



An Roinn Airgeadais
Department of Finance

SME Credit Demand Survey: Insights from Ten Years On

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SMEs in an Irish Economic Context

- CSO statistics - SMEs accounted for 99.7% of all enterprises and 66.4% of persons engaged in Ireland in 2019 (latest year available).
- SMEs generated 43.6% of all turnover and 36.9% of GVA.
- The number of persons engaged by SMEs increased by 25.6% between 2014 and 2019.
- There is a strong link between health of SMEs and wider economy.



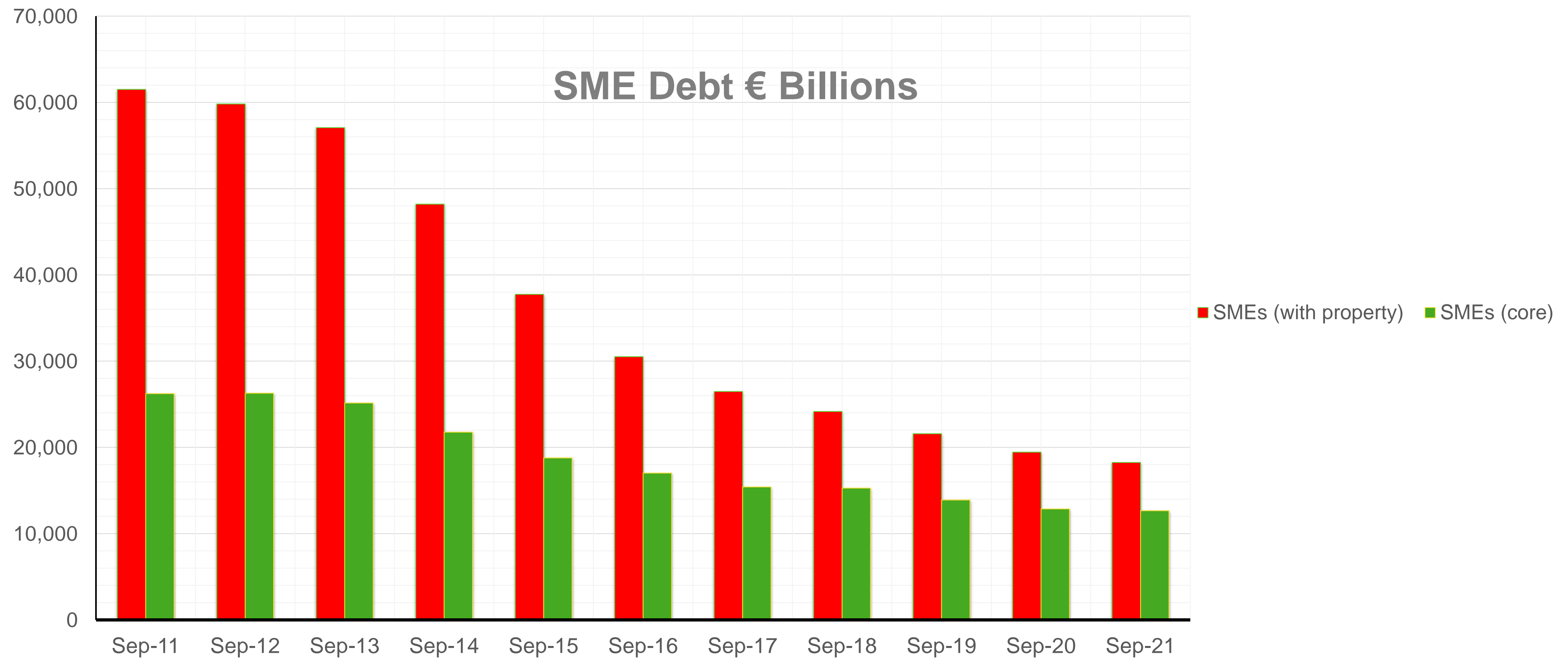
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Background to the SME Credit Demand Survey

- Banking and economic crisis led to a credit crunch.
- Longer-term sustainable economic growth relies on increased productivity and investment by private firms
- Government interventions included:
 - *SME lending targets set for the recapitalised banks*
 - *Est. Credit Review Office*
 - *Est. Strategic Banking Corporation of Ireland SBCI*
- The Department of Finance has conducted the SME Credit Demand Survey biannually since 2011 in order to have an independent and statistically significant report into the availability of, and demand for, credit amongst SMEs.
- It is the most comprehensive survey of SME Credit Demand in Ireland, covering over 1,500 respondents through in-depth discussions.
- The Department ensures comparability between waves and that Quotas are representative of the SME population in terms of both SME size (micro, small and medium) and sector (as defined by NACE codes).
- The latest Survey has a possible sample error of just +/-2.5% (at a 95% confidence level).
- The SME CDS data set is an important resource used for research by the Department, Central Bank, ERSI and others.



