• Banking Duopoly remains. This is not healthy for anyone. See McCann et al 2015.
  JBF bank market power increases concentration. With 43%, Bank of Ireland is the most popular bank for day-to-day business banking. AIB is a close second with 40%. With 25%, Bank of Ireland is the most popular bank for main business loans. AIB is a close second with 20% of business loans.
  • Tech NE Startups. Scale not start is the problem.
  • Over 80% of the participants were either the CEO, managing director, general manager or founders. Over 40% of the respondents possess majority share holdings of 51% or more. Less than 18% of the businesses are less than 2 years old. While 60% have been operating for 5 years or more. A picture not dissimilar to Hutson and Hogan 2005 last look altho now micro <9 is 44% not 80% it was.
• 54% of the businesses are currently profitable. SME's coming out of a recession that is v good and perhaps reflects the export orientation of the group. Overall both revenue and profits have increased during end of year 2013 to 2014.

• 24% of businesses declare that intangible assets make up 85-100% of their total assets BUT 33% declare that intangible assets consist of 0-15% of the total assets.

• The general consensus of banks customer service and client management, when looking at areas such as understanding the business, bank availability and approachability, was poor with only 23.5% having positive responses of which 2.5% very positive. This is compared to total to 44.6% negative responses of which 17.8% were very negative. Almost twice as many negative responses compare to positive. The remaining 32% was for neither/nor.

• Bank of Ireland received the highest strong understanding with 7% and was second to AIB in good understanding with 14% compared to 18%. This is VERY disimproved from Hutson and Hogan 2005 where figures of 30% plus were recorded.

• Overall 51% of businesses stated that banks have limited or poor understanding of the tech sector Later we will see importance of beyond financial relationship banking. Could do better
These are small companies

- 17% of businesses had revenue of €5M or more.
- 35% of businesses had revenue of less than €250,000.
- 71% of the businesses possessing EBITDA of less than €250,000.

THESE ARE FRAGILE.

- When analysing these results it is useful to compare them to European Commission’s Survey on the Access to Finance of Enterprises (SAFE) 2014.
  - 41% of SMES in the EU and 56% in Ireland stated that their turnover had increased between April to September 2014.
  - 33% in the EU and 26% in Ireland affirmed there was no change in turnover in the past 6 months.
  - When asked about profit, 31% of SMEs in the EU and 48% in Ireland declared that it had increased in the past 6 months.
  - 31% in the EU and 27% in Ireland affirmed there was no change, this is similar proportion to that of turnover.

- When Ireland overall is compared with the Irish tech businesses there is a positive correlation for both profit and revenue.
- Subsequently when discussing revenue, it can be said that the Irish tech businesses have performed better than both the EU and the Irish average.
- There is a strong majority who declare there has been an increase for revenue and also a majority for profit.
- The figures are also similar to no change in profit compared to the results from the EU.

Department Of Finance April – September 2015
Sme Credit Demand Survey
• 85% of all SMEs report an increased or stable revenue (47% increase + 38% stable)
• 47% of SMEs report increased turnover in the past 6 months,
• this is up from 43% in March 2015 but slightly lower than September 2014 (49%).
• An additional 38% reporting stable turnover over the past 6 months.
• 15% report a decline in revenue.

Profits

• Significant improvement in the profitability of SMEs with
• 61% reporting profit in the past 6 months, up from 56% in March 2015 and a year ago.
• 10% report a loss (down from 13%) while 25% express that they broke even.
• This is the highest level of SME profitability we have seen since the start of the SME Credit Demand Survey

