



# **SME Credit Demand Survey**

**April – September 2012**

*Prepared for  
The Department of Finance  
November 2012*



**An Roinn Airgeadais  
Department of Finance**

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## Overview of Report - Credit Demand (April-September 2012)

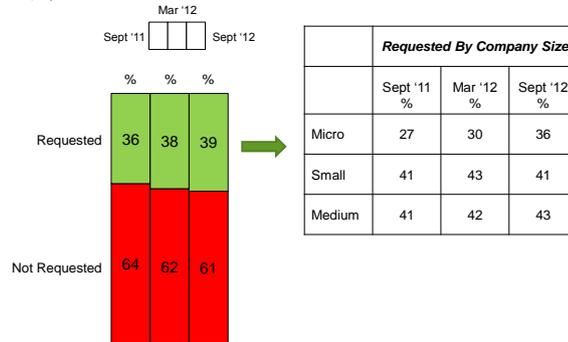
Base – All SMEs interviewed = 1515

### Demand



SMEs Seeking Bank Finance In The Past 6 Months

(Base: All SMEs – 1,515)



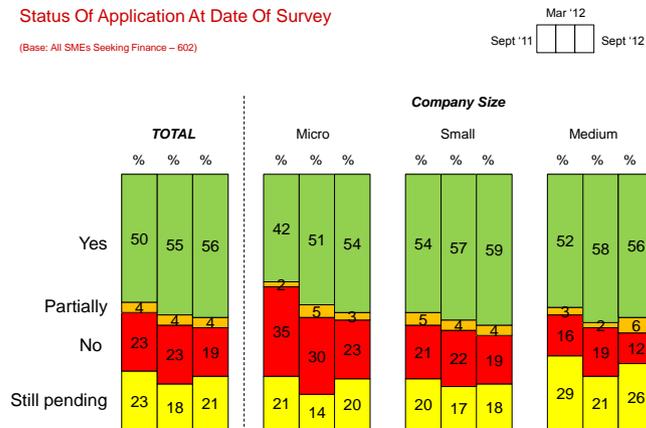
(Q.9)

### Application Decisions (incl. pending)



Status Of Application At Date Of Survey

(Base: All SMEs Seeking Finance – 602)



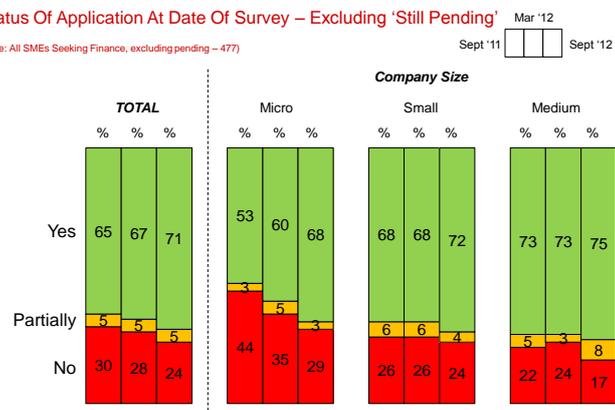
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### Application Decisions (excl. pending)



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

(Base: All SMEs Seeking Finance, excluding pending – 477)



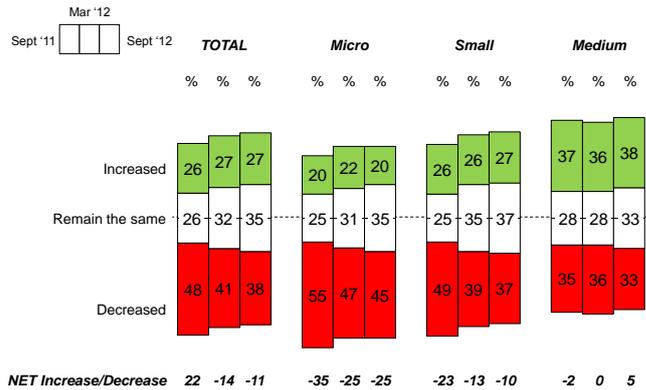
(Q.14)

## Trading Performance

Stable/Increase  
**62%** +3

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

(Base: All SMEs – 1,515)



(2.6)

### Commentary

The results from this period's Credit Demand Survey show demand remains relatively low, but are otherwise somewhat positive; with a small but increasing trend in demand, and a reducing decline rate from the banks.

Despite this there are still issues to be addressed. The pervading attitude among many SMEs remains that banks are not lending. This is being driven by the fact that many of those that have been declined credit do not agree with the reasons given; while an increasing number claim not to have been given a reason at all.

It is also the case that the time taken for processing credit applications remains long, and this can give the impression that banks are trying not to lend.

The result of these influencing factors is that there are still a significant minority of SMEs claiming that have not applied for credit, simply because they believe the banks are not lending.

With small signs of stabilisation apparent and better rates of approval among those applying for credit, it is vital that this perception is countered; something that could potentially be achieved by better working practices in order to encourage further applications and confidence in the banking sector.

## 1.0 Summary

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

### 1. Difficult trading conditions continue for many SMEs

Well over a third of all SMEs (38%) in Ireland still see turnover in decline, with Micro companies most likely to see declines in turnover in the past six months, and medium companies least likely.

### 2. Stabilisation of turnover and staffing seen among many SMEs

Trends over the last three periods suggest that both trading performance and staffing levels are however moving in the right direction, with more enterprises seeing stable turnover and staffing levels than witnessed previously. Improved turnover is strongest among medium sized companies where more businesses are reporting an increased turnover than a decrease for the first time since the crisis began. Those involved in the computer industry and export business are leading recovery, with significantly higher numbers reporting increased turnover.

Staffing levels have also begun to stabilise, with the number of SMEs recruiting the same as those letting staff go. While those recruiting appear to be doing so at a slower rate than those letting go, this is also because medium sized companies with more employees are more likely to be recruiting, while Micro companies are more likely to be letting staff go.

While this does not mean that all SMEs have turned the corner, it does potentially suggest a more stable environment for enterprises to do business.

### 3. Profitability remains stable

The majority (73%) of SMEs are either breaking even or making a profit, with 42% reporting making a profit in the period April-September 2012. However there is still a significant proportion of SMEs (25%) making a loss.

### 4. Increased numbers of SMEs are seeking credit

While the number of SMEs looking for credit remains relatively small, a gradually increasing number has been seeking finance over the past three periods, with 39% claiming to have sought bank finance in the period from April to September 2012. This increase is being driven by demand from Micro companies with 1-9 employees, with a 9% increase in demand over the past year, while demand remains relatively stable among others.

**5. Formal bank applications have increased**

The increase in demand has also led to an increase in formal applications to the banks, with informal applications down from 27% a year ago to just 20% in this period, suggesting that the perceived barriers to application are being overcome.

**6. Overall decline rates for credit are trending downwards**

Looking at the total credit applications across the period of April to September 2012, the current decline rate stands at 19%, which is a decrease from previous waves where the decline rate was 23%. (Rates will of course be different depending on application type and position.) The overall decline rate is higher for Micro companies (23%) and Small companies (19%), than for Medium-sized companies (12%). However, the decline rate has decreased significantly for Micro companies since March 2012 – from 30% to 23%. We also see a much lower decline rate for Medium-Sized companies, with an increase in those still pending, while the decrease is less pronounced for Small companies.

**7. Non-bank finance decline rates now higher than banks**

The enquiries for non-bank finance has fallen back in this period (possibly due to seasonality), but the comparison of outcome is important; as it shows a very similar rate of decline between bank (19%) and non-bank (20%) finance.

**8. Overall attitude still remains that banks are not lending**

Despite increased demand and improving decline rates; the pervading attitude among SMEs remains that banks are not lending. Almost half (49%) of all SMEs state that they believe the banks are currently not lending to SMEs in Ireland, while most of the rest who express an opinion (38%) suggest that the banks are lending to a small number of SMEs only. This is similar to the number seen six months ago, with SMEs still forming their views on bank lending based on the media, business groups or their business peers, rather than any personal experience.

**9. Majority who have been declined don't agree with outcome**

The majority of those that have been declined credit do not agree with the decision taken. This means that almost 7% of all SMEs have applied for credit, been declined and are unhappy with the decision. This is relevant, as while the decline rate is getting better, the proportion that don't agree remains high and this itself can perpetuate the attitude that banks are not being fair with their lending.

**10. Significant increase in number not given a reason for decline**

The dissatisfaction among SMEs declined credit is not helped by the fact that an increasing number claim not to have been given a reason for the decline. For those who are given a reason, bank controlled reasons remain at proportionally the same level as seen in March 2012 at 57%.

**11. Time taken for finance decision agreement is still too long on average**

The time taken for a decision also doesn't help the perception that banks are not lending, with the average time taken for decision still longer than that set out by the government at 29 working days on average. Only just over half (53%) of all applications are processed within the required 15 working days, meaning many who have applied are effectively in constructive refusal.

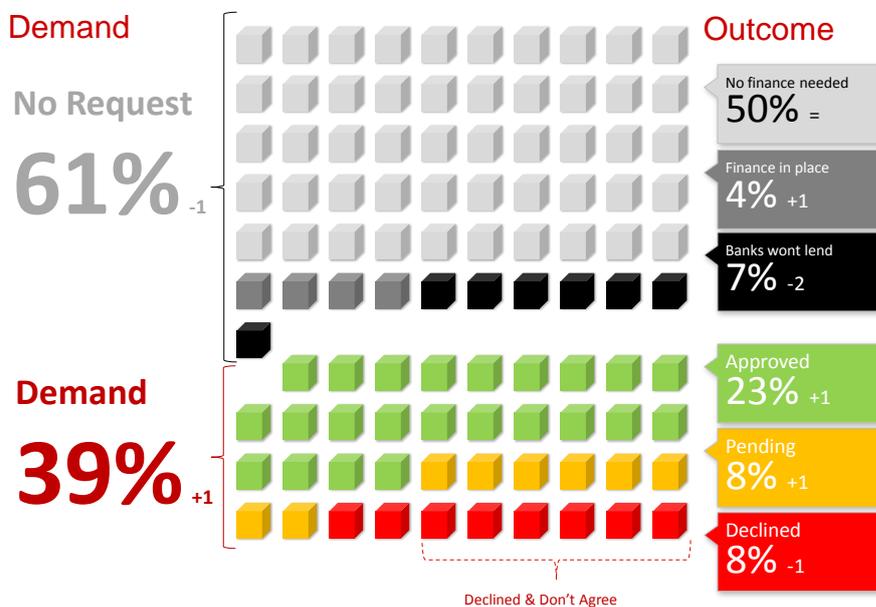
**12. A significant minority not applied for credit as they do not believe the banks will lend**

The issue with the pervading attitude that banks are not lending, is that this is stopping a small but significant number (7%) of SMEs from even applying for credit. What is not clear is whether those that are not applying would present a good case for borrowing in the first place. The fact that business generally do not accept reasons for decline, and that a significant number of cases have been overturned, suggests the need for the Credit Review Office remains.

**13. Increased expectations for credit demand in the next 6 months**

Future trends for credit demand also appear to be improving, with 27% of all SMEs claiming they will be looking for credit in the next six months, up from 24% at the same time last year. This predicted increase is again being driven by Micro companies.

Demand & Credit Outcome Summary – All SMEs



## 2.0 Introduction

This report presents the results for the latest wave of the SME Credit Demand Survey commissioned by the Department of Finance. RED C Research & Marketing Ltd, the independent market research and polling organisation, won the recent tender process to conduct this wave of the research.

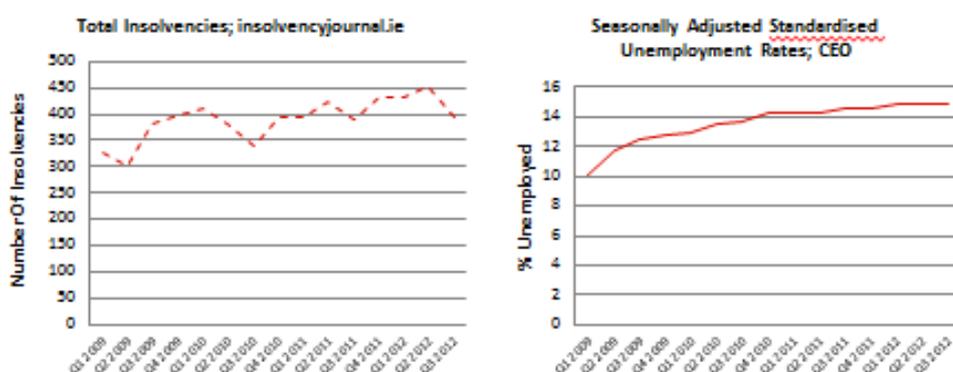
In all aspects the parameters of the survey have been kept identical to those in previous waves in order to ensure comparability of data over time. This includes the quotas set for company size and industry, the database of leads used to select businesses for interview, and the questionnaire itself.

All interviews for the study were conducted through RED C's own call centre based in Dundalk. In total 1,515 telephone interviews were conducted with a random sample of Irish micro, small and medium SMEs. The interviews were conducted between the 10<sup>th</sup> and 24<sup>th</sup> October 2012, with questions focusing on demand for credit between April and September 2012.

### 2.1 Economic Context

The impact of both local and global recessions continues to put pressure on businesses across Ireland, and in particular SMEs, however there are some signs in recent economic data that provide a slightly more promising backdrop to this survey.

Unemployment levels remain at a high level in Ireland, but insolvency has seen some reducing trends over the last quarter.



At the same time the most recent quarterly report from the Central Bank suggests some more positive news:

*“Recent months have seen a significant fall in Irish bond yields and, while still tentative, a regaining of access to market funding by the Irish sovereign. The significant improvement in market sentiment towards Ireland over the Summer owes much to the statement issued following the EU Summit in late June, recognising the imperative to break the vicious circle between banks and sovereigns and, specifically, the need to deal with Ireland’s banking-related debt. Encouragingly, at the euro area level, market sentiment has also improved markedly since August, benefitting from the signals sent and steps taken by the ECB to put in place a new framework for intervention in bond markets.”*

While this appears to be good news for the Irish economy, the challenges remain for the supply of credit to SMEs. The Credit Review Office, set up by the government to review lending by the banks, in its latest quarterly review published in early October, raised concerns with regard to the number of active players making loans to SMEs and farmers.

