

**REDC**



# SME Financial Health Survey

January 2025  
752124



# Contents

- 1** | Methodology
- 2** | Business Profile
- 3** | SME Sentiment & Market Outlook
- 4** | Product Development & Market Gap Identification
- 5** | Customer Behaviour & Triggers





1

# Methodology

# Methodology

- This research involved **300 telephone interviews**, targeting micro (1 – 9 employees) and small (10 – 49) businesses, with the majority of these being companies with 1 – 9 employees.
- **Fieldwork took place between the 11<sup>th</sup> November – 18<sup>th</sup> December, 2024** and all interviews were conducted through RED C's Computer Aided Telephone Interviewing (CATI) centre located in Dundalk. Sample error level +/- 5.7%.
- Those interviewed were either **the sole decision maker** or **involved in the financial decision making of the company** and were interviewed around the subjects of financial health of the business, business future proofing and government understanding of SME's.
- **Quotas were set on industry sector** to obtain a robust enough sample for analysis of the results at a sectoral level.



2

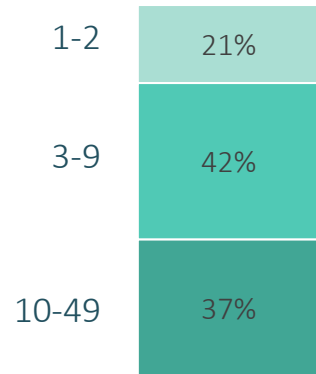
# Business Profile



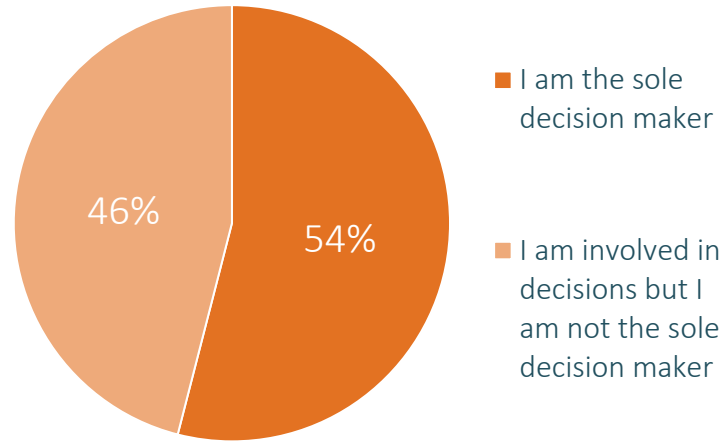
# Analysis of Sample



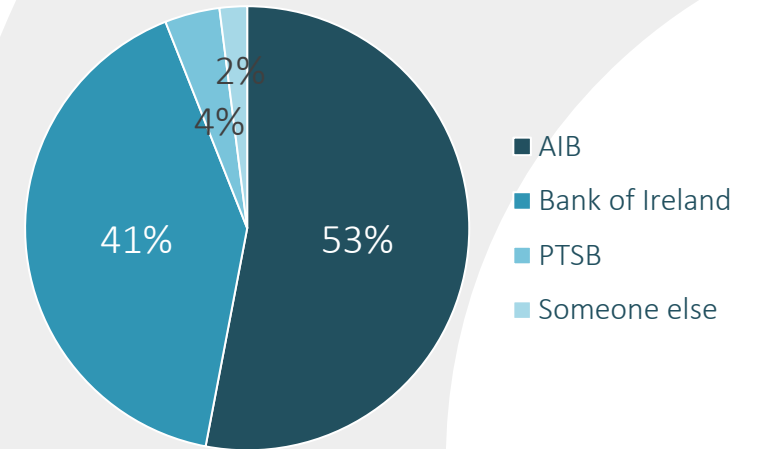
### Number of Employees



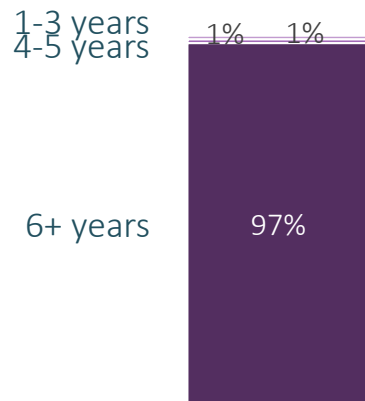
### Financial Role In Business



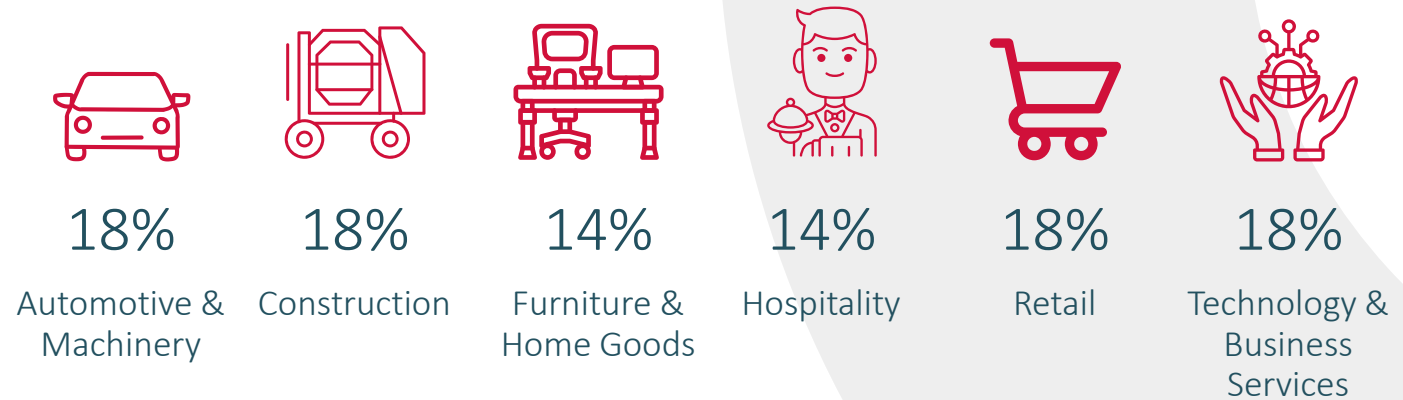
### Primary Banking Provider



### Years in Business



### Industry Sector



# 3

## SME Sentiment & Market Outlook

# SME Sentiment & Market Outlook Key Insights



1

In 2024, financial health of SMEs is strong, with just under 3-in-4 rating their financial health positively. However, financial health of SMEs within the Hospitality and Furniture & Home Goods sectors is poorer, with it significantly worse within the Hospitality sector specifically.

2

More SMEs are optimistic about the future of their businesses in 2025. However, in line with poorer financial health, Hospitality SMEs are significantly less positive about both the futures of their own businesses and the sector at large.

3

The impact of the most recent budget on businesses is perceived to be quite limited with over half of SMEs believing it will have no impact. However, the Hospitality sector are more pessimistic, with most Hospitality SMEs believing it will have a negative impact.

4

Reducing operational costs is the no.1 financial priority for SMEs, followed closely by improving cash flow management. These top 2 financial priorities are consistent across all sectors.

5

In line with strong financial health, the majority of SMEs have a positive hold on management of their financial obligations. Interestingly, this is the case across all industry sectors.

6

3-in-4 SMEs believe the Government do not understand SMEs when formulating policy with this belief consistent across all sectors. Tax relief / incentives is the no. 1 area SMEs require support and clarity from the Government in 2025



# Financial health of SMEs strong in 2024

Just under 3-in-4 SMEs rate the financial health of their business as good, with less than 1-in-10 saying their financial health is poor.

Q.2 Thinking about this year so far, which of the following best describes the financial health of your business?

Base: All SMEs; n=300

## Financial Health of Business



NET: GOOD

2024

72%

Very good – made a good profit

23%

Good – made a small profit

49%

Fair – broke even

20%

Poor – made a small loss

6%

Very poor – made a substantial loss

1%

Don't know

1%

NET: FAIR/POOR

27%

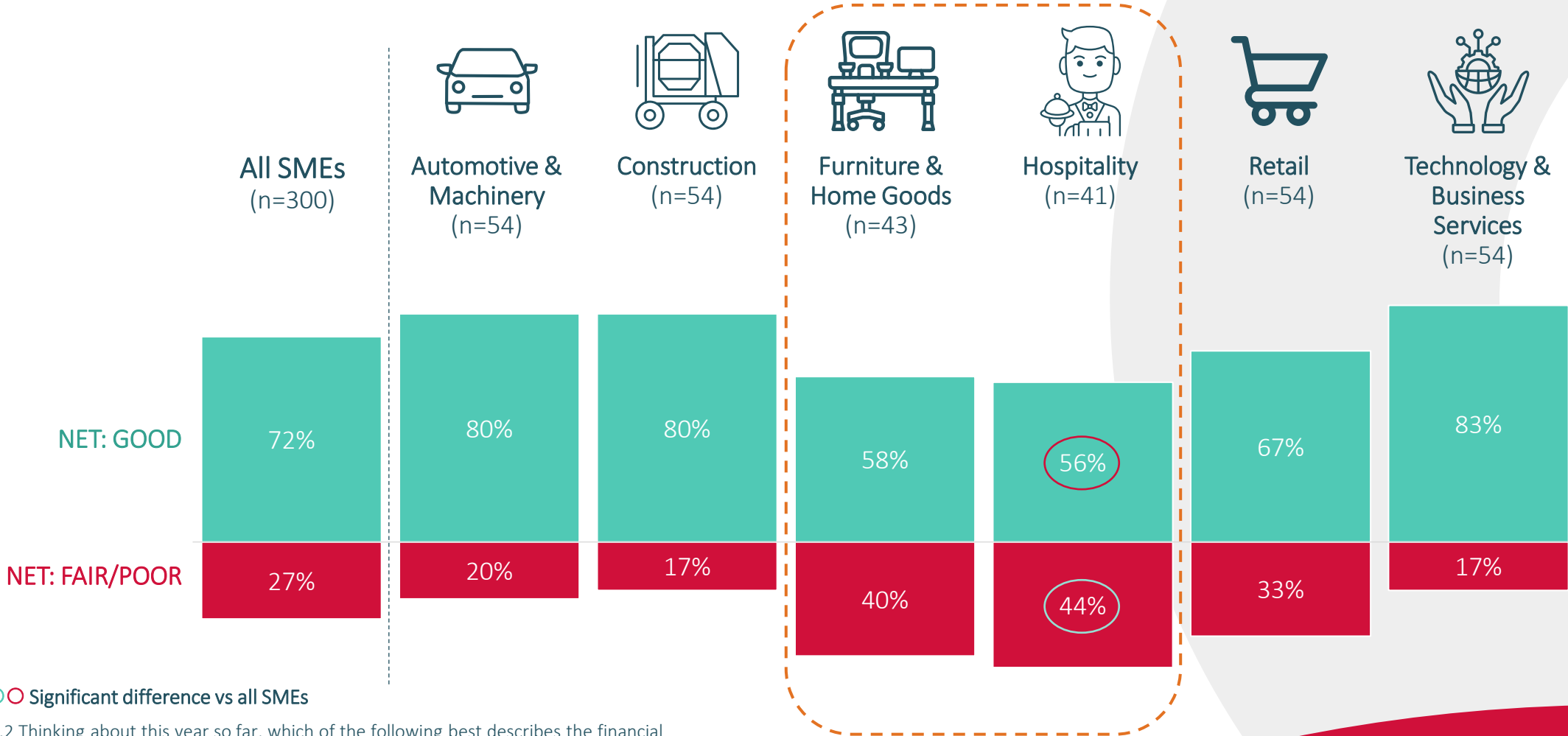


# Financial health of Hospitality sector sig. poorer vs all SMEs



Financial health of Automotive & Machinery, Construction and Technology & Business Services sectors are above SME average, while health of the Furniture & Home Goods and Hospitality sectors fall below the average.

## Financial Health of Business x Industry Sector



Q.2 Thinking about this year so far, which of the following best describes the financial health of your business?