• The annual turnover up to €500,000 accounted for 32% of SMEs in Europe and 25% in Ireland.
• The highest in Ireland was between €2-10million which accounted for 23% and 27% in the EU and Ireland respectively.
• 40% of SMEs in Ireland had revenue up to €1million, when analysing sectors in the EU, revenue of up to €1million accounted for 27% in industry, 50% in construction, 44% in trade and 54% in services.
• 61% of the Irish tech business in this survey had revenue of up to €1million.
• Roughly 47% of SMEs in Ireland had revenue of at least €2million, when analysing sectors in the EU, revenue of at least €2million accounted for 61% in industry, 35% in construction, 40% in trade and 30% in services.
• However only 27% of Irish tech businesses had revenue of at least €2.5million.
• This illustrates the struggle which Irish SMEs have when generating strong revenue figures as compared to both and Irish, EU and sectorial average. The overall results are not as positive.
• The tech sector can somewhat play a role in this themselves. Investors and customers is waiting for the next big thing and so until this occurs most firms are in obscurity and thus can hamper their ability to achieve strong revenue values.
49% of SMEs claim that their focus is on stabilisation while only pursuing smaller growth opportunities while additional 29% focus solely on business stabilisation. These proportions are largely unchanged from March 2015.
Very strong export orientation
savings and retained earnings dominate. Preferred over venture capital or angel finance. D Fin Internal funds/retained earnings continue to be the main finance source of working capital with 63% of working capital coming from this source. similar to March 2015.

• 47.5% of business will look to utilise alternative sources of finance with the next 2-5 years.
• The EC’s SAFE results declare that only 25% in the EU and 37% in Ireland said that retained earnings were and could be relevant to the firm in the past or future.
• When analysing this in a EU sector level, this trend continues with 25% in industry, 27% in construction, 24% in trade and 22% in services stating retained earnings importance.
• While 5% have stated that the funding environment is significantly better than last year, this has been negated 6% which state it is significantly worse.
• On the other hand, when asked about the importance that bank loans had and could possible have to the business, 57% of SMEs in the EU and 59% in Ireland declared it be a relevant source.
• When analysing the EU results in sectorial detail, 63% in industry, 58% in construction, 57% in trade and 55% in services stated bank loans were important.
• 60.4% state that they are either unlikely or highly unlikely to apply for a bank loan during 2015. 37% have never applied for bank credit, yet alone get a loan. According to SAFE results, only 28% of EU SMEs and 23% of Irish SMEs had applied for a bank loan in the previous 6 months.
• It must be stated that 38% in the EU and 40% from Ireland did not apply due to sufficient funds.
• This means that at least 33% of SMEs in the EU and 35% in Ireland, need capital but still not apply for a bank loan.
These findings are reinforced by the fact that only 13% of SMEs in the EU and 9% in Ireland have actually used a bank loan in the past 6 months.

This is compared to 14% in the EU and 27% in Ireland who used retained earnings in the past 6 months.

D Fin Among those SMEs who applied for bank finance, 40% of the applications required some kind of collateral. This is unchanged from March 2015. So 60% are unsecured.

The two most common kinds of collateral required were buildings (13% of all applications) followed by personal assets (8%) and land (7%).

71% of bank finance applications in the past 6 months were approved in full with additional 2% being approved partially.

Department Of Finance April – September 2015

Sme Credit Demand Survey

Among the 70% of SMEs that did not apply for bank finance in the past 6 months, the main reason for not applying was that they do not need bank finance.

Main reasons for applying for bank finance are working capital requirements (48%) and growth/expansion (25%) – this is identical to the period October 2014 – March 2015

Prescreening and discouragement?

We may well have a significant problem here with discouraged borrowers. Bank borrowings were deemed a better sources of capital than equity from family and friends and crowd sourcing. While we WANT poor borrowers to be discouraged we DON’T want good ones. Storey 205, 2009 shows concentration increases discouragement. Freel et al 2012 shows larger firms less discouraged (Scale up not start up) but knowledge intensive (tech) and serial entrepreneurship (failure legacy) more discouraged, and proper relationship banking (not just financial but strategic) reduces. Also Berger and Udell for USA

Central Bank research shows discouragement credit rationing linked to poor employment outcomes using D Fin survey results

This could be down to the two key aspects, 42.55% of the businesses are in the software sector and almost 50% of the firms have less than 10 employees.