The report concluded that *“there were effectively now just three active players in the market, AIB, Bol and Ulster Bank, supported by a small number of specialist asset and debtor finance players. Given the current market perception of the Irish economy it is unlikely that any significant new players will enter in the near future.”*

The report also stated that while the flow of credit did pick up in the second quarter of the year, it will have to accelerate further if the targets for lending set by the government for pillar banks are to be met.

The office dealt with 36 applications from companies turned down for loans by the two pillar banks over the quarter. 21 of those cases have been decided to date, and in 14 the refusal was overturned, resulting in the two banks subsequently supplying €1,180,224 of credit.

The report also commented that figures for lending to date reflect the low demand for new credit as outlined in the last Department of Finance Credit Demand Survey report published by Mazars in July 2012, and the actual number of loans made by the two banks.

Figures from the latest Central Bank report into lending to small and medium enterprises show that lending fell by €390m to €26.6 billion in the second quarter of 2012. This represents a drop of 1.4% over the three months to June and a drop of 4.6% in the twelve months to June in lending to non-financial, non-property SMEs.

The Central Bank also published a further report in August 2012 that undertook a comparison of credit demand surveys from the Department of Finance and the ECB’s SAFE survey. The main findings from this report were as follows:

- *The conclusions concerning Irish SMEs’ credit supply and demand vary only negligibly between the Department of Finance’s Mazars survey and the ECB’s SAFE survey.*

- *Rejection rates for SME loan and overdraft applications in Ireland are the second highest in the euro area, behind Greece.*
- *Changes in terms and conditions of bank credit (interest rates, collateral requirements, size of available loan) in Ireland are also among the least favourable in the euro area.*
- *As measured by firms' reported changes in their need for bank financing, credit demand in Ireland lies marginally above the euro area average.*
- *As measured by application rates for loans or overdrafts, Irish SME credit demand lies marginally below the euro area average.*
- *Ireland has the second highest share of discouraged borrowers (firms who do not apply for a loan despite requiring credit) in the euro area.*

## 2.2 Government Support Measures

The Programme for Government contains a range of commitments to help support small and medium-sized enterprises against the background of challenging economic conditions. This includes action to ensure that an adequate pool of credit is available to fund small and medium-sized businesses in the real economy during the re-structuring and down-sizing programme for the domestic banking sector.

As part of the conditionality attached to the latest recapitalisation exercise, the Government has imposed lending targets on the two pillar banks, Allied Irish Banks (“AIB”) and Bank of Ireland (“BoI”), for the three calendar years, 2011 to 2013. Both banks are required to sanction lending of at least €3 billion in 2011, €3.5 billion in 2012 and €4 billion in 2013.

The government has also recently officially launched both the Credit Guarantee scheme and the Microfinance Fund. The Microfinance Scheme allows small businesses and sole traders across all sectors, employing up to ten people, who have been refused credit by the banks for loans of up to €25,000 to apply for finance directly from the government. The Loan Guarantee Scheme is open to companies employing fewer than 250 staff and with an annual turnover of less than €50 million (SMEs). It will offer loans of up to €1 million. Under the scheme, a 75 per cent State guarantee is to be provided to banks against losses on qualifying loans to firms with growth and job creation potential who currently have difficulty getting finance from the banks.

### 2.3 Rationale for this Demand Study

The 4th report of the Credit Review Office suggested “existing ‘credit surveys’ are being used widely as a commentary on the availability of bank lending. These surveys are not quality assured by any reputable market research organization and may be misleading to many businesses into not seeking bank credit and using alternative sources of financing both of which are risky”.

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

### 2.4 Study Scope

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

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

### Company Size

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

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

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

## Credit Products

The Review covered the following credit products:

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

## Sectoral Analysis

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

- Central Bank sectoral codes are those codes used by the Central Bank, and specified at EU level, under which individual banks submit their quarterly returns to that Organisation. These codes are based on NACE Rev. 1 codes.
- The NACE Code system is a pan-European classification system which groups organisations according to their business activities. It assigns a unique 5 or 6 digit code to each industry sector e.g. B - Mining and Quarrying - B5 - Mining of Coal and Lignite.
- In order to ensure that the results are representative of the overall SME population, the construction sector, in so far as property development and speculative activities are concerned, has been excluded. Only companies who support or supply to the construction sector have been included.
- The specific sectors or subsectors included in our analysis on the basis of NACE codes are shown below:

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

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

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

### **Time Period of Study**

This study follows directly on from the October 2011 to March 2012 study, conducted previously by Mazars. In reviewing results it should be noted that the time period of this study is a six month period from April 2012 to September 2012. Seasonality may have an impact on the results of the study.

## 3.0 Methodology

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

### 3.1 Sample Selection

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

A starting sample of 10,000 SMEs was randomly extracted from this database, across each SME size category and NACE sectoral group, ensuring that respondents included a reasonable spread of micro, small and medium-sized SMEs and a proportional representation of 16 key business sectors set out in Section 2.4 above. In total 5,866 companies were contacted to complete the 1,515 interviews, with some companies either falling outside of the quotas classifying small and medium enterprises, others refused to take part or could not do so within the time frame set out for interview.

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

### 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 1,515 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 1,515 Irish micro, small and medium SMEs, based on a questionnaire finalised between the Department of Finance and RED C. Changes to the questionnaire were kept to a minimum this wave, in order to ensure comparability to the previous wave.

All interviews were conducted between 10th and 24th October 2012 and covered the period from April 2012 to September 2012. Over the course of the study 1,515 SME interviews were conducted. The typical telephone interview lasted between 5-35 minutes, depending on the level of credit demand.

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

### 3.4 Comparative Results

All 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, questionnaire, and sample database.

Within each micro, small and medium category the number of study respondents by sector varied slightly in comparison to the study published in April 2012 (+/-2% on a sectorial level). Results for this study were weighted to the same size profile as that used in the prior study.

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

### 3.5 Sample Size

1,515 SMEs participated in the telephone interviews. Companies were allocated to micro, small and medium size categories based on employee numbers as a proxy for company size.

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

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

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

### 3.6 Limitations

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

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

### 3.7 Other Research

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

### 3.8 Privacy of the Respondent

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

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

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

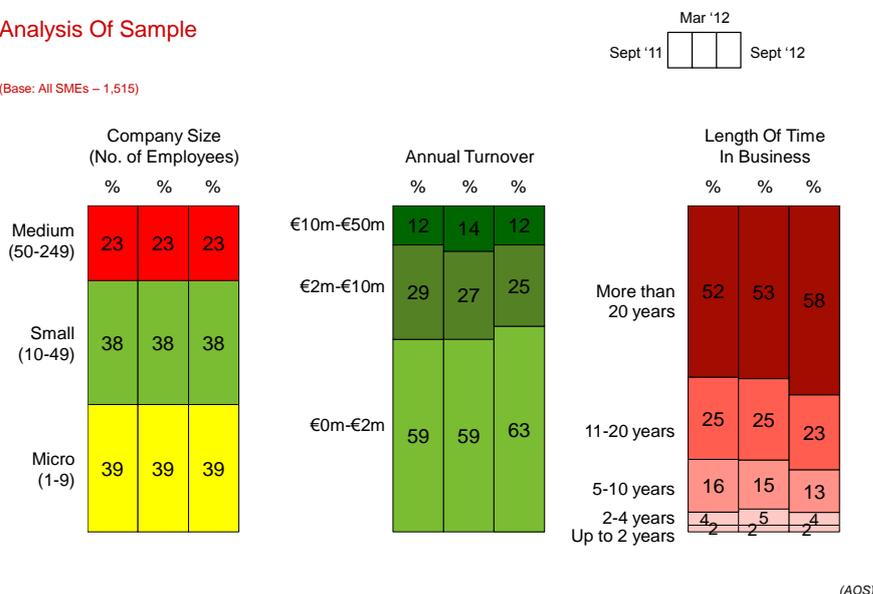
## 4.0 Profile of Respondents

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

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

#### Analysis Of Sample

(Base: All SMEs – 1,515)



The above confirms the similarity of the three samples with identical distribution on company size, almost identical distribution on turnover while the current survey has a slighter higher proportion of companies which have been in business for more than 20 years.

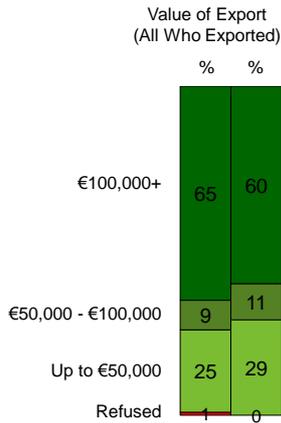
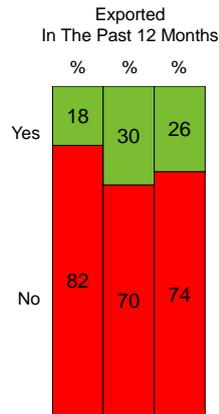
### 4.2 Exporting Companies

26% of the companies interviewed have exported goods or services outside the Republic of Ireland in the past 12 months. This is slightly lower compared to the previous wave but higher than the survey conducted in September 2011.

### Analysis Of Sample – Export

(Base: All SMEs – 1,515)

Mar '12  
Sept '11    Sept '12



\*Question not included in Sept 2011

(AOS)

### 4.3 Computer Hardware/Software Industry

7% of the sample are involved in the computer industry, i.e. hardware and software. This proportion is identical with the March 2012 and September 2011 surveys.

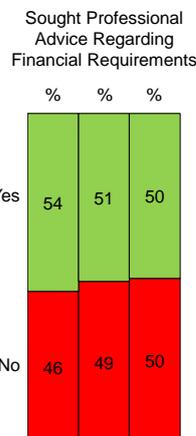
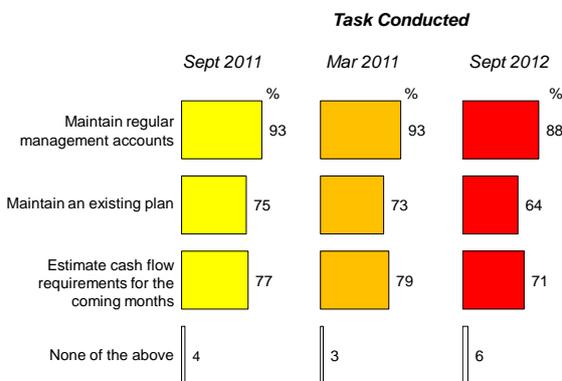
### 4.4 Regular Financial Management Tasks & Use of Financial Advisors

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

### Analysis Of Sample – IV – Financial Planning

(Base: All SMEs – 1,515)

Mar '12  
Sept '11    Sept '12



(AOS)

## 5.0 Trading Performance

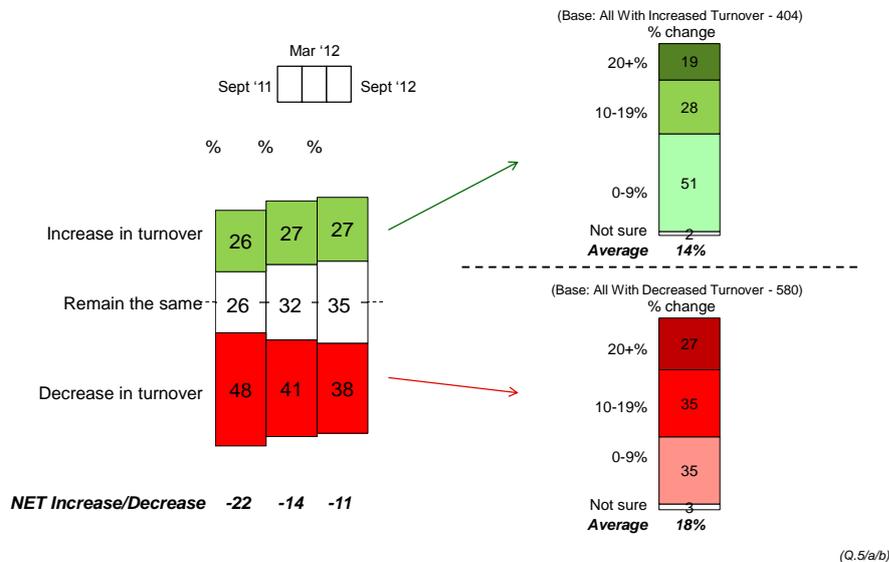
### 5.1 Turnover Trends

Difficult trading conditions for SMEs continue during the 6 months to September 2012, with 38% of all SMEs indicating that their turnover has decreased over the period. For the same period, 27% express increased turnover while 35% see no change to their turnover. As such there remain more companies with a decreased than an increased turnover.

Compared to previous waves, this is however an improvement in trading performance, with a downward trend in the number of SMEs indicating that turnover has decreased, and a higher proportion suggesting that it has remained the same. The net negative turnover is trending downwards over the last three waves, from -22% a year ago to -11% in this period, suggesting conditions are beginning to improve.

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

(Base: All SMEs – 1,515)

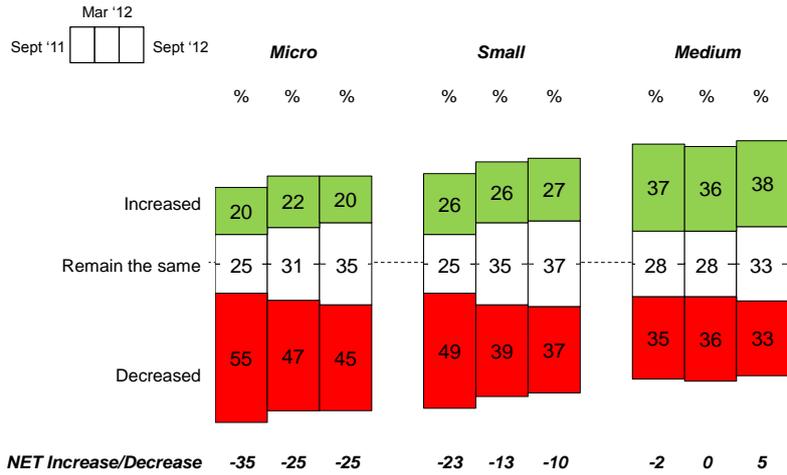


Among those SMEs with declining turnover, 35% have seen a slight decline (0-9%), while 27% have had a decline larger than 20%. For SMEs with increased turnover, the clear majority (51%) have only seen a slight increase between 0-9%.

