

Credit Crunch Survey

Conducted by the County & City Enterprise Boards June 2009

Executive Summary:

This online survey was conducted amongst clients and contacts of the County and City Enterprise Boards (CEBs) during June 2009. The main objective of the survey was to ascertain whether CEB contacts/clients were experiencing difficulties accessing credit and whether there had been any significant changes on accessing credit since the previous study conducted six months previously. A satisfactory response level of 1,076 responses was achieved from across the CEB network.

An issue with availability of credit was identified with respondents indicating that this availability was either worse or the same as it was six months previously. As a result of this over half of respondents expressed the view that their business was curtailed by banking restrictions, again when compared to the survey six months ago. This is of concern as this previous survey had already identified that the businesses participating in the survey indicating that businesses are now further curtailed.

The most common means of curtailment was by bank overdraft/bank loan restrictions, also additional charges, no processing of loans and higher levels of security – with the no processing of loans in particular being higher in this survey than in the previous. Other sources of credit were predominantly credit union, CEB and private investors. It is of interest that working capital requirements were significant with over half of respondents requiring a minimum of €15,000 but also many requirements at lower levels (which was more of an issue at this lower level than in the previous survey).

Many respondents considered the effect of the current banking situation on trading and business operation to be serious, with half of respondents indicating that it was either serious (33%) or very serious (17%). Of those who had sought additional credit from a banking institution almost half, at 47%, said that they had been rejected whilst 27% said they had succeeded (with 26% having just applied). This is a higher proportion of respondents indicating that they have been refused additional credit than when the survey was conducted six months previously, whilst the proportion of those who said they had succeeded had fallen slightly from the previous survey.

One third of respondents to this survey felt that their business was at risk of closure (higher than previous survey). However with regard to employment at risk the situation has improved somewhat from the survey six months previous suggesting that many layoffs have already taken place – this time there are a lower % of jobs at risk over the next six months and lower intentions to reduce staff with two fifths of respondents indicating that employment was currently not at risk in their enterprise.

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Introduction:

An online survey was circulated to County and City Enterprise Board (CEB) contacts/clients during June 2009. The main objective of this survey was to ascertain whether CEB contacts/clients were experiencing difficulties accessing credit as a consequence of the global credit crunch. It was also of interest whether there had been any significant changes on accessing credit since the previous study was conducted during November/December 2008.

This survey was designed and developed by Dun Laoghaire Rathdown CEB who distributed the survey hyperlink to all CEBs. Each CEB was responsible for distribution of this survey hyperlink to their email contacts and clients. Through facilitation of this survey distribution a high number of responses were obtained across the CEB network thereby increasing the reliability and validity of these survey findings.

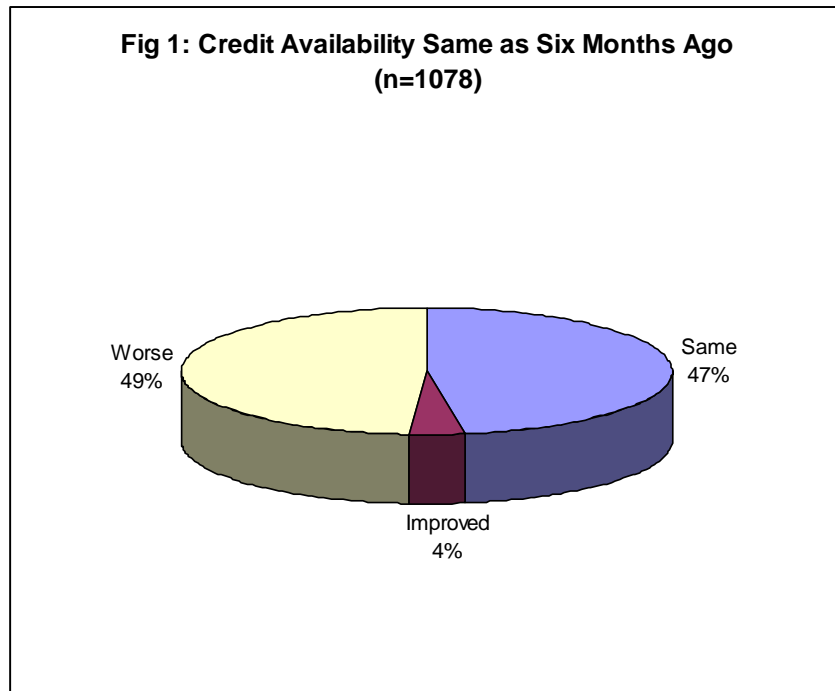
The questionnaire used in this survey is in Appendix One. A total of 1,076 responses were received. Responses were analysed by the CEB Central Coordination Unit (CCU), Enterprise Ireland. Relevant findings are outlined in the following sections.

Responses were received from the vast majority of CEBs (34) with the highest level of respondents from Dublin City, Wicklow and Fingal CEBs.

