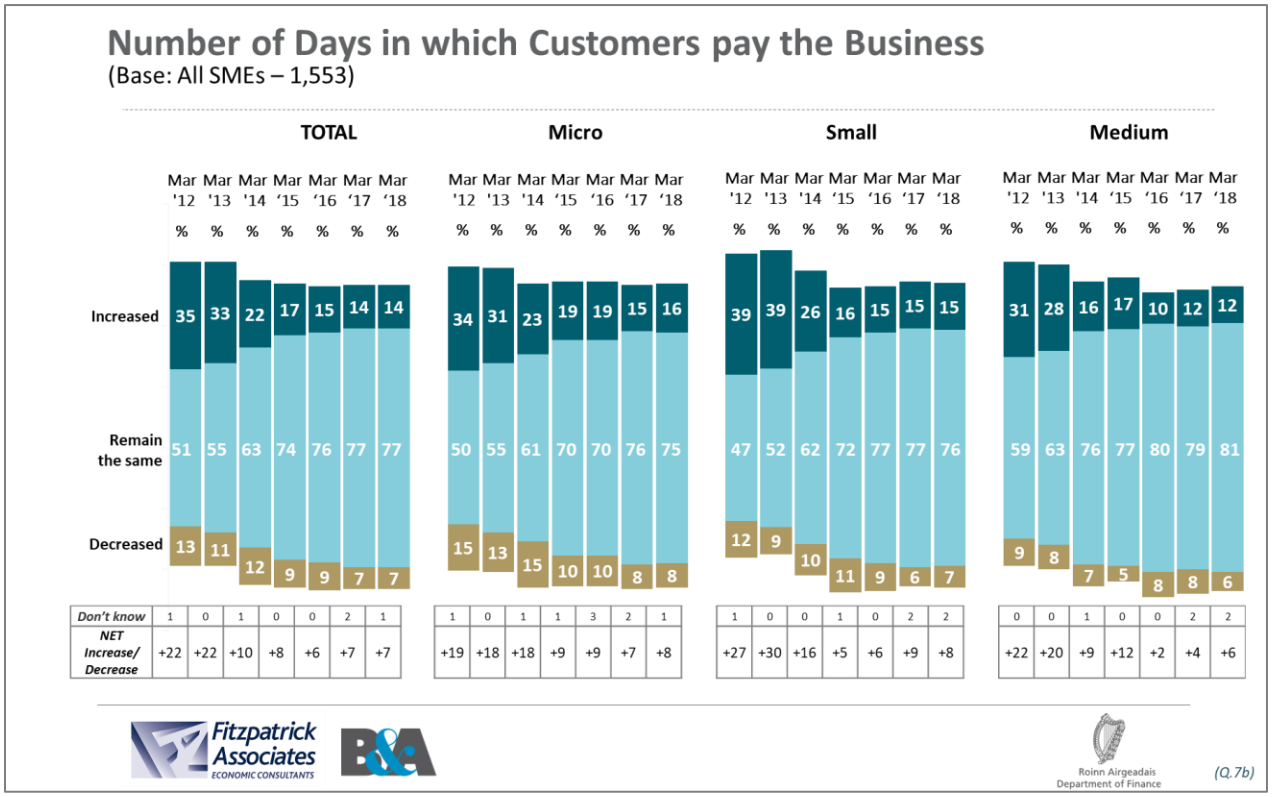
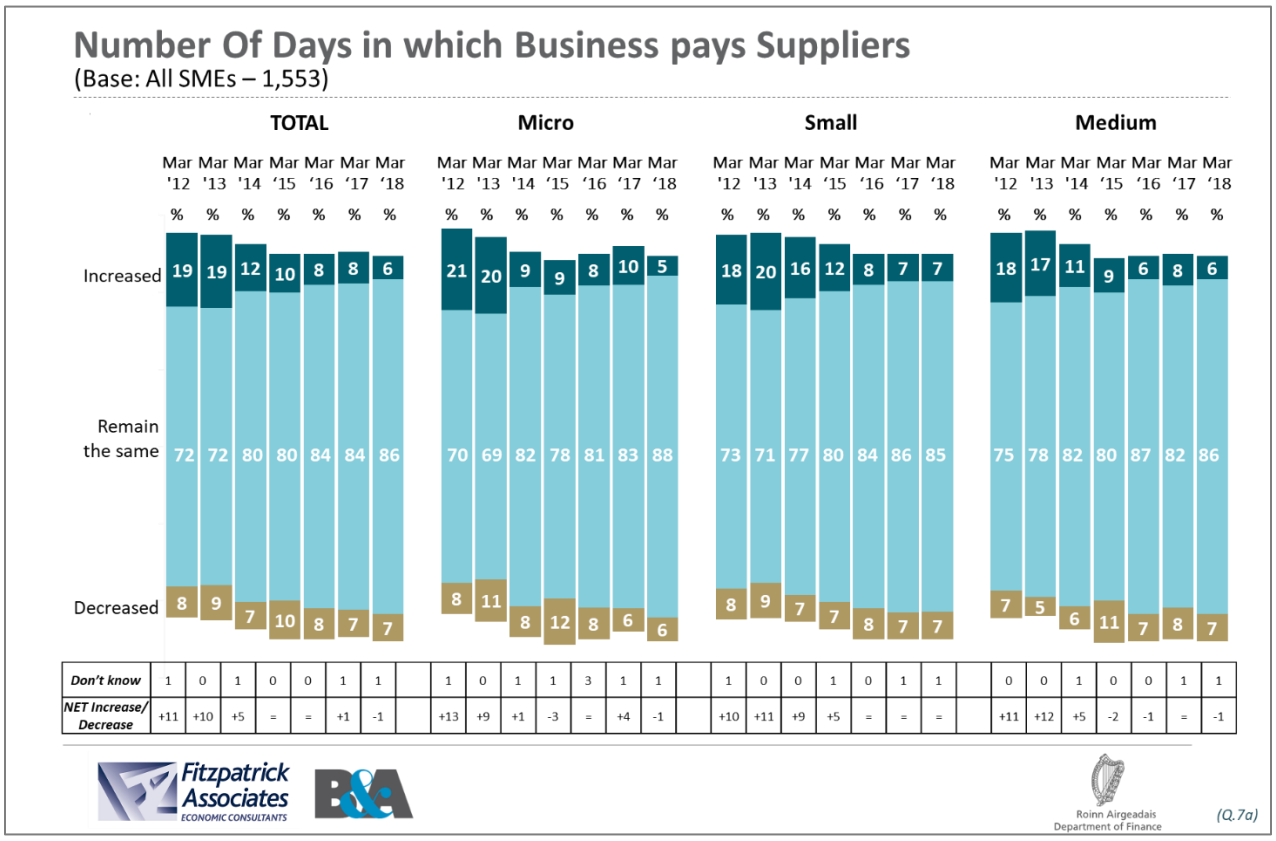
6.8 Financial Position of Businesses

The numbers of days that go by before businesses are paid by their customers affects the cash flow of the business and, thereby, also the need for external finance. Likewise, cash flow can be improved by delaying paying customers to the business. 14% of SMEs feel that the average number of days within which customers pay has increased during the period October 2017 to March 2018 – this is the same as in March 2017. 77% feel that the payment period is unchanged, while 7% feel customers are paying faster.



In terms of supplier payment, we do not see any major change from March 2017. 86% of all SMEs feel that the average number of days they take to pay suppliers remains unchanged, while 6% suggest that the payment period has increased. A similar proportion (7%) say they pay suppliers faster than before.

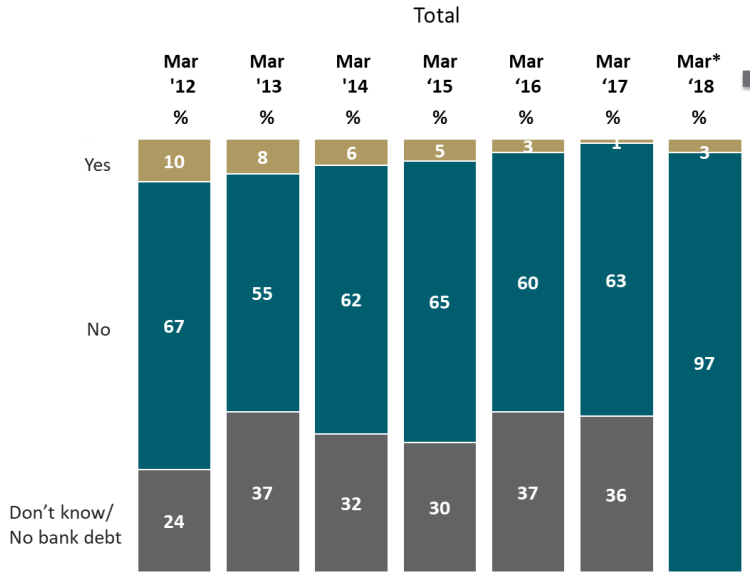


6.9 Repayment of Current Loans

The financial position of a business can also be established by the incidence of having missed repayments on existing loans, as this can be used to effectively avoid requiring credit in the short term. Only 3% of SMEs suggested that they had missed repayments on loans in the period October 2017 to March 2018. This is up slightly, from 1% in March 2017. Note, the smaller the company, the more likely it is to have missed repayments.

Missed Repayments On Loans In Past 6 Months

(Base: All SMEs – 1,553)



	Micro	Small	Medium
	%	%	%
ANY	**5**	**3**	**2**
Bank loans	3	1	1
Other business loans	1	1	1
Other personal loans such as mortgages or buy-to-let loans	2	1	0
Personal loans which use the business as collateral	0	1	1
None	95	97	98

*NB question wording changed in Mar 2018

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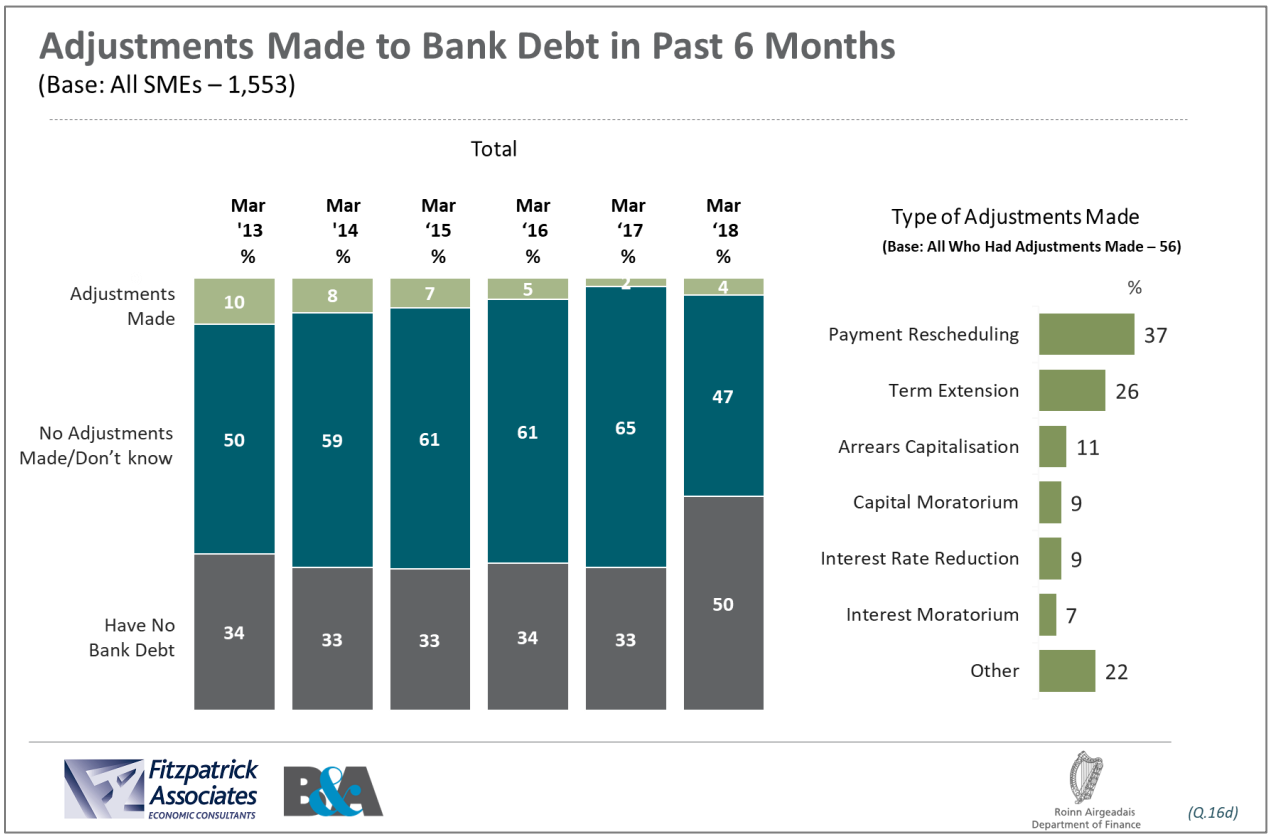
(Q.7c)

6.10 Adjustments to Current Banking Debt

Only 4% of SMEs made adjustments to their bank debt between October 2017 and March 2018. The main types of adjustments made were focused on repayment scheduling, term extension, arrears capitalisation, interest rate reduction and interest moratorium.



