



**County & City
Enterprise Boards**

CEB Business and Banking Confidence Survey

September 2011

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CEB Business and Banking Confidence Survey

Conducted by the County & City Enterprise Boards (CEBs) during July 2011

Executive Summary

This online survey was conducted amongst clients and contacts of the County and City Enterprise Boards (CEBs) during July 2011. The 35 CEBs provide support for micro-enterprises (10 employees or less) at local level. The main objective of the survey was to ascertain how confident CEB contacts/clients were in the present economic climate and also whether they were experiencing difficulties accessing credit. It was also of interest whether there had been any significant changes since previous studies conducted six and twelve months previously as many of the questions were the same, thereby enabling some comparisons/trends to be identified.

A high response level of 1,706 responses was achieved from across the CEB network.

Business Confidence:

The overall business environment was not found to be positive at present but to have improved slightly from the previous survey conducted six months ago. Just under half of respondents identified the current business environment to be poor overall, at 48% ('poor' 30.8% and 'very poor' 17.6%) with a further 29% saying it was average. Just 23% of respondents said that the current business environment was good overall, the majority of these being 'good' rather than 'very good'. This compares to 53% indicating the business environment to be poor overall and 20% finding it good overall six months previously.

The vast majority of respondents considered that there had been an adverse impact on their business to date with regard to the impact of the economic downturn at 87.6%. 49% said there had been a moderate adverse impact and a further 39% said the impact had been severe. Just 5% considered that there had been a positive impact from the economic downturn and 7% saw no impact at all. This was similar to findings in the previous surveys, indicating that the economic downturn continues to have a detrimental effect on small Irish businesses.

Expectations for business turnover in the months ahead were not particularly positive and less positive than the previous survey. This survey found one third of respondents expected business turnover to be better over the coming months (32.5%) whilst 26.6% of respondents

felt expectations for business turnover were worse for the next six months. This result is a notable drop amongst those who consider expectations to be better over the coming months and an increase in those whose expectations were considered worse, when compared to expectations in the previous survey (January 2011).

It is not surprising that a correlation exists amongst respondents' attitudes to the overall business environment and their expectation for business turnover over the coming six months. Those who rated the current business environment positively (eg good or very good) had much greater expectations for their business over the next six months, while those who rated it negatively (eg poor or very poor) expected business turnover to be worse. Respondents who indicated better expectations for their business over the coming six months were more likely to consider the downturn to have had a moderate adverse impact rather than a severe adverse impact on their business to date. Whereas those who had worse expectations for their business over the coming months were twice as likely to consider the downturn to have had a severe rather than moderate impact on their business to date.

The percentage of respondents to this survey who indicated that their business was at risk of closure is 25% in this survey (and was 26% in the survey six months previously and 28.5% this time last year). This may indicate a resilience/stabilisation in CEB client businesses or that a number of businesses have already ceased trading.

Employment continues to be at risk in respondents' businesses with 39% considering employment to be at risk in their business over the coming six months. This is the same percentage as the survey six months earlier, and a lesser percentage than the survey in July 2010 that found 43% of respondents considering employment to be at risk. This may indicate some resilience of CEB client businesses when it comes to making people redundant or else suggests that staff may already have been let go in the intervening period, or that some businesses have ceased trading altogether.

With regard to the businesses who said employment was at risk, those in family businesses were found to have a slightly higher risk to employment compared to non family businesses. It should be noted that businesses with ten or more people in employment were found to be at greatest risk of losing employment. On the other hand, despite one person being employed comprising 42% of respondents, these were less likely to indicate that employment was at risk, indicating that this larger segment of respondents are less likely to close the business entirely.

Banking/Credit Issues:

Availability of credit continues to be an issue amongst respondents to this survey, with 60% of respondents saying credit availability was about the same as six months ago, 37% saying it had got worse and just 3% saying it had improved (similar to the findings of recent surveys). This compounds results from previous surveys where 37% of respondents in January 2011 and July 2010 also identified credit availability worse than six months previously.

A slight improvement was identified in this research regarding the impact of banking restrictions compared to six months previously - with 52% saying that their business was not being curtailed at present by banking restrictions, compared to 51% six months ago (and 56% in July 2010). In the case of those businesses who are being curtailed by banking restrictions, just over half of respondents identified bank overdraft/bank loan restrictions (at 54%), followed to a lesser extent by no processing of loans (21%) and additional charges (18%). Both bank overdraft/bank loan restrictions and no processing of loans were identified as curtailments by a higher proportion of respondents than in the most recent survey conducted January 2011.

Many respondents (45%) consider the effect of the current banking situation on trading and business operations to be serious (either serious, at 31%, or very serious, at 14%). A further 36% of respondents felt the current banking situation on trading and business operations to be slight. Those identifying a very serious effect are higher in this survey than the January 2011 (11% Jan 2011 compared to 14% in July 2011). Respondents who identified the effect of the current banking situation on trading and business operations to be serious at any level (very serious, serious and slightly serious) are the same as six months previously – 81% in this July 2011 survey and 82% in January 2011.

Respondents were asked in this survey as to whether any/all of a number of factors were impacting cash flow in the business at present. The issues identified by respondents on factors impacting cash flow (from a predefined list) were decrease in sales turnover, increase in debtor days/delayed payments and customers going out of business. When asked about debtor days, increased levels of debtor days continue to be high at 64%. This percentage has increased from 60% in the survey conducted six months previously, and is also higher than the 62% who had experienced increased levels of debtor days one year ago.

While there have been some minor movement in market shares over the last three surveys, Bank of Ireland and AIB retain their dominant position of banking institution used by CEB clients/contacts. Bank of Ireland is slightly ahead of AIB in this survey, with market shares of

39.6% and 37% respectively. Ulster Bank retain their share of the market as third most used financial institution - in this survey their share is 13.9%.

The main source of other funds were predominantly the CEBs (45%), followed by credit union (32%) and private investors (28%). According to this survey the CEBs have doubled their share of funds from other sources compared to this time last year, and are the most frequent source of funds in both this survey and the survey six months ago (compared to credit unions being the most frequent source of funds this time last year). In addition a wide range of other sources of funds from other sources were identified by respondents, primarily personal savings or obtaining loans from family/friends/private investors.

This survey identifies a high level of demand for a small loan scheme operated by the CEBs of up to €20,000 to support viable business and its working capital needs (at 69%). Infact demand has been consistently high for this proposed small loan scheme over the past number of surveys conducted. This interest level, as well as the CEB being identified as an important source of funds from other sources, highlights the importance of the CEBs in providing funding or assisting with a funding gap for CEB clients.

Working capital requirements vary significantly amongst respondents who expressed an interest in this small loans scheme, with close to half of respondents requiring a minimum of €15,000 (48.8%). Whilst still just over 50%, this survey found slightly less of a requirement for relatively lower levels of working capital finance – with demand for €1-€15K at 50.3% in July 2011, compared to 52.3% six months previously and 52.6% this time last year.

When asked about any other credit issues at the close of this survey, there were predominantly three credit issues identified by respondents – lack of credit/support from banks, getting/speed of getting paid and customer/confidence levels. The lack of credit/support from banks was mentioned most frequently.

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CEB Business and Banking Confidence Survey

**Conducted by the County & City Enterprise Boards
January 2011**

Introduction:

An online survey was circulated to County and City Enterprise Board (CEB) contacts/clients during July 2011. The main objective of the survey was to ascertain whether CEB contacts/clients were experiencing difficulties accessing credit, to establish their business confidence in the present economic climate and to determine if there had been any significant changes on accessing credit since the previous study conducted six months previously.

This survey covers a range of issues from banking/credit crunch issues to general business confidence amongst CEB contacts/clients. The questionnaire used in this survey is in Appendix One. Relevant findings are outlined in the following sections. General background information on the CEBs is in Appendix Two.

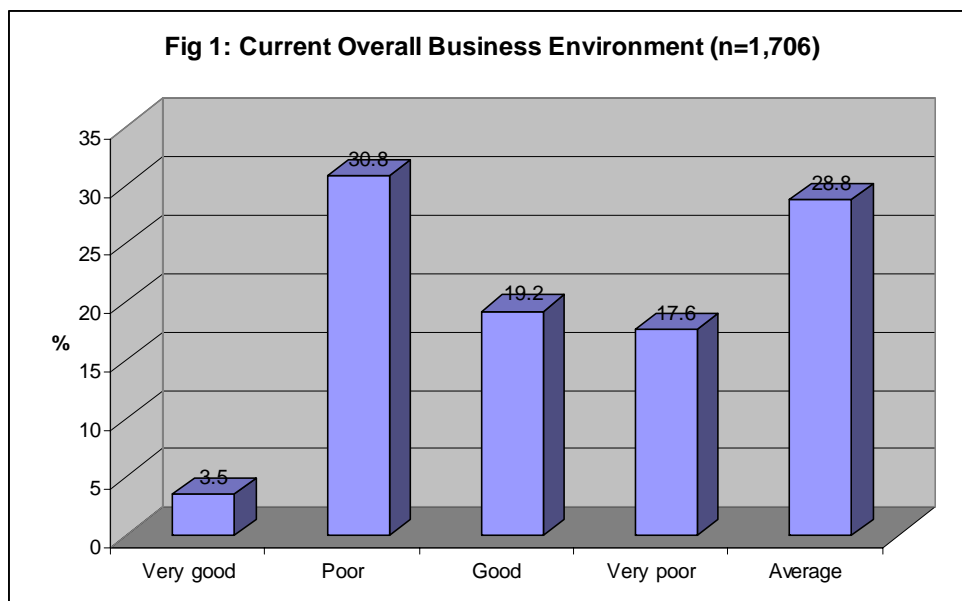
This online survey was distributed and analysed by the CEB Central Coordination Unit (CCU), Enterprise Ireland. Individual CEBs were responsible for distribution of this survey hyperlink to their email contacts and clients. Online surveys were completed over a three week period during July 2011. A high response level of 1,706 valid responses was achieved from across the CEB network with most CEBs represented in the survey findings. A profile of survey respondents is in Appendix Three.