Main Findings:

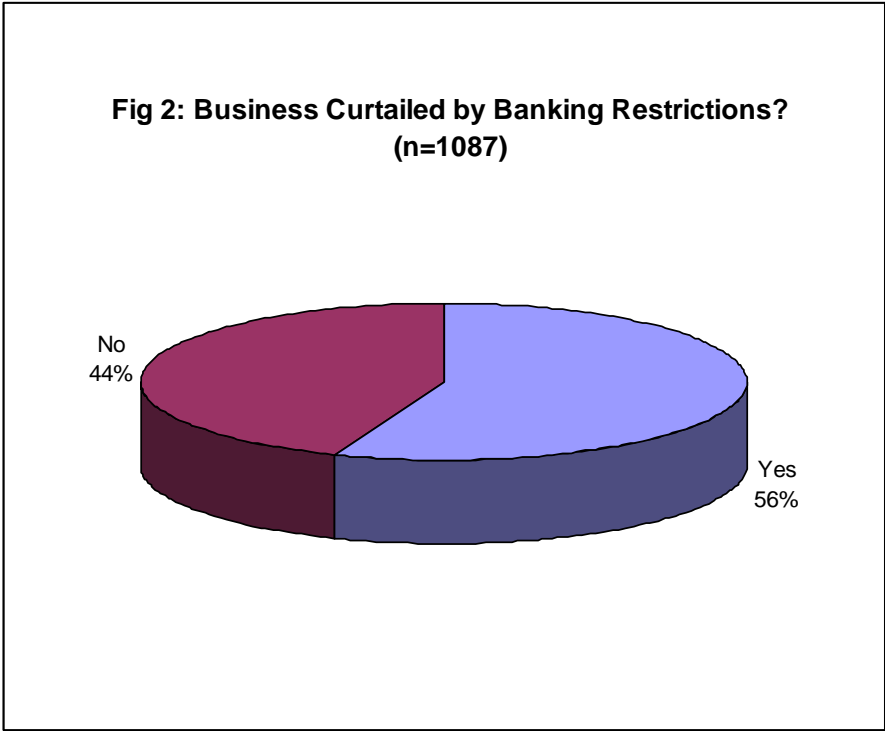
1. BANKING RESTRICTIONS

Respondents were asked whether the credit availability situation was the same as the previous survey six months previous.



Just under half of all respondents (49%) felt that credit availability was worse than six months ago with almost as many responding that it was the same (47%). Just 4% of respondents to this question felt it had improved.

Respondents were asked whether they felt their business was being curtailed by banking restrictions when compared to six months ago.



Over half of respondents expressed the view that their business was curtailed by banking restrictions, at 56%, when compared to six months ago. This is especially noteworthy as over half of businesses responded that their business was being curtailed in the previous survey (54%), indicating that businesses perceive themselves as being further curtailed in the most recent survey (see Fig 3).

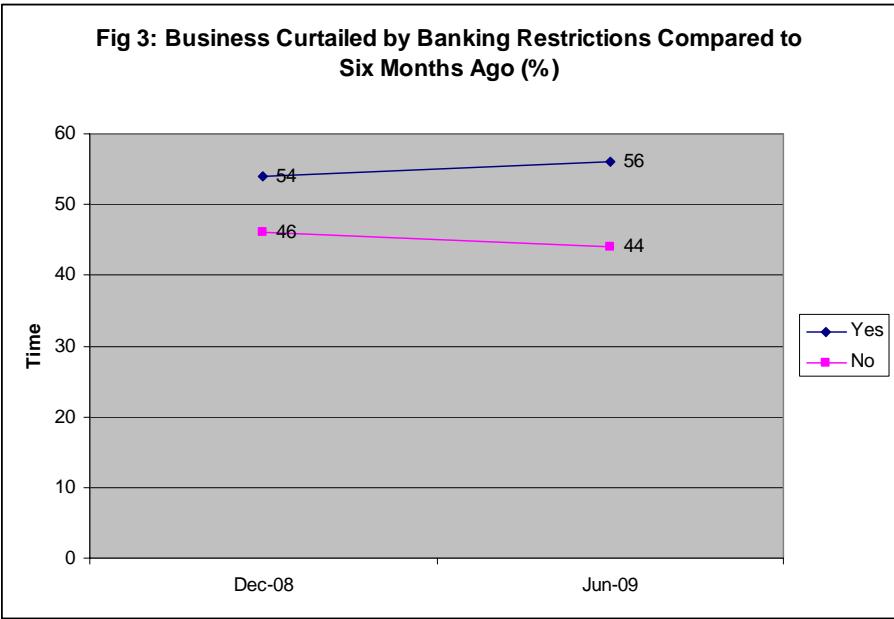


Table 1: How Business Being Curtailed (n=602)

	%	Frequency
Bank Overdraft/ Bank Loan Restrictions	76.7%	462
Additional Charges	34.6%	208
No processing of Loans	32.7%	187
Higher levels of security	30.1%	181
Other	22.7%	137

In the case of those whose business are being curtailed the most common reason continues to be by bank overdraft/bank loan restrictions.