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

Incidence of interest rate reduction has declined, from 22% of all making an adjustment in March 2017 down to 9% in March 2018, while payment rescheduling has increased from 21% to 37%.

7. The Application Process

Of the total 1,553 SMEs interviewed for this wave of research, 26% have requested bank finance in the past six months – up from 20% in March 2017, and equal to March 2016 at 26%.

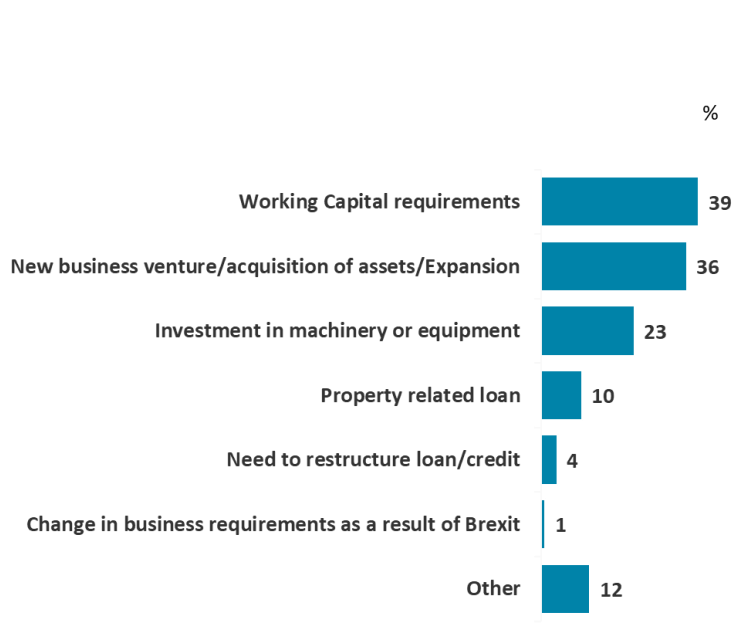
7.1 Nature of Demand

Working capital/cash flow is the main reason for such finance requests (39%), followed by expansion needs (36%) and new machinery/equipment (23%).

Only 4% applied for bank finance in order to restructure a loan/credit, and just 10% applied for a property related loan.

Reasons for Making Financial Request

(Base: All SMEs Seeking Finance - 393)



	By Company Size		
	Micro	Small	Medium
%	*135*	*176*	*82*
	%	**%**	**%**
Working Capital requirements	41	40	35
New business venture/acquisition of assets/Expansion	31	38	38
Investment in machinery or equipment	19	20	32
Property related loan	10	12	6
Need to restructure loan/credit	2	5	4
Change in business requirements as a result of Brexit	-	2	-
Other	13	11	11

(Q.11)

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

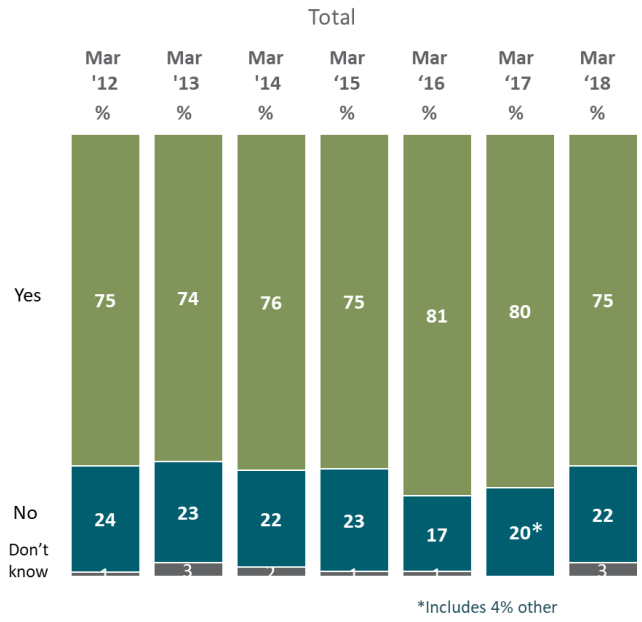
7.2 Formal Applications for Credit

A slightly lower level of formal applications for credit exist compared to March 2017, with 75% of SMEs seeking finance by formal application, compared to 80% in March 2017.

Informal applications have increased from 17% to 27% amongst medium sized SMEs.

Formal Applications for Credit

(Base: All SMEs Seeking Finance - 393)



*Includes 4% other

Application By Company Size

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

NB: Formal includes 'formal' & 'both'

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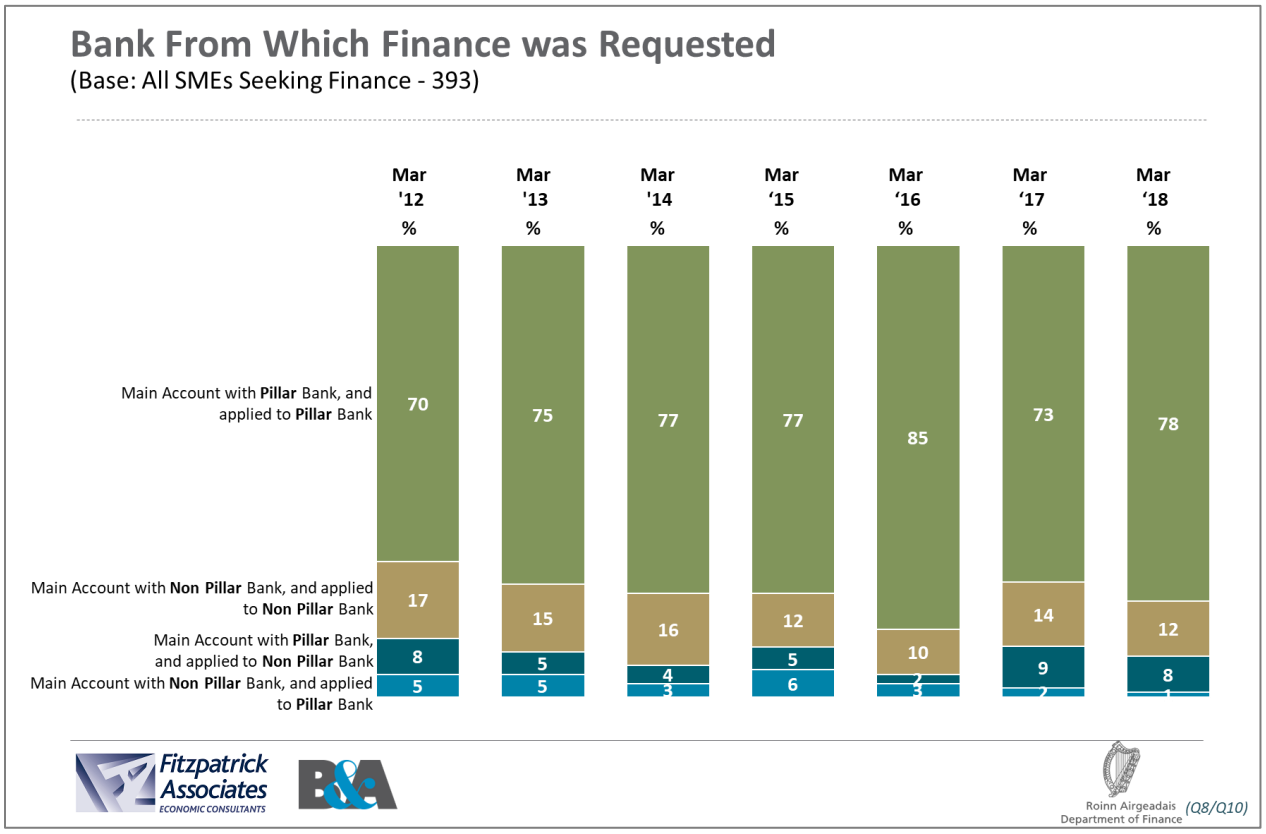
(Q.12)

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

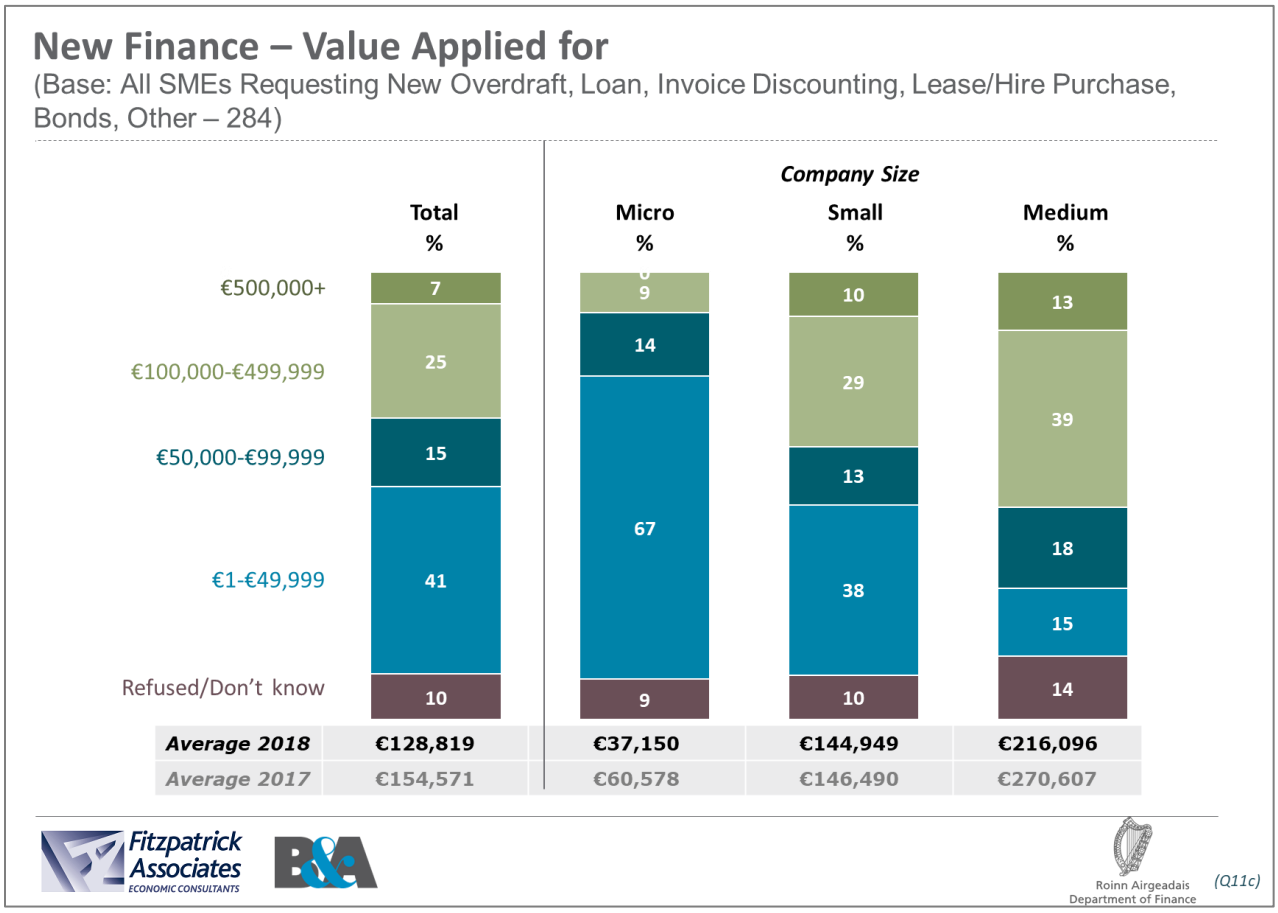
Reasons for making an informal application	Mar '14	Mar '15	Mar '16	Mar '17	Mar '18
	%	%	%	%	%
No need for providing formal application(e.g. repeat loan or personal relationship)	50	56	52	58	56
To see if it would be possible	14	9	8	4	-
Knew formal application would not be successful	8	11	2	6	1
Time consideration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

The proportion of SMEs that applied for finance through one of the pillar banks has increased in this period. In total, 79% applied to the main pillar banks – up from 75% in March 2017.