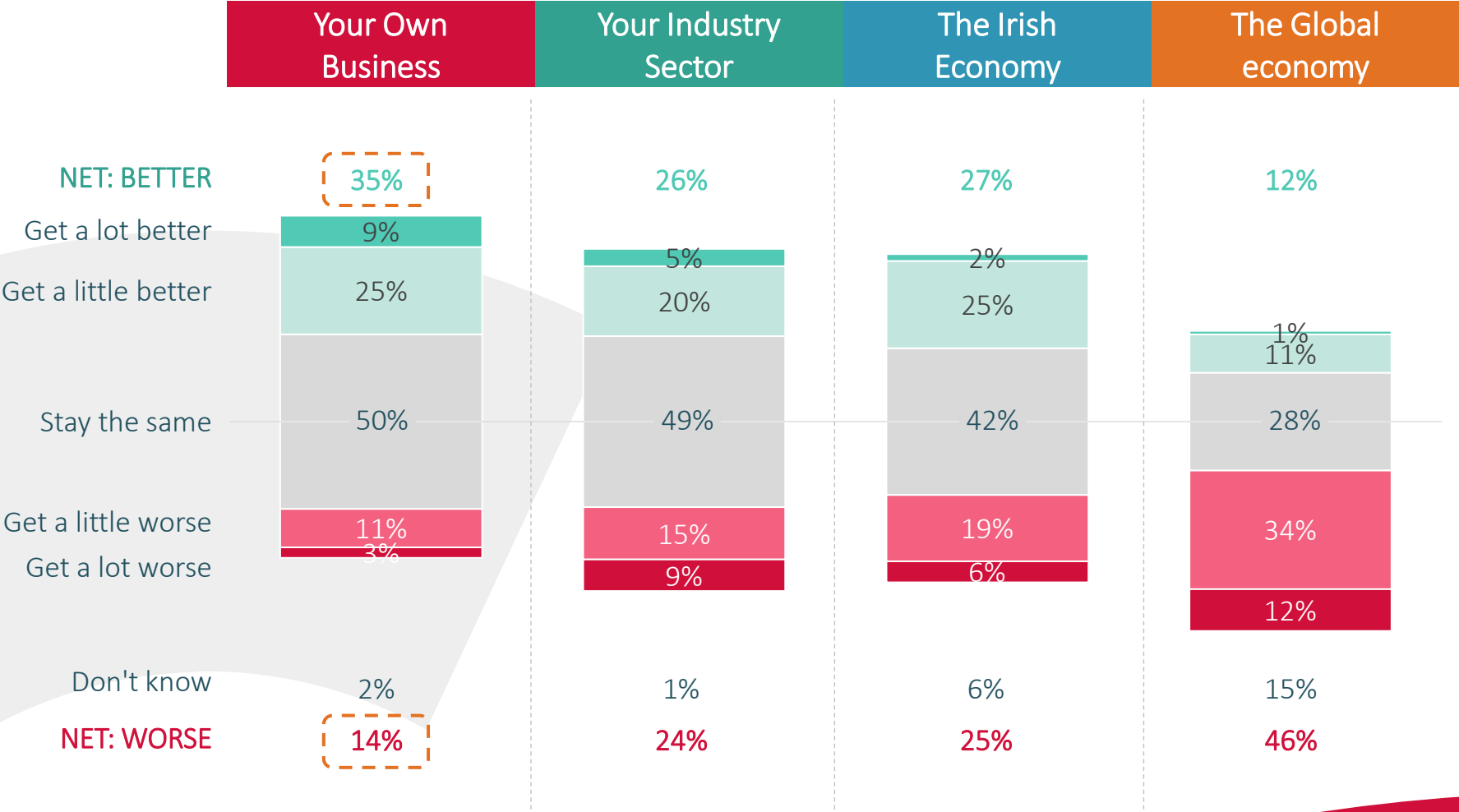
Base: All SMEs; n=300

# More SMEs are optimistic about future of business



This is in line with strong financial health in 2024. While half of all SMEs believe things will remain the same for their business. Pessimism grows as the lens widens to the global economy.

## Expectations for the Future



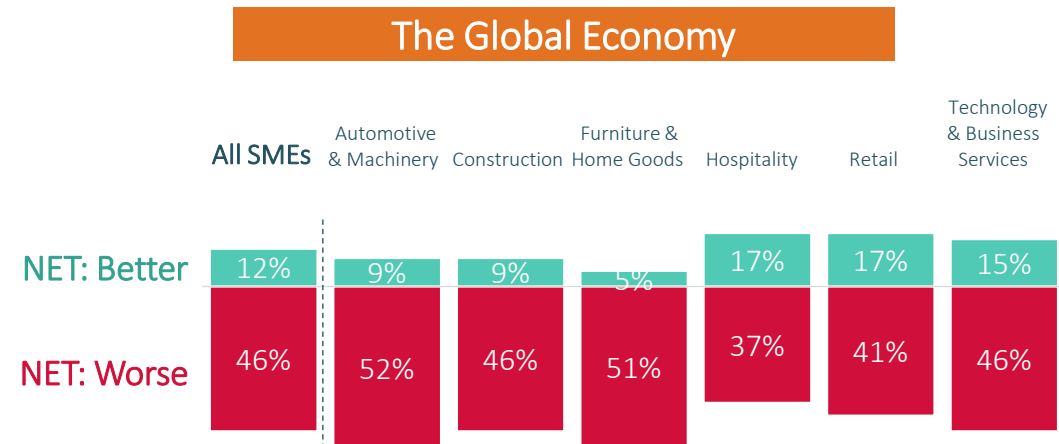
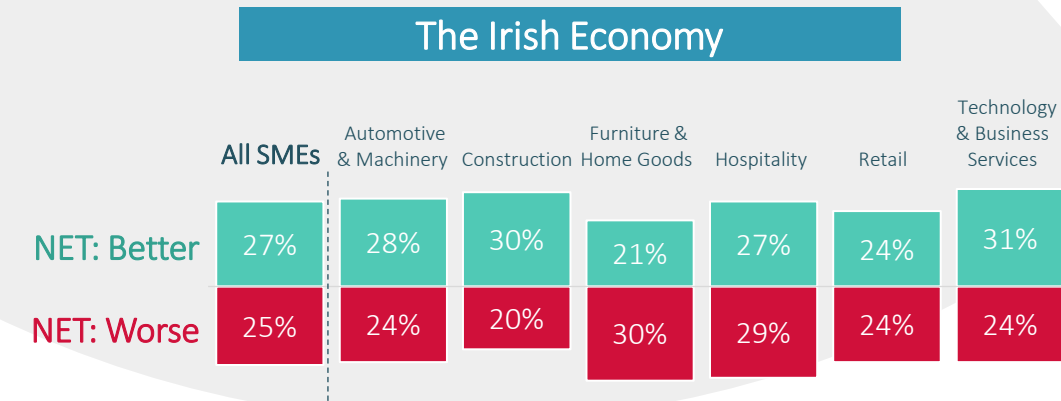
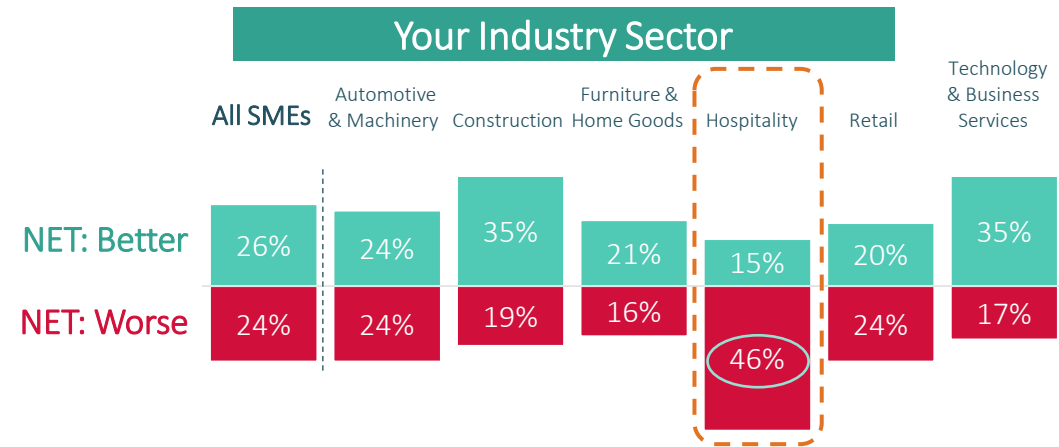
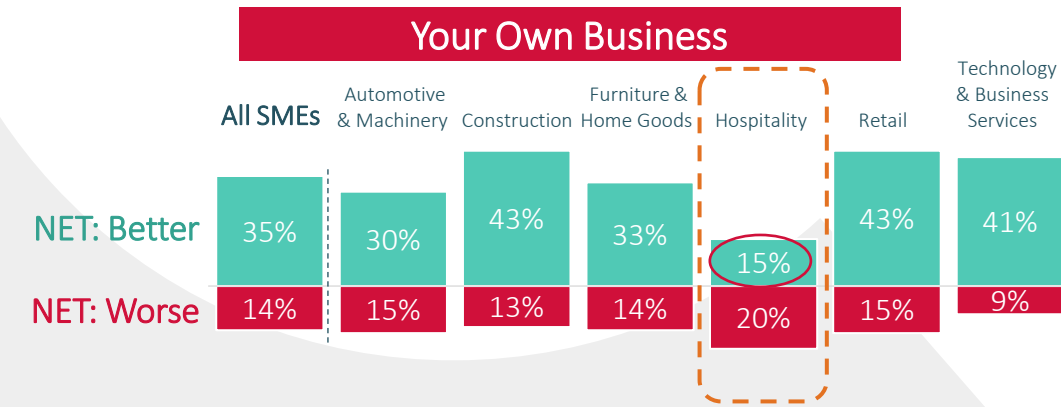
Q.3 Thinking ahead to 2025, do you expect things to get better, worse or stay the same for each of the following ?

Base: All SMEs; n=300

# Hospitality sector sig. less positive about future of own businesses

Additionally, significantly more Hospitality businesses believe their industry sector will get worse in the future vs all SMEs. This is in line with poorer financial health within the sector.

## Expectations for the Future x Industry Sector



  Significant difference vs all SMEs

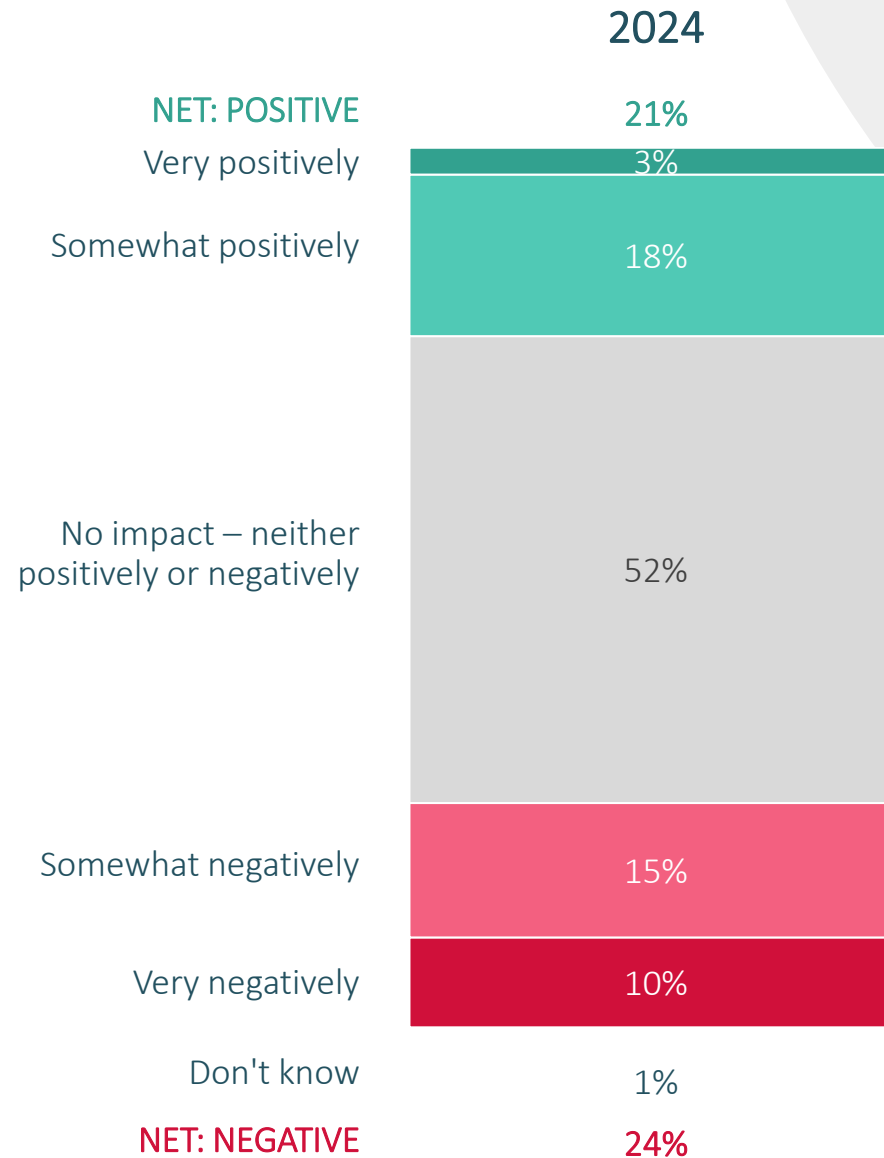
Q.3 Thinking ahead to 2025, do you expect things to get better, worse or stay the same for each of the following ?

