

# Credit Demand Survey gives valuable insight into understanding of Irish SME Covid-19 landscape - Donohoe

From [Department of Finance](#)

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The Minister for Finance, Paschal Donohoe TD, has today published the latest in its series on SME Credit Demand Surveys which covers the period March – October 2020. This survey series is currently being conducted by Fitzpatrick Associates in conjunction with Behaviour and Attitudes, on behalf of the Department of Finance.

It is the most comprehensive survey of SME Credit Demand in Ireland, covering over 1,500 respondents through in-depth discussions. The survey ensures that it captures a full picture of the SME landscape in Ireland, with micro enterprises, small-sized enterprises and medium-sized enterprises accurately represented as per the percentage make-up of SMEs in Ireland.

While the survey is conducted biannually, for presentation purposes, the report uses year-on-year comparisons.

Key results include:

- 18% of SMEs report having applied for bank finance since the onset of Covid-19 (-2%, Sept '19).
- 12% of SMEs expect to apply for finance in the next six months (-6%, Sept '19).
- 72% of SMEs that did not apply for credit reported they had sufficient internal funds and thus they did not need external finance.
- 29% of SMEs surveyed reported increased or stable turnover since the onset of Covid-19 compared to 80% in September 2019, with the greatest decline from the hotels & restaurants sector which reported a 96% decrease.
- Awareness of government supports was highest for the Temporary Wage Subsidy Scheme, now replaced by the Employment Wage Subsidy Scheme (94%), Enterprise Ireland initiatives (88%), and Local Enterprise Office initiatives (81%).
- 73% of SMEs were aware of payment breaks, with 65% aware of the Credit Guarantee Scheme and 60% aware of Tax Warehousing.
- 60% of SMEs report having availed of the Temporary Wage Subsidy Scheme including 73% of small and 67% of medium-sized enterprises.
- 64% of SMEs reported that they had no pre-COVID unpaid invoices. The average number of pre-COVID invoices that remain unpaid across all SMEs was 10%.

On the publication of the SME Credit Demand Survey Minister Donohoe said:

‘I welcome the results of the latest SME Credit Demand Survey, March – October 2020, which give us important insights into how SMEs in Ireland area are dealing with the impact of COVID-19 restrictions’.

“One of our main concerns is to ensure that SMEs continue to have access to sufficient liquidity, and that access to credit for SMEs is maintained. The Government has announced a range of measures to assist companies deal with the consequences of the COVID-19 restrictions, and to ensure that they have access to sufficient liquidity and I particularly welcome the high level of awareness among SMES for these supports.

“I would like to take this opportunity to sincerely thank all those SMEs that took part in this survey. The SME Credit Demand Survey series allows us to gain vital understanding of the Irish SME landscape and is an invaluable resource that allows us to develop, refine and implement policy measures to support our indigenous businesses.”

ENDS

### **Note for Editors:**

#### Background of Report

The SME Credit Demand Survey has been conducted biannually since 2011 to monitor trends in access to credit by SMEs. Please note while the survey is conducted on a 6 monthly basis, for presentation purposes, the report uses year-on-year comparisons.

The report published today presents the results from the SME Credit Demand Survey March – October 2020. Conducted by Fitzpatrick Associates in conjunction with Behaviour and Attitudes, all interviews took place between 25 August and 12 October 2020.

The Department has conducted the SME Credit Demand Survey in order to have an independent and statistically significant report into the Irish SME landscape and the availability of, and demand for, credit that exists for SMEs. The survey was conducted through a telephone survey covering over 1,500 businesses. It drew a carefully constructed sample from a large database of SMEs, made repeated calls to ensure a full response and asked factual questions. The full questionnaire is included in the report. The report and previous reports are available on the Department of Finance website at [SME Credit Demand Surveys](#).

### **Summary and key findings**

The following is the summary of results from the SME Credit Demand Survey. All interviews were conducted between 25 August and 12 October and covered the period from the onset of COVID-19 restrictions (mid-March 2020) to interview date. Throughout the report, the most recent wave of findings is compared with corresponding waves from previous September survey waves. This ensures that historical comparisons are being made on a like-for-like basis, taking any seasonal issues into account.

#### Trading Performance

- 29% of all businesses surveyed reported increased or stable turnover since the onset of Covid-19 compared to 80% in September 2019.
- The turnover of all businesses across all SME sectors is significantly lower than corresponding levels registered at any stage throughout the SME Credit Demand Survey series, with the greatest decline registering in the hotels & restaurants sector (-96%)
- More SMEs in Ireland (35%) report having made a loss since the onset of Covid-19 than report having made a profit (31%).
- Of those firms that made a loss, the average level of profit decline is 48%.
- Of those companies that made a profit, the average level of profit increase reported is 17%. This differentiated by SME size, with 41% of medium-sized companies indicating they made a profit since the onset of Covid-19, compared 31% of small companies and 25% of micro companies.
- The average number of pre-COVID invoices that remain unpaid for all SMEs was 10%, with 64% of SMEs reporting that they had no unpaid invoices.

#### Demand for Bank Finance:

- 18% of SMEs applied for bank finance since the onset of COVID-19 (mid-March '20), a 2% decline on September '19.
- 12% of SMEs stated that they were expecting to apply for finance in the next 6 months, a significant decline on the 18% reported in Sept '19.
- 72% (-7%, Sept '19) of those SMEs that did not apply to bank credit cited sufficient internal funds as their reasoning. 19% stated that they did not wish to be indebted, while 13% believed that their current lines of credit were sufficient.
- New loans, new overdrafts and the renewal/restructuring of existing overdrafts were the main bank finance products requested by SMEs since the onset of COVID-19.
- The demand for new loans or hire purchase have declined by 14% and 12% respectively, while new overdraft and renewal/restructuring of existing loans requests have increased by 12% compared to Sept '19.
- The average cost of credit on outstanding loans was reported at 5.8%, up from 5.1% in Sept '19. However, 35% of SMEs were not certain of the interest rate attached to their outstanding loans.

#### Application Process:

- 59% of SME requested bank finance for working capital purposes, followed by 16% for new business venture/acquisition of assets/expansion requirements, 10% for invest in machinery or equipment, 10% for covering fixed payments while businesses shut down due to COVID and 9% for the adaptation of businesses due to COVID social distancing requirements.
- On average, Medium sized companies (at €387,660) sought higher levels of new bank finance than Micro (€47,000) or small companies (€220,132)
- 15% of credit applications were declined (+1%, Sept '19)

#### Government supports:

- Awareness of business support and initiatives was highest for the Temporary Wage Subsidy Scheme (TWSS) (94%), Enterprise Ireland initiatives (88%), and Local Enterprise Office initiatives (81%).

- 73% of SMEs were aware of payment breaks, with 65% aware of the Credit Guarantee Scheme and 60% aware of Tax Warehousing.
- 60% of SMEs report having availed of the TWSS, rising to 73% of small businesses and 67% of medium-sized enterprises. In addition, one in five of all SMEs have availed of Tax Warehousing, a figure which rises to just over a third of all medium-sized SMEs.
- The hotels and restaurants sector has been most likely to avail of the TWSS and Tax Warehousing facilities, with a majority of the manufacturing sector (59%) and the wholesale sector (56%) having availed of the TWSS scheme.
- 9% of hotels and restaurant businesses have also availed of SBCI products, as has 8% of manufacturing SMEs.
- 86% of SMEs report having invested in their business in line with public health guidelines since the onset of Covid-19, with the average amount invested just under €14,000, the majority of them doing so through internal finance.