The greatest increase from the previous survey is the higher number of respondents who indicated “no processing of loans” to be curtailing business – “no processing of loans” has increased as a reason from the previous survey of 27.7% of respondents to 32.7% in this survey. There were also marginal increases in this survey in the proportion who regarded “bank overdraft/bank loan restrictions” and “higher levels of security” whilst “additional charges” had declined by a small proportion (see Table 2 for comparison with previous survey results).

Table 2: How Business Being Curtailed December 2008 Vs June 2009

	December 2008 %	June 2009 %
Bank Overdraft/ Bank Loan Restrictions	74.5%	76.7%
Additional Charges	35.3%	34.6%
No processing of Loans	27.7%	32.7%
Higher levels of security	29.7%	30.1%
Other	23.7%	22.7%

2. OTHER CREDIT SOURCES

Table 3: Secured Credit from Other Sources (n=267)

	%	Frequency
Credit Union	35.2%	94
County Enterprise Board	30.7%	82
Private Investors	28.1%	75
First Step Microfinance	2.6%	7
Leader	2.2%	6
Other	38.2%	102

As can be seen in Table 3 Credit Union, County/City Enterprise Board and Private Investors were identified most frequently as other sources that respondents secured credit from (at 35.2%, 30.7% and 28.1% respectively). With the overall number of respondents to this question having increased since the previous survey there were some increases in the frequencies for all sources listed in the questionnaire but the order remains largely the same.

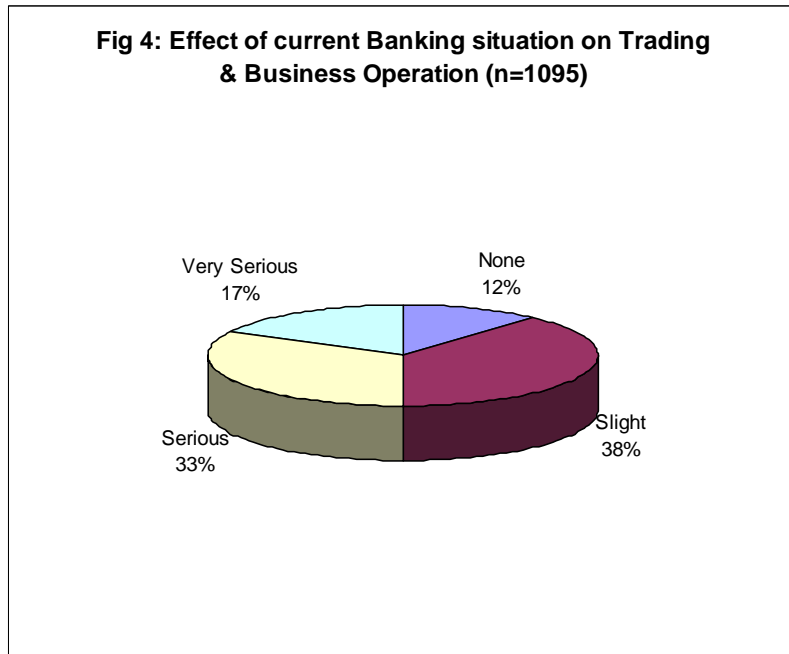
Table 4: Secured Credit from Other Sources December 2008 Vs June 2009

	December 2008 %	June 2009 %
Credit Union	38.9%	35.2%
County Enterprise Board	29.3%	30.7%
Private Investors	27.8%	28.1%
First Step Microfinance	1.5%	2.6%
Leader	2.5%	2.2%
Other	30.3%	38.2%

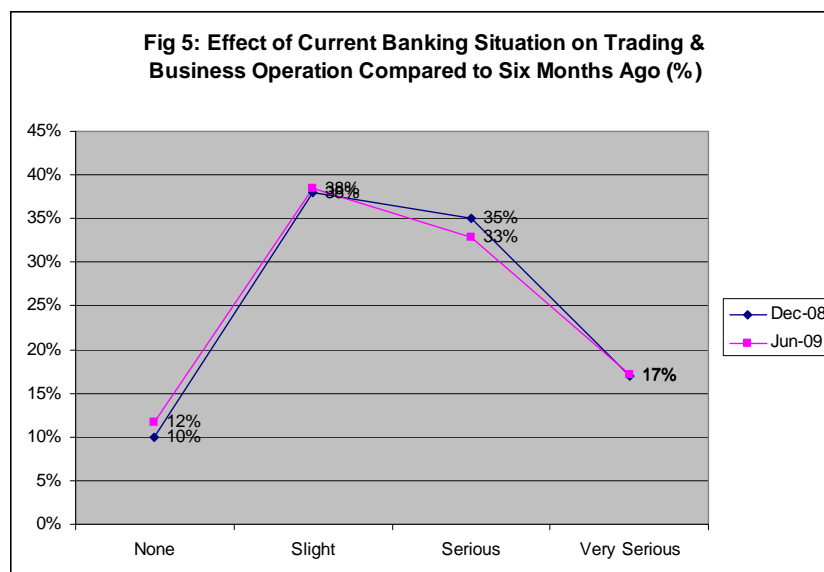
In addition a wide range of other sources were also identified, primarily having personal loans/savings or director loans or family sources.