Base: All SMEs; n=300



**Most SMEs (just over half) believe the most recent budget will have no impact on the business**

## Impact of Budget on Business in next 12 Months



Q.4 To what extent do you believe the recent budget will impact your business in the next 12 months?

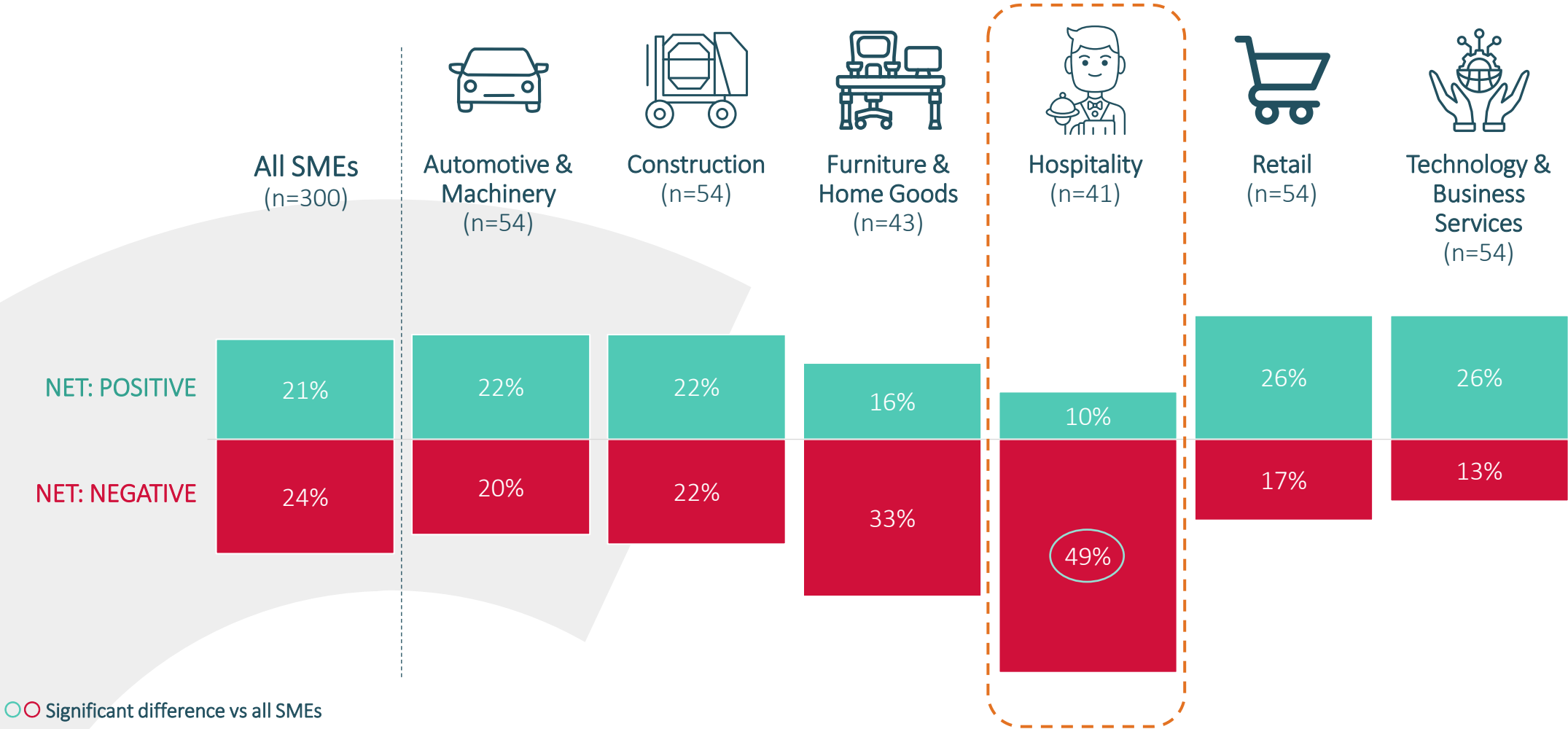
Base: All SMEs; n=300

# Hospitality sector more pessimistic of the impact of the budget



Unlike other sectors, the majority within the Hospitality sector believe the most recent budget will have a negative impact on businesses.

## Financial Health of Business x Industry Sector



Q.4 To what extent do you believe the recent budget will impact your business in the next 12 months?

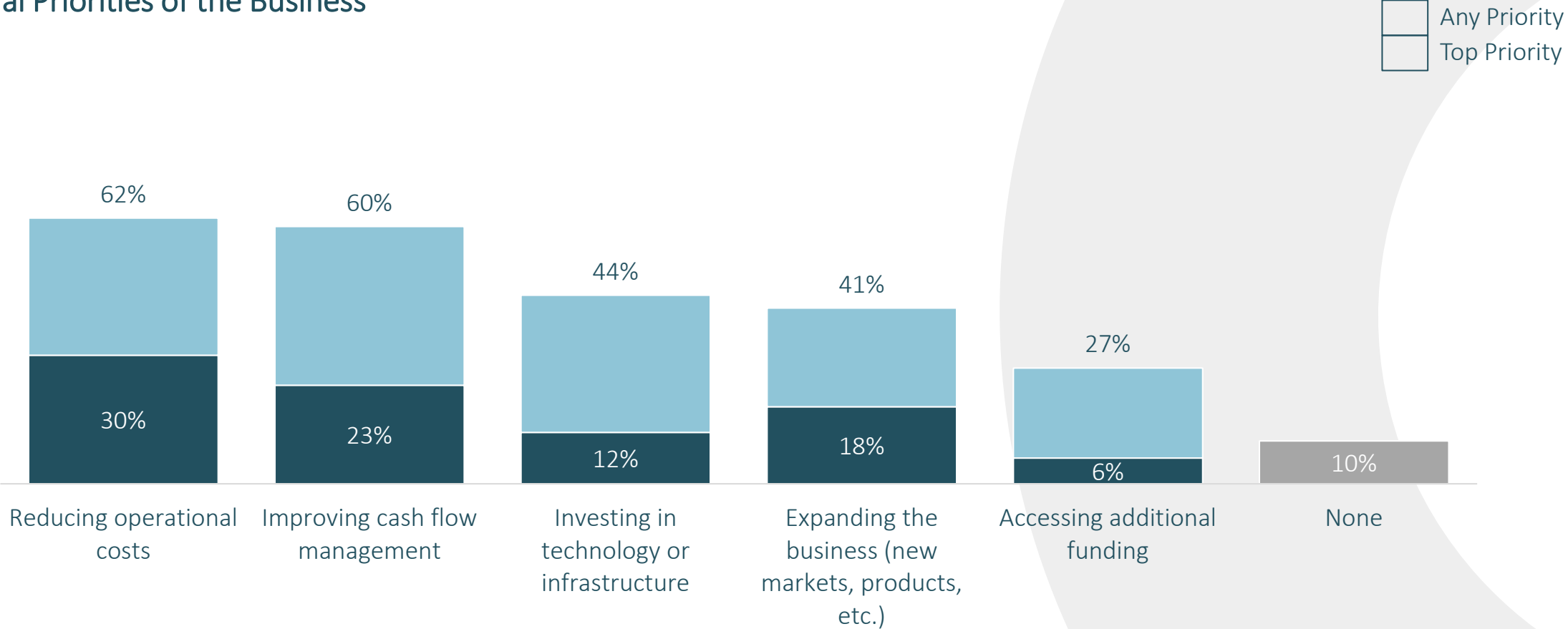
Base: All SMEs; n=300

# Reducing operational costs is the top financial priority for SMEs



This is very closely followed by improving cash flow management.

## Financial Priorities of the Business



Q.5 Which of the following, if any, would you consider as financial priorities for your business? Please select all that apply.

Q.6 And which of these would you consider the top financial priority for your business?

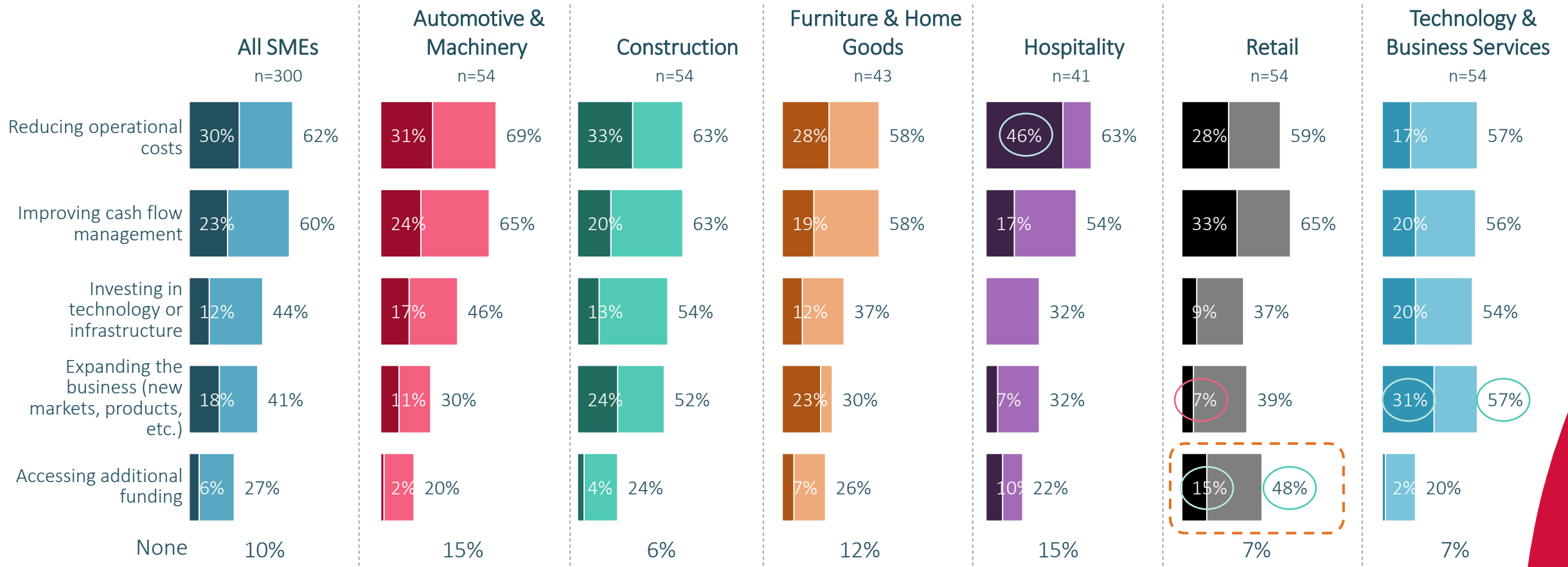
Base: All SMEs; n=300

# Top 2 financial priorities largely consistent across all sectors



However, the Retail sector are prioritising accessing additional funding significantly more vs all SMEs. Additionally, Tech and Business Services sector placing more priority on expanding the business.

