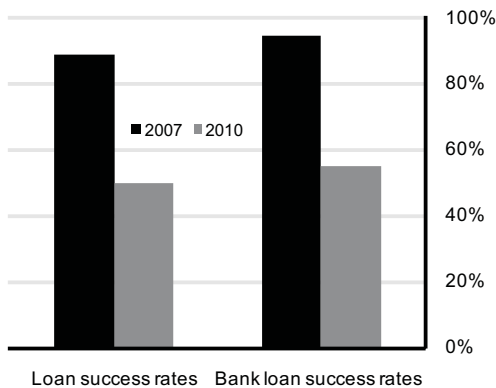




## Access to Finance 2007 and 2010

### Enterprise success rates in obtaining loan finance in 2007 and 2010



	2007	2010
Loan success rates	90	50
Bank loan success rates	95	55

### Successful loan applications drop from 90% in 2007 to 50% in 2010

Enterprises that applied for loan finance had a success rate of 90% in 2007, compared with 50% in 2010. Enterprises applying to banks for loan finance were successful in 95% of cases in 2007, while in 2010 the success rate dropped to 55%. *See Tables 5 & 6.*

### Applications for finance

In 2007, 37% of all enterprises applied for loan finance. In 2010 the corresponding figure had fallen to 31%. *See Table 1.*

Most sectors saw a drop in the number of loan finance applications between 2007 and 2010. The biggest reduction was seen in the Construction sector, with 47% of enterprises applying for loan finance in 2007 compared with 36% in 2010. *See Table 3.*

The share of enterprises applying for equity finance rose from 3% in 2007 to 4% in 2010, while for finance other than loan and equity finance, the share rose marginally from 20% to 21%. *See Table 1.*

### Outlook

When asked about their outlook for the period 2010 to 2013, 60% of enterprises indicated that they would need financing to maintain their business. *See Table 17.*

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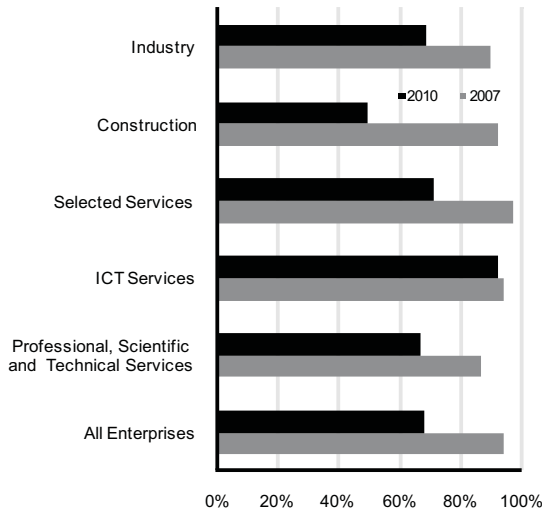
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**Figure 1 Success rates in obtaining loan finance by NACE sector in 2007 and 2010**



In the Access to Finance survey enterprises were asked to provide details about their efforts in obtaining different types of finance: loan finance, equity finance and finance other than loan and equity finance. See background notes for details of what sources are included in each type of finance.

### Applications for loan finance by number of persons engaged

The percentage of enterprises applying for loan finance over the period 2007 to 2010 decreased from 37% to 31%.

The biggest drop was seen in the 10-49 persons engaged group, with 36% of enterprises in this group applying for loan finance in 2007 and 29% in 2010. For enterprises with 50 and over persons engaged, the corresponding figures were 42% in 2007 and 39% in 2010. *See Table 1.*

Loan applications that were treated favourably, meaning applications that were fully or partially successful, came to 94% in 2007; the corresponding figure for 2010 was 68%. The Construction sector saw the biggest reduction in the percentage of such applications, with 92% of those treated favourably in 2007 and 49% in 2010. *See Tables 5 & 6 and Figure 1.*

### Applications for loan finance by growth group

High growth enterprises saw the most significant drop in the percentage of enterprises seeking loan finance, with 47% of enterprises applying in 2007 and 39% in 2010. *See Table 4.*

### Guarantees required

Figures show that the owner/director was the guarantor in more than 90% of cases where a guarantee was required by the lender in both 2007 and 2010. *See Table 9.*

### Unsuccessful or partially successful loan applications

The main reasons given by banks for wholly or partially refusing loans in 2007 were lack of capital and insufficient or risky potential. However, in 2010 the most common reason identified was that enterprises had too much debt.