7.3 Economic Value of Credit Applications

Each business that applied for credit provided the monetary value of that application. When looking at applications for new bank finance (e.g. overdraft, loan or lease/hire purchase), the average stated amount is €128,819. This is lower than the stated value in March 2017, at €154,571.

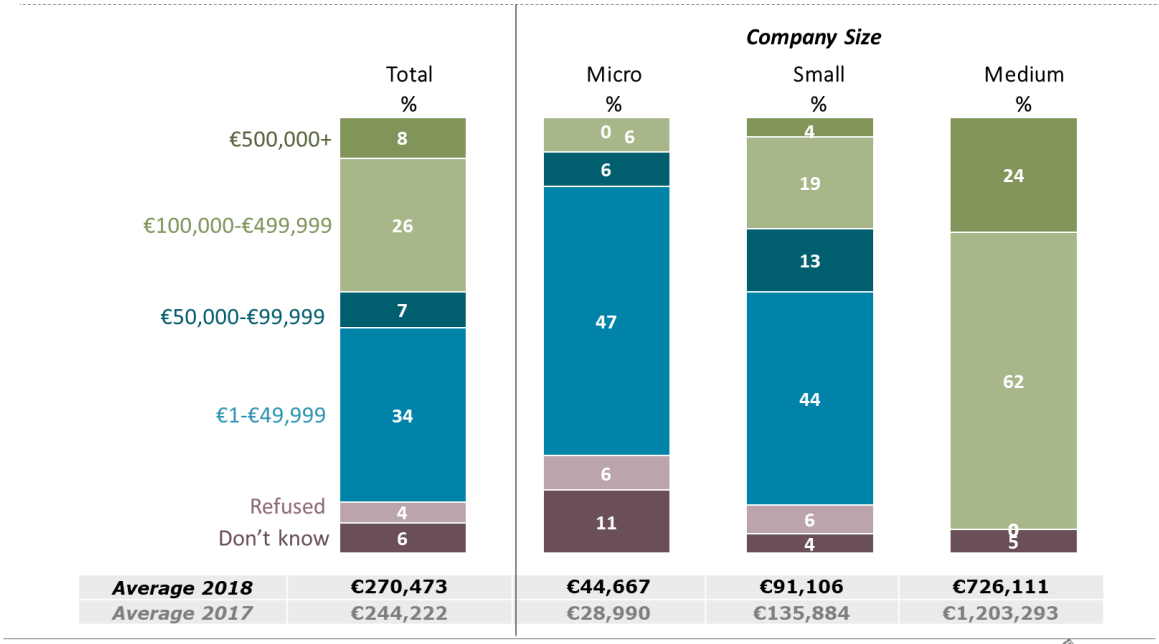


When looking the different sizes of SMEs, it is notable, though perhaps unsurprising, that medium sized companies (at €216,000) sought higher levels of new bank finance than micro or small firms (at between €37,000 and €145,000). Average finance sought for micro and medium companies was also lower than in March 2017. Note, however, that caution should be exercised in reviewing differences between company sizes, due to small sub-sample sizes.

As might be expected, there are also stark differences between different sized companies in the value of renewal/restructuring finance requested, with medium-sized companies requesting almost three times more than the average SME. However, it should be noted that sample size for Medium companies requesting renewal/restructuring of existing overdrafts was based on 21 companies this wave, so sample sizes are small when analysing by company size.

Renewal/Restructuring of Existing Finance – Value Applied for

(Base: All SMEs Requesting renewal/restructuring of existing overdraft or loan – 109)



	Total	Micro	Small	Medium
Average 2018	€270,473	€44,667	€91,106	€726,111
Average 2017	€244,222	€28,990	€135,884	€1,203,293

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(Q11d)

7.4 Collateral Required for Credit Applications

Among those SMEs that applied for bank finance, 39% of applications required some kind of collateral. This is lower than in March 2017, where 45% required collateral.

The two most common kinds of collateral required were buildings (10%) and land (8%), followed by machinery and equipment (7%) and personal assets (7%).

The average value of collateral required as a percentage of loan is 65%, dropping to 52% for micro sized SME applicants.

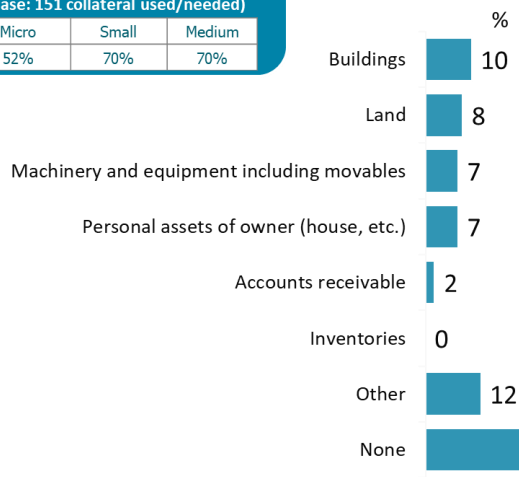
What kind of Collateral Required

(Base: All SMEs who applied for Finance - 393)

Average Value of Collateral as percentage of Loan Value 65%

(Base: 151 collateral used/needed)

Micro	Small	Medium
52%	70%	70%



By Company Size		
Micro % (135)	Small % (176)	Medium % (82)
4	11	15
5	9	9
4	6	11
7	7	9
4	2	1
-	1	-
8	13	15
71	59	52

(Q.11e/11f)

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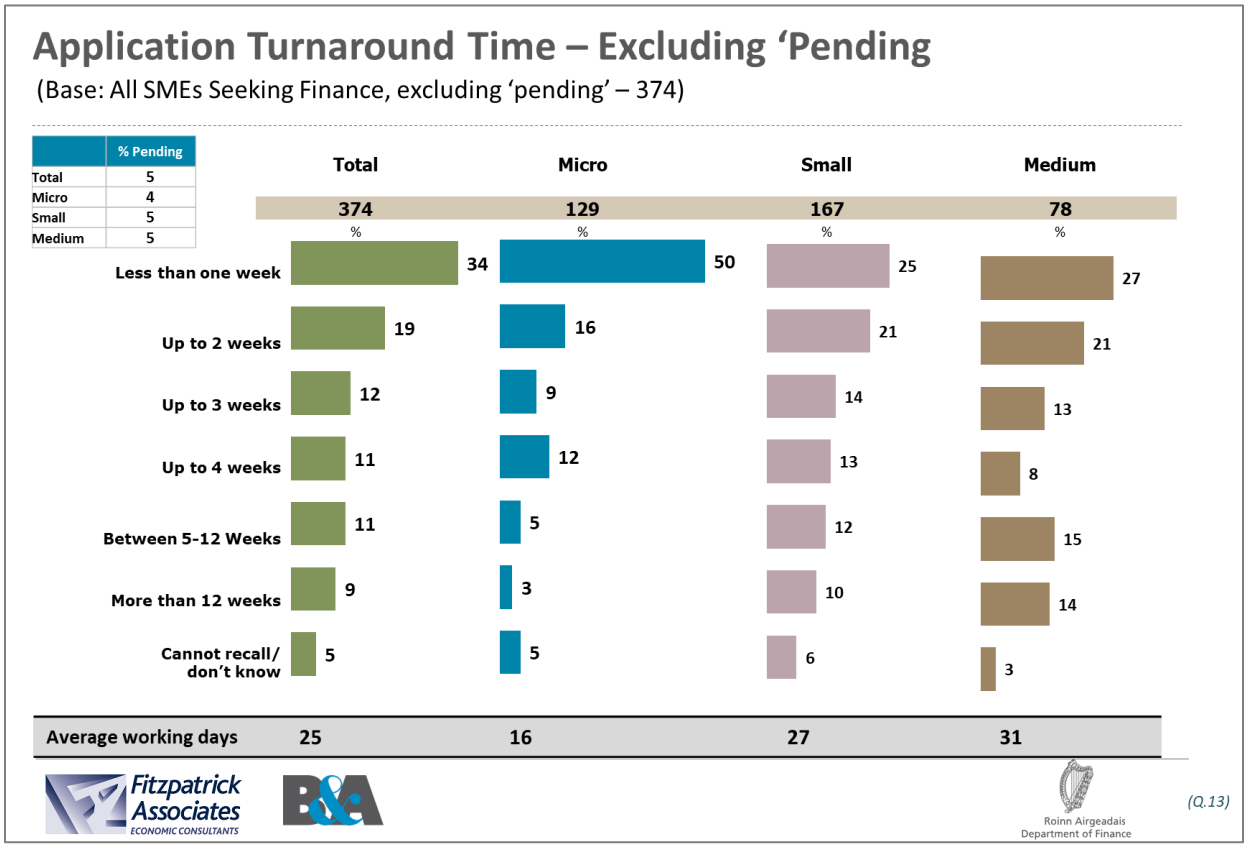
7.5 Turnaround Time on Decisions

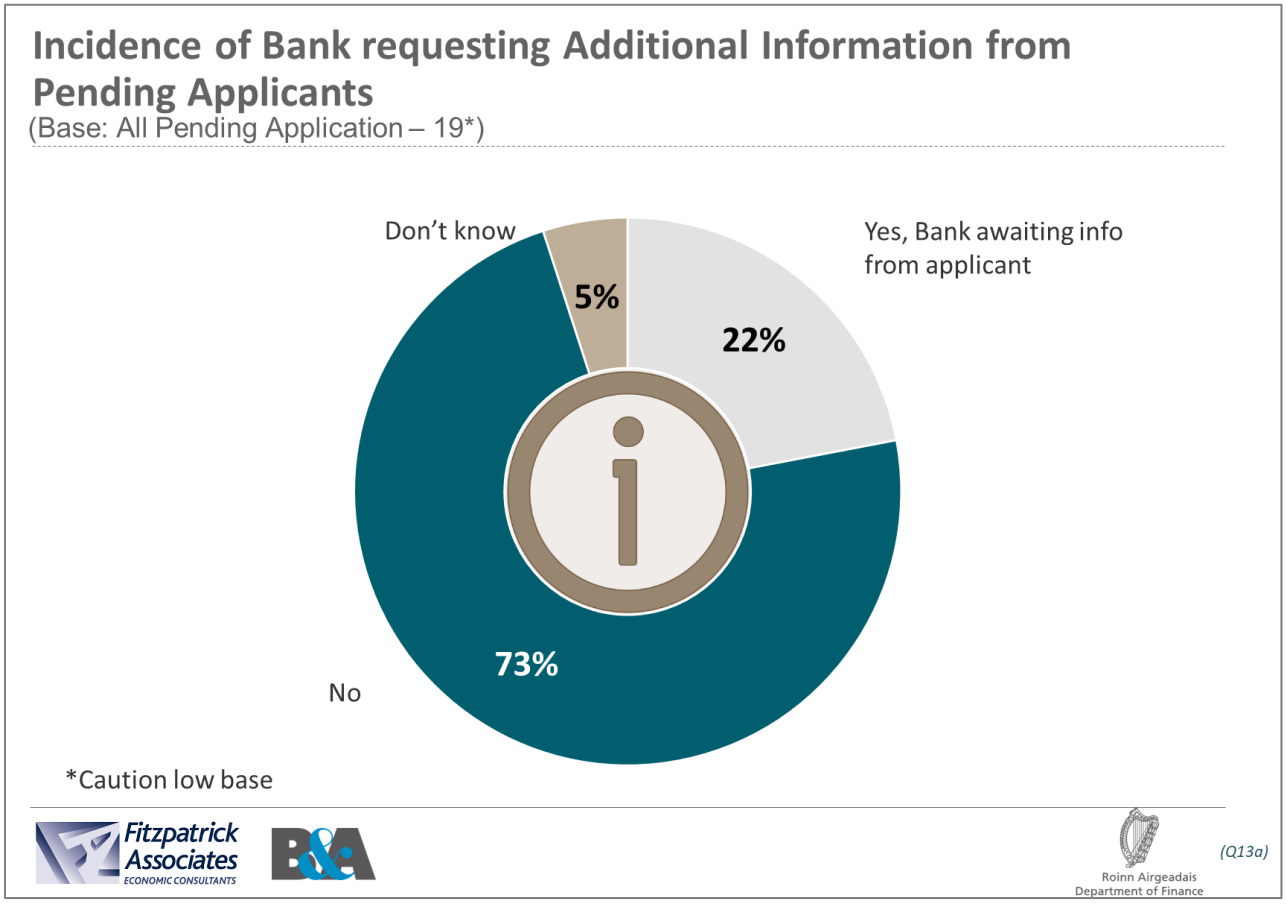
Based on the regulations for firms lending to SMEs, which regulated lenders (other than credit unions) must have complied with from 1 July 2016 or, in the case of credit unions, from 1 January 2017, lenders are required to inform SMEs of a decision on their loan within 15 working days of receiving all information they require from the company. Excluding pending applications and according to the businesses themselves, 65% of all finance applications are processed within the 15 working days. This is on a par with the reported figure of 63% in March 2017.