Main Findings:

The questionnaire was divided into two themes – Business Confidence and Banking/Credit issues. Many of the questions are similar to those used in previous survey/s, thereby enabling comparisons to be made with the most recent surveys conducted in January 2011 and July 2010.

1. BUSINESS CONFIDENCE

Respondents were asked how they would rate the current overall business environment.



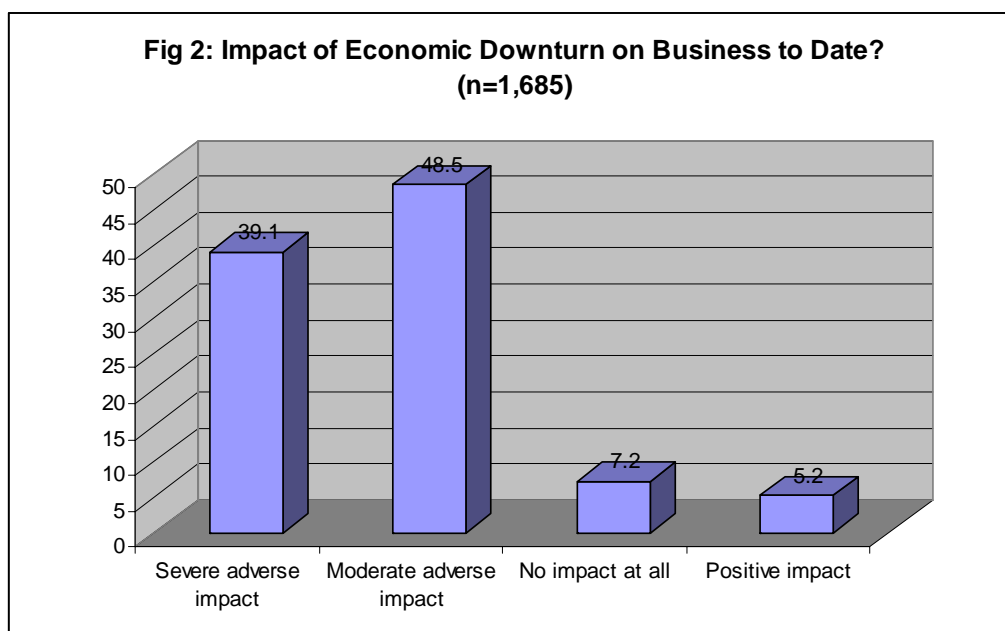
The overall business environment is not considered good at present. Over half of respondents said that it was poor (30.8%) or very poor (17.6%), with a cumulative overall poor rating of 48.4%, and a further 29% stating that the overall business environment is average. Just 22.7% of respondents said that the current overall business environment was good overall, the majority of these saying 'good' rather than 'very good'.

These findings represented an improvement in respondents' positive rating of the overall business environment. The overall good rating has increased from 20% in the January 2011 survey to 22.7%; and a decrease in the level of poor ratings (48% compared to 53% six months ago).

This July 2011 included a new question as to whether the respondent had a family business or not. Appendix Three outlines how there was an equal mix of respondents with just over half of respondents (51%) saying that they had a family business. Family business respondents were

more likely to rate the overall business environment positively and negatively rather than average.

With regard to the impact, if any, of the economic downturn on business to date, the majority of respondents considered that there had been an adverse impact on their business to date, with 49% saying there had been a moderate adverse impact and a further 39% a severe adverse impact. Just 5% of respondents considered that there had been a positive impact from the economic downturn and 7% saw no impact at all.



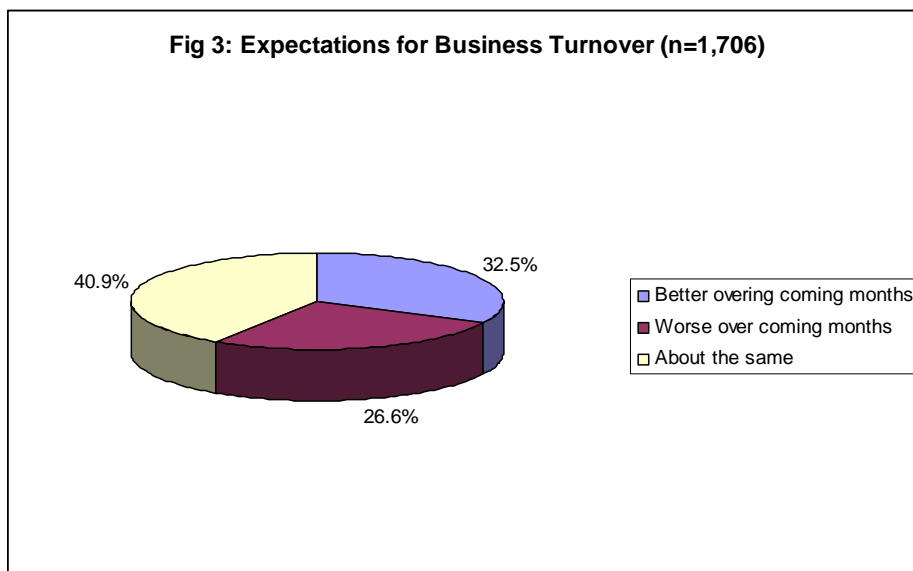
Again these findings are consistently indicating an adverse impact of the downturn on business. Results were similar to the previous survey when 87% would have identified an adverse impact on business from the economic downturn in January 2011 and 88% identified an adverse impact in July 2010 (and 87.6% in this July 2011 survey).

Family businesses were more likely to have experienced either a severe adverse impact, no impact at all or a positive impact than non family businesses; whereas family and non family businesses were equally likely to experience a moderate adverse impact on business.

Not surprisingly when business confidence levels were analysed with the impact of the downturn to date, those who had experienced a severe adverse impact on their business to date were most likely to consider the current overall business environment 'poor' or 'very poor'. Interestingly those who had experienced a moderate adverse impact were just marginally more likely to rate the current overall business environment poorly (35% of those who said 'poor' or 'very poor'), with 26% saying the overall business environment was either 'good' or 'very

good'. Those who had a positive rating for the overall business environment were most likely to consider the downturn to have had a positive impact on their business to date.

Respondents were asked whether their expectations for business turnover were better or worse for the next six months (when compared to the previous six months).

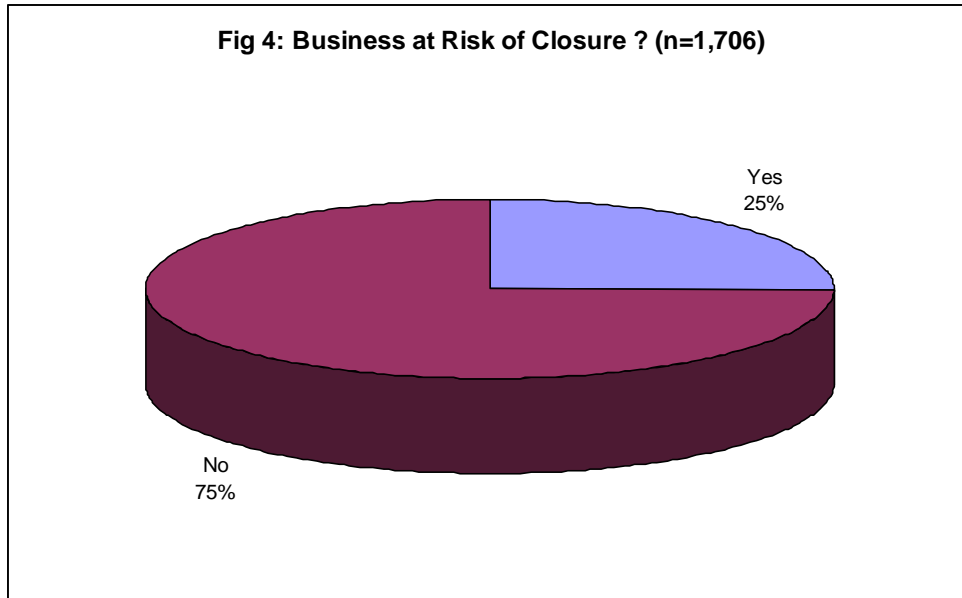


Two fifths of respondents to this CEB Business and Banking Confidence Survey considered their expectations for business turnover for the next six months to be about the same as the previous six months, at 41%. This was followed by more positive expectations with 32.5% expecting business turnover to be better over coming months, and a further 27% expecting business turnover to be worse over coming months. Whilst those expecting turnover to stay the same was largely similar in proportion to the previous survey findings, there is a notable drop amongst those who consider expectations to be better over the coming months (32.5% compared to 37% in January 2011 survey) and a similar increase in those who said their expectations were worse (26.6% compared to 23% in previous survey).