## Financial Priorities of the Business x Industry Sector



○ Significant difference vs all SMEs

Q.5 Which of the following, if any, would you consider as financial priorities for your business? Please select all that apply.

Q.6 And which of these would you consider the top financial priority for your business?

Base: All SMEs; n=300

Top Priority  Any Priority



# In line with strong financial health, most SMEs have a positive hold on management of financial obligations

In fact, 3-in-5 SMEs rate their management of financial obligations as 'very good'.

Q.7 How would you describe how well or poorly your business is at managing to keep up with financial obligations, such as paying bills, payroll, taxes and making debt repayments?

Base: All SMEs; n=300

## Management of Financial Obligations



NET: GOOD

2024

83%

Very good – all is up to date

61%

Good

22%

Fair

12%

Poor

2%

Very poor – in arrears

3%

Don't know

0%

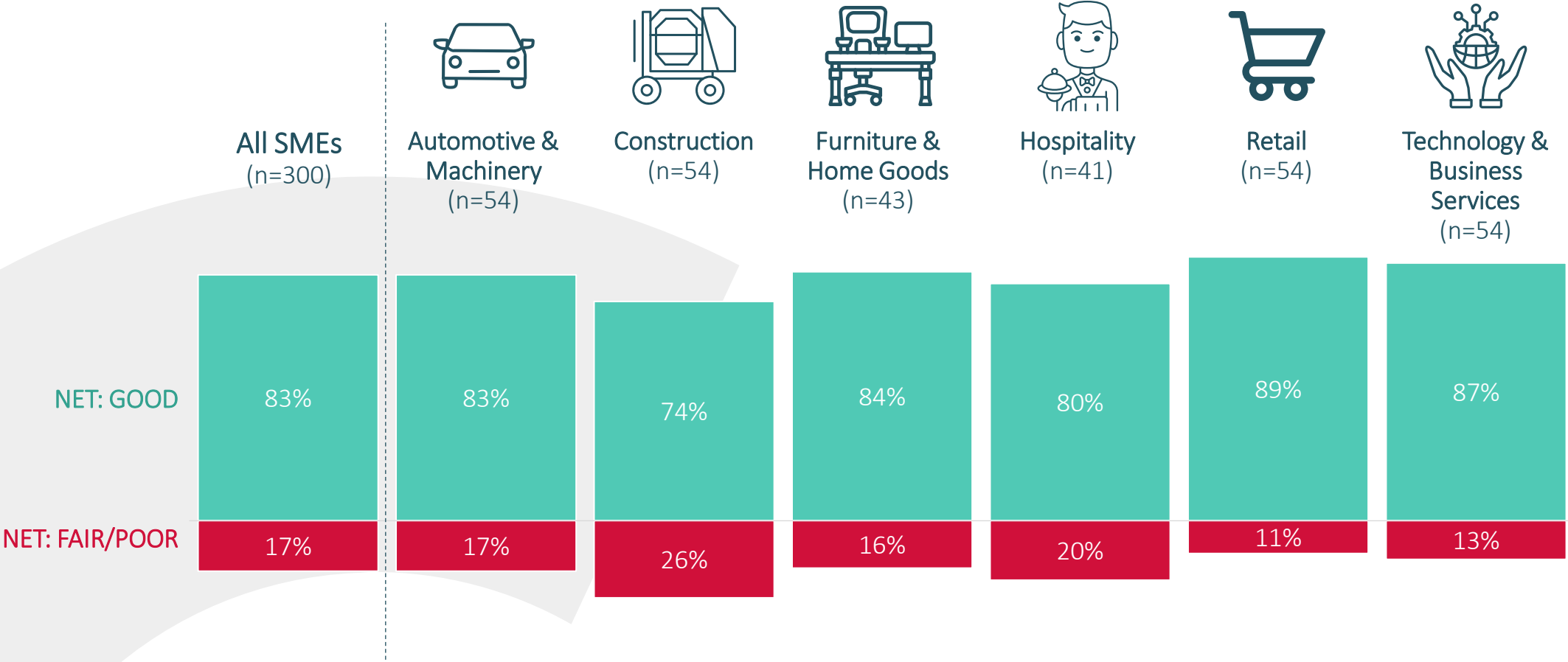
NET: FAIR/POOR

17%

# Management of financial obligations strong across all sectors



## Management of Financial Obligations x Industry Sector



○ Significant difference vs all SMEs

Q.7 How would you describe how well or poorly your business is at managing to keep up with financial obligations, such as paying bills, payroll, taxes and making debt repayments?

Base: All SMEs; n=300



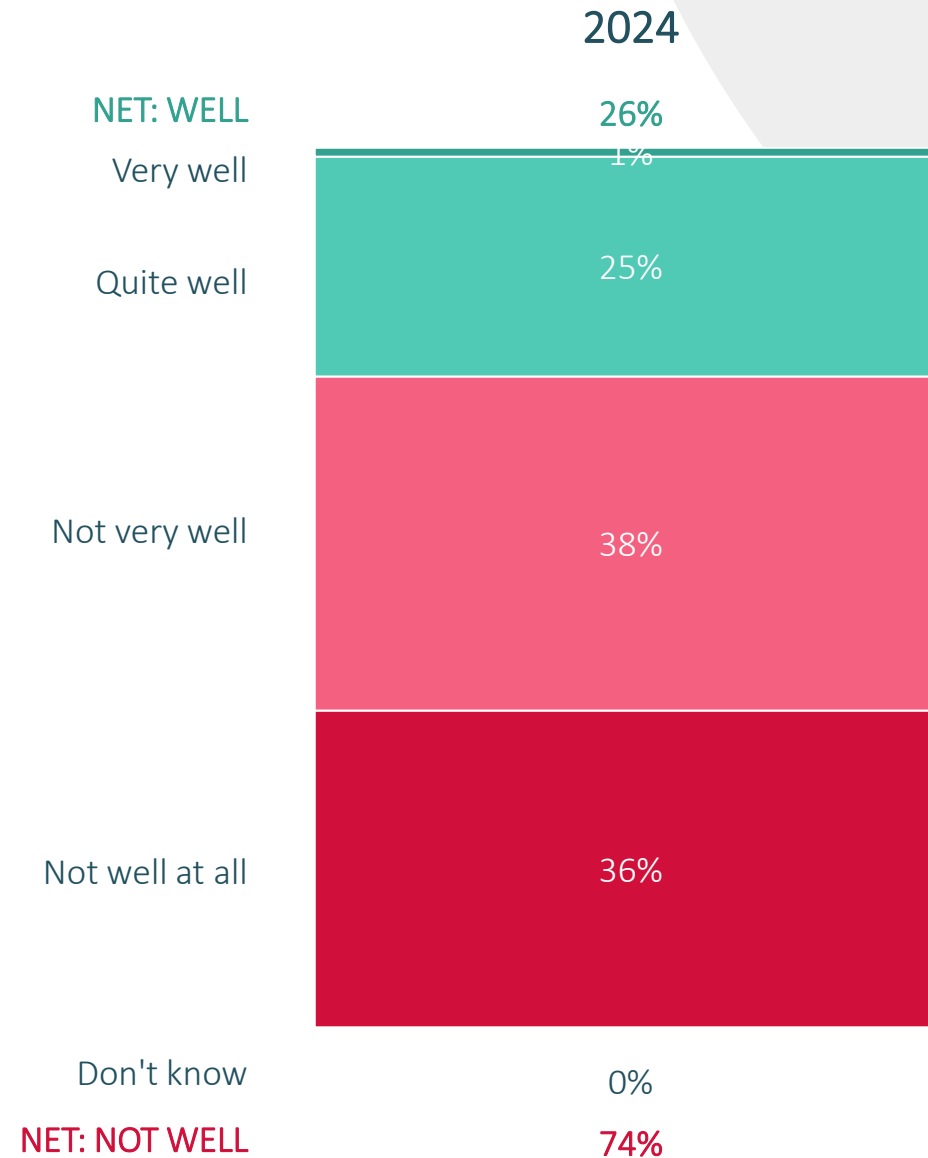
# Very low perceived levels of government understanding of SMEs when formulating policy

3-in-4 believe the government do not understand the characteristics of SMEs when formulating policy with roughly half of these answering 'not well at all'.

Q.8 How well do you think the government understands the unique characteristics of SME's when formulating government policy?

Base: All SMEs; n=300

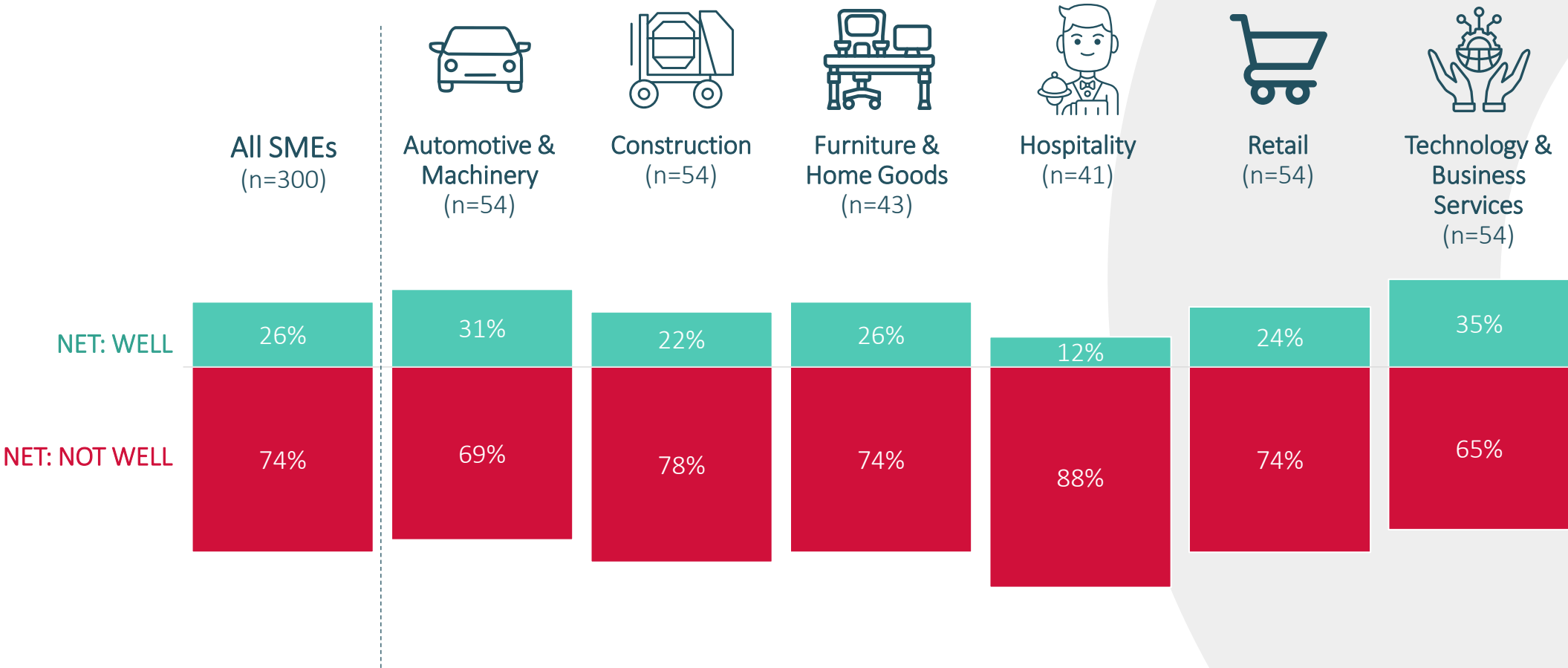
## Government Understanding of SMEs



# Majority in all sectors believe Government don't understand SMEs

The Hospitality sector even more negative about Government understanding of SMEs when formulating policy, while Tech & Business Services slightly more positive.

## Government Understanding of SMEs X Industry Sector



  Significant difference vs all SMEs

Q.8 How well do you think the government understands the unique characteristics of SME's when formulating government policy?