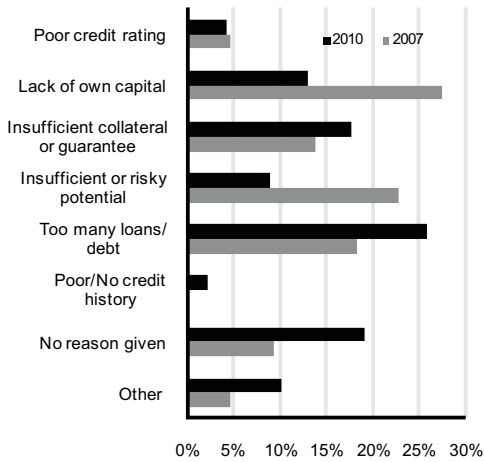
The percentage of applications that were not given a reason by the banks for complete or partial loan refusal was 19% in 2010. The corresponding figure for 2007 was 9%. *See Table 10 and Figure 2.*

### Finance excluding loan and equity finance

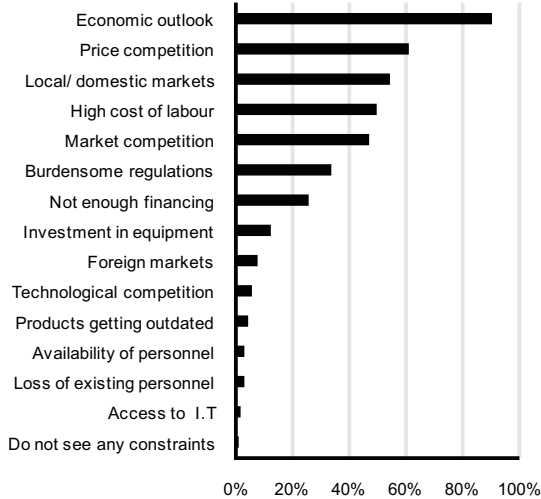
The percentage of enterprises applying for this type of finance rose marginally from 20% in 2007 to 21% in 2010. The biggest decrease can be seen in the Professional, Scientific and Technical services sector where the rate fell from 25% in 2007 to 18% in 2010. The largest increase in such applications was seen in the ICT services sector which went from almost 15% in 2007 to 19% in 2010. *See Table 3.*

Of all applications for finance excluding loan and equity finance, 92% were at least partially successful in 2007, and the corresponding figure for 2010 was 80%. *See Tables 12 & 13.*

**Figure 2 Reasons given by banks for full or partial loan refusal in 2007 and 2010**



**Figure 3 Factors expected to limit growth of enterprises between 2010 and 2013**



**Successful applications for finance excluding loan and equity finance by growth group**

Gazelles enjoyed a 100% full success rate when applying for this type of finance in 2007, which subsequently dropped to 58% in 2010. High growth enterprises showed that they were mainly successful in both years with rates of 81% and almost 79% respectively. *See Tables 14 & 15.*

**Economic changes in enterprises from 2007-2010**

Of all enterprises surveyed 65% stated that their financial situation had deteriorated, however 15% felt that it had improved over the period 2007-2010. Separately 61% of businesses indicated that banks were less willing to provide finance in the same period. *See Table 16.*

**Outlook 2010-2013**

Enterprises were asked to identify one or more reasons why they might need to seek finance between 2010 and 2013. More than 60% stated that they would need financing to maintain their business. *See Table 17.*