3. TRADING & BUSINESS OPERATION

Many respondents considered the effect of the current Banking situation on trading and business operation to be serious.

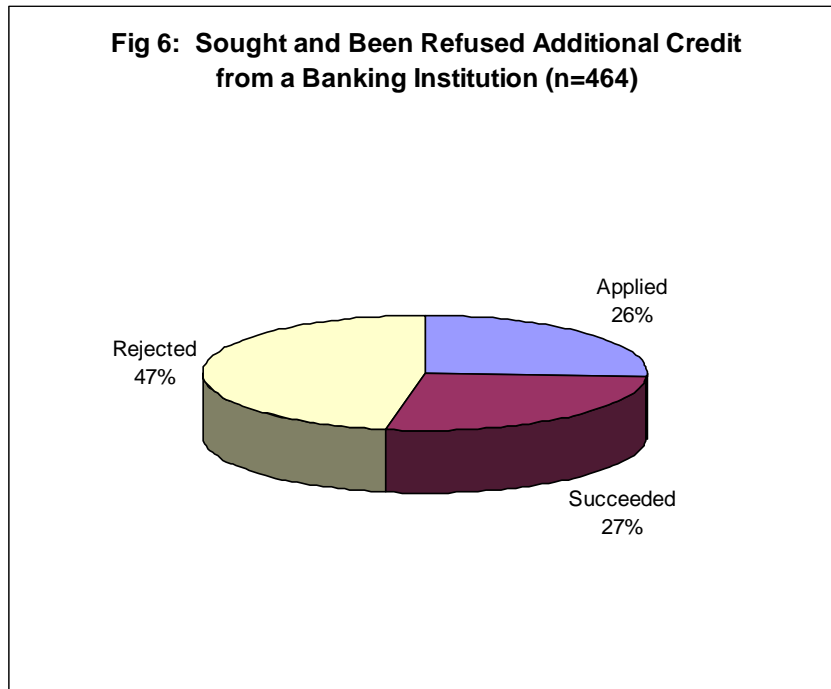


Clearly the current banking situation is having a serious effect on CEB contacts/clients' trading and business operations with half of respondents indicating that it was either serious or very serious (50% combined). Just 12% of respondents said that this does not have an effect with a further 38% considering it to be slightly serious.



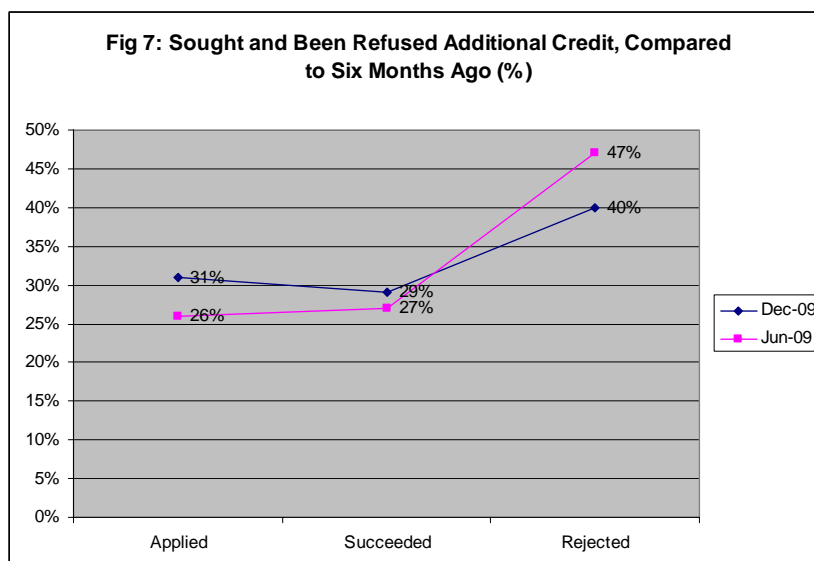
This compares with 17% very serious, 35% serious, 38% slightly serious and 10% no effect from the previous survey six months ago (largely unchanged).