Base: All SMEs; n=300

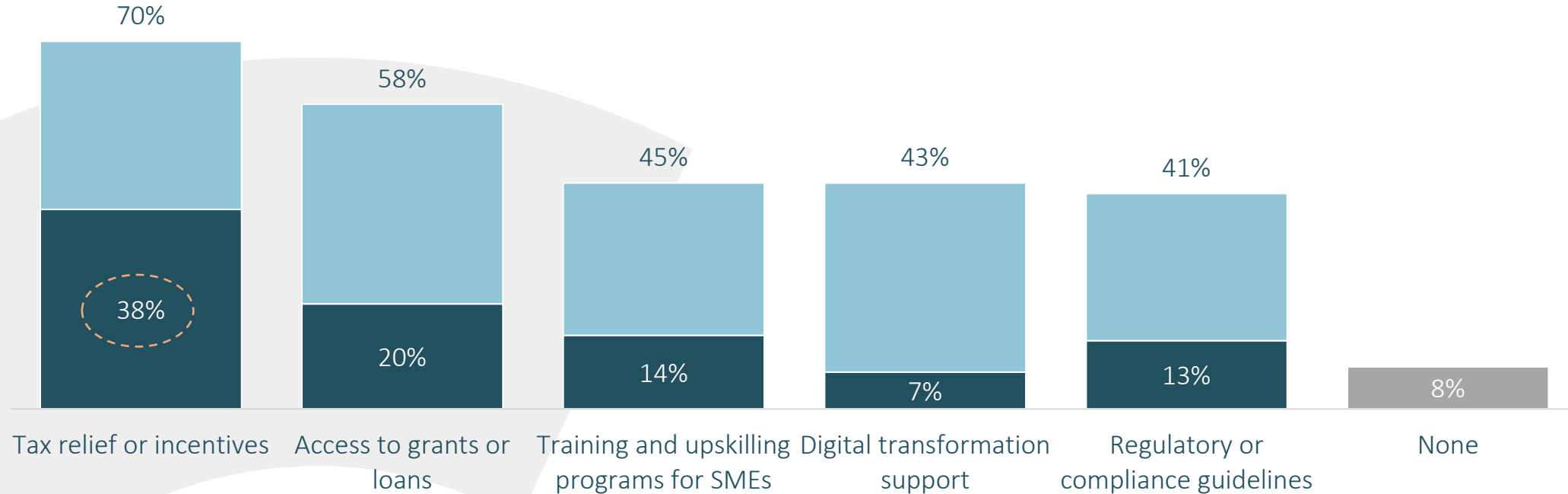
# Tax relief/incentives the no. 1 area SMEs require support/clarity



This is further highlighted by the proportion who deem this as the most important area. However, large proportion of SMEs also require support/clarity on accessing grants or loans.

## Areas of Business which require Support / Clarity from Government

Any Area  
Top Area



Q.9 Which of the following, if any, do you feel are areas your business will need support or clarity on from the government in 2025? Please select all that apply.

Q.10 And which of these will you need the most support/clarity on?

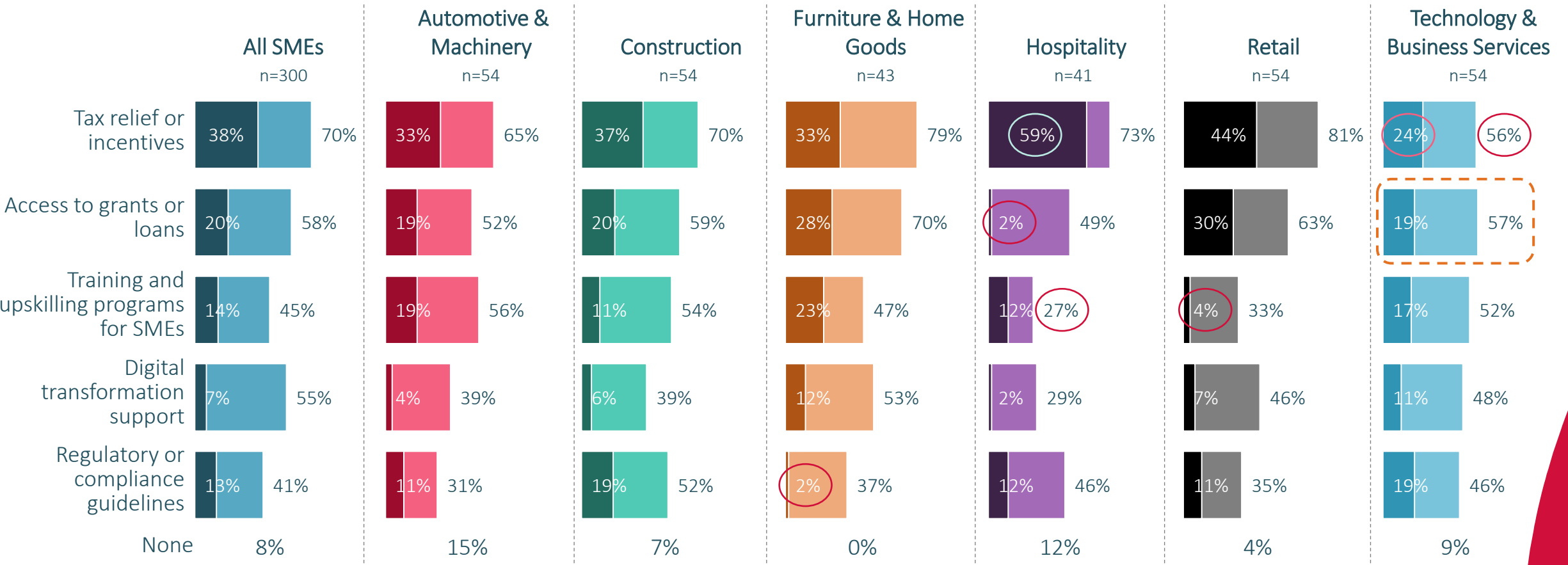
Base: All SMEs; n=300

# Support/clarity on tax relief particularly imperative for Hospitality



The opposite is the case for the Tech & Business Services sector, with their main area in need of support being access to grants/loans.

## Areas of Business which require Support / Clarity x Industry Sector



○ ○ Significant difference vs all SMEs

Q.9 Which of the following, if any, do you feel are areas your business will need support or clarity on from the government in 2025? Please select all that apply.

Q.10 And which of these will you need the most support/clarity on?

Base: All SMEs; n=300

Top Area   Any Area



# 5

## Customer Behaviour & Triggers

# Customer Behaviour & Triggers Key Insights



1

Incidence of loans among SMEs is low, with less than 1-in-5 getting a loan within the last year. Business expansion is the primary occasion for seeking a loan, however, sectoral needs for external funding differ slightly.

2

In terms of the nature of external funding, most funding for business expansion and purchasing equipment is planned, while funding for cash flow support and managing seasonal fluctuations is more often required in response to something happening.

3

Interest rate is the leading factor when selecting a loan provider by a significant margin, with over half of SMEs claiming it is the most important factor. Interest rates play an important role among all sectors, but particularly among the Hospitality sector.

4

However, while interest rate is the top factor when choosing a loan provider, it garners the lowest level of current provider satisfaction among SMEs. In line with lower overall satisfaction with banking provider, the Construction sector are less satisfied across all loan provider metrics.

5

Current day-to-day banking provider is most often turned to by SMEs for financing. This is followed by current finance provider and recommendations from other business owners. These top 3 business financing solutions are consistent across all sectors.

6

The complexity of switching providers acts at the biggest deterrent for SMEs switching to a new financial provider. Positively, 1-in-5 SMEs say there are no barriers and are open to exploring new finance provider options with the Hospitality sector least resistant to trying new providers.

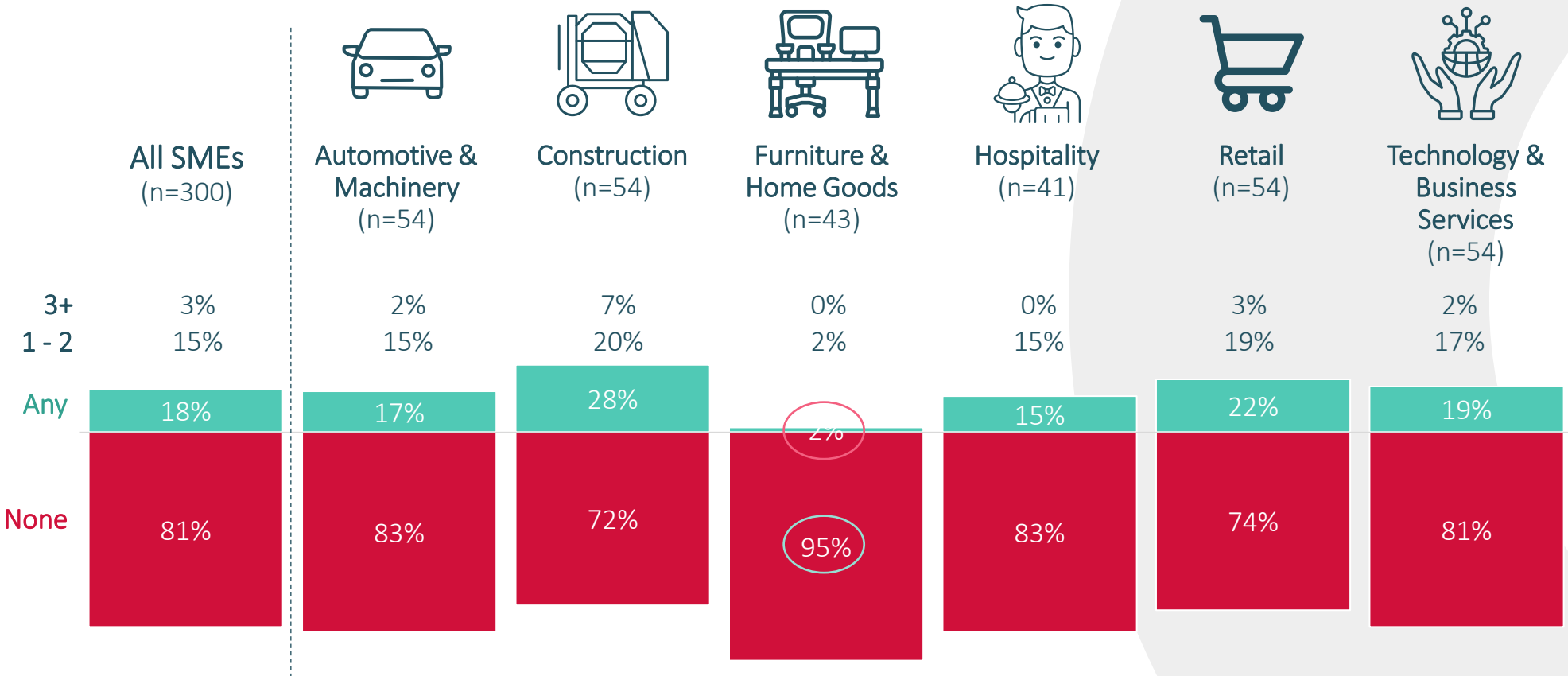


# Incidence of loans in last year very low among SMEs



Incidence is slightly higher among Construction SMEs but significantly lower among Furniture & Home Goods SMEs.

## Incidence of External Funding / Loans in Past Year



○ Significant difference vs all SMEs

Q.22 In the past year or so, how many times have you sought external funding or loans for your business?