A correlation exists amongst respondents' attitudes to the overall business environment and their expectation for business turnover over the coming six months. Those who rated the current business environment positively (eg good or very good) had much greater expectations for their business over the next six months, while those who rated it negatively (eg poor or very poor) expected business turnover to be worse.

Respondents who indicated better expectations for their business over the coming six months were more likely to consider the downturn to have had a moderate adverse impact rather than a severe adverse impact on their business to date. Whereas those who had worse

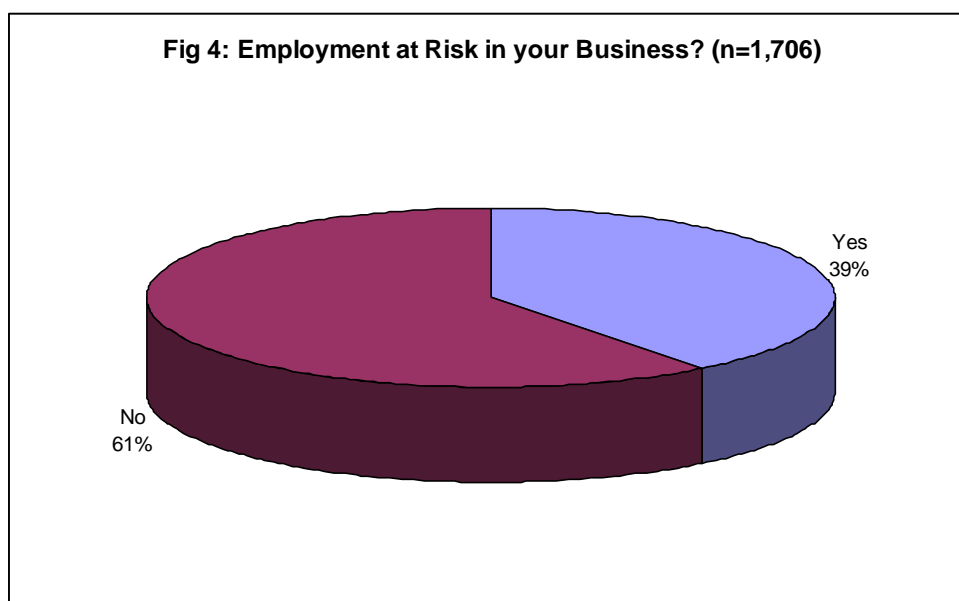
expectations for their business over the coming months were more likely to consider the downturn to have had a severe rather than moderate impact on their business to date. As would be expected more respondents who had better expectations for business turnover over the coming six months had also indicated that the economic downturn was either positive or had no impact on business.



25% of respondents to this survey indicated that their business was at risk of closure. It is interesting that this is a broadly similar proportion who said their business was at risk of closure in the survey conducted six months previously (26%) and a smaller proportion to the survey conducted in July 2010 when 28.5% of respondents indicated that their business was at risk of closure. This may indicate a stabilisation/resilience of CEB client businesses or that a number of businesses have already ceased trading.

Respondents who viewed the overall business environment more positively (good/very good Figure 1) were less likely to indicate that their business was at risk of closure, compared to those who rated the current business environment to be poor/very poor. Not surprisingly most of those who indicated that the economic downturn had an adverse impact on their business said that their business was at risk of closure (mostly those who indicated that the downturn was having a severe adverse impact).

Employment continues to be at risk in respondents' businesses (see figure 5) with 39% considering employment to be at risk in their business over the coming six months.



It should be noted that this is the same proportion of respondents who considered employment to be at risk in the survey six months previously (and compares to 43% of respondents who considered employment to be at risk in the survey one year ago). This may again indicate some resilience of CEB client businesses when it comes to making people redundant or else suggests that staff may already have been let go in the intervening period, or that some businesses have ceased trading altogether.

As would be expected respondents who considered the overall business environment to be at least good were less likely to indicate that employment was at risk in their business (10% of those who said employment was at risk rated business environment good or very good); whereas respondents who saw the overall business environment to be poor/very poor were much more likely to indicate that employment was at risk in their business (70% of those who said employment was at risk rated business environment to be poor). It should be noted that many who said employment was not presently at risk had identified their business confidence to be poor.

Similarly most of those (97%) who indicated that the economic downturn had an adverse impact on their business said that employment was at risk – with employment close to twice as likely to be at risk amongst those respondents who have experienced a severe adverse impact from the economic downturn rather than a moderate adverse impact. Unsurprisingly those who had not been impacted by the downturn were more likely to say employment was not at risk.

In the case of those who had family businesses, employment was a slightly higher risk than for those who were not.

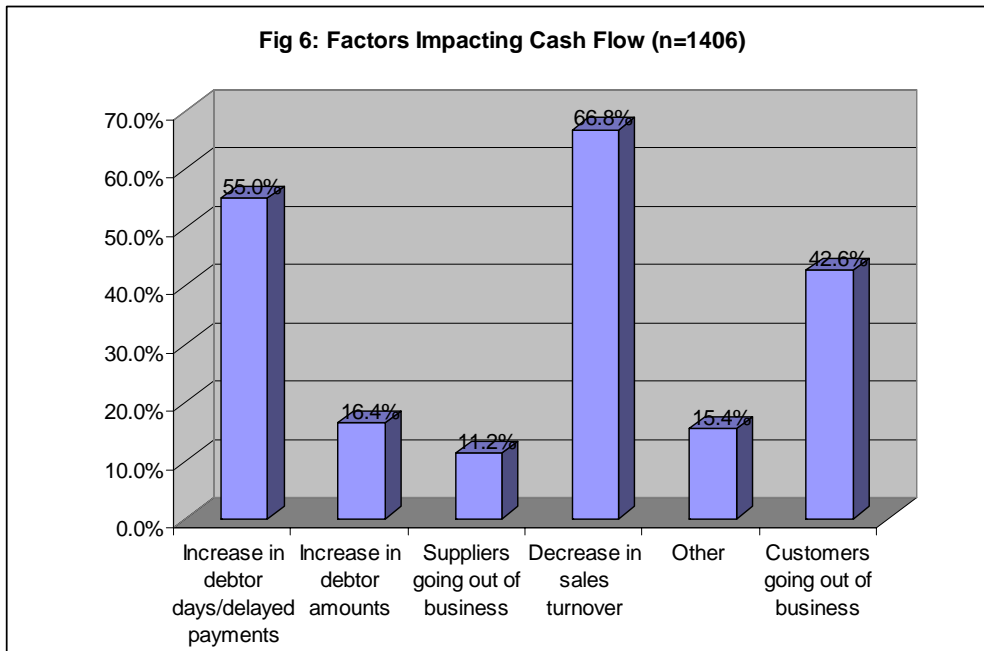
Whilst some of the sectors identified were relatively small, the business sector that identified the highest likelihood of employment being at risk was Retail, followed by Furniture/Light Consumer Goods Manufacturing.

Table 1: No. of People Employed by risk of losing employment

No. of People Employed	Total % Respondents	Employment at Risk
1	41.9%	32.7%
2	18.1%	19.9%
3	8.7%	9.1%
4	6%	7.1%
5	4.4%	5.1%
6	2.9%	3.0%
7	2.1%	2.5%
8	1.9%	2.1%
9	1.7%	2.7%
10+	12.4%	15.8%

Employment is at higher risk amongst businesses employing ten or more people. As can be seen in Table 1, the highest number of respondents to this survey was amongst businesses with one person, two people or ten or more people employed. However when the relationship is examined between number of people employed and whether employment is at risk there is higher likelihood of employment being at risk amongst those employing 10 or more people, 15.8% of those who said employment was at risk was from this size business, compared to 10+ comprising 12.4% of respondents overall. On the other hand, whilst 42% of respondents to this survey employed one person (possibly the owner/manager), 33% of respondents employing one person said that employment is at risk, indicating that this larger segment of respondents are less likely to close the business entirely.

An additional question that was asked in the survey in January 2011 was whether any/all of a number of factors were impacting cash flow in the business at present. This was changed slightly to allow respondents to choose an unrestricted number of options in the July 2011 survey.



