

P R E S S R E L E A S E

Monday 26th March 2018

ACCESS TO FINANCE MUST BE LESS RESTRICTIVE FOR SMEs

- **Loan refusal rates decrease from 32% to 24%.**
- **SME demand for credit drops from 42% to 31%.**
- **49% stated that banks are making it more difficult to access finance.**
- **Businesses wait on average 6 weeks from decision to drawdown.**
 - **Drop in awareness of alternative sources of finance.**
 - **7% of businesses have had their debt sold by their lender.**

ISME, the Irish SME Association released its **Quarterly Bank Watch Survey** Q1 today (March 26th). The results show a decrease in refusal rates and a drop in demand for credit, while the waiting time from decision to drawdown remains unchanged at 6 weeks. The Association calls on the banks to provide less restrictive and cheaper access to finance for SMEs.

ISME CEO Neil McDonnell said *“While we welcome the reduction in the number of refusals in Q1’18, access to finance remains critical for many SMEs. Even when finance is available, it comes at a significant premium to that paid by SMEs in peer countries, and with more strings attached. So even when our SMEs are successful in acquiring credit, they are penalised with higher costs and unjustifiable conditions”*

He added,

“The latest Central Bank SME Market report shows the difference between Irish banks and European banks. It costs an average of 5% for an Irish SME to borrow €250,000 from a bank, compared with only 3.3% across most of Europe. This differential is significant and must be reduced.”

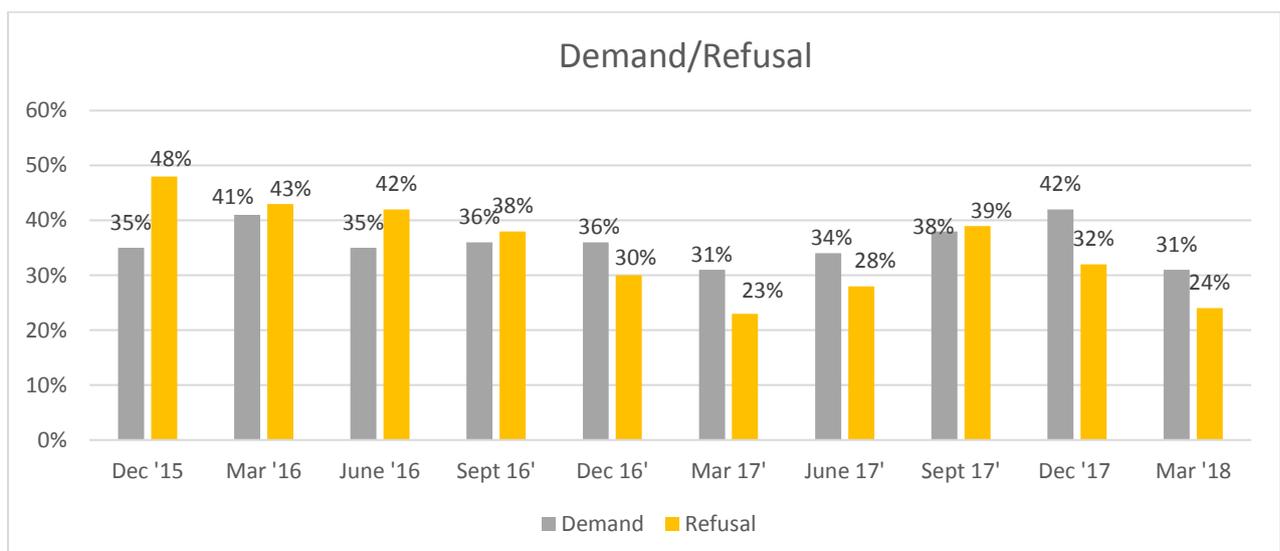
The main findings from the 524 respondents in the second-last week of March are as follows:

- **31% of respondents required additional or new bank facilities in the last 3 months, compared with 42% in the previous quarter.**
- **24% of companies who applied for funding in the last three months were refused credit by their banks, a decrease on the 32% in Q4.**