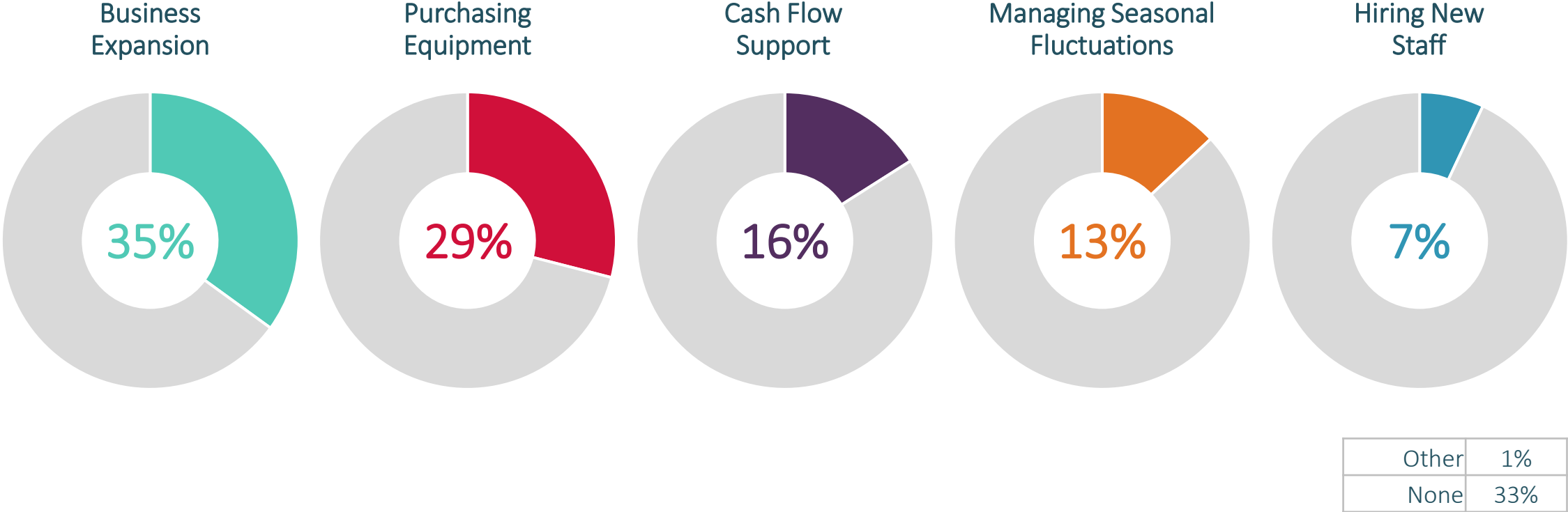
Base: All SMEs; n=300

# Business expansion is the main occasion for seeking a loan



This is closely followed by purchasing equipment.

## External Funding / Loan Occasions



Q.23 What, if any, are generally the primary occasions that lead you to seek external funding or loans for your business? Please select all that apply.

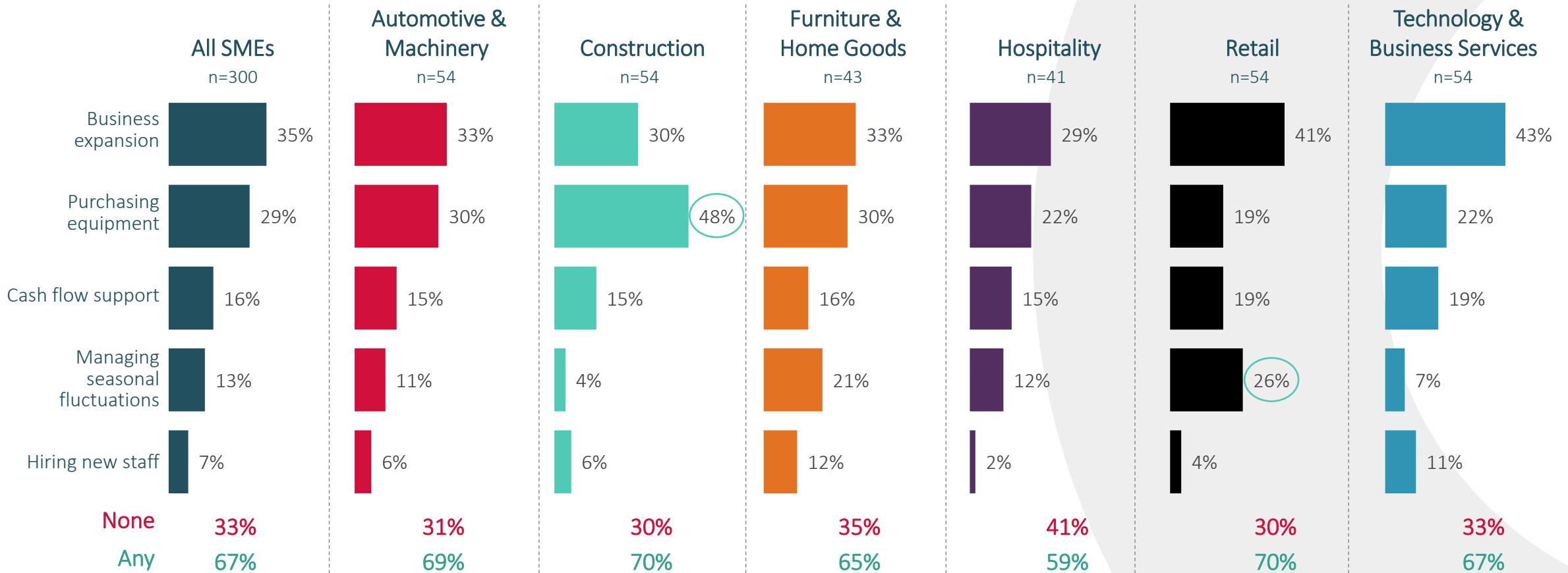
Base: All SMEs; n=300

# Sectoral needs for external funding/loans vary slightly



Significantly more Construction SMEs seek external funding for purchasing equipment, while more Retail SMEs require the same for managing seasonal fluctuations.

## External Funding / Loan Occasions x Industry Sector



○ Significant difference vs all SMEs

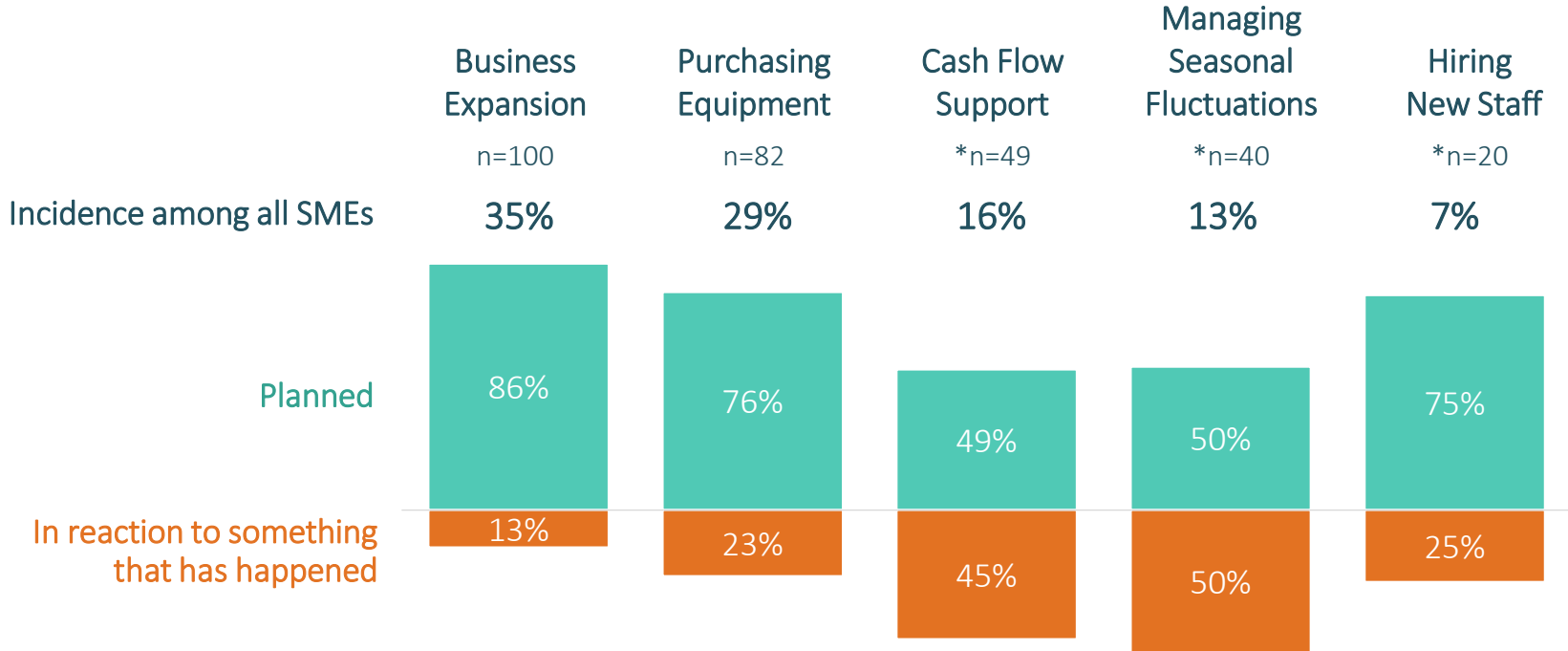
Q.23 What, if any, are generally the primary occasions that lead you to seek external funding or loans for your business? Please select all that apply.

Base: All SMEs; n=300

# Most funding for business expansion and purchasing equipment is planned

While funding for cash flow support and managing seasonal fluctuations is more often needed in response to something happening.

## Nature of External Funding/Loans



\* Caution – Low Base Size

Q.24 And for each occasion you mention, is seeking external funding or loans generally planned or in reaction to something that has happened in your business or sector?

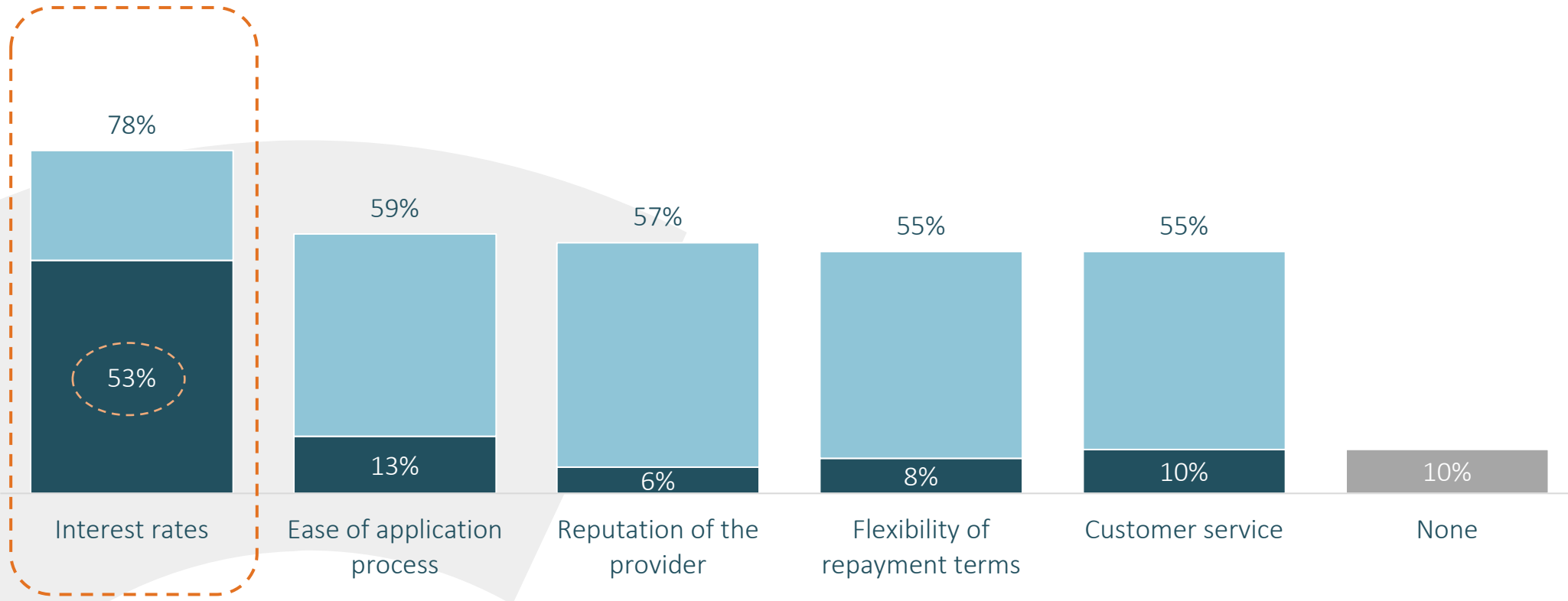
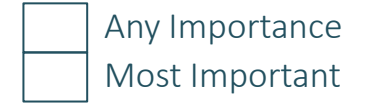
Base: All SMEs who seek external funding loans for each occasion)

# Interest rate is the leading factor when choosing a loan provider



This leads by a notable margin with over half of all SMEs also deeming it the most important factor. However, all other factors also deemed as important.