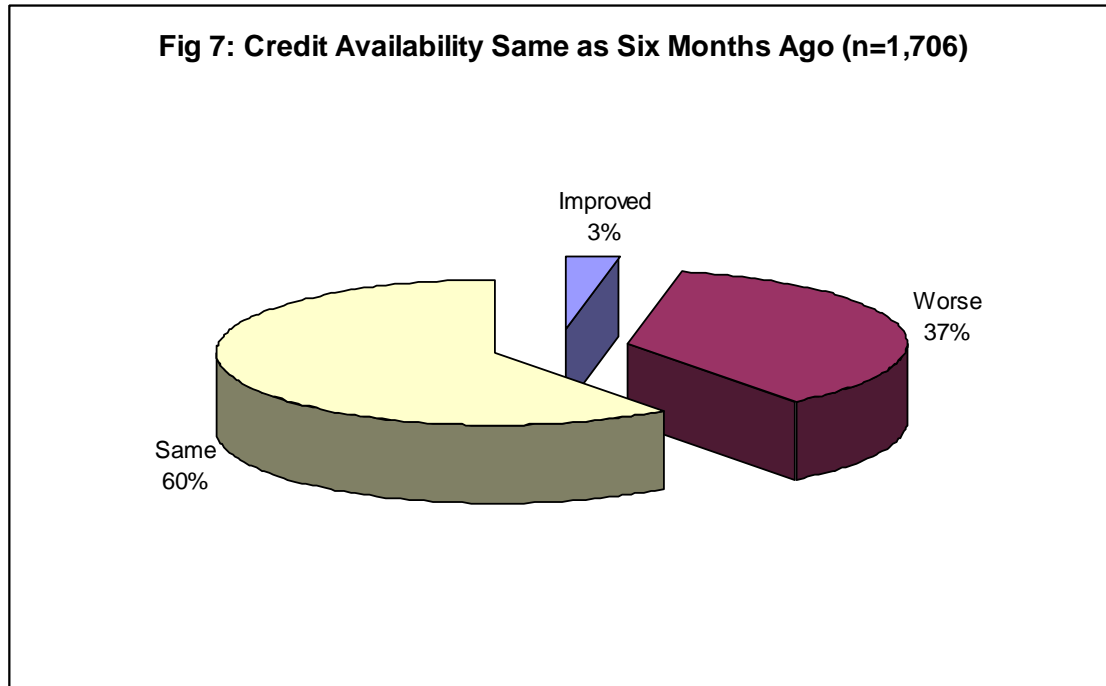
It is interesting that the order has not changed in terms of factors impacting cash flow over the past six months. In January 2011 the main factors impacting cash flow were decrease in sales turnover (34%), increase in debtor days/delayed payments (31%) and customers going out of business (21%). In July 2011, and noting that respondents could now select more than one option, the main factors continued to be decrease in sales turnover (67%), increase in debtor days/delayed payment (55%) and customers going out of business (43%).

An "other" option was included in the July 2011 options to this question. Varying factors were identified by some survey respondents with the most frequent feedback relating to: unemployment, access to credit, exchange rates, lack of support from State bodies, credit issues, lack of government support, consumer confidence, tourism slowdown, NAMA, bank loans difficult to get, interest rates rise / cost of borrowing, getting paid less for more work, rising costs and suppliers looking for guarantees/security.

2. BANKING/CREDIT ISSUES

2.1 BANKING RESTRICTIONS

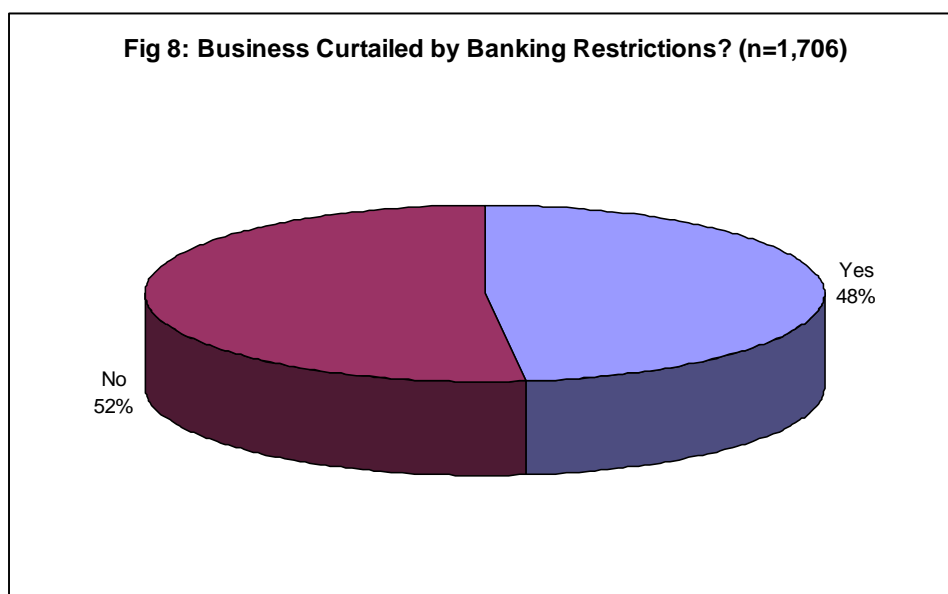
Respondents were asked whether the credit availability situation was the same as the previous survey six months previous.



As can be seen in Fig 7, the majority of respondents at 60% felt that credit availability was about the same as six months ago, with 37% saying that it had got worse. Just 3% of respondents to this question felt it had improved.

These results when examined over time indicated a worsening of the credit availability situation for small business as every six months this survey finds credit availability has worsened compared to the previous six months (37% July 2011, January 2011 and July 2010). All three most recent surveys found a very small proportion of respondents saying that credit availability had improved (3% July 2011, 4% January 2011 and 3% July 2011).

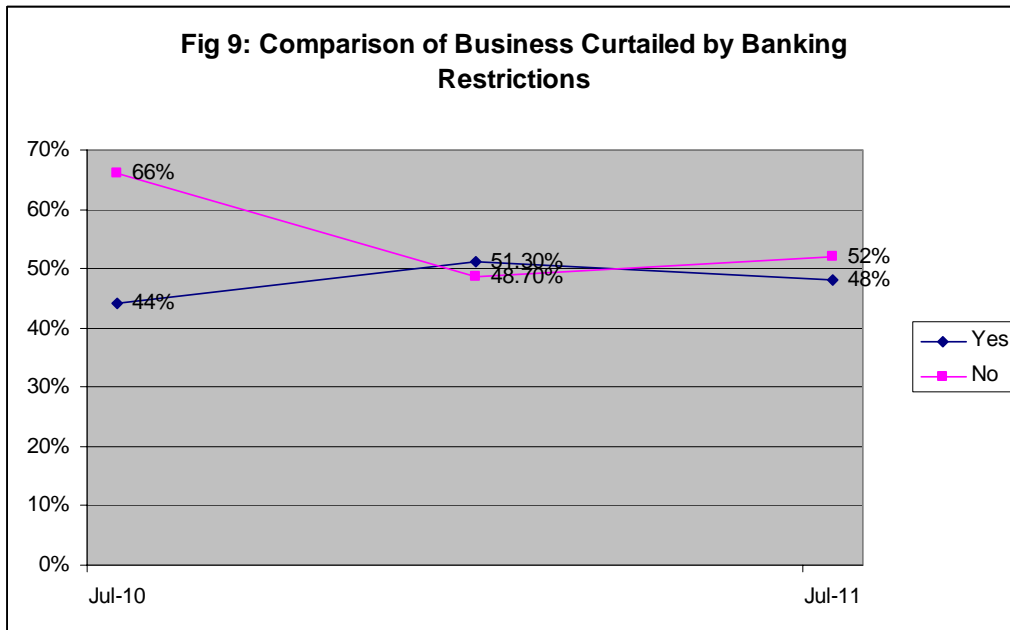
Respondents were asked whether they felt their business was being curtailed by banking restrictions. Results were almost evenly divided.



This latest survey indicates a slight improvement regarding the impact of banking restrictions compared to banking restrictions in the previous survey. 51% of respondents to the January 2011 survey felt that their business was not being curtailed by banking restrictions, compared to 52% in this survey. It should be noted that 56% of respondents to the July 2010 survey felt that their business was not being curtailed by banking restrictions. Compared to the survey this time last year, a greater percentage of respondents now consider that their business is being curtailed by banking restrictions (48% July 2011; 49% January 2011; 44% July 2010).

Amongst those who felt that their business was being curtailed due to banking restrictions, 60% indicated that the credit availability situation was worse than six months ago, whilst most of the others said that credit availability was the same as six months ago (39%, with 1% saying credit availability had improved). Respondents who felt that their business was not curtailed due to banking restrictions were most likely to consider credit availability about the same (80% of those who said they were not curtailed due to banking restrictions) whereas 15% said the credit availability situation was worse and 5% identified that the credit availability situation had improved.

The historical comparison overleaf highlights the findings over the most recent three six monthly surveys in July 2010 and both January and July in 2011. It is interesting to note that the respondents who felt their business was being curtailed by banking restrictions at present compared to six months previous is largely similar proportion to six months ago (48% saying they are curtailed July 2011, 49% in January 2011 and 44% saying they are curtailed in July 2010).



It was of interest to this survey to identify what way banking restrictions were affecting the businesses of those who indicated that they were being curtailed by banking restrictions.