This shows how both the size of the business and the perceived lack of tangible assets, encourages businesses to utilise retained earnings to grow, with less risk as well as the belief that banks do not understand tech firms and so will not give a loan, or at a reasonable rate.
own words:

- For early stage tech businesses; With 47% a change in tax incentives for investors is the clear priority.
- More specific accelerators gained 22% and an increase in venture capital funds also did well with 21%.
- An increase in broad based accelerators and incubators received only 10% and had the overall lowest total response at 65%.
- Tax incentives had the highest with 86% followed by more focused accelerators with 79%. Venture capitals fund increase gained 70%. From these three a high value came from top priority and 2nd priority, although more focused accelerators received 35% as the top 3rd priority.

- For established tech businesses, With 31% a change in tax incentives for investors once again the top priority.
- Support for a sales and marketing function gained 27% and support towards hiring technical staff also did well with 20%.
- Thus trend continued for the 2nd priorities as well.
- Support towards building organisational capabilities received only 7% but was the strongest 3rd priority with 30%. It had the overall lowest total response at 50%.
- Support for a sales and marketing function had the highest with 71% followed by technical staff with 66%.
- Venture capitals fund increase gained 51%, and from that only 16% as a top priority and 14% as a 2nd priority.

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Sme Credit Demand Survey

- Regarding SMEs who have not applied for Government Financial Support, with 64% belief that they do not need this type of financing remains the top reason, with a lack of knowledge and a belief that the finance type was not relevant for business/sector being the next most common reasons.

- looking at state funded support, awareness is highest for Enterprise Ireland (82%) followed by Local Enterprise Offices (60%). These levels are unchanged from the previous research wave.

- 35% of SMEs are aware of the Credit Guarantee Scheme – this is down from 39% in March 2015 – while 30% are aware of the Micro Finance Loan Fund, this is unchanged from March 2015

- 23% of the SMEs agree with the statement “I have a good knowledge of state funded support available”
• The top two challenges for Irish tech firms are gaining more customers, with 29% and access to capital, with 23%
• When compared to the findings of SAFE, 20% of EU and 12% of Irish SMEs state that finding customers is their most pressing problem.
• This was the biggest problem facing SMEs from the EU.
• Access to finance is also more of an Irish issue than EU with 18% and 13% respectively.

• Competition is in fact the biggest problem in Ireland with 21%, compared to the EU with 15%.
• When broken down into different sectors within the EU, competition was shown to be the most pressing problem for 14% in industry, 16% in construction, 18% in trade and 13% in services.
• Only 6% of the tech businesses selected competition as their top challenge. However it did seem more pressing as the second and third challenges, with 17% each.

• This shows how the Irish tech sector is somewhat different to both Irish SMEs overall and also different sectors.
• These findings further emphasise that special knowledge needs to be in place to ensure the tech firms can meet their challenges head on.
• A minimum of 20% ROI is necessary for over 60% of the participants. That is unrealistically high in a low rate environment.
• Money illusion: 52% would prefer to own 1% of a €4,000,000 business, 26% would prefer to own 50% of a €80,000 business while only 22% would prefer to own 100% of a €40,000 business. [ANY international research on this Conor]
• The main long-term goal with 45% is to generate high profits, while being bought out within five years is the second favourite main goal with 23%. No evidenced desire to grow
• Most research is on VC backed exit mechanisms NOT on non VC. J Bus Venturing paper 2015 De Tienne et al: Harvest, Stewardship or Cessation Irish companies in harvest mode; more “rational, causal, business” tends to be associated with this. Also overconfidence
this is exactly as found in European SME's going digital in Leefang et al. European Mgt Journal. Biggest issue is marketing talent.
Significant academic research (Soetano et al. 2014; Sa & Le 2014) that the main benefit firms gain from incubators and accelerators is networks and networks moreover focused on intangibles. Barbero et al. shows significant benefit of incubators with private, university and basic research types showing particular benefits. As companies here are focused on sales growth private incubators would be most beneficial.