The average amount of time from application to decision stands at 25 working days in March 2018. The average turnaround time for small companies is 27 working days, with medium-sized companies receiving decisions within 31 working days, and micro companies within 16 days.

It should be noted that this does not differentiate between businesses who supply all information required by the lender at the outset and those who receive requests for further information. The proportion of loans that remain "still pending" stands at just 5%.

73% of those whose application is still pending have not been asked for additional information from their bank.

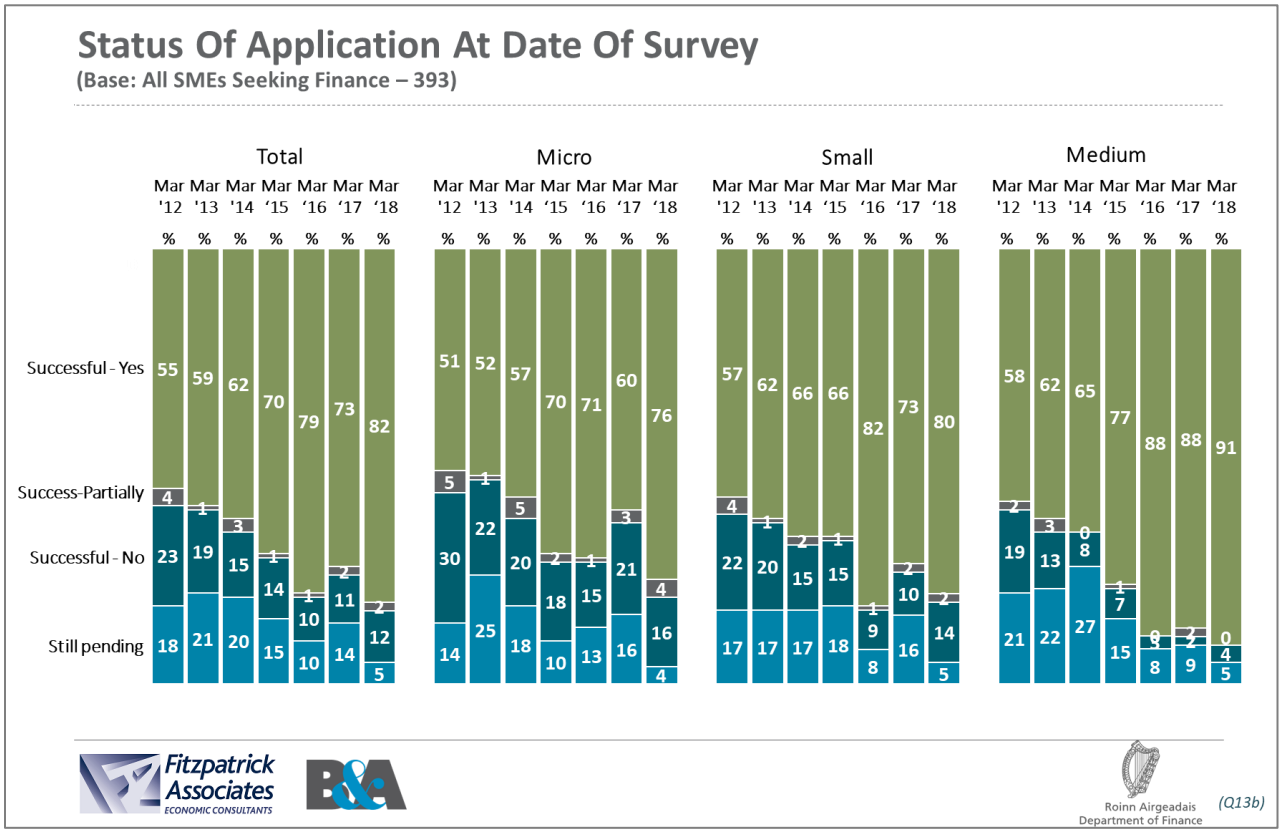


7.6 Decline Rate

The decline rate for all credit applications in the period October 2017 to March 2018 stands at 12% – this is up from 11% in March 2017.

82% of all applications have been approved in full over the past six months – this is an increase from 73% when compared to March 2017.

A further 2% state their credit applications have been partially approved, leaving 84% of all SMEs' credit applications fully or partially approved. Just 5% of all applications are still pending, down from 14% in March 2017.

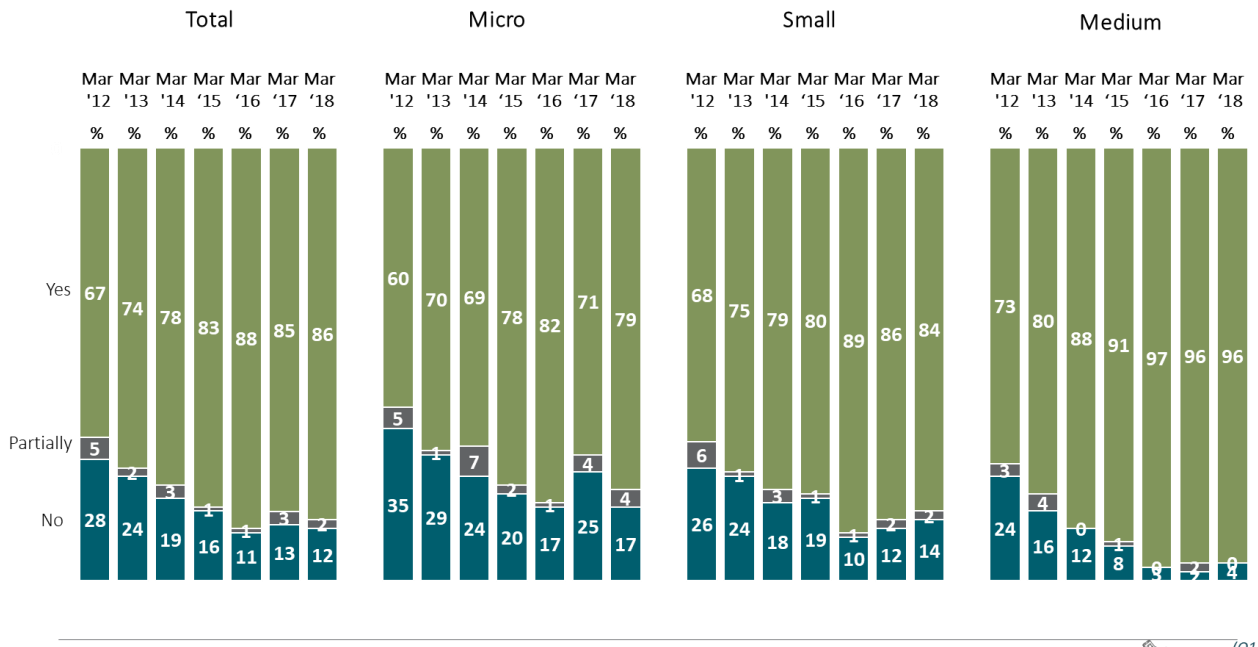


Small and medium-sized businesses seeking finance are indicating higher levels of approval rates. Refusal rates amongst micro companies have decreased from 21% in March 2017 to 16% in March 2018.

Excluding pending applications, the overall decline rate stands at 12% (similar to March 2017). In total, 88% of all applications for the past six months (excluding "still pending") have been approved in full/partially.

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

(Base: All SMEs Seeking Finance, excluding pending – 374)



(Q13b)

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Decline Rate by Product

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

Lending Products	Yes	Partially	No	Still pending
Total	82	2	12	5
	%	%	%	%
New overdraft	80	-	16	4
Renewal/restructuring of existing overdraft	78	3	14	5
New Loan	80	1	14	4
Renewal/restructuring of existing Loan	68	5	12	14
Invoice Discounting	87	-	9	4
Leasing or Hire Purchase	89	2	7	1
Other (specify)	67	11	22	-

Formal Application Decline Rate

Informal requests attract marginally higher decline rates than do formal applications.

	Yes	Partially	No	Still pending
TOTAL	82	2	12	5
	%	%	%	%
Informal request	79	-	12	8
Formal application	81	3	11	5

Decline Rate by Type of Credit Applied For

Credit refusal rates are highest when related to slow down in debtor collection/bad debt. Interestingly, pending applications are highest for credit restructuring and Brexit-related applications.

	Yes	Partially	No	Still pending
Total	82	2	12	5
%	%	%	%	%
New business venture/acquisition of assets/Expansion	80	1	16	3
Working capital/cash flow	82	3	13	3
Slow down in debtor collection/Bad debts	75	4	20	-
Property related loan	78	5	12	6
Investment in machinery or equipment	88	2	7	2
Need to restructure loan/credit	58	6	-	35
Change in business requirements as a result of Brexit	67	-	-	33
Other (specify)	78	2	6	14

Decline Rate by Export vs. Non-Export Companies

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

	Yes	Partially	No	Still pending
	82	2	12	5
	%	%	%	%
Export Business	87	1	9	3
Non Export Business	80	2	13	5

Decline Rate by Pillar/Non-Pillar Banks

There is little difference in decline rates between non-pillar banks (14%) and pillar banks (12%).

	Yes	Partially	No	Still pending
Total	82	2	12	5
%	%	%	%	%
PILLAR	81	2	12	5
NON PILLAR	79	1	14	6

Decline Rate by Sector

The lowest levels of decline rate by sector are amongst the manufacturing (12%) and business services (10%) sectors.

	Yes	Partially	No	Still pending
Total	82	2	12	5
	%	%	%	%
Manufacturing	82	3	12	3
Construction	76	-	16	8
Wholesale	76	2	15	7
Hotels & restaurants	72	5	13	10
Business Services	86	2	10	1
Other	95	-	3	1

Decline Rate Linked To Company Trading Performance

Decline rates are higher for companies whose turnover has decreased (18%), compared to those whose turnover has increased (9%).