Table 2 How Business is being Curtailed

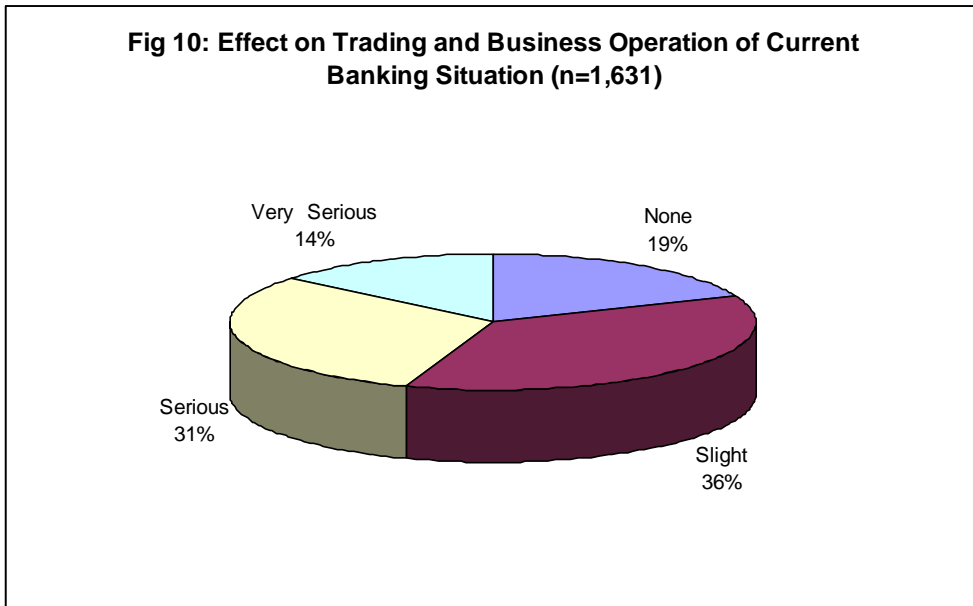
	July 2011	
	%	Frequency
Bank overdraft / bank loan restrictions	53.7%	458
No processing of loans	20.5%	175
Additional charges	18.3%	156
Higher levels of security	7.5%	64
Total	100%	853

Over half of respondents who felt their business is being curtailed by banking restrictions identified bank overdraft/bank loan restrictions, at close to 54%, followed by no processing of loans (21%) and additional charges (18%). Both bank overdraft/bank loan restrictions and no processing of loans are proportionately higher in this survey and therefore considered greater curtailments when compared to January 2011 survey results, bearing in mind that there are more responses to this survey than the previous survey. Both additional charges and no processing of loans are somewhat lesser curtailments in this current survey than they were in

this previous survey (January 2011). The survey conducted one year ago however did find bank overdraft/bank loan restrictions affected a higher proportion of respondents, at 60%, followed by no processing of loans (18%) and additional charges (14%).

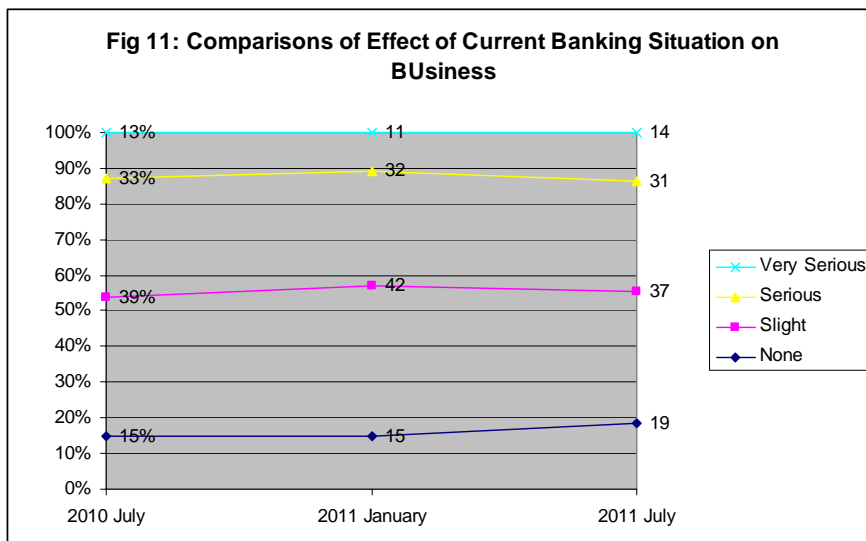
2.2 TRADING & BUSINESS OPERATION

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



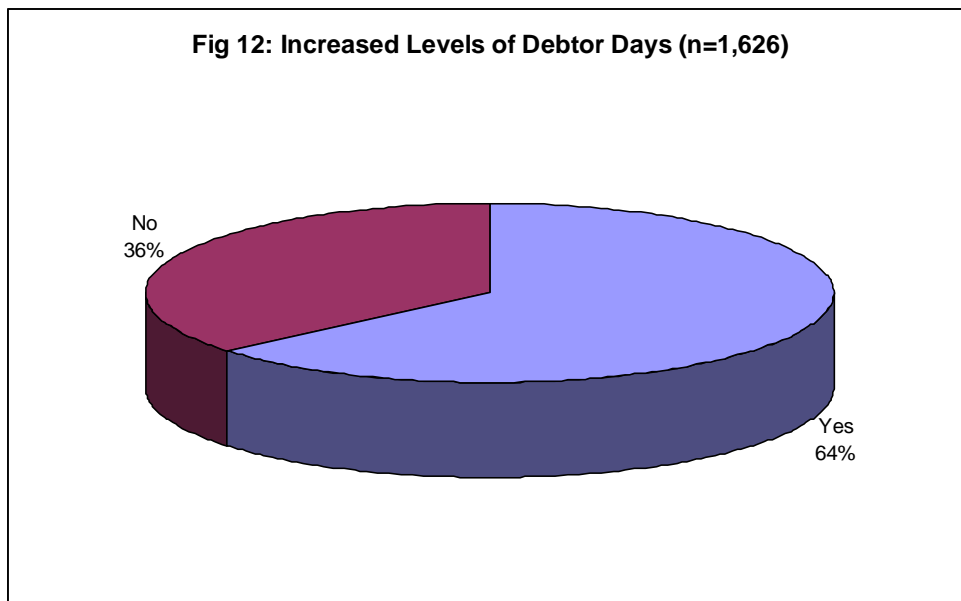
Clearly the current banking situation is having a serious effect on CEB contacts/clients' trading and business operations with 45% indicating that it was either serious or very serious (31% serious, 14% very serious). 19% of respondents said that it was not having an effect with a further 36% of respondents considering it to impact slightly on the business.

The following historical comparison highlights the findings over the most recent three six monthly surveys in January and July 2011 and July 2010.



Respondents who identified the effect of the current banking situation on trading and business operations to be serious at any level (very serious, serious and slightly serious) are the same as six months previously – 81% in this July 2011 survey and 82% in January 2011. The serious effect is more pronounced in this survey than six months previous when 11% considered the banking situation to have a very serious effect on trading and business operations, with a further 32% considering it to be serious (compared to 14% very serious and 31% serious in July 2011).

It was also of interest whether respondents had experienced increased levels of debtor days over the previous six months.



64% of respondents said they had experienced increased levels of debtor days. This percentage has increased from 60% in the survey conducted six months previously, and is also higher than the 62% who had experienced increased levels of debtor days one year ago. Increase in debtor days/delayed payments are also highlighted in Figure 6 as a significant impact on cash flow.

2.3 FINANCIAL INSTITUTIONS

Table 3: Banking Institution Used (n=1,706)

Banking Institution	%	N
Bank of Ireland	39.6%	675
AIB	37%	632
Ulster Bank	13.9%	237
Permanent TSB	6.6%	113
National Irish Bank	2.1%	36
Bank of Scotland Ireland	0.6%	10
ACC Bank	0.2%	3
Other		17
Total	100%	1706

Bank of Ireland and AIB continue to hold the largest banking market share amongst CEB contacts/clients according to the findings of this survey, followed by Ulster Bank. Bank of Ireland is ahead AIB in this survey (whilst market share was almost equal in the survey conducted six months previous) (See Table 4).

Table 4: Banking Institution Used July 2010 Vs January 2011 Vs July 2011

	July 2010 %	January 2011 %	July 2011 %
Bank of Ireland	39%	37.9%	39.6%
AIB	36.5%	37.9%	37%
Ulster Bank	15.4%	14.5%	13.9%
PTSB	5.1%	6.6%	6.6%
NIB	2.4%	2.3%	2.1%

While there have been some minor movement in market shares over the last three surveys, Bank of Ireland and AIB retain their dominant position with Bank of Ireland ahead of AIB in a similar manner to one year ago.

It is interesting to note that similar proportions of respondents experienced problems with banking restrictions regardless of which banking institution they were with. Proportions were also similar across banking institution with regards to whether the current banking situation

had any effect on trading/business operations and also regardless of credit availability situation having improved/worse/same.