Total SME debt including property and core SME





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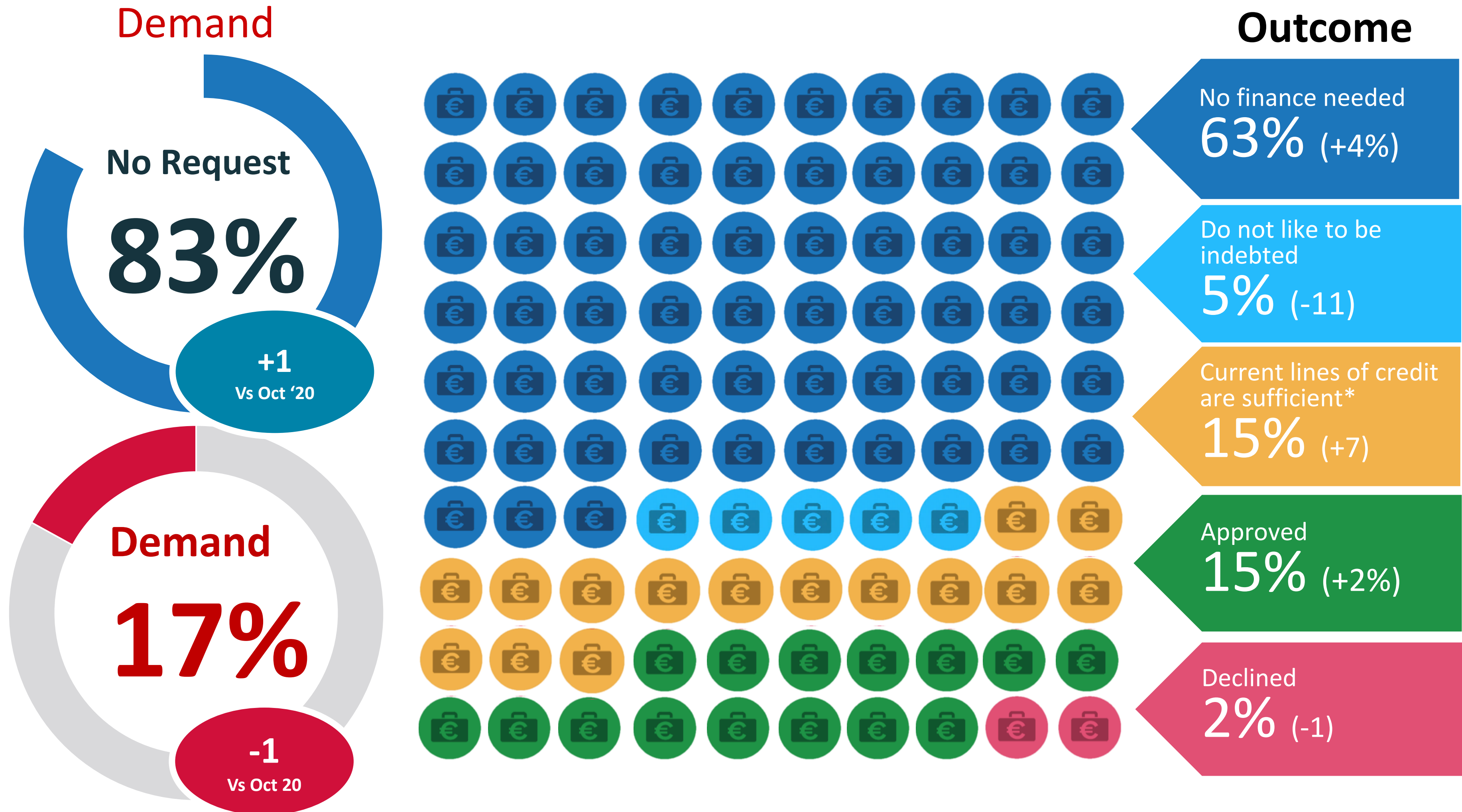
Survey findings and developing trends



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SME Demand for Credit

Overview of SME Credit Demand Survey April – September 2021



Credit Demand (2011 to 2021)

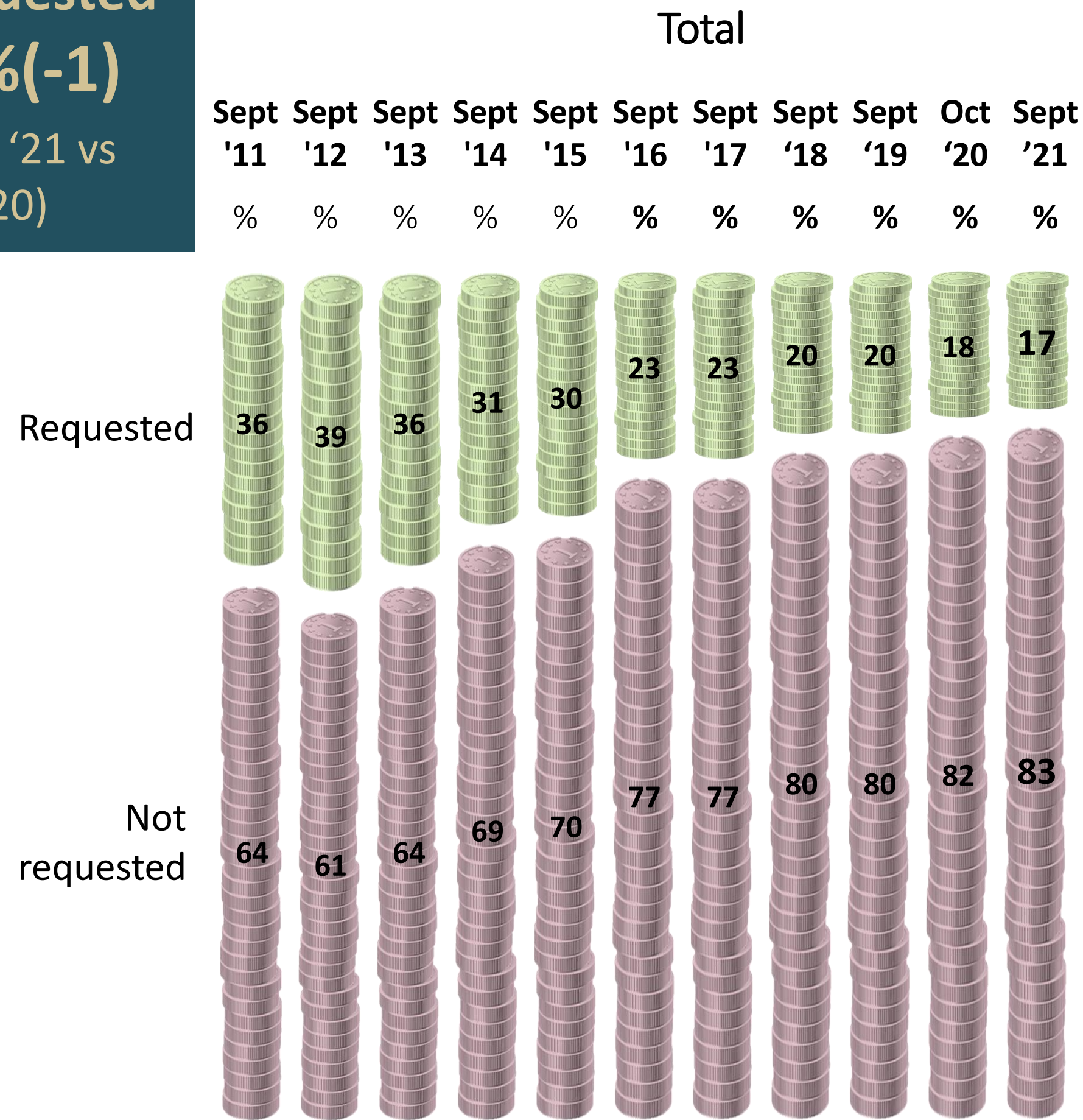
(Base: All SMEs – 1,502)



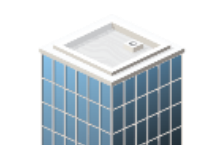
Demand

Requested

17%(-1)