## Factors of Importance when Choosing Loan Provider



Q.25 Which of the following, if any, would you consider as important when deciding on a loan provider? Please select all that apply.

Q.26 And which of these would you consider as the most important when deciding on a loan provider?

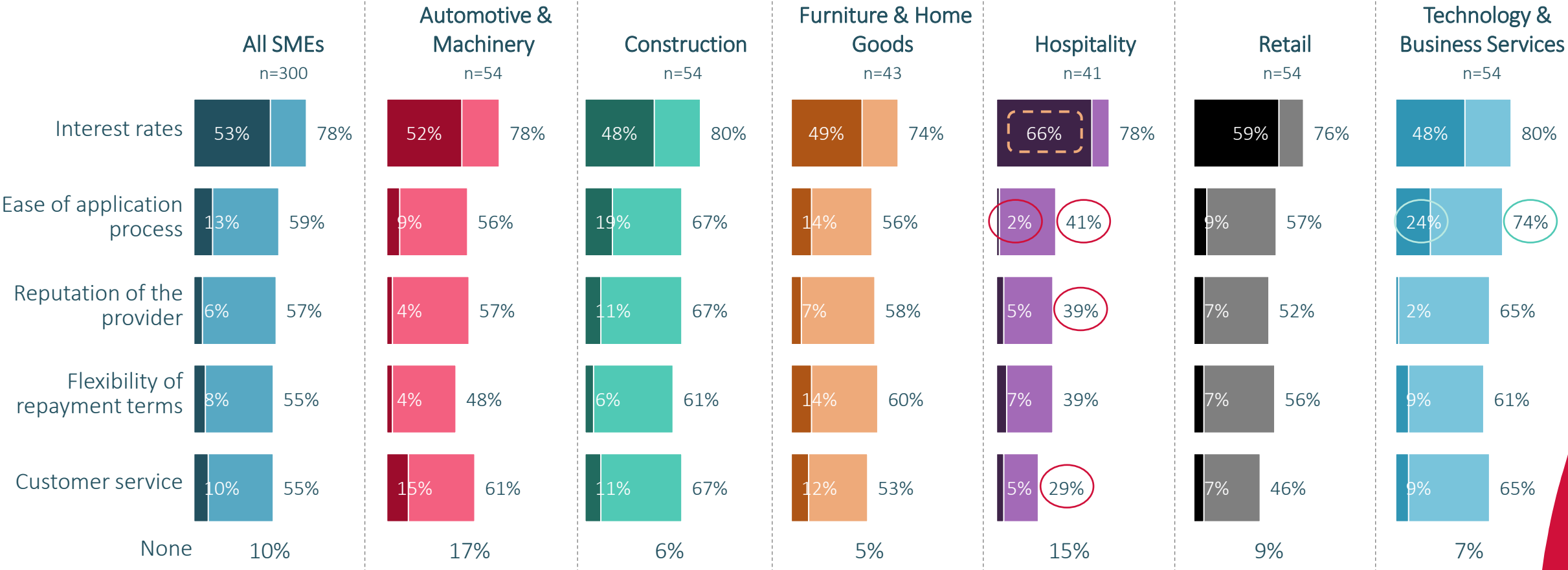
Base: All SMEs; n=300

# Interest rate is the top factor across all industry sectors



This is particularly the case in among Hospitality SMEs significantly under-index on most other factors. Furthermore, ease of the application process significantly more important for Tech & Business Services sector.

## Factors of Importance when Choosing Loan Provider x Industry Sector



○ Significant difference vs all SMEs

Q.25 Which of the following, if any, would you consider as important when deciding on a loan provider? Please select all that apply.

Q.26 And which of these would you consider as the most important when deciding on a loan provider?

Base: All SMEs; n=300

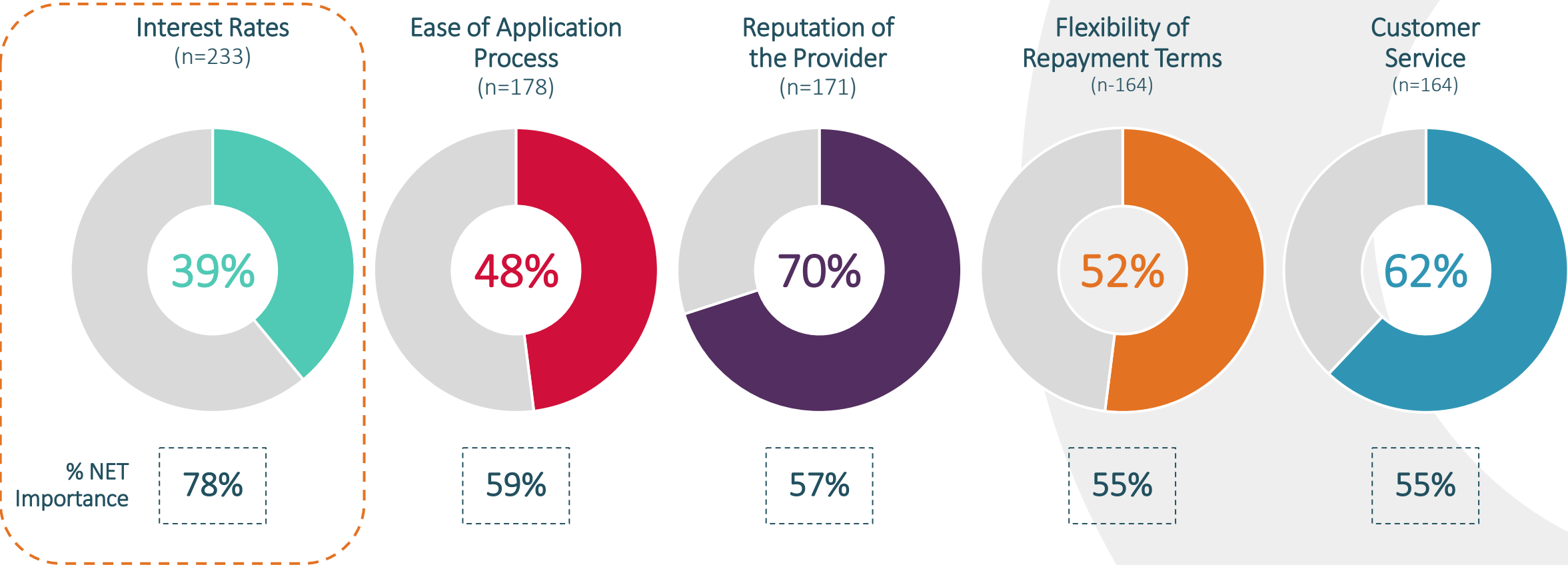
Most Important   Any Importance

# However, satisfaction is lowest with interest rates of providers



Although it ranks as the most important factor when choosing a loan provider, SME satisfaction with current loan providers is notably lower. Satisfaction is highest in reputation of the provider.

Satisfaction with Current Loan Provider Factors of Importance: % NET Satisfied



Q.27 And for each item you have selected as being important when deciding on a loan provider, how satisfied are you that your needs are being met by your current provider?

Base: All SMEs who selected each factor as important)

# The Construction sector are less satisfied with their loan providers across all metrics

This is reflective of lower satisfaction at an overall level with their banking provider within this sector. Low levels of satisfaction with interest rates of providers consistent across all sectors.

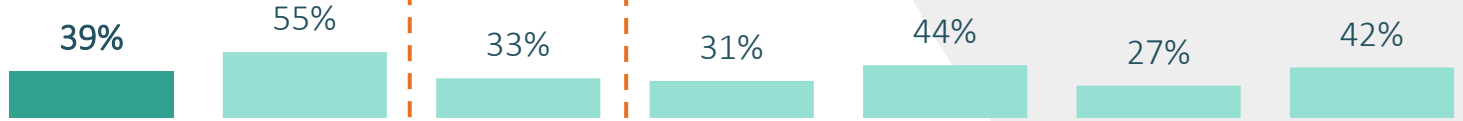
○ Significant difference vs all SMEs

Q.27 And for each item you have selected as being important when deciding on a loan provider, how satisfied are you that your needs are being met by your current provider?

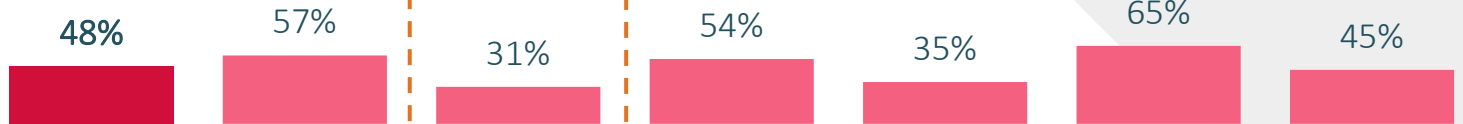
Base: All SMEs who selected each factor as important)

## Satisfaction with Loan Provider Factors of Importance x Industry Sector

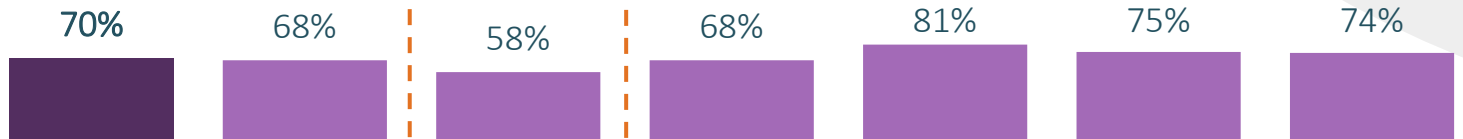
Interest Rates (n=233)



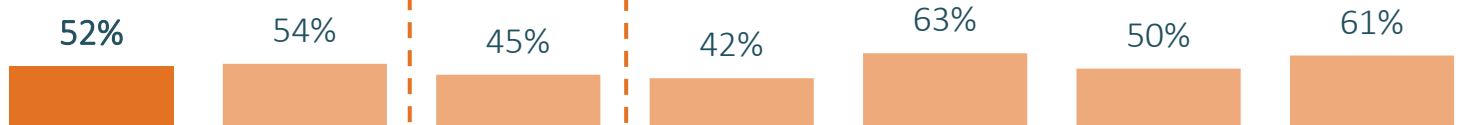
Ease of Application Process (n=178)



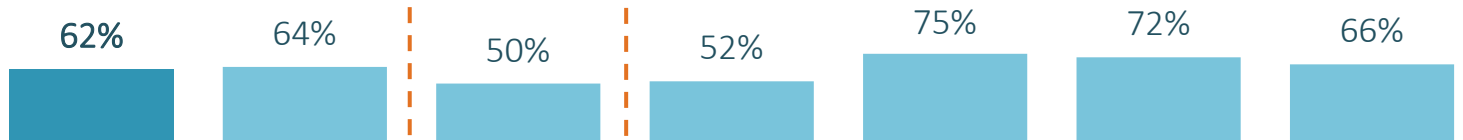
Reputation of the Provider (n=171)



Flexibility of Repayment Terms (n=164)



Customer Service (n=164)