When asked to identify factors most likely to limit growth over this period, 90% of enterprises indicated the economic outlook to be the main obstacle. *See Table 18 and Figure 3.*

**Table 1 Enterprises applying for finance in 2007 and 2010 by number of persons engaged**

Number of persons engaged	Type of finance	Enterprises applying for finance	
		2007	2010
10-49	Loan finance	36.3	29.2
	Equity finance	3.1	4.2
	Finance other than loan and equity finance	19.2	19.2
	Any type of finance	44.6	39.4
50 and over	Loan finance	42.1	39.1
	Equity finance	4.5	4.5
	Finance other than loan and equity finance	27.1	29.3
	Any type of finance	54.9	50.4
All enterprises	Loan finance	37.2	30.7
	Equity finance	3.3	4.3
	Finance other than loan and equity finance	20.4	20.8
	Any type of finance	46.2	41.1

**Table 2 Success rates of enterprises applying for finance in 2007 and 2010 by number of persons engaged**

Number of persons engaged	Type of finance	Success Rates <sup>1</sup>	
		2007	2010
10-49	Loan finance	93.2	66.0
	Equity finance	62.2	63.6
	Finance other than loan and equity finance	96.6	80.5
50 and over	Loan finance	95.9	78.8
	Equity finance	81.8	75.0
	Finance other than loan and equity finance	76.3	79.7
All enterprises	Loan finance	93.6	68.1
	Equity finance	66.1	65.4
	Finance other than loan and equity finance	92.3	80.3

<sup>1</sup> The success rates in this table reflect the share of enterprises that were fully or partially successful in obtaining finance.

**Table 3 Enterprises seeking finance by NACE sector and type of finance in 2007 and 2010**

NACE sector	2007			2010			%
	Loan finance	Equity finance <sup>1</sup>	Finance other than loan and equity finance	Loan finance	Equity finance <sup>1</sup>	Finance other than loan and equity finance	
Industry	43.9	-	22.0	33.3	-	22.8	
Construction	46.9	-	24.7	35.8	-	23.5	
Selected Services	36.2	-	19.1	30.2	-	20.8	
ICT Services	20.3	-	14.5	26.1	-	18.8	
Professional, Scientific and Technical Services	37.4	-	25.2	29.0	-	17.8	
<b>All enterprises</b>	<b>37.2</b>	<b>3.3</b>	<b>20.4</b>	<b>30.7</b>	<b>4.3</b>	<b>20.8</b>	

<sup>1</sup> Unreliable due to low number of responses

**Table 4 Enterprises seeking finance by growth group and type of finance in 2007 and 2010**

Growth Group	2007			2010			%
	Loan finance	Equity finance <sup>1</sup>	Finance other than loan and equity finance	Loan finance	Equity finance <sup>1</sup>	Finance other than loan and equity finance	
Gazelle <sup>2</sup>	43.0	-	27.8	36.7	-	30.4	
High growth <sup>3</sup>	47.2	-	30.1	39.3	-	33.1	
Non high growth	33.8	-	17.0	27.7	-	16.3	
<b>All enterprises</b>	<b>37.2</b>	<b>3.3</b>	<b>20.4</b>	<b>30.7</b>	<b>4.3</b>	<b>20.8</b>	

<sup>1</sup> Unreliable due to low number of responses

<sup>2</sup>Gazelles: Enterprises established between 2003 and 2005, whose employment increased by 20% per annum over the period 2005 to 2008.

<sup>3</sup>High growth: Enterprises established before 2003, whose employment increased by 20% per annum over the period 2005 to 2008.

