

Strategic Banking Corporation of Ireland

IMPACT ASSESSMENT METHODOLOGY



Anseo chun gnó a fhorbairt

Corparáid Baincéireachta Straitéiseach na hÉireann

Here to build business

Strategic Banking Corporation of Ireland

sbci.gov.ie

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INTRODUCTION



IRELANDS NATIONAL PROMOTIONAL INSTITUTION

Owned by the Department of Finance
Set up in September 2014

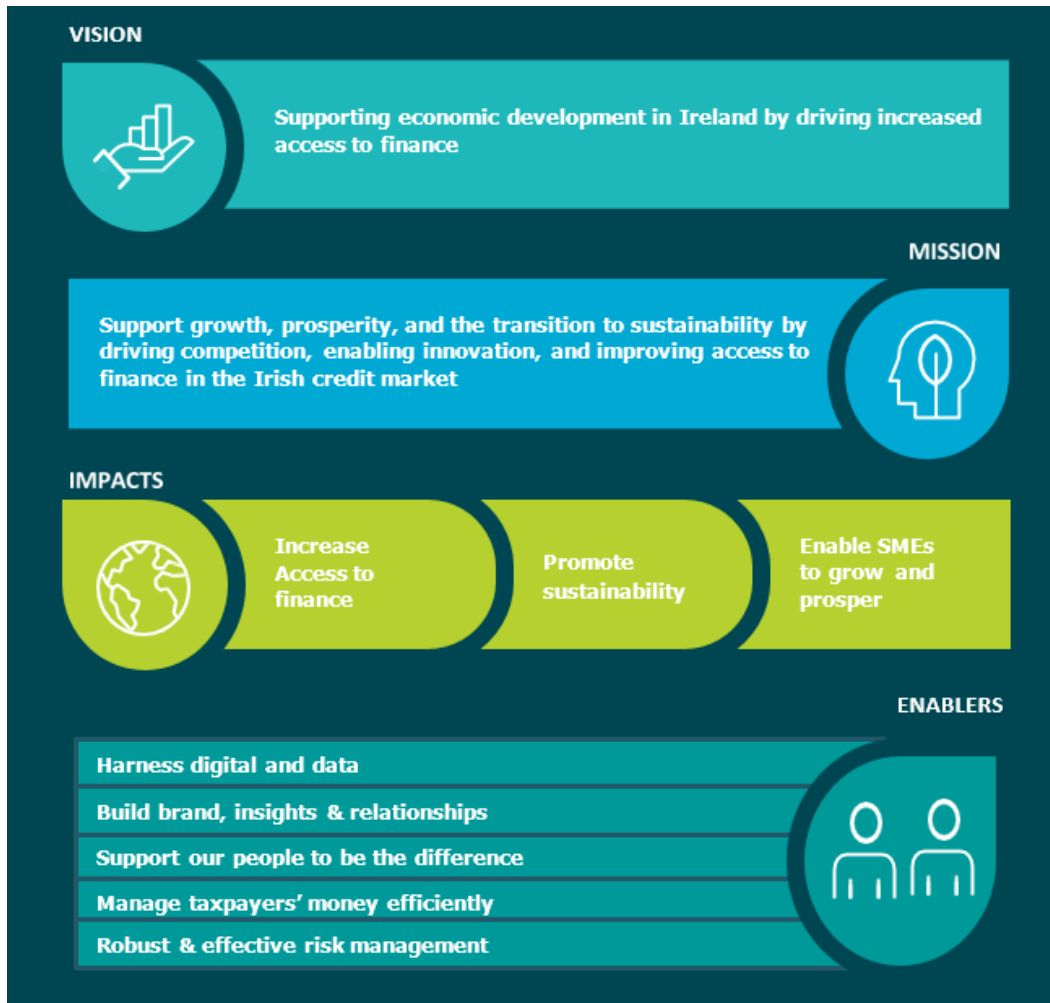
OUR MISSION

Support growth, prosperity and the transition to sustainability, by driving competition, enabling innovation and improving access to finance in the Irish credit market

OUR OBJECTIVES

Increase Access to Finance
Promote Sustainability
Enable SMEs to Grow and Prosper

SBCI STRATEGY



The strategy of the SBCI is to support the development and maintenance of an effective market for the provision of credit to SMEs and Farmers in Ireland, while maintaining its ability to respond to other major market dislocations and the policy delivery needs of government.