All SMEs

Automotive & Machinery

Construction

Furniture & Home Goods

Hospitality

Retail

Technology & Business Services

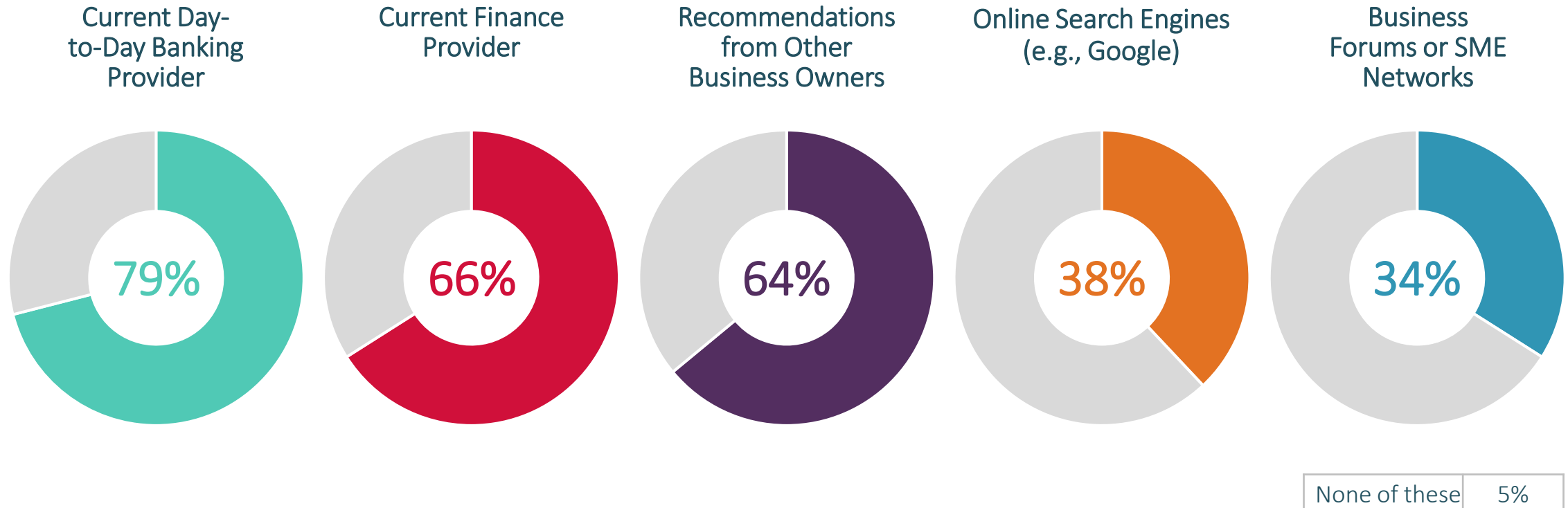


# Day-to-day banking provider most often turned to for financing



However, current finance providers and recommendations from other business owners are also relied on when dealing with business financing, with around 2-in-3 SMEs also turning to these.

## Business Financing Solutions: % Yes



Q.28 Thinking about when your business needs financing, which of the following, if any, would you normally turn to for solutions? Please answer yes or no for each of the following.

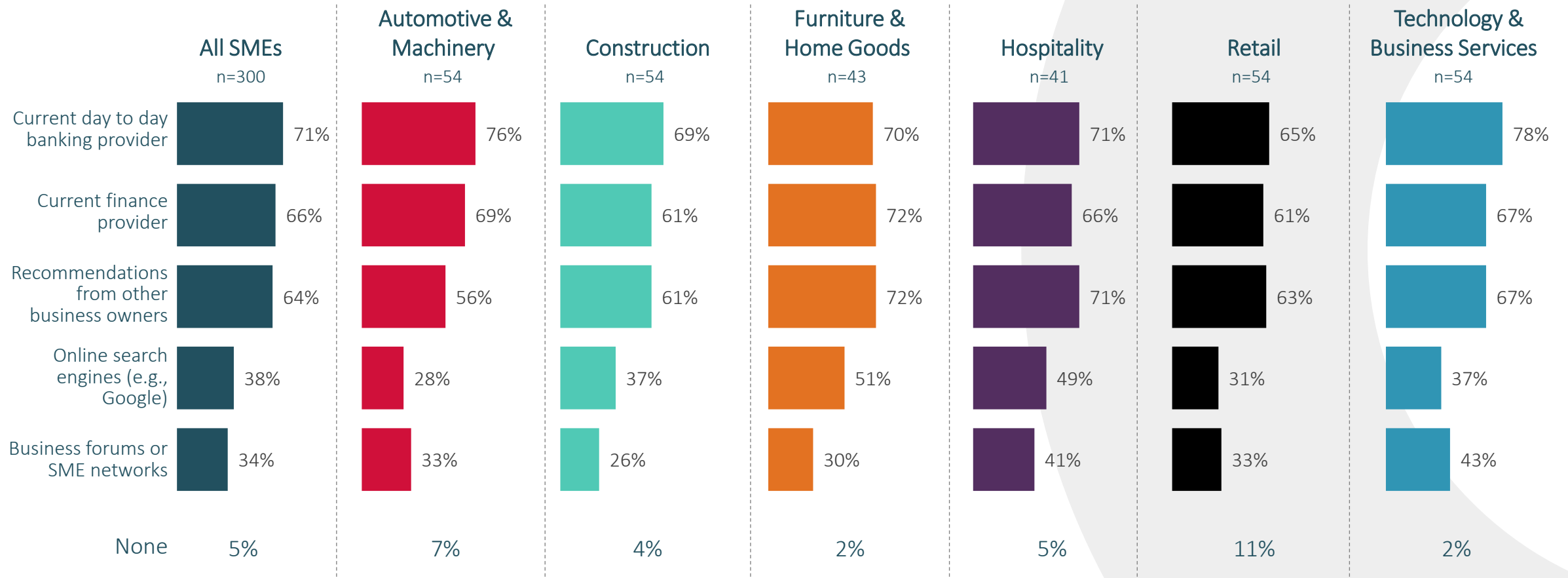
Base: All SMEs; n=300

# Top 3 business financing solutions consistent among all sectors



While online search engines and business forums/SME networks play a lesser role overall, they play a greater role in Furniture & Home Goods and Tech & Business Services sector respectively, albeit not significantly.

## Business Financing Solutions x Industry Sector: % Yes



○ Significant difference vs all SMEs

Q.28 Thinking about when your business needs financing, which of the following, if any, would you normally turn to for solutions? Please answer yes or no for each of the following.

Base: All SMEs; n=300

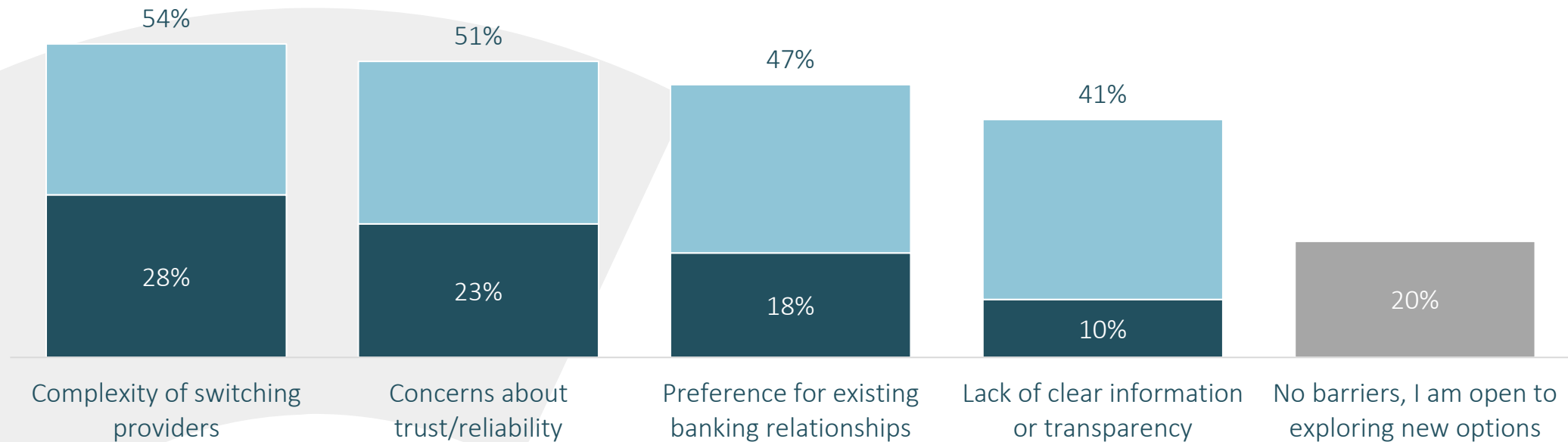
# Switching process is the biggest deterrent of trying new providers



While trust/reliability of new finance providers, preference for existing providers and lack of info also act as barriers for many SMEs. Positively, 1-in-5 are open to exploring new options when it comes to finance providers.

## Barriers to Trying New Financial Provider

Any Barrier  
Top Barrier



Q.29 Which of the following, if any, are barriers that prevent you from trying a new or unfamiliar financial provider? Please select all that apply.

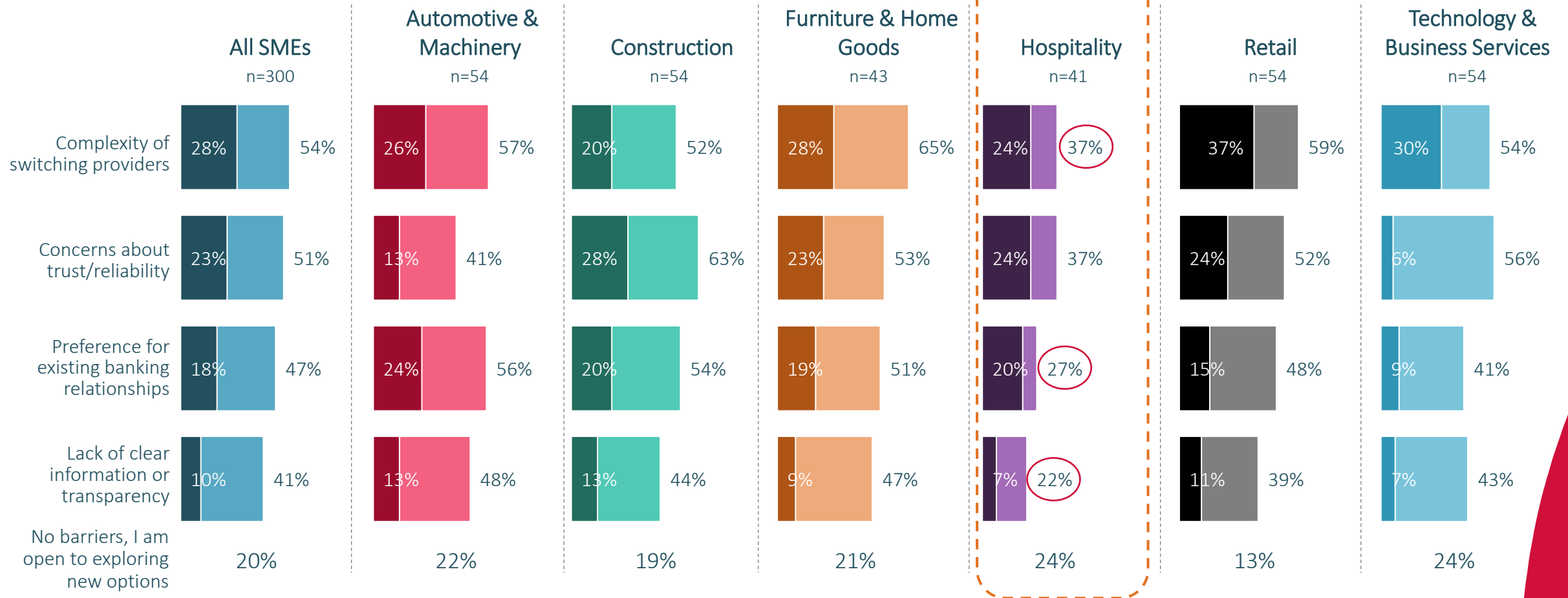
Q.30 And which of these is the biggest barrier? Base: All SMEs; n=300

# Hospitality sector least resistant to trying new finance providers



Hospitality significantly under-index on most potential barriers.

## Barriers to Trying New Financial Provider x Industry Sector



○ Significant difference vs all SMEs

Q.29 Which of the following, if any, are barriers that prevent you from trying a new or unfamiliar financial provider? Please select all that apply.

Q.30 And which of these is the biggest barrier? Base: All SMEs; n=300

Top Barrier   Any Barrier

**THANK  
YOU**

[www.redcresearch.ie](http://www.redcresearch.ie)

**REDC**