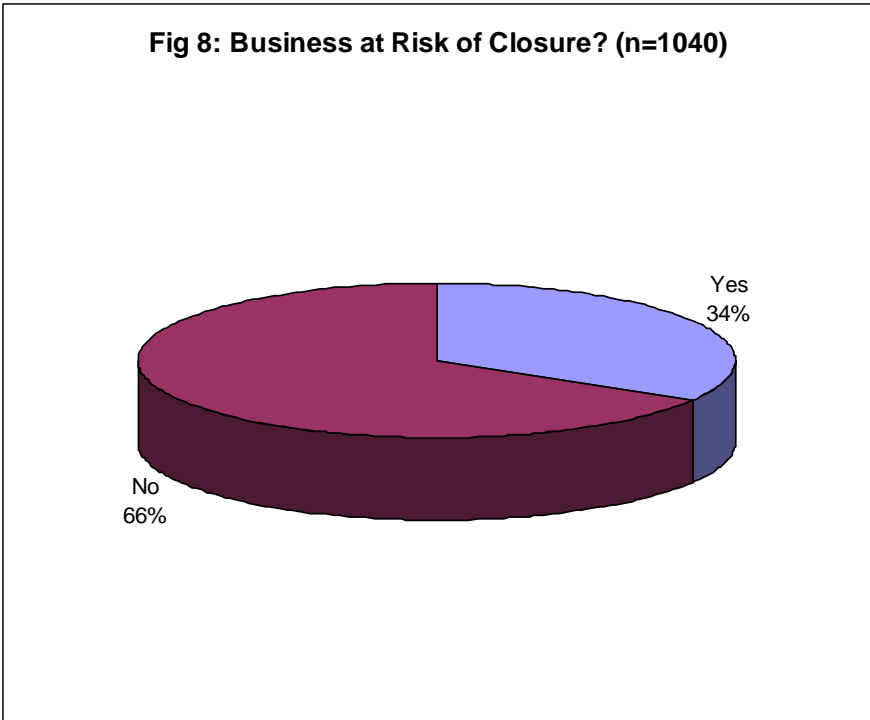
It was also of interest whether respondents to this survey had sought and been refused additional credit from a banking institution.



Whilst a much smaller number responded to the question regarding whether they had sought and been refused additional credit from a banking institution, almost half of respondents, at 47%, said that they had been rejected whilst 27% said they had succeeded.

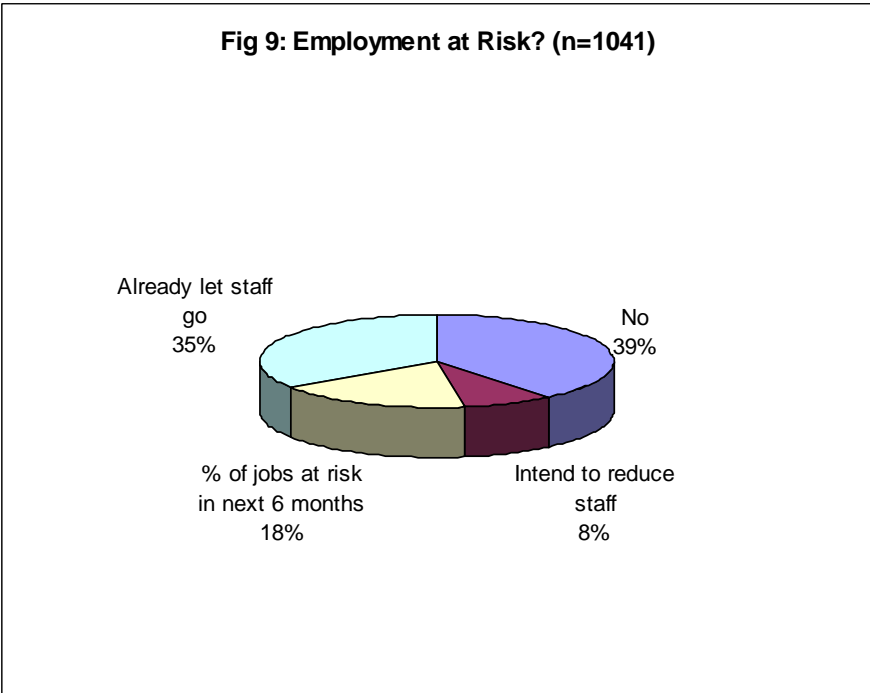
This is a higher proportion of respondents indicating that they had been refused additional credit than when the survey was conducted six months previously (47% Vs 40% in previous survey). The proportion who said they had succeeded has fallen slightly from the previous survey (27% Vs 29% in previous survey). See Fig 7 for both survey results.