IRISH SME MARKET (2019)

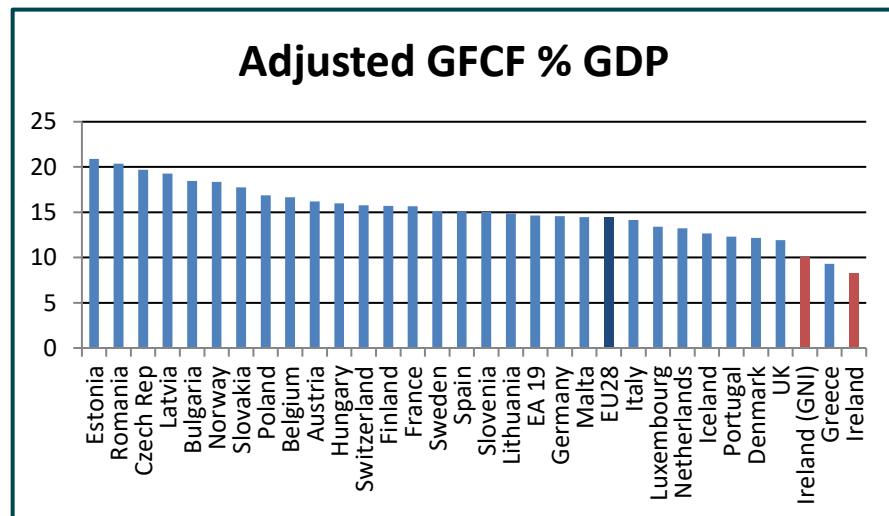
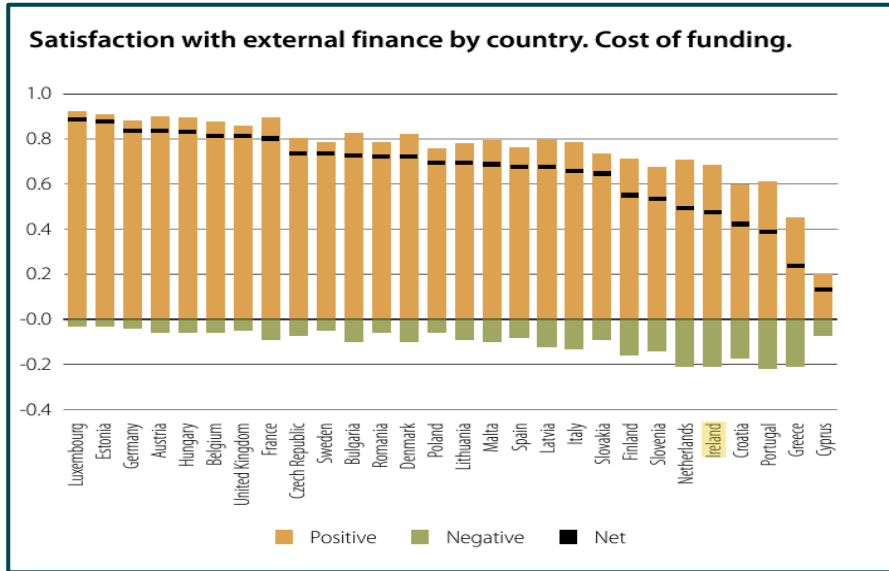
SME Landscape

- 99.7% of the total number of enterprises in Ireland were SMEs with 66.40% of all persons engaged in the business economy
- % of Profitable SMEs in Ireland jumped from 42% in 2011 to 69% in 2019. (Central Bank - SME Market Report 2019)
- 1410 SMEs were declared bankrupt in 2011 while 492 were declared bankrupt in 2020 in Ireland as per OECD Report

Credit Market

- Traditionally Irish SMEs have shown an over-reliance on internal funds
- Y-o-Y reduction in outstanding business loans taken by Irish SMEs , this has reduced from a high of €59.57 bn in 2008 to €28.80 bn in 2019 (Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard)
- Interest rate gap between SMEs and Large firms widened from 0.50% in 2008 to a high of 2.63% in 2015 before reducing to 1.75% in 2019 (Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard)
- SME Default Rates: 41% of SME outstanding balances were in default in 2012 to 8% in 2020 (Central Bank - SME Market Report 2019)

MARKET GAP



- The Future Growth Loan Scheme (FGLS), initially introduced to address significant gaps in the market for long-term investment financing for small and medium-sized enterprises.
- Research conducted by the Economic and Social Research Institute (ESRI) and the European Investment Bank (EIB), pointed to a substantial underutilization of external financing by Irish businesses. The findings revealed a concerning trend of underinvestment with only one in ten SMEs using external finance sources for investment purposes in 2016, and a significant majority (nearly three-quarters) operating without any long-term debt.
- The Economics Unit of the National Treasury Management Agency (NTMA) conducted an analysis on the gross fixed capital formation as a percentage of GDP. This measure encompasses the investments made by resident producers in fixed assets, after accounting for disposals, over a specified period. The results of their research as detailed in the graphs, highlight that Irish businesses had the lowest level in Europe in 2019 .