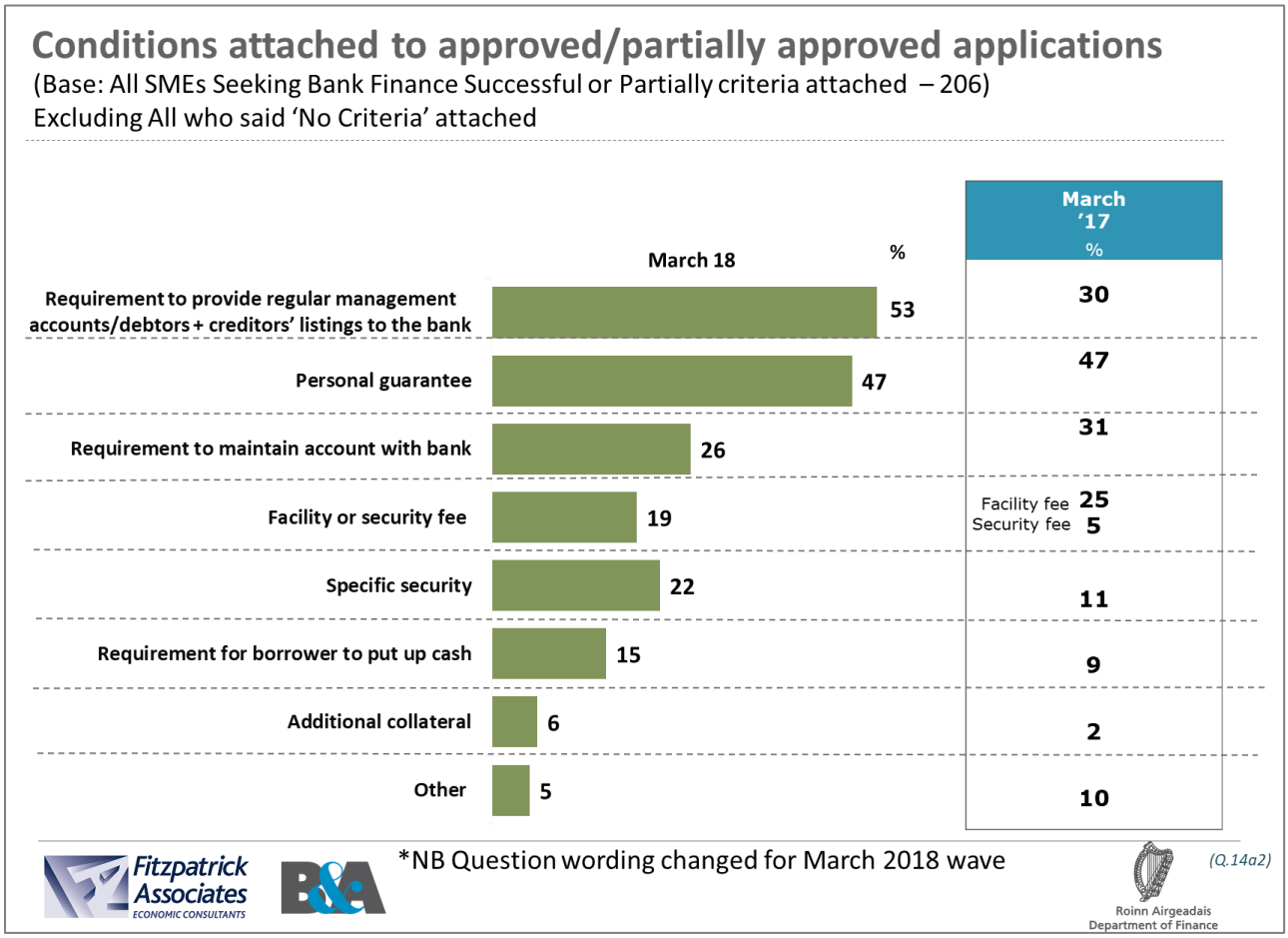
	Yes	Partially	No	Still pending
Total	82	2	12	5
	%	%	%	%
Increased	84	2	9	4
Decreased	72	2	18	9
Remained the same	82	2	12	4

Decline rates are significantly higher amongst applicants who have made a loss (28%), compared to those who have made a profit (9%) or broke even (11%).

	Yes	Partially	No	Still pending
Total	82	2	12	5
	%	%	%	%
Made a profit	85	2	9	4
Broke even	86	1	11	2
Made a loss	51	5	28	17

7.7 Criteria, Conditions and Interest Rates Attached to Approved Applications

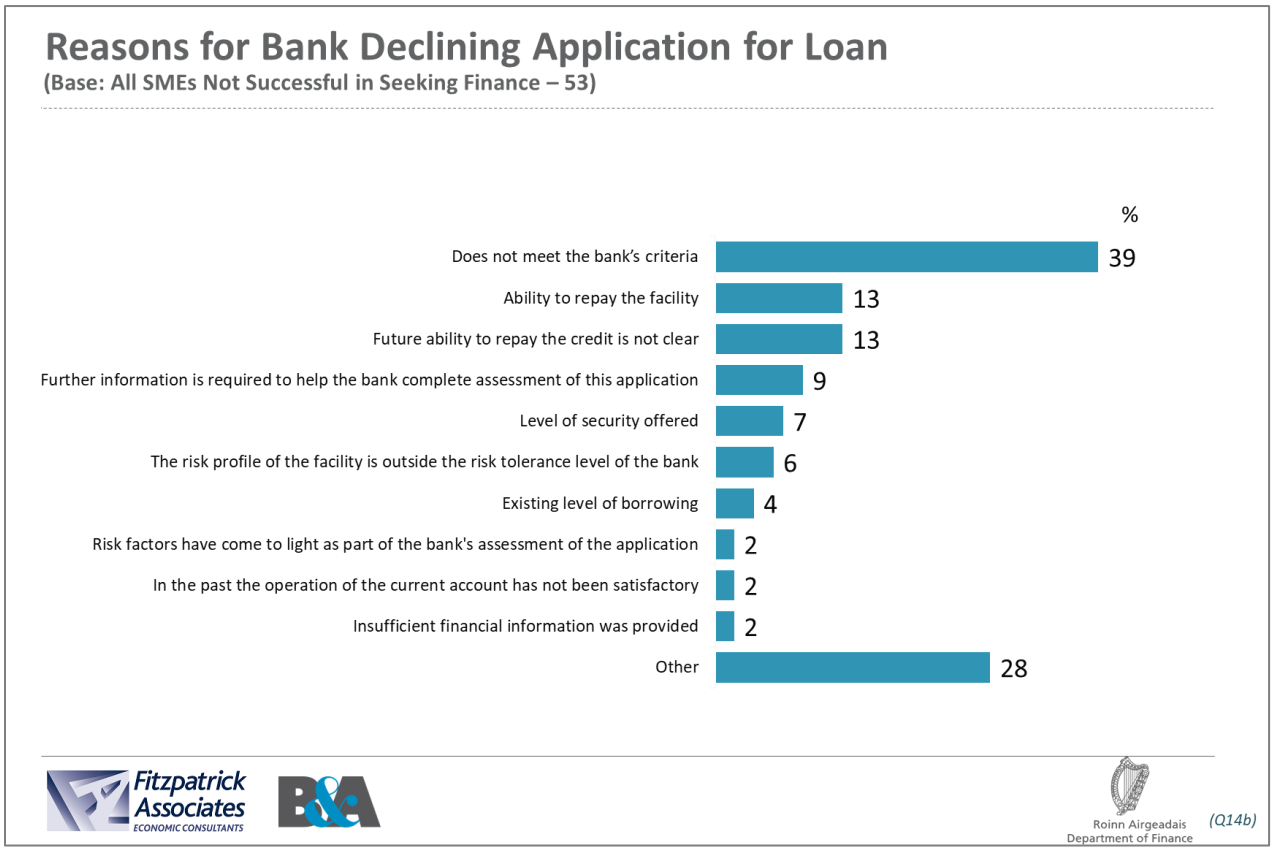
Of those applicants for whom conditions were applied, the most common conditions were personal guarantees, the provision of regular management accounts and/or a requirement to maintain an account with the bank.



The majority of SMEs with approved finance applications (65%) had at least one criterion/condition attached to them. This is an increase of 7 percentage points from the March 2017 figure of 58%.

7.8 Reasons for Decline

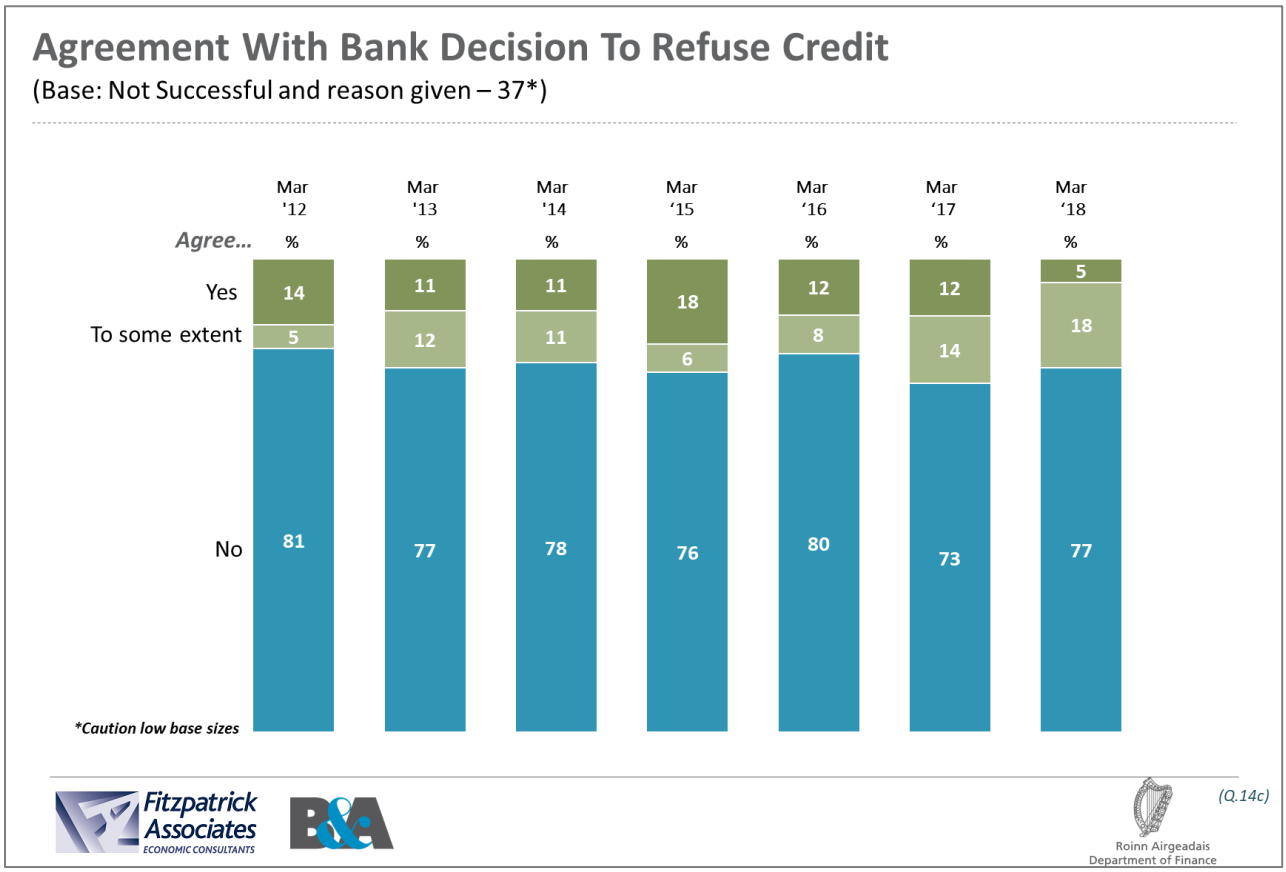
The main stated reasons for credit decline were an inability to meet the bank's criteria, inability to repay the facility and inability to repay the credit in the future.