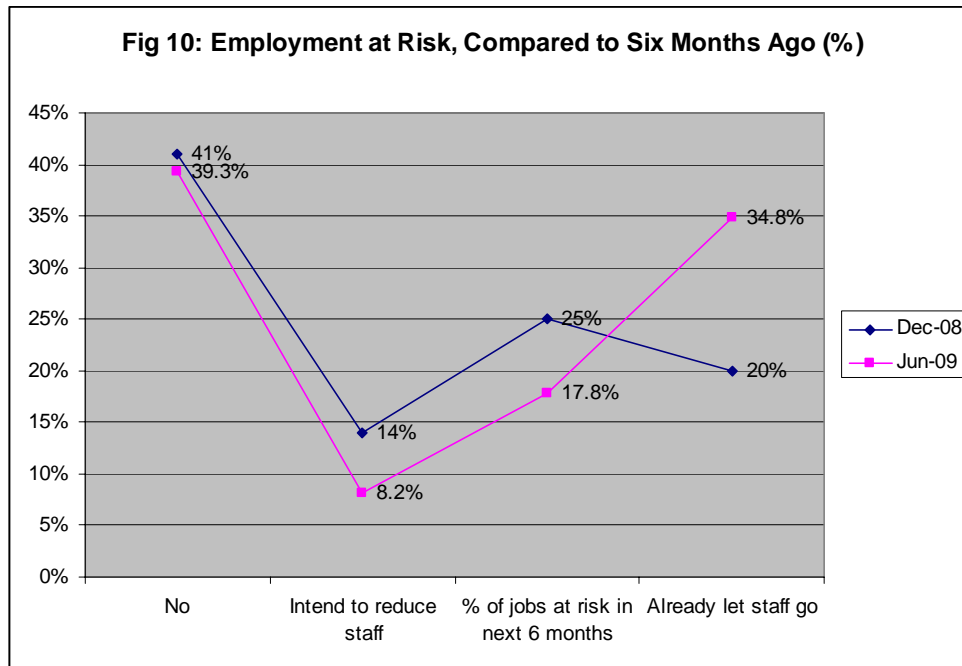


34% of respondents to this survey indicated that their business was at risk of closure. This is just a slightly higher proportion than those who said their business was at risk of closure in the survey conducted six months previously (which found 31% of businesses at risk of closure) - but does involve an increase in frequency of those who said their business was at risk of closure from 282 respondents six months ago to 350 in this survey.

It was of interest to this survey whether employment was at risk in respondent enterprises.



Just two fifths of respondents to the question about whether employment is at risk in their enterprise indicated that employment was not at risk (39%). Amongst respondents who said that it was were those who have already let staff go (35%), indicated a % of jobs to be at risk over next 6 months (18%) and intending to reduce staff (8%).



It is interesting to compare the results in Figure 9 with the previous survey six months ago (see Fig 10) when at that stage a higher proportion of respondents indicated a % of jobs at risk in the following six months (25%) and an intention to reduce staff (14%) – perhaps indicating that within this six month period staff have been let go with less staff to be let go over the coming months than over the previous six months.

4. FINANCING REQUIREMENTS

In the case of those who said that their business was at risk of closure (see Figure 8) they were asked what level of working capital finance is required.

Table 5: Level of Working Capital Finance Required

	%	N
1-5k	10.9%	49
5-10k	17.6%	79
10-15k	16.7%	75
15-20k	19.6%	88
20k+	35.2%	158

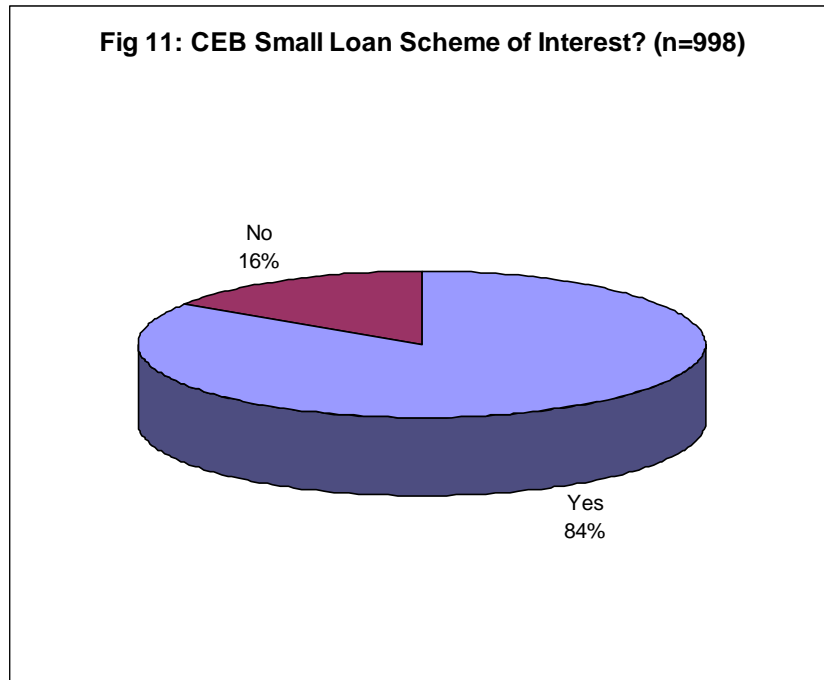
The majority of respondents who answered this question in this survey had significant requirements for working capital finance with 54.8% having a requirement for a minimum of €15,000 (Table 5), many of whom required in excess of €20,000.