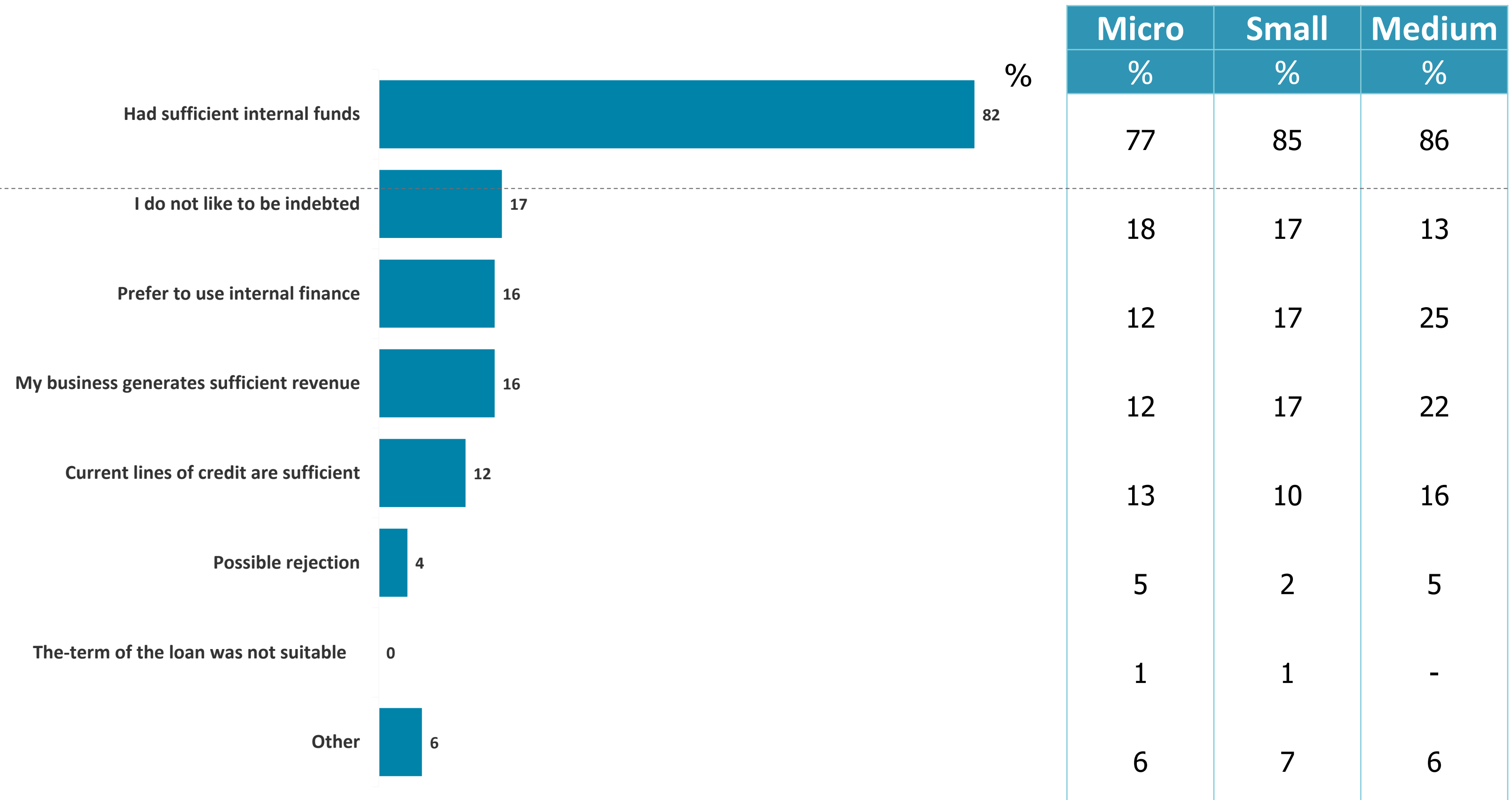
(Sept '21 vs Oct '20)



	Requested By Company Size											Demand
	Sept '11 %	Sept '12 %	Sept '13 %	Sept '14 %	Sept '15 %	Sept '16 %	Sept '17 %	Sept '18 %	Sept '19 %	Oct '20 %	Sept '21 %	Sept '21 vs Oct '20
Micro 	27	36	30	24	24	20	18	15	14	16	11	-5%
Small 	41	41	39	38	34	24	26	24	25	18	19	+1%
Medium 	41	43	39	32	34	28	26	22	23	21	25	+4%

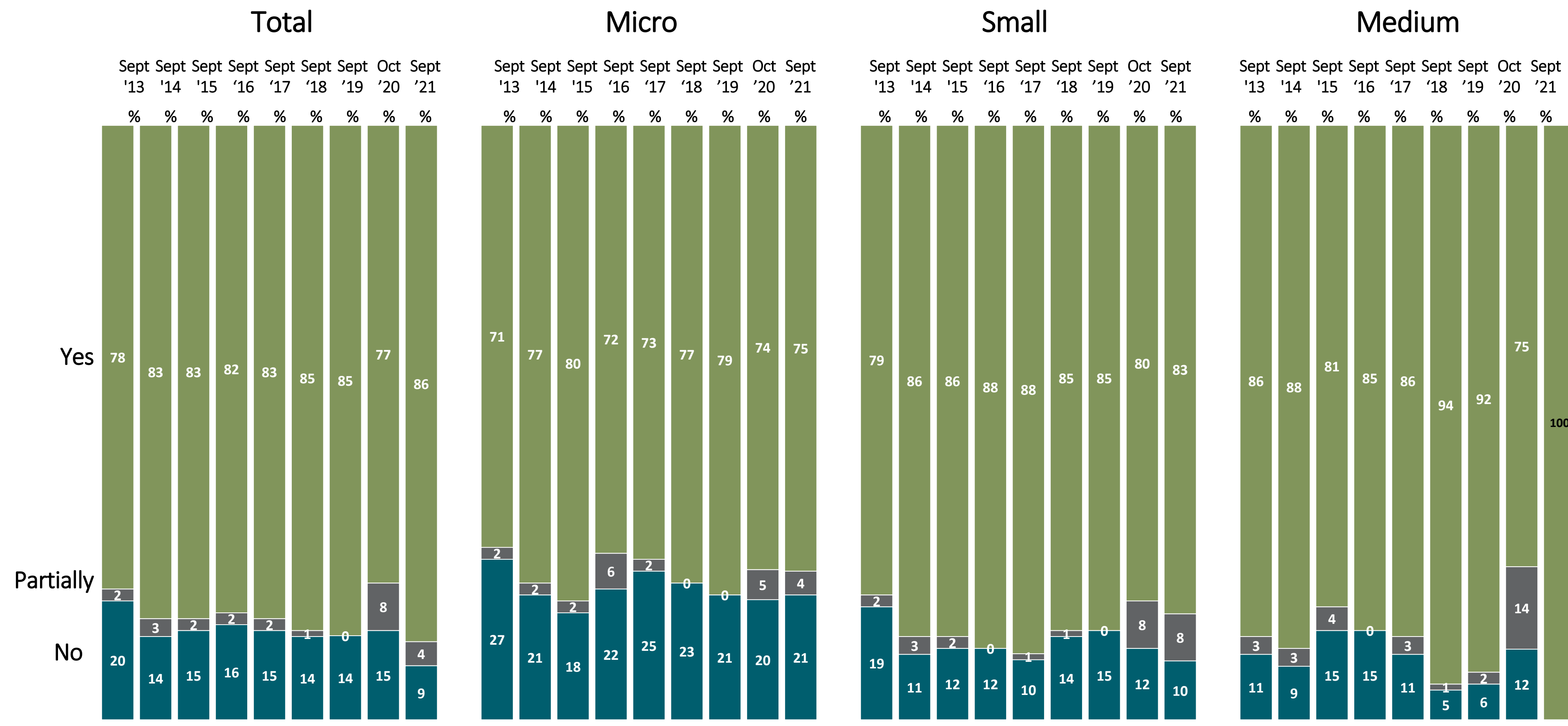
Reasons did not look for external finance