7.9 SME Opinions on Reasons for Decline

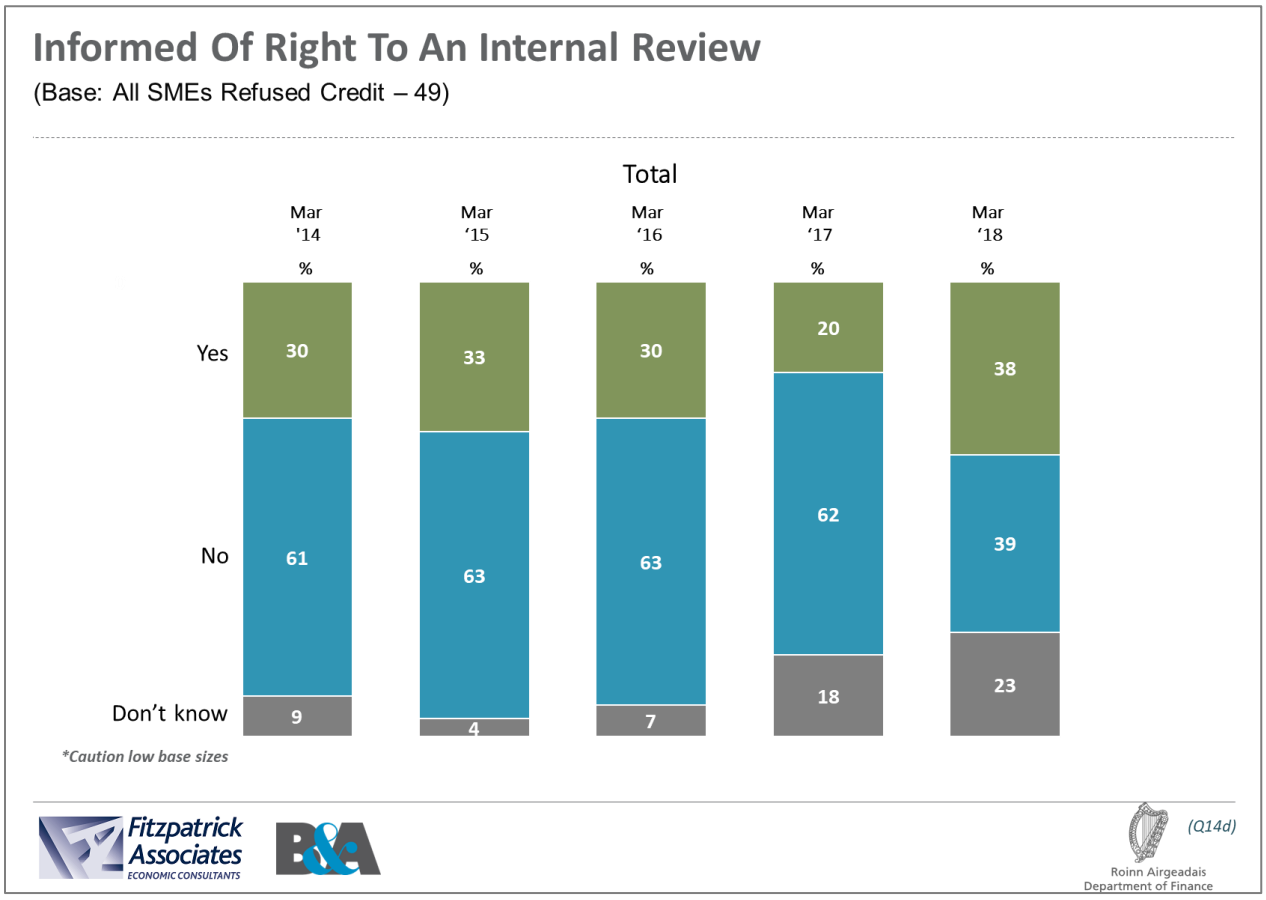
77% of SMEs that were declined bank finance, and given reasons for same, disagree with the reasons given for their refusal. This is an increase from 73% in March 2017.

5% of SMEs that were declined bank finance fully agree with the reasons for their refusal. This is down from the corresponding March 2017 figure of 12%



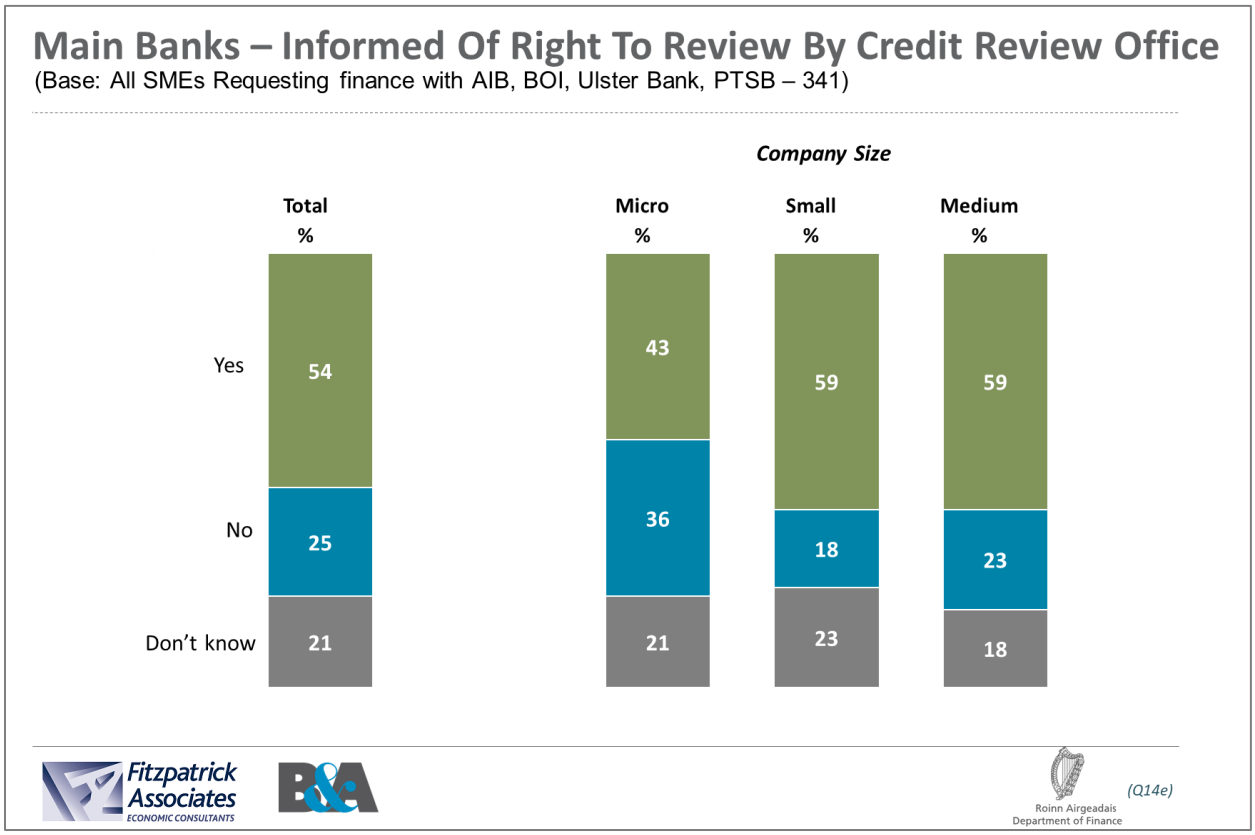
7.10 The Right to an Internal Bank Review

In March 2017, 20% of all SMEs that were refused credit claimed that they were informed of the right to an internal review. This has increased to 38% of all SMEs refused credit in March 2018. Note, however, the proportion that were uncertain as to whether or not they were informed of their right to a review increased from 7% in March 2016 up to 18% in March 2017 and 23% in March 2018.



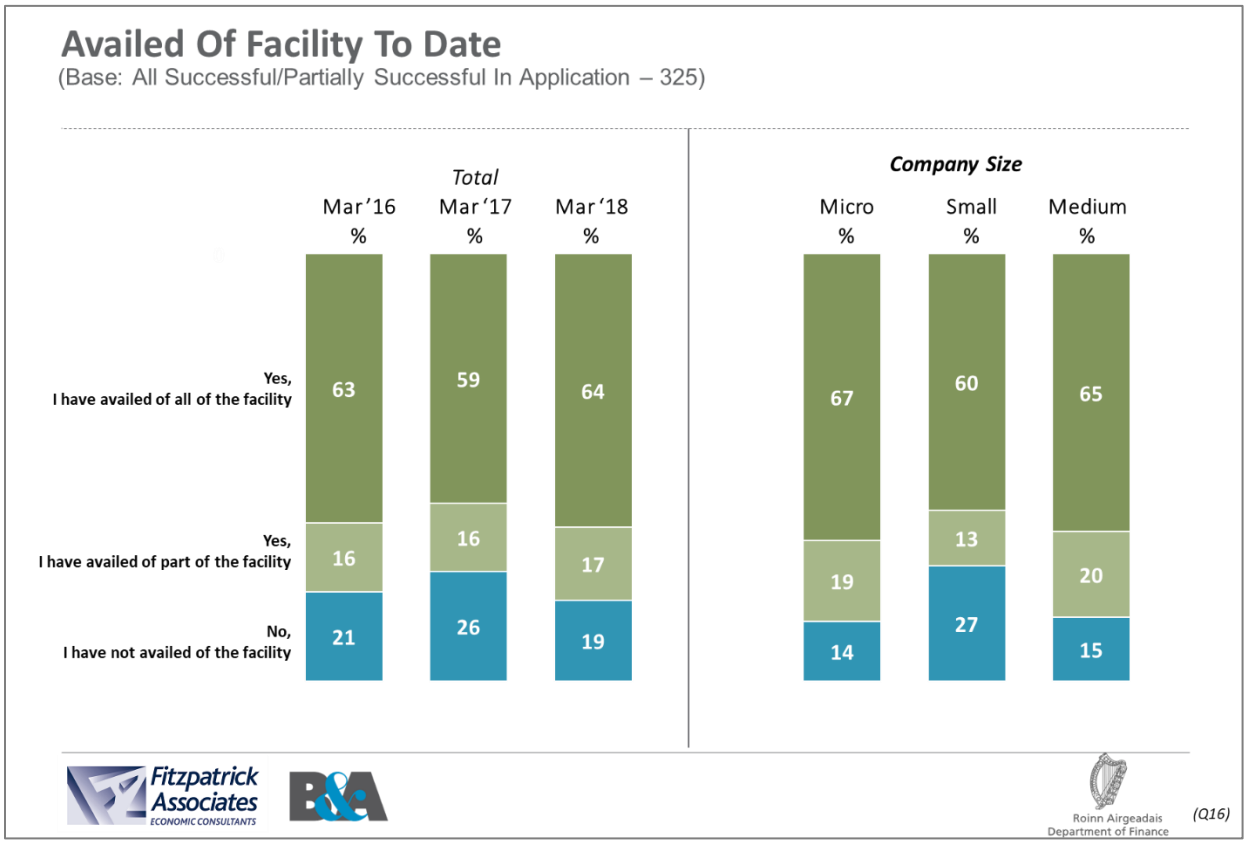
7.11 Credit Review Office

Excluding "don't knows", an increased number of those applicants that applied for credit from the pillar banks said they were informed of their right to a decision review by the Credit Review Office. Excluding "don't knows", 29% were informed in March 2016, about 50% were informed in March 2017, and about 66% were informed in March 2018.



7.12 Drawdown of Approved Facilities

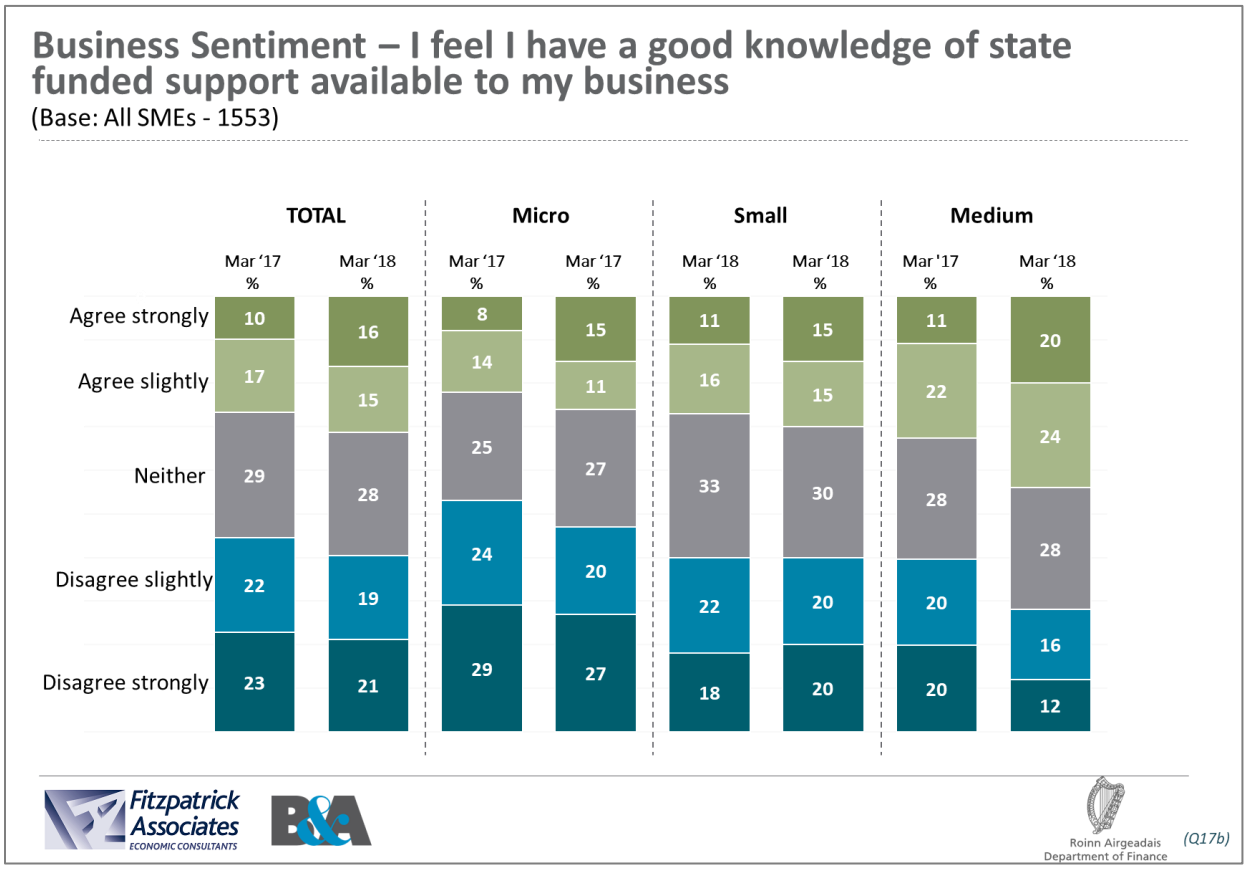
64% of SMEs whose applications were approved have availed fully of the given credit facilities – this is higher than the 59% registered in March 2017. An additional 17% partially availed of the credit facilities, while 19% of SMEs have not availed of the facilities yet – down from 26% in March 2017.