2.4 OTHER CREDIT SOURCES

Table 5: Secured Funds from Other Sources (n=453*)

	%	Frequency
County Enterprise Board	44.6%	202
Credit Union	32%	145
Private Investors	27.8%	126
Leader	7.1%	32
First Step Microfinance	2.6%	12
Other		264
Total	100	453

(* note respondents could answer more than one source of funds)

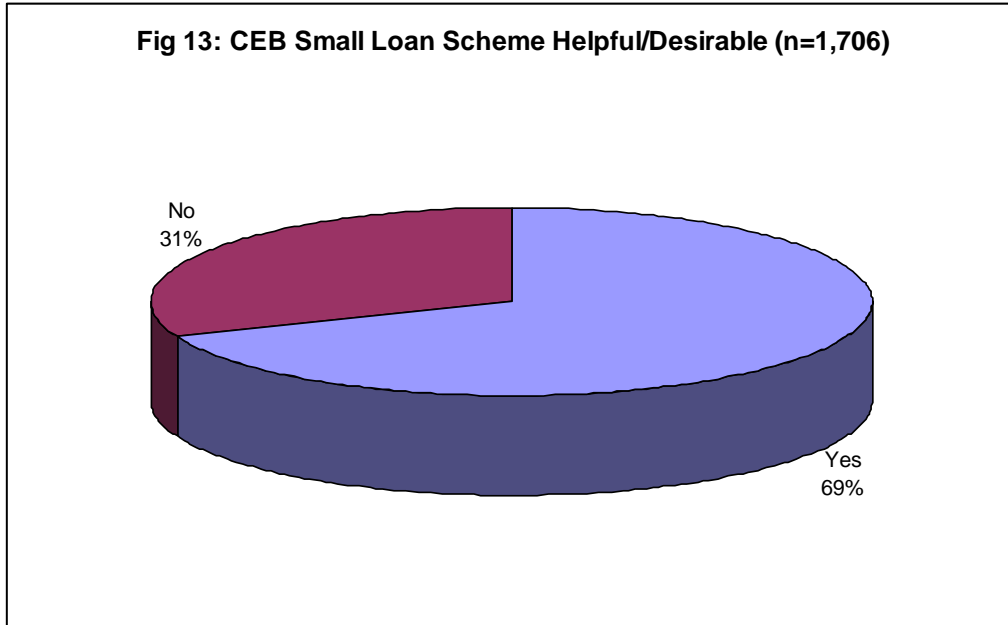
As can be seen in Table 5 the County Enterprise Board is the main source of funds secured, followed by Credit Union and Private Investors. The CEBs have seen an increase in the proportion of respondents who indicated that they had secured funds from other sources, almost doubling their share from this time last year (38.2% in January 2011 and 23.1% in July 2010). This contrasts with the proportion who obtained funds from credit unions which is lower than this time last year (24.8% in January 2011 and 41% in July 2010 survey). Private investors have also fallen slightly from 31% in previous survey to 27.8% July 2011.

It should be noted that a minor change of wording was made to this question in both most recent surveys, asking whether respondents had secured funds from other sources, whereas previously respondents were asked whether they had secured credit from other sources. In addition, for this July 2011 survey respondents could select more than one source of funds as feedback from clients indicated that they were restricted with just one option here previously.

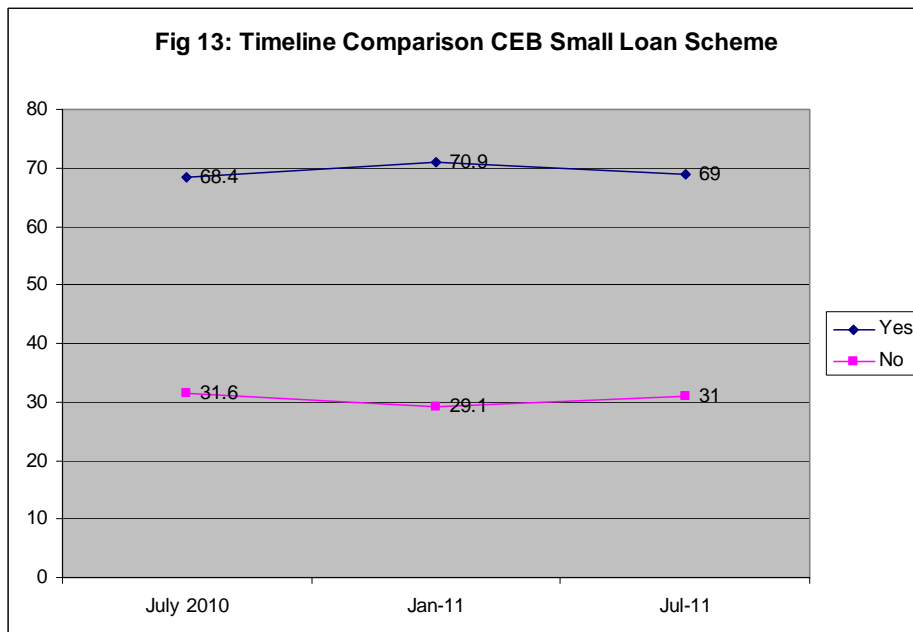
In addition a wide range of other sources were also identified, primarily having personal savings or obtaining loans from family/friends/private investors. To a much lesser extent, Enterprise Ireland, Bord Bia, Social Welfare and County Council were mentioned.

2.5. FINANCING REQUIREMENTS

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 13 highlights the findings.



This survey identifies a high level of demand for a CEB loan scheme, at 69%, broadly similar to the findings in the previous survey (January 2011) when 71% were interested. Demand has been consistently high for this proposed small loan scheme over the past number of surveys (see Fig 14).



Respondents to this survey who indicated that a CEB small loan scheme would be helpful and desirable identified the level of working capital finance required (see Table 7).

Table 6: Level of Working Capital Finance Required (n=1,160)

	%	N
Less than €1K*	0.9%	11
€ 1-5k	13.4%	155
€ 5-10k	19.9%	231
€ 10-15k	17%	197
€ 15-20k	23.4%	271
€ 20k+	25.4%	295

*Less than €1K is a new category included in this survey for the first time.

Close to half of survey respondents (48.8%) had a working capital requirement for a minimum of €15,000 (Table 7) whereas 34.2% of respondents had a requirement for less than €10,000.

Table 8: Level of Working Capital Finance Required January 2010 Vs July 2010 Vs January 2011

	July 2010 %	January 2011 %	July 2011 %
1-5k	12.9	13.9	13.4%
5-10k	23.7	22.3	19.9%
10-15k	16	16.1	17%
15-20k	20.9	22.5	23.4%
20k+	26.5	25.2	25.4%

Required levels of working capital have not changed much from the previous surveys. This most recent survey finds a greater requirement than in both previous surveys for higher levels of working capital finance (48.8% minimum of €15,000 in July 2011 compared with 47.4% July 2010). This survey also finds slightly less of a requirement for relatively lower levels of working capital finance – with demand for €1-€15K at 50.3% in July 2011, compared to 52.3% six months previously and 52.6% in July 2010.

2.6 Sample of Credit Issues Comment

The main credit issues highlighted by respondents to this survey were the lack of credit/lack of support from banks/financial institutions. The second most frequent credit related issue highlights the difficulty of getting paid for businesses, the much longer time it takes to get paid or not getting paid as others go out of business. The third most frequent credit related issue concerns a general lack of consumer confidence and the poor economic situation for businesses trading in Ireland. Other issues highlighted by several respondents to this survey was the difficulty in getting credit/credit terms, difficulties businesses are experiencing on cash flow and pressures from rates / revenue / VAT liabilities.

Sample direct comments on the **lack of credit/support from banks** included:

Serious delays in processing very basic forms, lost forms, dealing with multiple persons at the bank on the same task.

The new rule that the bank has introduced of not paying out until all cheques are cleared, (including Bank Drafts) is causing problems. Cheques are taking at least a week to clear, and it is not always possible to know the exact date they will clear, therefore we now have to keep a floating balance in the account incase a direct debit or an unexpected cheque hits our account...

Bank insistence on personal guarantees is too heavy...

The bank have completely changed their attitude ... now cheques are being sent back unpaid, incurring additional charges

My overdraft has been taken and turned into a loan

Complete withdrawal of overdraft facilities

When overdraft is due for renewal the bank is asking questions they never asked before and seem to be looking for ways to reduce the amount available on overdraft

I just feel that if people could get finance from banks they would be inclined to spend as they need to keep their savings for their security

Our view is that the banks, so called "pillar banks", or otherwise are closed for business as regards SMEs

...I feel they (the banks) are the most ones putting people out of business with all charges etc that they have implemented

Doing any kind of business with our bank is getting more difficult

Delays in processing even the simplest requests from my bank have gotten much slower

Banks encouraging clients to change from overdraft to term loan. Increased bank charges.

Banks not entertaining any idea of any size loan and unreal levels of security.

Sample direct comments from **getting/speed of getting paid** included:

Failure by one client to pay €22,500 for work which was carried out over an 11 month period had a very serious impact

My retailers increasingly do not pay on time

Debtors are taking longer to pay and yet creditors expect to be paid on time

It's getting to the stage where we need to charge 100% up front before taking on any work

Cashflow is always very tight due to debtors taking longer and longer to pay and ones going into receivership

Main credit issue is the increased number of debtor days

The main credit issue facing us is the demand suppliers are putting on us to pay within 30 days when we are having difficulty getting paid within 60 days.