(Base: All SMEs no finance requested – 1,290)



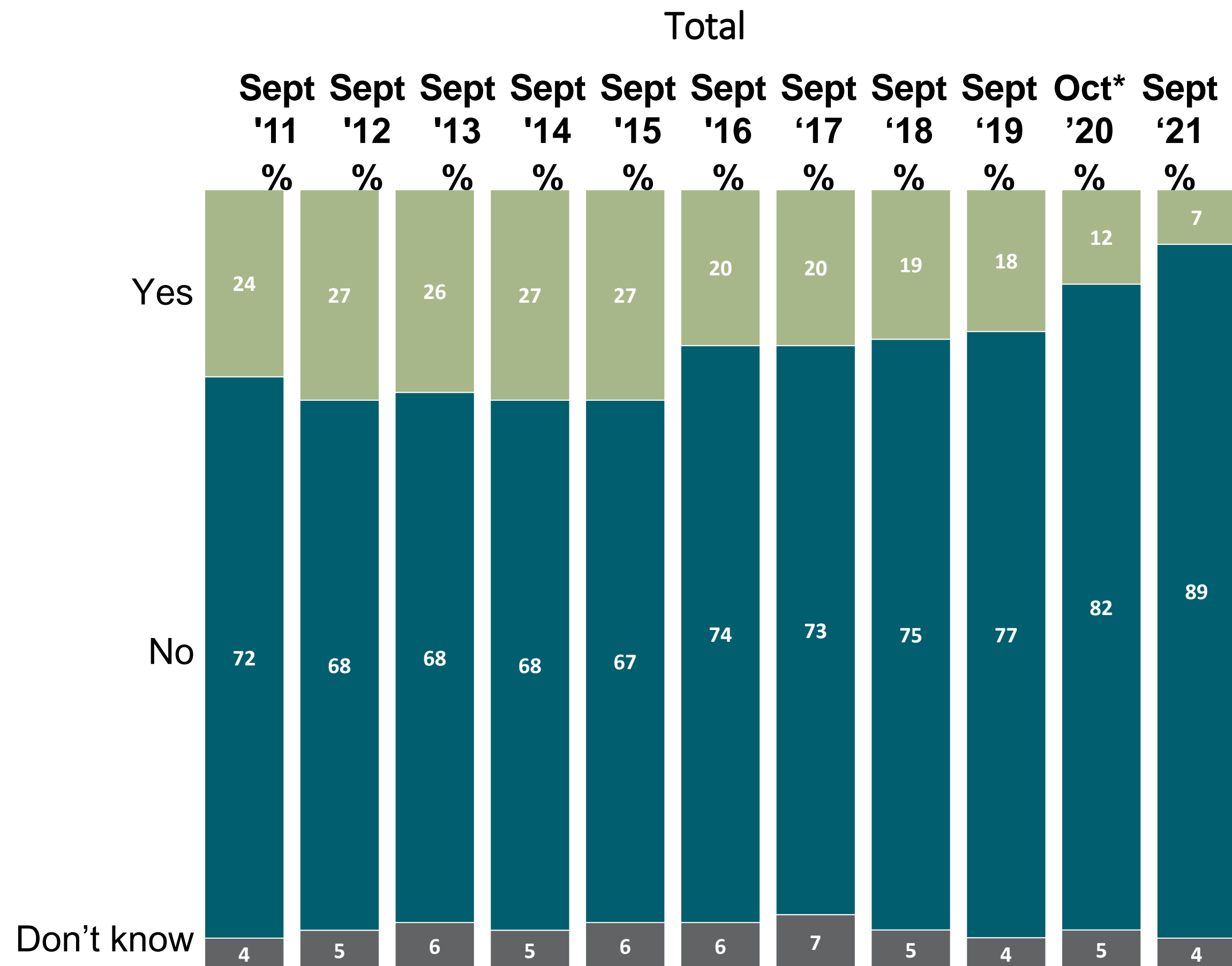
Status Of Application At Date Of Survey

(Base: All SMEs Seeking Finance, excluding pending – 212)