Within company size, Medium-sized companies do appear to have had the most positive six month period, with a higher proportion of companies seeing an increased turnover (38%), as opposed to decreased turnover (33%). However, both Micro and Small-sized companies follow the general trend of net declining turnover, with Micro companies especially reporting a declining turnover in the past 6 months.

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

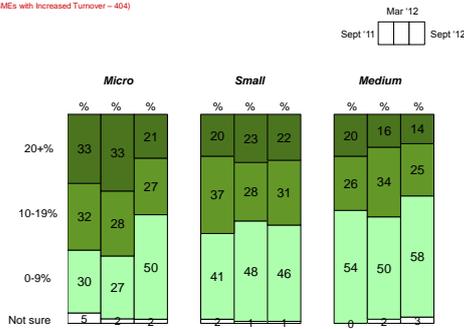
(Base: All SMEs – 1,515)



(Q.6)

Looking at those SMEs with increased turnover over the last 6 months, the majority of all three company sizes record only a slight increase in turnover (0-9%). Medium-sized companies are less likely to report 20+% turnover growth compared to Micro and Small-sized companies.

Percentage Increase of Turnover X Company Size  
(Base: All SMEs with Increased Turnover – 404)



(Q.5b)

Percentage Decrease of Turnover X Company Size  
(Base: All SMEs with Decreased Turnover – 580)



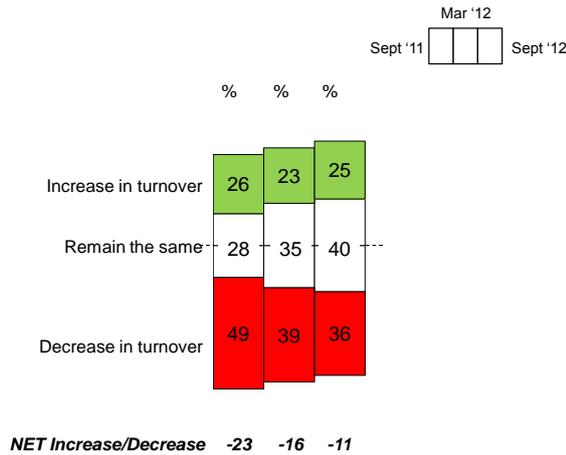
(Q.5a)

Looking at businesses with decreased turnover up to September 2012, we see that Micro-sized companies are much more likely to report a significant decrease in turnover (20+%) than Small and Medium-sized companies.

Given the 6 months cycle of each survey, seasonality could have an impact on the results. However, this does not seem to be the case when we exclude SMEs with seasonal turnover, where the improving trend is the same, with fewer companies seeing a decline and more suggesting turnover has remained the same.

### Turnover of Non-Seasonal Businesses In The Past 6 Months

(Base: All SMEs With Non-Seasonal Turnover – 801)

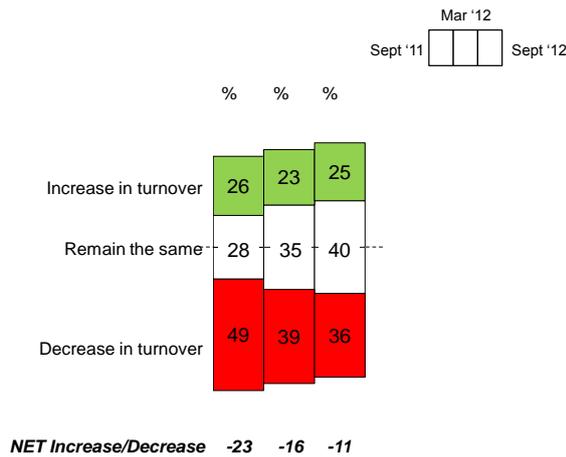


(Q.5)

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

### Turnover of Non-Seasonal Businesses In The Past 6 Months

(Base: All SMEs With Non-Seasonal Turnover – 801)



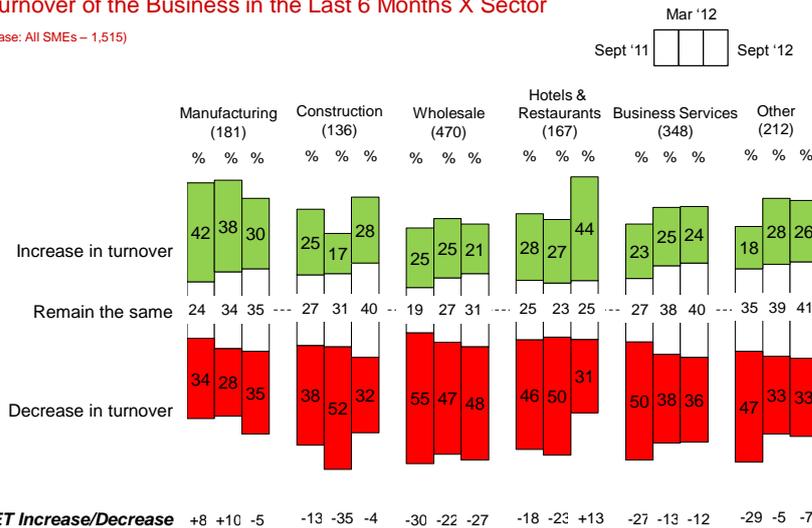
(Q.5)

### Turnover by Sector

Looking at sector, we see that the hotel and restaurant sector appears to be performing the most strongly in turnover change over the past 6 months – in fact, we see a significant increase in SMEs within this sector who reports increased turnover. We also see a significant improvement for the construction sector while wholesale is the worst performing sector.

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

(Base: All SMEs – 1,515)



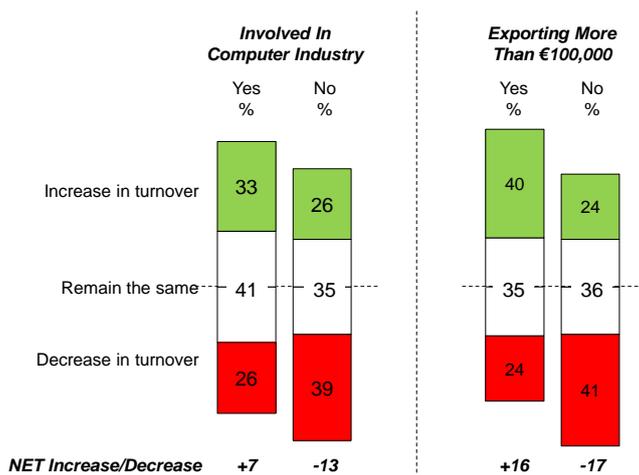
(Q.5)

### Turnover for Hardware/Software and Exporting Companies

SMEs involved in the computer industry or exporting for more than €100,000 per annum have performed significantly better in terms of turnover in the past 6 months. A third (33%) of companies in the hardware/software industry have reported an increase in turnover compared to only 26% of SMEs with no involvement in the computer industry.

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

(Base: All SMEs – 1,515)



(Q.5)

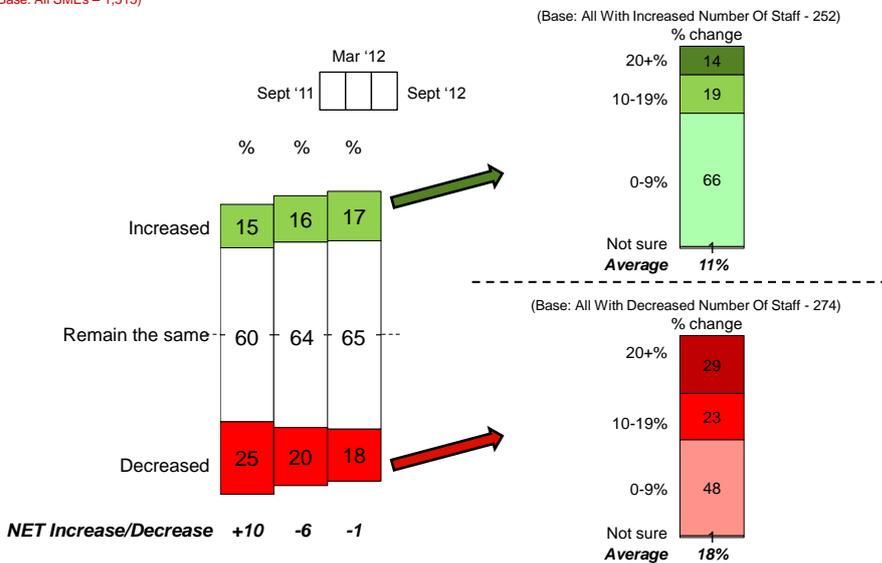
Those companies exporting also see a positive increase in turnover, with 40% showing an increase in turnover, compared to 24% of those companies with little or no export. This highlights the importance of the computer and export sector in restoring the Irish economy.

## 5.2 Employment Trends

For the second period in a row, fewer companies have reduced staff numbers in the past 6 months compared to the two previous waves. In fact, the proportion of SMEs who have reduced staff numbers is almost identical to the proportion that has increased staff numbers (18% vs. 17%). The majority (65%) of SMEs have made no changes to their staff numbers over the past 6 months.

### Staff of The Business in the Past 6 Months

(Base: All SMEs – 1,515)



(Q.6/a/b)

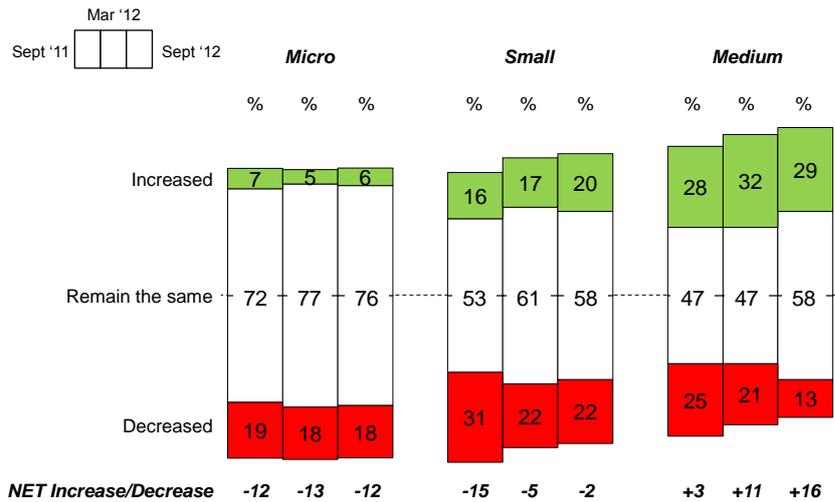
While the overall number of companies hiring and letting employees go is almost the same, those who have reduced staff have done so to a greater relatively degree than those employing staff. Among those companies, who have reduced staff numbers, almost half (48%) have reduced staff numbers by less than 10%. However, 29% have made a significant cut in staff numbers with a reduction of 20% or more. Part of the reason for this is that Micro companies are more likely to be decreasing staff, with fewer staff in the first place they are therefore losing a greater proportion. The clear majority (66%) of companies employing more staff has increased staff numbers with less than 10%.

Micro companies remain in the most difficult position with regard to staffing levels, with 18% having reduced staff in the past 6 months – unchanged to the previous wave – while only 6% of these companies have taken on more staff.

The development is much more positive when looking at Small and Medium-sized companies. Among small companies 20% have increased their staff numbers while 29% of Medium-sized companies have taken on more staff. Only 13% of Medium-sized companies have reduced their staff numbers over the past 6 months, meaning that medium sized companies are more likely to have increased rather than decreased number, with the majority suggesting the situation is unchanged.

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

(Base: All SMEs – 1,515)



(Q.6)

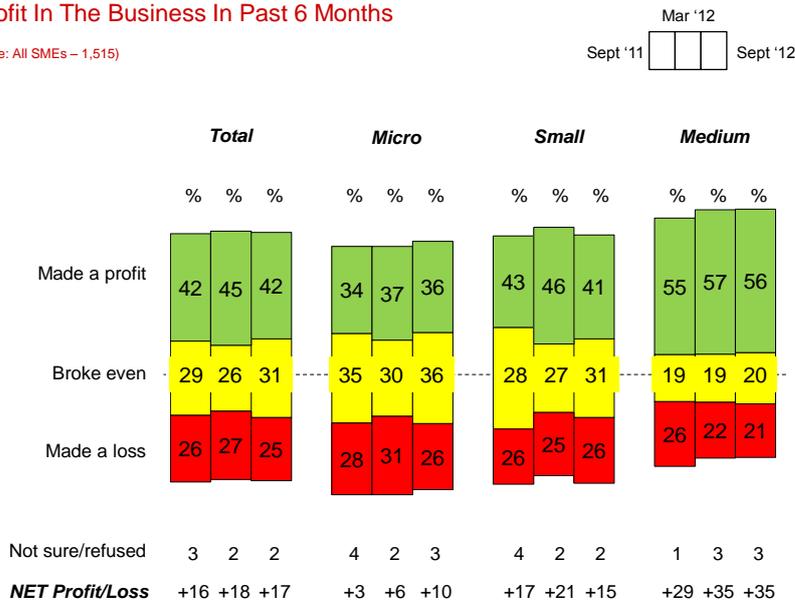
### 5.3 Profit Trends

The profitability of Irish business remains relatively similar to that seen in the previous period, with 42% reporting making a profit in the period April-September 2012, and 25% reporting a loss, while 31% broke even over the period.

The overall trend is for slightly more companies to have broken even, while slightly less made a profit, and slightly less also made a loss.