Main issue is delayed payments – and in some cases no payment

Sample direct comments on **customers/confidence** included:

Customers are unable to get finance and this is has caused a serious drop in sales.

Generally the problem is not enough money in circulation and so people are slow to pay and this has knock on effects

People are afraid to spend money

Credit issues are affecting our customers financially, mentally and crippling confidence in our community

Demand for products other than essentials is non existent

Other sample comments include:

My suppliers do not allow my account run over the 30 days. the credit card company holds my money for 10 working days, putting pressure on my cash flow.

Clients juggling paying the taxman or their creditors

More of my suppliers wanting payment up front instead of usual 30 days credit. Fewer suppliers offering discount for prompt payment. Suppliers drastically reducing their range of products, or offering poor service due to staff reductions, or merging with other companies.

Summary

This biannual survey does not find the overall business environment to be considered positive at present by clients/contacts of CEBs. Whilst not changing much from most recent survey/s (conducted on a half year basis by the CEBs) a slight improvement was identified on the current overall business environment from the survey conducted six months ago. In this July 2011 survey 48% of respondents considered the business environment to be poor overall, whilst 23% of respondents found the current business environment to be good overall.

Given that the most recent surveys conducted in January 2011 and this time last year (July 2010) were not especially positive, the economic downturn continues to have a detrimental effect on small business in Ireland. There does appear to be an ongoing "gloom" amongst respondents to this survey, with little if any evidence of an end in sight, not to mention no "green shoots", in the current business environment. Unsurprisingly the vast majority of respondents to this survey considered that the economic downturn had had an adverse economic impact on their business to date (49% moderate adverse impact; 39% severe adverse impact), with just 5% indicating that it had had a positive impact.

Unfortunately expectations for business turnover in the months ahead were also notably less positive, with just one third of respondents, 32.5%, expecting business turnover to be better over the coming months compared to the previous six months (lower than previous surveys). This survey also identifies an increase in those whose expectations were considered worse (26.6%) when compared to the previous six months and particularly when compared to the level of expectation of recent surveys. Some degree of stabilisation is anticipated however by businesses with 41% indicating that their expectations were about the same for business turnover over the coming months when compared to the last six months.

A slightly smaller proportion of respondents to this survey, compared to the survey six months previously, indicated that their business was at risk of closure, at 25% (compared to 26% in January 2011 and 28.5% in July 2010). This may indicate a resilience/stabilisation in CEB client businesses or that a number of businesses have already ceased trading.

Employment continues to be at risk in respondents' businesses but interestingly a smaller proportion than the survey findings from this time last year. 39% of respondents in this survey consider employment to be at risk in their business over the coming six months, compared to 43% of respondents this time last year (and also 39% six months ago). This may indicate some resilience of CEB client businesses when it comes to making people redundant or else suggests that staff may already have been let go in the intervening periods, or that some businesses have ceased trading altogether. This survey also finds that having just one person

employed in the business means that employment is less likely to be at risk; whereas those employing ten people or more were more likely to indicate employment to be at risk. This indicates that owner managers may, despite their negative view of the economic climate, be reluctant to close their business entirely but in the case of relatively bigger businesses may yet make people redundant. It is also worth noting that those in family businesses were found to have a slightly higher risk to employment at risk compared to non family businesses.

Availability of credit continues to be an issue amongst respondents to this survey, with 60% of respondents saying credit availability was about the same as six months ago, 37% saying it had got worse and just 3% saying it had improved. These findings are similar to the results of the previous surveys undertaken in January 2011 and similar to this time last year when respondents also identified the credit availability situation to be either the same or getting worse.

Compared to this time last year the survey finds a greater percentage of respondents who consider that their business is being curtailed by banking restrictions and especially by bank overdraft/bank loan restrictions. In the case of those whose business are being curtailed, over half of respondents identified bank overdraft/bank loan restrictions (at 54%), followed to a lesser extent by no processing of loans (21%) and additional charges (18%).

The current banking situation on trading and business operations continue to be serious (45% saying either very serious or serious) with a further 36% of respondents identifying this effect to be slight. These findings (81% of respondents to this survey considering the effects to be serious at some level) are largely similar to January 2011 and July 2010 when 82% and 85% of respondents respectively considered the banking situation to have some level of serious effect, reinforcing the seriousness of this issue for small business.

Two financial institutions continue to dominate this market. Bank of Ireland and AIB continue to hold the largest banking market share amongst CEB contacts/clients according to this survey, at 39.6% and 37% respectively, whilst Ulster Bank's share of the market is 13.9%.

With regard to funds from other sources secured, the County Enterprise Boards were identified in the survey as the main other source of funds, having doubled their share of funds from other sources compared to this time last year. This is followed by Credit Union and to a lesser extent private investors. CEBs have increased their lead here, with both credit unions and private investors lower than this time last year.

Demand has been consistently high for the proposed small loan scheme operated by the CEBs of up to €20,000 to support viable business and its working capital needs (at 69%). Working

capital requirements vary significantly amongst respondents who expressed an interest in this small loans scheme, with close to half of respondents requiring a minimum of €15,000 (48.8%). However many businesses may require relatively smaller amounts of financing to continue to operate successfully with demand for working capital of less than €10,000 at 34.2% in this survey. This suggests that some businesses may require relatively small amounts of financing to continue to operate successfully. The high level of interest in the CEB proposed small loan scheme, as well as CEBs being identified as an important source of funds from other sources, highlights the importance of the CEBs in providing funding or assisting with a funding gap for CEB clients.

Factors identified by respondents (from a number of alternatives) to be impacting cash flow were decrease in sales turnover, increase in debtor days/delayed payment and customers going out of business. Infact getting paid by customers is an issue throughout this survey, not only in terms of impact on cash flow. Increased levels of debtor days has increased (at 64%) which is higher than the two most recent biannual surveys.

There is some overlap between factors impacting cash flow and the main credit issues highlighted by respondents at the close of the survey in an open question. These main credit issue identified were primarily lack of credit/lack of support from banks/financial institutions, followed by the difficulty/speed in getting paid and customer confidence concerns. Cash flow and credit availability are without doubt major issues for small Irish businesses in mid 2011. The lack of credit / support from banks was mentioned throughout this survey. Findings suggest that small businesses are being squeezed between on the one hand not getting paid on time/on schedule for work completed while continuing to experience challenges in meeting their loan/working capital commitments. The lack of domestic demand for products/services via decrease in sales turnover further compounds their credit issues.

Appendix One – Questionnaire Used

Questions marked with an asterisk* are mandatory.

*1. Please select your County or City Enterprise Board

*2. How many people are employed full time in your business?

- | | | |
|----------------------------|----------------------------|------------------------------|
| <input type="checkbox"/> 1 | <input type="checkbox"/> 5 | <input type="checkbox"/> 9 |
| <input type="checkbox"/> 2 | <input type="checkbox"/> 6 | <input type="checkbox"/> 10+ |
| <input type="checkbox"/> 3 | <input type="checkbox"/> 7 | |
| <input type="checkbox"/> 4 | <input type="checkbox"/> 8 | |

*3. What is the principle sector in which your business is located?

- | | | |
|---|---|--|
| <input type="checkbox"/> Business Services | <input type="checkbox"/> Engineering | <input type="checkbox"/> Medical Devices |
| <input type="checkbox"/> Clothing & Fashion | <input type="checkbox"/> Environment/Green Technologies | <input type="checkbox"/> Manufacture |
| <input type="checkbox"/> Communications, Media & Entertainment Services | <input type="checkbox"/> Food Primary Sectors | <input type="checkbox"/> Packaging Manufacturing |
| <input type="checkbox"/> Consumer Services | <input type="checkbox"/> Food Manufacturing & Processing | <input type="checkbox"/> Retail |
| <input type="checkbox"/> Craft | <input type="checkbox"/> Furniture/light Consumer Goods Manufacture | <input type="checkbox"/> Software/IT |
| <input type="checkbox"/> Electronics | <input type="checkbox"/> Manufacturing Other | <input type="checkbox"/> Tourism |
| | | <input type="checkbox"/> Other |

4. Please tick which gender you are

- Male
 Female

5. Is this business a family business?

- Yes
 No

Business Confidence Questions.

*6. How would you rate the current overall business environment?

- | | | |
|------------------------------------|------------------------------------|----------------------------------|
| <input type="checkbox"/> Very good | <input type="checkbox"/> Good | <input type="checkbox"/> Average |
| <input type="checkbox"/> Poor | <input type="checkbox"/> Very poor | |

7. What has been the impact (if any) of the economic downturn on your business to date?

- | | |
|--|---|
| <input type="checkbox"/> Severe adverse impact | <input type="checkbox"/> No impact at all |
| <input type="checkbox"/> Moderate adverse impact | <input type="checkbox"/> Positive impact |

***8. Are your expectations for business turnover better or worse for the next six months, compared to the previous six months?**

- Better over coming months Worse over coming months About the same months

***9. Is your Business at risk of closure?**

- Yes No

***10. Is employment at risk in your business over the coming six months?**

- Yes No

11. Are any of the following factors impacting cash flow in your business at present?

- Increase in debtor days/delayed payment
 Increase in debtor amounts
 Suppliers going out of business
 Decrease in sales turnover
 Customers going out of business
Other (please specify).....