Expecting to Seek Bank Finance In Next 6 Months/Between now and the end of 2021

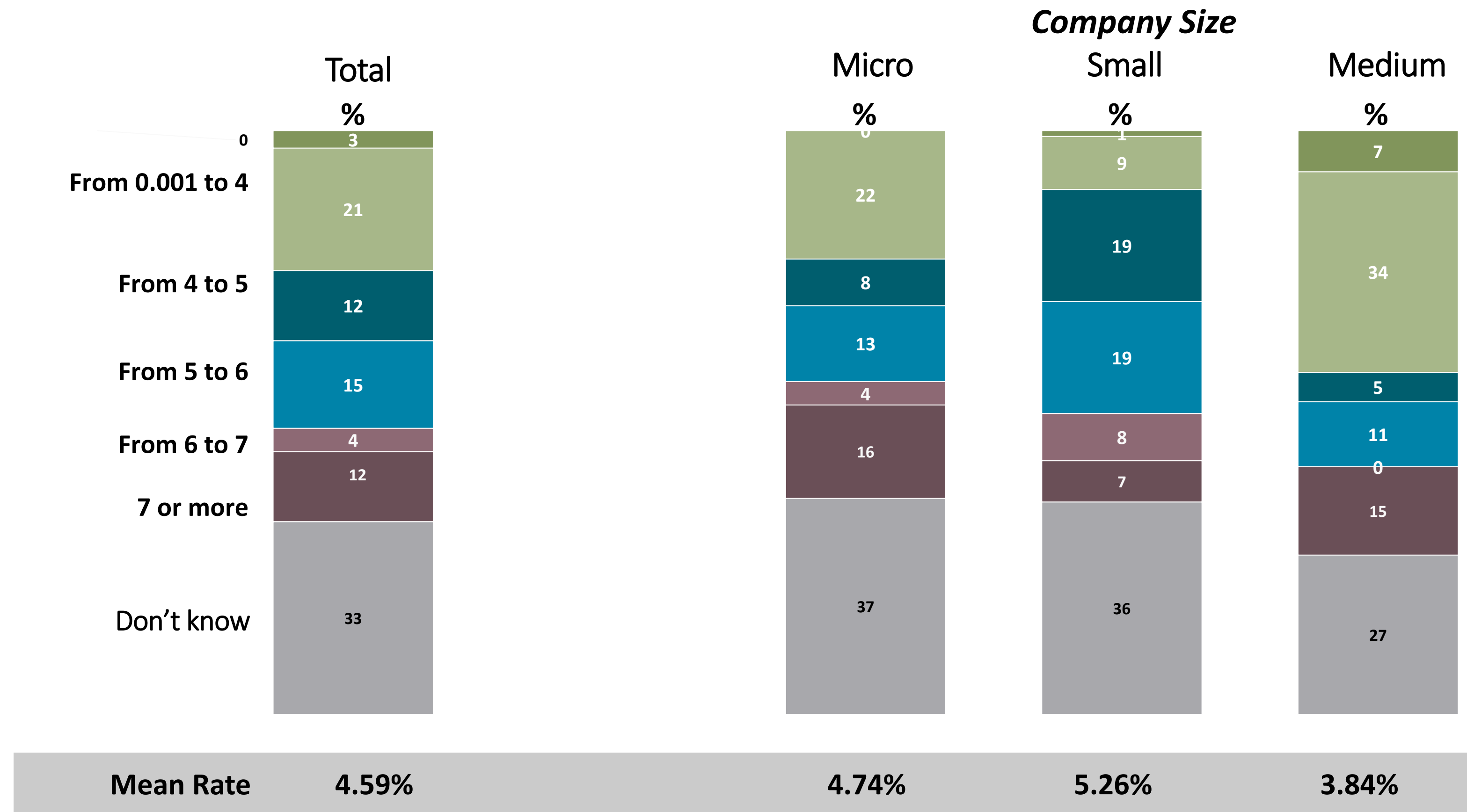
Base: All SMEs – 1,502)



Expect to Request By Company Size											
	Sept '11	Sept '12	Sept '13	Sept '14	Sept '15	Sept '16	Sept '17	Sept '18	Sept '19	Oct' 20	Sept '21
Micro	21	24	22	22	22	19	17	15	15	13	7
Small	25	28	25	31	31	22	22	23	22	12	8
Medium	30	29	31	30	27	17	23	21	19	14	8

Average Costs Of Credit (Interest Rate) For Outstanding Loans

(Base: All SMEs successful/partially successful - 181)