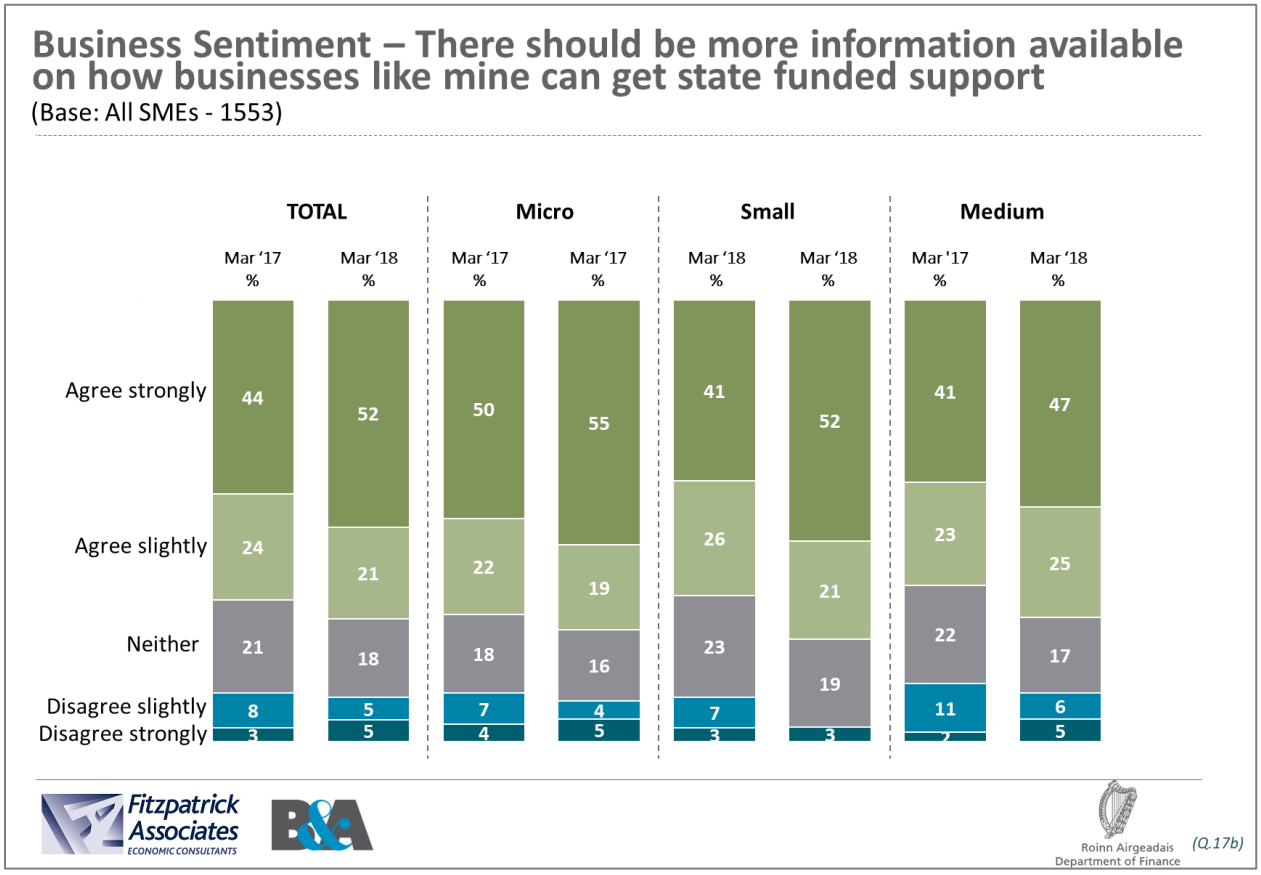
8.0 SME Awareness of Credit Supports

8.1 Knowledge of State Funded Support

31% of SMEs feel they have a good knowledge of the state funded support available to their business (up from 27% in 2017), while 40% do not. Levels of knowledge of such support is lowest amongst micro and small SMEs.



73% of all SMEs believe there should be more information available on state funded support (up from 68% in March 2018) – and the figure peaks at 74% of all micro organisations.

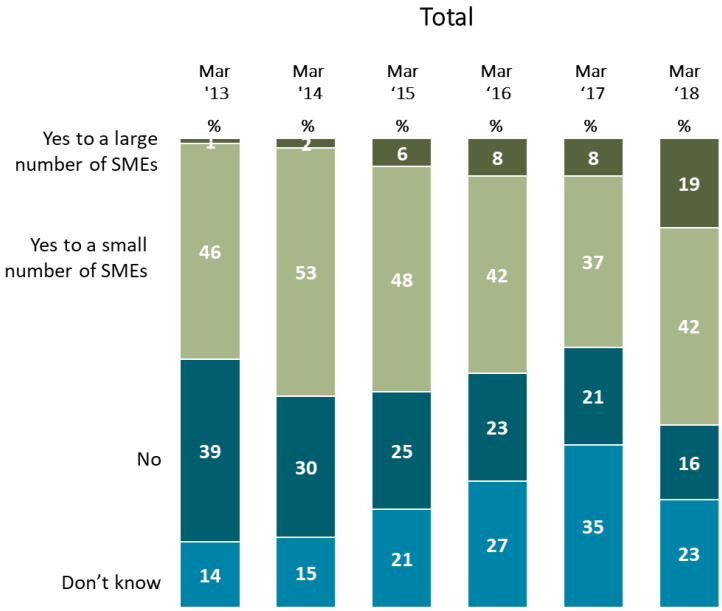


8.2 The Perception of Banks Lending to Irish SMEs

16% of SMEs believe banks are not lending to the SME sector – this is a lower level to that seen in March 2017. 42% believe banks are lending to a small number of SMEs, while 19% believe banks are lending to a large number of SMEs – an increase from 8% in March 2017.

Perception of Banks Currently Lending to Irish SMEs

(Base: All SMEs – 1,553)

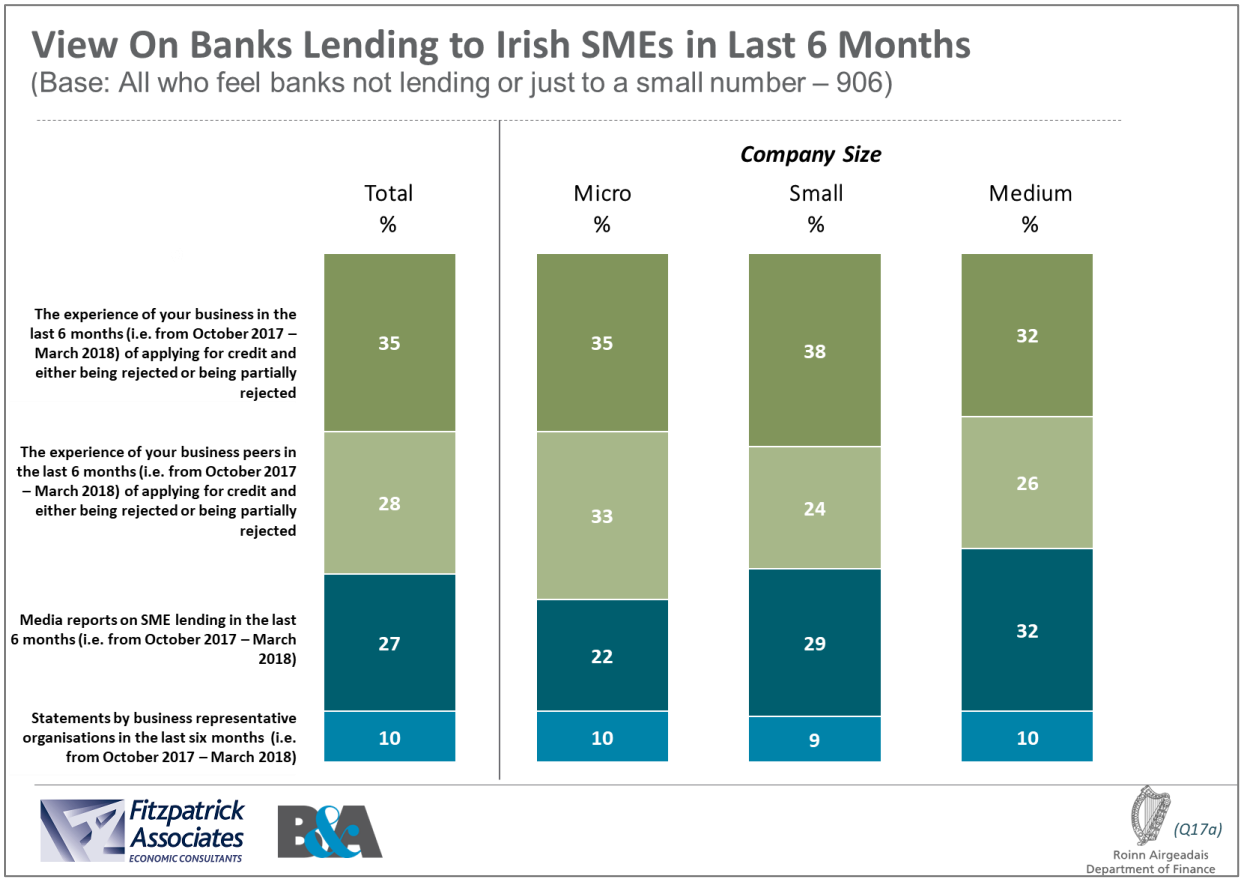


	Company Size		
	Micro %	Small %	Medium %
Yes to a large number of SMEs	16	19	25
Yes to a small number of SMEs	37	44	47
No	22	15	8
Don't know	25	22	19

(Q.17)

Roinn Airgeadais
Department of Finance

Of those that suggest that banks are not lending or only lending to a small number of companies, 35% claim this is based on personal experience – up from 30% in March 2017. Others hold their opinions based on business organisations, media reports or peers.



Appendix: The SME Demand Survey Questionnaire

DEPARTMENT OF FINANCE SME CREDIT DEMAND SURVEY QUESTIONNAIRE

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

Q.1 Can I just confirm that you are the person who has primary responsibility for financial matters in your business?

Yes..... 1 **CONTINUE**
No 2

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

SECTION 1 – COMPANY INFORMATION

Q.1a Can you confirm the county in which is your main office isbased?
SINGLE CODE
List 32 counties

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

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

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

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

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

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

ASK ALL

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

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

ONLY FOR QUOTA CONTROL, NOT PART OF SCRIPT

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

Q.2a What was your business' turnover for the 12 month period **April 2017 to March 2018** as per the following bands?
READ OUT - SINGLE CODE

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

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

Q.2b For this survey we need to ensure we are interviewing companies with a turnover of less than €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 Does your company export any goods or services outside the Republic of Ireland?

Yes 1
No 2 – GO TO Q.