### Profit In The Business In Past 6 Months

(Base: All SMEs – 1,515)



(Q.5c)

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

#### 5.4 Overall Trading Trends

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

	<b>Turnover Increased %</b>	<b>Turnover Remained the Same %</b>	<b>Turnover Decreased %</b>
Made a profit	64	45	24
Broke even	22	36	32
Made a loss	12	16	42
Don't know/refused	2	3	2

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

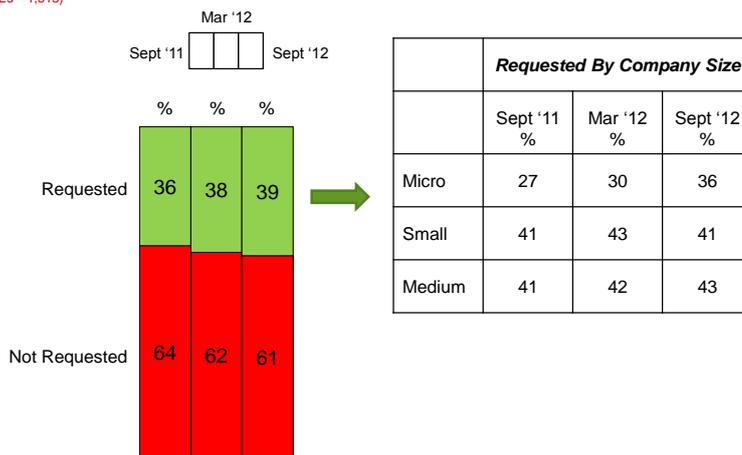
## 6.0 Demand for Banking Finance

### 6.1 Current Demand for Credit

Demand for credit in the period April to September 2012 remains low and relatively unchanged to the previous period, with 39% of SMEs having requested one or more forms of credit from the banks. However there are signs of a very gradual upward trend in credit demand across the three waves, and a positive 3% increase when comparing against the same period a year ago.

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

(Base: All SMEs – 1,515)



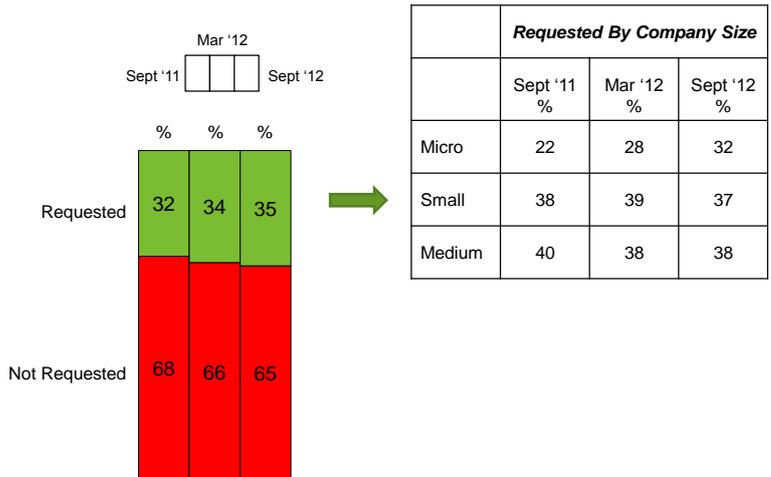
(0.9)

This small upward trend appears to be driven by an increase in credit demand among Micro companies – from 27% in September 2011 to 36% in September 2012. This brings Micro companies closer in line with larger SME's. However, Micro companies still remain less likely to seek credit than Small and Medium-sized companies overall.

Previous studies have suggested that up to a quarter of SMEs have seasonal demand for credit. While the period in question covers those months with less seasonal demand in general, we see the same pattern of a very slight upward trend in SME credit demand when removing businesses with seasonal credit demand (27% of the sample).

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

(Base: All Without Seasonal Credit Demand – 1,105)



(Q.9)

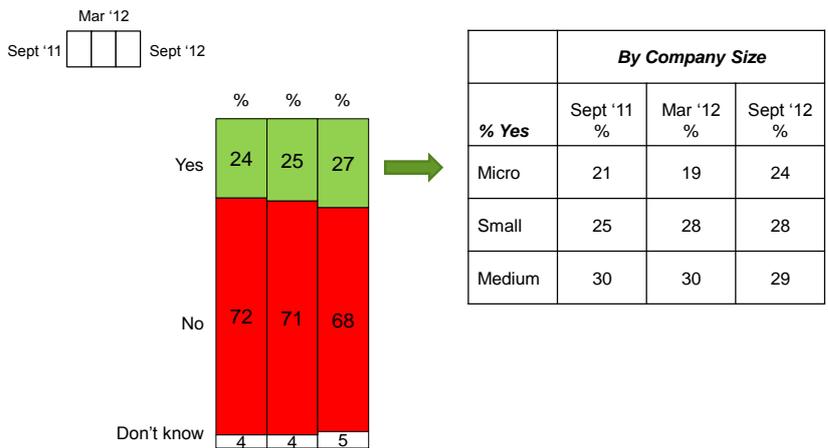
In this period 35% of SMEs with no seasonal credit demand have requested credit in the past 6 months – this is only marginally higher than previous waves.

### 6.2 Future Demand for Credit

This upward trend in demand is further underlined by the fact that slightly more SMEs say that they expect to seek bank finance over the next 6 months, compared with previous waves.

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

(Base: All SMEs – 1,515)



(Q.16b)

This is different to actual recorded demand shown in past months, as it is simply a prediction of possible future demand, and therefore should not be directly compared one with the other. For instance, before the last six months in the last wave 25% predicted

credit demand and 39% actually sought credit, because it is difficult for business to predict future conditions.

However comparison wave on wave of the same measure is valid, and when we look at predicted future demand, more than 1 in 4 (27%) of SMEs expect to seek credit in the next six months –up from 24% in September 2011 and 25% in March 2012.

The predicted increase in credit demand is driven by Micro companies expecting to seek bank finance over the next 6 months, while Small and Medium companies predicted demand remains the same as seen in previous waves

### 6.3 Reasons for Not Seeking Credit

In order to better understand the reason behind SMEs lack of credit demand, companies were specifically asked to provide reasons for not seeking credit in the past six months. Respondents were read out a range of pre-defined reasons to choose from, and were allowed to choose multiple reasons. These were then grouped into business related and bank related reasons.

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

Why did you not request Credit?	Total %	Micro %	Small %	Medium %
<b>Business Related Reasons</b>				
Didn't need it	79	76	80	85
Existing finance product in place	7	7	7	4
Prefer not to borrow	3	5	1	1
Not the right time given the economic climate	2	3	0	1
Inability to repay/meet requirements of finance	1	2	1	0
Use/raise personal funds when needed	1	1	1	0
Going out of business	0	1	0	1
Raise finance from grants	0	0	1	0
Too expensive to borrow	0	1	0	0
Raise finances from investors/venture capital	0	0	0	1
<b>Bank Related Reasons</b>				
Belief that banks are not lending	6	9	6	1
Possible rejection	4	4	3	3
Have been turned down before	2	3	1	1
Application process too difficult	1	0	2	1
Don't trust the banks	1	1	1	1
Too many terms and conditions	0	1	0	0
Banks take too long to make decision	0	0	0	1

A small proportion of SMEs who have not looked for credit (6%) suggest that this is due to a belief that banks are not lending, but this is actually down from 9% in March 2012. A further 4% have not applied due to possible rejection, but once again this is also down from the results seen in March where 9% stated this to be the case.

Micro companies are more likely to suggest that they have not looked for credit as they believe the banks are not lending, with only 1% of medium companies suggesting this is the case.

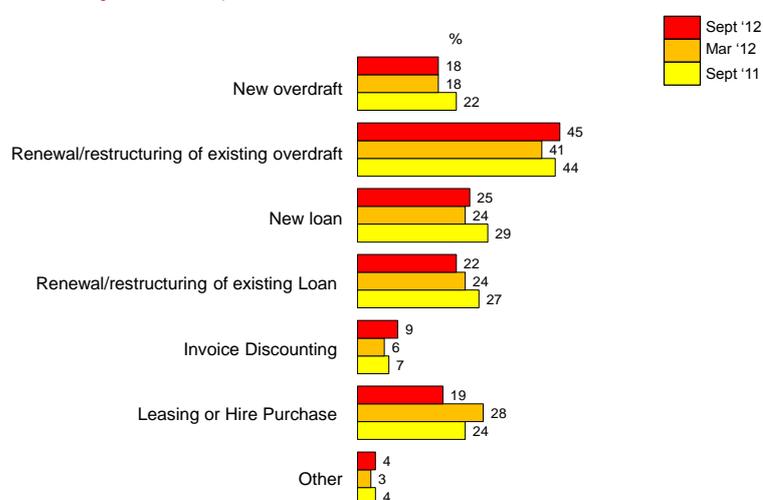
Why did you not request Credit?	Total Mar 12 %	Total Sep12 %	Micro Mar 12 %	Micro Sep 12 %	Small Mar 12 %	Small Sep 12 %	Medium Mar 12 %	Medium Sep 12 %
<b>Bank Related Reasons</b>								
Belief that banks are not lending	6	6	9	9	5	6	3	1
Possible rejection	6	4	9	4	5	3	3	3
Have been turned down before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

## 6.4 Demand for Credit by Product

The most requested bank finance product is the renewal/restructuring of existing overdraft, which has been requested by 45% of those SMEs who have requested one or more forms of bank finance.

### Lending Products Requested By SMEs

(Base: All SMEs Seeking Bank Finance – 602)



(Q 9)

Other popular products are new loans (25%), renewal/restructuring of existing loan (22%), leasing or hire purchase (19%) and new overdraft (18%). Invoice discounting is least popular with only 9% of bank finance requesters having asked for this form of finance in the past 6 months.

Compared to the previous wave, we see an increase in applications for renewal/restructuring of existing overdraft and invoice discounting while leasing or hire purchases are less popular than in March 2012.

When looking at products based on the total number of products requested the proportion of new core lending (using applications for new overdrafts and new loans) remains very close to that seen previously at 31%

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

The increase in demand for leasing and hire purchase seen in March, falls back again in this period, probably due to seasonal fluctuations.

### 6.5 Demand for Credit by Sector

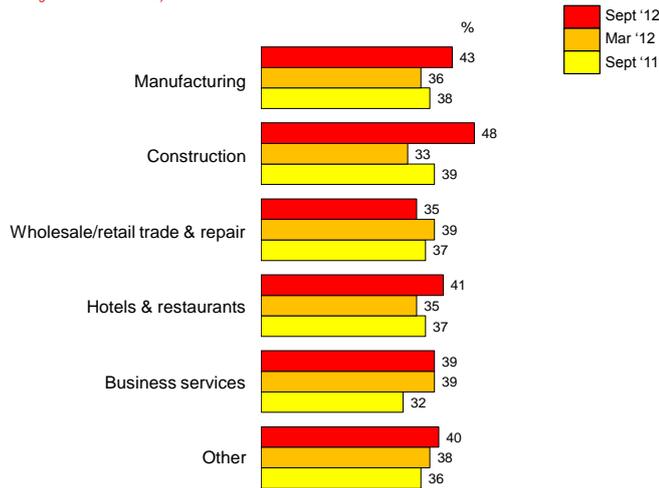
There are some interesting differences in demand for credit across industry sector. This data is based on smaller sample sizes, but provides a good indication of trends over time.

There appears to have been a significant increase in demand in the manufacturing, construction, hotels and restaurant sectors; while at the same time wholesale trade and repair sector companies have seen a reduced demand.

This reflects earlier trends seen in increased turnover in both the construction and hotel/restaurant sectors.

### Demand For Credit X Sector

(Base: All SMEs Seeking Bank Finance – 602)



(Q.9)

### 6.5 Financial Position of Businesses

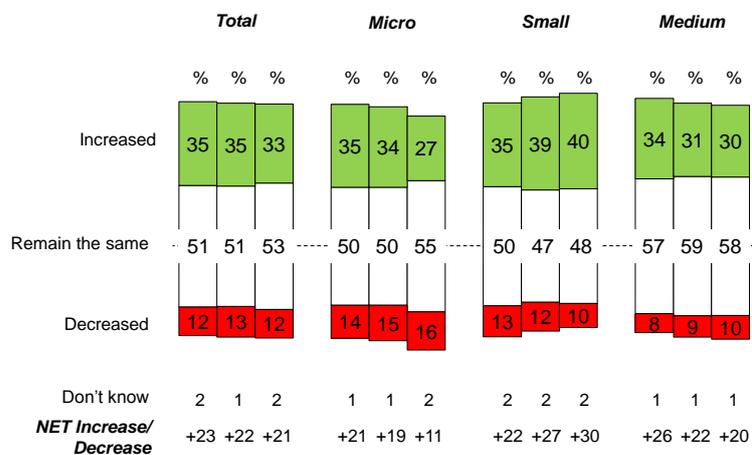
The number of days that go by before businesses are paid by their customers affects cash flow of the business and thereby also the need for external finance. Likewise, cash flow can be improved by delaying paying suppliers to the business.

1 in 3 (33%) SMEs feel that the average number of days within which customers pay has increased during the period April-September 2012. Just over half (53%) feel that the payment period is unchanged, while 12% feel customers are paying faster. Longer delay for payment is particular affecting Small companies where 40% feel that the number of days with outstanding payment from customers has increased.

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

(Base: All SMEs – 1,515)

Sept '11  Mar '12  Sept '12



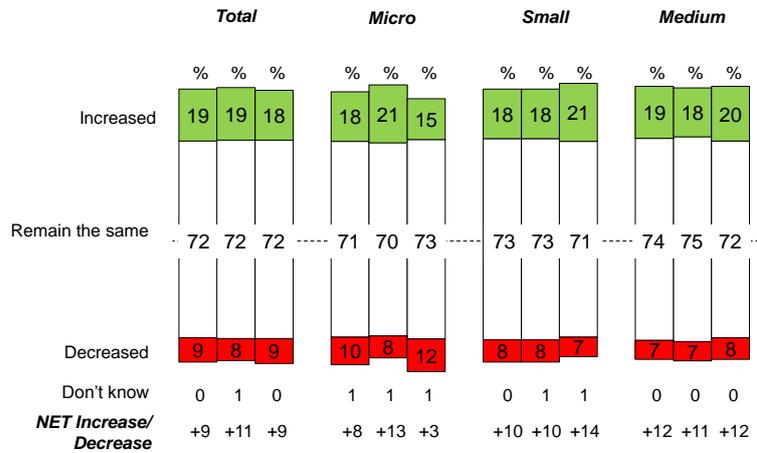
(Q.7c)

The majority (72%) of all SMEs feel that the average number of days they take to pay suppliers remains unchanged, but at the same time 18% do suggest that the payment period has increased. Only 9% feel that they pay suppliers faster than before.