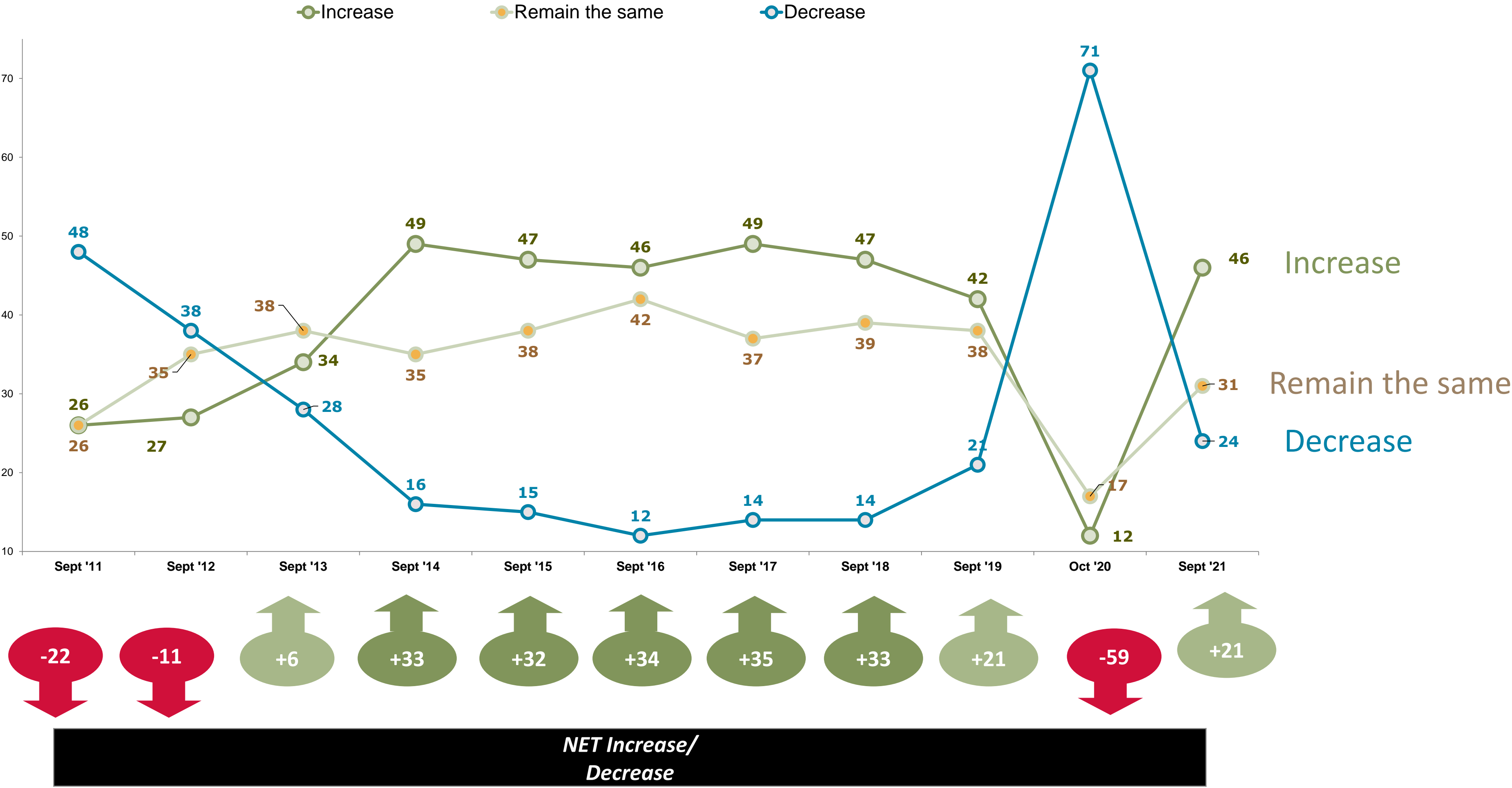


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SME Trading Performance

Turnover of the Business (2011 to 2021)

(Base: All SMEs – 1,502)



Turnover of the Business – 2021 vs 2019 Average x Sector

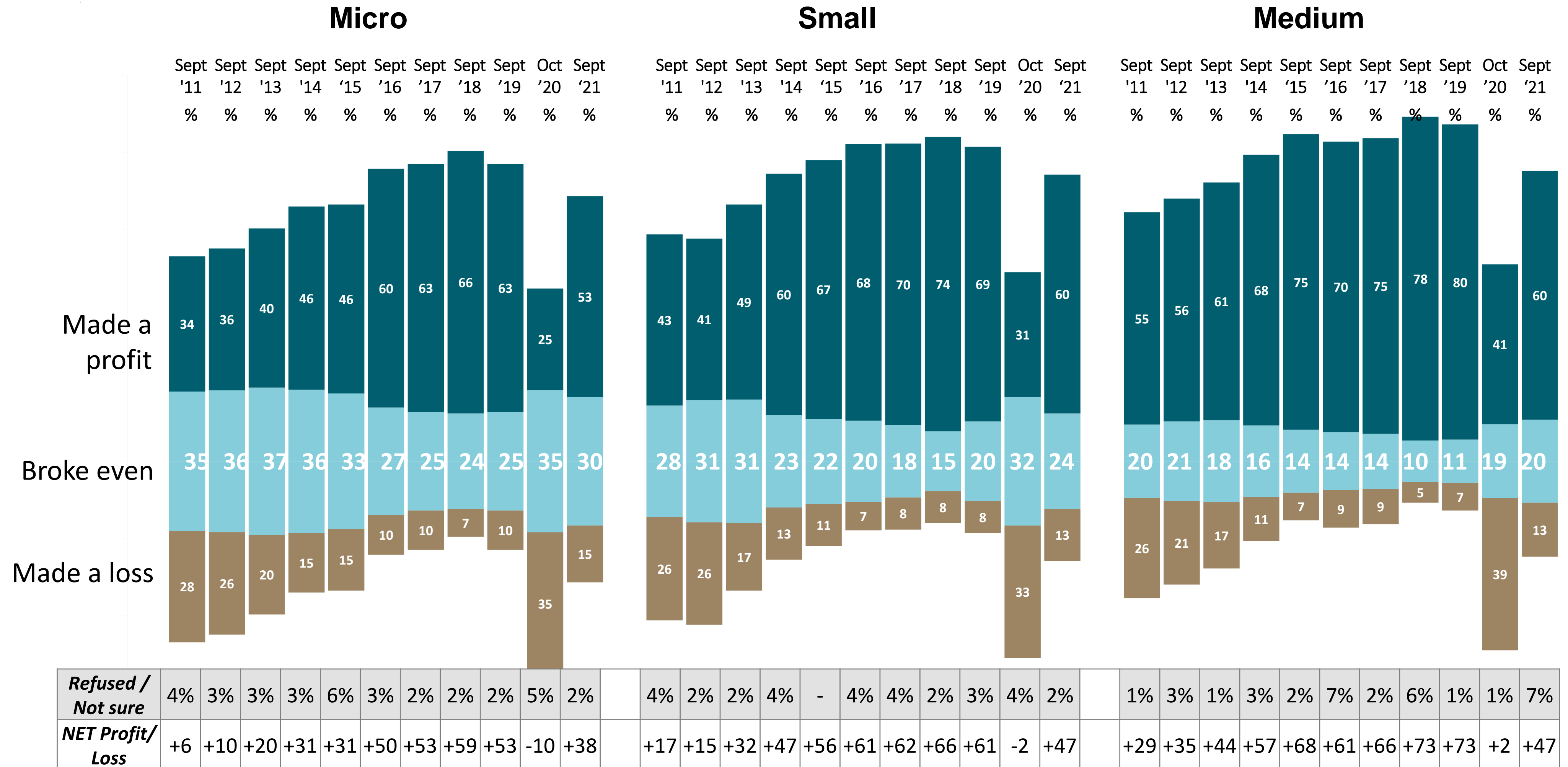
Base: All SMEs who answered – (Oct 2020 to Sept 2021 N - 1,108)/(Oct 2018 to Sept 2019 N - 1,038)

September 2021



Profit In The Business (April – Sept 2021) x Company Size

(Base: All SMEs – 1,502)