ASK IF EXPORT (CODE 1 IN Q2(c)

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

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

_____ % of total sales

Northern Ireland.....%
Great Britain (i.e. excluding Northern Ireland).....%
EU/Eurozone.....%
Other European country.....%
United States.....%
Other.....%

ASK ALL

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

_____Years (MIN-MAX 0-999)

Q.3a Does your business perform any of the following tasks?
READ OUT - MULTI CODE

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

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

An Irish-owned firm.....1
A non-Irish-owned firm.....2
Other.....3

Q.5 For the 6 month period from October 2017 – March 2018 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.6**

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

Q.6 For the 6 month period from Oct 2017 - March 2018, has your company madea profit, broke even, or made a loss?
READ OUT - SINGLE CODE

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

Q.6a For the 6 month period from Oct 2017 - March 2018 has your number of staff increased, decreased or stayed the same?
SINGLE CODE

Increased	1
Decreased	2
Remained the same	3

SECTION 2 – FINANCING YOUR BUSINESS

ASK ALL

Q.7 For the 6 month period from Oct 2017 - March 2018, have you sought professional advice regarding your financing requirements? By professional advice we are referringto advice from auditors, accountants or professional financialadvisors.
SINGLE CODE

Yes 1
No 2

Q.7a For the 6 month period from Oct 2017 - March 2018 has the average number of days within which you pay your suppliers increased, decreased or stayed the same?
SINGLE CODE

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

Q.7b For the 6 month period from Oct 2017 - March 2018, has the average number of days within which your customers pay you increased, decreased or stayed thesame?
SINGLE CODE

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

Q.7c For the 6 month period from Oct 2017 - March 2018, have you missed any repayments on the following? **READ OUT.**

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

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

Q.7d Which of the following best describe how you have dealt with these missed repayments?
READ OUT FOR ALL ABOVE

We have re-structured the loans with the creditor_____1
We have paid the balance without any need for re-structuring_____2
The balance is still outstanding without any re-structuring_____3
Other, please specify:_____(DO NOT READ OUT)_____4

ASK ALL

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

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

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

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

Q.9 In the 6 month period from Oct 2017 - March 2018, did you request from any bank, any of the following types of finance? It does not matter if you were successful or not.
READ OUT - MULTICODE

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

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

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

Q9a Why did you not apply for bank finance in the six month period from October 2017 – March 2018?

MULTICODE, PROBE FULLY, DO NOT READ OUT.

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

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

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

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

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

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

SINGLE CODE

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

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

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

Q.11a In what month did you apply for_____(FROM Q.9)?
SINGLE CODE

October 2017 1
November 2017 2
December 2017 3
January 2018 4
February 2018 5
March 2018 6
Cannot recall/don't know 7

ASK Q.11b FOR ALL WHO ANSWERED CODES 1, 3, 5, 6, 7 @ Q.9
Q.11b What was the value of the_____(FROM Q.9) for which you applied?
OPEN END: INSERT AMOUNT

Don't know 8
Refused 9

ASK Q.11c FOR ALL WHO ANSWERED CODES 2 OR 4 @ Q.9
Q.11c What was the additional value of the_____(FROM Q.9) for which you applied?
OPEN END: INSERT AMOUNT
INTERVIEWERS PLEASE INSERT ZERO WHERE RESPONDENT HAS NOT RECEIVED ANY ADDITIONAL FUNDS, BUT HAS RESTRUCTURED THEIR EXISITING LOAN OR OVERDRAFT INSTEAD.

Don't know 8
Refused 9

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

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

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

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

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

Q.12 Did you make a formal request, an informal request or both, when applying for_____? *(FROM Q.9)*
SINGLE CODE

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

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

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

OPEN END: PROBE FULLY

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

SINGLE CODE

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

IF STILL PENDING CODE 7 AT Q.13

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

Yes 1
No 2
Don't know 3

ASK ALL

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

SINGLE CODE

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

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

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

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

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

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

READ OUT – MULTICODE

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

ASK Q.14a3 TO ALL SUCCESSFUL / PARTIALLY SUCCESSFUL IN APPLICATION AT Q13b (CODE 1 / 3 AT Q.13b)

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

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

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

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

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

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

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

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

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

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) 6 (ULSTERBANK)
And 7 Permanent TSB *AT Q.10*

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

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

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

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

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

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

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

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

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

Q.16a What are the reasons for not availing of the facility to date?
MULTICODE ALLOWED – PROBE FULLY

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

ASK ALL

Q.16b Do you expect to seek bank finance for your business in the next 6 months (i.e. from June 2018 to November 2018?
SINGLE CODE

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

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

Q.16c Why will you not be seeking bank finance/further bank finance in this period?
MULTICODE ALLOWED – PROBE FULLY

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

ASK ALL

Q.16d Thinking about your bank debt, have any of the following adjustments been put in place in the six month period Oct 2017 - March 2018?
READ OUT - MULTI CODE

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

SECTION 3 - AWARENESS

ASK ALL

Q.17 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, not lending at all to SMEs	3
Don't know	4

IF NO CODE 2 AT Q.17

Q.17a And in your opinion, what is the main reason for this view?
READ OUT - SINGLE CODE

The experience of your business over the six month period from **Oct 2017 - March 2018** of applying for credit and either being rejected or being partially rejected	1
The experience of your business peers over the six month period **Oct 2017 - March 2018** of applying for credit and either being rejected or being partially rejected	2
Media reports on SME lending in the six month period **Oct 2017 - March 2018**	3
Statements by business representative organisations in the six month period **Oct 2017 - March 2018**	4

ASK ALL

Q.17b I would now like to read out a list of opinions stated by other companies. On a scale of 1 to 5 where 1 is disagree strongly and 5 is agree strongly, how much do you agree or disagree with each statement?
SINGLE CODE

I feel I have a good knowledge of state funded support available to my business	1
There should be more information available on how businesses like mine can get state funded support	2
I think the business climate in Ireland will improve in the next 6 months	3
I think Brexit will have a positive impact on my business	4

SECTION 4 – BANKING & BANK RELATIONSHIP

We are now going to ask you some more detailed questions about your banking and bank relationship.

Theme 1 –Bank Debt

Q.18 Are you making financial investment in your business at this time?

Yes	1
No	2

Q.19 What is your existing level of bank debt?

Includes overdrafts, term loans, lines of credit, invoice discounting, credit cards, bank leasing.
RECORD VALUE OF DEBT BELOW.

€							

None 1
Refused/don't know **(DNRO)** 2

Q.20 And is your debt/that zero debt higher, lower, or the same as it was for the same period last year?

Q.21 By approximately what percentage is it higher/lower than it was for the same period last year?

	Q.20	Q.21 % Higher/Lower
Higher	1	☐☐ % NB Can Exceed 100%
Lower	2	☐☐ % NB Can Exceed 100%
The same	3	Don't know/Refused_____1
Don't know/Refused	4	

ASK Q.22-25 OF ALL WITH BANK DEBT AT Q.19 – THOSE WITH NO BANK DEBT GO TO Q.26

Q.22 What is the average cost/interest rate that you pay on this outstanding debt?
INTERVIEWER: IF RESPONDENT IS UNSURE, ASK FOR HIS/HER BEST ESTIMATE, IF RATES/COSTS ARE DIFFERENT ACROSS LOAN TYPES, ASK FOR THE AVERAGE ACROSS THE TOTAL.

☐☐ %

Don't know/refused 1
None/No debt 2

Q.23 What percentage of bank debt do you have as .... **%**

Overdraft.....1 .....
Term Loan.....2 .....
Invoice Discounting.....3 .....
Leasing or Hire Purchase.....4 .....
Commercial Mortgage.....5 .....
Other (specify)_____6 .....

Q.24 What is the total value of any security/collateral you have provided the bank with, if any? RECORD VALUE OF COLLATERAL PROVIDED BELOW

€							

None ..... 1 **GO TO Q.26**
Refused/don't know **(DNRO)** 2

Q.25 What percentage of that security/collateral is .....

TYPE	**%**
Personal guarantee	
Security for personal guarantee (asset)	
Mortgage	
Floating Charge over the business	
Life Assurance Cover	
Assignment of debtors	
Cash Deposit	
Other	
None	**Go to Q.26**

ASK IF NO BANK DEBT AT Q.19

Q.26 Why have you no bank debt?

Don't need it ..... 1 – **GO TO Q.27**
Couldn't get any from a bank ..... 2 – **GO TO Q.28**
No point asking, banks aren't lending 3
Risky Environment/ economic climate too uncertain 4
Too expensive to borrow 5
Historical bad experience 6
No relationship / bank in my area 7
Application process too difficult 8
Too many terms and conditions 9
Other, please specify: _____ 10

Q.27 IF Don't Need it (Code 1 in Q26), please ask "why you do you not need bank debt"? PROBE TO APPROPRIATE CODE.

Business had sufficient internal funds 1
Can Use personal funds when needed 2
Can Raise finances externally 3
Other specify (.....) 4

Q.28 IF Couldn't Get It (Code 2 in Q26), please ask "Why did the bank refuse you funding?" PROBE TO APPROPRIATE CODE.

- Ability to Repay (lack of) 1
- Too risky for bank 2
- No Security 3
- Needed more information 4
- Other 5

ASK ALL

Q.29 Have you had any business debt/loans sold by your bank to hedge or investment funds?

Yes ..... 1 - ASK. Q.30
No ..... 2 - Go to Q.31

Q.30 If Yes, what value? RECORD VALUE BELOW

Theme 2 –Banking Relationship and Access

Q.31 How is your bank meeting your credit needs, on a scale from 1 to 5, where 5 is very well and 1 is very poorly.

Very Poorly				Very Well
1	2	2	4	5

Q.32 Historically How was your bank meeting your needs 5 years ago, on a scale from 1 to 5, where 5 is very well and 1 is very poorly.

Very Poorly				Very Well
1	2	2	4	5

Q.33 How do you normally access bank services? PROBE TO APPROPRIATE CODES. MULTI-CODING POSSIBLE

Phone	**1**	
Online	**2**	
Local Branch	**3**	**ASK Q 34**
Regional business centre	**4**	**ASK Q.34**
Don't access bank services	**5**	
Other	**6**	

Q.34 How far do you normally travel to access bank services

a. Less than 10miles.....1
b. 10-20 miles.....2
c. More than 20 miles.....3

ASK ALL

Q.35 Do you have a relationship manager in the bank?

Yes 1
No 2

Q.36 Do you feel the Relationship Manager or Bank Contact you deal with is ..... READ OUT.

	Yes	No	Don't know
Helpful	1	2	3
Competent	1	2	3
Knowledgeable about business and banking	1	2	3

Q.37 How many relationship/account managers have you had within the bank in the last 5 years RECORD IN BOX PROVIDED

Don't know 1

Theme 3 – Recent Credit Applicants

Note –This section ONLY for those who applied for credit in last 6 months — CODES 1 – 7 AT Q.9

Q.38 How much time did you take to prepare the credit application. PROBE TO APPROPRIATE CODES.

Less than 1 hour	**1**
1 – 4 hours	**2**
More than 4 hours	**3**
Don't know/can't remember	**4**

Q.39 What type of information was required to support your application? PROBE TO APPROPRIATE CODES. MULTI CODING POSSIBLE.

Business Plan	**1**
Aged Debtor Analysis	**2**
Year End Certified/Audited Financial Accounts	**3**
Management Accounts	**4**
Aged Creditor Analysis	**5**
Cashflow Projections	**6**
Statement of Affairs	**7**
Copy Bank Statements	**8**
Tax Information – Tax Clearance/Tax Status	**9**
3rd Party Valuation	**10**
Other	**11**

Q.40 Were you asked for additional information

Yes 1
No 2

Q.41 Did you use a paid third party to assist in preparing addition information or in putting the application together?

Yes 1 ASK Q.42
No 2 **Go to Q.43**

Q.42 Approximately what was the value of any party costs incurred by you in getting additional information or putting application together? PROBE TO APPROPRIATE CODE.

€0 - €1k	**1**
€1k - €5k	**2**
More than €5k	**3**

Q.43 How satisfied were you with the credit application process on a scale of 1 to 5, where 5 is very satisfied and 1 is very dissatisfied.

Very dissatisfied	Somewhat dissatisfied	Neither satisfied nor dissatisfied	Somewhat satisfied	Very satisfied
1	2	2	4	5