**Number Of Days in which Business pays Suppliers**

(Base: All SMEs – 1,515)

Sept '11  Mar '12  Sept '12



(Q.7b)

It appears then that if anything the cash flow gap is getting smaller with slower incoming payments, but the same timescale for outgoing payments retained, and as such it doesn't appear that SMEs are using delayed payment as a means of avoiding credit demand, but rather that this may cause more problems for SMEs down the line.

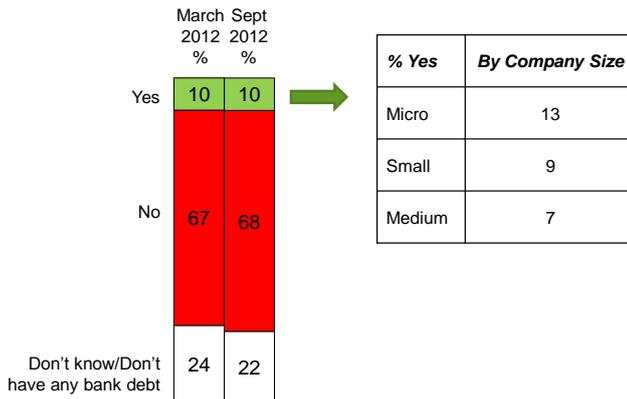
**Repayments of Current Loans**

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

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

### Missed Repayments On Loans In Past 6 Months

(Base: All SMEs – 1,515)



(Q.7g)

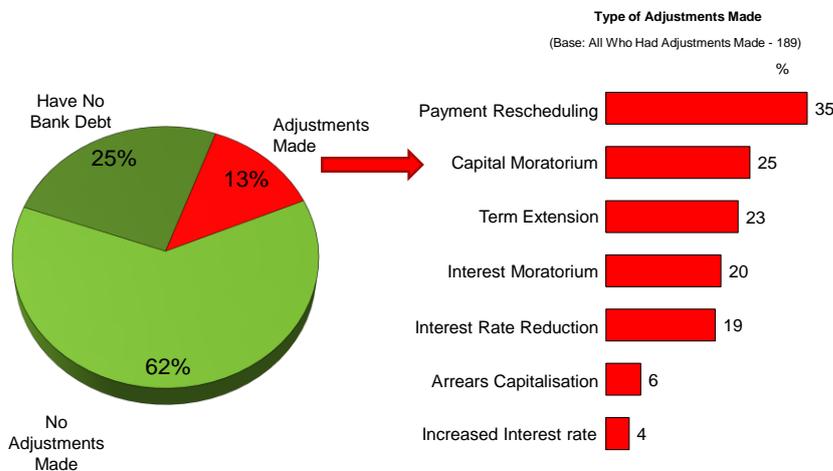
### Adjustments to Current Bank Debt

Whether adjustments have been made to current bank debt is the second indicator of a business potentially using a restructuring of debt to provide credit, and affects the future possibility of the business to obtain bank finance.

The majority of SMEs did not make adjustments to payment schedules in the past six months. In this period 17% of all the SMEs with bank debts have made adjustments to this debt in the past six months. This is down from 26% in March 2012.

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

(Base: All SMEs – 1,515)



(Q.16d)

The most common adjustment remained payment rescheduling, followed by capital

moratorium. There is some relative increase seen in term extensions and interest moratorium among those making adjustments.

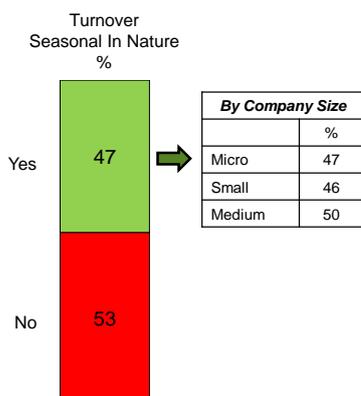
<b>Base: All Who Have Adjusted Bank Debt</b>	Mar 2012 %	Sep 2012 %
Base size	(294)	(189)
Payment Rescheduling	36	35
Capital Moratorium	22	25
Term Extension	16	23
Interest Moratorium	13	20
Interest Rate Reduction	17	19
Arrears Capitalisation	11	6

### 6.6 Seasonality of Demand and Credit

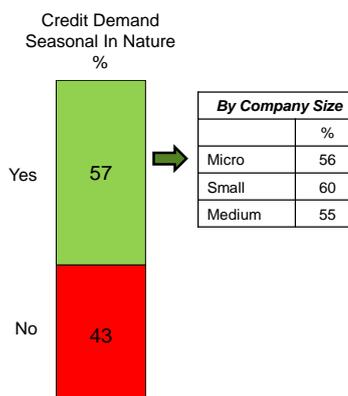
Just under half (47%) of SMEs indicate that their turnover/sales are seasonal. This has an effect on credit demand, with 57% of businesses with seasonal turnover also having seasonal credit demand. Seasonality appears to impact the different company sizes equally.

#### Seasonality of Turnover & Credit Demand

(Base: All SMEs – 1,515)



(Base: All With Seasonal Turnover – 714)

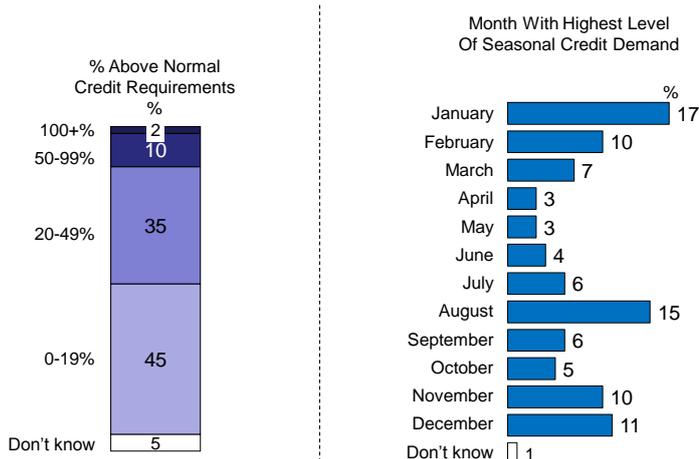


(Q.19a/b)

Among those companies with seasonal credit demand 45% express that they need 0-19% more credit than normal at the height of their demand for credit. 35% need between 20-49% while 12% need more than 50% above normal credit requirements.

### Seasonal Credit Demand

(Base: All SMEs With Seasonal Credit Demand – 410)



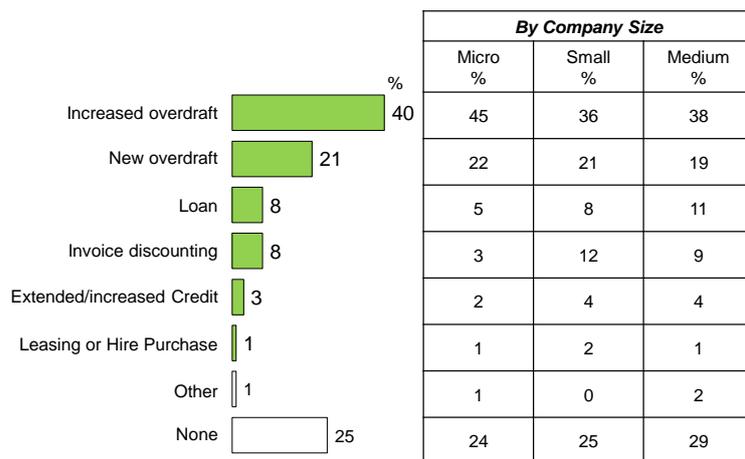
(Q.20b/21a)

The most common months to have higher credit demands due to seasonality are January, August, December, November and February. This suggests that the current period being analysed has a lower credit demand generally than the previous period between October and March.

Use of overdrafts is the most common means to manage seasonal credit demand, either through increasing the current overdraft (40%) or through obtaining new overdrafts (21%).

### Covering Seasonal Credit Demand

(Base: All SMEs With Seasonal Credit Demand – 410)



(Q.22)

## 7.0 The Application Process

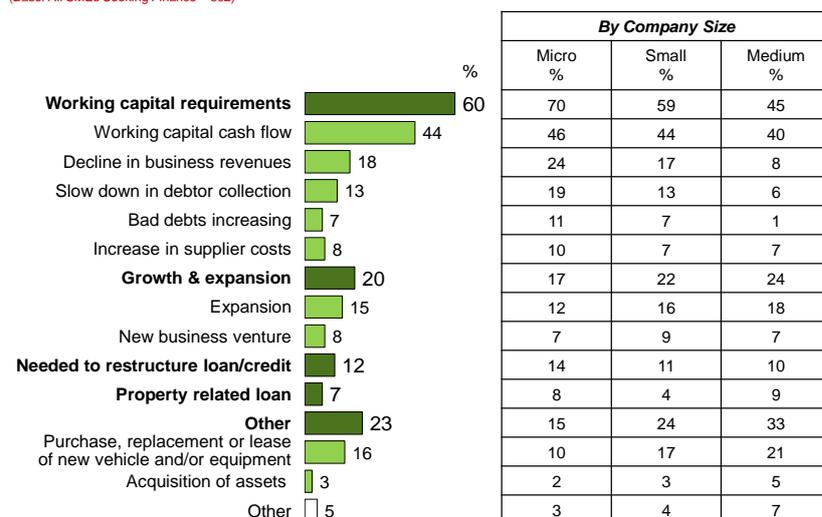
Of the total 1515 SMEs interviewed for this wave of the study, 39% have requested bank finance in the past six months.

### 7.1 Nature of Demand

The main purpose of seeking credit between Mar and Sep 2012 is to finance working capital requirements – this is mentioned by 60% of all SMEs seeking finance during the period. The second most common purpose is to finance growth and expansion which is mentioned by 20%.

#### Reasons For Making Financial Request

(Base: All SMEs Seeking Finance – 602)



(Q.11)

Medium-sized companies are more likely than average in seeking finance for growth and expansion, while Micro companies are more likely to seek finances for either a decline in business revenues or a slowdown in debtor collection.

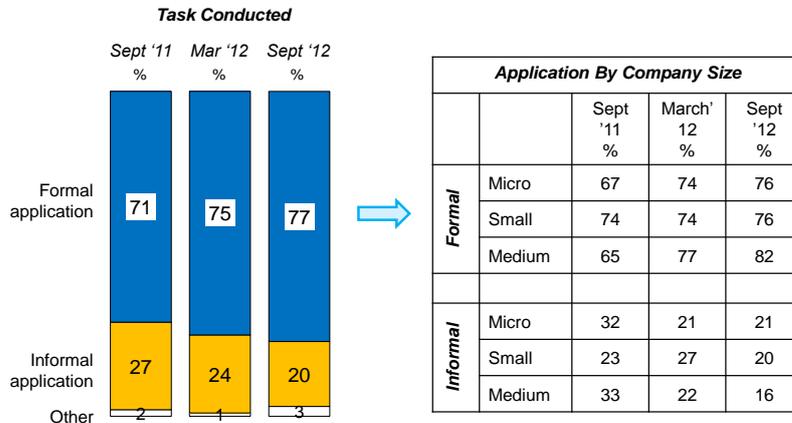
There are also differences in terms of the finance requested depending on the purpose of the request. Working capital requirements are much more likely to be financed through overdraft or restructuring/renewal of existing loans while growth and expansion requests are more likely to be pursued using new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

## 7.2 Formal Applications for Credit

Across all applications submitted, 77% include a formal application, while 20% rely solely on informal contact for application for bank finance. This is a slight increase in formal applications since March 2012, and continues an upward trend in the past year.

### Formal Applications For Credit

(Base: All SMEs Seeking Finance – 602)



\*Formal includes 'formal' & 'both'

(Q.12)

Medium sized companies have seen the biggest shift to formal applications in the last six months. Micro and Small companies are more likely than Medium-sized companies in relying solely on informal contact for applying for bank finance.

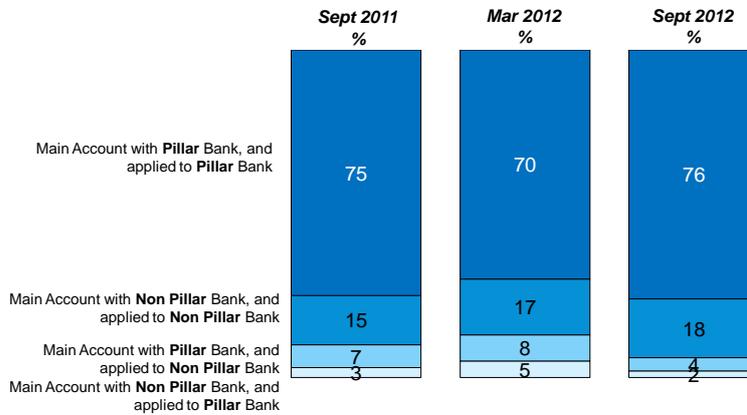
The main reason for submitting an informal request only was that the business felt there was no need, as it was a repeat loan or a personal relationship. However, almost a quarter of those making informal approaches for credit (22%), did also state that they were effectively testing the water to see if the loan would be possible. The full reasons given are shown below:

Reasons for making an informal application	Total
No need for providing formal application (e.g. repeat loan or personal relationship)	53%
To see if it would be possible	22%
Time consideration	5%
Knew formal application would not be successful	3%

The proportion of SMEs who have applied for finance through one of the two pillar banks has increased slightly from 78% in March 2012 to 80%. Of those who have main bank account with one of the pillar banks, 95% have applied for finance through a pillar bank.