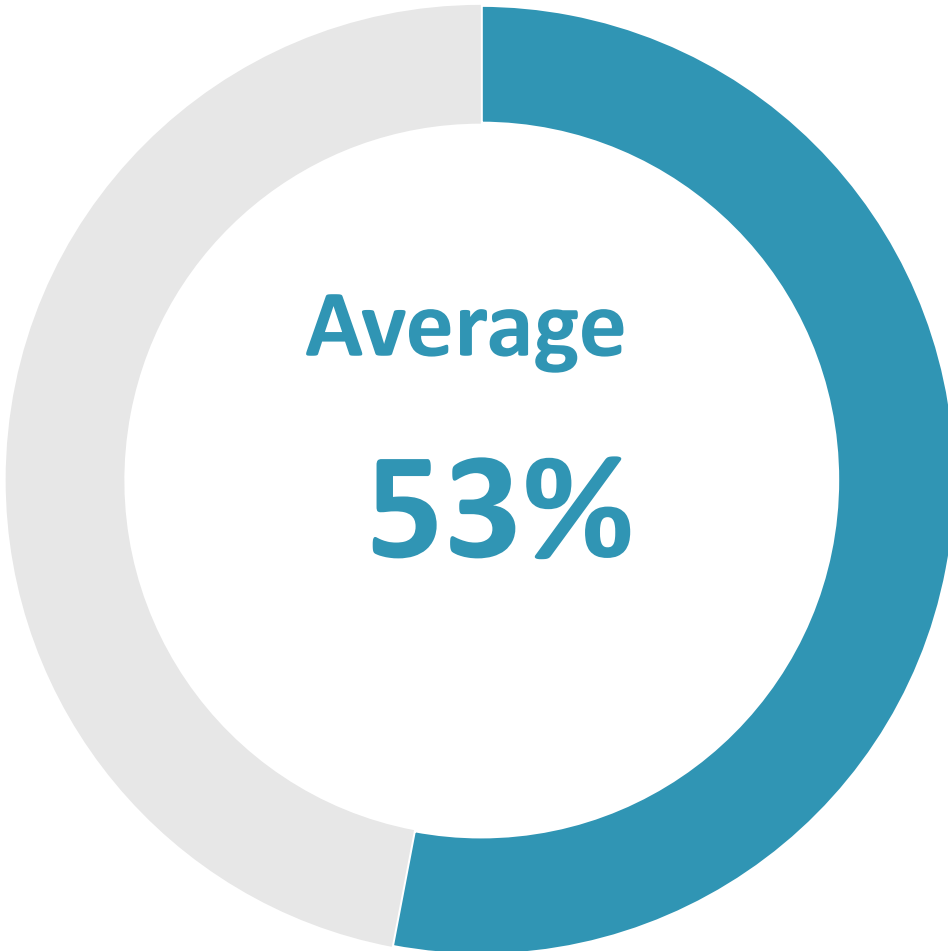
Outstanding Debt owed to Retail Banks/Other

(Base: All SMEs who answered – 591)