**Table 5 Enterprise success rates in obtaining loan finance by NACE sector, 2007**

NACE Sector	<u>Success rates of all loans</u>				<u>Success rates of bank loans</u>			
	Successful	Partially successful	Unsuccessful	Total	Successful	Partially successful	Unsuccessful	Total
Industry	81.8	7.8	10.4	100	94.2	3.8	1.9	100
Construction	90.0	1.7	8.3	100	96.9	0.0	3.1	100
Selected Services	93.6	3.4	3.0	100	96.2	3.2	0.6	100
ICT Services	81.3	12.5	6.3	100	83.3	8.3	8.3	100
Professional, Scientific and Technical Services	84.6	1.9	13.5	100	94.1	2.9	2.9	100
<b>All enterprises</b>	<b>89.5</b>	<b>4.1</b>	<b>6.4</b>	<b>100</b>	<b>95.1</b>	<b>3.1</b>	<b>1.7</b>	<b>100</b>

**Table 6 Enterprise success rates in obtaining loan finance by NACE sector, 2010**

NACE Sector	<u>Success rates of all loans</u>				<u>Success rates of bank loans</u>			
	Successful	Partially successful	Unsuccessful	Total	Successful	Partially successful	Unsuccessful	Total
Industry	55.0	13.3	31.7	100	60.5	13.2	26.3	100
Construction	28.8	20.3	50.8	100	33.3	25.9	40.7	100
Selected Services	53.1	17.7	29.2	100	56.0	18.7	25.4	100
ICT Services	56.0	36.0	8.0	100	61.1	27.8	11.1	100
Professional, Scientific and Technical Services	52.1	14.6	33.3	100	57.7	19.2	23.1	100
<b>All enterprises</b>	<b>49.9</b>	<b>18.2</b>	<b>31.9</b>	<b>100</b>	<b>54.7</b>	<b>19.3</b>	<b>25.9</b>	<b>100</b>

**Table 7 Enterprise success rates in obtaining loan finance by growth group, 2007**

Growth group	Success rates of all loans				Success rates of bank loans			
	Successful	Partially successful	Unsuccessful	Total	Successful	Partially successful	Unsuccessful	Total
Gazelle <sup>1</sup>	82.7	11.5	5.8	100	90.3	9.7	0.0	100
High growth <sup>2</sup>	79.8	4.8	15.3	100	91.4	2.9	5.7	100
Non high growth	95.4	2.3	2.3	100	97.3	2.2	0.5	100
<b>All enterprises</b>	<b>89.5</b>	<b>4.1</b>	<b>6.4</b>	<b>100</b>	<b>95.1</b>	<b>3.1</b>	<b>1.7</b>	<b>100</b>

<sup>1</sup>Gazelles: Enterprises established between 2003 and 2005, whose employment increased by 20% per annum over the period 2005 to 2008.

<sup>2</sup>High growth: Enterprises established before 2003, whose employment increased by 20% per annum over the period 2005 to 2008.

**Table 8 Enterprise success rates in obtaining loan finance by growth group, 2010**

Growth group	Success rates of all loans				Success rates of bank loans			
	Successful	Partially successful	Unsuccessful	Total	Successful	Partially successful	Unsuccessful	Total
Gazelle <sup>1</sup>	61.4	11.4	27.3	100	72.0	8.0	20.0	100
High growth <sup>2</sup>	44.0	19.3	36.7	100	47.5	20.3	32.2	100
Non high growth	50.4	19.0	30.6	100	54.7	20.8	24.5	100
<b>All enterprises</b>	<b>49.9</b>	<b>18.2</b>	<b>31.9</b>	<b>100</b>	<b>54.7</b>	<b>19.3</b>	<b>25.9</b>	<b>100</b>

<sup>1</sup>Gazelles: Enterprises established between 2003 and 2005, whose employment increased by 20% per annum over the period 2005 to 2008.

<sup>2</sup>High growth: Enterprises established before 2003, whose employment increased by 20% per annum over the period 2005 to 2008.