### Bank From Which Finance Was Requested

(Base: All SMEs Seeking Finance – 602)



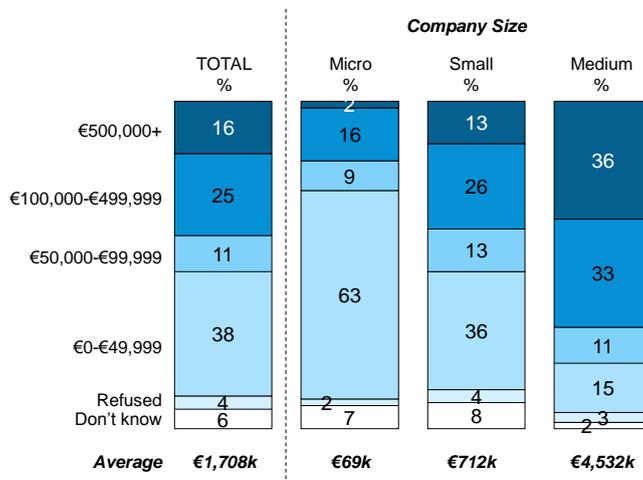
(Q.8)

### 7.3 Economic Value of Credit Applications

Each business that applied for credit provided us with the monetary value of that application. When looking at application for new bank finance, e.g. overdraft, loan or lease/hire purchase, we see that the average amount applied for is €1.7 million across all SMEs. Not surprisingly, this amount increases when looking at medium-sized companies where the average amount is €4.5 million.

### New Finance – Value Applied for

(Base: All SMEs Requesting New Overdraft, Loan, Invoice Discounting, Lease/Hire Purchase, Bonds, Other – 310)



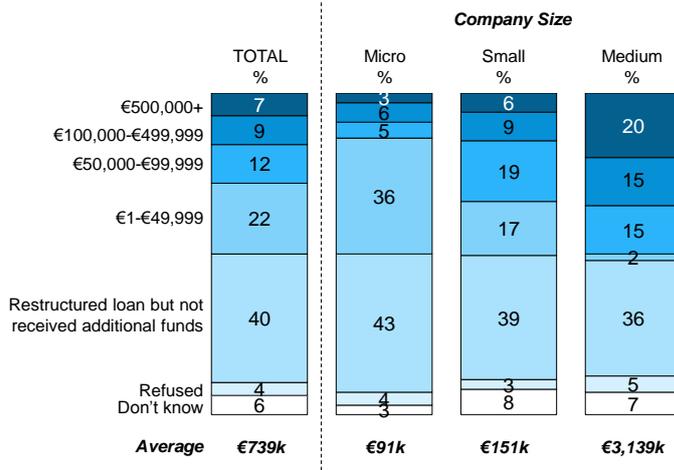
(Q.11c)

When looking at renewal/restructuring of existing finance, e.g. loans and overdraft, we see that 40% of SMEs did not request any additional funds. However, the average value

requested across all SMEs is circa €739,000. Again, medium-sized companies apply for a much larger amount of funds than Micro and Small companies.

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

(Base: All SMEs Requesting renewal/restructuring of existing overdraft or loan - 292)



(Q.11d)

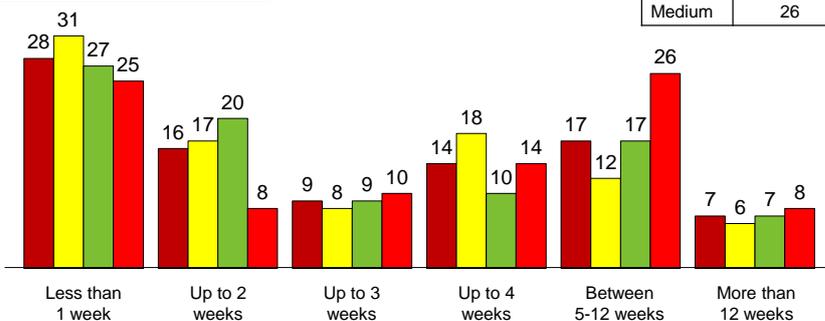
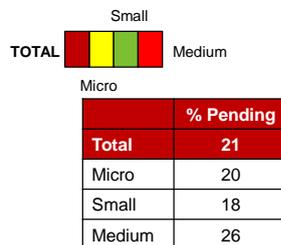
### 7.4 Turnaround Time on Decisions

Based on current code of conduct and guidelines for lending, all lenders are required to inform SMEs of a decision on their loan with 15 business days of receiving all information from the company. Excluding pending applications and according to the business themselves, more than half (53%) of all finance applications are processed within the required 15 working days. This is similar to the proportion processed within this time in the last period. The claimed slow turnaround in processing of applications suggests that as many as 47% of applications at some stage are effectively in constructive refusal.

### Application Turnaround Time – Excluding ‘Pending’

(Base: All SMEs Seeking Finance, excluding 'pending' – 477)

Average:	Total	29 days
	Micro	26 days
	Small	29 days
	Medium	35 days



(Q.13)

Looking at all finance applications, approximately 1 in 5 (21%) applications are still pending. Not surprisingly, the waiting time is longer from Medium-sized companies which could be explained by the larger amount of finance these companies ask for. Medium-sized companies also have a higher proportion of pending applications. It is however some concern that over a quarter of medium sized companies waited between 5 and 12 weeks for a decision.

There is no statistically significant relationship between waiting time and whether an application was successful or declined. However, if anything it appears that approved applications are more likely to take longer than those which are declined. As such, it is important to publicise the fact that a longer waiting time does not necessary mean the application will be declined.

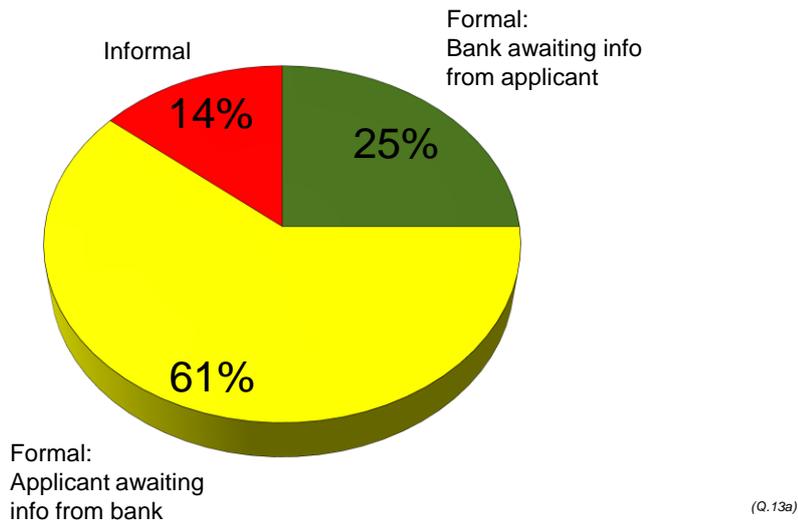
	<b>Approved Applications</b> %	<b>Declined Applications</b> %
Less than 1 week	28	31
Up to 2 weeks	18	13
Up to 3 weeks	9	8
Up to 4 weeks	14	13
Between 5-12 weeks	18	13
More than 12 weeks	7	4
Don't know	6	17

Looking at the pending applications, these can be pending due to the bank looking into the application (which is related to the waiting time), but also by bank awaiting additional information from the applicant. The majority (61%) of the pending applications are with the bank, i.e. the bank has all the information required to decide on the application. 25% of the applications are pending due to the fact that the applicant has not yet provided all the necessary information to the bank.

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

### Profile Of Pending Applicants

(Base: All Pending Application – 125)



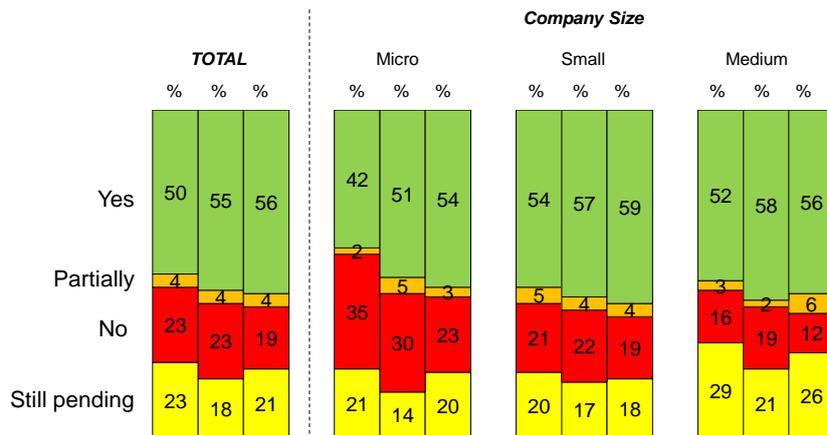
### 7.5 Decline Rate

Looking at all credit applications across the period of April to September 2012, the current decline rate stands at 19%, which is a decrease from previous waves where the decline rate was 23%. Over half (56%) of all applications have been approved fully, with 4% receiving partially approval (less than full amount applied for). 21% are still pending.

### Status Of Application At Date Of Survey

(Base: All SMEs Seeking Finance – 602)

Sept '11  Mar '12  Sept '12



As seen in previous waves, the decline rate is higher for Micro companies (23%) and Small companies (19%) than for Medium-sized companies (12%). However, the decline rate has decreased significantly for Micro companies since March 2012 – from 30% to

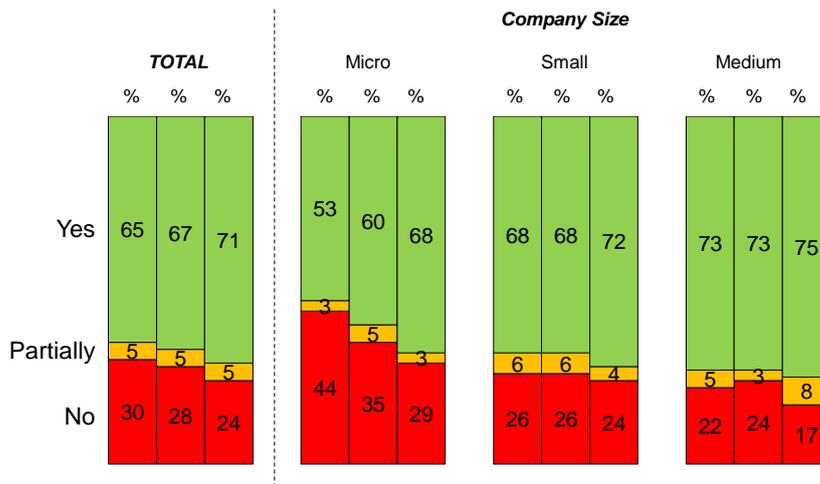
23%. We also see a much lower decline rate for Medium-Sized companies, with an increase in those still pending, while the decrease is less for Small companies.

Excluding pending applications, the overall decline rate is 24% which is a decrease from 28% in March 2012. This improvement is based on a significant reduction in the decline rate among Micro enterprises, from 35% in April 2012 to 29% in September 2012. Of those not declined, 71% of all applications in the past 6 months have been approved fully, while 5% were partially approved.

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

(Base: All SMEs Seeking Finance, excluding pending – 477)

Sept '11  Mar '12  Sept '12



(Q.14)

**Decline Rate by Product**

The decline rate varies across finance type requested – which is a reflexion of differences in purpose and application process. New loans and overdrafts have a higher decline rate than renewal/restructuring of existing loans/overdrafts. Leasing and hire purchase has a much lower decline rate than other finance types.

### Application Response X Product Sought

(Base: All SMEs Seeking Finance – 602)

<b>Lending Products</b>	Yes %	Partially %	No %	Pending %
<b>Overdraft</b>	61	4	18	17
New overdraft	52	4	26	18
Renewal/restructuring of existing overdraft	62	3	16	18
<b>Loan</b>	44	4	21	30
New loan	48	5	26	22
Renewal/restructure of existing loan	41	5	16	37
<b>Leasing or hire purchase</b>	73	3	12	12
<b>Other</b>	55	8	18	18

(Q 14)

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

It should be noted that the increase in approval rate for credit, comes despite a fall in the number of credit applications for leasing this period vs. the last. Leasing credit demands tend to get the highest level of approval most likely due to the loan being backed by the asset itself. With this change in mind, the smaller decline rate seen this period is more positive.

It appears that this is mainly due to a significant increase in approval for overdrafts, both new and restructuring of existing; while loan approvals remain at relatively the same level as seen in the previous period.

Analysing the reason for the finance application, we see that applications for working capital requirements have a very slightly higher approval rate (55%) than applications for growth and expansion (52%), but this is not significant. The proportion of pending application is equal for these types of demand.

### Formal Application Decline Rate

<b>Type Of Application</b>	Yes %	Partially %	No %	Pending %
<b>TOTAL</b>	<b>56</b>	<b>4</b>	<b>19</b>	<b>21</b>
Formal application	58	4	17	21
Informal application	53	2	29	16

As seen in previous waves, the decline rate is significantly higher for informal applications than formal applications. One of the main reasons for submitting informal applications is that applicants were concerned that a formal application would not be successful.

The decline rate for formal applications in the period from April to September 2012 is 17%, while for informal applications the decline rate stands at 29%. However, informal applications are processed quicker than formal applications.

### Decline Rate by Pillar/Non Pillar Banks

When excluding pending applications, there is very little difference in the decline rate for applications made through the pillar banks and applications made through non-pillar banks. Pillar banks have a higher proportion of pending applications.

<b>Bank</b>	<b>Yes %</b>	<b>Partially %</b>	<b>No %</b>	<b>Pending %</b>
<b>TOTAL</b>	<b>56</b>	<b>4</b>	<b>19</b>	<b>21</b>
Pillar	56	4	18	22
Non-Pillar	60	3	21	16

### Decline Rate by Sector

Applications from manufacturing companies appear to have received the lowest decline rates, while those in non-classified industry sectors received the highest decline rates. There appears to have been a significant reduction in the decline rate for construction, business services, and hotels & restaurants in particular who had seen decline rates in the 30's in the previous period.

<b>Sector</b>	<b>Yes %</b>	<b>Partially %</b>	<b>No %</b>	<b>Pending %</b>
Manufacturing	68	9	10	13
Construction	60	3	18	18
Wholesale/retail trade & repair	56	3	21	20
Hotels & restaurants	37	4	20	38
Business service	57	3	20	20
Other	45	2	30	23

As seen in previous waves those application from Hotels and restaurants are most likely to still be pending.

### Decline Rate Linked to Company Trading Performance

The relationship between decline rate and company performance seems relatively weak. With similar decline rates for companies despite increased, decreased or unchanged turnover.