What is the approximate share of your outstanding debt owed to

Retail Banks

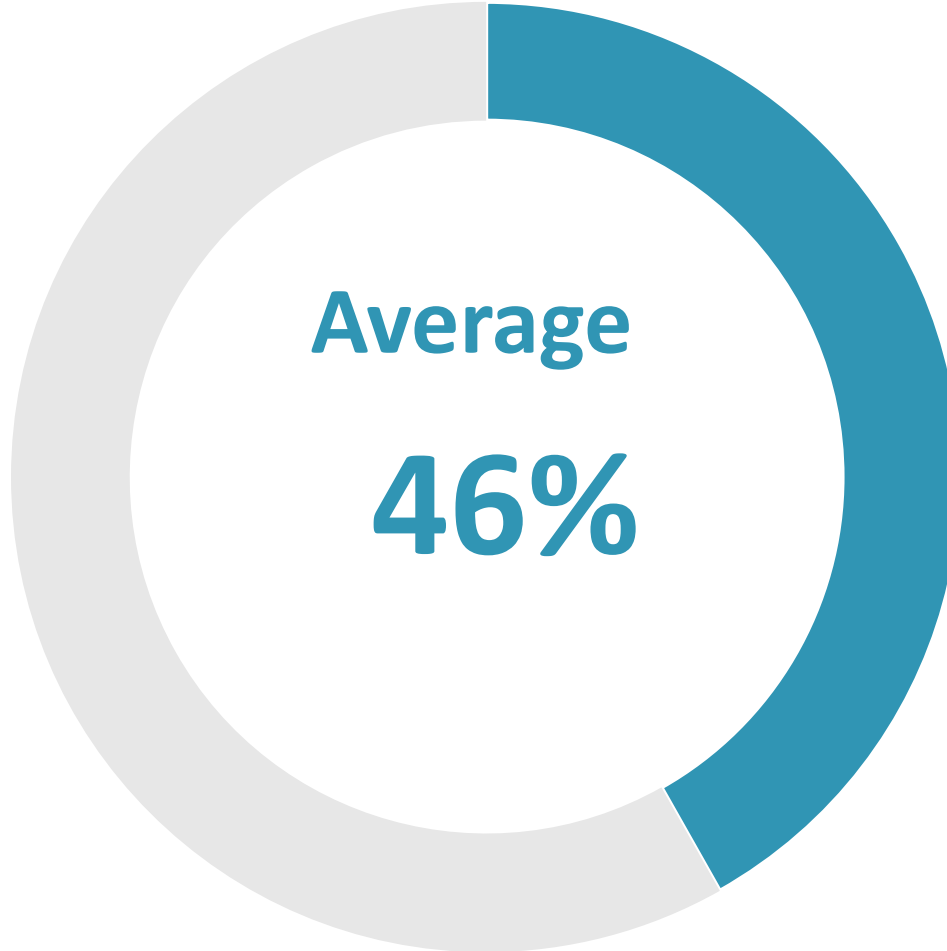
N - 591



What is the approximate share of your outstanding debt owed to

Other Non-Banks

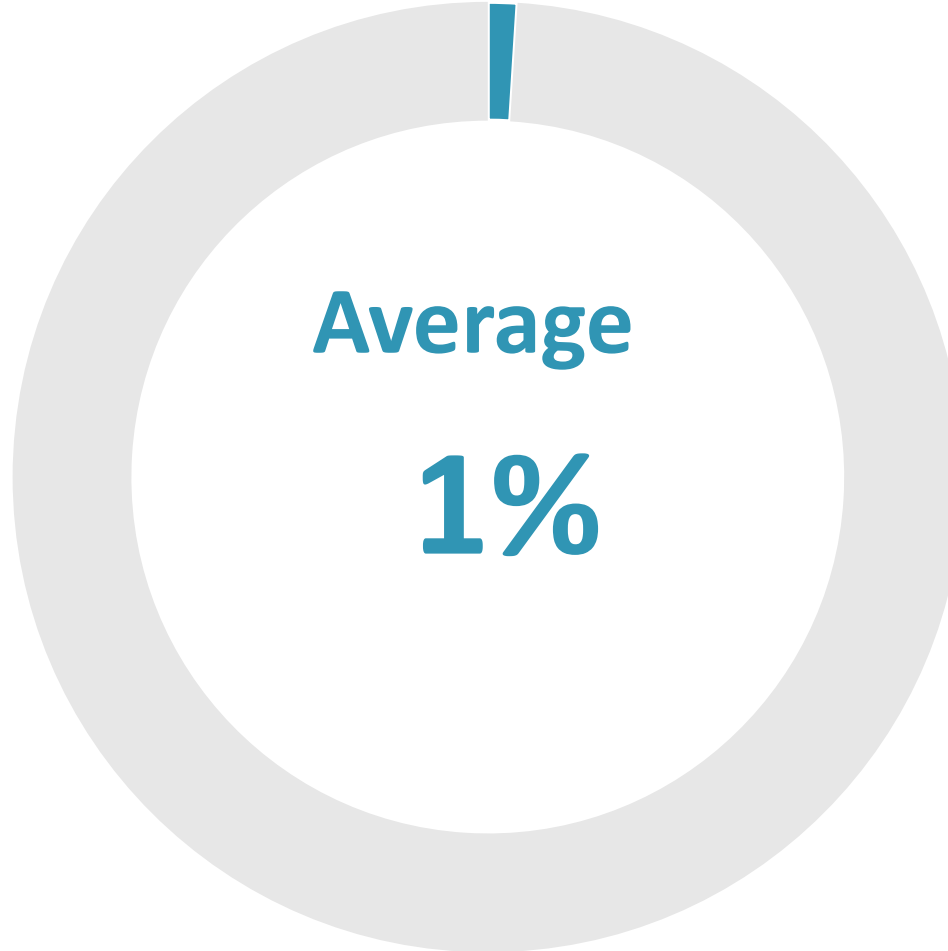
N - 591



What is the approximate share of your outstanding debt owed to

Credit Unions

N - 591



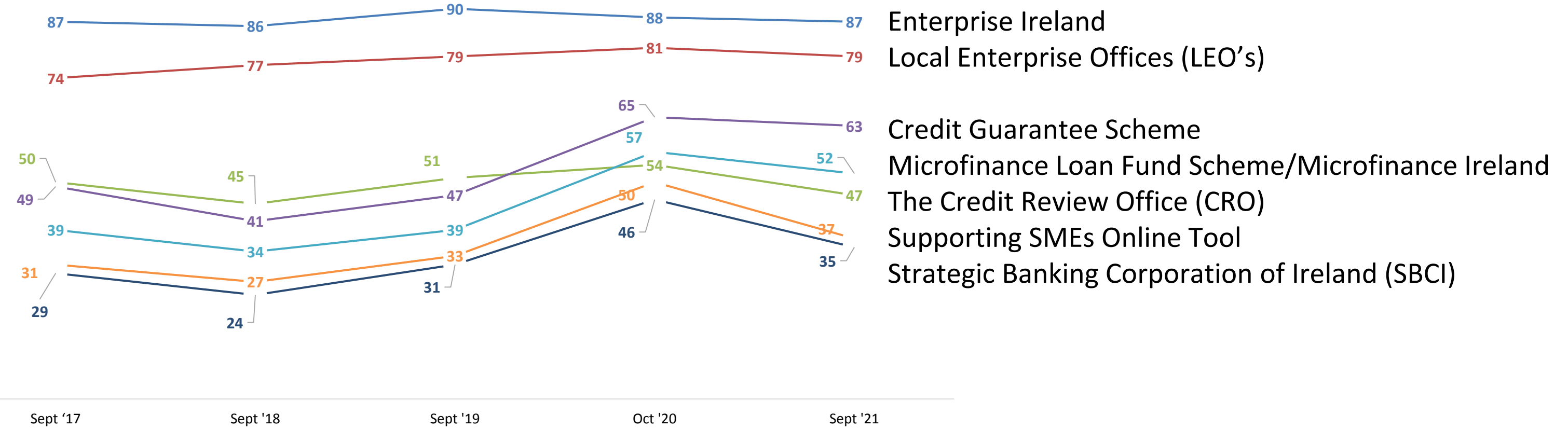


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State Supports

Awareness Of Support and Initiatives

(Base: All SMEs – 1,502)



	Sept 2017	Sept 2018	Sept 2019	Oct 2020	Sept 2021
	%	%	%	%	%
Enterprise Ireland	87	86	90	88	87
Local Enterprise Offices (LEO's)	74	77	79	81	79
The Credit Review Office (CRO)	50	45	51	54	47
Credit Guarantee Scheme	49	41	47	65	63
Microfinance Loan Fund Scheme/Microfinance Ireland	39	34	39	57	52
Supporting SMEs Online Tool	31	27	33	50	37
Strategic Banking Corporation of Ireland (SBCI)	29	24	31	46	35
Other government support	2	3	2	7	5
None	9	9	5	1	4

Reasons for Not Applying for Government Supports in Past Six Months

(Base: All SMEs did not apply for any government financial support - 1326)

Reason for Not Applying for Government Financial Support	Sept '14	Sept '15	Sept '16	Sept '17	Sept '18	Sept '19	Sept '21
	%	%	%	%	%	%	%
Don't need this type of financing	66	64	69	68	71	70	74
Lack of knowledge	24	18	11	10	7	5	6
I don't believe this source is relevant for my business or sector	12	15	4	9	6	13	4
Already have this type of financing in place so do not need more	1	2	2	1	1	3	3
Application process too difficult	2	3	2	1	1	1	2
Don't want to lose control of business	5	2	2	1	1	2	2
Previously rejected for this type of finance	1	2	1	1	0	1	0
Costs/Fees are too high	1	1	1	1	0	1	1
Terms and Conditions too onerous	1	1	1	1	1	2	2
Used in past but not currently relevant	0	1	1	1	1	1	1



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Conclusion

- Credit Demand Survey is an important policy tool for the Department and the wider SME research community.
- Dept. sees the importance of ensuring the continuance of the core data set built since 2011, while also ensuring that the survey is flexible enough to be able encapsulate emerging issues affecting the SME environment.
- Overall bank credit has declined over the last decade.
- Overall trading performance was strong despite a severe recent shock and is currently broadly positive which is indicative of resilience of SMEs.
- High reliance on internal finance for both working capital and investment purposes, which at face value is a suboptimal way for SMEs to finance their business.
- The survey has shown us that the continued hesitancy from SMEs to access bank credit is greater than supply side systemic SME access to credit issues.



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Thank You