**Table 9 Type of guarantor for loan finance, if required, 2007 and 2010**

Year	Type of guarantor				Total
	Owner/ Director	Family/ Friends	Other Business	Other	
2007	95.1	1.4	2.1	1.4	100
2010	92.0	3.2	2.4	2.4	100

**Table 10 Reasons given by banks for full or partial loan refusal in 2007 and 2010**

%									
Year	Poor credit rating	Lack of own capital	Insufficient collateral or guarantee	Insufficient or risky potential	Too many loans/ debt	Poor/No credit history	No reason given	Other	Total
2007	4.5	27.3	13.6	22.7	18.2	0.0	9.1	4.5	100
2010	4.1	12.8	17.6	8.8	25.7	2.0	18.9	10.1	100

**Table 11 Enterprise success rates in obtaining equity finance in 2007 and 2010**

%				
<u>Success rates of equity finance applications</u>				
Year	Successful	Partially successful	Unsuccessful	Total
2007	57.1	8.9	33.9	100
2010	48.7	16.7	34.6	100

**Table 12 Enterprise success rates in obtaining finance excluding loan and equity finance by NACE sector, 2007**

%				
NACE Sector	Successful	Partially successful	Unsuccessful	Total
Industry	92.9	7.1	0.0	100
Construction	74.5	0.0	25.5	100
Selected Services	86.9	5.3	7.8	100
ICT Services	100.0	0.0	0.0	100
Professional, Scientific and Technical Services	95.7	4.3	0.0	100
<b>All enterprises</b>	<b>87.8</b>	<b>4.5</b>	<b>7.7</b>	<b>100</b>

**Table 13 Enterprise success rates in obtaining finance excluding loan and equity finance by NACE sector, 2010**

				%
<b>NACE Sector</b>	Successful	Partially successful	Unsuccessful	<b>Total</b>
Industry	63.5	17.5	19.0	<b>100</b>
Construction	55.6	22.2	22.2	<b>100</b>
Selected Services	62.1	17.2	20.7	<b>100</b>
ICT Services	77.3	4.5	18.2	<b>100</b>
Professional, Scientific and Technical Services	73.1	15.4	11.5	<b>100</b>
<b>All enterprises</b>	<b>63.5</b>	<b>16.8</b>	<b>19.7</b>	<b>100</b>

**Table 14 Enterprise success rates in obtaining finance excluding loan and equity finance by growth group, 2007**

				%
<b>Growth Group</b>	Successful	Partially successful	Unsuccessful	<b>Total</b>
Gazelle <sup>1</sup>	100.0	0.0	0.0	<b>100</b>
High growth <sup>2</sup>	75.5	5.7	18.9	<b>100</b>
Non high growth	91.2	4.8	4.0	<b>100</b>
<b>All enterprises</b>	<b>87.8</b>	<b>4.5</b>	<b>7.7</b>	<b>100</b>

<sup>1</sup>Gazelles: Enterprises established between 2003 and 2005, whose employment increased by 20% per annum over the period 2005 to 2008.

<sup>2</sup>High growth: Enterprises established before 2003, whose employment increased by 20% per annum over the period 2005 to 2008.

**Table 15 Enterprise success rates in obtaining finance excluding loan and equity finance by growth group, 2010**

				%
<b>Growth Group</b>	Successful	Partially successful	Unsuccessful	<b>Total</b>
Gazelle <sup>1</sup>	58.3	22.9	18.8	<b>100</b>
High growth <sup>2</sup>	61.2	17.3	21.4	<b>100</b>
Non high growth	65.8	15.1	19.1	<b>100</b>
<b>All enterprises</b>	<b>63.5</b>	<b>16.8</b>	<b>19.7</b>	<b>100</b>

<sup>1</sup>Gazelles: Enterprises established between 2003 and 2005, whose employment increased by 20% per annum over the period 2005 to 2008.

<sup>2</sup>High growth: Enterprises established before 2003, whose employment increased by 20% per annum over the period 2005 to 2008.