Some Banking / Credit Questions.

***12. What is the name of your primary/main Bank?**

- ACC Bank Bank of Scotland Ireland Ulster Bank
 AIB National Irish Bank
 Bank of Ireland Permanent TSB
Other (please specify)

***13. Would you say that the credit availability situation is the same as six months ago?**

- Improved Worse Same

***14. Do you feel your business is being curtailed at present by banking restrictions?**

- Yes No

15. If you answered YES to Question 14 above, please answer the following question: -

In what way are banking restrictions affecting your business?

- Bank overdraft / bank loan restrictions Additional charges
 No processing of loans Higher levels of security

16. Do you feel the current Banking situation will have any effect on your trading and business operation?

- | | |
|---------------------------------|---------------------------------------|
| <input type="checkbox"/> None | <input type="checkbox"/> Serious |
| <input type="checkbox"/> Slight | <input type="checkbox"/> Very Serious |

17. Have you experienced increased levels of debtor days over the previous six months?

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

18. Have you secured funds from any other sources?

- | | |
|--|--|
| <input type="checkbox"/> County Enterprise Board | <input type="checkbox"/> First Step Microfinance |
| <input type="checkbox"/> Credit union | <input type="checkbox"/> Leader |
| <input type="checkbox"/> Private investors | |
| Other (please specify) | |

***19. Would a small loan scheme operated by the CEBs up to €20,000 to support viable business and it's working capital needs be helpful and desirable?**

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

20. If you answered YES to Question 19 above, please answer the following question: -

What level of working capital finance is required?

- | | |
|--|----------------------------------|
| <input type="checkbox"/> Less than €1K | <input type="checkbox"/> €10-15K |
| <input type="checkbox"/> €1-5K | <input type="checkbox"/> €15-20K |
| <input type="checkbox"/> €5-10K | <input type="checkbox"/> €20K+ |

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

22. What is your company name?

Appendix Two – Background on the CEBs

The County and City Enterprise Boards (CEBs) play a pivotal role in stimulating economic development, in developing, sustaining and growing new and existing micro enterprises and in assisting employment creation. The 35 CEBs were established in Ireland in 1993 to provide support for micro-enterprises (10 employees or less) at local level.

Total net jobs created in CEB-supported companies between 1993 and 2009 was 30,726. In addition, significant numbers of people were supported in various management training and capability development programmes.

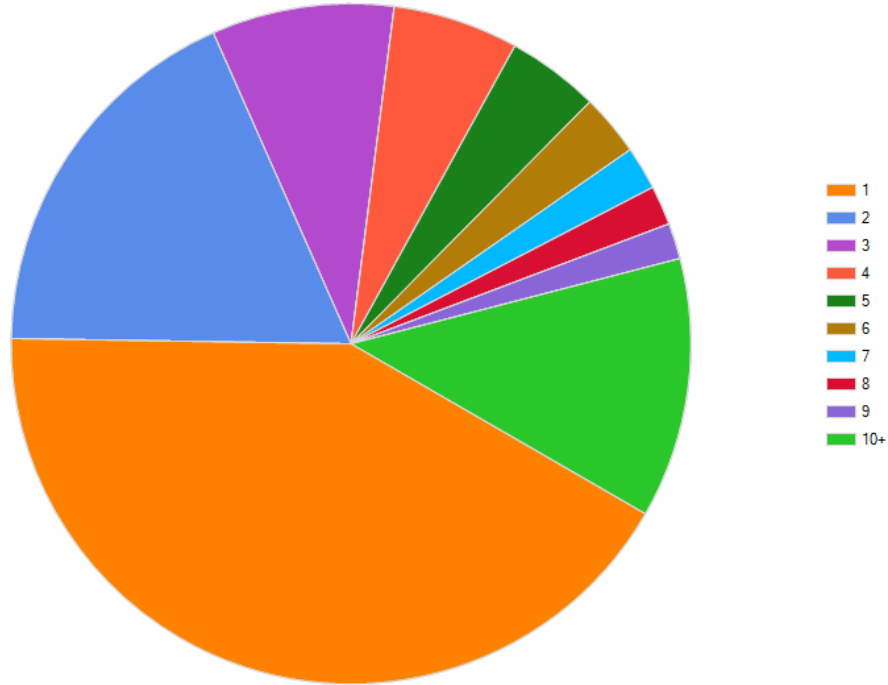
The current aims of the CEBs are as follows:

- To create employment opportunities throughout the country by assisting in the establishment of new businesses and the development and sustainability of existing businesses.
- To increase the culture and level of entrepreneurship in Ireland so that the culture is supportive of entrepreneurship through maximising the number of new start-up businesses.
- To support small business in increasing its competitiveness, innovativeness, export-orientation, management capabilities and sustainability.
- To provide a locally and nationally recognised comprehensive information and advice service throughout the country for anyone wishing or proposing to establish or expand a new or existing business.
- To increase the pool of indigenous business at local level, in particular the number of growth-oriented businesses and where appropriate assist in the development and transfer of high potential clients to Enterprise Ireland.

Appendix Three – Profile of Respondents (n=1,706)

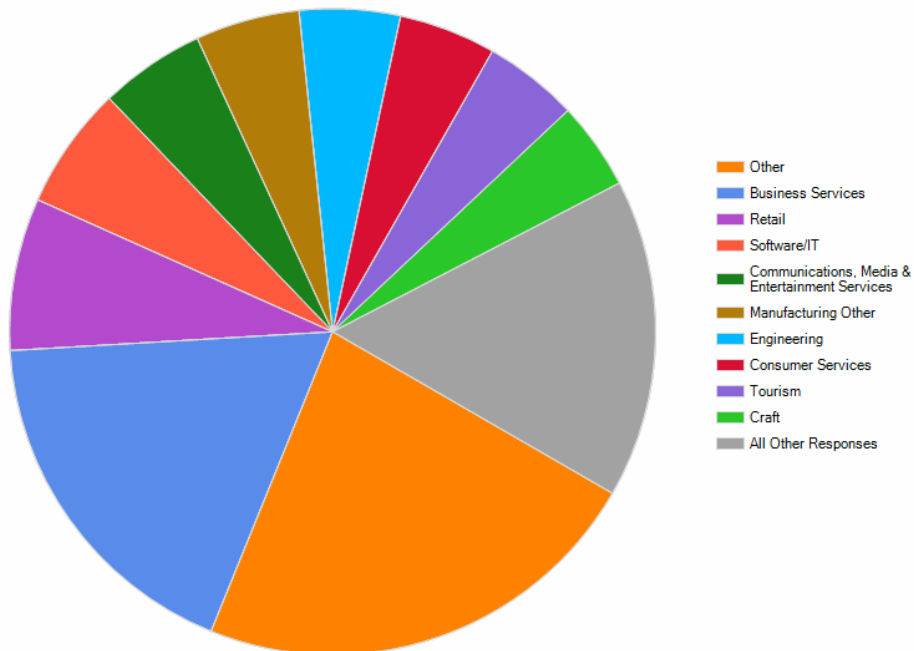
Numbers Employed Full Time in Business of Respondent (n=1,706)

How many people are employed full time in your business?



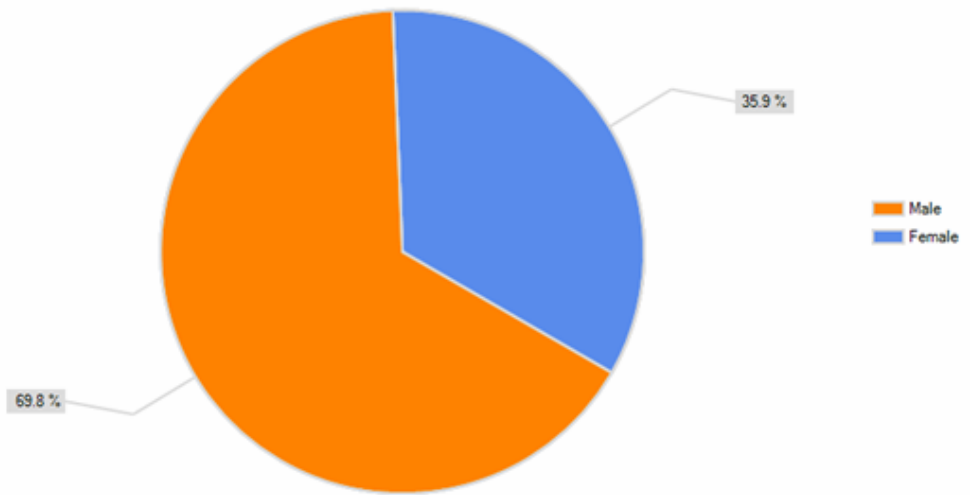
Principle business sector of survey respondents (n=1,706)

What is the principle sector in which your business is located?



Gender of survey respondents

Please tick the gender of the Owner/Manager of your business



Is this business a family business?