Table 6: Level of Working Capital Finance Required December 2008 Vs June 2009

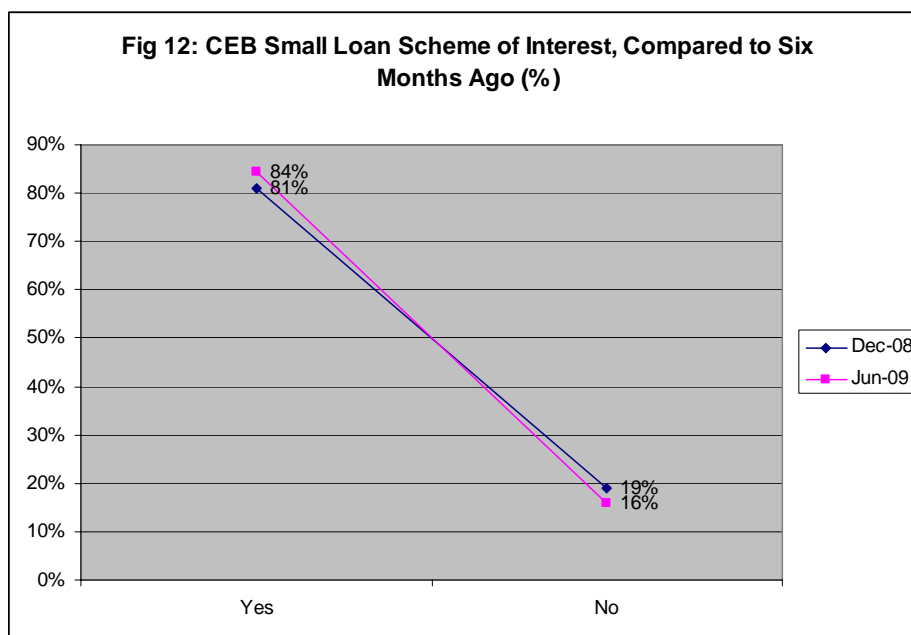
	December 2008 %	June 2009 %
1-5k	8.5%	10.9%
5-10k	14.3%	17.6%
10-15k	17.1%	16.7%
15-20k	24.2%	19.6%
20k+	35.8%	35.2%

It should be noted that when compared with the responses from the survey conducted six months ago there is now a greater requirement amongst respondents for relatively low levels of working capital finance – demand for €1-5K 10.9% compared to 8.5% six months ago, demand for €5-10K 17.6% compared to 14.3% six months ago with demand for €10-15K broadly unchanged (16.7% compared to 17.1% six months ago).

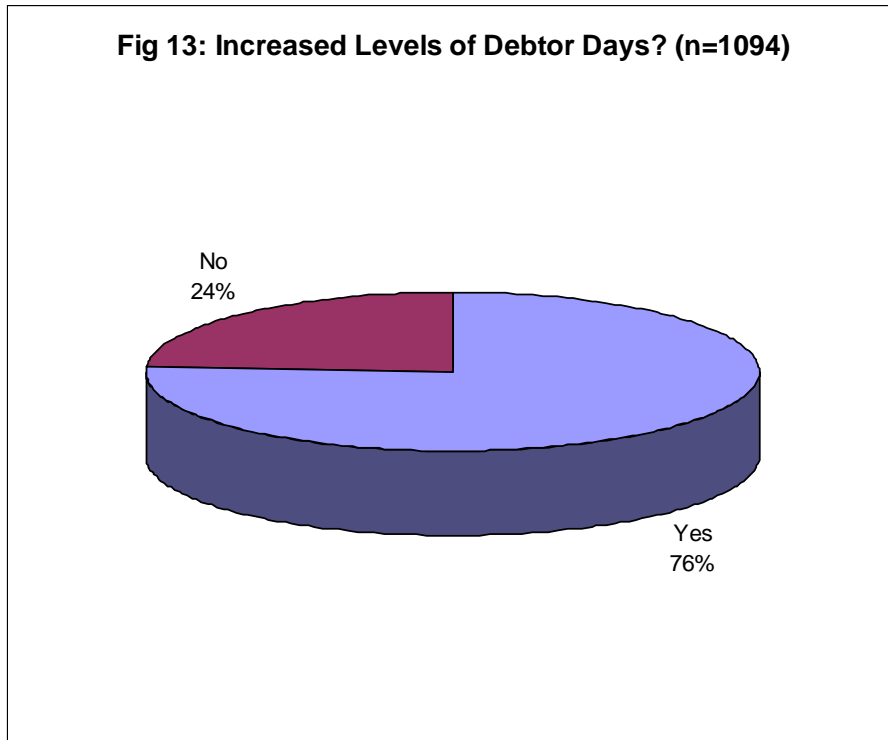
Respondents were asked if a small loan scheme operated by the CEBs up to €20,000 to support viable business and its working capital needs would be helpful and desirable. Figure 11 highlights the findings.