<b>Turnover Performance</b>	<b>Yes %</b>	<b>Partially %</b>	<b>No %</b>	<b>Pending %</b>
Increased	60	3	18	18
Stayed the same	56	3	21	20
Decreased	37	4	20	38
<b>Profit Performance</b>	<b>Yes %</b>	<b>Partially %</b>	<b>No %</b>	<b>Pending %</b>
Made a profit	60	3	17	20
Broke Even	58	4	23	15
Made a loss	48	5	19	28

The decline rate is slightly higher for companies breaking even in terms of profit than for companies with either a profit or a loss. However, companies with a loss generally have a higher proportion of pending applications, indicating a longer waiting time.

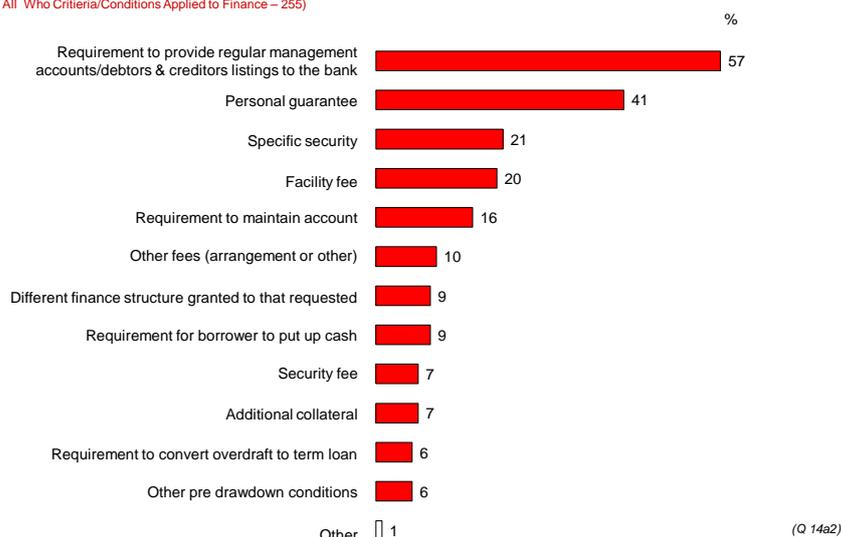
### 7.6 Criteria and Conditions Attached to Approved Applications

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

The criteria/conditions required are similar to previous waves with the need to provide regular management accounts/debtors & creditors listing to the bank being the most common requirement, with 57% of all approved applications with criteria/conditions having this requirement. The second most popular condition is personal guarantee (41%) followed by specific security (21%), facility fee (20%) and requirement to maintain account (16%).

### Conditions attached to approved/partially approved applications

(Base: All Who Criteria/Conditions Applied to Finance – 255)



### 7.7 Reasons for Decline

Reasons for decline can on a broad level be divided into applicant controlled and bank controlled reasons. Just under half (49%) of declined applicants have given a bank controlled reason – the most common mentioned reason being changes in bank lending policy (28%). Over a third (38%) have given an applicant specific reason – the main ones mentioned being inadequate repayment capacity (17%), account performance/history (14%) and deterioration in business financial performance (12%).

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

There has been a relatively significant increase in the number of people who were declined credit that claim they have not been given a reason for that decline. As a result there are far less people giving either applicant controlled or bank controlled reason for

decline. However when re-proportioned it is clear that bank controlled reasons remain at proportionally the same level as seen in March 2012 at 57%.

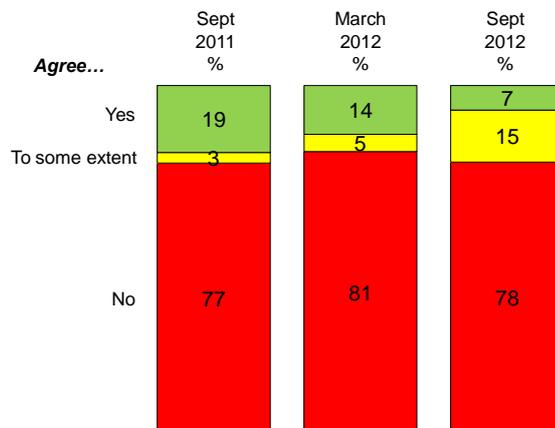
### 7.8 SME Opinions on Reasons for Decline

Over three quarters (78%) of those SMEs who have been declined bank finance disagree with the reasons given for the refusal. This is slightly down from March 2012 (81%). At the same time we also see a decline in those agreeing fully with the reasons given, while more applicants only agree to some extent.

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

#### Agreement With Bank Decision To Refuse Credit

(Base: All Banks Who Gave Reason For Refusal – 98)



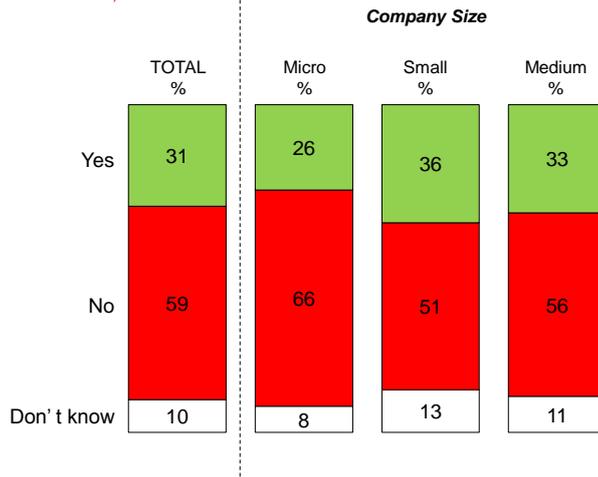
(Q.14c)

### 7.9 The Right to an Internal Bank Review

Over two thirds (69%) of those applicants who were refused credit stated that the bank did not inform them of their right to an internal review of the decision to refuse credit. While this is an improvement from March 2012 where 71% said they were not informed and September 2011 where 76% were not informed, it still suggest that there is more work to do to make applicants fully aware of their rights to a review.

### Informed Of Right To An Internal Review

(Base: All SMEs Refused Credit – 114)



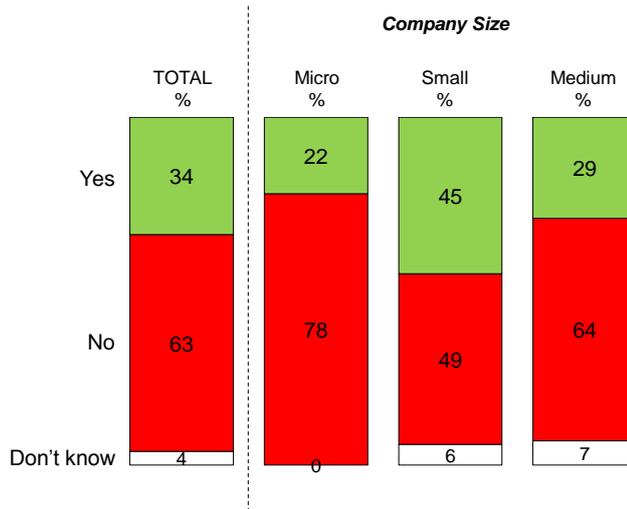
(Q.14d)

### 7.10 Credit Review Office

At the same time 67% of those applicants who were refused bank finance by the two pillar banks said that they were not informed of their right to a decision review by the Credit Review Office. This is also an improvement since March 2012 where 75% said they were not informed.

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

(Base: All Requested Application From AIB or BOI – 82)



(Q.14e)

### 7.11 Drawdown of Approved Facilities

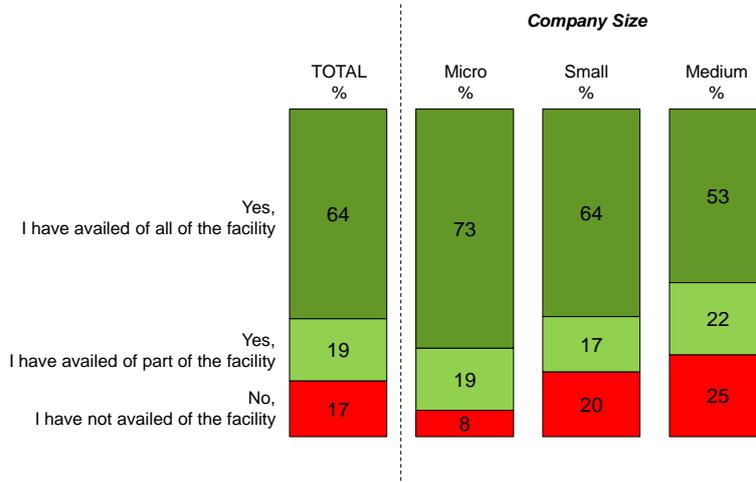
Just under two thirds (64%) of those applications which were approved have availed fully of the given credit facilities, while additional 19% have availed of them partially. In 17% of cases they have not availed of the facilities yet – this is a slight decrease from March 2012

(19%) and the same as in September 2011 (17%). The most cited reason for not availing of the credit facility is that the finance is not needed at present time.

Looking at those who had an application approved with criteria/conditions attached to the request, 8% express that the criteria/conditions have prevented them from availing of the sanctioned facility. This is up from 3% in March 2012 and 4% in September 2011.

**Availed Of Facility To Date**

(Base: All Successful/Partially Successful In Application - 362)



(Q.16)

## 8.0 Non-Bank Finance

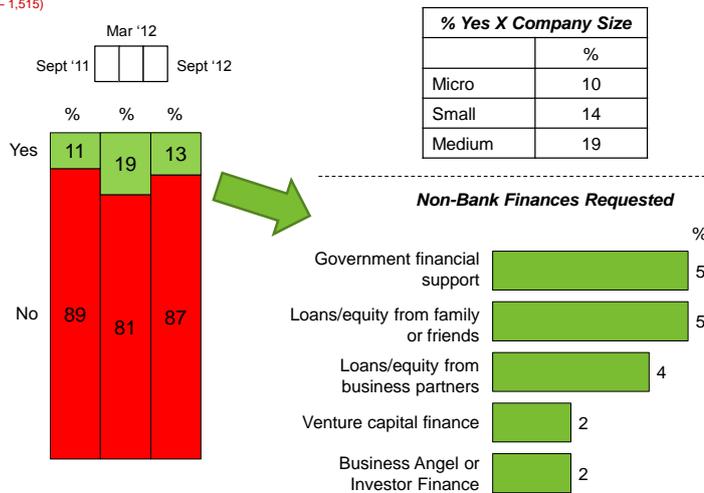
### 8.1 Enquiries for Non-Bank Finance

The number of enquiries made for non-bank finance has decreased in the period April-September 2012 compared to the previous wave, yet this could be due to seasonality as it appears to have fallen back to the same levels as seen in the corresponding period last year.

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

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

(Base: All SMEs – 1,515)



(Q.17)

Medium-sized companies are more likely to have enquired about non-bank finances (19%) than Smaller (14%) and Micro (10%) companies. This suggests the decline in enquiries for non-bank finance has come from smaller and Micro companies, with enquiries in medium companies relatively stable.

Those who have applied for bank finance are more likely also to enquired about non-bank finance, underlining a finance need of the business. 19% of those who applied for bank financed also enquired about non-bank finance while, only 10% of those who did not seek bank finance enquired about non-bank finance.

## 8.2 Decisions Made on Non-Bank Finance Applications

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

Decline rates for non-bank finance currently stand at 20% which is in fact marginally higher than for bank finance.

### Success In Obtaining Non-Bank Finance

(Base: All Who Enquired About Non-Bank Finance – 210)

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

(Q.18)

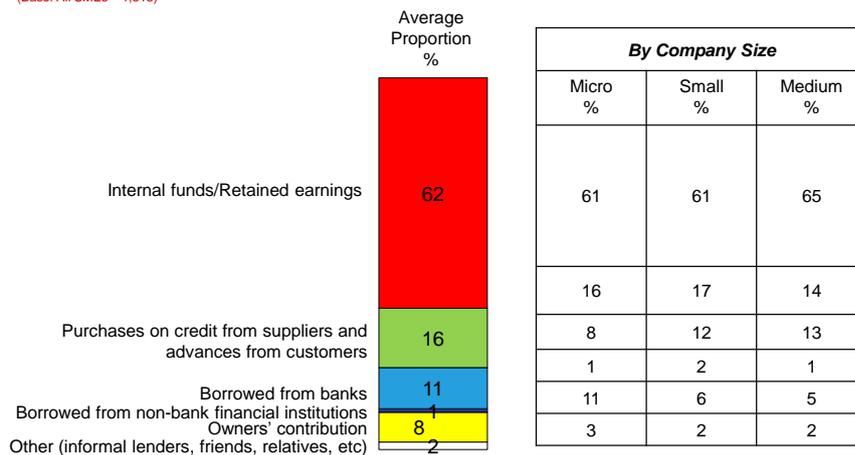
Compared to March 2012, the success rate of non-bank finance application is higher, mainly because there are less queries pending.

## 8.3 Financing the Business

On average, 62% of an SMEs working capital are financed by internal funds/retained earnings. The second most important source of working capital finance is credit from suppliers/advances from customers (16%) and bank loans (11%). Non-bank finances only play a minor role in financing working capital of SMEs in Ireland.

### How Are Working Capital Financed?

(Base: All SMEs – 1,515)



(Q.18b)

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

Source of Finance	Average Proportion
Internal funds/retained earnings	74%
Borrowed from banks	13%
Credit from suppliers/advances from customers	5%
Owners' contribution	4%
Issued new debt	1%
Borrowed from non-bank financial institutions	1%
Other (e.g. informal lenders, friends, relatives, etc.)	2%
<b>Total</b>	<b>100%</b>

Again, internal funds are the main source of finance followed by bank loans and credit from suppliers/advances from customers. Non-bank finances only play a minor role for fixed assets acquisitions.

#### 8.4 Purchase of Property Through Bank Debt

A relatively small number of SMEs (16%) claim to have purchased property using bank debt since 2005. This is similar to the number seen in the previous wave.

At the same time even fewer SME Directors (8%) have purchased property financed by bank debt, secured on the business, since 2005.