FUTURE GROWTH LOAN SCHEME



€800M
Capped Term
Loans 7-10 years



SME
Small Mid-Cap
Farmers & Fishers



Supported by
Government
Funding & Aligned
with Policy



Distributed
Through On-
Lender Network



An Roinn Fiontar,
Trádála agus Fostaíochta
Department of Enterprise,
Trade and Employment



An Roinn Talmhaíochta,
Bia agus Mara
Department of Agriculture,
Food and the Marine



#Believe
InSmall



SCHEME IMPACT ASSESSMENT

The review of the Future Growth Loan Scheme was conducted with a structured governance framework. SQW supported by Perceptive Insight was commissioned by the Department of Enterprise, Trade and Employment (DETE) in October 2021.

The primary objective was to examine how businesses have used the FGLS under the following headings

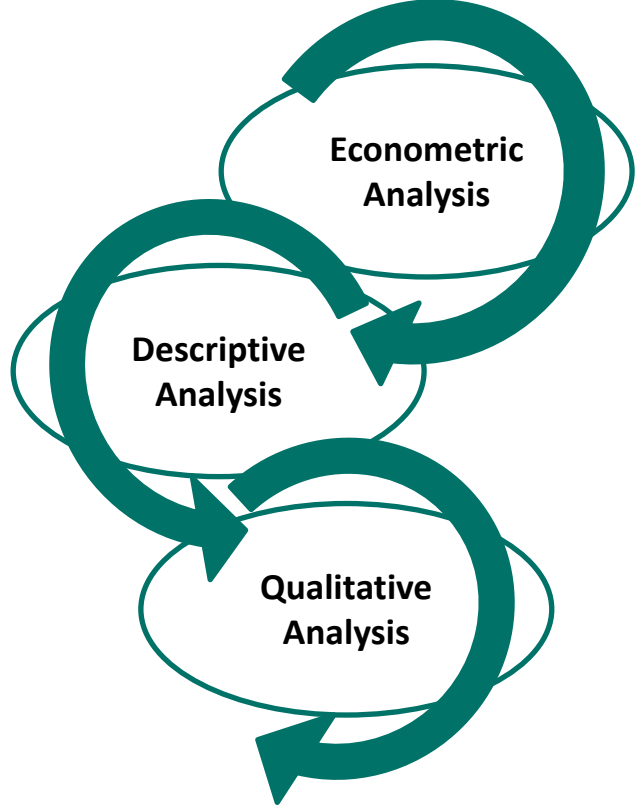
- If/how the use of finance varies by firm characteristics.
- If the policy objectives of the scheme were met
- To identify emerging benefits of the provision of the scheme
- Assess additionality
- Assess future demand for longer term investment finance

ASSESSMENT METHODOLOGY

Research Methods



Analysis



SCOPE AND DRIVERS OF THE ASSESSMENT

DRIVERS

- **Assessment of Real-World Utilization**
- **Alignment with Policy Objectives**
- **Understanding the Financial and SME Landscape**
- **Identifying Emerging Benefits**

SCOPE

- **Investment Activities**
- **Scheme Utilization and Preferences**
- **Outcomes and Additionality**
- **Implications for Businesses and the Economy**
- **Customer Experience:**