**Table 16 Enterprises' perception of changes between 2007 and 2010**

				%
	Better	Unchanged	Worse	Total
Financial situation of business	14.7	20.7	64.7	100
Cost of obtaining finance	6.6	49.2	44.2	100
Other terms/conditions of finance	1.0	63.3	35.7	100
Burden/effort of obtaining finance	1.3	51.0	47.7	100
General economic outlook	3.2	10.9	85.9	100
Willingness of banks to provide finance	1.5	37.4	61.1	100
Debt/turnover ratio	10.2	36.0	53.8	100

**Table 17 Reasons enterprises expect to request finance between 2010 and 2013**

	%
Maintain the business	60.4
Grow domestic activities	45.8
Finance export sales	10.6
Develop international activities	9.4
Finance innovation and R&D	8.2
Mergers and acquisitions	6.7
Other	12.9

**Table 18 Factors expected to limit growth of enterprises between 2010 and 2013**

	%
Economic outlook	89.8
Price competition	60.5
Local/domestic markets	53.7
High cost of labour	49.3
Market competition	47.0
Burdensome regulations	33.4
Not enough financing	25.4
Investment in equipment	12.1
Foreign markets	7.0
Technological competition	5.2
Products getting outdated	3.8
Availability of personnel	2.8
Loss of existing personnel	2.8
Access to information technology	1.6
Do not see any constraints	0.7

## Background Notes

**Introduction** The survey was established to meet Eurostat requirements as part of an EU wide harmonised data collection on access to finance issues. Secondly, and most importantly, the survey provides valuable national insights into the availability of finance in Ireland in the years 2007 and 2010.

This survey is a requirement of the Structural Business Statistics Regulation (295/2008), which made provision for a flexible module “for the conduct of a specific and limited ad hoc data collection of enterprise characteristics”. The first of these modules related to the collection of figures from small and medium size enterprises on access to finance, under Commission Regulation 97/2009.

**Reference Period** Two distinct reference periods are used in this inquiry. 2007 refers to the full calendar year 2007 whereas 2010 refers to the 12 month period from September 2009 to September 2010.

**Scope** The scope of the survey was enterprises in the non-financial market sectors (see coverage) that employed between 10 and 249 persons in the year 2005 and which continued to employ at least 10 persons at the time of the survey (September 2010). Only independent enterprises were selected, i.e. no subsidiary enterprises were selected on the assumption that their finance arrangements may be organised or influenced by the Group HQ.

**Coverage** The sample was selected from the following NACE Rev 2 Divisions:

B to E	Industry
F	Construction
G to N (excluding J, K and M)	Selected services
J	ICT services
M	Professional, scientific and technical services

Also of interest was the growth category of the business, as defined below:

High Growth: Enterprises whose employment increased by 20% per annum over the period 2005 to 2008

Gazelles: High growth enterprises established between 2003 and 2005

Non High Growth: All other enterprises in the scope of the survey.

**Sample** The target population was divided into strata according to the NACE groups and growth categories specified above. For those strata with less than 75 enterprises, and for gazelles, a census was carried out. The rest of the sample was selected using proportional allocation. The total sample size was 3,000 enterprises. The effective sample was lower than this, as some selected enterprises were found to be outside the scope of survey.

**Questionnaire** The Survey Questionnaire can be found on the CSO website, under Surveys and Methodology, Business Sectors, Services, Survey Forms.

### Glossary

**Loan Finance** A loan is defined as a sum of money given from one party to another for use over a period of time. The money is paid back according to terms agreed upon by both parties, including the specified interest rates and the time over which the loan will be repaid. Sources of loan finance include the following: an owner/ director of the business, other employees of the business, family or friends, other business and banks.

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<b>Equity Finance</b>	Equity Finance is the money raised for company activities by selling common or preferred stock to individual or institutional investors. Sources of equity finance include the following: existing shareholders, directors not yet shareholders, other employees of the business, venture capital funds, business angels, family/friends or other individuals, initial public offering or other stock market capitalisation, banks, other financial institutions, and other business.
<b>Finance other than loan and equity finance</b>	This type of finance includes the following: leasing, factoring, bank overdraft or credit line, subsidised loans, subsidies by the government, foreign government bodies or international organisations, trade credits, payments, international trade or export facilities and mezzanine financing.