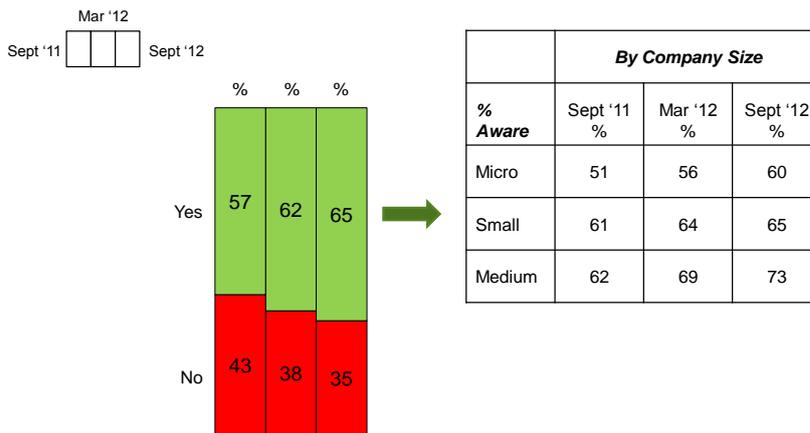
## 9.0 SME Awareness of Credit Supports

### 9.1 Code of Conduct for Business Lending to SMEs

Awareness of the Code of Conduct for Business Lending to SMEs continues a positive upward trend, with 65% of all SMEs being aware of the Code of Conduct in September 2012 vs. 62% in March and 57% in September 2011. In total 73% of Medium-sized businesses are now aware of the Code of Conduct, while 65% of Small businesses and 60% of Micro business are aware. While awareness among Micro businesses is lower than larger companies, we see a positive trend in awareness over the three periods from 51% in September 2011 to 60% in September 2012.

#### Awareness Of the Code Of Conduct

(Base: All SMEs – 1,515)



(Q.23a)

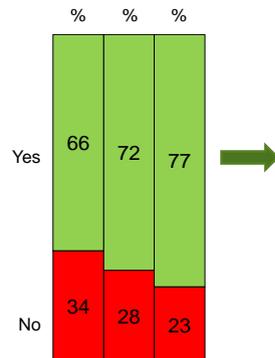
### 9.2 Credit Review Office

We also see a positive development in awareness of the Credit Review Office facility, which can assist borrowers who have been refused credit by AIB and Bank of Ireland (the pillar banks). In total 77% of all SMEs are now aware of this facility – up from 72% in March 2012 and 66% in September 2011.

### Awareness Of Credit Review Office

(Base: All SMEs – 1,515)

Sept '11    Mar '12    Sept '12



	By Company Size		
	Sept '11 %	Mar '12 %	Sept '12 %
% <b>Aware</b>			
Micro	60	64	73
Small	69	76	77
Medium	69	78	86

(Q.24a)

While Medium-sized companies continue to be more aware than Micro and Smaller companies, we see a significant uplift in awareness among Micro companies (from 64% in March 2012 to 73% now).

The main sources of awareness are specified below:

Source of Awareness	% of those aware
Radio (ad/programme)	33%
Newspapers (ad/article)	32%
TV (ad/programme (ad/programme)	21%
Online	5%
Media (not specified)	42%
Bank	4%
Financial advisor	4%
Colleague	2%
Representative business organisation	2%
Friend/family member	1%
Word of mouth/seminar	1%

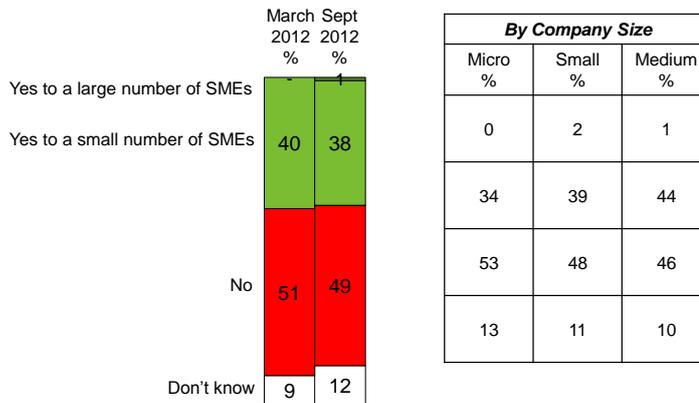
The most recalled source of awareness of the Credit Review Office is radio and newspapers followed by TV. Word of mouth remains quite limited.

### 9.3 Perception of Banks Lending to Irish SMEs

Despite increased awareness of the bodies set up to help SMEs and a reported improvement in credit approval among SMEs as a whole, almost half (49%) of all SMEs state that they believe the banks are currently not lending to SMEs in Ireland. While most of the rest who express an opinion (38%) suggest that the banks are lending to a small number of SMEs only. This is a similar pattern that we saw back in March 2012.

#### Perception of Banks Currently Lending to Irish SMEs

(Base: All SMEs – 1,515)

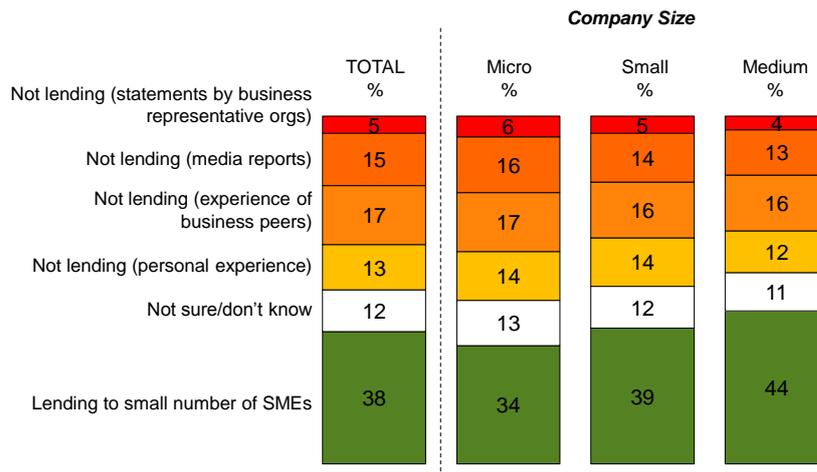


(Q.24c)

There are few differences in perception across company size – though Medium-sized companies are more likely to feel the banks are lending to a small number of SMEs, and Micro companies most likely to feel that bank are not lending at all.

View On Banks Lending to Irish SMEs in Last 6 Months

(Base: All SMEs – 1,515)



(Q.24d)

SMEs are still forming their views on bank lending based on the media, business groups or their business peers, rather than any personal experience, and this makes sense given the reduced decline rates seen in this study.

# APPENDIX

The SME Demand Survey Questionnaire

JN. 47412



**CREDIT DEMAND SURVEY  
DRAFT QUESTIONNAIRE**

Good morning/afternoon/evening. My name is ..... from RED C Research, the opinion and polling research company. We are conducting a survey on behalf of the Department of Finance.

**Please may I speak to the person with primary responsibility for financial matters in your business?**

**Verify right person.**

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

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

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

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**SECTION 1 – COMPANY INFORMATION**

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

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

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

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

**PROBE TO PRECODES – SINGLE CODE**

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

**CLOSE**

**ASK ALL - SME LENDING Questionnaire - April 2012 to September 2012**

**Q.1c** Is your business involved in the computer software/hardware industry? By 'involved' we are referring to businesses that develop, sell or implement software and /or hardware. **SINGLE**  
Yes ..... 1  
No ..... 2

**Q.1d** In the last 12 months did your business export goods or services outside of the Republic of Ireland or not? **SINGLE CODE**  
Yes ..... 1  
No..... 2  
Don't know..... 3

**IF YES CODE 1 AT Q.1D**

**Q.1e** Which of the following bands did the total value of these services or goods fall into?  
**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

**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. SINGLE CODE**

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

**Q.2a** What was your business' turnover in the last 12 months i.e. since **October 2011**, 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 <b>CLOSE</b>
Refused / don't know ( <b>DNRO</b> ) .....	5 <b>CLOSE</b>

**ASK ALL**

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

Up to 2 years .....	1
Between 2 and 4 years .....	2
Between 5 and 10 years .....	3
Between 11 and 20 years .....	4
More than 20 years .....	5

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

**READ OUT - MULTI CODE**

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

**Q.4 REMOVED**

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

**SINGLE CODE**

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

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

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

**READ OUT - SINGLE CODE**

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

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

**Q.5b** By about what percentage has your turnover decreased?  
**READ OUT - SINGLE CODE**

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

**ASK ALL**

**Q.5c** In the last 6 months, i.e. from **April 2012 to September 2012**, has your company made a profit, broke even, or made a loss?

**READ OUT - SINGLE CODE**

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

**ASK ALL**

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

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

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

**Q.6a** By about what percentage has your staff increased?  
**READ OUT - SINGLE CODE**

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

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

**Q.6b** By about what percentage has your staff decreased?  
**READ OUT - SINGLE CODE**

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

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**SECTION 2 – FINANCING YOUR BUSINESS**

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**ASK ALL**

**Q.7** In the last 6 months, i.e. from **April 2012 to September 2012**, have you sought professional advice regarding your financing requirements? By professional advice we are referring to advice from auditors, accountants or professional financial advisors.

**SINGLE CODE**

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

**Q.7b** In the past 6 months, i.e. **from April 2012 to September 2012**, has the average number of days within which you pay your suppliers increased, decreased or stayed the same?

**SINGLE CODE**

Increased ..... 1  
Decreased ..... 2  
Remained the same ..... 3  
Do not know ..... 4

**Q.7c** In the past 6 months, i.e. **from April 2012 to September 2012**, has the average number of days within which your customers pay you increased, decreased or stayed the same?

**SINGLE CODE**

Increased ..... 1  
Decreased ..... 2  
Remained the same ..... 3  
Do not know ..... 4

**Q.7d** Has your company purchased property which is financed by bank debt since 2005?

**SINGLE CODE**

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

**Q.7e** Have any of your directors purchased property financed by bank debt since 2005, which the business acts as security for? **SINGLE CODE**

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

**Q.7G** In the last 6 months, i.e. **from April 2012 to September 2012**, have you missed any repayments on your loans, if you have any? **SINGLE CODE**

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

**ASK ALL**

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

**SINGLE CODE**

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

**Q.8a** How long have you been a customer of this bank?

**SINGLE CODE**

I am a recent customer / joined in the last 6 months (i.e. April 2012 to September 2012).....	1
Between 7 and 23 months (under 2 years) .....	2
Between 2 and 4 years .....	3
Between 5 and 10 years .....	4
Between 11 and 20 years .....	5
More than 20 years .....	6
Not sure/ Don't know .....	7

**Q.9** In the last 6 months, i.e. from **April 2012 to September 2012**, have you requested from any bank, any of the following types of finance? It does not matter if you have been successful or not. **READ OUT - MULTICODE**

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

**GO TO Q.9b**

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

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

**Q9b** Why did you not apply for bank finance in the last 6 months, i.e. from **April 2012 to September 2012**?

**OPEN END: PROBE FULLY.**

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

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

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

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

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

- April 2012**..... 1
- May 2012** ..... 2
- June 2012** ..... 3
- July 2012** ..... 4
- August 2012** ..... 5
- September 2012** ..... 6
- Cannot recall / Don't know ..... 7

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

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

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

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

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

**OPEN END: INSERT AMOUNT**

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

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

**Q.12** Did you make a formal request, an informal request or both, when applying for

**(FROM Q.9) SINGLE CODE**

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

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

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

**OPEN END: PROBE FULLY**

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

**SINGLE CODE**

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

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

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

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

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

**SINGLE CODE**

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

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

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

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

**ASK Q.14a2 TO ALL SUCCESSFUL / PARTIALLY SUCCESSFUL IN APPLICATION AT Q14 (CODE 1 / 3 AT Q.14)**

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

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

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

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

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

**ASK Q.14c IF CODES 1-11 AT Q14b**

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

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

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

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

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

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

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

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

**ASK Q.15 TO ALL WHO HAD CRITERIA ATTACHED (CODES 1-12) AT Q14a2**

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

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

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

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

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

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

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

**ASK ALL**

**Q.16b** Do you expect to seek bank finance for your business in the next 6 months (i.e. from October 2012 to March 2013)? **SINGLE CODE**

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

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

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

**ASK ALL**

**Q.16d** Thinking about your bank debt, have any of the following adjustments been put in place in the last six months i.e. from **April 2012 to September 2012**? **READ OUT. MULTI CODE**

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

**SECTION 3 – NON BANK FINANCING**

**Q.17** Did you enquire about any of the following types of non bank finance?  
**READ OUT - MULTICODE**

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

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

**Q.17a REMOVED**

**Q.17b REMOVED**

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

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

**ASK ALL**

**Q.18b** Over the last six months (i.e. from April 2012 to September 2012), please estimate the proportion of this establishment's working capital that was financed from each of the following sources? (**MUST ADD TO 100%**)

**Percent Sources of Working Capital**

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

**ASK ALL**

**Q.18c** Over the last six months (i.e. from April 2012 to September 2012), if the company acquired fixed assets, please estimate the proportion of this establishment's purchase of fixed assets that was financed from each of the following sources? **(MUST ADD TO 100%)**

**Percent Sources of Investment**

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

**SECTION 4 – SEASONALITY**

**ASK ALL**

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

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

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

- Yes ..... 1 **GO TO Q.20b**  
No ..... 2 **GO TO Q.23a**

**Q.20 REMOVED**

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

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

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

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

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

**READ OUT - MULTICODE**

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

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**SECTION 5 – AWARENESS**

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**ASK ALL**

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

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

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

Yes .....	1	<b>GO TO 24b</b>
No .....	2	<b>GO TO 24c</b>

**Q.24b** And how did you become aware of the existence of Credit Review Office?  
**PROBE TO PRECODES. MULTI-CODE**

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

**ASK ALL**

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

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

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

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

The experience of your business in the last 6 months (i.e. from April 2012 to September 2012) of applying for credit and either being rejected or being partially rejected..... 1

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

Media reports on SME lending in the last 6 months (i.e. from April 2012 to September 2012). 3

Statements by business representative organisations in the last six months (i.e. from April 2012 to September 2012)..... 4

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

List 32 counties

**Thank you for responding to this survey for the Department of Finance.**