REALISED BENEFITS

OBJECTIVES	REALISED BENEFIT
Provide access to finance for strategic investment	By December 2021, the FGLS approved approximately 3,500 loans, amounting to €750 million, with over €630 million already drawn down by businesses. Additionally, 5,200 eligibility codes had been approved, indicating a significant interest and potential for strategic investments among Irish businesses.
Stimulate business growth through increased jobs, sales, and GVA	The scheme has had a varied impact on employment, with manufacturing and service sectors experiencing more pronounced employment growth compared to primary agriculture. Between 50% to 66% of businesses across sectors reported an increase in turnover as a direct result of the FGLS funding, showcasing the scheme's positive influence on business growth.
Promote Lending	Market level additionality was considered high by lenders without the FGLS the majority of lenders indicated that they would not have been able to deliver long term loans on terms that would be commercially viable for and attractive to businesses.
Enhance firm survival rates	FGLS finance served as the sole source of investment for about half of the benefiting businesses, suggesting a crucial role in supporting the continuity and survival of these enterprises during challenging times.
Support investment in digital technologies and environmental sustainability	Over 80% of primary agriculture businesses targeted improvements in environmental sustainability, and more than a third of service businesses invested in staff development and IT, highlighting the scheme's role in fostering investments in digital and sustainable practices.

ADDITIONALITY REVIEW

Methodology

- *Self-Reported Evidence and Qualitative Perspectives*
- *Comparison Groups*
- *Sectoral Analysis*

Key Components of the Review

- *Assessment of Finance Additionality*
- *Activity and Outcome Additionality*
- *Impact on Timing and Scale*
- *Challenges and Barriers*

ADDITIONALITY – KEY FINDINGS

Additionality Evidence

C. 50% of activities supported by the FGLS might not have proceeded without the scheme, indicating its critical role in enabling business growth and investment.

A modest level of displacement from existing market provisions was noted, suggesting that FGLS's more favourable terms attracted businesses that might have otherwise sought alternative financing options.

Impact on Business Activities

Partial additionality was broadly observed across core sectors, with the FGLS influencing both the timing and scale of investments. This suggests that the scheme enabled businesses to undertake activities more quickly and on a larger scale than would have been possible without it.

Over 70% of primary agriculture businesses believed they could have obtained finance elsewhere, compared to less than 50% of manufacturing and services businesses, highlighting sectoral differences in finance accessibility and the scheme's relative appeal.

Lender and Stakeholder Perspectives

Market-level additionality was considered high, with lenders indicating the scheme allowed for long-term loans that wouldn't have been feasible otherwise, particularly benefiting high-risk sectors like agriculture.

Borrower-level additionality showed mixed views, with some evidence of 'opportunistic demand' where businesses preferred FGLS for its terms over other available financing options.

Affordability and Accessibility

The FGLS made lending more affordable and accessible, particularly through offering lower interest rates and longer repayment periods, and not requiring security for loans up to €500k. This significantly contributed to the scheme's attractiveness and utility for SMEs.

ASSESSMENT LIMITATIONS

Data Collection and Analysis Limitations

- Quantitative Data on Deadweight and Displacement
- Reliance on Self-Reported Evidence
- Comparative Analysis Constraints
- Independent financial performance data

Methodological and Scope Limitations

- Partial Additionality Focus
- Lack of Long-Term Impact Analysis

OTHER IMPACT ASSESSMENTS

Department of Finance – Credit Demand Survey

Financing Data Analysis & SBCI Market Position with the Central Bank of Ireland

SBCI SME Advisor index

SME Outlook Survey

Stakeholder Engagement / Representative Bodies

FUTURE DATA

Growth & Sustainability Loan Scheme

Irish Farmers – Eco Label – measurement of CO2 Emissions

Irish SMEs – Sustainability Measures – partner with EIAH to capture data

LINKS AND CONTACTS

LINKS

FGLS IMPACT REPORT <https://enterprise.gov.ie/en/publications/publication-files/review-of-the-future-growth-loan-scheme.pdf>

SBCI PUBLICATIONS <https://sbci.gov.ie/reports>

SBCI CASE STUDIES <https://sbci.gov.ie/case-studies>

David Purdue, Chief Economist – David.Purdue@ntma.ie

Suzanne Leamy, Product Development & Research Manager – Suzanne.Leamy@sbci.gov.ie

CASE STUDY

Company Name: Deane Dairies Ltd.

Sector: Agriculture, Forestry and Fishing

Location: Cork

Future Growth Loan Scheme

Loan Amount: €250,000

Purpose: Infrastructure Upgrade



"I'd definitely recommend SBCI funding to other businesses. It's a very simple process and the unsecured element of it makes it very attainable to people."

(Joe Deane – Deane Dairies)

[Play video here](#)

THANK YOU



Strategic Banking Corporation of Ireland

Treasury Building, Grand Canal Street
Dublin 2, D02XN96, Ireland

T 086 7976915

E Suzanne.leamy@sbc.gov.ie

www.sbc.gov.ie



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Corporation of Ireland

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