- Awareness of the Credit Review Office and Credit Guarantee Scheme dropped from 76% to 74% and 70% to 66% respectively. 60% (65% in Q4) know about the Micro Finance scheme.
- 36% of applications are awaiting on a decision at the end of March, an increase from the previous quarter of 23%.
- On average, businesses are waiting 4 weeks for an initial decision on loan applications. The wait time for drawdown remains at 2 weeks.
- 24% of initial bank decisions were made within the first week; an increase from 23% on previous quarter. 47% are waiting 4 to 6 weeks, while 6% are waiting more than 10 weeks
- 47% of those who required funding made a formal application, a decrease from 63% in the previous three months, while informal applications increased from 73% to 77%
- Of the 71% approved for funding, (5% of whom were partially successful), 69% have drawn down finances either fully or in part.
- 44% of respondents had cause to be concerned about bank fees and charges.
- 55% state that the Government is having either a negative or no impact on SME lending, a decrease from 64% on the previous quarter.
- 7% of businesses report that their debt has been sold by their lender to another institution

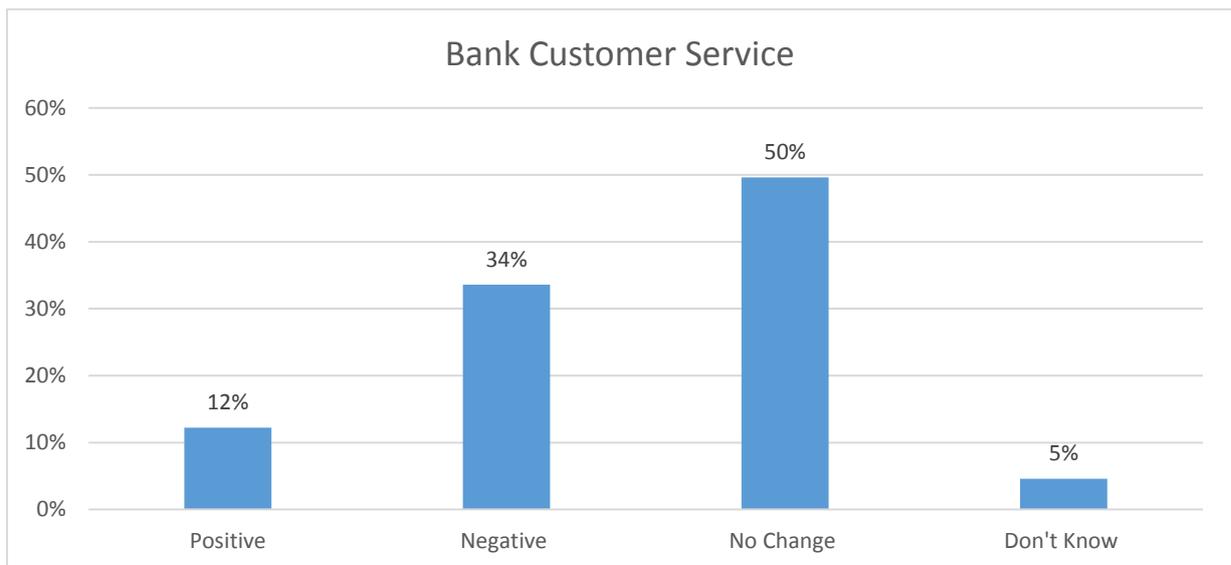
The Association calls for:

- SBCI funds to be promoted by banks and used appropriately for SMEs.
- Honest and reliable reporting from the rescued banks, through the Department of Finance and Central Bank.
- Investigate other sources of finance that can be made available to viable cash-starved SMEs.
- A reduction in the exorbitant interest rates charged to SMEs.



	Mar'17	June'17	Sept'17	Dec' 17	Mar'18
Required change in bank facilities in last 3 months	31%	34%	38%	42%	31%
Unsuccessful	23%	28%	39%	32%	24%
Approach the Bank	93%	90%	81%	86%	72%
Made Informal Approach	76%	88%	76%	73%	77%
Made Formal (Written) Approach	72%	60%	67%	63%	47%
Banks making it more difficult for SMEs	45%	52%	51%	50%	49%
Aware of banks appeals procedure	62%	62%	66%	54%	55%
Aware of Credit Review Office	73%	77%	76%	76%	74%
Aware of Credit Guarantee Scheme	66%	73%	76%	70%	66%
Aware of Micro Finance Scheme	60%	58%	68%	65%	60%

We asked our members to note what their experience with their bank has been like over the last 3 months. 12% stated their experience was 'positive', 34% stated it was 'negative', 50% said 'no change', while 5% said the 'didn't know'.



ENDS

For further information, please contact

Neil McDonnell, Chief Executive

T: 01 6622755, M: 087 2995658

E: neil@isme.ie

Note to Editors:

This survey was conducted in the third week of September, covering the three months of December, January and February. There were 524 SME owner manager respondents.