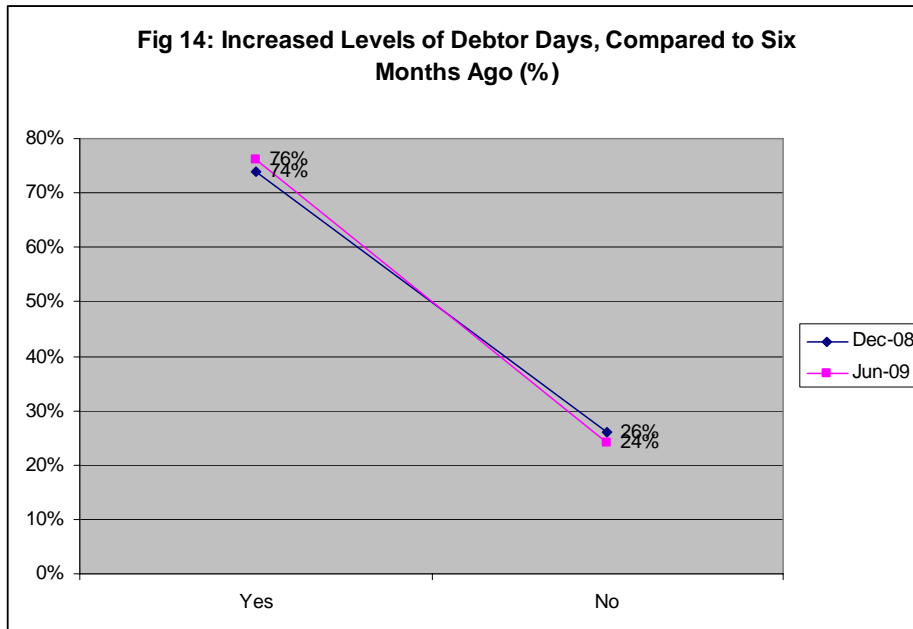
The vast majority of respondents indicated that this proposed scheme would be of interest, at 84%. This was an even higher percentage than those in the previous survey when 81% indicated an interest six months ago (see Fig 12).



Three quarters of respondents said they had experienced increased levels of debtor days, at 76%.



This percentage has increased from 74% in the survey conducted six months previously, indicating a larger number of enterprises experiencing increased debtor days.



When asked about the use of credit insurance and whether there have been any withdrawals or reductions to it 96% of the 442 who responded to this question said they did not use credit insurance. This is a higher level than the survey six months previously when 94% of respondents indicated they did not use credit insurance.

Comments regarding credit insurance included "our suppliers' credit insurance has been reduced for us", "we used to use credit insurance, but many of our customers were no longer being covered and we had to carry the full risk so we stopped", "I can't get credit insurance", "have heard it is difficult to get now" and "we buy a lot of goods from the UK, a lot of the British insurers have withdrawn cover on Irish companies so we are affected by that".

When respondents were asked if they had experienced any other credit issues the findings indicate issues with cash flow and working capital requirements, difficulty in securing credit facilities and non payment or slow payment of debts.

5. FINANCIAL INSTITUTIONS

Table 7: Banking Institution Used (n=1086)

	%	N
Bank of Ireland	39.3	426
AIB	35.6	387
Ulster Bank	14.8	161
PTSB	5.7	62
NIB	3.6	39
ACC	0.5	6
Other (all Bank of Scotland Ireland)	0.5	5

The largest banking institution market share amongst respondents to this survey was Bank of Ireland and AIB at 39.3% and 35.6% respectively.

Table 8: Banking Institution Used, December 2008 Vs June 2009

	December 2008 %	June 2009 %
Bank of Ireland	39.6%	39.3%
AIB	37.2%	35.6%
Ulster Bank	15%	14.8%
PTSB	3.8%	5.7%
NIB	3.7%	3.6%
ACC	0.8%	0.5%
Other (all Bank of Scotland Ireland)	0	0.5%

It is interesting to note that Bank of Ireland, Ulster Bank and National Irish Bank's share of the market remains similar to the previous survey six months previously, whilst AIB has dropped market share a little (from 37.2% to 35.6%) and Permanent TSB has increased from 3.8% six months ago to 5.7% in this survey. Bank of Scotland Ireland was mentioned by a small number of respondents also.

Appendix One – Questionnaire Used

1. Company Name:
2. CEB Name:
3. Bank Name:
4. Would you say that the credit availability situation is the same as six months ago?
 - Improved
 - Worse
 - Same
5. Do you feel your business is being curtailed at present by banking restrictions compared to six months ago?
YES / NO
6. If YES, how?
 - Bank overdraft / bank loan restrictions
 - No processing of loans
 - Additional charges
 - Higher levels of security
 - Other (pls specify)
7. Have you secured credit from any other sources?
 - County Enterprise Board
 - Credit union
 - Private investors
 - First Step Microfinance
 - Leader
 - Other (pls specify)
8. Do you feel the current Banking situation will have any effect on your trading and business operation?
 - None
 - Slight
 - Serious
 - Very Serious

9. Have you sought and been refused additional credit from a Banking institution?
 - Applied
 - Succeeded
 - Rejected

10. Is your Business at risk of closure?
 - Yes
 - No

11. If YES, what level of working capital finance is required?
 - 1-5K
 - 5-10K
 - 10-15K
 - 15-20K
 - 20K+

12. Is employment at risk in your enterprise?
 - No
 - Already let staff go
 - Intend to reduce staff
 - Percentage of your job at risk in next six months

13. Would a small loan scheme operated by the CEBs up to 20K to support viable business and its working capital needs be helpful and desirable?
 - Yes
 - No

14. Do you use credit insurance and if so have there been any withdrawals/reductions to it?

15. Have you experienced increased levels of debtor days?
 - Yes
 - No

16. Are there any other credit issues that you have experienced?